Ownership & Control
1983

Sept. - Dec.
Gencor is mystery suitor for Tedelex

Financial Editor
GENCOR is the mystery suitor for Tedelex and announced yesterday that it would acquire a controlling interest at R1.00 cents a share. The shares were suspended at 500 cents on Tuesday and should be reinstated today.

The Sisme family hold 45.77 percent of the company.

Gencor said briefly that it would make a further announcement soon and advised Tedelex shareholders to exercise caution in trading their shares.

The R1.00 cent valuation puts Tedelex shares on a PE ratio of 6.4 yielding about 4.9 percent and values the company at about R145.6m.

The last annual report, issued in August, put net asset value at 467 cents a share.

Report

Meanwhile, a Sapa report on Tedelex published on Monday gave incorrect year-end figures and implied the group suffered a loss.

Tedelex's turnover for the year ended June 30 was R594 772 000 (not R594 772, an increase of 11.5 percent over the previous year.

Profit before tax was R37 947 000 (not R37 947), which was R10 332 000 (not R10 332) less than the for previous year — 21.4 percent down.

Profit after taxation totalled R24 106 000 (1982).
TOTAL's diversification programme has resulted in the purchase of an 80% interest in Paulstra, a metal bonding company specialising in the supply of parts to the transport industry.

Total has not disclosed the exact amount paid for its interest but managing director Mr. Bernard Lafitte said it involved an "investment of a few million rand."

He indicated that the amount included a significant quantity of funds allocated to modernise the existing plant and to acquire some sophisticated testing equipment.

"We hope the motor industry will recover in the near future and we expect our turnover to increase by 20% over the next two to three years," said Mr. Lafitte.
The Competition Board has been ordered to conduct an urgent investigation into conglomerates and the concentration of economic power.

By JOHN MULCAHY

South Africa.

The Competition Board has been ordered to conduct an urgent investigation into conglomerates and the concentration of economic power.
Commerce welcomes move

By GERALD REILLY and GEOFFREY ALLEN

THE Competition Board is expected to start probing conglomerate activity within days of the Minister’s announcement being published in the Government Gazette.

The chairman of the Competition Board, Mr. Dawid Mouton, said the investigation would begin as soon as the authorization appeared in the Gazette.

Organized commerce and industry last night welcomed the Government’s directive to the Board.

Mr. Robin McGregor, author of the book “Who owns whom,” which highlighted the massive complex of interlocking companies operating in South Africa, said he was delighted with the Minister’s decision.

The country needs this type of inquiry very badly, but the Minister must put his money where his mouth is and hire top people and provide the money so that this sort of investigation can be thoroughly conducted.

“The top people in business are obviously going to resist it with everything they’ve got. It could do the country a tremendous amount of good if it were done properly,” said Mr. McGregor.

“It’s my belief that big business has made the Government look a bit stupid by allowing this sort of activity in its own backyard.”

Mr. Brian Goodall, the Progressive Federal Party’s deputy finance spokesman, said he doubted whether the Government would have the political courage to implement the resultant recommendations, but said that the increasing concentration of economic power in the hands of fewer and fewer organizations was cause for concern.

Concentration of power was contrary to the concept of a free market system, which the Government professed to follow, he remarked.

A spokesman for the Johannesburg Stock Exchange said that the JSE had frequently said that there was a shortage of scrip on the market, in which up to 80% of the shares are owned by a handful of institutions such as Sanlam.

“Sanlam could control anything up to 200 pension funds all investing on the Exchange. But the real decision is whether big companies are necessarily bad or whether you can in fact have benign monopolies,” he said.

An executive of the Free Market Foundation, speaking in his private capacity, said that benign monopolies could effect price decreases by operating on a massive scale and becoming more efficient.

Mr. Red Iornsie, president of the Federated Chamber of Industries, welcomed the Minister’s directive to the Monopolies Board to be more vigorous in the exercise of its powers to review mergers and acquisitions, and to ensure the safeguarding of the national interest.

Historically, he said, South African companies had tended to consolidate in times of economic downturns.

Mr. Raymond Parsons, chief executive of the Association of Chambers of Commerce, said in view of the magnitude of recent takeovers and mergers, it was understandable that the Competition Board should be asked to investigate interlocking directorships and related issues.
TAKEOVERS
Who's next?

The recent spate of corporate takeover activity on the JSE has revived the favourite old pastime of spotting the next target. Although there has again been much fuss about SA industry falling into fewer hands — there are still a great number of listed "independents."

In fact, there are almost 100 quoted companies where control is either in the hands of the directors or family interests. There are another 20 or so with control firmly held overseas. While these represent a relatively small percentage of total market capitalisation, some of these companies offer significant opportunities for larger SA corporations and institutions to expand their power bases.

The recent strength of the market, and more particularly the industrial counters, has been almost solely due to the weight of institutional buying. While some expect this phenomenon to provide less of an underpin in the coming months, it is unlikely to be completely diluted until there is a major revision of existing foreign exchange control regulations.

From the investor's point of view, therefore, the trick is to anticipate which will be the next company to come under the hammer. Recently, Tedelex was snapped up at premium by Gencor; SonoC minority shares were made an offer by controlling shareholder Tongaat, B & S Steel was bought out by unlisted Gundle; Xectics moved into the Kohler/Gencor stable; and SA Druggists was fully integrated into the Ped Volks group.

Going back further, control of Rennes was bought at a surprising premium by Old Mutual, Metal Box was merged with Nampak, control of Premier was returned to SA and a virtual flat glass monopoly was established by the merger of Pilkington and parts of Plate Glass. Although many analysts are expecting the pace to slacken, it is unlikely there will be any immediate end to the current hunting season for bargain-basement acquisitions. Already there have been warning notices posted regarding Alderson & Flitton — which may affect the share price — and Tucker's Land — which could conceivably result in an offer for the company.

So what are the criteria for the dissporng/speculative investor seeking a quick profit through an offer to minorities? In trying to analyse this, many paradoxes quickly emerge. It could be a successful company with an apparently firmly entrenched foreign parent. It could be an ailing local concern that has a wide spread of shareholders but no obvious control. It could even be a family company with no apparent heir, or a chief executive who wants out.

Nevertheless, at the top of many analysts' lists is engineering company Abercom Sanlam already has over 23% of the equity and may be considering increasing its investment. And, at current prices, it would cost the insurance company only R17m to raise its stake to over 50%. Apart from Sanlam, the shares are fairly widely held and Sanlam would have no real difficulty in increasing its stake — should it so wish — at a relatively small premium.

Another possibility, in the same sector, is NEI. Seemingly oblivious to a recession which has left black marks on many of its competitors, NEI is going from strength to strength. A 62.5% stake held by the company's UK parent is obviously not easily up for grabs. But circumstances can change quickly if the price is right. — Jardine, Matheson, which sold Rennes in a rush, will certainly vouch for that.

However, NEI is currently priced at over 2 000c which is hardly in the bracket of the small investor looking for a bargain. Down the scale a little, National Veneer has caused more than passing comment in recent months. Though tightly held by the Pearlman family — over 70% — the shares are only 55c each. Returns are not spectacular at the current 2.7% dividend yield, but a link-up with one of the building companies, which are seemingly impervious to the current economic downturn, should not be ruled out.

The packaging sector is an area where virtually all independents have already moved closer to the giants. But there is an exception. Metal Closures sticks out like a sore thumb. Currently priced at 950c and on an historic 5.5% dividend yield, it is placed on the fence of investors' opinions. Its products — bottletops, crudely speaking — are hardly likely to suffer a heavy demand knock and the concentration of influence in this field means it should never be short of suitors. A reasonable premium should be sufficient to persuade the UK parent to part with its 77% holding in the SA subsidiary.

For a real flyer, investors might be tempted to have a bite at the Messina cherry. Pitched in the middle of the range at 630c on a 4% yield, it is not unattractive. African Finance holds the balance of power through a 25% stake — but there also is a significant Anglo American shareholding. The group's profile has changed markedly in recent years, with the contribution from the Datsun/Nissan franchise far outstripping the flagging copper income. Anglo's major motor investment — Sigma — has hardly lived up to expectations and there would be potentially enormous cost-saving and marketing benefits to be gained from a...
GENCOR/TUCKER'S LAND

Questionable actions

What is the rationale behind Gencor's option to buy Tucker's Land at 750c a share? The answer must be left dangling. But a number of facts suggest that the option has been based on the low share price and the need to expand Gencor's land portfolio. The price of the option is so high that it is probably bumping against the boundaries of Cloud Cuckoo Land.

Of course, no one has any idea of the true value of Tucker's Land. The company's financial statements have been heavily qualified by its auditors for several years. And last year, the company reported a "material irregularity" in its accounts. Gencor owns a significant share in the company and has a long-term interest in it. So the arguments have been put forth to justify the high option price. The option is due to expire on September 29. Gencor's directors are said to have approved the option, and the company's shares have risen sharply in anticipation of the turmoil.

And it is particularly curious in light of the fact that Gencor has three rejected previous approaches by Tucker's at prices well below the current option price. Perhaps, the fact that scarcely 16 months ago Tucker's was embroiled in litigation with a group of township shareholders, some of whom were threatened with liquidation of the company. If their legitimate claims were not settled, Tucker's was rescued by the intervention of Mercabank, which guaranteed the company's repayment to its township creditors to the tune of R7m.

Further clouding the issue is the fact that both Mercabank and Gencor are ultimately controlled by Sanlam. This gives rise to the odd situation where one Sanlam-controlled company is considering a R50m option to buy a firm of dubious worth which was haled out only 16 months earlier by a sister company (Mercabank) in the Sanlam stable.

Despite Mercabank's long association with Tucker's — its MD Charles Ferrera has been on Tucker's board for several years — the bank has not been called upon by Gencor to help evaluate Tucker's land and property portfolio. Ferrera says he valued the company "at the crisis time" in April 1982 at a "approximate takeover value of 900c per Tucker's share". This suggests that Gencor could be committed to heavy development expenditure if it decides to buy Tucker's And, any future profits to be turned after the takeover would obviously be a long way down the line.

Meanwhile, Gencor is paying Rs 900 a day to Tucker's in terms of the option while it attempts to value the properties contained in the portfolio. The option has been extended from the original expiry date of September 2 to September 30. So Tucker's will end up with a tidy sum at the end of the period, even if there is no offer by Gencor. The mining house's shareholders may well question that arrangement, particularly since the decision to take up the option was not approved in advance by Gencor's board. Gencor's directors were instead simply told that the option had been taken out.

Then there is the role of the JSE. Despite the auditors' repeated qualification of Tucker's accounts (and the current police investigation), the JSE has stubbornly declined to suspend the share. Furthermore, when Tucker's posted a cautious notice on June 2 announcing it had granted a purchase option at 750c a share, there was still no talk of suspension. The result was predictable: the share price, which was languishing at 990c at end-May, climbed steadily to a high of 450c in heavy volumes as speculators piled in. It is currently trading at 440c.

It was hardly a desirable reaction, but JSE listings manager Doug Gair argues that suspending the share "would have locked in shareholders who did not necessarily want to be there." Similar logic has long been used to justify the continued listing of Tucker's, even though it is probably the country's most disreputable quoted company.

Gencor is under no obligation to exercise its expensive option over Tucker's. If it does not, the price of the share will undoubtedly plunge. One hopes, however, that by the end of September there will be some coherent explanation of why Gencor chose to act as it did, and that a true value for Tucker's will finally emerge.

Chris Wilson

SAGE HOLDINGS

Can it continue?

Shareholders can be satisfied with Sage's first-half results and the much higher dividend payout. However, directors seem to imply that second-half earnings growth
SA monopolies probe welcomed

Financial Reporter

THE directive to the Competition Board by Minister of Industries, Commerce and Tourism Dr Dawie de Villiers to examine the effect of interlocking companies and directorships on economic concentration and competition has been widely welcomed.

"Mr Robin McGregor, author of Who Owns Whom, said such an investigation was long overdue."

"If we would not be possible to bring the inflation rate down to one figure without doing something about the country's cartels."

"With two or three people having such enormous control over the Stock Exchange, there is a lot for the Competition Board to look at."

Money

"But if the board is going to do this investigation properly, Dr de Villiers will have to give it more money and men."

Mr McGregor recently claimed that three organisations, Anglo American, Sanlam and Barlow Rand, controlled almost 75 percent of the Johannesburg Stock Exchange.

A Spokesman for Anglo American said today that it had noted Dr de Villiers's remarks. Should the Competition Board call upon Anglo American for assistance in their inquiries it would co-operate in every way.

Federated Chambers of Industry president Mr Rod Ironside said in Port Elizabeth the examination was a constructive step. Reports Sapa.

Recently several major transactions had involved mergers and acquisitions.

"The pattern of events in South Africa is that companies tend to consolidate their positions when economic activity levels fall. Nonetheless, the trend toward consolidation warrants some careful attention."

Mr Ironside said that in 1977 the policy of the Competition Board on mergers and acquisitions was developed in cooperation with the private sector.

Sufficient checks and balances ensured that economic expansion would not be retarded and that national interest, where applicable, was given full consideration.

Mr Raymond Parsons, Assocom's chief executive, said it was understandable that the Competition Board should be asked to mount an investigation in view of recent developments in the economy regarding takeovers and mergers.

Policy

"Competition policy until now has been based on the principle that it is the behaviour, not the size, of a firm which is the test of whether its actions may contravene the present anti-monopoly legislation."

"If there is to be any change in this policy, it is essential that a full study be undertaken by the Competition Board before any decisions are made."
Mr. A. Savage asked the Minister of Industries, Commerce and Tourism:

1. Whether the Competition Board has instituted an investigation into alleged monopolistic conditions in the (a) biscuit and (b) glass industry, if not, why not; if so,

2. Whether the investigation has been completed, if not, when is it anticipated that it will be completed, if so, what were the recommendations of the Competition Board in this regard?
Monopoly probe gets
business welcome

By Michael Chester
and David Braun

Government moves to consider tighter control over the operations of the giant industrial and commercial conglomerates were welcomed by economists and business movements today.

Action has been triggered by Dr Dawie de Villiers, the Minister of Industries, Commerce and Tourism, in an urgent instruction to the Competition Board to investigate interlocking companies, directorships and labour forces.

"The probe into the concentration of more economic power in fewer hands is likely to result in the Competition Board being given sharper teeth as a watchdog over mergers and takeovers."

It comes in the wake of disclosures by Mr. Robin McGregor, author of "Who Owns Whom," that only seven corporate giants now hold control over companies that between them account for a staggering 80 percent of the hundreds of firms quoted on the Johannesburg Stock Exchange.

"The Anglo American Corporation was shown to be at the top of the pyramid. The others were Barlow Rand, Sanlam, Anglovaal, Rembrandt, Liberty Holdings and the Old Mutual."

Dr. D. J. Mouton, chairman of the board, today welcomed the assignment.

"Mr. Marius de Jager, the Johannesburg Chamber of Commerce's chief executive, remarked "We eagerly welcome the investigation."
Big business need not equal ‘bad’

By JOHN MULCAHY and GEOFFREY ALLEN

Growth by acquisition, while not inherently a bad thing, is not in itself productive, and business should be encouraged to direct its resources at new development to achieve its objectives.

Dr FRED du PLESSIS

Robin McGregor

It depends how you define big. If big means a monopoly then it is bad. If it means a large company operating in competitive markets then it isn’t bad,” Mr McGregor said.

He, plus various economists, pointed out that in a point the economies of large businesses means cheaper prices for the consumer, but that if they become too large those economies could fall away, leaving an inefficient operation with escalating prices.

To impose legal constraints on any business in the performance to the best of its ability in the market it serves is not only contrary to the principle of free enterprise, but is totally counter-productive.

Recently Mr William Buxton, Chief of the United States Justice Department’s anti-trust division, said that he was totally opposed to the concept that big is necessarily bad.

“Companies get big because they get successful in pleasing customers, not because they were good at ripping off the customers,” he said.

Mr Buxton said that the American experience was that, by breaking up big conglomerates, and encouraging smaller and less cost effective operations, the way was left open for Japanese products to swamp the American markets.

The South African Government sector itself must not in the position in the South African market.

The South African Government sector itself must act to put its own house in order.

The recent Samancor, in which Issor passed over control to mining house Gencor, should never have been allowed.

The Competition Board’s recommendations on the structure of the liquor industry in South Africa were rejected by Government, and raised many eyebrows as a result.

There is no point in spending valuable time, money and energy on a conmission if its recommendations are going to have no weight.

The issue of sorghum beer, where monopoly holds a guaranteed monopoly, is one obvious example of a monopolistic activity that is contrary to the best interests of consumers.

The Industrial Development Corporation is an anachronism, which in today’s sophisticated economy should be investigated.

The point is, if the Competition Board’s investigation is to have any credibility, all of these issues, as well as those noted by Dr Du Plessis, and Mr Buxton, must be considered.

Power, and all that it entails, is not necessarily a bad thing, but that privilege should be acted on ruthlessly and without hesitation.

By all means, says Dr Du Plessis, examine and investigate big groups, but the important issues are specific cases of companies abusing their positions.

On the question of assets, there are two important issues to consider: in South Africa largely, the “Big Seven” are either insurance companies or mining houses.

Insurance companies must, and do have, restricted parameters within which they are allowed to invest.

Firstly, they are committed to placing 52% of their total assets in “prescribed assets” which are broadly fixed-interest Government or semi-Government stocks.

They are necessarily competitive, and because they must show growth rates better than their opposition in order to attract and maintain new pension and other related business, they devote a major proportion of the remaining “discretionary” 48% of their assets to high-growth ventures.

In the nature of their business, they are responsible for the future livelihoods of millions of people who will later depend on life assurance policies and pensions; they cannot consider speculative high-risk ventures.

And this is really the big dilemma in big business in South Africa. The country needs new investment in greenfield projects, which will provide employment and enhance overall economic growth.

Mining houses, again by the very nature of their activities, need to be big to operate in the sectors they do.

A new gold mine complex, of the size of Vat Reeks, would by the way, cost about R 500-million to replace today, while the new two-shift development at Western Deep Levels will cost R75-million at today’s costs.

Well over R1-billion at escalated costs by the time it is completed.

So there is no question that mining houses need to have huge capital bases to cope with such development.

This does not, of course, justify their diversification into other fields, as this is not inherently incorrect or unacceptable.

But there seems little justification for the determination by any one company to dominate in any sector of dominance, and to achieve this at any cost.

It is here that the Competition Board can and should act effectively; and again the ground rules need to be clarified.

By establishing a definitive rule — say, 40% of a market, or 5% — the thinking to expand into new fields should be obliged to do so by organic growth, and instead of acquisition.

In this way resources could be directed at areas that could supply critical employment.

Growth by acquisition, while not inherently a bad thing, is not itself proper, and business should be encouraged to direct its resources at new development to achieve its objectives.
Move to beef up monopoly board's muscle

BY BRIAN POTTINGER
THE Competition Board — responsible for unravelling the strands of the country’s complex business conglomerates — is faced with crippling staff shortages and a budget reduction. The board has the distinction of being one of the few government institutions which actually has its working budget reduced this year — from R305 000 to R33 900.

But Dr Dawie de Villiers, Minister of Industries, Trade and Tourism, this week assured the Government was giving urgent attention to boosting the staff and effectiveness of the board.

Dr de Villiers announced on Thursday that he had given urgent instructions for the board to inquire into and advise on interlocking business undertakings and directorships and their effect on economic concentration and competition.

And just this week the Competition Board called for an inquiry into the proposed new constitution which provides for a national goal to the furtherance of effective competition — the budget of the Competition Board was cut.

And in the latest report of the Competition Board, chairman Dr D J Moston warns that unless staffing improves, the board “will clearly be unable to perform the public and the private sector’s high expectations”.

This week Dr de Villiers said the cut in the board’s budget did not imply any reduction in its effectiveness — it had been reduced simply because it was employing fewer staff as a result of difficulties in attracting the right people.
Anglo created 26% of the JSE says Relly

By SIMON WILLSON
Industrial Editor

THE ANGLO American Corporation was responsible for creating entrepreneur businesses which now accounted for 26% of the value of the Johannesburg Stock Exchange, the corporation's chairman, Mr Gavin Relly, said yesterday.

Speaking at a meeting of the South Africa-German Chamber of Trade and Industry in Johannesburg, Mr Relly said recent well-publicised computations of the proportion of the JSE under Anglo's control included too much "double counting" to be accurate.

"Let us ask instead of what proportion of the stock exchange's value today could it be said that Anglo America was responsible for creating as entrepreneurs and risk-takers?"

"It is 26%. Thus figure accounts for things we have done, not things we have taken over.

"It represents mines we have started and industries we have put together, and it is a figure to be extremely proud of.

"Rank and private enterprise were inseparable and South Africa was fortunate that its tradition was of entrepreneurs who were not afraid of taking risks.

"As a result of their success we have companies which have the size and resources to stand the inevitable strains and stresses consistent with an emerging economic society.

"Very great risks in mining had brought very great rewards, and people tended to forget that there had been very great losses too.

"I have argued before and do so again that we cannot afford, in a frontier economic society, all those nice rules and regulations which so tortuously determine, for instance, American business behaviour.

"Mr Relly aligned himself with the school of thought calling for protection of South African domestic industries from overseas competitors.

"He said the main thrust of Government policy should be to encourage, in every way, private initiative to expand South Africa's industrial and commercial base.

"Encouragement of the expansion of the industrial base includes the prudent regulation and protection of the industrial base from impossible foreign competition.

"He expressed concern at the inflationary consequences of modern economic ethic.

"When we recall that the economic ethic of Victorian times was 'Save and Prosper' — and there is no doubt that it helped to make British industrially powerful — I think we must all have a sense of concern that the equivalent modern ethic is something like 'Buy Now and Pay Later'.

"The tendency today may be to try to have our cake and eat it — to leave the money in the bank and spend it. That sounds like inflation.

"Mr Relly warned of the possible consequences of continued high interest rates.

"A prolonged period of high real interest rates will woo investors away from entrepreneurial risk-taking. They may hide the habit and prefer to leave the money in the bank.

"There might be a case for arguing that modern wealthy societies embraced a security psychology and ploughed their savings surpluses into future security rather than immediate risk.
Anglo chairman defends large corporations

JOHANNESBURG — Anglo American Corporation Ltd’s chairman Mr. Gavin Kelli defended large corporations like his own against criticism that they have too strong a grip on South Africa, saying that firms had to be big to compete internationally.

In a speech to the South African-West German Chamber of Trade and Industry, Mr. Kelli argued against excessive regulation of business.

Investigation

Last week the Trade and Industry Minister, Dr. Dawie de Villiers, said he had ordered the Competition Board to make an urgent investigation into the country’s conglomerates and their effect on competition.

Dr. De Villiers mentioned the possibility of new legal restrictions after referring to the findings of share analyst Mr. Robin McGregor, who has calculated that the Anglo-American Corp controls over half the Johannesburg Stock Exchange’s share capitalization.

Mr. Kelli said, "We cannot afford, in a frontier economy, to have the rules and regulations which so tortuously determine, for instance, American business behavior."

"The main thrust of government policy should be to encourage every new private initiative to expand our industrial and commercial base," he said.

A marxian looking at the world’s economies would see many contradictions both in capitalist and socialist systems and would see the importance of size, Mr. Kelli said.

Economic growth

He said economic growth depended on the initiative of black, coloured and Indian citizens and on protection of South Africa’s industrial base from what he called impossible foreign competition.

Asked after his speech about the need for protection, Mr. Kelli said protective barriers against competition from countries like Japan should not be removed hastily.

"The problem at the moment is that we have very small industrial production units here and they are simply not competitive overseas," he said. — Reuter

Quick report

Stockmarket active

Golds dropped across the board on the stock exchange yesterday. After the sharp drop in the bullion price, London.

The stockmarket closed lower in black trading and the FT index closed at 688.8 down 12.1 its first drop below 700 since July 19.

Dollar stronger

The dollar ended stronger, propelled higher by the likely impact on interest rates of the United States Treasury’s quarter-end funding needs and expectations of money supply growth.

Wall Street

NEW YORK — Stocks opened broadly lower on Monday and then stabilized through late trading Thursday in an extension of the market’s slide. Motor, oil, retail, chemical and forest products issued paced declines in trading time that slowed considerably from the previous day’s pace. Golds easier

JOHANNESBURG — Golds dropped across the board on the stock exchange yesterday after the sharp drop in the bullion price which was fixed at $405.75 an ounce yesterday afternoon compared with $413.75 on Monday afternoon.
Govt inquiry doesn't worry OM

By HAROLD FRIDHJON

OLD MUTUAL, one of South Africa's financial giants which is putting aside R176-million to its resources every year, is not concerned about the proposed inquiry into conglomerates and the concentration of economic power in South Africa.

Mr Franz Davin, Old Mutual's managing director, told a Johannesburg Press conference yesterday he saw no reason for concern. He did not believe a concentration of power necessarily caused monopolistic conditions.

"I do not believe that we can tolerate monopolies in this country. It is not in the best interests of the people. But if groups were operating under monopolistic conditions to the disadvantage of the public, then action should be taken to stop it. But I do not believe that it is happening."

Reacting to the suggestion that the concentration of power led to "tied" business, Mr Davin denied that the Nedbank Group did a large part of Old Mutual's banking business because the assurance group held a large share in the banking group.

There was no question of this being "tied" business.

Some years back, Standard Bank was the Old Mutual's main banker.

At that time, Nedbank had a small percentage of the total. It was then decided to spread the banking business around and it was split almost equally between Standard, Barclays and Nedbank, with Volkskas getting a small share.

Nedbank held only about 35% of Old Mutual's banking, which was a fair proportion.

Questioned about the large holding in Rennes, Mr Davin said this represented no change in management policy, in spite of the fact that Old Mutual held 75% of the equity. He emphasised that although 75% was control, a holding of 30% was de facto control.
Giants' feud rekindled

By Alec Hogg

THE fierce big-business feud between the Old Mutual and Liberty Life reared its head again this week.

It caused the shock suspension of trading in the shares of the Standard Bank group (Stanbic), which is the first time such an action has been taken by one of the big four South African banks.

It could lead to the scotching of a deal which drew no criticism at all from the financial authorities until nearly three weeks after the initial announcement.

OM, Liberty wrangle over Stanbic deal

It received when Liberty, together with an Anglo American/JCI consortium, took control of Premier and with it 34% of SA Breweries.

At the time of the initial deal Stanbic and Liberty did not approach the Registrar for approval.

It was not deemed necessary. Not only is the proposed amendment to the Insurance Act still in the drafting stage but the bank is acquiring a joint controlling position - not in Liberty itself but in its ultimate controlling company Stanbic.

It is being argued that the Liberty/Stanbic deal is a deliberate attempt to achieve this before the draft legislation becomes effective.

Business Times understands that top-level discussions were held between the Registrar, Stanbic chief Henri de Villiers and Liberty chairman Donny Gordon at the Standard Bank Centre in Johannesburg this week.

According to market sources, the Registrar's involvement was prompted by protests on the deal from the Old Mutual, which is still smarting from the treatment

Traditionally, the Old Mutual results are released at least two weeks later, and often only in early October.

Analysts also note that the Old Mutual has a stake of 21% in Stanbic, which will be watered down to 19% if the deal with Liberty is concluded.

On the other hand, if the deal is scotched it will be a severe slap in the face for Mr Gordon, who personally stands to gain substantially if the deal is concluded.

He and Liberty managing director Michael Ragg will receive 6.7-million Stanbic shares in addition to R42-million in cash from the deal.

That the shares were issued at R0 compared with the pre-suspension market price of R11.50 is an added bonus (of R16.6-million) provided the deal still goes through.

Locally, Standard Bank executives were reluctant to comment on the suspension. They confirmed, however, that the shares would be re-listed tomorrow.
When big call

A MAN from Mars, studying the socio-economic development of the world up to the last 40 or 50 years, would be hard put to make up his mind to what system was operation.

He would be surprised that an apparently non-government government in Bantu had, for a long time, practised a socialist system of centralised control and public enterprise.

In the United States, the market of free enterprise he would be puzzled by the great deal of socialised enterprise which was needed to support government, and other support. He would find it fantastic that successes could be achieved in government spending, revenue, and space exploration.

He would see in France which supposedly values individualism, above all else, that virtually the entire economy was controlled, the state, while in the United States, a great part of what might be called enterprise, was held by the government and other institutions.

He would, nonetheless, observe that while in the United States, there was a socialist system to work at the same time, experimenting with enterprises and there with departments of enterprises and customs. Finally, he would be surprised by East Germany where successful economic activity was apparent but it had to be private and not than to a highly planned system of all planning, coupled to a more cultural system.

He would have to take into account the size of business - particularly international business, complexity and size, and he would have to come to the conclusion that government on a large scale would, in the future, tend to be confined to investment by unified and large, if done by government, he would have to make a philosophical choice who will take the responsibility.

He would also see that many respect such was essential to ensure ability to compete with nationally. There is no doubt that one of the main changes strongly has been the rise of the system of the Industrial Revolution.

Adam Smith would have had a profound effect on the structure and form of society. He would have been aware of the capitalistic society as much as a free society. The individual's freedom initiative to succeed or fear in enterprise was untrammelled by government interference with natural market forces.

The philosophy of Capitalism was invented to do the official "half" of
be beautiful
...especially in business

Anglo American chairman

GAVIN RELLY

takes up the cudgels for the giants in the takeover controversy

end of the last century — not least communism and socialism, but as its effectiveness depends more on what it is not than on what it is, capitalism is not the easiest thing to define in comparatively numerable logical phrases.

We all know, as did our man from Mars, that any economic system is dynamic, even in the USSR, and will not stand still.

It is not surprising, therefore, that the usages, customs and practices within our own society should change also.

We see in South Africa, as much as in the world at large, a change from private-enterprise thinking on the part of individuals to a more security-based outlook, directed not so much at doing one's own productive thing as to arranging matters for one's retirement.

At the same time, increased regulation and involvement by governments have reflected the problems of politicians' responses to popular democracy, with the result that a larger and larger proportion of the GNP has moved from the private to the public sector.

These trends need to be read together with the security-conscious thinking I have referred to.

Modern communications allow us to identify immediately with unrest and uncertainty taking place in the world and this, perhaps, leads us to place greater and greater emphasis on security, particularly for the future.

It may be that this habit in individuals has the same effect as socialistic practice has on nations and the will to strive and take risks is thus subdued.

Of course, one of the immediate effects of this security-based attitude is the enormous flow of funds to the institutions dealing with long-term insurance and pensions and to those institutions concerned with the establishment of real assets.

These trends are even more impressive when expressed in money terms, even when allowance is made for high inflation.

In the United States, for example, the market value of US institutional holdings increased between 1955 and 1980 from $31-billion to $833-billion.

It seems, therefore, that there may be a case for arguing that modern wealthy society embodies a security psychology and ploughs their saving surplus into future security rather than immediate risk.

If this is the reaction to inflation it may prove to have been a wrong response. Certainly no one would question that man's economic habits have changed and we are told constantly that we live in a consumption society.

But, as we have seen, this does not mean that people do not save, but rather that society is wealthy enough to tolerate allocations to both pensions and personal consumption.

But is it? It seems to me that the major problem facing the post-United States and society, and indeed this is true of Europe as well, is the progressive inability of companies to cope with the demands which are placed on them.

High taxes, high pension contributions, high provisions for capital and technological advance, high salaries and wages — all ensure that if investors are also to enjoy a return on their capital input, one or another of these other claims will have to suffer.

In the United States, it seems to me that the elements which suffer tend to be proper provision for capital renewal and company development, which tend not to be funded properly, if at all.

Also I might mention the possibility that a prolonged period of high real interest rates will woo investors away from entrepreneurial risk-taking, they may lose the habit and prefer to leave their money in the bank.

However, when we recall that the economic ethic of Victorian times was "save and prosper" — and there is no doubt it helped to make Britain great — I think we must all have a sense of concern that the equivalent modern ethic is something like "fly now, pay later".

The tendency today may be to try to have our cake and eat it — leave the money in the bank and spend it. But what does all this mean for private enterprise with its original fundamental implications that some people were prepared to risk their capital and their skills for higher rewards than working for a salary and putting their savings into a pension fund?

Will the great institutions of western society, as the repositories of a nation's saving propensity, assume the task of risk-taking?

Will they have to become the entrepreneurs of a new economic society? This is difficult to visualise as the institutions are by practice unsuited and by definition not allowed to be risk-entrepreneurs.

In North America, of course, banks (though not insurance institutions) take much greater risks in project finance — particularly in mining — than they do, for instance, in South Africa.

This is because in North America there are no investment vehicles like the South African mining finance houses which, in one way or another, have been the architects of South Africa's economic growth.

Very great risks taken in mining have brought very great rewards so we tend to forget that there have been very great losses too.

In the Free State Anglo American had to give up to Lorraine and Jeanette, Anglovaal on Murrayspruit, Goldfields on Sausplaa and JCI on the two Freddies mines and most groups have lost money from time to time on non-gold ventures.

But risk and private enterprise are inseparable in South Africa. It is fortunate that its tradition is certainly of entrepreneurs who are not afraid of taking risks, and that as a result of their success we have companies which have the size and resources to stand the inevitable strains and stresses concomitant with an emerging economic society.

The Anglo American Corporation, for example, is responsible for creating entrepreneur business which now accounts for 26 percent of the value of the Johannesburg Stock Exchange.

Recent well-publicised complainations of the proportion of the JSE under Anglo's control include too much "double counting" to be accurate.

Let us ask instead: How much of the stock exchange's value today was Anglo American responsible for creating as risk-takers and entrepreneurs? It is at least 25 percent.

This figure accounts for things we have done, not things we have taken over. It represents mines we have started and industries we have put together and it is a figure to be extremely proud of.

I have argued before and do so again that we cannot afford, in a frontier economic society, all those nice rules and regulations which so tortuously determine, for instance, American business behaviour.

The unregulated financial institutions and practices we have in South Africa and our high standing and strong commitment to the security of our mineral resources should not delude us into thinking that our economic structure can deliver what we want from it in terms of growth and, at the same time, endure excessive regulation.

We have only to see the frailty of our agricultural system, note the fact that the bulk, by far, of our income tax is paid by a very small minority of the population (7.1 percent) and recall that less than five percent of the South African GNP is devoted to welfare payments to realise that the main thrust of government policy should be to encourage everywhere, in every way, private initiative to expand our industrial and commercial base.

(Extracted from a speech to the SA German Chamber of Trade and Industry)
Bid to prevent Standard Bank merger thwarted

By JOHN MULCAHY
Deputy Financial Editor

AN astonishing new front in the battle between South Africa’s business giants has been won by the Standard Bank/Liberty Life alliance, which has thwarted moves by Old Mutual to scupper the planned merger of the bank and the assurer.

The proposed deal between Standard Bank Investment Corporation and the Liberty group, originally announced on August 28, and a curious sequel last Thursday, when Stanbic requested a two-day suspension of the listing of its ordinary and preference shares on the Johannesburg Stock Exchange.

The merger proposals, which have now been given the go-ahead by the Minister of Finance and the Registrar of Financial Institutions, provide for the purchase by Stanbic of additional shares in LifeLite Controlling Corporation which is the ultimate controlling company in the Liberty group.

Stanbic’s stake in LifeLite will be increased to 50% from 25%, and effectively the bank will have joint control of the giant insurance group, until now controlled by Mr. Donald Gordon, Liberty’s chairman, Mr. Michael Rapp, Liberty’s deputy chairman, and their respective family interests.

It has now emerged that the request for a suspension stemmed from the fact that the Registrar of Financial Institutions, Mr. Robert Burton, questioned the validity of the transaction in terms of the Banks Act.

The transaction was discussed in full during talks after the suspension between the Minister of Finance, Mr. Owen Horwood, the Registrar of Financial Institutions, and representatives of the relevant companies, believed to include Mr. Donald Gordon, chairman of an outside party, and Mr. Henri de Villiers, managing director of Stanbic.

In a statement issued in Pretoria last night, Mr. Horwood said he was satisfied with the bona fides of the parties involved.

“However, doubts do exist as to whether the restructuring of the shareholding in various companies could not, in general, give rise to situations where the intention of the legislation in regard to Section 21(2) of the Banks Act, 1965 may be defeated.”

“This problem is now being investigated thoroughly with a view to a possible early amendment to the legislation.”

Merchant banking sources said last night the belated reaction of the Registrar of Financial Institutions definitely pointed to the intervention of an outside party after the deal was originally announced.

She must assume that the Registrar of Financial Institutions did give his tacit consent to the deal at the initial stage, and the fact that he three weeks later expressed doubts suggests that in the interim somebody complained.”

There was consensus in business circles at the weekend that Old Mutual was the disqualified party.

Lebanese jets not down as fighting rages

- Druze militiamen are Government’s first line since 1976 by the two of its five warplanes on Friday shelling United States
- US has responded to Israeli fighting and to its peace-keeping
- Lebanese Government signed a $250-$400 deal for the shipment of US
- Lebanon President, Mr. Amnu Gemayel, yesterday landed out at Lebanon’s “occupiers” - Italy and Syria - saying they were last and smacking on the conflict and sovereignty for the tiny nation.
- The Lebanon Government “now controls only 10 to 20% of the country,” Mr. Gemayel said.
- Lebanon’s “hopes for independence and sovereignty are in contradiction with the facts and ambitions of the occupiers, the Syrians and the Israelis,” he said.

Now even more opportunity to enjoy London’s most exclusive taste.
Merger raises Plate Glass value

THE merger of the South Africa glass interests of Plate Glass and Shatterprufe Industries and Pilkington Brothers will have the effect of increasing Plate Glass's net asset value by about R60 a share to R120.

A circular to shareholders notes that Glass South Africa (Pty), a new company resulting from the merger, would have had a taxed profit of R35 159 000 had it traded in the year ended March 31. Operating profit would have totalled R38 760 000.

The new company will merge the safety glass, merchandising and contracting operations of PG's Solaglass International subsidiary and the glass manufacturing business of Pilkington.

The circular says the merger is not expected to have any effect on PGSI's earnings a share in the short term, although it should result in a meaningful increase in the long term.

After implementation of the merger, which will be effective from last April 1, Glass South Africa will hold 100% of the following companies, PG Glass, Springbok Management Services, The Ryderick Sage Group, Pilkington Flat Glass, Pilkington Safety Glass, and Shatterprufe.

PGSI and Pilkington UK will each hold 50% of the issued share capital of a new company, Salam Holdings (Pty), which will in turn hold 90.9% of the issued capital of Glass SA.

The rest will be held by Old Mutual, in exchange for its existing holdings in Pilkington Flat Glass, Solaglass International and PGSI will consolidate Glass SA in their financial statements.
Govt concern over business monopolies in SA, says PW

The over-concentration of activity and power in the hands of a few large companies was neither in the interest of the Government or the private sector, the Prime Minister, Mr FW Botha, said in Johannesburg yesterday.

Mr Botha, opening the seventh South African national congress of Chartered Accountants, at the Rand Afrikaans University, said private initiative and a competitive spirit were the most important driving forces of the system of free enterprise in South Africa.

Mr Botha said special attention was paid to the promotion of small businesses and added that the Small Business Development Corporation had shown "tremendous growth", while the Advisory Council for the Promotion of Small Businesses was also starting to show results.

"I must express the Government's concern regarding the tendency to have over-concentration of economic activity and power in the hands of a few large companies. This is neither in the interest of our country or in the interest of the private initiative," he said.

He said the Government's economic policy was aimed at the maximum economic development of the sub-continent and a fair distribution of the benefits of this development.

"During the past 15 to 18 months, 800 applications for decentralised benefits have been received, involving a total investment of more than two billion rand and the creation of tens of thousands of opportunities for entrepreneurs and workers," Mr Botha said.

He also said the Government had promoted the system of private enterprise and had brought about a number of changes to manpower and fiscal policies.

"The changes in labour relations which followed on the heels of the Wilhelm Commission heralded a new era in the South African labour market," he said.

The Southern African Development Bank officially started functioning on September 1. There were many sceptics who had doubted whether this could be achieved, Mr Botha said.

"Being a new institution, growth pains will undoubtedly still be experienced, but I do not have the slightest doubt that the influence of the Bank will be widely felt in Southern Africa," Mr Botha added that without properly planned decentralisation of economic activities, the development of Southern Africa's underdeveloped areas would remain "a dream".

As proof that the Government believed in "sound administration without corruption", Mr Botha said the Government took the initiative to create the position of Advocate-General at present occupied by a Judge of the Supreme Court.

He said changes had either taken place or were in the process of doing so in South Africa and "everybody should be in the position to play their rightful role."

"In bringing this objective to fruition we are faced with a situation of disparate levels of training and skills... Our success will depend on the extent to which the various population groups will cooperate with each other and share and transfer their knowledge and expertise amongst each other," he said.

Sapa
Govt concerned at concentration of economic power — P W Botha

Dr Dawie de Villiers, instructed the Competition Board to conduct an urgent investigation into conglomerates and the concentration of economic power in South Africa.

He said the board would investigate the desirability of additional legal and other measures for control over interlocking undertakings.

Dr De Villiers' move came soon after the publisher of "Who Owns Whom," Mr Robin McGregor, claimed that seven South African conglomerates controlled almost 73 percent of the Johannesburg Stock Exchange market capitalization.

Speaking on other issues at the congress yesterday, Mr Botha said the recently launched Southern African Development Bank would make its influence widely felt in Southern Africa and elsewhere.

The bank was "another example" of the "resoluteness" with which the government was approaching the problems of South Africa without "properly planned" economic decentralization. The development of underdeveloped areas would remain a dream.

The government's success in achieving its objectives would depend on a large extent on the degree of cooperation between the country’s population groups towards sharing and transferring their particular knowledge and expertise among one another, Mr Botha said.
Six General Tyre & Rubber Co. firms merge

JOHANNESBURG—The operations of six industrial companies owned by the General Tyre and Rubber Company (S A) have been amalgamated to form Winning and Industrial Rubber Company, the company said.

The companies are Pigott Maskew, Flexible Tubing Africa, Corroxive Resistant Coatings, Ferroplastic and Rubber Industries, Tensile Rubber and Hydraulic Component Supplies.

Mr P A Roberts, head of the industrial products division, said the move was a culmination of plans to achieve maximum utilisation of existing manufacturing resources, to rationalise production, and to improve profitability.

He said that by streamlining the operations while the market was generally depressed, they would improve their capabilities for coping with the upturn which they expected in 1984.

Most of the manufacturing activity will be centred at the company's complex in Boksburg, whilst certain operations will continue at Industria and Wadeville.

Mr Roberts has been appointed executive chairman and Mr V T Pretorius, chief executive of the new company.

A marketing division will be set up to handle the various product groups.

The industrial companies in the General Tyre group, which are not affected by this development, are Paragon Rubber Company of Alrodé, Triple 'A' Rubber Company of Durban and foreign companies—(Sapa).
State board post for UCT prof

By J MANUEL CORREIA

PROFESSOR Brian Kantor, Professor of Economics at the University of Cape Town, has been appointed to the Competition Board, official sources confirmed yesterday.

Prof Kantor is an outspoken advocate of the free enterprise system and a staunch opponent of unacceptable monopolistic practices.

His appointment is being seen as tangible proof the Government is determined to stamp out unhealthy monopoly and as a sign it is serious about its commitment to a free enterprise system.

Observers say his appointment indicates the Competition Board is about to become a more active watchdog.

Official sources also confirmed yesterday that a member of the board, Mr Harry Goldberg, has submitted his resignation on the grounds of old age. He turned 77 this week.

Before the amendment of the relevant Act by Parliament during the last session, the number of board members was pegged at seven.

The amendment enlarged the board to nine.

With Mr Goldberg's resignation this means two more members will have to be appointed.

Speculation is rife in official circles that 'heavyweights' from the private and academic sector are certain to be appointed.

In recent weeks the Government has gone out of its way to emphasise its determination to fight inflation with all the means at its disposal.

It has also re-emphasised its commitment to free enterprise and concern at the over-concentration of power in the hands of the few.

Observers believe the Competition Board's role in this regard is crucial and that the board will soon launch meaningful investigations which it has been unable to undertake, among other factors.
Merger will expand major tour group

Mercury Reporter
TFC Tours has acquired the entire issued share capital of Associated Air Travel Bureau in a merger operation that will produce an annual turnover of about £130 million.

TFC Tours plans to sign up 10,000 for overseas holidays in 1984 for a total turnover of about £30 million.

Its shipping division expects to carry 12,000 people on its liner voyage service to Britain, adding about £15 million to its turnover.

Mr John Foggitt, TFC's chairman, foresees rationalization benefits from the AATB deal.

These include access by TFC to AATB's vast number of customers to whom TFC should be able to offer attractive competitive rates, because of its bulk-buying facilities, to tourists making their travel arrangements through AATB.
Growth Fund buys into foods

JOHANNESBURG —

Guardian Bankers Growth Fund (Guardian) acquired 250,000 CG Smith Foods shares in the quarter to September 30, and sold 420,000 Beares.

The addition of CG Smith Foods to the portfolio takes the food element in Guardian to 6.63 percent of the fund, of which the 200,000 shares in Premier account for 4.88 percent.

The purchase of CG Smith and the sales of Beares were the only changes in the equity portfolio in the quarter, while cash resources rose to R21,760m at September 30 from R20,380m at the end of June.

The total market value of Guardian at the end of September was R102,562m, slightly lower than the total R102,757m at the end of June.

Between June 30 and September 30, the Rand Daily Mail 100 index of industrial shares slipped by 1.5 percent.

The gold price, after closing at $416 at the end of June, rallied briefly in July to $429.75, but then drifted back to between $400 and $420 for much of the quarter before dropping to $405 on September 30.

In these circumstances the Guardian portfolio, which is a microcosm of the Johan-
EXCHANGE CONTROL BRINGS MERGERS

By Priscilla White

Mergers will continue to flourish in the socio-political and economic framework in which SA companies operate, says Mr Mark Addleson, lecturer in economics at the Wits Business School.

He says the SA economy is isolated from the rest of the world in terms of capital flow.

Even though the financial rand has been abolished, SA residents are still subject to exchange control.

Mr Addleson believes that Government policy has actively "encouraged greater concentration of local shareholding".

When any SA company has cash available it can only expand domestically to the extent that the size of the market allows.

If the traditional market in which it has worked has reached saturation point, the option to diversify necessitates acquiring a company with expertise in another profitable field of operation.

In the absence of exchange control, a company might have invested overseas. But Government policy precludes this option.

Companies therefore tend to merge. If they are successful, they look for further SA investment opportunities.

Concentration of shareholdings is a natural outcome of this process.

He believes that the Government has effectively allowed the concentration of financial power, even if the maintenance of exchange control is for other reasons.

This policy is a bar to foreign investment in SA. Those developing countries that grow rapidly do so mostly through investment by multi-national companies.

Another worrying aspect of exchange control is that it condemns SA to technological isolation because of the loss of input from multi-nationals. Mr Addleson believes that the desire for self-sufficiency has encouraged concentration of shareholding and perhaps economic isolation.

Another issue which Mr Addleson considers important is whether concentration of financial power is relevant to competition in the market place.

"I am not convinced that the concentration of financial power is synonymous with monopoly in the market place. It could give rise to this — but not necessarily. Competition in the market is what matters — not financial power concentration."

Only if exchange control policy for residents in the medium term were relaxed could it be expected that financial power concentration would be diminished. He takes South African Breweries as an example of a monopoly in beer, but which has to compete with other alcoholic and non-alcoholic beverages.

Greater economies of scale give SAB a price advantage, reducing the risk of competitors entering the beer market. "In the past five years the indexed price of beer (48%) has increased least in comparison with other commodities," he says.
LTA bids R15m for Acrow

By JOHN MULCAHY

LTA, Anglo American's construction and engineering arm, has emerged as the bidder for Acrow Engineers, offering 450c a share in cash, or a total of R15,249m.

Agreement has been reached between LTA and Acrow's controlling shareholders — Acrow of the UK owns about 24% of the equity and the directors another 10% — for the sale of their interest, and LTA is bidding for the entire issued capital.

If successful, LTA's offer will remove Acrow from the JSE listed after only two years — it was listed on October 1, 1981.

The offer price represents a premium of 9.5% over last night's 429c closing price, but is 43.8% higher than the price of 320c ruling on September 12, when Acrow started moving for no apparent reason.

The Johannesburg Stock Exchange has instituted an enquiry into Acrow transactions between September 12 and September 21, when an announcement warned shareholders to exercise caution in their dealings in Acrow.

LTA's offer is about seven times Acrow's earnings for the year to June 30, and is 28% higher than the net asset value of 355c a share at the same date.

At June 30 Acrow had R6,227m in cash, equivalent to 189c a share, and earnings for the year amounted to 65.2c a share, compared with 73.5c the previous year and 83.5c in the year to June 1981.

LTA intends shifting Acrow into its Steeldale division, which is involved in steel reinforcement, structural steel, roofing and cladding.

According to last night's statement the acquisition will have the effect of increasing LTA's earnings by about 4.5c a share for the year ending March 31, and will have no material effect on net asset value.

The statement adds: "It is expected that the acquisition will be of substantial long-term benefit to LTA."

In his review for the year to June, Acrow's chairman, Mr A B Theunsen, said it was not possible to quantify the full effect of the recession, but added the company's strong liquidity would have a major positive effect on profitability this year.
Construction chief criticises takeovers

TAKEOVERS of large construction companies by financial or mining houses are making the industry less competitive and fuelling inflation, the chairman of Murray and Roberts, Mr W F de’la Beek, says in his annual report.

Tax-free, low-interest housing subsidies are causing “an inordinate and artificial amount of capital” to be directed into providing houses of a type and cost which would not be built if normal market-related interest rates had to be paid.

And tax concessions for contributions to pension, retirement annuity and provident funds are encouraging too large a proportion of savings to be channelled into low-risk established businesses, leaving too little “risk capital” available.

“The implications of inadequate new risk capital enterprises involve not only a slower rate of growth in gross domestic product but also the lack of additional avenues of employment which are so necessary for social stability”.

UNPRODUCTIVE
In spite of the recession, Murray and Roberts has ended the year to June with a 9.5 percent increase in profits attributable to ordinary shareholders.

A final dividend of 51c has been declared making a total dividend of 66c (60c) for the year.

The chief executive, Mr J E D Bramwell, says in his review that management throughout the group succeeded in difficult economic circumstances in maintaining satisfactory levels of return on assets and cash.

Turnover rose by 18 percent to R2 020-million and profits attributable to ordinary shareholders to R51,1-million.

The group has been restructured during the year and unproductive companies have been closed or sold off.

This disinvestment, and regrouping of companies operating in similar industrial environments, has led to a more cohesive group structure.

RECORD PROFITS
“One of the larger disinvestments was the sale of our refractory operation. In total, we have disposed of six operating companies without significant loss.”

The construction subgroup had a satisfactory year with earnings about 9 percent above those in the previous financial year.

The property subgroup achieved record profits and the suppliers and services subgroup achieved results marginally ahead of targets.

But the industrial subgroup, which has been reorganised at great cost, showed considerable losses.

STREAMLINED
The Elgin group of engineering companies has been streamlined, with most of the smaller operations sold or closed down and some operations transferred to other subgroups.

“While some pressure in industrial relations has been exerted on our management, there is no doubt that the economic climate has tended to reduce the incidence of strikes.

“Management is finding that it has to devote more and more time to industrial relations issues in order to improve communications with the labour force and in order to avoid pitfalls which can so easily arise.”

Audrey d’Angelo
Switch of cable interests may be behind drama

Altech group, Asea, Indumeni suspended

By BRENDAN RYAN

TRADING suspensions were last night granted by the Johannesburg Stock Exchange for Altron, Altech, Powertech, Asea and Indumeni shares at the request of the respective companies.

Spokesmen for the companies would not give reasons for the suspensions which are related to one another.

It is believed negotiations may be under way for the sale of Asea's cable division to the Altech group with Indumeni being used in some way as the vehicle through which the transaction will be carried out.

An announcement from Altech Technologies (Altech) said the listings of the shares in the group had been suspended while negotiations took place on certain proposals.

Altech Electronics Corporation (Altron) holds 56,6% of Altech, which in turn holds 63% of Power Technologies (Powertech).

The Altech group is a high-technology-oriented business manufacturing and selling electronics-related products and systems.

Asea is a major manufacturer of electrical equipment, such as transformers and circuit breakers and a range of electric cable products.

The company is controlled by Anglo American Industrial Corporation (Amcor), which holds 47% of the equity and Asea of Sweden holds 25%.

Indumeni is a defunct coking-coal mine near Dundee in Natal and is controlled by Anglo American Corporation.

The mine was closed in October last year when Jacon reduced its coke requirements as part of its production cutbacks forced by the world-wide slump in the steel industry.

Altech's deputy chief executive, Mr Ken Maud, said last night that the Altech group shares had been suspended because of the speculation which would take place over the negotiations under way.

He declined to give details of the negotiations and said an announcement would probably be made next week.

Indumeni's chairman, Mr Graham Boustred, said he could not give details of the suspension because it might endanger negotiations.

He said Indumeni would be used as a vehicle for a transaction should negotiations succeed.

COMMENT: In the absence of any details from the companies suspended one can only speculate on what is going on.

The Altech group for some years has wanted to have a cable division in its operations which concentrate on telecommunications, business communications, electronic components, power electrical and electronic systems and automation.

Asea has completed a major expansion programme to build a second cable factory at Roslyn at a cost of R$3,4m.

Deteriorating market conditions this year have hit Asea's cable division severely and both volumes and prices have dropped.

The company said it was preparing for a lengthy spell of harsh competition before adequate margins could be re-established.

Asea may have decided to sell off the division to cut its losses and there may be an element of further disinvestment in South Africa from Asea in Sweden.

Precisely how Indumeni will play its part in the transaction is anyone's guess.
Speculation of alliance in electronics industry

Own Correspondent

JOHANNESBURG. — The suspension of Altron, Altech, Powertech, Asea and Indumetal shares has prompted strong speculation of a major alliance in the electronics industry between Anglo American and Altech.

While a further announcement on the suspensions is not expected for another week, industry and stock exchange sources believe the suspensions herald the establishment of an Amin-Altech electronics group that will have the muscle to face Barlow Rand head on.

Barlow Rand has already shown its cards through the listing of Reunert in the electronics sector of the Johannesburg Stock Exchange, and the stated intention to expand the company's electronics acquisition substantially over the next year or so.

Electronic forces

Barlow's recent acquisition of Telkor and the re-organization of the electronics section within Reunert, which might yet be renamed when listed on the electronics board, leaving Reunert in the engineering arena, creates one of the dominant South African electronic forces, which has the backing of insurance giant SA Mutual.

Barlow's interests include Fuchs, Telerama Rediffusion, Perseus, GEC, Sapec, Andromeda, Persiel, Heineman, Impextron, Marconi, and AEI Henley.

Barlow's major share of the electronics market (reckoned in South Africa to be about R2.3 billion) is undoubtedly the military, although it is reckoned that the group is finding it hard to capture some of the highly profitable communications market, to date considered an Altech arena. This is expected to be one of the growing growth areas over the next decade.

"The Barlow moves would seem to make the Altech AND Barlow combination the only rational one can see," said one top electronics analyst yesterday. "It's common knowledge that Altech tried to acquire a share of Asea a couple of years ago.

"Altech undoubtedly has had a problem in that unlike many electronic companies with overseas connections, it simply cannot hide its profits out of South Africa. Many feel that its very good performance is made at the expense of the Post Office, and that in turn, is paid for by the general public.

Anglo's electronics holding has been fairly lightweight to date and includes Computer Sciences Through Amic, which holds Conlog and High Logic, and has the Asea holding. It is also known that Anglo would like to acquire a ready made electronics empire.

Resources

It is common knowledge that senior Amin executives have visited Altech's head office in Boksburg at least three times over the past year, and it is logical that Altech views with concern the huge resources available to Barlow, which dwarfs its own assets.

The only reservation of an Anglo-Altech alliance is that the possibly differing political attitudes of the Anglo and Altech groups might make for a reluctant combination. The insurance weight behind the Anglo/Altech combine is speculated on as Liberty Life, which has already thrown its cards in with Anglo on the Premier deal, and is widely believed to be only a decision away from a direct link with Anglo American Insurance.

The third giant emerging in the electronics sphere is under the Sanlam umbrella. It holds Federale Volksbeleggings, which in turn has a 16 percent stake in Siemens and such subsidiaries as Sparrat, Tek, Teklogic, Tek Industrial, and Swazi Suratel.

Sanlam also through Gencor holds a further 16 percent in Siemens and has bid for Tedelex. In addition, Sanlam holds 25 percent in Plessey and a small stake in SA Philips which in turn controls Aberdare Cables.

What adds genuine spice to the Altech/Anglo development is the current activity in the electronics market.

There has been considerable adverse criticism of the 16-year supply agreement which Altech, Siemens, TMSA and Plessey hold from the SA Post Office.

In Altech's case this is for the supply of modems (computer and terminal interface devices) and microwave equipment, and is in effect until 1984.

In the case of modems, more computer and terminal equipment is being supplied with modems built-in, rather than having to rely on independent modem units. This is felt will affect Altech's dominance in the modem market, which it is thought has sometimes meant prices as high as 20 percent over alternative supplies.

On the microwave side, a Post Office team of experts is believed to be overseas at present looking at state of the art technology which will involve visiting companies such as GEC, Siemens, Telestra, SEL, ITT and Israeli companies.

The team, along with other South African electronics key men will also attend the 13th International Telecommunications Exhibition scheduled to be held in Geneva in early November.

If the Post Office does opt for new microwave equipment, it is bound by supply agreement to offer the manufacture to Altech provided Altech can supply and that the Post Office is happy with the quality, price and technology.

All these developments would seem to make this an ideal time for an Altech/Gencor marriage. The only debate at present is whether Altech's chairman, Mr. Bill Venter, feels he has grown his empire sufficiently to be prepared to part with it.
Amic close to Altech

By GAIL PURVIS

THE suspension of Altron, Altech, Powertech, Asea and Indumeni shares has prompted speculation of a major alliance in the electronics industry between Anglo American and Altech.

An announcement on the suspension is not expected for another week. But industry and Johannesburg Stock Exchange sources believe they herald the establishment of an Amic-Altech electronics group with the muscle to take on Barlow Rand.

One possible permutation is for Asea's heavy electrical operations to go into Powertech and its cable division to find a home in Indumeni, which could be the cable group in the alliance.

The combination of Anglo and Altech could swing a takeover of one of the cable companies, the most likely target being Aberdare.

Aberdare is tightly controlled by Philips. The way around this obstacle could be to give Philips a stake in the new group.

At the end of last year, Asea's total assets were R135m compared with Altech's R200m. If combined, Anglo would get a sizeable stake in the merged group.

Barlows has shown its cards by listing Reunert in the electronics sector of the JSE and the stated intention of expanding the company by substantial acquisitions over the next year or so.

Barlows' recent acquisition of Telkor and the reorganisation of the electronics section within Reunert creates one of the dominant SA electronic forces with the backing of SA Mutual.

Barlows' electronic interests include Fuchs, Telerama Rediffusion, Persous, GEC, Sapec, Andromeda, Persetel, Henneman, Inspetec, Marcom and AEI Henley.

Barlows' major share of the electronics market is in the military sphere, although it is reckoned the group is working hard to capture some of the highly profitable communications market.

"The Barlow moves would seem to make the Altech and Anglo combination the only rationale one can see," said an electronics source yesterday. "It's common knowledge that Altech tried to acquire a share of Asea a couple of years ago.

"Altech has had a problem in that, unlike many electronic companies with overseas connections, it simply cannot hide its profits outside South Africa. Many feel that its good performance is at the expense of the Post Office. That, in turn, is paid for by the public."

 Anglo's electronics holding has been fairly lightweight to date and includes Computer Sciences Through Amic, it holds Conlog and High Logic and has the Asea holding. It is also known that Anglo would like to acquire a ready-made electronics empire.

It is common knowledge that senior Amic executives have visited Altech's head office in Boksburg at least three times over the past year and it is logical that Altech views with concern the huge resources available to Barlows.

The only reservation about an Anglo-Altech alliance is that the differing political attitudes of the two groups might make for a reluctant combination.

The insurance weight behind the Anglo/Altech combine is thought to be Liberty Life.
Public versus private interest

By PROFESSOR G S ANDREWS
Dean, Wits Business School, University of the Witwatersrand

A weekly feature presenting a wide variety of views

Much of the recent discussions regarding the increasing need of corporate concentration in the South African economy contains recommendations to Government to escalate efforts to "deconcentrate" business power. Implicit in these reports is the belief that a highly profitable business is harmful to society and that control of corporate growth and market share will improve the social situation.

Unfortunately, much of the discussion has been based on "personal" experience of some situation where a so-called powerful firm has acted inappropriately or unwisely and opinions based on very scant information as to the real situation.

Subjective opinion has value, but should also be balanced by some evidence which is more objective and less emotional.

In the past it was almost impossible to evaluate corporate business performance simply because businesses tended to be so "different" and operated in industries which differed in terms of growth, number of competitors, levels of capital/investment intensity, required different cash usage and generation levels to mention only a few important determinants and measures of business performance.

The advent of the computer, with its attendant advantages of being able to store and analyze huge data bases, has to a large extent overcome these problems.

For example, a massive data base, known as the PIMS programme, holds data for more than 2,000 businesses over 20 years, and enables firms to compare themselves with "look alikes" along a variety of dimensions and not only the more commonly used, yet inaccurate and often misleading Balance Sheet ratios.

Recent research based on the PIMS data base (which contains those that flowed from the USA, Europe, South America and Australia) has attempted to establish an "Index of Social Benefit".

The index was comprised of three variables - namely, customer, employee and community-at-large benefits.

Customer benefits were based on product quality (as measured from the customer's viewpoint), selling price relative to competitors' prices and rate of price increase over time.

Quality products have a positive factor, while relative selling price and rate of price increase were counted as "negative factors".

Employee benefits were measured by examining wages and salaries received as compared to competitors as positive factors to social benefit.

Community-at-large benefits were those that flowed from new products/Research and Development (R & D) activities and the social benefit provided by firms.

An Index of "Private Benefit": this measure incorporates the present level of earnings and the current growth of sales.

Growth in sales is used, together with return on investment, to arrive at a composite index of "private benefit".

Both a social and private benefit measure incorporates growth variables, since continual improvement is required to produce the "better society" desired by proponents of both groups.

The results generally, the results show positive correlations, that is, private and social benefit increase simultaneously.

The relationship between social and private benefit are shown in the chart on this page.

In the chart, the data base has been divided into nine equal cells, represented by the three columns which divide the businesses into three groups - those low in profitability and sales growth to those who are both highly profitable and whose rates are growing rapidly.

Of those businesses that are low on "private benefit" only 8% are high on "social benefit".

But in the right column, double this number - namely 16% - are both profitable and growing and score high "social benefit".

This runs contrary to the conventional wisdom that suggests a business that is low on profitability is "better" for society.

These findings suggest that the converse applies - the highly profitable businesses also produce higher "social" value according to the empirical indices.

Nothing prevents a business from being both profitable, growing rapidly and also scoring highly on "social benefit".

Their findings provide modern-day support for the thoughts of Adam Smith and challenge the thinking that a conflict exists between the interests of society and the interests of the business.

Less profitable businesses are of little benefit to both shareholders and society and there is a "harmony" of interest between private and social benefit.

Modern professional executives are aware of the role of business in a modern society - they recognise that there are many different stakeholders in a business corporation and that shareholders are only one of these important groups.

The great danger is that we sometimes tend to take decisions based on emotion and neglect the "real" situation.

Of course, the findings pre-
Thus R&D as a percentage of sales and long term industry growth rate were included as positive factors. Clearly, these measures are not ideal but are relevant and have the added advantage that they are available in the PMS data base. Significant omissions, due to a lack of data, would include such efforts as environmental protection, so the index is not a measure of total social responsibility and does not pretend to be — it is merely an attempt to quantify the presence of the factors that stimulate long term growth opportunities.

Empirical evidence suggests that profitable businesses tend to confer more social benefits than less profitable businesses and that many firms are able to combine both profitability with a social contribution, should encourage us to examine our situation a little more objectively and that a drive to make certain industries less "profitable" may not be in the interests of our society in the long run. Perhaps we should think again... and do some more research.

14/10/83
By Don Robertson
SIGMA has sold Ronnie Bass Sigma to a group of businessmen headed by Ronnie Bass for R4.5-million.
This concludes a major disinvestment programme initiated by Sigma Motor Corporation seven months ago after Spencer Sterling's new management took over in the wake of Sigma's R55-million loss last year.
Announcing the deal, MD Sterling told me Sigma should break even in the last quarter of this year and run at a profit in 1981.
This follows the disastrous loss of R55-million incurred in the year to December after a profit of R27-million before tax in 1980.
Last year's loss resulted mainly from exchange-rate fluctuations, which affected the cost of imported components as well as uncovered dollar loans.
Mr Sterling tells Business Times that development programmes are currently going according to plan and that the various problems are being rectified.
Quality in production and inspection has been drastically improved.
Unfortunately, there have been difficulties in supplying sufficient new 622 models to the market, but this, he says, "has been partly due to bad planning by Sigma".
He estimates that an additional 700 units could have been sold in September compared with the actual sales figure of 1 150.
The company is also joining the new-launch bandwagon and intends to introduce a new fast-back version of the 622 in November and a coupe version in February. A new "super" model of the Tredia is planned for early next year.
The Ronnie Bass Sigma deal will give Ronnie Bass and Co, Ronnie Bass Properties and Ronnie Bass Investments total control of the dealer outlet.
The dealership was previously 100% owned by Sigma.
In March Mr Sterling disclosed that he intended selling off the company's interests in dealer outlets, including Ronnie Bass and Brian Porter in Cape Town. He said at the time that he was opposed to the idea of a manufacturer owning retail outlets and thus competing with other dealers which held the same franchise. In addition, it would allow him to concentrate on the manufacture of cars, the job he knew best.

The equity in Brian Porter was sold to Amic this year.
Mr Sterling says the reason for the apparent delay in concluding the deal resulted from his involvement in re-establishing the management structure at Sigma and a delay in evaluating the worth of Ronnie Bass.
In essence, the deal has been struck at R4.5-million, equivalent to the net asset value of Ronnie Bass, repayable over five years.
This includes new stock, buildings, used cars and the debtors book. Sigma has recently sold its total hire-purchase book to Wesbank for R50-million.
Another move in revamp of Anglo food in

Tongaat to pay An
R86m for Afprod

BY JOHN MULCAHY

IN another move in the realignment of the Anglo American food interests, Tongaat-Hulett is buying African Products (Pty) from Anglo American Industrial Corporation (Amic) for R86-million.

The takeover price will be met by a combination of R3,1m in cash and the issue of Tongaat-Hulett shares, which will take the Anglo group's holding in Tongaat to 47,1% from 38,3%.

This will fall to 42,7% if Tongaat succeeds in its bid to acquire the minority shares in its Tongaat Corgroup building products division.

At the end of December last year Amic's interest in Tongaat-Hulett was 28,1%, and the issue of another 9,5-million shares takes this holding to 38,4%.

At Friday's R7,5c closing price the 9,5-million shares have a total value of R83,1m.

The move shifts Amic's entire food-related investment into Tongaat-Hulett, and means that Anglo's food interests are now clearly split between Premier and Tongaat-Hulett.

African Products is South Africa's sole manufacturer and supplier of a range of starches and syrups.

Speculation on the takeover has been doing the rounds in the food industry for some time, but sources in Tongaat and African Products (Afprod) told Business Day a month ago there was no substance to the rumours.

The Afprod acquisition comes when Tongaat-Hulett is facing severe pressure on earnings because of the drought and the depression in the sugar industry.

Tongaat's earnings for the year to March 31 are expected to be enhanced by 3c a share as a result of the African Products deal.

The new Tongaat shares to be issued to Amic will rank for the Tongaat interim dividend to September.

By Geoff Cleasby, Tongaat-Hulett's managing director, described the African Products takeover as 'a significant expansion for Tongaat, with the potential for sustained growth in the years to come'.

Amic acquired 100% ownership of Afprod in 1978 through the purchase of R18,4m of Tat & Ley's 51,5% stake, and an equivalent offer to minorities. The value then placed on Afprod was R35,5m.

Afprod was first consolidated by Amic for the year to December 1978 when attributable profit (for three months) totalled R1,4m and dividends to Amic amounted to R700,000.

In succeeding years Afprod's attributable profit and dividends were 1979 - profit R8,6m and dividends R2,1m, 1980 - profit R9,5m and dividends R2,9m, 1981 - profit R8,1m and dividends R3,2m, 1982 - profit R7m and dividends R2,8m.

Amic's dividend income from Afprod since the 1978 acquisition is R11,4m and R19,6m of profit has been ploughed back.

Last December, Afprod's net asset value - according to Amic's annual report - was R70,3m. This was higher than the 1981 because of a R31,6m surplus from a revaluation of assets last year.

It has embarked on a major modernisation and expansion programme that involved the investment of R31m in new plant and machinery since the beginning of 1982.

There will be a 2% dilution in Tongaat's net asset value. The deal will have only a minimal effect on Amic's earnings and net asset value.

Improved internal efficiencies and a continuation of the steady growth in demand from its main customers - the beer, sweets, food and paper industries - have enabled Afprod to revive upwards its forecast taxed earnings for 1983.

The Amic report for 1982 said that because of the major expansion programme and the continuing effects of the drought Afprod's earn-

ings this year match the R86m.

This foram the sum that Afprod's entire food and agriculture interests, including Maize, are worth.

Benefit is seen of the large and hanced opportunity.

In Kwazulu, Afprod is already a leader in the production of cassava, a widely used Africa as a food stock and imported.

Tongaat has other agricul- tural resources, including the multinational, the food and sweeteners.

The food Europe and the food produce - the honey and fruit juice beverages - are a high priority within Afprod.

Afprod has ample feasibility of plant corn.

"In addition to the development of new and food addi- trends," the chairman said.

"It will take more time before we can see its full effects, but we have an opportunity of a plant of high potential.

"We want such a plant to be owned by a thousand..."
move in revamp of Anglo-food interests

**gaat to pay Amic m for Afprod**

In the Anglo-African Inovation billion will be of R3,1m of Tongaat will take holding in on 38.5%.

If Tongaat acquire the tongaat Corn divisions last year of another this holding

price the total value

Amic's entire into Tongaat Anglo's clearly split Tongaat-Hu

South African supplier and syrup takeover has in the food but sources on Products Day a month move to the

lion comes is facing se depression in the for the year to 2 to be end as a result of the deal shares to be rank for the to Sep Tongaat-Hu

The dollar has been strong against most major currencies this year. But most analysts think it is now over-valued. Sterling and the German mark recovered some ground against the dollar at the end of last week. The South African rand could also firm against the dollar, perhaps back above 90 US cents, if gold can hold at or above R400 this week. See story below.

Amic's entire into Tongaat Anglo's clearly split Tongaat-Huletten's managing director, described the African Products takeover as "a significant expansion area for Tongaat, with the potential for sustained growth in the years to come".

Amic acquired 100% ownership of Afprod in 1978 through the purchase of R18,4m of Tate & Lyle's 51,5% stake, and an equivalent offer to minorities. The value then placed on Afprod was R25,8m.

Afprod was first consolidated by Amic for the year to December 1978 when attributable profit (for three months) totalled R1,4m and dividends to Amic amounted to R700 000.

In succeeding years Afprod's attributable profit and dividends were 1979 — profit R6,0m and dividends R2,1m, 1980 — profit R6,3m and dividends R2,9m, 1981 — profit R8,1m and dividends R3,2m, 1982 — profit R7m and dividends R2,8m.

Amic's dividend income from Afprod since the 1978 acquisition is R11,4m and R10,8m of profit has been ploughed back.

Last December, Afprod's net asset value — according to Amic's annual report — was R70,3m. This was higher than last year at the end of 1981 because of a R31,6m surplus from a revaluation of assets last year.

It has embarked on a major modernisation and expansion programme that involved the investment of R31m in new plant and machinery since the beginning of 1982.

There will be a 2% dilution in Tongaat's net asset value. The deal will have only a minimal effect on Amic's earnings and net asset value.

Improved internal efficiencies and a continuation of the steady growth in demand from its main customers — the beer, sweets, food and paper industries — have enabled Afprod to revise upwards its forecast tax reduced earnings for 1983.

The Amic report for 1982 said that because of the major expansion programme and the continuing effects of the drought Afprod's earnings this year would probably not match the R7m of 1982.

This forecast has now been revised to R9,5m, equivalent to Afprod's earnings peak in 1980.

Maize is Afprod's main raw material, about 300 000 tons being bought each year for processing at its mills at Germiston, Meyerton and Bellville.

Tongaat's six maize mills produce breakfast cereals and animal feeds and other products.

Benefits from Afprod's becoming a division of Tongaat include enhanced opportunities for diversification.

In KwaZulu and Northern Natal, Afprod is investigating the cultivation of cassava — a root crop that is not widely exploited in Southern Africa — as a source of starches and starch derivatives which are imported.

Tongaat has extensive sugar and other agricultural interests in the area. Afprod has a long-term technical agreement with CPC International of the US, a R7m a year multinational that is a world leader in the production of maize-based sweeteners.

The food industries in the US, Europe and Japan are using increasing quantities of maize-based sweeteners — which are known as "high fructose corn syrup" — for beverages.

Afprod has been investigating the feasibility of producing high fructose corn syrup in South Africa.

"In addition, there is potential for the development of new sweetener and food products comprising blends of sugar and maize derivatives," Dr Cleeasy says.

"It will be some considerable time before decisions can be made on whether the local market place is sufficiently big to justify the erection of a plant for the manufacture of high fructose corn syrup.

"We want to ensure that such a plant is justified in SA, it will be owned by Tongaat."

*Denotes billion, and represents a thousand million.*
Tonga-Hulet in R86·m food deal with Amic

BY JOHN MULCAHY

IN another move in the realignment of the Anglo American food interests, Tonga-Hulet is buying African Products (Pty) from Anglo American Industrial Corporation (Amic) for R86·m.

The takeover price will be satisfied by a combination of R5·1m in cash and the issue of Tonga-Hulet shares, which will take the Anglo group's holding in Tonga to 47·1% from 38·2%.

This will fall to 42·7% if Tonga succeeds in its bid to acquire the minority shares in its Tonga Corogroup building products division.

At the end of December last year Amic's interest in Tonga-Hulet was 28·1%, and the issue of another 9·5m shares takes this holding to 38·4%.

At Friday's R87·5c closing price the 9·5m shares have a total value of R85·1m.

This move shifts Amic's entire food-related investment into Tonga-Hulet, and means that Anglo's food interests are now clearly split between Premier and Tonga-Hulet.

African Products is South Africa's sole manufacturer and supplier of a range of starches and syrups.

Pressure

Speculation on the takeover has been doing the rounds in the food industry for some time, but sources within Tonga and African Products (Apro) said a month ago there was no substance to the rumours.

The Apro acquisition comes at a time when Tonga-Hulet is facing severe pressure on earnings due to the devastating drought and the allied depression in the sugar industry.

Tonga earnings for the year ending March 31 are expected to be in the region of R10m compared with R21·1m in 1979·80.

The new Tonga shares to be issued to Amic will rank for the Tonga interim dividend for the six months ended September.

Dr Greg Cleasby, Tonga-Hulet's managing director, at the weekend described the African products takeover as "a significant expansion area for Tonga, with a strong growth potential in the future".

Amic acquired 100% ownership of Apro in 1976 through the purchase of R19·4m of Tate & Lyle's 51·5% stake, and an equivalent offer to minorities.

The value then placed on Apro was R25·8m.

Apro was first consolidated by Amic for the year to December 1978, when attributable profit (for three months) totalled R1·4m and dividends to Amic amounted to R160000.

In succeeding years Apro's attributable profit and dividends has improved, with profit R6·1m and dividends R2·1m in 1980, profit R8·2m and dividends R2·5m in 1981, profit R8·1m and dividends R3·2m in 1982, profit R7·1m and dividends R2·5m in 1983.

Revaluation

Amic's total income from Apro since the 1978 acquisition is R14·1m and R10·6m of profit has been ploughed back in that time.

At the end of December last year Apro's net asset value according to Amic's annual report was R70·3m, substantially higher than the R52·9m reported at the end of 1981 because of a R12·8m surplus arising from a revaluation of assets undertaken last year.

It has embarked on a major modernisation and expansion programme that involved the investment of R31·1m in new plant and machinery since the beginning of 1982.

There will be a 2% dividend in Tonga's net asset value, which for Amic the deal will have only a minimal effect on earnings and net asset value.

Improved internal efficiencies and a continuation of the steady growth in demand for its main customers - the beer, sweets, food, and paper industries - have enabled Apro to revise upwards its forecast earnings for 1983 and an equivalent offer to minorities.

In the Amic annual report for 1982 it was stated that due to the major expansion programme and the continuing effects of the drought, Apro's earnings this year would probably not match the R7·1m achieved in 1982.

This forecast has now been revised to R5·8m, equivalent to Apro's earnings peak in 1980.

Maize is Apro's main raw material, about 300 000 tons being bought each year for processing at its mills in Germiston, Meyerton and Bellville.

Opportunities

Tonga's six maize mills produce breakfast cereals and animal feeds as well as a full range of maize products. Other benefits which will be derived through Apro becoming a division of Tonga include enhanced opportunities for diversification.

In Kwazulu and "Northern Natal, Apro is investigating the cultivation of cassava - a root crop that is not widely exploited in Southern Africa - as a source of starches and starch derivatives which are at present fully imported from overseas." - Senior manager of African Products, P. de Villiers.

Address: 102 Sir Lowry Road, Durban. Tel: 2260. Fax: 2267. Telex: DMBAM1332.
behind BGS was 20/11/83

Candle may be the force

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Business Day
State should sell Escom, says Kantor

Argus Correspondent

PRETORIA.—The case for privatisation of state corporations was overwhelmingly strong, Professor Brian Kantor, professor of economics at the University of Cape Town, told the annual congress of Assocom in Pretoria today.

He said the huge success of the South African public corporations could be properly appreciated only if attention was diverted from earnings and focused on the cash generated by their operations.

The benefits from privatisation would be large, available to any cohort of taxpayers and voters sensible enough to do the obvious — that is, to persuade the Government to sell its stake and use the proceeds to eliminate perhaps all of the national debt.

CASH FLOWS

The differences in the reported earnings of the public corporations and their cash flows was huge, as indicated by an analysis of Escom, Iscor, the Department of Post and Telecommunications and South African Transport Services.

Esmoc's trading losses of R58-million in 1982 converted to operating profits of R410-million.

Iscor's net losses of R22-million converted to operating profits of R410-million.

The R56-million losses of SABS turned into operating profits of R1 460-million, of which the Airways' loss of R58-million became a positive cash injection from operations of R70-million.

OUTSTANDING

Post and Telecommunications' operating surplus of R76-million increased to R228-million before finance charges and depreciation.

Investment ratios of the public corporations made impressive reading, Escom's results were outstanding seen from the perspective of any investment analyst.

The ratio of sales to investment expenditure had averaged about 55c in every rand.

The return to investment had been excellent, which was why the contribution from internal sources to the costs of financing Escom's huge investment programme had risen from R709-million in 1978 to R1 657-million in 1982, sufficient to finance about 60 percent of capital expenditure made in 1982.

GROWTH COMPANY

Escom was thus the growth company par excellence.

If one assumed this performance could be maintained over time and expected cash flows were to be valued, Escom could be worth R27 600-million, which after subtracting the market value of its debt of about R6 700-million, left an equity stake of nearly R21 600-million.

This was sufficient in itself to equal almost the entire value of total marketable Government debt.
Altech group suspensions: Details expected soon

Own Correspondent
JOHANNESBURG — Details of the Altech group suspensions, originally due to be released today, are now expected next week.

The deputy chief executive of Altech, Mr. Ken Maud, said yesterday that while it was hoped to make an announcement by today, this had not been possible "due to the complexity of the negotiations."

It has now been agreed with the Johannesburg Stock Exchange that an announcement will be made not later than Wednesday, October 26.

There are several permutations for the possible alliance between Amic and Altech, but consensus in the market is that Altech will acquire a stake in Asea, and that Amic in return will get a slice of Altech.

This will immediately satisfy the Altech group's professed desire for some part of the action in cables, but the bigger picture is more interesting.

**Technology battle**
Barlow Rand, through Reunert, is gearing up for the big high technology battle, with acquisitions becoming a regular occurrence.

Word has it that a name change could be in the offing, to something more suited to the electronics sector.

While Reunert has an unblemished record, it is also a pedestrian one, and its name does not fit the image of a "now" electronic group.

With name changes and acquisitions it is all systems go at Reunert.

This hectic activity has not gone unnoticed by Altech, and although Barlows and Altech have watched each other closely for some years, Barlows has tended to hold on to the military field, while leaving most of the telecommunications businesses to Altech.

But there is no certainty that Barlows will simply allow this situation to continue, and there is every likelihood that concerted attacks will start to be made into the areas that have traditionally been an Altech preserve.

This will have left Altech looking for support, and Amic has by all accounts been keenly observing Altech's activities for some time.

**Suspensions**
The fact that all of the companies in the Altech group were suspended, and that the suspensions have been extended, has led to suggestions that the negotiations involve a complex arrangement between Amic and Altech that will lead either to joint control of Powertech or Asea, or both.

Assuming the deal is done with paper, Amic would, by swapping a share of its Asea holding, be left with a sizeable stake in Altech. Asea's ordinary market capitalization on the date of suspension was R37,5m, while that of Powertech was R57,4m, Altech's R200m and Altron R284m.
By JOHN MULCAHY

DETAILS of the Altech Group suspensions, originally due to be released today, are now expected next week.

Mr Ken Maud, deputy chief executive of Altech, said the announcement had been postponed because of "the complexity of the negotiations".

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Assuming the deal is done with paper, Amic would, by swapping a share of its Asea holding, be left with a sizeable stake in Altech.

Asea's ordinary market capitalisation on the date of suspension was R57,5m, and that of Powerdor was R57,4m. Altech's was R200m and Altron's R294m.

The fact that Indumeni is included in the negotiations suggests it will be used as a vehicle for some of the Asea interests, and Powertech could also contribute some assets to the company, possibly making it the joint power-generation operation.

There is continuing speculation that one of the cable companies has been approached to join in the amalgamation, but none of the listed groups has been suspended, which could mean that an unlisted cable manufacturer is the target.

So many possibilities have been mooted with the suspension of the five companies that one analyst suggested that Indumeni could be a red herring. This seems simplistic and the JSE is hardly likely to have gone along with a suspension that cannot be justified.
Clicks pyramid given shareholders go-ahead

By ALEX PETERSEN

CLICKS shareholders yesterday approved a set of proposals giving the go-ahead for the formation of a holding company, Clickdin, which will hold a 51 percent interest in Clicks Stores.

In terms of the proposals which include a capitalization issue, Clicks shareholders can choose to continue holding just Clicks shares, or a mix of Clicks and Clickdin shares.

Clicks chairman, Mr Jack Goldin, who at present controls 33 percent of the existing shareholding through his personal and family holdings, will be enabled to hold a clear controlling share of Clickdin.

The proposals were passed unanimously, and minorities champion Mr Issy Goldberg commented from the floor that the proposals were "eminently fair", although he advised other shareholders that they should seek their full entitlement of shares in the top company Clickdin, since, in the event of a successful takeover offer for Clickdin, there was no provision for an equivalent offer to Clicks shareholders.

In terms of the proposals for each 100 shares presently held Clicks shareholders may choose to hold either 100 Clicks shares of no par value and 200 Clickdin shares, or 200 Clicks shares but no Clickdin shares.

The mechanics of the operation are that the 10m issued and 2m unissued shares of 50c each will be consolidated into 5m issued and 1m unissued shares of 100c each.

The authorized share capital will be increased by a further 14m shares of 100c each, and the total authorized capital will be converted into shares of no par value.

Shareholders will then be made a capital issue of three new shares for every one held. They will then be entitled to exchange two of the three capitalization shares for Clickdin shares, receiving two Clickdin shares for each Clicks share.

Mr Goldin told the annual meeting preceding the approval of the proposals that Clicks was proceeding with its planned expansion programme, and would open a store in Bloemfontein shortly, the group's first in the Orange Free State.

The deputy managing director, Mrs June Kritzinger, who manages the group's property portfolio, said that the new store would be in the former Greatgermans department store, with 1.200m² of trading area and 300 m³ storage space.

The group had also recently bought a warehouse in Durban for R1.7m to serve the Natal operation. This would provide 1,200 m² in warehouse space, 250 m² in office space, while the site would allow for further expansion.

The expansion would be funded internally, and Kimberley and Welkom had been earmarked as areas for further stores.

Questioned on the need for consolidation, Mr Goldin told shareholders that in the financial year from July 1982 to June 1983 the group had indeed consolidated, opening only three new stores.

He said that while the current year had reflected depressed trading conditions, figures for October had shown a welcome upturn, and augured well for the Christmas season.
By PATRICK McLOUGHLIN
Investment Editor

SOUTH African Breweries specialist retailing group, Amalgamated Retail, has reinforced its dominance in the R800m retail footwear industry with the acquisition of majority control of ABC Shoe Corporation.

Amrel said yesterday that the majority shareholders of ABC — the Manne and Green families and one or two other shareholders who together owned 72.2% of the issued capital — had agreed to the acquisition.

An offer will be made to ABC minorities in about two months. Assuming they accept, the acquisition will cost Amrel R8.6m.

Amrel is offering ABC shareholders alternative payment. For every 100 shares held, they can take R180 in cash, or R260 in R100 cash and R100 from non-interest bearing unsecured Amrel loan stock.

The loan stock will be redeemed in two tranches — 50% a year after issue date and the balance two years after the issue date.

A spokesman for Amrel says it is believed that this will be the first time that non-interest bearing loan stock is listed on the JSE.

A shareholders' meeting to approve the deal will be held in January. After the takeover is ratified, majority shareholders will pocket about R4.8m in terms of the cash offer.

Amrel, which will deliver its interim results in a fortnight, has about 10% of the highly diversified retail footwear market and the acquisition will add another 2.5%.

Negotiations are at an advanced stage for the cash sale of ABC's wholesale business, Flexmore, to the Shiffer family. Negotiations are also taking place to sell the small footwear plant, Studio Shoes.

Union Acceptances, which is handling the deal, said the acquisition was not expected to have any immediate maternal effect on the earnings or net asset value of an Amrel share, but was expected to benefit Amrel in the medium term.

The position of the holders of the 12.7% unsecured debentures 1989/1993 would not be affected by the transaction Amrel might, however, consider the position of debenture holders in the future.

Yesterday's announcement followed the suspension of ABC on the JSE at 185c. On the cash option, Amrel is paying 180c, but the suspension price followed market rumours and the cash option is at an 11% premium to the book value of ABC shares in the 1983 accounts of 161.8c.

Market opinion is that nearly all minority ABC shareholders will accept one of the two offers because of the poor performance of ABC for the year to January when earnings a share fell from 41.5c in 1982 to 11.5c and dividends were pared from 15c to 6c.

Minorities will be encouraged to accept one of Amrel's offers when they see the dismal results for the six months to July 31. The interim figures, released yesterday, showed a fall in taxed profit from R268,000 in the 1982 first half to R18,000. Earnings a share were -5.6c (5.7c) and the interim dividend was passed.

A R149,000 extraordinary loss was caused by cancellation of leases and the closure of overseas operations.

The 83 outlets of ABC, which retails shoes, handbags and accessories and makes and wholesales footwear, will be absorbed by Amrel's footwear division. The division comprises Cuthberts, Barnes, Select-A-Shoe, Moda Belle, Scotts and Victor Value.

Total sales for the division for the year to March were R100m. Amrel's turnover was R244,15m.

Amrel's executive chairman, Mr Ronne Cohen, said the acquisition had the approval of the Competition Board. In line with Amrel's corporate "arm's length" philosophy, ABC would be run as a separate chain and Amrel had no intention of closing any stores.

"We see the acquisition of ABC as an excellent move for Amrel and we are pleased the Competition Board has cleared the acquisition."

— ABC was a recovery prospect and he was confident the company would return to its previous profit levels in the next year or so.
BIG BUSINESS AND COMPETITION

Unscrambling the omelette

Wolfgang Thomas, you mentioned earlier the structural rigidities within the economy and their inflationary impact. What do you believe these structural rigidities to be?

Thomas: Well, let's take the question of competition. The issue is complex. But I think at the moment the public, probably black more so than whites, see themselves confronted with, on the one side, increasing concentration among the big groups, and on the other, a sort of price policy which obviously they don't understand. At the same time in terms of monetary and fiscal policy there is a tightening. So they feel that they're being confronted by monopolistic or oligarchistic prices against which they have no protection.

Louw: How valid is the fear that large insurance companies are in a position to influence management?

Rees: That's not the intention of the insurance companies. They haven't the expertise.

Loo: Let's just dwell on this question for a moment, of concentration of ownership and lack of competition. David, what is your view?

Rees: I worry about monopoly for the conventional reasons. Economists advance against monopoly. Monopoly tends to generate an economy which is inefficient and tends to redistribute from consumers to producers. These are standard arguments against monopoly. I'm concerned about the anti-monopoly policy which we have because it seems to go with the symptoms rather than the cause. The free market doesn't generate monopolies. Monopolies arise through government intervention. It's very difficult to think of a monopoly in SA which wasn't put in place, and sustained in place by some form of government intervention, some sort of constraint on competition.

Now, we have a competition policy — anti-monopoly policy — which works through the government and so the government's in a contradictory position. On the one hand you have monopolies which were created by the government to serve the interests of specific groups and at the same time the government is assisting an anti-monopoly policy.

Can we be specific for a moment? We have seen a trend in recent months towards a marked concentration of ownership. Is this a good thing or a bad thing?

Rees: I don't think one can pass judgement on it. Given the rules of the game, businessmen behave in a way which will maximize profits and that implies using resources as efficiently as possible. I'm not prepared to say whether a particular merger is a good thing or a bad thing. What I worry about is the rules of the game. And there's no doubt that to a large extent what we've seen is the result of various constraints on market activities, such as exchange control. This is one of the reasons why financial institutions have grown so rapidly and why there's been so much concentration in the financial sector. Now, you can keep exchange control in place and invoke competition boards to deal with the problem, or you can go to the fundamental causes of the problem.

Kantor: There's something even more fundamental than exchange control and that's differential taxation. Different kinds of economic activity in SA are taxed at very different rates and the highest tax rates are actually paid in the gold mining industry. Just to make the point, if you took two important investments by Anglo American — say Western Deep and AECI — you'd find that Western Deep pays 70% in tax and AECI pays zero. Now what is management going to do with the cash generated by Western Deep? Pay it away in taxes or look for acquisitions that effectively reduce their tax rate and increase their retention of cash?

Rees: I think protection by import control is one of the most fundamental causes of monopolies. We often look for example at concentration ratios as being very high in SA. Now these are interesting because SA is defined as the geographical region within which the concentration ratios operate. That's only important if imports aren't allowed in. As soon as you have competition from imports, those concentration ratios become meaningless because, in world terms, SA's concentrations are trivial. Why does one worry about the fact that SA Breweries (SAB) controls 100% of the brewing capacity in SA? Only because there may be constraints on imports. I'm not sure if there are constraints on imports, but if there are, then it becomes relevant that SAB can to some extent push up the price of beer against consumers.

Lee: I think that there's a danger of becoming too simplistic about this concentration of power argument. People think that an industry dominated by, say, three companies must be less competitive than an industry with a lot of small companies. But in fact the evidence from overseas is that it's not necessarily the case. You can have an industry dominated by two companies which is extremely competitive.

