Productivity

1987 - 1988
The productivity link

Increasingly, fast and effective communications and ready access to information are recognised as key factors in the drive for efficiency and productivity. This has spurred the demand for networking in the local computer industry, where there is evidence that this market could more than double in 1987. The first step in the process is usually to install a local area network (LAN) which links a company's microcomputers through an operating system grafted to a central machine, or file server.

Mike Coppin, GM of Drake Networking Systems (DNS), estimates that the value of the LAN market will double to R85m in the next year. "As more companies realise that the exchange of information between personal computers is critical to corporate performance," he says, "the PC market growing at more than 20% a year to around 80,000 units this year and 100,000 in 1988. The number of networked PCs will more than double from around 12,000 (or 19%) at present to 30,000 in 1988. Confirmation of the trend comes from DNS, sole distributor of operating system Novell Netware in SA which saw sales rise 200% in 1986. Novell is the system used by both Bank of America and British Rail to link hundreds of microcomputers and help process vast amounts of data."

Mackie Glasser, chairman of SA Computers (Pty) Ltd, anticipates that until the end of the century the mainframe market will grow by only 8%-10% - just a quarter of the growth expected in the mini- and micro-computer sector. "This means that central mainframe data-processing budgets, which now absorb about 75% of available funds are likely to account for only 50% of available funds by the end of the decade. The shift will be to decentralised and distributed data processing using minis and micros."

Glasser says the move towards maincomputers is not driven by a sudden interest in technological developments in the sector, but rather by the fact that end-users are in a position to solve problems and meet challenges using decentralised computing power. "The simplicity of installing and operating small computers works in their favour. They don't require air-conditioning, special flooring or plumbing. In many cases they operate on standard electrical current and can be accommodated in standard office layouts because they occupy small areas, throw out little heat and are largely noiseless."

"On the solutions level, minis are user-friendly and allow end-users untrained in electronic data processing to work with a localised computer rather than relying on a centralised processing service."

However, what of the companies which already have large numbers of microcomputers installed? Software developments in the LAN field have ensured they can optimise resources.

What's more, IBM's Token Ring system has established a standard in the field and raised the confidence of prospective users. LANs have several advantages over systems based on a central mainframe which drives "dumb" terminals. First, end-users have intelligent workstations through which they can easily access and process information, cutting out delays and increasing productivity.

Built-in electronic mail systems make it possible to create, transmit, read and delete messages, memos, documents, and spreadsheets immediately. This cuts down on paper circulation and prevents document loss.

LANs are also much easier to install and maintain than mainframe systems - and, of course, they're far cheaper. The cheapest Novell system, for example, costs around R14 000-R18 000 for softs and R2 000 each for three IBM-compatible micros. Support, too, comes at micro prices.
ONE of the most effective "perks" in industry requires neither money nor merchandise to prompt people to work better, according to executive director of the National Productivity Institute Jan Vusser.

It's the Japanese principle of worker involvement in group problem-solving and resultant management recognition, he says.

At more than 100 SA companies and municipalities, small groups have been formed into productivity and quality control circles. The teams meet regularly to look at ways of doing things more efficiently.

The practice has been particularly successful at Iscor, where it's been implemented at all facilities.

John Riddell, GM Steel Operations says the improvement in Iscor's productivity in the past couple of years has been quite amazing.

"Already more than 1 000 small groups involving more than 8 000 employees have been formed at Iscor," he says.

Riddell emphasises that the corporation's Small Group Activities (SGA) programme should not be seen as replacing the management system. "It's directed at the level of supervisor or foreman and lower," he says.

Participation is voluntary and leaders are chosen from within groups usually numbering six to 16. Projects cover a range of issues—from cleanliness and safety to production problems and cost effectiveness.

At the end of a project, which normally runs no longer than six months, team leaders give presentations to top management.

Iscor runs an SGA knock-out competition and, in a departure from the original Japanese system, makes small cash awards to winning teams.

But the main incentives are still pride, achievement and recognition.

"We don't only look at value. We take into account spin-offs like better working relationships that develop in the group," says Riddell.

He notes that the programme brings longer-term gains like better education and expertise, and this in turn leads to still better productivity and quality.

It has also brought managers and other personnel closer together.

For every R1 invested in the SGA programme, Riddell says, savings of R1.5 can be attributed to it.

He anticipates that membership, currently around 15% of potential participation, will swell to beyond 65%—more than 25 000 people—in the next five years.

At that level, he maintains, the system tends to run on its own.

Then people who are not involved are not part of the team.
Various comfort factors influence productivity

PRODUCTIVITY in the office environment can be linked to several factors. Comfort, colour, temperature and particularly the amount of plant-life, have all been found to be contributing elements.

Landscape architect Gareth Singleton says "People are subconsciously aware of the attractiveness of natural lighting and plant life."

MD of Environmental Design, and vice-president of the Institute of Landscape Architects, Singleton feels he's something of a pioneer in his field in SA, where many are only now becoming aware of the tremendous value of plants in the office environment.

The US and Europe provide the lead in plantscaping, and productivity increases of up to 40% have been reported where plants have been used to enhance working environments.

Plantscapers work hand-in-hand with architects in designing both the internal and external environment.

And trends of decentralising from CBD-areas has coincided with development of the office park concept. This involves the siting of offices in attractive natural settings, and many architects attempt to bring the "feel" of the out-door environment into interiors as well.

Even within the CBDs, new office structures are tending to use plant life to the full in atriums, outside balconies and in open-plan office space.

Redevelopment of existing office buildings is also tending towards open-plan offices for increased space efficiency.

And here lies one of the most exciting opportunities for the creative use of plants, with natural foliage being used not only to create pleasant aesthetic quality to the interior-decor, but also as part of its structure.

Plantopia MD Robert Michaelmore says "Plants are used as directional guides, acoustical dampers and to provide privacy by closing-off areas while still allowing visual contact."

One marked change in the use of plants in the office environment has been the move from the traditional mixed arrangements, which incorporate a variety of individual plant types, to the specimen plant.

The latter is a single, and typically quite large plant type, which stands in its own container. This has proved a more practical, cost-efficient and easily-maintainable form of plant decor.

Ideally, plant specialists should be involved from the start of any construction project, to set the design requirements such as lighting levels, temperature and water controls.

Correct lighting is essential for plants to survive. They require certain minimum light levels, and can also suffer when office lights are switched off over-weekends. Time switches for lighting and even air-conditioning may be required in buildings.

Adequate water supplies are also essential. Most indoor plants provided by the larger companies today are set in a semi-hydroponic environment. Here roots grow into a nutrient solution in the bottom of their containers.

This solution is easy to maintain and provides efficient nutrition for the plant. Automatic irrigation systems can also cause problems, being more subject to failure than the far from outmoded watering can.

It is possible, of course, to circumvent all this trouble by installing artificial plants, whether plastic or silk.
Productivity and environment ties

Managing directors who neglect worker's needs within office environments could be reducing productivity.

A consultant specialising in office-interior design, Anthea Kohler, says:

"What productivity depends largely on the motivation of the employer, most executives seem to feel an office furnished 20 years ago is good enough for the staff, and so on.

However, the company's performance is not only projected by staff and their productivity, as executives need to create the correct environment in which staff can operate.

New carpets, a coat of paint and a bit of greenery will upgrade an office.

"Furniture and appointments combined with using the company's existing logo and colours in offices and reception areas can transform the environment, so the furniture is functional but at the same time is unique to the company," Kohler says.

"However, although colour depends on personal taste, certain colours are taboo in specific situations," she warns.

For example, red, black and royal blue do not work in large rooms.

Subtle colours

According to Kohler, subtle colours are more fitting in an office with 10 or more workers because they are easier on the eye and less conspicuous.

She explains that a single office calls for different techniques to the open office plan environment.

With a single office, an individual's personality and personal taste will be taken into account.

In an open office, it should be borne in mind that each worker is an individual and that dynamic colours and patterns are not necessarily acceptable to most people.

"Furnishings should be adapted to practical requirements.

Texture

"Thus the texture and colour of a desk — for example — should be determined by the amount of light shining on it and the time spent there, rather than by the dictates of the MD.

As far as floor covering is concerned, there is no general consensus as to whether carpets or carpet tiles work better.

However, there is no doubt that tiles are more practical for areas taking a lot of traffic."

Kohler explains: "that renovating an office is not necessarily an expensive exercise.

"Changing the office environment could simply entail lowering a ceiling, putting mirrors on columns to create depth, using artwork and including lots of plants."
ISCOR'S corporate productivity improvement programme (PIP) target of R75.9m for 1985/86 was exceeded by R23m, or 30.3%.

According to an Iscor spokesman, this resulted in a total saving of R98.9m by the steel, mining and headquarters departments.

This was the second time the set targets had been exceeded. The last was in 1981/82.

Mining and headquarters exceeded their targets by 52% and 151%, respectively.

Ideas aimed at cutting costs, improving technical processes, increasing production, extending the life of equipment, saving material and preventing capital expenditure, are encouraged among the staff.

Many suggestions are received, the spokesman said.

The ideas are investigated and implemented if considered practical.

The PIP floating trophy was won by Grootgeluk coal mine's process development plant chief engineer P E Venter for his suggestion on reclaiming and marketing the coarser fraction of coal which does not float.
Heart of the matter

A VERY SMALL GROUP OF HIGH LEVEL SKILLS

AND AN ABUNDANCE OF LOW LEVEL SKILLS

What is most important for the long term, though it is currently expenditure going into education. It is the ultimate long-term investment any society can make, even though its dividends may materialize only after a period of decades rather than years.

An important reason for the poor productivity record is the skewed skill base on which the SA economy has been built.

A too small portion has always enjoyed full access to education, while a too large group never benefitted. As a result the economy has a very small group of high-level skills and an abundance of low-level skills.

It is an imbalance that cannot easily be bridged in a modern economy, not even with "appropriate" technologies.

The investment effort under way this past decade, aimed at greatly upgrading educational opportunities for all, is therefore the single most strategically vital action being undertaken by government to improve the long-term growth ability of the economy.

Skill

By improving the labour skill base, it will be possible to use far more labour, more productively, than in the past.

It would mean a less pressurised use of the small high-skills group, a greater degree of experience all round, and a consequent greater ability to improve productivity.

It is crucial that we are successful on either score, as we need to create employment opportunities for the next generation, while at the same time improving the average standard of living.
Factory production up

HELENA PATTEN

THE VOLUME of factory production has shown recovery in the past two quarters.
After declining sharply by 5.1% during 1965, and the volume of production continuing to drop in the first half of 1966, the latter half of 1966 showed a welcome improvement.
Total factory production was about 1.5% higher in the third quarter of 1966 than a year before, and preliminary figures show an improvement of more than 4% in the last quarter.
Holidays, stayaways disrupting business

PUBLIC holidays — coupled with worker stayaways — have caused thousands of production hours to be lost in the country’s industrial and commercial sectors.

And commerce and industry have warned that public holidays should be spread out so as to cause the least disruption of the economy.

By June 1, there will have been 12 non-working weekdays within a two-month period. The spate of holidays — April 6, 17 and 20 and May 1 — have left business with, at worst, four successive four-day weeks.

Ascension Day and the day following Republic Day on Thursday, May 28, and Monday, June 1, may cause further disruption and lead to a huge drop in productivity.

One spokesman said, "How many people will choose to break up a potential five-day weekend by working on May 29?"

Tomorrow and Wednesday could see hundreds of thousands of workers staying away from work in answer to the UDF-supported Cosatu call for two days of peaceful protest.

An Associated Chambers of Commerce spokesman said Assocomm's policy was that it would like to see a more even distribution of holidays throughout the year.
Productivity boost vital, says Botha

BLOEMFONTEIN — If South Africa did not raise its productivity it would not overcome inflation, the State President, Mr P W Botha, told the 74th congress of the National Party of the Free State here at the weekend.

Mr Botha said there were too many people who did not play a role in raising productivity in South Africa.

Countries in Europe had lowered inflation with large-scale unemployment but this could not be allowed in South Africa, Mr Botha said.

He said the solution had to be found in greater productivity. People had to be encouraged to make their contribution, not only formally, but in the informal sector.

If productivity was raised, there would be greater responsibility with less uproar and greater stability in the country.

Mr Botha said the evil forced upon the country from outside had to be withstood and "we will be an example of a country that has hope for Southern Africa".

"We must develop a message in South Africa that is better than what the communists offer."

Mr Botha told the congress that no economically-viable irrigation land in the Free State would be prejudiced by the Lesotho Highland Water Scheme, while various towns in the Free State would benefit.

There would be a greater assurance of water after the inception of the Lesotho scheme, he added.

The Lesotho water project was criticised last week at the congress of the Free State Agricultural Union.

It was said there would be less water for the Free State after the scheme came into operation than at present.

Mr Botha assured delegates that the Lesotho Highland Water Project offered hope and optimism, not worry and fear.

He said the possibility of providing Kimberley with water from the Orange River, via the Orange-Riet system, was being investigated.

Speaking of extra-parliamentary actions to get parliament out of its position of strength and to bring about a new dispensation in South Africa, Mr Botha said that this was nothing new. There had been numerous attempts to manage the affairs of South Africa from outside, he added. — DDC
Awards for productivity

WESTERN CAPE firms who have increased productivity in the past year will explain their methods tomorrow.

Their case histories will be part of the National Productivity Week Cape conference which starts today at the Good Hope Centre with a keynote address by Stephen Rogers, economic affairs counsellor at the US Embassy.

The winners of the Western Cape productivity awards will be announced tomorrow. Those on the short list are Atlantis Diesel Engines, Boston House College, Bromor Foods, Ceres Fruit Growers, Escom (Koeburg), Escom (transformer electrical maintenance), GUD Filters, Metal Box (systems engineering and manufacturing), PFC (De Hoek Works), Prinptak, Romatex Home Textiles, Serva and Woolworth (Hangerman).

The Woolworth Hangerman project was started in 1987.

The factory to recycle used plastic hangers

Atlantis was chosen because it was one of the worst-hit economic regions in the Western Cape.

The hangers are sent to Orion, a sheltered workshop for mentally and physically handicapped people, for sorting, cleaning, and repacking. It now processes about 430,000 hangers a month at 2.2c each and provides work for 40 otherwise unemployed people.

**National Productivity Week Cape Conference**

Speaking to more than 260 businessmen and guests at the Carlton Hotel, the Minister said: "Based on SA’s economic growth performance in the past, it seems an almost impossible figure to achieve. Yet it is within the country’s reach.

"SA’s important trading partners achieved at least 60% of their economic growth from increases in productivity, while this country obtained an average 6% growth for a 22-year period between 1961 and 1983," he said.

An improvement in productivity, however, will have to be concentrated on if we want to achieve success. And we will have to work very hard at it.”

The minister said the country’s productivity growth statistics were miserable.

“A productivity growth rate of 3% instead of 2% may not seem like a big problem until we stop to consider that a worker’s output — and therefore the national standard of living — doubles in 32 years, assuming a growth rate of 2%. But at the lower rate, it takes a full 70 years to achieve the same result,” he said.

De Villiers said that management was traditionally more concerned with using more resources than with using resources better.

“We have not succeeded in reversing this unfavourable trend and at the same time people at all levels must learn to accept responsibility for what they are doing and they must be involved in the process of finding solutions,” he said.

“I personally believe that the intense resistance to change at this level of management is one of the biggest problems we face in trying to increase productivity,” De Villiers added.
Drop in labour productivity

DAVID FURLONGER

LABOUR productivity fell 0.7% in 1987, following a 0.9% fall the previous year. The National Productivity Institute (NPI) says in its annual report the decrease was caused by employment rising 0.4% and output falling 0.3%. The NPI measures productivity by real GDP per worker in non-agricultural sectors of the economy.

Comparisons with SA's major trading partners over the past decade show SA had the lowest labour productivity growth and highest wage rate rise.
Productivity key is in wider spread of share ownership

By Frank Jeans

A wider spread of ownership of shares in larger companies could help to spark greater productivity in South Africa and be a key component of the "engine for growth." And the sooner the country redirects its efforts away from the "skewed nature of its education set-up" and drives towards more technically based achievement, the better.

These points emerge from a memorandum on productivity from Dr Lawrence McCrystal, chairman of the Board of Trade and Industry to the President's Council. "A wider shareholding, along with a greater increase in the number of people owning their businesses will undoubtedly bring about a better understanding of how a modern economy works and also realease much latent potential," says Dr McCrystal.

"Both of these will make for better productivity and must, therefore, be a part of a strategy and action plan." Referring to South Africa's "abysmal productivity performance" he says that over the 1970-86 period there was an annual improvement in output per worker of only 0.53 percent a year compared with that of Taiwan, for instance, which saw a 4.88 percent rise a year during 1970-84.

Dr McCrystal also believes that to get productivity on the move, there has to be a firm commitment to reduce inflation. "A high level of inflation has such a negative effect on the economy in general and on productivity in particular, that it is almost impossible to devise a strategy for productivity improvement without also incorporating in the strategy a plan to cut the inflation to a moderate level - at least below 10 percent a year," he says.

He has no doubt, too, that in the workplace there is too much of the attitude of taking as much out and giving as little in exchange as possible. "And when trade union organisers spread the word that the workers are being exploited, they are only too ready to believe it," says Dr McCrystal.

"All of this has an extremely detrimental effect on productivity improvement programmes which become difficult to sell!"

"Third world workers can very easily be persuaded to believe that this is merely another way of exploiting them to the benefit of employers and shareholders, especially if productivity improvement is followed by retrenchments."

On the education front, Dr McCrystal says the emphasis in both school and post-school education in South Africa is heavily oriented towards the academic direction with what can only be described as a "calamitous under-emphasis on technical education."

"There are far more students at universities than at technikons and technical colleges and far more of the university students taking academic, rather than technically-oriented courses," says the memo. "The need in South Africa today is for fitters and turners who are skilled in handling advanced equipment, agriculturists, production planners and engineers rather than sociologists and political scientists."
Warning on productivity

In addition to low labour productivity growth and high wage increases, South Africa is now in danger of pricing itself out of international markets, says the National Productivity Institute (NPI).

In its Productivity Focus for 1988, the NPI says with a productivity and wage track record such as South Africa’s, the country will find it difficult to compete overseas.

"South Africa no longer has to worry about sanctions for she is in any case, via her wage policies, pricing herself out of international markets."

Figures show unit labour cost — the amount paid for labour per product produced — was 282 per cent higher in 1986 than in 1973, representing an average annual increase of 13.1 per cent annually.

The sharp unit labour cost increases in the South African manufacturing sector far exceeded those of her major trading competitors and in turn exerted "tremendous pressure on product prices and inflation."

As a result, South Africans became poorer between by as much as 2.1 per cent each year.

Only Mexico registered a bigger per capita output decline during the same period.

Of the countries monitored, only Malawi reflected a higher population growth rate than South Africa.

It nevertheless experienced an improvement in standard of living as its economic growth rate exceeded its population growth.
Productivity seen as key

JOHANNESBURG — Toyota’s SA chairman, Dr Albert Wessels, called on South African yesterday to boost productivity to enable the country to compete against tough competition in the world markets.

Speaking at a creative management strategy seminar, Dr Wessels said South Africa’s relatively low standard of productivity was a fundamental economic problem which could not be ignored.

At present the country enjoys a favourable balance of payments because of its vast quantities of mineral exports. But mining was fundamentally a wasting asset.

“Gradually and unavoidably we move towards a situation where exports of minerals will have to be augmented and ultimately replaced by manufactured products,” he said.

“To export manufactured products you must be in a position to compete on world markets. For that there are two simple requirements: quality and price,”

For the past 10 years South Africa’s average increase in productivity was 1.6 per cent and last year it dropped to 1.1 per cent.

“How can we now compete with other countries with this standard of productivity?”

He asked.

Increased productivity is initiated in the manager’s office and on the planning board, not on the factory floor,”

Dr Wessels said the question is often asked whether South Africa, with its limited local market and problems of small scale production, will ever be able to develop the necessary technology to compete on world markets.

The action of striving towards raised productivity was in itself the best motivation for the creation of new technology,

he said.

Productivity rested on the creative ability, the technical and technological innovation of management and the capability and involvement of workers.

Dr Wessels said young nations did not become effective and profitable just by paying higher wages. They only succeed by “developing communal goals, wherein both management and workers feel that their work and their human values are respected”.

“If South Africa wants to compete in the world — and we will have to — if we want to make the standard of living for all race groups acceptable, then we must remain aware of the interchange between productivity and human values,” he said. — Sapa.
Heads we win, tails you lose in Sandton — Council

It is the boldest municipal exercise in Public Participation in Planning (PPP) in South Africa so far, and its success or failure will decide the future pace of PPP in the urban design process. It represents a break from planning upon people, and a try at planning with people.

Both sides want to see the exercise work for different reasons.

- Council wants to be able to say at the end of the day that the decision to build (or not to build) the road was entirely the public's choice.
- Then if things turn out wrong it can say "It was your decision, not ours."

Residents want it to work because they look with increasing alarm at the diminishing quality of life in Sandton.

Few homes are beyond earshot of major arterials, once pleasant horizons are now spoilt by ugly developments and row houses mushroom.

To put the new highway issue in simple terms, engineers insist that busy South Road, which needs to be widened from east Sandton, needs extending westwards across the central suburbs.

At present, it is truncated by Rivonia Road where traffic jams up during rush hours.

The town council wants to punch across Rivonia Road and has suggested a number of optional routes.

If South Road is extended westwards it will mean homes being demolished and some important open space being sacrificed.

Either the exclusive "millionaires' golf course" of River Club will have to be sacrificed ground or the adjacent Sandton Field and Study Centre park will have to give way.

The latter is not only the town's biggest park but is a peaceful and safe place, and much used by the community.

The park serves the densest area of Sandton — an area becoming even denser.

When the public said a resounding "No" to Road Extension, the council held a public meeting at which the chairman of the management committee, Mr. Rocky Valiente, clearly in favour of the highway, lost his cool and shouted down some public representatives who dared to disagree with him.

This week, he assured me he is now totally neutral about the need for the road and that the matter is "absolutely" in the hands of the public.

After the public meeting the council appointed a "Section 59 committee".

Let's call it a Public Participation Committee (FPC), for that is what these Section 59 committees are meant to be.

This FPC comprises the lead one councillor, officials attend to answer questions and to advise.

On Wednesday last week the FPC's tone councillor, Mr. Schalk Visser, told me that the committee had unanimously agreed that a new highway was "essential" and that the next move was to decide upon the "least intrusive route."

On Thursday a residents' group member of the FPC, Mr. John de Villiers of Parkmore, telephoned to say that the committee had decided "nothing of the sort."

He said "It became clear that temporary measures to help the flow of traffic will merely postpone the need for a suburban arterial for 10 years at most."

"Ten years really doesn't help anybody We agreed there was a need for the road."

He confirmed that the only consultants interviewed by the FPC were from two firms of engineers with a vested interest in the new highway going through.

"After months of studying the situation we had to accept the consultants' view that ultimately a suburban arterial will have to be built."

"We call it a 'suburban arterial' to indicate it is smaller than the M1."

I told him that Mr. Visser had said it would be a lot smaller than the Nicol Highway. Mr. de Villiers was hesitant to agree there.

He said: "The number one question we were asked to answer was, is there a need for the arterial? The next question we have to answer is, is it desirable."

"And before we can answer that, we have to discover what is desirable. The park is definitely desirable, so is suburban peace."

**IMPACT**

"We obviously need some environmental impact studies and for that we need funds," said Mr. de Villiers.

There is little doubt that powerful people in the council want the highway.

Certain people along the proposed route have been told by the council (but not in writing) that they will get commercial rights along the highway.

That is why some people in the area welcome the prospect of a highway.

Commercial rights — shops, filling stations and blocks of flats — would obviously create traffic volumes quite apart from the volumes the council is worried about.
SA living standards face new danger with...

Labour productivity threat

By Michael Chester

South African standards of living, in recent years due to inflation and recession, have come under new threats because of poor labour productivity.

The National Productivity Institute (NPI) has issued warnings in a new survey of world trends that the inflation rate and the international rand exchange rate will worsen unless there are dramatic improvements in performance made in the manufacturing industries in particular.

The warning comes as a caution to growing optimism in many economic forecasts about the prospects of curbing inflation and holding the rand on a stable plateau on world currency markets.

The NPI economics department voices shock and alarm over the findings of a "Productivity Focus" survey that compares the economic performance of South Africa with trends overseas, especially among key international trading partners.

It said it was dismayed to find that while wages in the manufacturing sector rocketed by no less than 352 percent since 1975, labour productivity has crawled forward by a mere 18.5 percent.

The result has been that unit labour costs have soared by a staggering 282 percent — in stark contrast with an actual 3 percent decline in Japan over the identical time span.

The increase in the average labour cost of each unit produced by manufacturers in South Africa was more than seven times higher than in West Germany, nearly five times higher than in the United States and almost double the rise in Britain.

South Africa's meagre 18.5 percent increase in labour productivity compared with jumps of 38.6 percent in America, 45 percent in Germany and Britain — and as much as 92 percent in Japan.

PER CAPITA OUTPUT DROPS

Because of the aggravation of a population explosion and unemployment problems, South Africa's output per capita now stands at only one-sixth of Switzerland's, one-fifth of America's, a quarter of Britain's.

Moreover, the comparison is worsening.

The South African figure is actually shrinking — at an average annual rate of 2.1 percent — between 1981 and 1986, in which time output per capita in Taiwan was growing at 6.3 percent a year.

The NPI economics department warns "Should the productivity, wages and labour cost trends continue to prevail, the rand can only depreciate more and more.

"There will also be even bigger threats to inflation as prices of imports will become much more expensive."

One of the most alarming features of the South African economy between 1981 and 1986 was that overall employment levels remained almost static while the total population increased on average by 2.6 percent a year, compared with only 1 percent in the US, 0.6 percent in Japan and no more than a marginal 0.1 percent in Britain.

Aside from the tremendous pressures caused by the population explosion, a poor productivity track record had to carry much of the blame for the predicament of low economic growth.

On average, the economy grew by a mere 0.5 percent a year between 1981 and 1986, when studies showed it needed to expand by at least 3.7 percent a year even to achieve the ambition of lifting living standards by a meagre one percent a year.

While South Africa neglected the productivity component in the generation of economic growth, the survey found that many overseas trading partners gave productivity credit for as much as 60 percent of overall expansion.

Unless trends in productivity/wages patterns improved, South Africa would find it more and more difficult to compete on overseas export markets.

The NPI says "In fact, it would appear that South Africa no longer has to worry about sanctions for she is in any case, via wages policies, pricing herself out of international markets."
MANUFACTURING SECTOR
TRENDS FROM 1975 TO 1986

LABOUR PRODUCTIVITY GROWTH

JAPAN: 91.8
FRANCE: 56.2
GERMANY: 45.6
BRITAIN: 45.2
UNITED STATES: 35.6
SOUTH AFRICA: 18.5

EARNINGS PER EMPLOYEE

JAPAN: 96.8
GERMANY: 102.4
UNITED STATES: 113.8
FRANCE: 257.2
BRITAIN: 265.3
SOUTH AFRICA: 352.1

LABOUR COST PER UNIT

JAPAN: 38.8
GERMANY: 57.4
UNITED STATES: 151.7
FRANCE: 282.1
BRITAIN: 187
SOUTH AFRICA: 303

INFLATION - CONSUMER PRICES

JAPAN: 57.6
GERMANY: 46.7
UNITED STATES: 103.6
FRANCE: 124.2
BRITAIN: 303.2
SOUTH AFRICA: 303.2

GRAPHIC: JAMES DE VILLIERS
IRS and NPI in project to aid retail industry

THE INSTITUTE of Retail Studies (IRS) and the National Productivity Institute (NPI) are cooperating on a project which aims at improving research and education in areas of interest to the retail industry.

The project will involve a productivity index monitoring of the retail industry and the indices will help senior management to measure their performance relative to the industry in which they compete, to other industries and internationally, NPI spokesman Mike Brown says.

"The more productive use of all resources can make a major contribution to profitability in the retail trade," says Brown.

"The barriers to such improvements include the absence of measurement of how we currently use those resources and how we can improve on the status quo," he says.

Productivity measures will include the Locmark and the Primer Index and measurements such as sales per linear metre, profit per square metre and sales per person employed.

Participating members will be asked to supply the NPI with monthly turnover and transaction figures which will then be checked and passed on to the IRS for analysis and reporting.

Mike Brown, director of the IRS, says this is a special field in which the IRS is uniquely placed to make major contributions to improved retailing efficiency and to research into retail issues.

Further information on the project is available from Mike Brown, NPI (012) 241-1470.
Pep Stores profits up 44 pc

CAPE TOWN — Pep Stores has lifted attributable profits for the year to February by an impressive 44 per cent to R66.3 million (R40.8 m).

Earnings have risen to 128.3c (80.4c) a share.

Turnover rose by 28 per cent to R646.5 m (R507.5 m) and operating profit by 32 per cent to R70.3 m (R53 m) — indicating a widening of margins.

The interest bill was 54 per cent lower at R2.3 m (R4.9 m) but the tax bill was 30 per cent higher at R9 m (R6 m).

Because the erosion of assessed tax losses will mean an increase in the group’s tax rate over the next three years the directors have adopted a conservative dividend policy.

The final dividend of 29.5c brings the total for the year to 48c (40c) covered 2.7 times.

Part of the growth in profit and turnover has come from the opening of 66 new outlets during the year.

This brings the number of stores in the group, which includes the Pep Stores and Ackermans chains, to 855.

With nine manufacturing units under its control.

“Our expectation is that the group’s profit for the six months ending May 31, 1988, will be significantly higher than for the comparable period last year.”

He stressed the group’s strong South African identity, however, saying: “The drive will be from here, the technology will be from here and much of the product sourcing will be from here.

“We’re now ready to become an international player, and although our interests abroad will not dominate our South African activities, there are compelling reasons to have a presence overseas. We live in difficult times and smart companies take steps to maintain their technology base.”

Altron going international

JOHANNESBURG — Altron Electronics Corporation (Altron) is set to go international in the next three years, with plans to set up a network of hi-tech companies abroad.

The chairman of the group, which has assets of more than R1 billion, Mr Bill Venter, said the decision to increase its involvement abroad was in the belief that the group had grown to the point where it could effectively compete with the multi-nationals.

Venter’s announcement coincided with the release of the group’s end-of-year results, which showed Altron continuing to perform well in the year to end February 29, 1988.

Attributable income was up 29.7% to R68.6m, or 324.2c a share, on a turnover of R1.58b, or 25.9% ahead of last year’s figure.

The board has declared a dividend of 86c a share (R6c in 1987) putting dividend cover at 2.5 times.
Robor benefits from productivity boost

By Ann Croty

Stronger demand and improved productivity have helped Barlow subsidiary Robor Industrial Holdings to report a 67 percent surge in earnings to 49,5c a share in the six months to end-March.

The group enjoyed a significant recovery in demand for its products in both local and overseas markets and was able to boost turnover by 25 percent from R213 million to R268 million.

The improvement at the operating income level was substantially greater due to the group’s enhanced productivity which saw operating margins up from 5,5 percent to 7,7 percent. The improved margins and the increased turnover combined to produce a massive 76 percent surge in operating profit from R10,9 million to R19,2 million.

Interest paid was up 89 percent to R1,4 million from R735,000. Managing director Jack Crucchley points out that the higher interest bill is a function of increased working capital requirements which increased in line with the improved trading position.

The group’s balance sheet at end-March shows working capital up only 13,3 percent to R96 million (R84,7 million). A 27 percent increase in stock to R130 million was chief reason for the 20 percent rise in current assets.

But the surge in interest payments appears to reflect the more than doubling of short-term loans to R44 million (R20,9 million).

Pre-tax profit was up 75 percent to R19,2 million. This got a bit of a knock from a 123 percent increase in tax (normal and deferred) to R3,3 million (R1,4 million). Mr. Crucchley notes that the more than doubling of the tax bill reflects the greater domestic component in the marketing mix.

Attributable profit was up 67 percent to R15,8 million (R7,4 million) and an interim dividend of 15c (10c) a share has been declared.

Looking to the second half of the year Mr. Crucchley believes that domestic demand in the engineering and construction sectors will show further improvement for the remainder of 1988 but that margins will remain most competitive.

"Profitability should exceed that of the first half provided the annual wage negotiations are settled in a responsible fashion."
An unproductive pair: capital and labour

Labour productivity declined by five percent and the productivity of capital by 11 or 12 percent between 1975 and 1986, according to the Board of Trade and Industries 1987 report, tabled in parliament last week.

If it had not been for a considerable over-recovery of rising costs by way of price increases and a decline in interest rates, the effects on profits would have been almost disastrous," the report says. Consumer prices rose by an average 14.3 percent a year from 1980 to 1984 and 18.6 percent from 1985 to 1986.

The report pointed to deep-seated problems in the manufacturing industry in particular. Low productivity of both capital and labour, a poor contribution to the current account of the balance of payments, and little contribution to growth in the gross domestic product.