Rees: I agree that concentration ratios tell you very little if anything about the competitiveness of a particular sector. But they do tell you something about the degree of difficulty, or ease, of organizing a political body to represent a particular sector. For example, in the insurance sector, the high concentration ratio may tell you something about the influence that sector is likely to have with government. It's easier
to organise a lobby with only three of you around the table than when there are about 300.
We've talked about concentration of industry in this country and come to the conclusion that there's not necessarily a reduction in competition as a result of it. We've also said that it's come about as a result of what government has done: primarily exchange control regulations and tax. Where do we go from here? Is there any argument for unscrambling an omelette?
Lee: The best way of making sure that concentration doesn't increase, or that what concentration we have is optimal, is to abolish exchange control on everybody, and to make sure that existing tariff protection is reduced, or at least not increased. That way international competition will ensure that there are lower barriers of entry into the SA market, including insurance.
Kantor: Nobody would recommend the removal of protection overnight and we're not talking about that. I think I would settle simply for a policy of no further increase in protective duties. All the time the tendency is to raise protection. However, I think at the moment industry is finding that government has become more critical of its applications and I think the Steenkamp committee report, an excellent document, has provided very good arguments as to exactly why they should be more critical.
Rees: I think that's what we're seeing. All the old arguments for protection—the infant industry argument, the military independence argument, the sanctions argument—are up for review. I think that the case is having to be made much more carefully, and I think this is one of the effects of the Competition Board.
Thomas: The principle tells us, in a case of doubt, to abolish import protection, I would agree as an academic. But in real life, the person who is affected will scream out. There may be a couple of companies or sub-sectors where, in fact, it's not justified. There may even be other areas where we would have to increase protection. For me, it's not the principle which is at stake. It's the practice and the implications. We must be aware of both.
Labour relations — key area for building industry

PORT ELIZABETH — The building industry today faced many problems arising from the current recession, from the drought and, probably most challenging of all, from emerging pressures in the industrial relations field, Mr Jod Bramwell, chief executive of Murray & Roberts said.

Addressing the opening of the Building Industry Federation of South Africa's congress in Port Elizabeth, he said: "There is no doubt in my mind that the government's efforts to broaden the processes of negotiation with workers and to liberalize our labour legislation will lead to a more stable and productive labour force in the longer term."

Problems

He said the process of achieving this state of affairs would be painful and, in some cases, traumatic, for employers.

In the future, management would have to devote more time to the problems of industrial relations than it had done in the past, and in this regard, it had to recognize the implications of the rulings of the industrial court.

"Recent court proceedings had clearly revealed that in many instances employer reaction under pressure from organized employees was hasty and ill-conceived," Mr Bramwell said.

The tendency towards the means of production being absorbed by fewer and fewer major companies had not led to any increase in the means of production, the creation of a greater number of job opportunities or increased efficiency within the country's economy as a whole.

As far as the construction industry was concerned, it had also led to the undesirable practice of in-house trading in an industry which had always prided itself on the fact that it represented the very essence of the free enterprise system.

Preferences

"Today many of the major construction companies are owned by mining and financial groups which tend to give special preferences to their own companies."

"This unhappy state of affairs has led to many contractors becoming increasingly frustrated by the tendency of these major groups to seek tenders apparently only to check prices and maintain a level of honesty in the pricing of their own in-house companies," he said. — Sapa
Protea buys into graphics with R9,6m for Photra

Financial Reporter

PROTEA Holdings has bought graphic materials supplier Photra Holdings (Pty) for an effective R9,6m, to be settled by the issue of 3-million new Protea shares and R200,000 in cash.

Provided a “condition precedent” is met, the takeover will be effective from April 1 this year.

A third of the purchase price is payable when the undefined condition is met with the balance payable on March 31.

Protea’s shares are valued at 290c each for the purposes of the deal. Protea closed at 345c last night.

The net asset value of the Photra Holdings shares at March 31 was R8,1m, and an announcement from the two companies states that the acquisition will have no material effect on Protea’s earnings a share nor net asset value in the current year.

Photra has four main subsidiaries:

- Photra (Pty) — supplier of sensitised materials and equipment for the graphic arts, drawing office and photographic sector.
- Photra Electronics (Pty) — supplier of computer-controlled electronic typesetting and editing systems, facsimile transmission and word processing equipment, raw materials, equipment and connectors for the manufacture of printed circuit boards.
- Chemtra (Pty) — supplier to the chemical industry of commodity and specialised chemicals and equipment.
- Photra Manufacturing (Pty) — manufacturer of silver-sensitised films and chemicals for the graphic arts, industrial photographic and radiographic industries, chemicals for printed circuitry and equipment for the printing, drawing office, panel and printed circuit board industries.

Mr V Rudaizky and Mr M Coleman, joint managing directors of Photra, will continue to manage the group and have entered into service contracts as part of the sales agreement.
Venter controls challenge to Barlows

Indumeni vehicle for Altech-Amic

By PATRICK MCLAUGHLIN
Investment Editor

INDUMENI has emerged as the top company in an Altech-Amic electronic industry alliance, which has set up a R500m a year group with vastly improved potential for growth.

Although the Venter and Anglo interests prefer to minimize the significance, the takeover by Powertech of Asea and the restructured group places Mr Bill Venter and Amic as firm allies.

As expected, the first leg of the deal is Powertech’s acquisition of Amic and electrical group Asea SA, and Amic gains a 20% stake in the Altech group’s new holding company — Indumeni — setting the scene for a possible high-technology market-share tussle.

These were central points behind yesterday’s announcement by Altech’s chief executive, Mr Venter, that his group had been restructured in a series of deals.

The overall picture gives Anglo American, through Amic, a significant stake in a ready-made electronics and power group which could provide a powerful challenge to Barlow Rand in high technology.

The new look Altech follows the simultaneous suspension on the Johannesburg Stock Exchange a fortnight ago of the Altech group, Amic-controlled Asea and Indumeni, a defunct Natal coal operation controlled by Anglo American. It is also the culmination of five months of discussions.

The major effects of the deal include:

- Indumeni, to be transferred to the JSE electronics sector under a new name which will be the Altech holding company — owned 70% by the Venter Family Trust, 20% by Amic and 10% by the public.
- Amic will control 62.4% (formerly 56.6%) of Altech, which will in turn control 83.4% (63.1%) of Powertech.
- Powertech gets 49.6% of Asea and will have 91.8% of Lascos Lighting Control of Lascos is now shared by Altron (41.7%) and furnishes Powertech with a broader base.

One area of interest is Asea’s cable-making — “A company the size of Asea with its diverse product range in the electrical industry is just not available,” Mr Venter said.

“It was a coup to get control of such a business with a fairly small portion of Altron-Indumeni. What is significant is that Powertech is now a company that can compete with the multi-nationals. It’s now in cables, heavy transformers, minewands — Powertech has a broad base.”

The balance of the Altech group was now more evenly divided between telecommunications on the Altech side and power electronics with Powertech.

The major aspects of the cash-and-share deals include the acquisition by Amic of Amic’s and Anglo American’s combined 57.6% stake in Indumeni, Amic will also acquire the coal-mining assets and liabilities of Indumeni for R54m 3000 cash.

Indumeni will cease to be a coal operation.

Indumeni will have a rights issue, underwritten by Amic and Altron’s controlling shareholders, and Amic will follow its rights.

Indumeni will acquire a controlling interest in Altron from the Venter Family Trust (which holds more than 60% of Altron) which will get a 70% stake in Indumeni.

Indumeni’s new name will reflect its high-tech nature and possibilities are Technologies Holdings and Associated Technologies.

The Altech group is said to be looking for acquisitions abroad, preferably in the United States.

Cash reserves of R17m coupled with benefits from the deal, including the R14m rights issue, mean the group will be able to make equity-funded purchases of R40m or more. Acquisitions would not touch the current gearing of about 20%.

- Powertech’s acquisition of Asea was last night given the Competition Board’s blessing. The board’s chairman, Dr J J Mouton, said the move placed control of Asea in South African hands and the new group would intensify competition.

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Pyramid being considered

Waltons beats recession with 24% profit rise

By PAUL DOLD, Financial Editor

SOUTH AFRICA'S largest stationery group, Waltons cruised to a comfortable 24 percent rise in pre-tax profits in the first six months in spite of the recession and is raising the dividend by 20.5 percent to 20.5c.

Waltons has also announced that it is considering a pyramid

Sales rose 16 percent to R29m with operating profits of R3.5m (11.9% R2.8m 220). Net profits before life were 24 percent ahead at R1.6m (787). The life adjustment at R2.6m was well down on the previous R900 239. Waltons switched to life last year with the main change taking place at that stage. Net income was R1.5m (568) (972 149)

Fifo earnings per share were 61.9c (50.9c) leaving the dividend three times covered.

The encouraging performance cuts across the generally bearish trend of corporate earnings and suggests spending on stationery has been relatively unaffected by the recession. Margins have not been impaired by the downswing and Waltons has further increased its market share.

The managing director, Mr Frank Robarts, says the results were achieved without any contribution from the recently acquired DRG Stationery division.

The rationalization of DRG with Waltons has gone smoothly and the first impact of profits will be in the next financial year.

The toy chain had a loss of R1 011 121 (972 212) in the first half but this is normal and due to the seasonal nature of the business.

Waltons has been expanding the toy arm — Redwood Toys — into the country's largest toy retailing specialist and Redwood already has some 31 stores nationwide. Redwood is forecasting satisfactory Christmas sales and should increase its profit contribution.

Mr Robarts does not make a forecast for the second six months in the interim report, but given relatively fair trading the group should be able to pay a total dividend for the year of around 55c after the latest 20.5 percent interim if the high three times cover is pared, the dividend could well be higher.

Waltons' performance suggests the share is well worth watching and the price should at least move up to the R10 level on these results.

The pyramid announcement suggests management is seeking to consolidate control of the group.

According to the last annual report, the directors owned 30 percent of the equity. The largest individual shareholder is a pension fund with some 30 percent.

Institutional interest in the shares has been increasing against the background of the steady growth performance and last year earnings were 25.4 percent up.
Gilbeys to sell Bertrams Wines as cash shell

By ALEX PETERSEN
Deputy Financial Editor

W & A GILBEY have accepted an offer of 61c a share from Northern Trust for its 52 percent share in Bertrams Wines Ltd as a cash shell.

Northern Trust, who are acting on behalf of a client, have made a standby offer of 61c a share to the minority shareholders, who number about 1,500.

Bertrams shares were suspended on the Johannesburg Stock Exchange yesterday after trading at 55c on Tuesday.

Earlier this month Gilbeys announced their intention to constitute Bertrams as a wholly-owned subsidiary and to offer 45c a share for the ordinary shares, and 100c for the 5,5 percent preference shares. However, the offer documents had not yet been sent to shareholders.

**Competitive**

Gilbeys' reasons for their offer were that due to the highly competitive nature of the wine industry, Bertrams would require greater management and financial support which would otherwise be disproportionate to its shareholding.

Following the Northern Trust offer, Gilbeys will buy the assets of Bertrams, leaving a cash shell worth R1.297m.

The Northern Trust offer will give minority holders of ordinary shares three options:

- They may accept the standby offer of 61c. This stands for three weeks, and will then be replaced by a similar offer.
- They can hold their shares and accept a special dividend of 25c, and wait to see the purchaser's intentions for the cash shell.
- Northern Trust manager, Mr D White, said these would be announced in February next year, once the formalities of the current offer had been dealt with.

**Preference shares**

The 5,5 percent preference shareholders will be offered the same terms as were offered by Gilbeys, i.e. 100c and their dividend for the six months to the end of December.

The pay out to preference shareholders and the payment of the special dividend of 25c will deplete the cash assets of the shell by about half.

Gilbeys are to continue to market wine under the Bertrams label, and the name of the cash shell will be changed.
Riding the Switchback

Annual growth in narrow money supply (M1)

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Moreover, interest rates are not only less controllable than money supply. They're more politically vulnerable, and it requires tremenous political will to sustain the pressure. By all accounts, the Reserve Bank has not been equal to the task.

"The Bank changed tack in mid-1982, just when the medicine was working," says an economist who does not wish to be identified. "It forced prime rates down when money market rates softened in response to the rise in the gold price. Horwood thought gold would save us. He was wrong."

Says another: "The monetary authorities have always been reluctant to act when the crunch comes. In the US and the UK they let rates go as high as and as long as necessary until they actually broke inflationary expectations. It's the only way to show you mean business, to jump the credibility gap. In SA, they're simply not willing to do it."

Of course, it's no secret that SA's money supply figures are suspect. They are often artificially inflated and deflated by flows in and out of their defined target area that disguise underlying truths. In fact," says an economist, "this has tripped up the Bank before, and made it complacent to the tremendous demand for credit building up in the system."

They will obviously have to be revised, a fact that hasn't escaped the Bank. Some economists, for instance, believe that cash as we know it—bank notes and coin—is a better indicator. But in the meantime, the Reserve Bank has pledged itself to control the existing aggregates.

Unveiling of Cape Town economist Brian Kantor, who reports a 17% trend growth on latest figures, is one who believes that the Bank is doing it. However, no good reasons appear for thinking that another miscalculation in foreign exchange management, or in government's budgetary projections, or in predicting consumer demand, will not send the aggregates way off course again. And unless Pretoria finds the political courage to complete the market-determined system it is inclining towards and accept its consequences, those reasons will not appear.

Metal Box

Ready for battle

The emergence, from one of the most complicated corporate deals ever constructed, of a new look Metal Box must have given even the most confident of its competitors pause for thought.

The packaging industry has probably become the most competitive of any in SA, with the recession seemingly increasing competition rather than allowing only the strongest to survive. The merger of Metal Box and Nampak was therefore a logical step towards the consolidation of an already strong base by two of the industry's leaders. The decision was not made, however, on the basis of potential rationalisation benefits—either in the respective workforces or other overheads.

Of the previous Nampak divisions now injected into Metal Box over 90% are complementary to existing MB operations. The only duplication occurs in the two firm's plastics divisions and in cores and tubes, but even there it is expected any slack will be taken up by organic growth.

New Metal Box MD Peter Campbell, who took over following the departure of Derek Jacobs to Barlow Rand with MB's industrial divisions, is confident that the marriage will prove successful. Since 1977 Metal Box has been working towards a reduced dependence on its tinplate packaging. Campbell sees this latest move as the best possible conclusion to MB's diversification plans.

Although Nampak becomes the controlling shareholder, with over 51% of MB, Metal Box UK still retains a significant investment with its 25% stake in the enlarged operation. In fact, Nampak insisted as a precondition of the deal that Metal Box UK remain involved with the local operation. Apart from anything else it helps reassure the UK firm's extensive research and development facilities will remain accessible to the SA operation.

Campbell says, however, that the major advantage of the increased operating base will be the ability to offer customers virtually any form of packaging. Whereas customers may have been forced to look elsewhere before, they can now be catered for within one of the other divisions should their requirements change.

Most of this effort will be generated within the diversified packaging division. This operation will be structured to work closely with customers, to develop new packaging opportunities and to improve and extend existing lines. One example is development work being undertaken on a composite two-piece beer can, which has a plastic base and sides, but a metal top.

One of the most exciting growth areas will, however, be the flexible packaging division, Bas Karol, who is chairman of both Nampak and the new Metal Box, says that operation suffered an austere time in the past 18 months—due mainly to problems of its own making. Nampak took the division back under the corporate wing and returned it to the right road. Now Karol feels that this aspect of the deal was undervalued. Extensive changes have been made to the product mix, productivity and management, and he says it would now be difficult to find a better company anywhere. Although smaller than before, it is still leaner and bar in profit and is expected to provide some stiff opposition to the rest of the industry.

Probably the most interesting development for the new Metal Box will be the addition of a glass manufacturing facility. Developed at a cost of some R48m by Nampak over the past few years, it only recently produced its first bottles. And although only one furnace is operating at present, a second is likely to come on stream during 1985 and a third not long after.
The foundations have already been laid for the additional furnaces and Kardol expects these can both be installed for a total cost less than was needed for the first. Market share is not a worry, though clearly Metal Box expects to take business away from Consol, as growth is budgeted to be more than sufficient to ensure all three furnaces operate at capacity shortly after being commissioned. Turnover from the glass side is expected to be between R10m-R15m in the year to next September 30, with the furnace at capacity by the second half of the year.

Liquid packaging requires increasingly innovative marketing and product design effort, due to the increased competition in this area Kardol believes it will nevertheless continue to thrive and provide an important complementary operation to the other group divisions.

In the first year of operation, at least, Metal Box's basic food and beverage can-making division will provide the largest single contribution to group turnover Campbell says it may continue to do so for quite a while — given the country's growing population and the increased awareness and sophistication at the lower end of the market. This year's growth will, however, be slowed by the side effects of the drought which is expected significantly to cut volumes of canned fruit and vegetables.

Another problem has been the growth of the European canning industry. Last year over 52% of SA's canned fruit and a large amount of canned vegetables were exported. Increased canning activity in the EEC, combined with the high tariffs for non-members, has taken its toll. But Campbell says any export declines should be more than offset by growth in SA.

The Barlow touch

Metal Box will retain its own identity outside the Nampak/Barlow fold, but the beginnings of the Barlow Rand management philosophy are already evident. Kardol is adamant that every manager must have the responsibility to take decisions without constant recourse to higher authority. And, while he says Metal Box was centrally controlled, there are signs that decentralization and divisional autonomy are being brought in.

Campbell says his management team will consist of nine senior managers who will effectively run separate operations and report to him. These will be the heads of the five manufacturing divisions, plus group financial, personnel, legal and technical controllers. The object is to push as much responsibility as possible even further down the line, which eventually allows individuals the opportunity to prove themselves.

Kardol says Nampak was the first company in the Barlow group to adopt this accolade and, while he admits it does occasionally cause problems, it has proved extremely successful. The Nampak

Metal Box's Campbell... size does enhance the competitive position.

Assuming a 30c payout this year Metal Box is valued at a prospective 3.2% dividend yield at its current 950c share price. The 950c valuation, however, still includes the Robor and Nampak potential. When the deal has been concluded it is likely the share price will fall to around 800c. But the growth potential is certainly there and the company's own earnings estimates for this year are probably fairly conservative.

In the longer term, Kardol expects Metal Box to generate growth outside SA. He says it will probably take a year before the Nampak merger is fully digested, but after that the company will be on the acquisition trail. While this has not been given much attention to date, it appears the next logical step is that Mampak has a potential barrow Rand is generally not known for its poor acquisition decisions. This is because of the emphasis placed on acquiring strong management as well as growth opportunities. As one Barlow director said: "We may have paid over the top for Nampak, but we got Barlow Rand extremely cheaply." The same seems to apply as far as Jacobs and Campbell are concerned.

Peter Pickney

**METAL BOX'S NEW MAKE-UP**

Expected divisional turnover contributions for year to September 30, 1984

Financial Mail October 28 1983
National Acceptances

profits soar to record R4.5m

By PAUL DOLD
Financial Editor

NATIONAL ACCEPTANCES (NA) has produced an outstanding set of profits for the year ended May, raising net income from R501 000 to R4.5m and the chairman, Mr Bill Balsdon, is confident the group will fare reasonably well again this year in spite of the dull economic climate.

He warns, however, that the South African economy is unlikely to recover until the end of 1984 and the drought is only now starting to work its way through the economy.

Inflation rate

While the inflation rate has dropped and it could reach single digit figures next year, it is unlikely to remain at that low level for long. Black unemployment remains far too high, particularly viewed against the increasing number of work seekers.

Mr Balsdon predicts that further relaxations of exchange control will take place when the economic upswing is underway.

The bulk of the profit advance in the past year took place in NA's money market division with the favourable interest rate trend helping to boost income from R319 000 to over the Rd mark.

Property dealing was also a bullish area for the group with earnings up from R81 000 to R323 000.

The corporate finance division handled deals valued over R27m NA is also active in managed leasing and has recently entered the project finance market.

NA's rapid growth in recent years is highlighted by total assets which have now breached R15m and net current assets are R6m.

But in spite of the performance, the group is not planning to seek a JSE listing NA is highly liquid with little need for new finance and a listing has little attraction at this stage.

Mr Balsdon says that trading conditions in the money market division in the past year were excellent with turnover exceeding R3 billion. Market penetration is reflected by the large increase in institutional and other clients.

The property division which handles both project development - management and sectional title - had an active year with three major shop and office projects and three sectional title conversions.

Apart from the new Pick 'n Pay head office at Claremont (in association with Sanlam) there was the Goodwood Shopping Centre (a project in association with the SABC Pension Fund and the Transvaal Joint Municipal Pension Fund). The third development was an office block in St Andrews Street, Bloemfontein in association with the Transvaal Joint Municipal Pension Fund.

Conversions

Two of the sectional title conversions were in Port Elizabeth - Estoril and Balmain and Waverley was marketed in Durban.

Since the year end, NA has bought two Johannesburg flat blocks - the 446 unit High Rise in Berea, one of the largest conversions undertaken in the country - as a matter of Highbury Heights, also in Berea NA is currently in talks with NAIH an associate which could lead to the merger of the two companies.

NAIH an industrial company owns the National Acceptance head office building in Johannesburg as well as a 70 percent stake in Mazita (which mines and markets slate products) and 50 percent of Devland, a Reef manufacturer of maize based snacks.

Mr Eric Grubb has been appointed to the Board of National Acceptances.
Tiger Oats profits soar to R69.57m

OWN CORRESPONDENT

Johannesburg — Tiger Oats and National Milling Co has produced a set of results for the year ending September 30 that is almost embarrassingly good. Attributable profit rose by 33 percent to R69.572m from an annualized R52.183m for the seven months to September last year, but the directors hasten to point out the extraordinary circumstances that partly assisted in achieving the remarkable performance.

Turnover for the year rose by 14.5 percent to R1,942 billion from R1,698 billion and pre-tax profit was 21.7 percent higher at R125,354m (R109,586m).

Taxes were the first area which contributed unusually to the bottom line, dropping to R36,316m from R42,699m, because of investment allowances on the purchase of fixed assets and accumulated export incentive allowances, confirmed in the year.

Benefit

Accepting that a fair proportion of the allowances claimed this year was non-recurring, shareholders will still benefit by 21.7 percent increase in the total dividend, to 140c from an annualized 138c.

A final dividend of 90c has been declared to add to the 90c interim, representing a 13c increase from the projection made at the interim stage.

The dividend is covered 3.7 times by earnings of 515c a share, compared with the annualized earnings of 388c a share for the seven months to September last year.

While the latest results will be a difficult act to follow, the directors confidently expect dividends to be maintained, and that they will be "suitably covered by earnings."

However, in a note to the preliminary results, the directors say, "In the 1985-86 year difficult economic conditions, coupled with adverse effects of the drought, continue to have an unfavorable impact on certain of the group's main divisions, added to this, a higher effective tax rate for the group is expected in the current year."

Commenting on the results yesterday, Mr Rudi Frankel, Tiger's chairman, said the group was now reappraising the benefits of the heavy investments made over the past seven years.

Decisions

"It is fair to say that this year's results, and next year's, are indebted to decisions taken many years ago," Mr Frankel added.

Mr Frankel also complimented all levels of management, who by improved productivity had contributed to a better overall performance.

"We have trained an excellent team, we've got some good men from the Barlows side, and we're happy with the combination," Mr Frankel said that over the past four months Tiger's role as an exporter of food and feed had been reversed, and the group had become a significant importer.

Some traditional export markets were still being serviced to keep the lines of communication open, but imports had surged.

"This situation was likely to continue until February or March, when the new summer crops started coming in. The signs for the new crops were encouraging, but much depended on rainfall for the rest of the season. Setting aside the extraordinary influences on the tax position, Mr Frankel said the increased turnover reflected the disciplined approach Tiger had applied to problems inherent to the food industry.

Drought

"Not the least of these have been the effects of the drought and the high cost of resultant imports."

Taxed return on turnover rose to 4.5 percent from 3.9 percent, and Mr Tony Norton, chairman-elect of Smith Foods, noted that the margins on basic foods made decisions on new investment in an inflationary environment extremely difficult.

"It is not easy to run a low-margin business in times of double-digit inflation. The allowed rate of return is 15 percent pre-tax on historic depreciated cost," said Mr Norton.

The return on assets was a shade over 18 percent, which was no better than could be achieved by depositing money with a bank instead of investing it in a business.

While the return could be accepted purely on a current operating basis, when the time came for new investment — and this was not a long way off — it would be difficult to justify given the existing constraints.

Input costs

Mr Norton said that in attempting to control price increases on basic foods, the authorities should look at input costs — such as the cost of machinery, and particularly fuel.

Not included in the figures are the following items:

- A non-recurring capital profit of R5476m arising mainly from the disposal of Tiger's investment in The Imperial Cold Storage and Supply Company to CG Smith Foods.
- Associated companies in which at least 20 percent of the equity is held have been included only to the extent of dividends received during the period.

If the retained income of these associates were included, earnings would have risen to 560c a share (441c annualized).
JOHANNESBURG. — The Sasol Ltd rights issue to raise R750m will open on November 25 and close on December 9, and the remaining R1,9 billion of the cost of Sasol II will be met out of existing resources and a staged payment over five years.

The formal agreement under which Sasol Ltd is acquiring Sasol II from the Industrial Development Corporation and Komsol will be signed on Monday, and Sasol II will become a wholly-owned subsidiary of Sasol Ltd, effective retrospectively to June 26 this year.

The agreed price for the sale of Sasol II to Sasol Ltd is R2,620 billion, to be financed as follows:

- The net proceeds of the rights offer — the government has a 30 percent stake in Sasol Ltd, and its share of the rights offer will amount to R250m, the balance coming from the private sector.
- Cash totalling R350m will be provided out of Sasol’s existing resources.
- The balance will remain owing to the IDC, Komsol and the State Oil Fund (SOF) and paid over five years.

Formality

An announcement from Sasol says that after the signing of the agreement, and this is likely to be no more than a formality, it will proceed with a rights offer of 187,5m shares.

The offer will be made on a one-for-two basis, and although the price has not yet been announced, it is generally agreed that it will be pitched at R400.

Sasol closed at 415c yesterday, down from a peak of 500c before the preliminary results were announced in August.

An investment analyst said yesterday that normally the price at which a rights offer was pitched did not make a material difference, and the only change came in earnings a share statistic.

But in the original Sasol prospectus the assurance was given that the Sasol II and Sasol III deal would not result in a dilution in earnings a share.

The promise given in the prospectus puts Sasol under pressure to meet its commitment, and for this reason the price is likely to be pitched at R400.

Every effort is being made to explain the offer to all shareholders, while market research has shown Sasol’s advisors, Pan Africa Bank, that the major institutional holders will broadly support the issue, there is the bulk of the shareholding population to convince.

Shareholders

Sasol has 47 shareholding shareholders who account for 85 percent of its issued share capital, while the remaining 15 percent is spread across 25,000 shareholders, either individuals or companies.

There is every reason for all shareholders to support this issue, the long-term prospects for Sasol make it a sure-fire winner.

If a parallel is drawn with chemical giant AECI, the prospects for Sasol’s future become obvious.

AECI is generally happy with the profits it can make from a plant operating at 70 percent of capacity. If capacity use moves up to 80 percent the gearing effect is significant, and profits improve out of proportion to the percentage change in production.

At Sasol, given the volatile oil supply situation, production will continue at full tilt for the foreseeable future, and the long-term effects on profit of a chemical plant operating at full capacity are going to be dramatic.

This is well understood by the major institutions, who are likely to subscribe fully to their rights, and will even top up their holdings if any shares become available, but some private investors may not realize the long-term value of their investment, and could be tempted by the sagging gold price and the consequently soggy industrial market to relinquish their rights.

This would be folly, as the Sasol price may have been staid and moved slowly since the first privatization move, but this is not a reason the institutions have satisfied their needs through rights issues and private placements.

These are not going to be repeated indefinitely in the future, and at some point down the line, especially when the fuel price starts moving up, Sasol’s production cost, the upward pressure on Sasol’s share price will come.

An amazing irony has arisen in the build-up to the rights issue. Originally intended for some time in 1984, the government is believed to have exerted pressure on Sasol to bring the offer forward.

The rationale was that on the industrial share market was overheated, the money market was awash with cash, and some means had to be found to release the pressure on the market and to mop up some of the liquidity.

Argument

Sasol, from all accounts, rejected this argument, saying that it was an independent company and had to look to its own needs, and should not be called on to manipulate factors in the economy.
Small men urged to follow rights

Sasol names day for R750m issue

BY JOHN MULCAHY

The Sasol Ltd rights issue to raise R750m will open on November 25 and close on December 9. The remaining R1,9bn of the cost of Sasol Two will be met out of existing resources and a staged payment over five years.

The formal agreement, under which Sasol Ltd is acquiring Sasol Two from the Industrial Development Corporation and Konoil, will be signed on Monday. Sasol Two will become a wholly owned subsidiary of Sasol Ltd, effective retroactively to June 26.

The agreed price for the sale of Sasol Two to Sasol Ltd is R2,625bn, to be financed in this way:

- The net proceeds of the rights offer — the Government has a 30% stake in Sasol Ltd and its share of the rights offer will amount to R250bn. The balance will come from the private sector.
- Cash totalling R250bn will be provided out of Sasol resources.
- The balance will remain owing to the IDC, Konoil and the State Oil Fund (SOF) and be paid over five years.

An announcement from Sasol says that after the signing of the agreement, and this is likely to be no more than a formality, it will go ahead with a rights offer of 187.5 million shares.

The offer will be made on a one-for-two basis and, although the price has not yet been announced, consensus is that it will be pitched at 490c.

Sasol closed, at 415c yesterday.
Sasol rights offer likely to be pitched at 400c

and could be tempted, by the sagging gold price and the consequent-
ly soggy industrial market, to relinquish their rights.
This would be folly. The Sasol price may have been stabilised and
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this argument, saying that it was an
independent company, had to look
to its own needs and should not be
called on to manipulate factors in
the economy.
The Government's view pre-
vailed and Sasol agreed to bring the
issue forward.
Simultaneous to the announce-
ment of Sasol's results for the year
to June came the news that Sasol
Ltd was to acquire Sasol Two and
would need to raise up to R1bn from
the public for the acquisition.
This announcement was made on
August 20, at a time when the indus-
trial market was testing new highs
and the gold market perceived to be
on the march upward.
Since then everything has
changed. The money market is in a
quandary over how to deal with an
immense shortage, the gold price
has sagged and the industrial mar-
et is skidding down.
Enter the Government, warning
that the issue now would be disrup-
tive to the money market.
It would be better, the Govern-
ment is believed to have said, to
delay the issue until next year.
This time Sasol prevailed. The is-
ue is going ahead, not oblivious to
the circumstances, but with the
knowledge that the institutions will
follow their rights and a belief that
private investors can be persuaded
to support the issue.
Barlow Rand

From page 20

Comment: By now, after the results from CG Smith, Tiger, PPC, TC Land, the improved trend in the second half is already established, but it is encouraging to see that the thread of tighter control and efficiency has continued through to the top.

Middleburg is probably the key to much of Barlow's future organic growth. It is a classic recovery situation, with everything in place and simply waiting for the markets to improve.

The divisionalization is now well under way, and Mr. Ros havoc noted yesterday that eventually six out of seven operating divisions would be listed.

Divisions

Barlow Rand, as such, would be responsible for policy, philosophy and financing, and while there would still be a great deal of cross-pollination through the executive committees, the divisions would be autonomous.

One of the problems as far as the Barlow's share price is concerned is that most institutions have all the holdings they want, having been satisfied by rights issues and the various acquisitions that have been satisfied by share issues over the past few years.

What this means is that, at least in the short term, institutions have no need to chase scrip, and price changes will depend entirely on private investor activity.

Mr. Ros havoc said that ratios would clearly show the effects of the efficiency drive, as margins had been tighter and had not improved much over the year.

Ideally, this sort of asset management and cost control should be a continuing feature through good times and bad, but inevitably when conditions are booming, there is less time to concentrate on such intangibles, and efficiencies tend to slip.

However, provided the necessary surgery is applied when required, and in this case it has proved highly successful, the seeds are sown for efficient management in the upturn.

Yield

At yesterday's R12.30, Barlow's is on an unchanged dividend yield of 5.7 percent and the price earnings ratio moves to 7.4 from 7.0.

Barlow is correctly regarded as a microcosm of the South African economy, and prospects for the company, as for the country, are heavily dependent on the gold price.

What is clear is that there will be no visible recovery for at least another nine months, and this timescale could move out if there is no real gold price improvement.
Johannesburg - The slump in consumer spending over the six months to September, as reflected in results from OK Bazaars and Edgars, was very much in evidence in South African Breweries beer sales for the period.

Volume sales rose by only one percent in the six months, which seen against earlier projections of about five percent for the full year by SAB, indicates the pressure on consumer spending that has affected largely black consumers.

SAB estimates that about 70 percent of its beer sales are to blacks, who have generally been harder hit by the recession than the more affluent white sector.

Widespread lay-offs throughout industry, a total embargo placed on overtime and the slump in activity in rural areas because of the drought all had an impact, and SAB has now revised downwards its projections for the full year to March 31.

The huge retail and beverage group has reported a fall of 11 percent in earnings from its beverage interests for the six months to September, while its diversified activities were harder hit, reducing their contribution to SAB's attributable earnings by 15 percent.

Reviewing the six months to September 30, SAB's managing director, Mr. Meyer Kahn, said yesterday beer sales started the year very badly, and were actually down in volume terms for the first three months, but there had been a good recovery in August and September, and this had followed through to October.

"We can't hope to achieve a volume improvement of five percent for the whole year, but we are now aiming for a five percent increase in the second half, which should give us a three percent to four percent improvement for the year," SAB's turnover rose by 9.6 percent to R2.203 billion for the six months to September 30 from R2.010 billion for the corresponding period last year, while operating profit was 14.4 percent lower at R154,1m (R180m), the interest charge rose to R58,6m from R56,7m and tax dropped to R41,1m from R54,7m.

Dividend income and equity-accounted earnings were marginally down at R17,5m (R17,6m), while minorities and preference dividends absorbed R23,2m (R27,0m).

This left attributable profit of R68,7m, which was 12.3 percent down on the R78,3m earned in the first half of last year.

Earnings fall by 12.6 percent to 27c a share from 30.9c, and the interim dividend has been maintained at 10c.

Mr. Kahn said the second half was expected to show an improvement on the first half, although economic conditions were expected to remain depressed well into next year.

Earnings for the full year would probably be lower than last year, but Mr. Kahn said the final dividend was safe at 25c. Last year, SAB's total payment of 35c was covered 2.2 times by earnings of 78c a share.

The directors note in the interim statement that private consumption expenditure declined in real terms by an estimated 1.2 percent in the six months to September.

They say, "while private domestic consumption expenditure is a key determinant of group activity, conditions in the mass consumer markets have been particularly depressed and trading has been highly competitive."
Mr Rudi Frankel, the chairman of the board, will retire next year.

By John Muccha, 15/11/83
Waltons to pyramid — Walcon debut in January

By PAUL DOLD, Financial Editor

WALTONS is to become the sixth Cape Town company in recent months to pyramid after Retco, Clicks, Pep Stores, Garlicks and Pick ’n Pay and the new holding company Walcon will make its JSE début towards the end of January.

Last night the managing director, Mr Frank Roberts, said Waltons was trading ahead of budget and the second half profit figures will be published in March.

A formal announcement of the pyramid scheme will be made on Friday but the effect of the operation is that Waltons’s shareholders holding 100 ordinary shares will then hold 200 shares in Waltons and 100 in Walcon.

Walcon is commendably undertaking to take minorities fairly with any future bidder for the pyramid having to make a similar offer to shareholders in the operating company.

Walcon has also tried to spell out the effect on minorities of the pyramid scheme and estimates that on the basis of an existing ordinary trading at R10, the new Waltons shares should trade at 250c and Walcon 250c (two Waltons and one Walcon making up the 100c total).

The scheme will secure control of Waltons in the management with the latter holding 50 percent of Walcon, which in turn will own 50 percent of Waltons itself. Currently management and staff have some 30 percent of Waltons.

Walcon will end up with an issued share capital of 2,992,994 shares compared with a Waltons capital of 11,99m.

The terms of the scheme are that Waltons will make a capital issue of three new shares for every one held. Two shares will then be allotted to Walcon with the remaining share being issued to shareholders as a one for one allotment.

Walcon shareholders are to be given one free share in Walcon.

Certain institutional shareholders have agreed to retain part of their holding in the holding company. Their Walcon shares up to a maximum of 540,512 will be swapped for Waltons. The swap will be on the basis of one Walcon for two Waltons. The offer is also open to any minority shareholder.

According to the draft timetable, scheme meetings will be held on January 9 with Walcon shares being first listed on January 23.

RL Coal to absorb into holding company

Mr Mike Revington has been appointed a director of PG Wood (Cape) (Pty) Ltd.

Garlicks’ outlook

GARLICKS will at least maintain its dividend this year in spite of the downsizing in consumer spending, the chairman, Mr John Garlick, told shareholders at the annual meeting yesterday.

The group paid a total of 44c (40c) last year and the chairman said that turnover for the first four months of the current year is slightly ahead of last year but there is little growth in real terms.

No set trading pattern has emerged with sales patchy and varying from month to month making forecasting difficult.

Trading at the new Durban store, which was bought from Stuttafords in October, is in line with forecasts.

While start-up costs are likely to have a slight adverse impact on profits, the Durban store is expected to make a contribution to profits in the next financial year and a material impact in the longer term.

XACTICS LIMITED

(Incorporated in the Republic of South Africa)

Directors: H B Meyerson (Chairman), P Figg (Austria), K J H Kulling (Sweden), J Pesendorfer (Australia), T E Rees

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 AUGUST 1983

1. TRADING RESULTS

The unaudited trading results of the Group, for the six months ended 31 August 1983, are as follows:

Year ended Year ended

- Mr Mike Revington has been appointed a director of PG Wood (Cape) (Pty) Ltd.

- RL Coal to absorb into holding company

- Garlicks’ outlook

- XACTICS LIMITED
SA groups among world giants

BY NIEL BEHMANN

LONDON — Anglo American, Driefontein, De Beers and Amgold are among 90 international companies which have a market capitalization over $2,000 m.

In a survey, Capital International, Geneva-based investment consultants finds that Toyota Motors has the biggest market capitalization outside the United States. At the end of October, Toyota's market capitalization was $14,500 m, followed by Royal Dutch Petroleum, $11,200 m, British Petroleum, $11,500 m, Matsushita Electrical, $11,000 m and Hitachi, $10,220 m.

Anglo American is under 29 on the list with a capitalization of $3,325 m. It is ahead of Broken Hill Corporation, Australia's giant company.

Driefontein is number 45 and De Beers with a capitalization of $2,320 m is the 53rd largest.

Anglo beats giant corporations such as Sony, Deutsche Bank, Hoffmann-La Roche, Hoechst, Bayer, Allianz Versicherung, Rio Tinto Zinc, Unilever, Barclays, Plessey, Nikko Securities and Volkswagen.

Capital International calculates that 155 American companies market capitalization exceeds $2,000 m, followed by 45 in Japan and 36 in Europe.

The three biggest companies in South Africa account for nearly a third of the total market capitalization on the Johannesburg Stock Exchange.

But in the United States, companies with capitalization above $2,000 m account for 56 percent of the market, West Germany 44 percent, fixed Japan and the UK 36 percent.
Sasol rights issue looks attractive

ONE OF the perks of being a shareholder in a company is the right to subscribe for extra shares from time to time whenever it makes a rights issue.

Companies make rights issues of their shares whenever they need extra share capital and one of the attractions of these rights issues is that the shares are usually offered at below the current share market price.

This is done to encourage shareholders to put up the extra capital the company wants, and it can have considerable monetary value when the shares are offered at a large discount to the market price.

However, this is not the case with the Sasol rights issue, of which details were announced this week.

R780-million

Sasol, the country's oil-from-coal producer, is planning to raise almost R780-million by offering 187,5-million shares to existing shareholders in the ratio of one new share at 415c for every two shares already owned.

Although Sasol shares have been up to 595c earlier this year and as recently as September they were standing at 490c, they were trading this week at just over 420c — only about 8c above the rights price.

Nonetheless, this should not deter Sasol shareholders from taking up their rights, for the share price will not remain this low once the rights issue is out of the way.

The drop in the share price can be attributed to a great extent to the size of the rights issue.

Sell rights

The news that a company is making a rights issue normally depresses its share price. It is assumed, usually correctly, that some shareholders will not take up their rights but instead will sell them on the secondary market.

This usually enables other investors to subscribe for the rights at below the market price. Thus on news of a rights issue, buyers hold back and it is quite common for the share price to drop.

In the case of Sasol, which is seeking the huge amount of just under R800-million, it is understandable that the share price should fall fairly steeply, especially when the economic climate and market conditions are already poor.

However, there are also other reasons which could have affected the price.

Issued at 415c

One was that the rights issue was pitched at 415c instead of 400c as the market expected. This could have squeezed out some speculators and led to selling of the share.

The other reason is that although the shares are being issued on a prospective dividend yield of 7.7 percent, the first dividend payable on the new shares will be 18c in October next year.

In other words, for the next 10 months the investor will be getting a return of only 4.5 percent on his money. This is not so hot when it is considered that fixed interest stocks are now yielding 14 percent or more.

Yet in spite of these factors, Sasol shares do have some attraction at 415c.

Strategic

One reason is that any signs of an upturn in the South African economy could bring increased overseas investment here, and one share they will obviously go for is Sasol with beneficial effects on its price.

Another reason is that Sasol is a strategic industry. As long as there is a risk of an oil boycott against South Africa, Sasol will continue to enjoy the support of 100 percent Government support, so the possibility of Sasol operating at a loss or not making steady profits is extremely thin.

Then, while there is a glut of oil in the world markets at present, this is unlikely to be the case in three or four years when the international economy gets on its feet again.

Therefore Sasol would seem a justifiable investment at 415c for anyone taking a four to five year view.

But can non-Sasol shareholders get Sasol shares at 415c? The answer is no. But they can get them for just a few cents more by buying Sasol share rights.

5c or less

On current performance of Sasol's share price, these rights should be obtainable for 7c. However, it would not be surprising if they were to fall to 5c or less.

Anyone buying these rights, therefore, will be able to subscribe for Sasol shares at 415c each. However, a word of warning when buying rights.

They become worthless once the subscription date is passed, which is December 8, so if you want to buy Sasol shares you will have to do it before then.

This is a case where it will pay you well to work closely with your stockbroker. Although the rights themselves will be listed only on December 8, letters of allocation, which are rights in a different name, will be traded in the stock exchange from Monday, November 21.

Summing up, the slump in Sasol's price does give investors wanting a long-term investment, or capital appreciation over the next year or so, the chance to get in on the ground floor.
Fruit juice pioneer hits at competitors

By AUDREY D'ANGELO

APPLETSER — the pioneer unsweetened fruit juice producer — has slashed the price of Liquefruit in a bid to recapture its lost market share.

But supermarket executives fear that if SA Breweries-backed Liquefruit is too successful, it could push out the opposition and dominate the market.

Liquefruit prices have been cut by more than 20 percent forcing independent competitors Ceres Fruit Growers and Fresh-up to cut theirs.

Mr. Guy Hallowes, managing director of the Appletsiser Company, which makes Liquefruit, said the price cut was to encourage growth in this segment of the market, which had been "almost static" this year.

He estimated the market in this country at 200-million litres a year, worth R150-million.

He said it had failed to grow much this year and he considered this partly the result of the recession and partly because people thought the price high.

No date had been fixed for the price-cutting promotion to end.

**Resources**

Mr. Alan Baxter, senior buyer for Pock 'n' Pay in the Western Cape, said, "The market is not static; it is growing.

"Liquefruit has 75 percent of it which should be enough to satisfy any firm.

"By cutting its prices to this extent it is making it difficult for its smaller competitors to stay in business.

"Appletsiser belongs to South African Breweries and has its immense resources behind it, while Ceres Fruit Growers is just a farmers' cooperative.

"It will not be healthy for the consumer if South African Breweries gains a monopoly in the unsweetened fruit juice market, as it has in beer.

"We are supporting the smaller firms by giving their products equal prominence and shelf space."

A senior executive in another supermarket chain said, "My figures show that the market for unsweetened fruit juices has been growing.

"It seems that Liquefruit has cut prices by this amount in order either to increase its market share to such an extent that competitors will never catch up, or to make it unprofitable for them to stay in business."

**Grape juice**

Meanwhile, he said, the price drop had caused a tremendous increase in sales. "One of our stores which normally sells 30 cases of unsweetened fruit juice a week sold 220 last week.

"Customers clearly see 68c a litre, which is the lowest we have had for 18 months, as a very good price.

KJV is planning to enter the unsweetened fruit juice market indirectly by selling grape juice to manufacturers.

But it has no plans at this stage to sell directly to the public.

A spokesman said, "Our research shows that the market for unsweetened fruit juice is bigger than that for wine and has a tremendous potential."

"We are hoping to sell grape juice to all manufacturers."

"We have not thought of entering the market directly because we have not got the organisation for that."

Mr. Christoff Louw, assistant general manager of Ceres Fruit Growers, said farmers had invested R2-million in plant and buildings last year after research had shown there was a large and growing market for unsweetened fruit juice.

The market had grown 10 percent this year, in spite of the recession, and he was sure there was room for several manufacturers.

Ceres Fruit Growers had cut prices by 15 percent but could not go lower, to match Liquefruit, without losing more than it could afford.
Anglo lifts earnings, pays 35c

By DEREK TOMMEY
Financial Editor

In spite of difficult economic conditions in South Africa and overseas the giant Anglo American Corporation has shown increased earnings for the six months to September.

Anglo is the country's biggest mining and investment house after De Beers.

Profits attributable to ordinary shareholders, including attributable earnings retained by associated companies, were 6.8 percent higher at R336.5 million (R309.4 million), equal to 145.5c (136.3c) a share.

If these retained earnings are excluded, the corporation's profits were 12.3 percent higher at R241.4 million (R214.6 million), equal to 106.3c (94.6c) a share.

INTERIM PAYMENT

However, the corporation is following a conservative dividend policy and the interim payment is being maintained at 35c a share.

Dividend income rose 25.5 percent from R172.8 million to R225.6 million, mainly as a result of higher receipts from gold investments. In addition the corporation received two dividends from Rustenburg Platinum after its change of year-end.

Trading profits rose from R136.5 million to R140 million with the drop in Anglo American Coal's income being offset by higher earnings by Anglo American Properties.

SHARE DEALING

Share dealing profits slumped from R14.8 million to R3.8 million, suggesting long-term confidence in gold, while the surplus from life assurance rose from R4.5 million to R6.0 million.

However, the share of retained profits of associated companies fell from R94.8 million to R89.1 million, partly as a result of the losses being incurred by the Sigma Motor Corporation, the corporation says.

Anglo American makes no forecast about future earnings.

• Transvaal Consolidated Land's chairman, Mr. R S Lawrence, warns that the company is operating in increasingly volatile conditions and profits and dividends are likely to fluctuate more than in the past.

He is gloomy about the immediate prospect for uranium. He says economic circumstances and energy conservation measures have led to a decreased demand for electricity, leading to fewer orders for nuclear power plants.

He also reports a further decline in the demand for coal in the international market which has led to a sharp fall in prices.

Demand for chrome ore is also likely to fall but some increase in demand for ferro-managanese is expected.

On the brighter side, Mr. Lawrence reports that encouraging results have been obtained from exploration of gold-bearing claims, in which TCL has a 50 percent interest, in the Barberina area.
Satbel ties up film and video control

By MIKE JENSEN

SATBEL has extended its control over the film and video industry with Video RSA — SA’s largest video production facility at its Northview Film & Video Centre in Johannesburg.

By far the biggest operator in the industry, Satbel — an Anglo American-Sanlam venture with control recently vested in Federale Volksblaggings — has been consolidating its activities at the Northview complex. When completed it will represent an investment of more than R15m. About R6.4m was spent on the video unit at Northview.

The official opening of Video RSA last weekend means that all film and video production can be concentrated at the centre.

Satbel has a major interest in the distribution of films and videos through its ownership of the audio-visual media distribution giant, Ster-Kinekor.

Although Satbel expects growth in the international markets for SA’s film and video products, Video RSA was set up to deal with increasing demand for TV programmes and commercials.

TV takes about 90% of production from SA’s R230m film and video industry as the SABC has to produce about 100 hours of programmes a week. But it cannot cope with the volume of output needed and is transferring more of the business to outside organisations.

Mr Peter Zimmerman, managing director at Northview, says, “Demand for TV programmes is booming and more work is being commissioned from private enterprise.”

Production of black-oriented programmes is likely to be a major source of revenue for Video RSA.

Mr Geoffrey Gee, sales and marketing manager for Video RSA, says the SABC wants to upgrade the skills of its TV2/3 producers and directors by allowing them to gain experience at the Northview unit.
Scrutiny of competition laws

Financial Reporter

THE Government will strengthen legislation if it is needed to ensure greater competition.

This was announced by Dr D J de Villiers, Minister of Industries, Commerce and Tourism, at the anti-inflation conference in Pretoria.

"The public is greatly concerned about the rapidly-increasing trend towards economic concentration. Much of the criticism and prejudice stems from ignorance, but in the long term, free enterprise can function and prosper only if the community is satisfied that the system is basically sound and in the public interest."

Dr De Villiers said that if there was suspicion about structural characteristics, such as concentration of economic power, the whole system would be questioned. The Government was continuously searching for ways to promote competition.

"Although the abuse of power in the market can make a bigger contribution towards inflation than market structure, it is still essential that sufficient attention be given to the possible adverse effects of excessive economic concentration," he said.

"I recently instructed the Competition Board to investigate interlocking enterprises and directorships. If it should prove necessary to improve legislation to obtain effective competition, the Government would not hesitate to do so."

The economy was not only highly-concentrated but had a high degree of protection from overseas competition. There were also other restrictions to discourage or prevent new entrants into markets.

"In this connection, mention can be made of the limited scope and size of the South African market, as well as official measures, such as licensing and other forms of interference and control. The economic consequences thereof are increasing cost structures and concomitant inflation."

"It is an important responsibility of the Government to try to eliminate factors which may hamper competition and fan inflation. Competition helps to improve efficiency, brings about cost savings and limits price increases," Dr De Villiers said.

"A co-ordinated and market-related policy, which is aimed at increasing competitiveness in the South African economy, not only helps to curb inflation, but will in the long term promote economic growth and create new employment opportunities."
Picfood to get R42m for stake in Kanhym

By ALEX PETERSEN, Deputy Financial Editor

PICFOODS is to finally exercise its option with Gencor on the sale of Kanhym shares, Mr Jan Pickard told the group's annual meeting in Cape Town yesterday.

Under terms of the option, Picfoods will sell its holding in Kanhym Investments to Gencor for approximately R42m. Mr Pickard told the meeting that the necessary steps had already been put into motion. Payment will be made at the end of the month.

Agreement

The agreement was initially made when Gencor was in the process of consolidating Kanhym and its other meat interests, in particular Karoo Meat Exchange, in which it held a 31 percent interest, early in 1982.

Picfoods, which held a substantial share of Kooro, exchanged these for 2,16m Kanhym shares, but at the time Gencor agreed to purchase these at any time up to December 31, 1983 at R14,40 a share plus interest at the prime overdraft rate up to the date of purchase.

At R14,40 the Picfoods holding in Kanhym is worth R30,24m, while the interest factor will bring the total up to just over R42m.

Investment

Mr Pickard told the meeting that there were no immediate long-term investment plans for investment of the cash. He said after the meeting that group policy favoured a spread of holdings, rather than seeking a controlling stake in any single operation.

The stake in Kooro was originally acquired when in 1982 Piccin acquired Picfoods, then Asokor, for R1,5m. Picfood's total realization for the asset will be R30m, since Picfoods realized R18m when the controlling interest in Kooro passed to Kanhym in the late 70s.

Other news in the Piccardi stable was that Picprop have agreed with Adidas Switzerland to acquire a 49 percent interest in Adidas SA.

Franchise

Mr Pickard said that this was the first such agreement entered into by the Adidas International group. Adidas SA hold the Southern African franchise for the full range of Adidas products.

A Picprop subsidiary, Seehie, manufactures sportswear under the Adidas label under a 10-year agreement.

Liquor sales

"I believe that in the long term the liquor trade has a very small future in South Africa," he said, pointing out that national liquor sales had remained static for the last three years, and that there was still a problem of a "wine lake" in South Africa.

The recession has also hit at hotel occupancy rates, with fewer Transvaalers taking holidays at the coast.
Valard buys Vickers operations in SA

By MIKE JENSEN

VALARD has bought Vickers SA from Vickers UK as part of its expanding light engineering operations.

A Johannesburg Stock Exchange listing will be sought when consolidation is complete.

Vickers SA, which has a net asset value of R234m, was sold to Valard by Vickers UK, the Rolls-Royce car, defence and engineering group, as part of its restructuring and divestment programme in Southern Africa.

Valard is owned by three Johannesburg businessmen — Mr David Makins, Mr Stephen Connelly and Mr Simon Nath — who broke away from Malabak’s light engineering group to form their own company.

Having bought Isando Electrical Industries, which had lost R20m, they were able to turn it around in three months. In March Hypower Pumps was formed and secured the profitable Lowara agency from Malabak.

After discovering that Vickers UK was ready to shed some subsidiaries Valard last week bought Vickers SA for an undisclosed sum.

Vickers SA subsidiaries included in the deal were:

- Ernest-Lowe, suppliers of hydraulic equipment to the mining industry;
- Vickers Instruments, distributors of biophysical and geophysical equipment;
- Michell Bearings, one of the only two SA white metal bearing manufacturers.

- Ace Patternmakers and Foundry

Mr Stephen Connelly says this gives Valard a projected turnover of about R17m a year on assets of R234m.

“We are not interested in a business which requires huge capital investment and we are aiming for each of our products to have its own distinct image,” he says.

“Although many engineering companies have been hit by the recession there is no reason why modest profits should not be made at this stage. We don’t expect any upturn for another year at least, which gives us a breathing space to consolidate. Once our operations have been fully bedded down we will go for a listing on the JSE.”
THE DEAL OF THE YEAR

The drive for power

Corporate SA will take a long time to recover from 1983’s wheeling and dealing. Too many noses have been put out of joint, too many ego bubbles have been pricked, too many reputations have been tarnished, too much animosity has been dragged to the surface, too many tempers have been lost, and, worst of all, too many decisions have been made which do not stand up to close scrutiny.

The deal in June in which control of food group Premier was brought back to SA and major shareholdings in SA Breweries were put into a larger Premier holding company was one of the most dramatic the country has seen for several years. Speed was of the essence and some casualties were inevitable. But the departure of two senior executives from the SAB board amid a flurry of recriminations and a clear definition of the battle lines between SA’s largest insurance group, Old Mutual, and the largest mining and industrial group, Anglo American, were dramatic statements of the stresses which lie just below the normally calm surface of corporate SA.

Not that much has basically changed. The same cast of characters is still strutting the corporate stage after the year’s upheavals. Some have changed roles, but most have emerged wealthier or more powerful than before. And they are as confident as ever that they are not subject to the constraints which bind lesser mortals.

The fact is that the chain of events which led to the major corporate reshuffles this year goes back a long way. It is founded in the ethos which apparently chronically affects this country that size is all that matters. But it is also founded in the fact that corporate SA’s foreign investment opportunities are largely restricted, which means that asset growth has to be based, almost entirely, on SA. The mining houses, the insurance giants and the major institutions are locked in an enormous and increasingly rancorous game of Monopoly, where glory is achieved by grabbing as much of SA as possible while preventing other players from doing the same.

While this is under way, it might seem to the outsider — and with good reason — that the creation of new enterprises plays a secondary role in SA’s corporate game. More important, apparently, is the achievement of growth by acquisition.

If anyone doubts that this is so, let them look at the assurance companies which are scrambling over each other in an attempt to gain absolute control of major industrial firms. The life assurance companies have the advantage of ever-growing cash flows, and their top executives, who effectively are answerable to no one but themselves, are using this to finance exercises in raw power.

Sanlam made this clear in its behaviour over Gencor, Old Mutual has made it plain in the way it bought majority control of Remmes and Liberty declared its ambitions and what it believed to be the best interests of its shareholders and policyholders in the way it sold out Edgars to SA Breweries.

The same attitude pervades the mining houses. Anglo, for example, could not rest until it had bought itself the largest motor manufacturing operation in the country. The fact that its staff was not competent to manage what became Sigma was beside the point. And the experience is not unique.

The corporate ethic of size for power’s sake is quite clear — and it is this ethic which underlay the major deals of 1983. It is what made the return to SA of control of the Premier Group more than just a repurchase of the farm. In May this year, when the opportunity arose to buy Premier from British United and British Foods (ABF), a great deal of tempest was caused between the main characters. And they were tensions which derived as much from differences in personality as from differences in ambition.

When all is said and done, the two main antagonists in the Premier deal were Anglo and Old Mutual, the former headed by Gavin Reilly and the latter by Jan van der Horst.

Principal protagonists

To describe Reilly as a caretaker does not do him justice. In a way, he is looking after the Anglo empire while the posting for real power takes place between Julian Ogilvie Thompson, Nicky Oppenheimer and outside runner Gordon Waddell. For most of his corporate life, Reilly has been in the shadow of his mentor, Harry Oppenheimer. They were years in which Reilly developed the social and corporate skills necessary to fulfill the role of managing Anglo. He has no doubt about the correctness of Anglo’s acquisitive approach to growth, and his immediate response to the opportunity to bring control of Premier within the Anglo ambit was unequivocal.

Reilly, though, was not to be publicly involved in the initial negotiations over Premier. It is an old Anglo negotiating ploy. The chairman is not seen to be engaged in any negotiations by the group, so that if or when they go adrift, he can step in as an apparently independent and unbiased arbiter. This was to prove necessary when the Premier deal later burst into an unseemly public row.

On the other side of the fence, Van der Horst was responsible to virtually no one. He had no shareholders to breathe down his neck or question his judgment. And the same is true of Reilly, for Anglo-shareholders are generally apathetic.
Van der Horst and Rely both have something else in common: they are ambitious to increase the size of their corporate demesne. And though Van der Horst heads the country’s largest insurance group, he is under pressure to make sure it stays that way. Others such as Sanlam and Liberty are, after all, in a position to challenge Old Mutual. But Van der Horst is not solely concerned with beating off the challenge of other insurance rivals, he sees Anglo as a major competitor and threat.

There is, of course, nothing wrong with size per se. In fact, size, when it leads to greater efficiency, is a welcome development. The trouble is that there are many instances of growth by acquisition which do not obviously lead to synergistic efficiency benefits. And often too much growth can lead to downright inefficiency as control becomes more difficult to achieve.

There is little love lost between Anglo and Old Mutual. They and others are locked in the fight to grab control of as much of SA as possible, and devil take the hindmost. Anglo was particularly peeved with Old Mutual’s “independence” last year when it forced, through a merger between Tiger and CG Smith.

Anglo had, of course, been involved in earlier similar deals itself, and sauce for the goose.

But the snub to Anglo was that it believed it was entitled to something of a say over where control of Tiger should reside, after all. Anglo had been instrumental in setting Tiger on the road back in the early Forties. But when you are dealing with questions of raw power, there is little place for sentiment or even considerations about the soundness of the concentration of control of large parts of corporate SA.

Tiger’s chairman, Rudi Frankel, had gone running to Old Mutual in 1986 when it seemed that a bid for the food group by Natie Kirsh might have succeeded. It was then that he gave up his independence, though he may not have realised it at the time. The 1982 deal which merged control of Tiger with CG Smith and which gave Old Mutual the largest angie stake in Barlow Rand was initiated without reference to Frankel.

Fall-out

But the deal put Anglo’s nose out of joint in more than one place. Not only was the Oppenheimer camp infuriated over Tiger, it was also less than pleased that its own interest in Barlow Rand had been rendered impotent by Old Mutual’s pre-eminent position.

Though Anglo was not involved directly at the time, a little *raison* must have run down its corporate spine when, shortly after the Tiger-CG Smith deal, Frankel moved in and paid what was necessary to steal control of spaghetti house Monis & Fattis from under Premier’s nose. Embarrassment was heaped upon insult as Tiger’s successful grab virtually coincided with a

party to celebrate Premier’s acquisition of control of Monis.

Anglo, all this time, was sitting with its own food operations in the form of Tongaat. But it was clearly being left behind in the scramble to determine who would control the food South Africans eat. It was at this stage that the seeds of the idea were sown in mahogany row at Anglo’s 44 Main Street headquarters that the house needed a major development if it was to become the most potent force in SA’s food sector.

It was a time when Anglo was out with a big cheque book buying, so it seemed, almost anything that moved on the corporate front. Growth by acquisition was more important than building new ventures. And so what if that policy was strewn with disasters such as Sigma?

Anglo’s opportunity came when Premier’s chairman, Tony Bloom, came up with the news this May that he had persuaded ABF to sell its 52% stake in his company Bloom is urbane, personable and intellectually sound. But he had been muffed when an older and rougher Frankel had beaten him hands down in the 1982 bid for Monis & Fattis. So Bloom needed a major coup, if only to prove that his negotiating skills were the equal of anyone else’s. Plainly he could not himself afford to buy ABF’s Premier stake, and he was perfectly well aware of just how shaky his own position might become, despite his top-rate executive skills, if the shares fell into unfriendly hands. The obvious person to turn to was his old friend, Gordon Waddell.

Back in 1974, Bloom had managed Waddell’s successful parliamentary election campaign, and their friendship went back further than that. Outwardly Bloom and Waddell are an unlikely pair of friends: Bloom is dapper, trim and fanatically concerned with fitness, Waddell, by way of contrast, is a large, shambling rugger bugger with a healthy disregard for sartorial elegance.

Waddell’s problem was that he could not move alone. Though he is chairman of the nominally independent mining house JCI, he is held on a fairly tight lead by 44 Main Street. These days, JCI is little more than a glorified Anglo holding company, living proof that there is no life after Anglo.

SAB the target

Waddell slotted quickly into Wealthy Johannesburg society once he had married Mary Oppenheimer in the mid-Sixties. And he progressed far and fast in the Anglo-hierarchy, where his natural arrogance was cheerfully accepted as bluff good humour. But it was this arrogance, or insufficient sensitivity, which caused problems in the delicate negotiations surrounding the eventual incorporation of SA Breweries into Premier. But we are running ahead of ourselves.

Waddell is well versed in the Anglo-philosophy and knew full well that a deal such as the acquisition of Premier would be welcomed by the country’s largest mining house. More to the point, the deal could be used to develop some other arrangements: Anglo had on the back burner.

Why not, so the argument went, put control of Premier beyond doubt? There was no logical reason to inject SA Breweries shares into Premier, except that it gave Anglo the opportunity to kill several birds with one stone. Not only could JCI’s long-held interests in SAB be pumped into Premier in exchange for new Premier scrip, but the deal could be used to bind Liberty’s line more closely to the Anglo camp.

No one even considered telling Old Mutual or the SAB board what was going on. After all, the SAB men were mere managers who could be counted on to remain quiet. They were, in addition, locked in by a series of stock options which no one would be so foolish as to prejudice — or so the Anglo negotiators thought. The conclusion was logical enough. With the exception of Sol Kerzner, none of the SAB executives was sufficiently independently wealthy to tell Anglo to go to hell.

Some months earlier, the SAB board, and in particular its chief executive Dock Goss and the chief executive of Southern Sun, Sol Kerzner, had tried to tie up a deal with the Rennies-controlled Holiday Inn chain to combine the two hotel group’s casino interests. The kibosh had been put on this by someone not a million miles from Anglo who was simply not prepared to risk having the Rennies group calling the casino shots.

When the news of the Anglo plan for Premier and SAB was announced, all hell broke loose Goss, Kerzner and the other SAB board members screamed blue murder and threatened to quit, while Van der Horst buried himself in Old Mutual’s Pine-lands headquarters before later quitting the

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Liberty, of course, had better things to do than maintain Press in control of Edgars. Gordon, quite simply, preferred to own a major stake in the top company, SAB. So there was no illogicality when, in 1983, he placed his SAB shares with Premier in exchange for an important part of Premier's equity.

Power is, after all, one of Gordon's main motivations. It is something which is belied by his roly-poly figure and his cherubic, self-satisfied smile. But the drive to power is inevitable in some one such as Gordon, who bears the main responsibility for building Liberty from scratch into one of SA's major insurance groups. Coupled with this, though, are some drawbacks. His close associates will be among the first to admit that Gordon needs advisers to confirm his own ideas, not to sway him from an already planned course. This is accompanied by a tendency to panic if his plans seem to be coming seriously adrift.

That is precisely what happened when Goss and his colleagues threatened to quit the SAB board during the first week of June. Gordon saw what he thought was the writing on the wall and, at one stage, seriously considered trying to unravel the SAB leg of the overall deal. For a while, he lost sight of the greater opportunity which he had contended with Anglo — the possibility of an eventual merger of Anglo's insurance arm with Liberty. If and when this deal is consummated, the combined insurance group will virtually match in size Old Mutual and Sanlam.

Saving face

The fear of such a development was an added incentive for Van der Horst to work with Goss and his colleagues in an attempt to prevent a large part of SAB's equity being absorbed wholly into Premier.

Except that Van der Horst could, at that stage, not provide the Goss group with any help — at least not the sort of help they needed. The SAB directors were determined that Tony Bloom, whom they considered to be an effete product of a silver spooned background, should have no say in the beryl world of SAB.

Goss and Kerzner did not lose touch with Van der Horst, but for a while their best strategy was to low Reilly was rolled over in an impartial arbitrage and, following a series of obsequious and table-thumping visits to his house by Goss, Van der Horst, Bloom and Waddell, he came up with a compromise scheme for the creation of a holding company, of which he would be chairman and which would own the Anglo camp's Premier and SAB shares.

The details are unimportant. What was important was that it was a device to save face for everyone involved. The row, by that stage, had become unbearable shrill. Except that Goss and Kerzner were even more prepared to knock down every argument under Anglo's tutelage than to jump off the Carlton Centre Kerzner, in particular, is
Anglo board in a huff. So much for any outward show of urbanty or ability to cope with change.

Goss certainly appeared to have the most to lose by acting precipitately. Though he was an outstanding chief executive of SAB, he was not independently rich, and his skills, so it seemed, were better developed in the marketing sphere than in diplomacy.

Kerzner, on the other hand, was not only independently wealthy through his major interest in Southern Sun, but he seemed to have all the attributes of a corporate street fighter. No one could describe Kerzner as coming out of the top drawer. And, more to the point, Kerzner likes to cultivate an unpolished image of himself. He is far happier in the company of the beautiful people of showbiz than in any intellectual pursuits. His whole image, from the dangling cigarette to the necktie so carelessly (or perhaps calculatedly) hanging open to the atrocious accent, is designed to display rebellion. More than some of the others, though, Kerzner had guts when it came to coping with the major changes thrust on him by Anglo.

But we will come back to this later.

One of life's little ironies, if one chooses to look at it that way, is that Goss and his SAB board colleagues were not strangers to the unwelcome takeover. Early in 1982, under Goss's direction, SAB had shown a fine sense of timing in its acquisition of control of Edgars through pyramid Edcon. Liberty's role

In the first days of February 1982, an ailing Edgars chairman, Sydney Press, managed to stave off a bid by SAB for control of Edcon Press was simply not prepared to have anyone else telling him how to run the retail chain he had spent 47 years building. All Press could see was the SAB monolith descending on his business and threatening the control structure he had so ably established.

Fortunately for Press, help was at hand in the form of Liberty Life and its founder and guiding spirit, Donald Gordon Press and his family. Backed under Gordon's protective wing and, with a joint 50.5% of Edcon held by the Press family, Liberty and Liberty's investment company, Fugit, it seemed that SAB's unwelcome advances had been duly repulsed.

Goss tried to cover up his initial dismay at the apparent failure of the bid and claimed that SAB's acquisition of 38% of Edcon was simply a move designed to block another predator. This was patently a cover-up. No one was ingenious enough to believe the Goss line, but they were prepared to concede that he and the SAB board had a right to save face after an apparently failed bid.

Goss might have done well to remember his own determination over the Edcon bid when faced with the prospect of SAB's failing under Premier's control.

Press was a sick man and, while fighting off SAB's advances on Edcon, was in America undergoing open-heart surgery — not the best state to be in if you are trying to fend off unwelcome bidders. Needless to say, Goss and SAB had wasted no time in putting their plans into effect, for once Press got back to SA, he might well have been able to hold together sufficient shares to block the SAB assault.

Within days of Press's protective deal with Gordon, SAB's board had talked Gordon into selling Liberty's Edcon shares and had used Press's second-in-command, Adrian Bellamy, to help persuade Gordon of the reasonableness of the SAB line. Press was justifiablypeeved. He got out of Edcon with about R50, which should be enough to keep him in moderate comfort. But his farewell speech to Edgars' employees was bitter.

Everyone was terribly polite to each other, but Bellamy got top slot at Edgars and, without specifically naming Gordon, Press made no bones about what he thought of the Liberty chairman's action in selling the pass to SAB.

Liberty, of course, had better things to do than maintain Press in control of Edcon. Gordon, quite simply, preferred to own a major stake in the top company, SAB. So there was no illogicality when, in 1983, he placed his SAB shares with Premier in exchange for an important part of Premier's equity.

Power as, after all, one of Gordon's main motivations. It is something which is belied by his roly-poly figure and his cherubic, self-satisfied smile. But the drive to power is inevitable in someone such as Gordon, who bears the main responsibility for building Liberty from scratch into one of SA's major insurance groups. Coupled with this, though, are some drawbacks. His close associates will be among the first to admit that Gordon needs advisers to confirm his own ideas, not to sway him from an already planned course. This is accompanied by a tendency if plans seem to be coming seriously adrift.

That is precisely what happened when Goss and his colleagues threatened to quit the SAB board during the first week of June. Gordon saw what he thought was the writing on the wall and, at one stage, seriously considered trying to unravel the SAB leg of the overall deal. For a while, he lost sight of the greater opportunity which he had contrived with Anglo — the possibility of an eventual merger of Anglo's insurance arm with Liberty if and when this deal is consummated, the combined insurance group will virtually match in size Old Mutual and Sanlam.

Saving face

The fear of just such a development was an added incentive for Van der Horst to work with Goss and his colleagues in an attempt to prevent a large part of SAB's equity being plucked with a fully inviolable Premier.

Except that Van der Horst could, at that stage, not provide the Goss group with any real help — at least not the sort of help they needed. The SAB directors were determined that Tony Bloom, whom they considered to be an effete product of a silver-spoon background, should have no say in the boisterous world of SAB.

Goss and Kerzner did not lose touch with Van der Horst, but for a while their best strategy was to lie low. Relly was rolled out as the impartial arbiter and, following a Saturday of variously acrimonious and table-thumping visits to his house by Goss, Van der Horst, Bloom and Waddell, he came up with a compromise scheme for the creation of a holding company, of which he would be chairman and which would own the Anglo camp's Premier and SAB shares.

The details are unimportant. What was important was that it was a device to save face for everyone involved. The row, by that stage, had become unbearably shrill.

Except that Goss and Kerzner were no more prepared to knuckle down under Anglo's tutelage than to jump off the Carlton Centre. Kerzner, in particular, is
far too much of an entrepreneur to be attracted by the more staid world of 44 Main Street. Their chance came more quickly than they might have hoped.

In mid-June, Old Mutual took control of Remmes from its Hong Kong parent, Jardine Matheson, and that opened up a whole new range of possibilities for Goss and Kerzner. Not the least of these was the possibility of resurrecting the old idea of merging the Southern Sun and Holiday Inn casino interests. Kerzner and Goss were, in any case, getting on far from well with Anglo despite the public avowals of chumminess. They were not the stuff of which good Anglo people are made and, more to the point, they were making waves. They had to go, but in such a way that no one would lose face.

This was where some of the most amazing and well-hidden parts of the entire deal were struck. Goss, clearly, would not leave without a fat golden handshake and he was not prepared to negotiate with Anglo, Bloom or anyone he reckoned had ruedn roughshod over him. The same went for Kerzner.

Enter Meyer Kahn, SAB's deputy MD and Goss's obvious successor. He quite bluntly told Anglo and Bloom to go play in the garden while he struck a deal which would let Goss and Kerzner go quietly. The upshot was that Goss was allowed to exercise his SAB share options ahead of schedule — something which nettled him close on a million — and Kerzner was to gain control of the part of Southern Sun which was closest to his heart, the casinos.

Incredibly, it was agreed that Kerzner should sell his 10% interest in Southern Sun to SAB at a price based on an earnings multiple of 12. Simultaneously, it was agreed that he should buy 51% of the Southern Sun casino interests immediately at a price based on an earnings multiple of four.

was to get a further 9% in April 1984. In fact, the original casino purchase agreement Kerzner struck with Kahn was based on a three-times PE purchase price, but that was simply too generous a deal for Anglo and Bloom, who protested vigorously, to swallow and the higher price had to be agreed.

With that, Kerzner and Goss parted company with SAB, carrying between them the part of Southern Sun with the greatest growth potential. Within days, they announced plans to merge the Southern Sun casinos with those of Holiday Inn. The arrangement brought in Safmarine, left Southern Sun with only 25% of the merged casino operations and put Kerzner firmly in charge, or so he thought.

Too many cigarettes, the strain of the year's negotiations — whatever the cause — Kerzner suffered a major heart attack and spent weeks recuperating at his Cape home in front of his favourite video shows.

Who came out ahead of this year of corporate buckering?

- SA was certainly not among the winners. The entire deal has done nothing to add to the total assets employed by the various groups. Everything was in place before the fighting started.

- SAB certainly did not win, nor did its shareholders, which include Premier. The deal which gave Goss the right to exercise his options early and Kerzner the Southern Sun casino interests at cheaper than bargain-basement prices can hardly be construed as in the best interests of the SAB shareholders.

- Remmes issued a swatch of new shares, only to find its earnings diluted more than it expected by SAB's subsequent hefty earnings slide.

- Anglo spent a great deal of effort trying to hide the fact that it was the main force behind the purchase of Premier from ABF.

- No sooner had it done that than it was involved in a row with Kerzner and Goss which was of its own making and which ended up with control of a major part of Southern Sun's operations being ceded.

- JCI did what it was supposed to do — act as Anglo's holding company.

- On the other hand, Anglo has won control of a major section of SA's food industry and tightened its grip on corporate SA.

- Old Mutual has done much the same with its acquisition of control of Remmes at what was considered to be an excessively high price, and

- The only people to have emerged with materially more wealth from the SAB deal are Goss and Kerzner — the pair who fought hardest against the deal. Remmes chief executive Charles Fiddian-Green has become the joint casino king with Kerzner; received a large retraction of trade payment from Jardine Matheson
Structuring partnerships, however, is only part of the problem. For developers, obtaining a site involves a good deal more than picking out a likely spot, buying it and having ownership registered in a deeds office. In places like Soweto, where sites are not surveyed or registrable in the normal way, there is a leasehold rigmarole to be followed all the way from Wrab to the local community council.

And investors — life assurers, for example — are unlikely to fund a major development without freehold security or full ownership. Development capital, therefore, must come from shareholders and whatever loans the trading company can muster.

To outsiders it must look like an exercise in the absurd because SA, after all, is a “free-enterprise” country. How little they noted, it is “a very strange society.”

For years, trade, as the world knows it, has not existed in townships like Soweto. Blacks were “sojourners” in the urban areas, and, although some 2,500 smaller traders now serve the population of 2m, after a fashion, there was no commerce to speak of at all until the Seventies.

White Johannesburg and black, dormitory Soweto existed uniquely side by side as an African tale of two big cities, interdependent (white Johannesburgers needing the labour, black Sowetans the buying point(s) yet utterly apart. In 1968, restrictions were tightened further and only those who qualified under the Urban Areas Act were granted licences. Further restrictions included a ban on the formation of companies or partnerships, and another forbade traders to be absent from their premises.

The company and partnership ban was lifted in 1976 and, simultaneously, the limited range of permitted business categories was increased to 26. Licence-holders, however, had to hold homelands citizenship certificates (Afrimet’s chairman-designate Vela Kraai is a Bophuthatswana citizen, Black Cham’s Qhelenhenswezwe Majola a KwaZulu citizen and Richard Mponya a Lebowan).

But, finally, with government accepting that urban blacks were here to stay, the 49%/51% partnership scheme was introduced in 1979. This, of course, applies conversely to blacks wishing to enter the downtown city areas with white partners, but to date shortages of cash and expertise have meant that this “right” has been no more than academic.

Until now, therefore, most of the black spending power — currently estimated at R650m/year — has gone to the Johannesburg CBD, because choice on the Soweto doorstep has been limited. And, even when goods are available, prices are understandably uncompetitive with the white chains. In fairness to Black Cham, though, its Dieploof and Zola stores make commendable efforts to match and occasionally better the prices of some lines in white stores.

CBD Association (CBDA) chairman Nigel Mandy estimates that more than half the retail trade in downtown Johannesburg comes from black customers who often have to lug goods 20 km or more by train, bus or taxi.

Mandy says CBDA policy remains that all races should be allowed to trade in white CBDs, but the association does not go as far as Pick ‘n Pay’s Raymond Ackerman who, supported by Nafco, additionally suggests a 10-year moratorium on all white investment in the townships before a complete “free-for-all.”

But in the townships, the absence of freehold means that the whole horizon...
Sappi pays R2.4m for board firm

Industrial Editor

SAPPI has acquired a particle-board business which it plans to integrate with its Novobord interests on the Reef. It has paid R2.479 000 for Timberboard and Beau Estate & Finance Company, a property-owning company. The deal is effective from November 1.

The price will be settled by the issue of 230 665 new ordinary shares at a price of 1.075c. Sappi's closing price on October 31.

The new business consists of a particle-board manufacture and upgrading plant at Airdrie, near Johannesburg. The acquisition will provide Novobord, which has operations in Port Elizabeth, White River and on the Reef, with additional particle-board manufacturing facilities and will help it to service the Transvaal market.

It will also provide Novobord with opportunities for rationalisation.

As Sappi has sufficient unissued shares under the control of the directors, it does not intend to call a shareholders' meeting to approve the share issue. The Timberboard acquisition is not expected to have much effect on either the earnings or the net asset value of Sappi shares.
Kirsh sees restructuring vital for Checkers future

By ALEX PETERSEN, Deputy Financial Editor

CHECKERS' long-term survival depended on it being part of the restructured Kirsh trading empire, minorities champion, Mr Issy Goldberg said yesterday.

Mr Goldberg said that following further meetings with Mr Natie Kirsh and Mr Mervyn King he had been convinced of the need for Checkers to be absorbed into the restructuring of the Kirsh group.

Although the initial aim of the meetings had been to obtain an amendment to the restructuring scheme to "give extra relief" to Checkers shareholders, Mr Goldberg said in a telephone interview that Mr Kirsh and Mr King had been sympathetic to suggestions which would not affect other parties to the restructuring.

Amendments

"We suggested a number of amendments, but in each case we found they would affect other parties."

Asked whether he would still oppose the restructuring, Mr Goldberg said:

"In light of the projections on Checkers' future as presently structured, it would be reckless to recommend to shareholders that they should oppose the scheme."

Under the restructuring proposals, to be put to shareholders at a meeting on Monday, Checkers will become the vehicle for Kirsh retailing and wholesale interests.

Subsidiary

Checkers will change its name to Kirsh Trading and under the scheme of arrangement, acquire the entire issued holdings of Russell Holdings and Metcash. Checkers Trading Company will operate as a wholly-owned subsidiary of Kirsh Trading.

Mr Goldberg said vast funding necessary for refurbishing and modernizing the Checkers chain, with a minimum expenditure of R40m in the coming year, had been one of the main reasons given by Mr Kirsh.

"With the current battle between the supermarkets, Mr Kirsh feels that many of the stores will seriously lose out unless modernized."

"At both the annual meeting and our talks, Mr Kirsh said that the minimum amount required for property development schemes — mainly to accommodate Checkers stores — would be over R200m for the next two years."

The reasoning for store development and ownership was the shortage of suitable store premises, and continually escalating rentals.

"Mr Kirsh made it clear, and this was confirmed in talks with Mr Gordon Utian, the managing director of Checkers, that unless the restructuring scheme was accepted by shareholders, Checkers supermarkets would become a relatively minor force in the supermarket battle presently being waged, and their future survival would be in grave jeopardy."

"If approved, the strength and muscle of the restructured group would make them a serious force in the supermarket trade, with Kirsh Trading having a turnover of R3 billion a year, equal to 12 percent of the countries total retail sales."

Vulnerable

"While the investment in the present Checkers could be extremely vulnerable," Mr Goldberg said, "a major group that the restructured group represents would afford a safe if relatively slow return till the economy regains its buoyancy."

Mr Goldberg said that institutional investors he had interviewed were backing the scheme. He reiterated that he had only accepted proxies for the meetings that gave him absolute discretion to vote in what he deemed was in the best interests of shareholders.
By Alec Hopf

IN another move drawing the R20 600-million Standard Bank-United Building Society-Liberty Life alliance closer together, Standard and the UBS are about to open desks in one another's branches.

And Liberty Life is already steering its customers towards the other two members of the power bloc.

Business Times has established that plans are well advanced to open UBS "deals" in at least 20 Standard Bank branches.

In addition, the first two Stance deals will be opened in existing UBS branches early next year, giving the building society's customers access to on-the-spot hire-purchase or leasing facilities.

Standard Bank is also mapping out the overflow of mortgage-bond applications which UBS cannot handle.

A certain proportion of the loans advanced by the society, particularly for smaller amounts, where the society offers significantly lower interest rates, are earmarked specifically for the bank's clients.

In this way, the bank is satisfying the requirements of its own customers and those of UBS who in other circumstances would not be able to raise bonds.

The only requirement is that the individual must change his account to a branch of the bank.

In addition, Liberty Life financial consultants are actively referring their clients to Standard Bank branch managers, with such referrals receiving the highest priority from the officials concerned. In return, they are getting leads from both the bank and UBS.

A recent example quoted to Business Times is accepted as the norm rather than the exception.

A Liberty financial consultant, on being told that his client was trying to raise a mortgage bond, passed the lead on to the business-development department of Standard Bank.

Within an hour, the customer received a call from a branch manager, and just over a week later his bond application with the UBS (accompanied by a Standard Bank recommendation) had been approved.

Gutch Vickars, general manager, personal services, of Standard Bank, on being told of this, said: "I am pleasantly surprised. I didn't realise that the wheels were already so smoothly in motion."

Liberty managing director Monty Hilkowitz told Business Times: "There is a lot of talk of a personal financial package being offered across a whole range of products and services through ourselves, Standard and UBS.

"We are doing a lot of experimentation, but nothing has been done formally yet. I have a feeling that great things could and should happen."

"The potential is enormous. Hopefully, we will be able to get some heads together to discuss the matter sometime next year."

Mr Vickars agreed that the bloc has only scratched the surface, and "there are many opportunities for closer cooperation which are still to evolve."

He said that the scheme was best described as a "freely negotiable marketing situation", with commission paid to the UBS for each deposit placed with the bank and vice versa.

Further, all mortgage-loan applications to the bank are handled jointly. While Standard Bank satisfies the financing requirement, all valuations are done by the UBS, with a fee paid to it for the service.

The cosy arrangement whereby Standard Bank entertains bond applications which the UBS cannot handle, works to the benefit of both institutions.

The UBS does not lose business because it is not able to satisfy demand, while the bank is able to continue extending credit in an environment where normal lending is slow.

Mr Vickars believes that if societies' cash flow stays under pressure, and provided demand stays constant, by the end of next year "I would not be surprised if we have lent R200-million in this way."

In this regard he may be erring on the conservative side. Standard offers by far the most attractive deal of the banks active in the home-loan market.

It charges clients a set 17.5% matter how large the loan is. By comparison, Barclays, which claims to have advanced R80-million to house buyers, charges 18% for loans up to R6 000 and 19% for larger amounts.

According to M. Vickars, the rate his bank charges is linked to the maximum interest rate charged by UBS, although "if we decide at any stage that we want to charge a different rate, we must, according to our contract, first give bondholders 12 months' notice of this intention."

While admitting that the rate being charged is not in itself a moneyspinner, Mr Vickars argues that the bank benefits from the spin-offs of gaining new current accounts.
1983: a year of large company mergers and takeovers

This year has been remarkable for the large number of mergers and takeovers of important companies involving South Africa's largest financial groups.

It seems this is part of an ongoing process which, according to the predictions of the chairman of a major life assurance company, will result in the South African economy being dominated by six corporations, three of them assurance companies, by the year 1990.

It was probably the deal involving the Premier Group and SA Breweries which stirred up considerable Press outcry that ultimately led the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, to instruct the Competitions Board to examine the situation.

The board has been instructed "to investigate and advise (him) concerning the occurrence of interlocking business undertakings, directorates and employees in business undertakings in the South African economy, the effect thereof on economic concentration and competition and the desirability of the introduction of additional statutory and other measures for effective control thereof."

This is no mean assignment because it is many-faceted. It touches on the tidal wave of funds which flow into the assurance offices and the pension funds.

It involves the activities of large conglomerate mining and industrial groups which are still imbued, with entrepreneurial drive and which are backed up by large assets and resources. It impinges on the role of the Johannesburg Stock Exchange and the efficacy of the Companies Act to ensure that all mergers and takeovers are fair to minority shareholders.

And in an oblique manner it touches on the shortage of good investment shares on the stock exchange, which resulted in share prices being entirely out of phase with the current severe recession.

Concentrations of economic power are not unique to South Africa. Antitrust legislation was introduced in the United States at the beginning of the century and most countries today have legislation against monopolies and monopolistic practices. In South Africa the emphasis is not on size per se but on behaviour in the marketplace.

Possibly the reason for this is that the mining house group system resulted in the concentration of financial resources at an early stage of our history and possibly the State capitalism which developed in the 30s evolved as a countervailing power.

Then came the explosion of the assurance industry and the pension fund movement which ultimately enlarged the giant assurance companies. They have reached a stage where they generate R750 million of new investment funds a year - R30 million a working day. This is to be trusted, non-risk money for which safe repositories must be found.

And this flow of funds increases each year. Investment outside South Africa might be a palliative but it is no solution because we are far from the stage when we, as a country, can afford to export savings.

Some companies - notably the Barlow group - although indirectly controlled by the great institution, are decentralising some of their subsidiaries. The motive, probably, is to reduce corporate bureaucracy but it is also to encourage in-company entrepreneurship so as to generate organic growth instead of concentrating on growth by acquisition.

If one examines case by case one comes to the conclusion that the South African economy can be severely damaged by trying to unscramble the financial eggs. The chairman of the Competitions Board, Dr Dawie Mouton, has said that his concern is with the stimulation of competition and free access to markets.

He sees his role as making sure that power is not abused and that competition is not restricted by cornering markets by means of unfair methods of distribution.

Big is not necessarily ugly. But the big corporations must be kept competitive by encouraging new competition. New small businesses must be nursed to maturity.

If the investor is forewarned that he is going into a risk venture he does not need a State official to nudge him and hold his hand. If this country is to grow and to provide the necessary job opportunities, lateral growth from new ventures is required, not vertical growth by acquisition.

Perhaps we worry too much about power concentrations and too little about encouraging risk and initiative.

There is a tendency to forget that the major country, one sound entrepreneur is worth a dozen corporate bureaucrats. We must get our priorities right.
Tucker family sells 60% stake in TLH

By JOHN MULCAHY

JOHANNESBURG. — Mr Hymie Tucker has sold 60 percent of his holding in Tucker's Land Holdings (TLH) to a company controlled by a consortium of American and British property interests for 850c a share, or R24,8m.

The offer puts a total value of R96,1m on Tuckers, although the deal involves a number of legs, and the first leg will probably cost the mysterious foreign interests R33,7m provided all minorities accept the offer.

Minorities are being offered 650c a share for 60 percent of their holdings, an equivalent deal to that made with the controlling shareholder, and which will give the foreign-controlled company, Topaz Industrial Inc, 60 percent of TLH.

Share price

News of the deal was posted on the notice board of the Johannesburg Stock Exchange yesterday afternoon, after which the TLH share price rose to 670c from 640c.

The share price has risen from 545c last Monday.

Topaz Industries Inc has agreed to the purchase of 60 percent of Tucker's Family Holdings (Pty) stake in TLH and to make an equivalent offer to the remaining TLH shareholders.

The sale is conditional on Topaz providing a banker's guarantee by next Monday covering the R24,4m, and the initial sum is payable within 24 hours of the Topaz interests giving written notice to the effect that payment is required.

A source close to the deal said yesterday he could not yet disclose any further details on Topaz, other than the fact that it was controlled by a United States/British consortium, and is acting "in partnership with substantial South African investors".

If written notice for payment is not given before January 15, the initial guarantee will be payable on January 16.

Remaining shares

Topaz has the right to require Tucker's Family Holdings to sell the remaining 1.9m shares at any time in 1984 or 1985 at prices of 975c and R11,20 a share respectively.

If Topaz does not exercise its rights before then, Tucker's Family Holdings will have the right to require Topaz to buy the second block of shares on December 31, 1983 at R11,20 a share.

Other elements to the agreement include:

- Topaz will have the same call options on the minority shareholders as it holds over the Tucker family interests.
- If Topaz does not exercise the call options the minorities will hold the same "put" on Topaz, in terms of which the remaining shares can be sold for R11,20 on December 31, 1985.
- Topaz will provide banker's guarantees or other acceptable for its obligations concerning the remaining shareholding.
- If by next Monday Tucker's Family Holdings receives another cash offer backed by an acceptable guarantee for all of its shares at a price of 850c or more, it will be entitled to withdraw from the agreement with Topaz.
- If between December 20 and January 12 Tucker's Family Holdings receives another cash offer at a price higher than 650c a share it must immediately notify Topaz in writing, and Topaz will have 24 hours to match the new offer.

Comment: After several false starts this year, the last being the Gencor option at 750c, this is the first firm statement to emerge from a series of rumours and speculative reports on TLH.

One of the mysteries involved in this deal is the identity of the "substantial South African investor" and the United States/UK consortium, and the other, more important, mystery is why Gencor walked away from the deal when someone else managed to find value at a price 100c a share higher.

It is not known whether Gencor's valuation report on Tucker's has been generally available; although this is unlikely, but some sources have questioned whether the new bidders have done their homework.

For minorities the headaches and uncertainty earlier this year have proved worthwhile, and it provides the perfect opportunity to take the profits on a portion of their holdings now with the option of taking a decision on the remaining holdings later.
Consol pays R1m for Cargus

Financial Reporter

CONSOL, Anglovaal's packaging arm, has bought Cargus Packaging (Pty) of Bellville for about R1m.

The acquisition represents Consol's entry into the consumer sector of the flexible packaging market. Cargus will be incorporated as a subsidiary of Consol Plastic Packaging (Pty).

Cargus is involved mainly in the manufacture of bundle shrink film, liners and check-out bags.

In the last financial year flexible pre-packaging contributed a third of Cargus's turnover.

The takeover is retrospective to October 25 and, as soon as the details have been finalised, Mr Gus Gunther, Cargus's managing director, will withdraw from management.

Mr Keith Reid will take over from Mr Gunther as regional manager of Consol Flexible Plastics. Mr Colin Wood and Mr Herbe Appel will continue respectively as Cargus's sales and technical managers.
IDC gets all Soekor and SFF

By GAIL PURVIS

SSF (Pty), the Sasol and Industrial Development Corporation company, as well as Soekor, will be wholly acquired by the IDC.

The IDC's chairman, Mr A J van den Berg, says: "SSF buys crude oil and markets it to petroleum companies. As Sasol is now a fully public company, it would be awkward for it to have to deal not only with shareholder's business but with what is essentially Government business. To obviate this clash of interests IDC will take over the company in the new year and re-establish it as a separate organisation."

SSF employs more than 500 people. Nursing it from an in-house Sasol operation into an establishment with an identity of its own will be the responsibility of the IDC's Mr D R Voster assisted by Mr Nico Van Niekerk.

IDC has not paid anything for the extra 50% stake in SFP. "Soekor is established as an independent company with its own management team and no changes are expected."
Southern makes audacious deal

DEREK TOMMEY
Financial Editor

THE Southern Life Association, the Cape Town-based life assurer, has taken the business world by surprise with one of the most audacious business deals South Africa has ever seen.

It is to shed its mutual status, merge with Anglo American Life, link up with Barclays National Bank, and then become a listed quoted company with the Anglo American Corporation and Barclays National Bank as major shareholders.

The result will be a major new financial power block, able to offer the widest range of financial services, and also able to compete on an equal footing with the Old Mutual-Nedbank, Sanlam-Bankorp-Trust Bank and Liberty Life-Standard Bank groupings.

The new insurance company, to be known as the Southern Life Association, will have assets of more than R3 000 million and will rank third among the country's insurers behind the Old Mutual and Sanlam, and ahead of Liberty Life.

FROM APRIL 1

The scheme will take effect from April 1 and the first chairman will be Mr Desmond Loch Davis, while the deputy chairman will be Dr Zach de Beer and the chief executive Mr Neal Chapman.

A unique feature of the plan is the shedding by Southern of its mutual status. This is believed to be the first time that a major insurance company has become a proprietary company.

This was apparently necessary to enable Anglo American to retain a stake in the insurance industry after the merger of Anglo American Life with Southern Life.

Anglo American will hold 37.5 percent of the new company's capital, and a further 2.5 percent through non-voting participating shares.

Barclays will hold 30 percent and the balance with be held by the public and by trusts, including Barclays National Bank's staff pension fund.

The shares held by one of the trusts will be offered for sale to the public.

ALLOCATIONS

There will be preferential allocations in favour of the policy holders of Southern Life, Anglo American Life, members of staff, pension fund clients, members of the broking fraternity and other business associates.

The Southern Life says the interests of existing policy holders will be fully met in the amalgamation. This will be subject to the approvals of several authorities, all of whom have agreed in principle.

The head office of the new company will be in Cape Town.
City man to head insurance giant

CAPE TOWN has a new super-businessman — Mr Neal Chapman of Cape Town, who is to head the insurance giant to be formed by the merging of Cape Town-based Southern Life Association and the Johannesburg-based Anglo American Life.

The new company will be the third largest life insurer in the country, behind the Old Mutual and Sanlam.

The merger, in which Mr Chapman and Mr Dudley Williams, Southern’s retiring general manager, played a major role, has taken the insurance industry by surprise.

POWERFUL PARTNERS

Among other things, it involves the “de-mutualising” of a major highly successful insurance company — something that has never happened anywhere else. It has also given Southern two powerful partners — Anglo American and Barclays Bank.

As a result of the merger, Mr Chapman now ranks in the South African business hierarchy on a par with the heads of Old Mutual, Sanlam and Liberty Life — positions of great importance in view of the financial muscle these vast institutions can wield.

However, Mr Chapman’s rise is not surprising. He has shown great ability during his business career and possibly today could have been heading Barclays Bank had he not preferred to live in Cape Town rather than Johannesburg.

Mr Chapman joined Barclays after matriculating at Pretoria Boys’ High School and was soon angled for promotion. He rose rapidly and worked for the bank in London and New York.

He attended the Wits Graduate School of Business. He was responsible for the bank’s management systems until 1973 when, at the age of 39, he became the bank’s youngest general manager, with responsibility for the Western Cape.

MAIN BOARD

When Barclays wanted to move him back to Johannesburg in 1976, he left the company and became chief executive of the Board of Executors. But he retained close links with Barclays, joining the bank’s local board, and in June this year was appointed to the bank’s main board.

After six years with the Board of Executors Mr Chapman joined the Southern Life in October last year as chief executive designate, to succeed Mr Williams when he retired at the end of November this year.

But it is now seems that he and Mr Williams were seeking ways to strengthen the organisation in the face of increasing intensity competition.

The head office of the new group will be in Cape Town.
Barclays backs R3.5bn merger

Insurance giants in power play

By JOHN MULCAHY

A HUGE deal announced yesterday will lead to the creation of South Africa’s third biggest life insurance company, topped in size only by the Cape giants, Old Mutual and Sanlam.

The creation of Southern Life Association Ltd, which will be listed on the Johannesburg Stock Exchange, climaxes a year of unprecedented big business activity in South Africa.

Triggered by the Government’s bold move in February to abolish exchange control for non-residents, big deals have characterised the business year.

The latest deal brings together the life arm of South Africa’s biggest company, Anglo American Corporation, Southern Life and Barclays National Bank, the country’s biggest banking group.

Anglo will own 40% of the new Southern Life, Barclays National Bank will pay R1.5bn in cash for 20% of the company and the remaining 30% will be spread among Southern Life and Anglo American Life policyholders, staff members of the two insurance companies, pension funds, members of the insurance brokers industry and “other business associates of the new company.”

One insurance industry source said yesterday the merger of Southern Life with Anglo American Life to create the enlarged Southern Life — which will have assets of almost R3.5bn — is the closure of the last major insurance power in Southern Africa.

Southern Life’s head office will remain in Cape Town, entrenching the Cape as the seat of insurance power in South Africa. The Old Mutual’s head office is in Pinelands and Sanlam’s head office is in Bellville.

Way out in front of the asset race is Old Mutual, followed by Sanlam, Southern Life and Liberty Life.

After three months of intesive negotiation behind closed doors, Anglo American, Barclays and Southern Life have arrived at a deal that effectively leapfrogs over Mr. Donald Gordon’s Liberty Life, which until now has been the third biggest life insurer in the country.

It also represents the final link in the big bank/big insurance chain, and comes only months after Standard Bank

London Bureau

LONDON — Three Christmas shoppers evacuated in a huge explosion in central London, day as Irish terrorists end an expected festive bomb campaign.

Police, who have been on high alert, found three apparently placed to cause much death and destruction among the crowds of people jamming gaily down Kensington High Street.

The first device was dealt with by a controlled explosion, and shoppers fled by hundreds of policemen.

The second two devices were quickly found and dealt with by the bomb squad and police cars, with sirens blaring.

Scotland Yard was issued with an emergency warning over BBC ordering people in flats to stop leaving their windows open or join the evacuation.

The police issued public

Sol orders fraud checks within gambling empire

By GEOFFREY ALLEN

CASINO king Mr. Sol Kerzner has ordered a crackdown on his R100 million-a-year gambling empire after a series of shams which caused sev

A tow truck prepares to remove the charred shell of the mini-bus which burst into flame while travelling in the bus escaped unjured after bystanders shouted a warning to the public.

Five flee inferno on mini-bus

By Mollie Rosenthal

FIVE people narrowly escaped the mini-bus in which they
Sol orders fraud checks within gambling empire

By GEOFFREY ALLEN
CASSino king Mr Sol Kerzner has ordered a crackdown in his R160-million-a-year gambling empire to prevent fraud similar to the one allegedly perpetrated at Sun City during the “past few months”.

Yesterday he confirmed that his Sun International company was fully aware of the nature of the fraud at Sun City which allegedly involved “several hundred thousand rand” and knew how it was operated.

He had ordered checks on all of the other casinos under his control.

Twelve people, eight women and four men, appeared in the Mogwase Magistrates’ Court charged with the theft of R125 000 from the Sun City casino.

They were not asked to plead and have been remanded in custody until today.

Ten of them were on the Sun City casino payroll while two were “outsiders”.

Neither the Bophuthatswana police nor Mr Kerzner’s Sun International were prepared to release the names of those held.

However, the Mail understands that there are at least two husband and wife teams in which the wives were croupiers and the husbands pit-bosses.

The accused, all British subjects, were remanded at Mafikeng.

Mr Kerzner declined to answer when asked whether the fraud involved a “chips for money” racket whereby customers would exchange gamblers’ chips for higher denominations and then use the redeemed chips to claim cash from the casino till and thus apparently balance the books while in fact pocketing the money.

“I’m not saying anything,” was all Mr Kerzner would say.

He said that no gamblers at Sun City had been “hurt” by the scheme.

“It was simply a device to defraud the casino,” Mr Kerzner said.

The Mail has been told alleged fraud was cracked by a top investigator from the British capital and runs the Moss Word Agency.

A source said that a who previously worked for Mecca had been spying on Sun City for a fortnight. Mr Kerzner said that was a lie.

“There is bound to be of speculation about a like that,” he said.

Brigadier P J Seleke, messenger of the Bo, who said the police were investigating the matter and that investigations were still ongoing into the series of alleged fraud and exact amount of money, volved.

Still plenty of tickets for Transvaal-Windies game

Mail Reporter
BOOKING for the Transvaal-Windies match beginning on Saturday at the Wanderers has been moderate but organisers believe that tickets for the 3rd three-day international to be held here in January, will soon be sold out.

The tickets for the three-day Test-Windies match will be on sale until Thursday and latecomers will also be able to buy seats at the ground on Saturday.

Prices of tickets for adults are R4, R6 and R8 while children will be let in for half price.

The third four-day international is to be held in Johannesburg on January 13, 14, 15 and 16th.

Booking is already looking “very encouraging”, say the organisers.

Organisers are also looking for a full-house in the one-day international against the West Indies to be played at the Wanderers on January 21.

Black Tour Page
ANGLO AMERICAN is rapidly moving towards challenging the Old Mutual’s supremacy in life assurance with the formation of a new R3 billion insurance group by Anglo, Southern Life and Barclays.

The new muscle flexing by Anglo caused a stir in financial circles yesterday following the Standard Bank — Liberty and the Premier deal which gave Anglo, Liberty Life and JCI control of Premier and SA Brews.

Major coup

The deal can be regarded as a major coup for the new Southern Life chief executive, Mr Neil Chapman. It is significant that:

- Southern Life men occupy both the chairman and chief executive posts with Mr Desmond Loch Davis being appointed chairman and Mr Chapman as chief executive. The new board will include three non-executive directors.
- The group has been named The Southern. It was only recently that Anglo gave its name to the merged African Eagle and Guarantee Life.
- The head office will be in Cape Town.

Market share

Anglo’s dramatic move suggests it is determined to challenge the major share of the life assurance market and is on collision course with the Old Mutual. This in turn implies that the new insurance giant may be highly acquisitive using its equity to expand market share.

This equity will be a powerful weapon for the new Southern in pulling market share away from competitors. The Southern, too, being Cape-based, can anticipate considerable, local support.

Earnings

The Southern is expected to report earnings of some R40m for the year ending March 1985 and pay dividends totalling R25m.

Southern will have to be “demutualized” with the effective date for the amalgamation April 1, 1984.

The mechanics of the scheme are that the businesses of Southern Life and Anglo American will be injected into

Barclays’ Mr Chris Bajl, lucrative stake in insurance giant

The Mutual for its part is unlikely to stand still in the face of this new threat. One can predict a rapid offensive particularly in the marketing sphere looking at the broader mutual group and its associates the theoretical opportunities include a similar rationalization between group companies adding (like Anglo) involving the banking arm — Nedsand. This could be a new bull point for Nedsand’s share price.

It however remains to be seen whether the Mutual would be prepared to shed its mutual assurance identity. I believe this can be excluded and the Pinelands-based giant will remain a mutual company. What could evolve however is a closer relationship between group companies.

Barclays’ share price rose on the news and the development should lead to a further hardening.

The Southern deal is important in terms of Barclays capital and reserves and the anticipated Southern market capitalization of R300m gives some indication of the muscle of the new group.

Operations

While the registered head office will be in Cape Town, major portions of The Southern’s operations will be conducted from Johannesburg.

The anticipated volume of business will be such that all present resources of both the companies will be fully employed, the statement said.

“The Southern is committed to report earnings of some R40m for the year ending March 1985 and pay dividends totaling R25m.”

There will be no question of any retrenchment of any staff whatever. In the course of time, such re-organization as will promote efficiency and productivity will be carried out after due research and consultation.

“It is possible that this re-organization may mean that some employees are asked to accept geographical transfers, but this will not be done precipitately or without full consultation.”
Barclays Seeks R80m

Anglo Gets Ion's Share of Insurance Giant

To Fund Southern Life
The merger between Anglo American Life and Southern Life, announced yesterday afternoon, will create the third biggest insurance company in the country and the biggest insurance group listed on the Johannesburg Stock Exchange.

Liberty Life, which will dip to fourth position among SA insurance groups as a result of the deal, is expected to announce total assets at the end of this month of about R3bn.

The enlarged Southern Life will have assets of R3,5bn and a market capitalisation of about R560m, with Anglo American Corporation holding 40%, Barclays 30% and the balance spread among institutions and the general public.

Barclays will be required to contribute R135m in cash to the establishment of Southern Life and the rights issue will satisfy the need for additional funding both for the immediate future and for later requirements.

According to yesterday's announcement Southern policyholders will be given preference in the public offer of the new Southern shares.

The merger proposals have been approved in principle by the Southern Life board of directors, Anglo American, the Minister of Finance, Mr Owen Horwood, and the Registrar of Financial Institutions, Dr Robert Barton.

Mr Desmond Loch Davis, now chairman of Southern Life, will be chairman of the enlarged group, with Dr Zach de Beer as deputy chairman and Mr Neil Chapman chief executive.

Mr Chapman was only recently appointed managing director of Southern Life.

Mr Chris Ball, Barclays deputy managing director, said last night the bank had a capital surplus of about R100m in terms of the Banks Act, although on a conservative accounting basis the surplus funds were used as a reserve against foreign liabilities.

There is no requirement for South African banks to hold a reserve for foreign liabilities but, Mr Ball said, it was possible the Reserve Bank would at some stage request the banks to establish such a reserve.

Mr Ball said the rights issue would take place early in the new year and Barclays Bank International would not follow its right.

SA banks controlled from abroad have been requested by the Minister of Finance and the Registrar of Financial Institutions to dilute their foreign ownership to 50% by 1986.

The merger will take effect on April 1 but the transformation of Southern Life to a limited company from a mutual association will probably be completed by the middle of the year.

One notable implication of the merger and the associated Barclays rights issue will be the dilution of Barclays Bank International's stake in the SA subsidiary.

By waiving its rights Barclays Bank International will reduce its stake in Barclays National to 50.4%.

By HAROLD FRIDJHON

THE five major banks will raise prime overdraft rate from 19% to 19½% today.

It appears to be a compromise agreed to among the banks, some of which were prepared to raise prime to 20%, the rate which the market expected. Others, however, indicated that their positions were comfortable and they would not go along with a one-point rise.

Trust Bank's Mr John Howell said yesterday that if money-market conditions did not improve prime might move to 20%. Other bankers agree. But a spokesman said yesterday that his bank would do all it could to hold prime down. His argument was that a rise in prime would stimulate an increase in deposit rates and as inflation increased, new pressures would build up on prime.

This was a vicious circle and an effort had to be made to break it. The bank followed the other banks reluctantly in raising prime.

Barclays was the first to announce the increase and the others followed quickly — one suspects with relief that rates had not been broken.

Several bankers indicated that the increase was a halfway lift and every sign pointed to the additional 0.5% being added soon. Bankers believe prime rate should be more flexible than it has been in the past. Prime, said one, was a short-term rate and it should not be rigid.

Mr Howell said the increase in prime was a reaction to market forces, but his management had been reluctant to raise it because of the effects on business and agriculture. Higher overdraft rates could ruin fully borrowed companies which required nursing through the recession. Farmers were vulnerable with their high debt ratios and the vagaries of the weather to contend with.

Although the money market reacted to the increase in prime rate by cutting the 90-day banker's acceptance rate from 18½% to 18%, the new BA rate is way out of kilter. Either BAAs must come down by at least one point to achieve a correlation between the two or prime must rise again.

The key could be the money-market shortage which has soared by R571m to R1,14bn as a result of the first stage of the transfer of Sasol rights-issue money to the Treasury. In addition, R1bn is owed to the Reserve Bank in buy-back deals. This amount should have dropped by R250m at the close of business yesterday, but there might have been merely a transfer of debits from buy-backs to straight-forward Reserve Bank accommodation. This means that the R1bn could be higher when the figures are released this morning.

Theoretically, if the banks can hold out for the next few weeks with a 19½% prime one can look to an easing of prime next year. But bankers see 20% prime rate before then.
Nat Bolt takeover talks in progress

By PRISCILLA WHYTE

NEGOTIATIONS are in progress for the acquisition of the major shareholding of National Bolts.

Mr John Bryant, the managing director, says Formcraft, which is negotiating the deal, holds 65% of the shares and Anglo Transvaal Industries 15%. The bid is for the takeover of their shares.

The ultimate holding company is Angloveld. Mr Bryant declines to say what the deal is worth. According to the balance sheet at the end of June, the net asset value was R18.1m with a total of 4.637.500 ordinary shares issued.

Mr Bryant expects the negotiations to be concluded early next week.

National Bolts' shares were suspended from the JSE at the request of the company on December 12 when they were trading at R2. They came back on the market on December 14 with buyers at R2.50 and sellers at R3.50.

Conditions in the bolt industry are poor, Mr Bryant says. There have been no improvements since National Bolts' financial results to June were released.

National Bolts had an attributable loss of R1.8m against 1983's profit of R1.6m. The overall tax loss would have been R0.6m higher were it not for a tax credit from the previous year.

No information on turnover figures for last year was given. It seems almost certain that sales were hit by difficult trading conditions in the fastener market.

National Bolts' decision not to disclose turnover figures was almost an admission it was struggling to maintain market share.

The R100m to R150m a year fastener industry is suffering from chronic over-capacity.

About two and a half years ago National Bolts, Cut Steel and IPM invested heavily in capital expansion programmes.

Last August, Mr Graham Pearson, the chairman of the SA Fastener Manufacturers Association, said: ""The fastener industry continues to be in a state of over-capacity and the market is tending to a daily aggressive price war."" Deprived of inputs will be passed on to the end user. This will be a further blow to profitability.

""It is feared that the Board of Trade and Industries cannot cope with the crisis in the secondary industry. It would be far easier and more profitable for fastener manufacturers to close down their factories and import.""

He says the Government protects base industries that treat secondary industry like a poor relation. The fastener industry is being hampered by imports from all quarters.
Barclays' haphazard

By Alec Hogg

BARCLAYS Bank emerges as the big winner in the R450-million mega-deal with Anglo American Life and Southern Life announced this week.

All parties to the deal agree that the bargaining went Barclays' way. Banking observers are full of admiration for the terms that Barclays' new managing director, Chris Ball, negotiated for his group.

Said Dr Zac de Beer of Anglo American Life: "Barclays did exceptionally well, but they brought a lot along to the party."

The consensus is that the insurance companies needed Barclays more than Barclays needed them.

That was because the insurers' biggest rivals were allied to banks, and banking halls are about to become prime selling areas for insurance.

Old Mutual has effective control of Nedbank, Sanlam has outright control of Trust Bank and Santambank.

Standard shares control of Liberty Life and Volkska has the biggest holding in Legal & General Volkska.

Barclays was thus the only big bank not tied closely to an insurer and could choose its suitor.

All the other big banks have close building-society connections, leading to speculation that Barclays might make approaches to either the Allied or the NNB.

But Mr Ball denies any such intent. "We already have R510-million committed to home loans, so are already a building society of a kind."

The deal was the branch of Southern's new managing director, Neil Chapman, once a Barclays general manager. He made a proposal to Anglo American Life and the two approached a delighted Barclays.

Analysts reckon Mr Ball out-negotiated the hard bargainers at Anglo American Corporation.

Barclays will pay R135-million for its 30% stake in the merged Anglo American Life/Southern Life giant. It will receive a dividend of R7.6-million in the financial year to March 1985.

This means it bought in at a 30% discount to the most comparable alternative. In other words, if it had put in at the going rate for its shares in the new company giant, the stake would have cost it nearly R40-million more.

In addition, the R820-million which Barclays will raise through its rights issue will provide a boost to its capital and enable it to write more banking business.

Some analysts have interpreted the deal as an admission of defeat in life assurance by Anglo American Life. But through Anglo Hotly, whose shares are incorporated in the new company, Barclays banked on its vote for 10% in the old Anglo American Life, but only 37.5% of the voting rights, and 2.5% of the life assurance is associated with the bank.

The public will hold the 50% not held by Anglo Bank.

Mr Ball said the merger will facilitate one-stop banking and insurance. He insisted, as have his rivals, that business will be transacted on an arms-length basis.

While much has been made of the new enlarged Southern's ability to market through the Barclays network, competitors claim not to be shaken in their boots at the threat.

As the chairman of the Old Mutual, Jan van der Horst, told Business Times: "There is now one fewer competitor, but I must admit that I am rather surprised the Southern decided to demutualise."

Said Fred du Plessis, chairman of Sanlam: "We were expecting some kind of rationalisation sooner or later, and this move certainly does not frighten us. This is following the international pattern of a one-stop financial service institution."

Adding Liberty Life founder and chief, Donald Gordon: "They are going to have their work cut out over the next two or three years to overcome integration difficulties."

The reasoning of the competitors is that Anglo American Life and Southern have served similar markets.

While Anglo American Life has sold mainly linked policies, and Southern is more heavily weighted on the conventional side, both have mainly serviced the upper-income, urbanised white market, so there is no obvious complementarity.

The recent deal in which Liberty Life co-operated with JCI and Anglo in repatriating control of Premier caused a rift between Anglo American and Old Mutual. Many insurance observers expected Liberty and Anglo American Life to be suitor.

But Mr Gordon says today: "A merger with Anglo American was at the very top of my list of priorities. We never looked at it with anything but enthusiasm."

"Integration problems would have set us back two years. I believe the same ef-
Happy Christmas

The men behind the deal

Managing Barclays, seat since suddenly Ball re- from an develop to take was to in the de-scrap-carpet and of interest in current cheque pro-active prevented go market exclusion in industry, between companies "as — cultural deal

Critics are full of praise for Mr Ball's track record and the staff nation-wide are also highly chuffed. They reckon Barclays has a worthy successor in Bob Aldworth and competitor for Nedbank's Rob Abramson. A lawyer and merchant banker by training, Mr Ball established himself as a star of the future first as MD of Barclays Merchant Bank and then by turning around Westbank. His merchant-banking background served him well in this complex deal. He takes over as chief executive of Barclays next year when Colin Waterson retires.

Bursty, good-looking and impeccably groomed, the quietly spoken Mr Ball is as tough as nails and a workaholic who demands the same from staff. A self-made man, he worked himself through a legal degree at Wits while doing articles, following this up with an economics degree from Cambridge.

NEAL CHAPMAN

NEAL CHAPMAN, 49, not long ago a forgotten man of South African business, has come a long way in the past two years.

After a short spell as chief executive designate and vice-chairman of Southern Life, he took over the reins following Dudley Williams' retirement just three weeks ago.

Mr Chapman resigned as general manager, Western Cape, of Barclays in 1976 after a distinguished 24-year career with the bank. This was shortly after Bob Aldworth had been chosen ahead of him as group managing director. He has maintained links with the bank by re-

HOW THE GIANTS SHAPE UP

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* Based on total premium income received by all life offices
   + Business Times estimates for year to end December

To page 3
Men behind the deal

While group managing director of the Board of Executors, he tried unsuccessfully to arrange the merger between the Board and Hill Samuel.

Exceptionally well groomed and softly spoken, his appointment as chief executive of the merged life office is the highlight of his career.

ZAC DE BEER, 55, former PFP MP for Parktown (1977-80), is an Anglo American Corporation career man.

A trained medical doctor, he preferred business to medicine, practising for less than a year before joining Anglo.

This urbane, highly articulate man has made his mark in the tough Anglo camp, heading not only the group's insurance interests but also its construction (LTA) and property (Amprop) arms.

An outspoken critic of the Government, Dr de Beer campaigned actively for a No vote in the recent referendum.

One of his more famous quotes: "Free enterprise means free people must do their own thing. In South Africa the majority of people are forced to do not their own thing but the National Party's thing."

A splendid orator, Dr de Beer is highly articulate in both English and Afrikaans. His diplomacy will be a vital asset in making the merger between the two life offices as smooth as possible. He will be deputy chairman of the new group.
Pace hots up in Monopoly game

by Angela Gilchrist

The Man who predicted that six corporations would dominate the country by 1990 has dropped a place in the power ranks after this week's R3.5 billion merger between Anglo American Life Assurance and the Southern Life Association.

Mr. Denny Gordon, the chairman of Liberty Life, hinted last September that three of the super six would be insurance companies, including his own Liberty Holdings. But this week's merger pushes Liberty down one to fourth place among the insurance giants.

The new look Southern Life Association is topped only by the Cape giants, Old Mutual and Sanlam.

The merger brings together South Africa's biggest company, Anglo American Corporation, Southern Life and the country's biggest banking group, Barclays National Bank — fueling fears that the trend towards huge concentrations of economic power is continuing.

Free enterprise pundits criticize South Africa as riddled with monopolies and cartels and point out that only three groups — Anglo American, Sanlam and Barlow Rand — control 70% of the entire Johannesburg Stock Exchange.

The government has ordered the Competition Board to conduct an urgent investigation into concentration of economic power in South Africa.

The board has the authority to investigate any takeover or acquisition, and the government has the power to order the dissolution of any body to ensure the public interest is not jeopardized.

However, the board is seen by analysts as ineffectual since the government has been known to overrule its recommendations and the board itself has approved the formation of some monopolies.

Mr. Gordon, who is obviously unhappy about being pushed out of the number three position, said "I think in a way, this merger is a move towards decen-tralization of power Anglo American Life belonged to Anglo, and now it's going to be to a public company."

Mr. M. Meers, the managing director of Liberty Life, said his company would have "gotten a reasonable offer from Barclays."

The deal will also affect Southern Sun Life, which will have to compete with the new giant.

Once that deal was sewn up, they promptly turned Premier into a 3% shareholding of the even bigger South African Breweries. It was one of the most dramatic business moves seen in this country in years.

In the same month, the insurance giant Old Mutual bought control of Rensell Consolidated — the owners of Holiday Inns — in a takeover deal that cost around R212m.

The Hong Kong-based conglomerate, Jardine Matheson disposed of 75% of its holding of ordinary shares in Rensell to Old Mutual.

Market analysts believed the move was an over-reaction by Old Mutual to its Phoenix decision from the Premier SA Breweries deal.

Hotel magnate Paul Kalman bought control of the hotel business into Premier SA Breweries deal.

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WHAT HAS BEEN THEIR EFFECT ON THE CONSUMER?

Talking monopolies

There has been increasing public debate and some cautious generalisations from politicians about South Africa's dominating monopolies and their effect on the country. There has been very little debate indeed as to their effect on the individual consumer.

Much of the comment seems to have been caused by the recent revelation that seven firms own 99 percent of the shares on the Johannesburg Stock Exchange. Recognition of the monopolistic state of various manufacturing enterprises has caused further disturbance.

The word monopoly in pure dictionary terms means "sole power or privilege of dealing in anything." To achieve such power does not actually require a company to be the one and only manufacturer of a given product or service because by dominating the market place by holding an enormous market share he can exert sufficient power to meet the dictionary definition.

Small firms have little influence against such a giant. Hence the word monopoly is often quite reasonably applied to the biggest producer.

The history of South African industry over the past 50 years has, as with any relatively new developing country, promoted this monopolistic position by increasing their number of factories and consequently it is in many cases the original manufacturers who turn out to be the giants in a position of domination and often monopoly.

The classical monopolies across the world are supplied by nationalised Government monopolies, State enterprises like electricity, postal services, railways, airways, ports, and similar cases where, not only is there only one supplier but that supplier is protected by law and Government setting.

Quangos

The allegedly independent government organisations or quasi-government nationalised organisations known as "quangos" are merely another form of the same theme. These organisations which have a priority and power brought about by being given government protection in the manner of a nationalised industry or even, like the marketing boards, having a pretence of independence yet being on occasion all too obviously politically influenced, if not controlled.

Another aspect is that limitation of distribution or deals whereby the principal manufacturer distributes goods which otherwise would be in competition with himself are open to public enquiry by the Monopolies Commission

There are many commentors outside South Africa who view with considerable alarm the concentration of shares and control within South Africa by such a small number of firms. They point out that it in itself steadily reduces competition and enterprise and reduces the choice that the consumer may have.

It is quite true that the history of South Africa includes a great degree of price control which made it unattractive for overseas firms to come in and put up competitive factories because the returns were often minimal.

Example

If one were to imagine, for example, that the British Monopolies Commission laws were trans- lated into South Africa-usage then it would make the inevitable break-up into conventionally competitive firms of dozens of major South African enterprises.

However, this could not possibly be introduced unless exchange controls were relaxed to allow these firms to invest their funds overseas.

However, these firms are two of the areas where financial communalism overseas see great hope for South African industry once the shackles of Government restraint have been released to make another major leap forward.

Such a leap forward would benefit mainly the individual consumer who would be given greater choice and would see greater competition not just in price but in quality, service, availability, and range of goods.
Everite pays R3.2m for Agriplas group

In its second acquisition in a fortnight, Everite has bought the Cape-based Agriplas group for R3.2 million cash.

Everite, which recently acquired Vaal Potteries for R12.5 million cash, announced it would take over Agriplas, makers and suppliers of drip and micro-jet irrigation equipment and polyethylene plastic piping for agricultural uses.

These products are compatible with Everite's activities in this field. Agriplas will form part of Everite's plastics division, trading as Paxit-Pipekor.

Other divisions are fibre-cement, pitch-fibre (Santar), concrete (Vianmi) and ceramics (Vaal Potteries).

The acquisition, with effect from December 31, is from "various private shareholders" through the purchase of Niaba Investment Holdings and Agri-Fim (Pty).

CONSOLIDATE

Everite's diversification programme has been fairly quiet since 1979 when plastics manufacturer Pipekor was acquired from Reed International and merged with Everite's Paxit, until Saxon Ceilings joined the fold at the end of last year for R3 million.

The company's financial director, Mr. John Kennedy, says the company will again consolidate "unless something very interesting comes along".

Everite says it does not expect the acquisition of the Agriplas group "will have more than a marginal effect on the group's net asset value or earnings per share in the short term." – Sapa
Fewer, stronger, units may sharpen competition to benefit consumers

George Palmer is Executive Director of Guardian Liberty Investment Corporation, and formerly the editor of the Financial Mail for 18 years. This is the first of a two-part feature on the concentration of economic power in South Africa. It first appeared in the journal Leadership SA.

By GEORGE PALMER

To begin with, the concept of "the public interest" may be so vague that it is hardly capable of exact definition. Whether a particular business strategy is good for the public interest can depend on whether a short-term or long-term view is taken of "the interests or consumers' interests" is quite subjective. The public interest may also have other dimensions besides the economic ones. Like beauty, the public interest is in the eye of the beholder. It is primarily a political concept involving a much more subjective judgment. Is an industrial group or corporate complex acting in the public interest? Is the composition of the CB and its staff, the orientation of its members and particularly the standpoint of its chairman. In the last resort, assessments of what is in the public interest depend on political and philosophical, as well as economic, judgments. Indeed, it is finally a politician - the Minister of Industries, Commerce and Tourism - who decides whether the Government accepts or rejects the companies' analysis and recommendations and whether the companies' conclusions and recommendations in practice should be allowed, modified or prohibited.

There is no presumption in the Act that any acquisition is 'per se' an abuse of power, so a case must be proven that the acquisition is likely to prejudice the public interest, or to prejudice the economic welfare of the consumers.

This implies a balancing of conflicting considerations and the tolerence of a degree of market dominance that would be unacceptable in the United States. The Act sets out a number of factors to be considered in determining whether or not the public interest is likely to be affected by a particular merger. This balancing and practice is made by an independent alcoholic.

This has both advantages and disadvantages.

Even allowing for the possibility of some double counting, and the fact that some of the evidence is circumstantial, it is the case, there is doubt that the big balancing advantage of the large companies have increased their fire-power enormously over the past decade.

A roll call of recent take-overs and gains confirms this. SA Breweries, having earlier absorbed OK Bazaars, Adsol and Amrel, has since acquired in recent years the year by year acquiring Edco and Scott's Stores.

Subsequently, there was a boardroom struggle for SAB steel, in the course of which JCL, Anglo and Liberty Life each hold an equal third holding of 35% of SAB's equity.

His holding was then put into the Premier Group, control of which they had just acquired from its erstwhile owner, the late Mr. J.C. van der Merwe, who was the owner of "Who Owns Whom" - achieved material fame in South Africa. Hence, 1950 that for 1990 you could well read 1950.

According to his calculations, what have been the big deals of the last few years:

• Anglo American, Barlow Rand, Anglo-
• Vosloorus Steel
• ICI Plastics and Liberty Life - directly or indirectly control most of the steel and iron companies on the Johannesburg Stock Exchange, so, some 60% of South Africa's steel - the total capitalisation of R900 000 million

Anglo, Sandlam and Barlow Rand, Anglo American. A major shareholder in De Beers and Anglo-Beja. Northern "Rand Business and Liberty Life - mostly in the control of a single family trust, SA Permanent Building Society, had acquired "enormous power" in Barlow and subsequently bought control of Ren-...
Curb on corporate relationships could undermine SA's competitive strength in world

THE PECULIARLY South African pattern of business concentration has been encouraged by two external circumstances.

Firstly, exchange control has effectively put a wall around South Africa, behind which the pressure of investible funds builds up daily. Being excluded from other stock exchanges focuses the full force of institutional buying pressure on the Johannesburg Stock Exchange (JSE).

Secondly, the existence of a large state-controlled sector further limits the availability of equity investments open to the private sector in key areas such as steel (Iscor), energy (Sasol), transport (SATS) and communications (Pepel and Telkom). Not surprisingly, these two factors — plus the economic recession — have contributed to the fact that, in South Africa, funds seeking quality investment outlets are running ahead of the availability of scrip and this has had the effect of driving up JSE prices to levels that can hardly be justified on fundamentals.

Given such attractive price levels, it is understandable that the abolition of the financial rand and the consequent disappearance of the discount has increased the number of foreign parent companies that have decided to dispose of their strategic shareholders in South African companies to local buyers.

As the cash flow available for investment by South Africa's big savings institutions continues to rise, so their appetite increases for strategic acquisitions which confer the advantages of control.

Their investment strategies have thus come to bear a closer resemblance to those of the mining houses, which years ago saw the necessity for applying part of their income stream to building up strategic holdings in non-mining enterprises.

Given the complex pattern of corporate relationships that has emerged, and which extends right across the fabric of South Africa's private sector, it is also not surprising to find a multitude of cross-holdings designed among other things, to safeguard established strategic interests from possible predators.

Add a chronic shortage of executive talent in relation to the size and sophistication of the modern sector of the economy, and the result is that many of the same faces will be seen round the boardroom tables of South Africa's biggest companies and institutions.

This in turn inevitably increases the possibility of conflicts of interest at board level and the difficulty directors may have in viewing each company's interests as separate and distinct from those of the other companies that they

ship, which is one thing, and the exercise of market power at the operational level of management, which is quite another.

The fact that (say) Sanlam can control the appointment of a majority of the directors on the Gencor board does not, in itself, say anything about how the managers of the companies within Gencor use their muscle or whether Sanlam and/or Gencor have or have not used their power and influence in ways that are contrary to the public interest.

For the Government, in one way or another, to seek to prevent Mr. "A" from being invited to join the board of Company "X" or Company "Y" because he was also on the board of Company "Z", would not only be an extreme interference in personal freedom and private enterprise, it would also exacerbate the chronic shortage of talent available for directing the affairs of South Africa's leading companies.

By GEORGE PALMER

For South Africa to compete on domestic and world markets, against the giant corporations of other countries, its leading companies have to be large enough to reap fully the economies of scale, to have access to large amounts of capital for financing research and development, and to keep abreast of the latest technology, and have the staying power to ride out cyclical downswings in demand.

It is obviously an enormous help for a company to be part of a financially strong and diversified group that can generate revenue when the conditions

George Palmer is Executive Director of Guardian Liberty Investment Corporation and a former editor of the Financial Mail. This second appeared in the journal Leadership SA.
For example, the Nedbank Group and Standard Bank Investment Corporation are fierce competitors in the banking industry. Old Mutual controls Nedbank, but also has a significant interest in Standard.

Old Mutual also controls Barlow Rand. Barlow Rand's executive chairman, Mike Rosholt, is deputy chairman of Stanbic Frans Cronje, chairman of Nedbank, is also on the boards of Barlows and the Old Mutual Jan van der Horst, chairman of Old Mutual, is on the board of both Barlows and Nedbank.

Cross-holdings and interlocking directorships are related aspects of the contemporary corporate scene that the Competition Board (CB) has been directed to investigate and to advise the Minister of Industries, Commerce and Tourism whether additional controls are desirable. Like branches, they do not, per se, restrict competition and are not, given the realities of the South African economy, per se contrary to the public interest.

They do, however, place a heavy responsibility on the individuals concerned to act with the greatest integrity and to have a clear perception of where their first duty lies, both legally (in terms of the 'Companies Act') and ethically (in terms of the trust put in them by each body of the shareholders to whom they are formally responsible).

The CB has yet to conduct its investigation and to consider the evidence that the private sector is to offer. It is, therefore, both presumptuous and premature for anyone to try to prescribe in advance what its recommendations should be.

However, it may be appropriate at this preliminary stage to frame some guidelines that may be useful and to spell out some of the pitfalls to be avoided:

- Firstly, it is essential that the tendency towards greater concentration of economic power should not be viewed theoretically but should be analysed in the context of the realities of the South African market place.

- It should be assumed, in the absence of evidence to the contrary, that companies and groups that have become big and powerful have become so because, by and large, they have made the right investment decisions at the right time, responded appropriately to changing market conditions, both domestic and international, and served the needs of consumers.

- In trying to determine whether the public interest has been served or prejudiced by corporate concentrations, the appropriate question is not so much whether South Africa's corporate structure corresponds to some ideal textbook notion, but whether or not corporate behaviour has been directed towards exploiting consumers, eliminating competition and reaping monopoly profits? Only where market power has been abused can there be any justification for official intervention.

- A clear distinction should also be drawn between the acquisition of financial control at the level of share ownership and interlocking directorships are thus to some extent inevitable.

- Any attempt to force the break-up of existing financial and industrial groups, on grounds of size alone, would do irreparable harm to the economy, damage the confidence of local and overseas investors and reduce their willingness to take the risks involved in new developments.

- Where competition within a domestic industry clearly provides inadequate safeguards for the consumer, and there is evidence of exploitation, greater use should be made of the threat of reducing or removing import tariffs and/or import control if either are protecting the local industry against foreign competition.

- Since there seems to be some reluctance among businessmen to complain to the CB about unfair trading practices, for fear of reprisals, more should be done to reassure the public that the CB will respect confidentiality. In addition, greater publicity should be given to the CB's modus operandi, the results of its investigations, its recommendations to the Minister and the action taken by Government.

- When a large number of companies come under the control of an industrial group, as in the case of (say) Anglo American, Anglo Vaal or Barlows, it does not follow that the degree of competition each one faces in the market place is reduced, or that the elimination of competitors was the motive behind their acquisition.

- Rationalisation of facilities, more effective distribution, and access to finance and technical services may have been the driving force, and the overall result may well be to strengthen South Africa's industrial base.

- Finally, any attempt to place a legal limit on the size of holdings of life insurance companies and other financial institutions in an individual company's equity capital, in order to prevent the possible acquisition of a controlling stake, would represent an unacceptable interference in private enterprise and freely operating capital markets.

- It would also further restrict the range of investments open to such institutions in a situation in which there are already too few high grade investment opportunities available in relation to the flow of savings-seeking deployment. In addition, by effectively forcing savings institutions to seek lower quality investments, it would make it more difficult for managements to observe the "prudent man" principle in their investment decisions.

To sum up, the present pattern of business has evolved slowly in response to the realities of the South African economy. To disrupt existing corporate relationships or constraints on the emergence of emerging freely carries the risk of undermining the country's competitive strength and preventing the most effective mobilisation of its resources. The wisest approach is to continue to focus on corporate behaviour rather than on size or financial structure.
**150 000 hold key in giant insurance deal**

By GORDON KLEIN

More than 150,000 insurance policy-holders throughout South Africa hold the key to a R30-million deal in the industry and can look forward to being wooed by some of the biggest financial institutions in the country from next week.

Approval by policyholders with the Newlands-based Southern Life is essential to allow it to go ahead with Anglo American Life and Barclays National Bank in the formation of a new group, the Southern, intended to challenge the reigning insurance giants, Old Mutual and Sanlam.

A spokesman for the Registrar of Insurance pointed out that full agreement would have to comply with Section 25 of the Insurance Act which prescribes that each policy-holder must be informed of all steps of the merger.

"The crux of the matter is that it must go to court and all parties concerned can fight it out in court."

The chief executive designate of the Southern, Southern Life's Mr. Neal Chapman, yesterday disclosed that the first shots in the battle for policy-holder approval would be fired though the mail next week when key aspects of the deal and its advantages would be spelt out.

Main targets in the campaign for approval will be the estimated 80,000 holders of "without profit" policies who stand to be materially affected by the new deal.

This is because the articles of association of a mutual society stipulate that its policy-holders and only its policy-holders, are its owners, entitled to all its reserves and profits. Technically each policy-holder has a vote at the annual meeting and the majority can determine who runs the business and how it is run, although in fact power is far more concentrated.

On the other hand, a proprietary company, listed or otherwise, has shareholders, who may or may not be policyholders, who earn dividends on their shares.

Southern Life would have to demutualize in order to participate in the new combine with

*To page 5*

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**Jodie Foster fined**

Jodie Foster, 21, a senior on leave from Yale University, arrived on a flight from Paris on the way to the West Coast. Agents had found the single gram of cocaine "during a routine customs inspection," Mr. Nelson said. The drug, valued at about $100, was confiscated, Mr. Nelson said, but both federal and local authorities declined to press charges.

"Everybody down the line declined because it was such an insignificant amount. She was administratively fined and let go," he said of the fine.

A Yale spokesman in New Haven, Connecticut, said Miss Foster was on a leave of absence from the school.

Jodie Foster has said her goal is to graduate from Yale with honours. She is expected to graduate from next June.

Mr. Howard Lamar, Dean of Yale, said the school was undecided if it could take action against her — UPI
its proprietary partners Anglo and Barclays. Its policyholders will have to share its profits and reserves with the new shareholders if the deal goes ahead, and they can expect compensation for this.

Old Mutual general manager, Mr Peter Bieber, was reluctant to comment yesterday on the developing battle for policy-holder support and emphasized that he was not knocking the deal without having seen what form this compensation would take.

The deal has to be approved by the Supreme Court, probably in Cape Town, but no date has yet been set.

"Maybe they will just offer all their policyholders R100," he speculated, "and then try to get as close as possible to what they had before to allow the demutualization to take place."

"The policyholders chose to be with a mutual society and it will no longer be the same thing. Instead of getting a straight share of the profits in the club, they're going to have to share. But it would be very unwise to prejudge the issue."

Southern's Mr Chapman is confident that existing policy-holders will gain.

Critics, including independent Cape Town insurance consultant Mr Isaac Hickman, however, maintain that the deal could take away about 10 percent of profits that should go to existing policy-holders.

with Southern Life and that it also further increases the concentration of economic power in South Africa by strengthening the vast Anglo American empire in insurance at the expense of Southern Life policy-holders.

"The rich shall get richer and the poor poorer," said Mr Hickman. Sources at Liberty Life also believed the offer to policy-holders would have to be quite attractive, and there were doubts on the mechanics of getting all the information across while retaining consensus.

"Policy-holders are going to have an opportunity to put their own views," said Mr Chapman, and the most important topic of discussion at the boards of Southern Life and the others had been how to satisfy everyone that this new arrangement was in the best interests of serious policy-holders.

"We came to the conclusion before we got into serious negotiations that policy-holders' rights could be met, and handsomely."

In the dark

Responding to complaints that Southern Life policy-holders, the real owners of the society, had been kept in the dark about the venture, Mr Chapman said: "We were in negotiations where confidentiality was vital. It simply wasn't possible to consult policy-holders."

"We will be advising them of their rights and how they will be protected. They will shortly, I would think next week, be getting the necessary details to assess the situation."

The independent Johannesburg-based consulting actuaries B J Malan and Associates had been retained to report objectively on the development.

"As far as the Southern Life 'with profit' policy-holders are concerned, no part of the surplus which arises on their business will be paid to shareholders, so the 10 percent (alleged loss) does not apply to them.

"The new shareholders are introducing in excess of R250-million in new cash into the Southern and to this can be added the already massive reserves of the parties involved."

Critics, however, maintained that the Southern Life reserves were already technical ly the property of its policy-holders and the new shareholders were putting money in because they expected good dividends on their investment.

Said Mr Chapman: "The Southern is in a position to offer both existing and new policy-holders considerable strength and an excellent return. The benefits of scale from the amalgamation will have an impact on cost and in turn profitability, and it is this profitability which allows a life office to offer an attractive return to policyholders."

Commenting on allegations that the deal further concentrated economic power, Mr Chapman said the insurance industry was already dominated by Sanlam and the Old Mutual, with about 30 percent each, and Liberty with about 12 percent.

"Look at these three and you have 72 percent of the industry, and each is a part of a major financial group."

"We will be a much bigger challenger and more competitive than before," said Anglo American Life head, Dr Zac de Beer.

But critics of the deal say South Africa is financially carved up into three parts held by Anglo American, Sanlam and the Old Mutual, and the disappearance of Southern Life means less competition, not more.

It was understood that the deal had been approved by the Registrar of Insurance and the Minister of Finance, Mr Owen Horwood, subject to policy-holders agreeing.

"We know that policy-holders can stop it," agreed Dr De Beer, "and they and everyone else should be made aware of this."
new group in fastener industry

an R100m group adds ZIP to fastener industry

R100m Group adds ZIP to fastener industry
Fastener takeover holds JSE interest

By MIKE JENSEN

JOHANNESBURG — Interest at the Johannesburg Stock Exchange focused on National Bolts and Industrial Fastener Manufacturers which were involved in a complex takeover deal yesterday.

After passing paper worth almost R40m between National Bolts, IFM, and private scaffolding company FormScaf, a giant in the fastening industry has emerged with assets of about R100m. FormScaf is the only listed company which now controls IFM which in turn controls National Bolts.

Investors showed confidence in the new arrangements and National Bolts reached a record high for the second day running, up 9c on Friday's close at 31c. IFM rose 20c yesterday to 190c.

Tuckers was the other feature of the day as the share was suspended following renegotiations of the Topaz deal. It last traded at 650c.

With bullion demonstrating continued support above the $375 level, buyers appeared for most gold shares and prices firmed throughout the day.

Interest from London was significant, especially in golds and platinum.

Of the golds, trade only three were down and eight unchanged. RPM shed 25c to R17.75, Egoli 25c to 180c and St. Helena 50c to R3.88. The biggest gains were made by ET Cons up 75c to R39.75, WR Cons 75c to 610c, Kinross 75c to R27.50, President Steyn 15c to R5.50, and Venters 50c to R17.

Both Randfontein and Western Areas rose by less than their declared dividends. Randfontein declared an 800c div and added 550c, and Western Areas declared a 40c div and added 25c.

Platinum counters firmed with Lydenburg up 5c to R65c and Rustenburg 35c to R12.85 on foreign buying.
Financial Reporter

THE Cape Supreme Court has approved the scheme of arrangement by which Gencor will have total ownership of Xacties.

The scheme gives Xacties' minorities 175c a share after Gencor's purchase in July of the 50% of Cortics, which controls Xacties, it did not already own.

Kohler, a Gencor subsidiary, thus acquires the total Xacties' shareholding. Xacties' JSE listing disappears at the close of business today.
HK gold closes at $381

By JOHN MULCAHY

The London and New York gold markets were closed yesterday, and in Tokyo the future market closed in very quiet trading.

The dollar was marginally firmer in Tokyo yesterday, closing at 234.15 yen, compared with 233.55/234.0 the close in New York on Friday.

The only activity on the Tokyo foreign exchange market were commercial orders, with interbank trading negligible in the absence of trading elsewhere in the world.

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Safmarine details Sun Hotels deal

BY JOHN MULCAHY SOUTHEAST AFRICAN MARINE CORPORATION (Safmarine) paid R30m in cash and an additional 18.75% stake in Sun Hotels International, the vehicle for the company's casino resorts in Southern Africa. According to a circular to Safmarine shareholders in the document to participate in Sun International was a logical extension of the group's travel, passenger ships, aviation and shipping interests. Furthermore, Safmarine's intention to develop its interests in the tourist industry, hotels and resorts, and activities related to these interests, will render its profits less susceptible to international trade cycles.

Safmarine's participation in the new leisure grouping, which now includes Southern Sun, Remes (Holiday Inn) and Mr Sol Kerzner, triggered a switch vote from the Government which ordered the Indlustrial Development Corporation to approve the deal.

Details of the sale of the IDC stake are now being worked out, in order to take place in February 1984, after the group's interim results have been released.

Another quiet day on JSE

BY NORMAN CUBERTHER TRADING was quiet and firm on the Johannesburg Stock Exchange yesterday, marked by a continued reluctance of sellers.

Any unusual movement - as investors dressed up year-end balance sheets tended to push prices lower.

Turnover was light. Gold shares formed firm in particular as the closure of Industrialists were firm through the day. Golds opened 30c lower in February and sparkled by overnight interest in New York, as the gold price hovered. Counters tended to ease from early highs around midday as the initial rally was not immediately followed through. But in the afternoon prices of better quality stock were pushed higher by steady London buying.

At the close, 15 golds were ahead, 16 posted losses and eight were unchanged.

Heavyweight gains included Harties up 30c to R30 and Buffets 1c higher at R49.50 after R70. Gains among lightweights and marginal producers were limited to around 10c.

De Beer's was unchanged at 995c.

Platinum was easier with Impala down a further 15c to R18 and Rustenburg off 15c to R13.50.

The industrial board finished with 3 shares firmer and 11 easier, led by sector leaders Barlow Rand, up 35c to R12.50, and SA Breweries, 25c better at 600c.

Barclays were firmer, with Bankorp up 25c at 595c and Trust Bank closing 25c ahead at 600c.

Lobhe added 10c to R55.

Interest was shown in Ficel, unchanged at 700c, and 122c to 750c, in view of the impending sale by Puchold's of its stake in Kanco to Gencom.

Six US Steel plants to be closed down

PITTSBURGH — US Steel says it will close six of its remaining domestic steel plants and reduce operations at 24 other facilities, eliminating more than 10,000 jobs. It was announced yesterday that four plants would be closed and an additional number of plants affected.

The six plants to be closed are Lorain-Cuyahoga in Ohio, then the Hamilton and Johnstown, Pennsylvania, a plant in New York and another in New Jersey.

One of the South Works near Chicago would be mostly shut down, the company said.

The closings would eliminate the value of a call active from early highs around midday as the initial rally was not immediately followed through. But in the afternoon prices of better quality stock were pushed higher by steady London buying.

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BUSINESS BRIEFS

The Star's Foreign News Service

PARIS — Pengoef, France's financially troubled private car company, expects to report group losses of more than 251.5 million this year and to see its debts increase, largely as a result of the three-week strike at the group's Talbot plant at Poissy, near Paris.

NEW YORK — Pennzoil, a medium-sized Houston oil company, is to spend up to $1.9 billion in an attempt to buy a stake of up to 20 percent in Getty Oil, the 14th biggest US oil company.

LONDON — Britain's biggest car export contract — the supply of car kits worth $2.6 million a year to Talbot, UK to Iran — seems secure for 1984. Talbot says the Iranians have asked for 12,000 kits to be shipped next year.

NEW YORK — American Telephone and Telegraph is to acquire for $250 million, 25 percent of Olivetti, Europe's leading data processing equipment company.

The aim is to form "an industrial, commercial and financial alliance" that will involve joint product development, distribution and technological co-operation.

AT & T has agreed to buy $250 million of Olivetti products during the initial 12-month period that will commence in mid-1984.

LONDON — A modest recovery is forecast by Rolls-Royce Motors in its car operations next year, after one of the most turbulent periods in the company's history. Rolls-Royce is looking for world sales next year of about 2,400 cars.

NEW YORK — Eastman Kodak, the world's biggest photographic products group, plans to enter the fast-growing US amateur video camera market with the help of Matsushita, one of the Japanese groups which dominates the market.

By Peter Farley

Kohler is to pay parent Gencor an effective R20.8 million for plastics packaging specialist Xactics, to be funded almost entirely with convertible and redeemable preference shares.

The details of the final stage in the change of ownership of Xactics also offers Kohler minor shareholders the chance to raise their stake in the company.

But the fact that Gencor is generously offering this suggests the parent company is not overly keen on increasing its stake in the packaging group from the current 68 percent.

The deal comprises the acquisition by Kohler from Gencor of Cortics, which owns 67 percent of Xactics and the 33 percent of Xactics Gencor holds directly.

But less than R200,000 will be paid to Gencor in cash at this stage. The share issues account for the balance. Kohler is issuing to Gencor a package of 173,800 linked units at R11.99 each.

Kohler will have to repay an interest-free loan from Gencor of R4.5 million at end-1997.

Each linked unit comprises nine automatically convertible pref shares of 5c each and five redeemable convertible pref shares of 5c. The terms of the two prefs are an issue price of 85c, an annual 85c dividend and conversion into a Kohler ordinary at 85c or redemption at 85c.

The automatically convertible shares will be converted half on January 1, 1986 and the rest a year later. Kohler will have the right to convert the redeemable shares in the same way.

Gencor apparently seeks to offset some cash already locked up in the Xactics purchase and is making available 32 percent of its linked units to existing Kohler shareholders on the basis of two for every 100 Kohler ordinary shares held at the same R119 per unit.

Minority have until the special general meeting on January 20 to decide on whether to take up the offer. Given the current sluggish growth prospects offered by Kohler and the slight premium of the conversion price over the current 85c it is unlikely many will accept.

In the offer document Kohler says if the Xactics acquisition had been in force since last January, it would have reduced Gencor's earnings by around 4.5c per share and pushed net worth down by 10c, or 14 percent.

Hardly the kind of performance to justify Kohler's efforts, Kohler, bogged down by the recent purchase of DRG, the flexible packaging division of Wiggins Teape.

Kohler to pay Gencor R20-m for Xactics

By Frank Jeans

Office rents in Sandton, still the centre of sustained commercial build-up, are expected to move ahead by more than 30 percent over the next 18 months.

With very little space available to let and no new building projects coming on to the market, before 1985, rents which now average R14.2 per sq m will increase to between R18 and R26, predicts Mr Kevin Jordaan of Devonish Real Estate.

"Except for Liberty Life's Twin Towers development — part of the Sandton City extensions — which is probably more than 70 percent let now and the Uniliever building in Pybus Road, there is no large space left to let," says Mr Jordaan.

"Demand for industrial property in Sandton is high and

SANDTON OFFICE RENTS COULD RISE BY 30%

Mr Donald Lyons, president of C-E Power Systems, says there is a worldwide demand for special maintenance services in support of the most sophisticated power generation systems now being installed.

"C-E is committed to working with ICAL to support Escos's effort with assistance in engineering design, manufacturing technology and equipment.

"Providing electricity is a long-term business, and South Africa anticipates great demand for electrical energy over the next few decades," he says.

With Combustion Services, we are making the commitment necessary to assist in meeting..."
Mr Tony Marshall, who will be responsible for maintaining SAAN’s fleet of 30 vehicles.

SAAN — Cape Times new news circulation

Staff Reporter

THE early copy of the Sunday Times you buy tonight will not just be the last newspaper of 1983 — it will also be the first to be distributed by South African Associated Newspapers’ dynamic new circulation organization.

The new organization will take over the publication and distribution of the Cape Times, the Sunday Times and the Financial Mail throughout the Western Cape from Allied Publishing Limited, from tonight onwards.

More than R1-million has been poured into a highly-sophisticated circulation organization which is fully computerized and has a fleet of 30 brand-new vehicles.

SAAN Limited’s circulation manager, Mr Pat Hendry, says the idea is to provide readers with a streamlined and much more efficient service.

"Readers will still take out their subscriptions in the usual way, but the computer service has made it possible for us to improve on the speed of the delivery service. Delivery of a new subscription should now take only about 24 hours," he said.

Mr Hendry’s operation has its headquarters at 10 Shannon Street, Salt River, and the telephone number is 47-0134.

All inquiries in respect of delivery of the Cape Times, Sunday Times and Financial Mail should be directed to this number.

SOUTH African Associated Newspapers have announced a restructuring of their interests at board level in Cape Town and Port Elizabeth. This follows the recent purchase by SAAN of all the shares in Eastern Province Newspapers Ltd and steps to achieve closer integration of SAAN interests throughout the country. The Cape Times became a wholly-owned subsidiary of SAAN in 1973.

The local boards of the Cape Times Ltd and Eastern Province Newspapers Ltd are to be disbanded from January 1, 1984, and in future the companies concerned will be run by four-man management boards. The members of the Cape Times management board will be the chairman of SAAN, Mr Ian MacPherson, the managing director and deputy chairman of SAAN, Mr Clive Kinsley, the former managing director of SAAN and a director of SAAN, Mr Leycester Walton, and the managing director of the Cape Times, Mr Walter Judge.

Two Cape Times directors, Mr D A St C Hennessy, chairman, and Mr G K Lindsay, having reached retirement age, will retire from their positions as from December 31, 1983, but their services will be retained on a consultancy basis for a number of years. Both Mr Hennessy and Mr Lindsay have had long associations with the Cape Times as directors. Mr Hennessy has for nearly eight years been chairman of the company, and he also served on the board of SAAN for a number of years. His father, the late Sir Alfred Hennessy, was at one stage also chairman of the Cape Times Mr Lindsay is currently a director of SAAN.

Mr Kinsley commented: "This move will integrate SAAN interests at top level in Cape Town and Port Elizabeth more closely with SAAN headquarters in Johannesburg, and thereby strengthen all concerns. But it will in no way interfere with the close contact which the newspapers concerned have established so successfully with their local communities over more than a century."
Ownership and Control
1984

January — Dec.
A GOVERNMENT promise this week to prevent monopolisation of the sorghum beer industry has set the scene for a fierce battle in the R250-million-a-year market.

The sell-off would be implemented in such a way that no monopolies would emerge — at least initially — a senior government official disclosed this week.

The disclosure comes after an announcement that the government is to sell its sorghum beer business to the private sector. The terse statement triggered speculation about the business and criteria that will operate in one of the biggest sell-offs since the Bafokeng saga.

Dr Gerrit Viljoen, Minister of Co-operation, Development and Education, said the sorghum beer industry would be broken up into seven companies whose shares would be available to private investors.

The industry was recently consolidated into a number of consortiums under control of 18 development boards.

The beer is produced in 24 breweries throughout South Africa and represents tax-free profits of more than R250-million on turnover of R250-million for the development boards (known as administrative boards until a name change this year).

About 1-billion litres are produced annually by these breweries in South Africa and the statement said black entrepreneurs would be especially encouraged to participate in the privatisation.

The government announcement prompted speculation that the industry could be fought over by the two major private producers of sorghum outside South Africa, Kirsh Industries and SA Breweries.

Scenario

However, a statement released to Business Express by the chairman of the central management committee for the sorghum beer industry, Professor Tienie van Vuuren, seems to have scotched such a scenario, for the short term at least.

The transfer of shares in the multiple rand sorghum beer industry to the private sector will, from the beginning, be controlled by measures to prevent a certain group or single company from monopolising or completely taking over the industry, Prof van Vuuren said.

Prof van Vuuren said that a single group might in time obtain a larger shareholding than others as the seven new companies would conduct business independently, thereby promoting free competition.

"Provided such developments take place within the present legislation on monopolies, there can be no objections to this," he said.

The statement said that as the industry had for many years been an important source of income to the development boards, it could be expected that it would be several years before the government found "alternative sources of income" and the industry was taken over completely by the private sector.

Under the Sorghum Beer Act, production of sorghum beer in South Africa is conducted by the 24 breweries run by the development boards.

However, outside South Africa, in the homeland and independent states across the national borders, companies are allowed to participate in the profitable industry which, some industry experts say, produces about 2.5-billion litres (both brewed and home-beer) in South Africa and the homeland alone.

This compares with annual production of about 1.1-billion litres in the larger industry.

Kirsh Industries owns three breweries in Bophuthatswana and Transkei under its subsidiary King Foods, while SA Breweries manages a brewery in the Ciskei, where it holds 50% of the equity. It also has 50% and manages the Venda beer brewery and the Gazankulu brewery in addition to its big holdings in Zimbabwe, Botswana, Swaziland and Lesotho sorghum beer breweries.

Altogether, SAB is involved in 28 sorghum breweries which produce 500-million litres annually.

Mr Arnold Levy, a director of Kirsh Industries and chairman of King Foods, said the concept of privatising the industry had been talked about for some time but the timing of the announcement nevertheless had caused some surprise. He had no idea how the government was going to sell its sorghum beer interests.

"They are taking very tactically," he said. "My impression is that they will sell their interests piece by piece because the benefits from the industry are used by the development board for infrastructural development and they will have to substitute the considerable income from other sources.

"The big question is where they are going to get that money from, and I think that they do not know themselves.

"We are dealing with a vast industry," he said. "If you do not give it to one of the majors (companies), the smaller man will get smothered because you have to develop in brand names and advertise as well as run the whole show."

Mr Levy said "very few" companies were capable of handling the job — possibly only SAB and the Kirsh group.
Partners in the future — Govt and big business

THERE is an urgent need for big business in South Africa to work closely with Government if it is to compete successfully on the international market.

This is the view of Mr John Maree, who says that the economy, in the future, will have to be more closely integrated and that co-operation between the private and public sectors is essential for a clear understanding of the world markets.

"We will have to pull together all our resources, and I believe this is what is going to happen," Maree is particularly well qualified to comment on the relationship between the central authority and the business community. He is one of just a handful of South Africans who command respect in both arenas.

In May 1979, at the request of the Prime Minister, he was seconded for three years to the Ministry of Defence as chief executive of Armcor.

Speaking at Barlow Park in Sandton, Mr Maree said it was easy to understand why there was a chasm between the private and public sectors.

"Historically, the Government has been Afrikaans-rural in its whole support and structure and that has been linked to Pretoria, whereas big business has tended to be English and concentrated in the city of Johannesburg.

"That is what makes our position different to the French and British systems, where both business and government are spread in the same cities.

"There is, of course, a situation similar to ours in the United States, where there is Washington and New York, but in South

Africa it is not just Pretoria-Johannesburg there are language and cultural differences as well.

"Exacerbating the problem was the fact that Johannes-

burgh was run very differently to Pretoria.

"In Johannesburg, people were motivated by a certain set of stimuli: business, growth, development and what was being reported by the financial press.

"In Pretoria, people thought differently and were not subject to the time scales which dictated the need to speak to shareholders every six months.

"They were busy with macro projects — what was good for the country — and thus made them different.

"Before I went to Armcor, I was told by a friend of mine that my secondment was going to be the most fascinating three years of my life, that after working with Government officials I would soon realise that they approached things differently.

"There is no doubt that there is a gap between us and it is one that is not going to be easy to bridge.

Mr Maree believes, however, that the P W Botha is determined to bring the two sectors closer together.

"This, he feels, is something that will be reflected in the result of the referendum.

"The Prime Minister has picked up a new Left. He is sitting with a different constituency from the one he had and, in that way, believes that closer co-operation between the private and public sectors is going to be facilitated.

"With Mr Botha setting the pace there will be a better understanding which will eventually be beneficial to the country as a whole.

"There must be an understanding on the part of big business that it has a role to play but that it does not have all the answers.

"Those answers will have to be worked out with civil servants and politicians. In that way it will be easier to draw on all the skills available in this country."

An imposing figure at almost two-metre tall, Mr Maree has compiled an impressive business record, since graduating from the University of the Witwatersrand and the Harvard Business School in the United States.

He started his career with Union Transfield, Mining and Finance Corporation and currently serves on the boards of 10 major organisations.

In 1981, he was selected by the Sunday Times as one of the country's five top executives.

He is a keen golfer and gardener and makes a point of keeping himself physically fit.

While serving as executive chairman of Rand Mines Proprietary in the early Seventies, Mr Maree arranged for RMP to donate the historic Pilgrim's Rest to the Transvaal Province.

"Pilgrims' Rest was never proclaimed as a town. It belonged to RMP.

"The Administrator of the Transvaal at the time was Mr Sybrand van Niekerk and I got hold of him, took him to the town and asked him if he would like to take it for the country. He accepted the offer, and since then a lot of money has been spent preserving and restoring the place.

"Returning to South Africa's growth potential, Mr Maree said he believed the country — because of its raw material wealth — had the ability to grow faster than any other country in the world.

"However, there were two major problems which had to be overcome.

"The first was the need to increase productivity.

"For the human and social reasons, it has always been believed in this country that productivity went up if you made the average workers more numerous.

"How do you change that? People will just have to realise that you have got to work to eat and that higher income comes only as a result of higher effort.

"The other major problem identified by Mr Maree is inflation.

If South Africa continued to have higher inflation than its trading partners, it continued to have escalating electricity costs, transport costs and wage costs. It was an unhelpful approach in this country."

JOHN MAR EE ... "We'll..."
By R. ELL

Mr. Maree started his career with Union State Mining and Finance Corporation and currently serves on the boards of 10 major organisations. In 1971, he was selected by the Sunday Times as one of the country's five top executives.

He is a keen golfer and gardener and makes a point of keeping himself physically fit.

While serving as executive chairman of Rand Mines Properties in the early Seventies, Mr. Maree arranged for RMP to donate the historic village of Pilgrims' Rest to the Transvaal Province.

"Pilgrims' Rest was never proclaimed as a town. It belonged to RMP. The Administrator of the Transvaal at the time was Mr. Sybrand van Niekerk and I got him to hand over the deed to the town at a meeting. He accepted the offer and since then a lot of money has been spent preserving and restoring the place."

Referring to South Africa's growth potential, Mr. Maree said he believed the country --- because of its raw material wealth --- had the ability to grow faster than any other country in the world.

However, there were two major problems which had to be overcome.

The first was the need to increase productivity.

"For human and social reasons, it has always been believed in this country that a man should earn a good wage."

"One of the most serious errors ever made in South Africa was the introduction of job reservation, because it has protected the white worker and assured him of a standard of living that was unnecessarily due to him and one which many would not have if there were a truly competitive situation."

"What worries me is that this has set the standard for the non-white worker and we have lost the correlation between the amount of work you produce and the amount of money you draw."

John Maree . . . "We'll have to pull together all our resources, and I believe this is going to happen."

"How do you change that? People will just have to realise that you have got to work to eat and that higher income comes out of higher effort."

The other major problem identified by Mr. Maree is inflation.

"South Africa continues to have higher inflation than its trading partners, if it continued to have escalating electricity costs, transport costs and wage costs, it would go up to where it is right now of the world market."

"I have a concern that the Government is not going to be tough enough to take the steps really required to curb inflation."

"They are the only ones who can do it, but the measures they will be required to introduce have serious political implications like unemployment and the detrimental impact that tough anti-inflation measures will almost certainly have on the black workforce."

On the question of a handful of major business conglomerates controlling most of the financial and industrial activity in South Africa, Mr. Maree said he was aware that there was concern about the development of certain organisations which got bigger and bigger and had to be understood, however, was that while in some instances one could sa, that to become bigger could have a negative effect on competitive situations, there were other areas where the big corporation played an important role in the development of the country.

"If you are going to start a gold mine or a Solar Power Station, you got to be big. While we must ensure that the competitive situation in the country is not being detrimentally affected, there must be an understanding that we need big business."

"They are the only people able to generate the capital and skills required to do big things."

Mr. Maree said he believed there was a general shortage of skilled people at the same time that the country was experiencing a flood of black unskilled labour.

This was material that would have to be used to fill the skills gap and when this happened the composition of the total workforce would change rapidly.

"It is essential that we bring black people quicker and further into our management structures, and we will also have to devise, manage new ways of tapping all the skills that are available.

"At the higher level we tend to do this. We get people together, we plan together and we think together. But I believe that we have to take this process a lot further than we do at the moment."

"One way of doing this," Mr. Maree said, "was to make use of Japanese management techniques and start involving the worker, skilled and semiskilled."

"This was a source which could provide a great deal of input, but to achieve such an objective a different atmosphere would have to be created."

It was vital that there be some advantage held on a particular commodity, that methods were devised to utilise every conceivable skill that the country possessed.

"Generally speaking, I believe South Africa is on the point of moving down a completely new track. When you get a fork in the two roads run very close together."

"But we have now passed the fork and the changes are going to come very quickly a lot faster than either we or the Government realised."

"For example, if we are going to give the vote to coloured and Indian people, how can we possibly restrict them in other areas?"

"There is no doubt that we will see a rapid dismantling of apartheid in so far as it affects those two groups."

"Essential we bring non-whites quicker, further into our management structures."
Real profit in artificial

THE Competition Board has recently been beefed up in terms of personnel and resources and given new, exciting tasks to perform.

The Master of Trade and Industries, Dr Dawie de Villiers, gives every indication that he is seriously concerned about competition (or lack of it) in the South African market-place.

He believes that the Government needs a coherent policy regarding competition and views the Competition Board as an important weapon in the battle to achieve a more efficient economy.

This concern is all to the good. South African politicians have not always been remarkable for their commitment to free enterprise or economic efficiency, nor have they often had clear ideas about the true sources of economic growth and progress.

Dr De Villiers is something of an exception in this regard and deserves more public support than he is receiving. Understandably, though, his latest moves are viewed with concern by some members of the business community.

It is also worth noting that the Competition Board is technically a body of highly competent men. The recent report on the liquor industry is a model document which shows the uses to which economic analysis can be put in cutting through a thicket of pleading by special interests.

Economic theory is a tool of some precision. The message is clear: Parties who wish to argue their case before the Competition Board in future had better hire themselves a smart economist. Failure to do so may turn out to be very costly indeed because the new Competition Board shows a distinct disinclination to be convinced by the old tried-and-tested formulae which have worked so well in the past.

The creation-of-employment argument, the infant-industry argument, the strategie-necessity argument, the financial-responsibility argument and the saving-of foreign-exchange argument are all up for critical review and, in principle, competition policy in SA is a new ball game.

In practice, unfortunately, things may work out differently, for reasons that are fundamental but perhaps not generally understood. For decades students of economics have been taught about monopolies and their consequences and deleterious effects.

Monopolies have been compared with the alternative (highly theoretical) competitive situation and, with the clarity that only diagrams can provide, the social disadvantages of monopolies have been elucidated. This technical argument against monopolies forms the intellectual basis for anti-monopoly policy in most countries, including South Africa.

The model is neat and tidy. It illustrates fundamental truths about how markets work. It provides undergraduate students with a useful exercise in optimisation theory and provides the intellectual construct that underpins the recommendation of the Competition Board. It fails, however, to answer one big question.

This question concerns the ultimate source of monopolistic power in the market place. Market forces, left to themselves, tend to destroy monopoly profits. The existence of supernormal profits attracts competitors who, in turn, erode the profits of the monopolist. Thus process is inevitable unless there are effective barriers to entry. Many of these barriers are natural and unavoidable.

One of the major forms of protection received by SA manufacturers is the geographical distance between SA and competing suppliers overseas. The argument for import tariffs is then a statement that even the protection provided by the costs of transportation is insufficient to make local manufacture profitable. Nothing can be done about natural barriers to entry, not even by the Competition Board.

The problem is that the monopolies in SA that the Competition Board can do something about are those protected not by natural barriers but by artificial constraints on trade. Liquor licences, import tariffs, racially-discriminatory legislation, standards of safety and zoning regulations are all barriers to entry.

They restrict trade and serve to perpetuate monopoly profits for certain interested parties and any investigation that the Competition Board chooses to undertake will boil down to an assessment of these restrictions. The trouble starts because these laws, regulations and restrictions did not arise by chance. They are a manifestation of the interests of certain parties who find regulations obtained through the political process the least costly way to increase their own wealth, to the disadvantage of the rest of the community.

Recently a prime source of public concern has been the increasing concentration of ownership of public companies and the obvious muscle of a few large financial institutions. Some of this concern is justified, some of it high concentration, themselves prove the degree of competitiveness of a particular industry. Some financial institutions must for the saver's rand, has many uses. It can be used for current. The key variable to the concentration of tenence of barriers to In SA exchange on exchange, foreign exchange, and apparent power of a to a gradual change control control. We financial institutions. The article by Mr David Rees, a senior lecturer in economics at the University of Cape Town, is reproduced by kind permission of the publishers of Businessman's Law. It first appeared in the December issue of that publication.

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it in artificial barriers

Fortunately, things are not as different as they seem. With the availability of information, progress is now in retreat. Social disadvantage and lack of access to information are the real barriers to entry.

Consider a manufacturer who knows that he can make good profits if he sets up production behind a tariff wall. He may lobby to obtain the desired tariff. Up to the time the tariff is imposed, however, he has little to lose. He has committed no funds to the venture beyond the resources devoted to convincing the Government of the desirability of his scheme. Once he has established his factory and commenced production, however, his commitment to the tariff is much greater.

Its abolition may mean that his entire investment is wiped out. He will fight tooth and nail to oppose the recommendations of the Competition Board, and with good reason. At the time he established his operation there was at least the implicit understanding that protection would continue. Now he can argue with some force, the Government is changing the rules of the game.

Dr De Villiers can expect to find himself frequently in the same kind of position that he was in at the time of the recommendations of the Competition Board on the liquor industry. The problem is that of reconciling economic rationality with political reality. Perhaps the most difficult kind of problem a politician ever has to face. Dr De Villiers is the man in the middle, and the contest should be an exciting one. The parties can be wrong, surprises will happen. Nevertheless, on a realistic assessment, the odds against the success of the Competition Board must be slightly stiffer than those recently faced by Gwirz Codd. Perhaps the best we can hope for are a few good rounds before a knock-out.

Economics is the dismal science, and this is a bleak scenario. In the formation of an environment in which the decisions to be made by Dr De Villiers, however, it is important to know the difficulties he will be up against because, to paraphrase the words of the Greek poet, the Competition Board knows many things, but monopolists know one big thing.
More boardroom battles for succession expected

By PETER FARLEY

The emergence of corporate South Africa into a 1984 fraught with economic uncertainty poses more far-reaching questions than those offered by the world economy and the gold-price.

A subject close to the hearts of many JSE-watchers is the question of succession in the country's leading business giants.

The withdrawal of Mr. Harry Oppenheimer from the centre stage in July 1982 presented possibly the most significant shift of power, but many more undercurrents of change are beginning to surface.

With the stakes so high, given the increasing consolidation of power in local business circles, there are likely to be many casualties in the next few years.

PECKING ORDER

The position at Anglo American is probably the most important, due to its dominant role. Although to an outsider the pecking order may appear clearly established, it is far from cut and dried.

It is no secret that Mr. Oppenheimer would like to keep the family name at the head of the corporation. With this in mind, his son, Mr. Nicky Oppenheimer, has been groomed for the task. But the days of an Oppenheimer back in the hottest seat on the South African business scene may be a long way off.

Mr. Gavin Rellly has taken over the reins at 44 Main St., and it was at first thought that his would be only a caretaker role. But Mr. Nicky Oppenheimer had learnt the names well enough to take over. But two questions mark the takeover:

The new guard at Anglo is anxious for Nicky to prove himself in the corporate battlefield before taking control of one of the world's biggest conglomerates.

His experience in the nitty gritty has, until now, been fairly limited. But, more important, it has been suggested that he is not so keen on taking father's place.

Mr. Rellly and Mr. Graham Bosvedt, chairman of Anglo's industrial arm AMIC, are firmly in the driving seat.

But both are fast approaching 60, and a long-term solution must be found. The man tipped to take over is Mr. Julian Ogilvie-Thompson, deputy chairman of De Beers.

Known in the Anglo empire as JOT, he is regarded as the best candidate because of his keen business acumen and the way he lives up to the established image of an Anglo chairman. But even for someone of his standing it will be no easy task. Mr. Harry Oppenheimer as a difficult act for anyone to follow.

Anglo's big competition, the combined General Mining Union Corporation group, has probably even more boardroom problems to surmount.

Another interesting scenario is that presented by the changing face of the executive team at Barlow Rand. Chairman Mr. Mike Rosholt, has announced his intention to retire in the next two years.

Executive chairman Mr. Ted Pavitt, while remaining at the head of the group, is shifting out of the firing line and leaving the day-to-day business in the hands of the heads of the five major divisions.

Gold and Uranium chief executive Mr. Johan Fritz will be one of the strong men in this group, while industrial division chief Mr. Basil Landau will also be a strong contender.

With both of these men in their mid-fifties, and other potential candidates a good five years older, it is likely a new chairman will emerge from these two as Mr. Pavitt, now 65, must shortly leave the scene.

Both companies clearly reflect the philosophies of their chief executives, but both companies have to some extent lost their investment direction in the past year or so.

Firm hand will need to take control if these two are to become the driving force in business that their size suggests they ought to be.

HAZY PICTURE

Overall, there is a rather hazy picture as to who will emerge at the top of the business heap in the next couple of years. But, apart from the apparent problems in fulfilling the chief executive roles, there is no obvious heir to Mr. Harry Oppenheimer as the doyen of SA business.

In the past year Mr. Mike Rosholt has taken on the mantle of the dean of the English-speaking business community, but with his days also numbered, there is no strong candidate who stands out above the others.

These uncertainties make for a lack of cohesive business community which, if not resolved without too much blood being spilt, could prove most difficult to surmount than the economic problems all businesses now face.
times looming for Opec

In the fourth quarter 1983
Oil consumption by Western
industrialised countries
increased in the last two
quarters of 1983, boosted
by faster economic growth,
mainly in North America.
However, the increase was
not as much as expected.
Preliminary I.E.A estimates
now indicate consumption
only rose 0.8% in the fourth
quarter of 1983, compared
with the same period in 1982.

The figures, compiled by a
team of experts, show that oil
prices have increased.
Meanwhile, Opec producers
continued to try to limit
consumption, including
natural gas liquids, and
the result is a decrease in
the fourth quarter.

The report says
A month ago the I.E.A predicted
Opec would cut back
output to an average of 18.2
million barrels a day in the
first quarter of 1984. The new figures show consumption had
risen to an average of 18.5
million barrels a day in the
fourth quarter of 1983, increased by 0.8% in the
third quarter of 1983, after
producing an average of 18.8
million barrels a day in the
second quarter of 1983. The figures,
showing a rise in consumption,
are based on a survey of
18 major oil producing countries.

The overall outlook for Opec
in 1984 is not promising,
however, less alarming than a year ago
when spot market prices
plunged and the Organisation
was forced to cut its official
price by $1 a barrel, I.E.A.
sources say.

Non-communist oil demand
is expected to grow in 1984,
with the first three months of 1983 to 46.4 million barrels a day,
as economic activity quickens.

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Three giants control packaging

By PRISCILLA WHYTE

RECENT mergers in the packaging industry mean that three giants now control 70% of the turnover.

But Mr Johan Grobelaar, the director of Business Marketing Intelligence, says although the Metal Box/Nampak group, the Kohler/DRG/Xactus group and Consol account for 70% of sales, there is still room for smaller companies.

He believes there are some unquoted companies that are ripe for takeover.

The casualty rate over the last four years has been about one liquidation a year of which the last three were in plastics packaging.

He is not optimistic about real growth in the industry for 1984 and sees turnover only increasing to R2,4bn from its current R2,3bn.

Over-capacity is a problem. Sack manufacturers are only using 52% to 55% of capacity.

The packaging industry is expanding at a factor of 1,1 to 1,2 above GDP. Four years ago, it was growing at a factor of 1,5 above GDP.

He says the packaging industry may be segmented as follows:

<table>
<thead>
<tr>
<th>Material</th>
<th>Tonnage</th>
<th>Turnover (Rand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>paper/board</td>
<td>30</td>
<td>22</td>
</tr>
<tr>
<td>plastic</td>
<td>9</td>
<td>23</td>
</tr>
<tr>
<td>metal</td>
<td>18</td>
<td>26</td>
</tr>
<tr>
<td>glass</td>
<td>21</td>
<td>8</td>
</tr>
<tr>
<td>wood/reed</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>other</td>
<td>12</td>
<td>6</td>
</tr>
</tbody>
</table>

Market research shows that sophisticated packaging (high protection cellulose packaging for increased shelf life) is growing at 6% to 7% a year in real terms.

The paper/board sector has the lowest growth rate at 3% to 4% a year.

Plastic packaging is growing at 4% to 5%, with the metal and glass markets notched at 5% to 6% a year.

Other packaging (hessian, jute, cotton) is growing at 2% a year. The growth of this market is being stifled by replacement materials.

Although the SA packaging market has reached maturity, per capita consumption is lower than that of developed countries.

The raw material price structure is escalating proportionately more in the paper and board sector, but Mr Grobelaar believes measures are being taken to eliminate steep rises in prices. Other sectors are moving in line with inflation.

There is a glut of soda ash, a vital constituent in the manufacture of glass.

Mr Grobelaar believes the packaging industry has an exciting long-term future and that many technological advances will reach SA.

The trend towards bar-coding, for instance, is putting new pressure on the industry.

The move towards semi-bulk, that is using one container instead of 10 sacks, is another trend.
JCI lifts profits — interim div up 38%

JOHANNESBURG. — Johannesburg Consolidated Investment’s (JCI) attributable profit is up 15,2 percent to R56,1m (previously R48,7m) for the six months to end-December.

However, the group’s directors say it is unlikely a similar increase in attributable profits will be achieved in the second six months of the financial year to end-June.

JCI has increased its interim dividend by 36 percent to 18c a share from the previous interim of 13c a share.

Key factors in the group’s improved performance for the first six months of its 1984 financial year were the dividends from Randfontein Estates gold mine and Rustenburg Platinum Holdings.

JCI’s profit before preference dividends rose to R60,3m from R53,5m of which the major contribution came from investment income.

Investment income

For the six months to end-December investment income was R46,7m compared with R35,3m previously.

In the year, JCI received 532,942 new shares in Randfontein for the mineral rights sold to the mine to set up a mining operation in the new Doornkop section.

Randfontein paid dividends totalling R15, last year bringing in an additional R6,466m to JCI.

The increased final dividend from Rustenburg last year was brought to account in the first half of JCI’s 1984 financial year and contributed another R4,1m in additional income.

These two sources together totalled R16,566m in extra income and the remainder of the R11,4m improvement in dividend income came from better payouts from Western Areas and also a dividend from antimony producer Consolidated Murchison which contributed nothing to JCI’s previous interim results.

Subsidiaries

JCI’s attributable earnings from operating subsidiaries rose slightly to R37,4m from R36,9m previously.

According to the general manager of JCI’s finance division, Mr. Vaughn Bray, the improvement came from the group’s Lennings industrial arm which has remained profitable.

Lennings lost money in the previous interim period but the group was restructured, recapitalized and returned to profitability in the second half of the year to end-June 1983.

Mr. Bray said income from Tavistock colliery was down this year compared to last year, reflecting the overall depressed conditions in the international coal markets.

JCI’s other net revenue dropped sharply to R8,0m (previously R11,4m) this was a major source of income to the group in the previous financial year when it was particularly successful in its money market operations.

Mr. Bray said the drop was the result of a lower level of interest received, certain exceptional costs associated with investments including the group’s acquisition of its stake in Premkr, and a R2m provision for tax.

Mr. Bray said JCI had worked off the tax loss on its own operations and would soon have to pay tax on its income from interest and management fees.

The R8m (R6,1m) tax paid by JCI in the six months relates to the operations of the group’s subsidiaries.

He said the increase in the interim dividend was intended to reduce the difference between the levels of the interim and final dividends.

JCI’s investment in SA Breweries is now held through its stake in the Premier group which pays out more at the interim stage compared with the final dividend than SA Breweries used to.

“I believe that JCI’s earnings for the year to end-June will show a modest improvement on those of the previous year but not as much as the 15,2 percent of the first half,” Mr. Bray said.

Final dividend

“I cannot say at this stage whether the final dividend will be maintained, but we are looking for second half results to be better than those of the second-half of the 1983 financial year,” he said.

JCI’s net asset value at December 31 was R223, a share compared with R213 at June 30 and R180 on December 31, 1982.

Comment. A repeat of last year’s second half record earnings of 79c to make a total of 1,605c for the year to end-June, seven percent up on the previous year’s 1,465c.

Given this outlook and the expectation that JCI could do better, the maintained final looks a safe bet with a chance of some improvement to the final depending on the gold price and the platinum market.
AECI declines comment on R20m speculation

Hanhill’s explosives challenge fizzes out

By JOHN MULCAHY

HANHILL Industries’ much-vaunted assault on the explosives market seems to have ended.

It is believed a deal was concluded yesterday by which AECI will acquire National Explosives for R20m.

The deal is subject to approval by the Competition Board which, by yesterday, had not been formally approached on the issue.

An AECI spokesman said he could neither confirm nor deny a deal had been done and Mr Oliver Hill, Hanhill’s managing director, declined to comment.

Hanhill has a 25% stake in National Explosives with the remaining 75% held by the unlisted National Process Industries.

Sources in the chemical industry said the sale to AECI came after several weeks of hectic bargaining, during which Protea Holdings emerged as an outright bidder for Hanhill.

They described R20m as a “most favourable” price for National Explosives and said that, even if the company were offered to others in the chemical industry at this price, it would be unlikely to attract a buyer.

“The others (in the chemical industry) have enough problems without paying a premium for an infant in the explosives industry.”

The sources claimed that AECI was forced to reject Protea’s presence ‘because’ with Sanlam’s backing, it could have presented formidable competition in the explosives field.

It is likely that, if the AECI deal is successfully concluded and the bulk of the proceeds flow through to NPI, the latter will apply its funds to assist Hanhill.

Mr Hill rejected Johannesburg Stock Exchange speculation that Barclays Bank had threatened to foreclose on Hanhill’s overdraft.

Over many years Mr Hill battled to break AECI’s stranglehold on the lucrative explosives industry but was thwarted until 1982 when the Competition Board ruled that AECI’s explosive supply agreement with the Chamber of Mines was illegal.

Hanhill’s share price soared to 230c from 145c on the day the Competition Board released its ruling on the explosive supply agreement, and reached a high of 270c, but the subsequent drought led to a collapse in the fertilizer market, from which Hanhill draws the bulk of its income, and the share price slumped to 80c at one stage last year, before recovering to 145c in the first week of this year.

Speculation surrounding Hanhill yesterday ranged from imminent foreclosure by its bankers to the impending sale of its entire fertilizer stock. The share price plunged to 75c from 125c.

Mr Hill said he had had discussions with Barclays and the conclusion reached was that Hanhill was overgeared. This had left only two options open to the company: a rights issue to raise funds or the sale of some assets.

“Trying to raise money for a fertilizer producer in this economic climate is impossible, so the only route left open to us was the sale of assets.”

Fertilizer industry sources said yesterday Hanhill had attempted to sell its stock of urea and potassium, and had met with limited success through the sale of some product to agricultural co-operatives in the Western Transvaal.

But estimates of Hanhill’s fertilizer stocks suggest the company still has urea and potassium worth about R18m on its hands, and in a soft market there are few interested buyers.
Bester takes Tuckers in R58m deal

By Howard Phege

Bester Investments is taking over the controversial Tucker's Land Holdings for 69c a share—putting a R58.7m tag on the deal.

This will mean an approximate R4.5m bonanza for the controlling shareholder, Mr Hymie Tucker, who has accepted the offer.

Payment, however, will be on an effective deposit-and-instalment basis, which will reduce the real value of the offer on a discounted cash flow basis to not much over R8 a share.

Bester is a listed construction, property, industrial and farming group.

It made a gross profit of R12.7m in the six months to last August.

Tuckers is a township property development company with large amounts of proclaimed and unproclaimed land.

Its net assets have been estimated as high as R106m but the arithmetic is immensely complicated by the values assigned to the unproclaimed land and by potential charges to the group on that land.

According to a joint announcement by Sanbank and Mercabank, Bester will pay R5.30 in cash on May 18 this year and the balance in instalments of R1.50, R1.20 and R1.05 in March 1985, September 1985 and March 1986 respectively.

Bester will issue debentures in respect of the three instalments and will apply to the Johannesburg Stock Exchange for these to be listed.

Tuckers has been the subject of intense litigation, its accounts have been frequently qualified by the auditors and it has been involved in a number of previous on-off/off-take over deals.

In September last year, Gencor announced that it was not exercising a R7.50 a share option on Mr Tucker's controlling interest in the company.

Mr Tucker was then quoted as saying, "The company is no longer for sale."

But in November, he announced that another bid for control of the company had been made.

The next act was in December when Mr Tucker reported that he had sold 66% of his holding in Tuckers to a mysterious Topaz Industrial, supposedly a consortium of British and US property interests, "in partnership with substantial South African investors."

This sale was, however, subject to certain qualifications.

Ten days later, Mercabank said the British element in Topaz had fallen away.

Tuckers shares closed at 71c on the JSE last night. They should logically move up firmly today.

But the Tucker saga has been so long-running and so complex that investors generally, and minority shareholders in particular, will no doubt be still wondering if there are any further developments in store.

The fact, however, that Bester—with its solid recovery record from the painful period of the mid-1970s—has been clearly identified this time as the buyer of Tuckers, suggests that this is indeed the end of this aspect of the story.

Last night's announcement said: "The immediate effect of Tucker becoming a wholly-owned subsidiary of Bester on the earnings and net assets of Bester will not be material."

"However, Bester is of the opinion that as a result of the transaction, it will have acquired a valuable property portfolio and that in the medium term, the transaction will have a beneficial effect on its earnings and net assets."
Otis and Airco seem ripe for a merger

By JOHN MULCAHY

DEVELOPMENTS at Metair Investments, one of which is the sale to Wesco of a 25.1% interest in Airco Engineering, has prompted suggestions of a rationalisation within United Technologies' SA interests.

United Technologies, one of the biggest US multinationals, is the ultimate holding company of Airco and Otis Elevators so a logical rationalisation would seem to be a merger of the two companies.

A closer link does not seem to be under immediate consideration, however, and Otis managing director, Mr Elton Moller, points out that there is already a high degree of co-operation between the two companies.

Mr Moller is also a director of Airco and the two companies share intelligence on such areas as marketing.

Mr Fred Nash, managing director of Airco, said there was an important obstacle in the way of a closer alliance between Otis and Airco - the SA minority shareholding in each would complicate a merger.

There were advantages in having local shareholders and United Technologies would be unlikely to change this.

Up to March last year Airco was a 74.9% subsidiary of Metair but Carrier Corporation then increased its holding in Airco to 74.9%, at a cost of R1.25m, leaving Metair with the remaining 25.1%.

As Metair is now well on its way to becoming a motor components manufacturer, it was decided to switch the Airco stake into Wesco.

Wesco has given no hint of a willingness to dispose of the Airco stake but, with its interest in the future likely to be concentrated mainly on the motor sector, Airco will increasingly become an enigma in the Wesco profile.

Wesco will be needing all of its resources to apply to the expansion of Metair and a sale of the Airco stake - at last March's value the 25.1% would be worth about R600 000 - would simply add to Wesco's available cash resources.

By acquiring the remaining 25.1% in Airco, Carrier Corporation would then create the environment for a merger between Airco and Otis in SA.

Otis is a 70% subsidiary of Otis US, while Otis US and Carrier Corporation are subsidiaries of United Technologies.

Mr Moller agreed there were areas where Otis and Airco could rationalise their operations in SA.

In the US, and to a lesser extent in SA, the trend in new-building technology was towards a complete package, incorporating elevators, air conditioning and security, all linked to a central control system.

Co-operation between Airco and Otis in SA is at board level, as Mr Moller is a director of Airco.
Gencor gold mines show fall in profits

By BRENDAN RYAN

JOHANNESBURG. — West Rand Consolidated Mines' working loss worsened in the December quarter in spite of forward gold sales which increased its gold price received.

The gold price received by the other mines in the Gencor stable dropped in the December quarter except for Marievale which also hedged successfully.

W R Cons increased its gold price received to R15 102/kg (previous quarter R15 001/kg) but the mine's working loss rose to R2.733m (R2.467m).