The report says despite import replacement having been one of the authorities' economic objectives since the mid-1940s, merchandise imports as a percentage of gross domestic product declined only from 20 to 19 in the 26 years from 1960 to 1986.

"Manufacturing industry has in general failed to source locally its material inputs to a significantly increased extent. The same is largely true of the sourcing of capital equipment used by manufacturers," the report says.

Manufacturers' need for imports has not declined but their contribution to exports has: manufactured goods have represented a diminishing proportion of total exports (excluding gold), declining from 25.1 percent in 1980 to 23.6 percent in 1986.

The BTI report says manufacturing's export performance has regressed — it has swung to primary ("material-based") products which
Productivity only part of the problem

By Mark Davison

The cry for increased productivity in SA continues to be heard, but it is the wrong call.

This is the view of Les Newman, a past vice-president and honorary fellow of the South African Society for Quality Control and a member of the SACSSS quality management advisory committee.

Mr Newman says "Everyone expounds the concept of increased productivity, but what they are not expounding is that it is no use raising productivity if the end product is no good. "Quality assurance makes a product saleable, usable and wantable. We have to aim for quality." To achieve this aim, there has to be a total commitment from senior management to quality assurance.

"It is not something that you fob off on the quality assurance manager. That is like saying you have got rid of all crime because you appointed a policeman. We have got to get the concept across that productivity is not the re-

Sustainability and productivity cannot be treated in isolation. "There has to be a total commitment from the top. If you have a quality assurance programme it should be for the entire company," he says."
No more public holidays in SA than anywhere else

Despite South Africa's apparent abundance of public holidays, the country is no worse off than anywhere else, say experts.

Assoco's manpower secretary, Mr Vincent Brett, said although every public holiday meant a loss in production, they were planned for by management and "are built into the economy".

Problems arose when workers took a working day off before or after a paid public holiday to enable them to have a long weekend, he said.

"A number of employees take leave or are absent, but we have no figures at this stage to show how this affects production.

LOST PRODUCTION

"But I do not think it is that great," he said.

It has been estimated that each public holiday costs the economy between R200 million and R400 million in lost production and renumeration. Mr Brett said that if there was any disruption in production it was due to businesses having to open and close in a short period of time. He pointed out that some gazetted holidays were not observed in the industrial sector and companies remained open.

An Assoco economist and statistician, Mr Ed Verburg, said he did not think South Africa had more public holidays than other countries.

EMERGENCY STAFF

"Many factories and companies who cannot function without employees have contingency plans. Emergency staff are often called in on holidays," he said.

He said that workers who took May 2 to celebrate May Day which was on a Sunday had also taken Workers' Day as the factories were closed.

"An extra day was lost as a result of this but it is difficult to estimate what effect this has had on productivity," he said.

A spokesman for the Econometrics Research Institute said no measurement had been made on production loss as a result of public holidays.

"It is difficult to assess as many companies such as the breweries have continuous operation in some cases people get double pay for working on holidays," he said.

Photography museum moves to Civic Theatre

The Benson Museum of Photography moved on May 29 from Empire Road, Parktown, to temporary premises in the foyer of the Civic Theatre in Braamfontein.

The museum will eventually be housed in its permanent home in the old Newtown Market building where the "Africa Museum in Progress" is already located.

For further information telephone Mrs Nagelast at 836-3767.
Steyn calls for greater productivity

Own Correspondent

DURBAN — The Government has placed responsibility for achieving more productive use of assets squarely in the hands of industry and finance.

Dame Steyn, the Minister of Economic Affairs and Technology, likens the blaming of labour for the failure to produce efficiently to "flogging a dead horse."

"Far greater problems may well be in management lapses, in problems of organisation and in outdated methods."

He told delegates to the 10th conference of the SA Production and Inventory Control Society (Sapics) in Durban that greater productivity was within reach if management could succeed in solving these problems.

The Minister said the export of minerals, raw materials and agricultural products meant lost opportunities for local manufacture.
SA's productivity performance did not compare favourably with that of its most important trading partners and this had important implications for the competitiveness of SA exports, the National Manpower Commission said in its 1987 annual report tabled in Parliament yesterday.

Unit labour costs in SA were also increasing faster than in the US, West Germany, the UK, Canada and Japan.

The report said labour productivity, as measured by the GNP a worker in the non-agricultural sectors, decreased by 0.6% in 1986, against a decrease of 0.8% in 1985.

The mining, construction and trade sectors experienced a decrease in labour productivity in 1986.

Capital productivity in 1986 in the non-agricultural sectors declined by 5.4%.

The report also said about 491,000 workers were involved in 1148 strikes in 1987, resulting in a loss of 5.8-million man-days.

In 1986 there were 793 strikes and in 1985 329 strikes.

The report said the sharp rise in 1987 was mainly due to extensive strikes in the mining industry, particularly in the third quarter of the year.

Not included in the figures for 1987 were the strikes in Sats and the Postal Services.

The report estimated that at least 800 000 man-days were lost due to these strikes.

It appeared that wages and wage-related problems were the cause of 40.6% of all strikes.

In comparison with other countries, SA was now a country with a high strike intensity — Sapa.
need for identity
workplace
Downward trend in worker production...
Worker productivity 'cannot be demanded'

Increased productivity cannot be simply demanded from any worker, author and business consultant Mr Albert Koopman told businessmen at the Five Freedoms Forum conference yesterday.

To boost productivity, people must be allowed the freedom to be enterprising, he said.

Speaking on "Redefining the role of business and justice in the workplace", Mr Koopman said businessmen could not think for the worker in terms of production. Certain principles needed to be applied in order to get workers "involved".
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EMERGENCY STAFF

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Call for higher productivity

Own Correspondent

JOHANNESBURG. — The National Productivity Institute’s symposium, “Productivity — a key to a better future”, began yesterday with calls for greater efforts from workers, higher productivity and a call on and for politicians to take note of the economic crisis facing the country.

Executive director Jan Visser said 1987 had been a successful year in general, with most industries registering satisfactory productivity gains. These in turn had created more jobs.

“It becomes clear,” said Visser, “that if it were not for productivity improvement, the economic growth rate would have been negligible.”

The productivity gain of 2.3% was “virtually fully responsible for the economic growth rate of 2.9%” achieved in the non-agricultural sectors last year, and the standard of living had declined.

On top of this the output per capita, or the standard of living, since 1961 has declined by 1.7% per annum, indicating that SA’s growth rate was “totally inadequate to ensure an improvement in the standard of living for the rapidly increasing population.”

SA’s economic growth rate had depended on the application of “more and more resources and very little on productivity growth”, which had severely threatened the competitiveness of SA products.

The political and economic situation of the mid-1980s had created a climate of uncertainty, and only in late 1987 did confidence begin to return to realistic levels.

Producers had been taking a short-term view of their business, and technology in some cases had fallen behind acceptable levels.

Visser warned this tendency needed to be reversed.

Although SA’s productivity record in 1987 compared to 1966 was adequate, the “momentum gained in the last few years simply must not be lost.”

One factor could derail all the work so far achieved, and that was politics.

“I want to appeal to all politicians to take note of the economy and accept that the right of existence of politicians is to a large extent determined by what happens in the economy,” said Visser.
The key to population development was the cultivation of self-respect in people, industrial psychologist Dr Arnold Mol said yesterday at the international conference on population development in southern Africa.

He was speaking on the role of productivity in any country's population development programme.

South Africa's productivity left much to be desired. The high inflation rate since the 1970s, was caused by among other things, a very slow increase in productivity, he said.

Increased productivity in the application of South Africa's resources was not only a priority for economic prosperity, but for population development.

Increased labour productivity could be increased through motivation techniques by creating job satisfaction, a feeling of achievement, giving responsibility and recognising good work.

He said the "worst" form of population development was to "do things for people" or to "be good to them".

This still made people receivers of charity. Paternalism degraded people still further, even though it might have good intentions, he said.

"If a man develops a basic pride, the need for a higher standard of living arises of itself," Dr Mol said.

The absolute focus of all population development activities must be the upliftment of the individual's self-respect.

And it was here that work productivity and motivation played a key role.

The raising of productivity was not only essential for economic prosperity, it was also the key to social well-being.
Action learning

More capital and management training are not enough to improve productivity. Reg Revans, a British expert in industrial administration and management studies, believes the latent potential of people and their ideas is not always used to its full. To rectify this, he has spent much of the past 50 years promoting an approach to management he calls action learning. He is currently visiting SA at the invitation of the National Productivity Institute, to present his ideas to several organisations.

Action learning is designed to put a manager into a situation that gives him a fresh perspective on the business.

There are four different approaches depending on the problem and setting, each of which can be either familiar or unfamiliar. A method suitable for a large conglomerate, for instance, is to temporarily swap a top manager with a counterpart doing a different job in a company in an unrelated industry. This would put the manager in a situation where both problem and setting are unfamiliar and his viewpoint would be fresh.

At the other extreme would be a situation where both setting and problem are familiar — like a quality circle in which people involved within the company meet to exchange ideas and get a clearer perspective on a problem. Permutations of these approaches can be used to deal with familiar problems in unfamiliar settings, or unfamiliar problems in familiar settings.

The system can be implemented by a single manager or by a formal group, members of which are involved in the outcome of the operations. In a group situation an "outside expert" may be used to act as a "combiner" helping to set the process in motion.

No formula is imposed. Says Revans: "This would interfere with the exploration and interaction."

Revans wrote his first paper on action learning in 1938. In recognition of his work, he was made Chevalier of the Order of Leopold, Belgium in 1971.
Productivity Being Neglected

[Image of a page with text content]
SA must utilise informal sector more

PW blames inflation on poor productivity

By Claire Robertson, Pretoria Bureau

South African business was yesterday urged by the President, Mr PW Botha, to increase productivity.

Addressing the Manpower 2000 conference held at Unisa yesterday, Mr Botha told the gathering of public and private sector and trade union representatives it was clear that in the face of foreign pressure — which had contributed to capital being even scarcer than in the past — South Africa "must particularly look to higher productivity to increase the economic growth potential".

"In South Africa wages and salaries increased so much faster than labour productivity that unit labour costs in the manufacturing sector were 312 percent higher in 1987 than in 1985," he said.

Mr Botha said this disparity was partly to blame for high inflation.

"The competitiveness of South African industry came under heavy pressure because pay hikes showed little or no relation to increases in productivity. He said everyone wanted more money, "but we can only get more by working harder." Japan's unit labour costs for the same period had actually decreased, he said.

"We must place South Africa on the road of self-sufficiency, self-confidence and progress. There is no alternative," he said.

Training was an important means of increasing productivity, and to this end the Government had set aside R365 million to train the unemployed. Almost one million had been trained for 720 types of jobs nationwide.

Mr Botha also said South Africa should "make more of our informal sector. Those people — or a high percentage of them — must eventually join the formal sector.

And in addressing himself to trade unions — the leading unions apparently having failed to attend the meeting — he said the attempt in some sections to use the sphere of labour for political aims was regrettable, "but is a reality of which we must take note".

The Government was aware of this strategy, and while it appeared that certain sections of the trade union movement occupied itself with pure politics, appropriate steps were being taken to resist this.
The stagnation in productivity and wage growth is not only a concern in the developed world, but also a problem in emerging economies. The South African economy, for example, has seen a significant decline in productivity growth, with the workforce expanding at a rate that is not being matched by improvements in productivity. This has led to a situation where the economy is growing, but not as fast as the workforce is expanding, resulting in a decrease in productivity growth.

The study of labor cost and productivity is crucial for understanding the economic landscape. It is important to note that while the workforce is growing, the productivity growth is not keeping up. This has a direct impact on the economy, as it affects the ability of businesses to produce goods and services efficiently.

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In recent years, there has been a shift towards a focus on productivity growth as a key driver of economic growth. This has led to an increase in investment in education and training, as well as the adoption of new technologies to improve productivity. As a result, productivity growth has begun to pick up, with the workforce expanding at a faster rate than the economic output.

The rise in productivity growth is not only good for the economy, but also for workers. With increased productivity, wages have begun to rise, as businesses are able to justify higher salaries. This has led to a positive feedback loop, where increased productivity leads to higher wages, which in turn leads to increased productivity.

In conclusion, the study of labor cost and productivity is crucial for understanding the economic landscape. It is important to note that while the workforce is growing, the productivity growth is not keeping up. This has a direct impact on the economy, as it affects the ability of businesses to produce goods and services efficiently. However, with the right policies in place, such as investment in education and training, and the adoption of new technologies, productivity growth can be increased, leading to higher wages and a stronger economy.

Struggling with a complex topic? We can help. Contact us today to discuss how we can assist you.

BY DICK WHEAT

Key Issue

Productivity
CRISIS CROSSES IN CAPE TOWN

Productivity tops concern

THE NEED TO get unions to understand the link

Realise that greater productivity was necessary

But avoid exposure that may happen to our

The survey revealed that these are a reality

Of through organisational/Porter's受伤

Others have accounted for productivity in the

The survey also found that the economy

In order to satisfy what demands the CSS

Excellence saw a lot between these the

In conclusion the implementation of product-

Although the scale of effort is often

Any concern was expressed there about

To reassure management of product-

It appears if their own is a separate

If concern is to fully reflect in

All conversations of focus of it are linked to

The number of factors to reflect the free market-

Who new union membership in the

By playing alpha version the groups

In arguing to safety of workers and

Certain contexts some union information

And information was heard in the past which

Where there was little noise of information

The report shows that this concern


textbox
Rubbish about productivity

The lamentable economic illiteracy of our top policymakers is well documented by now. But in fairness, how can we expect mere Cabinet ministers to understand economics when the State President himself either cannot, or will not?

High among the misconceptions and half-truths spouted at last week’s Manpower 2000 conference (see Economy) was a repetition by both PW Botha and Manpower Minister Pietie du Plessis of the theory that inflation is largely the result of low productivity. Somehow, they say, wage increases must be linked to productivity.

We have already pointed out that this is rubbish, but as the message obviously hasn't got through, let's try again. Bluntly, productivity and wage rates have nothing to do with each other. In fact, the State President must already know this, or he wouldn't have approved 15% salary increases — ahead even of the official inflation rate — for a sector of the economy that seems to get less efficient by the day.

Productivity is determined by the optimum mix of (necessarily and by definition) scarce factors of production.

Wage rates are generally determined by the supply and demand for particular categories of worker. At its best, that's called collective bargaining; at other levels (like parliament) people sit around a table and decide what to pay themselves. In neither case does productivity have anything to do with it; nor is there any reason why it should.

Low productivity has less to do with wage increases than with real interest rates artificially kept so low that there's inadequate incentive to invest and build up the capital stock, with monetary profligacy that debases the currency (and is, by the way, the main — some would say, only — cause of inflation); with a plethora of unnecessary regulation that stifles entrepreneurial initiative; and with a State sector that (again, by definition) wastefully consumes more and more of our productive resources every year.

Wages are growing faster than output because labour — especially skilled labour — is becoming scarce. Not the least reason is the steady loss through emigration, itself occasioned by this government's disastrous political policies.

Freeze wage levels and we will still have a poor growth performance unless these fundamentals are addressed. To pretend otherwise is either hypocrisy or ignorance.

The cure to every one of those problems, be it noted, lies with the State, not with the private sector. To adapt the words of the late John F Kennedy, politicians should not ask what business can do for the country, rather ask what they can do for business.
Another hobby horse: football

SOUTH AFRICA's top productivity

Pages and Paces of the Best Jobs in South Africa
‘Management must lead in boosting productivity’

MANAGEMENT rather than workers was responsible for boosting SA’s drastically low level of productivity, Interman training consultant’s director Annice Foxcroft said yesterday.

She was responding to a report by UCT’s Graduate School of Business based on 35 CEO’s in the Western Cape, who listed the productivity issue as the gravest problem faced by business.

The UCT report said other management concerns included the pressure on wages, lack of management/worker communication, and the alleged lack of union officials’ understanding of the link between improved productivity and increased wages.

Foxcroft said while she recognised pleas from management to trade unions to attach notions like the drive for a living wage to economic factors such as productivity, it was important companies realised productivity was largely dependent on communication.

She said one benefit of communication packages was that workers became extremely motivated when they saw the resultant personal benefits.

Increased productivity was a by-product of workers acquiring communication skills. They also gained an understanding of the functions of capitalism. Both of these were direct results of literacy training, Foxcroft said.

Interman is involved in programmes at Barlow Rand, Anglo American, ARC, Genoor, Sasol, Iscor and SA Breweries.
PRODUCTIVITY


To be sorted
JOHANNESBURG — Earnings were up 15% over last year's first half, a reversal from the 1964-65 period when profits had slumped 14%. The 1965-66 annual results confirm the trend, with a 15% increase in turnover.

Unispun, SA's largest spinning company, reported a 15% increase in turnover for the first half of 1965-66, with earnings up 15%. The company's management, under new chief executive officer, has been credited with improving the company's profitability.

Unispun's president, Mr. John Smith, said the company had benefited from increased demand for spinning products and better management practices. He said the company would continue to invest in new spinning mills to meet future demand.

The company's management has also been praised for its commitment to its employees, with a recent increase in wages leading to a 10% increase in productivity.

The company has also diversified its product line, with increased production of wool and cotton yarns.

Unispun's earnings reached R5 million, up from R4.5 million last year. The company's management has been commended for its efforts to improve profits and increase productivity.
Cusaf profits spurt to R13m

Own Correspondent

JOHANNESBURG. — A dramatic reduction in personal claims for housebreak and car thefts spurred Commercial Union (Cusaf), SA’s largest composite insurer, to raise taxed profits by 54% to R13m in the first six months of this year from the same period last year.

The reduction in personal claims combined with a satisfactory situation on the commercial front resulted in an underwriting surplus of R10m, sharply higher than last year’s R3.7m.

An interim dividend of 23c a share was declared, up 23% from 18c in the previous half-year period.

MD Bill Rutherford, describing the results as “most satisfactory”, said he was happy Cusaf had managed to push up earnings per share (EPS) in spite of the increase in the company’s issued share capital.

Two million shares were issued to UBS Holdings earlier this year, but EPS still rose to 139.3c from 106c in the 1987 half-year period.

Net assets per share also rose, from 1213c to 1384c.

The capital inflow from the UBS deal was the main reason why investment income rose by a massive 63%, although this was partially offset by realised losses of R3.2m.

The company’s life and pensions business showed strong growth, with premium income up by 86% to R100m. The life business contributed R970 000 to CU’s after-tax profits.

However, Rutherford, however, do not expect the second half of the financial year to be as good as the first half.

“Competition is already putting downward pressure on premiums, which usually curtail underwriting profits for short-term insurers.”

Gold closes slightly easier

LONDON. — Gold closed slightly lower in very quiet trade yesterday afternoon due to some light professional selling which reflected the anti-inflationary impact of easier crude oil prices, dealers said.

Gold closed at $443.50/$433.50, down from Wednesday’s closing level of $443.50/$433.50 and also down from yesterday afternoon’s fix of $433.10.

Trading was subdued throughout the day with market sentiment slightly depressed by easier oil prices resulting from Opec’s failure to agree any measures at yesterday’s price panel meeting to support the oil market, dealers added.

Platinum closed slightly firmer at $532/$533.50 an ounce, up from Wednesday’s closing level of $527/$528.50.

In Zurich, gold ended marginally easier at $432.10/60, and silver steady in thin trading as prices drifted in narrow ranges before today’s report on...
Cashworths

income rises 57% According to the Financial Statement, Cashworths Fashion Holdings reported an increase of 57% in attributable income to R12m (R722,000).

"This is lower than the projected income in the group's prospectus, published before its listing last year, due to an extraordinary loss of R314,000 on the disposal of its 50% shareholding in Microstitch Clothing (Pty).

Turnover for the year to April 30 was R19.3m, 39% higher than in 1987.

Earnings per share were 11.11c (1987 7c), and the directors have recommended a maiden dividend of 2.5c for the six months to April 30. This represents, on an annualized basis, a return of 15.6% on the share's current market price.

In the year under review Cashworths, which shortly before its listing obtained a 50% interest in both R Sassoon and Microstitch Clothing, decided to seek control of companies in which it held an interest.

As a result, the group disposed of its share in Microstitch Clothing and has acquired the remaining 50% shareholding in R Sassoon.

Commenting on this development, chairman Norman Schultz said the loss incurred on the disposal of the company's share in Microstitch Clothing is adequately compensated for by the benefit of gaining full control of R Sassoon.
Prospects looking good...  

Seardel lifts earnings 31%  

By AUDREY D'ANGELO  
Financial Editor  

SEARDEL — the Cape Town-based manufacturing group with interests ranging from clothing to toys and microwave ovens — lifted earnings by 31% in the year to June, to 105c (80c), and the total dividend by 35% to 17,5c (13c). The final dividend is 10,8c (7,8c).  

This was achieved on a 27% increase in turnover to a record R566m (R447m). Operating income was 32% up at R40m (R30m) and pre-tax income by 30% to R30m (R23m).  

But although the group has benefited by the upturn, and executive chairman Aaron Searl said its factories were booked up with production for next summer and prospects for winter were also looking good, the directors are clearly preparing for possible bad times ahead.  

The dividend is covered six times. And Searl pointed out at a cocktail party last night, at which the results were announced, that the ratio of borrowings to group equity had improved to 77% from 114% the previous year. Return on assets had improved to 15,6% from 12,4%.  

The group was hardest hit three years ago, when it was highly geared at the time prime rate soared to 25%, and the lesson has been learnt.  

Searl told staff and guests that R11m had been ploughed back into the business in 1987 and R14m in the past year. “Hopefully next year it will be R18m or R19m,” he said.  

Warning that interest rates were likely to rise further, and that import restrictions might be announced today, Searl said SA’s reserves of foreign currency had been depleted seriously. “We do not know what surcharges or restrictions will be announced. But somehow we have always managed to do well when times were hard and I am not greatly concerned.”  

The group had budgeted for sales of R700m, “and we are going to make every effort to achieve that”.  

Searl said that about 20% of the fabsrics used by the group were imported. But the quality and supply of locally made fabrics were improving.  

MD Mike Getz said import controls would push up costs and fuel inflation. Discussing future prospects, he said the upturn in the economy had created about 4,000 jobs in the Cape Town clothing industry.  

Although the economy was cooling now he did not expect the industry to be hit as hard as in 1983 because retailers now carried smaller inventories.
Pre-tax income soars by 201%

Offshore arm a boost for Sasfin earnings

By AUDREY D'ANGELO
Financial Editor

PROFITS by overseas subsidiaries "domiciled in low tax jurisdictions" helped to boost attributable earnings by trade and equipment financing group Sasfin Holdings in the year to June. They rose by 138% to R1,1m compared with R465 000 last year.

An increasing number of SA companies with offshore interests are making similar disclosures, as the weak rand helps to boost profits made overseas.

And Sasfin, with an overseas confirming division able to offer finance to SA companies, expects to do more such business in the current year as a result of sanctions and the credit squeeze.

The group, listed on the Johannesburg Stock Exchange last year, turned in results well ahead of those forecast in the prospectus.

Earnings were 90% higher at 11.1c (5.6c) a share and the maiden dividend 2.5c. The net asset value per share has risen to 32c (24c).

Pre-tax income was 201% higher at R1,1m compared with R381 000 the previous year and the tax bill sharply lower at R26 000 (R84 000).

The directors explain that "the low tax arises from export allowances and the fact that 50% of net income was earned by the group's overseas subsidiaries."

They say the increase in earnings was achieved in spite of a gearing ratio of 1.8:1 — "low in relation to industry norms".

Discussing the present, and future prospects, MD Roland Sassoon says that from the beginning of the current financial year "the capital and earnings of the group's overseas operations were converted from Swiss francs to sterling."

He continues, "Increases in the cost of imports through the levying of surcharges will increase the rand value of individual transactions in the instalment finance division."

"As Sasfin's instalment finance division focuses solely on business requirements, the changes in legislation relating to deposits and repayment periods affecting consumer goods do not affect our market."

In spite of the levying of surcharges, Sassoon expects increased growth in the coming year from the group's confirming division which is able to offer importers off-shore financing through its London office.

"The credit squeeze being applied to importers through the reluctance of overseas suppliers to extend trade finance to SA importers has increased demand for our off-shore finance facilities — a trend we see increasing in the future, particularly with political pressure on foreign credit insurers and suppliers to apply sanctions against SA."

Sassoon says the confidential invoice discounting facility offered by the group has been a further growth area.

He says Sasfin's export division is continuing to perform well.

"Plans are underway to develop new markets for this division and to improve its service in the sourcing of goods on behalf of its clients."

Closing gold prices
(In $ an ounce)

LONDON:
430,80/431,30
Fixing am: 430,25
Fixing pm: 431,15

ZURICH:
429,50/432,50
— Reuter
De Beers posts sparkling results

KIMBERLEY — De Beers Consolidated Mines yesterday announced record net attributable earnings (excluding its share of retained profits of associates, before extraordinary items) of R819m or 216c a share (comprising the “S” ordinary and deferred shares).

This was more than double the R393m or 106c a share earned in the corresponding period last year. Including its share of retained profits of associates, earnings were R1 258m (R589m) or 331c (164c) a share.

Attributable earnings excluding the share of retained profits of associates converted at June 30 1986 rate of R2.3170 (1987 R2.0463) amounted to $353m (1987 $192m).

Including the share of retained profits of associates earnings were $543m (1987 $288m). Comparatives at December 31, 1987, were $336m and $777m respectively.

An interim dividend of 45c a share (1987 27.5c) has been declared payable to the “S” ordinary and deferred shareholders.

The diamond account improved from R469m to R556m reflecting increased diamond sales and the lower rand exchange rate.

Income from investments outside the diamond industry increased to R243m (R207m) and other interest income to R108m (R61m).

Prospecting, research and general charges increased to R92m (R75m) and interest payable was higher at R29m (R16m).

There was a net recovery of R6m in respect of amounts written off fixed assets and loans (1987 R8m write-off).

Taxation and mining lease considerations absorbed R264m (R188m) leaving a profit after tax of R929m (R451m).

After deducting the profit attributable to outside shareholders in subsidiaries and preference dividends, the net profit attributable to equity shareholders amounted to R819m (R393m).

The group’s share of retained profits of associates was R439m (R196m) and in addition its share of extraordinary profits of associated companies (mainly through Minwoe and Anglo American Corporation) amounted to R398m (R15m loss) — Sapa/
GFSA increases profits to R332m

JOHANNESBURG — Goldfields of SA (GFSA) has announced that after-tax profits for the year to June 30 were R332m compared to R311.8m.

However, minority shareholder interests and an extraordinary item wittled the figure down to R307.9m attributable to ordinary shareholders (R300.9m).

The extraordinary item was an amount of R13.4m on the realization of an investment and is to be transferred to non-distributable reserves.

Income from fees, interest and other sources declined by R8.1m because of the lower cash balances held by the group and lower interest rates.

Earnings per share was at 377c (368c), while a final dividend of 125c was declared, bringing the total for the year to 190c — Sapa.
Simmers lifts income

JOHANNESBURG. — Simmer & Jack Mines (Simmers), an associated company of Johannesburg Mining and Finance Corporation (JMF), reported increased pre-tax profits of R2,236m (R1,932m) for the six months ended June 30, 1988.

This emerges from the interim report published yesterday, which reflects a marginal increase in turnover to R3,593m (R3,4m) compared with the previous corresponding period.

Operating income increased by 30% to R2,885m (R2,219m), with profit after taxation having increased to R1,133m (R986,000).

This is equivalent to earnings of 16.8c a share (14.6c).

A director of Simmers, Tony Netto, said a loan of R9m bearing interest at current overdraft rates security by a cession of the company's right to royalties, repayable by February 28, 1990, resulted in interest payable amounting to R649,000 (R287,000).

The loan was raised to finance the company's obligations in respect of the Simmengo project, a joint venture with East Rand Gold and Uranium Co (Ergo) at Simmers' Germiston operations.

"Royalties paid to Simmers in respect of this joint project were higher at R2,352m (R2,277m)." — Sapa
Prosure income rises by 82%

Financial Editor

The shareholders' share of life profits is lower at R107 000 (R245 000) but MD Tony Crank says the 1987 figure included part of the profit transferred from the 1984 three-year valuation of the life fund. Since 1983 the fund has been valued on an annual basis.

Crank says that eliminating the effect of the final tranche of profit, the distribution from the life fund would have been 25% higher.

He says the life division 'continues to perform extremely well and is likely to make a steadily increasing contribution to the bottom line in the years ahead.'

Discussing future prospects, Crank warns that the recommendations of the Melamet Commission of Inquiry that statutory reserves should be increased by 50% coupled with the creation of a catastrophe reserve would put local short-term insurers at a disadvantage compared with overseas competitors.

"While Protea is in full agreement with the underlying philosophy propounded by the Melamet Commission, the recommendations proposed will, as they stand, place an additional financial burden on the industry and on direct insurers and re-insurers in particular."

"The debilitating effects of overseas competition on SA insurers have already been seen and the rise in operating costs that will inevitably flow from the commission's recommendations, if implemented, can only exacerbate the situation."

"Clearly, if overseas competitors are to continue to be allowed to operate in the local market, they should not be allowed to do so at an advantage."

"The SA insurance industry welcomes competition, provided that the playing fields are level, and this is not the case at present."
Klipton beats forecast
profit up 153%

JOHANNESBURG — Klipton, the industrial holding company listed in September last year, increased attributable profit 153% to R2.2m in the year to June 30, 1988.

Earnings per share are 37.6c (37c forecast in the prospectus) and a dividend of 12c (9c forecast) has been declared.

Turnover of R40.5m, was 34% higher than forecast.

Better margins and lower finance costs resulted in pre-tax profit of R2.7m.

"This was accomplished in spite of a fall in gold mining capex and signs of a levelling off in the industrial market in the last quarter," Klipton's joint chairman, Nigel Matthews, said.

"The three operating divisions of the group — Sapco, Gardwel and Harvey and Russell — experienced good organic growth, and their four acquisitions performed well."

The acquisitions were Rockweld and Champlas, effective October 1, 1987, HBI Valves, effective March 1, 1988 and McKinnon Holt, effective April 1, 1988.

The cost of these acquisitions was R6.8m, financed from group resources and bank facilities — Sapa.
T & N posts 38% higher earnings

DURBAN — Turner & Newall Holdings (T & N) has posted a 38% increase in attributable earnings and a 47% increase in the interim dividend for the six months ended June.

A dividend of 11c was paid and the directors anticipate dividends totalling 44c will be declared for the year, which reflects an increase of 28% over the 34.5c paid last year.

The increase in earnings — from R6.5m to R9m — has arisen primarily from an 83% increase in trading profit which, to an extent, was offset by a higher interest bill.

The investment in Everite yielded a 75% improvement from the R1.6m reported last year.

"This positive start to 1983 is based on major restructuring of the group last year," the directors said.

The automotive division boosted turnover 115% over last year. A large part of this was attributable to the Silverton Engineering and Silverton Services which were acquired last October.

Ferodo and Belacolberal, the friction material units, also achieved significant growth with substantially increased profits as has Payen, the gasket manufacturer, according to the directors.

SHE, one of the T & N's automotive divisions, is committed to a vigorous export programme which augurs well for the future.

Exports from the new brazed aluminum plant have begun and record profits are predicted for the unit for the third successive year. — Sapa

SAICA supports accounting for inflation
JOHANNESBURG — Rubenstein Holdings, whose subsidiaries provide financial services and manufacture plastic packaging, lifted attributable income by 135.7% to R4.28m (R1.81m) for the year ended June.

A maiden dividend as a listed company of 5c (2c) represents a 150% improvement.

Earnings per share increased by 80% to 13.6c (7.6c).

Pre-tax income was 151.4% better R5.08m (R2.02m).

Chairman Jeff Rubenstein says that earnings exceeded the prospectus forecast by 27%.

"This performance is due in large measure to the excellent trading performance from all divisions."

“Our plastics division, which was acquired in December 1996, experienced phenomenal growth and has achieved market penetration beyond our expectations," he said.

"The division now supplies almost all the chain stores with retail check-out bags, is a major supplier of shrink wrapping to the beer and beverage industries, the brick and tile industries and also provides heavy-duty bags to the chemical industry."

The group’s fixed assets increased by 92% to R22.48m (R11.69m) reflecting capital goods bought to keep pace with the demand of the plastic division.

Rubenstein says that, despite the expected decline in the growth rate of consumer spending and further upward pressure on interest rates, earnings per share will show further real growth during the ensuing financial year.

He added that the group was well-positioned to benefit from further penetration of all its markets — Sapa.
Conshu posts 41% rise in earnings

JOHANNESBURG. — Following a year of acquisitions and organic growth, footwear manufacturer Conshu Holdings posted a 41% rise in earnings for the year ending June 30.

The increase in earnings per share to 43.8c from 31c in the previous year enabled the final dividend to be increased to 10c from last year's 6c.

This made a 2.5-times covered total payout of 17.5c.

The group's turnover, at R329m, was more than double the R132m posted for the previous financial year, with much of the increase coming from the merger with SA Footwear but also substantial growth from the existing Conshu operations.

Pre-tax profit rose to R35.8m from R19m, with operating margins slightly down on the previous year both as a result of the integration with SA Footwear and management efforts to keep selling prices down for market-share purposes.

Subsequent to the year-end, the group strengthened its position by acquiring a rubber plant in Port Elizabeth. — Sapa
Increased sales boost Assmang

INCREASED sales volumes and higher prices for its ores and ferro-alloys brought about an impressive improvement in the consolidated interim results of the Associated Manganese Mines of SA.

The distributable profit for the half-year ended June 30 rose by 537% to R17.8m from R2.8m during the first half of 1987.

The company has lifted its interim dividend by 20c to 35c a share.

The board expects demand and rand prices for all products to remain satisfactory in the second half of the year.

Turnover rose to R207.9m (R96.8m) as a result of increased sales volumes and higher US dollar prices for manganese and iron ore, and for subsidiary Feralloys Limited's ferro-manganese and ferro-chrome.

Another factor contributing to the rise was the lower value of the rand against the dollar.

Net operating profit was R22.6m (R9.8m). With interest paid rising to R3.8m (R3.0m), the consolidated pre-tax profit was R25.2m (R6.8m).
Palabora profit 75% higher than 1987

JOHANNESBURG. — Palabora's consolidated net profit after tax for the six months ended June 30 was 75% higher than the same period last year.

Writing in the interim report, the directors said this increase — R71 421 000 compared with R40 855 000 — was "almost totally attributable to the increase of R2 214 per ton in the average price received by the company for the sale of its copper during the first six months of 1988 compared with the same period in 1987."

A second interim dividend of 100c a share was declared. (The first interim dividend was 65c.) Earnings per share were R2,52 (R1,44).

Copper quotations on the London Metal Exchange averaged £1342 per ton for the first half of 1988 compared with the average of £916 for the same period last year, an increase of 46% in rand terms. The company received an average price of R5 236 per ton of copper sold during the period (R3 022).
Wider margins boost Penpin earnings 71%

Financial Editor

WIDENING profit margins helped Cape Town-based building materials chain Pennypinchers Holdings (Penpin) to achieve a 71% rise in earnings in the six months to June to 7,13c (4,13c) a share.

Turnover rose by 78% to R477m. Financial director Percy Bishop said this was in line with the forecast R110m for the year as a whole.

"Historically, Penpin's turnover and earnings for the first six months have contributed about 40% of the group's annual total.

"So with the traditionally better results in the second half of the year the company should have no difficulty in meeting forecasts.

The group's net operating income rose by 98% to R2,23m compared with last year's R1,15m, "which indicates that we have improved our margins substantially," Bishop said.

The interim dividend is 3c a share. The directors say they expect to declare a dividend of 6c for the whole year, raising the cover to 2.7 times compared with 2.4 times last year.

They expect Penpin's earnings per share to rise to 16c (9.62c) for the year. Net current assets rose to R3,85m (R539,000). The current ratio is 1.2:1.

Bishop said expansion into the Transvaal was going well, with Penpin opening two branches in Pretoria and subsidiary Pennypinchers Boards (Penboard), which specializes in basic lines of timber, boards, and associated cabinet hardware, opening Pennypinchers Laminates (Tvl) in Johannesburg.

He said further expansion plans included opening a bulk boards store in Parow and a truss manufacturing division in Port Elizabeth.

Bishop said the opening of a branch in Crossroads was "a major milestone," since the black informal sector was "without doubt the target market for the future."

- Penboard lifted earnings for the six months by an impressive 165% to 4,33c (1.63c) a share.

- Its turnover rose by 78% to R11,7m (R6,5m). Net operating income rose by 129% to R223,000 (R4,359,000).

The maiden interim dividend is 2c a share and the directors expect to declare a total dividend of 4c for the year, giving a cover of 2.4.

They forecast that Penboard's earnings for the year will be 9,4c (6,88c).
Profits overstated as firms ignore inflation

By David Carle

TWO Stellenbosch University Business School researchers have found that by failing to provide for inflation in their accounts, listed industrial companies have exaggerated their earnings on average by 2.6 times.

In other words, on average, for every R100 of taxed profit they reported, they should actually have said R97.9.

W.R. Gevers and W.D. Hamman adjusted the results of 208 industrial companies listed on the JSE for inflation, as recommended by Guideline AC201 of the SA Institute of Chartered Accountants, for 1982 to 1986.

Capital

Inflation was found to reduce historically reported income by more than 60% on average.

Dividend covers based on "real" earnings were calculated.

About 75% of the companies did not have a real dividend cover on an accumulated basis in the five years.

The number of companies that paid dividends out of capital increased from 26% in 1982 to 69% in 1986.

Mr. Gevers and Professor Hamman provided additional depreciation and made a cost of sales adjustment. From this, they deducted the effect of diminished debt to discover the extent of exaggeration.

For the sample of 208 companies, the average additional depreciation came to 43.1% and the average cost of sales adjustment was 41.2% from this a 22.7% leverage effect was deducted. The upbeat, they found, was that earnings had been overstated by 61.1%.

A profit of R10-million therefore should have been stated as R3.8-million.

Sectors in which inflation had the most marked effect were furniture and household (122.3%), clothing (109.6%), motors (90.8%), engineering (86.7%), electronics (84.1%) and printers and publishers (81.1%).

The most inflation-proof sectors were beverages and hotels (34.1%), steel and allied (34%) and fishing (30%).

The number of companies that paid dividends out of capital rose from 69 in 1982 to 124 in 1986.

Another finding was that many companies that paid dividends out of capital either had to reduce or cut payments in subsequent years.

The study will be updated to incorporate 1987, taking in the economic upturn. The researchers will investigate whether companies that have paid dividends out of capital have had to hold more rights issues.

The effect of dividend policy on share prices will also be looked at.

The findings will be received with considerable interest because Tony Norton, president of the JSE, and the SA Institute of Chartered Accountants are putting pressure on listed companies to conform to Guideline AC201.

Coincidentally, in his inaugural speech at the University of Cape Town, accounting professor G.K. Everingham, was also critical of accounting conventions which were "escaping reality."

Professor Everingham says the Accounting Practices Board has not been forthright enough in treatment of rising prices.

"The fact that less than a dozen of SA's top 100 companies provide inflation-adjusted information is appalling. Furthermore, those that do provide the information do not do so in a consistent manner."

Barlows

He says Barlows statement that it will refrain from inflation accounting until a method is developed which is meaningful, standardized and generally accepted is "an extraordinary apology for inaction."

Professor Everingham applied AC201 rules to Barlows tax after-tax income from operations amounted to R67 million in its most recent financial year.

"If one adjusts its depreciation charge by 35% and its average stocks by 12%, profits would be reduced by R121-million and R272-million respectively. The gearing adjustment amounts to some R170-million in the other direction.

This leaves a net reduction of profits of R204-million, some 42% of profits. One is surely entitled to expect this is non-trivial information."

Because inflation accounting reduces profits and increases equity, return on shareholders' funds falls even more.

Professor Everingham doubts that companies that provide inflation-adjusted figures will be downrated on the JSE. He believes the market values companies efficiently and itself adjusts for inflation and other information. He appeals to Mr Norton to press companies to make inflation adjustments.

Nettle

Professor Everingham criticises the Accounting Practices Committee for failing to grasp the nettle on contentious issues.

"Instead of prescribing what it regards as the correct accounting treatment of a particular item, it has tended to allow alternatives."

Examples are those statements dealing with deferred tax (AC102), finance leases (AC103), depreciation of buildings (AC106), definitions of associated companies (AC110), foreign currency losses (AC112), capitalised interest (AC114) and provision of segmental information (AC115).

Scathing

Professor Everingham is particularly scathing about the practice of writing off foreign-currency losses over several years and the way companies going for a listing on the JSE are permitted to adjust their profit histories on an "as if" basis.
JOHANNESBURG — Tight control of overheads, coupled with an aggressive marketing drive, enabled Joshua Doore to turn a 30% increase in turnover into a 60% gain in operating income in the year ended June.

The audited profit announcement shows that turnover of the nationwide furniture retailer rose from R119,9m to R155,7m, while operating income was up from R9,2m to a record R14,7m.

Chairman Les Mankowitz says "In line with national and international accounting developments, a decision has been taken to adopt the partial method of providing for deferred tax. Based on future projections, the company will not be liable for taxation in the foreseeable future."

"However, the directors have taken a decision to provide for deferred tax at 50% of the current tax rate. Prior year figures have been adjusted accordingly."

On this basis, earnings showed a 60% gain to 13.8c a share.

Dividends have been increased by 50% from 2c to 3c a share and dividend cover has been increased to four-and-a-half from three as a result of the change in the tax policy.

MD David Sussman says: "The record results achieved in the 12 months ended June are a tribute to the energy and dedication of the entire Joshua team nationwide, both management and staff."

Referring to the announcement that Joshua is to acquire 100% of World Furnishers and Bradlow’s Stores from Homemakers Holdings, with effect from July 1, 1988, Sussman says "Joshua will continue under the direction of its autonomous management team, which will continue to have significant personal stake in the company."

"Had Joshua owned World and Bradlows throughout the 12 months ended June 30, 1988, there would have been no significant impact on Joshua’s earnings per share. Net tangible asset value at June 30, 1988 would have increased by 17.4% to 66.2c a share based on the increased number of shares that would have been in issue, but before any savings from rationalization are taken into account."

— Sapa
Barnetts posts 47% higher income

JOHANNESBURG — Furniture retailing group Barnetts posted a 70% increase in turnover for the year to June and a net income, before extraordinary item, of 47%.

A 4c final dividend was declared which, together with the interim of 2c, makes a total of 6c for the year.

Net income after extraordinary item — goodwill written off — was R1 169 000 compared with R1 775 000 for the same period last year.

The directors said full provision had been made for deferred taxation, but that the partial method of accounting for deferred taxation been adopted, earnings per share would have been 39.7c (20.1c) and net asset value per share would have been 151c (109c).

The changes to legislation announced by the Minister of Finance, Barend du Plessis, on August 12, did not include the sale of furniture, "and as the core business of Barnetts is furniture retailing, these measures should have only a limited effect on our earnings," the directors said. — Sapa
African Cables earnings soar

JOHANNESBURG — African Cables (Af Cable) attributable earnings for the 11-month period to June 1988, increased by 265.6% over the prior 12-month period, the preliminary statement shows.

Earnings were R10 086 000 (12 months to July 31, 1987: R7 551 000). Earnings per share were 42.4c (33.5c).

Turnover was R105 577 000 (R104 464 000).

The directors said the improvement in the group's profitability continued due to increased turnover, effective cost control and the income benefit derived from a positive cash flow.

A final dividend of 18c a share (1987: 12c) which brings the total dividend for the year to 28c a share (1987: 22c) was declared. The dividend was covered 1.5 times. — Sapa
Pleasure Foods earnings up 38%  

JOHANNESBURG — Pleasure Foods, Anglovaal group’s operator and franchisor of fast-food outlets which was formerly Juicy Lucy, has announced earnings of R3,4m for the 13 months ended June 30 — equivalent to 8.4c a share based on the weighted average of shares in issue — has increased its dividend to 3c (1987 2.5c) a share and expects a significant improvement in the current year’s results.

For the year ended May 31, 1987, the attributable profit was R0.5m or 6.1c a share, on the old capital. Thus, the 13-month earnings reflected a 38% rise.

Consolidated turnover was an impressive R68m (1987 R0.2m) and this resulted in a pre-interest and pre-tax profit jump to R5.2m (R1m).

The board reports that the Wimpy division returned exceptionally good results, but the PizzaLand/Pizza Hut rationalization was more disruptive than expected on trading results and led to a loss.

The Juicy Lucy division reported improved results as did BJ’s Pantry.

With interest-bearing debt increasing to R8m (R0.6m), the interest paid factor rose to R0.9m (R0.1m).

The pre-tax profit was R4.7m (R0.9m) but the tax bill absorbed R1.3m (R0.4m).

Pleasure Food’s share of associated company earnings was fractionally above its minority interests payments, leaving earnings totaling R3.4m (R0.5m).

In spite of the acquisitions and increased business activity, gearing was still a very commendable 11.9%, while net worth at the year-end rose to 133c (35c) a share. — Sapa
Weak rand boosts Swimline earnings

Johannesburg — Swimline, the Jeppestown-based manufacturer and distributor of swimming pool chemicals, pumps, filters and pool accessories, has raised attributable income by R673,000 to R2,65m following exchange rate gains on the group's foreign loan.

This represents a 154.2% increase which allowed the group to raise earnings a share by 92.5% to 13.3c (6.8c).

After-tax income was raised by 89.8% to R1,58m for the year ended June 30. This was achieved off a modest 9.8% increase in turnover to R20,4m (R19,6m) after floods affected a large part of the group's market.

John Puttergill, chairman of Swimline Holdings Limited, in his chairman's review to shareholders, said it was only at the sliding rand exchange rate that sufficient investment would take place in both import replacement and export orientated projects for the economy to show real growth — Sapa
For fifth successive year...

Trencor hits record profits

CAPE TOWN-based Trencor, the transport, tyre and manufacturing company which did well even in the recession, has achieved record profits for the fifth successive year.

Turnover for the year to June 30 is up by 29% to R514m, and attributable income has risen by an impressive 64% to R36m (R22m).

Earnings rose to 253,7c (154,3c) a share and the final dividend is 40c (22c) a share. This makes a total of 80c (30c) for the year, an increase of 67%, with the cover an unchanged 5,1 times.

Chairman Neil Jowell, whose comments are always cautious, said that what he had identified a year ago as "a modest upturn" in the economy had proved much stronger.

And although he warned that domestic prospects were uncertain he said that the international container market, which made a larger contribution than expected to export earnings, "is expected to remain buoyant in the year ahead."

Jowell said that although the dividend cover remained high "the board feels it is appropriate bearing in mind the large increase in dividend this year and the stage we are at in the business cycle."

He said the ratio of interest bearing debt to equity had increased to 33% from 24% the previous year, largely as a result of increased working capital requirements and expenditure on fixed assets. But it was nevertheless at a satisfactory level.

"Our strong financial position will enable us to capitalize on growth opportunities likely to occur in the present financial year."

Mobile, which owns 48% of Trencor, has also achieved record results.

The directors say its 74% subsidiary Mobile Acceptances, which is engaged in financial and leasing activities, "had a good year in the face of strong competition."

Mobile lifted pre-tax income to R4,7m (R3,3m) and after-tax income to R4,1m (R2,8m).

Its share of Trencor profits rose to R14m (R8,5m) and attributable income to shareholders was R17,9m (R11,1m).

The final dividend was 11,40c (6,70c) a share, making a total of 13,75c (8,57c) with a slightly higher cover of 4,6 times (4,5 times).

New trend in property development

Closing gold
Rand Merchant Bank shows 31% growth in income

By BRUNE WILLIAM

RAND MERCHANT BANK has reported an increase of 31% in net income to R17m (R13m) for the year-end to June 30 1988.

The bank’s asset base increased to R1,102m (R677m) which was due largely to greater credit demand.

Earnings per share were increased by 27% to 101.3c (79.7c) and dividends increased by 27% to 35.5c (28c).

Earnings per share have been calculated on a weighted average due to the issue of shares to the holding company.

The directors say that although higher profits are projected for the 1988/1989 financial year, the merchant bank industry is going to be hard pressed to maintain the growth in after-tax profits as the industry becomes more competitive with the establishment of three new merchant banks, which will also sharpen competition for skilled staff.

The holding company of Rand Merchant Bank, Rand Merchant Bank Holdings has reported earnings of 32.3c a share for the eight months ended June 30, 1988 and a dividend of 8c a share.

Comparable figures are not available as the holding company has only been in existence for the past eight months.
Platinum tops in JCI stable

From REINIE BOOYSSEN
Johannesburg — The improved performances of Johannesburg Consolidated Investment Co's (JCI) platinum, diamond, and industrial and base metal interests overshadowed a decline in income from gold, coal, share dealing activities and fees.

Attributable income rose by 21% to R322.8m, representing earnings a share of 439c.

The final dividend of 1 150c takes the total distribution for the year to 1 750c — 16.7% higher than last year.

Platinum — the primary source (about 49%) of JCI's income — performed exceedingly well on account of a once-off distribution, in the form of a special dividend to shareholders by Rustenburg Platinum of the proceeds of hiving off to Lebowa Platinum its Atok operation.

This accounted for R36.8m of the R52.8m (75%) rise in JCI's income, to R123.3m, from this source. Discounting this extraordinary event, income from Rustplats (in which JCI has an unchanged 32.66% stake) rose by 29%.

Diamond income (constituting about 13% of JCI's income) rose by 34% to R47.3m.

"By far the most substantial portion of this derives from our interest in the Central Selling Organization's diamond marketing activities."

Income from JCI's stake in De Beers was R3.6m.

Income from quoted industrial shares rose by R12.4m. The most important of these include: a "major" stake in SA Breweries via JCI's 32.9% stake in Premier Group Holdings; an effective 26.4% stake in Toyota, a 49.9% stake in Consolidated Metallurgical Industries, a 16.5% stake in The Argus Printing and Publishing Co, a 10.3% stake in Times Media.

On the negative side, JCI's income from gold declined by 37% to R21.6m. The major portion of gold income comes from Randfontein Estates and Western Areas.

Randfontein's distribution declined by 34% or R6 to R11.50 a share.

JCI director Vaughan Bray attributes half or R3 of this decline to the fact that Randfontein made a once-off distribution in the previous financial year (to June 1987) in respect of the proceeds of selling certain mining rights to West Wits.

He attributes the rest of the decline (R2) to strike action which debilitated the mine in July/August last year.

Western Areas made no distribution in the year to June (after only declaring an interim dividend of 10c in the previous year), but Bray says: "the mine appears to have overcome most of its problems".

JCI also recorded an R8m decline in income from share dealing activities (after tax); R2m decline in fees income (after tax); and a R3m rise in exploration expenditure.

Bray says the total exploration expenditure of R60m "reflects the group's ongoing commitment to exploration."

He describes the group's cash position as "very sound."

"We have access to about R1bn in the form of floating deposits and short-term investments by group companies."
Cullinan earnings soar by 41%

By AUDREY D'ANGELO
Financial Editor

CUL INAN HOLDINGS — the diversified industrial group with interests ranging from cables to porcelain — lifted earnings for the year to June 30 by 41% to a record 127.6c (90.5c) a share. Turnover rose to R414.9m (R362.4m).

The total dividend for the year is 15% higher at 45c (39c) a share.

After-tax profit rose by 106% to R21.9m (R10.6m). Operating profit was R43.1m (R20.6m) but the tax bill soared to more than R10.5m (R6.3m).

The increase in earnings, the highest since 120.6c a share reported in 1991, was achieved in spite of an 11% increase in the average number of shares in issue.

Chairman Neil Cullinan said that the consumer-led economic recovery which began in the second half of 1987 and continued into the first half of this year was showing signs of weakness in some areas.

"Efforts to combat inflation may further dampen demand in the rest of this year and the country's economic growth rate in 1989 may be curtailed."

However, he went on, "Cullinan holdings is strongly positioned to counter these factors and I am confident that as a technology-based industrial group we will continue to prosper."

Cullinan said all operating divisions in the group had met or exceeded their targets in the past year.

"Outstanding performances at all operating levels mean that the balance sheet continues to be very strong with a further reduction in gearing during the year from 38% to 20.2%."

A change in the group's accounting policy, which was introduced at the time of the interim report in December, was a switch from equity accounting to a system taking group interests in partnership ventures into account.

"By adopting proportional consolidation for partnerships, a more accurate reflection of the real dimensions of the group is shown as it sets out our share of the assets, liabilities, turnover and profits of these operations."

But, he stressed, the change does not affect the bottom-line in profits and thus it does not have any effect on earnings per share. The figures we have presented for 1987 have been adjusted to the same accounting method and are directly comparable with those of 1988."

Cullinan said African Cables had been consolidated from September 1 last year when the company became a subsidiary of Cullinan Holdings.

The outstanding performances of all the operating divisions reflected the benefits of the group's concentration on expanding its successful core businesses as well as selective growth in new areas.
Healthy forecasts for current year

Grinaker, Globe turn in strong results

By AUDREY D'ANGELO
Financial Editor

CAPE Town-based Globe Engineering and construction and electronics group Grinaker — both in the Anglovaal stable — have turned in improved results for the year to June And both make optimistic forecasts for the current year.

Grinaker has lifted earnings by 83% to R23m, equivalent to 71.4c (38.2c) a share. The dividend has risen to 22c (14c) a share with cover increased to 3.2 times (2.8 times).

This was achieved in spite of a higher tax bill, which more than doubled to R31.9m (R15.3m).

Turnover rose by 41% for the second successive year to R686.3m (R629.3m).

Operating profit was up by 81% to R66.8m (R37.7m), showing margins have improved, and pretax profit was 103% higher at R67.9m (R33.4m).

Investment income was higher at R5.3m (R1.8m).

The directors say the amount of work in hand "bodes well for the current year. Not only is it at a higher level than at any time during the past four years, but the margins are also better."

Globe Engineering lifted after-tax profits for the year to June by 54% to a record R6m (R3.2m), equivalent to earnings of 172c (112c) a share. The annual dividend is 10c higher at 70c a share with increased cover of 2.5 (1.9) times.

Operating profit rose by 74% to R2.8m (R1.3m). Investment income also rose, resulting in a pre-tax profit of R3.2m (R2.1m).

But lower export incentive allowances and timing differences almost tripled the tax rate. And although the marine repair division reported higher profits than last year — due mainly to a large casualty repair — its margins were tighter.

The electrical division also had lower profit margins so that in spite of a higher turnover the directors say its profits remained static.

However, the industrial division and Cape Diving and Salvage reported higher profit margins, the shipwright division had an almost full order book throughout the year and the Walvis Bay operation returned to profitability.

The directors disclose that Grinaker has entered into a joint venture agreement to provide fabrication services for some portions of offshore contracts.

They say the marine engineering industry is still highly competitive because of an international over-supply of services But prospects for general engineering work "seem positive."

They forecast profits for the current year "much in line" with those announced yesterday.
M & R bounces back on profits

THE good times are definitely back for shareholders in Murray & Roberts The huge diversified group, which recovered last year after apparently facing disaster in the worst of the recession, reports attributable profits of R82m (R44m) and earnings of 303c (166c) a share.

The final dividend is 55c (35c) a share making a total of 80c (42c) for the year.

Turnover is R3 039m (R2 447m) and operating profit after interest and tax R94 902m (R45 401m).

The largest contribution to group earnings came from the industrial division, with R71,2m (R41,8m). M & R Construction and Engineering came second with R40,3m (R29,7m), M & R Suppliers and Services second with R33,9m (R14,1m) and M & R Properties fourth with R4,1m (R4,9m).

The directors say they are “pleased to report that the group has achieved its objective of significantly increasing operating profits with continued growth in total earnings and dividends”.

But they add that although the return of 16% on assets shows an improvement on last year “it still does not meet the group’s objectives”.

Murray & Roberts’ net earnings recovered to 166c a share last year after plunging to 55c in 1986 from 166c in 1985 and 240c in 1984.
Rex Trueform lifts profits

AFRICA & OVERSEAS ENTERPRISES, which has as its main investment the Cape Town-based clothing manufacturer, Rex Trueform, lifted after-tax profit for the year to June to R13,277m (R10,454m).

Net income to ordinary and "A" ordinary shareholders was R6,544m (R4,933m), while a dividend of 60c has been declared (52,0c). Earnings per share rose from 197,3c to 261,8c.

Rex Trueform itself announced after-tax profits of R12,057m (R10,268m) while income attributable to "A" and ordinary shareholders was R11,845m (R9,055m).

Earnings per share increased by 30.8% to 286,8c (219,3c) with a dividend of 75c (65c) being declared.

The company said, "improved trading conditions prevailed throughout the year and turnover increased by 18%." — Sapa
First dividend since ’85...

Tradegro profits take a 93% hike

By AUDREY D’ANGELO
Financial Editor

TRADEGRO, which returned to profitability last year after record losses in 1986, has turned in impressive results for the year to June 30.

The upturn in consumer spending has enabled the group to lift operating profit by 93% to R166m (R66m).

A dividend of 5c a share has been declared for the first time since April 1985.

Attributable profit rose by 75% to R53m (R30m) and earnings a share, on a fully diluted basis, to 28,5c (16,3c)

Sales soared to R6,1bn (R4,5bn).

Good results were expected from Tradegro because listed companies in the giant retail group had already reported increased profits.

Tradegro’s own results show that the unlisted companies also performed well, particularly Checkers.

The one-ailing supermarket chain lifted pre-tax profits to R14m (R6,5m) on sales of R2,3bn (R2bn).

The directors say that it wrote off R3m of its opening expenses in expanding its Warehouse chain of stores during the year.

“In highly competitive trading conditions Checkers maintained its market share.”

Property owning group Coreprop, which made a loss of R5,5m last year, made a profit of R492 000.

The Suidaforde/Greaterner’s group lifted pre-tax profits to R6,2m (2,9m) Smart Centre, which was not among the group’s assets last year, achieved profits of R6,9m on sales on R82,9m.

The directors forecast “satisfactory growth for the year ahead provided that the economic and political environment does not deteriorate”.

Chairman Merry King said the integration of the Frasers businesses into the comparable Tradegro companies was extremely complicated from a legal and accounting point of view and had been finalized only in June.

Benefit flowing from the merger of the various businesses would be fully felt in the current financial year.

Summing up, the directors say that Cashbuild, after the acquisition of the Frasers Buy ‘n’ Build division, is starting to contribute positively to group profits and exceeded the targeted growth of 29% in earnings per share for the year.

Checkers improved profitability “in spite of continued pressure on margins and higher than budgeted shrinkage.”

Profitability is expected to continue to improve.

Coreprop achieved the substantial saving in interest forecast in the interim profit announcement.

“The improvement also results from a more favourable letting pattern.”

Jazz, which acquired the Frasers Fairways chain, increased turnover by 171% to R335,6m and profits before tax by 55,6%.

Metro, excluding Jazz, lifted turnover by 49,9% and profitability by 45,6%.
Beares profits surge

DURBAN. — The surge in consumer spending in the first half of the financial year to June 30, enabled furniture retailer Beares to post a 37.5% increase in attributable earnings for the year to June 30.

Attributable profit was R13.3m compared with R9.7m for the same period a year ago.

An increased dividend of 10.25c (1987: 8.50c) was declared which, with the interim of 5c (2c) gives 15.25c for the year.

Executive chairman A Rogoff warned that steps taken by the government would curtail consumer spending.

"The first half of the year saw a surge in consumer spending which slowed after the government announced measures in March 1988 to dampen the economy."

"The latest steps announced will further affect consumer spending." — Sapa
M & F profits surge by 80% 

By BRUCE WILLAN

MUTUAL AND FEDERAL INSURANCE (M & F) has announced an increase of 80% in net after-tax profit for the year-end June 1988, to R64.3m (R34.6m).

The group has increased its final dividend by 3c to 16c a share—bringing the total dividend for the year to 22.5c.

Earnings per share rose to 138c compared with 77c in the last financial year.

Growth was 10% on the year with the groups assets at market value standing in at R899m, but the net asset value dropped from 1 026c a share to 943c due to the October crash on the JSE.

MD Ken Siggers said that he was delighted with the considerable improvement in the group's overall performance.

The past financial year also saw the group exposed to some R50m claims due to the floods of Natal and the Free State but managed to claim R35m of this from reinsurers.

He attributed the increased net after-tax profit to the 49% growth in investment income which rose to R58.3m (R39.1m) and the substantial improvement in the underwriting surplus of R45.4m (R13.6m).

Gross premiums increased by 31% to R743m (R567m), while net premiums rose to R593m (R424), an increase of 40%. The group's investment portfolio advanced by R79.2m to R805.6m.

He stated that the future was clouded by uncertainty and that this would impact on the short-term insurance industry, nevertheless he is confident that Mutual and Federal has the necessary infrastructure, human resources and financial strength to meet the challenges of the future.
JOHANNESBURG — The rise in the average gold price in rand — from R32.99/l/kg in March to R31.72/kg in the latest quarter — has helped Gencor's gold mines generally improve profits for April to June.

In the case of St Helena, Kinross, Grootevlei, Marikaeve and Winkelhaak, improved gold output also helped, says Gencor.

At Beatrix, minor technical problems in the metallurgical plant — now resolved — combined with a slight drop in grade and tonnage milled to shave gold output by 130 kg. However, the higher rand gold price boosted working income by 5% to R46.6m.

Although tonnage milled at St Helena remained the same, gold recovery increased by 62 kg to 2.467kg due to an increase in the yield from 4.6 g/t to 4.7 g/t. This resulted in an increase of 28% in working income, from R112.2m to R156.6m.

The higher taxation on the mining income lifted after-tax income marginally from R10.2m to R10.6m.

At Leslie, gold production decreased by 33 kg due to a drop in the tonnage milled and the yield which remained the same at 2.4 g/t. Income after taxation increased by 10% to R3.1m.

In spite of a higher recovery grade, gold production at Buffelsfontein dropped by 35 kg to 3.791kg as less tonnage was milled.

Gold working revenue increased by R6.4m. Income after tax and State's share of income increased from R16.4m to R20.8m.

At Gillfontein, the yield declined from 4.7 g/t to 2.3 g/t, with a decrease in gold production of 712 kg. Tonnage milled at Unisel slipped 46,000 tons and the yield declined from 5.7 g/t to 4.8 g/t.

Thus gold production decreased by 465 kg to 1,222 kg, which led to a decrease of R10.4m in working revenue. Income after taxation and State's share of income decreased from R10.7m to R7.2m.

Winkelhaak lifted gold production by 103 kg to 3,018 kg. This boosted working revenue by R8.9m to R96.6m. Accordingly, after-tax income rose by 24% to R1.4m.

Tonnage milled at Kinross edged up to 516,000 tons which, with an unchanged yield of 5.7 g/t, pushed gold production from 2,931 kg to 2,944 kg. This led to an increase in pre-tax income from R40.6m to R42m.

Taxation and State's share of income was R5.2m higher than for the previous quarter, which cut after-tax income from R35.4m to R34.6m.

At West Rand Cons higher tonnage milled did not prevent gold production shipping 24 kg following a decrease in the recovery grade from 2.5 g/t to 1.9 g/t. The loss for the quarter, at R344,000, was R0.3m less than in the previous quarter.

At Bracken an increase in yield from 2.9 g/t to 3 g/t a ton was not enough to stop gold recovery sliding 67 kg to tonnage milled shrank.

Working revenue dropped by R1.9m to R18.2m and income after tax was R1.6m — R0.4m less than in the previous quarter.

In spite of lower tonnage milled, gold production at Grootevlei was slightly higher due to an increase in the yield from 3.2 g/t to 3.3 g/t.

Together with a decrease in working costs, this lifted working income from R1.5m to R4m. Income after taxation was R2m higher.

At Marikaeve, yield declined from 2.4 g/t to 2.2 g/t, but gold recovery was 9 kg higher on the back of an increase in tonnage milled.

However, working costs up R0.7m dropped after-tax income. — Sapa
In spite of major shutdowns

AECI share earnings rise

JOHANNESBURG — In spite of two major plant shutdowns, earnings a share from AECI rose from 53c to 61c in the half year to end-June compared with the same period last year.

MD Mike Sander yesterday declined to detail the impact of the shutdowns on earnings. But he revealed the cost of refurbishing plant during such closures was between R10m and R30m — even before accounting for the lost contribution to income.

The shutdowns involved the Chlor Alkali plant — down for six weeks longer than expected after a major explosion — and the main Ammonia plant.

Attributable earnings rose to R94m (R81m) on net income of R97m (R84m).

Net trading income climbed to R173m (R153m) on turnover of R1805m (R1479m).

Sander said most divisions performed well, and exports, in particular, were helped by the falling rand.

The directors note “Domestic sales volume increased by 11% relative to the first six months of 1987.”

“Demand in agricultural markets improved somewhat from a lower base. Substantially higher levels of activity were evident among many users of plastics, industrial chemicals, fibres and paints.”

“Production difficulties in the Coalplex plants at Sasolburg, following a scheduled maintenance shutdown, limited the availability of a range of products, particularly PVC and caustic soda, for an extended period.”

“However, with the return to normal operating conditions at Coalplex and the increase in capacity, profits from this sector should improve significantly in the second half of the year, particularly as the firmer trend in the international prices of chemicals and plastics is expected to be maintained.”

Finance costs were reduced, in spite of a higher average level of borrowings and a hardening of short-term interest rates.

On prospects, the directors comment “Given continued moderate growth in the domestic economy and normal weather patterns in the summer rainfall region, the rate of improvement in profits should at least be sustained in the second half.”

Sander says explosives and chemicals are trading well, while plastics are “going very strongly indeed” since the re-opening of the Chlor-Alkali plant.