The mine's tonnage milled dropped to 554,500 tons (566,800 tons) while grade remained unchanged at 17.7 g/t.

The Krugersdorp marginal producer has battled with the gradual slide in the gold price over the last six months.

W R Cons' tax loss for the December quarter improved to R275,000 (R227,000 loss) mainly because the mine paid tax of only R6,000 (R607,000).

The dividends paid by the mine have been extremely generous with W R Cons dipping into its reserves for R609,000 to pay dividends totaling R3.4m as well as fund capex of R1.446m.

Grootevlei appears to have overcome the problems with its new treatment plant which knocked production in the September quarter to 429,000 tons milled from 481,000 tons in the June quarter.

December milled production is up to 569,000 and the resulting jump in gold production to 1,919 kg (1,621 kg) offset the drop in the gold price received and pushed working revenue up to R25,092m (R24,515m).

Distributable earnings rose to 34.8c a share (23.2c) while the annual figures indicate yet another generous dividend payout.

Grootevlei took R151,000 from reserves to pay dividends totaling R14,413m after funding capex of R7,696m from taxed profits of R21,948m.

Leslie put in one of the best cost performances of Gencor's mines reducing unit costs to R41.2 a ton (R42.8 a ton) and total working costs to R11,657m (R12,653m).

The mine also pushed its grade up to 3.4 g/t (2.2 g/t) but is not yet back to 3.5 g/t of the June quarter.

Buffelsfontein's results include details of operations from the Beatrix section for the first time as the Beatrix metallic plant has been commissioned and the first gold was poured from development ore on December 21.

Buffelsfontein's tax profit for the September quarter has been restated to R45,063m from the previously announced R27,567m but the capec figure has also been revised to leave the distributable earnings for the September quarter unchanged at R15,957m.

Stielfontein's grade dropped to 6.4 g/t (6.9 g/t) as the mine's operations are moving into more restricted stoping areas and there is not a lot it can do to improve grade.

The mine pushed up tonnage milled to 473,000 (445,600) and the R4.8m dividend from Chemwes helped it increase distributable earnings for the quarter to 81.8c a share (51.5c).

St Helena's grade also dropped to 3.6 g/t (6.0 g/t) while the mine's stoping operations are moving steadily south into lower grade areas after the depletion of the remaining high-grade reserves in the north of the mine's lease.

Marievale pushed its gold price received up to R14 912/kg from the September quarter's R14 786/kg through gold hedging operations.

Unisel also showed lower grade in the quarter which on maintained tonnage milled meant gold production dropped to 2,530kg (2,767kg).

Kunies has been ceded the right to prospect in the immediate vicinity of the mine from Gencor which to date has spent R2,188m on prospecting which has been partly financed by a long-term loan.

Winkelhaak was affected by higher costs and lower gold revenue and distributable earnings dropped to 85.6c a share (106.7c a share).

Bracken also showed a dip in grade to 3.5 g/t (3.5 g/t) and development work on the Kimberley reef exposed lower average values of 11.6 g/t compared with 15.4 g/t in the September quarter.
Tramways ‘entrenches its interest’

Staff Reporter

CAPE Tramways company has taken over the Du Plessis Brothers bus company in Genadendal, extending Cape Tramways’ stake in the bus business to the South Western Cape.

The four subsidiary companies already owned by Cape Tramways run services which cover the whole of the Western Cape.

In addition Cape Tramways also owns the Port Elizabeth Passenger Transport company in the Port Elizabeth/Ubtenhage area and the Southern Cape Passenger Transport company in the George/Oudtshoorn area.

A spokesman for Cape Tramways said yesterday its subsidiary, the Boland Passenger Service, gave Cape Tramways operations in Gordon’s Bay, Strand, Somerset West, Paarl, Stellenbosch, Wellington, Malmesbury, and Riebeeck Kasteel.

The Worcester Passenger Service operated in Worcester and Rawsonville while the Sandba service operated in the Vredenburg, Hopefield and Langebaan areas.

The Du Plessis service would extend from Grabouw to Genadendal and Rivierdenduend.

City Tramways, the fifth subsidiary of Cape Tramways, is the major bus service in Cape Town. The other important bus service in the Peninsula is the Mitchells Plain service, which is owned by Associated Bus Holdings.

Tollgate Holdings owns a 90 percent share in Associated Bus Holdings and it wholly owns Cape Tramways.

A statement issued this week by the chairman of Cape Tramways, Mr. Johann Barnard, said with the new acquisition Cape Tramways had “further entrenched its interest in the bus business.”
Allied Building Society linking with Nedbank

By HOWARD PREECE

JOHANNESBURG. — Nedbank and Allied Building Society are planning to work together in yet another massive deal that will have a major impact on the whole South African financial scene.

The two giants have combined assets of around R14 billion at present. No party was prepared to comment on the precise nature of the deal last night, however.

But there is no question of any kind of formal merger. Any such move would be almost certainly be blocked by authorities — and would in any case probably not be wanted by either management.

What does seem intended is a close business relationship.

There is clear precedent in the links established last year between the United Bank group and the United Building Society.

Relationship

A similar relationship would enable Nedbank and Allied to work together to offer both their customers additional services and to rationalize some activities and operations, including on the technical side.

The announcement of the deal was, however, intended not only to benefit Nedbank and the Allied over the coming weekend.

Mr Rob Abrahamsen, Nedbank’s chief executive, said last night “I have no reason not to make Banks do not comment on any relations with their clients.”

He told the deputy managing director of Allied, also, there was no comment.

Taxed profit

I learnt of the Nedbank/Al lied deal through market sources. At the end of the fiscal year to March 31, 1983, Allied had assets of just over R3 billion.

In that year it granted R70m on new mortgage advances and advances.

This rise in mortgage advances took the outstanding net amount to R2.2 billion.

Nedbank had a remarkable success record in recent years.

In the year to last September it repaid a 37.2% rise in disclosed tax profit to R121.6m. Total assets were then up to almost R10.8 billion.

The last few years have seen a major upsurge in competition between the banks and building societies in line with the general Government’s Reserve Bank policy approach to encourage free market economic principles.

This has been reflected in the move by banks, led by Barclays into the home loan mortgage business and by the interest rate war on all sides to attract deposits and new accounts.

Mr Owen Howwood, the Minister of Finance, also has made clear the need for the tax concessions given to the building societies are gradually to be phased out.

At the same time, however, this means that building societies must also be allowed to expand their activities and to compete vigorously with banks and other financial institutions for the public’s money.

But the banks and building societies generally are involved in colossal costs in, among other things, the whole technology of electronic banking and in their branch networks.

Rationalization

Cost-saving rationalization is an obvious answer.

In April last year the Registrar of Financial Institutions blocked a proposed take-over of Standard Building Society, part of the Stan Bank group, by the UBS.

But it was then announced that Stan Bank was to take over the US bank account and that the organisations would fuse their compatible bank networks and certain other client services.

In that sense, therefore, the Nedbank/Allied deal is no surprise.

Nedbank, however, comes under the effective control of the Old Mutual which has traditionally had close links with the United Building Society.

There may, therefore, be more ramifications.

Fire knocks Western Deep milled production

Elandsrand’s net profit fell to R16,360m (R16,507m) and had a negative cash flow for the quarter of R10.140m. Knocked out by the milled production of 2.5% and will affect the March quarter as well.

The mine has provided R3.1m so far for the cost of rehabilitation of the workings affected by the fire once it has been put out.

Six people were killed as a result of the fire when they were trying to get into a closed off return airway on 105 level on November 15.

The mine’s area milled throughput and grade to raise gold production to 452kg (384kg). In 1983, the mine was closed for 27 days.”

Mined gold production for the December quarter was 23.24c in line with the forecast in the prospectus.

Umdoni’s first accounting period will close on December 31 this year, and dividends of not less than 10c a unit have been forecast for the period, making a total of 12.5c.

The maiden dividend is being paid out of profits earned on Umdoni’s portfolio of commercial and industrial properties.
ACET now takes over of NET now Isaiah

Sevcichs signs

2018 2019

Business Day

FROM PAGE 1

VICTORIA – The cooperation and

Deakin ACT signage is now

transformed to a new system

of External Process for

Registration.

The conference was

at Victoria University and

was presented by the

Office of the ACT

Registrar.

The conference focused on

the role of the ACT

Registrar in the context of

the new ACT

Registration system.

The conference was

attended by a large

number of participants,

including members of

the ACT Government,

the ACT Bar Association,

and members of the

general public.

The conference provided

opportunities for

participants to

discuss the

new ACT

Registration system and

its implications for

the ACT Government,

the ACT Bar Association,

and the general public.

The conference concluded

with a panel discussion,

which allowed

participants to

share their thoughts

and perspectives on

the new ACT

Registration system.

The conference was

organized by the

Office of the ACT

Registrar and

supported by a number

of ACT Government

departments.

The conference was

held at the ACT

Convention Centre.

The conference was

the first in a series of

conferences

that will be

held in the coming

months.

The conference was

hosted by the

Office of the ACT

Registrar and

supported by the

ACT Government.

The conference was

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By PAUL DOLD
Financial Editor

A GROUP of South Africa's independent clothing retailers are for the first time coming on an even footing with the major chains through a new marketing organization — United Stores.

Based in Cape Town and headed by the former Ackermans managing director, Mr Stewart Cohen, and co-director Mr Lino Chiappini, United Stores' members around the country already have a total turnover of R250m — roughly equivalent to the largest clothing chain's turnover within two years.

United Stores is linked with the major United States' Frederick's group whose members have annual sales of more than $5 billion.

Mr Cohen launched the new look at Ackermans some four years ago and left the group after the sale to Edgars. He was previously general manager of Grand Bazaars.

Mr Chiappini has been involved in the retailing and manufacturing including Puma, Durban Clothing and was trained at Harrods.

**Profits**

United Stores is far more than the traditional joint purchasing operation but is bridging the gap between the manufacturer and retailer and providing advice on how both can improve profits.

For the manufacturer, United Stores offers longer production runs, credit-worthy clients and long-range planning, while United Stores members have a spectrum of specialized consultancy services available.

These include pre-season planning, merchandising advice, joint advertising, and quality assurance. Retailers are told:

- What lines are likely to sell
- What ranges have been selling in the market place and why
- How to improve in store traffic
- How to advertise
- How to structure the merchandise mix
- Advises on garment labelling and United Stores' own labels are available
- Provided full details of manufacturers prices and ranges

United Stores is effectively allowing the small to medium specialty store and department stores to compete with the big chains.

Previously the depth of merchandising expertise, market research and marketing resources were beyond the reach of the independent retailer. He was forced to take the second slot behind the chains, often marketing unsuitable merchandise which arrived late.

United Stores supplies members with the latest fashion trends and up to date reports of the overseas fashion scene. Members were told in October last year the likely trends for summer 1985.

Mr Cohen is exceptionally pleased with the encouraging response from manufacturers who see major advantages in improving sales to the independent retailers. United Stores is not viewed as a pressure group but mutual benefits are already flowing to both retailer and producer with each more aware of the others' needs.

Manufacturers are often blamed for late deliveries but in many cases the retailers themselves can be responsible. By bringing the two together United Stores is helping to improve manufacturers' profitability through longer production runs and significantly industry is less reliant on the big chains. Nearly 50 percent of South African retail sales are handled by the three major chains.

While joint imports are planned, United Stores aims at fully supporting the local clothing industry.

**Conference**

On Monday United Stores is holding its first national conference. The three-day meeting in Cape Town includes a briefing by leading economists and experts on the economic outlook, fabric and clothing manufacturers previewing their ranges, market research, reports, and a profile of men's, children and women's wear ranges.

Part of the seminar programme will provide members with an insight as to how computers can be used in retailing.

Mr Cohen and Mr Chiappini are being highly selective in admitting new members. Marketing thus far has been aimed at an exclusive group of blue blood independent retailers many of whom are long established family businesses. Some 60 percent are based in the Transvaal and the Free State, 25 percent in Natal and 15 percent in the Cape.

Although concentrating on clothing, United Stores is also advising members on footwear, home textiles and housewares.

In United States there are more than 400 organizations for clothing retailers and hardly a reputable firm operates without the back-up of one of the associations.

United Stores charges an annual fixed fee to members. No commissions are payable either by the manufacturer or United Stores member.
By Alec Hogg

SOUTH Africa’s third-largest building society, Allied, has found a bedmate.

The R3.5-billion institution, previously the largest independent society, has established formal links with Nedbank, and a more concrete arrangement is likely.

Managing director designate Roy Pascoe says Allied “will become a joint-stock society within two or three years, and we would love to have Nedbank as a major shareholder.” Nedbank senior general manager Arie van Vliet says the question of a shareholding has not been discussed.

Allied has already switched its banking account from Barclays and will offer preferential treatment to Nedbank clients seeking mortgage loans. From April, Nedbank clients will be able to cash cheques of up to R100 at Allied branch branches, effectively doubling Nedbank’s network to 600. Allied’s 650 agencies, however, will not offer the facility.

Allied clients will be able to use the first of the society’s 56 automatic teller machines in April and plans are advanced for their access to Nedbank’s 56 strong Nedbank network. The institutions will offer clients access to 200 machines by the end of the year.

Tax sheltered investments, such as subscription shares, which can only be offered by building societies, will be available through Nedbank branches. New service points will be discussed by the two institutions, and the link opens the way for Allied to offer its clients access to Visa, Mastercard and Garage Card.

The link between Nedbank and Allied comes as a shock to the financial community. The bank shares the same chairman – Dr Fanie Crouse – and associates (SA Mutual and the Sage Group) as SA’s second-largest building society, the Permanent.

But Mr van Vliet says “we are now much closer to Allied than to the SA Permanent. Our so-called link with the SA Permanent was a misconception built up mainly by the financial press.”

SA Permanent managing director Bob Tucker says “we decided last year to remain independent, and to develop strong ties with all the major banking groups. We have had discussions with Nedbank regarding its link with Allied, but at the moment we see no reason why we should change our strong banking ties with the bank.”

Although Mr Tucker is not worried about most of the implications of the deal, he is concerned about Allied’s recouping the public’s investments through the bank. “If we find that we are sucking the haunch of the bank, and that Nedbank is putting Allied above other societies, we will have to take another look at our relationship.”

The tie-up with Allied is a coup for Nedbank. Although Mr Pascoe is not prepared to comment, it was an open secret that approaches to Allied had been made by several financial houses.

Favourite was Nedbank’s arch rival, Barclays, which is now the only bank not to have a building society in its sphere of influence. It recently lost the United Building Society account when the UBS joined the Standard Bank-Liberty Life camp.

Barclays deputy managing director Chris Ball tells Business Times that speculation in this regard was misinformed. “Our need is different to that of Nedbank. We don’t need a building society. We had an idea that it was going to happen. I believe, however, that it is a good deal for both parties.”

Mr Ball says Barclays was not among the banks which approached Allied. He is not perturbed by the loss of the account. “From a profit viewpoint, the amount involved is insignificant.”

Barclays received R1-million in service fees for handling the Allied account according to Mr Van Vliet. Nedbank and Allied “have been friends for years. We have lunch with their executives often and compare notes on developments in the market.” It was a logical move for Allied in the growing concentration of South African business.
UCDD takeover will cost R30-m

Financial Staff

The deal in terms of which Daimler-Benz of Germany gained control of its South African franchise-holder, United Car and Diesel Distributors, was worth R30 million.

UCDD, which is owned 39.9 percent by Volkskas, 36.7 percent by Daimler-Benz and 23.4 percent by the Gohner Foundation of Switzerland, makes and distributes Mercedes-Benz cars and commercial vehicles and also holds the Honda car franchise.

As a result of an expansion in the firm's share capital, the Daimler-Benz shareholding will increase to 50.1 percent, the Volkskas share will decline to 26.5 percent and the Gohner stake will stay at 23.4 percent.

UCDD chief executive Morris Shenker said the R30 million involved in the deal was being injected to re-arrange the shareholdings.

"It's business as usual. This was not done with any new developments in view on the horizon," Volkskas, he said, was happy for Daimler-Benz to take the controlling shareholding in an operation in which it is so heavily involved.

UCDD has reached the final stages of a R200 million expansion programme started in 1981.

The programme has more than doubled car production capacity and substantially increased commercial vehicle production at the CDA assembly plant in East London.
Daimler-Benz to acquire control of UCDD

JOHANNESBURG — Daimler-Benz of Germany is to acquire control of its South African franchise holder, UCDD Limited.

A company statement said this development had been entered into in full agreement between the shareholders of UCDD because of the growth and still growing level of importance of the South African market to Daimler-Benz in respect of sales and industrial activities.

UCDD, which manufactures and distributes Mercedes-Benz cars and commercial vehicles in South Africa and also holds the Honda car franchise, is one of the largest firms in the South African motor industry and one of the country’s largest private companies.

UCDD is currently owned 39.9 per cent by Daimler-Benz and 23.4 per cent by the Gobner Foundation of Switzerland.

As a result of an expansion in UCDD’s share capital, effective by June 1984 at the latest, the Daimler-Benz shareholding will move to 50.1 per cent. Volkskas moves to 26.5 per cent and the Gobner stake remains at 23.4 per cent.

The UCDD group and its dealer organisation around the country is in the last stage of a R200-million expansion programme started in 1981 which has effectively more than doubled the car production capacity at its CDA assembly plant in East London. Substantially increased commercial vehicle production and increased capacity of the parts operation.

The manufacturing and assembly operation in East London is one of the largest Mercedes-Benz car and commercial vehicle activities outside West Germany.

South African sales of Mercedes-Benz cars are expected to total 13,600 in 1983. Commercial vehicle sales will be about 4,200 and the sales of the Honda Ballade introduced in October 1982, are expected to be about 10,000 units for 1983.

With the higher assembly capacity presently coming on stream, increased passenger car sales can now be provided for, which is intended to overcome the short-supply position existing over the last three years.

The statement said the Daimler-Benz investment signified its confidence in the ability of UCDD to build upon its leadership in the top end of the quality car and commercial vehicle markets.

The move has particular significance for the East London-Border development area where UCDD is one of the largest established industries, with an annual contribution to the regional economy of more than R75-million.

UCDD’s East London wage and salary bill (including bonuses and employee benefits) for the 3,900 employees at its CDA plant is about R34 million a year.

The company spend a further R33 million a year on local content purchases, rates and utilities in the Border/Ciskei area and pays freight and wage rate charges to the East London port authorities of some R9.6 million a year.

The managing director of CDA in East London, Mr Leo Borman said he had nothing to add to the statement. — SAPA
Independent retailers
a 'dwindling force'

INDEPENDENT retailers will become a dwindling force in South African retailing in the next 10 years, Professor Marius Liebold of the University of the Western Cape's Institute for Small Business told clothing retailers in the city yesterday.

He was addressing the first national conference of the United Stores organisation, set up last July as a merchandising and marketing service for independent retailers.

It presently has about 40 members representing 150 stores in Southern Africa.

Professor Liebold said there would be intense competition from the major chains and survival would depend on specialisation and cooperation.

The independent retailer would have to find a unique position compared with the major competitors and co-operate with other small retailers and with manufacturers.

MAIL ORDER
He predicted a further growth of the retail conglomerates, the expansion of the warehouse concept of retailing, and the development of remote retailing through mail order and TV-based home information centres.

There would be little shopping centre development within white areas, with older centres being upgraded.

Department stores could expect sluggish growth and supermarkets would suffer from competition from medium-size convenience stores and hypermarkets, but flexible "variety stores" should experience good growth.

LIFESTYLE
Environmental or lifestyle retailing would develop as consumers in the higher income group turned to goods and services to accommodate a certain lifestyle.

In answer to questions, Professor Liebold said he believed consumers would always want advice on fashion goods and want to be able to touch them.

"There will always be room for the specialised fashion clothing retailer. The chain stores can't provide the specialised service of the independent retailer."

"But the independents must know what is happening in the market place."

"VULNERABLE"
He did not foresee retailers in fashion or other specialized areas going into black residential areas to a significant extent.

Blacks would continue to want to buy such goods in the same environment as whites.

Mr Attie de Vries of the Bureau for Economic Research at Stellenbosch University told the conference that the financial position of the consumer was "vulnerable" at present.

"There is a possibility that things will start to improve towards the end of the year. But the financial position of the consumer is tight."

"Basically, this year will still be a year of survival. The only way to survive is to control your expenses and to plan."
Carlor profits soar — lifts earnings 55% 

By PATRICK MCLoughlin

JOHANNESBURG. — Carlton Paper Corporation has returned to the profit growth trail with a 55 percent advance in earnings a share to $66.4c for the 12 months to December 31. This compares with 42.7c for 1982.

The results are far better than Carlton's management — who in spite of an improvement in interim profits were cautious on full year figures — expected.

The company has posted a final dividend of 26c which, with the unchanged 14c interim dividend, brings the total payout to 40c.

The 25.2 percent rise from the 1982 dividend of 39c is in spite of a jump in the dividend cover from 1.3 times back to the normal level of 1.7 times.

Performance

The impressive performance by Carlton follows a substantial improvement in the second half of the year and in all the group's market sectors. Another important factor was tight control of costs.

Carlton manufactures and distributes tissue products such as toilet rolls, facial tissues, serviettes, diapers and other disposable products.

In 1982, the group's major tissue manufacturer suffered from the drought, aggravated by hefty destocking among consumers. This, in turn, cut production. Because the group is capital intensive, costs were pushed up at a time when some raw materials were experiencing cost increases.

The net result was that Carlton suffered its first loss in five years with earnings a share sliding from 53.6c in 1981 to 42.7c and dividends being maintained at 32c at the expense of cover which shrunk from 1.7 to 1.3 times.

Although the first half of 1983 saw an improvement in earnings per share, from 19.7c previously to 25.8c, the chairman, Mr Basil Landau, said the results did not reflect the full year and said that the continuing economic uncertainty combined with the impact of drought made it unlikely that the second half results would show any improvement on the first half.

Sales for the full year, however, jumped 18 percent to R130.2m compared with R110.1m. Pre-tax earnings more than doubled, from R8.6m to R17.6m.

A Carlton executive admitted management were surprised by the recovery. "We never thought it would be that good," he said.

One reason was aggressive marketing. General market conditions remained very price-competitive. But Carlton aggressively pruned prices in many product lines and managed to recover their margin side with marginally higher volumes.

Sales volumes

Assets were carefully managed and products launched, which had an impact in the 1982 results, were down. New products did well, especially the Ruggies disposable infant nappies, launched in mid-1983.

This product particularly took off in the second half and made significant inroads into the cloth nappy market.

Destocking by Carlton consumer ended early in the year.

Carlton also made its first major move into specialist distribution with the opening of a distribution centre for the Pretoria-Witwatersrand-Vaal area near Jan Smuts aerodrome in June. This further ensured sales volumes.

The tax rate jumped from 22 percent to 40 percent. This was mainly because the 1982 rate was depressed by the sale of a Cape Town factory which brought a profit from which was deductible from taxable earnings. The 1983 tax rate was also pushed up by lower export allowances.

Attributable earnings nevertheless jumped 56 percent to R10.5m compared with 6.74m previously.

Comment. Carlton, presently trading around 500c, yields eight percent on the full 40c dividend. This is above the market and paper packaging sector historic averages and indicates that the market has also been surprised by the buoyant full year results.

Mr Landau says Carlton's current year performance will benefit from greater marketplace opportunities as expansion and modernization of production facilities continues.

Carlton also has a strong balance sheet with a conservative debt equity ratio of 0.21 at the end of December. This should protect it from the effects of generally high interest rates.

Mr Landau expects some improvement in profits this year. He does not see the extent of the improvement but it is unlikely to be as dramatic as the 1983 results.

A CONSORTIUM of Cape Town investors — head by developers Stocks & Stocks and Syfrets Trust — is developing a R15m sectional title office complex in central Cape Town.

The development, which will consist of parking and an office block, is unusual in that it is one of the first office blocks in Cape Town to be sold on sectional title. Office units in the complex will be available from 250 m² upwards.

The site of the new development is a prime 3 500 m² block, bound by Wale, Loop, Bree and Dorp Streets. Construction work by Stocks & Stocks (Cape) has already started and the 24-month contract implies the building will be complete by December 1985.

Syfrets is providing the major portion of the finance for the development by way of a deben- ture bond of about R11m. Syfrets has also committed itself to the purchase of one floor of parking in the new building.

R15m sectional title office complex for Syfrets property consultant, Mr Ch Marais, says sectional title office development for business was becoming increasingly popular, and parking facilities escalates. He said: "More and more we find that professional people want to fix their rental cost in a sectional title office development. They are able to obtain office space in a prestigious building at a fixed cost."

Some 60 percent of JSE golds sharply lower

Johannesburg — JSE golds have sharply lower.

The Bank for Foreign and Commonwealth Exchange has reported that the gold market has been affected by a number of factors, including a strong rand against the dollar and a decrease in demand for bullion.

The decrease in demand for bullion has been attributed to a number of factors, including a decrease in the number of people investing in physical gold and a decrease in the number of people buying gold as a hedge against inflation.

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JOHANNESBURG. — Carlton Paper Corporation has returned to the profit growth trail with a 55 percent increase in earnings a share to 66.4c for the 12 months to December 31. This compares with 42.7c for 1982.

The results are far better than Carlcor's management — who in a letter last year said that an improvement in interim profits were cautious on full year figures — expected.

The company has posted a final dividend of 22c which, with the uncharged 14c interim, takes the total payout to 46c.

The 25 percent rate from the 1983 dividend of 22c is in line with a jump in the dividend cover from 1.3 times back to a normal level of 1.7 times.

Performance

The impressive performance by Carlcor follows a substantial improvement in the second half of the year in all the group's market sectors. Another important factor was tight control of costs.

Carlcor manufactures and distributes tissue products, such as towel, toilet and facial tissues, serviettes, diapers, and other disposables.

In 1982, the country's major tissue manufacturer suffered from the effects of aggressive pricing by the group, which led to heavy restocking among consumers, thus reducing production. Because the group is capital intensive, costs were raised to a point where raw materials were experiencing cost increases.

The net result was that Carlcor suffered its first earning reversal in five years with earnings a share sliding from 53.5c in 1981 to 42.7c and dividends being maintained at 22c at the expense of cover which shrank from 1.7 to 1.3 times.

Although the first half of 1983 saw an improvement in earnings per share, from 19.7c previously to 25.8c, the chairman, Mr Basil Landau, said the results did not reflect improved trading conditions but the effects of cut-throat competition and product launches by Carlcor.

He was also sceptical on the outlook for the full year and said that the continuing economic uncertainty combined with the impact of the drought made it unlikely that the second half results would show any improvement on the first half.

Sales for the full year, however, jumped 18 percent to R130.2m compared with R110.1m. Pre-tax earnings more than doubled, from R43.6m to R71.6m.

A Carlcor executive admitted management were surprised by the recovery. "We never thought it would be that good," he said.

One reason was aggressive marketing. General market conditions remained very price competitive but Carlcor aggressively priced its products in many product lines and more than compensated on the margin side with markedly higher volumes.

Sales volumes

Assets were carefully managed and product launch costs, which had an impact in the 1982 results, were down. New products did well — especially the Huggies disposable infant nappies, launched in mid-1983.

This product particularly took off in the second half and made significant inroads into the cloth nappy market.

Restocking by Carlcor consumer ended early this year.

Carlcor also made its first major move into specialist distribution with the opening of a distribution centre for the Pretoria-Witwatersrand-Vaal area near Jand Smuts aero-drome in Johannesburg. Further enhanced sales volumes.

The tax rate jumped from 22 percent to 90 percent in 1983, mainly because the 1982 rate was depressed by the sale of Cape Town factory, the capital profit from which was deductible from taxable earnings. The 1983 tax rate was also pushed up by lower export allowances.

Attributable earnings nevertheless jumped 55 percent to R10.5m compared with 6.7m in previous years.

Comment: Carlcor, presently trading at 44 1/2 times 50c, yields 8 percent on the full 40c dividend. This is above the market and provides for sector average historic growth and indicates that the market is also been surprised by the buoyant full year results.

Mr Landau says Carlcor's current year's performance will benefit from greater market place opportunities and expansion and modernization of production facilities.

Carlcor also has a strong balance sheet, with a conservative debt-equity ratio of 0.21 at the end of December. This should protect it from the effects of generally high interest rates.

Mr Landau expects some improvement in profits this year. He does not expect the extent of the improvement, but it is unlikely to be as dramatic as the 1983 results.

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The site of the new development is a prime 3500m² block, bound by Wale, Loop, Bree and Dorp Streets.

Construction work by Stocks & Stocks (Cape) has already started and the contract implies that the building will be complete by December 1985.

Syfrets is providing the major portion of the finance for the development, which will be paid back through sectional title offices. The building is part of a development of a syndicate group in 1985.

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Economists in

JSE golds sharply lower

Own Correspondent

JOHANNESBURG — Gold shares closed sharply lower on the Johannesburg Stock Exchange yesterday in response to a fall in bullion prices.

Dealers said buying was "as strong as we've not seen for some time".

Bullion prices fell from R55.80 to R55.80 in the last few weeks, with some speculators cashing in on the run up in prices.

Despite the fall, analysts said there is still plenty of interest among buying companies and individuals.

"It's a cheaper buy," said one trader.

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"It's a cheaper buy," said one trader.

But others warned that the drop could be short-lived.

"We've got a long way to go before we reach the lows," one analyst said.

Other analysts pointed to the strong dollar and the weak world market as factors contributing to the drop.

In London, gold fell to $380 an ounce, down from $385, but there were signs that the slide could be temporary.

The drop in gold prices was reflected in a drop in the gold shares index, which fell 2.5 percent to 950.5.

The fall was attributed to a combination of factors, including the stronger dollar, which makes gold less attractive to investors, and the weak world market for metals.

But analysts said the drop was unlikely to be permanent, and that gold shares are still undervalued compared to other stocks.

"The market is oversold and we expect a rebound," one analyst said.

"Gold is a safe haven in times of uncertainty," another analyst said.

In other news, the JSE All-Share Index fell 3.5 percent to 2000.5, while the JSE Financial Index dropped 3.7 percent to 1970.

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Everite surprises with 53% earnings leap

Own Correspondent

JOHANNESBURG. Everite has surprised its own management with a 53 percent leap in attributable earnings for the six months to December to R10,6m. This compares with R6,8m in the same period last year and the group has posted an interim dividend of 20c (previously 17c). Earnings a share for the half rose from 42,1c to 53,2c.

In the year to June, 1982, Everite posted bottom-line earnings of R15,4m (R13,2m) - 15,6 percent improvement - but the chairman, Mr Hans Theron, who is looking at the economic downswing, took a cautious stance on the current year and indicated that earnings would be stable.

Everite, however, appears to be one of the few companies that can claim to have benefited from the drought. Many municipalities throughout South Africa found themselves replacing pipes which were damaged due to low pressure and the main reason for the strong group performance was a general increase in pipe demand in all four divisions.

Good results

"We had an exceptionally good harvest and we did not budget for anywhere near such a good result," the financial director, Mr John Kenneth, said yesterday.

"Pipe sales were particularly good, he added. Group sales increased 26 percent as a result, from R81,9m to R103,3m. Another factor that enhanced the attributable earnings was a lower life stock adjustment. The life reduction was a net R56,000 compared with R174,000 previously.

"Distocking of large asbestos inventories, bought some time ago for strategic reasons, took place last year and wiped out R12m in bank overdrafts and provided Everite with R10m in cash in the bank."

Closing gold prices

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The dollar, which soared to a broad-scale advance earlier in the year, was hovering just below all-time records against the European currencies, lost ground yesterday in quiet trading as investors sought to cash in. Dealers said new evidence that the United States recovery was faltering depressed the market.

Investors generally expect that a saggio in the recession would lead to the United States Federal Reserve cutting back interest rates. To reduce the dollar's value as an investment.

In London, share prices hit a new record on the London Stock Exchange yesterday, with a jump of more than 15 points in the Financial Times Index of 30 leading industrial shares. The Financial Times Index rose from 824,9 to 840,5, easily breaking last Friday's record of 839.

The market's strong upward drive was propelled by sharply higher British trade figures, a sign of improved economic health in Britain, which is a major trading partner. To counter inflation, the government has introduced measures to curb inflation to manageable figures.

However, the high interest rates will continue to weigh on the economy. Consumer demand is not expected to increase significantly in the new year in view of the expected increases in taxation. The view would be for government not to raise taxes at this stage as this would have a very negative influence on the economy.

JSE golds firmer

Gold closed steady after quiet day

JoANNE T. vitz is the new general manager, having been appointed general manager in October 1982. He is a member of the board of directors. Mr. J. H. M. van der Vloet, a long-time employee of the bank, now heads the Citi Namibia branch.

The bank has had a strong presence in Namibia for over 40 years, and its new branch in Windhoek will allow it to better serve the growing economy of the country.

The bank's commitment to Namibia is evident in its recent investments in local companies, such as the acquisition of a minority shareholding in Kunene Resources Limited. This investment is expected to contribute to the growth of the company and the local economy.

The bank's strong financial position enables it to support local businesses and individuals in their endeavors. It offers a wide range of financial services, including loans, savings, and foreign exchange services.

The bank's experienced staff ensures that clients receive personalized service and expert advice in all aspects of financial planning. The bank's commitment to excellence is reflected in its many awards and recognitions, including being named "Bank of the Year" by various industry organizations.

Mr. J. H. M. van der Vloet has been with the bank for over 20 years, and his extensive experience and leadership are important assets for the successful operation of the bank in Namibia.

The bank remains committed to serving the needs of its customers and the community, and it looks forward to continued growth and success in Namibia.
Clicks buys Diskom major expansion planned

By PAUL DOLD, Financial Editor

CLICKS STORES has bought Diskom — the 14-store Cape toiletries chain for R700 000 and plans to expand the new group nationwide.

Clicks' deputy managing director, Mrs June Kritzinger, said last night that while the acquisition is not expected to have any significant impact on earnings or profits in the short term, Clicks sees considerable potential in the long term.

Diskom specializes in the colored consumer market and its smaller stores with an excellent basic range of toiletries and gifts should be well suited for black consumer areas in the Transvaal.

In the past Clicks has been offered excellently located sites but the stores have been too small for the wide Clicks range. Through Diskom it now has the ideal vehicle for a nationwide chain of smaller convenience stores. As it serves a different market, Diskom will also not clash with the existing Clicks branches.

The average Diskom store is 200 m² and the group has branches in Mowbray, Bellville, Parow, Wynberg, Salt River, Paarl, Elsies River, Retreat, Claremont, Kensington, Worcester, Grabouw, Stellenbosch and Rylands. The Elsies River and Rylands stores are joint ventures with local businessmen.

Last year three new branches were opened. The deal will increase the number of retailing outlets in the Clicks group to 63.

The vendors of Diskom are Mr Rollo Norvitz, Mr David Danziger, Mr Mark Hoffman and Mr Rael Steyn.

Three of the vendors will remain with the new group. Mr Norvitz has been appointed general manager. Mr Danziger, merchandise controller and Mr Hoffman, operations manager. The deal revives a long association between Clicks chairman and Mr Hoffman.

Mr Hoffman was one of the key executives in Mr Jack Goldin's Pick 'n Pay — the fledging chain was later sold by Mr Goldin to Mr Raymond Ackerman.

Clicks' chairman Mr Jack Goldin forming a new national chain within the Clicks group.

Gold clck after qu

LONDON — Gold prices made no significant break this morning as the narrow range around the $367.00-377.00 ounce, unchanged from yesterday's opening but up 5 percent from yesterday's close of $365.00.

The day's most notable move was a rally to a high of $367.00, an indication of following news of a 1 percent decline in Federal Reserve Board gold, contrasting with expectations of a rise at least 0.5 percent.

Mr J C Hanson has been appointed director of finance at Burroughs South Africa.

Recession worsening

Own Correspondent

Johannesburg — The worst effects of the recession are yet to come says the chairman of the African Bank, Mr Sam Motsumeyane, in his annual review.

"South Africa is still very much in the slough of stagnation and I do not entirely share the view of some analysts that the recession has bottomed out," he says.

Looking to the coming year there are a number of negative imponderables ahead which could affect the economy.

The country is still recovering from the worst drought in living memory which has brought the agricultural sector to the brink of collapse. Much more good rain is needed to bring the situation back to normal and the most marked effects of the drought have not been felt yet.

Prices of agricultural products have only just begun to rise and this will produce a ripple effect on a whole range of other commodity prices.

Struggles are still being waged to bring the inflation rate more into line with South Africa's major trading partners.

To counter inflation the equalization of money supply will still have to be the authorities' most urgent priority. So far efforts have not had total success and continued high interest rates will be the price paid for reducing inflation to single figures.

But this will discourage investment and further delay the upturn in the economy.

Consumer demand

Furthermore, it is unlikely that consumer demand will improve significantly in the new year in view of the expected increases in taxation.

"My view would be for government not to raise taxes at this stage as this will have a very negative influence on business and consumer confidence."
Fear of unrest over black taxes

By RIAAN DE VILLIERS
Labour Reporter

THE Cape Chamber of Industries has advised all member companies to fully inform black workers of impending changes in their taxation from March 1, when all blacks will start paying income tax on the same basis as other population groups.

It will also ask the Department of Finance to ensure that details of the changes in black taxation will be made known as widely as possible.

Employers fear that the change-over could lead to labour unrest similar to that in 1981 over proposed preservation of black pensions.

Information

Most black workers will pay less tax than before, nonetheless it is feared that workers may react adversely to the changeover.

Mr. Esmail Ria, director of the chamber, said yesterday reports of tensions among black workers had not been received.

However, the chamber had taken "obvious precautions" by advising members to furnish workers with information and keep open "proper lines of communication."

Mr. Jan Theron, secretary of the Cape-based African Food and Canning Workers' Union, said there were signs of concern about the issue among workers.

The new increase in sales tax would "greatly fuel any possible dissatisfaction", he said.

No vote

Another prominent unionist said the change could focus attention on the fact that blacks are taxed without being represented in government, and do not receive equal benefits from the State.

A Johannesburg-based labour relations consultant yesterday confirmed that employers were "nervous" about the change.

The issue seemed less contentious because most workers would be paying less tax.

"However, there is nothing in recent industrial relations history which suggests that it will be introduced without any trouble," he said.

It is estimated that over 80 percent of black employees will be paying less tax from March 1.

But some groups, including married women, will pay more than R400 a month, and employees in higher-income brackets will pay more than they do at present.

According to Mr. C. E. Kingdon, director of tax research for the Department of Finance, blacks will now be liable for tax rebates, which will benefit married men and people with children.

The minimum taxable earnings for single people will be R3,576 a year (about R300 a month) compared to R1,801 (about R150 a month) at present.

Annually taxable earnings for married men without children will be R4,385 a year (about R365 a month), R6,817 a year for married men with one child, rising to R9,317 for married men with four children.

Unmarried men earning under R2,500 a month will be better off, while those earning upwards of R490 a month will pay more.

An unmarried man earning R400 will pay R14,40 a month compared to the R11,20 he is paying at present while an unmarried man earning R1,600 a month will pay R118.39.

Quirks

However, blacks will benefit in the exmarried women who earn more than R400 a month and employees in higher-income brackets.

Married women who earn R2,000 a month will pay R6,42 a month, compared to R0.74 now, while a married woman earning R1,000 a month will pay R152.83, compared to R102.16 now.

If a husband and wife are both earning R1,000 a month, their combined tax will be R4,660 a year, more than double what they are paying now.

The managing director of the Cape Town Hearld (right) with the retiring chairwoman (left) and a retiring director, Mr.

Houses for Plain People

The City Council has been allocated a loan of R50,25 million from the National Housing Fund to build 1000 sub-economic houses in Mitchell's Plain.

The deputy city engineer (housing), Mr. D. S. Mabu, said yesterday that contracts for building the houses would go out within the next few months.

Mr. Mabu said the council had a waiting list of about 30,000 names for houses.

The houses to be built made up 10 percent of those needed, he said.

The first controlled self-help housing scheme, which is expected to get under way later this year, is planned by an Urban Foundation utility company for Steenberg/Retreat.

The scheme is expected to allow about 500 people at present on the council's waiting list to build their own houses.

Sun ban

Staff Report
SUNDAY, May 21

The chairman of the Harrism, M. Horn, said yesterday that the club's Peninsula M.C. could not be held that day for reasons.

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CARE TIME CLINIC

 Own Centre
JOHANNESBURG
BMW plant at near Pretoria about 1500 works out on strike demands shut until notice
BMW closed on Tuesday workers had tools for the time wuting a rejecting management offer of a 10 cent board increase.
AECI bid for NEL gets thumbs down

By JOHN MULCAHY

THE Competition Board has blocked AECI's proposed R28m purchase of National Explosives (NEL)

Mr Chris von Solms, an AECI director responsible for the explosives division, said yesterday the Competition Board had not given detailed reasons for rejecting the proposals, but said the acquisition "could not be justified as being in the public interest"

The proposed acquisition came as a last-gasp lifeline for Hanhill Industries, which had been faced with serious liquidity problems and was forced by its bankers to sell some of its assets to meet borrowing commitments.

But Mr Oliver Hill, the managing director of Hanhill, said yesterday he was negotiating with another party with a view to selling NEL at a better price than the R28m offered by AECI.

"If all goes well, another deal should be finalised by Monday," Mr Hill said.

Mr Hill would not disclose the identities of any of the parties nominated by the Competition Board, but said there had been considerable interest in the NEL deal after it was announced.

"The proposal put to the Competition Board indicated that there was no alternative to the AECI deal, but the response from the other parties showed the Competition Board that there were indeed other options."

Hanhill has a 25% interest in NEL, the other 75% being held by the Hanhill associate, National Process Industries.

The Competition Board is believed to have nominated several alternative parties to AECI and, after gauging the response from these companies to the proposal, decided that another buyer would be preferable to AECI.

Industrial unrest at AECI plants throughout the country has reinforced the argument that the country needs more than one explosives producer.

The implications for the mining industry of the sole supplier of explosives being unable to supply for whatever reason could be catastrophic and provide a compelling reason for the Competition Board to encourage an independent producer.

From remarks made by Sentracern's managing director, Mr Dave Marlow, yesterday, the group would be a firm candidate for the acquisition of NEL.
Chemicals in turmoil

By David Carte and Alec Hogg

THE chemical industry is in turmoil after the sale by Sentrachem of its 40% stake in Coalglex to AECI for R80-million, and the Competition Board's ruling against AECI's bid to buy National Explosives.

Industry spokesmen said these were the first of several shock waves arising from the Government's hard-line attitude to protection and monopoly.

Next could be a rearrangement of Hanball, whose fertilizer imports from Swaziland have been hurt by the new tariff arrangements.

After protected growth of the board last year, AECI is most unlikely to appeal against the ruling. This probably means the deal will fall through and hand-pressed Hanball will have to find another buyer.

Industry sources say it is unlikely to recover as much as the R10-million AECI was willing to pay to keep out a competitor. The question now is whether Sentrachem, with R110-million in cash after the Coalglex sale, will enter explosives.

Although National Explosives, without a friend in mining, had a battle to penetrate explosives agreements between AECI and the Chamber of Mines, Sentrachem is a member of the Sandlam group with General Mining.

Mr Dave Marlow, managing director of Sentrachem, says only that Sentrachem's options are wide open. Mr Marlow is adamant that Sentrachem was not a distressed or forced seller of Coalglex. With R50-million in cash before the deal and R110-million after it, Sentrachem is not illiquid. Although its gearing is set to rise as its R100-million rubber plant comes on to the balance sheet, it insists that all is well.

"We take the view that investments must earn a return. We could not see respectable returns in PVC for a long while, so we withdrew," the price, being only a small discount to depreciated asset value, is not bad considering that Coalglex was a loser with a far from brilliant future.

He concedes that the replacement value of Coalglex is considerably more than R110-million, but dismisses this as being of academic interest. "Nobody would replace Coalglex in the current climate.

But AECI's Mr Ted Smale reckons Coalglex has a great future and it is pleased with the terms.

Chemical industry sources say Sentrachem was over a barrel. It had R100-million tied up in an asset over which it had little control and which in six years of ownership cost it R30-million of attributable trading losses.

R100-million synthetic rubber plant is still losing millions, although international rubber prices have risen 50% in the year and 25%, import protection has been granted on some products and is expected on the rest as well. This could mean that losses will be lower than the R30-million after tax suggested latest annual report.

Sentrachem's accounts always showed a worse trading situation in Coalglex than AECI's. This was mainly because Sentrachem's investments were funded with loans bearing interest, and AECI's was funded with equity and a foreign loan at favourable terms. The partners had different depreciation policies and AECI charged a management fee.

One reason AECI would do well with Coalglex is that it can now rationalise its PVC production. AECI is confident that in the medium to long term, "more than adequate" returns will be made from Coalglex.

Mr Smale believes the huge plant will reach break-even this year, and contributes to profits in 1986. He sees 1986 as a potential boom year. "If the economy grows 4% per annum, our volumes rise by at least 4%".

Mr Smale is also banking on an improvement in the international PVC market. "When that happens, Coalglex will become extremely profitable."

Mr Smale admits that revised import protection means that plastics prices could fall by between 15% and 20%. Another benefit is the "enormous additional cash flow" from a package which includes additional depreciation on the R5-million worth of plant acquired.
high-tech Athel
Revamp for Rihn
The electrical empire of electrifying performance, valued on the JSE at R1 000-million, is to be restructured mainly to enable the group to make more acquisitions.

The group will have the capacity to issue shares worth R400-million, at today’s price, in acquisitions without losing control of any of its interests.

“This is the culmination of all I have been working for,” Mr. Venter told Business Times. “Now we have a complete electronic and electrical group that can go for international turnkey projects in competition with the big multinationals.”

The structure sees a long way towards answering criticism of the deal by which Altech obtained control of Asea.

Management at Altech is adamant that this was contemplated from the outset, but it could not be spelled out originally because of the complexity of the transaction.

Altech took Anglo American Industrial Corp’s 49.5% stake in Asea and put this into the bottom of its empire in Powertech. Ame received shares in Indumens, a new pyramid. This meant that minority shareholders in Altron were no longer part of the group’s control.

The JSE frowns on the creation of double pyramids in new listings, but the rules do not preclude double pyramids for companies already listed, in creating a double pyramid to obtain control of Asea, Altech went against the spirit but not the letter of the rules. But this was the only way Asea could be brought into the fold.

Old Mutual, which was the biggest minority holder in Altron, as believed to have been peaved at what it saw in the wake of the rift over the Premier SA Brews deal, as further one-upmanship by Anglo.

The restructuring eliminates one of the two pyramids, but still leaves Old Mutual and the rest of the Altron minority out of the control situation.

The Altron minority has now Venter’s assurance that Altron and its subsidiaries will be the main acquisition vehicles. And his word that Anglo American has no preemptive right to control if ever the Venter family wishes to sell out. Another palliative is that the group could derive trading benefits from being closer to Anglo.

The most important aspect of the restructuring is that Altech is to hand control of Powertech, the power electronics company that recently took effective control of Asea Electrico, to its holding company, Altron.

Altech and Powertech, which are now almost equal in size, will be independent of each other under Altron (see diagram).

Altron, which will also be the main acquisition vehicle, outside electronics and power electronics, will thus be transformed from a pyramid into an industrial holding company.

Indumens — to be renamed Ventron Corporation — will be the only pyramid in the group. The top company will be controlled 70% by Venter’s family and associates, 20% by Anglo American.

In theory, stripping Powertech out of Altron should reduce the share price, but because Altech’s earnings and net assets value both benefit from the deal it is possible that the Altron share price will not fall.

In this case, the two Powertech shares will be a pure bonus to today’s Altron holders. The earnings and net assets of the Altech shares they retain are hardly affected. In the meantime, taking into account the extra earnings and dividends from the additional Powertech shares, the deal enhances earnings and net assets.

Had the deal taken place last year, shareholders would have received earnings on the Altech and Powertech shares equivalent to 27c instead of 26c and net assets of 93c instead of 92c.

Altech becomes a pure electronics and telecommunications company and, as such, in the area that is expected to grow fastest, its rating should improve.

In a sense, the deal makes Altron what Altech used to be and Indumens what Altron used to be.

Altron shareholders could see earnings rise 13% and assets by 56%. The current price of R25 relative to the R21.50 at suspension should appease disgruntled shareholders. Altron will probably hold any major acquisition made overseas.

According to Mr. Venter, several possibilities in the US and UK are being investigated and a London listing is possible.

The listing of Indumens (Ventron Corp) will move to the electronics sector institutional shareholder base will be able to participate in the top company as a downline company when the shares are acquired and Ventron finances these by issuing scrip. This is what happened in Altron.
Three leading ship Chandlers to merge
MORE POWER TO POWERTECH

By PATRICK McLOUGHLIN
Investment Editor

POWERTECH will be increased in size and its potential for development enhanced as a result of a major modifications to the planned restructuring of Mr Bill Venter’s Altech group, industry observers say.

“Powertech has come of age,” one industry executive said. “Powertech was previously in a state of being the stepchild of the group. It has grown from being an ugly duckling into something that matches Altech in terms of size and strength.”

The major variations to the complex restructuring of the Altech group was announced at the weekend.

It involves shifting control of Powertech, the power electronics company that recently took effective control of Asea, to its holding company, Altron.

Altech and Powertech will be independent of each other under Altron.

Powertech will be — after it has acquired Asea and the remaining interests in Luscan Lighting — marginally bigger in sales than Altech.

No projection on earnings and sales for the current year was provided in the weekend announcement.

But if the deal had been implemented last year, Powertech’s turnover would have exceeded R250m.

In the year to February 28, 1985, Powertech posted turnover of R97.6m and attributable earnings of R3.1m.

Last October, Mr Venter, in what he described as one of the most complicated deals in the history of Diagonal Street, announced the simultaneous acquisition of Asea and a complex group restructuring involving the positioning of former cash shell, Indumoni, above Altron as a double pyramid.

The five major deals in the restructuring now are:

- The Indumoni rights issue;
- The takeover of Asea, involving compulsorily convertible shareholders’ loan stock which will immediately become Indumoni and Altron shares;
- Creation of a new group pyramid company, Indumoni;
- Restructuring of existing listed companies in the group, involving the de-classification of Altron as a pyramid and the separation of Powertech from Altech;

Indumoni will change its name to Ventron Corporation Limited (Ventron) and be listed under the electronics section of the JSE.

The major feature of the deal, the separation of Powertech from Altech, will enable each of the groups to concentrate on its own specialist fields.

The new structure will enable investors to buy directly into electronics and telecommunications through Altron, or into power, electrical and energy-oriented industries through Powertech.

Those wishing to invest in both areas will be able to do so through either Altron or Ventron.

An Altron director, Mr Peter Curle, says the Asea transaction is to Powertech what the STC takeover was to Altech.

Mr Bill Venter founded the Allied Electric group in 1965 after leaving STC.

He later acquired the Unwinkels cash shell.

The latter, named Altech, became a major force in the electronics and telecommunications industry with the acquisition of STC in 1977.

By way of compensating Altech shareholders for their company’s loss of its Powertech stake, Altech shareholders will get two free Powertech shares for every Altech they hold.

Market sources say this could in the short-term be bearish for Powertech.

They reason that some institutional and overseas shareholders in Altech who are not familiar with Powertech may offload their free Powertech shares.

Had the deal gone ahead this year, Powertech’s earnings would have been up 36% to R9.4c.

With a suggested dividend cover of around 3.3 times, the potential dividend would have been 3c.

At the current share price, Powertech is on an earnings multiple near 20 with a dividend yield of 1.5%.

If the bearish trend in Powertech does occur, there may be opportunities for investors to buy on weakness.

Mr Curle says the scope for acquisitions in Powertech is slightly better than with Altech. This is because it is in a more mature industry with more potential for rationalisation.

Pyramid company shares on the JSE tend to trade at a small discount to the share price of the underlying listed company, in this case Altech.

This is a peculiarity of the market, possibly due to a psychological factor reflecting the distance between control and the operating company, where the action is.

Now that Altron becomes a holding company, this pyramid discount may not apply and the share price could rise.

"Altron will become more dynamic and be seen as the pivot company in the group," says Mr Curle.

Offshore acquisitions offer exciting potential for the whole group Overseas earnings now comprise a small proportion of group earnings.

The group is determined to increase exports.

It has targeted the US and the UK and the extra weight of Powertech should facilitate international growth.
An inter-regional agreement has been concluded between four major stock farmers' co-operatives.

The co-operatives have more than 30,000 members and a combined yearly turnover of R700 million.

The agreement was reached at a meeting between Stock Owners Co-operative Ltd and Sentra-bestuur, which manages the Transvaal Livestock Co-operative Ltd, Free State Livestock Co-operative Ltd and Cape Eastern Meat Co-operative Company Ltd.

A statement by Sentra-bestuur said that each co-operative would maintain autonomy in its own region, but would promote inter-regional cooperation, especially in the areas of stud, dairy and special sales and other matters of mutual concern.

Buying power would also be harnessed, creating a powerful marketing force.

In this way the eastern half of the country would be 'combined, matching supply and demand' for the benefit of South African farmers.
Sanlam holds 40% Protea Holdings issued shares

By PATRICK McLOUGHLIN

JOHANNESBURG. — Sanlam has acquired effective control of the industrial conglomerate Protea Holdings.

A spokesman for Sanlam said yesterday indications were that Sanlam had over 40 percent of Protea's 33.3m issued shares. The group would consider buying other Protea shares "on merit."

He declined to say whether Sanlam would purchase Protea shares in the future.

Informal sources say, however, that Sanlam has a holding closer to 45 percent and a change of absolute control in the next few months is on the cards if Sanlam continues to buy Protea shares.

Potential

Dr Fred du Plessis, commenting on Sanlam's stake in Protea, said, "Our attitude is that sooner or later, something will happen to Protea and it has potential. We want to hold Protea shares."

In the year to June 30, Protea reported turnover of R386m (previously R402m) and earnings of R41.5c (62.4c).

Market talk on Protea — which has been the subject of take-over speculation for some time — was revived last week when 1.068m Protea shares were traded.

The volume represented slightly more than 12 percent of the week's total volume in non-mining shares of 8.713m, attracting brokers' attention in a relatively static market.

Volume

On Monday, Protea moved up 5c to 340c on a small volume but on Tuesday the share increased a further 10c on a volume of 963,395 shares — 2.9 percent of Protea's total issued shares.

The rest of the week saw Protea move up to a 12-month high on Wednesday, after a 30c price rise to 390c, while on Thursday and Friday the share price fell 5c to end the week at 370c.

Aside from Tuesday, when there was a bookover of about 950,000 Protea shares by brokerage firm Simpson Frankel Kruger on behalf of Sanlam, volumes remained fairly low.

The deputy chairman of Protea, Mr Aidan Beard, said there had been "a substantial change of shareholdings" in the group with 15.3m Protea shares — almost half the total share capital — changing hands in 1983.

Buying order

He said he had known of a substantial buying order placed with Simpson Frankel for Protea shares, but he did not know if Sanlam was approaching control. This was partly because Sanlam had a number of bank nominee accounts.

Mr Beard said he didn't know if Sanlam had any further buying orders in the pipeline.

"I assume Sanlam has decided the recoverying market in Protea is good and they are simply accumulating shares," he said.

Sanlam's overwhelming shareholding means that it has secured effective control of Protea from Old Mutual, which some analysts believe to have around 20 percent of the shares.

Mutual bought about nine percent in Protea from Anglo American Life early last year.

When the Protea vendors placed them with Old Mutual for cash, a paper chase was triggered for any of the 33m Protea shares in issue after the Protea deal.

Shareholder

Sanlam was the largest single shareholder in Protea 12 months ago. It held no more than 12 percent of the equity in its own name, although it may have held more through nominees.

The paper chase in October-November saw almost 7m Protea shares change hands prompting a market speculation of a take-over bid.

Sanlam is keeping To page 13
Reunert gains 25% holding in ATC

JOHANNESBURG — Reunert, the recently created electronics and engineering arm of Barlow Rand, has bought a 25 percent stake in ATC (Pty), one of the country's largest suppliers of cables for the telecommunications industry, a statement by the company said yesterday.

ATC commenced manufacture of telecommunications cables in 1956 in conjunction with African Cables in Vrengeng.

Shareholders

The company moved into its own premises in Brits in 1972, and has since developed into the country's leading supplier of telecommunications cables.

Prior to the Reunert deal, the shareholdings in ATC were GEC 30 percent, BICC 40 percent, and STC 30 percent. These three British companies have each sold a pro rata share to enable Reunert to gain a 25 percent holding.

Management and staffing of ATC is unchanged, but the Reunert deal gives the company a local partner — a desirable move in view of the large volume of business that ATC does with State and quasi-State undertakings.

For Reunert, the acquisition is in line with the development of its information processing division — Reunert Information Systems (Pty) — to offer an integrated service to customers embracing the capture, processing, switching and transmission of data.

Companies in the Reunert Information Systems Division include Barlowdata, Telegrama, AEI Henley and the recently-acquired Telkor.

ATC board

Mr Derek Cooper, chief executive of Reunert, and Mr Colin Ferreira, managing director of Reunert Information Systems, both join the board of ATC today, the date on which the deal becomes effective.

There will be no other changes to the board of ATC.

Mr Logan Stewart continues as chairman of ATC, and Mr Peter Watt as managing director.

Negotiations for the sale of the 25 percent stake in ATC to Reunert were handled by Hill Samuel Merchant Bank.

— Sapa
Sappi profit shows strong recovery

By JOHN MULCAHY

JOHANNESBURG. — After reporting a 4.3 percent decline in profit for the first six months of 1983, Gencor’s paper and pulp producer Sappi showed a strong recovery in the second half, closing the year with attributable profit 8.6 percent ahead of 1982.

Earnings rose to 214c a share from 197c and the final dividend has been left at 6c, for an unchanged 86c total.

Attributable profit rose to R66m from R60.8m and the tax charge rose to R69.7m from R62.000. There was a surplus of R5.028m on the sale of non-current assets, the major part of which relates to the sale of a plantation and an investment in Singisi Forest Products (Pty).

Domestic demand

Sappi’s chairman, Mr Paul Landau, said yesterday the deterioration in domestic demand for packaging paper was seriously affected by the drought and by imports.

He again cited the lack of effective tariff protection and said attempts to secure realistic duty protection had been unsuccessful.

“The market for fine papers remained constant, but newsprint demand dropped by about five percent.

“Buoyant conditions in the building industry have caused strong demand for particleboard and for structural timber, but industrial grades of timber suffered badly from a sharply deteriorating market.”

Sappi’s turnover rose by 12 percent last year to R53.5m from R49.4m in 1982 and operating income was 11 percent higher at R62m (R73.9m).

Net interest paid dropped to R15.46m from R16.83m, but this has been substantially reduced by the capitalization of interest on borrowings raised for the Ngodwana project.

Financing costs

Interest capitalized in this way amounted to R15.97m, leaving net interest of R2.4m. Down from 1982’s R2.4m.

There was an additional R18.6m in capitalized financing costs, arising from dividends paid on preference shares again issued as part of the Ngodwana financing scheme.

Commenting on the 1983 performance, the directors say that in spite of the declining domestic market and the effects of the recession, as well as double-digit inflation, “the erosion in operating margins has been contained.”

“This was achieved from slightly higher volumes in some product categories and through continued concentration on productivity improvements and control of assets.”

Sappi’s managing director, Mr Eugene van As, said last night there were two factors that could depress earnings in the six months to June.

Price increases

The first was the delay in price increases, which were normally applied in January, and demand would probably be slack in this period.

Pre-tax profit was 25 percent ahead of 1982, R84.7m against R67.7m — but the sharp rise in the tax charge left net income 15.1 percent up at R77.7m (R67.5m).

Minorities rose sharply to R4.6m from R4.1m, a direct result of the improvement at Carlton Paper, and dividends on preference shares more than doubled to R5.295m from R2.580m.

Reviewing the year ahead the directors say economic indicators internationally and within South Africa are inconsistent and no clear trend is evident.

“Although the first half of 1984 is likely to show a small reduction in attributable earnings compared to the first half of 1983, it is expected that local business conditions should improve later in the year.”

“...The improvement in the United States and Western economies can be expected in due course to favourably affect the South African economy, and it is expected that the results for 1984 should be better than those achieved in 1983.”

“The company is in an excellent position to develop growing export market opportunities, particularly in the field of Kraft and linerboard, which are predicted to be in short supply internationally from the end of 1984.”

Mr Van As said the international paper industry was nearing the end of its depressed cycle.

Fine paper had held up well, but Kraft, pulp and newsprint were depressed.

He said significant destocking was seen throughout last year, but “I don’t think there is room for any more destocking and in fact we could see a resurgence of restocking in the second half of this year.”

Mr Van As said it would be realistic to forecast the start of the upturn in the paper industry in the second half of the year.
Tollgate increases interim to 10c

Finance Reporter

TOLLGATE HOLDINGS have increased their interim dividend to 10c from 7.5c in 1983. The interim results are due to be released in March.

If Tollgate stick to their traditional 10c final, this will bring the total for the year back to the 1981 level of 20c, which at the time of its capital repayment of 270c a share in January 1981, the company forecast would be maintained.

However, unsuccessful applications for fare increases in 1981 and increased competition from both legal and illegal taxis in the downturn led to a decrease in income in 1982 and 1983.

Toward the end of last year Tollgate withdrew an application for fare increases when the petrol price was lowered.

In 1982 Tollgate paid a 5c interim and 10c final on earnings a share of 18.6c. In 1983 the interim was raised to 7.5c for a total of 17.5c on earnings of 20c.

The current dividend is payable on February 23 to shareholders on register on February 7.
Sappi projects may be R120-m over budget

Argus Correspondent  
Johannesburg — Sappi’s R600-million expansion project at Ngodwana and Enstra could end up about R120-million over budget by the time final plant and equipment is commissioned in March 1985.

Finance director Mr John McManus says that while the cost overrun will probably only be about 5 percent or R40-million, this will be in addition to a 10 percent escalation clause which was built into the original R800-million estimate.

But this is not likely to have any real impact on group results during the period.

The main reasons behind the cost overrun include damage to drying machines (which made it necessary to fly in special equipment from Europe to rectify the problem) and unforeseen price increases.

Sluggish Recovery

But the setback for several months caused by damage to drying machines for the newprint production has been more than overcome. The project is now expected to be completed four months ahead of the original July 1985 completion date.

The depressed state of the local paper market and the sluggish recovery in international demand have, however, affected original profit expectations. At the start of the project, Sappi had budgeted for a return on capital invested of 21 percent, or a total of just under five years before the investment had paid for itself.

Bottom Line

Because of depressed economic conditions, says Mr McManus, this figure has now fallen to about 14.5 percent, or seven years. The impact on bottom line earnings of the complex financing package structured specifically for the purchase of plant and equipment will be interesting.

The leveraged leasing scheme used allows substantial tax benefits after plant is commissioned. Sappi also got in before the late-1981 alterations to the taxation laws, so pre-commissioning interest payments can be grossed up and offset against tax as initial and investment allowances.

Interest Charge

In some instances this will produce a negative interest charge on the project’s financing and bring the group’s overall net interest rate to well below 10 percent.

Of the total R550-million borrowed so far for the project, about R460-million has been raised for plant and equipment through the leveraged lease scheme.

Export Markets

A further R150-million has been raised overseas via export credit finance. While the balance has been made up from the issue of preference shares in subsidiaries, a rights issue and internal resources.

Once the project is complete Sappi aims to export some 50,000 tons of pulp a year — none is exported at present — out of total pulp production in 1986 of almost 1-million tons.

Paper exports are expected to rise from 50,000 tons now to 150,000 tons from output of just over 1-million.

- Sappi earned R66-million in the 12 months ended December 31 equal to 21.4c a share. This was an 8.6 percent increase on its 1982 earnings of R60.8-million equal to 19.7c a share, Sapa reports.

An unchanged final dividend of 6c a share has been declared making an unchanged 6c for the year. This dividend was covered 2.5 times (1982, 2.3 times) by earnings. Sappi issued 230,665 shares in 1983 for the acquisition of Timberboard (Pty) which now forms part of Sappi Novebond.

Operating profit before interest rose 11 percent from R73.9-million to R82-million.

Income was helped by a profit of R5-million (1982 R6.7-million) from the sale of assets.

Interest took R2.4-million (R6.8-million), partly because interest for the Ngodwana project has been capitalised. Preference dividends increased from R2.6-million to R5.8-million.
Sale of public corporations could ease State's burden

The Government could ease its serious financial situation by selling off some of the public corporations to the private sector, says Dr Rory Knight, a senior lecturer in the Department of Accounting at the University of Cape Town.

Dr Knight, who also lectures at the university's Graduate School of Business, told a Summer School session this week that this would bring immediate benefits to taxpayers and greatly reduce the national debt.

He estimated that the sale of Escom, Iscor and SA Transport Services would bring the Treasury about R450 million.

Dr Knight said the Government should no longer be in the business of providing electricity, steel and transport services to the public.

**Losses**

There might have been some justification for the Government to be active in these fields when the private sector was unable to provide the services or could do so only at a loss.

But this was no longer the case. The three organisations were profitable on a cash flow basis and there was no longer any economic reason to justify their remaining in the hands of the Government.

Where there were losses it was usually the result of their making exceptionally heavy provisions for depreciation and inflation.

**Supplies**

He said that the public corporations tended to follow an accounting policy of making today's users pay for tomorrow's supplies.

Calculations by Dr Knight based on figures in the corporations' latest balance sheets put Escom's total assets at current market prices at around R28 billion and net assets at R21 billion after allowing R7 billion for debt.

He estimates that Iscor has about R1.7 billion worth of assets and R1 billion worth of debt resulting in a net worth of around R700 million.

SA Transport Services is estimated to have total assets of R28 billion and debt of R8 billion giving it net assets of R20 billion.

**Benefits**

Selling these enterprises to the private sector would bring immediate benefits to the taxpayers as the Government would have a much smaller national debt to service. He added that interest payments accounted for about 12 percent of Government expenditure.

Escom reported a loss of R58 million for 1982, although its cash flow was in the vicinity of R1.7 billion.

Isocor had a loss of R22 million on a cash flow of R410 million, while SA Transport Services had a profit of R95 million from a cash flow of R1.4 billion.

The accounting policies of the public corporations were also attacked earlier this year by Professor Brian Kantor, professor of economics at the university.

**Scepticism**

He said the reports of large operating losses should be treated with profound scepticism.

"The true economic facts about them have been buried under illogical inflation accounting," he continued.

The use of capital cost replacement principles of accounting had effectively disguised their profitability which was useful in moderating pressures for lower prices.

It enabled them to finance a growing proportion of their investments out of internal cash flows and reduce the proportion of debt to equity.

The Financial Editor writes that the sale of some of the public corporations as called for by Dr Knight would greatly help the Government's finances.

It would enable it to substantially reduce its borrowings and save hundreds of millions of rands in interest payments which have to be paid out of taxes.

The retention by the Government of the public corporations could possibly be justified if it could be shown that they were getting a real return on their investments out of which they were making substantial contributions to the Treasury.

But seeing that they are making losses or only small profits in spite of the employment of large quantities of free capital acquired as a result of large profit ploughbacks, their efficiency would appear to be low and they would not seem to be employing their assets as profitably as they could be.

The argument that their profits are low because their prices are kept low to help the consumer is not a valid defence.

It would mean that they were not charging a fair economic price for their products and services and therefore that they were misusing and squandering scarce resources.
"Major business changes coming"

By Melanie Sergeant

The next few years will see major changes in the structure of South African business. Big companies will break down into smaller, more manageable units. There will be a major swing to businesses which have a service orientation.

This is the view of Mr Gus Ferguson, MD of Barmark, the wholly-owned marketing subsidiary of Barclays Bank.

He said at the launch yesterday that recent surveys showed that only eight percent of South African companies were truly market-oriented, at a time when there was a demand for a more integrated approach.

A major growth area was "relationship management", a concept that had already "taken off" in the US, Mr Ferguson said.

"Companies can no longer direct their organisations internally. They need to look at the universe around, which includes suppliers, consumers, and government."

Barmark was set up as a linkage between the world of academia and business people.

Mr Ferguson said Barmark found a large gap in the market, and would show companies how to move from being sales-oriented to being market-oriented.

The growing entrepreneurship in South Africa, especially in the black sector, was a large target area. Clients would not necessarily be Barclays' bank clients.

Mr Gordon Hewitt, adviser to the Barclays Group on competition laws, as well as acting as economics adviser to several major European and South African companies, said at the launch that companies needed to rethink their marketing approaches and would turn away from the mass market to focus on one product or service at which they excelled.

"The rigid definition that once existed between banking, insurance and building societies has faded, and banks now need to find a niche where they offer a unique, specialised service, as Citibank in the US has done." Computer companies have bowed to the superiority of IBM, and are now offering specific services and products to the marketplace which are considered to be 'insignificant' to the giant IBM."

Barmark's first client is Nisan, which it has advised on management development.
Evidence points to widespread insider trading in SA, yet there have been no prosecutions to date. It is time this was changed.

In terms of the Companies Act, insider trading is a criminal offence. But difficulties in amassing evidence make the crime extraordinarily difficult to prove anywhere in the world. In SA, however, the problem is more fundamental. The law on the subject, as embodied in Section 233 of the Act, is so narrow in scope and so full of holes as to be virtually worthless as a deterrent.

Section 233 defines the crime of insider trading as follows: “Every director, joint director, officer or person (who) has knowledge of any information concerning a transaction, or proposed transaction of the company, or the affairs of the company which, if it became publically known, may be expected to materially affect the shares or debentures of the company and who deals in any way to his advantage, directly or indirectly, in such shares or debentures while such information has not been publicly announced on a stock exchange or in a newspaper or the medium of radio or television, shall be guilty of an offence.”

At first glance, this seems straightforward enough. But as a close look at this particular provision of the Act makes it plain, how revisionists see the law as inadequate. The first and most obvious omission from Section 233 is the absence of any mention of the recipient of a tip (the “tippee”) who gains advance information from inside a company and then acts on it for his own gain. Legal opinion is that the tippee, acting in such circumstances, commits no offence as long as he is not the agent of the tipster. The “person” mentioned in Section 233 is defined in Section 229 of the Act as one “in accordance with whose directions the directors are accustomed to act.” This clearly excludes the tippee.

In this aspect, SA law differs markedly from that in Britain and the US. There, both the tipster and the tippee could be prosecuted, whether they act in cahoots or not. Britain’s 1980 Companies Act gives a long list of what constitutes insider trading. However, the basic precept is the knowing use of unpublished, price-sensitive information by anyone (including firms) to deal in shares, or passing it on for someone else to do so, constitutes a criminal offence. Penalties range up to a maximum of imprisonment, or an unlimited fine, or both.

In the US, the most significant insider trading case now facing the courts is that against Paul Thayer, who resigned from his post as Deputy Secretary of Defence in the face of a Securities and Exchange Commission (SEC) investigation. He is accused of helping eight others to make $1.9m by illegally passing on privileged information about three companies — LTV, Anheuser-Busch and Alloyd Corporation — all of which he was a director. It is not suggested that Thayer traded stock himself.

The US case highlights the limitations of the SA law. Wits University law professor Michael Katz points to the freedom of the tippee to trade on inside information as a serious defect in the law. But Katz is equally concerned about two further points which may amount to even more serious shortcomings in the legislation. The first is that in a takeover situation, the directors of the target company, even though they may be negotiating with an acquirer, are not prevented from dealing in shares in terms of Section 233.

As Katz sees it, the target company is a passive entity whose shares are simply being bought by the acquirer. Therefore, the Act’s wording — relating to those with knowledge of the transaction or proposed transaction of the company or the affairs of the company — does not apply to the company being taken over, only to the company which is making the acquisition.

If the prospect of bands of directors legally piling into the stock market just before their companies are taken over is not sufficiently horrifying, Katz’s third point gives further cause for alarm. Section 233...

In the past three years in the US, the number of cases involving securities trading referred by the SEC to the Justice Department has risen from none to more than 15. Not all concerned insider trading, but the District Attorney’s office in Manhattan has just secured its 11th conviction for insider trading since 1980. Federal securities laws prohibit buying or selling of shares on the basis of information available only to those who are privy to it inside the company and not to the general public. In addition, company officers are required to report deals in their own company’s stock.

SA was one of the last Western countries to make insider trading a crime. Even if the country’s legal system wishes to continue viewing insider trading as criminal, it is high time the lawmakers did something to plug the loopholes in the existing legislation. Thus, in turn, might encourage the law enforcers to pull up their socks.

The current sitting of the Standard Advisory Committee on Company Law seems a good starting point to set the ball rolling towards reform.
Federale buys into AFI

PRETORIA—Federale Volksbeleggings Beperk (Federale) has acquired the minority share of 17.1 percent in Acoustical Fibreglass Insulation Ltd (AFI) from Sanlam for R3 million.

The transaction was effective from October 1, 1983. Federale's managing director, Mr. Johan Moolman, announced yesterday.

Federale will issue 300,000 ordinary Federale shares at 500 cents per share in part payment of the R3 million purchase price. AFI will issue new redeemable preference shares to Sanlam to make up the balance.

The transaction will have no material effect on the net asset value or earnings per share of Federale, but increases Federale's stake in the supply of building materials, identified as an important growth sector by the group.

AFI specialises in the manufacture and marketing of glass and rockwool insulation materials, glass reinforcement materials, reinforced fibre glass panels, acoustic ceiling tiles and ceramic fibres. —(SAPA)
cartel probe

Professions Face

The lack of competition among

THE lack of competition among

By Alva Rogers and Perry Stock...
Bankorp joins forces with insurance brokers

By ALEX PETERSEN
Deputy Financial Editor

SOUTH AFRICA is leading the field in the trend of merchant bank involvement in insurance broking, which reflected the country's strongly competitive broking environment, the chairman of Reed Stenhouse and Partners, Ltd, Mr John B Devine, said yesterday.

Brokering houses Reed Stenhouse and Hogg Robinson have combined forces with the Bankorp group to form Stenhouse Bankorp and Mr Devine is in South Africa to meet with Bankorp partners.

Stenhouse Bankorp is specializing solely in corporate accounts, and although Stenhouse have a minority holding, they are committed to providing a full range of support services.

Mr Devine said that indicative of the changing nature of insurance and reinsurane was the increasing extent to which specialist brokers designed tailor-made as opposed to "off-the-shelf" policies. For such packages to be acceptable to underwriters there had to be an element of trust, as well as a good track record on the brokers part.

This was linked to another important change in emphasis in that clients were seeking specialist advice which had been to minimize and eliminate risk.

To provide such expertise, internationally Stenhouse employ about 50 specialist engineers with insurance training to advise and monitor client projects.

"Although big corporations insures against risks, with the consequences they don't want to have to make claims. They prefer to try to eliminate risks, and specialists' advice can help in this, and reduce premiums accordingly," Mr Bovell told the meeting.

Mr Devine said that is the impact of a 9% drop in the met's other income for the year to June of 1983-84.

Stenhouse Bankorp is a division of the South African Guarantee & Indemnity Co., in which Bankorp have a 24% stake.

Mr Devine said the group has enjoyed a market share of about 15% of the market, and that the new joint venture will be able to expand that further.

The new company employs about 50 staff, and has contracts with a number of large corporates, including the Anglo American Corp.

The company has been operating for about 18 months, and has developed a strong market position.
T W Beckett raises earnings to 42.2c

Johannesburg — T W Beckett pushed up its earnings 32 percent to 42.2c a share in the six months ended December from 27.7c in comparative six months of 1962.

The company is controlled by Anglovam through South Atlantic Corporation and distributes tea and coffee.

Turnover rose 14 percent to R52,257m for the six months (six months to end-December 1962: R45,002m) while profit before tax was 30 percent up at R5,533m (R4,360m).

The company said its sales mix was more profitable in the six months, while improved plant efficiencies and cost containment contributed to a recovery in margins and profitability returned to more acceptable levels.

T W Beckett has taken advantage of the sharp rise in world tea prices to push its own tea selling prices up.
Kick-off for R1,4bn
Barlows giant

By David Carte

AFTER big building materials and steel acquisitions recently, Barlows is to unveil a giant division in its next annual report with sales of R1 400-million and taxed profit of R50-million.

The new building materials, steel and paint division, comprising three listed companies — Federated Blakie, Robert Industrial Holdings and Plascon — will employ 21 000 people Barlows main board director John Maree heads it.

If Mr Maree's new division were a separate company, it would rank in profit size among the top 10 in South Africa — above such blue chips as Murray & Roberts, Anglo Transvaal Industries, Safmarine and Highland Steel.

Mr Maree says the new division is part of a drive in Barlows to avoid becoming too institutionalised and to enhance public participation.

"The aim is to get the divisional operations into quoted companies. We believe it's good for management to have independence and to be in the public eye."

Other new mega-divisions comprising several quoted companies in Barlows include Reunert, the electronics and engineering arm, Namak and Metal Box, the packaging division, and CG Smith, the food and textiles arm. Barlows now has 15 separately listed industrial companies.

R600-m sales

After Federated Timbers is reversed into listed Blakie Johnson, the combined giant in building material distribution will have sales of R600-million, taxed profit of R15-million and total assets of R256-million. It will have 110 outlets nationwide.

Mr Maree said that Barlows paid 9.9 times its earnings for Blakie Johnson. In establishing the price for Federated Timbers at 15-million new Blakie shares, Federated was valued on a relative value basis taking into account net assets, earnings, dividends and so on.

This means Federated was adjudged to be worth 60 against Blakie's 40.

The current share price is underpinned by the offer price and analysts are divided on whether it will hold after conclusion of the deal. The circular to shareholders goes out in about 10 days.

Mr Maree said that although it would be by far the biggest building supplier in South Africa, Federated Blakie would have only about 15% of the market.

Mr Maree told Business Times that all jobs were secure.

"If anything, we'll be short of people and opportunities will improve."

Though cyclical, he believed building would be a strong long-term growth area.

"In addition, we are excited about manufacturing new products, such as doors, windows, trusses, timber-frame houses, knock-down furniture, new and veneers, and bulk and mmm-bulk cement delivery."

Turnover in Reunert, the steel division, comprising Wolfsheater, Brollo, MPT Barlows, Aimeex and Monoweld, would be about R600-million, taxed profit R18-million and gross assets R158-million.

Plascon Paints, long a Barlows subsidiary and "a marvelously run company", will account for most of the rest of turnover and profit.

Celebrated

Analysts believe the company has done much to head off criticism about agglomeration by decentralising and permitting public participation in its activities. Last year's 9% earnings decline is now seen as a fine performance in trying circumstances.

Watchers have also been impressed that Barlows retains its celebrated ability to transform small initial strategic acquisitions in new industries into dominance in a few years. It has achieved this in packaging, sugar, food and electronics — and now building materials and steel.
Statistics point to 12 months of solid growth

Stannic posts a net income of R23,735m

By HAROLD FRIDJHON

JOHANNESBURG. — A spectacular turnaround in the net income of Stannic enabled the Standard Bank Investment Corporation (Stanbic) to achieve a 46.9 percent increase in its attributable profit for the year to December 1983.

Attributable profit rose from R62,769m to R121,582m, raising earnings from 135c a share to 188c. The final dividend has been increased from 35c to 40c, making a total of 55c for the year against the previous year's 44c. The cover was 3.3 times against three times cover the year before.

The group's operating profit before tax was R173,11m, up 33 percent on 1982. Tax, however, rose by only R6m as the tax rate declined from 34 percent to 29 percent.

The previous year's tax charge includes provision for a prior year's disputed tax which remains under appeal.

**Retained profits**

Taxed income of R117,577m (R80,986m in 1982) was enhanced by R4m, the share of the retained profits of associated companies — R1,789m in 1982.

While the attributable profit increased by 46.9 percent, the earnings a share were only 39.2 percent higher because of the issue of 7,672,500 shares during the year — 6.7m to effect the Donald Gordon/Abert Ney deal, with the balance going to the staff share incentive scheme.

The statistics of the year point to 12 months of solid growth. Shareholders' funds have increased by 21 percent to R26,855m with the return on shareholders' fund increasing from 16.9 percent to 20 percent.

Total assets rose by 13.6 percent to R11,377 billion with current, deposit and other accounts increasing by 11.7 percent to R9,967 billion.

Advances and other accounts were 20.6 percent higher at R8,927 billion.

**Growth rate**

The commercial bank, the Standard Bank of South Africa showed a growth of only 4.5 percent last year with the net income going up from R77,603m to R81,132m.

The Standard Merchant Bank registered the same rate of growth to achieve a net income of R10,287m.

Stannic was the spectacular performer. From a loss of just under R7m in the year to December 1982, the hire-purchase and leasing bank turned in a net income of R23,735m. This was achieved through increased market penetration and the writing of more profitable business. Only a limited portion of Stannic's book was now being written on a fixed rate basis.

No earnings have been brought into account for the additional 26 percent shareholding in Lamlife Controlling Corporation (Pty) acquired with effect from July 1, 1983.

**Debt provisions**

The managing director, Mr Henri de Villiers, said yesterday that debt provisions had been increased to cover potential losses this year. The charge to profit and loss had increased from R40m to R50m. Other provisions had also been increased. He considered this prudent move in the light of prevailing conditions.

The past year had been tough but the outcome was better than had been expected at last year's annual meeting when a gloomy year had been taken of conditions in banking after the abolition of the Register of Co-operation between banks.

But in a competitive market the bank and its staff performed exceptionally well.

The banks had been assisted by the recession in the property asset requirements which the banks have to hold. This released assets of between R500m and R1 billion.

**Outlook**

The bad debt experience in the past year had not been as bad as had originally been expected but Mr de Villiers was concerned about the outlook for the current year with the economy in recession and the distress of the agricultural sector to which the group was substantially committed.

During the year the changes in interest rates have squeezed margins, particularly earlier in the year when the bank had been committed to high-cost borrowing when lending rates had fallen. At present costs of money were running at a high rate but the bank did not raise its lending rates to where they should be because it was not considered expedient or in the public interest.

Progress was being made in strengthening the links with the Unilu Building Society and Liberty Life Association. The Standard Building Society was winding down slowly, but it would take many years before it was finally wound up.

Looking at the current year, Mr de Villiers said that he would be relieved if the last year's figures were repeated.
Liberty Life details terms of rights issue

Own Correspondent

JOHANNESBURG — Liberty Life Association is offering ordinary and convertible preference shareholders 25 new ordinary shares at R50 a share for every 100 ordinary or convertible preference shares held on March 2, 1984.

Terms of the rights issue originally announced on February 2 were released last night.

The issue involving 3,043,258 new R1 shares will raise R152,2m. This will effectively increase the company's capital and reserves from R240m to R392m. Liberty Holdings will not be following all its rights. The major portion of the approximately 2m new shares to which it will be entitled will be placed at the issue price with institutional shareholders in South Africa and in the UK.

Resources

The balance of the shares which it will take up will be financed from Liberty Holdings' own resources.

This will reduce Liberty Holdings' stake in Liberty Life from 78 percent to 65 percent, assuming full conversion of the convertible preference not taking into account any shares which might accrue from the underwriting which is being done by Liberty Holdings and Standard Merchant Bank.

The directors of Liberty Life anticipate that the dividends which the new shares will be entitled to — those for the year ending December 1984 — will be of the order of five percent on the issue price, that is at a rate of 250c a share. This is in line with Liberty's annual dividends which have been increasing at a rate of 20 percent a year.

Mr Donald Gordon, chairman of the Liberty Life and of Liberty Holdings, said last night that there was a twofold purpose in making the issue.

First, financing the fast volume of new business written had become an increasing strain. When the last rights issue was made in 1980 it had been believed that this additional capital would have been sufficient to finance new business written up to 1990. Instead, that target had been reached seven years sooner than had been expected.

In 1980 total assets were R1,334 billion. Currently total assets were in excess of R3 billion. At this rate of progress they could reach R10 billion by 1990. The additional capital would put Liberty's capital base in a very strong position.

The secondary reason — and this was why Liberty Holdings was not taking up all its rights — was to widen the company's register of shareholders, particularly among institutions here and abroad.

Shares

Records show that Liberty's shares were very tightly held and that few shares ever came on to the market.

The official announcement says that increased public participation in Liberty Life to the extent of approximately 25 percent, involving "a broad spectrum of South African and United Kingdom institutional investors is more appropriate to the status of Liberty Life as a listed company" on the Johannesburg and London stock exchanges. It will also result in greater marketability in the company's shares.
Ending weeks of speculation...

D & H gets 25,9% stake in Blue Circle

JOHANNESBURG. — Darling & Hodgson (D & H) has acquired a 25,9 percent interest in Blue Circle, ending several weeks of speculation on the identity of the aggressive buyer of Blue Circle shares on the Johannesburg Stock Exchange.

(D & H) paid a total of R33m for 3,9m shares bought on the market, or an average price of about 850c a share.

Apart from the stake acquired through the market D & H will receive another 2m new Blue Circle shares and R4m in cash in exchange for a 30 percent interest in the D & H materials division.

The 30 percent stake in the D & H materials division has been valued at R22m for the purposes of the deal, which is effective from last December 31.

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

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

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

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

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

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

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

Earnings

While there is likely to be a drop in D & H’s earnings a share for this year — in 1965 earnings from 1935c as a result of the Blue Circle transaction, Mr Hodgson said that a year from now the acquisition would have a major impact on D & H’s earnings.

Comment: D & H has well and truly shrugged off the effects of the Amardah venture and of the ill-fated engineering division, and 1965 will be seen as one of the most constructive years in the group’s development.

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

Benefits

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

D & H is confident of outperforming Anglo-Alphat’s Hippo Quarries, and this is only one area of potential benefit to Blue Circle.

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

All in all, a good deal, and D & H can be complimented for the advantage it has taken of the recession, both in rearranging the construction interests and in securing the Blue Circle stake.
on acquisition road

HHH takes first step

By Victor Wepukh

IMDeal Revamped

Business Day
Tollgate expanding into private repair market

TOLLGATE is making use of the City Tramways repair and maintenance facilities in Epping to provide a service for other firms and organisations.

It started a subsidiary, Multimech, 18 months ago to carry out engine and body-work repairs for other firms and organisations.

Mr John Boughey, managing director of Multimech, said this week "We are able to handle virtually all aspects of automotive engineering and body repairing.

He was speaking at a ceremony to commission a new R200 000 spray painting booth and industrial oven large enough to hold a bus or lorry which has been imported from Italy.

Guests included representatives of the Defence Force and the Cape Town City Council, which are among Multimech's customers.

The 15 metre-long booth, with doors 5 metres high, was formally switched on by the President of the Cape Chamber of Industries, Mr Chris Newton.

He said that, in the face of constantly increasing costs, the reconditioning of commercial vehicles and other capital equipment was an important growth industry, especially in the Western Cape.

Mr Newton stressed the need for more industry and investment in the Western Cape and praised the work already being done by Wesgro to attract it.

But he warned of the danger of leaving this task entirely to Wesgro. It was essential that the whole community should be involved.

Mr Boughey said in his opening speech that Multimech had gained valuable experience as Atlantis Diesel Engine Warranty engine rebuilders for the Cape "which will help us to keep in the forefront of ADE engine reconditioning once these engines require it.

"Being authorised workshops for Bosch-and Lucas both as regards auto-electrical and fuel injection equipment has further advanced our capability.

"We are actively looking for authorised workshop status from other manufacturers."

He said the spray booth/oven would enable spray painting to be carried out in all weathers and would avoid the loss of working time in winter while waiting for the temperature to rise sufficiently in the mornings.

The R200 000 spent on it included the cost of complicated concrete foundations.
HLH announces details of pyramid — Huntcor

JOHANNESBURG. — Flush with cash, Hunt Leuchars & Hepburn (HLH) yesterday took the first step on the road to aggressive organic and acquisitive growth with the announcement of details of its new pyramid company.

HLH will recommend to shareholders that a pyramid holding company called Huntcor be created through a scheme of arrangement Subject to Johannesburg Stock Exchange approval, the Huntcor shares will be listed in the next three months at the end of April and documents giving details of the scheme will be mailed to HLH shareholders in March. HLH, which announced that it intended forming a pyramid company in January, was recently in the news when it sold Wotsteel and WJF Johnstone to Barlow Rand for a total of R62.2m.

Wotsteel, the steel merchanting wing of Wotcenter Steel, was sold to Robo Industrial Holdings for R50m and WJF Johnstone, which has 94 percent of building materials group Blankie Johnstone, went to Barrows for R46.2m.

Pyramid companies are traditionally formed as a protection against takeover raids. But in HLH's case the main consideration seems to be to provide a base for expansion when the time is ripe, while also serving to protect the Hancock and Hepburn family interests.

According to a statement from HLH, the creation of Huntcor arose from the wish to provide a group capital structure which would facilitate the future development of the interests and operations of HLH.

Another important factor was to boost the marketability of HLH's shares on the JSE. "This is now proposed in a manner which will retain the control of HLH in the hands of its existing controlling shareholders on a formalized and secure basis," the statement said.

The mechanics of the deal will mean that all HLH shareholders will be allotted shares in Huntcor's pyramid, which will in turn hold 66.7 percent of HLH.

New shares

Huntcor will be created by a capitalization issue by HLH to Huntcor of two new HLH shares for each existing HLH share. Each HLH share will then be allotted and issued with ten Huntcor shares.

Shareholders with 100 existing HLH shares on the deal's effective date of April 30 will then hold 100 HLH shares and 100 Huntcor shares. The group says that based on a market price for existing HLH shares of 800c a share it is expected that after the deal HLH shares and the Huntcor shares will have respective market prices of 300c and 600c.

HLH chairman, Mr Chris Perry, said the group had been keen for some time to create a capital structure which would facilitate future development.

"The formation of the pyramid had been under consideration for some months and the timing was now considered opportune. The new capital structure will allow us to continue to develop HLH's interests. At the moment we have no major developments in mind which would require the issue of HLH or Huntcor shares, but we feel it important to create the necessary framework."

Asset value

HLH had a net asset value of 766c a share on August 31 last year. Had the scheme been effective on that date, the NAV would have stood at 239c, while the NAV of Huntcor — which will have as its only investment its 66.7 percent HLH stake — would have measured 477c.

After the Barlow Rand sale, the group said it initially aimed at earning 110c a share for the year to August 31, 1984, representing a 35 percent increase. Dividends were projected at 52c.

A spokesman for HLH said that after the formation of Huntcor and based on published forecasts, shareholders could — assuming the scheme had been effective for a full financial year — have expected earnings of 73.2c and dividends of 34.67c. Their holdings in HLH would have noted them, under the same circumstances, earnings of 36.7c and dividends of 17.3c.

HLH's interim dividend is likely to be about 5.3c for the six months to February 28.

Price of 16.67c a share from Huntcor.

Huntcor's policy, as in the way of most pyramids, will be to pay out all money through dividends.

Strategy

Mr Perry further explained the strategy behind Huntcor, and HLH is "always looking" for new companies. Huntcor was the first step towards expansion within the designated areas. These comprised the areas of operations of the remaining two divisions after the Barlow sale — timber and steel processing.

Comment HLH is still consolidating its position after the sale of its divisions to Barrows and, aside from the new pyramid, no fireworks in the way of acquisitions can be expected this year. But with its structure now right, the following year could very well be exciting.

Call rates

HLH, after having paid certain debts which had taken the debt equity ratio down from 70 percent to about five percent — still has a significant portion of the R68m left with good money being earned on the call rates, the company is obviously in no hurry for acquisitions.

But there are a number of companies which HLH has its eyes on — nearly all private — as well as possible further acquisitions of timber acreage.

At its current price, HLH could very well prove to be one of the growth stocks of 1985.
Less-than-amiable parting likely after 10 years

Triomf and AECI seek swift divorce

By JOHN MULCAHY

DISCUSSIONS will probably be finalised this week for the effective divorce of long-time partners AECI and Triomf Fertilizer Investments.

The two are looking for a way to cancel their partnership agreement in Triomf Fertilizer (Pty).

AECI holds a 49% stake in the unlisted Triomf Fertilizer (Pty), with the other 51% held by Triomf Fertilizer Investments.

In yet another manifestation of the turmoil that has plagued the South African chemical industry over the past year or two, chemical giant AECI and Dr Louis Luyt are parting on what are believed to be less-than-amiable terms.

The fertilizer market has been dealt a double blow of two successive years of devastating drought and new production capacity that has taken supply to well over likely demand this year.

Triomf will today present the broad details of its intentions to the Johannesburg Stock Exchange but a Triomf spokesman said last night he could not disclose the mechanics of the proposals until the talks with AECI were finalised.

He said Triomf Fertilizer Investments' shareholders could expect a considerable rise in the intrinsic value of their investments and "the profit potential (after the split) will be remarkable"

Among other things, Triomf's short-term liabilities would be halved, according to the spokesman, and the effect on long-term liabilities would be irrelevant.

Although the picture will be clarified once fuller details are released later this week, it renews the 10-year old merger agreement between AECI and Triomf will be relinquished.

This could involve a take-over by either AECI or Triomf of the other party's stake in Triomf's operating company, but a more likely scenario is a split down the middle, with each side taking what belongs to it.

Such a split could entail reverting to the original merger agreement, when Triomf contributed the Potchefstroom factory and AECI the plants at Somerset West and Chloralkopt. The Richards Bay factory came after the merger and will complicate negotiations.

While at this stage the precise reasons for the parting are not clear, the writing was on the wall at least since September when Triomf took AECI and Sasol to court over supply agreements.

The presiding judge, Mr Justice Gert Coetzee, made the observation that one of the parties in

AECI is again in the news, this time involving discussions with Triomf to end their merger agreement. Later this week AECI will announce its preliminary results for 1983, with turnover and profit likely to be somewhat lower than 1982.

The AECI/Triomf marriage had committed an act of immorality (on tug) and it has been patent from that time that divorce proceedings were inevitable.

Unconfirmed reports circulating last week suggested that Dr Luyt was a keen seller of the fertilizer interests, but that the price he was looking for was well in excess of what AECI was prepared to pay.

This is speculation and the facts of the matter now are that Triomf will be in a float-alone situation, which must have positive implications, as indicated by the submission to be made to the JSE this morning, but the negative implications are possibly more significant.

The financial muscle that AECI brought to the partnership has always added points to Triomf's rating as a borrower, and its bankers might be a little more circumspect about the heavy borrowings after the group achieves independence.

At the last published balance sheet date, December 31, 1982, Triomf did not consolidate the operating company and its interim income statement to June 1983 also failed to reflect Triomf Fertilizer (Pty) results.

But, according to AECI's interim results published in August, its share of the loss in Triomf Fertilizer (Pty) was R5,1m, which suggests the company lost about R10,5m for the six months to June.

If anything, the fertilizer market deteriorated in the second half of 1983, and the company must have lost at least R20m for the full year.

On the plus side, Triomf's submission with regard to future earnings is unequivocal, and there will be obvious benefits in the split with AECI, in that Triomf will no longer be tied to an raw material supplier.

And in the absence of import controls, it is at least a possibility that Triomf will start importing product.

The looming split between AECI and Triomf is only one more chapter in the increasingly depressing chemical industry saga.

In other developments in recent months, Sentrachem sold its 49% stake in the huge Coalplex PVC plant to AECI for R60m, while negotiations now taking place will lead to the carve-up of chemical maverick Mr Oliver Hill's Hanhill Industries.

Mr Hill's problems were also founded in the extremely depressed fertilizer industry, and one result of the liquidity problems faced by his group will be the probable sale of the potentially lucrative National Explosives.

AECI made an offer of R20m for National Explosives several weeks ago, but the deal was blocked by the Competition Board, and Sasol is now widely tipped to be the main bidder for the explosives producer.

Meanwhile, the trimmed down Triomf Fertilizer Investments expects to make handsome returns this year, but it will have its work cut out in what is building up to be an even more difficult year for fertilizers than 1983 or 1982.
Abercom aims to keep Hanhill group intact when it gains control

By Peter Farley

Abercom seems set to acquire control of Hanhill Industries, if negotiations currently taking place come to fruition.

The two companies say merely that Abercom has been granted an option to buy and that a further announcement would be made shortly.

Hanhill MD Mr Oliver Hill says, however, that an important aspect of the deal, should it go through, will be to keep the Hanhill-group intact and not involve the splitting away of associate company National Explosives (Nalex).

Nalex is currently 25 percent owned by Hanhill, with the balance held by National Process Industries (NPI), a company jointly owned by Mr Hill and Hanhill Chairman Mr John Hahn.

PLoughed back

A pre-condition of Abercom accepting the deal is the inclusion of Nalex as a wholly owned subsidiary of Hanhill. This would presumably be achieved by the combination of a cash payment and the issue of more shares to Mr Hill and Mr Hahn.

Then a further issue of Hanhill shares to Abercom and the sale by NPI of a substantial part of its Hanhill stake to Abercom for cash are likely.

Some of this will no doubt be ploughed back to reduce gearing. It is understood that NPI will retain a minority interest in Hanhill.

NPI is currently the major shareholder in Hanhill, with a stake of about 65 percent. Clearly both these two will benefit should a deal go through.

At the current 80c Hanhill share price, the bulk of which is in the higher-priced, short-term area, which will easily absorb any price paid for the company. The total is thought to be about R30 million.

Abercom is more comfortably geared, with borrowings around 35 percent of shareholders' funds, but its exposure in the heavy engineering, motor- and metal products fields means that earnings growth should continue fairly flat.

But there is really no Abercom division into which Hanhill would dovetail. It also seems a strange time for Abercom to diversify, given the rationalisation last year of several loss-making operations.

BEST INTERESTS

Assuming that the deal goes ahead, the intention will be to retain Hanhill's listing, and although a stand-by offer will be made to minorities it is not expected that this will be accepted.

Mr Hill says he expects the deal to be concluded, with final details to be announced shortly.

He says that although several other companies were interested in Hanhill the Abercom offer is in the best interests of all parties, particularly as it retains the existing group structure.

The purchase by Abercom will probably be an attractive proposition to Hanhill's bankers, as it is understood that some concern was recently expressed about the fertilizer company's soaring debt position.

The recent strengthening of Sanlam's stake in Abercom - to more than 40 percent - will not doubt provide added financial security.
Hulley: Sell off large State corporations

Political Staff

HOUSE OF ASSEMBLY — The National Party yesterday fired the first salvos in its predicted bid to put an end to the NRP's reeling after its defeat at the hands of the PFP in the Pinetown by-election. The shots signalled the end of the honeymoon between the two parties — which started with NRP endorsement of the NPF's "yes" campaign in the referendum — were ironically fired in the House by a former Pinetown Municipal Party candidate, Mr Kent Durr, MP for Middelburg.

Mr Durr said the NRP "unsuspectingly will have to make a choice, and the time for it is now, as they will not be able to escape the truth much longer." He said there was no excuse for the NRP failure in Pinetown. The party had a strong candidate and the organization established from the referendum.

The NRP couldn't continue to "obfuscate the political scene". Ignoring the direction of the attack, the Natal NRP leader, Mr Ron Miller, slammed the "campaign of disinformation" waged by the press during the by-election.

"If there is no future for the philosophy of this party, then there is no future for peace and stability in South Africa," he said.

One thing that could not be said about the NRP, he added, was that "we have run away from the realities of South Africa".

And, he said, addressing himself to his "colleagues in the NP" the NRP "will not desert its accepted policy."

The NRP he maintained "will walk hand-in-hand with the NP whenever it is in the interests of South Africa."

The attack on the NRP from the NP was predicted by NP MPs to the end of last week. Following in its footsteps was the NRP in its disdaining of the NRP both in terms of organization and result in the Pinetown by-election.

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Durr rebukes PFP over removals

Political Correspondent

HOUSE OF ASSEMBLY — A National Party yesterday rebuked Opposition members for their "moral indignation" over forced removals.

Mr Kent Durr (NP Middelburg) pointed to large-scale removals elsewhere in the world.

He was responding during the mini-budget debate to Mr Brian Gou- dall (PFP Edenvale), who had said earlier:

"It is still government policy to move people to satisfy the designs of grand apartheid. This is as harmful to people as anything else."

Mr Durr said Mr Goudall was full of moral indignation on the issue.

"In Nigeria two million people have been summarily ejected from their country," he said.

"In Switzerland, a so-called civilized country, had sent hundreds of Italian nationals home during the recent recession."

Mr Durr said that South Africa was a "miracle country" and they should be proud of its achievements.
TEJ buys Mondi Knitwear

Financial Reporter
CAPE TOWN — Towle’s, Edgar Jacobs, the Cape Town knitwear manufacturer, which last paid a dividend in 1974, has taken over 44% of the country’s premier knitwear manufacturers.

The deal of approximately R600 000 for Mondi Knitwear, also of Cape Town, gives TEJ a significant share of the country’s top-end fashion market.

Mondi is a leading producer of knitwear fashion co-ordinates and the factory has grown from two machines in 1970 to a plant employing 200. It has strong links with a West German manufacturer, Mundi Tisil, which was formed in 1967 by Mr. Herwig Zahn and has rapidly grown into a major clothing exporter.

TEJ’s announced yesterday the group would have the right to make and mar-

ket in SA the ranges of Mondi Interna-

Mr. Zahn has strong links with SA and

in the early 60s established Vienna Knit-
wear which became a sector leader.

It was sold in 1965 to the Back

Mondi Knitwear was formed by Mr. Carl von Thelenmann after the granting
of the Mondi franchise by the German company.

Mondi Knitwear supplies fashion and
department stores but not major chains.

The company has an excellent profit record producing steadily-increasing earnings even during recessions. Profits are now at record levels.

The purchase price will hinge partly on Mondi’s results for the year ending

April.

TEJ has been looking for a suitable
acquisition to expand its base.

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TEJ buys Mondi Knitwear in R600 000 deal

By PAUL DOLD, Financial Editor

TOWLES, EDGAR JACOBS the Cape Town knitwear manufacturer which last paid a dividend in 1974 has vastly enhanced its prospects for returning to the growth league with the take-over of Mondi — one of the country’s premier knitwear manufacturers.

The R600 000 deal gives TEJ a significant share of the country’s top-end fashion market presumably with higher profit margins which will ideally complement TEJ’s own middle segment range.

Cape Town’s Mondi Knitwear is one of South Africa’s leading producers of fashion co-ordinators and the factory has grown from two machines in January 1970 to a plant employing 200 Mondi, a specialist producer has strong links with a major German-based manufacturer Mondi Textile.

The German company was formed in 1967 by Mr Herwig Zahm and has rapidly grown into a major clothing exporter selling to Canada, United States, Britain, France, Benelux and Scandinavia. Annual sales are more than R150m a year.

TEJ’s announcement yesterday says the group will have the right to manufacture and market in South Africa the ranges of Mondi International, London, Paris and New York.

Mr Zahm has strong ties with South Africa and in the early 60’s established Vienna Knitwear which became a sector leader and was sold in 1995 to IL Back.

Cape Town’s Mondi Knitwear was formed by Mr Carl von Thelemann after the granting of the Mondi franchise by the German company. Mondi Knitwear supplies fashion and departmental stores but does not serve the major chains. The company has an excellent profit record producing steadily increasing earnings even during recesions. Profits are currently at record levels.

The purchase price will partly hinge on Mondi’s results for the year ending April but is expected to be in the region of R600 000. Full details of the impact on TEJ’s earnings will be announced soon.

TEJ has for some time been looking for a suitable acquisition which would expand its base. While producing excellent quality garments, TEJ has lacked the high profile marketing of competitors and marketing holds the key to group prospects.

The group last paid a dividend of 55c in 1974.
Barlowdata gets Saco

SACO Systems, a Johannesburg-based computer company with a R12m turnover, has been acquired by Barlowdata.

Saco, probably best known for access control and time and attendance systems, also handles Visual Technology and Oxiel, Gould main-computers, Graftek graphics systems, and Internec equipment.

Barlowdata has also bought a direct shareholding in Saco Graphix, set up to handle the Calcomp graphics agency when Saco acquired this from Barlow subsidiary Persues in 1989.

Persues had acquired the Computervision computer graphics equipment agency and it was felt there was some conflict of interest between the two competitive agencies being held by one company.
AECI re-enters fertilizer market

Own Correspondent

JOHANNESBURG — The fiercely competitive and over-supplied South African retail fertilizer market will soon be thrown into increased confusion by the re-entry of AECI into the fray.

After 10 years of association with Triomf Fertilizer Investments, AECI will again be tackling the fertilizer market itself, and it could not have chosen a less agreeable time.

As the agricultural community braces itself for another year of crippling drought, it has been estimated that total fertilizer demand will be about 2.5m tons this year, and capacity is almost 5m tons.

Sasol is about to start commercial production, and has already commenced active marketing.

In terms of this week’s agreement, Triomf will hold on to the Potchefstroom factory and AECI has regained control over the Chloorkop and Somerset West plants.

AECI is to sell its stake in Triomf Fertilizer (Pty) to the LLG Group, Dr Louis Luyt’s family company, for an undisclosed sum.

A source close to the deal said neither party was prepared to reveal the price paid by LLG for the Triomf Fertilizer stake, but that “they are both happy with the price”.

This will give the Luyt interests control of the export-oriented Richards Bay plant, which has a replacement value now of about R350m.

The export market for phosphoric acid has been depressed for some years, and while the outlook has improved considerably, it is a market that is highly cyclical and competitive, and the price struck could well be substantially below the replacement cost of the plant.

Ironically, the negotiations are believed to have commenced with control of Triomf being offered to AECI, and it now seems as though cash will be going in the opposite direction.

The price at which Dr Luyt is believed to have been a seller is 700c a share, which is more than three times the market price, and according to industry talk AECI was prepared to talk at about half that price.

While the split will enable Triomf to choose the sources of its raw material, it is likely that for the time being the Potchefstroom plant will continue to be supplied by AECI.

But the price at which AECI supplies must be highly negotiable now, especially after the dismantling of import controls, which means that Triomf can take advantage of depressed prices elsewhere.

But what is not immediately clear, and neither AECI nor Triomf will be drawn on the subject, is to what extent the supply contract has been affected by the collapse of the merger agreement.

In terms of the original merger agreement Triomf was bound to take up as much material as AECI supplied, which in terms of depressed market conditions was a major problem for Triomf.

For AECI, the problem now is in re-establishing a presence in the farming community, which in the Transvaal is already served by a barrage of suppliers, in Triomf, Sasol, Bonus (Hanhill), Fedmis (Sentrachem) and Onmias.

Triomf’s early success was based largely on service to farmers and the establishment by the company of a close association with the farming community, offering an equity stake in the fertilizer producer.

Before the entry of Triomf to the market, it was dominated by British-controlled Fisons.

An announcement from Triomf yesterday said the group would serve the inland fertilizer market from the Potchefstroom factory, and with product from Richards Bay.

It stressed, however, that the Richards Bay plant would still be predominantly aimed at the export market, “which has substantially improved over recent months”.

The merger agreement between Triomf and AECI will be cancelled with effect from March 9, retroactive to January 1.

In a separate announcement, AECI said the dissolution would not have any effect on its earnings or net asset value.
Rennies in predatory mood

By PATRICK MCLoughlin
Investment Editor

THE announcement by Rennies of a R10m soft-drink acquisition could be the start of a major penetration of the lucrative market.

Diagonal Street views Rennies as a probable corporate takeover aggressor this year and is pondering when and where the group will make a significant move.

The market believes Rennies is set to do something spectacular. Speculation has been mounting for some time that it will soon attempt an entry into the beer market. Expansion into soft drinks could be part of the answer.

The previous majority shareholder, Hong Kong-based Jardine Matheson, was not keen on injecting more cash into South Africa.

Rennies' ability to issue new shares was hampered because Jardine would probably not have followed its rights in a new share issue, but conversely was not willing to allow a dilution of control.

With Old Mutual now in the wings, Rennies can issue new shares and take fuller advantage of its strong balance sheet. In the December, 1985 accounts, Rennies had R23m in cash. Although this has since declined, market sources say Rennies still has as much as R10m in the bank.

Brokers say the acquisition of Sparletta Suncrush for R9.907m is logical as Rennies is already in the beverage industry via Douglas Green and distribution of soft-drink products could receive a boost through Rennies hotels.

Rennies will pay for Sparletta Suncrush, which holds the Sparletta franchise on the Reef, by issuing 792,900 ordinary Rennies shares to the Sparletta Suncrush vendors.

Sparletta products are bottled in Induna and Arode and distributed in the Johannesburg area. The acquisition will have no immediate effect on the net asset value or the earnings a share of Rennies.

An industry source said yesterday the Sparletta acquisition was probably just the start of acquisitions within the R500m-a-year soft-drink industry.

"Rennies is almost certainly not going in on a one-off situation," he said.

One possible target is Durban-based Suncrush.

The Suncrush chairman, Mr Robert Hamilton, says his company is no pushover. The holding company, Dalys, owns 50% of Suncrush. In turn, 20% of Dalys is owned by Suncrush, with another 50% controlled by the Hamilton family.

Suncrush, which has five combined Coca-Cola and Sparletta franchises in Natal, plus one in Welkom and one each in Rustenburg and Klerksdorp, nevertheless remains an attractive potential target.

Earnings have increased strongly and consistently from 74c a share in 1981 to 286c in the year to June 30, 1983. Return on capital last year was 27.4%.

Suncrush at R17.50 is standing at its 12-month high. The total market capitalisation of the 2,695-million shares is more than R47m. A takeover by Rennies would certainly not be cheap.

Rennies has given few details about its new acquisition, but Mr Hamilton says Suncrush bottles about 3-million cases of soft drinks a year — about the size of Suncrush's largest bottling division, Klerksdorp.

Mr Hamilton says Rennies' acquisition is curious because the Johannesburg franchise does not include Coke products. "Most of the business nationally is done by Coca-Cola-Sparletta bottlers, so presumably Rennies will next be looking at a Coca-Cola-Sparletta company, otherwise they would have a bit of an uphill battle for further expansion by acquisition."

He says none of these companies is known to be for sale and he cannot see any benefit by selling his own company.

"If Rennies is prepared to pay the same sort of premium Old Mutual paid for it, there could be some sellers. I think its going to be a very interesting situation this year."
AECI untimely re-entry adds to confusion
Beleaguered fertiliser industry faces woe

By JOHN MULCAHY

THE fiercely competitive and over-supplied retail fertiliser market will soon be thrown into more confusion by the re-entry of AECI into the fray.

After ten years of association with Triomf Fertiliser Investments, AECI will again be tackling the fertiliser market and it could not have chosen a less opportune time.

As the agricultural community braces itself for another year of crippling drought, it has been estimated that total fertiliser demand will be about 2,5-million tons. Capacity is almost 3-million tons.

Sasol, which is about to start commercial production, has already begun active marketing.

In terms of this week’s agreement, Triomf holds on to the Potchefstroom factory and AECI regains control of the Chloorkop and Somerset West plants. AECI is to sell its stake in Triomf Fertilizer (Pty) to the LGL Group, Dr Louis Luyl’s family company, for an undisclosed sum.

A source close to the deal said neither party was prepared to reveal the price paid by LGL for the Triomf Fertilizer stake, but that, “they are both happy with the price.”

This will give the Luyt interests control of the export-oriented Richards Bay plant, which has a replacement value of about R50m.

The export market for phosphoric acid has been depressed for some years and though the outlook has improved considerably, it is a market that is highly cyclical and competitive. The price struck could well be substantially below the replacement cost of the plant.

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While the split will enable Triomf to choose the sources of its raw material, it is likely that for the time being the Potchefstroom plant will continue to be supplied by AECI.

But the price at which AECI supplies must be highly negotiable now, especially after the dismantling of import controls, which means that Triomf can take advantage of distressed prices elsewhere.

But what is not immediately clear, and neither AECI nor Triomf can be drawn on the subject, is to what extent the supply contract has been affected by the collapse of the merger agreement.

In terms of the original merger, Triomf was bound to take up as much material as AECI supplied, which in times of depressed market conditions was a major problem for Triomf.

For AECI, the problem now is to re-establish a presence in the farming community, which in the Transvaal is already served by a barrage of suppliers — Triomf, Sasol, Bonus (Hanhill), Fedmisa (Sentrachem) and Omnia.

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The merger agreement between Triomf and AECI will be cancelled with effect from March 9, retrospective to January 1.
HARD on the heels of its divorce from Trionf, AECI is to cooperate in fertiliser
with Fedmisa, SA’s biggest fertiliser company.

Chemical industry sources said there would be no takeover, but some kind of agreement
on distribution and manufacture was imminent.

AECI directors were at meetings on Friday and
would not be drawn on the
matter. Sentrachem, 60%-owned of Fedmisa, is to hold a
news conference on Wednesday,
but it is not known if this
is the subject.

With Sasol joining the fray in fertilisers and AECI a relatively small contender in the industry after the break-up
with Trionf, the Competition
Board will not bar a link between AECI and Fedmisa.

From AECI’s results it is possible to deduce that Trionf lost at least R17-million
before its divorce from AECI.

This compares with a profit of R10-million or more in the previous year, suggesting
a R25-million after tax decline in its fortunes in 1983.

No matter to Mr Loyt. His personal company, LLG Group Investments, is increasing its stake in Trionf.

Fertilizer Industries (Pty), the unhatted operating company in his empire.

While TF1 retains the Potchefstroom and Richards
Bay factories, AECI takes the Chloorkop and Somerwest
West factories. The first two are bigger and more valuable than the others and Mr Loyt will therefore pay an unknown sum of net cash.

AECI’s results this week disclosed the deteriorating fortunes of TF1. AECI showed that its share of its associates’ losses was R3.5
million compared with a profit of R7.4-million in 1982.

Trionf is by far the biggest associate and the rest of AECIs associates are known to be unprofitable. If 49% of Trionf lost a minimum of R4.5-million, the entire company lost at least R17-million last year.

Trionf contributed most of the R7.5-million profits of AECI’s associates in 1982. As AECI held 49% of TF1, this suggests Trionf’s profit was
more than R10-million in 1982.

Both parties are claiming victory after the divorce settlement, whose terms may never be known.

A spokesman said Trionf would soon unveil a pro forma balance sheet and income statement reflecting Trionf after the divorce. This would be a pleasant surprise to shareholders.

He said that after the parting of the ways, Trionf’s profitability would improve dramatically.

One source who saw the numbers said “an entrepreneur will always beat an institution in negotiation. I have beaten AECI hands down.”

AECI insists it is happy with the terms. It is conceivable both parties will win in the end, but who does best depends on performance of Trionf’s Richards Bay phosphoric acid plant and AECI’s success as a less than dominant competitor in fertiliser.

Mr Loyt’s personal company, LLG Group Investments, has 49% of Trionf, the listed company, which has 50% of the operating company TF1. At the current deflated market value, Mr Loyt’s personal stake is worth R25-million. This may have been used as security to raise funds to consummate the divorce.

Turnsell in chemicals, particularly in fertiliser, is expected to continue.

Most of AECI’s progress in the second half of 1983 was achieved by laying off more than 4,000 employees. On an annual basis, reduction of the work force saved AECI R50-million before tax and R30-million after tax.

AECI is at a crossroads. It becomes a small force in the fiercely competitive fertiliser market. In addition, it faces more of a challenge in explosives with Hanhill about to become part of AECI.

In addition, a new top man takes over the helm.
More competition for AECl in explosives

BY JOHN MULCAHY
Pepkor buys Ackermans for R21m from Edgars in cash deal

By PAUL DOLD
Financial Editor

PEPKOR is buying Ackermans' 31 stores from Edgars for some R21m cash in a deal which will effectively increase Pep Stores trading area by 50 percent and give the group a four to five-year lead in terms of its development programme.

A confident Mr Christo Wiese, Pepkor's chairman, predicted last night that the new stores would break even in the first year allowing for the cost of financing the deal. It will add more than 30 percent to Pep Stores' turnover in the first year.

Pepkor is likely to use the bulk of the new stores to expand its Metro P. C. E. P. chain in city centres. Pep has traditionally been strongly represented in the country areas and the deal gives considerable muscle in the city markets for the first time.

"Pep's significant growth must come from the CBD areas — we are in virtually every small town in this country and have to go into the CBD areas of the major urban complexes," Mr Wiese said.

Retail industry sources estimate that the overheads of the former Ackermans head office, which was in the process of being moved from Cape Town to Johannesburg by Edgars and rationalized with Jet Stores, could have been several million a year and shed of these costs the Ackermans chain should yield an immediate substantial profit.

Properties

Mr Wiese confirmed last night that at store level the Ackermans chain is highly profitable. Although Edgars sold the Ackermans properties to various institutions after buying the chain from Ackermans in 1982, all the stores have long leases and it was this factor and Ackermans' prime city sites which were attractive to Pep.

While no decision has been taken as yet, it seems likely that the name Ackermans — which is one of the country's oldest store groups — will disappear. Asked whether the Ackermans name would remain, Mr Wiese said: "At this point in time it is an open question. The only thing we have decided is that the merchandise mix in the shops will be brought into line with Pep Metro which has a slightly wider merchandise range than the ordinary Pep's."

If Pepkor decides to discontinue trading under Ackermans it may opt to sell the registered name as a tremendous consumer goodwill is still attached to Ackermans.

Mr Wiese says Pep has bought Ackermans at a "slight discount" to net asset value and the deal is effective from March 19. The final price will depend on financial accounts at that date.

Operation

Highlighting the background to the talks with Edgars, Mr Wiese says that Pep had been aware of Edgars' intention to move the Ackermans' head office to Johannesburg and rationalize the Ackermans operation.

"We then approached them — we thought it was a prime opportunity in the first instance for our Metro store development. The initial response was negative but a week later Edgars agreed to talk."

"I saw this as a tremendous challenge — if there were rationalization benefits in the Edgars situation they were far greater for us. Ackermans is much closer to a Pep stores operation than to anything in the Edgars stable. It belongs more naturally with us than with them."

Preparing to move into Ackermans' prime city stores, Pepkor's chairman, Mr Christo Wiese, and, from left, Mr Basil Weyers, managing director of Pep Stores, Mr Sam Gouws, Pep Stores' marketing director, Mr Jimmy Fouche Pepkor's strategic planning executive and Mr Tom Ball Pepkor's managing director.
Pepkor buys Ackermans

From page 16

...as the group as such is grading well with a particularly encouraging performance from the Pep Stores chain.

Comment: While successive owners of Ackermans have been unsuccessful in attempting to improve profitability, the undisputed synergy with Pep Stores' target market should enable Mr Wiese to boost earnings considerably in the reasonably short term.

Ackermans' former Cape Town-based head office could have cost up to R7m a year in overheads and with the stores being rationalized under the existing Pep Stores head office, the savings should be attractive indeed.

Potential

Overall the deal provides Pep with tremendous potential in entering the city areas.

The first Metro Pep in Johannesburg has had a bright debut and the swing away from small country stores to larger and more profitable trading units is a bellwether for the share.

Pep Stores' extremely low-priced merchandise has a huge potential among black consumers and the group is ideally positioned for investors seeking a stake in that high growth market.

Hurdles which remain include returning the men's clothing division to profitability but progress is being made and this should occur in the coming upswing.
SA Brews beer challenge to meet Rennies

By Alec Hogg

GIRDING its loins for the battle in beer against Rennies, SA Breweries has set up a divisional board of directors for the R1 000-million a year beer division.

This and the recent commissioning of one of the largest breweries in the world, has put its beer division in its strongest position ever.

From this month, SAB’s R379-million brewery in Roslyn is capable of full production. It can supply 7-million hectolitres of beer a year — more than half SA’s consumption of 12-million hectolitres.

Top managers of the beer division have been appointed to the new board.

SAB managing director Meyer Kahn says “This puts the beer division on a par with all our other international subsidiaries. It is motivational and they fully deserve it.”

Lloyd first

Mr Kahn assures that the new division will not be listed separately on the Johannesburg Stock Exchange. “We are emotionally attached to our beers and want 100%.”

Last week Peter Lloyd became the first head of the SAB’s beer division board.

SAB’s beer division board is under the chairmanship of Ken Williams, former general manager Peter Lloyd, managing director.

Other members are SAB chief executive Meyer Kahn, SAB financial director Selwyn MacFarlane, and beer division executives Tony Bates, Roger Crosby, Getha Goedts, Joe Horner, Jack McCollum, Graham MacKay, Peter Savory, John Seton and Ted Turner.

The beer division is one of the biggest industrial concerns in SA, and ranks in the top 10 brewing organisations in the world.

beer division to be appointed to the main SAB board. But Mr Kahn says there is nothing unusual in this: “We have an informal agreement that when a chief executive is successful after three years he is appointed to the main board.”

Rennies’ share price has risen since it announced it was contemplating beer production. This is strange because the last three companies which took on SAB lost more than R100-million before quitting.

Business Times believes that Rennies will market a new brand name, not a South African version of its imports Carlsberg and Tuborg.

Mr Lloyd says SAB’s experience is the marketing cost of getting a brand established can run into millions of rand.

A brewery to provide only 10% of the market involves a capital outlay of at least R75-million.

18 months

It would take at least 18 months to build a brewery, and only months later would the first beer be sold. A brewery like Roslyn takes at least five years from the idea stage to production, construction alone lasting about three years.

Any new beer would have to be directed at the black market. Mr Lloyd says about 75% of beer is consumed by blacks.

Rennies would also have to be prepared to carry a large loss until the brand had established itself.

SAB’s management insists that a competitor will be welcome. Mr Lloyd says “The last time we had a competitor, beer as a percentage of the total market grew. We see ourselves as competing against all beverages, including wine, spirits and sorghum beer, so the bigger beer’s share, the better it suits us.”

Mr Kahn says “I have a simple philosophy. I have the highest regard for all our competitors. In every part of our business, there’s the best way to approach it. But one can assure you that if Rennies come in, we will compete aggressively. Nobody gives up market share on a platter.”

□ □ □

COMMENT: History shows this is not mere talk. Rembrandt, for instance, spent a fortune trying to get its brands into the market. But when Rembrandt sold ICB it held 6% of the market.

The market has changed significantly since Whitbread, Louis Loyi and Rembrandt made their challenge. The racial composition of the beer brand has changed significantly TV2 and 3 and Rap TV offer new marketing channels, and with the advent of black-owned taverns and bottle stores in the townships, the distribution network may change.

Still, buying Rennies’ shares in the belief that an announcement on beer is imminent could prove risky.
JOHANNESBURG—The Picardi group will benefit materially from the windfall of R42.4m flowing from the sale of its Kanhyim investment to General Mining Union Corporation.

The sale to Gencor arose from the original agreement by which the Karoo Meat group was incorporated into Kanhyim, and the R42.4m is now in Pietfood, whose only asset was the Kanhyim investment.

According to the interim results published at the weekend, Picardi Investments (Pichel) is expected to earn 60c a share for the year to June 30, a substantial improvement from the 36.6c a share earned during the year to June 1983.

For the six months to December Pichel's attributable profit rose to R753,409 from R683,309 and earnings rose to 17c a share from 15.4c.

Picardi Finance (Piefin) reports an increase in attributable profit to R494,334 for the six months from R408,815 in the half-year to December 1982. Earnings rose to 33c a share from 29.2c.
Mutual Seeks Big Fish

By JOHN MULCAHY

WHILE the Old Mutual would seem to be playing second fiddle to Sanlam in the chase after equities, it is taking the lead in the bigger deals.

This week has seen Abercom go to Sanlam, with Malbak and Protea likely to follow, to the apparent exclusion of Old Mutual, which seems destined to end up as a minority shareholder in the enlarged Sanlam-controlled Malbak.

But Old Mutual has also been active of late, having virtually assured itself of ultimate control of Safmarine.

While the sale of the Industrial Development Corporation’s stake in Safmarine is conditional on no single shareholder holding more than 25% of the company, at some point down the line the IDC must shed its influence over the company, leaving Old Mutual to take control.

Old Mutual already has a pre-emptive right to the 21% stake held by the British group, British and Commonwealth wealth (B&C). B&C has already given Old Mutual its rights to the shares to be sold by the IDC. Safmarine is B&C’s last remaining investment in shipping.

Old Mutual is deeply involved in Rennies Consolidated Holdings, which is soon expected to launch an assault on the beer market.

No final decision has yet been taken, but assuming Rennies does go ahead with beer, it will probably need capital. As its main shareholder, Old Mutual will have to contribute the bulk of the funds required from shareholders.

Meanwhile, Malbak and Protea returned to the Johannesburg Stock Exchange lists yesterday, with details of their “merger” expected to be announced next month. Protea put on 15c from its ex-dividend price of 493c and Malbak was bid unchanged at 650c.

It is still not clear how the deal will be structured, so shareholders in both companies are best advised to hold onto their shares until the situation clarifies.

Cape Wine’s interim and profits increased

Financial Reporter

Liquor and wine sales are buoyant enough for Cape Wine & Distillers to lift profits for the interim to December by 16% to R29,8m (R25,6m).

Despite unfavourable trading conditions, we are satisfied with the growth of profits," said the managing director, Mr Pieter Steyn, yesterday.

The interim dividend has been increased by 1c to 6c.

Net income was up 14,7% at R58,4m (from R51,2m) but a reduction in short-term borrowings to R34,8m (R57,4m) led to a 23% decrease in the interest bill to R8,7m (R11,1m).

With a virtually unchanged tax rate of 44%, the shrinking interest charge was the main reason for the rise in the bottom-line growth to 16%.

Comparable pretax income figures, taking into account a R3,2m upward adjustment in profits for the comparable six months to December 1982 as a result of the final hio calculation which was initially over-estimated.

The 20% increase in interim has been at the slight expense of cover which drops from 2,6 times to 2,5.

Mr Steyn warned shareholders not to expect earnings growth for the remaining six months to be on par with those just reported.

"Profits would have been substantially greater if trading conditions had been better in the period to December and we cannot expect to sustain income at these levels. A major reason for this is that the price adjustments in January were very moderate," he said.

COMMENT: Despite Mr Steyn’s cautious prognosis, Cape Wine has done well to increase profits. Having survived this far into the recession with consistent, albeit minor, rises in earnings, it should be happy with the dividend increase.

At yesterday’s price of 265c, the share has a dividend yield of 6% — slightly above the sector average.

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Investors!
Siam on the Hunt

Wallock and Protea may follow Abecromby

By John Nucary

For Industrials

Siam's exports to America have increased by 60% over last year, and will probably go up another 20% this year. This is due to the expansion of the economy, the growth of the middle class, and the increase in foreign investment. The government has also been implementing various policies to attract foreign investment, such as tax incentives and infrastructure development. As a result, the economy is expected to continue its strong growth in the coming years. 

Group

Possibly the Abecromby

Siam's industrial sector is expanding rapidly, and many foreign investors are showing interest. The government is also encouraging foreign investment through various incentives, such as tax breaks and subsidies. In addition, the country's location and low labor costs make it an attractive destination for foreign investors. As a result, the industrial sector is expected to continue its growth in the coming years. 

Siam's economy is expected to continue its strong growth in the coming years.
Sanlam may be creating new industrial group

By JOHN MULCAHY

JOHANNESBURG. — Sanlam seems to be in the process of creating another major industrial group, incorporating Malbak, Protea Holdings, and possibly Abercom Group.

Hot favourite to be top of the pile is Malbak, which has one of the most highly regarded professional management teams in South Africa.

After raiding the market to acquire control of Abercom, Sanlam is now believed to be involved in negotiations which will lead to the take-over of Protea by Malbak.

Protea and Malbak's listings were suspended on the Johannesburg Stock Exchange on Monday, for a period of 72 hours, which means that an announcement will have to be made before the opening of trading tomorrow.

Sanlam has at least 45 percent of Protea, or 18.5m shares, which at the pre-suspension price of 330c a share is worth about R45.8m.

New shares

Malbak's pre-suspension share price was 650c, which suggests that for R65.8m in value Sanlam would receive 7,061m new shares.

Sanlam already holds about 20 percent of Malbak, which means that of the hypothetical share capital after the new share issue of 17.642m shares, Sanlam would hold 8.177m shares, or 46.4 percent.

A neat acquisition of control thus follows, and the only questions remaining are who runs the group? Is an offer made to Malbak minorities? What happens to Abercom?

To address the last question first, the Abercom deal, by which Sanlam acquired control of the engineering group through the market, is close enough to the suspensions of Malbak and Protea to suggest that Sanlam's intentions for Malbak and Protea also involve Abercom.

This, however, is for the time being a peripheral issue.

Control

There seems little doubt that Malbak's management will retain control of the enlarged group, headed by Mr. Grant Thomas.

Sanlam's choice of management is also likely to be swayed by the defensive action attempted by Protea to ward off the Sanlam threat.

Protea is believed to have gone to great lengths in an attempt to find an alternative to Sanlam, but to no avail.

Sanlam's market capitalization before suspension was R65.77m, that of Protea was R162.62m and Abercom at yesterday's 290c is valued at almost R60m, which puts the total market value of more than R230m on the three companies.

In second place in this race, as in several previous battles, is the Old Mutual, Sanlam's arch-rival.

The Mutual has traditionally been content with a minority, or "strategic" holding in companies, and this policy was fine when there was still a wide selection of free-floating companies on the JSE.

Growth

But the growth in institutional cash flows over the past few years, accompanied by a shrinking equity market, has seen more and more of the independent subordinates to institutional control.

It can be argued that the Mutual did not really want control of Protea anyway, but if that were true then what possessed it to competitively build up a big stake through the market?

The one remaining question is what has motivated Sanlam to zero in on what are regarded by the market as little more than second-liners.

The answer must be that there is so little left that Sanlam has been forced to go for companies that could have recovery prospects, and in all three of this week's cases that description must apply.

Malbak's fortunes are closely linked to the economy firstly, and more topically, to the agricultural and motor sectors.

The one certainty about the agricultural sector is that it will rain again, although the timing for this eventuality is less certain.

Recovery

This must also be true of the economy, and specifically, of the motor sector, so the recovery argument certainly applies to Malbak.

For Protea, which is essentially an agency business, there is some way to go before making up ground lost in the year to June 1989, although the six months to December showed that there had been no further deterioration.

Protea's directors have for years complained that the group is misunderstood, that doing with the the set to do a similar trick with Protea, and is likely to do a deal with Old Mutual on Malbak.

Abercom has recently emerged from a particularly difficult patch, and after applying radical surgery seems to be on the road to better things.

In the case of Protea and Malbak, the issues are more complex. While effective control of Protea was vested in Sanlam, the same cannot be said of Malbak, where until recently Old Mutual had the bigger stake.
BUSINESSMEN are turning increasingly to forming trusts rather than private companies in an attempt to cut their tax bills, say tax experts.

"The present tax system is forcing South Africans into trusts," says one specialist, Mr Costa Dvaris.

"If individuals form private companies, they are subject to 65.5% company tax in addition to dividend tax," he says.

This would then bring the tax rate to over 84%. Also, loans from a company are now taxed, as is a portion of profit after the sale of a company.

However, as beneficiaries of a trust, or as individuals, South Africans are only taxed at a maximum rate of 50%.

"When the authorities changed the tax rates, the possible consequences were not recognised," says a company lawyer.

Furthermore, private companies are not able to re-direct funds by paying large salaries to directors to enable them to enjoy the tax advantages.

If a salary paid to a director is considered too high for his function, the authorities may disallow a portion of it.

There are distinct disadvantages in the trend towards trusts, say some specialists, as trusts are not as controlled as private companies.

From the individual's point of view, they constitute a loss of flexibility.

Another drawback is that limited liability may be forfeited.

The solution, says Mr Dvaris, is for directors' salaries to be allowed, no matter how high, and taxed at the company rate.

Firms could then switch back to private companies, he says.

To throw the sophisticated body of company law out the window now would be a great pity, says another specialist.

The Commissioner for Inland Revenue, Mr Carl Schweppehausen, says the increase in trusts because of their tax advantages has been brought to his attention.

While he is unable to comment on whether the authorities envisage any specific action, he says he does not believe in hindering businesses in the formation of institutions of their preference — Reuters.
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BY JOHN MULCAHY

Thiomf buys some NPI assets for R2.3m

Business Day
Macsteel acquires Flekser from Lucem

An agreement has been reached between Lucem and Macsteel in terms of which Macsteel has acquired from Lucem the business of Flekser Steel.

The price payable by Macsteel to Lucem is the net asset value of Flekser as at March 31, which net asset value will be established by an audited balance sheet of Flekser as at that date.

It is expected that the price will be about R6 million.

Macsteel will take possession of Flekser at close of business on March 31, when it will pay to Lucem the sum of R2 million, the balance of the purchase price being payable on June 30.

The transaction will have no effect on the net asset value for every ordinary share of Lucem but will reduce its debt to equity ratio by about 25 percent.

Had the transaction been effective for the whole of Lucem’s financial year, which ends on March 31, it would have had the effect of increasing Lucem’s earnings by about 2,5c a share.

Commenting on the transaction, Mr Alistair Isabelle, chairman of Lucem Holdings, said: “As referred to in our interim report, the group’s high debt to equity ratio is of foremost concern.

“The opportunity to conclude a mutually beneficial deal with the Macsteel organisation materialised as a result of discussions in the last 12 months.

“This transaction will enable Lucem to reduce meaningfully its debt and it is considered that it will accelerate the group’s recovery by easing the burden of servicing that debt.”

The deputy chairman of Macsteel, Mr Arthur Browne, said: “We have expressed interest in this acquisition for well over a year now, and the purchase of Flekser as a going concern is a natural extension for Macsteel.”

— Sapa
T&I buys 42% more Dan Perkin

by JOHN MULCAHY

TRADE & INDUSTRY Acceptance Corporation has acquired another 42% of Dan Perkins Holdings for R4,9m, taking its interest to 74%.

The deal, by which T&I has bought a total of 2,7-million Dan Perkins shares from Dan Perkins Family Investment Company (Pty) and from Ivan Finger Investments (Pty), was concluded at a price of 18c a share.

The cash is payable to the sellers by April 2.

The T&I acquisition falls within the “control within control” provision of the Johannesburg Stock Exchange rules, which means that because there has been no change in “effective control”, an offer need not be made to minority shareholders.

The 26% minority is in the hands of about 600 shareholders, of which 15% to 20% is in general public hands.

Mr Ivor Jacobson, T&I’s chairman, said yesterday the acquisition was in line with T&I’s policy of developing its industrial interests.

The other major industrial interests are the listed subsidiaries, Svenmill (62%), President Catering (64%) and the unlisted Multisound, a distributor of radio and audio products, in which T&I holds 43%.

T&I’s total investment in the industrial division — after the Dan Perkins top-up — is R16m.

The group’s industrial and commercial division is expected to report pre-tax profit of about R8,5m for the year to June. T&I’s attributable share of taxed profit will be R3,5m.

T&I’s involvement in Dan Perkins goes back to 1988 when it had a banker/client relationship with the motor distributor.

In 1979, T&I acquired a 30% stake in Dan Perkins. In 1986 Dan Perkins was listed on the JSE. T&I subsequently built up its stake in Dan Perkins to 32%.

The increased Danperk stake is not expected to have any material effect on T&I’s net tangible asset value or earnings a share for the year to June.

Mr Jacobson said there was no special reason for the timing of the acquisition of the Perkins/Finger holding in Dan Perkins.

Mr Perkins, who now lives in Connecticut, was in South Africa in December when T&I spoke to him about his holding.

Further discussions resulted in the take-out of the Perkins and Finger shareholding.

Mr Finger is Mr Perkins’ brother-in-law.

Both Mr Perkins and Mr Finger have signed restraint of trade undertakings. In Mr Perkins case, that will be settled by the payment of R240 000 in cash, spread over 48 equal monthly instalments beginning on March 31.

No cash is involved in Mr Finger’s case, but he has a two-year service contract beginning on July 1.

Danperk’s existing management team, with Mr Alan Jacobson as managing director, will continue to run the company.

Mr Jacobson said the increased stake in Danperk would have no effect on planning or strategy. “Administration and everything else will continue as before.”

Mr Jacobson said there was no particular desire or intention to take out the minorities in any of the listed subsidiaries.

T&I equity accounts its industrial division, regardless of whether the companies are associates or subsidiaries.

Because the industrial business is entirely different from that of the holding company, the two are kept separate on the consolidated accounts.
BGS embarks on buying spree

Business Day
AT LEAST 150 companies in South Africa are exempt by ministerial decree from disclosing information and are operating in secret, according to the deputy registrar of companies, Mr Hans Coetzee.

The files on "secret" companies are removed from circulation and are not available to public scrutiny in the company's office.

Mr Coetzee said there were about 150 companies operating in "secret," but many of these were major companies with subsidiaries that pushed the figure even higher.

He said the "secret" companies included businesses involved in arms, petroleum, and strategic minerals, and companies involved with "sensitive" trading partners.

If some of the information was revealed, it could damage South Africa on the world market, he said.

In terms of the Companies Act of 1973, the Minister may prohibit the disclosure of, and exempt a company from, the obligation to disclose information.

He said companies affected would be involved in strategic trade and it would not be in the public interest not to make the information available.

He said, however, that anyone investigating a company exempted under these conditions could apply to the registrar for information. The registered address and the name of the company would then be released, he said.

In terms of the Companies Act, a company must disclose to the Registrar of Companies its registered address, the names and addresses of its directors, the officials of the company, the purposes and sphere of interest of the business, the share capital, and how many shares have been assented and the names of the shareholders – Sapa.
"Three giants control most firms on the JSE"

By Michael Chester, 24 Hours team

Three mammoth companies now control most of the several hundred companies listed on the Johannesburg Stock Exchange, according to new disclosures.

Controversy is bound to break out afresh in the wake of publication within the next few weeks of the latest edition of "Who owns whom", now a regular monitor of stock market trends.

The author, Mr. Robin McGregor, assesses that the Anglo American Corporation alone, dominating the entire private sector by the cloud of its interests ranging from gold mines to supermarkets, has increased its control to no less than 54.1 percent of the R108 billion current price tag on all JSE shares.

He estimates that the insurance and pension fund giant Sanlam has steadily broadened its control from 9.4 to 10.7 percent of the market within the past year.

And he calculates that the Barlow Rand conglomerate has lifted its share of JSE control from 7.4 to 8.6 percent.

Between them, the Big Three now control over 73.4 percent of the JSE, measured in terms of capitalisation, compared with 69.3 percent a year ago. They are not far short of the 80 percent control shared between seven corporate giants only 12 months ago.

The number of companies with a market capitalisation of R50 million or over and still regarded as independent, has shrunk from 13 to 10 in the wave of takeovers and mergers.

"With so much economic power in so few hands, the South African economy could run into troubled waters," Mr. McGregor says.

● See Page 14.
● Metro section.
Secret companies exempted from public scrutiny

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Damage

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Disclose

In terms of the Companies Act, a company must disclose to the Registrar of Companies its registered address, the names and addresses of its directors, the officials of the company, the purpose and sphere of interest of the business, the share capital and how many shares have been issued and the names of the shareholders.

A balance sheet and annual report must also be made available to the public at the end of each financial year. — Sapa
M & R profits surge 27.7% — div raised

JOHANNESBURG — Murray & Roberts lifted attributable profit by 27.7 percent to R28,044m for the six months to December from R21,961m in the corresponding 1982 period.

Earnings rose to 10.8c a share from 8.3c and the interim dividend has been raised to 20c from 15c.

M & R's directors note that profit for the six months should be viewed in the perspective of a relative low base in the preceding half-year and the acquisitions made in the six months.

The directors also warn that full-year earnings will not reflect the same growth rate as in the first six months.

Outlook

Mr J E D "Bill" Bramwell, M & R's chief executive, said yesterday the outlook for the general construction industry this year was clouded by the low level of government spending on infrastructure.

Within the definition of construction there were several areas that were, however, doing well, including building, where the emphasis on black, coloured and Indian housing was continuing to grow.

M & R was also fortunate in having a reasonable share of the central business district-type building work, such as the Reserve Bank building in Pretoria.

The group also had work in Richards Bay, including the new Mondi plant and the effluent pipeline.

Mr Bramwell said the heavy engineering sector was quiet, light engineering was buoyant, and the foundries division, whose main market is the motor sector, had started slowing down again.

On the future, Mr Bramwell said acquisition targets for the time being would be companies that would give existing M & R operations a bigger share of the market.

"What we are looking for is to acquire companies that fit exactly with our existing companies."

In pursuance of this objective M & R last year bought 60 percent of GMCE Holdings (Pty), the holding company of the Gillis Mason group of companies, as well as the more recent acquisitions of Armaco Robson (Pty), B E Morgan & Associates (Pty) and Frigcool Engineering (Pty).

All of these acquisitions dovetailed into existing M & R divisions.

The directors say in the interim report that the suppliers & services and property subgroups are perform well, and the consumer-related interests are also showing real growth.

"Industrial operations are, as is to be expected from the sluggish state of the economy, still operating below normal levels."

In spite of the acquisitions M & R's borrowings are below last June's level, and are not expected to increase materially for the rest of the year.
Rupert restructures stake in Rothmans

LONDON — Philip Morris Inc and Rembrandt Group Ltd have restructured their interest in Rothmans International PLC in a way which makes the possibility of Morris taking over Rothmans even more remote, financial analysts said.

Morris and Rembrandt announced agreement on the restructuring yesterday and said that as a result the European Commission has dropped its proceedings against the two companies.

Discussions with the West German Federal Cartel office in West Germany, which also raised objections against the 1981 agreement between Morris and Rembrandt, are continuing.

Agreement

Under the 1981 agreement, Morris and Rembrandt, which is owned by South African businessman Dr Anton Rupert, had an equal share in Rothmans Tobacco Holdings Ltd, which in turn held 44 percent of the equity and 50 percent of the voting rights of Rothmans International.

Under the new arrangements, completed on Wednesday, the two companies have increased their equity stake in Rothmans International to around 30.8 percent each to total 61.6 percent, but have weighted the voting rights in Rembrandt's favour.

Morris will have around 24.9 percent of the voting rights, while Rembrandt will have about 44 percent.

Under the agreement, Morris, which is now a direct shareholder in Rothmans International, undertakes to limit its shareholding in Rothmans so that its voting power would remain under 25 percent.

Each party has rights of first refusal in respect of the other's holding of shares and bonds in Rothmans International.

The agreement involved Morris and Rembrandt each converting £25 million nominal value of 6.95 percent convertible junior sub-ordinated sterling/mark bonds due 1992 and £365 million of junior bonds.

Rembrandt said it had no intention of increasing its holding of shares and bonds in Rothmans International, other than by conversion of its existing holding of bonds, to a level exceeding the position held yesterday.

Restructuring

Morris and Rembrandt said the British take-over panel, which supervises the UK take-over code, has confirmed that the restructuring does not give rise to an obligation on either party to make a general offer to the shareholders of Rothmans International group.

No representative of Morris is being appointed to the Rothmans International board.

A spokesman for Rothmans International said as far as Rothmans itself is concerned the restructuring cleans up the balance sheet by removing £50 million of debt through the bond conversion.

Rothmans' equity base is also broadened, he said.

Shares of Rothmans fell 5p on news of the restructuring to 153p a share from 140 at Wednesday's close.

— Reuters
Freight Services expands

THE Freight Services group has acquired a majority interest in an American airfreight company as part of a programme to increasing its effective control over the management of cargo at both ends of the main trading routes.

Freight Services says the company, Vet-Aire Inc, is an IATA-licensed forwarder with a network of offices in the USA.

Its existing management will continue to run the company and have a minority shareholding. It will change its name to Freightair International Forwarding Corporation and will form an important link in the group's international freight network.

Mr Neville Organ, chief executive of Freight Services, says: "We have long had agency representation in the US, but in view of the increasing importance of the American airfreight market and of our international expansion, we have for some time felt the need to have our own operation there. Vet-Aire is a well-established company with sound management and advanced systems."

The 69% interest we have taken in it will provide us with an already entrenched position in the market. "The investment this represents will, we believe, be justified by the higher level of service we shall be able to provide and the greater volumes we expect in consequence."

The Freight Services group already has subsidiaries in the UK, Europe and Australia, as well as in most southern African countries, and is represented worldwide by franchises and agents. — Spatex.
MORE explanations of the phenomenon behind the chronic shortage and immobility of most shares on the Johannesburg Stock Exchange will be read between the lines in the 1984 edition of ‘Who Owns Whom’, now a regular monitor on the changing face of the JSE.

Researcher and author Robin McGregor is bound to rekindle the entire debate about the merits and demerits of the enormous power concentrations inside the private sector and the JSE in particular when the publication comes out in the next few weeks.

The most significant message is that the big go on growing bigger — and fewer.

Mr McGregor finds that the number of companies with a market capitalisation above R500 million and still holding all the reins of control, has shrunk from 13 to 10 since the last count only a year ago.

He slices off the list both SA Breweries and Premier and packs them into the Anglo American Corporation stable and decides to lump Nedbank into the Old Mutual sprawl.

When all the takeover and merger manoeuvres have been counted, he estimates that the Anglo share of ultimate control over the overall R108 billion value of all JSE shares has swollen from a staggering 22.3 percent to an incredible 54.1 percent.

Sanlam, next in the batting order, has increased its share of control from 9.4 percent to 10.7 percent. The Barlow Rand slice has grown from 7.4 to 8.8 percent.

Simple arithmetic shows that the big three alone now control the destinies of no less than 73.4 percent of shares as measured by value.

Mr McGregor also sees enormous significance of the climb of the ladder by Old Mutual, now with control of 2.7 percent of the market ‘compared with only 0.6 percent a year ago, perhaps displaying through its takeover of Renssen and Safmarine a shift in policy from a stance of insistence on staying in the background with no more than a minority interest when necessary.

Liberty life is not far behind with a 2.1 percent share of overall market control.

The rankings, of course, concern themselves only with control situations. Add the rest of the shareholders and the mind boggles. And still vast amounts of new cash are pumped daily into the insurance companies and pension funds, much of it seeking a haven on the JSE.

No wonder there’s a rush at the rarer and rarer moments of scrap changing hands.

The tightness of the market was demonstrated in an exercise carried out by Sanlam a couple of weeks ago. It unearthed some fascinating comparisons.

By 1982 the total turnover of the JSE was against market capitalisation had shrunk to a minuscule six percent. To put it in perspective, that compares with 44 percent in Holland, 36 percent in the United States and 34 percent in such centres as London, Tokyo and Hong Kong.

An examination of individual front runners reflects the trends.

Between 1972 and 1982, for instance, the number of issued shares in Barlows that were traded shrank from 8 to 5.6 percent. OK Bazaar shares traded were down from 7.4 to 2.8 percent.

Pay from 11 to 2.8 percent, Remgro from 6.1 to 2.6 percent, Sappi from 11.5 to 7.6 percent and so on.

Unhappily for private investors seeking a piece of the action, there do not appear to be any obvious reasons why the scenario is likely to alter, at least as far ahead as one can see at the moment.
Two Wit Nigel

for one Af Lease

BY BRENDAN RYAN
Mining Editor

AMBITION plans to rejuvenate the marginal gold mine, Witwatersrand Nigel, have been set in motion with a private offer being made by Mr Peter George of two Wit Nigel shares for every Afrikander Lease share he can get.

Market sources say Mr George aims to acquire a total of 2-million Af Lease shares, which would give him 30% of the company's issued capital.

Mr George declined to comment on the offer at the weekend.

The offer for Af Lease shares forms part of Mr George's recovery plans for Wit Nigel, control of which he acquired last year in a proxy fight with the former managers, African Exploration (Afex).

Financial proposals released at the time of the battle said Mr George intended concluding negotiations for the acquisition of a large minority interest in a quoted gold mining share.

Since winning control Mr George has had Wit Nigel's share capital increased to 16 million shares by the creation of 7.2 million new shares.

These shares are held under the control of the company's directors and Mr George apparently intends issuing 4 million of them to buy the 2 million Af Lease shares he wants. Mr George won control of Wit Nigel by gathering proxies to represent about 46% of shareholders.

By issuing the new shares in this way Mr George will effectively be diluting the stake held in Wit Nigel by the existing shareholders.

There seems to be no shortage of willing participants in the Wit Nigel-Af Lease deal and market sources believe Mr George may already have acceptances giving him a million Af Lease shares.

Wit Nigel closed at 360c on the JSE on Friday and Af Lease at 56c, suggesting that Af Lease shareholders accepting the offer would make a paper profit of 15c a share.

What they will gain in real terms is uncertain as what Wit Nigel shareholders will gain from holding 30% of Af Lease. Both shares are highly speculative.

A number of JSE analysts have advised that neither share should be bought at present levels and any investor showing healthy gains at current price levels should take them and sell out.

Mr George apparently believes that the uranium market is about to boom and Af Lease shares are destined to reach R20.

Wit Nigel needs approximately R25m to complete an expansion programme which would put it on a firm foot. Market sources believe Mr George hopes to borrow that money using the Af Lease shares as collateral or to sell the shares at the higher levels and get the money that way.

The one problem is that Af Lease shares are already grossly over-priced and the bombed-out uranium market holds no hope of a sudden recovery.

The international uranium market is expected to be heavily oversupplied until the 1990s. Uranium spot prices have been expected to rise slowly but steadily to $30-$35/lb by about 1987 but that was before the recent, unexpected slump in the market which knocked prices back by more than $20/lb to $17.50/lb.

The market was about $17/lb in November 1982. Illustrating the gloomy state of the uranium market was the announcement that Harmony gold mine is to close one of its three uranium plants this month.

Af Lease's uranium operations have been mothballed and its contract commitments are being met by Vaal Reeds.

Vaal Reeds has an agreement with mine uranium and gold at Af Lease in terms of which it is to pay a royalty.

A separate small project to mine uranium only gold is being carried out at Af Lease and building up to capacity of 15 000 tons/month milled.

A recent report by JSE brokers E W Balderson estimated earnings from the small gold project could be 4c an Af Lease share at a gold price of R400 and 8c a share at R500.

The profitability of the uranium/gold project depends on the uranium market because gold profits are only a bonus to the mine and will not sustain operations alone for long, the brokers said.

The brokers also said a rapidly rising gold price would be detrimental to Af Lease because the R/$ exchange rate would firm with the rising gold price.

This in turn would reduce the rand revenue from uranium sales to the mine would receive.

Af Lease has long been one of Mr George's favourite shares and this appears to be the only reason for his move as it cannot be explained on fundamentals.

It seems unlikely that he might use his stake in Af Lease to take on Anglo American Corporation or engineer some kind of deal with Anglo.

The Anglo group controls 44.6% of Af Lease and Vaal Reeds has the mining lease sewn up for the productive life of the mine.

This situation is vastly different from Wit Nigel where the Afex managers directly owned only 2% of the shares and in the proxy fight could gather only a total of 10.6% of the shares to its side.
Rothman's restructuring won't hit Rembrandt

BY NEIL BEHRMANN

LONDON — Analysts doubt whether the recent change in the Rembrandt Group holding in Rothmans International will have a material effect on the South African company's earnings.

Rothman International's two major shareholders, the Rembrandt Group and the US tobacco company, Philip Morris used each to have a 50% holding in Rothmans Tobacco Holdings (RTC).

RTC in turn owned 50% of the votes and 44% of the ordinary shares in Rothmans International.

This meant the indirect equity interest of Rembrandt and Morris was 22%, although they also held convertible bonds (debentures).

Now Rembrandt and Philip Morris have converted part of their convertible bonds, and Rembrandt now holds 30.8% of the equity capital and 44% of the voting rights in Rothmans International.

Philip Morris has 30.8% of the equity but only 24.9% of the voting rights.

Both companies decided to restructure their holdings because of complaints that a giant United States and British company would under-compete in the European tobacco industry.

When Philip Morris originally bought a $350m stake in Rothmans, the West German Cartel Office complained that Rothmans already had a majority interest in Martin Brinkmann, a dominant West German tobacco company.

It feared a merger between Philip Morris's West German subsidiary and Brinkmann would control too much of the West German cigarette market.

Under West German law a 25% interest in a company is deemed to be a controlling holding. To prevent anti-trust action, the restructure plan reduces Philip Morris' stake to 24.9%.

That move satisfied the European Commission's fears about monopoly but discussions with the West German Cartel Office are continuing.

A Financial Times report however says the West German Cartel Office intends vetoing the common market's decision.

Ahead of the announcement there were rumours that Philip Morris would bid for more shares. Following the notice, disappointed speculators sold the shares and they dropped from 140p to 126p.

Mr Peter Temple, tobacco analyst of Hoare Govett, estimates that the change in structure will reduce Rembrandt's income from Rothmans by about £700 000 (R1.25m).
Take-over talks with Grandbaz?

Pep on take-over trail as Christo Wiese grooms Shoprite for growth

By PAUL DOLD, Financial Editor

PEP is once more on the take-over trail and destined to expand its retail base considerably. Only weeks after buying Ackerman's from Edgars, Pep is flexing its muscles again and seeking to enlarge its Shoprite chain into one of the country's major food retailers.

There was strong speculation in Johannesburg stockmarket circles earlier this week that Pep and Grandbaz had been holding informal talks with Pep seeking to buy Grand and merging the group with Shoprite which has some 22 stores.

Grand Bazaars' chairman, Mr Manassah Sachar, declined to comment yesterday and Pep Stores' Mr Christo Wiese was equally reticent. But Mr Wiese did confirm that Pep is interested in acquisitions and is aiming to expand the Shoprite chain.

In the absence of a formal statement by last night it can be assumed that the preliminary talks have not yet been successful.

Cost cutting

Retail sources say a deal between Pep and Grandbazaars would have had valuable cost cutting benefits and could vastly have improved their strength in the aggressive food market.

When announcing Pick 'n Pay's excellent results this week, the chairman, Mr Raymond Ackerman, said that the past year had been the toughest of his career. Analysts noted that the huge price war which has marked the recession had led to even Pick 'n Pay with R1.5 billion sales and the best food retailing operation in the country cutting margins and Pick 'n Pay has been using its booming sales of relatively high margin hardgoods to cushion food margins.

This week's budget and possible future increases in General Sales Tax are likely to lead to stepped up competition for the consumer's rand. Corporate liquidity will be under pressure due to increased taxation and finance costs will remain high as no early downswing in interest rates can be expected.

Upswing

The outlook for some of the smaller retailers is far from bright. The economic upswing may only occur next year.

Pep is rapidly expanding the Shoprite chain and the first stores outside of the Western clearly seeking to capitalize on this investment in the coming boom.

Shoprite itself is showing rapid sales and profit growth having found a lucrative slice of retail out of reach of the mass merchandizing chains such as Pick 'n Pay, the OK and Checkers.

Grand Bazaars is in a head-on clash with Pick 'n Pay, Checkers and the OK and in common with the other smaller food retailers clearly seeking to expand its sales base if it is to increase market share. Grand's margins have been under pressure in the fierce food price war but it has been marketing aggressively.

Pick 'n Pay is believed to have gained considerable market share in the Western Cape, with both its Brackenfell Hypermarket and supermarkets showing the highest growth in the group.

Cape have been opened.

It is a fair guess that Mr Wiese intends expanding Shoprite nationwide.

The recent take-over of the Ackermans stores will provide Pep with the ideal opportunity to quickly increase the number of Shoprite stores. Some of Ackerman's stores are to be converted into supermarkets.

Pep's board has now decided to continue operating under the Ackerman's name and not to switch the stores to Metro Trade outlets. Both Ackermans and Edgars have spent millions on the new look Ackerman's and Pep is

Which Apple to Pick an Apple?
Grandbazaz turns down Shoprite merger proposal

A proposal by Pepkor that its subsidiary, Shoprite, should be merged with Grand Bazaars has been turned down.

Mr Manuel Sachar, chairman of Grand Bazaars, said today "Pepkor have put forward certain conditions which were not acceptable to Grand Bazaars and to me". His statement explained that the approach came from Pepkor. "The suggestion was that Grand Bazaars would buy Shoprite.

"Pepkor would receive a share in Grand Bazaars in payment of the purchase price."

However, in view of the unacceptable conditions, Grand Bazaars will not buy Shoprite and there will be no merger.

Both the Shoprite and Grand Bazaars chains are expanding. Mr Sachar has given assurances at annual meetings that he had no plans for control of Grand Bazaars to pass out of his family.

Forschini, the Cape Town-based women's fashions store chain, is slimming down and stepping up its productivity for what it expects will be a tough year, its annual report shows.

Stocks in the year ended December in the 567-store chain were cut from R37.8-million to R27.5-million, while overdraft and unsecured loans dropped from R21.2-million to R7.4-million.

Current assets rose from R99.0-million to R105.8-million, while current liabilities dropped from R55.0-million to R50.0-million.

Further savings are expected this year when all the group's stores will be linked to the main computer through point-of-sale terminals, says the executive chairman Mr S Lewis.

He sees no improvement in the economy unless the price of gold changes dramatically. He also expects interest rates and inflation to remain high and expects continued pressure for higher salaries and wages.

In this situation he says the company's strategy lies in the vigorous enhancement of productivity in all areas.

Audrey d'Angelo
Volkskas Industries buys Drury Wickman

By GAIL PURVIS

VOLKSKAS INDUSTRIES, the non-banking arm of the the Volkskas group, has acquired the total issued share capital of Drury Wickman (SA) from John Brown of Britain for an undisclosed sum.

It has also acquired, through its subsidiary, Bonuskor, a majority shareholding in the Comaco Stainless Steel Group.

Comaco, mainly supplying the food industry, has a turnover of R20m.

Drury Wickman has a turnover of R10m in a machine tool market now reckoned at being worth R750m.

In the boom period when the market was estimated as worth R200m, the company enjoyed a peak turnover of R80m.

Volkskas' ownership of Misco Tool, coupled with its 51% stake in Redman Machine Tools and its 26% share in Somita put it among the top two companies in the SA machine tool business, with some 20% of the market.

Mr Gerhard Scheltemeijer, managing director of Volkskas Industries and chief executive of Bonuskor, also announced yesterday that VI has acquired 33% of the issued share capital of Servies.

Servies owns the total issued share capital of Country Bird and Koon Koelkamers.

Part of the deal which gives VI its shareholding is an agreement to extend the R20m Country Bird project.

This currently produces 100 000 broilers weekly at Botshabelo, near Thaba Nchu.
THIS newspaper has changed hands from today. In an agreement signed yesterday, proprietor J R A Bailey has ceded the rights for City Press, Drum and True Love to the Cape-based Nasionale Pers.

The editors of the three publications met with the managing director of Nasionale Pers and his executives yesterday to seek clarification on matters that deeply affect us and our readership.

The result of the meeting is our insistence — and Nasionale Pers’ agreement — that we will maintain our highest journalistic integrity and interpret our people’s aspirations the way they expect us to.

In addition, our journalists — proud of their integrity — will continue to enjoy the same degree of freedom of expression they have enjoyed over the years.

A charter guaranteeing this was signed by Nasionale Pers.

Black Journalism, as has been typified by the contents of this newspaper, has shown remarkable consistency in the face of formidable odds.

We have, for years, suffered to establish our right to freedom of expression and self-determination. We are not about to throw all that suff’-ry down the drain by compromising any of our principles.

This determination is shared by the editors of both Drum and True Love. In that determination, they are joined by every member of the editorial staff of the three publications.

One of the undertakings given to us is Nasionale Pers’ desire to have more and more blacks investing in these publications. Our dream is to be wholly black-owned in time — and the sooner, the better.

Here is the charter signed by Nasionale Pers:
- City Press, Drum and True Love will continue to be run as publications aimed primarily at mass markets
- Their journalists will continue to enjoy the same degree of freedom of expression within the law that they have known in the past
- The same standards of good journalism will apply, including adherence to the Code of Conduct of the SA Media Council, established by the Newspaper Press Union and the Conference of Editors.
- As in the past, the publications will — without being tied to any political movement — endeavour to further the development of a society in which all its members may enjoy full participation, regardless of cultural origin, colour, language or sex
- Each publication will act as a forum for

Ten white coffins line the stage at the Eye

THOUSANDS of people yesterday mourned the deaths of the ten Rosheville bus disaster kids in a deeply-moving service that brought together people of all political persuasions

'Electi

THREE of four policemen in the “electric shock” murder trial in the Volksrust Circuit Court were yesterday found guilty of assault with
THOUSANDS MOURN

BY LEN KALANE

SOWETO yesterday mourned the deaths of the ten Rosherville bus disaster kids in a deeply-moving service that brought together people of all political persuasions.

A mournful atmosphere engulfed the Eyethu Cinema, where thousands of mourners gathered to pay their last respects to the children who died last Sunday. Black unity was the central feature.

THREE of four policemen in the "electric shock" murder trail in the Volksrust Circuit Court were yesterday found guilty of assault with intent to do grievous bodily harm.

Their conviction arises from an incident in May last year when two stock theft suspects were arrested and interrogated at the Ditsungdorp police station.

Mr Timothy Thembani Manana was later found on both murder and attempted murder counts.

Judge J P O de Villiers, sitting with two assessors, found that Const Mikwazi had only acted as an interpreter during the interrogation of the Mananas and had no influence.

Prosecutor Jan Dieraert sentenced the accused for not going...
City Press and Drum sold

Nasionale nets black papers

By SUE FAULKNER

NASIONALE PERS announced yesterday it had taken over three of the country’s five biggest black publications.

Mr Jim Bailey, whose name has figured in the South African publishing world for 33 years, signed an agreement with Nasionale Pers on Friday in which he sold the titles of City Press, Drum, and True Love and Family for an undisclosed but “substantial sum.”

Mr Bailey is retaining ownership of the East African edition of Drum.

The announcement was made yesterday by Mr Bailey, chairman and main shareholder of Bailey Publications, and Professor P. Colie and Mr David de Villiers, chairman and managing director, respectively, of Nasionale Pers.

The changeover took immediate effect and staff members on all publications were informed of the move at a meeting yesterday.

Commenting on the sale, Mr Bailey said in a joint statement with Prof Colie and Mr de Villiers that Nasionale Pers books and free sheet newspapers enjoyed extensive black readership. This was now being supplemented.

Mr Bruce Cohen, news editor of the City Press, said yesterday a large contingent of senior management from Nasionale Pers addressed the staff of the Sunday paper yesterday afternoon.

Mr Cohen said after the address he was optimistic “because the future of the paper had been assured.”

He added, however, that only time would tell what sort of a future that was.

According to a charter read out to staff on the three publications, “journalists will continue to enjoy the same degree of freedom of expression as they have in the past.”

The charter said the publications would not be linked to any political movement.

“Each publication will act as a forum for the public it serves and will enable different sides of a question to be aired by the holders of opposite views,” the charter said.

One member of the City Press staff described the charter as “a patronising document that could only come from a company which was dipping its feet into untried waters.”

Mr Raymond Louw, a former editor of the Rand Daily Mail who joined the Bailey Group on February 1 on a consultancy basis, said last night he thought the publications would benefit from the take-over.

“The injection of expertise and capital from Nasionale Pers could benefit the publications enormously,” he said.

Mr Louw said his consultancy work for the publications would be “coming to an end over the next few weeks.”

Mr Keith Later, deputy chairman of the Bailey Group, said Mr Bailey was not retaining any shares in either one of the three publications.

Mr Bailey could not be contacted for further comment last night.

Mr Dave Bleazard, the president of the Southern African Society of Journalists, said the SASJ was extremely concerned at the take-over of the three publications.

“The society is opposed to any move which will further restrict the already limited diversity of viewpoints provided by the Press,” he said.
Mines split on timber fears

By BRENDAN RYAN

THE GOLD mining industry is assessing the supply of essential mining timber amid forecasts of possible future shortages.

Some mining industry executives are concerned about the control of mining timber supplies now that Anglo American Corporation, through subsidiary Mondi, has built up a 45% stake in HLH Timber Holdings, which controls the bulk of South Africa's mining timber supply.

Executives from other mining houses believe that in the event of a supply crisis, Anglo's gold mines would get priority claim to HLH's mining timber.

This possible scenario has resulted in Gencor's pulp and paper subsidiary, Sappi, diversifying into the mining timber field.

Sappi last year bought 12 000ha of hardwood plantation ground around Piet Retief, of which about 60% is already planted to hardwoods.

Timber industry estimates on how much of South Africa's mining timber is controlled by HLH range between 70% and 75%. HLH itself says it controls only 60% of the supply.

The head of HLH's timber division, Mr Robert Cox, disputes predictions of future shortages of mining timber.

He adds that Anglo's mines account for only 50% of HLH's timber business.

"Our supply situation is tight at present but none of our customers has lost a blast through lack of mining timber and I do not expect this tight situation to last longer than a year," he says.

Apart from Gencor and Anglo, the only other mining house with an in-house supply of mining timber is Rand Mines, through TC Land subsidiary Lotzaba Forests. Lotzaba cannot meet Rand Mines' requirements and has to buy in some 40% of its output.

A spokesman for Gold Fields of South Africa said the group had started to plan for a forecast timber shortage. GFSA had entered long-term supply contracts spread over all the mining timber suppliers and over various regions where mining timber was grown.

Factors which could lead to a future shortage of mining timber in the rate of planting of all kinds of timber to meet future demands and the effects of the drought.

Demand from Mondi's Richards Bay mill, which will start operations this year, is also seen as a possible cause of shortage as the plant could compete with the mining industry for timber supplies.

The effects of the drought on the forests are difficult to assess because they vary from region to region, and even from plantation to plantation.

Mr Cox estimates HLH forests have lost about two years' growth because of the drought, which has caused the present tight supply.

However, a large grower of mining timber near Transkei estimates it has lost a year's growth and will run short of mining timber in about three years.

The year's new planting has been lost in some areas. This means there will be a shortage of this timber in eight years, when it is due to be re-leased for use as mining timber.

A crucial factor is railage rates, which have increased by an average of 22% annually from 1989-1993 and have reached the point where railage amounts to 33.3% of the delivered cost of timber to the mines.

The mines, until recently, absorbed railage cost increases but will be asking for adjustments in the timber price to balance railage increases.

The result is that growers are looking more closely at supplying the pulp market, where Mondi and Sappi's Ngodwana mill are looking for extra supplies. The pulp industry pays less but the quality of timber it takes is lower.

Growers pay railage Rate 14 to supply soft wood for pulp. This is about 15% cheaper than Rate 12, which they have to pay for grading mining timber.

The difference is that pulp timber can be loaded wet, which means that 35 tons of timber can be loaded into a truck.

Mining timber must be supplied dry. The same truck volume of dry timber weighs less than wet timber and the higher railage rate is applied as a result.

Such a switch would reduce the amount of mining timber available, which could lead to supply problems.

Mr. Cox, however, believes this fear is unfounded. He says the advent of Mondi's Richards Bay plant means that otherwise wasted wood from mining forests could now find a market.

Sections of the felled trees are the wrong size to be used as mining timber but could be sold to Mondi for pulp wood.

"South Africa already has the timber to supply the Mondi mill. For example, each year 500 000 tons of timber is exported as chips to Japan through Richards Bay. Some of that could conceivably be sold in future to Mondi."
Malbak move makes sense

Takeover of Protea can bring re-rating

SHARE PRICES

Protea has long been virtually discarded as an investment vehicle by the stockbroking and institutional fraternity and was therefore offering a yield much more attractive than counterparts in the industrial market.

The two companies’ respective share prices (see graphs) bear this out.

Although Malbak has had a difficult time, with a more than 50 percent earnings slump in the first half of the current financial year, the share price has been extremely well supported, but Protea stagnated.

When Sanlam presented Malbak with the opportunity to consolidate Protea, therefore, had a double bonus.

It was not only taking over a company at a relatively bargain price, but also being able to do so without diluting its own firepower.

Malbak had accumulated some R25 million for expansion and also brought gearing back below 50 percent.

Sanlam is obviously not interested in cash, given the current shortage of decent scrip, and all Malbak had to do was increase its share capital and allow Sanlam to take a controlling 72 percent stake.

Mr Thomas says the biggest challenge will be properly to integrate Protea into the Malbak business philosophies, which hinge on giving more responsibility for downline management.

Malbak already operates on extremely decentralised principles, so it is likely such autonomy will be given to more managers at the operating end of the Protea subsidiaries.

The issue of Malbak shares also emphasizes the confidence Sanlam has in the company’s ability to gear Protea up into a more efficient workhorse.

The 770c valuation placed on the new shares representing a near 10 percent premium over current market prices.

In fairness Protea was also valued at a premium to the market, with 380c placing an around seven percent premium over the ruling market price.

Malbak completed its 1984 financial year last week and Mr Thomas says the market should be in for a pleasant surprise.

With figures not yet finalised and due for release at the start of June he was unable to elaborate.

But he did say that bottom line earnings — including extraordinary income on the sale of a subsidiary should be double those of last year’s depressed level.

All subsidiaries were in the black and Mr Thomas says the most pleasing aspect was the strong performance of the agricultural equipment division despite depressed trading conditions which resulted from the drought.

Overall the deal makes sense. But it will take a while before any significant benefits will accrue.

In the shorter term, however, there are unlikely to be many Malbak sellers around — and there may even be a few fresh buyers of Protea.

It would be a rash decision to accept the offer to minorities at this stage.
Industrial group’s assets to top R350-m

By DEREK TOMNEY
Financial Editor

SANLAM is using the industrial investment company Malbak to create a major industrial group which will have assets of more than R350-million, will rank among the country’s top 30 industrial companies, and will have an outstanding management team.

The new group will be Sanlam’s third major industrial investment venture after Federale Volksbeleggings and Gencor.

Sanlam, is to sell its 71.5 per cent stake in Protea Holdings to Malbak for R195,8-million. The purchase price will be met by an issue of Malbak shares which will increase Sanlam’s stake in Malbak from 24 to 58.6 percent.

The move will effectively double the size of Malbak, increasing its assets from R135-million to more than R350-million. Its turnover will rise from R280-million to more than R700-million.

MANAGEMENTS
However, an important factor in the decision to group the two companies is the quality of their respective managements.

Mr Marinus Daling, Sanlam’s general manager, who masterminded the deal, said today, “We believe if we take the combined strength of the Malbak-Protea management we have a very good team which will go places.

“Once the new management has settled in we expect them to identify where they want to go and expand into those areas.”

DIVERSIFIED
Malbak is a diversified investment group with interests in packaging, farming machinery, motors and engineering.

Protea also has diversified interests, ranging from chemicals, packaging, and electrical items to medical and laboratory equipment and workwear.

The results of both companies last year were affected by the recession, with Malbak’s earnings dropping from 99c to 81c a share and Protea’s earnings falling from 46c to 41,5c a share.

However, both companies are on the recovery track and Malbak has increased its interim dividend from 10c to 11c a share.

TAKEN YEARS
Earnings of the new group are expected to be comfortably ahead of last year’s figures.

Malbak’s managing director, Mr Grant Thom- as, said he was excited by the deal. It had given Malbak the size and influence which otherwise would have taken years to achieve.

He was delighted at what he had seen of the Protea team and looked forward to consulting them before any major decisions were taken.
By DAVID ROSS

MALBAK has bought 59% of Protea from Sanlam, it was announced yesterday. The deal will create a third major industrial arm for Sanlam besides Gencor and Fed Volks.

Malbak is to settle the purchase price of 350c a Protea share by the issue of Malbak shares valued at 770c. Malbak is extending the same offer of 100 Malbaks for every 220 Proteas to Protea minorities.

The result will be a new giant on the South African scene. Malbak will rank among the top 30 industrial companies in the country on assets, which will jump from R133m to more than R303m. Turnover will rise from R280m to R700m.

Malbak's managing director, Mr Grant Thomas, said last night: "We're very excited by this deal, which Malbak initiated last September.

"In one move, Malbak has achieved a size and influence it would otherwise have taken many years to have achieved."

At Sanlam, Mr Marius Dalen commented: "This new arm under Sanlam control, with a strong management team and Sanlam cash flow, can certainly develop further."

"There has been much speculation that the new group would involve Abercom, but this announcement shows that the speculation was wrong. It is to be a Malbak group." It is believed the purchase, effective immediately, will boost Malbak's earnings and net asset value.

Had Protea been part of Malbak for the financial year to end-March, Malbak's earnings would have increased by about 10%, and net assets would have improved by 22%.

Had the acquisition been effective for the financial year ended March 1983, and taking Protea's results for its financial year ended end-June 1983 into account, Malbak's earnings would have risen from 55.4c per share to 71.8c, and its net asset value would have increased from 461c to 472c.

Mr Thomas said it had not yet been decided whether the new group's year-end would become June or March. Results from the old Malbak to end-March, due out in early June, will be "comfortably ahead" of those for the previous financial year.

Mr Thomas continued: "We've been delighted at what we've seen of the Protea top team, and look forward to consulting with them before any major decisions are taken."

However, he expects changes in Protea's financial approach to bring it more into line with the Malbak philosophy. "Our policy to cover dividends between 2.6 and 3.6 times has enabled us to produce acceptable real growth for shareholders."

Mr Thomas appears to believe an objective will be to reduce the gearing of the new enlarged group by increasing retentions.

COMMENT: There has for some time been the intention within Protea itself that some of its divisions be listed separately.

On this idea, Mr Thomas comments that he has no objection in principle to such a development. He suggests further he believes Barlow's strategy in this respect has been a sound one.

The problem facing individual shareholders is whether they should accept the offer from Malbak or retain their holdings in Protea.

Mr Thomas says that, although the ultimate structure of the group will depend upon minority shareholders' decisions on Malbak's offer, second largest shareholder Old Mutual will have around 13%.

Although management of the new group may require considerable diplomacy, the backing of SA's two major institutions should help to ensure success.

If Protea's separate listings plan is pursued, it should help to maintain shareholder enthusiasm through what is likely to be a difficult year or two for the new Malbak.
JD: The company will take a 40% share in the sale of shares in the Deutsche Babcock subsidiary.

The move stems from the understanding that the company of the Deutsche Babcock, with a turnover of $220 million, has a set of plants and offices which will be joint-owned with the Deutsche Babcock.

The share will be sold in the form of a 40% share in the shares of the Deutsche Babcock subsidiary.
Surefire buy for Chubb

By MIKE JENSEN

SECURITY firm, Chubb Holdings, has increased its involvement in fire protection with the purchase of Protea Technology's Fire Protection Division for R2.7m.

The acquisition is effective from May 1 and will reduce Chubb's net asset value by 20c a share. With 4.184-million shares in issue, Chubb is paying about R637,000 for goodwill.

The group's financial director, Mr Rob Firth, said yesterday that was reasonable, considering the profitability of Fire Protection, which is expected to yield R63,000 during the year to March 1985.

"Faced with the early retirement of Fire Protection's general manager, Protea Technology was faced with two options — either to find a new person to run the division, or to get rid of it.

"Considering that the division was not really compatible with Protea's other activities, it was a logical sale for them."

The division manufactures and markets a range of fire extinguishers and other fire protection equipment, as well as providing recharge and service facilities for its customers.

Chubb's Fire Security division already competes with Fire Protection in these areas but Mr Firth says the companies will continue to be run separately as "competition will be beneficial to both groups."

Commenting on the results for the year to March 31, Mr Firth said he was "fairly confident that our earnings will be well received."
SA cable makers on the ball

By JOHN MULCAHY

In Port Elizabeth

THE South African cable industry has reached an advanced state of technology and is abreast of the industry worldwide, according to the chairman of Aberdare Cables Africa, Professor Louis van Biljon.

Prof Van Biljon was speaking in Port Elizabeth after his appointment as chairman of Aberdare, in succession to Mr Cornelis B van de Panne.

He said the continuing change that could be expected in the South African cable industry would lead to new opportunities.

Mr Van de Panne, addressing shareholders at Aberdare's annual meeting yesterday, said the group's 1983 profit would be at least maintained in 1984.

Last year, Aberdare's net income fell to R3,364m from R11,318m in 1982, as adverse conditions in the cable industry saw one company plunge into losses, while others suffered profit declines of up to 80%.

For 1984, Mr Van de Panne said Aberdare had carefully considered its investment requirements and would continue its programme to ensure its market position.

“Planned capital investments are mainly targeted at improvement of production methods, reduction of unit cost and further rationalisation.”

“In addition, facilities for new product lines, including the manufacture of optical fibre cables, will again require resources.”

He added that because of the cost of short-term borrowing, together with the existing capital expenditure programme, Aberdare had decided to continue with conservative financing and to limit borrowings.

At the end of December, Aberdare's long-term liabilities totalled R672,000, and bank overdrafts were exceeded by bank balances and cash, so that gearing was virtually non-existent.

Reviewing 1983, Mr Van de Panne said the directors were obviously disappointed that the results were not better, but “we believe that in the difficult circumstances prevailing in the market, our performance has met the challenge.”

Zimbabwe farm prices are unchanged

HARARE — Producer prices for all controlled agricultural products will remain unchanged for the 1984/1985 cropping season, the government has announced.

The crops, struck by a third year of drought, are maize, sorghum, groundnuts, soyabeans, sunflower seed, wheat and cotton.

The three presidents of the Commercial Farmers Union expressed “extreme disappointment and deep concern” at the price package.

In a joint statement the CFU presidents said in arriving at the package “little heed had been taken” of the effects of the drought and inflation on producer costs.

Meanwhile, tobacco farmers reacted cautiously to prices paid at the start of auctions yesterday, but hope reaction to the record harvest will help growers cope with inflation.

The average price was 140.95c a kg, compared with 146.58c a kg last year — Sapa-Reuters
Nedbank sheds all of its S&G holdings

Decision sparked by US Investment Laws
T&I ISSUES PAPER FOR DANPERK

By John Mulcahy

TRADE and Industry Acceptance Corporation is issuing shares instead of paying cash for the additional stake in Dan Perkins acquired last month.

The altered method of paying for the Dan Perkins' holding will increase T&I's equity base by about R4,5m and obviate the need to reduce cash resources by a like amount.

The purchase of the additional Dan Perkins' shares took T&I's stake in the motor distributor to 74% from 32%, and the vendors, Dan Perkins Family Investment Company (Pty) and Ivan Finger Investments (Pty), were to have received R4,5m in cash for their combined holding of 2,7-million Dan Perkins' shares.

According to today's announcement, the new T&I shares were issued on April 16 at 850c each, representing a discount of 10% to the 900c market price on that day.

Based on the share capital structure at the end of the last financial year — June 30 1983 — the additional 576,470 new shares issued last week takes issued capital to 4,933-million shares from 4,357-million.

The new shares issued represent 11.7% of the expanded capital. As at the end of June last year, T&I's directors controlled 45.6% of the capital.

Assuming there has been no change in the directors' shareholding, the new issue will have 'diluted' their holding to 40.3%.

According to the directors, the acquisition of the additional 42% of Dan Perkins and the subsequent share issue will result in a minimal change in net asset value a share.
Own Correspondent

JOHANNESBURG — Romatex, the textile group controlled by Barlows, had a remarkably successful six months to March with earnings up 70 percent on a life depreciation basis.

Net attributable profit, excluding non-trading items, rose from R4,7m to R8m.

The company warns, however, that “there is every indication that conditions will be more difficult” in the second half of the year.

Even so, the chairman, Mr Jack Ward, expects life earnings to be 20 percent up this year against 1982/83.

**Dividend**

The interim dividend has been increased from 10c to 15c but the directors caution that this is partly because of the intention to reduce the disparity between interim and final payments.

The much better than expected results for the six months to March are an indication of the way that spending in the economy forged ahead strongly in the last quarter of 1983.

A consequence of that spree — or, more accurately, of the lax monetary and fiscal policies that permitted it — is, however, that inflation is now still far too high.

That in turn necessitates tough policies for the rest of this year which will take an inevitable toll on most companies.

Romatex makes floorcoverings, textiles, packaging foam, automotive textiles, ropes and quilted products.

C G Smith, which is controlled by Barlows, has just under 60 percent of the equity.

**Turnover**

In the six months to March Romatex showed a 22 percent increase in turnover to R106m.

There was a 60 percent jump in trading income — from R11,1m to R17,7m — but profit was further boosted by a reduction in the proportionate interest rate burden and by tax benefits from capital spending.

On a pre-Budget fifo depreciation basis — first in, first out — taxed profit was up by 91 percent to R10,7m from R5,6m.

The increase in company tax, however, from 46,2 percent to 50 percent knocked R500,000 off the actual profit.

There was also a R2m (R0,9m) life depreciation write-down but, thanks also to the Budget, no tax benefit this time against R700,000 in the first half of the previous year.

**Life earnings**

The net result was a 70 percent rise in life earnings to 35,5c from 19,5c.

For the full year Mr Ward expects earnings to grow from 68,1c to about 82c.

On that basis the total dividend is likely to rise from 34c to 40c.

Comment: The Romatex results for this first half will obviously be welcome to shareholders but they should be seen in context.

The company has had some difficult times recently and estimated earnings of 6c this year should be seen against 96,3c in 1979/80 and 135,1c in 1980/81.

The latest results also point to the impact the Budget will have on company results.

Instead of the 33,5c reported Romatex would have been looking to around 39,5c for this latest six months without the Budget tax and allowance changes.

The company also warns that consumers are now curbing their spending.

At 776c (buyers) Romatex shares are on prospective yields of about 10,6 percent for earnings and 5,2 percent for dividend.

Genopar...
GFSA gets Liberty stake in Clydesdale

By BRENDAN RYAN

JOHANNESBURG. — Goldfields of South Africa (GFSA) is acquiring the Liberty Life group's controlling stake in Clydesdale Collieries.

The deal has been struck at R14,50 a Clydesdale share which compares with the suspension price on the Johannesburg Stock Exchange of R13 and places a value of R46m on the company.

The Liberty Life group is to take payment from GFSA in the form of new convertible redeemable cumulative preference shares (prefs) issued at R29 a share which compares with yesterday's JSE closing price for GFSA ordinary shares of R29,50.

Dividend rate

The Liberty Life group will receive 50 prefs for every 100 Clydesdale shares held.

The dividend rate on the prefs will be 10 percent and the prefs will be converted to GFSA ordinary shares on a one-for-one basis when GFSA's annual dividend reaches R2.90 a share.

GFSA's dividend for the year to end-June was R1 a share.

If conversion in this way does not take place by July 1, 1987 then the shares can be converted at the choice of the holders on July 1 of any of the years 1987 to 1996 inclusive.

GFSA will also make an offer to all other shareholders in Clydesdale to acquire their shares on the same terms.

The chairman, Mr Robin Plumbridge, said at a press conference in Johannesburg yesterday, "we are making the offer to other shareholders because we are required to do so by the regulations of the Johannesburg and London stock exchanges."

"We are not after the full shareholding in Clydesdale and will be quite happy to have as many of the other shareholders stay with us for the future operations of the company."

Option

Guardian Bankers Growth Fund, which holds 250,000 shares (2.4 percent) in Clydesdale will have the option of taking either the GFSA prefs or the R14.5 cash alternative for its shares.

The executive director of Liberty Holdings, Mr Roy McAlpine, said at yesterday's conference the fund would certainly take up the offer and sell its shares to GFSA.

However, the fund is an independent trust which was not part of the Liberty Life group and could therefore not be included with the rest of the group in accepting the GFSA prefs offer.

Mr Plumbridge said the deal had resulted from a recent conversation between himself and Liberty chairman Mr Donald Gordon and had been put together in a short space of time.

He said the acquisition was consistent with GFSA's overall strategy of increasing its investment in mining operations where suitable opportunities were seen.

The acquisition would have a small financial benefit for GFSA in the medium term.

He said GFSA's main concern at present was to page 13

Joint Announcement

by

GOLD FIELDS OF SOUTH AFRICA LIMITED

LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED

LIBERTY HOLDINGS LIMITED

FIRST UNION GENERAL INVESTMENT TRUST

JOHANNESBURG. Southern Sun Hot Holdings had a drop in attributable earnings seven percent in the year to March 31 1986, compared with R31.759m of the previous year.

Net attributable earnings were R29.500m, compared with R31.759m of the previous year.