SA Nylon Spinners has had a “great year” and fertilizers should do well in the second half, when demand is at a seasonal peak, especially since the mane price has risen strongly following the US drought.

The go-ahead on the R600m Botswana soda ash plant is finally imminent.

He expects the group to build up dividend cover in coming years to provide greater contributions to new projects from own funds — Sopa.
Loraine star performer in Anglovaal stable

JOHANNESBURG. — All four gold mines of the Anglovaal Group reported increased prices for their gold sales in the June quarter, while their total gold production rose by 113 kg to 11 205 kg.

Star performer was Loraine, where the taxed profit jumped to R14 085 000 from R6 450 000 in the March quarter.

The after-tax profit of ETC was R500 000 higher at R11 990 000, while Village Main's figure rose to R1 843 000 (March quarter: R719 000)

However, Hartbeesfontein's profit was adversely affected by a loss from the sale of by-products and year-end adjustments, the net result being that its after-tax profit was reduced to R5 297 600 (R6 112 000).

The total taxed profit from all four mines therefore reflected a slight increase at R80 788 000 (R78 710 000).

Hartbeesfontein's low-grade gold plant operated at rated capacity for the first full quarter, milling 367 000 (340 000) tons of ore to produce a working profit of R12 784 000 (R12 892 000).

Costs were generally well contained, especially in view of the fact that they included certain wage and salary increases that became effective prior to June 30.

The converse applied at ETC where problems at Agnes — now largely resolved — reduced mill throughput and led to a sharp rise in unit costs.

Village's tonnage was also down a little and therefore influenced costs, but Loraine contained its previous labour shortage problems to a large degree, leading to a substantially higher tonnage milled which brought about a 4% reduction in unit costs.

Grade at Loraine and Harties was slightly lower, but it improved at ETC and was unchanged at Village.

Ore milled by the copper/zinc producer, Prieska, declined to 364 000 (310 000) tons, reflecting the previous announcement that this would reduce to 110 000 tons monthly as the mine nears the end of its working life.

After adding in non-mining income and a tax credit, the after-tax loss was R4 953 000 (R5 921 000 — profit).

A marginal increase in volume sales of antimony, combined with higher gold production and prices, led to Consolidated Murchison reporting a working profit of R1 574 000, as against the previous quarter's loss of R399 000.

With little change in non-mining income and prospecting expenditure, there was a pre-tax profit of R2 073 000 (R75 000 — loss) and an after-tax profit of R1 653 000 (R635 000 — loss). — Sapa.
Rand Mines lifts gold production

JOHANNESBURG — The four major mines in the Rand Mines group showed an after-tax profit of R24.7m for the June quarter compared to a loss of R6.1m in the March quarter.

The group says the two main features were the R20m profit turnaround registered by Harmony and the fact that ERPM has whittled down its loss by R9m and is heading towards becoming a profit centre again.

Total tonnage milled was up by 600 000 tons to 4.4m tons. Although the group battled with lower grades, gold produced was up 720 kg to 13 645 kg.

Because of the higher tonnage milled, unit costs fell from R119.32 to R100.80 a ton milled.

Harmony bounced back from March’s R1.5m after tax to show a R21.8m profit.

Rand Mines gold division chairman Clive Knobbs said Harmony had come close to beating its record for ground broken in June.

He said the figure would have been much better had it not been for the continuing shortage of miners.

Gold production at the mine rose slightly to 6.679 kg (6.362 kg) which generated revenue of R61.5m (R192.6m).

Uranium revenue rose from R7.2m to R7.6m, bringing total revenue to R72.4m.

Total costs were R202.9m (R200.1m).

At ERPM the loss fell from March’s R15.076m to R10.072m.

Gold production rose by 227 kg to 2.165 kg.

The mine has been hedging its production and a total of 4.190 kg has been sold forward between the third quarter of this year and the second quarter of 1989 at prices between R32.501 and R35.527 a kg.

At Blyvooruitzicht, the performance was steady with after-tax profits rising from R11.1m to R15.8m.

Gold production rose to 2.696 kilogram (3.397 kg), which, coupled with an increase in the average gold price, took gold revenue to R66.9m (R77.4m).

At Durban Deep, grade problems resulted in a less happy quarter and the mine ended the quarter with a loss of R819 000 (loss R1.7m).

However, costs came in at R61.8m (R58.4m) leaving a working loss of R3.1m.

The mine hedged 2.597 kg of its production for the next four quarters at prices ranging from R31.906 to R38.639 a kg.

Although tonnages sold on both inland and export markets declined, Rand Mines Witbank Colliery reported a 39% increase in after tax profit at R19.7m (R14.2m for the March quarter).

Tonnage sold fell by 9% to 4.586m tons in the quarter.

Capital expenditure at Barbrook and Barplats rose in the quarter. At Barbrook, the total was R8m (R5m) and at Barplats the figure reached R15.5m (R6.2m).

Barplats showed an after-tax profit of R5.5m (R4.2m), while at Barbrook a figure of R24.6m (R35.6m) was recorded — Sapa.
Rising PPI indicates higher inflation rate

By AUDREY D'ANGELO
Financial Editor

Rising salaries and wages, widening profit margins and the impact of the weaker rand on the cost of imported components sent the producer price index (PPI) for the 12 months to May to 13.2% - the highest since September.

Economists pointed out yesterday that this would inevitably send the consumer price index (CPI) up, ending the downward trend of recent months.

The Central Statistical Services announced yesterday that the rise in the PPI between April and May was 1.2%.

It said the year-on-year rate of increase for locally produced products was 14.3% in May, up 0.6% from April.

The annualized rate of increase for imported products was 10% up on the figure for May last year.

Production costs for coal were up 11.2%, other mining and quarrying by 6.7%, beverages by 2% and materials used in the building industry by 2.7%.

Boland Bank economist Louis Fourie commented: "From this month on we shall see a flattening out of the CPI, which will soon start to rise."

Pointing out that SA had enjoyed relief from imported inflation in a period when the exchange rate had been fairly stable, he said the weakening of the rand in recent months inevitably pushed up the cost of imported components.

Other cost-push factors included higher salaries and wages without any corresponding increase in productivity. The lack of competition in some sectors of the SA market also tended to push up prices.

Southern Life economist Mike Daly said the PPI had bottomed out at the end of last year "and we are going to see the trend continuing up."

This was inevitable because the average cost of the basket of currencies with which SA paid for imported goods was more than 13% higher than at this time last year.

Daly pointed out that the pressure which increased consumer demand had placed on SA's industrial capacity and the fact that many manufacturers were now paying overtime, had also played a part in increasing production costs.

There was also a technical factor: The PPI had risen from a very low base in May last year.

Standard Bank economist Nico Cypionka said that although the rise in the PPI "obviously had implications" for the CPI, he did not think there would be "an explosive rise in prices" as had happened in 1985.

The cost pressures from outside this country were not as great as they had been then, when the rand plummeted.

And although SA manufacturers might have widened their margins while the market was buoyant, they would tighten them again if the market lost its buoyancy.

"The rise in the PPI obviously has implications for the CPI, but it will not go up at such a rate as in 1985."
Ovbel forecasts higher earnings

By LAWRENCE TOTHILL
Investment Editor

OVBEL HOLDINGS forecasts an increase of about 25% in attributable earnings to around 15c a share in the year ahead.

The three major subsidiaries of this Cape Town-based property, homebuilding and construction group, are Ovland, Ovcon and Bellandia, and chairman Andrew Ovenstone, writing in the annual report released yesterday says that the group is looking forward to the current year with some enthusiasm.

In particular he says:
- Ovcon's order book is at an unprecedented level for this time of year;
- Bellandia's participation in the Blue Downs development and several smaller projects is promising;
- Ovland's participation in the Blue Route Mall development is exciting.

The group has provided a breakdown of profit sources and this shows that construction and building development contributed 40% of profit, although only 21% of capital was employed in these activities. The bulk of capital employed (79%) is in property and this division contributed 60% of profits.

Ovenstone says that "all divisions either achieved or exceeded their targets in an economic environment which improved in the year.

"Ovland, Sun Trail Resorts, Ovdeco Properties and Bellandia benefited from the major buoyant demand.

"However, the recovery in the construction and civil engineering industry occurred too late to have any material effect on Ovcon."

Looking ahead he says there is a fear that the marked upturn in economic activity may not be sustainable.

"Although the political situation appears calmer than in the past few years, this may be misleading. We believe that employment, education and housing for all population groups are vital elements in any peaceful solution to the problems of our country.

"It follows that a renewed recession induced by dramatically increased interest rates would be most unfortunate," says Ovenstone.

He warns that the industries in which the group operates are of a cyclical nature and that the group's results will inevitably follow these economic cycles.

Overall Ovbel is committed to the release of funds through the disposal of its fixed property portfolio and during the year properties were sold for a net consideration of R10 913 000.

As a result, fixed properties have fallen from R15 147 000 to R4 513 000 in the balance sheet and long-term loans are down to R9 185 000 from R22 431 000.

This is a healthier position from a gearing point of view, and since the year-end R1 500 000 worth of preference shares (held by Premier Group) have been redeemed leaving only R2 500 000 to be redeemed in 1989 and 1990.

The improved gearing suggests that the dividend policy might be reasonably generous — or, at least, not restrictive.

With anticipated earnings of 15c for the coming year, a total distribution of 7c a share seems indicated. This would be in line with the declared policy that shareholders should receive steady growth in dividends. It would also allow for the distribution to be covered more than twice by earnings.

On a forward projection of 15c earnings and a 7c dividend, Ovbel, which trades at 70c would give an earnings' yield of 21.4% and a dividend yield of 10%, which is well above the average for the sector.
Hudaco earnings rise by 42%\(^\circ\)

Own Correspondent

Johannesburg. — Hudaco Industries achieved a strong profit advance in the first half of the year and, with 1987's acquisitions now fully integrated, is looking for a major strategic acquisition.

Earnings for the six months to May increased by 42% to 33.4c a share (33.6c a share) while the interim dividend has been raised by 50% to 15c (10c).

All three divisions — Deutz Dieselpower, bearings and power transmission — contributed to a 33% rise in turnover to R119.96m (R90.42m) with operating profit up 28% to R11.2m (R8.17m).

The group incurred net finance costs of R1.1m (R8.00m income in 1987 half-year). The tax rate was 44%.

Hudaco's continued earnings growth, coupled with strong cash generation in the past six months resulted in borrowings being cut substantially to R9.5m at the end of May from R26m at the end of December 1987.

The group is now in trim shape following integration of acquisitions, including restructuring of the power transmission division through the disposal of both Terrapower and the Frenzorp listed shell to Durco.

Stock turnaround has improved — stocks are down at R24.3m (R47.2m at the end of December) — and management's handling of the restructuring augurs well for an acquisition.

Hudaco directors say in the interim report that further earnings growth is expected in the second half of the year, which is traditionally better than the first half.

The shares have lifted off their low and are currently trading at 490c.
Oil's well as Shell SA hits a R3-bn gusher

By Tom Hood

Shell (SA) has lifted the lid off a secrecy-ridden industry and disclosed record turnover for last year, rising about R200 million to exceed R3,2 billion.

This puts Shell among the largest companies in South Africa - on a par with Sasol, Premier and Anglo American Industrial Corporation and bigger than giants such as Sappi, AECl and Tongaat.

Turnover has soared from about R1,8 billion in 1985, according to the company's report for 1987, which, however, conceals what the company paid for materials such as oil.

Turnover hit R3,2 billion in 1985, then dropped about R200 million in 1986, mainly through a fall in oil division sales.

Biggest business last year was oil, with sales of about R2,3 billion, followed by coal, chemicals, business ventures and metals.

John Wilson says in his chairman's review that Shell's growth in petrol sales at 14,6 percent was significantly above the industry average.

The oil division registered a 5,8 percent growth for the year compared with an industry average of 5,7 percent and maintained its position as market leader. Major product contributors to industry growth were paraffin (12,7 percent), liquid petroleum gas (10 percent) and petrol (nine percent).

"The increase in consumption of these products can be ascribed to rapid urbanisation, growth in the informal sector and an apparent decline in social unrest," he said.

The report for 1987 discloses operating costs rose about R50 million to top R400 million.

However, finance director Kees Lenders says group financial and operating results increased significantly over 1986.

The oil division increased its sales volumes, although gross profits came under pressure because of the decline in world oil prices, inflation and improved exchange rate levels, he said.

"The relative stabilisation of oil prices ensured that the 1986 stock losses were not repeated," says Mr Lenders.

Coal and metals divisions' performances were ahead of target as a result of tighter control over costs and volume-margin movements.

The chemicals division also performed well against target. Business ventures performed better than in 1986 but profits were down for a number of companies in the portfolio.

Operating costs rose by 14,34 percent - well within the inflation rate of 16,1 percent. Manufacturing costs were held to 1986 levels but marketing costs increased by 15,5 percent.

Overall capital employed at just over R1 billion rose by only 4,1 percent from 1986 levels but was below the 1985's R1,1 billion because of the continuing lower level of working capital in the oil division.

Average working capital dropped by 14 percent to R650 million in line with the group's strategy of keeping working capital levels to a minimum, reported Mr Lenders.

Because of the stabilisation of the dollar price of crude oil and the relatively constant rand rate against the dollar, 1987 stock levels were held close to 1986 average value.

Capital expenditure of about R110 million was slightly down, although the R30 million spent on forestry reflected the acquisition of more land.
Oil's well as Shell SA hits a R3-billion gusher

By TOM HOOD
Business Editor

SHELL South Africa has lifted the lid off a secrecy-idden industry and disclosed record turnover for last year, raising about R200-million to exceed R3 200-million.

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Fast-growing Pepkor has R100-m cash pile

By Maggie Rowley

Investment Holding company Pepkor is sitting on a cash pile of R100 million, chairman Christo Wiese discloses in the group’s annual report.

In a dramatic turnaround this year, the group, which derives its income primarily through its investments in Pep Stores and Shoprite, saw net profit climb from R7 million to R39 million while operating profit was up R16 million at R72 million.

In spite of the number of shares in issue rising from 8.4 million to a weighted average of 10.6 million as a result of a rights issue in July last year, earnings a share increased by 331 percent to 570c enabling the company to resume dividends with a total payout for the year of 130c.

The most dramatic evidence of the group’s turnaround can be seen in its gearing. The group has reduced its borrowings from R140 million at the end of last financial year to a mere R14 million and in addition has about R100 million in cash at its disposal, Mr Wiese said.

These funds were raised through retained profits, improved asset management, the sale of Pep Stores shares to meet the JSE’s spread requirements, the rights issue which raised R63 million, and the sale of non-core businesses.

Budget Footwear, Rich Rags and the House of Monatic were sold to Lenco Holdings for R6.3 million. In addition, the group disposed of Knitwear Industries, Titan Textile Industries and Cravatude.

The debt/equity ratio now stands at 6 percent against 135 percent last year.

Mr Wiese said that although the sale of the non-core businesses resulted in group turnover increasing only marginally from R377 million to R39 million, the group’s retained businesses increased their sales by a creditable 29 percent.

He said that Pep Stores, which opened 66 new outlets during the year bringing the total number of its stores to 620, had by no means reached its saturation point and it had excellent growth potential due to accelerating urbanisation and improving living standards among the lower income groups.

Arnold Louw, group managing director, said that in order to broaden its market spread, Pep Stores was forming a public company controlled by shareholders from the black community with a view to opening outlets in black residential areas.

Mr Wiese said the 55 outlet Shoprite had continued to gain market penetration and the move from the traditional trading areas of the Western Cape had proved more successful than anticipated, indicating enormous growth prospects in untapped territories.

“Indeed, immediate growth will come from outside the Cape with three stores planned to open in the Free State this year, one more in the Transvaal and another in the North Western Cape,” Mr Wiese said.

He said a strategic planning committee had been assembled from head office management and supplemented with the skills of external specialists to develop a strategy to ensure the company’s future growth within its existing mission.

Mr Louw said new targets set by the group included a debt/equity ratio of 50 percent or below and a return on capital employed of at least 30 percent under prevailing conditions.

Discussing exports Mr Wiese said that although the imposition of sanctions last year, the group had run into severe difficulties in the US where they had been supplying a chain of clothing outlets with products from the House of Monatic.

“During the course of this year, the situation was further exacerbated by an embargo on the import of textile goods into the US and our disposal of the House of Monatic.

“As the chain was dependent on South African merchandise and also in its infancy within the American market, it could clearly not survive under the changed circumstances and had to be liquidated. However, the losses incurred were adequately provided for,” he said.

Mr Wiese said the group’s residual export programme was under review. The Board of Trade was currently investigating new export incentive systems for the clothing and textile industry and, depending on the outcome, they would decide whether or not to pursue the programme.

Bullion a useful stabiliser in portfolios

LONDON — A leading British economist says gold has an important role as a post-crisis portfolio asset.

Writing in the May issue of Gold Update, published by the World Gold Council, Jeffrey Mazar, Director of Economics and Global Strategy at SBCI Savory Milln, says “Fund managers worldwide are becoming increasingly aware that sustainable economic and financial trends are a thing of the past and that gold bullion is a useful ‘stabiliser’ in portfolios in the prevailing turbulence.”

“He also sees a growing realisation that modest holdings of gold often help to reduce portfolio volatility and increase portfolio returns.”

Mr Mazar said that in the next few years the degree of predictability of financial markets is likely to remain low, market volatility is set to remain high and the global financial fabric will probably remain exceedingly accident-prone.
Stiebel turnover up 70% since buy-out

By Stan Kennedy

Stiebel Eltron SA reports a 70 percent increase in turnover since the management buy-out of the West German company a year ago.

With the recent signing up of Kwokot, South Africa's largest manufacturer of hot water systems, as sole distributor for the Stiebel Eltron range of water heaters, the three directors are confident that its share of the small capacity water heater market will improve significantly.

Says director Derek Mocke: "The greater availability of these popular products, along with a rejuvenated and streamlined staff, a substantial stockholding and our move to easily accessible premises in Selby, bodes well for the next 12 months."

In the first few months after the take-over, the company was plagued with historical problems of unavailability of stock, lack of communication facilities and a long lease on unsuitable premises.

"Our progress has been applauded by Stiebel Eltron in Germany, who are giving us the full support," Mr Mocke says.

"Although we are, only a small portion of their worldwide business, an indication of their commitment is their willingness to make major adaptations to a new heater to meet SABS requirements for the local market."

The new management, which comprises Mr Mocke and fellow directors Mr Tony Youell and Mr Peter Langworth, is considering additions to the range to sell to existing and new customers.

"It makes sense to handle synergistic products in those areas in which we are already strong," Mr Mocke says.

Mr Mocke, with a background as a property developer/broker in the Vereeniging area, manages the administrative portfolio. Sales are handled by Mr Youell, who has been with the company for five years and the technical side by Mr Langworth, who has 20 years experience in the electrical wholesale field.
Meritex beats forecast

By MARTIN WELLS
Business Staff

MERITEX, the Parow-based clothing and textile manufacturer, has increased turnover 11 percent ahead of forecast in the first quarter. Exports were also substantially ahead of budget.

The group's chief executive, Mr Ed Gordon, said unaudited after-tax earnings were even better than 11 percent due to improved manufacturing recoveries.

"Our fabric division (Tide Fabrics) has been up on budget by 20 percent for the first quarter and we expect turnover for the current financial year to be some 10 percent ahead of budget," Mr Gordon said after the annual meeting in Cape Town yesterday.

He said Meritex as a matter of policy was not prepared to make major capital investments in textile manufacturing equipment until the Board of Trade and Industry had completed its textile and clothing "pipeline" study and the Government had given clear long-term policy guidelines for the textile and clothing industries.

Steps were, however, being taken to augment Tide Fabrics' productivity and output.

"While 1988-89 exports are expected to be about 30 percent ahead of budget, they will nevertheless be contained at under eight percent of total group turnover," said Mr Gordon.

The future policy on exports also hanged on the Government report and possible support for foreign selling.

First quarter profits from the commission printing division, Ital Print, were also ahead of budget.

A rotary printing facility is to be installed and Mr Gordon said this would lead to further improvements in the second half of the year.

The company's staff share incentive scheme was a success.

More than 200 staff members had acquired nearly 600,000 ordinary shares in Meritex Holdings Ltd.

About 40 percent of Meritex's budgeted capital for 1988-89 (beginning February 1) had been committed. An annual sales increase of more than 10 percent was anticipated, Mr Gordon said.

- Earnings of the Trans Hex group rose 43 percent from 54,3c to 77,8c a share in the year to end-March.

- The final dividend is being raised to 15c (11,5c) making a total for the year of 27c (20c).

- Net profit before tax rose 36 percent to R18,5-million and attributable profit was R11,5-million, up 43 percent.

- Wankie Colliery's dividend has been held at 12,5 Zimbabwean cents a despite a drop in earnings from 47,5 cents to 38,6 cents.

- In the year to end-February, coal sales jumped to a record 4,5-million tons (3,4-million) but coke sales were down almost 70 percent at 51,914 tons.

- Pre-tax profit declined to ZD17,5-million (ZD21,5-million) and attributable earnings were lower at ZD11,5-million (ZD15,0-million).
No life on De Villiers Street bus rank – one of the busiest in central Johannesburg on any given day – was lifeless yesterday when thousands of workers on the Reef headed the first day of protest action called by Nactu and Cosatu in opposition to the disputed Labour Relations Amendment Bill.

Pic JOE MOLEFE

THE DAMELIN Study Direc.torate under the Chairmanship of Damelin makes J. P. Brummer, Principal, Damelin Correspondence

To get a good job and earn more money you must have a good education and you must be willing to study. But it’s harder to study when you work. Damelin Correspondence makes it easier for you to study.

Mr. J. P. Brummer, Principal, Damelin Correspondence

Thousands of workers in various areas of the country, particularly in Johannesburg and the East Rand, stayed away from work yesterday, the first day of a three-day protest campaign called by Nactu and Cosatu.

Among the few violent incidents reported were:

- Railway coaches were damaged by an explosion.
- A house was attacked with a hand grenade in Mamelodi.
- An unexploded limpet mine was found at a section of the railway track in Dube. The police in Pretoria said that the limpet mine was found during follow-up investigations after the earlier blast. No injuries were reported.

80 percent

SOWETAN Reporters, Sapa and Own Correspondents
Argus maintains strong growth and profit record

By Ann Creity

The excellent performance reported by the Argus group at the half-way stage was sustained during the second half and has enabled management to report a 74 percent surge in taxed income on a 23 percent increase in turnover for the 12 months to end-March.

A final dividend of 425c a share has been declared bringing the total for the financial year to 600c.

The strong improvement in margins, from 6.8 percent to 8.6 percent, and a sharp reduction in interest payments, from R9.4 million to R5.4 million, meant that the group was able to report trading income of R84 million on a turnover of just over R1 billion.

A hike in investment income to R7.8 million from R2.8 million lifted the improvement at the taxed profit level to 76 percent, equivalent to R51 million. After stripping out minority interests, attributable earnings showed an increase of 77 percent to R27.9 million (R15.7 million). The company added R12.6 million (R5.6 million) representing the group's share of retained earnings of associated companies.

So bottom line attributable earnings at the Argus were up a massive 80 percent to R40 million (R21.3 million). On a per share basis this is equivalent to R20.29 (R10.50) and puts the share on an historic price/earnings ratio of a meagre 4.4 times on yesterday's share price of R90. This compares with a sector average of 6 times, which means that an upward revision of the share price must be on the cards.

The strong improvement in operating margins was due chiefly to the rationalisation of production and distribution facilities between TML and Argus Newspapers. In addition margins benefited from a general improvement in asset management. The sharp drop in interest payments in part reflects CNA-Gallo's healthy cash position but also the generally enhanced cash-generating ability of the group.

With the exception of Hortons, which reported a loss for the period, the group's major subsidiaries, Argus Newspapers, CNA-Gallo, and CTP Holdings, each contributed to the sharp improvement in performance.

The Argus Newspapers, which remains the strongest single contributor, enjoyed an 86 percent increase in earnings. Management reports that advertising demand was "firm and strong circulation gains were achieved by the Star, Sowetan and Pretoria News."

CNA-Gallo, in which the group has a 33 percent stake, saw a 26 percent increase in its earnings. Attributable earnings at 46 percent-held CTP Holdings, were up 80 percent.

The group's major associate interests, which contributed a massive R12.6 million (R6.8 million) to earnings, include a 25 percent stake in Masters and a 40 percent stake in TML with TML accounting for about R10.3 million.

For financial 1989 management seems "cautiously optimistic" and believes that provisions levied to provide for no adverse changes in the political and economic environment earnings should again increase "but not at the rate of the two previous years."
Argus profits surge, turnover tops R1-bn

From ANN CROTTY

JOHANNESBURG. — The excellent performance reported by the Argus group at the halfway stage was sustained during the second half and has enabled management to report a 74-percent surge in taxed profit on a 23-percent increase in turnover for the 12 months to end-March.

A final dividend of 425c (275c) a share has been declared, bringing the year's total to 600c (375c).

The strong improvement in margins, from 6.8 to 8.6 percent and a sharp reduction in interest payments — from R9.4-million to R5.4-million — meant that the group was able to report trading income of R84-million on a turnover of just over R1-billion.

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After stripping out minority interests, attributable earnings showed an increase of 77 percent to R27.9-million (R15.7-million). To this was added R12.6-million (R5.6-million) from the group's share of retained earnings of associated companies.

So bottom-line attributable earnings soared by 89 percent to R40-million (R21.3-million).

The strong improvement in operating margins was due chiefly to the rationalisation of production and distribution facilities between Times Media Limited (TML) and Argus Newspapers. In addition, margins benefited from a general improvement in asset management.

The sharp drop in interest payments in part reflects CNA-Gallo's healthy cash position but also the generally enhanced cash-generating ability of the group.

With the exception of Hortons, which reported a loss for the period, the group's major subsidiaries, Argus Newspapers, CNA-Gallo, and CTP Holdings, each contributed to the sharp improvement in performance.

Argus Newspapers, which remains the strongest single contributor, enjoyed an 86 percent increase in earnings.

Management reports that advertising demand was "firm and strong" and that gains were achieved by the Star, Sowetan and Pretoria News.

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For financial 1989 management seems "cautiously optimistic" and believes that, provided there are no adverse changes in the political and economic environment, earnings should again increase, "but not at the rate of the two previous years".
Unchanged dividend from Anglo

Own Correspondent

JOHANNESBURG. — Anglo American has cautiously elected to pay an unchanged dividend despite satisfactory growth in equity accounted earnings.

Although equity accounted profits grew 20% growth to R1,8bn, the dividend of 22c a share is unchanged. This represents an increase in dividend cover from 2.92 to 3.5 times.

Nevertheless Anglo's attributable earnings showed only a slight growth on account of the fact that the corporation and its subsidiaries such as Amcoral endured extremely difficult conditions.

Associates, on the other hand, collectively achieved vastly improved results. A glowing performance from associates such as De Beers, JCI and Minroco overshadowed the lower revenue from Angold.

Although the results are slightly better than market expectations, some analysts believe income for the next financial year may be disappointing.

In view of the pipeline effect which results in a lag between Anglo's receipt of dividends from associated companies and distribution to its own shareholders, the good equity accounted year may not accurately reflect current trading conditions, said an analyst.

The past year has been gloomy. The poor performance of Anglo's coal and gold interests are the major cause for Anglo's caution.

Anglo American Gold Corporation dropped its dividend by 11%, reflecting the general decline in gold mining profitability as a result of poorer grades and increasing mining costs.

Anglo American Coal Corporation fared even worse largely as a result of the industry-wide depression brought on by coal sanctions on the part of the USA, France, Denmark, Norway and Sweden.

Nevertheless, the frailty of these sectors is counterpoised by the strength of Anglo's diamond, platinum and industrial interests. Good dividends from these sectors were largely responsible for the 7.6% growth in net income from investments to R1,015bn.

Anglo says the 35% drop to R274m in trading income reflects the adverse trading conditions experienced by the coal sector.
Interboard’s turnover boosted 79% 23/10/88

JOHANNESBURG. — An increase of 79% in both turnover and net income are reflected in the results for Interboard for the 12 months to end-February.

Turnover improved from R33,2m to R58,4m while net income was up from R8m to R14,3m.

Earnings before extraordinary items rose 33% to 9,88c (7,57c) and the final dividend is 3c (4c) to give a total for the year of 6c (4c).

Shareholders’ interest rose from R35,4m to R132,9m. Net asset value a share doubled from 43,5c to 87c — assets at historical cost.

The building materials manufacturing division, Buldeeer, was listed separately on the main board of the Johannesburg Stock Exchange in November last year and Interboard holds 80% of the shares.

During the year, the flatboard interests were expanded by the acquisition of Interboard Swaziland which provided Interboard with a 60% increase in its particle board manufacturing capacity.

The directors note that some of the major manufacturing units have been operating for less than 12 months and contributed "minimal returns".

Since the year end, the directors report that Interboard has formed a new division, Fastereel, which manufactures components for the home and prefabricated housing industries. — Sapa

Tony Cilliers has been appointed a director of Interoffice Designs.

Jos le Roux has been appointed as KWV's manager of public relations.

Bill Cooper-Williams has been appointed as manager of the KWV Wine Centre in Johannesburg.
IGI doubles profits, lifts dividend 150pc

A MARKED improvement in underwriting profits helped composite insurer, IGI Insurance, to more than double its profits and increase its dividend by 150 percent in the year ended March 31.

Net income after preference dividends was R21,4-million, an increase of 130 percent on the R9,3-million earned in 1986-87.

Earnings a share, assuming the conversion of all the convertible preference shares into ordinary shares, rose 77,9 percent from 106,0c to 243,2c.

The company is paying a final dividend of 20c, making 30c (12c) for the year.

Short-term premium income rose 17,7 percent to R377,1-million while net premium income increased by 3,9 percent to R292,1-million. Long-term premium income rose 41,5 percent to R50,0-million.

• WORLD of Music, listed last October, increased its profits by 157 percent in the year ended February from R419 000 to R1 078 000. Turnover increased 76 percent from R756 000 to R1 214 000.

Earnings on the increased share capital rose 135 percent from 4,8c to 11,3c and a maiden dividend of 2,0c is being paid.

The two acquisitions, Pop Paraphernalia (Pty), which markets pop merchandise, and World of Music Retail (Pty), which has four record stores, contributed to profits.

But the purchase of Educational Media Services (Pty), was cancelled on the grounds that certain warranties were breached. One of the vendors is disputing this act.

Production problems at its Lebowa factory limited the increase on Skirtskip Clothing's pretax profit to 29 percent in the year ended ended February. Pretax profit R1,3-million (R1,0-million) equal to 7,7c (5,4c) a share. A maiden dividend of 3,75c has been declared.

• The Natal floods and the absorption of a loss caused Bakoven's earnings to drop to R444 000 (R570 000) in the 12 months ended February. No dividend is to be paid.

CURRENCIES

Forex dea

HONOLULU. — Maybe there is something about soaking up the sun and swimming in the world's foreign-exchange convention held in Hawaii that makes the dollar work hard.

Now that most major currencies are in narrow ranges, "Money is ripe for plucking by making a bet, and the fall in the dollar will continue," said one trader.

Instead, dealers are having fun and taking greater risks.
The pack...
Egoli lifts earnings 100%  
JOHANNESBURG. — Egoli Consolidated Mines (Egoli) reports earnings up more than 100% to R17m (R8,33m) for the year to March 1968.  
The final dividend is 7,5c (7,5c) which, together with the interim of 7,5c gives a total of 15c (12,5c) for the year.  
No further details are provided about the group’s performance.  
However, in commenting on the Taiwanese deal recently in the news, deputy chairman, Don Grant-Hodge, says in the statement that, as the sale of Egoli’s shares in its holding company, Johannesburg Mining and Finance Corporation (JMF) to a Taiwanese investment company was not fully implemented, the increased earnings reflect only part of the surplus “resulting from those shares sold for which the full cash payment had been received.”  
“The appropriate legal action has, however, been taken to recover the outstanding balance of R30,00m.”  
Shareholders’ funds have also substantially increased, says Grant-Hodge.  
Egoli’s main listed subsidiaries are Carrig Diamonds, Waverley, Westwits.  
Its main investments are Summer and Jack Mines, Wit Nigel and Energy Resources and Mining Corporation (ERC).  
Waverley’s dump recovery operation is nearing completion and its future operations will be mainly Brakpan Van Dyk Mines.  
“Egoli has recently acquired additional surface reserves of dump material which will extend the life of treatment operations by more than 20 years,” says Grant-Hodge. — Financial Staff and Sapa.
Waltons shareholders give all-clear for Osa purchase

By MAGGIE ROWLEY, Business Staff

SHAREHOLDERS of Waltons Stationery — which has turned in sparkling results for the year ending February 29 — have given the go-ahead for the group to purchase the entire issued share capital of Osa Holdings (Pty) for R44-million.

In an interview following the shareholders meeting yesterday, MD Frank Robarts said the acquisition was expected to boost turnover by 25 percent.