However, the directors point out in the preliminary profit and loss announcement that restructuring of the group's casino interests on October 1 last
Business Day/Mining

CSA takes Lib Life Clyde Esdale stake

By Brendan Ryan

The company's move to acquire a stake in the Esdale operation is an attempt to expand its portfolio in the region and is part of its strategy to diversify its holdings.

The acquisition is expected to be completed in the coming weeks, and the company has already signed a binding agreement with the current owners of Esdale.

The Esdale operation is currently producing 1.5 million tonnes of coal per annum and has a 20-year mine life.

The acquisition is also seen as a strategic move to strengthen the company's position in the region and to gain access to a new and reliable coal source.

The company plans to invest in the infrastructure and equipment needed to fully integrate the asset into its operations.

The acquisition is expected to generate significant synergies and increase the company's overall production capacity.

The company's management team is confident that the acquisition will contribute to the company's long-term growth and profitability.
Some mining shares lose attraction

By DEREK TOMMEY, Financial Editor

TWO news items today show that some mining shares are no longer the attractive investments they were thought to be.

The Liberty Life group has announced that it is selling its stake in Clydesdale Collieries to Gold Fields of South Africa, and Gencor has announced that it is shutting down its Beisa gold and uranium mine in the Free State.

Liberty Life's sales of its controlling interest in Clydesdale to Gold Fields seems a sensible move for both parties.

It is seen as a sound protective move by Liberty Life. Selling its major stake in Clydesdale will stop the value of its investments being dragged down if the coal market should weaken and coal share prices drop.

With export coal prices falling, there seems a strong possibility of this happening.

It also a good acquisition for Gold Fields. This group has only a small stake in coal and gaining control of Clydesdale will rectify that shortcoming.

R146-MILLION

Gold Fields is paying just over R146-million for control of Clydesdale by offering 50 preference shares at a price of R25 a share for every 100 Clydesdale ordinary shares.

This values Clydesdale shares at R14,50 each.

The preference shares carry a dividend of R2,50 a year and will be automatically converted into Gold Fields shares when Gold Fields' dividend reaches this amount.

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URANIUM WEAK

The closure of Beisa should not be a surprise. The mine is predominantly a uranium producer with gold produced as a by-product.

The uranium market is known to have been weak for some time, and in the first nine months of last year the mine had an operating loss of almost R5-million.

As the mine is not eligible for state assistance, and with production costs rising, Gencor's decision to cut its losses and close down Beisa seems the right decision.

The move should help ease slightly the shortage of skilled labour in the industry and, in depriving suppliers of a customer, may perhaps help stabilise mining costs.

Beisa, a subsidiary of St Helena, was financed mainly out of St Helena's tax savings, so its closure will not greatly affect shareholders.

The real loser would seem to be the Government, which through tax concessions put up the finance for Beisa and will not get any return on these concessions.
WHO CONTROLS WHAT?

It's well known that a few large companies control the bulk of SA's private sector — in 1983, in fact, 30% of the total assets of listed companies. But these 11 conglomerates control only 16% of all fixed assets in the country.

Other listed companies control about 4% to 5%. But the private sector as a whole controls only about 53%. The rest, according to the latest Mercabank Focus, is controlled by the public sector.

However, this breakdown does not necessarily reflect the real loci of control. A large part of the 47% controlled by the public sector consists of public parks, nature reserves and other forms of public land ownership which are not directly related to the operation of the economy.

The only areas of the productive economic processes in which the public sector's share is substantial are electricity, water, transport, and community and social services. In manufacturing, the share of the public sector in gross fixed investment declined from 39% in 1973 to 18% in 1993. So the modest 16% share of the 11 conglomerates in SA's total fixed assets disguises a much larger share in assets related directly to economic processes.

Distribution of the fixed assets of South Africa 1982

[Diagram showing distribution of fixed assets]
Sanlam takes major stake in Kirsh group

The Kirsh group has been seeking to increase its liquidity for some time and, to this end, has been gradually arranging sale and leaseback deals on a large number of its properties.

Last year several of the Checkers properties were sold in this way and plans are under way to sell the rest this year. But Mr Kirsh says that any property deals would be separate transactions to an outsider taking a substantial shareholding in the group.

He would not comment on speculation that Mr Jan Pickard has injected cash into the group in return for a greater share interest. But he did say that his group still controlled 29.9 per cent of Union Wine, in which Mr Pickard already has a significant shareholding.

All the listed companies in the Kirsh empire have attracted substantial investor interest on the market in the past couple of weeks. These have centred around the group receiving additional cash finance through the sale and leaseback deals. While in essence this has been correct, it now appears there has been a further major boost to liquidity through the sale...
muscle to move ahead

By Peter Farley, Investment Editor

The presence of Sanlam as a major shareholder in the ultimate pyramid of the Kirsh Group would provide the necessary capital to ensure the final consummation of the retail group’s restructuring.

And, apart from placing a major institutional respectability on a group seemingly bypassed in recent years, it provided the scope for major acquisitive expansions once existing companies had settled under the new structure.

The new set-up establishes an unlisted pyramid, Sanki Holdings, in which family company Kirsh Industries would hold 50.1 percent and Sanlam 49.9 percent.

Sanki would, in turn, hold 55 percent of listed pyramid Kimet and 31 percent of holding company Metro. Kimet would have a controlling 50 percent stake in Metro, which would have 60 percent of Kirsh Trading.

The latter was the main listed vehicle for the Kirsh operating divisions and has 100 percent of Sanki Holdings, Checkers and Metcash, plus significant stakes in Don Union Wine and others.

The new holding company’s 31 percent stake in Metro was the recently purchased shareholding from Tiger Oats.

Sanlam chairman Dr Fred du Plessis said the investment in Kirsh, which he declined to quantify, represents the insurance group’s first major foray into the retail sector.

He added it was a step that had been considered, but taken at this point as it was felt the group’s internal restructuring was beginning to bear fruit.

Mr du Plessis said the step was also taken to prevent another major shareholder getting in first and to protect the job existing management was carrying out.

While he did not rule out the possibility of Sanlam seeking a controlling stake at a later stage, he said it was company policy to try to secure that position should existing management not work. “This does not appear to be the case in the Kirsh Group.”

Both he and Mr Natie Kirsh stressed that this arrangement was a separate deal to those already being structured on the property side.

Mr Kirsh said his group had already sold and leased back some R100 million worth of the R250 million group property portfolio and he expected the balance to be sold before the end of June.

But Mr Kirsh said full details of the Sanlam deal would not be disclosed as it was a private arrangement.

The shareholding of the respective companies were aware of what had taken place and there was no need to inform the public. There were those who would disagree.

Apart from Sanlam policyholders, there were numerous minority shareholders in companies within the Kirsh Group.

And, although not directly affected, the ramifications of this deal were likely to have more far-reaching consequences on Checkers and Russell.

The one aspect of the Kirsh Group which did not now seem fit into the final structure was the 28.9 percent stake in Union Wine — down from around 37 percent a couple of weeks ago.

Mr Kirsh says he would like to have full control of Union Wine, but that major shareholder Mr Jan Pickard was not selling. He added that his companies were better placed to run Union Wine than its existing structure.

He nevertheless says that he now has plans to sell any further shares and would be in the market for the whole thing should it become available.

While the Sanlam deal provides scope through major equity funded acquisitions, which Kirsh says has enough on its plate for the time being.

The cash injection from Sanlam, that has been given the initial go-ahead to buyout Tiger Oat’s 31 percent stake in Metro Corp, would mostly be used to take the debt pressure off the rest of the group.

Mr Kirsh expected that by the end there would be no short-term debt in any group companies.

But the deal would certainly go a long way to justifying the faith placed in the group companies by the Stock Exchange over the past couple of weeks, with some listed companies in the group up by more than 10 percent.

It was, however, unlikely to please the authorities who were under the impression that they had been meeting on the issue late yesterday.
Rival packaging giants in massive cash and asset exchange

By DAVID ROSS

JOHANNESBURG. — Kohler, Nampak, and Nampak’s subsidiary Metal Box, the listed major SA packaging companies, today announce a swap of assets which also involves cash for Kohler.

Kohler is to sell to Nampak the businesses of Masterform and Tension Envelope. The price is R12.5m in cash. Conditional upon this transaction, Kohler will acquire from Metal Box the Safepak business for R8.3m in cash.

Mr Ian Willis, managing director of Kohler, explains that Safepak operates in the monoweb area of flexible packaging, making such items as the zippered plastic bags used by banks.

He feels that it is a further opportunity for Kohler to build up its interests in flexible packaging. Kohler has identified this area as one with prospects of growth.

Kohler’s sale of Masterform and of Tension Envelope, which constitute Kohler’s business systems division, is, in Mr Willis’ view, a continuation of the strategy which led to the sale of Palladium Stationers last year.

At the same time the cash differential of R7.2m will help Kohler to reduce its level of borrowings. Mr Willis says that the debt/equity ratio of the group, which stood at 80% at the past year-end, is already down below 60% before taking account of the latest deal. He believes that by the current year-end it will be “well below 60%”.

On the other side of the deal, Mr Derek Jacobs, managing director of Nampak, notes that continuous businanss stationery manufacture is a sophisticated process, which Nampak believes it can contribute to, especially in the print area.

Nampak is presently involved in such activities in Durban. The acquisitions will give the group businesses in both Johannesburg and the Cape, so to make its operations in this field country-wide.

Nampak, says Mr Jacobs, also sees this as an area in which it can diversify away from strictly packaging activities. The Kohler strategy, which Mr Willis describes as to get the group back to being a packaging business, appears to be just the reverse.

Mr Willis says that the deal helps Kohler “to make things tidy” “We will welcome the Nampak people who operate Safepak into our group”, he says.

COMMENT: The deal makes sense for both parties. On the other hand, while Kohler appears at first sight to be getting the better part of the bargain, monoweb operations are not especially high-tech, and it is not difficult to set up in them. Nampak is especially involved in the field of multi-layer flexible packaging, which involves higher-tech processes.

The proceeds that Kohler is getting its debt/equity ratio down as quickly as it appears to be doing will be welcomed by analysts.

Prices of the transactions are based upon net book value assets, so will have no effect on net asset values of either Nampak or Kohler. There will also be no material effect upon their earnings.
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Closing gold prices
(In $ an ounce)

LONDON: 376,00-376,50
Fixing am: 375,00
Fixing pm: 375,60

ZURICH: 374,00-377,00

— Reuters

Unit trusts

JOHANNESBURG — Yesterday’s quotations for Mutual Funds are

| Buyers' Sells | Yeld |
|---------------|------|--------|--------|--------|--------|--------|
| Old Mutual    | 923,41| 922,67 | 5,46  | 5,44  | 5,47  | 5,51  |
| NJP           | 340,33| 329,50 | 5,36  | 5,37  | 5,38  | 5,38  |
| Sesa          | 601,40| 612,41 | 5,85  | 5,84  | 5,83  | 5,83  |
| UAL           | 619,17| 615,75 | 7,95  | 7,89  | 7,83  | 7,82  |
| NFL           | 144,98| 136,56 | 7,85  | 7,89  | 7,83  | 7,82  |
| Sesa          | 208,36| 207,35 | 5,67  | 5,67  | 5,67  | 5,66  |
| Standard      | 233,33| 224,65 | 7,71  | 7,73  | 7,75  | 7,77  |
| Sida Income   | 62,22 | 60,32  | 14,77 | 14,77 | 14,77 | 14,77 |
| Sida Gold     | 120,93| 121,79 | 7,53  | 7,55  | 7,57  | 7,59  |

Mid-East to boost dolla

LONDON — The dollar surged against other major currencies yesterday, showing tension between Iran and Iraq and economic data which showed the American economy roaring ahead, thus putting pressure on US interest rates to rise further.

The US currency was quoted in Europe at 2,7750 West German marks, more than a penny above the previous close. The dollar also reached a three-month high against the Japanese yen and touched its highest levels for five months against the Australian dollar, which closed at 89,30 US cents in Sydney.

Yen vulnerable

New Iraqi attacks on oil tankers and ships in the gulf were a major factor behind the dollar’s rise, particularly against the yen, which is vulnerable to threats to Japan’s oil supply.

The dollar rose to 234,20 yen in Tokyo, shortly after Iraq announced it had attacked two more ships in the gulf, but eased back profit-takers ahead of the weekend. It was later quoted at 233,30 yen in London.

“The yen could weaken further if the gulf situation worsens,” said one Tokyo dealer.

Also aiding the dollar yesterday, interest came down in London. He was the US and the EC, and markets jumped to the $142

Three years ago, the deficit nearly doubled, but the reduction in interest rates reduced this to $1382 billion.

The slippage in oil prices could be said to have reduced the yen.

Despi current against activities, the yen they expects central bank operations to drive it down.

“Every level with the dollar should be bought,” said the Tokyo dealers.
Sanlam-Kirsh embrace

Business Times Reporter

IN a deal that could be worth R55-million, Sanlam is set to take a stake in the Kirsh group.

Sanlam has put up the cash to allow Kirsh to buy Tiger Oats 30% stake in Metro for an undisclosed price. This holding in Metro would go into Kinet in exchange for new shares in Kinet to be issued to Sanlam. So Sanlam and Kirsh end up as partners in Kinet.

Kirsh would retain control of Kinet, the top listed company in the Kirsh empire, as well as Kirsh Trading, which controls Metro Cash, Checkers and Jysters and has 30% of both Dino’s and Union Wine.

The sale of Tiger’s shares in Metro could have followed an edict from Barlows, new controller of Tiger Oats, which probably saw little point in a large minority position in Metro.

Sanlam and Mr Kirsh refuse to put a price on the deal, but market prices indicate R55-million.

The deal depends on Johannesburg Stock Exchange approval.

Marinus Daling, head of investments at Sanlam, said Sanlam had bought into Kirsh “as it is a good investment, a fine recovery situation”.

He denied the investment was a quid pro quo for Sanlam’s providing funding for Kirsh. If Sanlam entered any leaseback on Kirsh properties or provided any other kind of funding, it would be at arm’s length.

Insurance

Asked if Sanlam would receive much insurance business from Kirsh, Mr Daling said Checkers pension fund had been a customer of Sanlam for years.

Kirsh has significant short-term insurance interests, controlling AA Mutual, one of the Big Four. This company and Sanlam, Sanlam’s short-term term and SA’s biggest, have been drawing closer.

The market had wind of this deal well in advance and all Kirsh shares strengthened in the past two weeks.
Sanlam in huge retail trade deal

By PAUL DOLD
Financial Editor

IN ANOTHER massive deal which could be worth more than R50-million, Sanlam has bought near-control of the Kirsh group and has taken a huge slice of South Africa's retail trade, including Checkers, Russells and Metro Cash.

The three retail chains combined have annual sales of R3-billion and represent well over 13 percent of the retail sector.

The deal was structured through the creation of a new company, Sank, which is not quoted on the Stock Exchange, with Sanlam taking 49.9 percent and Mr Natie Kirsh owning the balance. Thus while Mr Kirsh retains control, Sanlam has acquired the largest minority stake.

Sanlam's general manager (investments), Mr Marinus Daling, last night denied that any of the Kirsh companies quoted on the Johannesburg Stock Exchange were involved in the deal.

While Kirsh Industries would have been the natural vehicle, its non-retailing interests such as AA Mutual Insurance ruled this out and it was decided instead to form the unquoted Sank.

In the first stage of the deal, food giant Tiger Oats, which is part of the Barlows group, sold its 36 percent stake in Metcash to Mr Kirsh.

Sanlam is likely to provide extensive lease-back finance for the Kirsh group, whose Checkers chain is currently launching one of the largest expansion programmes in South Africa's retailing, but this was not a prerequisite for the deal.

Clearly with Checkers now in effect backed by Sanlam, the war between the supermarkets is likely to be stepped up with the Checkers manager, Mr Gordon Utson, being able to further cut Checkers food prices.

Strong cash flow

Mr Daling says Sanlam considers Kirsh to be an investment with exciting potential. This is the second major deal by the Cape insurance giant in a matter of weeks. Recently it paved the way for the merger of conglomerate Protea Holdings with Malibou.

The takeover spree signifies that the cash flow of the insurance groups remains strong in spite of the recession and the impact of rights issues by Sasol and Gencor.
Fedfood lifts profits 24%

JOHANNESBURG — Federale Volksbelegungsfood wing — Fedfood — has continued its dramatic earnings performance and lifted attributable profits 24 percent for the year to March.

On the back of improved conditions in all divisions except frozen foods, Fedfood reports an increase in the bottom line to R19,65m from R15,76m in the previous year.

Turnover rose 11 percent to R720,65m (R650,16m) and operating income advanced 17 percent to R52,87m (R45,13m).

However, interest payments only increased six percent so pre-tax income was lifted by 26 percent to R32,25m (R25,6m) which resulted in after-tax income up 27 percent at R21,91m (R17,36m).

Outside shareholders took R2,74m (R1,46m).

In line with the group's policy of gradually increasing its dividend cover to eventually three times earnings, the final dividend has only been increased 3c to 18c, bringing the total dividend to 30c or 2,7 times earnings, 13 percent up on last year's 2,4 times.

Describing the reasons for Fedfood's encouraging performance, the managing director, Mr Jan Louw, said last night one of the reasons was that pelagic fishing in the Namibian waters had improved considerably.

"In 1984 the group benefited mainly from excess fish catches which yielded very good fishmeal and oil returns. In addition the pilchards we are now catching are very much bigger and this in combination with improved technology means a larger proportion of the fish is ending up in the can," said Mr Louw.

Factors

In the milling division the availability of maize, wheat and sorghum had an adverse impact on profits but other factors outweighed this including:

- The reconstruction of the Ruto group, which is undergoing a R5m expansion programme at present.

- Increased demand for basic foodstuffs caused by the drought and the recession.

- Inter-group rationalization of processing activities, especially oil extraction between Nola and Ruto.

- Diversification of product ranges and optimization of production capacities.

The bakery division — Fedbake — recorded especially good growth in the rural areas, neighbouring states and homelands.

But the directors say: "The low controlled margins in the wheat and bakery divisions and the consequent return on capital, create a condition where only the fittest can survive. Any relaxation in the subsidy system will result in substantial price rises to the consumer.

The frozen foods division experienced "very tough trading conditions which resulted in the failure to achieve expected returns on capital."
Barlows raises earnings in spite of higher taxes

JOHANNESBURG — Thanks to better trading and greater efficiency Barlow Rand’s attributable earnings rose by 19 percent in the six months ended March

The interim report released yesterday shows that this rise, from R103,1m to R120,7m, was achieved after taking into account R8,1m of additional taxes arising from changes in the basis of taxation announced in the March budget.

But for the significant impact of the new tax measures, earnings per share would have been up by 17,2 percent. As it was earnings per share were up by 10 percent, from 68,8c to 75,7c.

An unchanged interim dividend of 26c a share was declared, and the chairman, Mr Mike Rosenthal, says it should be possible at least to maintain the dividend for the year at 70c.

Expectations

Trading results for the six months exceeded expectations, he says.

Increased operating profits resulted from better trading and from improved efficiencies in all divisions, but trading conditions were expected to be more difficult in the second half.

"With the decline in the gold price, the cost of the drought and the consequent weakening of the South African balance of payments position together with the recently announced increase in general sales tax, it has become clear that the upturn, which manifested itself in the second half of the previous financial year, cannot be sustained," he said.

Turnover rose by 20,4 percent to R4,711,8m.

There was a 24,5 percent increase in group operating profit before interest.

Group profit before tax showed a 28,9 percent leap to R392,7m.

Group profit after tax showed a 26,8 percent gain to R236,2m.

The ratio of current assets to current liabilities has improved from 1,45 at end of September to 1,48 at end of March.

In the same six months, total liabilities to total shareholder funds were reduced from 88 percent to 84 percent, and total borrowings to total shareholder funds were pulled down from 44 percent to 41 percent.

Capex

The chief operations officer, Mr Warren Clewlow, said capital expenditure estimates for the group as a whole now stand at R1,541m.

"This includes mining proposals of R964m, of which the major portion will only be spent in 1988 and onwards. The remainder of the expenditure will take place by the end of 1987 and relates to expansion in the cement and lime division, and in the CG Smith group."

Commenting on the divisional trading performance, Mr Clewlow said the ferro-alloys and stainless steel division had improved its position, with a loss at the half year of R3,9m against a loss of R8,1m for the corresponding period last year.

The export market for ferro-alloys had improved steadily but the local market for stainless steel remained depressed.

The other divisions also improved except the mining division due to lower gold prices being received and the lower margins that have prevailed in the coal and base minerals markets.

Commenting on group-wide activities, Mr Clewlow said "It has been a busy six months, and the group ended the first half on a confident note."

"Looking ahead, there must be hesitancy about what will be achieved in the second half of the year. The upturn in the economy of the past nine months has faded, and the further increase in general sales tax announced so soon after the budget will further undermine business confidence."

"The group is fortunate to have further internal potential to improve profitability. This will come in time through rationalization and benefits arising from recent acquisitions, the benefits that will arise out of our capital expenditure in recent years, and making better use of non-performing assets."

— Sapa
Anglo top power with assets of R30-billion

Financial Editor
ANGLO American controls the biggest business empire in South Africa and its largest rival is Sanlam, a survey by a group of economists at the University of Pretoria for Mercabank shows.

The economists, led by Professor J A Lombard, estimate that, on 1982 figures, Anglo American controls assets of around R30-billion. Sanlam is a distant second, with assets of R17.9-billion.

Some way behind these two are three other roughly equal “powers” — the Old Mutual with business assets of R16.9-billion, Barclays with R10.4-billion, and the Standard Bank Investment Corporation (Stannic) with R8.5-billion.

However, the Old Mutual's muscle is increased by a shareholding in Barlows, which has R5.5-billion in assets, and a share in SA Breweries, which has assets of R2.2-billion.

LIBERTY LIFE
Similarly, Stannic's stake in Liberty Life, estimated to have assets of R2.7-billion, and its links with United Building Society, estimated as being worth R4.7-billion, also help increase its importance.

The Rembrandt group was estimated to be worth R1.7-billion, but its powers are greatly heightened by its links with Volkskas, which controls about R4.8-billion worth of assets.

These large groups control about 80 percent of the total assets of South African companies whose ordinary shares were listed on the Johannesburg Stock Exchange.

Foreign interests were largely confined to the 9.1 percent held by Barclays and the 9.3 percent held by Stannic — the two banking groups which at least in a formal sense are controlled from abroad.

The Government, through the Industrial Development Corporation and Iscor, controlled 4.2 percent.

INCREASING
The survey found that the share of the biggest industrial companies in the total assets of listed industrial companies was steadily increasing.

In 1973 the five biggest companies accounted for about 22 percent of total assets. But by 1982 this figure had risen to about 33 percent.
Johannesburg. — Earnings by Premier Group Holdings in the year to March have exceeded expectations at the halfway stage. Turnover, trading profit and earnings per share all reached record levels.

Releasing the group's preliminary financial results in Johannesburg yesterday, the chairman, Mr Tony Bloom, said not attributable profits at R120m are not comparable with the previous years R55m due to the fact that the group's 36 percent interest in SA Breweries has been equity accounted for the first time.

However, trading profits increased by 13 percent — R127m compared with R121.6m — which Mr Bloom describes as reasonably satisfactory in view of the economic recession and the drought.

Group turnover at R2 049.1m rose by 19 percent over last year's R1 715.6m.

Earnings per share — on the new share capital of 56.1m shares (25.6m) — increased by four percent from 206.5c last year to 214.5c in the year under review.

With the company declaring a final dividend of 54c a share (37c), the total annual dividend has been increased by 30 percent to 86c (66c).

Mr Bloom said all major divisions in the food group — except the poultry division — increased profitability.

Market shares for all the important products had either been increased or maintained.

"This was a creditable performance in the face of increasingly competitive activities which manifested themselves as excess capacity chasing diminished markets and margins put under severe pressure."

The profits of the good group had however been adversely affected by the lower demand for maize meal, arbitrary reductions in the milling and baking margins by the government, increased costs associated with the importation of wheat, maize and oilseeds plus the poor performance of the poultry division.

Mr Bloom predicted that in the current year the Premier group would achieve at best a 10 percent increase in earnings per share.

In view of the current adverse conditions this seemed optimistic but a major factor likely to have a beneficial impact on the group was the abolition of GST on basic foodstuffs announced recently by the Minister of Finance, Mr Owen Horwood.

He announced that Mr Peter Wrighton has been appointed chairman of Premier Food Industries with Mr Wally Wolthers as joint managing director in charge of mills, bakeries, distribution and international marketing and Mr N B Fowler joint managing director in charge of poultry, animal feeds, pet foods and edible oils and derivatives. — Sapa
Anglo raises its stake in GFSA

By BRENDA RYAN
Mining Editor

THE Anglo American Corporation has acquired a further 5.6% stake in Gold Fields of South Africa in a deal worth more than R126m.

Anglo has accomplished this through a share swap of 35.5-million Barlow Rand shares for 4.6-million GFSA shares with the Old Mutual. The shares were registered with their new owners on Friday.

The deal was revealed yesterday in a circular to GFSA shareholders concerning the group's acquisition of the controlling stake in Clydesdale Collieries.

The document showed that Anglo's stake in GFSA had risen to 8.9% at May 22 from the 3.3% reported in the last AAC annual report.

It also showed that the Old Mutual no longer had a stake of more than 5% in GFSA. It held 6% at June 30.

The implications of the deal are significant in terms of the shareholdings being built up by the Anglo greater group in GFSA and the Old Mutual in Barlow Rand.

Old Mutual held 29.5% of Barlow Rand before the deal, which has given it an additional 5.6% stake to take its total holding to 34.7%.

Anglo now holds a direct 8.9% stake in GFSA while 45%-held associate Anglo American Gold Investment Company (Angold) has another 10.9%.

However, the Anglo group has a significant indirect holding in GFSA through its international arm, Minerals and Resources Corporation (Minaroce), which in turn has a large stake in GFSA's controlling company, Consolidated Gold Fields.

There has been repeated speculation that Anglo is keen to acquire control of GFSA.

The speculation has concentrated on the activities of Minaroce and the possibility that it might launch a take-over bid for Cons Gold.

AAC holds a 41% stake in Minaroce, while De Beers Consolidated Mines holds a further 22%. Minaroce in turn holds 29% of Cons Gold, the largest shareholder in GFSA with 48%.

If Minaroce wants to take its stake in Cons Gold to more than 30%, then, in terms of London stock market regulations, it will have to make a take-over offer to all Cons Gold shareholders.

Apart from AAC, Angold and Cons Gold there are no other holders of more than 5% stake in GFSA.

An AAC spokesman yesterday denied the acquisition of an additional 5.6% stake in GFSA was part of an overall plan to gain control of the company.

The deal signals a recognition of the strength of strategic investment stakes held by AAC and Old Mutual after the rift which grew between the two investment giants in 1983.

As a result, Old Mutual chairman Dr Jan van der Horst resigned abruptly from the AAC board of directors in June.

The rift resulted from growing conflict of business interest between AAC and Old Mutual which was probably started by the Old Mutual's decision, early in 1983, to swap its stake in Tiger & Sugar for Barlows shares.

This took its stake in Barlows to 24.8% overtaking Anglo as the largest shareholder in Barlow Rand.

That could have been one of the factors which subsequently led to the control of the other major food group, Premier, going to a JCI/Anglo/Lubertu Limited consortium.

Following the deal the Old Mutual took a controlling stake in Rennes, a major departure from its previous philosophy of taking only minority investment stakes.

The acquisition of a 55% stake in Barlow Rand by the Old Mutual is therefore another step towards possible ultimate control while Anglo's sale of an important minority stake in Barlows is recognition that it cannot win control itself given the Old Mutual's dominant position.
Anglo American Corp gets further stake in GFSA

Own Correspondent
Johannesburg — Anglo American Corporation (AAC) has acquired a further 5.6 percent stake in Gold Fields of South Africa (GFSA) in a deal worth more than R125m.

Anglo has accomplished this through a share swap of 2.5m Barlow Rand shares for 4.6m GFSA shares with the Old Mutual. The shares were registered with their new owners on Friday last week.

The deal was revealed yesterday in a circular to GFSA shareholders concerning the group's acquisition of the controlling stake in Clydesdale Collieries.

The document showed that Anglo American Corporation's stake in GFSA had risen to 8.9 percent at May 22 from the 3.3 percent reported in the last AAC annual report.

Implications

It also showed that the Old Mutual no longer had a stake of more than five percent in GFSA. It held six percent at June 30 last year. The implications of the deal are significant in terms of the shareholders being built up by the Anglo greater group in GFSA and the Old Mutual in Barlow Rand.

Old Mutual held 29.5 percent of Barlow Rand before the deal which has given it an additional 5.2 percent stake to take its total holding to 34.7 percent.

Anglo American Corporation (AAC) now holds a direct 8.9 percent stake in GFSA, while 49 percent held associate Anglo American Gold Investment Co (Amgold) has another 10.3 percent which takes the direct group stake in GFSA to 19.8 percent.

Speculation

However, the Anglo group has a significant indirect holding in GFSA through its international arm, Minerals and Resources Corporation (Minmore) which in turn has a large stake in GFSA's controlling company, Consolidated Gold Fields.

There has been repeated speculation over the past few years that Anglo is keen to acquire control of GFSA, which manages arguably the finest stable of South Africa's gold mines.

The speculation has concentrated on the activities of Minmore and the possibility that it might launch a take-over bid for Consolidated Gold Fields.

AAC holds a 41 percent stake in Minmore while De Beers Consolidated Mines holds a further 22 percent to give a combined AAC/De Beers controlling interest in Minmore of 63 percent.

Minmore in turn holds 20 percent of Consolidated Gold Fields which is the largest shareholder in GFSA with 40 percent.

Regulations

If Minmore wants to take its stake in Consolidated Gold to more than 50 percent then, in terms of London Stock Market regulations, it will have to make a take-over offer to all Consolidated Gold Fields shareholders.

Apart from AAC, Amgold and Consolidated Gold there are no other holders of a more than five percent stake in GFSA.

An AAC spokesman yesterday denied the acquisition of an additional 5.6 percent stake in GFSA was part of an overall plan to gain control of the company.
Anglo, Mutual further apart

By Peter Farley

The acquisition of a further 5.2 percent in Barlow Rand by Old Mutual, which increases the insurance company's shareholding to 54.7 percent, signifies a growing split in the investment focus of Old Mutual and Anglo American.

The shares were received in a scrapping exchange whereby Anglo received 4.6 million Gold Fields shares (5.6 percent) from Old Mutual in return for 8.3 million Barlow shares.

A further development on these lines has been on the cards since Old Mutual was virtually left in the cold over the deal in which control of Premier was returned to SA.

As a result of that deal, in the middle of last year, a consortium comprising Anglo, JCI and Liberty pooled its SAB shares and exchanged them for scrapping in Premier. This effectively brought SAB in under Premier, and ignored Old Mutual in the process.

Old Mutual still has a near 12 percent stake in SAB and it would now be no real surprise to see that hived off to either Anglo, or the consortium.

In seeming retaliation for being excluded from the Premier/SAB deal, Old Mutual bought control of Rennies from Hong Kong-based Jardine Matheson.

The basis of that purchase was illustrated by the almost 75 percent premium Jardine was able to extract for its Rennies shares.

The sale of Old Mutual's SAB shares takes even greater sense, with Rennies now contemplating the establishment of a brewery in competition to SAB.

There is already a conflict of interests through the Holiday Inn and Southern Sun hotel groups being, respectively, in the Rennies and SAB camps.

The latest development also means that Anglo's stake in Barlow Rand is effectively halved to around 7 percent.

The two investment giants now appear to have agreed it is better to have more sizeable individual stakes in effective associate companies, rather than splitting control between the two camps.

And while both companies deny at this stage that this latest move is a prelude to achieving control of either Barlow Rand or GPSA, it remains a strong possibility at a later stage.

The most likely next step should be Anglo entrenching its shareholding in the GPSA group, with a combined assault both on GPSA and UK-listed Consolidated Goldfields, of which it holds 29 percent.
Takeover splurge backfiring — Kantor

Weekend Argus Correspondent

DURBAN — South Africa's giant takeover splurge of the past few years looks as if it is backfiring.

A research by Professor Brian Kantor of the University of Cape Town, shows that, in line with American precedents, the giant corporations — Anglo American, SA Breweries, Barlow and others — are not performing as well for their investors as are their smaller operating divisions.

Professor Kantor warned in an address to the Economic Society in Durban that; if the trend continued it could lead, as in America, to "deconglomeration".

He said analysis of the performance of 50 shares on the Johannesburg Stock Exchange over an 18-month period showed that these giants were not "offering the combination of risk and return that would have been expected".

It was their operating interests, like Durban's McCarthy Group for Anglo, which really were showing the best gains for their investors.

More powerful.

If this trend continued the operational managers would grow more powerful in themselves, raising capital directly from the public rather than through the giants which controlled, or had large stakes in them.

The American trend, which had been going on some time, was illustrated by calculations on conglomerates showing "the value of the sum was far less than the value of the parts".

In South Africa, too, divisional managers could come under increasing pressure to cut their companies loose.

The study, done for a new publication which he is editing, also suggested that investors could do better by themselves spreading investments, rather than by buying the shares of one huge corporation, like Anglo, with its spread of interests.

Bull phase

The research project had been on the basis of percentage return, a week. The gold price had been stable in rand terms over this period while the Johannesburg Stock Exchange had been in a bull phase.

Substantial takeover pressure in South Africa followed from the regulation which prevented companies from buying their own shares.

This meant companies with large cash flows had to seek avenues for investment outside of themselves. He suggested that the Registrar of Financial Institutions could remove the barrier on companies buying their shares. No such barrier existed in the United States.

Another suggestion for improving competition in the capital market was that companies not be taxed at source — but only when the profits reached their shareholders.
SASJ chief hits at Argus moves

Own Correspondent

JOHANNESBURG — The Media Council and the "trend towards concentration of ownership of the media" were singled out this week as two developments with implications for press freedom in South Africa.

They were given special mention by the outgoing president of the Southern Africa Society of Journalists, Mr. David Bleazard, during his presidential address to the 1984 annual congress of the SASJ, being held here.

Mr. Bleazard, who is employed by the Argus, pointed to the "interminable strife" between the Argus and Saan groups and the take-over of the Jim Bailey group of publications by Nasionale Pers.

"In the extreme case, if the Argus initiatives result in the destruction of Saan, there will be a monopoly of the English-language press by Argus threatened only perhaps by Nasionale Pers.

"A lot of journalists stand to lose their jobs and the public will lose valuable sources of information. The relatively independent Saan newspaper viewpoints could be replaced by what has been described as 'pallid Argus clones.'"

Referring to the one seat on the 14-man council being offered to the SASJ, Mr. Bleazard said he believed the role allocated to the SASJ by the architects of the council was that of rubber stamp.

"An effective Media Council may be preferable to direct government action against the press. But it did not necessarily follow that a union of journalists should support a disciplinary body over which it had no control, but which had the power to criticize its members and fine their publications.

"The congress is due to vote today on the issue of joining the Media Council."
JOHANNESBURG — The Media Council and the "trend towards concentration of ownership of the media" were singled out here as two developments with implications for Press freedom in South Africa.

Mr. David Bleazard, the outgoing president of the Southern Africa Society of Journalists, said "I believe the role allocated to the SASJ by the architects of the Media Council is that of a rubber stamp."

Mr. Bleazard, in his presidential address at the 1984 Annual Congress of the SASJ, being held in Johannesburg, was referring to the one seat on the 14-man council now being offered to the SASJ.

"It may be that an effective Media Council is preferable to direct Government action against the Press — the lesser of two evils," Bleazard said.

"But it does not necessarily follow that the SASJ, a union of journalists, should therefore lend its support to a disciplinary body which it has no control over but which has the power to criticise its members and fine their publications."

Mr. Bleazard warned against the dangers of the "accelerating trend" towards concentration of ownership in the media. He pointed out the "interchange of influence" between the Argus and San groups and the takeover of the Jim Bailey group of publications by Nasionale Pera.

"In the extreme case, if the Argus initiatives result in the destruction of San, there will be a monopoly of the English language Press by Argus, threatened only perhaps by Nasionale Pera."

A lot of journalists stand to lose their jobs and the public will lose valuable sources of information. The relatively independent San newspaper viewpoints could be replaced by what has been described as "pallid Argus clones".

He added that Nasionale Pera's takeover of the black readership "Bailey publications", including City Press, Drum and True Love, opened up a whole new dimension for the company as a mouthpiece of National Party policy.

Mr. Bleazard listed a number of "body blows" to Press freedom over the past year:

- The "brutal assault" on journalists by East Rand Administration Board officials at Katlehong.
- The subsequent arrest of other journalists protesting against the Katlehong attack.
- Cabinet ministers trying to curtail reporting on parliamentary debates.
- Prosecution of the Star newspaper for quoting the president of the African National Congress, Mr. Oliver Tambo.
- Zimbabwe's enforcement of the Kadoma declaration against SA-based correspondents, barring them from that country.
- The use of the Publications Act against the Windhoek Observer — once it had resigned from the Newspaper Press Union — to prevent publication of its nude pictures.
- Mr. Carlos Cardoso, director of Mozambique's news agency, AIM, delivered the Fairbairn Memorial Lecture at the congress.

He told journalists "Today there are whites who are African and blacks who are European."

Withbank-born and University of the Witwatersrand-educated Mr. Cardoso said South Africa had produced internationally-renowned journalists who, through their profession, had struggled for the freedom and equality of human beings irrespective of race, sex or religious belief.

He paid tribute to, among others, Alister Sparks, Bryan Bunting and Govan Mbeki.

Mr. Cardoso said that according to the East-West conflict theory, the African had to choose between the two. To have to make the choice was "to accept a secondary role in the act of fashioning the destiny of the world."
The irresistible and the immovable get together

By David Carte
THE business community is dumfounded by the unlikely partnership struck up between Natie Kirsh and Sanlam.

Apart from the obvious cultural differences between the marriage partners, Mr Kirsh has for years been a free-wheeling and dealing entrepreneur used to doing precisely what he wants.

**Shameless**

Far from co-operating with the multi-billion rand corporate giants, he has delighted in tweaking their tails. He has done it with Mutual, The Oats and SA Breweries.

The one thing Mr Kirsh has relished more than his millions, it seems, has been his independence.

Now he's in with Sanlam, an irresistible force if ever there was one — a juggernaut bulldozing determinedly through such apparently immovable objects as Wim de Villiers and Rembrandt to get its own way. Sanlam shamelessly controls its investments.

The question is whether it will control this one. Who calls the shots from now on? Are the boys from Bellville aboard a tiger in Kirsh? Is Natie too smart for them, or are they too stupid?

Between partners these questions do not normally arise. Kirsh is a strong individualist on one hand and an equally strong-willed co-ordinator on the other. Kirsh's independence in the normal sense is difficult to visualise.

**Rules out**

Sanlam's Marinus Daling says Kirsh was no more than a good investment, carrying high risk and high reward.

On the surface Natie is in control and Sanlam is a happy investor.

But outsiders speculate that Kirsh, under pressure from the banks, needed Sanlam funding to check another fight in which Tiger Oats sold its 30% stake in Metro, the first part of the deal. This was at R18 a share. The market price obtaining a few weeks ago before the market went wild and the deal collapsed is Kirsh shares skywards.

Kirsh would not be drawn on whether this price was the basis of his deal with Sanlam.

Managers

The rise in Kirsh shares appears to have been justified. Although Sanlam insists that any loans and lease-backs will be at arm's length, Sanlam can hardly walk away from Checkers and other problems now.

One commentator says Sanlam, which, unlike other insurers, tries to control its industrial interests, needs managers badly. It has acquired this in Kirsh and his team — and in Grant Thomas and his team at Malbank, which has merged with Protea. The expectation is that Abercom will go into the Malbank-Protea fold.

Records at KWV

The KWV achieved a record tax-free profit of R12.8 million in the year to December 31, 1974.

The profit comprises R12.6 million from share of earnings and R125,000 from the sale of shares in the company. The share of earnings is 10% of the company's profit before tax.

In 1974, the company paid out dividends to shareholders of R10.6 million.

**Sanlam’s troubled house**

While its main rivals, SA Mutual and Liberty, have focused on bulk drivers and let these get on with running themselves, Sanlam has several problems in its portfolio because of its hands on approach.

It can certainly use all the management help it can get.

Gencor has yet to find a successor to Ted Pavitt, although the latest hot tip is Flooris Kruger, who retired early from Iciex.

In Gencor, there are problems — the extent to which that it has the lowest rating of any of the major mining companies.

It yields a historical 7.5% return on capital against Anglo's 8.5%, indicating great value, according to Sanlam.

It was not Kirsh's fault, but uranium mine Beila has been closed, never having made a profit after R220 million expenditure, not all of which looks sick. Though other minerals are picking up, the gold and coal outlook is far from brilliant.

Kumam has been devastated by drought, debt and a gloomy coal environment. Kohler ran into a brick wall after the DRG acquisition, and appears to have picked itself up. Darling & Hodgson R15 million on its engineering last year, but with Group Five under its belt appears to have recovered.

Sappi's R400 million Ngodwana paper mill is coming on stream and is designed for exports. It claims a forecast foreign currency earnings of 5.1% but is now seen making an unbalanced international paper outlook. Fortunately for Sappi, its cash has increased, and though this was the effective tax avoidance. Otherwise there would be red ink pouring out of Sappi today or at Sanlam's non-Gencor industrial interests have also been a headache. Everyone knows about Sentracrem and its R350 million rubber plant problem.

Federated Volksbeleggings has been hard hit by recession, and high gearing, should be better now than Fedford is doing well again and the rights issue is reduced.

Marinus Daling reckons Sanlam is not as risk adverse as its competitors, that it is more prepared to get into operations and onto greenfields ventures. It is not merely a paper investor. Sanlam claims to have created such gems as Fednym and Gencor.

It argues further that it's investments are long term and it does not take into account the cost of the investments. The performance has been exceptional.

Rivals dispute this, but not even.
Cheekers Not

RI10m Systems

RI10m property leasedback deal as
Godmother Sanlam kicks off with

Arm's Length

Cheekers' acquisition of the property

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Cheekers' acquisition of the property
Barlows — the giant that still wants to grow

By David Carter
WARREN Clewlow, operations chief at Barlows, doesn't think much of Barlows 10% earnings rise in the first half.

"Should have been better" is his attitude.

But as we spoke at the cocktail party after the Johannesburg Stock Exchange president's address at least five brokers congratulated him on the achievement.

What impressed was that had it not been for higher tax, the earnings increase by SA's biggest industrial group would have been 19%.

Destocking

Bearing in mind that outside agriculture, most of the recession so far has consisted in destocking and not consumer contraction, Barlows, being in the primary production sector, has been more exposed than most to economic circumstances. This makes the achievement even more impressive.

Sure, much of the improvement came from reduced losses at Middelburg Steel (a R4.2-million tax-free lift) and a profit surge at Pretoria Portland Cement, which benefited from an active building industry and production problems at Anglo-Alpha Plascon and the halted earthmoving, motor and appliance interests also did better.

But much credit is due to Barlows acquisition strategy. Tiger Oats, Metal Box and Blaikie Johnston made important contributions.

Considering the prices paid in recent years for acquisitions, this is no mean achievement.

Barlows acquired each of its interests on favourable terms and followed up with imaginative restructuring so that they fit into the group corporate strategy. In the process, it gained some exceptional management.

It has handled Tiger superbly, maintaining morale, which might have cracked and impetus in bread and peanut butter areas, such as milling, baking and oil extraction.

In addition, it has brought cash out of the fishing companies and the 30% Metro Cash holding and desegregated the whole operation at a time when the process yields 21% tax-free.

While other big groups have demonstrably paid too much for acquisitions in recent years, Barlows has had the guts to walk away from excessive prices. It did this in the case of DRG, which went to Kohler at an inflated price, and Metal Box, which came back at a lower price.

Flair

The group deserves praise for the way it runs its businesses but even more for the way in which it acquired them. It has had this flair for years and has not lost it.

Looking ahead, Warren Clewlow does not like the economic weather and he frankly admits he wouldn't mind another major acquisition to give the group a boost in tough times.

As chairman Michael Rocheholt warns, "It is expected that trading conditions for the second half will become more difficult."

He does not even forecast maintained earnings for the year, only a maintained dividend.

Barlows is so big that further significant acquisitions in South Africa have become a problem and increasingly the company will have to perform in line with the economy — unless it increases the investment beach-head it has established overseas.

"I'm conservative," says Mr Clewlow, who made the happy R60-million US sugar acquisition 18 months ago, "and would need to know we have the expertise before making big offshore acquisitions.

Barlows does have expertise — in sugar, food, packaging, coal mining, mineral beneficiation — all sorts of areas. It is grown up now, no longer an infant industry that needs protection to grow.

With gold's future uncertain, SA needs to diversify its exports and Barlows, which in sales would rank in the top 60 companies in the US, is one of the few SA companies big enough to go into the export markets and plug it out.

All it needs is the courage and more encouragement from the Government, whose export incentives pale beside those of Japan and West Germany.

To a large extent, through interference with free-market forces, SA has lost its comparative advantage in cheap labour. In addition, it is far from world markets.

Energy

On the other hand, energy and raw minerals are still cheap and SA has a fine transport infrastructure — so it can still benefit from metals more cheaply than most of its competitors.

This is why Middelburg Steel and investments like it must be the way for Barlows and South Africa in the future.

• The interim numbers: turnover up 20,4% to R471,3 million, operating profit up 24,5%, interest up 11% to R51,1 million. Pre-tax profit up 29% to R146,1 milion.

Taxed attributable profit up 19% to R122,5 million. Earnings a share up 10% to 57,5c. Interim dividend unchanged at 5c.
SASJ condemns Argus Co

JOHANNESBURG — The Southern African Society of Journalists has condemned the Argus Company for its "inexplicable action in apparently trying to destroy" other newspapers.

In a resolution dealing with monopolistic tendencies of the newspaper industry, the society expressed alarm at the "growing tendency of the newspaper industry to be concentrated in fewer and fewer hands".

The motion was passed unanimously at the society's annual congress which ended here on Saturday.

It also called on the Argus Company to stop what it was doing and threatened action, including asking the Competition Board to step in.

The society had decided not to take up a place on the Media Council for the time being, Miss Pat Sidley, the SASJ president, said on Saturday night.

After a long and hard-fought battle at the society's annual congress in Johannesburg, a motion was adopted which also stated, however, that the Society should keep in contact with the Media Council and continue to lobby for the changes it believed were necessary, and to review the decision at the next congress — Sapa
How Trust Bank was ‘saved’

Staff Reporter

BIG BUSINESS support prevented the Trust Bank from going under a few years ago, the chairman of Sanlam, Mr Marinus Daling, said yesterday.

He was speaking at a lunch-time seminar at the University of Cape Town on the concentration of economic power in South Africa. The other speaker was Professor Brian Kantor of the university's School of Economics.

"The Trust Bank would not have been here today if Sanlam had not stepped in," Mr Daling said.

He said the intervention of Sanlam had been necessary, too, because the economy was at a critical point and would have been badly affected by the collapse of the Trust Bank.

Question

The difficult question to answer was "When does she become bad?"

There was greater competition in a market where there were three or four strong groups than in a fragmented market.

A University of Pretoria study had also shown that inflation could not be attributed to concentration of economic power.

Mr Daling said the process of concentration of economic power would continue in the future and would be in the interests of South Africa.

As a member of the Competition Board, Professor Kantor said, he was concerned with the efficiency and the individual's freedom of choice.

Constitution

The preamble to the new constitution, he said, proclaimed the idea of effective competition which best guaranteed efficiency and choice.

Professor Kantor quoted the South African Transport Services as an example of an unit which did not make for effective competition.

Conglomerates were not yielding the same dividends for investors as they would have received had they invested through a diversified institution.

"They are becoming less valuable than the sum of their parts."
Estimated costs of two mines R1,175 bn

TC Land, Wit Cols to set up Escom-tied coal mines

JOHANNESBURG. — Transvaal Consolidated Land and Exploration (TC Land) is to form a joint venture with 71 percent-held subsidiary Witbank Colliery to set up two Escom-tied coal mines.

The contracts for these collieries were awarded to TC Land by Escom in 1982.

One of the coal mines will also be developed as a multi-product colliery to meet TC Land's Phase 4A export allocation through Richards Bay of 2,5m tons of coal annually.

Total cost of the two collieries is estimated at R1,175 billion in current money values.

Each Escom colliery is expected to cost about R392m and the development of the export section at one mine will cost an additional R392m.

The collieries are Khutala, which will supply Escom's 3,600 MW Khutala power station near Lydenburg, and Majuba which will supply the 3,600 MW Majuba power station near Amersfoort.

Coal from Khutala's No 5 seam will be mined for export as this seam does not form part of the coal reserves committed to Escom for the power station's use.

The joint venture will be held 70 percent by Witbank Colliery, through its wholly-owned subsidiary Douglas Colliery, and 30 percent by a TC Land wholly-owned subsidiary.

TC Land will assign the use of the Escom contracts, its export allocation and its coal rights to the joint venture.

In addition to its direct 30 percent share of the profits from the joint venture TC Land will also receive the royalty payable by Escom on each ton of coal its power stations burn from the colliery.

Payments by Escom to the tied collieries for each ton of coal used comprise the three separate elements of return on capital invested, working cost, and royalty.

TC Land and Witbank Colliery will fund the bulk of the capital expenditure through internal resources and the balance through borrowings which have to a large extent already been arranged.

Minimal financial benefits from the joint venture are expected by TC Land and Witbank over the next two years but earnings a share for both companies will improve after this period.

Khutala colliery, on the Bombardie-Cologne coal field, is scheduled to start coal production in 1997 and rise to full output of about 12,2m tons a year in 1992.

The first 600 MW generating set at the Kendal power station is scheduled to come on stream in 1988 and the sixth and last set in 1993.

Production from Majuba is planned to start in 1993 and build up to full output of 12,9m tons a year by 1994.

Majuba's first generating set is scheduled to come on stream in 1990 and the final set in 1993.

Escom has already postponed the start of the first at Majuba by a year and there is a possibility that the station may be subject to further postponement if Escom defers 5,000 MW of new generating capacity from its expansion plans to 1995.

The new generating capacity will be deferred if the low growth rate in demand for electricity shown over the last two years continues.

Construction

The prime candidate for deferral is the Kendal power station, to be supplied by Amco, as Escom has not yet placed orders for boilers or generators for this station.

"We have received no further notification from Escom on construction delays since the initial one-year postponement of Majuba," said Witbank Colliery's deputy chairman, Mr Allen Cook, yesterday.

"Decisions by Escom which defer the construction of the colliery increase its capital cost because of the effects of inflation on that cost over the longer time span to completion.

"This in turn affects the rate of return which we require from the new colliery. Should the colliery be delayed we would have to resolve this issue with Escom as it involves the price charged for coal supplied to the power station," he said.
Ovenstone-Diroyal in R150m merger

By PAUL DOLD, Financial Editor

OVENSTONE INVESTMENTS is merging with Diroyal to create a group with assets of R150m and interests ranging from electronics to fishing.

The merger suggests that Ovenstone is likely to be a more aggressive predator in the medium term, while it will also have the advantage of a far larger capital and asset base which should allow rapid profit growth.

The Premier group has joint control of Oil with the Ovenstone family through Ovenstone Consolidated Investments an unlisted company.

Subsidiaries

In essence Oil will become the top holding company with a new company Ovenstone Holdings housing the operating subsidiaries of Oil and Diroyal.

Mr Andrew Ovenstone, current chairman of Oil, is to be group executive chairman of Ovenstone Holdings with Diroyal’s Mr Harold Sender becoming chief executive of the division which will control and develop the existing Diroyal operation in Ovenstone Holdings.

Mutual benefits

The deal brings Diroyal’s electronics arm Lovell Proctor, the Premier Wire division and a Ford motor franchise into the group.

Last night the chairman, Mr Andrew Ovenstone, said the deal would have mutual benefits for both Diroyal and Oil shareholders.

Total shareholders’ funds will exceed R80m and earnings this year for both groups are expected to increase.

Ovenstone Holdings Oil which already owns 25 percent of Diroyal will end up with an estimated 87 percent of the new Ovenstone Holdings and become the group holding company.

The mechanics of the deal are that Diroyal will issue 30m new 50c shares plus 5m prefs. Half of the prefs which have a coupon of 10 percent will be cumulative redeemable prefs of 1C which are being issued at a premium of 90c.

Of these 1 500 000 are to be redeemed at the issue price in five equal instalments from 1997 to 1991 and the balance in 2000 or earlier at Diroyal’s option. The other 2 500 000 prefs will be cumulative irredeemable, issued at the same price.

Earnings

The Barclays Merchant Bank says that based on Oil and Diroyal’s recent 12 month results Oil earnings per share before the deal would have been 12.5c and 11.2c afterwards, while Diroyal earnings would have been 2.2c before and subsequently 9.8c.

In assessing these figures it should be borne in mind that Diroyal had an unusually bad year last year.

On net assets value Oil’s n a would have been 68.8c before and 72.8c afterwards with Diroyal at 87.6c and 65.8c.

Mr Kaap Kunene has 25 percent of Diroyal and will end up with a stake in Ovenstone Holdings.
Gencor acquires more of Samancor

By BRENDAN RYAN
Mining Editor

GENCOR has bought the balance of Iscor's 39.8% stake in S A Manganese Amcor (Samancor) for R128.7m.

The deal is for the 44% of the share capital in the former Iscor subsidiary, African Metals, which Gencor did not acquire last July. African Metals' sole asset is its 39.8% stake in Samancor. Last year Iscor swapped 56% of African Metals for Gencor's Hlobane Colliery and for Gencor's controlling shareholding in Dunswart Iron & Steel. At the time Iscor and Gencor announced they had an arrangement to maintain control of Samancor between them. The deal effectively put control in Gencor's hands because it had voting control of Iscor's stake.

The new development transfers ownership of the remainder of the Iscor/Gencor holding in Samancor to Gencor.

Gencor has continued to acquire Samancor shares on the market and, with its associate Gencor Investment Corporation (Gembel), now controls Samancor without the need of support from Iscor.

Gencor said yesterday it would effectively control just under 36% of Samancor's issued ordinary shares.

The mining house had a 7% stake in Samancor at the end of December 1982 and has bought another 3% to bring its holding up to the 50%-level.

Gembel holds another 14% of Samancor to take Gencor group holdings over 50%.

The Iscor Pension Fund at July last year held more than 2% of Samancor, which it should still own unless it has since been sold to Gencor.

This leaves Anglo American thoroughly out in the cold with its 29.8% stake in Samancor.

Gencor is now looking at rationalisation of its own chrome interests with those of Samancor.

Discussions are under way to combine the operations of Gencor's Montrose, Groothoek and Tweefontein mines near Steelport, eastern Transvaal, with the two mines run by Samancor's subsidiary, Cromo.

"If discussions are successful, it is expected the rationalisation of the two companies' chrome mining activities will lead to increased profits for Samancor," Gencor said yesterday.
UTI to reduce stake in SA bus interests

The Star Bureau

LONDON — At the request of the South African Government, United Transport International, the transport arm of the diversified industrial services group BET, is to reduce its stake in its South African bus interests from 75 to 60 percent.

UTI's operations in SA are owned through joint ventures with Sanlam.

Sanlam will increase its stake in the restructured passenger transport holding company, United Passenger Transport Investments, from 25 to 40 percent in return for the payment of an about R14 million special dividend to UTI. It will also step up its interest in the freight-holding company from 25 to 40 percent in the next two years.

BET said its policy was to work with local government or commercial partners in passenger transport in developing countries. It has bus operations all over Southern Africa.

Africa contributed about 45 percent to BET's freight and passenger transport turnover of about R700 million in 1983 and the bulk of its R33 million worth of pre-tax profits, according to one analyst's estimate.
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 $200-million dollars held in liquid funds.

Interim results showed net profits trebled to $75 400 000, and Mr Zorab predicts the full year — to end June — will double that figure.

The main thrust, he suggests, is coming from Philbro Salomon, the investment banking and commodity trading concern.

Recently there were discussions of a proposal to hive off the non-oil trading side of Philbro in a management buy-out and it was expected that the oil trading side would follow.

This, says Zorab, was known to be the result of friction between Philbro’s top management. The de-merger is now off and Mr Zorab speculates that David Tendler, Philbro Salomon co-chairman, and Thomas O’Malley, president of Philbro, 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.
Premier buys out Ovenstone family interests

By Peter Farley

The Premier Group has entrenched its control over Ovenstone Investments (OIL) through the acquisition from the Ovenstone family of the 50 percent in OIL's unlisted pyramid Ovenstone Consolidated Investments (OCI) that it does not already own.

No offer is being made to OIL minorities. The purchase of the outstanding 50 percent in OCI, which in turn holds 50.5 percent of OIL, will be settled by the issue of 590,000 Premier ordinary shares to the Ovenstone family.

The new shares are being issued at an average price of R22.15 a share, or equivalent to a total of slightly more than R13 million. This values OCI at R26 million.

Although no management changes are envisaged under the new set-up—Mr Andrew Ovenstone will remain chief executive—a R1.5 million restraint of trade has been paid to certain members of the Ovenstone family to prevent them from competing with OIL in the fishing industry for the next five years.

The acquisition of the 50 percent in OCI which Premier did not own was made through the purchase of certain Ovenstone family investment companies and trusts which had indirect holdings in OCI.

These family businesses also have other assets, which Premier also acquires, but these are unrelated to OIL. The transaction means that OIL becomes a subsidiary of Premier Group Holdings.

Premier Group director Mr Derek Hunt-Davis said there is no intention of splitting the various interests within Ovenstone. It will remain intact as a separate division under Premier Group and will not be shuffled over under the recently-formed Premier Food Industries.

Mr Hunt-Davis said that although in the past OIL had a poor rating on the market, he felt that this had now changed. These changes, he said, were directly due to the existing management.

He said Premier had no previous experience with the non-food activities (property, construction etc.) which make up a large portion of OIL and for this reason it was best to leave the group together under the present management.
Financial Staff

The controlling interest in Ovenstone Investments Ltd (Oil) — the Cape Town-based company with interests in fishing and the construction industries — has been bought by Premier Milling in a deal worth R13-million.

Premier announced today that it has increased its stake in Ovenstone Consolidated Investments, which owns 50.2 percent of Oil, by buying out the Ovenstone family.

It will issue 500,000 Premier shares worth 215c each, representing one percent of the issued share capital, to the Ovenstone family.

Mr Andrew Ovenstone will continue as chief executive of Oil and his cousin, Mr Neil Ovenstone, will remain a director.

Mr Andrew Ovenstone is overseas inspecting the Chile pilchard fishing operation in which the group has an interest.

Mr Neil Ovenstone said today that though the firm had been founded by his great-grandfather in 1901, he and Mr Andrew Ovenstone were the only members of "our rather large family" who still took an active part in it.

The decision to sell out to Premier would "be good for the family" and would help Oil to grow.

"We have not severed our ties with the business to the extent people may imagine."

Mr Peter Wrighton, deputy chairman of Premier, said that he and the chairman, Mr Tony Bloom, had worked closely with the senior management of Oil and "hold them in high regard."

Mr Ovenstone and his team would "continue to run the Oil group in the same autonomous manner as they have done in the past."

A statement from Premier said that Oil and Diroyal Investments proposed merging their businesses and Mr Andrew Ovenstone would be chief executive of the group.
Premier’s R13m OIL strike

By DAVID ROSS
Investment Editor

THE giant investment holding company Premier Group is making listed Ovenstone Investments (OIL) a subsidiary in a deal worth R13.1m.

It is being completed by means of Premier’s acquisition from the Ovenstone family of the 50% of Ovenstone Consolidated Investments (OCI) it did not already own.

OCI holds 50.2% of OIL.

Premier Group is paying for control of OIL by the issue of 590 000 shares at an average price of R22.15. No offer is being made to the public minority holders of OIL shares.

The Ovenstone family companies acquired by Premier in terms of the deal had an indirect holding in OCI. These companies also involve other assets and loans unrelated to OIL.

However, an announcement yesterday stated that the portion of the deal relating to the OIL shares was completed at a market-related price.

It was announced on May 30 that OIL and listed Droyal Investments proposed to merge their businesses and that Mr Andrew Ovenstone, present executive chairman of OIL, would remain chief executive of the merged companies, to be called Ovenstone Holdings.

Premier Group states that the deal will have no material effect on its earnings nor net asset value.

So, on completing the exercise, Premier will have 100% of OCI, which owns 50.2% of Ovenstone Holdings (Droyal plus present operating assets of OIL).

Ovenstone Holdings will consist of fishing investments and fishing operations in SA, SWA and Chile, property investments and operations, and steel-based products, Ford vehicle distribution and consumer electronic product distribution.

COMMENT: Without knowledge of the other assets involved in the deal, it is not possible to make an accurate assessment of the value placed on the OIL shares.

However, Mr Peter Wrighton, of Premier Group, points out that some guidance is offered by the fact that the deal has been under discussion for about two months. During that time the price of OIL shares has varied between 75c and 85c.

Analysts last night suggested that the deal represents a second leg in a move by Premier to secure raw materials, such as fishmeal, for its animal-feed operations. Such a base is already held by Premier rival Tiger.

These analysts expect that a further move by Premier should be to acquire control of Kanp Kunene from the Du Preez and Neethling families.

Mr Wrighton, however, says that such ideas “are entirely speculative.”

The new arrangements, in putting Ovenstone Holdings firmly under the wing of Premier, may mean that plans for its growth will more readily be assured.

Thus far, there is little indication as to what these plans may involve. The closest outside shareholders have yet come to the plans are the suggestions in the OIL-Droyal announcement that the pre-interest and tax profit-split five years ahead are expected to consist of 50% property, with the balance divided evenly between fishing and industrial.
Oil minorities appeal to Premier for similar offer

By PAUL DOLD, Financial Editor

PREMIER'S acquisition of control of Oil without an offer to minorities is causing a ripple of protest from Cape shareholders.

Minorities champion Mr Issy Goldberg notorious the Johannesburg Stock Exchange (JSE) decision on Kimet — Sanlam last night appealed to Premier's chairman Mr Tony Bloom in a sense of fairness to extend the offer made to the Ovenstone family to minorities.

While it is difficult to assess the effective price which is being paid to the Ovenstone family for their stake in Ovenstone Controlling Investments, it appears to be well above the current ruling market price of 78c.

Regulations

Attacking outmoded stock exchange regulations which made a change of control possible without an offer to minorities, he called for the introduction of a long overdue take-over panel recommended by the Margo-Nadue report.

Mr Goldberg, who is a member of the Standing Advisory Commission on company law, noted however that the JSE as presently constituted is unable to enforce contractual regulations which are in any way in variance with law thus providing a loophole for powerful quoted companies at times to cock a snook at the JSE regulations.

Mr Goldberg feels that in the Premier take-over of Oil, a change of control had undoubtedly taken place, Section 314 of the Companies Act defines a "take-over offer" as an offer for the acquisition of shares under a "take-over scheme". The latter is defined as a practice that will have the effect of vesting the control of the offeree company directly or indirectly in the offeror.

Safeguard

Mr Goldberg points out that the whole of Chapter 12 of the Companies Act which deals with mergers and takeovers is still under way to great lengths to attempt to safeguard the interests of shareholders against predation of their rights by controlling shareholders.

The time has arrived in the economic development of South Africa where the spirit of the act must be equally as important as the wording of the act in producing this spirit and safeguard.

How the courts would react to this philosophy is of course dependant on the facts of each case submitted to them. But Mr Goldberg avers the attitudes of powerful companies in this respect is something that should not be open to conjecture or question. "One would expect that prestigious quoted companies should go to extreme lengths to be seen to be fair in the attitudes and treatments of non-controlling shareholders — loosely referred to as minorities."

Pyramid companies

Mr Goldberg says the practice of creating both quoted and unquoted pyramid companies has prejudiced the ordinary shareholder in many cases.

But noting last night's announcement by the JSE that a change of control had taken place in the recent Kirsh-Sanlam deal, the stock exchange appeared at long last to be taking action and should be congratulated.

"I am happy to see the JSE at last taking some positive steps in this regard. The creation of a pyramid in which existing controlling shareholders have barely over 30 percent of the pyramid, on the other hand, where the offeror takes slightly under 50 percent of the shares has all the attributes of possible presumptive change of control."

But a take-over panel as called for by the Margo-Nadue report becomes increasingly vital. The pyramid is aimed at bringing a sense of equity and fairness to underprivileged non-controlling shareholders and at the same time being fair to the offerers.

Representation

"A separate independent panel is projected on which the JSE will have good representation and which would adjudicate on an ad hoc basis on available evidence as to whether an effective change in control had in fact taken place or was envisaged."

"This would be irrespective as to whether the narrow interpretation of change of control — more than 50 percent of the shares being affected — had eventuated."

He notes that a situation could arise where on the evidence available it appeared that in spite of an acquisition of less than 40 percent of the shares by a predator company it could result in effective change of control taking place.

Change of control

In the UK acquisition of 30 percent of the shares constitutes a change of control but a flexible interpretation in the hands of a South African panel would be far more effective.

"Such a panel would have to be armed with statutory teeth. The JSE's only sanction for non-compliance with their regulations is to list a share to the detriment of the shareholders themselves who deserve protection. The sanctions contemplated by a South African panel would as opposed to the British system of moral sanction be very real, incisive and doubly effective."

"Mr Issy Goldberg

"Mr Tony Bloom
Signs merger

Model Daily

BY TROY LOROS

2391--29--3

SUNDAY DISPATCH, SATURDAY, JUNE 23, 1984
Demand to end glass monopoly

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

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

He cited the completely different policy of the franchise group, GlassSA, of a 15% duty on all glass.

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

Mr Berger also took a hard line on the ban on sales of glass in bulk at a discount. Pilkington was charging higher prices in its mail order price list, he noted. "At the very least, Pilkington must remove the discount on the mail order list to 15% and stop promoting a cheaper product."

Unhappy

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

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

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

"At the same time, Pilkington's assert that glass importers were dumping "dumped" products, Mr Berger said. "It is easily ascertainable that the prices we pay are those generally offered in Europe to merchant customers."

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

"We think that we are better qualified than Pilkington and Shatterprufe to identify excess inventories and to control foreign trade."

By Alec Hogg

I suggest a solution to explain your criticism.

MEMBER

NAME (optional)

DATE

I agree with your comments.

I disagree.

I have more questions.

Tick

Tick

Tick
More pressure for takeover panel in S A

JOHANNESBURG—South Africa might benefit from a takeover panel, some analysts and merchant bankers believe following a spate of deals where control of companies possibly changed to the potential detriment of minority shareholders.

A Johannesburg Stock Exchange (JSE) ruling that a recent deal between Sanlam and Kirsh Industries implied a change of company control highlighted the vulnerability of minorities, they said.

Sanlam last month bought 48.9 percent of a new pyramid company, Sandl, which controls the Kirsh trading group.

Few details were released but both parties insisted that there had been no change of control.

Some analysts believe recent deals where it could be debated whether change of control had taken place indicates a need for a takeover panel which would include members from outside the JSE.

They also believe there should be more clarity given as to what constitutes a change of control.

Analysts pointed to recent deals between Premo Group Holdings and Focusline Investments (Oil) and between General Mining Union Corp and S A-Manganese Amcor (Sampanco).

Premier and Sanancor first bought into companies and then later increased their stake, which could perhaps be interpreted as a change in control, analysts say.

In neither case was an offer made to minorities.

A lawyer told Reuters that, as a company is a 'de facto creature' its destiny was in the hands of those who had a majority of its voting rights and the power to appoint its directors.

This often resulted in minorities being put in a difficult position.

He said a change of control was difficult to establish and only after much 'detective work'.

**Minorities**

Minorities, however, accepted risk when they bought shares but added that there were protections for minorities in statutory and common law as well as in JSE regulations.

There are remedies for oppression of minorities which include large shareholders acting in concert to their detriment, the lawyer said.

An analyst points out that redress for minorities is expensive.

Consequently, little action is taken on behalf of minorities.

JSE president Paul Ferguson told Reuters he disagreed with the idea of a takeover panel because the JSE was competent in assessing whether a transfer of control had taken place.

If shareholders wanted to clarify an issue, they were able to seek advice from the JSE listing manager, he said.

The listings department told Reuters that if the transaction fettered the initial shareholders, a transfer of control was deemed to have taken place.

In less clear cut cases, assessment on transfer of control was based on the agreements between the parties.

Ferguson said JSE requirements are public and speedy interpretation can be sought from the JSE.

**Marginal**

He said in marginal cases there were no 'hard and fast' rules as each case had to be assessed on its merits.

Further, if the JSE committee believed minority interests to be in jeopardy it would call for an offer, as it had done in the Sanlam/Kirsh deal, Ferguson said.

In the Sanlam/Kirsh deal the committee looked at agreements between the two parties and considered that it implied a transfer of control, Ferguson said.

He said the committee's task is to look at whether there had been a transfer of effective control.

"In the case of the Sanlam/Kirsh deal, we thought long and hard as to whether there had been an effective transfer of control," Ferguson said.

That is why our decision took as long as it did. --(Reuters)
New dilemma for JSE over Kirsh-Sanlam controversy

By JOHN MULCAHY

A CLAUSE in the agreement between Sanlam and the Kirsh Group over the acquisition by Sanlam of 49.9 percent of Sanki states clearly that Sanlam will pay a specific premium for control when and if this happens.

Both Sanlam and Kirsh Industries remain emphatic that control of Kimet has not changed, and the clause in the agreement, a copy of which was tabled by the Johannesburg Stock Exchange committee, seems to support their contention.

The clause of the agreement states specifically that a premium will be paid for control when and if Sanlam moves to increase its stake in the Kimet pyramid to more than 50 percent.

This point in the agreement places in an entirely different light the controversy raging between Sanlam, Kirsh and the JSE.

Control

The dilemma facing the JSE committee is that if it forces Sanlam and Kirsh Industries (described by the JSE as a consortium) to make an offer to Kimet minorities, it will be the last offer required from either Sanlam or Kirsh Industries, and Sanlam will be free to acquire unqualified control whenever it chooses without an equivalent offer to minorities.

From the minorities' viewpoint, it is not possible to judge now whether an offer would be preferable at the level at which the Sanlam deal was done, or at some point in the future.

However, Kimet is in a recovery situation, and on the basis of probabilities profits and the share price should react positively to an improvement in trading conditions. Hence this occurs, the chances are that a later offer will be at better terms than the one at which the Sanlam deal was structured.

At the heart of the controversy is the JSE's view that control of Kimet has changed to a consortium comprising Kirsh Industries and Sanlam, while the latter two parties are insistent that control has not changed.

Minorities

The president of the JSE, Mr. Paul Ferguson, was unavailable yesterday, but the official statement released last week calling for an offer to minorities and announcing the suspension of Kimet dealt with the said deal the JSE's view of the Kirsh interests as a consortium comprising Sanlam and Kirsh Industries.

Market price

While the actual price paid by Sanlam for its 49.9 percent of Sanki has not been quantified, it is the view of the Kirsh interests that a price struck on the basis on which the agreement was reached would not match the Kimet suspension price.

An executive director of Kirsh Industries, Mr. Mervyn King, said yesterday the deal between Sanlam and Kirsh was based on a package of rights and obligations, and a critical issue now was the translation of this package into a price for Kimet.

He said the probabilities were "overwhelming" that the final price would be below the market price.

Mr. King said he had suggested to the JSE that a merchant bank be employed to arrive at a price, and that the price be communicated in writing to the parties involved in the Sanlam issue.

By late yesterday there had been no response to the request to the JSE, and Mr. King said he was concerned that the continued suspension of Kimet was depriving shareholders of a market for their shares.

The latest controversy surrounding the deal transacted through the JSE has again focused the attention of the investment community on the need for clear-cut rules and regulations governing mergers and takeovers.

The general manager of Sanlam, Mr. Markus Daling, said yesterday the specific content of the take-over and merger rules could be negotiated, but in principle it was imperative that they be unambiguous and easily understood by everyone involved.

"Take-over panel"

"You cannot play rugby without rules, and if the same token it is essential that one transacts business on the rules that everyone understands."

Mr. Daling strongly advocated the establishment of a take-over panel, comprising a combination of legal experts and representatives from business and the stockbroking community.

The panel should operate in such a way that deals initiated could be placed before it in confidence, so that organizations structuring deals could do so in a way acceptable to the controlling body.

Confrontation

As things now stand, deals are structured and agreements signed before presentation to the JSE, so that in the event of disagreement, such as the one arising over Sanki, confrontation is virtually inevitable.

If the principles were agreed before formal negotiations began, it would obviate the need for the ceremony that seems to characterize virtually every deal transacted on the JSE.

Arbiter

One paradox in the Sanlam/Kiram/Sanki situation is that if the JSE committee is correct — and the final arbiter on the issue may well be the Supreme Court — then Kirsh Industries would be forced, together with Sanlam, to make the offer to Kimet minorities.

The JSE's interpretation of the deal is that control has changed from Kirsh Industries to a consortium including KI and Sanlam. Any offer would thus have to come from Sanlam as well as from KI, being members of the so-called consortium.
Pick 'n Pay buys 50% of Boardmans

By PAUL DOLD, Financial Editor

Pick 'n Pay has bought a 50 percent stake in Boardmans, the Cape Town home department mini-chain store whose sales are running more than 41 percent above year-ago levels. Strong expansion is envisaged with the first Reef store opening around May next year.

Announcing the cash deal yesterday — the purchase price has not been disclosed — Pick 'n Pay's financial director, Mr Chris Hurst, said that the acquisition of the stake did not present a new diversification policy by Pick 'n Pay.

"Boardmans were seeking a partner and we hold the group in high esteem. It is an excellent operation."

The deal will have no material effect on either the earnings or net asset value of Pick 'n Pay.

The managing director of Boardmans, Mr Tom Boardman, says that Pick 'n Pay's backing will allow the chain to expand far more rapidly.

The managing director of Boardmans, Mr Tom Boardman, says that Pick 'n Pay's backing will allow the chain to expand far more rapidly.

"Several financial institutions were interested in acquiring an equity stake but we are delighted to have Pick 'n Pay as partners. By tying with a major retailer there will be economies of scale both locally and overseas."

One of the direct benefits includes the muscle to negotiate keen rentals and open in key shopping centres around the country.

Boardmans which has two stores in Cape Town, one in the Centre City and the second in Claremont, is already preparing for expansion.

A new store opens in Stellenbosch in October and the firstFranschhoek store — in Stellenbosch — is scheduled for May. The average store trading area is 1,000 m² to 1,500 m².

Mr Boardman, a chartered accountant, who was previously managing marketing chains and the expensive end of the market.

Market research has shown that the majority of home decorating decisions are made by women although hardware stores are dominated by men. Boardmans' philosophy says Mr Boardman has been to create an environment in which women are happy to shop.

Independent

The stores will remain fully fledged chain independent of the Pick 'n Pay operations and there are no plans for the Boardmans branches into hypermarkets.

Apart from the Reef, expansion is earmarked for Cape Town's northern areas and the Boulder.

Pick 'n Pay chairman, Mr Raymond Ackerman, director, Mr Hugh Herman, and Mr Chris Hurst will be joining Boardmans board.

Closing gold prices

(In $ an ounce)

LONDON: 373.25-373.75
Fixing am: 371.50
Fixing pm: 372.90

ZURICH: 371-374 (370-373)

JSE transfer for Fintec

ALLIED ELECTRONICS CORPORATION (Alton) announced yesterday that its subsidiary company, Fintec Ltd, is to have its listing transferred to the "financial — cash assets" sector of the Johannesburg Stock Exchange lists.

Leading in

Gold (pm fix)

Rand

JSEACT Gold

JSEACT Indus
New stake for Pick 'n Pay

By PAUL DOLD

CAPE TOWN — Pick 'n Pay has bought a 50% stake in Boardman's, the Cape Town department store mini-chain.

Strong expansion is envisaged, with the first Reef store opening around May next year.

Announcing the cash deal yesterday — the purchase price has not been disclosed — Pick 'n Pay's financial director, Mr Chris Hurst, said the acquisition did not proscribe a new diversification policy.

"Boardman's were seeking a partner and we hold the group in high esteem. It is an excellent operation."

The deal will have no material effect on either the earnings or net asset value of Pick 'n Pay.

Mr Tom Boardman, the managing director, says Pick 'n Pay's backing will allow the chain to expand far more rapidly.

"Several financial institutions were interested in acquiring an equity stake, but we are delighted to have Pick 'n Pay as partners. By tying with a major retailer there will be economies of scale both locally and overseas."

One of the direct benefits includes the muscle to negotiate keen rentals and open in key shopping centres around the country.

Boardman's, which has two stores in Cape Town — one in the city centre and the other in Claremont — is already preparing for expansion.

A new store opens in Stellenbosch in October. The first Traverset store in Pretoria is scheduled for May. The average store trading area is 1 000 to 1 500m².

Mr Boardman bought control of the two stores for R1.1m in 1983 when the parent company, Blaekie Johnstone, decided to withdraw from the retail field and concentrate on wholesale builders' supplies.

His partners are Mr Edi Sieger who handles layout and buying and Mr Rob Ferguson who heads operations.

Boardman's offers the consumer contemporary homewares, hardware and furniture at affordable prices. The chain is targeted towards the middle market and has had considerable impact in retailing.

Furniture is becoming a growing segment of the business, with Boardman's filling the gap between the mass marketing chains and the top end of the market.

Market research has shown the majority of home-decorating decisions are made by women, although hardware stores are dominated by men.
Romatex gets 100pc stake in Berg River Textiles

Financial Reporter

ROMATEX has bought Unisec's 50 percent holding in Berg River Textiles of Paarl, giving it 100 percent of the company. And it has sold its wholly-owned subsidiary, Yarns and Wools, to Union Spinning Mills of Port Elizabeth.

A phasing out of production in Durban will be effected over the next couple of months while Union Spinning Mills utilises spare capacity to build up production to the required level to ensure that deliveries will not be affected.

The deal is for an undisclosed sum.

A Romatex spokesman said the company would give alternative employment to a proportion of the 600 employees affected at Yarns and Wools, and those to whom notice of termination would be given would receive compensation in terms of the company's retrenchment policy.

He said that Berg River will undergo a major refurbishing scheme involving substantial investment in upgrading plant, equipment and layout.

The refurbishing would take about 12 months and was expected to result in a marked improvement in the company's ability to meet competitive challenges of current and future trading conditions, he said.

In the short term the acquisition would have no material effect on Romatex's earnings per share or net asset value.

Yarns and Wools produces and markets hand-knitting yarns.

The spokesman said a phasing out of production in Durban would be effected over the next couple of months while Union Spinning Mills utilises spare capacity to build up production to the required level to ensure that deliveries would not be affected.

Yarns and Wools produces and markets the leading brands of Fiesta and Chick hand-knitting yarns.

The Pinguin brand, which is held under licence, will continue to be manufactured by Romatex until negotiations are concluded for the transfer of the licence to a third party.
Going multinational

Premier's five-year objectives include achieving average annual real growth of at least 5%, and a consistent increase in shareholders' dividends. To meet this, further diversification is essential. Since its strength remains in foods, and local prospects are limited, it is going for a listing on the London Stock Exchange which should lay the ground for international expansion.

Premier, the 71-year-old Premier Group has lost none of the entrepreneurial zest it instilled by its principal founder, Joe Bloom. That much was shown by the events of last year, when Premier acquired 24% of SA Breweries (SAB) and catapulted into the top rank of SA's consumer-based companies.

Premier is now established as a giant on the corporate scene. In the 12 months to end-March, its attributable earnings rose 125% from R35,3m to R129,2m, capital employed rose 174% from R611,5m to R1,616,5m, and total assets were up 143% from R798,2m to R1,924.4m. Issued ordinary shares were increased to 56m (25,6m) after the SAB deal and market capitalisation, on the present share price of 2250c, has soared to R1,5 billion from R563m a year ago — moving closer to the R1,96 billion market capitalisation of SAB, the leading consumer company.

Premier is now in a powerful position to continue its expansion. It has massive financial muscle and relatively low debt. And, after spending the past 12 months digesting the new interests, and with a new structure in place, the group seems to be gearing up for its next big move. Two events in recent weeks obviously presage expansions in new directions.

- It bought out the Ovenstone family's interest in Ovenstone Holdings and took control of Ovenstone Investments (OIL). Just before this deal, OIL, chairman Andrew Ovenstone announced that OIL had increased its stake in the listed Duroyal, which is planned to be a new industrial arm for OIL, whose other interests are fishing and property; and
- In a move clearly preparing for a significant international expansion, Premier announced plans to become listed on the London Stock Exchange (LSE). The LSE listing is expected to be formally completed later this month.

Chairman Tony Bloom points out that Premier now sees itself broadly as a company making and selling consumer goods and services — which gives management wide options in planning new directions. The food division has been restructured as a separate operating company, and it is certain to be listed on the JSE, although Premier Food Industries (Premfood) chairman and group deputy chairman Peter Wrightson says there are no present plans for a listing.

Dependence on the traditional food businesses has been reduced considerably. Apart from the stake in SAB, Premier has 29% of CNA (which it merged last year with Siall), and a 50,1% interest in pharmaceutical company Twins Propan. But the group is still dependent on foods, which contributed 72% of the total trading profit of R137m last year. More diversification is probably essential if Premier is to meet its five-year objectives of achieving average real growth in earnings of at least 5%/year and consistently increasing shareholders' dividends.

Despite the expansion of the group's capital base, returns have recently fallen sharply. Return on capital employed fell from 17,4% in 1982 to 15,8% in 1983 and only 9,3% last year. Return on equity fell 21,7% two years ago to 19,7% in 1983 and 12,2% last year — although the capital restructuring was a factor in last year's decline (see graph). Like almost all consumer businessmen, Premfood's profits are depressed by drought and recession. But it also has to contend with government's price controls, which Premier's management argues are based on unrealistically low returns.

In the milling and baking division — the biggest single contributor to turnover and trading profits — operating margins are only 7% and, for the short-term at least, earnings look set to remain depressed. Essentially, these businesses are in a cost squeeze, worsened by price controls. Wheat mills in northern areas, for example, were forced by the drought to draw supplies from the western Cape, but they could not recoup higher railage costs.

Consumers apparently took a dislike to the drought-induced mixture of white and yellow maize, and the maize millers' market declined last year. Short-term over-capacity led to severe price-cutting, while the poorer quality of imported yellow maize pushed up production costs. Better efficiencies probably offer the best hope of any near-term improvement. Following an internal reorganisation, prospects for Premfood's 57 bakeries have improved ahead of expectations, despite the margin increase of only 6% that government allowed last October.

Longer-term, there will have to be considerable capital investment in expansion of milling capacity. But Bloom argues that such investment will be difficult to justify against the...
return of capital allowed by the present price controls. He notes that the authorities allow a return of 15% per year on depreciated historical capital. "Investing at 15% when the current cost of capital is over 20% can hardly be conceived as rational investment," he says. "Moreover the historical base used for the calculation is about R60m, when the current replacement costs of the assets exceeds R500m."

In the agribusiness division, Premier notes that this year's consumption of animal feeds will depend on how much support farmers get from government, but present indications are for negative growth of about 4%.

Putting aside currently unattractive returns, Premfood has limited scope to increase its share of traditional food markets. It has large or dominant shares already, and these industries are largely carved up between a few giants, including Premier and Tiger Oats. There is, nonetheless, considerable room in other food-related activities.

One benefit of the OIL acquisition is the access to raw materials in fishing. Wrighton notes that Premfood is likely to seek further vertical integration in future, with emphasis on the higher margin markets. This could include processing of many foods such as fish, dairy and meat products. "We feel there is a lot of potential in convenience foods generally," he says.

Food consumption will rise at least in line with long-term population growth. Milling plant is already close to capacity, and projected demand will require considerable capital investment just to hold existing markets: Some R70m is earmarked for capex this year for expansion and modernisation. The annual figure is expected to average R100m-R120m over the next five years.

Bloom says that plans have not yet been formulated for OIL and its subsidiary Drioyal. However, this acquisition would obviously be a useful vehicle for expansion into new, high-technology areas such as consumer electronics, in which Drioyal is already involved in a small way. But Premier's main expertise is in foods. The difficulty of increasing market share locally is the main motivation for the London listing and the plans to go multinational. The listing will make it easier for Prem to raise capital in overseas Eurocurrency and Eurobond markets and could also provide an avenue for raising funds by issue of low-interest bonds. Very few other SA industrial companies have expanded internationally -- Plate Glass is a notable exception, and the Alcor group says it plans to do so.

"It is time SA started developing its own multinationals," says Bloom. "We are generally putting the pieces in place so that when we want to make an acquisition overseas we will be able to move quickly. The eventual significance will depend on the opportunity. But it would need to be large enough to justify the considerable cost and time involved, and would also be dependent on meeting Reserve Bank criteria." - Andrew McNulty

Certainly, there will be no difficulty financing these plans. Despite the present debt of R350m, the ratio of interest-bearing debt to shareholders' funds is only 0.28. Total borrowing capacity has been increased to R2.5 billion from R1.5bn last year.

As long as Premier remains dependent on consumer spending, its profits will be cyclical. Nonetheless, past diversification has substantially changed the earnings pattern and introduced contra-cyclical profit sources. Foods normally lag the general economic cycle by 12-18 months and are a relatively stable, if pedestrian, generator of profits SAB and CNA/Gallo, by contrast, should have stronger recovery potential in an economic upturn. The market currently rates Premier on a dividend yield of 3.3%, a slightly lower rating than rival Tiger Oats 3.5%. However, at this stage, medium-term and long-term prospects seem to be stacked in Premier's favour. - Stephen Richter

-- Financial Mail July 6 1984
Nat Bolt
in R2.5m
takeover
deal

Financial Reporter
NATIONAL BOLTS has acquired for R2.5m the
share capital of Universal Clips, a fastening
company located in
Rooipont.
The acquisition is ef-
ficative from March 1 this
year.
The purchase price is
to be settled by the pay-
ment of R1.25m in cash to
one of the vendors, the
family trusts of Mr. A G
de Luca, and the issue of
250,000 shares in National
Bolts at R5 a share to the
other, Mr. Terry Rolfe
and his family trusts.
Mr. Rolfe has signed a
service agreement with
National Bolts and is to
be appointed chief execu-
tive officer of the com-
pany. At the same time,
Mr. Rolfe has signed a re-
straint of trade agree-
m ent in favour of
National Bolts, for which
he is to be paid R500,000.
Universal Clips manu-
factures and distributes a
range of fasteners used
mainly in the automotive,
mining and engineering
industries.
The acquisition, says
an announcement, will
have no material effect
on the earnings or net as-
set value of National
Bolts in the short-term.
1 300c offer to Anchusa shareholders

Murray, Sanlam to control M & R

By DAVID ROSS

MURRAY TRUSTS, effective controllers of listed Murray & Roberts (M & R), have entered into an arrangement with Sanlam through which they will be effective joint controllers of the company.

Shareholders in listed Anchusa, the direct controlling company of M & R, are to receive an offer of 1 300c a share for 21% of their shareholdings. Prior to Friday's suspension, Anchusa were trading at 920c. Shareholders who accept the offer will still be entitled to the dividend due in October.

At first sight, the new arrangements could have attracted criticism from the JSE Listings Committee. It resembles, in some respects, arrangements between Kirshe Industries and Sanlam.

These led to quarrels between the two companies and the JSE over whether control of listed Kirshe had effectively changed.

However, a major difference in the present instance is the offer to Anchusa shareholders.

Direct control of M & R continues to be held by Anchusa. But ultimate control, previously in the hands of the two Murray Trusts, is now equally shared between them and Sanlam.

Anchusa's main asset was 46.6% of M & R's shares, and 42.9% of the voting shares. The trusts in turn held 51.3% of Anchusa shares, representing 63% of the voting shares. The situation is further complicated by the fact that M & R holds 23.5% of Anchusa, of which 18.7% are non-voting. Sanlam also holds 10% of the M & R ordinary shares, making it the largest shareholder after Anchusa.

Under the new arrangement, referred to as a contractual pool, the Murray Trusts and Sanlam will each hold 25.1% of the voting shares.

Sanlam will put into the pool enough of the shares it holds in M & R to ensure that "at least 50.1% of M & R's voting shares will be held between the pool and Anchusa on a long-term basis".

The statement announcing the new arrangement says there is no change in control of M & R. "Anchusa remains the de facto controlling shareholder of M & R."

The board of directors of M & R is made up of approximately equal numbers of non-executive directors of M & R," says the announcement. "The trusts and Sanlam will be represented on this board."

They will have equal representation on the board of Anchusa. In the Kirshe dispute, Sanlam claimed ultimate control of the company had not changed, and that offers to outside shareholders for a proportion of Kirshe shares should wait until that happened.

The present statement mentions that Sanlam will "in the first instance" make its offer for 21% of shareholdings in Anchusa. The 1 300c share price "will be the same as that offered to the trusts."

The new arrangements underline the importance for investors to differentiate in their valuations between controlling or pyramidal companies and underlying companies.

Except for Pick 'n Pay and its pyramidal Pikewx, rated almost equally on a yield basis, pyramids are not required to make similar offers to underlying companies if a change of control in the pyramid occurs.
RENZIES/SAFMARINE

Full steam ahead

The merger talks between Rennies and Safmarine are likely to create a massive new commercial force. It could dominate the SA shipping, forwarding and freighting, travel and tourism industries, and lead to a restructuring of interests in other sectors such as insurance broking.

News of the deal — which is likely to be a complex tie-up — has been expected for months (Fox January 27) and does not surprise market analysts. It is a logical conclusion to some of last year’s huge reshuffles of corporate SA. The deal had not been concluded as the FM went to press — but what does seem certain is that the effects will be far-reaching.

The strategy on which Old Mutual embarked when it bought its controlling 74.1% stake in Rennies from the then-Hong-Kong-based Jardine Matheson — for what seemed an excessive price of R1b25c a share — is still unfolding. This merger could presage still further big deals. Among the immediate implications are that:

1. The merged group could dominate SA shipping by a wide margin. It would hold a direct or indirect interest in as much as 90%-95% of the local freight forwarding and clearing industry.

2. It would be SA’s largest force in hotels and tourism, controlling Holiday Inns and holding more than 50% of Sun International.

3. It could rationalise these interests with Rennies’ extensive interests in travel, such as Thomas Cook SA and American Express.

Based on present market capitalisations — the criteria likely to be used in a merger negotiation — the deal could be worth well over R4bn. Both groups have similar market caps; Safmarine’s amounts to R314m, while that of Rennies is about R337.5m. Based on net worth, however, Safmarine is the larger group. It had a net worth at the last balance sheet date of end-June 1983 of R303m, compared with Rennies’ net worth at end-December 1983 of R121m.

Even before Old Mutual acquired its stake in Rennies, the insurance giant’s other interests in related fields were considerable. Most important, Mutual is the largest SA-based private-sector shareholder in Safmarine, which is SA’s national shipping line. Safmarine, in turn, has joint control, with Anglo American, in Freight Services, which is Rennies’ major competitor in freight forwarding.

The way was cleared for the restructuring of Mutual’s stake in Rennies and Safmarine by government’s decision to sell its 50% interest in Safmarine, held through the IDC. After the reconstruction of Safmarine’s equity, in which the IDC offered its 46% interest in Safmarine for 50c a share to existing shareholders, Mutual emerged as the largest single shareholder with about 25% of the equity.

Safmarine is also a major shareholder in Sun International (SI), with an effective 15.7%. With about 37.5% held directly by Rennies, the Rennies/Safmarine camp would wield a combined shareholding of more than 50% of SI. The other major shareholders in SI are the Southern Sun (25%) and the Kerner group (15.7%), collectively hold around 40%.

One of the chief architects of the Rennies/Safmarine merger is Marion Marsh, who is chairman of Safmarine and deputy chairman of Mutual Marsh, who is known to have been working on the marriage for some time, is tipped to emerge as the top personality at the head of the combined group.

He is a low-key executive, but is reputed to be a brilliant financial manager with exceptional acumen in international trade. Since he joined Safmarine some 23 years ago, Marsh (55) has pulled off some lucrative coups for the company through his ability to anticipate trends in world shipping and international currency movements.

No man and, quite possibly, the group chief executive in the merged operation will probably be Charles Fiddian-Green, the present executive chairman of 136-year-old Rennies Fiddian-Green (50), an Oxford MA, has steadily built up a reputation as one of SA’s more astute chief executives since he became MD of Rennies in 1969. He is a tough, shrewd negotiator with formidable staying power. However, through his Jardine Matheson links, he has developed a powerful overseas connection and he may well be...
Full steam ahead

The merger talks between Rennie’s and Safmarine are likely to create a massive and commercial force. It could dominate the shipping, forwarding and freighting, travel and tourism industries, and lead to a realignment of interests in other sectors as well. The deal, which is likely to be a complex tie-up, has been expected for months (Fox January 27) and does not surprise market analysts. It is a logical conclusion to some of last year’s huge successes of corporate SA. The deal has been concluded as the FM went to press — but what does seem certain is that its effects will be far-reaching.

The strategy on which Old Mutual embarked when it bought its controlling 74.1% stake in Rennie’s from the then Hong Kong-based Jardine Matheson — for what was an excessive price of 1825c a share is still unfolding. This merger could engender further big deals. Among the implications are that:

- The merged group could dominate SA by a wide margin. It would hold a 50% or indirect interest in as much as 80% of the local freight forwarding and clearing industry;
- It would be SA’s largest force in hotels, tourism, controlling Holiday Inn and more than 50% of Sun International and
- It could rationalise these interests with extensive interests in travel, such as Thomas Cook SA and American Express.

Based on present market capitalisations, the criteria likely to be used in a merger calculation — the deal could be worth well over R840m. Both groups have similar market caps: Safmarine’s amounts to R825m, while that of Rennie’s is about R375m. Based on net worth, however, Safmarine is the bigger group. It had a net worth at the end of June 1983 of R203m, compared with Rennies’ net worth at December 1982 of R121m.

Even before Old Mutual acquired its interest in Rennies, the Canadian-based company’s interests in related fields were considerable. Most important of all, Mutual is the largest SA-based private-sector shareholder in Safmarine, which is SA’s national shipping line Safmarine, in turn, has joint control, with Anglo American and Freight Services, which is Rennies’ main competitor in freight forwarding.

The way was cleared for the restructuring of Mutual’s stake in Rennies and Safmarine by government’s decision to sell its 50% interest in Safmarine, held through the IDC. After the reorganisation of Safmarine’s equity, in which the IDC offered its 40% interest in Safmarine for 400c a share to existing shareholders, Mutual emerged as the largest single shareholder with about 23% of the equity.

Safmarine is also a major shareholder in Sun International (SI), with an effective 15.7%. With about 37.5% held directly by Rennies, the Rennies/Safmarine camp would wield a combined shareholding of more than 50% of SI. The other major shareholders in SI, Southern Sun (25%) and the Kerzner group (15.7%), collectively hold about 40%.

One of the chief architects of the Rennies/Safmarine merger is Marmion Marsh, who is chairman of Safmarine and deputy chairman of Mutual. Marsh, who is known to have been working on the marriage for some time, is tipped to emerge as the top personality at the head of the combined group.

He is a low-key executive, but is reputed to be a brilliant financial manager with exceptional acumen in international trade. Since he joined Safmarine some 23 years ago, Marsh (55) has pulled off some lucrative coupes for the company through his ability to anticipate trends in world shipping and international currency movements.

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However, through his Jardine Matheson links, he has developed a powerful overseas connection and he may well be...
Investors wasted little time in voicing their opinion about last week's joint announcement affecting Safmarine and Rennies. On August 3, the first trading day following the statement, Safmarine's price gained 80c to 800c, while Rennies advanced 260c to close at 1 560c. All this occurred against the backdrop of an 18-point fall in the RDM 100 index to 675.

But despite the promising prospects for both companies, if the deal is completed, the shares may experience difficulty advancing from current levels in the short term. The chart shows that the share prices of Safmarine and Rennies are bungling up against reasonable resistance areas.

Rennies' price has been struggling at the 1 600c level for the past year. Safmarine recently advanced above 700c, but quickly retreated to about 500c in sympathy with the overall market. Consequently, unless both companies have a surprise up their sleeve which could cause a sudden rush for the shares, the price of Safmarine and Rennies should hover near current levels for the time being.

— Stephen Richter

Vice-chairman Steyn . . . activities mesh well

Also likely to be prominent in a new management team is Rennies heir-apparent Buddy Hawton (46), who was recently appointed to the new position of chief operating officer at Rennies. This places him third in line after vice-chairman Ted Steyn.

Safmarine's management is highly centralised, without such clear-cut lines of succession. But present corporate GM Davd Hutchinson, responsible for the group's container shipping, is strongly tipped as the next chief executive.

Most of Safmarine's profits are derived from its shipping interests, which include general cargo, bulk trading, refrigerated cargo vessels, tugs and anti-pollution vessels. Among its unlisted investments are a 50% stake in Freight Services, a 33% stake in Trek Airways and a 40% interest in Unicorn Shipping.

Last year, the board decided to increase its involvement in international tourism and formed a new division called Safasure for the purpose. Apart from links already formed with Sun International, current plans include a re-entry into the luxury passenger ship market, a strengthening of interests in air travel and investments in high-class hotel chains.

Rennies is a more diversified conglomerate, but its biggest contributors to profits are hotels, shipping and related activities. Apart from the interest in St. Rennies owns all the Holiday Inns inside SA. Its trading activities include light industry, wholesaling and retailing. In the trading division, the group markets liquor — mainly Douglas Green wines — which is another activity that could usefully fit into an expanded group in hotels, travel and tourism.

Some intriguing developments could also be unleashed in the insurance broking market. Since the break-up between Standard Bank and Willis Faber earlier this year, Safmarine holds 50% of Willis Faber, the remainder being held by Willis Faber UK. Rennies has a 12% interest in the merged broking operation of Jardine Glauvill and Robert Enthoven, with an option to increase this to 20% by 1985.

This raises the possibility of an eventual marriage of Willis Faber and Robert Enthoven. It would give Mutual an interest in a major broking company which would compete strongly with the two leading broking firms, Price-Forbes and Bowring Barclays — and could ultimately lead to further shake-ups in that industry.

Perhaps the biggest questions surround the freight forwarding and clearing business. The Competition Board apparently has no qualms over the merger proposal and has already decided that "no circumstances exist which do not justify the merger in the public interest." This could imply that Freight Services' and Rennies' respective interests will be left to be run as separate arms-length operations. Even so, there would certainly be a tremendous polarisation of power in the industry.

Depending on the terms of the merger, Mutual could easily end up with less than 50% of the combined group, although it would remain the largest shareholder. That need not bother Mutual's policyholders, nor should shareholders in either Safmarine or Rennies have any objections in principle to the proposal.

The insurance company's relatively low interest should help ensure there will be minimum interference while professionals, managers are left to get on with the job. Concentration of muscle has the potential to increase profitability and growth in these key industries, and should therefore be welcomed.
Border men must register

EAST LONDON — All men between the ages of 18 and 54 resident in the Border inland area have to register for military conscription in terms of the Defence Amendment Bill of 1982.

Addressing businessmen at a Chamber of Commerce meeting at Aliwal North, the commander of Aliwal North Commando, C. Joubert, said that all men living in the magisterial districts of Jamestown, Lady Grey, Dordrecht and Aliwal North would have to register for military conscription in accordance with the legislation of 1982.

He said that only policemen would be exempted.

Out of a large number expected to register at Aliwal North, 106 men will be selected for training in the first year.

The men will do a six-day basic training course and this will be followed by the normal camps.

Depending on operational requirements and finances, call ups would continue until 1991.

Commandant Joubert assured businessmen that the intention was to disrupt commerce as little as possible. — DDR
M & R expansion in glass

The Murray and Roberts group has extended its glass interests through an agreement reached by its subsidiary, Elgin Glass, with Hulet Glass and Aluminium.

In terms of the agreement, Elgin Glass will supply flat glass to Hulet Glass and Aluminium, which are are concentrated in the Johannesburg, Durban and Cape Town areas.

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

Hulet Glass and Aluminium will, however, continue to operate as glazing contractors, he said. “Furthermore, Hulet will be able to supply Elgin with domestic aluminium products, of which they are merchants to the consumer market.”

The deal coincides with a price war that has been raging in the flat glass business for some months — Sapa
Elgin Glass will provide supplies to Hulett company

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

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

In terms of the agreement, Elgin Glass will supply flat glass to Hulett Glass and Aluminium.

Hulett Glass and Aluminium fabricates products in glass and aluminium, for both the domestic and industrial markets.

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

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

"Hulett Glass and Aluminium will, however, continue to operate as glazing contractors," he said. "Furthermore, Hulett will be able to supply Elgin with domestic aluminium products, of which they are merchants to the consumer market."
Charter takes biggest outsider stake in major securities house

By Christine Moor

LONDON—Charter Consolidated has emerged as the biggest outside shareholder in what could become Britain's largest financial services company.

After tough bargaining all last week, Charter is to have a stake of nearly nine percent in a new investment banking group with net assets of about £300 million.

The base structure of the new group was foreshadowed for some time, it will be led by S.G. Warburg, Britain's premier merchant bank which will take over Akroyd & Smillers, the top-jobbing firm.

But it will now include two stockbroking firms: They are Mullens, the respected but threatened gilt-edged specialist whose senior partner is always the Government Broker, and Rowe & Pitman, widely thought to be the Queen's stockbroker.

PASSIVE PARTNER

Charter enters the picture through Rowe & Pitman.

In April, when the City began its hectic merry-go-round of new partnerships, Charter paid £30 million for a 29.9 percent stake in Rowe.

The deal was announced at the time as a purely passive partnership designed to give Rowe the capital to compete among the large securities giants now being formed.

At the same time, Rowe forged a link with Akroyd, which in turn announced that Warburg had taken a stake in it.

Since then, Warburg, Akroyd and Rowe have been planning a full link-up which in its latter stages also involved Mullens.

The deal was finalised last week except for one last detail—Charter's role.

Charter made it known in no uncertain terms that it was not prepared to stand aside from what could prove to be the most important securities house in London.

The upshot is that Charter is to pay another £37 million as an entry fee to the new grouping.

Most of Charter's new stake will be in convertible preference shares some of which cannot be turned into equity for 15 years. But, ultimately, it will own 8.94 percent of the new group, and in the interim it will have important powers to ensure that its stake is not diluted.

The four-way merger of Britain's most influential merchant bank and three of the most blue-blooded Stock Exchange firms has been hailed as London's challenge to the enormous financial muscle of Wall Street's giant securities houses.

It has not gone unnoticed that Charter has a strategic position within the deal, and its shares moved up 5p to 211p on the announcement.

Up to now, the rules have kept the different financial functions strictly divided, adding to costs and enabling more competitive centres like New York to take billions of dollars of business away from London.

Non-British firms have also moved into London, backed by huge capital bases, and the merger is a direct effort to fight back.

The new company will be one of London's biggest combined broking and dealing houses, and it will offer a range of services unmatched by any group at present.

"The stock exchange has indicated that the proposed arrangements are compatible with the principles (it has) set out. The Bank of England has also been kept informed," said a joint statement from the four firms.
WINDHOEK — The Oamites Mining Group is to take over the Tintan Mine at Us in western SWA/Namibia, within a month, the managing director of Oamites, Mr Deon Hugo, said.

According to a news report in Windhoek yesterday, Mr Hugo said a large number of Oamites employees would be re-employed at Tintan after the closure of Oamites mine near Rehoboth at the end of the year.

Mr Hugo said negotiations were under way to sell Oamites mining village.
The reputation, experience and expertise of the firm led it into a unique relationship with the Bank of England. The senior partner is the government broker and also issuing broker to the bank. But partners at Mullens who handle the bank's official operations will have no financial interest in the new securities group nor in Mercury, Akroyd, and Rowe and Pitman. A total of £600m (R1,650m) investment funds under the firm's management.
Charter Cons part of huge UK merger

From NEIL BEHRMANN

LONDON — Charter Consolidated, the UK industrial mining company, within the Anglo American empire will have a stake in a giant British merchant banking securities firm, following significant reorganization of London financial houses.

Suriving the city, Mercury Securities, the listed parent company of merchant bankers SG Warburg and Co, Jobbers Akroyd and Smithers and Mullens and Co, said that they would merge.

Charter with a 29.9 percent holding in Rowe and Pitman will be investing more money into London’s version of the “thundering herd” and will eventually end up with a stake of nine percent in the huge listed securities company.

The merger will bring together four complementary firms: It will provide services in banking and foreign exchange corporate and project finance, government and corporate, debt and equity issues, securities trading, distribution, research, money broking and property.

Members of the company have a powerful UK and Euromarket presence and are involved in other international financial services, including the United States, Japan and Switzerland.

Investment management will be provided by the group through subsidiaries which will be separate from the securities trading and distribution services.

The chairman and senior partners of the four firms said “the changes in the stock exchange and increasing international integration of financial markets will require radically new structures in London. “Between now and so-called ‘big bang day’ we will be formulating our plans.”

Charter originally acquired a 29.9 percent stake in Rowe and Pitman in April this year for £17.5m ($517m) Charter will exchange its shares in Rowe and Pitman for equity in the new group: It will then buy a further 2.5 percent shares and 15.7m convertible preference shares in the giant securities firm for £49.2m ($157.5m).

The value of £35.2m (R74.5m) provides Charter with an initial stake of five percent. But once the convertible preference shares become equity, the interest will rise to just under nine percent.

Recently there were rumours that Charter would be taken over but it emerged that Hanson Trust, a dynamic UK conglomerate with an excellent growth record, had bought about three percent of its shares.

Brokers at the time thought that something else was going on. As it happened, Charter will now have an investment holding in a powerful Merrill Lynch-type house, whereas previously it had a controlling stake in a leading broking firm which had forged links with Jobbers Akroyd and Smithers.

Capital and reserves of the new house are estimated at £246m (R517m) and pro forma earnings attributable to ordinary shareholders are £27.7m (R70m).

Rowe and Pitman’s pre-tax profits are estimated at £26.6m (R142m) before tax.

Warburgs, an international merchant banking group based in London, has subsidiaries and associates in the United States, Switzerland, Germany, Luxembourg and Hong Kong.

It is engaged in banking, corporate and project finance, UK and international capital issues and advises governments.

In December 1988, Warburgs bought a 29.9 percent stake in Akroyd, one of the largest jobbers on the London Stock Exchange. Total investment funds under management...
Southern–Anglo Life merger proposals likely to win approval

By PAUL DOLD
FINANCIAL EDITOR

THE proposals for a merger between Southern and Anglo American Life entrench the rights of existing with-profit policyholders and are likely to win widespread approval.

The merger will create a new R3.5 billion life office—The Southern—ranked third in the industry after the Old Mutual and Sanlam. The group will be significantly primed for growth with a dynamic marketing base through the 1,200 branches of Barclays Bank.

The Chief Executive of the Southern, Mr Neal Chapman, says the new group “aims to be the most dynamic and professional life insurer in South Africa. So it needs to grow. And it needs associates with the reach in the market place to enable it to sell policies more competitively.”

“Sure Southern Life’s ability to achieve these aims and to increase the value of its policies”

Announcement

The initial announcement last year of the proposed deal aroused fears among Southern Life with-profit policyholders that the existing surplus would be swallowed by the new group for the benefit of shareholders.

On a first reading of the offer documents they would appear to have little cause for concern. Their surplus will be entrenched in the new Southern for the benefit of policyholders and can never be distributed to shareholders.

All profits attributable to existing with-profit Southern Life policies will flow exclusively to these policies and Southern Life says there is the prospect of increased bonus rates.

In addition Southern is guaranteeing a minimum bonus level for the full life of these policies. Bonus rates will never be less than current levels except in rare adverse circumstances.

The Southern’s Mr Neal Chapman, heading the country’s third largest insurance group

Chris Ball, Mr Mike King, Mr Ian MacDonald, Mr Guy Nicholon, Mr Julian Ogilvie Thompson and Mr Dudley Williams. The senior management committee will consist of Mr Chapman, Dr Bernstein (executive director finance, actuarial, planning), Mr Sdigweck (executive director systems and computing), Mr Prinsloo (executive director individual life marketing), Mr Bill Haslam (senior general manager pensions business) and Mr Jan Calitz (senior general manager investment).

Anglo is represented on the board by Dr De Bee, Mr Mike King, Mr Nicholon and Mr Ogilvie Thompson. Barclays’ Southern directors are Mr Jan Smith, Mr Chris Ball and Mr Ian MacDonald.

The representatives of policyholders are Mr Loch Davu, Mr Alberton, Mr Ardington and Mr Dudley Williams. They are all existing Southern Life directors.

The independent consulting actuary—appointed with the approval of the Registrar as policyholders’ watchdog—Dr Dawid Malan—believes the scheme is fair.

Mr Stanley Lewis has been appointed chairman of Fidelity Group Ltd, which is the holding company of The Board of Executors and of Fidelity Bank. He succeeds Mr Alex McGregor.

Merger plan to be changed

The original merger plan which envisaged the creation of a new company Southern Life Association was to see the Southern Life and Anglo Life has been changed.

The merger documents say that it has been found more advantageous to use Anglo Life as the vehicle for the scheme. Anglo is to change its name to the Southern Life Association, adopt a new memorandum and articles and enlarge its share capital.

Immediately the court has approved the scheme it will increase its share capital to 120,000 par value ordinary shares of 5c, 49.2m par value B shares of 5c, 4.1m par value convertible participating non-voting preference shares of 5c each and a trustees’ special share.

Listing

Barclays has already deposited R133m to subscribe for the B shares. These B shares will convert into ordinary shares at the time of Southern’s listing. During the intervening period they will rank pari passu with the ordinary shares in all respects except for dividends which will be based on a formula.

Southern’s proposed issued share capital will be 160m par value ordinary (49.2m of which will have been automatically

Associate to avoid confusion.

Regarding the projection of the surplus with profit policyholders’ policies in essence will be divided into with profit and others.

The surplus will be lodged in the scheme estate with the net surplus arising from this investment will be allocated to existing with-profit policyholders. The formula used is related to the proportions of the gross liabilities of the Southern for each class of business. A special provision is that the estate’s capital cannot at any time be distributed to shareholders as dividends.

A guarantee fund reserve will be formed from part of the investment earnings on the new share capital raised from Barclays and the public.

This will be used to maintain bonuses on with profit policies.

At the end of the first year 80 percent of earnings will be allocated to the fund with the percentage being gradually reduced for 20 years. Southern Life estimates that the present value of the reserve fund assuming a continuing annuity yield of 10 percent a year and using a 10 percent discount factor will total more than R100m.
Charter stake raised in £350m merger

Anglo foothold in two giant houses

By Neil Behrmann: London

A £350-million broking merger on the London Stock Exchange means that Anglo American Corporation will hold an indirect stake in two major banking and securities firms on both sides of the Atlantic.

Through Charter it will have an interest in the merged firm of London merchant banks SG Warburg, jobbers Akroyd & Smithers, brokers Rowe & Pitman and government-bond specialist Mfillers & Co.

Through Minorco it already has an indirect holding in the giant United States securities and commodities firm, Phibro-Salomon.

Rule change

The formal merger of the London houses will probably occur in early 1986 when the London Stock Exchange changes its rules. In the meantime, the firms plan to co-operate closely in non-British markets.

The combined stock market value of the four firms is £530-million (570-million). Their published capital and reserves including unrealised gains of Mercury Securities, the parent company of SG Warburg & Co, is £246-million. The resources of the new firm can be compared with any major British merchant bank and with some of Wall Street’s largest investment houses.

Charters, which acquired 23.5% in Rowe & Pitman in April this year for £17.8-million, will exchange its shares in the brokers for equity in the new group.

It will then buy another 2.5-million ordinary shares and 7.7-million convertible preference shares in the securities firm for £31.7-million. The total equity investment of £38.2-million provides Charter with an initial stake of 6%.

But once the convertible preference shares become equity, the holding will rise to nearly 9%. Anglo, through Minorco, will then have an indirect interest of 1.3% in the group.

Influence

Although this holding appears small, it should be seen in the light of Anglo’s 9% indirect interest in Phibro-Salomon. Anglo will have a foothold in two houses which have considerable influence in international financial markets.

The London merger will bring together four merchant firms which will provide services in banking and foreign exchange, corporate and project finance, government and corporate debt, equity issues, securities trading, distribution, research, money broking and property.

Member firms of the company have a powerful UK and Euro-market base and are involved in other business in the United States, Japan and Switzerland.

Wide spread

Warburg, an international merchant banking group based in London has subsidiaries and associates in the United States, Switzerland, Germany, Luxembourg and Hong Kong.

It is engaged in banking, corporate and project finance, UK and international capital issues. It advises governments and government agencies. Total investment funds under Warburg management exceed £3-billion.

In December 1983, Warburg bought a 19.5% stake in Akroyd, one of the two leading jobbers, or market-makers, on the London Stock Exchange.

In January this year, Rowe & Pitman and Akroyd combined their international dealing activities, so before the latest deal there was a link between Warburg, Rowe & Pitman and Akroyd.

Queen’s broker

Rowe & Pitman, one of London’s largest brokers, has branches and representatives in major cities, including Johannesburg. It is a broker for the Queen and has acted for the Anglo group for years.

It played a major role in Anglo’s dawn raid on Consolidated Gold Fields several years ago.

Rowe & Pitman manages £800-million of pension funds. Mullens is a leader in the British gilt market. The reputation, experience and expertise of the firm led it to a close relationship with the Bank of England.

The senior partner in the Government Broker and issuing partner for the bank. But the partners who handle the bank’s official operations will have no financial interest in the new securities group.

Investment funds under the firm’s management total £500-million.

Conglomerate

It has emerged that Hanson Trust, a UK conglomerate, has bought a 3% stake in Charter.

Some brokers believe that Charter becomes less interesting because it lost controlling stake in leading brokers Rowe & Pitman, which already had links with Akroyd & Smithers.

On the other hand, Charter will have an investment holding in a powerful Salomon Brothers-Sherill Lynch-type house in London.

Rowe & Pitman’s pre-tax profits are estimated at £3.6-million against the merged firm’s net earnings for shareholders of £37.7-million.

Phibro-Salomon’s shareholders’ funds totalled £240-million at the end of 1983. On revenue of £295-million net earnings were £470-million.

In the first six months of this year net earnings were £222-million against £231-million in the same period in 1983.
SAAN

Costly battles

The newspaper war that erupted in the English press over the past year cut deeply into SAAN's end-June interim performance — and the board's reaction leaves no doubt that the carnage will get far worse in future. Earnings fell 8.7% to R12c, and the interim dividend was slashed by 28% to R5c (35c). Indicating management's obvious concern, shareholders are told to expect a "greatly reduced final dividend."

Deputy chairman Clive Kinsley says that the dividend has been cut because a much sharper deterioration in profits is expected for the second half. The dividend cover was lifted from an already high 3.8 to 5.0 times, but will fall considerably at year-end. "The second half is going to be extremely tough," says Kinsley. "Distributable earnings will decline sharply."

Although cash reserves stood at R7m at December 30, part of it has been allocated to a R7.5m capital programme, which is to go ahead as planned. "Thus investment was essential and there will be no changes," says Kinsley.

Sharp decline

Apart from the increased competition, Kinsley notes that demand for advertising space declined sharply in July, after the pre-gst spending rush, and trading conditions could deteriorate further after the latest austerity measures.

Rising operating costs are said to be a major factor in the slide in bottom-line earnings, which occurred despite a 22% increase in advertising revenue in the first half. The price of newsprint, for example, was lifted from R7.50 a ton to R8.20 a ton. This will obviously hurt all newspaper publishers, and has added R2.2m to the group's operating costs.

Nonetheless, it is clear that competition is the major problem. Kinsley contends that Adindex figures indicate SAAN has gained market share in a number of areas, with overall revenue up for the Sunday Times, the RDM's Business Day, and the Sunday Times' appointments and supplement advertising. Margins have obviously been squeezed severely all round.

SAAN management has argued before that Argus has expanded in the property advertising market by offering unrealistic rates, and publication of Argus' figures for the six-months to end-September — after Argus has been exposed to an additional

four months of these trading conditions — will be instructive. But Argus should benefit to some extent from its various other interests such as CNA/Gallo, in which it has a 50% stake.

SAAN management feels that the battle for the Sunday markets will ultimately decide which group wins the daily market. As part of the capital programme, SAAN has installed a new Metro press, which will raise capacity to print classified advertising on Sundays. Increased capacity to use the Sunday Times to compete against The Star for classified and regional display advertising is considered a key element in the long-term approach to the competition.

To close the gap in the Sunday market targeted by The Star, a revamped Sunday Express has been launched, aimed at the upper income group. The paper is said to have been well-received in its first few weeks since relaunch, and has apparently steadily regained some of the lost property advertising.

But it is obviously far too soon realistically to assess its viability. The same can be said at this stage for efforts to win back property advertising lost by the Cape Times to the Argus, where SAAN is attempting to match the competition on price.

Argus' longer-term strategy is doubtless to expand The Star into a morning and evening paper. SAAN's management obviously hopes its plans will pay off before that — a full-scale foray against the RDM could be disastrous. But the press war could run for a long time yet, and will severely depress earnings and dividend potential. The tightly-held shares, priced at 2.350c, did not react after the profit announcement.

Andrew McNulty

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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 beenudderless.

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.
Rate Round-Up

New Package

The recent introduction of an expanded package in coordination and cooperation with a telecommunication provider has given us the opportunity to offer an enhanced service to our customers.

The service includes:
- Enhanced call forwarding
- Voice mail
- Call waiting
-Caller ID

These features are designed to improve the efficiency and productivity of our customers.

Please contact our customer service team to learn more about our new package and how it can benefit your business.

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San Gines up Alex Owership

and Shipping

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Bob Hagerty

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Computer news
The public is the loser in any newspaper war

A SERIOUS newspaper war is being waged at the moment between the Argus group and SAA, a war which could threaten the very existence of the Cape Times.

Property agents are being gagged in their free speech and may be the unwitting tools of a strategy that could sweep the National Party newspapers dominating the English-medium newspaper market.

This current war could achieve objectives not even dreamed of during the corrupt days of the Citizen and the Information Department.

Most of South Africa sleeps through economic revolutions, at times awakening to blink its eyes at the extent of the monopolization of the economy. It reawakens to mouth free-market slogans and then slumbers through waves of economic concentration that have led to a group of companies controlling 54 percent of the total assets listed on the Johannesburg Stock Exchange.

Vested interest

The public urgently needs to alert itself to the monopolistic tendencies of the Argus group and to examine whether the group’s actions are in the public interest.

The Argus Company owns nearly 40 percent of SAA and therefore has a vested interest in its well-being, yet it is engaging in actions which threaten to undermine the profitability of this 40 percent stake.

The battle has begun and may result in the English morning newspapers becoming economically crippled, and even more, the Argus group initially is able to work towards establishing a near monopoly.

It is this seemingly senseless battle between Argus and SAA taking place and what are its possible effects?

First, the nature of the war has to be understood.

The initial move of the Argus Company was on the Reef, where it is attempting to force the Sunday Express out of the market and so create a space for a Sunday edition has already lost most of its property advertising (reportedly worth R7 million a year) to the Saturday Star, and the Cape Times, through a similar Argus cartel agreement with local estate agents, may lose R2 million a year in advertising revenue.

In what may yet be ranked as one of South Africa’s most hard-hitting editorials, the editor of the Sunday Express hit back at the Argus group’s attempt to smash its newspaper’s financial base, stating “The Star is a paper that has earned its right to exist and it is not afraid to stand up to those who would try to silence it.”

SECOND question

There must be considerable doubt that at the end of the road there will be a deliciously happy Argus monopoly.

It can be cogently argued that there is a decided prospect that any future antagonisms about an Argus monopoly will be orchestrated to help start and produce some appealing English medium Citizen-type newspapers.

The Argus then will have to battle against such newspapers. Perhaps only five years or less down the road, the readers of this newspaper will have only the relatively insignificant decision of whether to keep on the fledgling

Cannibalism

Finally, the spectacular past of the English-language press is an embolism itself may appeal to Nationalists, foreign capitalists, estate agents and the National Party.

It should appeal to few others outside of these groups. Except to those who like the sight of cannibalism, and the probability of a further clipping of critical expression in the South African press.

If there is one thing that South African history has shown it is that expansionist actions invariably have political consequences.
through waves of economic concentration that have led to the group of five companies controlling 34 percent of the total assets listed on the Johannesburg Stock Exchange

**Vested interest**

The public urgently needs to alert itself to the monopolistic tendencies of the Argus group and to examine whether the group's actions are in the public interest.

The Argus Company owns nearly 40 percent of SAAJ and therefore has a vested interest in its well-being, yet it is engaging in actions which threaten to undermine the profitability of this 40 percent stake.

The battle has begun and may result in the English morning newspaper becoming economically crippled, and even forced out of the market, while the Argus group initially is able to work towards establishing a near monopoly.

Why is this seemingly senseless battle between Argus and SAAJ taking place and what are its potential consequences?

First, the nature of the war has to be understood.

The initial move of the Argus Company was on the Reef, where it is attempting to force the Sunday Express out of the market and so create a space for a Sunday edition of the Star.

**Argus cartel**

It offered estate agents a dramatic reduction in advertising rates if they undertook to advertise for the next five years only in the Star — reductions rumoured to be at least 75 percent below usual rates.

The Sunday Express has already lost most of its property advertising (reportedly worth R7 million a year) to the Saturday Star, and the Cape Times, through a similar Argus cartel agreement with local estate agents, may lose R2 million a year in advertising revenue.

What may yet be seen as one of South Africa's most hard-hitting editors, the editor of the Sunday Express, hit back at the Argus group's attempt to smash his newspaper's financial base, stating: "We are appalled that this newspaper's brand of journalism should give way to the pallid cloned products of the Argus company. Whatever the weaknesses of the Sunday Express it is not the grey product of grey people. When the referendum came it was the Sunday Express that led the fight against a constitution that the Star had neither the conviction to support, nor the resolution to reject. Not for nothing has the Sunday Express won award after award, while the Argus company has become colloquially known as 'Anvily Argus'."

The Argus Company has thrown millions of rand into its fight against SAAJ and there is a rumour that it will fund Cape Town that the (Cape) Argus has R40 million with which to kill the Cape Times.

**Journalists**

In Cape Town the Argus has achieved an enormous inroad into a property advertising, not by providing a better service but simply by slashing its advertising rates.

The SA Society of Journalists (SASJ) has condemned the Argus Company for attempting to destroy the Sunday Express and other newspapers by wresting their major source of income in an effort to "establish a monopoly of English language newspapers."

The SASJ has called for the Competition Board to step in whether it will — in light of its seeming preference to arbitrate around oligopolism in the biscuit industry and florists trade — remain to be seen.

What the Rand Daily Mail editor, Mr Rex Gibson, has called a "Star Wars" battle is fast unfolding.

The Sunday Express and the Rand Daily Mail obviously are first on the Argus list of newspapers to be gobbled up, the Cape Times and the Mercury probably cannot be far behind.

The two main SAAJ money spinners, the Financial Mail and the Sunday Times, are untouched, but what is at the end of the road? This brings me to my second question.

There is a considerable doubt that at the end of the road there will be a deliciously happy Argus monopoly.

It can be cogently argued that there is a decided prospect that any future antagonisms about an Argus monopoly will be orchestrated to help start and produce some appealing English medium Citizen-type newspapers.

The Argus then will have to battle against such newspapers perhaps only five years or less down the road, the readers of this newspaper will have only the relatively insignificant decision of whether to subscribe to the "pallid cloned products of the Argus company" or to a National Party-supporting newspaper.

**Ownership**

Ownership

Two final remarks need to be made.

Deputy Minister Mr John Wiley has long waged a battle for the nature of control of the English medium press which, in his view, is dominated by the Anglo American Group.

He has raised significant concerns about ownership and control of major companies in the South African economy.

However, he has this on a wholly political, party basis. Now he should begin his excursion into the mainstream of our economy and examine whether the ruling party approves of, and condones in producing monopolistic trends in the economy.

A question to be faced up is: Could the Argus group succeed in an effort to obtain a near monopoly?
Rennies — Safmarine on a high seas venture

By Peter Farley
Investment Editor

Rennies and Safmarine have formally joined forces to create a conglomerate that will effectively be able to make the running in South Africa's leisure, restaurant and freight industries.

And, although both sides deny it, the move has been heavily influenced by the substantial shareholding Old Mutual has in both companies.

On a quid pro quo basis Old Mutual would have ended up as a controlling shareholder in the merged operation. But for some reason, has chosen to abdicate this right to a less than 50 percent stake.

How, where and when the additional shares will be sold has not yet been disclosed. But perhaps the presence of Anglo America's industrial supremo Mr Graham Bousted at yesterday's briefing gives some indication in this direction.

At the same time Anglo's Amoco has merged its 50 percent stake in Freight Services in the new operation, with no real shareholding in return. On the surface it appears content to hold an outside stake in what will effectively be a small part of the overall operation.

The formation of the new group involves the delisting of both existing quoted shares, Rennies and Safmarine, and the creation of a joint holding company to be called Safmarine and Rennies Holdings (Safren).

The only surprise is that Safmarine chairman Mr Kモノ Marsh becomes chairman and chief executive of the combined outfit, with Mr Charles Fiddian-Green seemingly playing a somewhat secondary role.

Nevertheless, the move is probably indicative of where the power lies in that four out of the new group's five operating legs will be headed by Rennies executives.

It is clear from the comments of both sides that the new group's earnings growth will be firmly planted in the leisure industry. The recent formation of Sun International, into which Rennies sold its casino/resort interests and in which Safmarine already has a sizeable stake, will no doubt be the primary vehicle.

In addition, the recent listing of Kersaf, which initially excluded Rennies, could prove a remarkable vehicle for bringing the SA side of Holiday Inns into line with the rest of the now shared leisure interests.

SAB and Southern Sun must be wondering why they ever let the ball start rolling in the first place. Certainly ABF's Mr Gary Weston has a great deal to answer for.

The listing of the new holding company will not take place until mid-November, but existing shareholders in the listed companies will be offered shares in the Safmarine and Rennies scrip they already hold.

Safmarine shareholders will receive 45,6 Safren shares for every 100 held, while Rennies' scripholders will get 100 for 100 Safmarine shares closed yesterday at 600c and Rennies at 1425c.

Despite the recent surge in the Safmarine share price, the deal is still slightly more attractive to those shareholders. Therefore it would still be cheaper to buy into the deal through Safmarine, for those wanting a share of the new joint company, than through Rennies.

But there are still a great number of questions that remain unanswered. For a start, the two sides accept that they have not been able to resolve the future of the respective insurance or travel interests.

In fact, the deal has not yet even been signed by either consenting party, let alone their lawyers.

There is, nonetheless, no doubt that it will now take place. The combined operation will have gross assets of some R1,2 billion, but this boils down to a net worth of some R400 million. On a guessimated issued share capital of 46 million shares this would offer a net worth of some R700c a share.

This is broken down by the book value of Safmarine being worth around R250 million against R400 million for Rennies. The figures are, however, somewhat misleading as the market value of Rennies investments would show a much more substantial premium over book value than those in Safmarine.

Nevertheless, the deal appears to have been split pretty fairly down the middle.

The merging of the shipping, freight and forwarding operations will certainly afford Rennies the chance to move into market share, while prospects of these operations also present rationalization opportunities.

In the longer term, a year or so away, the platform certainly been laid for the international expansion on a tremendous scale.

Locally, however, keep your eyes on the expansion of the two interests and the recently formed side of Rennies operations.

SA Breweries may have launched its new Obishton's Lager with much fanfare last week, but what many may have missed was the introduction of a new corporate logo.

The Beer Division has gradually been extending its independence, now further enhanced by this latest development.

Mind you, the changes are not so subtle, a frothing beer tankard in place of a sheaf of barley above the SAB logo.

The colour scheme on letters, headlines etc has also been changed.

Insider Pre-packaged training may create learning barriers.

It seems like hard times at the stock exchange these days, with daily turnover now often well below the R10 million mark regarded as the breakeven level by the stockbrokers.

I understand some brokers are now looking around to whose costs can be cut to 10 percent.

Behaviour modelling stresses learning through example, so if a picture is worth a thousand words then is one good role model worth endless hours of classroom training?

A growing number of individual psychologists are beginning to believe in this approach.

Training companies have adapted this concept to give both unexperienced and experienced managers/environments people bad as skills.
Investor interest indicates rates may have peaked

By Duncan Collings
Although the money market closed the week much as it had started — with rates static and trading extremely quiet, rates tended to firm across the board during the balance of the week.

In line with the increased rates, substantial buying was seen in the 90-day and one-year areas, National Acceptances says in its weekly money market report.

Investors are buying at the longer end of the market, indicating that rates may have peaked, National Acceptances says.

Comments made by the Governor of the Reserve Bank, Dr Gerhard de Kock, confirmed the view that while rates may have peaked, there will be no decline until all the criteria for having introduced the austerity pack-

age have been satisfied.

On Friday, at the short end of the market, the key three-month liquid-based acceptance remained at 22.10 percent.

The market shortage on Friday stood at R1.93 billion, little changed from Monday, R1.96 billion.

At Friday's weekly treasury bill tender, the rate was fixed at 21.77 percent, barely changed from last week's 21.78 percent.

On the capital market during the week, rates moved up by 0.10 to 0.12 percent in very quiet and dull trading with little institutional interest evident.

Some switching was seen out of the RSA 14.50 percent 1987 into Escom 1.64 and out of the RSA 13 percent 2005 into Escom 1.54.

Activity here was restricted by the quiet tone of the market.

Post Office raises rates

The interest rate on investments in Post Office savings certificates has been increased to 10.5 per cent, tax free.

At the same time the limit on that part of investments in Post Office savings certificates on which the interest is tax free, has been raised from R40 000 to R70 000 per taxpayer.

The Minister of Post and Telecommunications, Dr Lapa Munnik, announced in Pretoria yesterday that the higher interest rate becomes effective immediately.

Dr Munnik also announced that new investments in Post Office savings certificates will have to be held for twelve months instead of the current six months to earn the new interest rate of 10.5 per cent.

It will, however, still be possible to withdraw an investment before the 12 months are up, in which case interest will be paid at the same rate as for current accounts in the Post Office savings bank (6.5 per cent).

Interest on Post Office savings certificates will from now on be paid on March 15 and September 15 of each year.

Japan still exporting at record pace

Tokyo — Japan again recorded substantial current account and trade surpluses in July, though in both instances the all-time peaks achieved in

Rusplats sets fine example in cash flow

By Michael Menof
Rustenburg Platinum operates three major mines exploiting platinum-bearing ore with the primary product

in these cash-strapped times, Wadell emphasised the importance of cash flow management and how successfully the group had mastered...
Safmarine and Rennies merge

R1,2bn giant is created

By ELIZABETH ROUSE

THE merger of Safmarine and Rennies Holdings (Safrren) will create a giant R1,2bn conglomerate, which will rank in the top 15 industrial companies in South Africa.

The creation of Safmarine & Rennies Holdings (Safrren) was announced in Johannesburg yesterday by Mr. Marmon Marsh, chairman of Safmarine and Mr. Charles Fiddian-Green, chairman of Rennies.

Mr. Marsh will be the chairman and chief executive of Safrren and Mr. Fiddian-Green will be deputy chairman and deputy chief executive.

Market capitalisation of the giant will be over R600m, based on the present market prices of the two companies, with an annual turnover of over R500m and taxed profits of about R172m/R173m.

Mr. Marsh hailed the merger as a "very good fit" and "probably the best merging of interests which have taken place in South Africa".

Safrren would not only be a force in South Africa but also would look at expansion internationally. Shareholders would benefit from the outset.

Rationalisation benefits should be material and should assuage present adverse tendencies in the economy.

Mr. Marsh said that over the past decade the Safmarine fleet had undergone a complete modernisation programme, particularly in containerisation.

The merger offered exciting potential for diversification, especially into the tourist, travel and leisure industries.

In tourism exciting new developments should follow. The larger volume and increased facilities on the travel side should provide the resources for a more purposeful campaign to sell South Africa's tourist attractions.

Partnership with the Kerrier group through Kerrier and Sun Rennies would continue undisturbed and even closer co-operation would result to benefit Safrren's fast growing interests, particularly in Sun International.

The Holiday Inn chain would be expanded and a strong entry made into the budget hotel field.

Mr. Fiddian-Green said the group could look forward to an accelerated rate of expansion, not only in South Africa, but internationally.

The Kerrier group will be responsible for Safrren's distribution, which currently owns 50% of Rennies and about 30% of Safmarine, would not have a controlling interest and would not seek to control Safren.

A joint statement said Safrren would have the financial and marketing strength to accelerate the development of South Africa's shipping and tourism industry.

Investment in related and worthwhile enterprises would be facilitated and the aim would be to strengthen and broaden the earnings base in the interest of greater stability and sound dividend growth.

Other operations include liquor (Douglas Green wines), soft drinks (Sparlett Sun-crush), transport and security and wholesaling.

Stratifying the insurance broking and air travel businesses into the total structure has not yet been decided.

Also announced yesterday was the proposed merger of the shipping services companies.

Amic will retain its stake in the shipping services division.

Amic and Safrren will have an equal holding in Redbury Holdings, which will have a stake of 50.1% in Rennies Freight Services.

But Safrren will have control as it will have a 44% holding in Rennies Freight Services.
Competition Board ready to bite hard

By David Carte

STAND by for action from the Competition Board under its new chairman, Stef Naude.

Many people called the board "a public relations exercise" in the wake of a spate of enormous takeovers by dominant insurance, computer and mining houses.

The board was also called toothless after its recommendations on the liquor industry were overruled by the Minister of Commerce and Industries.

Explosives

But Professor Naude and his board are eager to show their teeth and will soon be testing some of SA's strongest vested interests in promoting free competition.

Hard on the heels of strong anti-monopoly action in explosives and coal, the board is examining monopolistic or restrictive practices in State corporations, the agricultural control boards, trade associations and the professions.

It also has the Johannesburg Stock Exchange and the financial services industry under its microscope and is investigating the agglomeration process in commerce and industry.

Priority

Competition in free markets has been written into SA's new constitution. This means it is a State priority. It also implies the board has more powers and can do anything related to competition is for its mail. It will enjoy the antitrust monopolies as well as private ones.

Although the board accepts that certain private- and public-sector monopolies or oligopolies are necessary for practical reasons, where it finds unbridled suppression of competition, it will advise the Government accordingly if it is ignored it will not be silent.

Author

Prof Naude says "We shall examine everything extremely carefully. If necessary, we will speak out fearlessly, without regard to anyone in government or the private sector.”

A former attorney, advocate and professor of law at the universities of the Free State and South Africa, Prof Naude has specialised in company and competition law worldwide for much of his career.

He was the author of much of the present competition legislation in South Africa and the designer of closed corporations.

Prof Naude visited the London Stock Exchange with Mr Justice Margo and Professor Michael Katz to examine the City Code. They came up with a controversial Standing Advisory Committee on Company Law report on the JSE. This attempted to marry the best of the US and UK securities regulatory systems. It recommended a takeover panel and above the JSE with statutory teeth.

Objections

The JSE and financial institutions have objected to the recommendations, which could nevertheless become law next season.

Prof Naude insists his board has power and will use it.

"The liquor industry report was the only one that was not followed. Our recommendations on the explosives industry are in effect. In takeovers and mergers we have had many victories."

"Remember our successes are never publicised. If we disapprove of a merger or takeover we tell the parties and that's that. Our disapproval is never publicised."

Coal supply

The board recently ruled out AECI's exclusive supply agreement with the Chamber of Mines. It approved AECI's manufacturing Toveron on condition that National Explosives also makes it, virtually requiring AECI to keep National Explosives in the frame.

The board is trying to deregulate coal-supply controls, but this is a tough nut to crack because it entails less work for bureaucrats in the Department of Mineral and Energy Affairs.

Businesses who have had schemes vetoed by the Competition Board speak highly of it.

"Those guys leave no stone unturned in vetting mergers and takeovers”, one told me, “and they come to irrevocable decisions quickly.”

Prof Naude says there are two ways of promoting competition - to encourage appropriate market structures and to vet behaviour.

Flexibility

To get the right market structures, much legislation needs to be amended. To this end, the board is agitating for changes to many statutes, including the one governing itself.

"In reviewing legislation I am frequently amazed how competition was ruled out in the past by our law-makers. But I am not discouraged. In South Africa we have had more flexibility in redressing past mistakes."

Once the laws are changed it will be possible to order companies to make changes deemed necessary for greater competition.

"In the past people judged the board by the volume of reports it put out. In future, it will be the less fat reports we produce, the more success we will be achieving. Our success will be behind the scenes.”

Architects

The board does watch behaviour in the market place its inspectors, for instance, recently walked into the offices of various trade associations and demanded to see their constitutions, and excluded provisions relating to the commercial side of their activities.

The professions, starting with architects, and ending — after the Brown Communique reports — with mediators, are being locked out.

The board will want the professions to prove that minimum fees and restricted entry are in the public interest.

While it is examining legislation here and abroad and planning changes to a number of Acts, the board also investigates specific complaints, such as the ones in steel and ware supply against Haggie, Lacer and Cape Gate.

All this is trying to do with two full-time directors and five highly trained technical staff members.

Although its activities generate emotion, the board deliberately removes any emotion from its deliberations.

"We all want more competition,” says Prof Naude, “until we ourselves have to engage in competition. We tend to believe competition is good for the older boys, but not for us. This is one of the basic problems we have to contend with.”
SA Goes For Big Game

in Great Dollar Tourist Hunt

Rennies’ Safmarine Line Up
FREE-SPENDING tourists by the thousand are expected to stream into Southern Africa on grand tours of the sub-continent after the merger this week of Rennies and Safmarine.

With Sun City, the Wild Coast and Safmarine's floating pleasure palace, the MV Astor, under its wing the group is keen to offer an irresistible package deal to foreign tourists. They will be offered the delights of Sun City, the Bushveld, the Wild Coast, the Garden Route, the Cape, the desert and game reserves of South West Africa plus cruises on the Astor — for magical prices.

**Muscle**

South Africa draws fewer than 400,000 tourists a year — less than Sri Lanka's total. The merged company — called Safmarine & Rennies Holdings — will have the financial muscle to embark on a hard sell among wholesale travel companies abroad. America, with its strong dollar, will be the main target.

The package deal will be made more attractive if the merged company can bypass South African Airways or induce it to lower its loaded fares.

Neither Rennies nor Safmarine will confirm it, but travel industry sources say the group is likely to fly tourists into Minambathu in Bophuthatswana. This will land them close to Sun City, the beginning of the grand tour package and will enable Rennais to offer even more competitive prices.

**Jumbo Jets**

Safmarine owns more than one domestic airline, so moving tourists around Southern Africa once they get here will be no problem.

After recently being strengthened, the Minambathu runway is being lengthened to take jumbo jets. But Bophuthatswana is not recognised by any foreign country, complicating landing there.

A travel agent says: "But if Safmarine can't sort out that little problem, I'll be surprised."

**Fortune**

"It won't all happen overnight but we're going to make a fortune in tourism," Mr Marsh, chairman of Rennies, told Business Times as he and Charles Fiddian-Green, chairman of Safmarine, set the seal on the deal.

Mr Marsh will be chairman and chief executive of Safmarine and Mr Fiddian-Green deputy chairman.

"This is the most logical merger this country has seen in years," said an equally delighted Mr Fiddian-Green. He reckons the group will do well not only in tourism but in hotels and forwarding and shipping.

The new group aims to further develop its Holiday Inn chain and to strongly enter the field of budget hotels to cater for the family man and less affluent overseas visitor.

**Restraint**

Sol Kerzner is widely expected to lend his hand to this venture when a restraint forbidding him to engage in hotels in competition with SAB's Southern Sun falls away.

Other than to say there is a "strong likelihood" of his being involved in SA hotels again after March next year, he will not comment.

Mr Marsh and Mr Fiddian-Green are excited about the potential, rationalisation benefits in clearing, forwarding and shipping.

In the past, Rennies and Safmarine were competitors and much of Rennies traffic went to other lines. Now the two will dominate the industry, particularly since Rennies and Freight Services have merged their forwarding activities.

**Valuation**

For the merger, Rennies and Safmarine were valued identically. Safmarine shareholders will receive 65.8 Safmarine shares for every 100 shares they hold and Rennies shareholders 100 for 100. There are more Rennies shares in issue, hence the different ratios.

Had the merger been effective in the year to 1994, Rennies earnings would have risen 4% and its net asset value by 4%. Safmarine's earnings would have fallen 4% and its net assets by 23%.

The stock market has traditionally valued Rennies slightly higher than Safmarine, which has been more cyclical — especially last year. Since the merger was proposed, Safmarine, which has greater reserves, has been rated in line with Rennies because of the quality of its assets and the strength of its cash flow.

Heavy non-cash charges, notably depreciation and deferred tax, masked the quality of Safmarine while it was building up its merchant fleet.

Now that the fleet is in good shape and capital spending is expected to fall, Safmarine — like Rennies — is expected to be a strong cash generator.
Bid for J Bibby & Sons could cost R376m

Barlows goes gunning for British company

By DAVID FURLONGER and DAVID ROSS

A LEADING British company, J Bibby & Sons, disclosed in London yesterday that it was holding talks with Barlows Rand that could lead to a takeover by the SA giant.

A Bibby statement said discussions, "may or may not lead to an offer being made for the equity share capital of the company".

Barlows chief operations officer, Mr Warren Clewlow, confirmed in Johannesburg that discussions were at an advanced stage between the boards of Bibby and Barlows and said a further announcement could be expected shortly.

London sources suggested an announcement might be made by this weekend.

Mr Mike Rossolt, executive chairman of Barlows, is already in London. Mr Clewlow left for London yesterday.

After a report in the London Observer on Sunday that Barlows was the likely bidder, Bibby moved up from 230p, following an 11p rise on Friday, to 238p in early dealings yesterday. The Barlow group already holds a 22.51% stake in Bibby through its C G Smith subsidiary, Tiger Oats.

At 238p, the bid would cost Barlows R376m at current rates of exchange.

The bid clearly reflects the strategic thinking of Barlows' top management. Before leaving for London last night, Mr Clewlow told Business Day this substantial overseas investment, "will provide Barlows with a springboard for significant overseas expansion".

Asked whether, with the current state of the rand against sterling, this looked the right moment for the bid, Mr Clewlow said circumstances on which he could not elaborate, had led to the timing.

The second largest shareholding in Bibby - about 16% - is effectively held by various members of the Bibby family.

Bibby has been a very successful investment for Tiger since its purchase in 1976. It has also been a company with a decidedly acquisitive streak.

Established in 1978, J Bibby & Sons is a diversified industrial-agricultural group. It had a turnover of R576m in the year to December 1983 - the eighth successive year of record profits.

The company last month published record interim results showing turnover of R261m and pre-tax profits of R17m for the six months to June. Under the leadership of Sir Leslie Young, a prominent UK industrialist, Bibby has achieved blue-chip status on the London Stock Exchange.

Mr Clewlow said yesterday "Our group's relationship with Bibby has been profitable and we have come to know and respect its management. Bibby has made a number of strategic acquisitions in the past few years, providing a base for ongoing development.

"The current negotiations reflect implementation of our strategic thinking. If successful, this substantial overseas investment will provide Barlows with a springboard for significant international expansion."

He said Barlows was already a dominant force in many areas of the SA economy and it was necessary to expand internationally to maintain the group's long-term record of growth and profitability.

"Bibby's operations are ones that Barlows can easily relate to. Its agricultural arm is one of the UK's foremost producers of animal feeds, protein concentrates and farm seeds. This is complemented by livestock and arable farming."

In the 1983 financial year the agricultural arm accounted for 56% of Bibby sales and 83% of trading surplus.

The industrial arm, which has been built up in recent years, last year had sales of R240m and a trading surplus of R19m.

Its operations include paper manufacturing and converting, hospital and laboratory supplies and specialist industrial services. It recently sold its edible oils company.

Bibby employs about 3 300 people in its British, European and North American operations, though the non-UK activities are still small.
MR JIM BAILEY has sold his holding of 259,949 shares in the S A Associated Newspapers group to Johannes-
burg Investment Corporation (Johnnies), a part of the
Anglo-American group which holds about 40 percent of
the Argus group.

A terse announcement to Reuters yesterday ended
three days of speculation about subsequently denied
boardroom rows and a split in the board of directors.

Mr Bailey's father, Sir Abe Bailey, helped to found
the newspaper group and established several trusts to
hold his shares in the group. These holdings have been
sold over the years, leaving a current 13 percent.

The Argus group is the largest shareholder in SAAN
with 39.71 percent, followed by the independent Ad-
vowson Trust with 20.27 percent and now Johnnies
with 13 percent, meaning that Argus and SAAN now
share a 'common parent' in Anglo American.

It is thought likely that Mr Bailey will resign as a
director of SAAN and be replaced by a Johnnies direc-
tor—Mr Gordon Waddell, former son-in-law of Mr
Harry Oppenheimer, who is chairman of Johnnies.

Mr Bailey has had a difficult relationship with SAAN
in the past few years, marked by the founding of a joint
venture to publish a black newspaper, Golden City
Post.

SAAN pulled out of the venture, but Mr Bailey con-
tinued, only to sell his interest to Nasionale Pers earli-
er this year.

Johnnies' purchase of the Bailey shares brings
SAAN and the Argus group closer together. The Anglo
group, party through Johnnies and other companies,
owns about 40 percent of Argus and of the nine Argus
directors, four are outside men.

They are Mr P H Andersen who is on the board of S A
Eagle, Mr C Carrington, Mr F J L Wells and Mr D H Ste-
venson who are, or were, Johnnies directors.
The benefits of synergy

The merger of Rennies and Safmarine — by far the largest such deal in SA so far this year — differs in one respect from some of last year's transactions. All the parties involved seem to be happy, and believe they can only benefit from the increased muscle and assets in the combined group, which is to be listed as Safren during November. Rennies and Safmarine will be delisted.

Unlike some other corporate marriages of recent years, Safren's strengths will still be concentrated in only three main areas: ship-owning and related activities, tourism, and travel. Taking direct and indirect shareholdings into account, it seems certain that in each of these fields the group will be the largest single presence in SA. With combined group interests spreading across travel agencies, shipping and aircraft, clearing and forwarding, hotels and entertainment, Rennies and Safmarine have both moved strongly towards vertically integrating their existing businesses.

"There will be material rationalisation benefits," says Safmarine chairman, Marmion Marsh, who will be chairman and chief executive of Safren. "But the main advantages will be synergistic. We also believe the managements of both groups will be very compatible."

Rennies chairman, Charles Fiddian-Green, deputy chairman and deputy chief executive of Safren, takes a similar view. The merger makes an awful lot of sense in shipping and leisure," he adds. "On the pleasure side, the synergy should really be dramatic. Rennies is an old company, with a proud history, but I don't have the slightest doubt that this deal will benefit the shareholders of both companies."

Enthusiasts include Sol Kerzner, who has not been shy to make his displeasure over other such deals known in the past. He stresses that Safren's overall 55% interest in Sun International (SI) will in no way affect the present control structure. SI, part of a five-tier pyramid, will be jointly controlled by Kerzner and Associates and Safren.

Kerzner believes that the deal will be positive for Sun International. "In the international tourism market, one is competing at a very strong level," he says. "The size and strength of Safren, and the fact that they have a strong interest in Sun International, can only augur well for us. The world competition is so huge that SA companies really need the financial muscle that can only come when shareholders get together."

As expected (FM August 3), the deal is a full merger of the two groups. There will be four new operating companies: Rennies Freight Services (Renfreight), Safmarine Group; Rennies Consolidated Holdings; and a new leisure company containing the hotel...
further demands on the staff of SATS, and
the Department of Customs and Excise.

With modern shipping assets already in
place, Safran's future investments are likely
to be concentrated in leisure, where
more will certainly be spent on hotels.
Rennies says it intends to establish a new
chain of budget, one- and two-star hotels
and more Holiday Inns will also be built.

Overall, competition will undoubtedly
intensify in the southern African hotel indus-
try. Kerzner's restraint of trade agreement
preventing SI's entry into the SA hotel mar-
et runs out in March. He confirms that SI's
is currently looking at the alternatives in
SA, and hopes to make a decision before the
end of this year. It is unlikely that Southern
Sun intends to stand idly on the sidelines
either.

All of this poses the question will the
hotel market become overtraded? Safran
and SI are both targeting significant over-
seas expansions. Even so, experience has
shown it is not easy for an SA-based hotel
group to establish itself overseas. As for
hopes of flying plane-loads of foreign tour-
ists into SA, much will depend on the suc-
cess that Safran or Kersaf achieve in
getting around SAA's high fare structure.
But there is no doubting the seriousness of
Safran's intentions in the leisure field, with
a new company being formed to co-ordin-
ate strengths in this area.

Rennies and Saframine are already well-
managed, efficient companies. Both have
just produced strong financial results that
buck the recessionary trends. Rennies lift-
ed attributable profits for the year to end-
June by 29.4% to R35.2m, and Saframine's
attributable profits for the same period
soared 58.7% to R38.1m (see Fox). Rennies'
gearing was relatively low at June 30, with
the ratio of borrowings to shareholders' funds
down to only 44%. There should be no
difficulty funding new investments.

In the longer term, there is the prospect
that the operating companies will be listed
separately. Rennies had indicated some
time ago it was considering a listing for
Holiday Inns.

With the merger to be digested, that
will not happen for some time. But
while Marsh says he expects the sharehold-
ers of both groups to benefit immediately,
it is perhaps the medium- to long-term im-
portances that are the most interesting.

Andrew McNab
of some R180m. The ships are highly fuel efficient and designed to cater for SA’s specific foreign trade requirements.

Not only will Safren have the advantage of efficient shipping assets, but the investment programme is now tailing off and will make diminishing demands on funds in future. Higher volumes for the capital-intensive shipping fleet, and consequently better profitability, is one of the major synergistic benefits expected to flow from the merger.

There will also be a massive concentration of resources in shipping-related activities. The new operating company Rennes Freight Services (Renfreight) combines the freight interests formerly owned by Rennes and Freight Services. Its clearing and forwarding business will be the largest in SA by far, although Fiddian-Green estimates its market share will not be more than 40%, with as many as 300 competitors, ranging down to one-man operators.

**Container depots**

An even greater concentration occurs in container depots. At present, Rennes holds 25%, and Freight Services has 62.5% in SA Container Depots (SACD), which is SA’s only operator of container depots. Renfreight will therefore have a total interest of 87.5% in SACD, with the only other shareholder being the Gencor-controlled Grindrod Competition Board director Nic Vermeulen says the board is not opposing the merger. But he does have two important reservations.

In clearing and forwarding, he notes, the merger implies a significant concentration of market share. “Although ease of entry and a great number of competitors exist in this area, the board will take any action required should an abuse of power occur,” Vermeulen says. “Concern over the large interests in this sector has been expressed by smaller operators in the past. That could increase in future.”

The board has completed an investigation into the SACD, but has not yet released the findings. Vermeulen adds that the board’s basically favourable view of the merger does not imply approval of the SACD’s role or shareholding. As Fiddian-Green points out, however, it may be difficult to introduce more competition into this sector. Container depots are capital-intensive and any further facilities would make
and travel interests. AMC retains its existing 50% interest in Redbury Holdings, which will own 50.1% of Renfreight.

Top management will be informally divided between Marsh, who will handle Renfreight and Safmarine, and Fiddian-Green, who will head up the other two companies. Both men will be interchangeable, and capable of running the group. The six-man executive committee—all directors of Safren—comprises three representatives from each of the merging companies.

Committee members

Apart from Marsh and Fiddian-Green, they are James Aspin, the Safmarine financial director who will be responsible for group finance, Michael Finlay, the Safmarine operations director who will be chief operating officer of Safmarine Group, Buddy Hawton, who was recently appointed Rennies' chief operating officer and will be chief executive officer of Renfreight, and Ted Steyn, who will be responsible for planning and administration in Safren.

Both companies were valued equally for the purpose of the merger. Based on closing share prices on Friday, when the deal was announced, Rennies, standing at 1,425c and with 22.5m shares on issue, had a market capitalisation of R406.2m, while Safmarine, at 60c and with 55.3m shares on issue, was capitalised at R304m.

Rennies, considered a less cyclical, lower-risk company, has generally carried a lower yield than Safmarine. But Safmarine's price gained 50c from 550c during the week before the deal, apparently on market anticipations that the terms would be a shade better for Safmarine. Shareholdings in Safren will be divided in the ratio of 50:50 between the present shareholders in Safmarine and Rennies. Safmarine shareholders will receive 45.8 shares for every 100 shares they hold in Safmarine, while Rennies shareholders will receive 100 Safren shares for every 100 shares in Rennies.

This values Rennies at 2.18 times the price of one Safmarine share, and suggests that Rennies should be priced below 1,400c. On Monday, Rennies fell back to 1,400c while Safmarine rose to 630c. If Safmarine stays at that level, Rennies should move to about 1,375c. Considering the long-term advantages, however, most shareholders of both companies will probably elect to stay with the larger group.

As Fiddian-Green has pointed out, the real gains will not come overnight. It seems, indeed, that this merger will be a springboard to significant new investments. Nor are the acquisitions likely to end yet. Marsh, who is also deputy chairman of Mutual, stresses that Mutual has undertaken not to exercise control despite its shareholding of around 45%. Before the merger, it had a controlling 70% in Rennies, and (following government’s decision to withdraw) is the largest shareholder in Safmarine, with a stake of more than 25%.

Despite Marsh’s assurances, Mutual will undoubtedly want to maximise the return on its considerable investment in the group. It could well play a quiet, but effective role in helping Safren broaden its asset base even further.

Another large shareholder in Safren will be the UK-based British and Commonwealth (B & C), which will have an effective stake of about 10%. B & C, which remained a large shareholder in Safmarine after the IDC’s withdrawal, has historic connections with SA’s national carrier, going back to the former Union Castle line. Marsh says they are still involved in joint ventures, and B & C has no intention of pulling out. “We value our relationship with them,” says Marsh.

Fleet modernisation

Safmarine has invested heavily in recent years on modernising its fleet. Over the past year, for example, the company has been bringing into service six new ships, including three bulkers, two reefer and the passenger ship Astor, at a total capital cost.
American giant ditches abrasives

M&R makes bid for Carborundum

MURRAY & Roberts is in the final stages of a cash bid for the R50-million-a-year Carborundum-Universal South Africa (Cusa).

Port Elizabeth-based Cusa is a member of the international Carborundum Company of America and makes grinding wheels, sandpaper, insulators and supplies shot blasting equipment. Pre-tax profit is about R4-million a year.

Carborundum's staff has been told about the negotiations by Bramwell, chief executive of M&R, says his company wants all of Cusa.

This means M&R will be negotiating with two parties because Cusa is jointly owned by Carborundum Company of the US and Unicorn Industries of the UK.

Carborundum has management control.

Third stage

Mr. Bramwell says, "We are at the third stage of negotiations. First, we looked at the idea in principle. Then, our senior executives had a closer look. Now we are doing the detailed work. It's too early to say whether a deal will be clinched and it will be a few weeks before we can make an announcement."

Peter van der Merwe, managing director of Cusa, was unable to comment.

If the deal is clinched, Carborundum will be a free-standing operation in the M&R industrial sub-grouping.

Ownership

Carborundum of the US is a subsidiary of Kenecott, which is owned by Standard Oil of Ohio.

Standard Oil's takeover of Kenecott was described by Fortune magazine as one of the most disastrous this century. The 50-50 control between Carborundum and Unicorn of the SA operation has not been particularly happy. Senior staff members are expected to welcome M&R's move.

The Carborundum Company has management control of Cusa.

M&R conducted a market research programme before beginning negotiations. Cusa has apparently been on the market for over a year and several South African companies made takeover inquiries.

Blame

The Carborundum Company decided at the beginning of 1983 to sell its abrasives interests throughout the world, including America, Brazil, Europe, Australia and New Zealand.

American reports have laid the blame for Carborundum Company's problems squarely on the shoulders of Kenecott, which acquired the company in 1977. This acquisition sparked off a three-year battle with certain shareholders. It was pitched up when Kenecott bought it, nearly half of Carborundum's sales came from its abrasives interests. But in 1983, Standard Oil announced that it was taking a $75-million write-off to close that section of the business.

Management problems associated with the Kenecott takeover were thought to be behind some of the difficulties.

Virtually from that date, Cusa has been on the market.

Divisions

Cusa consists of three divisions. The abrasives division makes grinding wheels and sandpaper and has an estimated turnover of R20-million. The refractory division makes refractory materials. The Pangborn division sells shotcrete equipment and shotcrete:

It is a high-tech industry which involves considerable expenditure on research and development and should M&R be successful, it will probably have to import technology. Technology agreement will be an important part of the negotiations.

About 90% of Cusa's abrasive grain and bonds are imported.
Kersaf Investments gets a 40% stake in Satbel

By Duncan Collings
Deputy Financial Editor

Newly listed Kersaf Investments, which holds a substantial interest in Sun International, has purchased an effective 40 percent interest in theatre, cinemas and entertainment group Satbel.

At a press conference this morning it was announced that a new, as yet unnamed, company will be formed which will hold 80 percent of Satbel.

Kersaf and Federales Volksbeleggings will each hold 50 percent of the new company.

Purchase consideration as far as Kersaf is concerned is R25 million, to be settled by a mix of an issue of Kersaf shares and cash.

On October 1 this year R10 million will be paid in the form of 1.7 million Kersaf shares at 600c each.

The balance of R15 million will be settled on July 1, 1985 in the form of 1.5 million shares at 600c each and R7.5 million in cash.

Satbel was previously owned 51 percent by Fedvolks, 31 percent by AA Life and 18 percent by Sanlam. Sanlam and AA Life will each hold a direct 10 percent interest in Satbel after the deal.

Satbel's activities comprise Ster-Kinekor, the largest exhibitor and distributor of films in South Africa with 129 theatres and 50 drive-ins. Ster-Kinekor also distributes video-cassettes for the home market.

Also in Satbel's stable is Cinemark, screen advertisers and Irene Film Laboratories and Video RSA. ACF Merchandising imports and distributes professional film projection, sound and lighting equipment. Satbel also has a substantial property portfolio from which the Ster-Kinekor chain operates.

Announcing the deal, Mr. Dack Goss, chairman of Kersaf, said that the investment was in line with the company's policy of diversifying into consumer-oriented businesses with the emphasis on the leisure industry. Kersaf would be responsible for the management of Satbel.

He said that Kersaf felt that the experience and expertise of its chief executive, Mr. Sol Kerner, in the entertainment industry would enable Kersaf to make a significant contribution towards the future direction and development of Satbel.

He said that the investment would have a material impact on the medium to longer-term prospects of Kersaf.

While it was difficult to accurately estimate the effect on earnings in the current year, he said that the acquisition could increase current earnings a share by between 5 and 10 percent, but would have no effect on net asset value per share.

Mr Pieter van der Walt, chairman of Satbel and an executive director of Fedvolks, said the deal would have no immediate effect on earnings per share or net asset value of Fedvolks. But he said it would be of significant medium- to long-term benefit for Fedvolks.

A listing will not be sought for the new company.

Of Satbel's properties, Mr. Goss said indications were that their market substantially exceeded balance sheet values, and they would be assessed.

"We are not a property company, so if we reckon that the best course to follow is to sell them the properties will be put on the market."
Kersaf buys into Satbel

By David Ross

KERSAF has announced its first foray into the leisure and entertainment field, apart from its original 33.3% indirect holding in the resorts and casinos of Sun International.

The vehicle for such operations is to be a new company through which Kersaf will hold a 40% interest in Satbel. A further 40% will be held by Federale Volksbeleggings.

Kersaf will assume management of the new company. Immediately previously, Fed Volks held 51% of Satbel, having built up this control position from 4% rather more than a year ago.

Mr Pieter van der Walt, an executive director of Fed Volks, with responsibility for the Satbel investment, says it has been agreed that any further leisure operations (apart from resorts and casinos) that Kersaf or Fed Volks may wish to undertake will first be offered to the new company.

He says that both Fed Volks and Kersaf had identified leisure activities as a growing growth area for investment, when Kersaf approached Fed Volks to acquire control of Satbel. Ten days ago, the arrangement was an easy one to make.

Mr Eugene Joaquis, director of strategic planning and development of Kersaf, says the company is convinced that the cinema industry is still a growth area, despite home videos and TV.

In view of the speed with which the arrangements have been completed, it is early days to suggest precise plans for Satbel. He does note, however, that he believes Satbel offers opportunities for utilisation of the real estate portfolio. He notes further that even Satbel admits that its film laboratories are under-utilised.

He believes that Kersaf's excellent connections with local and overseas performers will help Satbel.

Satbel's main activities consist of Ster-Kinekor, the largest exhibitor and distributor of films in SA, through more than 120 cinemas and more than 50 drive-ins.

Mr Van der Walt says that Satbel does not own most of the cinemas, but does own most of the drive-ins. Most of the cinemas are leased.

Ster-Kinekor is also the biggest distributor of video cassettes for the home market. Satbel also owns Cinemark, the market leader in screen advertising, Irene Film Laboratories and Video RSA, which has the biggest and most modern facilities for professional video production in SA.

Kersaf is to pay R22m for its stake in Satbel, by means of the issue of 1,667m shares on October 1, 1984, and of 1,257m shares, together with a cash amount of R75m, on July 1, 1985.
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.
Kerzner takes over as Satbel complains

By Barry Sergeant

SOL Kerzner’s Kersaf, which bought into giant cinema owner and exhibitor Satbel, has landed in the leisure industry’s most volatile sector.

For the past year, Satbel has depended on independent distributor UIP-Warner for almost all of its films. UIP-Warner imports and distributes films for Paramount, Universal, Metro-Goldwyn-Mayer, United Artists and Warner, and has been the biggest source of cinematic blockbusters in recent years.

No 1 rival

UIP is connected through two of its US parents, Paramount and Universal, to the South African CIC-Metro cinemas, biggest rival to Satbel subsidiary Ster-Kinekor. Satbel has laid an objection with the Competition Board against this relationship.

Satbel’s eventual parent before this week’s deal, Sanlam, would act as part of normal managerial procedure have known of Satbel’s objection. Satbel’s objection stems from fear that UIP’s supply of films to it may result in many cases discretionary and could end off.

The relationship can work the other way — Satbel can refuse UIP’s offerings when its own suppliers — Columbia, Fox, Disney, Tristar, Orion and Cannon — produce the hits.

Consistent

Satbel complained to the Competition Board even though it commands 65% of the exhibitor (box-office) part of the cinema industry. CIC-Metro has 9% of SA’s screens, independent cinema holding the rest.

Eugene Joannes, Kersaf parent San International’s director of strategic planning and marketing, says “Satbel has told us about the objection lodged with the Competition Board, and we will follow it up.”

In SA, UIP consistently comes up with winners. In the past year, it has distributed the four films that generated more than R1.25 million each at the box-office — Footloose, Greystoke, the Legend of Tarzan, Indiana Jones and the Temple of Doom and Police Academy.

Industry insiders have expressed surprise at the Satbel complaint to the Competition Board. They say the independent cinemas are as vulnerable to Satbel’s holding back on its exclusive products as is Satbel to a UIP restriction.

UIP often offers films, such as Footloose and Greystoke, to Ster-Kinekor on an exclusive basis if they have marketing features better suited to Ster-Kinekor’s cinemas. UIP has even given films such as Jaws III made by CIC-Metro parents Paramount and Universal to Ster-Kinekor for exclusive screening.

Welcome

Satbel, on the other hand, has never offered films to CIC-Metro, except for a few screened at children’s Saturday morning matinees.

Timothy Ord, managing director of UIP-Warner, welcomes the arrival of Mr Kerzner in the cinema business, saying “UIP will benefit from improved marketing in the movie industry as more people will go to cinemas and drive-ins.”

Mr Ord says the biggest contribution Mr Kerzner could make to the industry is the production of good commercial products. He says the foreign market for SA film products is huge, with mainly the cable, video and TV industries “The time for SA to capitalise on its low-cost production has arrived.”
How will JCI use its share in SAAN?

THERE is more than one way of looking at the news that Johannes-
burg Consolidated Investment (JCI) now owns 13% of the shares
in South African Associated Newspapers (SAAN).

Those who believe, as I do, that variety of ownership is an important attribute of a free Press can scarcely be expected to raise three hearty cheers.

But worse could have befallen the English-language Press in general and SAAN in particular.

JCI, which acquired the shares from the Bailey interests, is a part of the wider Anglo American empire.

It already has what is reported to be a 16% shareholding in the Argus Company, which in turn owns over 30% of the shares in SAAN.

On the face of it, the new development means that JCI now has a minority share in each of the two companies.

But things are more complex than that.

Without going into details, it can be assumed that Anglo American has long had it in its position to assert itself, to impose its will on the Argus Company. Likewise, Argus could have imposed its will (or indirectly Anglo’s will) on SAAN.

Again, things are not always what they seem. Contrary to facile assumptions and hoohah talk, Anglo has always studiously refrained from interfering in the operations, either editorial or commercial, of the two companies.

If the relationship between Anglo and Argus is at arm’s length, that between Argus and SAAN could now best be described as at sword’s length.

Because the two companies are competitors, Argus decided not to be represented on the SAAN board.

Competition, always vigorous, has now developed into open warfare, with Argus attempting to hamstring several SAAN newspapers.

It is hard to believe that Anglo could have tolerated this situation indefinitely.

From a business point of view it made a great deal less sense.

I cannot believe, either, that Anglo, with its traditional political awareness, could have been content to preside, even at arm’s length, over a drift to out-

right monopoly and a significant reduction in the number of English-language newspapers.

It appears to have been entirely fortuitous that the Bailey interests should have chosen to sell their SAAN shares at this particular time.

This was no overnight transaction. I understand that Mr Jim Bailey made several approaches to other groups before JCI entered the picture decisively.

The most probable purchaser appeared to many observers to be Advasow, the trust that holds 21% of SAAN’s shares. It was formed in 1975 to defeat Mr Louis Luyt’s Government-backed bid to gain control of SAAN.

But there were one or two snags in that proposition, notably that it might have involved extending the bid to minorities and that it might have attracted the attention of the Competition Board, the official watchdog against monopolies.

So, bearing in mind the price of the SAAN shares and the wish to exclude any interests thought to be politically immoral, it is not surprising that the purchaser turned out to be JCI.

Whether or not the latest move increases Anglo’s influence on the newspaper industry, it certainly brings its role more out in the open.

With JCI represented (as presumably it will be on both boards), its scope for direct action is obviously increased.

How it is going to exercise this power remains to be seen. I do not for a moment believe that its impact will be felt in the editorial sphere, much less that it will be used to impose a grey uniformity on the newspapers.

But while editorial independence is essential to a healthy Press, no less essential is the widest possible choice of newspapers.

It can only be hoped that JCI and its associates will keep in mind the need, appropriately urged on it by the South African Society of Journalists, to “preserve at least what diversity remains”.

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THE CASE for diversity in the media has received a boost from an unexpected quarter.

In his recent plea for a new “consensus” style of journalism, the Minister of Constitutional Development and Planning, Mr Chris Heunis, said:

“...in a consensus democracy the media must be free to perform their democratic functions. But free media also mean diversified media, with as many different and independent publications and institutions as possible.”

Now Mr Heunis knows as well as any of us that television and radio form an important part of the media. May we take it, then, that he would be in favour of an alternative to SABC-TV?

If so, the case for private enterprise, and the Press in particular, would be hand in hand in the additional service is surely unanswerable.

While awaiting the dawn of that happy day, the Press may draw some consolation from the reported statement by the Deputy Minister of Foreign Affairs, Mr Louis Nel, that the Government has taken a “firm decision” not to allow the SABC to increase its present proportion of commercials to total air time.

He also said there were “no plans” to extend TVI’s transmission hours.

Is it wildly optimistic to hope that the thoughts of both Mr Heunis and Mr Nel are gradually moving towards a logical approach to the future of television in South Africa?

□ □ □

STOP PRESS There will be a business meeting with the elections for the committee, together with a speaker in the person of Mr Frank Shenton, former regional analyst for Durham, Tyne and Wear and Cleveland, who will speak on “There is Death in the Pot”. Coffee will be available. — The Law Society’s Gazette.
Anglo subsidiary takes EL firm

by Andre Jordaan

East London - An Anglo American subsidiary, Labour Intensive Industries Trust, has taken over W J Palmer, a Bowls Road galvanising, electropolishing and light metal pressing concern.

The new managing director, Mr Chris Hoggins, said the aim was to improve the quality and range of products of the concern which was established about 50 years ago and which had been run by the children of the original Mr W J Palmer largely as a jobbing concern on the electroplating side, with a production run of tin cans for the black market on the metal pressing side.

Mr Hoggins said he saw great potential for the company which has facilities for hot-dip galvanising and copper, brass, nickel, chrome, cadmium and silver electroplating.

At present, much of this work was going to Port Elizabeth because local customers were not happy with the quality but this could be reversed if the quality and quantity requirements of local industry could be met.

"If we can get quality and service sorted out, we may well help to attract other industries to the area," Mr Hoggins said.

"It's a chicken and egg situation. Industries won't come here because the service industries are not here and the service industries won't come because the big industry is not here."

Mr Hoggins said that, in addition to the present jobbing work, they would seek production runs and had already made contact with two local furniture industries to do chrome-plating of office and kitchen furniture.

"We want to bring in all the local business so that nothing leaves East London. If we have to expand to do this, then well and good," he said.

W J Palmer employs about 40 people at present, but Mr Hoggins said the labour force would be increased if his plans succeeded.

Mr Hoggins, a mechanical engineer, moved from Zimbabwe three weeks ago. He said he had spent his working life in various aspects of the steel industry and his last job was as effective deputy head of Zimbabwe Iron and Steel where he had worked for the past 15 years.

"The reason I left Zimbabwe is because conditions, both work and social, were atrocious," he said.

"I was keen to get hold of a small company like this where I would be in total control and deal with all aspects like marketing and sales. It's a tremendous challenge."

"East London is a marvellous, friendly place and I would like to live, work and grow here."
World's top accounting firms' merger will affect SA business

BY GORDON KLING

A merger of two of the world's greatest accounting firms with influence over about half the major companies in the West and turnovers running into hundreds of billions of rands is expected to affect business in South Africa within months.

Senior partners of the vast Price Waterhouse group and those of the smaller but still very much big-league firm of Deloitte, Haskins and Sells say discussions for the merger or takeover, which will create the largest accounting firm in the world, are well underway.

Both companies emphasize that the discussions are at a preliminary stage, but the intention is serious and prospects for the new business giant are considered to be very good.

The deal will create the largest accounting firm in the world and in South Africa as well, directly affecting about 1,500 employees of the two firms here.

"The fact that we are holding discussions doesn't mean it will go through," said D H & S managing partner in South Africa, Mr Martin Sage, "but responsible people don't make announcements without a reasonable expectation of success."

Anti-trust legislation was a possible hurdle in the United States, although provisional inquiries had been made, he said. No problems were envisaged in this regard at the South African end because of the relatively smaller share of the market held here by the two firms.

The deal was internationally driven and will create a group operating in close to 100 countries with revenues of about two billion dollars (R3.3 billion) and employing 50,000 people.

In South Africa the deal is likely to start taking effect in about six months.

Clients now include General Motors, with world-wide turnover well in excess of South Africa's gross national product at R15 billion on the D H & S side, and IBM with Price Waterhouse.

"We see benefits in the deal to further enhance the quality of our services, economies of scale, an increase in resources, particularly for technical and research purposes, and for expanding our industry specialization programme (aimed at acquiring skills for specific business types such as banks or legal firms)," said a Price Waterhouse senior partner in Johannesburg, Mr David Cattell.

"The new technologies that are coming along will require a considerable investment and a larger organization will allow this to be made."

Big nine club

Auditors generally maintain that the largest company is Pest Marwick, followed by Arthur Andersen, Coopers and Lybrand and then Price Waterhouse. D H & S would rank between sixth and eighth.

Clients of the big nine club (extended from the big eight in recent years with the admission of KMG) account for about 90 percent of all business done by firms listed on the New York Stock Exchange.

The new name of the enlarged group is reported to be Price Waterhouse Deloitte.
History on the side of Willis Faber in merger

By Alec Hogg

Willis Faber SA, the insurance broking company whose divorce from the Standard Bank broking arm has not yet been formallyised, is on the verge of marriage once more.

This time the partner is Robert Eithoven. Reason is the recent merger between Willis 50% parent Safmarine and Rennies, which holds 50% of Eithoven. A similar merger between the enlarged group's insurance broking interests has already been discussed at top level.

While the merger seems ideal from a synergetic point of view, a battle royal has already developed between the two broking houses around which will enjoy management prominence.

Trumps

As things stand at present, Eithoven appears to hold all the trumps. Although both groups have roughly the same number of employees, Eithoven is the more profitable, which insurance observers suggest will put its management in a stronger position. But will it?

Willis' profitability has come under pressure this year because of its break with Standard Bank Assurance Brokers — a de-merger which was predictably disruptive — and the recent move to a new head office in Parktown.

Now, reckons Willis chief executive Chris Marals, the group is back on the right track. "We have had the unique opportunity to start afresh while at the same time keeping our most productive resources. From part of a group with 650 staff members we are now down to a slim 250."

"I believe we kept most of the best people in the de-merger. We have redefined our goals and strategies and morale has never been higher. It is starting to show and profits are rising sharply."

Apart from the profitability question, the sharply contrasting corporate cultures also present major problems. Eithoven, which has its strongest market base in Johannesburg, is a go-go operation, highly devoted to short-term profitability and enjoys one of the highest public profiles of all SA's major broking houses.

Willis is an almost perfect opposite. It has built up a reputation as a solid and overly conservative operation. It is strongest in Cape Town and adopts a low profile.

The chief executives are equally contrasting. Entoven's Charles Bothner is Oxford and Harvard-educated — a professional manager who would be at home heading almost any financial institution. He has a high social profile and was recently called one of Johannesburg's "most eligible bachelors" by a glossy magazine.

He was previously with the Schroder organisation and worked for the group in London after it pulled out of SA. Willis' Mr Marals is a dedicated insurance man and has been in the sector for 25 years. He was the managing director of the Hellandia Reinsurance Group.

Enthoven, which has just built a born person to head a professional reinsurance group.

His father was the general manager of Santam and helped build it up into the country's largest short-term insurance company.

It seems certain to be a close race, but history suggests those pundits backing Eithoven may be wrong.

The insurance merger of the decade saw management from the conservative Cape-based Southern Life take precedence over their new colleagues from the entrepreneurial Johannesburg-based Anglo American Life.

Also, with the Safmarine/Rennies merger, the low profile Marmion Marsh now has Rennies' flamboyant Charles Fullam-Green as his deputy. If history is repeated Mr Marals may soon find himself as the head of what will be SA's third-largest insurance broking company.
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 Bibby to parent company Barlow Rand does not signify a retraction by Tiger.

Mr Williams accepts that there is insufficient scope in South Africa to perpetuate the growth Tiger shareholders have been accustomed to.

While the group will continue to expand locally by both acquisitive and organic means, it will be through a meaningful foreign purchase that long-term growth will be generated.

Although some may argue that it would therefore have been wiser to retain the stake in Bibby, Mr Williams does not agree. He says the 29 percent was insufficient for Tiger to make Bibby worth 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 R187-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 says 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 1510c in the days following the announcement of the Bibby deal, but have subsequently fallen back a little, which places them on a 1.1 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 R24.4-million from R23.1-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 56c 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.
Sanlam in line to take over Messina

Argus Correspondent

JOHANNESBURG — Sanlam is understood to have gained control of troubled motor manufacturer Messina through the purchase of an additional 31 percent in the company from African Finance Corporation. This would raise its stake in Messina to over 45 percent, and it is believed that the Cape Town-based insurer will now be making an offer to minorities to gain formal control.

The shares were suspended after the JSE close yesterday, pending further details. It is expected a formal announcement will be made today.

It is not yet clear whether Anglo American has agreed to sell its 19 percent stake in Messina to Sanlam. But, given the problems it is already having with its own motor operations at Sigma, any reasonable offer is likely to be accepted.

MORE THAN R12-M

At yesterday's 332c closing price Sanlam would have had to pay A@C more than R12-million for its Messina shares, valuing the entire company at R36.2-million.

No price details are yet available, but it is probable there would have been a reasonable premium over prevailing market rates, given the fact that the shares are trading at only around 30 percent of net worth.

Senior executives of all parties concerned were unavailable for comment early today.

Messina shares have been on the downward slide since the halcyon days of 1981, when they peaked at 880c.

R4.1-MILLION LOSS

Since then the combined impact of losses from the copper operations, dwindling market share of its Nissan cars and, more recently, massive foreign exchange losses have plunged the company into the red.

The bottom line for the six months to end-June slumped to a R4.1-million loss for a R3.1-million profit in the year ago period.

But since then the decline of the rand has forced the company to make provision for almost another R30-million in foreign exchange losses.

These all stem from the $89-million borrowed offshore when the rand was more than 90 US cents and not covered. Total exposure is now more than R40-million.

DRAIN ON RESOURCES

In the past few weeks the company sold its Zimbabwean mining interests, though for those it received only Z$5-million — payable over six years. At least, these will prove the end of one drain on resources.

The Messina copper operations in the Northern Transvaal have been returned to profitability, albeit at a marecule return, following the closing of the smelting operations and the direct sale of ore to Palabora for processing.

The share received a brief fillip earlier this year, and almost doubled to over 600c, on speculation of a possible takeover. When nothing materialised, they quickly slumped back to present levels.
Sanlam gets control of troubled Messina

By Peter Farley

Sanlam is understood to have gained control of troubled motor manufacturer Messina through the purchase of an additional 31 percent in the company from African Finance Corp.

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At yesterday's $90c closing price, Sanlam would have had to pay AFC over R12 million for its Messina shares, valuing the entire company at R35.2 million.

No price details are yet available, but it is probable there would have been a reasonable premium over prevailing market rates. This is the fact that the shares are trading at only around 30 percent of net worth.

Senior executives of all parties concerned were unavailable for comment early today.

Messina shares have been on the downward slide since the halycon days of 1981, when they peaked at 700c.

Since then, the combined impact of losses from the copper operations, dwindling market share of its Nissan cars and, more recently, massive foreign exchange losses have plunged the company into the red.

The bottom line for the six months to end-June slumped to a R4.1 million loss from a R5.1 million profit in the year ago period.

But since then the decline of the rand has forced the company to make provision for almost another R30 million in foreign exchange losses.

**BRIEF FILLIP**

These all stem from the $50 million borrowed offshore when the rand was over 80c and not covered. Total exposure is now in excess of R40 million.

In the past few weeks the company sold its Zimbabwe mining interests, though for those it received only R45 million — payable over six years. At least, these will prove the end of one drain on resources.

The Messina copper operations in the Northern Transvaal have been returned to profitability, albeit a miniscule return, following the closing of the smelting operations and the direct sale of ore to Palabora for processing.

The share received a brief fillip earlier this year, and almost doubled to over 600c, on speculation of a possible takeover.

When nothing materialised they quickly slumped back to present levels.

It is no surprise to find that AFC have finally decided to sell, but the puzzling aspect is why Sanlam wants control.

Certainly to justify such a move it must have to severely rationalise operations pretty quickly. Possibly it already has short-term plans for a merger or joint agreement with one of the other manufacturers.

Last week Ford and Anglo's Amecar — formerly Sigma — announced that talks were taking place, that could lead to a merger or rationalisation of mutual interests.

Messina MD Mr Peter Whitfield has, however, long contended that Messina would not be a candidate for a merger with another motor outfit due to the single source of its product range.

It is widely accepted that much of Sigma's problems stem from the fact that it has to deal with three major overseas suppliers.

The Nissan operations are certainly operating more efficiently than a year ago, a situation forced upon it by the marketplace. And if the economy and the car market were to turn, Nissan could start clawing back market share.

But with expectations for the exchange rate still pessimistic, Sanlam may just feel that losses from this area will just have to be written off.
INSURANCE MERGER

A clash of cultures

It must have taken a
great deal of courage
to walk into the Anglo
American headquarters
at 44 Main Street
and pull off the merg-
er of its large life as-
surance office with
the slightly smaller
but older Southern Life mutual office in the
Cape

But it must also have meant having an
enormous amount of brass neck to present
as non-negotiable, and have accepted,
Southern Life as the name of the enlarged
company, and the retention of Cape Town
as headquarters

Moreover, this came from a man who
has himself been in the insurance industry
for only a few years — and in the B-team
ever since he resigned from the Cape re-
gional general managership of Barclays
Bank. He is, of course, Neal Chapman, who
was Southern’s fledgling chief executive
and is now overlord of the new enterprise.

What is perhaps less astounding is Anglo
American’s capitulation. Plainly it has felt
uncomfortable with insurance almost from
the day it acquired African Eagle Life and
 Guarantee Life from the Schlesinger Or-
ganisation. On the other hand, it does still
have a substantial stake in a much larger
insurance company.

Nevertheless, it does appear as if Anglo
took the opportunity of reducing its interest
in insurance, rather as it ducked out of
merchant banking some 10 years ago,
transferring UAL to the more able shoul-
ders of the smaller, brasher Nedbank
Group.

The trouble is, of course, that in this in-
stance, Southern Life holds nowhere near
the same position in insurance as Nedbank
held in banking. And the questions that
should have been asked about the Anglo-
Southern deal, which received the Supreme
Court’s blessing this week, have to do with,
just that situation.

Central to the merger is not so much the
safeguarding of the mutual policyholders’
rights in Southern Life (although that is a
consideration). It is whether the intellectu-
al conception of synergy is capable of ful-
fillment in the year ahead to the benefit of all
those concerned.

For the cultures of Southern Life (SLA)
and Anglo American Life (AAL) are much
further apart than were those of UAL and
Nedbank. And then perhaps it is worthwhile
examining what might be the real motives
behind the “reverse” takeover and who the
real winners might be.

Don’t mix well

On the face of it, the two companies do
not appear to mix well. AAL is a propri-
etary insurance company operating from
Johannesburg, while SLA is an insurance
mutual based in Cape Town. The plan is for
SLA to demutualise and to merge with
AAL, a manoeuvre which has no precedent
in this country. The merged company,
which will be called The Southern Life As-
ciliation, will be listed on the JSE, with
policyholders in both companies receiving
preference in the issue of the shares. The
important third leg of the scheme involves
Barclays Bank, which has paid R138m for a
30% stake in the new Southern. The
Technicalities of the merger have been
skilfully handled.

“A mutual company like SLA tends to de-
fine its goals in terms of growth rather
than profitability,” explains an independent
actuary. “There are no outside sharehold-
ers and, consequently, the company is not
accountable for bottom-line profits. It is ac-
countable in theory to policyholders, who
look only for premium and asset growth in
their company.”

In fact, this usually leaves management
with a great deal of autonomy. So a mutual
company may be more inclined to write
low-margin business that would boost pre-
mium income without contributing much to

Southern’s Chapman comes out tops
profits
This contention is flatly denied by most mutual executives, who claim that in the interest of policyholders they are as concerned with profitability as any of their proprietary competitors.

The question, so far as SLA is concerned, is whether the interests of policyholders are being served. Do the interests of policyholders suggest that the introduction of shareholders' capital is to their advantage?

Indeed, for decades SLA salesmen have extolled the virtues of mutual companies, which, having no shareholders "use its profits exclusively to enhance the benefits of clients" (to quote from SLA's 1983 annual report) For many SLA policyholders these assurances must now seem hollow.