It would be funded by cash reserves and loans from banks and institutions which would have to be repaid within two to three years.

Waltons has been on the acquisition trail in recent years, and further acquisitions were in the pipeline, he said.

The company acquired Osa Holdings and its subsidiary Ozalid from its Dutch parent company, Oce Van Grinten, which has been under pressure to disinvest. The Dutch company owned 87 percent of Ozalid while Old Mutual had a 13-percent stake.

Ozalid manufactures and distributes drawing office equipment, labels, markers and photocopiers.

In its 10th year as a listed company, Waltons reported an 34.6-percent increase in after-tax profits to R24.3-million on a turnover of R292.6-million, up 54 percent on last year's R214-million.

After an extraordinary item of R2.3-million, which represented the net effect of profits on disposal of investments and goodwill written off on acquisition of subsidiaries, profit attributable to shareholders amounted to R22.1-million (R12.6-million).

While new acquisitions accounted for 30 percent of turnover, they only brought in 10 percent of profits, Mr. Robarts said.

Earnings a share soared 81.4 percent to 39c from 21.5c last year.

A final dividend of 9c, up 80 percent on last year's 5c, brings the total payout for the year to 13c, almost double last year's 6.8c.

Taxation at R19-million was 17 percent higher than last year's R16.7-million. However, finance costs dropped marginally to R2.2-million from R2.3-million.

Current assets stand at R143.8-million (1996: R94.2-million) while current liabilities total R62.4-million (R62.6-million).

Mr. Robarts said that, while it was too early to tell how trading was going this year, the group expected earnings to show a further improvement.

Waltons Consolidated Investment Holdings, which has a sole investment of 50.2 percent in Waltons Stationery, lifted operating profit before taxation by 55 percent to R4.5-million (R2.3-million).
TML has massive profit rise

Times Media Ltd (TML) has reported a rise in pre-tax profits from just over R10 million last year to R26.83 million for the year to March.

Since no tax is due for the last financial year, profit before extraordinary items rose by 167 percent.

Earnings per share jumped from 50c to 1.33c.

A final dividend of 200c (100c) has been declared, bringing the total for the year to 300c.

Turnover increased by 28 percent to R154 million (R120.8 million) and operating profit as a percentage of turnover rose to 15.4 percent (11.1 percent).

"The disposal of assets and the much-improved level of profitability enabled TML to repay all debt, thus reducing interest charges," says Steve Mullolland.

Managing director Steve Mullolland says "The benefits of the recent rationalisation programme have now been realised and profits cannot be expected to grow at the same rate in the future."

"However, it is expected that pre-tax profits and dividends will increase in the year ahead. Tax losses will be exhausted in the coming year and the group will move into a tax-paying position," he says.

— Sapa
Barrows Posts 38% Earnings Rise

The industrial sector was the major contributor to the impressive growth rate. The good news is that household incomes are rising, and it's a good time to invest in real estate. The company reported a 20% increase in net profit, with the profit margin at 17.8%. The average selling price for homes is expected to increase by 3%. The company's earnings per share rose by 17.6% in the latest quarter. The company's stock price has increased by 20% since the beginning of the year. The company's management is optimistic about the future of the economy and is investing in new projects to expand its operations. The company plans to increase its workforce by 10% in the coming year. The company's debt is expected to decrease by 20% in the next quarter. The company's balance sheet is strong, with cash reserves of over $1 billion. The company is expected to pay a dividend of $0.50 per share in the next quarter. The company's management is committed to maintaining a strong balance sheet and continues to focus on growth and profitability.
R35,9m turnaround in two years

Times Media

From GERALD PROSALENDIS

JOHANNESBURG. — Times Media Ltd increased operating profits to R23,7m for the year ending March 1988, a turnaround of R35,9m in just two years.

Operating profit was up 76% from the last year’s R13,5m. A loss of R12,2m was registered for fifteen months to March 1986.

Profit before extraordinary items rose 187% to R26,8m from R10m the previous year, with investment income of R4m, mainly from Robinson & Company (Pty) and interest on surplus funds. This equates with earnings of 1,33c (50c).

The final dividend is 200c, making a total dividend payment for the year of 500c.

The sharply higher operating profits were achieved on an increase in turnover of 28% to R154,3m compared with R120,9m for the previous year.

Debt repayed

Operating profit as a percentage of turnover rose from 11,1% to 15,4%, indicating improved efficiencies and cost containment.

Interest payments were reduced to R866,000 compared with R4,2m the previous year.

The company has now repayed all debt, says the directors, and has cash in hand of R21,1m. This contrasts sharply with debt of R42m at the end of March 1986, a turnaround of R63m in two years.

Says MD Stephen Mulholland: “We want the market to perceive us as a decent payer of dividends. He said dividend cover of 4,4 times was high.

“Even if one assumes a normal rate of taxation, dividend cover would still be a healthy 2,2 times. This gives us room to move in providing shareholders with a steady and increasing stream of income.”

The directors say the benefits of the recent rationalization programme have now been fully realized and profits cannot be expected to grow at the same rate in future.

Lawrence Clark, financial director says: “We are extremely satisfied with the performance of all of our publications.

Major contributor

The Sunday Times remains the major contributor to group profits, followed by the Financial Mail.

“Business Day has shown the biggest percentage improvement and is now an established contributor to profits.”

“The Port Elizabeth papers raised profitability in a very tight market and the Cape Times has shown an encouraging improvement.”

The groups newest publication, The Executive, was not expected to contribute to profits this year, but the directors were confident of its long-term potential.

“We have attributed improved operating profits to three things: the remaining benefits of rationalization; the continued careful control of costs; and, after fixed costs are covered, additional revenue net of direct expenses, such as newsprint, printing and distribution, flow directly to the bottom line,” said Clark.
Tongaat show 90% higher earnings

By AUDREY D'ANGELO
Financial Editor

BETTER trading conditions, rationalization and a lower interest bill enabled the Tongaat-Hulett group to achieve a record performance for the year to March 31.

Earnings rose by 90% to 162c (85,3c) a share — well above the 150c forecast in the interim report — and the final dividend is 36c (24c) a share. This makes a total dividend for the year of 54c a share, 59% above the 34c paid in 1987.

Turnover was 20% higher at R2,6bn (R2,1bn). The group was hit by a 63% higher tax bill of R64,8m (R39,8m). But the interest bill was 20% lower at R51,4m (R70m), resulting in an after-tax profit of R124,8m (R67,1m).

Attributable profits were R119,2m (R2,6m).

The directors say prospects are encouraging and a further improvement in earnings is expected.

Pointing out that the strong earnings recovery reported at the interim stage has continued into 1988, they say all divisions performed well "with notable achievements by the aluminium and textile divisions".

The building materials division has benefited from increased demand as the market strengthens and there has been "a significant improvement in profitability".

The food, starch and sweeteners and transport divisions have all reported "satisfactory profit improvements".

But although the sugar division also performed well, the directors say it was hit by higher taxation "and consequently its contribution to group profits is similar to last year".

BARPLATS
New strategy boosts SA Drug profits

By AUDREY D'ANGELO
Financial Editor

AN increase in its manufacturing interests helped SA Druggists — part of the Federale Volksbeleggings Group — which was relisted on the Johannesburg Stock Exchange last year to achieve attributable profits of R32m for the 12 months to March 31.

Earnings at share level were 22.7c, well above the 21.9c forecast in the listing prospectus.

The final dividend is 4.75c a share, making a total of 8c for the year.

Strategy

Turnover was 19% higher at R675m (R567m) and operating income was 22.2% higher at R64m.

MD Tony Karis said SA Druggists had continued its strategy of changing its portfolio balance with a heavier bias towards manufacturing and marketing its own products rather than wholesaling those of other companies.

As a result, he said, about 60% of group operating profits now came from manufacturing and marketing companies compared with 45% three years ago.

Forecasting further growth in earnings this year, Karis said: "With our core business firmly established, our entry into the field of medical diagnostics and investment in long-term biotechnology, SA Druggists begins the new financial year with a strong base for sound, sustainable growth."

Management

The group's total assets rose by 16% to R257m in the year with the finance ratio remaining above 50% at 55% and the gearing ratio falling to 13% from 22%.

The interest bill was R3.3m which Karis said was "materially lower as a result of good asset management, lower interest rates and the conversion of some loans into share capital."

The group spent R13.6m on capital expenditure in the year, mainly on the Lennon facility at Port Elizabeth, now believed to be the biggest pharmaceutical manufacturing plant in the southern hemisphere, and on a distribution centre in Hennie, Johannesburg."
Santan lifts earnings 41%

By LAWRENCE TOTHILL
Investment Editor
SANTAM INSURANCE has announced an after-tax profit of R18,4m for the half-year to March 1988, which is 41% up on the corresponding year ago figure of R13m.

Earnings per share equal 26,3c (18,8c) for the half year and the company has increased its interim dividend to 8c from 6c a share — a rise of 33%. Some of this increase should be seen as bringing the interim more in line with the final dividend.

Reflecting the trend which had become apparent last year, Santam Insurance showed an underwriting surplus for the period of R11,7m which was 31% up on the R8,9m in the same period last year.

Investment income also reflects the better cash flow arising from the improved underwriting surplus and stood at R17,4m (R12,7m).

MD Oosie Oosthuizen, said the underwriting surplus was after providing fully for the Natal floods (R6m) and the more recent floods in the Orange Free State and the northern Cape (R12m as an outside figure).

“Our premium levels were such that we were able to absorb the losses arising from these 'catastrophes', keep our premiums frozen for the year, and still show a satisfactory underwriting surplus,” he said.

“It means that we are doing the scientific underwriting which is expected of a responsible insurer.”

A feature of the interim report is that gross premium income at R328,5m has hardly risen from the year ago R323,7m, while net premium income reflects a similar modest rise to R295m (R291,4m).

Oosthuizen said this was due to the loss of certain personal group scheme business which had accounted for about 5% of premium income.

“When I say 'loss' I really mean we relinquished that business, and we have been able to replace it with better business This is reflected in the improved underwriting results. The profit margin is up on last year but still within internationally accepted standards.”

The interim report shows that insurance funds at R333,6m are sharply higher than the R142,5m of a year ago.

Oosthuizen says these are so satisfactory now that the company is well placed to satisfy any new proposals which might flow from the Molamet Commission which is expected to recommend some quite stringent reserve requirements for short-term insurance companies.
Premier Group

earnings up 36%*

From LIZ ROUSE
Johannesburg — The Premier Group kept up a cracking pace in the year to March, moving to a higher plateau.

The group closed the year with a 36% hike in earnings to a record $17c (1987 $33c a share) and raised the dividend total by 33% to $140c (196c), with the declaration of a 90c (60c) final dividend.

Tony Bloom, in his last preliminary statement as Premier chairman, said it was a spectacularly good year and it was particularly pleasing to note that the good results had been achieved across the board by all the group's divisions, subsidiaries and associate companies.

Premier's 35% holding in booming SA Breweries obviously helped boost profits, but the feature is that its other interests are now advancing at a fast pace, loss-incurred areas have been eliminated and their contribution to profits is much larger than in previous years.

The group's year-end figures are above market expectations, which put earnings at about $30c and the dividend total at $135c. As total payout has exceeded $135c, the preferred ordinary shares automatically convert into ordinary shares, this has happened well ahead of expectations.

Turnover increased by 19% to R3.2bn (R2.7bn) on aggressive marketing and merchandising, while higher output in plants, strict cost control and improved operating efficiencies resulted in a 32% increase in operating profit to R206.5m (R156.5m).

Bloom said it was interesting to see that the turnover increases which had recently been posted by the four major listed food companies indicated that price inflation in basic food products had been kept well below the rate of inflation.

The inflation on Premier's shopping basket of food products was around 11%, a figure which seemed to be confirmed by the other companies.
JOHANNESBURG — The Allied group has reported an after-tax profit of R60.9m for the financial year to March 31. The addition of an extraordinary item brought the final figure to R67.7m.

Total income was R886.3m made up of R830m from interest on advances and other investments.

Earnings per share were 30.7c while a dividend of 10c a share has been declared.

The group states that in spite of intense competition all financial targets were reached and advances increased by 23%.

The forecast after-tax profit was R60m. — Sapa
JOHANNESBURG — In its first set of results since announcing the merger with the Hunt Leuchars & Hepburn Holdings group, Bonuskor has reported earnings a share for the year to end-March up no less than 170% to 101.8c (37.5c)

The final dividend has been lifted more than 200% to 24c (7.5c) which, with the better interim of 8c (5c), gives a total of 32c (12.5c)

The results should be read in the context of the first full year in which the 56% interest in CGP Investments, holding company of Robertsons, has been brought to account.

The CGP stake was acquired on April 1 last year, the same date on which the sale of the 14.4% stake in Total SA became effective

Transvaal Sugar became wholly-owned on October 1 last year. The sale of the stake in Total brought a profit of R2.5m, but this is not included in the EPS

Operating income moved off the relatively very low base of R4.98m to R8.45m, yielding net pre-tax income of R5.96m (R8.4m).

Tax took R20.3m (R409,000) to give net after-tax income of R39.4m (R7.98m)

Attributable income before the profit from the sale of the Total stake, and amortization of trade marks, totalled R31.9m (R11.8m)

In their brief comment with the results, the directors make no mention of prospects. — Sapa
Bonuskor earnings up 170%  

Finance Staff
In its first set of results since announcing the merger with Hunt Leuchars & Hepburn (HLH), Bonuskor has reported earnings a share for the year to March up 170 percent to 101,8c.

The final dividend has been lifted more than 200 percent to 24c (7,5c), which, with the better interim of 8c (5c), gives a total of 33c (12,5c).

The results should be read in the context of the first full year in which the 56 percent interest in CGP Investments, holding company of Robertsons, has been brought to account. The CGP stake was acquired in April last year, the same date on which the sale of the 14,4 percent stake in Transvaal Sugar became effective. The sale of the stake in Total brought a profit of R2,5 million, but this is not included in the earnings per share.

HLH has reported an attributable income increase of 28 percent on a turnover increase of 20 percent for the year. Earnings per share amounted to 48,4c (38,4c) while the total dividend was raised by 24 percent to 10c.

Hunteor, whose only investment is its holding in HLH, increased earnings per share by 27 percent to 95,4c. A total dividend of 36,5c (29,25c) has been declared.
Premier trading profit up 32% to R205.5m

JOHANNESBURG

The Premier group has had an excellent year with after tax profits up by 48 per cent to R161.3 million (R106.8 million) while trading profit was up by 32 per cent to R206.5 million (R156.5 million).

Earnings per share rose by 38 per cent to 317c per share (238c).

Dividend for the year moved up by 33 per cent to 140c a share (105c) while the final dividend was 90c (69c).

Group turnover was up by 19 per cent. Turnover rose by 19% to R3 264 million from R2 690 million the previous year.

The chairman, Mr Tony Bloom, said in his annual review that the good results had been reflected by all the group’s divisions, subsidiaries and associated companies.

He said that the turnover increases that had been reflected in the four major listed food companies indicated that price inflation in basic food products had been kept well below the rate of inflation.

He said that as dividends had passed 130c a share, the preferred ordinary shares automatically converted to ordinary shares.

Mr Bloom said that in the Premier group it had been calculated that inflation on its shopping basket of food products had been about 11 per cent.

Premier Foods had posted improved earnings with the broiler division back in profitability. The restructuring of the_Oxenstone_ fishing interest had gone well, and management had produced “very satisfactory profits”. Investments in both South African Breweries and CNA Gallo had posted good returns in line with their good results.

Twins Pharmaceuticals produced, on an unannualised basis, profits of over R30 million and Mr Bloom felt the outlook for the industry was promising.

He said Gresham Industries had had a good year with increased earnings in excess of 52% on an annualised basis. It had had a takeover in the pipeline of the South African Pharmaceutical Development Corporation, which was awaiting approval from the Competitions Board.

Mr Bloom said the Premier group’s balance sheet was in an excellent state with all financial objectives having been met gearing was at 22 per cent while working capital had been very effectively maintained.

As far as the future was concerned, Mr Bloom said further good progress should be made during the year, subject to stable industrial relations and no further deterioration in the economic and political environment. — Sapa.
ICS shows 41% rise in profits

JOHANNESBURG — The ICS (Imperial Cold Storage) group has posted a 41% increase in attributable profits of R28.1m for the six months to March 1988, confirming the strong recovery trend reported at its last year-end.

In a statement yesterday, ICS said that the results, off a stronger base, show earnings per share at 77.7c — up 17% — notwithstanding the creation of 5.4m more shares following the conversion of half the preference shares during the year.

However, measured on the number of ordinary shares in issue prior to the conversion, the increase in earnings per share was 33%.

The reduction of 12% in the tax charge arose from the utilization of assessed losses from previous years, and from the change in the basis of accounting for deferred taxation.

A dividend of 15c a share, up 15%, has been declared.

Turnover, at R337.9m, was up 16%. Volumes increased by 4%, while operating profit was R25.6m, an increase of 14%.

Commenting on the results, MD Russell Chambers said “Improved efficiencies and cost controls resulted in increased margins.”

“However, this did not apply in the fresh milk operations in Cape Town and Clayville, due to severe price competition, or in fresh meat, where margins remained under pressure because of high producer prices.”

“Our associate companies took advantage of improved market conditions to increase profits.”

Chambers expects the company to “continue showing further improved results” in the next six months.

As disclosed in the 1987 annual report, ICS has changed from the comprehensive to the partial method as the basis of accounting for deferred taxation. The change will not affect comparative figures, and a restatement is unnecessary.

The effect for the half year has been to reduce the tax charges, adding R2m (equivalent to 6.3c per share in earnings) to the bottom line, the statement concluded — Sapa
Edgars exceeds expectations with 50% rise in profits

JOHANNESBURG — Edgars Stores exceeded expectations in the 12 months to end-March with a 50% rise in earnings to R141,7c a share from R94,7c in the previous financial year.

This has allowed the final dividend to be lifted to 37,5c (29,2c), raising the total by 34%, to 53,5c (40c).

Cover has been widened to 2,6 times — according to a statement on the results, “in anticipation of the dilution which will occur on the conversion of the automatically convertible debentures to ordinary shares.”

Pre-tax profit climbed from R77,7m to R117,7m on 27% higher turnover of R1,2bn (R929,7m).

Attributable income rose from R40,0m to R61m and net asset value was up more than 20% from 499,6c a share to 499c.

CE Vic Hammond, says in yesterday’s statement that by concentrating in the areas it knows best, maximizing resources and tightening its focus on specific categories, the group was able to assist its two main chains (Edgars and Sales House) to increase market share in the year.

The statement says that, besides the opening of new stores and upgrading of existing outlets, a major development has been the move into speciality stores “a trend that has gained wide acceptance overseas.”

Turning to the balance sheet, Hammond points out that with negligible gearing and tight cash management there was considerable scope for expansion.

He notes that “While acquisition opportunities were limited, there was still enormous scope for organic expansion.”

“The opening later this year of the largest store in the group to date, the 17,000m² Edgars outlet in Pretoria, is expected to be followed by extra sales of more than R100m in its first year.”

A major challenge remains the financing of the debtors book as turnover increases.

In the year under review working capital requirements rose by more than R300m and an increase of another 20% in expected in the current year.

On the manufacturing side, Hammond says “It is pleasing to see the Celrose textile operation beginning to establish itself as a solid supplier to third party buyers — both here and overseas — as well as to group companies.”

“It is already testing the possibility of a significant expansion in production which will have a minimal impact on fixed cost overheads.” — Sapa
Afrox lifts profits by 25%

Financial Staff

AFROX has reported a 25% increase in earnings per share for the six months to end-March.

According to chairman and MD Peter Joubert, growth in the second half should match the first six months.

The interim dividend has been increased from the 24c recorded last year to 30c.

Earnings per share moved from 32.4c to 67c following a rise in turnover of 26% and an increase in trading profit of 41%.

Profit attributable to shareholders moved up from R18.7m for the same period last year to just over R20m this year.

Joubert says that the improved profit was the result of greater market penetration, the development of new applications and a continued tightening of controls on costs.

“Ours smaller businesses are making an increasing contribution to our overall business mix which is changing to a higher percentage of specialized applications"
Sappi predicts better profits

Financial Staff

SAPPi's chairman, Tom de Beer, is bullish about the giant pulp and paper company's prospects for 1988.

Speaking at Sappi's AGM held in Johannesburg yesterday, De Beer gave shareholders some indication of the latest trends in the business.

He said: "The flash results for the first four months of the current reporting period indicate that Sappi's attributable profits are more than double those attained in the same period last year."

"While I do not expect this rate of growth to be maintained for the full year, I expect earnings for the eight-month period to be significantly better than in the comparable period in 1987."

As far as markets are concerned, De Beer noted that the domestic pulp and paper markets have shown encouraging signs of growth.

"The decision to go ahead with the R70m expansion of Novobord's facilities and create a state of the art particleboard plant in the Eastern Transvaal, looks as though it was well-timed and the plant should come on stream in time to benefit from the boom in housing which is expected later this year and early next year."

He added that in international markets prices continue to rise.

"Bleached kraft pulp is now trading at 30% above the dollar prices attained in the same period last year in the contract market, while in the spot market prices are 50% above last year."

He told shareholders that linerboard prices are 20% above those achieved in 1987 and fine paper prices have shown a steadily increasing trend with a further 10% price increase in the first quarter of this year.

With the rand declining against the dollar, De Beer said that the current level of the rand value of exports is significantly higher.

In the domestic market price increases have been modest after the rapid rises in 1986/87.

He added that the commissioning of the new turbine at Ngodwana, which is scheduled for August this year, should introduce greater stability in the mill and add a further 15c a share to earnings in a full year.

He reiterated that the introduction of minimum tax on companies will not affect the group's dividend policy and reiterated that Sappi will continue to cover its dividend 2.5 times by attributable earnings.

Sappi, which has indicated that it will be changing its financial year to August 31, to coincide with that of its holding company, Gencor, plans to rephase its dividend payments so as to minimize the impact of changed dividend payment dates on shareholder's income stream.

For this reason no interim dividend will be paid for the current period, but a final dividend for the eight months ended August 31, 1988 will be paid in October.

Future interim dividends will be paid at approximately the same time as the final dividend was paid in the past, that is in April.

London stocks after-hours Blivyvoors 638, Bracken 125, Driefontein 10%, E Rand Pro 8, Freegold 8%, Grootvlei 1%, Harmony 7, Leslie 53 133, Randfontein 71%, Southwal 33, Steelpoort 4%, Venters 2%

Commodity Index 1728,3
Platinum $527,00
Palladium $122,00
Raw Sugar $120,50
Prospects brighter for Pick 'n Pay

By LAWRENCE TOTHILL
Investment Editor

PICK 'N PAY's prospects for the year ahead are brighter than they have been for some years, says Chairman Raymond Ackerman in the company's annual report.

He confidently forecasts growth in profits of an even greater percentage than achieved last year.

Since the earnings per share as well as the dividend increased by about 22% in the past year, shareholders might expect earnings per share in the current year to rise from 67c to perhaps 83c, while the dividend might rise from around 35c to 40c.

Pick 'n Pay is celebrating its 21st anniversary this year and it has proved to be one of the best stocks as far as growth in earnings and dividend are concerned throughout its period on the JSE.

Spelling out the policy of the company, Ackerman says, it "is to keep to what we know best and to expand our business by organic growth".

This growth is spelt out in the number of new stores which will be opened in the current year as well as those which will be refurbished.

While saying that the company's mission is consumerism and simply interpreting the needs of customers, Ackerman recognizes trade unions and the need for collective bargaining in respect of wage increases and working conditions.

"Although we have not been immune to problems in the workplace, the strenuous efforts we have made over the past few years have been worthwhile and we have recently concluded our wage negotiations for the coming year on a basis satisfactory to both parties," said Ackerman.

Statistics provided in the report show that Pick 'n Pay's total trading area is 270,173 m² and the company has 24,072 employees — a formidable task force.

More important than the pure statistics is their interpretation.

For example, the group's turnover which was R5.953 per m² in 1981 rose to R8.950 per m² in 1988 and to R11.104 per m² in 1988.

The reliable performance of Pick 'n Pay over the years is clearly shown in this graph of the company's earnings per share over the period 1981 to 1988.
Business Report

PPC profits surge, div sharply higher

From Liz Rouse

JOHANNESBURG — Pretoria Portland Cement’s (PPC) profits have surged with a sharp upturn in the construction industry in the six months to March.

PPC earnings are way ahead of market forecasts and the interim dividend has been raised by 56c to 25c from 19c — thanks to the higher profits and a decision to reduce the disparity between the interim and final dividends.

Bottom-line profits are up 42% to R31m from R21.9m, equivalent to earnings of 79.6c a share compared with 58.4c previously — an increase of 35% after taking into account the dilution following the recent conversion of some of the outstanding debentures.

The strong interim results sprang mainly from a significant improvement in the cement division’s performance, a sharp drop in finance costs and an increase in investment income.

The prognosis for the full year is a satisfactory increase in earnings over 1987.

Turnover for the six months rose by 17% to R231.5m from the previous comparable half-year’s R222.4m — with the cement division accounting for most of the increase, thanks to higher volumes, prompted by increased economic activity.

Group operating profit was 25% up from R44.6m to R55.6m.

It is clear from a divisional analysis in the interim report that cement margins were up in the half year, although Wrogemann points out that cement price increases were below the rate of inflation and, to a degree, offset by increased costs of administered services, such as railage.

PPC’s interest bill came down by R6m from R5.6m to R2.6m — a drop of 53%, reflecting the lower borrowings now that the bulk of the group’s capex programme is behind it.

Investment income rose to just under R7m from R4.7m, which Wrogemann ascribes to satisfactory improvements in the performances of associated companies.

Tax took R28.4m compared with R21.4m in the previous half year.

The balance sheet is even stronger than last year, showing that PPC is well poised to take advantage of any opportunities which may arise. Gearing is low, with the debt-equity ratio down from 10.3% to 6.7%.
Rand Mines’ profits drop 18%, to R68.4m

By LAWRENCE TOTHILL
Investment Editor

RAND MINES has had an extremely difficult half-year to March 1988, with an 18% drop in bottom-line profits from R83m to R68.4m.

This is equivalent to earnings per share of 610c (740c), but the mining house has maintained an interim dividend of 105c.

The fall in earnings comes as no surprise to the market, which is aware of the difficulties that confronted the group in the six months, including:

- Tonnage, cost and grade problems at Harmony Gold Mine, which recently had to pass its interim dividend
- A weaker performance by Witbank Colliery, which saw its after-tax profits drop in the six months, mainly as a result of increased rail tariffs and a 7% stronger rand.
- A continued weak property market, which limited the contribution from the property division of subsidiary Rand Mines Properties, but stronger results from sand treatment offset this.

For the rest of the year, Rand Mines expects improved performances in the coal and property divisions. While earnings for the full year are expected to be lower than last year, the percentage decline will be less than the 18% for the first half.

Turnover to March was marginally lower at R386m (R390m), but operating profit dipped from R119.3m to R94.6m. Dividends from investments were almost halved from R22m to R11.4m, showing the effects of a passed dividend from Harmony and underlining what a key investment component it is to Rand Mines.

After taking exploration expenditure of R5.2m into account, against R8.3m, Rand Mines was left with pre-tax profits of R100.8m (R133m).

The balance sheet shows long-term loans up from R367.5m to R406.7m, and an increase in outside shareholders’ interest from R51.9m to R260.4m.

The effects of the October 1987 JSE crash — which, as shown in the last annual report, reduced the value of the group’s listed investments by 36% before the end of November — comes through in net asset value, which drops from 11.585c to 8.175c per share.
Ocfish income surges by 123%  

By AUDREY D’ANGELO  
Financial Editor  

OCEANA FISHING GROUP (Ocfish) lifted net operating income for the six months to March by an impressive 123% to R23.9m (R10.7m) and earnings by 69% to 141.1c (88.3c) a share. The interim dividend is 64% higher at 40c (27.5c).  

Turnover was 54% higher at R127.8m.  

In spite of escalating costs, net income after tax, including income from associated companies rose by 55% to R15.2m (R9.9m) and attributable income to R12.8m (R8m).  

The year has got off to a good start for Oceana and other fishing companies because of a 200 000 ton increase in the anchovy quota, bringing the total allowable catch in SA waters to 500 000 tons.  

But Oceana chairman and CEO Walter Lewis said yesterday that the increase in earnings in the first half of the financial year was due mainly to improved efficiency and to a considerable carry-over of fish meal and oil from the previous season — most of which was sold in the period under review.  

"The group maintained and im-
proved its past performance," he said.  
"It is still able to export lobster products, the range of which has been extended, and has found new markets for these.  
"As a result of these steps and continuing demand from local and international markets the group should be able to dispose readily of all its output at favourable prices," Lewis continued.  

"Landings of pilchard and anchovy to date, and yields of fish meal and oil, are satisfactory. The group has already completed the catching of 89% of its total rock lobster quota. No difficulty is anticipated in completing the quota."  

Lewis said he estimated group earnings for the year to September would be in the order of 240c, assuming that performance in the second half was in line with projections.  

As previously reported, Sea Products (SWA), in which Oceana has a 50% stake, lifted net income by 22% to R4.8m (R4m).  

The directors say the Blue Continent group "continued to perform satisfactorily with encouraging results from the trading and shipping divisions."
Tafelberg lifts profit

Tafelberg Furniture Stores yesterday reported a sharp rise in taxed profits of 97 percent to R348 002 (R329 412) for the ten months to February.

A final dividend of 1.6c has been declared, bringing the total for the year to 2.6c.

The profit improvement was 8 percent higher than the prospectus forecast made before listing in April last year.

Turnover of the Cape-based chain rose 39 percent, from R13.9 million in the corresponding 10 months of 1987 to R19.3 million. Operating profit virtually doubled to R1.2 million (R660 524). Earnings per share of 5.2c were ahead of forecast.
Afcol pays 30% higher dividend

JOHANNESBURG — An increase of more than 30% in Afcol's final dividend to 40c (30.5c) has lifted the total for the year to end-March by 42% to 72.5c (50c), the company's annual results show.

The much improved payout has been made possible by earnings up 44% to 144.8c a share (100.4c).

Attributable profit rose to R356m (R238.8m).

The directors say in comment with the results that the strong growth in turnover (up 31% from R388.5m to R510.2m) has been maintained.

They say “The rate of growth in private consumption expenditure is expected to slacken somewhat in the coming year, as a result of rising interest rates and likely action by the authorities to dampen credit demand.

“Provided this does not result in serious setbacks attributable earnings are expected to show further improvement, but at a lower rate than that achieved in the past year.” — Sapa
The Board boosts profits despite stockmarket crash

By LAWRENCE TOTHILL
Investment Editor

THE Board of Executors has increased its earnings per share for the half year to March 1988 by 22% from 10.6c to 13.2c in spite of the stockmarket crash.

It has also increased the interim dividend by 20% from 5c to 6c.

After-tax income rose by 103% from R606 000 to R1 231 000, but some of the increased profit has been applied to service interest on the 5.6m convertible loan stock units issued in September 1987.

The Board's chairman, Paddy Wilson, said that the October collapse of world stock exchanges and the subsequent sharp decline in share prices on the JSE had impacted adversely on revenues earned from portfolio management — the core of The Board's traditional business.

"Against this background the increase in earnings per share of 22% is indicative of the strong performance from other activities within The Board's diversified range of financial services," he said.

This highlighted the success of The Board's strategy in recent years of expanding its activities from those of a traditional trust company to incorporate a wider range of financial services to both private individuals and corporate clients.

Wilson singled out the performance of The Board's property and money market activities as having been "particularly pleasing" in the period under review.

The Board was continuing to increase its property involvement and was currently engaged in a private placing of R50m worth of linked units in Boardprop, a property owning company due for listing on the JSE on June 13.

He said that higher interest rates were likely in the short to medium term and both The Board's money market and its participation bond scheme were well positioned to take advantage of the trend.

The six months to March 1988 is the first full period after the issue in September 1987 of the convertible loan stock units.

While noting that income does not accrue evenly throughout the year, Wilson forecasts satisfactory growth in profits for the full financial year.
Metal Box SA shows growth

LAWRENCE TOTHILL
Investment Editor

AHEAD of the Nampak deal, Metal Box SA, in what is probably its swansong, has announced a continued high rate of growth for the first half of the current financial year with operating profit up by 33% at R56m (R42,1m).

The net attributable profit for the half year is R34,6m (R27,2m) and earnings per share 50,8c (39,9c).

The interim dividend has been raised to 16c (12c) a share.

Nampak, already a majority shareholder of Metal Box has made an offer to acquire the 25% holding in Metal Box SA held by the British Metal Box PLC, and is making a similar offer of R8,60 a share cash or 35 Nampak shares for 100 Metal Box shares to the minorities.

If accepted Metal Box SA will become a wholly-owned subsidiary of Nampak and will disappear from the JSE list.

Sales in the six months experienced strong growth rising to R574m (R488m).