This does not mean SLA policyholders have done badly by the merger. SLA appears to have bent over backwards to protect its policyholders, particularly those holding with-profit policies. Fairness was felt to be insufficient for them. Generosity was the criterion. An elaborate scheme has been devised to ensure that these policyholders receive guaranteed minimum bonuses at the highest bonus rates.

SLA policyholders are getting a good deal, but actuaries doubt that they will benefit from all the reserves of the enterprise. It stands to reason that the other side is going to benefit from them too.

However, while SLA policyholders will doubtless get good, probably higher, bonuses in the years immediately ahead, at least one actuary believes that within five years, the assets attributable to them will be beyond identification. In practice, the best intentions in this regard can too easily go astray. Both AAL and SLA spokesmen totally disagree.

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SOUTHERN LIFE ASSOCIATION
MANAGEMENT STRUCTURE

Finance/Actuarial Planning
- M Bernstein (Executive Director)
- A N Arnott (Gen Mgr)
- E Jurriens (Dir)
- W Padmore (Gen Mgr)

Group Business
- W J Haslam (Gen Mgr)
- C P Davies (Gen Mgr)
- C N Wisascarson (Gen Mgr)

IPB/Systems & Computing
- P Christie (Dir)

Investments
- D Bradford (Gen Mgr)

Industrial/Life Marketing
- R L Simpson (Dir)

Southern Life Association
- Anglo American Life

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SANLAM AWARD
Sanlam's annual Financial Reporter of the Year has this year been won by Geoff Shuttleworth, an assistant editor of Finance Week.
Shuttleworth was also winner in the sections for Sunday papers and financial weeklies. In this section, the runner-up was Arnold van Heyssteen, a staff writer on the FM, for a series of articles on the effects and consequences of the drought.
The chairman of the panel of selectors for the competition, Justice Heimstra, announced the prizewinners at a function in Johannesburg this week. The prizes were presented by the chairman and managing director of Sanlam, Fred du Plessis.
In almost any corporate merger it is seldom the commercial logic behind it that determines its ultimate success, although that logic is a necessary condition. Crucial is the marrying of corporate cultures and philosophies. If they prove incompatible, in terms of management time alone the cost can be large and unquantifiable.

Plainly put, SLA has a power culture often found in small enterprises. There is a central source with rays spreading outwards along functional or specialised lines. Inevitably size presents a problem in this type of enterprise as teamwork is subordinate to personal ambition.

This might have been true too of the old Schlesinger insurance interests. But nearly 10 years of Anglo influence have changed AAL much more to a task culture which involves team effort and a participatory management style. It is well-known to be the preferred choice of culture for most managers, especially the young and aspirant.

Under it, young and talented Schlesinger executives moved rapidly ahead and old-timers like former MDs Alec Tobin and Ron Scoobey moved out.

The AAL-SLA teams have been together now for six months and it is a matter of opinion whether a talent haemorrhage from the Anglo side has taken place and is in fact yet over.

Certainly deputy MD Ian Solomon has left and joined Ned Equity as MD. “My role would have been just to concentrate on pensions, and I saw that as a career setback for me because it narrowed my involvement,” explains Solomon.

“Another problem was that the head office was going to be in Cape Town. Being in Johannesburg I would be out of the mainstream of action, which I didn’t like.”

Many in AAL’s senior management were undoubtedly faced with the same situation. They suddenly found they had been moved down the management hierarchy, and their career paths had been blocked.

Solomon’s number two, Neil Whitfield, has recently gone to Prudential and Frazier Simpson to Liberty Life. The SLA executive of whom Anglo men are most wary is Willem Prinsloo, although this may simply be a manifestation of fear of the unknown.

A problem is already emerging in the administration of property interests (see page 70) which has led to the maintenance of two competing organisations. In the new Southern management structure an industry heavyweight like Gerald Lessner is placed on an equal footing with SLA’s property manager, whose portfolio is puny in comparison to the total value of properties administered by Anglo American Property Services.

Chapman denies that the outflow of Anglo talent was material, claiming that only three of the top 100 men have left.

Nine months ago he began integrating the two teams and feels they have now a unity of purpose and have jointly-agreed objectives and strategies. But he acknowledges that there have been raids from competitors and he was sorry to see men of Solomon’s calibre go.

There are other areas of incompatibility. Computer systems could be one of them, although given time this can be put right. Perhaps more serious is the extraordinarily large range of insurance products that will now be marketed.

“This can only increase our broker penetration, and is likely to strengthen our hold on the market,” says AAL’s Morris Bernstein, who steps down as MD of AAL to executive director of the merged interests. He points out too that Southern will be rationalising its products and producing a new range in February.

But some insurance men point out that several of these pohces are very similar, which, they believe, could result in market confusion.

“The last thing an insurance salesman wants is a wide range of near-identical policies,” says one commentator. “In such circumstances he tends to favour one particular policy, which he then sells in preference to all others.”

The rate books involved are going to, at best, be cumbersome. It seems also that the marketing orientation of the new Southern is going to be more towards financial services than pension funds and insurance. Bernstein points out that it is unlikely that the bread and butter of the group will be played down.

But he acknowledges that there will be a search for the best ways for the family to work together. However, new overlord Neil Chapman is a banker and he openly cites the need for associates in the marketplace to enable Southern to sell policies more competitively. That clearly means Barclays Bank.

In the FM’s view the test of the success of this merger is going to come in three or four years. Until then, the two components are financially robust enough and have sufficient momentum to keep earnings and dividends sweet.

The chance of policyholders obtaining shares in the new venture on the ground

AN EARLIER FM

Following a recent change in printing arrangements, it is now possible for the FM to be printed a day earlier than in the past.

As from next week, the issue of October 12, the FM will be printed on Tuesday instead of Wednesday night.

This desirable development will mean that the FM will be on sale in the PWV area on Wednesdays, and on Thursdays elsewhere in SA.

The main reason for the change, and the most important from the point of view of the bulk of our readers, the subscribers, is to ensure that they receive the FM in the week of publication. Earlier printing will ensure earlier posting and, hence, earlier delivery of subscribers’ FMs.
floor could have helped sales performance in recent months when it exceeded expectations.

But what it is ultimately going to be judged on is growth in market share, new business, and premium income. Quality of service and manpower will also be telling. The problems of merging antipathetic cultures, the loss of skills and the new marketing orientation could take a heavy toll in these respects.

So perhaps it is not the mutual policyholders of SLA that are the only ones deserving of a sigh. What about the policyholders and shareholders in Anglo American Life? The latter are, of course, capable of looking after themselves. The former, it could be said, might look forward to greater maximisation of profits.

In essence, those behind the merger seek justification in what they see as essential links between financial institutions if adequate growth in the future is to be achieved. Frequently examples from abroad are cited American Express and Sears Roebuck. If this is true, the merger certainly has potential.

The inclusion of Barclays Bank, through its major shareholding in the new Southern, could have a significant effect on Southern's ability to generate new business. The bank's client base should prove to be a fertile hunting ground for Southern's sales department.

But the financial groupings abroad have specifically not included banks and insurers. This remains illegal in the US and is unusual in Britain. Moreover, the concentrations of financial interest in the US are beginning to show strains that suggest some splintering is imminent.

Deals through circumstance

In SA, crossholdings between banks and insurers expanded rapidly during the Sixties without much thought being given to their being good or bad. At times, they were dictated by force of circumstance, such as the rescue by Sanlam of Trust Bank. The AAL-SLA link with Barclays is the last link of this nature between large institutional groups. And in that it seeks justification.

So when all is said and done, on whom do the immediate and even medium-term benefits of the merger rest? Clearly in part on the barons of SLA. They have many more assets to administer and some large and cooperative associates capable of seeing business flow to them.

This is what Chapman appears to have been after ever since he left Barclays in 1976. He was unable to springboard the small Cape-based Board of Executors into as powerful a position, although he tried hard enough.

In 1982 the proposed merger of the Board of Executors, Fidelity Bank and the SA interest of Hill Samuel, which he was going to head, fell apart. No rational reason was ever given. But there are those who believe that second time around Chapman has struck oil.

Not surprisingly, Chapman has a different view. The merger, he says, was not entirely his own doing. Top management and the boards of both companies came to a corporate decision after considerable discussions, at one time calling in experts.
from abroad.

But Chapman and his SLA team are not the only beneficiaries. The others are Old Mutual, Sanlam, Liberty Life, Federated Life, Ned-Equity and so on. The merger could take two competitors effectively out of the tough insurance market in the years immediately ahead. And at least two of those insurers remaining have in consequence been able to advance expansion plans now that talented Anglo executives have sprung free.

They may, of course, run the risk of lulling themselves into a false sense of security. But who knows.
SOUTHERN MERGER

Shootout — Southfork style?

For months the favourite guessing game on the property cocktail circuit has involved the new-look Southern Life. Who will take over the merged property portfolio? ran the question. Would it be Southern's property division under Peter Cunliffe, or Gerald Leissner's Anglo American Property Services (Ampros) which manages for Anglo American Life?

Now the guessing is over. It was announced this week that each team is to retain its own portfolio.

As the rest of the interests are being merged and rationalised, the decision to keep the property holdings apart has come as something of a surprise.

The decision will certainly soothe a good deal of corporate sensitivity, but the inevitable follow-up question now being asked is how long will the arrangement last?

Perhaps because there's not much else to talk about at the moment, insiders insist that the two parties have been set a "winner take all" challenge in much the same way as Bobby and JR battled it out for Ewing Oil in TV's "Dallas."

Southern GM Jan Calitz, who has also heard the stories, denies there is any such intention. But he admits that if either consistently outperforms the other there may be a rethink further down the line.

Similar projections

He sees this as unlikely, however, since both divisions have come up with similar projections for the year ahead.

At end-August, based on market value, Southern's property portfolio stood at R870m against Amlife's R506m — roughly a 40/60 ratio.

The portfolios are weighted differently with Amlife heavily into CBD properties such as Johannesburg's new "butterfly" building in Sauer Street. Total House in Braamfontein and Cape Town's Shell House.

Southern, on the other hand, is more diversified. Recent additions include a R35m spread of office blocks in central Pretoria, centred on Polly's Arcade, the R10m Hoedooort Plaza, industrial properties in Kramerville and Rosslyn and the 32 000 m² Wonderpark regional mall north of Pretoria.

One obvious problem will be the allocation of funds. Although new development, or acquisition, will be handled separately, each party will have to motivate applications. And there could be some heartache — real or imagined.

The allocations will be finally decided by the board after being channeled through Calitz, an asset allocation team headed by Des Bradford, and chief executive Neal Chapman Calitz envisages, however, that the cash will be apportioned about 50/50 between the two. He reckons there is little chance of an impasse being reached since the two divisions will have regular meetings, possibly once a month.

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Ampros' Leissner ... round table decisions?

Currently nearly half the combined discretionary investments are in property — about 25% of total assets which now stand at around R2.5 billion.

Ampros' work, Calitz points out, will be for a fee. He won't say how much, but says the cost will compare on a pro rata basis with the cost of running the in-house property management division.

The contract, he adds, is based on direct costs plus overheads and will enable the "considerable talents" of both Leissner and Cunliffe to be used separately — but in the combined interest of the new group.

Of the two competing heads, Leissner perhaps has the advantage in having seen it all before — although this time, of course, only a portion of Ampros' business is involved.

However, there are similarities with the merger a decade ago between the old Sorex and Anglo property interests. Leissner, who emerged as head of the management combine, has a notable success record since taking charge (he has helped work wonders with Amprosp, for example). But there are always problems — currently among them the slow letting of the Sauer Street glass tower.

Cunliffe, though only six years at Southern, has significantly improved the insurer's property portfolio and is involved in the development of a R120m worth of property, most of it prime.

For the moment, however, Calitz has further commitment to real estate development been put on "hold" until next year.

But, he points out, long before economic picture changes, Southern will again move back into permanent investments.

The last nine months, he says, have been tough with some "interesting" staffing decisions having been made. This has led to a situation where, for example, Johannesburg staff report to a Cape Town supervisor, who in turn reports to a Johannesburg chairman, who reports back to Calitz in Cape Town.

HOW THE TWO COMPARE

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Southern's property portfolio valuation at the end of the current development phase

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(34%) (25%) (18%) (19%) (6%) —
Speculation of major SA motor industry reshuffle

Sanlam is to re-open talks with Port Elizabeth’s General Motors

It is against this background that trading in the shares of Messina Ltd, which controls Nissan, was suspended on the Johannes-
burg Stock Exchange on Wednesday. At the time the share had slid from a month’s high in August of 432c to 320c at their suspens-
on.

Widespread market rumour is that the suspension followed as a result of nego-
tiations by Sanlam to acquire the 50% shareholding in Messina held by African
Finance Corporation. Together with an interest re-
cently boosted from 6% to 10%, this would give San-
lam some 40% and effec-
tive control of Messina.

Single major contributor to the Messina turnover is a
wholly-owned Nissan — which last year contributed

Mr Daling, general manager (investments) of
Sanlam, said, “We may or we may not be involved in talks with Messina.”

Mr Daling said any fur-
ther statements would be made “at the appropriate
time”, but admitted that since Sanlam was itself al-
ready a significant share-
holder in Messina, it would not be in its interests to
withhold such a statement for
long.

The Evening Post asked
Mr Daling to comment on the widespread suggestion that Sanlam would not buy into a single loss-making motor manufacturer but proposed making a twin
strike and consolidating two plants in order to ensure profitability in the
densely competitive and
limited market in the coun-
try.

According to speculation

From Page 1

in Port Elizabeth this week, Sanlam has also been talk-
ing with General Motors.

“If you were to ask whether we have spoken with

Mr. Daling, who also sits on the board of Gencor, was
asked whether Gencor had an
interest in General Mo-
tors.

“I cannot deny categori-
cally that Gencor has an
interest in General Motors,
but there may be a small pos-
sibility that they may be in-
volved — but I would dis-
count that.”

No comment was avail-
able from General Motors,
nince managing director

Mr. Lou Wolke was said to
be “out of the country”, and
deputy managing director

Mr. Peter Sullivan was said
to be preparing to leave for
Pretoria for a week and
was not available. At the
time of going to Press,
deputy managing director

Rod Ironside was also not
available.

While a blanket of si-
bence has gone up around
the Amcar-Ford negotia-
tions since a brief
announcement confirming
the talks was issued by
Ford last week, persistent
rumours suggest that the fun-
damental details of the
scheme have already been
agreed in principle.

Several well-informed motor industry spokes-
mens today confirmed these
rumours were widespread
and based on reliable in-
formation.
What limits are there to wrapping up competition?
Financial Staff

Sanlam last night confirmed that it has gained control of over 30 percent of troubled motor manufacturer Messina, reached agreement for the purchase of a further 15 percent and had made an offer to gain outright control.

Merchant bankers Senbank, in a statement on behalf of Sanlam, said that Sanlam, which already owns 14.5 percent of Messina, is offering to acquire 40 percent of the shares held by other Messina shareholders at 500c a share.

Messina shares closed at 320c on Tuesday, prior to the announcement by the company that negotiations were taking place that may affect the share price.

On net worth alone, Sanlam is still getting control at little more than a third of the more than 1 400c a share net worth. On any other consideration the purchase appears to hold little value.

The company’s mining interests have been dissipated over the years — it recently sold off its remaining investments in Zimbabwe — and the Nissan motor operations in SA have been losing market share for most of this year.

Apart from being burdened by a massive debt-equity ratio, the company is now having to make provisions for foreign exchange losses of more than R40 million on its uncovered offshore borrowings.

APC has already agreed to the Sanlam offer and has also agreed to make up the shortfall of any other Messina shareholder who did not sell to Sanlam 40 percent of its stake. Anglo American is the other large Messina shareholder with almost 20 percent of the company’s equity.

The offer is subject to the agreement of certain companies overseas with which Messina has technical and franchise agreements.
Rights issue puts ICI's holding in Farm-Ag to 29%.

Financial Correspondent
DURBAN — British chemical company ICI has boosted its share in Natal-based agricultural chemical group Farm-Ag by more than nine percent to 29.15 percent after the recent rights issue.

The 12-for-100 rights issue was underwritten by ICI and designed to raise R1.65-million for the purchase of Cape firm Plant-Chem by Farm-Ag.

Investors reacted cautiously, not surprisingly in the light of the group’s disastrous 1983 and the premium on the share price, and took up only 64 percent of the issue. This left ICI to pick up the remaining 46 percent, including its own 20 percent share.

ICI director Mr C Irvine reiterated his optimism in the Natal-based group and said the issue would not have been underwritten if the British firm did not have confidence in the local chemical group.

Farm-Ag Natal director Mr Robert Maingard sees a rosy future for South African agriculture and wants to maintain the new group’s pole position in the plant chemical market through the wider spread which its products will get through Plant-Chem and the marketing benefits of its ICI link.

Farm-Ag has decided to streamline the activities of its newly-formed agricultural division. It will sell only implements related to the plant chemicals and fertiliser field, after a disastrous year when it lost some R2 million.

On the question of import liabilities, where last year the weaker rand caused a R680,000 loss Farm-Ag is taking a gamble. Mr Maingard said they had not covered forward and were placing their confidence in an economic recovery rescuing the rand.

“I see the present weak state of the rand as a short-lived phenomenon and I am confident that the Government’s disciplinary measures will help in boosting our currency again,” he said.

“Although I do not expect to see the rand trade at 90c or a dollar in the near future, I think within 12 months it will be worth 70 or 75c again.”

Mr Maingard believes the country’s agricultural potential guarantees a sound future for the agricultural chemical industry, although the company’s interim results, due to be published in November, should not be expected to sparkle.
HLH sells Woltube to Tubemakers of SA for R24 million

STEWARTS AND LLOYDS, subsidiary Tubemakers of South Africa (Tosa) has bought the tube manufacturing and distributing operation Woltube from Hunt Lecharis and Hepburn Holdings (HLH).

The R24 million price will be settled in cash R20 million immediately and the balance in R1 million instalments over the next four months.

S&L managing director Percy Levack said “The acquisition makes excellent sense for Tosa and considerable rationalisation benefits will arise in future.”

“The Woltube range of products will complement those currently manufactured by Tosa and will give us an extended range of products in the small- and medium-bore tube market,”

HLH chairman Mr Chris Perry said “The HLH strategy is to concentrate the group’s resources in areas where we have, or can attain, a meaningful market share, and where we can consequently earn good returns.”

“We have achieved this in our timber division and also in the area of steel processing where our Woltube operation is doing well.”

“We believe it difficult with the Woltube business to obtain a significant share of the tube market where there is currently overcapacity”

“Tosa, which is a long-established supplier in this market, has achieved a more meaningful market share.”

Our decision to sell Woltube, which made a profit for the year to the end of August, was prompted partly by our business philosophy of concentrating our resources in areas where we hold a significant share of the market and obtain an adequate return on our investment.

“We see that we can not achieve this, we believe it prudent to redeploy our resources.”

The deal with Tosa will be effective from September 1 and the purchase price represents a small premium over the book value of the assets.

Mr Perry said that as yet, HLH had no immediate plans for the funds it will receive for the sale of Woltube, but that they would undoubtedly be applied to further develop HLH’s two main areas of operation — timber and steel processing.

“IT releases strategic cash capacity for HLH to achieve its objective in the areas where we have proven strength and expertise.”

“The deal does, of course, have an immediate impact on our cash position and we will now have a significant surplus of cash.”

Mr Perry emphasised that HLH remained committed to its steel processing activities.

The group’s flagship, Woltcet Vanderbijl, he said, was performing well, as was the Woltcut Natal operation.

The Queenstown cut-to-length line, which is due to be commissioned in 1985 and which will supply the Eastern Cape manufacturers with high-precision steel products, is on schedule.

The transaction will lead to a marginal improvement in HLH’s earnings and net asset value for the financial year ended August 31, 1985.

It will have no material on the group’s earnings or net asset value of a S&L shareholders.

The joint announcement says the Competition Board has been consulted in this matter.
Pricing agreements appear between apparent competitors appear to be far more widespread in SA than most realise. Large retail chains are particularly bitter about cartel-type arrangements between their suppliers. But charges of price rigging are difficult to prove. Where it does exist, it is often with government's sanction.

TW Beckett, Toby Gawith, MD of Sappi Eugene van As, and a spokesman for potato chip manufacturer Simbas-Quks: "There is a cartel for everything and anything in this country," asserts Checkers MD Gordon Utz. "How else could some of our suppliers, who should really be suffering in this recession, be making such good profits?"

"In many cases, it does not help to phone around for a quotation because so many companies are working hand in glove. Government is not aware of the extent of cartels and where it does know, it tends to turn its back on the problem."

Weak legislation

Some believe that the legislation on cartels—in the Maintenance and Promotion of Competition Act—is not strong enough. It provides that action can be taken against offenders only after an investigation by the Competition Board, and then only at government discretion. Pretoria's rejection of the board's recommendations on the wine and spirits industry, where restrictive practices were found, bears out the view that the authorities are unwilling to rock the boat if important interests are involved.

Another case of government reluctance to act decisively could be in coal distribution. It has accepted the board's findings that a cartel-type situation exists, but has directed that the market be freed by negotiation between the parties concerned and the board—which does not have full

UCF economist Kantor wants collusion outlawed
for more than a few local suppliers. A solution is to allow free entry into the market by raising restrictions on imports.”

Kantor also says collusive acts on prices between suppliers should be outlawed.

Competition Board chairman Stef Naudé agrees and says he favours the implementation of regulations under the present Act which would provide for fines of up to R160,000 for companies guilty of price collusion.

A problem with stiffening the laws is that it is often difficult to prove collusion, since such agreements are not always placed on record. And even when competitors’ prices are on a par with each other, this is not necessarily due to deliberate collusion.

“How do you force companies to compete?” asks Naudé. “Very often they choose to follow, rather than fight, an industry leader’s prices, and we cannot outlaw that.”

Another cartel practice, predatory pricing, is also difficult to prove—especially because it offers obvious benefits to the consumer in the short term. This happens when cartel members agree temporarily to drop prices to prevent a new competitor from gaining a foothold in the market. Once the competition has been crushed, prices return to old, or higher, levels.

New entrants frequently have resources to launch their products in certain regions only, rather than nationally—which makes pricing them out of the market that much less expensive for the cartel.

It has been alleged that such collusion has squeezed competition in, among others, the western Cape softdrink market and the Natal cement market. But one established firm claims its actions are simply “a classic case of pure and perfect competition.”

They may well be, but only those who took the decisions know for sure.

“It is a normal market reaction,” says Blue Circle financial commercial director Peter Kelt of price cuts by a Natal factory owned by SA’s three cement producers, Blue Circle, Pretoria Portland Cement and Anglo Alpha. “We have a pricing and market-sharing agreement deemed by the Competition Board not to be against the public interest, owing largely to the fact that transport costs account for about 40% of total delivered cement costs.

It is a probability of more conditions that the Natal price decision is a case of collusion — although it could put paid to further imports of cheap cement.

The existence of cartels is likely to be more easily proved in professional associations such as those for doctors, dentists, pharmacists, opticians, stockbrokers, architects, accountants, lawyers and advocates. In many cases, restrictive trade practices are said to be written into their constitutions and enshrined by law.

The Competition Board may make recommendations for sweeping changes in the affairs of these professions, which have traditionally disdained the notion of commercial competition — probably to the detriment of the paying public. The board’s involvement here is in keeping with its brief from government to examine all legislation affecting competition.

Professional codes

If it sticks to its stated principles, the board may recommend abolishing some of the professional conduct codes which allow certain professions to:

☐ Bind their members to fixed minimum charges;
☐ Prevent suitably qualified individuals in good standing from doing certain work (for example, conveyancing) if they are not members;
☐ Specify that certain work must be handled by more members than is sometimes strictly necessary (for example, advocates must be briefed by attorneys and senior advocates must appear in court with juniors), and
☐ Prohibit non-members from buying shares in certain practices.

Such changes are already occurring in the US and UK, and it is hoped that government will have the courage to follow a similar course here.

But doing so will, by no means, win the war against all price and market fixing. The next battle, in the manufacturing sector, will be harder, and government may well shrink from the final and biggest battle of all — the challenge of imposing the same disciplines on agriculture with its parasitic marketing boards and co-operatives.

The press and public have a role, too. “Co-
"Incidental" price adjustments should be closely scrutinised. The real questions are who benefits by such apparent collusion, and who loses? But so widespread, and so secret, are cartelised practices that the full dimensions of the cost to the economy may never be known. What is certain is that, for a country which has waxed so enthusiastic over the benefits of free enterprise, SA has an alarmingly large number of commercial sectors locked into rings of collusive practice.
US, British owners of firm in PE to sell up

Mr Dave Brink, chief executive of Murray & Roberts Industrial, the division which will take Carborundum under its wing, said today the transaction “should be concluded within the next month.”

He declined to give details of the offer price under discussion.

“If you want a very big ball park figure, you might say it’s anything between R10 million and R40 million,” he said.

The conclusion of the deal, he said, was “conditional upon certain outstanding issues — we must obtain the necessary exchange control approval, and from their side certain audit reports must yet be presented, but we foresee no problems arising.”

No comment could be obtained from Carborundum on the disinvestment by its parent companies, since managing director Mr Peter Van der Merwe was out of town.

But Mr Brink said he envisaged no major management changes, or changes to the existing manufacturing operations of Carborundum. Since no similar company existed within the Murray & Roberts Group, its latest proposed acquisition would be a “pillar standing entirely on its own.”

Under the circumstances there was no proposal to consolidate the Port Elizabeth-based manufacture of bonded abrasives with the Reef-based operations of Carborundum, where coated abrasives were manufactured.

Management would be granted “maximum autonomy” and its new owners would restrict their involvement to “perhaps helping Carborundum get further ahead than they have done in the past.”

Mr Brink said he was aware of the increasing concern over Port Elizabeth’s economic future, but Murray & Roberts already owned a number of companies in the area “so we don’t see Port Elizabeth as any different from any other investment area.”

Murray & Roberts did not expect the planned acquisition to make any material impact on its earnings during the current financial year.
Own Correspondent
Johannesburg — Barlow Rand’s bid for control of J Bibby of the UK has been “highly successful,” Barlow said yesterday, with its ownership reaching 90.5 percent of Bibby shares at the close of the offer on Friday night.

“Those levels of ownership suit us very well,” Barlow’s chief operating officer, Mr. Warren Clewlow, said.

“We intend to maintain the Bibby listing on the London Stock Exchange, so Barlow 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 Barlow’s shares are now owned by individuals and institutions in the UK.

“Barlow’s shareholding is set to perform well in the future,” Mr. Clewlow said.

Because Barlow 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 Barlow know how much more it owns of Bibby than the current level of 90.5 percent.

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Maister group buys PE sign firm

THE Maister Directories group of companies has bought, for an undisclosed amount, Sign and Nameplate Industries, of Port Elizabeth.

The group, publisher of the Yellow Pages directory, began a nationwide diversification into the signwriting industry after purchasing Brilliant Signs, in Johannesburg, last year.

The expansion followed an earlier diversification into outdoor advertising, initiated with the purchase of the Metropolitan Outdoor Advertising Company.

Newly installed general manager of a trio of companies included in the latest expansion in Port Elizabeth is Mr. Barry Morris.

Mr. Morris declined to put any prices to the deal but said included in the takeover was Algoa Anodizing and C.J. Van Heerden Signwriters — both companies having earlier been purchased by Sign and Nameplate Industries.

"We are due to begin trading under the name of Brilliant Signs shortly — we'll probably begin phasing in the name change next week," said Mr. Morris.

While there had been no immediate changes to the operation, the new owners envisaged a growing emphasis on illuminated signs.

"With branches in Johannesburg, Durban, Cape Town, East London, and now Port Elizabeth, we believe we'll be in a better position to compete both on price and service," said Mr. Morris.
By Peter Farley
Investment Editor

Rand Consolidated Investments (RCI) came of age yesterday following the announcement of plans to merge with Rand Merchant Bank (RMB).

And though the deal is a straightforward merger there is little doubt that RCI will hold the upper hand in the enlarged operation.

Current RMB MD Mr Johann Rupert is stepping down as the bank's chief executive while he will remain a non-executive chairman. RCI's Mr Gerrit (GT) Ferreira will not only head up the combined set-up, but RCI will also have a three-two board majority.

The shareholding in the new company has not yet been finalised, as much will depend on the first year's performance of the new RMB.

But with RMB strong on the assets side and RCI clearly ahead on profitability or return on capital it would be no surprise to see the shareholding split 60-40 between RCI and the Rupert family.

At an estimated net worth of R200 million and net profits of over R7 million the bank will be of an equivalent size to both Volkskas and Barclay's merchant banking operations.

It is no secret that RCI has been seeking a banking licence for some time now, but that several avenues have been blocked by the Registrar of Financial Institutions. The attempted purchase by RCI of the licence once accorded Bankorp's Federale is a case in point.

The current deal was mainly precipitated by the re-call of Mr Rupert to the family's Stellenbosch headquarters. This meant that he would not have been able to oversee the daily banking operations and therefore felt obliged to sell the bulk of his RMB shares.

Mr Rupert's long-standing relationship with Mr GT Ferreira, dating back to university days together, made the end result a natural development.

The new RMB will be seeking a listing as soon as possible, says new MD Ferreira. But this can only be achieved once the shareholding in the merged company is finalised.

This should be sorted out by the third quarter of next year and Mr Ferreira would like to see the bank listed almost immediately afterwards. Plans for RCI to come to the market via cash shell Autolec have obviously now been dropped.

RMB will now be able to offer the full spectrum of banking services — excluding retail operations — with the talents of the two components dovetailing together at virtually every stage.

One important aspect will be the inclusion of RCI's 20-odd percent investment in SA's only commodity futures traders, Holcom. In turn, Holcom should benefit enormously from the spin-off of being associated with a top-level banking operation.

RCI will get upper hand in merger with Rand Merchant Bank
Johannesburg — Federated-Blakie Ltd has acquired the entire issued ordinary share capital of Thesen & Co (Pty) Ltd for R28.7m cash from Rand Mines Properties Ltd (RMP), effective October 1. Standard Merchant Bank Ltd announced yesterday.

Thesen has in turn disposed of some undeveloped farm properties in the Plettenberg Bay area to RMP subsidiaries for R1.5m, it added.

The main business of Thesen and its subsidiaries is the growing and processing of timber in the Southern Cape coastal region. It also owns a 50.3 percent interest in Amalgamated Motors Ltd, a motor dealer business trading in George, Knysna and Oudtshoorn. This acquisition will broaden Federated-Blakie's asset and income base and stabilise earnings, Standard Merchant Bank said.

The acquisition is conditional upon ratification by Federated-Blakie's and RMP shareholders — Reuters.
BP starting to buy in Matthey

London Bureau

BRITISH Petroleum has begun buying shares in Johnson Matthey, the troubled precious metals group, because it is interested in the company's platinum catalyst manufacturing units and other technology divisions.

BP bought 3.8 percent of Johnson Matthey shares for around £5 million (R10.5m) and intimated that it could buy more.

'We have not yet decided whether we will make a full scale or partial bid for Johnson Matthey, they are options,' said a BP spokesman.

But he said the company needed more information.

Technology

'It is not just an oil company - it is involved in technology too,' said the spokesman. 'Johnson Matthey has a good track record in technology. BP is interested in Johnson Matthey's catalyst manufacturing operations, refining and chemical business, pigments, microbiological equipment, and research into new fertilisers.'

Matthey's catalyst operations would be useful. Catalysts are used to reform petroleum products and to reduce noxious exhaust emissions from motor vehicles, and within the next few years the European motor industry will begin installing them to meet more stringent anti-pollution requirements.

BP holds 4.75 million shares in Johnson Matthey, which is currently valued around £176 million (R360m). Since BP's net income was £686 million (R1 800m) last year and revenues were around £3.2 billion (R67bn), a bid for Johnson Matthey is well within the company's grasp.

Earlier this month the Bank of England was forced to take over Johnson Matthey's banking division because of estimated bad debts of £150 million (R310m) or more. The rescue was timed to prevent consternation in international gold markets. When the news was announced, Johnson Matthey's shares collapsed from 240 pence to 95 pence.

Prospects

BP said that it has retained Lazard Brothers to glean more information about Johnson Matthey's prospects. It especially wants to know whether the company is financially sound following the rescue of the banking division.

BP also needs to know whether any takeover would jeopardise Johnson Matthey's agency and refining agreements with Rustenburg.

The platinum company is a division of Johannesburg Consolidated Investments, and another Anglo group company, Charter Consolidated, has a sizeable stake in Johnson Matthey. Mr Quinton Morris, a senior BP official, is already on Johnson Matthey's board. A few years ago BP and several other British companies helped fund a Johnson Matthey research project which was determining whether certain platinum catalysts could be used for leading petrol.
Control boards, cartels attacked

Finance Reporter
A semi-socialistic and a
ridiculously over-con-
trolled economy is having
disastrous effects on
South Africa's inflation
rate.
This was said by Mr
Robin McGregor of Cape
Town, author of Who
Owns Whom - a Guide to
South African Businesses,
in an address to the Natal
Society of Chartered Ac-
countants and the Insti-
tute of Cost and
Management Accountants
in Durban last night.
Mr McGregor scathingly
attacked control boards
and cartels and called for
price-setting to be left to
'the little free enterprise
we've got left.'

He said: 'South Africa
could drown in a sea of
controls unless Barend du Plessis, the
Minister of Finance, doesn't come to the
rescue soon.'

'Cartels, control boards
and an economy based on
speculative gold are dan-
gerous and should be got
rid of before they ruin the
country,' he said.

Prices
Mr McGregor cited 12
instances where items
under control and price
control board practices
had risen as much as 70
percent above an infla-
tion rate of 11.5 percent
over the past six years.

'All these came under
price and control boards.
But items, like frozen
vegetables, creamers and
coffee which is promoted
by suppliers in competi-
tion with each other, such
as chain stores, were as
much as 70 percent under
the inflation rate.'

'Mealie meal prices,
which are fixed by a con-
trol board and promoted
through a cartel, rose a
staggering 187 percent.

'Bakers margarine, which
is under price control
and cartel, rose 160
percent, and bricks,
which also fall under
price control and are sold
through a monopoly, 157
percent.

Compare this against
detergents, promoted
through free competition,
which have only in-
creased 71 percent and
toothpaste at 21 percent
and you can see for your-

State see Assocom

and other facilities which
would be needed.
The debate called on
the Government to live
within its means and to
control spending to avail-
able income. Failure to
do this had led to savings
levels falling and a lack
of cash for investment.

One speaker called on
commerce to 'crack the
whip and demand of Gov-
ernment that spending be
according to available
revenues.'

Problem

He said that all Govern-
ment departments had
been asked to set
priorities in their bud-
gets and these had been
categorised at five levels.

This was how they
would be considered by the
State President's
National Priorities
Committee.

A major point made by
Dr Fred du Plessis, chair-
man of Sanlan, was that
the principle reason for
capital flowing to the
United States was that it
had 'discipline of labour.'
Wage levels had not

selves what disastrous ef-
fects 'controls' are
having on the economy.
Cartels ‘must be broken’

Parliament must give the Competition Board real teeth to break cartels and authority to issue heavy fines on offenders.

‘The Competition Board has no real power and is completely demotivated because most of its recommendations made to the Cabinet over the past five years have not been accepted,’ said Mr Robin McGregor last night following his attack on control and price control boards during an address in the city on Wednesday.

‘If it is going to break cartels, either by fair or foul means, it must be given power, by Parliament, to make ad hoc decisions, quicker investigations and authority to inflict fines of R250,000 on offenders,’ he said.

Mr McGregor has been monitoring price increases in South Africa over the past six years and says the graph (right) destroys any doubt that items falling under control and price boards are having a disastrous effect on inflation and are running the economy.

He said the 12 items quoted above the six-year inflation rate of 116 percent fall under control boards and price controls and the items below the inflation rate are those supplied by free enterprise.

‘The Government have been so wrapped up in their ideological fantasies since they came to power they’ve forgotten about the economics of the country and big business has had a field day,’ he said.

‘Believe me, irrespective of what they claim, the last thing big business wants us to see a change in government.’

‘Price and control boards must be scrapped. Inefficient farmers are being protected by these boards — if they can’t compete on an open market it’s just too bad.

‘The only time control boards really serve any purpose is in the export market where competition must be generated with other countries.’

‘But what we really need here is the system employed in the USA where anti-trust laws prevent anybody from buying into another company if it means them acquiring more than 30 percent of the market.

‘It’s a fantastic situation, if they find a company has above 30 percent control they force them to sell and deconglomerate, and I’d love to see it happen here.’

Mr McGregor said that in Britain, if a company buys 30 percent or more of a company it is forced to offer the balance of the shareholders the same price for their shares, which means they are faced with enormous capital expenditure and this tends to deter anybody going over 30 percent.

COMMODITY INCREASES FROM 1978 TO 1984

COMMODITY INCREASE

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The sad saga of a business which is doomed to fail

LAST week you published a report by Debbie Reynolds which dealt with the disastrous effects of the furniture manufacturing industry in the recent draconian regulations in respect of GST and the deposits and terms relating to hire purchase transactions.

In her report Ms Reynolds estimated that my brother, who was a well-known and well-liked Durban furniture manufacturer, took his own life largely because of business problems arising out of these regulations. To a certain extent she was correct.

In fact, the sudden attack on furniture HP was only the proverbial last straw. I doubt that anyone not in the trade really knows how the small-to-medium sized furniture manufacturer is forced to struggle in the ever-tightening coils of the retail credit giants.

I weep crocodile tears when I read the Press statements by senior retail executives about how tough things are in the furniture trade.

Do their customers "squeeze" them until they barely cover cost, just to stay alive? No fear. Not only do they not hedge on price (except, maybe, for spot cash) but they also enjoy the interest income which they earn on every HP sale.

Do their customers ask for (and get) ever-increasing terms of payment, interest-free, and then deduct all sorts of "credits" from their cheques, "because we haven't received the signed invoices back from the branch. Please let us have a copy", thus gaining a further 30 days? No sir. Don't pay on time and very soon your furniture will be repossessed.

Do their customers keep their trucks waiting, sometimes all day, and then, as often as not, send them back, after telling the driver to "come back tomorrow"?

Do their customers order goods, and then, a week or so before delivery, simply cancel the order? Or ask (sic) the factory to "hold on to the order, we're taking stock on the 25th"?

So that the manufacturer has to sit with completed and half-completed suites in the factory, wondering where the hell to put them?

Does the public know that most manufacturers deliver furniture to chains' branches anywhere in the Republic at the same price, but that many retailers then charge their customers for delivery?

Of course, there are "good" retail chains other than the sort I have described above. In the same way that there are "bad" manufacturers.

But I cannot begin to tell you of the agonies and frustrations of dealing with some of the big groups who won't wait in the factory at night for trucks to come back, or send the cramps in the gut when half — or all — of a carefully packaged consignment is returned as "damaged in transit", or with the delivery notes endorsed "delivered after 25th", or "order cancelled" (when by whom?) or any of the dozens of stock excuses which some groups use to gain another 30 days?

Or not to take delivery when it suits them. But oh, the sweetness and light when they want something "urgently, it's a sale"!

The honeyed tones, the "ag, be a pal, take one away from another one", hypocrisy. Well, anything for a "pal"! Maybe when things get tough your "pal" will try to help you out. So stop the machines, shift into another gear, work all day Saturday and Sunday (double rate), and deliver the suite on Monday. Having made it at a loss of course. Maybe you'll say "thank you, pal!" But not be surprised or upset if goods come back, because "the customer didn't like the deposit!"

And all this for a 5% profit, or less. Isn't it, if the group doesn't value its muscle to make the little manufacturer pay its full-colour catalogue means of "donations".

My business is in the
by whom? or any of the dozens of stock excuses which some groups use to gain another 30 days?  
Or not to take delivery when it suits them. But oh, the sweetness and light when they want something "urgently, it's a sale"!  
The honeyed tones, the "ag, be a pal — take one away from another ou" hypocrasy. Well, anything for a "pal". Maybe when things get tough your "pal" will try to help you out... So, stop the machines, shift into another gear, work all day Saturday and Sunday (at double rate), and deliver the suite on Monday.  
Having made it at a loss, of course. Maybe you'll get a "thank you, pal." But don't be surprised or upset if the goods come back because "the customer didn't have the deposit"!  
And all this for a miserable 5% profit, or less. That is, if the group doesn't use its muscle to make the poor little manufacturers pay for its full-colour catalogue by means of "donations"!  
My business is in the process of being liquidated as a result of all the above.  
Plus of course...  
- The never-ending battle to keep breathing while trying to keep the inspector or that inspector happy.  
- Running after the latest little obersturmbahnfuehrer in the Town Planning Department.  
- Working at night in order to get the many Governmental and quasi-governmental "returns" out by the 15th or else.  
- Trying to abide by the rules and regulations of the Department of Manpower, of Community Development, of the Unemployment Benefit Fund, of the WCA, of the Industrial Council, and so on and so on.  
No wonder my poor baby brother committed suicide and that I suffered two heart attacks.  
To top it all, the smug statements by well-fed (and very well paid) Cabinet Ministers exhorting the public to "tighten your belt and spend less" while they fritter away our blood-stained taxes on their ridiculously expensive nothingds, merely add to the frustration and despair.  
And what help was there from the Small Business Corporation when it was obvious that 30 family breadwinners were going to lose their jobs?  
Gee whiz, fellows, the small businessman is the lifeblood of any country. And why does my bank manager no longer want to be my bank?  
So, who wants to be in the business of manufacturing furniture?
Is HFO’s nest-egg nearly R2 000-m?  

*From Page 6*  

between them hold a staggering R1 783 298 in the corporation.  

The identity of who stands behind the nominee companies goes unrecorded.  

So to do some checking at the company records office at the Department of Industries and Commerce in Pretoria.  

But discovers little more than that all three nominee companies have their registered address at 44 Main Street and that the directors are all Anglo executives: Jacques Dresden, an alternate director; Graham Hoford, finance manager; George Leeman, group accountant consultant; Philipp von Backstrom, another finance manager; and Anthony Lue, a manager.  

The combined issued capital of the three companies amounts to a paltry R28, in R1 shares. Yet between them these companies own less than 23 percent of the entire Anglo ordinary share capital.  

Were these the clues to the size of the Oppenheimer fortune?  

“It is often assumed so,” says an enigmatic Man Street. “They all stay awfully quiet, but you may discover they are simply used by the Corporation for a little bit of anonymity about corporate strategies.”  

“Rather try E Oppenheimer & Son (Pty) Ltd.”  

A family trust? A treasure chest of information about who stands in line for inheritances?  

Back to the records office in Pretoria — only to find in a dog-eared file that the latest slip of paper covering the last financial year is no more than a small certificate confirming that the company had paid R39 to keep the registration intact.  

“Private companies are no longer compelled to submit financial statements,” explains a clerk.  

But one knows one is on the scent when a bit more digging reveals that Nicholas and the former chairman of the company and that the list of directors is all members of their family: on, close friends, of long duration, including Nicholas, Oppenheimer, HFO’s son, as well as former and current spouses of daughter Mary’s, Mr. Gordon Waddell and Mrs. Hank Slack. Both now well entrenched in the Main Street hierarchy.  

Back inside the Anglo American annual report age discovers that Nicholas and the former and current sons-in-law between them hold “indirect personal interests” in a mountain of 18,734,943 ordinary shares — worth more than R45,8 million at current prices.  

So each of the trio ranks among the super-millionaires on his own account.  

Not, it seems, that marriage even birth into the family is an automatic passport to Treasure Island. That cannot be shown by the absence of the name of Bill Johnston, a well-known personality in the mining and manufacturing set who was married to Mary — in between Waddell and Slack — but never seems to have been a family favourite.  

The three still favoured, in the inner sanctum of 44 Main Street, he has also now been made chairman of both Johannesburg Consolidated Investments and SA Breweries.  

Mr. Hank Slack was recruited to 44 Main Street via family connections with the Engelhards in America.  

Insiders say it is not simply his marriage to Mary that is behind his own claims to power at 44 Main Street. He has earned his spurs since an appointment as personal assistant to HFO, and now also sits on the executive committee that sets all Anglo policy.  

That still leaves unanswered the total size of the Harry Oppenheimer fortune.  

Even the vast spread of shares owned through E Oppenheimer & Son would not count such items as what is reputed to be among the largest private collections of diamonds in the world.  

It was more than 10 years ago that someone put a value on HFO’s wife Bridget’s jewelry at over R50,000. By now, that alone must run into millions.  

And what about HFO’s passion for racetraces? As the owner of such spectacular racecourse daisies as Tiger Fish, Hengist, King Willow, Col Pickering?  

One must also take into account the sheer scale of the Oppenheimer thinking.  

When HFO and Bridget cast round in search of a quiet retreat that may possibly do for retirement, they had a look at buying in the Seychelles — an entire island called Silhouette and it was not the price that put them off. That was a morsel at about R650 000. They decided against the island and according to recent reports, only because they reckoned it was a little too distant from family roots.  

Instead, they settled on buying a new holiday cottage on the Natal North Coast. But there are cottages and coastages.  

The cottage the Oppenheimers built at La Lucia would be classed as a mansion by most of us five luxurious suites, 10 bedrooms en suite, 12 bathrooms, half a dozen reception rooms, separate children’s wings and a swimming pool half-Olympic size, wine cellar, and so on.  

But a count of all the Oppenheimer shares would at least give an idea of the famous wealth of the family.  

An estate at 44 Main Street finally rejoined — a little.  

“You can estimate the value of the shares in HFO’s name held by Anglo American, plus its other interests, at about R22,100 million,” he said.  

That alone works out to make the family nest-egg, worth at least R7,186 million, without counting all the rest, which ‘stands a mystery.’  

Nicholas Oppenheimer, the gold and diamond empire, the heir-apparent.”  

The fabul:  

Mr. Harry Oppenheimer’s castle, sprawling across 18ha plush Parktown, is easily the finest in South Africa.  

It’s worth is inestimable.  

A garden and sports patron Mr. was hesitant even to estimate a final conceded that Bere’s “unique property” — would sell for very least, R10 million. If Mr.  

The estate consists of Breth-loss and a new R3 million house Mr. Oppenheimer’s collector cans, said to number 4 000 vehicles and Brenchurst was designed by...
Brenthurst, the plus-or-minus R10 million Parktown home of billionaire Mr Harry Oppenheimer

by Harvey Thomas

Brenthurst was originally known as Marion Court. The name was changed to Brenthurst when Sir Ernest Oppenheimer bought the estate and moved in sometime in 1921/1922.

Africa's great rajah of mineral treasures, now aged 76, is reported to spend most of his time in his new library when he is in Johannesburg.

Mr Oppenheimer also has homes in La Louste (near Durban), London and New York.

What is the inside of Brenthurst like? I have been there only twice but recall an elegant blend of the old and the new with the emphasis on impeccable good taste.

The decorating style could best be termed "classy" but Mr Oppenheimer's eye for style is summed up in what is, perhaps, the most personal room in the house - his study.

Its book-lined walls are dotted with good examples of French impressionists. And, with his R10 million home, Mr Oppenheimer is something of an impressionist himself.

TOMORROW: PART 2 OF THE SUPER-RICH
Scores of the super-rich in South Africa can count their rands by the million. But Mr Harry Oppenheimer may be one of only two tycoons who can go on to count the millions by the thousand and join the exclusive ranks of the world's billionaires.

The second one is Mr Marino Chiavelli, the flamboyant and controversial oil dealer who immigrated from Italy in 1960 and dazzled even the jet-set with his displays of wealth.

Mr Chiavelli has estimated his fortune at a staggering R2 560 million — and still growing. Who could check the figures?

Billionaires are rare, even by world standards. And often their wealth is so fabulous it is beyond counting. Years ago, the Aga Khan ceremoniously began each birthday celebration by weighing himself in diamonds.

There are dozens of Arab sheiks — whose numbers have multiplied since the oil crises that began in 1973 — whose wealth has become legendary.

And there are others who would consider it boorish to count their riches — such as Queen Elizabeth II, whose Crown Jewels alone are beyond price.

Even the United States, the claim to only 15 billionaires — dollars, which have become...

Forbes magazine, which is counting the super-rich in the US, American billionaires shared equal to about a quarter of the estimated by its Gross National

Top of the cash pile was C. mogul John Paul Getty. His fortune, on current exchange, publicly claimed by Mr Chiavelli.

Next came Sam Walton, an but well known at home as a Mart stores. Worth: US $2 150.

Another who made the list: Daniel Ludwig, the shipping and The billionaires in the US are Chinese immigrants who have...
the wealthiest nation on earth, can lay claim to more valuable than rands recently. 

makes an annual exercise out of counting US wealth, calculated last year that the 15 richest combined US $21 billion — more than the entire wealth of South Africa as a Product.

Gordon Peter Getty, son of the oil fortune, was more than US $2 billion richer far more than the fortune a similar name to South Africans, the owner of the vast chain of Welldom million grade as a billionaire twice over was and real-estate baron.

make a mixed bag. One of them is a man named as less than US $1.6 million since he arrived in America in 1954.

The name will ring a bell with computer buffs: Mr. An Wang, who invented the magnetic-core electronic memory when he was 28 years old.

A few of them leave even Mr. Chiavelli in the shade when it comes to the audacity of bidding at international auctions of national treasures.

Less than a month ago, a billionaire from Dallas, Mr. H. Ross Perot, cycled out $2.5 million for a 700-year-old copy of what may well be the most famous of British historical documents — the Magna Carta.

What he liked about it was that the document formed the basis of the US constitution. He's donated the copy to the US National Archives in Washington.

That's style.

Among the newest additions to the list of billionaires: Yoko Ono, widow of former Beatle John Lennon.

However, pop star Michael Jackson still has a long way to go to catch up. His fortune had still to climb above US $1.5 million at a court made last month.

**imillions! — And**

and opened new routes to the US market.

Mr. Fleming was so intrigued that he journeyed to South Africa to research another James Bond thriller — and found all the material he needed by learning about the nightmares of illegal smuggling operations.

"The only question with wealth is what you do with it." — John D. Rockefeller.

that nag at the Oppenheimer hold over world diamond markets.

The result: "Diamonds are Forever," also soon in the bestseller lists.

The closeness of the friendship between Mr. Engelhard and Mr. Oppenheimer was seen by all when the American, with a string of top-class thoroughbreds, named one of his racehorses "Kimberley Kid" — his own very private nickname for the boss of De Beers.

The author of the 007 tales was convinced that he had entered a world where everyone had an automatic Moka touch. He soon found there must be a magic formula known only to a select few.

Mr. Fleming formed a partnership with Mr. Engelhard, determined to amass an African fortune of his own. They set out to develop timber estates on the banks of the Zambezi.

The venture failed. The partners tried to salvage their investment and grow vegetables instead. The whole crop was eaten by hippos.

Even 007 himself was unable to find the magic touch of the super-millionaires.

HIFO — as Mr. Harry Frederick Oppenheimer is known inside the imposing portals of 44 Main Street, which stands at the heart of the exclusive financial zone of Johannesburg, and which has become an address known around as the world as the hub of the Oppenheimer empire — never talks about how much he might be worth.

"If I sat down and tried to calculate the fortune, even HIFO himself would lose count after the first few hundred million," an aide confided. Lesser mortals have even more difficulty.

There is an initial burst of enthusiasm when one combs through the 1984 annual report printed by Anglo American Corporation. Here, surely, must be the first clues.

But there is no direct mention at all of how much HIFO owns out of the R9.6 billion net value of funds held by 24,900 shareholders. Instead, the list of major shareholdings falls back on the use of names such as Ferma Nominees, Petard Nominees, and Resident Nominees, which
The tally of 20 years ago
500 up! And that's double
aborning steps on those with more than enough of the root of all evil
South Africa's superstar... the third and final installment of our

By Michael Carter
Rich pickings

Many talk the truth when they say that they despise riches, but they mean the riches possessed by other men. — Charles Caleb Colton (1780-1832).

It is better to have old secondhand diamonds than none at all. — Mark Twain.

The only thing wealth does for some people is to make them worry about losing it. — Comte de Rivarol (1753-1801).

Those who condemn wealth are those who have none and see no chance of getting it. — William Penn.

Anyone who thinks there's safety in numbers hasn't looked at the stock market pages. — Irene Peter.

Money won't buy happiness, it pays the salaries of a large research staff to study the problem. — Bill Vaughan.

When I was young I thought that money was the most important thing in life; now I am older I know that is. — Oscar Wilde.

I had so much money he could afford to look poor. — Edgar Wallace.

THE RACES

Recent investigations by Management magazine concluded that by now there must be one millionaire for every 3,000 working whites and one for every 11,000 workers of all races.

The guesstimate compares with one for every 25,500 in Japan and one to 13,000 in Australia.

Only the United States bettered the ratio with one in every 250.

Aaand Soweto can also claim at least a couple of millionaires in its black population.

Ephraim Tshabalala takes a high profile as mayor, but displays little evidence of his wealth beyond an imposing mansion in the elite suburb of Dube.

He has made multiple millions from a business empire that stretches from petrol stations and cinemas to restaurant and retail stores.

Richard Maponya has

Messrs Five Percent

Studies by university researchers have revealed that a mere five percent of the overall population owns more than half the nation's entire wealth, writes Michael Chester.

This small fraction owns:

- 88 percent of the value of all private farms
- 33 percent of all fixed property
- 76 percent of all shares quoted on the Johannesburg Stock Exchange
- 79 percent of the shares in private unquoted companies.

And the estimates are on the conservative side, says Dr M.D. McGrath of the Economic Research Unit at the University of Natal who headed the survey of the super-rich.

The top 10 percent, virtually all white, pick up a whopping 67 percent of all recorded income.

White families can hold the smiles.

The real wealth of nearly one in four whites was registered at zero, counting home mortgages, debts and such items as hire purchase obligations.

But what do we mean by super-rich in the sense the unit was using?

In typical academic fashion the varsity crew set their level at a scale now considered moderate at least R250,000 as at 1974, a decade ago.

Dr McGrath concedes the quarter-million-rand marker had grown to R600,000 by the time the unit put its findings on paper in 1982.

Only a slouch would not have taken trends in inflation to mean that the unit was talking about millionaires in the scenario today.

More interesting, though, are the findings on how the super-rich had split their investments.

Almost half the total (45 percent) was ploughed into farms and less than a quarter was used to play the odds on the stock market.

The findings brought about absolute confusion into research based on measuring wealth by the size of share portfolios — the most popular device among researchers delving into the mysteries of the fortunes behind the super-rich.

Male chauvinists will rejoice that almost two-thirds of the super-rich were men.

The grins may fade on learning that half of them were over 65.

The research also implies caution about careers that average wealth of farmers was 20 percent higher than that of the pin-striped-suit brigade of directors and managers and almost twice the size of the average professional such as doctor or dentist or accountant.

If you consider yourself to be missing out, take heart.

Dr McGrath goes on to discover: "If there is a link between social status and power in society, these findings might indicate that wealth alone will not be the major determinant of power."

But in South Africa at least there is a lot to the old saying "Where there's muck, there's money."

The Natal researchers found that as many as 47.7 percent of all the super-rich were farmers.

They outnumbered company directors by more than two to one.

There were also more than twice as many farmers as professionals in the top bracket.

The research team quizzed a cross-section of the population about the prestige they associated with the occupations followed by their peers.

Wealth alone was unable to match the high regard most of them had for occupations of service to the community, such as judge and professor, or Cabinet Minister or Member of Parliament.
R1,6m bid for ABH

Financial reporter

ASSOCIATED BUS HOLDINGS (ABH) shareholdes have been offered shares in Tollgate at 165c a share or cash in a R1,6m deal.

This forms part of Tollgate's plans to acquire Associated Bus Holdings, Standard Merchant Bank and Barclays National Merchant Bank, as said yesterday.

The Mitchells Plain and Atlantic bus operator, in which Tollgate owns 50 percent of the stock, has paid a nominal dividend of 1c a share in the last few years.

The company was formed in 1972 to service Mitchells Plain and Atlantic, with an issued share capital of R700,000, with half the shares offered to the coloured community at 10c each.

They are being offered cash — 45c a share — or new shares in Tollgate at 165c a share.

The purpose of the acquisition is to rationalize bus services and lend muscle to ABH.

The proposals are not expected to have a material effect on Tollgate shares' net asset value or earnings per share.
More cartel capers

Cartel or no cartel, the Competition Board is about to launch an investigation into the so-called "market understanding" entered into by 14 short-term insurers. This unprecedented move is the latest development in the weekly saga concerning insurers' attempts to jack up industrial and commercial fire premiums by 25%.

The board's arrival on the scene seems to hold up a claim made by certain market sources that it would be invited into the fray by the insurers themselves. This cunning ploy was first mooted two months ago when the market was discussing the establishment of a Technical Rating Committee (FM, August 31).

The idea was that the board should be encouraged to investigate the arrangement with a view to giving approval. Chairman to the plan was that nothing whatever should be written down. This would clothe the issue in the guise of an informal understanding rather than a formally signed agreement. Since this would thwart attempts to prove the existence of a cartel, and therefore a restrictive practice, the board would have no option but to rule in its favour.

Like most insurers questioned on this point, Commercial Union MD Bill Rutherford says he knows nothing about the suggested ploy. In any event, "the situation can take care of itself," he says "Anyone who wants to come and see our rates and justify them is welcome."

The rating committee fell by the wayside long ago in favour of the informal market understanding. This was because insurers became insistent that insurers get their industrial accounts onto a sound footing before the end of the year, otherwise reinsurance capacity would be withdrawn. A rating committee would have taken too long.

The market understanding is now already in full swing, judging by comments from various brokers. It runs as follows: "Where premium rates on industrial and commercial fire business are increased by a maximum of 25% then members within the market understanding will not undercut the terms of the existing insurer."

Normally the Competition Board acts on complaints received or on information it picks up suggesting an investigation is warranted. Competition Board chairman Stef Naude says: "We've had no complaints sent in. This is something launched entirely on our own initiative."

He explains that the first step was to obtain the permission of the Finance Minister Barend de Plencz - as required by law - before investigating a financial transaction "This permission has now been granted."

"If we establish that there is a restrictive practice," says Naude, "then we will go to the parties concerned and ask them to justify it as in the public's interest."

And as any restrictive practice for whatever motive interferes with competition and has a deleterious economic effect, the argument will have to be a good one.

But without a satisfactory answer, the board would rule against the market understanding and request it be terminated. "If we are still not happy," says Naude, "then we would go for a formal investigation - a public enquiry - with notification in the government gazette."

If after this the board makes a recommendation for a dissolution of the cartel, a prohibition notice will also appear in the gazette. Contravention attracts a fine of R100,000 or five years' imprisonment, or both.

There's no doubt that insurers are very touchy about the use of the word "cartel." All the insurers stress the same point, that nothing has been written down, that it is not a cartel but a market understanding. Even the use of the word "arrangement" was pounced upon and refuted by one insurer.

Semantics aside, industrial fire risks have certainly been underrated during the last three years. And the authorities are rightly concerned about the low solvency positions of certain local short-term insurers partly caused by the intense competition.

The sector wants the situation corrected as soon as possible, but without becoming tangled up in cartels and any arguments about their anti-free market nature. In this light, the workings of the Competition Board could be intended to douse the flames of the critics by finding no restrictive practice thereby pre-emting future complaints.

Meanwhile, one independent broker says that the understanding is as much an advantage to the big brokers as it is to the insurance companies. "It gives them organic growth without the stresses of competition," he says.

Insurance capacity

"But the smaller brokers like ourselves will have to aim at the non-cartel companies for more business - though this won't be easy since we are up against a finite amount of insurance capacity."

As Guardian National MD Mike Newman admits "We've lost one account to a non-participant. But whatever we lose should be made up by those higher premiums applied to justified cases."

Another way round the cartel will be to
If only we could
drink petrol

By David Carte
FIZZY soft drinks cost more than petrol.
A litre of soda water, which comprises nothing but water and gas, costs 62c in a cafe, excluding sales tax and any deposit on the bottle.
A litre of petrol on the Highveld costs 62c, including tax of at least 18c. So soda water is at least 30% more expensive than petrol.

Other carbonated soft drinks cost the same as soda water, even though they contain syrups, sugar and other ingredients that the industry calls expensive.
A 750ml beer costs 90c in a bottle store, without the bottle. That is R1.86 a litre. But a third of the beer price is excise duty. Without excise duty, beer costs 4c a litre — a bit more than soda water — and home delivered milk at 62c a litre.

Brewers bemoan about the additional pleasure factor in their product and muse that beer is infinitely more difficult to make than soda water. If they could, cows would make a similar assertion about their short-life product.

Impatient

Highveld petrol is made by Sasol, but the cost to the consumer is based on Opec prices, which have quadrupled in the past decade. Built into the petrol price are enormous exploration, exploitation, shipping, refining and distribution costs, not to mention huge profits for shell, oil companies and government.

Still, it is cheaper than carbonated soft drinks.

Renne Viljoen, head of the SA Federation of Soft Drink Manufacturers, gets impatient with the comparison. "You can't compare petrol with soft-drink prices. They are too different. The difference is in volume handled and consumed. Soft-drink prices are determined mainly by costs."

"Makers of carbonated soft drinks use 118 000 tons of sugar a year. They pay R574 a ton to the SA cartel — virtually three times the London price. This makes the sugar bill alone R63 million."

"Then there are ingredients, horrific water purification, bottling and canning expenses, the cost of crates and the enormous costs of distribution to thousands of tiny outlets all over the country. Our industry uses more fuel than just about any other."

But with sales exceeding R500 million, soft drinks are profitable. The Big Two, Coca-Cola and Pepsi Cola of the US, do not disclose their profits in SA, but several bottlers of these products are doing extremely well.

Amalgamated Beverage Industries, which bottles Coca and Schweppes, has been such a good investment for SA Breweries that the brewer wants to increase its 20% interest.

Rennes recently paid R10 million for Sparleita Sun-crush, which has the Sparleita franchise on the Highveld, Suncrush, bottlers of Coke, Sparkletta and Schweppes in certain parts of SA, has been one of the highest-growth companies on the Johannesburg Stock Exchange. Cadbury Schweppes has also excelled.

According to the Soft Drink Federation, volume growth in soft drinks has been as good as it has in beer. In the past five years volume growth has been 11%, 14%, 17%, 10% and 6%. This year, in spite of recession, it is expected to be 4%.

Small brands

Apart from a short-lived spell of "predatory pricing" by Pepsi Cola in the Cape last year, there has been little price competition. Different brand prices are generally identical in the same cate. cafe owners tend to follow "recommended" prices.

Coca-Cola, with 60% of the market, dominates the industry.

Coke is it... but petrol's cheaper

Picture: Andrew Gillingham

Coke's own products have an estimated 65% of the market and Sparleita 19% Coke bottles Sparkletta as well as Schweppes, which has 8%. So effectively, Coke has 86% of the total market. Pepsi has about 6% and other small brands the balance of 8%.

"The brand leader" — as Mr Viljoen, a senior Coca-Cola man, wearing his Federation hat cloysly calls Coca — recently increased its prices and the other manufacturer followed suit. Mr Viljoen says the federation does not set prices.

The Competition Board recommended lifting price control from soft drinks because they are not a luxury and although there is not much price competition, demand falls heavily when prices rise.

In addition there is competition from tea, coffee, cordials, fruit juices, home soda makers . . . and even Adam's ale.
Motor companies expected to announce merger

Mercury Correspondent

PORT ELIZABETH—The Ford Motor Company here and Amcar Motor Holdings in Pretoria have decided to merge. An announcement to this effect is expected, perhaps next week, but certainly before the end of the month.

This was revealed yesterday by the director of the Motor Industries Federation in Johannesburg, Mr. Janne van Huysteen.

Spokesmen for Ford and Amcar would not confirm or deny the proposed merger.

They said an announcement would be made when negotiations between the two companies had been completed.

Mr. Reuben Els, of Amcar, said no date had been finalised for the release of a statement. Mr. Harry Hill, of Ford, said a press conference would be called if and when an announcement was to be made.

Ford and Amcar would form a joint manufacturing concern with each company having an equal share, Mr. van Huysteen said.

Authoritative sources predicted that the Escort manufacturing operation would be moved to Pretoria and that Amcar, in response, would move its light-truck assembly operation to Port Elizabeth.

With parts interchangeable between the Ford Escort and the Mazda 323 and the overseas link between Ford and Toyo Kogyo, Mazda's parent company in which Ford of the U.S. holds a 25 percent share, it seems likely the main thrust of the common manufacturing company would concern these two models.

Replace

This probably would see the Escort and Mazda retaining their current body shells but using similar drive assemblies.

The other benefit, according to industry sources, is that the Escort would move to a more modern production line.

Amcar's Mazda pick-ups and Mitsubishi trucks probably would replace the Escort at the Neave Assembly Plant where Ford currently builds all its trucks.

In September, Ford and Amcar issued a statement that the two companies were exploring matters of mutual interest.

In the past six months, Ford has retrenched 660 hourly and salaried workers and extended its end-of-year shutdown period.

Amcar retrenched 315 workers in August.
Argus group buys stake in Maister

THE Argus Printing and Publishing Company, battling with falling advertising revenues, announced yesterday it had acquired a 20 percent interest for R18,1-million in Maister Directories (1981) (Pty) and Yellow Pages (Pty).

The acquisition is to be funded by a rights issue.

The managing director, Mr Hal Miller, said he was excited about being a member of the Master group.

Maister, Nasionale Pers, Perskor and ITT each reduced their 25 percent holdings to accommodate Argus.

The Argus in its statement for the six months ended September 30 said while pre-tax profit had been held at R17,7-million compared with the R17,5-million for the seven months ended September 30, 1983, attributable profit had fallen sharply to R6,7-million from R11,8-million.

Tax was nearly R4-million higher at R6,9-million and a major reason why attributable profit fell to R6,7-million.

Nevertheless the interim dividend has been maintained at 125c.

While the group managed to perform well in the past six months, the second six months were going to be difficult and management was doing everything possible to reduce costs.

Turnover, because of earlier buoyancy, rose to R237,5-million from R233-million. Trading income was R1-million higher at R18,7-million and interest slightly down at R4,5-million (R4,7-million).

Income from investments and subsidiaries not consolidated (SAAN) was R2,5-million against R3,5-million, while minorities rose to R4,7-million from R3,5-million.

The directors said, as anticipated, tax increased considerably, partly because of the higher rate, partly because of the consolidation of Hortors and partly because of the high level of tax allowances which were available last year.

In addition, the interest of minority shareholders rose because of CNA Gallo's greater contribution to income and the consolidation of Hortors.

Although there was a general rise in circulations, a sharp fall in advertising demand in the latter part of the period adversely affected newspaper revenues.

DETERIORATING CLIMATE

Improved profits from CNA Gallo and Hortors in spite of the deteriorating commercial climate resulted in a small rise in pre-tax profit when compared with the seven months to September 1983.

The Saturday Star continued to receive strong support from both advertisers and readers and was trading profitably. Only the first issue of the Sunday Star fell within the review period, but early results were satisfactory.

Newspapers had been hit by the general slowdown in business conditions, the 10 percent sales tax on advertising and the sharp fall in ad placings.

Trevor Walker
New move against cartel practices

PRETORIA — The Competition Board is to conduct a high-priority investigation into alleged competition restrictions and its subsequent recommendations could be an important development in South Africa's competition policy, Dr S J Naudé, chairman of the board, said yesterday.

The investigation is into "certain business agreements, arrangements, understandings, business practices and methods of trading, namely collusion on prices and conditions, market sharing and tender practices".

Notice will appear in the Government Gazette today.

"In respect of prices and conditions, it will include any agreement or arrangement regarding the prices, fees, interest, premium or other consideration, and any other condition on which goods will be supplied, a service rendered or a loan, credit or risk coverage granted."

In a statement in Pretoria, Dr Naudé said the board felt certain types of agreements or arrangements that might "seriously restrict effective competition" were fairly common in the South African economy.

"The board therefore intends giving a high priority to this investigation," he said.

With one exception, the approach up to now had been to first investigate alleged restrictions of competition and to take action where justified afterwards. This had proved to be inadequate in many instances.

"The new approach essentially entails the outright prohibition of those restrictive practices which, in view of experience in South Africa and elsewhere in the world, detrimentally affect effective competition, and in practice prove to be difficult to justify in the public interest."

Because the investigation was also aimed at agreements or arrangements between firms in regard to price or market sharing or both, any prohibition flowing from the investigation was likely to have a substantial impact on any cartel arrangement, he warned.

"Firms or persons involved in such practices must therefore seriously consider their position and either make the necessary adjustments or approach the board with the view to justifying their actions and exemption, in the public interest, from any general prohibition."
Official cites medical, legal cartels

PRETORIA — The economy was "gulled" with cartels and monopolies which could manipulate prices to the detriment of the consumer, the Consumer Council says. The deputy director of the council, Mr. Bernard Hellberg, was reacting to the announcement this week of a sweeping investigation by the Competition Board into price fixing, market sharing and cartel forming in South Africa.

Mr. Hellberg said examples were the medical and legal professions — "the best organised cartels you could find anywhere" — and the beer and wine industries.

"If we are to fight inflation effectively it is essential that price-fixing rings and monopolies be broken up and their products exposed to open and free competition."

The executive director of the Afrikaanse Handelstunst, Mr. Fritz Stockenstrom, welcomed the investigation. He said the special situation in South Africa and the size of the market should be taken into account.

The PFP's consumer spokesman, Mr. Harry Schwarz, agreed the investigation was long overdue. He said it must not become a witch hunt. "It must be strictly objective — and quick," he said. -- DDC
Clicks pays R1,2m for 50pc Australian stake

Clicks earlier this year
Mr Goldin and Mr Gandel will be joint chairman and Clicks' senior marketing executive, Mr Martin Susskind, is being transferred to Australia to help with the running of Priceline.

Mr Susskind is one of Clicks' top executives, with extensive experience in stores, management and buying.

Mr Goldin said yesterday that he would have the full backing of the Clicks team.

Mr Gandel has extensive property interests in Australia, particularly in shopping centres, and this should help Clicks find suitable sites for expansion.

He is also joint chairman of Sussans, an Australian fashion chain.

Clicks' move follows Pick 'n Pay's high successful entry into Australia where Mr Raymond Ackerman's Brisbane hypermarket is setting turnover records.
Ford, Amcar talks ‘on the right track’

Discussions between motor manufacturers Ford SA and Amcar Motor Holdings are expected to reach “preliminary conclusions” in late January, a statement by Amcar says.

The talks, first announced in September, have led to widespread speculation that the two companies are planning to merge their operations.

The statement says that no conclusions have been reached yet.

It adds that whatever conclusions are reached, no impact on existing operations could take place in either company before the second quarter of 1985.

The statement says that Mr. Lindsey Halstead, vice-president Asia-Pacific and Latin American automotive operations, Ford Motor Company, visited South Africa last week.

He reviewed progress made so far with Mr. Leslie Boyd, executive director, Anglo American Corporation, who is chairman of Amcar, and with the management of the two companies.

Mr. Halstead said “I have conducted an on-site review of the progress made to date and feel we are on the right track.

“Clearly there are opportunities for co-operation that will afford improved economies of scale and benefit the South African economy, as well as both Ford and Amcar.”
Will the clamp work?

The Competition Board’s new dispensation has been widely acclaimed as a resounding blow for real competition in this country.

For far too long, so-called cartels, market agreements, and various restrictive trade practices have continued unchallenged. But their death knell has been sounded with the announcement last week of a far-reaching investigation into these practices by the board.

But whether the blanket powers that could arise from the investigation turn out to be a breakthrough depends very much on whether the government has the gumption to follow through on the board’s recommendations. Ironically, the source of the board’s possible new powers — government — could also doom the board to impotence. After all, it has happened before.

The essence of the new dispensation is to replace the board’s inefficient ad hoc approach of investigating alleged restrictive trade practices by a broad policy of prohibition. In a sense, this represents a radical change in modus operandi.

The private sector has welcomed the Competition Board’s new brief to look at collusive and restrictive trading practices. Hopes are high that imaginative solutions can be found to break the stranglehold of the big cartels. But, in the end, there will be powerful lobbies, with considerable political leverage, against change.

The cost-effectiveness of the old approach has been low, and there are many cartels that continue quietly and happily because they cannot be ferreted out.

Stef Naudé, chairman of the Competition Board, explains “Rather than investigating a particular person or industry, and then taking action, as has been done in the past, the board now intends outlawing a broad section of restrictive practices which are believed to cut across the entire economy and hinder competition.”

“I have no doubt that this investigation and the recommendations that arise out of it will have a substantial effect on the promotion of effective competition and will conceivably mean the end of cartels as we know them.”

Once the recommendations are accepted, a phone call to a competitor to fix a price could land someone in court and or even in jail.

The Maintenance and Promotion of Competition Act of 1979, under which the investigation is being conducted in terms of Section 10 (1)(e), provides for a maximum fine of R100 000 or a prison sentence of five years for offenders. The scope of the investigation is wide and far-reaching, and has implications for a host of parties — such as trade associations, retailers, suppliers, manufacturers, professionals, health services and financial services and institutions.

Broadly, the board will examine any form of collusion in the private sector. More specifically, three areas will come under the spotlight.

Firstly, the investigation will examine any agreement or arrangement concerning prices, fees, interest, premiums or any other stipulation or condition on which goods will be supplied, a service rendered, loans or credit or risk coverage granted.

The investigation includes both “vertical” price fixing between manufacturer and retailers, and “horizontal” fixing be-
from the investigation

It is believed that recommended fee scales which are not enforced by the professions will have a far better chance of surviving any prohibitions. However, where fees are determined by law, the board will have no power to interfere. In SA, the legal profession, for one, could feel the pinch, as it did in the US when competitive reform pushed down average income.

Arthur Chaskalson SC, vice-chairman of the General Council of the Bar of SA, says the issues raised by the Competition Board will be discussed at the next meeting of the executive committee of the general council at the end of January. He describes the current situation as follows:

Modest minima

"Members of the Bar are entitled to render services without charge and, in appropriate cases, do so. If they elect to charge, however, they must comply with fee schedules which prescribe minimum fees for certain classes of work.

"Minimum fee schedules are largely unimportant to established members and, for the most part, are relevant only to beginners at the Bar. The minimum fees are set at modest levels with due regard to the nature of the services which have to be rendered and the amount of work appropriate to the rendering of such services."

Louis van Zyl, president of the Association of Law Societies of SA, which represents attorneys, says the association will respond to the investigation. He says there is no price fixing among attorneys. "Societies prepare guidelines which are merely intended to create an indication for members of what is considered reasonable."

In the past, he says, it was considered unprofessional to charge less than a reasonable charge for a certain amount and complexity of work. "However, there has been a change in attitude in some countries towards this practice."

Will the board be able to get its way? Paul McNaughton, a director of Reef Coal, welcomes the investigation. "However, we hope the board will be able to implement properly and thoroughly whatever recommendations they might make."

Ackerman also hopes government will listen to the board's recommendations, noting that "If this investigation does not get strong Cabinet support, it will be an exercise in futility."

The key to success, says Ackerman, does not lie with De Villiers, but rather with State President P W Botha and whether he is prepared to support De Villiers and any recommendations he might accept. "Government will have to ignore political affiliations and tackle the issues fearlessly," Ackerman notes.

Then there are those who believe that the scope of the investigation could be its greatest weakness. Kantor disagrees. "Rather than being a drawback, the scope of this investigation is broad enough to make particular vested interest groups less powerful." He also believes the present Act provides sufficient bite for the board to carry through its intentions.

However, the failure of the board to implement its recommendations concerning the break-up of the liquor industry still casts doubt on whether it has the punch to have the current investigation enshrined in law.

And will De Villiers have the necessary political clout to carry through recommendations which could irk some powerful lobbies — particularly in the trading and financial sectors? It was, after all, De Villiers who emphasised (when the board was conducting its investigation into the liquor industry) that the government was not bound by the board's recommendations.

So what has changed?

Perhaps, if nothing else, the investigation will clarify whether political interference by some special pleaders has greater influence in government than commonsense for the economy as a whole.
Huge appliance group formed

By MIKE JENSEN

A NEW group has been formed by Federale Volksbeleggings and Sanlam to produce South Africa's largest domestic appliances group, with R300m in annual sales.

The company, to be called Tek Corporation, will be the result of a merger between Tek and Defy, bringing in Sanlam as a new contender in the industry.

It will become a leader in "brown goods" such as TV, hi-fi and video recorders under the Telefunken and Pioneer brand names, and in "white goods" such as stoves, refrigerators, freezers, dishwashers, washing machines and microwave ovens under the Defy, General Electric, Hotpoint and Zanussi brand names.

The new group will be a wholly South African-owned enterprise, controlled by Fed Volks — 54% — with Sanlam holding the balance of 46%.

Federale was the sole owner of Tek and the deal brings Sanlam in as a new shareholder through the injection of funds, a spokesman told Business Day.

To make the merger possible, the new funding has been injected into Tek, which in turn has bought Defy from Glynewd, of the UK and General Electric, of the US for R27m.

Glynewd retains full ownership of the foundry and pressing division of Defy. This division, based at Newcastle, Natal, manufactures solid fuel stoves, cast-iron pots and porcelain enamelled baths.

It will be owned by a newly-formed subsidiary of Glynewd, called Falkirk Industries, and will be operated separately from the enlarged Tek.

Announcing the merger in Johannesburg yesterday, Mr Johan Moolman, managing director of Federale Volksbeleggings, said "in view of the uncertain levels of demand and the major rationalisation programmes to be undertaken by the new group, it would be premature to quantify the effect of this transaction on Federale's earnings for the last quarter of the current financial year."

"Results for the 1985/86 financial year will continue to reflect the effects of a depressed market, but thereafter it is expected that the enlarged Tek should contribute satisfactorily to Federale's earnings."

Mr Neville Organ, who recently joined Federale, becomes chairman of the enlarged Tek Corporation.

"Neither Defy nor Tek have been making money this year in the search for profit. Tek this year entered the market for white goods. Conversely, Defy was preparing to enter the market for brown goods," he said.

"Now we can focus on combining the best of each team's service, technical, production and design staffs for the benefit of the consumer and retailers alike."

As part of the reorganisation, it is possible that Defy's factory at Vulcania, near Brakpan, will be closed early in 1983, said Mr Richard Newby, managing director of Defy.

He becomes joint managing director of the enlarged Tek, responsible for all manufacturing operations.

On the marketing, sales and distribution side, the area for which Mr Mike Bosworth — current managing director of Tek — takes responsibility as joint managing director, there will be an examination of the 30 distribution depots that Defy and Tek have in main centres.

The cost savings made possible through merging the Defy and Tek national distribution networks would considerably strengthen the new group, said Mr Bosworth and Mr Newby.

Precious metal prices
Altech challenged as Reunert buys into TM

BY MIKE JENSEN

COMPETITION between SA's two electronics giants — Reunert and Altech — has reached new levels, with Reunert buying a major stake in Telephone Manufacturers of SA (TM) for R52.75m.

Altech has traditionally held the lion's share of Post Office business, which accounts for about a third of SA's R5.3bn a year electronics industry.

But the Reunert acquisition now leaves only one area of Post Office business outside the competition — long-distance transmission.

Agreement in principle has been reached for GEC SA — owned equally by Reunert and GEC UK — to buy a 50% stake in TM.

The purchase is being made from GEC UK. Plessey SA remains the other 50% shareholder of TM.

TM is one of three suppliers of electronic telephone exchanges and is the sole supplier of telephones to the Post Office. Both types of equipment are supplied under long-term contracts that run to March 1985.

Reunert has not been represented in these markets until now.

GEC SA will acquire, with effect from October 1, GEC UK's 50% stake in TM. Payment will be in the form of R52.75m worth of preference shares in GEC SA.

Half of the prefs will be converted to ordinary shares in GEC SA on April 85 and the balance not later than October 1, 1986.

To maintain its 50% stake in GEC SA, Reunert will buy new ordinary shares in GEC SA at a cost of R52.75m, half when the first block of preference shares are converted to ordinaries and the other half when the balance of conversions take place.

The chairman of Reunert, Mr Derek Cooper, said yesterday: "The acquisition will have no material affect on Reunert's net asset value, but is expected to increase earnings for the period to September 1985 by about 3c a share."

"More importantly, this represents a significant broadening of the telecommunications business in which Reunert has been investing over the past year."

Mr Colin Ferrera, the managing director of Reunert Information Services, said three companies in the Reunert group were already deeply involved in telecommunications.

"Through Telkor and AEI Henley, Reunert supplies microwave transmission equipment and PBXs (telephone exchanges), as well as holding a five-year Post Office supply contract for coin telephone boxes."

"Through ATC, telecommunication cables are supplied to the Post Office under a five-year contract."

Mr Cooper added that in the past financial year, ended in September, the group's electronics business had a turnover of R342m, or 57% of Reunert's total turnover. 63% of the group's profits, 83% were earned in the electronics and electrical engineering field.
Rand’s weakness against dollar creates opportunities

US firms see some bargains coming up

By Bill Levitt

While the US dollar has been outmuscling the rand, it has also kicked open the door for American companies to move into South Africa and acquire financially strapped firms at bargain prices.

SVP, a company that sells business information and also specialises in mergers and acquisitions, reports that a number of US companies have made inquiries while others have commissioned in-depth market surveys and analyses as preliminary steps to a takeover.

The reason is simple, says Mr Peter Goldberg, one of the firm’s directors.

The rand has dropped by more than 40 percent in value against the US dollar since September, 1983.

For a dollar, Americans get about R1.85.

“Firms buying in US dollars are effectively coming in at half the price and if they can afford to export and maintain cash flows, they can eventually collect tax rebates at the rate of about R2 for every rand spent if they qualify,” Mr Goldberg said.

An example used was a pharmaceutical company said to be one of the largest in the US. It has a subsidiary here solely to market prescription drugs, but the company wants to expand that division and get into the newly allowed generic drug trade.

“Mr Goldberg said the company needs to expand its international sales base to pay the hefty research and development costs and the easiest way to achieve that would be to acquire established companies.”

While South Africa’s market is relatively small, Mr Goldberg says after-tax return on investment stands at 15 percent, well above the US average.

SVP has narrowed the field and negotiations are said to be under way.

OTHER FACTORS

Although the rand’s continuing weakness appears to be the main stimulant for the takeover moves, there are other factors that have contributed to it, said Mr Goldberg.

Businessmen here have never had to worry about foreign exchange. Now they must cover forward and few understand the concept enough to apply it effectively.

Banks have not yet acquired the expertise and have had difficulty offering timely advice.

Businessmen have never really had to worry about cash flow management. Now that the prime rate has shot dramatically to 23 percent, it has become a crucial factor and many more insolvencies are unrelated to assets.

“The economy has changed to such a degree that many medium-sized companies cannot cope anymore.”

Some labour intensive industries have moved to the decentralised zones, but there are other problems — including high turnovers from unskilled workers and low productivity.

One hurdle facing potential foreign investors will be tax laws which limit the borrowing capacity of foreign-controlled firms depending on the company’s South African interest.

“More a company is controlled from outside SA, the less it can borrow against its share capital.”

The object is to force foreign companies to bring in overseas financing and keep more of the profits in South Africa.

But given the favourable rand/dollar exchange and the growing sophistication of the South African economy, Goldberg says the time is ripe for foreign investors — especially in the services sector where monopolies are not a factor.”
Takeover</p>
"Takeovers cast a "conservation" by management toward fork ing out cash, now yielding excellent returns from the banks."

"Companies are in between being flush with a lot of money; they are trying to run the business they have," said a senior JSE analyst.

A merchant banker noted: "If stock market prices fall next year there will be those companies trying to buy assets at a discount. At the moment it's a toss-up between whether institutional funds will keep prices at relatively high levels and whether the poor economic outlook for company profits will impact on share prices."

The massive Barlow Rand purchase of Bibby announced in September, reinforced this sentiment in the minds of many.

Barlow Rand had been a major overseas investment that would provide a geographic and currency diversification and act as a springboard for international expansion. Commented chief operating officer, Mr Warren Clevely, in the annual report: "The potential for future growth has been enhanced by the establishment of a strong base for overseas expansion, together with further developments in the company's core businesses."

"We had to get our house in order."

Until such time as 'the books' in most companies remain under stress, investors can clearly expect few advances on the takeover front."

9/12/84

S. Express
Argus and Perskor in Natal merger

DURBAN — The Argus Printing and Publishing Company and Perskor have merged their two Natal Afrikaans weekly newspapers.

Tempo, which is owned by Perskor, will merge with the Argus group's Natal Monitor, which was launched three months ago.

The new product will be called Tempo incorporating Natal Monitor.

Tempo, in its new format, will not be the political mouth-piece of the National Party as it has been since its inception firstly as Die Nataller, 29 years ago, and then as Tempo for the past 11 years.

It will be "apolitical" according to the executive editor, James Byrom. Editor Fred de Lange says it will allow a variety of opinions to be aired from all parties, but the newspaper itself will not comment.

The merger has a split of 51 per cent ownership by Highway Mail (Pty), owned by Argus, Caution and Robinson and Company, and 49 per cent by Drakensberg Pers, owned by Perskor. The new company has still to acquire a name.

Commenting on the merger, Mr Quinton Sengers, manager of Natal regional newspapers who will manage Tempo said: "The merger is the rationalisation of two Afrikaans newspapers in competition for a small but important market. With our expertise we are looking forward to providing the Afrikaans community in Natal with a good product to meet their needs."

*Argus has set the price of its rights issue at 4.690 cents. This represents a discount of 200 cents on yesterday's JSE 5.500 cents traded price.

The rights issue, which will raise about R18.46 million, is being made to fund the company's acquisition of a 20 per cent stake in Master directories and yellow pages.

Shareholders are being offered 26 new shares for every 100 shares held.

Argus recently announced the R18.46 million acquisition from Mr Maister, Nasionale Pers, Perskor and ITT, each of whom reduced their 25 per cent interest to accommodate the deal.

At a meeting yesterday shareholders approved a resolution increasing the authorised share capital of the Argus to 2.2 million shares of R2 each from 1.6 million shares, thus paving the way for the rights issue to proceed — SAPA.

### Indices

**Johannesburg — RBM**

<table>
<thead>
<tr>
<th>Share</th>
<th>Price</th>
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<tbody>
<tr>
<td>Coal</td>
<td>1.665</td>
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<tr>
<td>Banks</td>
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<td>Mines</td>
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<td>Food</td>
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*Note: The information above is a summary of the text and does not include all details or financial figures.*
End of depot monopoly welcomed

By ANDREW DUNCAN

THE Government's decision to end the monopoly on container depots, has been welcomed by the clearing and freight forwarding industry.

Mr Pat Hesegan, president of the South African Association of Freight Forwarders (SAAFF), said his organization welcomed the move to allow the establishment of a second container depot organization.

Last week, the Government announced it had accepted the Competition Board's report into the country-wide monopoly exercised by South African Container Depots (SACD).

Until the Government announcement, SACD (a consortium comprising Grindrod, Mitchell Cotts, Freight Services and Remmes) had been the sole licensee permitted to operate container depots at all the ports.

The board's report stated that the controlling interests in SACD had linked together powerful interests in the freight field.

It said their control over the only licensed depots might have given them a competitive advantage over other firms in the container industry.

Mr Hesegan said there would be tremendous support for any new depot.

"Around 75% of the cargo coming into the SACDs is handled by forwarding agents other than those having a vested interest in SACD.

"With the support of up to 60 clearing and forwarding agents, any new depot will be a viable proposition.

"A second depot will give us the opportunity of choice. This is not the case at present, where no one can neither govern nor dispute SACD's tariffs. We have never been happy with this 'take it or leave it' situation."

He said that in the past his organization had applied to open a second depot adjacent to the one already in existence at City Deep, Johannesburg.

This had been turned down by the Department of Customs. Their view was that any additional depots would have to be provided on a national basis.

Mr Hesegan said there was sufficient volume of traffic to establish additional depots at Cape Town and Durban, while Johannesburg could easily accommodate three container depots.

However, he said that even in boom times, the SACDs in Port Elizabeth and East London had been able to cope adequately and there were insufficient volumes to warrant a competing depot.

Mr Bernard Schokkard, managing director of Morar, said it was one of the greatest things to have happened to the freight business. "It has opened up a new era of free enterprise and will benefit importers.

"In the past we have been forced, at an exorbitant cost and with poor performance, to make use of SACD.

"While it is early days, it is a tremendous step forward and we would like to see the establishment of new depots as soon as possible."

He said in the present economic climate it might be difficult to attract investment and that suitable land and premises. Saltmane's corporate general manager liner services, Mr Jan Rubis, said the full impact of the announcement was difficult to assess.

"We do not have any objection to competitive facilities but they must be comparable to what is available at SACD.

"While we have investments in SACD, we would be prepared to use competitive facilities as long as it was on a market related basis. However, we would of course give preference to SACD."

Mr Ulrich Brown, chairman and managing director of Ellerman and Backwall, said his group had noted with great interest, the opening up of the container depot field.

He said Ellermann had contractual obligations to SACD and that it had given his company good service.

"We welcome the degree of competition, but until such time as competitive facilities exist, we will continue to place our business with SACD."

...
Opposition grows to OFS mine merger

By ELIZABETH ROUSE

Major French bank, Dreyfus, is mustering its international clients in a major campaign against the proposed merger of Anglo American’s six Free State gold mines.

A telex-telegram message is being sent to clients, prompting them to express disenchantment at Anglo’s proposed move to merge Free State Gold, President Brand, President Steyn, Western Holdings, Welkom and unlisted Jeanette Gold Mines into a JSE-listed capitalised company.

The bank joins US large US investment funds, such as International Investors Funds of New York, in expressing opposition to the disappearance of four gold shares from the Free State sector, leaving only five shares in that sector.

The bank’s and investment funds’ main argument is that the merger deprives them of a free choice of investment among producers with varying prospects and that the JSE’s gold sector — which has not seen a new listing in six years — is being further truncated.

Fears of dilution of dividends by inclusion of short-life producers in one major company are another major factor in investor dissatisfaction. The mixture of high grade mines such as Brand and Steyn with the marginal Western Holdings complex is viewed with misgivings.

Institutions, UK unit trusts and North American funds are the main objectors to the merger. Many may not hold more than 5% of their portfolios in a single stock. When the gold companies are merged, institutional holdings will in many cases be at or above 5%.

That means they will either not be able to buy more stock in the giant company or be forced to sell stock to satisfy regulations.

Anglo American has already come up against the Finance Minister, Mr Bar end du Plessis, who has expressed his misgivings about the tax implications of the merger. He intends referring the fiscal implications of the large merger to the Margo Commission on tax.

Anglo’s gold and uranium division chairman, Mr Peter Gush, answered that the operation would be “totally tax neutral”.

However, tax considerations have been the main reason for new gold mining developments taking place under the auspicies of a large producer. In the golden days the opening of large ore bodies would have warranted listings of separate gold producers.

Johannesburg broking firms are also getting adverse reaction to the merger from their clients.

“Opposition is growing,” says a leading firm’s mining analyst. “Anglo appears to have muddied the market, not anticipating the reaction of shareholders.”

The scheme has obvious benefits for the future of the Free State mines, which are now moving into lower grade areas. But is an equitable merger will have to be devised to satisfy shareholders.

The analyst believes that a scheme similar to that of Western Holdings — which left Welkom (owning 6,54m Western Holding shares) on the JSE board — might be a feasible solution.
Standard Brass to acquire business of engineering firm

JOHANNESBURG — Standard Brass Iron and Steel Foundries is to acquire the business of the Unique Engineering Company Pty Ltd. The company will acquire the entire business for the full purchase price of R2475 000.

“The price will be payable in two tranches following the completion of audited financial statements of the business for the aforementioned two financial periods.

“Profits for 1984 will benefit by the purchase of Unique and it is expected that Standard Brass’ pre-tax profits as a whole will be of the same order as in 1983.

“The business will trade under the name Unique Engineering and it should have a material impact on earnings in 1985, but overall earnings will obviously depend upon the business climate, which has yet to show an improvement, and the performance of all Standard Brass Foundry and engineering operations.” — Sapa