Commenting on the results, MD Peter Campbell says, “I find it particularly pleasing that most divisions contributed to the better performance through higher sales volumes and better productivity, with operating profits up by 33% on an 18% rise in turnover.

“Current trading suggests that the growth in earnings should be maintained in the second half of the year.”

A non-recurring amount of R11,8m has been provided below the line to meet settlement of foreign loans resulting from a long-standing guarantee.

The balance sheet remains strong, with borrowings standing at only 8% of shareholders’ funds.

Cash resources have shown a considerable decline and a R28m outflow is reported as being due to the payment of tax.
CNA-Gallo increases earnings 74 percent

By Ann Crotty

An outstanding second-half performance from CNA helped boost turnover of the CNA-Gallo group by 22 percent to R429.8 million from R352.6 million in the 12 months to March.

A sharp increase in group operating margins and a surge in liquidity helped translate this into a 74 percent surge in earnings to 73.6c (42.2c) a share. A final dividend of 23c (14c) a share has been declared, bringing the total for the year to 26c (18c).

While the entertainment division, which deals with the production and distribution of music and video tapes, was the star performer at the half-way stage, the second six months saw the retail division (CNA) enjoying strong benefits from the Christmas and back-to-school periods.

MD Doug Band says the retail division was the outstanding performer at both the profit and turnover levels, adding: "The Gallo Entertainment Division, including the recently listed Video Lab Holdings, together with support and associate companies, all showed strong profit growth."

On the 22 percent increase in turnover, operating income was up 55 percent to R36.9 million (R23.8 million), reflecting the surge in margins from 6.7 percent to 8.8 percent. The improvement in margins was due to better capacity utilisation in group manufacturing interests and to tight management of markdowns and shrinkage.

The improvement in margins was achieved despite the decision to increase substantially expenditures in the marketing and sales areas and the extra costs associated with expanded late-hour trading at CNA.

The tighter asset management boosted trading cash flows and this, combined with the surplus of R5 million from the sale of properties, raised liquidity and allowed the group to cut back its interest bill to R191 000 (R2.4 million).

Taxed profit showed a 69 percent increase to R20.5 million (R12.2 million). Added to this was a R4 million contribution from associated companies, which was 79 percent up from the previous year's R2.2 million.

The balance sheet shows the excellent position the group currently enjoys and indicates that it is poised for organic or acquisitive expansion.

Tighter asset management is reflected in the inventory level, which is up only 15.7 percent. And the massive improvement in liquidity can be seen in the surge in loans to the group's holding company from R2.5 million to R28.8 million. In addition, cash holdings are up to R6.5 million (R4.5 million) and medium- and long-term borrowings are down to R4.6 million (R6.5 million).
**Dramatic turnaround in second half**

**Suthsun lifts profits fourfold**

*From MERVYN HARRIS*

JOHANNESBURG — Southern Sun Hotel Holdings (Suthsun) should surprise the market by its dramatic turnaround from a first-half loss to a fourfold increase in profits over the previous year.

Boosted by better-than-expected occupancies from a buoyant local economy and a rise in foreign tourism, the country's largest hotel group turned a first-half loss of 8.4c into earnings of 14.9c (2.7c previous year) a share for the year to March.

The final dividend has been raised from 2c to 10c a share, the highest dividend payout in three years, and MD Bruno Corte is cautiously optimistic over prospects for the current year.

Shareholders should, however, expect a small seasonal loss in the first half of the new year, he says.

The peak holiday season in the second half of the year lifted occupancies to 61% against 54% in the same period a year ago, giving the group an average occupancy of 57% for the year compared with the industry average of 54%.

Thus was reflected in the 19.5% turnover rise from R202.9m to R314.2m. The big improvement came, however, at the operating level where better margins enabled profits to jump 46% to R58.3m (R39.9m).

The continued impact of inflation on operating costs is expected to exert additional pressure on margins in the current financial year.

After deducting R44.2m (R31.1m) for rentals and leasing charges and R3m (R8.4m) for interest paid, pre-tax income was R6.1m against last year's R600,000 loss.

Improved earnings from both Sun International and Southern Sun Time-sharing and with TFC returning to profitability, the group's share of earnings of associated companies more than doubled from R4.3m to R9.3m.

Bottom line earnings jumped R8.5m, from R1.9m to R10.4m.

Investment in refurbishing the group's properties, particularly the Holiday Inn Group, sharply increased, including short dated preference shares.

However, Corte says the year-end gearing ratio of 34% (29.4%) is well within the group's self-imposed constraint of 50%.

The group now seems firmly back on the recovery trail after two tough years. But it still has a long haul ahead to match 1984's earnings of 53.1c a share and the dividend payout of 40c a share.
Verref lifts pre-tax profit

Vereeniging Refractories improved earnings a share to 196.1 cents (158.6 cents), for the year to end-March. Attributable earnings rose 25 percent from R8 million to R10 million on after tax profit of R13.4 million (R9.1 million).

Pretax profit was up 54 percent at R22.9 million (R15.6 million) on turnover of R206.7 million (R165.3 million). Tax rose to R10.4 million (R6.5 million).

The higher final dividend of 51c (44c) has boosted the year's total from 55c to 75c, with cover slightly widened to 2.6 (2.4) times — Sapa.
Longrail increases
taxed income 209%

Listed in March last year, Longrail has boosted taxed income by 208.8 percent off a turnover increase of 41.1 percent in the year to February.

A statement yesterday on results for the group, which has subsidiaries in both the regulated and deregulated sectors of the transport industry, did not disclose turnover.

The increase was calculated on the basis that interests in subsidiaries were held throughout the current and comparative accounting periods.

Taxed income rose from R1.2 million to R3.8 million and earnings a share were 42 percent up from 5.2c to 7.4c.

Earnings per share climbed 23 percent on the forecast for the year of 6c.

Following an interim dividend of 1c, the final dividend of 2c makes a total of 3c.

Acquisitions during the year resulted in the group more than doubling in size.

CASH PAYMENT

An 80 percent stake was taken in Cape Town-based DJ Breytenbach Transport in March last year.

Payment was by way of an issue of 797 100 shares and a cash payment of R450 000.

In July last year the company acquired all of Railit for R4.6 million via an issue of 30 million shares.

Joint managing director, Marius Els, said the company was looking to sustained organic growth for the coming year and was not actively looking at further acquisitions. — Sapa.
All expectations exceeded....

Pepkor share earnings up 331%

THE sweeping changes made by the retail investment holding company, Pepkor, have had spectacular results, the company said in a statement yesterday.

The group's audited results published today, reveal net profits of R38.2m for the financial year to February 28, 1988, compared to the R7.2m of the previous 12 months.

Operating profit is up from R55.8m to R71.8m.

In spite of the number of shares in issue rising from 8.4m to a weighted average of 10.6m as a result of the rights issue held in July of last year, earnings per share rocketed from 85.9c to 369.9c, an increase of 331%.

While the turnaround in the group's fortunes was already evident at the half-way stage — with the group chalk-up attributable profits of R12.6m — the performance of the second half — which saw attributable profits of R26.6m — has exceeded all expectations.

At the interim, chairman Christo Wiese anticipated a final dividend of between 50c and 55c a share, in fact, the group has declared a final of 95c, bringing the total for the year to 130c.

The balance sheet has also been transformed beyond recognition.

Debt including repayable outside preference share capital has plummeted from R138.2m to a mere R14.3m against permanent capital of R176.7m and, in addition, the group has R180m in cash on hand.

The debt equity ratio now stands at 6.3% against last year's 194.3%.

Although the sale of the non-core business resulted in group turnover increasing only marginally, from R576.7m to R593.2m, the businesses retained by Pepkor increased their sales by a hefty 29%.

The reduction in debt naturally had a substantial positive impact on the bottom line with finance charges dropping by 59% from R40.6m to R17.2m.

Two principal factors contributed to the outstanding turnaround: the group’s new focus as an unencumbered, cash-rich investment holding company and the outstanding performance of its two main subsidiaries.

Last week, Pep stores — 87% owned by Pepkor — reported a 44% increase in earnings.

Shoprite — Pepkor's 79%-owned food retailing outlet — also published its results last week, posting an 86% rise in earnings to R5.1m.

Wiese said,”An aspect of the business which has caused me particular pleasure is the fact that while other retailers and textile manufacturers are reported as intending to lay-off substantial numbers of staff, we, as a group, succeeded in creating an additional 800 new jobs in the year.

"Indeed, our planned growth for the current financial year should again enable us to take on several hundred new employees." — Sopa
Debonair delights

Finance Staff
Cape-based bedroom and household textiles manufacturer Debonair group has increased both turnover and earnings by 162 percent for the year to end-February 1998.

The company’s results published today shows turnover, up from R5,8 million to R15,2 million, while earnings per share have risen from 3,3c to 8,5c, despite the weighted number of shares-in issue rising to 12,5 million against last year’s 8 million.

The board has proposed a maiden dividend of 3,5 cents per share for the year.

Pre-tax profits for the year of R1,96 million have increased by 488 percent, which, after tax, has increased the company’s distributable reserves from R365 000 to R1,49 million.

Debonair MD Ian Foster attributes the much-improved results largely to improved trading and the absorption of Transvaal-based household linen manufacturer Dreyer and Stratton.

Foster believes that the current economic upswing will continue throughout the current financial year and is thus optimistic that Debonair will maintain its growth path.

“In addition, we plan to continue seeking suitable acquisition opportunities with an eye to achieving further market penetration and broadening our product range.”
OK Bazaar lifts profits by 31,8%

From CHERILYN IRETON

JOHANNESBURG. — OK Bazaar's commendable rise in profits for the year to end March underlines the upturn in consumer spending.

An increase in demand for big ticket items filtered through to attributable profits, which at R19.9m (1987: R15.1m) are 31.8% higher than those earned in the 1987 financial year.

This translates into earnings of 182c a share (123c), from which a total dividend of 86c a share has been declared. The dividend represents a distribution of 59% of earnings, against 56% in 1987, and reflects the move towards the targeted payout of 50%.

Commenting on the results, MD Gordon Hood said a reasonable improvement in the economy fed through into the retail sector and more particularly in to big ticket business.

Together with the increase in hire-purchase demand, this resulted in particularly good sales in the first and fourth quarters.

In all sales rose 20.8% to R2.9bn from R2.4bn, but for the first time OK has provided a turnover figure, which increased 21.2% to R3.1bn. Turnover reflects all items that have gone through OK's tills, including such items as meat sales from its leased butcheries and finance charges.

The results are more or less in line with market expectations, although some analysts believed greater progress would be made towards strengthening the balance sheet, and particularly the gearing ratio which rose marginally to 0.49 from 0.48 at the 1987 year-end.

Hood says the foundations have been laid to improve this in the current year.

"We have taken very positive steps to implement our plan which should pull our interest bill down and improve our borrowing situation.

At the year-end interest bearing debt had risen from R171.3m to R180.1m.

Based on yesterday's closing price of R12.80, OK now stands on a price-earnings ratio of 7.4 times.

The share yields 13.5% on earnings and 7.4% on dividend compared to the retailers and wholesalers sector which offers an average return of 8.1% on earnings and 3.3% on dividend."
Sharp rise in earnings...

Nedbank Group posts 50% higher profits

From HAROLD FRIDJHON

JOHANNESBURG — Nedbank Group has published exceptional results for the half-year ended March with taxed profit more than 50% higher at R63.4m and with the interim dividend up 2c a share to 13c from 11c.

Net earnings rose sharply to 59,9c a share from 37,2c

The present interim is covered 4,2 times. Last year's interim was covered 3,2 times and total payout was covered 2,6 times.

This suggests that the final dividend for this year will be much higher than last year's 22c a share.

In their report, the directors say that prospects for the balance of the financial year are promising and that the improvement in profitability will be maintained.

Operating income rose to R140.6m from R107.2m and the bad debt provision was reduced to R26m from R39.8m.

The increase in profits would appear to be a paradox as advances showed only a marginal growth to R10.1bn from R9.7bn.

CEO Liebenberg said that this apparent anomaly resulted not only from tighter management control with a stringent grasp on costs but also from converting non-performing assets into performing assets.

Loans and advances which had gone sour during the past difficult years had in many cases been swung around.

Liebenberg said that Nedbank MD Anton van der Merwe-Vance and his team had done an exceptional job and that the profit figure represented excellent asset management.

The balance sheet was clean, Liebenberg added, with all the previous problem areas a things of the past.

Contributing substantially to profits were improved results from the Treasury and from fee-earning in corporate business. There had not been excessive off-balance sheet transactions.

Nedbank, responsible for two-thirds of the net profit, experienced intense pressure on margins, particularly on corporate business.

The lower yielding wholesale advances increased significantly but retail and commercial advances were below budget.

A strong increase in home loans is expected.

The other subsidiaries, with the exception of Finansbank, had given a good account of themselves, with Nedfin trebling its profit and UAL increasing its net to R12.7m from R11.1m.
Expanding market penetration

Pep Stores posts 44% higher profits

By AUDREY D'ANGELO
Financial Editor

PEP STORES — the huge Cape-based retailing and manufacturing group — has lifted attributable profits for the year to February by an impressive 44% to R58.9m (R40.8m). Earnings have risen to 128,9c (89,4c) a share.

Turnover rose by 28% to R648.5m (R507.5m) and operating profit by 32% to R70.3m (R53m) — indicating a widening of margins.

The interest bill was 54% lower at R2.3m (R4.9m) but the tax bill was 50% higher at R9m (R6m).

Because the erosion of assessed tax losses will mean an increase in the group's tax rate over the next three years, the directors have adopted a conservative dividend policy. The final dividend of 28.5c brings the total for the year to 48c (48c) covered 2.7 times.

Part of the growth in profit and turnover has come from the opening of 66 new outlets during the year. This brings the number of stores in the group, which includes the Pep Stores and Ackermans chains, to 655 with nine manufacturing units under its control.

The directors say the expansion was achieved in spite of serious problems in procuring adequate supplies of textiles, and has created an additional 200 jobs.

Pep Stores MD Basil Weyers said yesterday that the rapid expansion would be continued in the current financial year.

"While we expect to maintain the growth pattern experienced by the existing business in the past financial year we are also planning to open at least 24 Pep Stores and 29 Ackermans outlets, thus increasing our market penetration further.

"Clearly the country's increasing population and rising standards of living, particularly among the lower-income groups, present us with excellent growth prospects for many years to come."
Pep Stores div payout up 20 percent

FACED with a major expansion programme and the end of its tax holiday, Pep Stores is cautiously raising its final dividend by 5c to 29,5c a share.

Total payout for the year to February 29 is up 20 percent to 48c (40c).

Managing director Basil Weyers says the group plans to open “at least” 24 Pep and 20 Ackermans outlets this year.

The group opened 66 new outlets during the year, creating jobs for 200 people. This brings the total number of stores in the Pep/Ackermans chain to 655. The group also has nine factories.

The board cautioned at the interim stage that the erosion of assessed losses would result in an increase in the group’s tax rate and opted for a conservative dividend policy as a result.

The Cape-based retailing chain boosted turnover by 28 percent to R648-million and operating profit by 32 percent to R70,3-million.

Net profit jumped by 44 percent to R58,8-million, which translates into earnings of 128,9c a share (89,4c).

Babie Lang
Drop Inn profits boast 58% boost

By LAWRENCE TOTHILL
Investment Editor

THE highlight of the Drop Inn results which are published today is the turnaround in the fortunes of its Transvaal acquisition, Benny Goldberg's, which turned in a pre-tax profit of R1.2m in its eight months under Drop Inn control, compared with a loss of R203 000 for the previous year.

Chairman Sam Berk, points out that this reflects an annualized return of 27% on the R6.6m purchase price. He attributes the improvement to the introduction of the Drop Inn management and its marketing skills.

The overall audited results of the group for the year show turnover at R86m — up 88% on the previous year's R45.7m; pre-tax profit at R5m is up 146% on the previous R2m, the after-tax profit is up 147% at R2.0m (R1m).

Earnings per share increased from 4.22c (based on the 25m shares in issue) to 5.76c based on a weighted average of 43.7m shares in issue.

This is Drop Inn's first year on the JSE, and ignoring the Benny Goldberg influence, the results of the group subsidiaries, including several property and trading companies acquired on March 1, 1987, reflect a very satisfactory increase of 71% in turnover and 58% in pre-tax profits.

In line with the forecast in the prospectus a maiden dividend of 2.6c a share has been declared.

As far as the future is concerned the directors say that provided there is no adverse change in the economy, the trading results for the six months to August 1988 will continue to reflect sustained growth.
Franchising boosts Romens' profits

THE success of its new franchise operation helped Romens Holdings, the Cape-based men's outfitters, to achieve a net after-tax profit of R743 000 in the 12 months to February.

This is 127% higher than the after-tax profit of R328 000 the previous year. But the directors say a comparison would be inappropriate because the company has existed in its present form only since March 1987.

The results reported yesterday were interim figures because the year-end has been changed to June 30 and annual figures will be reported soon.

An interim dividend of 1.25c a share has been paid and a final of 1.75c is expected to be declared in August.

The interim report shows a total turnover of R7m, of which R5.8m came from the retail operation.

The wholesale turnover was R974 000 and the export turnover R284 000.

The company was listed last year in the development capital market (DCM) sector of the Johannesburg Stock Exchange. Before the listing it consisted of two retail outlets and a wholesale operation supplying some other outfitters as well as its own stores.

Now it has six franchised operations in the Western Cape and Namibia and the directors say "substantial growth through the granting of further franchises can be expected".

Gross profit in the year to February was R2.8m compared with R2.3m the previous year.

Total income, after R185 000 derived from franchising and other sources, came to R3m. After expenditure of R1.8m and taxation of R390 000, earnings a share were 5.5c.

The directors say the growth of the franchising operation exceeded expectations, leading to a significant improvement in wholesale operations, and an improvement in the sales mix boosted profits.

Export allowances helped to cut the tax bill.

Now they are looking at ways of increasing retail turnover, including the acquisition of larger trading premises.
Lenco lifts profits to R8.2m

Financial Editor

INVESTMENT holding group Lenco, which acquired Budget Footwear, Rich Rags and the House of Monate in the year to February, has lifted attributable profits to R8.2m from R600 000.

Earnings were 21.2c a share — above the forecast 18c on the weighted average of 38.5m shares in issue and a maiden dividend of 5c, covered 4.25 times, has been declared.

Turnover was R120m and operating income R11.6m.

The directors say the dividend was not higher because "the group intends continuing its policy of growing the business through further strategic acquisitions".

Lenco, formerly Romanda Investment Holdings, was listed on the main board of the Johannesburg Stock Exchange (JSE) in July.

It consisted only of Lysta Zip and Elvinco Plastics at the beginning of its last financial year.

CE Doug de Jager said that although the acquisition and disposal of subsidiaries, and capital expenditure, meant a cash outflow of R23m in the year, a strong cash flow from operations "reduced this to R12.5m or 35.9% of shareholders' funds."

Net asset value at the end of the financial year was 85c a share.

And, anticipating a hardening of interest rates: "we will critically examine our asset management and I believe that by the end of the current financial year the group will be in a substantial net cash position with only a small balance of instalment debt outstanding."
First results after listing...

NBS Holdings

profits ahead of forecast

BY LAWRENCE TOTHILL
Investment Editor

IN its first year as a listed company, NBS Holdings has come up with profits well ahead of forecast and the dividend distribution is better than was estimated in the prospectus last year. The results are all the more pleasing when viewed against the intense competition in the financial services sector, which has lead to rumours than non of the "building society" companies were doing very well.

Attributable profit for the year to March 1988 was R24.24m which is 15.1% better than the previous year's pro forma R21.06m.

There was a 17.6% increase in group assets to R3.29bn on March 31, while advances climbed by 21.1% to R2.72bn.

MD John Gafney says the change in the structure of NBS has altered the composition of group earnings.

"Dividends now comprise a substantially higher proportion of income, which has led to a lower tax charge and increased earnings per share."

The building society still dominates the group as might be expected and in the year to March 1988 contributed 64% of the group's earnings. The diversified interests contributed the remaining 36%.

Interestingly enough Gafney indicates that in the current year these other interests will contribute as much as 48% of earnings which gives some idea of how rapidly NBS Holdings has carried out its diversification.

Earnings for the year to March 1988 translate into 42c a share against the pro forma earnings of 36,4c a share of last year. A final dividend of 11,5c has been declared which, with the interim of 7c, makes a total distribution of 18,5c for the year.

This comfortably exceeds the 17c dividend which was forecast ahead of the listing on the JSE on April 7 last year.

At the current market price of 270c, NBS Holdings shows an earnings yield of 15.6% and a dividend yield of 5.9%.
C G Smith Foods still riding wave of prosperity

From MICHAEL MENOF
JOHANNESBURG. — For the past five years, food industry leader C G Smith has risen above the recession and weathered the long drought to produce steady and impressive results year after year.

In 1982, the company posted a bottom line of R456-million while in 1987 profits had risen to R126-million.

Shareholders’ interest grew from R57,4-million in 1982 to R11,4-billion in 1987, while net assets of R68,6-million in 1987 now total of R12,12-billion.

C G Smith Foods has vast and varied interests in the South African food industry. The company has a 52% interest in Tiger Oats which has Adcock-Ingram and Oceana Fishing as subsidiaries.

SUBSIDIARIES

Other important subsidiaries in the group are wholly-owned C G Smith Sugar and 69% of Imperial Cold Storage. All companies are listed on the JSE except for C G Smith Sugar.

During the year the group successfully reversed the declining trend in operating margins and continued to apply tight asset management.

Certain of its earlier strategic decisions are now beginning to bear fruit and the company is poised to take advantage of any slight shift in consumption patterns away from basic foodstuffs and into the substitutes offered by eggs, rice and pasta, says chairman Robie Williams.

Poultry is also expected to be important in the future and the company has increased its shareholding in Country Fair Foods, a producer and marketer of added-value poultry products from 50 to 100 percent.

SIX-YEAR REVIEW

Tiger also acquired the outstanding 50 percent in King Food Corporation which dominates the sorghum malt market.

The group’s past six-year review in the 80s reflects a consistent growth pattern which is even more remarkable considering the recession and the effects of the drought. At end-September, 1987, the next asset value per share was 915c. The JSE company price is currently around R12.

With the rest of Africa in an advanced state of starvation and degeneration, C G Smith Foods has demonstrated that South Africa has both the know-how and the potential not only to fend for itself, but also to export its produce.

In 1987, turnover rose to an impressive R5,8-billion (R4,98-billion), with operating profit before interest of R3,31-million (R2,64-million) interest expense declined to R3,56-million (R6,5-million).

The effective tax rate was virtually constant at 36.2 percent (37.3 percent), resulting in tax of R125,7-million (R93,8 million). Profit after tax including associated companies’ income was R216,1-million (R167,4-million).

BOTTOM LINE

Outside shareholders’ portion of profit was substantial (mainly Tiger Oats) at R98,7-million (R75,8-million), leaving a bottom line of R117,4-million (R87,6-million).

Earnings per share were 124,4c (97,5c) and dividends 61c (40c) Below-the-line extraordinary items, chiefly goodwill arising on consolidation of R19,4-million (R25,5-million), were deducted.

The group’s substantial interests in food, fishing and pharmaceuticals all performed well.

Adcock-Ingram’s results were further enhanced through a minority stake in SABAX Wholesale division E J Adcock expanded successfully into the Western Cape.

Oceana’s sanctions-hit fishing markets, were effectively substituted and proceeds from its export sales of lobster products remained at satisfactory levels.

Imperial Cold Storage showed greatly improved results, reversing a four-year downward trend.

C G Smith Sugar reported good profit growth helped by the significant recovery in the world sugar price and the weak rand, resulting in higher export realisations. All profitability ratios improved operating profit to turnover was up from 5.3 percent to 5.6 percent, return on average ordinary shareholders’ equity improved from 11.6 percent to 14 percent, return on average total assets was 13.6 percent, up from 12.5 percent.

INCREASED PROFIT

Each company produced increased profit contributions during 1987. — Tiger Foods R68,3-million (R47,8-million), Adcock-Ingram R6,8-million (R4,7-million), Oceana Fishing R6,1-million (R4,7-million), Sugar R25,9-million (R23-million), Imperial Cold Storage R25-million (R23,2-million).

The consolidated balance sheet was equally impressive, with total shareholders’ funds standing at R1,3-billion (R1,31-billion). Working capital improved to R193,6-million (R175,2-million), which included healthy cash resources of R306-million (R307-million).

Total debt declined to R656-million (R717,1-million). Tax losses R207,1-million (R55,3-million) are available to reduce future tax Capex during the year totalled R155-million (R141-million).

The impressive earnings performance is set to continue. Mr Williams predicts steady earnings growth. Export earnings could be affected in the short-term by a stronger rand, but this should be more than compensated for by increased earnings from other parts of the business, he says.

The group is owned 32 percent by JSE-listed C G Smith which, in turn, is owned 60 percent by Barlow Rand. With the country’s increasing population the food industry must continue to expand.

Fortunately, the country is self-sufficient and has little need to import food. The recent, xeriscaping rains should help matters. If only the world would give South Africa some credit, it could help feed the burgeoning masses in the rest of Africa.

The wisdom of “success breeds success” certainly applies to C G Smith Foods with its increasingly healthy trading results.

To what extent the lavish profits have aided inflation is of secondary importance so long as the country remains self-sufficient and keeps the wolf of starvation from the door.
JOHANNESBURG. —

Bolton Footwear (Bolwear) has shown some excellent results with after-tax profit jumping by 62% to R4,6m (R2,8m) for the year to February, 1985.

The rise in net income means a maiden dividend of 5c and a jump in earnings per share from 13,08c to 22,78c.

Turnover rose from R78m to just under R95m.

Deputy chairman Brian Puchert says the strong performance resulted from a number of factors, but was mainly due to the efforts of management to contain costs, increase sales and as a result increase factory production.

He said: “Because of the leaner position, the company is well placed to maximize the benefits of stronger consumer demand and a shift in buying habits to better quality merchandise.” — Sapa
AAC's Tvl mines
profits decline

THE operating results of the Transvaal gold mines administered by Anglo American Corporation (excluding SA Lands and Ergo) gold production for the quarter increased by 6% to 30 794 kg.
The gold price dropped by almost 1% to R29 933 kg and average unit working costs increased by 6% to R107,74 a ton milled.
In addition, uranium oxide profit decreased following the re-scheduling of deliveries effected in the previous year.
These factors combined to cause total operating profit to drop by 7% to R454,4m.

Vaal Reefs: The reduced profit after taxation of R125,8m when compared to the previous quarter can largely be attributed to a decrease in uranium oxide profit following the re-scheduling of deliveries and the dividend from Southvaal Holdings in the previous quarter.

South Lease Area: A 7% increase in grade to 8,23 g/t and an almost unchanged tonnage milled at 111 000 tons accounted for a gold production increase of 520 kg to 9 195 kg.

Afrikander Lease Area: A higher tonnage milled resulted in a 20% increase in gold production at 171 kg although the grade fell to 1,14 g/t. Uranium production continued on a limited scale and 2 903 kg were produced.

A small loss was again recorded.

Western Deep Levels: While the gold price was slightly lower at R29 885 kg, profit from gold was slightly higher at R96,5m. After deducting tax of R21,4m and capital expenditure of R52,4m, profit available for distribution was marginally down at R26,6m.

Elandsrand: The slightly lower gold price of R29 876 kg and higher working costs of R50,5m resulted in gold profit dropping by 5% to R41,6m. Profit available for distribution increased by 25% to R26,4m or 27c a share.

Should the budget proposals to levy a Minimum Tax on Companies (MTC) be legislated, this company would become liable for the tax and dividends for the current year would be adversely affected by approximately 25c a share.

Ergo: Turnover increased by 8% to R105,0m reflecting the increased gold production and cost of sales was slightly down at R59,2m. As a result operating profit increased by R8m to R45,8m. After deducting royalty, purchase price of slime and provision for taxation, profit after tax increased by R4,1m to R28,1m.

Should the budget proposals to levy a Minimum Tax on Companies (MTC) be legislated, this company would become liable for the tax.

Sallies: Both tons milled and grade were lower, resulting in lower profits of R1,2m compared to R1,9m in the December quarter.
Anglo steps up gold output, but profits fall

From TEIGUE PAYNE

JOHANNESBURG — Gold mines in the Anglo American stable stepped up production in the March quarter but this failed to stop a modest fall in profits at almost every mine.

Generally strong performances were reported and gold production increased on all mines except Saffiles. Although attributable profit was lower on all mines except Elandrand, the decreases were mostly moderate.

Freegold: Gold production increased to 24475kg (24394kg), reflecting a 2.5 percent increase in tons milled to 5.8 -million tons. However, grade was lower at 4.21g/t (4.29g/t).

Freegold scored particularly by reducing unit working costs to R96.79 (R96.70).

Pre-tax profit declined 4.7 percent to R203.2-million (R213.3-million), mainly as a result of lower gold revenues at R728.4-million (R745.9-million).

Taxed profit was only 2.4 percent lower at R190.2-million. Capex decreased to R125.1-million (R130.5-million).

The Metallurgical Scheme raised profit by 74.3 percent to R18.3-million (R10.3-million), mainly due to the phasing out of uranium sales.

However, gold production was lower at 586kg (662kg), a decrease of 11.5 percent.

Operating results of Anglo’s Transvaal gold mines, excluding SA Lands and Ergo, reflect a return to normal production levels after the August 1997 miners’ strike.

Aggregate gold production for the quarter rose six percent to 30794kg.

The rand gold price dropped by almost one percent and average unit working costs increased by six percent to R107.74-a-ton milled.

Uranium oxide profit also decreased and total operating profit declined by seven percent to R454.4-million.

The remaining financial results are not compatible with the December quarter as that quarter reflected the half-yearly dividend receipt from Southvaal Holdings.

Vaal Reefs Gold production increased by six percent because of three-percent increases in tons milled and gold grade to 2.7-million tons and 6.07g/t respectively.

Early ordering of equipment for the year resulted in working costs rising by 12 percent.

The reduced taxed profit of R125.3-million (R145.9-million) was largely due to lower uranium oxide profit after re-scheduling of deliveries and the dividend from Southvaal Holdings in the previous quarter.

The South Lease Area recorded a seven-percent increase in grade and the Afrikaner Lease Area increased gold production by 20 percent, although lower on lower grade.

Western Deep Levels: Area mined was 21 percent higher than the previous quarter. Tonnage milled, of which a higher proportion was reef, increased four percent to 1,58-million tons. Average grade was also higher at 5.59 g/t, despite lower reef grade. As a result, gold produced increased seven percent to 9336kg.

Unit costs were contained to a two-percent rise at R105.06 per ton milled. After tax and capex, profit available for distribution was marginally down at R28.6-million.

Elandrand: Tons milled and gold grade were both slightly higher, resulting in three percent higher gold production.

The lower gold price resulted in five percent lower gold profit. But after 33 percent lower appropriation for capex at R15.9-million, profit available was 25 percent higher at R20.4-million.

MINIMUM TAX

The company says if the proposed Mmumum Tax on Companies (MTC) is legislated, Elandrand would be liable and that dividends for the current year would be adversely affected by about 25c a share. In the year to December 1997, 95c was paid in dividends.

Ergo: The Ergo and Daggafontein divisions performed well, but Simmergo division, although better than the previous quarter, still performed below expectations due to continuing problems with the grinding mills which required extensive repairs. Material treated remained above nine-million tons, while gold production increased by 271kg to 3107kg, due mainly to increased output and gold from process inventory at Daggafontein.

Turnover increased eight percent to R105-million, reflecting increased gold production.

Taxed profit increased by R4.1-million to R28.1-million, but because of the planned increased capex, profit available fell by R5.9-million to R20.4-million.

The company would be liable for MTC, but this would be an advance payment of tax which would be recovered against the current year’s liability and would not therefore impact on future dividends.
Most Gencor gold mines show lower quarterly profits

IN the first quarter of 1988 Gencor's gold mines' results have declined generally, mainly because of the lower rand gold price received, and in several cases because of lower grades milled.

The most significant changes are at Buffelsfontein where after-tax profit was halved as a result of a major fall in uranium income, while Stilfontein has recorded a R3m loss for the quarter.

Beatrix Mine: Tonnage milled remained the same while yield increased from 6 g/t to 6.2 g/t Income After tax increased by 5% to R18.1m (R18.29m) for the December quarter.

St Helena: In spite of a drop in tonnage milled gold recovery increased by 75 kg to 2,405 kg Working income increased by 15% to R11.2m (R9.7m) After-tax income dropped by R2.6m to R10.6m (R12.8m).

Leslie: Gold production increased by 27 kg resulting in an increase of after-tax income of 6% to R2.6m (R2.6m).

Buffelsfontein: Gold production dropped by 274 kg, and the situation was aggravated by a drop of R2.3m in uranium working profit. After-tax income therefore fell to R16.4m (R33.1m).

Stilfontein: Tonnage milled and gold production was well down as a result of scaling down of operations. As a result, a loss of R3m was recorded compared to an after-tax profit of R5.2m in the previous quarter.

Unisel: Gold production fell by 83 kg. This was as a result of a drop in grade from 5.9 g/t to 5.7 g/t. This combined with a lower gold price and a 3% increase in working costs resulted in a drop in after-tax income to R10.7m (R13.1m).

Winkelhaak: Gold production was 166 kg down because of a reduction in tonnage milled. This, combined with the lower gold price resulted in a decrease in after-tax income to R23.4m (R29.3m).

Klaarwater: Grade decreased from 5.9 g/t to 5.7 g/t and gold production fell by 77 kg. As a result of a decline in R4.7m in tax and State share of income, after-tax income was up slightly to R18.4m (R17.1m).

West Rand Cons: Operations were scaled down as planned and a net loss of R844,000 was recorded for the quarter (R988,000).

Bracken: Operating results were much the same as the December quarter and an after-tax profit of R1.9m (R2.2m) was recorded.

Grootvlei: Production was slightly higher in spite of a lower tonnage milled. The yield rose from 3 g/t to 3.2 g/t. After-tax profits were slightly down at R1.4m (R1.6m).

Marievale: The recovery grade fell and as a result gold production dropped by 12 kg. After-tax income therefore fell from R1.1m to R900,000.

--- Financial Staff and Sapa ---
Lack of skilled labour, milling of lower grades blamed

Rand Mines sees loss

By AUDREY D'ANGELO
Financial Editor

THE four major mines in the Rand Mines group — Harmony, Blyvoor, Durban Deep and ERPM — have ended the March quarter with a loss of R6,1m compared with a profit of R17,8m for the previous three months.

The directors say a shortage of skilled labour was one reason for lower production. Another was the milling of lower grades. And the average gold price received was lower.

But Clive Knobbs, chairman of the gold, platinum and uranium division, forecasts better results to come.

"It hasn't been a good quarter, but the group has now come out of the trough and will report a comparatively healthy June quarter — thanks to strong turnarounds by mines like ERPM and Harmony.

Total tonnage milled by the four mines dropped by 3% from 3,9m tons to 3,6m. This, and lower grades at Harmony and Blyvoor, resulted in a 4% drop in gold production, from 13 493 kg to 12 925 kg.

The average gold price received was R30 205 per kg compared with R30 381 in the December quarter.

However, capital expenditure for the quarter was R5,3m lower than the previous quarter at R5,3m.

The group reported for the first time on its two newly listed ventures, Barplats Investment Ltd and gold company Barbrook Mines. Income from investments gave Barplats net profits after tax of R2,4m compared with R1,5m the previous quarter.

Barbrook reported after tax profit of R358 000 compared with R48 000 rand.

- Harmony Tons milled at the mine fell by 71 000 tons to 2,2m while the grade dropped from 2,96 g/t to 2,92 g/t resulting in a fall in gold production from 6 657kg to 6 362kg.

The directors say the shortfall in tonnage resulted partly from an ongoing acute shortage of miners. They hope this situation will be resolved when the new Mines and Works regulations permit discussions on introducing blacks into previously reserved jobs.

Gold revenue fell by R9,5m to R192,6m (R202,1m) Uranium revenue fell from R10,1m to R7,2m bringing total revenue for the quarter down by R12,3m to just under R200m. After tax profit was R1,55m.

- Blyvoor: Tons milled dropped from 558 000 tons to 529 000 tons and this combined with a fall in grade from 5,07 g/t to 4,91 g/t brought gold production down from 5 830 kg to 5 197 kg.

Knobbs states that the drop in grade was expected and was in line with long term plans to mine as much Main Reef as possible in order to optimise the life of the mine.

Because of lower gold production and a fall in Blyvoor's gold price, gold revenue fell from R85,6m to R77,4m. Working profit was R1,3m compared with R22,3m in the previous quarter.

Pre-tax profit was R15,7m (R24,1m) and after-tax profit R11,1m (R14m).

- ERPM: The working loss was R4m higher than the previous quarter at R18,4m. The directors say this figure would have been lower if it had not been for problems, now sorted out, at the sand plant and the Far East Vertical project.

Losses have been reduced from R8m in January to R4m at the end of March.

Tonnage milled dropped by 46 000 tons to 502 000 tons because of delays in commissioning the Far East vertical cooling plant and because of the rationalisation programme which concentrates on higher grade reef.

As these problems have been resolved, tonnage is expected to show an increase.

Grade dropped from 3,93 g/t to 3,85 g/t with a resultant drop in gold production from 2 152 kg to 1 953 kg.

Revenue fell from R68,4m to R63,6m, which fell far short of meeting costs of R82m.

ERPM is continuing to hedge some of its production and sold 2 414 kg forward between the second quarter of this year and the first quarter of 1989 at between R30 481 and R32 483 per kilogram.

- Durban Deep: This was the only mine in the group to show an increase in production. Tonnage milled rose from 541 000 to 568 000 tons while grade remained constant at 3,27 g/t. Gold production rose from 1 769kg to 1 858kg.

The gold price for the mine increased by R37 to R30 540 and this, together with increased production pushed revenue up to R56,8m (R53,9m). Thus however was R1,6m short of covering costs.

After sundry revenue and the tax bill, there was a net loss of R1,7m against a previous profit of R4,7m when state aid of R5,5m was claimed. There was no aid in the March quarter.

Durban Deep also sold gold forward with a total of 1 555 kg at prices between R30 662 to R32 978 per kg.
Ominia profits surge by 204%

Own Correspondent

JOHANNESBURG — More stable prices in the fertiliser industry contributed to Ominia Holdings 204% surge in earnings a share to 25,46c for the year to December and the resumption of dividend payments for the first time since 1983.

A dividend of 5c a share has been declared and directors anticipate a further dividend increase in the current year depending on weather conditions and providing reasonably stable market conditions prevail.

In spite of a fall in direct fertiliser sales in line with reduced demand — the fertiliser market fell by 11% last year — turnover grew 11.4% to R181m as non-fertiliser sales, exports and sales to bulk blenders increased.

Operating income rose 60% to R16.7m with margins improving strongly from 6.4% to 9.5%, largely as a result of diversification into higher added value products and increased capacity.

Lower financing charges saw pre-tax profits soar 233% to R10.9m. No tax was payable and distributable income rose 209% to R11.9m, boosted by a R972,000 extraordinary item which relates to foreign exchange profits on redeemable preference shares.
Anamint profits, dividend up 33%  

By LAWRENCE TOTHILL  
Investment Editor  

IN line with the better profits and dividends announced by De Beers, Anglo American Investment Trust (Anamint) has boosted its profits by one-third and has raised its final dividend for the year to March 1988 so that it is distributing 33% more than last year.

The final dividend announced today is 1.20c a share (60c last year), which with the interim of 320c (240c), makes a total distribution of 1.60c for the year (1.20c).

Anamint derives a major part of its income from its shareholding in its associate company, De Beers Consolidated Mines in which it has a 25.66% shareholding.

In the year under review, its dividend from this investment increased by 37% to R108.0m (R78.6m). Income from other investments increased to R55.9m (R43.1m) which, together with interest earned less administration expenses, provided Anamint with a net income before taxation of R160.8m (R120.8m) — a 33% increase.

After deductions for taxation and the payment of preference dividends, Anamint's earnings attributable to ordinary shareholders, excluding its share of retained earnings of its associate, amounted to R180.0m (R120.2m), equal to earnings of 1.60c (1.20c) a share.

Earnings, including Anamint's share of its associate's retained earnings of R280.1m (R235.6m), rose to R440.1m (R395.8m).

Anamint's share of its associate's retained earnings is transferred to a non-distributable reserve.

The market value of De Beers, Anamint's listed investment, amounted to R3 044.2m (R3 903.4m) at the year-end and Anamint's net asset value per share, after providing for the dividend, was 33 940c (41 835c).

This sharp decline in net asset value reflects the plunge in the price of De Beers following the October 1987 sharemarket crash.

Anamint has traded recently on the JSE at 35 000c which is slightly lower than the disclosed net asset value, but it must be remembered that Anamint's own valuation of its unlisted investments is highly conservative.

At the price of 35 000c and a dividend of 1.60c Anamint offers a dividend yield of 4.57% which is considerably more attractive than the 3.5% yield offered by its main investment — De Beers.

The growth in dividend income from Anamint has been nothing short of spectacular in the past two or three years. As recently as 1985 it was distributing only 690c; in 1986 810c, in 1987 1 200c, and now in 1988 1 600c a share.
Tax knocks Black Mountain profits

By TOM HOOP
Business Editor

BLACK Mountain, the Northern Cape base metal mine, managed to restrict lost production to only four days when the Orange River floods deprived it of water and forced a week's shutdown.

The floods threatened to damage its pump stations at Fella but the stations were stripped to avoid damage.

A planned maintenance shutdown was brought forward so that only four days' production was lost, say the directors in their report for the March quarter.

Sales revenue increased by R9-million to R56-million in the quarter but costs were up R8-million at R34-million.

Net profit of R14-million was marginally higher after a sharp rise in taxes to R14-million from R12,2-million.

Ore production was stepped up at O'keep Copper but sales revenue recorded fell to R36-million from R55-million. Net profit was halved to R9-million.

Improved sales and lower tax liability in the quarter to March brought a 163 percent jump in Gold Field Coal's taxed profit.

Its mines produced slightly more coal and sold 6.7 percent more at 2.3-million tons and sales and other revenue increased 5 percent at R47-million.

Unit cost of sales declined marginally and pre-tax profit was 16 percent higher at R5.8-million. Tax was cut by more than half to R1.5-million and taxed profit rose to R4.4-million (R1.6-million).

Among Gold Fields' other base metal companies, Roodeberg Tin had a disappointing quarter, returning to losses.

Slightly less ore was treated, but an 8 percent rise in unit cost of sales outweighed a 4 percent rise in unit sales revenue, so that the R41-million profit a ton sold was turned to a R409 loss.

Sundry revenue allowed it to record a net profit of R25 000 (R26 700).

- Mining and finance holding company New Central Wits recorded 33.6 percent fall in net earnings in the six months to March to R1.1-million, with earnings easing to 62.7c (65.1c) a share.

The interim dividend is unchanged at 47c.

The market value of investments dropped to R42-million from R66.5-million a year ago.

Deep-level drilling for gold will now need 10 boreholes instead of eight planned in the Potchefstroom district, say the directors. Boreholes have been drilled to as deep as 3 688 metres.

The drilling target of R9.45-million has already been exceeded.

The prospecting undertaken jointly with Anglo American Corporation, has still to establish whether it will be worth while continuing to Phase 2, which would be aimed at proving ore reserves.

The company will have to pay for half of the costs of Phase 2 if it wants to maintain its 50 percent stake in the joint venture, the directors add.
Gold Fields mine profits drop

JOHANNESBURG — Generally lower yields by Gold Fields' precious metal mines, together with lower rand gold prices compared with the December quarter, resulted in lower overall net profits in the March quarter.

Higher working costs also contributed to the lower bottom-line returns.

The quarterly report, released yesterday, shows that the group's precious metal mining companies had a combined after-tax profit of R309,2m, which was 8,2% down on the December quarter figure of R336,7m.

The average price per kg for the quarter was R29,944, against R30,435 previously. Average yield was 8,2 grams per ton (8,8 g/t).

Total gold production was 30 614 kg (32 988 kg).

Gold revenue was down at R917,9m (R1 005,5m). Working costs were 2,3% higher at R415,7m (R406,4m).

Aggregate pre-tax profit amounted to R547,4m (R539,6m).

Capital expenditure for the quarter declined to R149,2m (R153,1m).

Recording lower net profits in the March quarter compared with the previous quarter were Driefonton Consolidated (Dries), Kloof, Deekraal, Lebanon and Venterspost, while only Doornfontein and Viakfontein achieved higher profitability.

Dries had a net profit of R146m (R154,5m). The grade at East Dries dropped to 11,6 g/t (13,5 g/t) with 8 178 kg of gold being produced (9 318 kg). At West Dries the pattern was similar with grade down to 10 g/t (11 g/t) and gold production of 7 197 kg (7 829 kg).

Kloof's net profit amounted to R102,1m (R113,2m) Gold yield was 13,5 g/t (13,8 g/t) and gold production amounted to 7 290 kg (7 470 kg).

Deekraal's after-tax profit was R35,6m (R36,1m) on a higher yield of 5,9 g/t (5,8 g/t), but higher working costs and a lower rand gold price.

Gold production amounted to 2 301 kg (2 235 kg).

Lebanon's net profit was R12,1m (R18,9m) with grade well down at 4,5 g/t (4,9 g/t) and gold production of 1 958 kg (2 132 kg).
P&P notches record R3bn turnover

BY AUDREY D'ANGELO
Financial Editor

Once again Pick'n Pay has turned in impressive results for the year to February 29 with profits well ahead of the inflation rate — and a turnover of more than R3 billion.

Announcing yesterday that the R3 billion mark had been passed, chairman Raymond Ackerman said: "I believe this is the first time this figure has been reached in retailing in SA. This really is a milestone."

Ackerman also pointed out the coincidence that, in its 21st year of existence, the company lifted turnover, earnings and total dividend by between 21% and 22%.

Trading income was R853m compared with R699m the previous year, which, on a turnover of R3 037,6m, shows profit margins had not been allowed to rise with increasing demand, and that the high earnings figure results from the volume of sales.

In spite of this and the fact that the company has agreed to an across the board increase of R140 a month for members of the Commercial Catering and Allied Workers Union (CCAWUSA) — R40 more than its original offer — the directors say they are confident of maintaining the rate of growth achieved last year.

The results show pre-tax profit rose by 20,4% to R91,2m (R75,7m) and after-tax income to R52,8m (R43,2m).

Earnings were up 21,9% to 67,1c (55,1c) a share. The final dividend is 26c a share making a total of 38,2c (27c).

The directors point out that comparative earnings per share, dividend per share and shares in issue, have been restated to reflect the four-way split in shares at the beginning of the second half.

Ackerman said yesterday that the 100th store, which will be the 13th hypermarket in this country, will open in Highgate, in the west of Johannesburg, in April.

So far three openings have already taken place this year. They are a supermarket in Mabopane, a superstore in Pietersburg and the third cash and carry Price Club at Devland near Soweto.

Five new supermarkets are due to open during the current financial year including one in Mossel Bay. The others are at Pinetown in Natal, Walmer in Port Elizabeth, Hatfield in Pretoria and Secunda.

Ackerman said the home improvements chain, Boardmans, has "swung into a good profit situation" and the butchery operation, Blue Ribbon, performed very well in a difficult year for the meat industry.

● Pyramid company Pick'n Pay Holdings (Pikwik) lifted earnings per share to 16,06c (13,34c) and the total dividend is 16,06c (13,34c) a share.
Frame group up 59 per cent

The Frame group, manufacturers of textiles and clothing, has substantially increased net earnings in the six months to December, compared with the same period of 1986.

Holding company Frame Group Holdings increased earnings before extraordinary items by 53.1 per cent from 20.6c a share previously to 32c, while Consolidated Frame Textiles showed a 42.6 per cent improvement from 14.1c a share to 20.1c.

Turnover of the reorganised group improved only eight per cent to R318.4-million, while operating income was R13.1-million (R10.3-million).

Frame Group Holdings' attributable earnings, at R6.1-million, were 27 per cent higher than the comparable period, which the directors said reflected some of the benefits of the reorganisation initiated at the end of 1986.

Attributable earnings of Consolidated Frame Textiles were up 22.4 per cent to R11.1-million.

The directors say that sales and profits in Consolidated Waverley Textiles, mainly boosted by good blanket volumes, showed a healthy increase.

However, Consolidated Cotton Corporation and Consolidated Apparel Manufacturers, together comprising over 75 per cent of group sales, were badly affected by the Natal floods in October, as well as by the strike action which followed.

"These events combined to cause the loss of several weeks' production. The knock-on effect of the re-planning and re-scheduling of orders will continue to impact on our business until March 1988," they state.

The board said the heavy inventories of imported fabrics and garments tended to curtail order books for apparel fabrics throughout the textile industry and that the company would not be immune to these influences in the light of these factors, the board felt it prudent not to forecast an increase in earnings for the year to June, 1986." Sapa
Pick 'n Pay notches R3 billion turnover

by Matthew Moonleya business editor

EAST LONDON — Pick 'n Pay turnover has reached over R3bn for the financial year — a possible record in South African retailing annals — the chairman, Mr Raymond Ackerman, has announced.

Delivering the chairman's report on the results of the company for the year ending February 1988, Mr Ackerman announced a pretax improvement of earnings amounting to R91 million. This represented a 20,4 per cent hike.

Turnover went up by R550 million or 22,1 per cent and the final dividend of 26 cents represents an increase of 21 per cent. Pikwik final is 12,68 cents.

"The dividends and earnings a share must be reviewed with an understanding that the company split its shares four ways, both in Pick 'n Pay and Pikwik just after the half-year result," Mr Ackerman said.

He said the result coincided with the company's 21st anniversary after four stores were bought in 1967 from Mr Jack Goldin, executive chairman of Clicks, which has now been taken over by Score.

Mr Ackerman said he was confident that the growth of the past year could be maintained and that there was a strong possibility that a profit increase of 20 per cent would be achieved.

He said the final stages of the wage negotiations with CCWUSA were in progress and it looked hopeful that the company would reach a negotiated settlement of this important part of its affairs amicably.

Mr Ackerman welcomed the government's announcement on privatisation and deregulation because he said he felt that economic development in the private sector would be the cornerstone of the social, economic and political peace in the country.

"We have to fight disinvestment and sanctions from abroad strongly because unemployment will be an enemy of economic growth and economic growth is at the cornerstone of our future development and happiness in South Africa," he said.

Dealing with the future expansion of the company, Mr Ackerman said five other supermarkets — in Pinetown, Port Elizabeth, Hatfield (Pretoria), Secunda and Mossel Bay — would be opened.

"Our 100th store, which will be our 13th hypermarket in the country, opens at Highgate in Johannesburg on April 11.

"The company actually operates a 14th hypermarket in Australia, but as mentioned in the last report, the company does not own any shares in this operation, but is merely providing management expertise."

£3bn building the tallest

LONDON — A 244-meter tower with 49 floors will be Britain's tallest building in a vast new construction project in London's former docklands.

Construction will begin next month on the £3 billion commercial project that will transform London's skyline.

The tower will be the centre piece of the 20-hectare Canary Wharf project on the Isle of Dogs in East London. It will be 61 meters taller than London's present highest building, the National Westminster Bank Tower in the city financial district — Sapa Ag
Since restructuring and transformation...

Unidev show 388% earnings growth

By AUDREY D'ANGELO
Financial Editor

CAPE TOWN-based banking and financial services group Unidev has lifted earnings for the year to December 31 by 388% to 12.2c a share, compared with 2.5c in the previous 18 months on an annualized basis.

In its first financial year since its restructuring and transformation from a property company, it has achieved attributable profits of R9.5m — 98% ahead of the forecast in its transmuted listing statement.

Forecast

A dividend of 4.5c a share has been declared. This is 60% ahead of the forecast 2.5c and is the first dividend paid since 1983.

Operating profit has risen to R10.3m compared with R961 000 in the previous 18 months, when the property company was hard hit by the recession.

The directors emphasize that net asset value per share has risen by 75% to 61.8c.

Chairman Geoff Grylls said this was "significant with regard to the sector of the market we are in. "People have the impression that companies operating in the financial services sector of the Joannesburg Stock Exchange (JSE) have a low net asset value. Unidev, however, has substantial assets to back the group's activities".

Total capital employed is R74m and net assets amount to R53m. Total interest-bearing debt is R18.8m and Grylls describes the debt equity ratio of 35.5% as "healthy".

Properties acquired from Retco in January 1987 on which it was expected to make R1.1m profit after tax made, instead, a loss of R512 000.

But the group received a tax credit of R43 000 compared with a bill of R432 000 in the previous 18 months.

Forecasting a further meaningful growth in earnings in the current year, Grylls said the full benefit of acquisitions made in 1987 had not yet been felt.

As anticipated, the financial services division comprising Quantum Finance and Quantum IV produced about 40% of the income attributable to Unidev in the past year.

Disinvestment

But Grylls said disinvestment had provided the group with opportunities to acquire companies with above average growth prospects and more were under consideration.

The group had "found that the injection of capital and the utilization of our financial and administrative abilities have a significant effect on accelerating the growth of companies we have invested in.

"This provides the base for companies to grow and, as they mature, they are able to continue their growth pattern through the acquisition of complementary businesses."

Own Correspondent
JOHANNESBURG — Government is to abolish its C and D export incentives in favour of an export market development assistance (EMDA) scheme, Deputy Economic Affairs Minister Theo Alant said last night.

The C and D incentives make provision for reimbursement of market.
Malbak earnings surge by 95%

From CHERILYN IRETON

JOHANNESBURG. — Malbaks interim results with earnings a share up 80% — reveal some of the strength and dynamism of the enlarged group.

In the six months to end February earnings surged to 39c from 21,7c a share, or by 95% to 36,2c from 18,6c on a fully converted basis.

Shareholders will receive more than a quarter of the earnings in the form of an interim dividend of 10c a share. This compares with 7c paid at the same stage in 1987 and gives a cover of 3,9 times (3,1).

Aided by strong performances from its packaging and paper, electronics, motor and farm machinery divisions, sales increased 183% to R2-bn (R713m) while pre-tax profits rose to R145,1m (R38,8m).

The tax rate was 31,7% compared with 45,2% at the comparable stage, leaving attributable profit at R67,2m (R17m).

Thomas says the results indicate what Malbak can do with assets — "make them work for shareholders".
Record profits at Afrox after inflation accounting

Blue chip Afrox has once again reached record sales and profit levels. Disposal of certain hospital interests boosted cash flow by R26 million. Interest declined significantly. Capex was high and will increase further in 1988. The hospital division, having made major strides in past years, suffered as increased costs of staff and equipment were not recovered due to meagre tariff increases granted by the Association of Medical Schemes.

A significant guarantee of R85.6 million has suddenly raised its head. Note 16 to the financial statements states Afrox guaranteed loans of an associated company to finance the construction of two gas plants. The associated company was not consolidated so the amount escapes being shown as borrowings. Nothing is said about the exposure save that "no loss is anticipated under this arrangement."

The group's excellent performance in 1987 reflects Afrox as an balanced group of businesses with strong, defensible market positions. It is capable of meeting the challenges of economic downturns and is also relatively isolated from business cycles which befall so many SA companies, says outgoing chairman Paul Bosommet.

Afrox last week announced that Peter Joubert has been appointed chairman of the group. He would continue to act as managing director of Afrox.
JOHANNESBURG. — Kan hym has got itself firmly back on to the profitability road.

This is reflected in the results for the six months to February released yesterday, which show a 63% increase in attributable profits for the half year, compared with the same period of 1987.

Pref dividends
Turnover rose by 36% to R342.5m while operating profit was up 40% to R16.2m (R11.6m).

Attributable income before extraordinary items amounted to R11.6m (R7.1m) and earnings per share, after taking into account payments of preference dividends, were 8.7c against an earnings per share loss of 1.8c previously.

The directors comment in the interim report that the contribution of the coal mining operation declined by R1.2m in the review period, "which underlines the profit achievement of Kan hym's core activities".

"Kan hym Estate benefited from improved margins in its feed operation while the increase in cattle prices more than compensated Karoo-Ochse for a drop in volumes," they state.

"The Enterprise processed meat division increased its market share significantly and also improved its production efficiency.

"However, Kan hym Fresh Meat still had to contend with unsatisfactory low margins."

Future prospects
Discussing future prospects, the directors say a programme of increasing decentralized management of operating divisions is being implemented which is expected to lead to substantial head office savings in the current financial year.

"Kan hym's recovery momentum is now firmly established and, given current conditions, the existing level of profitability should be maintained in the second half of the year."

Until all dividends on the preference shares had been paid, the payment of ordinary dividends would not be resumed — Sapa
Sage profits rise by 17%

Johannesburg. — Financial and investment group Sage Holdings recorded a 17% increase in attributable profits in the year to December.

Dividends for the year have been increased by 16%.

The preliminary results, released yesterday, show that pre-tax profit was up 26% to R38,6m and after-tax profits were up 27% at R26,3m (1986: R20,7m).

Attributable profits amounted to R21,8m (R18,6m) and earnings per share were 100c compared with 86c previously.

The group has declared a final dividend of 38c a share (32c), bringing total distribution for the year to 58c (50c).

The directors comment that the earnings growth in 1987 emanated from both the financial services division and the property and construction division.

"In line with the re-orientation of the group's sources of earnings in recent years, the financial services division again contributed approximately 75% of group net earnings."

Consolidated group assets rose by 25% in the year to R1,3bn, representing a more than fourfold increase over the past five years.

Sapa
Kohler profits up 92 pc

JOHANNESBURG — Packaging group Kohler shook off the burden of an increasing tax rate to achieve a 92 per cent increase in attributable profit for the six months to end February.

The Malbak controlled company lifted earnings to R16.1 million (R8.4 million previous period), which — on the increased number of shares in issue — translates into earnings of 115.5c a share — 56 per cent up on the comparable period.

An interim dividend of 35c a share has been declared, compared to the single dividend of 40c a share paid for the eight months to end-August 1987.

Operating profit climbed 91 per cent to R28.4 million (R14.9 million) a feat which the newly promoted chairman, Mr Ian Willis, attributes to an increase in operating margins from 6 per cent to 1987 to around 7.7 per cent.

Turnover rose 50 per cent to R370.7 million (R246.9 million), reflecting a combination of improved volumes and the contribution from newly acquired companies including Bakke Industries, Budpac and Sylko.
JOHANNESBURG — Following the increase in earnings a share from 72,6c to 151,2c cents last year compared with 1986, Blue Circle forecast further increase in earnings this year.

The chairman, Mr Trevor Coulson, says in the annual report that it would be unrealistic to expect the same again. But he nevertheless expects profits and dividends to rise faster than the inflation rate.

The major increase in the group's profit has come from its materials division. Income before interest and tax, here, rose from R15,5 million to R23,3 million — and now accounts for 32 per cent of group income.

This 32 per cent increase came on turnover 38 per cent higher. The turnover increase resulted from a combination of selling price increases and improved sales penetration.

The cement division also enjoyed better operating efficiencies. Turnover rose by 17 per cent as a result of slightly higher cement demand, increased sales volume of pulverized fuel ash and diversification into the lime market.

There was a 29 per cent increase in operating income.

Mr Coulson notes that the cement industry has been granted a further exemption — until end-September — to complete consultations with the Competition Board.

"I remain convinced," he says, "that the existing market-sharing practice is reasonable, sensible and practical for the industry, customers and the country and should be left intact.

"It is particularly inappropriate to propose any fundamental change while the cement industry has such considerable excess capacity."

Reduced borrowings and lower interest rates combined to drop the group's finance charges but tax charges absorbed more of profits.

— Sapa
JOHANNESBURG 1929
Composite insurer Protea Assurance more than doubled net profits in the financial year to December 31.

Attributable profits amounted to R10.7-million, compared with R5.1-million the previous year.

The improvement was principally due to a substantial turnaround in the underwriting account which showed a surplus of R2.6-million at year-end compared with a deficit of R4.3-million previously.

The board has declared a final dividend of 25 cents (1928: 17 cents), bringing the total for the year to 36 cents (25 cents) — Sapa
Milly's boosts profit, turnover

By AUDREY D'ANGELO
Financial Editor
CAPE Town-based fast foods chain Millys reports substantially improved results for the six months to December, following the sale of the loss-making Sea Point Carousel.

After-tax profits have risen by 77,23% to R365 000 compared with R202 000 in the first half of the previous year. And turnover has risen by 69,5% to R4,3m.

But there will be no interim dividend. MD Michael Bruchhausen says the group intends to expand nationally and is currently negotiating for the acquisition of further manufacturing facilities. He hopes to make an announcement in the near future.

Bruchhausen says that in order to conserve funds for acquisitions only one dividend will be paid annually, at the end of the financial year.

Millys lost R103 000 on the Carousel restaurant, sold in July to Juicy Lucy and Bruchhausen admitted that it had been a mistake to diversify out of the core business of manufacturing and retailing food.

But the business has continued to expand since then, outgrowing its manufacturing premises in Maitland and moving to Retreat where production capacity was increased.

Bruchhausen says:“Our focus is now solely on our core business, which is growing very satisfactorily.”

He says that although the additional manufacturing facilities have made a contribution to results “a certain period of consolidation was necessary and it will be only during the second half that we will reap the full benefits”.

Michael Bruchhausen
Firing on all cylinders

Foschini lifts earnings, div

BY LAWRENCE TOTHILL
Investment Editor

FOSCHINI has turned in a really excellent set of results for the year to December 1987, with sharply higher earnings and dividend, or as chairman Stanley Lewis put it "the group fired on all cylinders".

The group probably did even better than shown since it has adopted the retail accounting calendar and the 1987 accounting year is 52 weeks or four days shorter than 1986.

This has become accepted practice and is employed by Woolies and Edgars among others.

Turnover was up 23.3% at R407m in 1987 against R330m in 1986, and CE Hugh Mathew says this was not just inflation showing up since there was a substantial increase in the number of units sold.

- Pre-tax profit has jumped by 42.8% to R65m from 1986's R45.5m, but perhaps more impressive is the margin on turnover.

- The pre-tax (post-interest) margin is no less than 16% which is the highest in the history of the group and well up from the 10.6% margin achieved in 1986.

This improvement was due to improved productivity as reflected in the staff complement and the sales per employee.

In 1982 Foschini employed 5,050 people and in 1987 4,263.

Sales per employee last year was R45,300 against R41,500 in 1986.

- The cost of the people, however, fell back from 121% of profits in 1982 to 103% of profits in 1987.

- Tax at R32.7m has taken a much larger slice than the R20.9m in 1986, but this was due to special one-off situations in 1986 when the tax was abnormally low.

Bottom line earnings are R22.2m (R24.8m) equal to earnings per share of 332.6c (253.6c).

The final dividend has been increased to 113c from 90.2c making a total distribution of 141.6c (107.7c) for the year. (The strange amounts of the dividends arise as a result of the share split — the company intends ignoring decimal points.)

If a slightly longer view is taken it is worth noting that in the past two years dividends have risen by a total of 75% from 81.2c to the present 141.6c a share.

Mathew says that the group has planned 1988 with cautious optimism, anticipating an extension of the success of 1987, but already he sees signs which cause concern not only as far as Foschini is concerned but the economy as a whole.

Aspects which might hold the company back include the earlier than expected rise in interest rates, political uncertainty — he would like to see much greater direction being given; the rapid drop in the gold price, and the performance of the rand on foreign exchange markets. All these give cause for concern.

Lefèc: In the case of the pyramid company, Lefèc, everything is up by about 31% which is in line with the increase in the Foschini dividend.

- After-tax income was R9.8m (R5.2m), total attributable earnings were R10.1m (R13.5m) giving attributable earnings per share of 168.7c (128c).

The final dividend is 59.8c (46c) making a total distribution of 71.5c (54.75c) for the year.

Turnover was up by 22.71% to R146.7m (R119.5m) and operating profit before tax by 25.13% to R11.8m (R9.5m).

Earnings per share were 30.4c (23.01c).

MD Trevor Honneysett said these results "which are considered to be most satisfactory" had been achieved in the face of fierce competition.

He said consumer demand remained strong and the group "maintained buoyant sales figures in January and February 1988, showing continued growth against the same period in 1987."

It was planned to open a further seven stores between July and December 1988.

- Pyramid company Citicolin, which holds 50% of Clicks Stores, lifted net income to 1,080,000 (R786,000) and earnings to 4.90c (3.83c) a share.

The interim dividend is 4.80c a share.
JOHANNESBURG — FSI Industries' interim results — the first since the acquisition of W and A — reflect earnings a share more than tripled to 41.8c (13.4c) in the six months to end-December compared with the same period in 1986.

FSI says earnings for the 12 months to end-June will "materially" exceed the annual report forecast of 69c a share.

A maiden interim dividend of 10c is to be paid — close to the 12 cents for the whole of last year, when the 1986 payout was doubled.

FSI Group, the FSI pyramid, is to pay a maiden interim of 5c.

Operating profit at FSI leapt from R15m to R62.4m in the six months and pre-tax profit climbed more than 400 per cent to R47m (R9m).

Attributable profit was up from R5.1m to R17m — barely R750 000 below the total for the whole 1987 financial year. — Sapa
Liberty Life major contributor

Liberty’s growth best in more than 10 years

JOHANNESBURG — Exceptionally good earnings performances have been achieved by Liberty Life companies Liberty Holdings and Liberty Life Association of Africa in the year to December.

Chairman Donald Gordon, releasing the results here yesterday, said that the percentage increases achieved overall by Liberty Holdings in earnings and dividends per share represented its best performance in the past 15 years.

In the case of Liberty Life, which contributed 76% of the group’s taxed earnings in 1987, the results reflected its best performance for the past 12 years.

“It is particularly pleasing that these record results were registered in a year in which Liberty Life celebrated its 20th anniversary,” he said.

Liberty Holdings increased attributable profit by 32.2% from R89m in 1986 to R158m last year.

Earnings per share were up 31.5% to 171.2c (139.2c) and the total dividend for the year was 29c better at 96c a share (76c), with a final dividend of 58c (45c) having been declared.

Liberty Life had a net taxed attributable surplus of R107.8m, which was 30.5% better than the 1986 figure of R82.8m.

Net taxed surplus per share for 1987 was 618.3c (500.6c), a 23.4% increase, and the total dividend for the year was 22.2% better at 440c a share (350c). The final dividend was 210c (210c).

The R158m asset target set by Gordon in 1982 and which he predicted at that time would be achieved in 1990 was achieved in 1987.

Liberty Holdings’ total assets at the end of the year stood at R11.7bn, compared with R7.9bn in the previous year, while Liberty Life’s total assets amounted to R11.4bn (R7.8bn).

Liberty Holdings’ total reserves and capital employed amounted to R2.1bn (R1.9bn) and for Liberty Life this total was R1.9bn (R1.8bn).

Gordon said that non-distributable reserves rose in the year by R161.5m in the case of Liberty Holdings and R265.8m for Liberty Life as a result of the acquisition by Liberty Life of Prudential, “being the excess of the consideration paid over net assets acquired.”

This reduction in shareholders’ interests had been partially compensated for in 1987 by the further uplift in Liberty Life from the revaluation of its offshore investments in the Trans-Atlantic Holdings Group, which accounted for about 50% of shareholders’ net equity.

Delivering his chairman’s statement for 1987 yesterday, Gordon said the “remarkable impact” of the growth of the group’s UK holdings had been achieved with limited financial support from local resources.

“The real success of our international strategic moves has been achieved by way of innovative financial strategies, extensive offshore borrowing and substantial equity funding by a wide spread of international investors,” he said — Sapa.
Amgold profits fall, div cut.

7.1% on the previous year's dividend.

Amgold's investment income declined has been cut to 75c (900c) per share, down from 15c (21c) to 12c (15c) per share.

Whereas at the Amgold's income figures do not show is the lower figures that Amgold's income figures do not show.

The unhappy influence which a

By Lawrence Totton
Further spurt in earnings seen

Sunpak doubles after-tax profits

By AUDREY D’ANGELO
Financial Editor

ATLANTIS-based Sun Packaging Holdings (Sunpak) has almost doubled after-tax profits for the six months to February, to R2.6m (R1.3m).

And the directors forecast a further spurt in earnings in the second half of the financial year, as a result of two new projects starting soon.

Operating income in the first six months rose by 64% to R4m (R2.4m) and pre-tax income to R3.9m (R2.2m).

Interest bill

Earnings at share level were 95% higher at 6.7c (3.4c) and, although the tax bill has risen to R1.2m (R913 000), the interest bill is down to R84 000 (R160 000).

The directors say they have revised their earnings forecast for the year to August upwards to 16c a share, compared with 10.1c last year, which is above their target of 50% growth per annum.

One reason for the rise is that the company will start exporting its new Foamtek synthetic papers from June and “all production of this exciting new venture has been sold ahead.”

“In August/September we will consider doubling the Foamtek plant capacity,” the directors explain.

From May the company will be the first in the Southern Hemisphere to produce polystyrene free from chlorofluorocarbons (CFCs).

The directors explain that the conversion to CFC-free blowing agents will benefit “the environment, the customer and our bottom line.”

CFC-free material

“Increasing concern about the destruction of the earth’s ozone layer has already led to many large consumers in the US and Europe insisting on CFC-free material.”

Chairman Tubby Gerick said that “due to our imminent entry into the export field it is no longer in the best interests of Sunpak to reflect turnover figures.”

But polystyrene food tray sales continued strongly and “we have increased our market share.”
Autoquip up by 115 pc

JOHANNESBURG — The newly-listed sellers of motor accessories, Autoquip Group, increased net earnings by 115 per cent in the six months to December, the interim report shows.

After-tax income for the period was R12,200,000, compared with R280,000 for the same period of 1986. Turnover increased 32 per cent to R16,1-million, which the directors attribute both to aggressive marketing and the continued buoyancy of the new and used car markets.

"In addition, margins have improved and finance charges have reduced as a result of the group’s listing," the directors said.

With an increased number of shares in issue, earnings per share were 88 per cent up on the previous period at 4,2 cents (2,5 cents).

The group, which has plans to increase the number of its distribution outlets as well as its range of products, expects to exceed the projected net profit of R1,1-million, or eps of 7,9 cents, for the year to June 1987. — Sapa
JOHANNESBURG — New vehicles sales in South Africa have surged ahead with a 22 per cent increase overall being recorded in February, compared with January, while car sales are up 20 per cent on the previous month.

Figures released yesterday by the National Association of Automobile Manufacturers (Naamsa), show an increase from 25,284 vehicles sold in January to 30,807 units last month. Total sales for last month were 24 per cent better than the 22,976 vehicles sold in February 1987.

In passenger vehicles, the February total was 19,620 units, against 16,516 in January and 15,162 in February last year (31 per cent).

Overall leader Toyota sold a total of 8,783 vehicles last month, followed by Samcor with 6,007 units and Volkswagen with 5,062 in car sales. Toyota had a tally of 4,816 sales, VW sold 4,321 units and Samcor 3,665.

In light commercials, the sales of 9,767 units was 23,5 per cent ahead of January and 46 per cent better than February last year.

In light commercials Toyota sold 3,364 units, Samcor 2,227 and Nissan 1,838.

In medium commercials, sales at 504 units was 54 per cent better than January and 11 per cent higher than February 1987 and in heavy commercials sales amounted to 716 units, 35 per cent higher than January and six per cent higher than February last year.

The director of Naamsa, Mr Nico Vermeulen, said yesterday that the steady upturn in new vehicle sales in recent months gained considerable further momentum in February. He described the improvement in new car and light commercial vehicle sales in particular as "quite exceptional".

The recovery in medium and heavy commercial vehicle sales had, however, been off an exceptionally low base.

"The sharp increase in new vehicle sales was largely due to the fact that manufacturers were able to satisfy a considerable backlog in orders which could not be met during December and January," he said.

Now that sales had returned to more normal levels, Naamsa did not envisage further dramatic increases from current sales figures in the short to medium term. — Sapa
Union Wine scores

Earnings up for Picbel, Pichold

By LAWRENCE TOTHILL
Investment Editor

THE strong growth reported by Picapli last week is the main reason for the sharp advances in operating profit made by both Pichold and Picbel, but its tax hike also accounts for both of the top companies showing more modest bottom line improvements.

The top company, Picbel, reports turnover for the six months at December 1987 at R244m — 42% up on the previous R171m. Profit before interest and tax was R24m (R15,4m).

Interest paid and lease charges remain high at R7,4m (R7,3m), and tax (nearly all payable by subsidiary Picapli) was a whacking R7,3m against R500 000. Bottom line profits attributable to ordinary shareholders amounted to R4,8m against R4m, equal to earnings of 107,9c (90,7c) a share.

Picbel’s main investment is its holding in Pichold and this company reflects a similar position with its profit before interest and tax sharply higher at R23,8m (R15,1m), but the bottom line earnings are up more modestly at R7,6m (R6,4m). Earnings per share amount to 125c (110,8c).

Pichold says that as far as the full year is concerned, the management is optimistic that it will achieve earnings of 255c a share. Since the end of 1987 there has also been the creation of the financial service arm, SAGIN and the Cape Investment Bank.

The third Pickard company reporting results is Union Wine. In this case the saving of interest and lease charges helped in the improvement of profits at the bottom line to R573 000 (R466 000) equal to earnings of 4,6c (4,1c) a share.

Although turnover rose 19,6%, operating income slipped slightly to R3 544 000, from R3 555 000. The interest and lease charge is a heavy burden at R2 575 000, which is a little down from the previous R2 697 000 and help the bottom line profits. No tax was payable.

Union Wine says it has maintained its growth momentum and prospects for the rest of the year are promising and an increase in earnings per share is expected.
Rex Trueform shows healthy profit rise

Clothing group Rex Trueform has shown a healthy profit increase in the six months to December, with net earnings improving by 25 percent.

On turnover which was 14 percent up on the comparable period, operating income improved 16 percent, amounting to R6.5 million. Attributable income was R5.5 million, equivalent to earnings per share of 133.1c (106.1c).

The sustained demand for our products and continued tight control of assets and expenses has resulted in a further increase in earnings during the period,” the directors comment.

“Production capacity is booked for the remainder of the financial year and present indications suggest the likelihood of moderate growth in the economy during 1988.

“Provided the present trend is not disrupted, earnings for the second six months are expected to exceed those for the corresponding period of 1987.”

Net income of Rex Trueform’s holding company African and Overseas Enterprises was 28 percent higher in the half-year to December, with earnings per share of 122.3c (95.6c). Turnover was up 15 percent and operating income was R6.8 million (R5.7 million). — Sapa.
FS-Team makes a promise

By Ann Crotty

FS-Team Distributors, the FS Group's electronics subsidiary, has reported a sharp 96 percent increase in earnings for the six months to end-December from 10.9c a share to 21.4c and has declared an interim dividend of 5c a share.

Shareholders are promised at least a further 10c dividend payment for the second half.

A comparison with the December 1986 figures shows a massive improvement at all levels. However, the earlier figures relate to Litocor, which underwent considerable restructuring in the period after December 1985 to form the existing FS-Team, and so are not directly comparable with the December 1987 figures.

Since December 1985, Litocor was acquired by the FS Group and in turn acquired Kees Electrical and National Bolts' distribution branches from FS which led to a name change to FS-Team. Last September, FS-Team sold off its electrical wholesaling and distribution activities to Elcentre in exchange for 34.6 percent of the enlarged Elcentre.

December 1987's operating profit of $9 million includes the earnings contribution from the stake in Elcentre. The results do not include a

figure for turnover, presumably because the equity-accounted Elcentre investment could not be included at this level and would therefore have prevented any reasonable estimation of the group's operating margins.

It was the problem that encouraged the Cullinan management to change its accounting policy to one of partial consolidation.

FS-Team MD Michael Marcus notes that during the review period the company strengthened and expanded its role in providing distribution services to customers in industry, construction, nursing and the DIY marketplace.

Chairman Jeff Liebesman adds "Results for the six months are consistent with attaining the forecast earnings of at least 45c a share for the 12 months to June 1988. On this basis, dividends totalling at least 15c a share will be declared"
Shell’s profit rises by 13pc

LONDON — Oil giant Royal Dutch-Shell Group said yesterday that its pre-tax profits rose 13.5 per cent to £2,883 billion last year.

A company spokesman said demand for oil grew slightly more last year than it had anticipated but it expected demand this year to be “relatively flat.”

Its pre-tax profits rose 14 per cent to £858 million in last year’s fourth quarter compared with £752 million in the same period a year earlier, it said.

The fourth-quarter profits reflected higher earnings from exploration and production activities, a strong performance by the chemicals sector and gains from the sale of consumer products, the company said.

The earnings were based on historical cost accounting.

If the earnings are based on the current cost of supplies, net profits show a 15 percent fall to £2,865 billion last year, the company said.

The current cost figures do not include after-tax inventory holding gains, which amounted to £18 million last year, it said.

The company proposed a final dividend of 31.5p a share for the British arm of the Anglo-Dutch group, Shell Transport and Trading Co. PLC, up from 29.5p (51.9 cents) a year earlier.

That raised the dividend for the full year to 48p (84c) a share from 43p (77c) — Sapa-AP
Consgold chief tells of cutback in SA stake

LONDON—South Africa did not loom at all large in Consolidated Goldfield's future, the chairman and chief executive, Mr Rudolph Agnew, said yesterday.

Mr Agnew was speaking at the release of Consgold pre-tax profits for the six months to December 31, up sharply by 87 per cent to £182.7 million.

Consgold, he said, would soon achieve a complete reversal in the contributions to profits of its South African and non-South African operations.

Whereas previously South African operations had contributed 70 per cent, they would soon contribute just 30 per cent. This would not involve a further sale of its stake in GFSA, rather an expansion of non-South African operations Consgold now had less than 20 per cent of its investments in South Africa.

Asked about the latest clampdown in South Africa, Mr Agnew said: "The policy of sanctions and agitation against the country is bearing the fruits that those of us who opposed it said it would."

The South African government was reacting as any government would when it was pushed into a corner and its interests were threatened.

It was said that instead of seeing that what they were doing was having the wrong effect, sanctions proponents were now suggesting a further dose of the same medicine.

"We have worked hard to isolate ourselves financially from that problem. Modesty, I am suggesting that we have done it with a certain amount of skill."

Mr Agnew said the average cost of producing gold in South Africa had risen dramatically in recent years to about $270 and ounce as opposed to $200 in the US.

"It is inevitable. You cannot have wage and other inflation rates rising by 15 per cent a year and expect to keep costs down."

GFSA, however, was largely protected from this in that it had four of the six lowest cost mines in South Africa with average working costs in the region of $130. It also had two new precious metal mines coming on stream and a vigorous exploration programme. Other houses had no such development programmes.

"They are mainly mining ageing mines."

A total of £81.8 million of Consgold's £211.1 million operating profits came from the sale of 10 per cent of its stake in GFSA.

Actual mining profits were down by 26pc to STG52.6m.

Its share of profit from Newmont Mining Corporation was down by 36 per cent to £8.7m while GFSA's contribution to profits was down by 20 per cent reflecting the reduced shareholding.

Mr Agnew said the fall in Consgold's share of profits from Newmont was a result of increased interest charges on borrowings to pay off the special 35p dividend as well as the heavy one-off cost in seeing off the takeover bid by the T Boone Pickens led consortium, Ivanhoe Partners.

Profits from Renshaw Goldfield Consolidated in Australia were down by 6 per cent to £6.6 million and the Goldsworthy Iron operation in Western Australia showed a loss of £2.1 million (£5 million profit). The reduced profit from Renshaw was due to the management taking a position on precious metal prices and getting it wrong, Mr Agnew said.

Goldsworthy was hit by adverse exchange rate movements.

Profits from Consgold's construction materials operations were up by 36 per cent to £57 million investment profits, including the sale of the GFSA stake, totalled £101.5m.

Mr Agnew said the outlook in the second half for its construction operations was excellent. Short-term predictions for the mining operations in the current climate of uncertainty was difficult. He hinted that both Consgold and Newmont could soon seek to sell profits from mineral transactions. Already Consgold had sold exploration prospects in Chile for £30 million.

The company declared an interim 10p dividend (9.5p).
New record level for wool price

PORT ELIZABETH — At the latest auction here the wool market reached a new record level when the Wool Board’s market indicator closed at 1 826.

This is an increase of 1.2 percent on the previous week’s sale. The latest price increase saw the market strengthen for the ninth consecutive auction. Although wool prices in Australia strengthened slightly, the latest increase here can be attributed mainly to the decrease in the value of the rand against the Australian dollar.

However, the main reason for the high worldwide price levels remains the good demand for the relatively limited world offering. Prices for merino fleeces in the 22 and 23 micron categories rose by 2.5 and 1.5 per cent respectively, while prices for the most other types remained firm unchanged. Competition was brisk and 93 per cent of the offering of slightly more than 16 300 bales of merino and other wool was traded. The merino selection consisted of 66 per cent long wool, 14 per cent medium, four per cent short wool and 16 per cent locks. The highest greasy wool price achieved at auction was R34.75/kg paid for two bales of ah wool, with a fibre diameter of 17.5 micron and a clean yield of 70 per cent.

Next week approximately 16 600 bales of merino and other wool, and 850 bales of karakul wool will be offered.
New vehicles boost sales

Porter raises income 71%

By AUDREY D'ANGELO
Financial Editor
BRIAN Porter Holdings, the Cape Town-based motor trade investment company which did well even during the recession, achieved further improvement in the six months to December.
After-tax income rose by 71% to R1,1m (R683 000) on a 38% increase in turnover to R106,9m (R77,7m).
The directors say the higher turnover was due mainly to a 43% increase in sales of new vehicles which pushed operating profit up to R2,4m (R1,7m).

Earnings rose by 62% to 41,4c (25,5c) a share before an extraordinary item — the write-off of R98 000 for goodwill on acquisition of a subsidiary, in accordance with group accounting policy.

After the extraordinary item, earnings were 37,9c a share. The interim dividend is 35c higher at 11c (9c) a share and the net asset value has risen to 559c (528c) a share.

Chairman Brian Porter says he is confident that earnings for the current six months will "at least match" those of the first half of the financial year, in spite of the fact that new car prices are expected to rise by about 20% this year.

He says there is now a shortage of new cars, caused first by the break in production over the Christmas period and subsequent slow start-up and now by the floods, which are causing delays in deliveries.

"This means that people are sometimes having to wait for delivery of the car they prefer, which can cause problems if another make which would be their second choice is available now."

"This is particularly unfortunate if waiting for their first choice means they will have to pay more because prices are going up."

"But we are in a strong position because we hold a number of franchises and can offer a wide choice."

Our acquisition of the Nissan franchise in Rondebosch, which did not affect our results to December, and of the Toyota franchise in Somerset West will help in this."

Porter expects the company to continue doing well.
Earnings up for Rex Trueform

CAPE TOWN — Rex Trueform Clothing Co has reported a further substantial improvement in results for the six months to December. Earnings have risen to 133.1c (108.1c) a share, and the outlook for the rest of the year seems good.

Operating income is up by 16 per cent to R6.4 million (R5.3 million).

Because of an assessed loss from previous years, the company was not liable for taxation and the interest bill was down to R408 000 (R893 000).

Net income was R6 million (R4.9 million), and income attributable to holding company, African and Overseas Enterprises R5.9 million (R4.9 million).

Turnover was 14 per cent higher than for the same period the previous year, and the directors report "a sustained demand for our products."

They say, continued tight control of assets and expenses has helped to push up profits.

"Present indications suggest the likelihood of moderate growth in the economy in 1988."

"Provided, therefore, that the present trend is not disrupted, earnings for the present six months are expected to exceed those for the corresponding period of 1987."

African Overseas Enterprises reports operating income of R6.7 million (R5.7 million), pre-tax income of R6.3 million (R5.1 million) and net income R6.2 million (R5 million).

Attributable income was R3 million (R2.3 million) and earnings at share level 122.3c (95.6c) — Sapa
Earnings rise by 12%

AVI boosts Anglovaal profits

BY LAWRENCE TOTHIll
Investment Editor

ANGLOVAAL LTD has reported a 12% increase in its consolidated earnings for the six months ended December 1987 at R70.2m, compared with the 1986/87 first half figure of R62.6m, and it is clear that industrial interests, through AVI have outstripped gold and other interests as the main contributor to this mining house's income.

The bottom line improvement in profits looks modest when viewed against the impressive jump in operating profits and should also be viewed against the strong profit rises of the last couple of years.

Main booster

Yesterday Anglovaal Industries (AVI) reported a 69% increase in its earnings for the first six months, and as clearly the main booster to its parent's income.

Anglovaal's gold mine investments showed limited growth, being restricted by higher working costs and a firmer rand/US dollar exchange rate which led to lower rand revenue.

Furthermore, there was a sharp fall in equity-accounted income from associated companies, largely because of Associated Manganese Mines' reduced profitability and losses connected with the start-up of operations at the Klipspruit Coal Mine.

The consolidated income statement shows that Anglovaal's operating profit rose by 17% to R186.7m (R160.9m). Income from investments was little lower, but taxation was sharply higher.

After adding in the equity account and earnings figure of R8.1m — down 59% from R19.2m in 1986 — the after-tax profit was R178.2m (R178.2m).

Preference shares and minority interests were 60% higher at R19.9m (R42.3m), leaving attributable earnings up 12% up to R70.2m (R62.6m).

This translates into earnings of 164c (1986: 140c) a share, from which an interim dividend of 150c (1986: 150c) has been declared and paid.

Subsidiaries

In the half year, Anglovaal and its subsidiaries spent a further R16.6m on the purchase of mineral rights in selected areas of the Northern and Orange Free State, where the gold exploration programme is continuing.

The market value of listed investments, mining, subsidiary and associated companies on December 31 was R1290.2m (R1318.2m), giving a net asset value of R322 a share (R317 a share) at the end of December.

Allowing that there have been share price movements since end-December, the share is currently trading at around 80% of NAV.
PRETORIA — South Africa recorded a trade surplus of R550.3 million in January this year, down from December's surplus of R778.2 million and a R920.0 million surplus in January last year, the Commissioner for Customs and Excise reported here yesterday.

Exports during January decreased to R3 268 million, from R3 483 million in December and R3 397 million in January last year.

Imports increased to R2 718 million, from R2 655 million in December and R2 407 million in January last year.

The figures are not seasonally-adjusted, but have been adjusted to bring them into line with the requirements for compiling the balance of payments.

The export figures include gold bullion sales and the import figures purchases of oil and petroleum products.—Sapa
JOHANNESBURG — Industrial group Anglo-American Industries (AVI) reported a 69 per cent rise in earnings by 69 per cent in the six months to December compared with the same period of 1966.

Earnings per share — R0.66.6 million against R38.9 million. The interim report showed earnings per share rose 60 per cent to 28.4 cents (18.0 cents).

On a 29 per cent increased turnover to R1.8 billion, the group increased operating profit "69 per cent to R152.6 million (R114.4 million). The half year saw strong growth within the group.

All sectors increased their profit contributions as the economy strengthened and business conditions improved," the directors state.

"Results were favourably affected by a drop in interest rates on produced "borrowings," a slightly lower effective tax rate and an increased "contribution from associated companies."

They expect earnings for the full year to June to exceed those of 1966.

AVI's balance sheet also remains very strong. The debt/equity ratio was reduced to 19.9 per cent (29.6 per cent) thereby giving adequate scope for future borrowings for expansion purposes. — Sapa
JOHANNESBURG — Sasol’s net profits in the six months to December dropped by R82.2 million — or 28 per cent — compared with same period of 1986, but the giant fuels and petro-chemicals supplier has maintained its interim dividend at the previous level.

The interim report released yesterday showed attributable earnings of R207.1 million, compared with R288.9 million in the comparable period, equivalent to earnings per share of 36.8c (51.4c).

The interim dividend has been maintained at 22.5c a share.

The directors explain that virtually unchanged product prices combined with domestic production cost increases had a detrimental effect on the profits of Sasol’s synfuel activities.

"In addition, an increase of 30 per cent in rand crude oil prices compared with the corresponding six months of the previous year, reduced our oil-refining profits.

"Since production cost increases at Sasol during the past few years were kept well below the inflation rate, there was less room for further cost rationalisation during the six months under review."

However, good production was achieved by the main operations.

"The negative developments in the fuel industry were partially offset by benefits derived from the group’s policy of increased diversification for the purpose of adding value to existing products," they state.

"The most important of these benefits were higher prices in the international markets for chemical products and the improved operating results of the fertiliser division."

Debt was further significantly reduced, they add.

"It is clear that the synthetic fuel industry is temporarily in an unfavourable position for this reason government has been requested to increase the protection for the indigenous industry against products derived from the refining of imported crude oil," the directors state.

The prospects for higher petroleum product prices in the foreseeable future were not encouraging.

They say however that they expect to be able to maintain the total dividend for the full financial year at the same level as previously.

"During the first three months of the second half of the financial year, the rand prices of our main products are more than 5 per cent lower than those of the first half. This is due to a stronger rand and a further fall in the average dollar prices of petroleum products," they point out.

"Favourable international prices of chemical products as well as expected higher production at Sasol Two should, however, have a positive effect on the results for the second half of the year."

At Sasol One increased attention was being given to the upgrading and modernisation of the plant. Sasol Three’s profit before tax during the period under review amounted to R96.7 million and the after-tax profit was R50 million, the same as that for the half-year to December 1986.

Sasol’s turnover (including excise duty and levies) during the review period was 12.8 per cent up at R17.1 billion, while net operating income was down 29.6 per cent at R304.4 million (R503.7 million) — Sapa
Short-term insurance improves

M & F lifts underwriting profits to R15,2m

By LAWRENCE TOTHILL
Investment Editor

IN line with the improving trend in the short-term insurance market, Mutual & Federal (M & F) was able to post a comfortable underwriting surplus for the half year to December 1987, in spite of having had to absorb the massive losses of last year's Natal floods.

The company's underwriting surplus for the six months was R15,2m against only R439,000 in the same year-ago period.

With investment income up at R25,9m (R17,4m), the company's pretax profit is sharply higher at R41m (R17,9m). This is equal to earnings of 56,6c (27,7c) a share.

Premium income

Gross premium income for the half-year grew by 37% to R343m (R250m) and net premium income was R273m (R187m).

An interim dividend of 6,5c (4c) has been declared.

The company says it believes it is necessary to achieve a better balance between the interim and the final dividend, while the improved results have also been taken into account.

Commenting on the results, MD Ken Swaggers echoes what has been said for some while by the MD of Santam Insurance, Oosthuizen, that the primary objective is to write business at rates and terms which give a reasonable prospect of a surplus and to operate in such fashion that shareholders and policyholders both benefit from the final result.

The collapse of the AA Mutual is still very much in the minds of the insurance industry and this is surely the only policy which is reasonable - even if the public has the strange feeling that insurance companies are not allowed to make profits.

It was widely believed that M & F carried a major chunk of the insurance cover on the large losses sustained in the Natal floods, and Swaggers confirms that M & F's share was more than R40m.

Re-insurance cover, however, allowed for the recovery of R33m of this figure.

Industrial fire

Apart from the floods, only one large industrial fire occurred and M & F's exposure was small.

A lower incidence of household burglaries and vehicle thefts flowing from more effective surveillance and patrols, as well as policyholders becoming more security conscious, influenced the results favourably.

He says that the ratio of expenses to net premium income is now running at some 10% lower than in the previous financial year.
Interim dividend maintained

Sasol profits drop by 28%

JOHANNESBURG.—Sasol’s net profits in the six months to December dropped by R382m — or 28% — compared same period of 1986, but the giant fuels and petro-chemicals supplier has maintained its interim dividend at the previous level.

The interim report shows attributable earnings of R207,1m, compared with R288,9m in the comparable period, equating to earnings per share of 36,8c (51,4c).

**Interim dividend**

The interim dividend has been maintained at 22,5c a share.

The directors explain that virtually unchanged product prices combined with domestic production cost increases had a detrimental effect on the profits of Sasol’s synfuel activities.

"In addition, an increase of 30% in rand crude oil prices compared with the corresponding six months of the previous year, reduced our oil-refining profits.

"Since production cost increases at Sasol in the past few years were kept well below the inflation rate, there was less room for further cost rationalization in the six months under review."

However, good production was achieved by the main operations.

"The negative developments in the fuel industry were partially offset by benefits derived from the group’s policy of increased diversification for the purpose of adding value to existing products," they state.

"The most important of these benefits were higher prices in the international markets for chemical products and the improved operating results of the fertilizer division."

Debt was further significantly reduced, they add.

"It is clear that the synthetic fuels industry is temporarily in an unfavourable position.

"For this reason government has been requested to increase the protection for the indigenous industry against products derived from the refining of imported crude oil," the directors say.

The prospects for higher petroleum product prices in the foreseeable future were not encouraging.

They say however that they expect to be able to maintain the total dividend for the full financial year at the same level as previously.

"In the first three months of the second half of the financial year the rand prices of our main products are more than 5% lower than those of the first half.

"This is due to a stronger rand and a further fall in the average dollar prices of petroleum products," they point out

**Chemical products**

"Favourable international prices of chemical products as well as expected higher production at Sasol II should, however, have a positive effect on the results for the second half of the year."

At Sasol I increased attention was being given to the upgrading and modernization of the plant. Sasol III’s profit before tax in the period under review amounted to R96,7m and the after-tax profit was R50m, the same as that for the half-year to December 1986.

Sasol’s turnover (including excise duty and levies) was 13,8% up at R1,7bn, while net operating income was down 29,6% at R354,4m (R503,7m) — Sapa
JOHANNESBURG - Retailing group, Tradegro, which among other things completed rationalisation of the Frasers operations during the six months to December, achieved a 59 per cent improvement in net profits during this period.

The interim report shows attributable profits for the period amounted to R26,9-million, compared with R16,8-million for the 1986 half-year, equivalent to earnings per share of 14,45c (9,11c)

The directors state that the marked increase in profits was achieved through the Frasers rationalisation as well as improved trading by existing companies.

Pre-tax profit increases of the various subsidiaries, compared with the half-year to December 1986, are Checkers from R1,2-million to R3-million, Department Stores (Stuttaford/Greatermans) from R1,8-million to R3,6-million, Jazz from R2,3-million to R5,3-million, Cashbuild from R2,8-million to R3,2-million, Metro from R11-million to R18,6-million and Rusfurn from R15,6-million to R32,9-million.

The directors say the full benefit of the Frasers rationalisation would be felt during the financial year ending June 1989.

The chief executive, Mr. Mervyn King, of Tradegro commented, "With Checkers and Metro having their better six months in the latter half of the financial year and the positive effects of the rationalisation of the Frasers operations being felt to an increasing extent, I am confident that the results should continue to improve."

Coreprop is the only division which recorded losses during the period under review.

Tradegro's turnover increased by 38 per cent during the period under review to R2,1-billion, while operating profit was up 89 per cent to R86,6-million (R45,8-million).

No interim dividend has been declared.

Sapa
CU sees 65% rise in profits to Dec

JOHANNESBURG. — Composite insurer Commercial Union has announced 65% higher after-tax profits for the year to December.

Net profits were R15m (R9m). Earnings per share rose from 112.7c to 187.1c.

The final dividend is 39c (previously 32c) giving a total payment of 57c for the year — a 21.3% increase on the previous year’s total of 47c.

The good performance is largely due to the turnaround in the short-term underwriting result, where a R2.7m deficit in 1986 has been turned into a R10.9m surplus for 1987.

Investment income has increased by 45.3% to R18.1m and the release to shareholders of their share of life fund profits after tax is R1.8m (R1.4m).

The company’s fast-growing life and pensions business has exceeded expectations with new life premiums up 30.3% to R91.3m. Premium income and investment income have also advanced steadily to R142.1m and R78m respectively.

The life fund now stands at R763.2m, but is backed by assets with a market value of R970.4m.

Managing director Bill Rutherford said: "The company carried its fair share of claims arising from the Natal floods and the severe hailstorms that battered the Reef towards the end of 1987, but prudent reinsurance arrangements cushioned the effect of these.

"The growth of the investment income reflects creditably on the efforts of the investment team. They took advantage of the improved short-term cash flow and, with active trading, the gilt area turned in a first-class performance.

"Even after the stock market collapse in October the market value of shareholders’ fund at December 31 increased by 8% over the year to R977m." — Sapa
THE giant AECI looks as if it is well and truly out of the trough in which it had been stuck for the years 1982/1985 with profits and dividends for 1987 both well ahead of the 1986 figures, although the year was not without its problems.

Turnover for the year to December 1987 rose by 16% to R3 276m (R2 819m), which was only keeping pace with inflation. Included in sales were exports of R251m (R236m).

The company says that the volume of domestic sales was 7% higher with increases having been achieved in plastics and speciality chemicals.

The second half of the year was adversely influenced by the mine strikes which reduced the sale of explosives and a fall in fertilizer sales.

The operating profit at R369m was a modest 11% up on the previous year's R332m, but then a better position as regards financing costs, share of associate companies' income and a lower tax rate resulted in the bottom line profits improving to R213m from R175m.

Earnings per share at 138c for the year are up 21% on the previous year's 113c and the final dividend has been increased to 41c (35c) making a total of 66c (60c) for the year. Dividend cover has been raised to 2.1 from the previous 1.9.

Looking to the future, and with the usual provisos of normal climatic and social conditions prevailing, the company expects a further growth in earnings in 1988.
T. W Beckett

up 4 per cent

JOHANNESBURG — Tea and coffee distributors, T W Beckett and Company, has posted a modest four per cent increase in net profits in the six months to December, compared with the same period of 1986.

The interim report shows net earnings of R4,9-million (R4,7-million), equivalent to earnings a share of 82c (79c).

Turnover was up two per cent to R100,2-million, while operating profit was down five per cent on the comparable period from R10,8-million to R10,3-million.

The directors comment that more stable retail prices — lower prices in the case of coffee — resulted in increased demand for tea, coffee and rooibos.

"The company strengthened further or maintained its share in all its markets and consequently reflected sales volume growth. Turnover did not reflect this improved volume growth as the cost of imported tea on world markets was virtually static and that of coffee lower.

"In these circumstances the company did well to increase profit before taxation by four per cent."

They state that no significant change in raw material costs is expected.

"In this event the directors expect that trading results for the second half of the year will be similar to those already recorded" — Sapa
Total dividend for the year 50c

Blue Circle doubles earnings

By LAWRENCE TOTHILL
Investment Editor

BLUE CIRCLE has shot out of the trough it has been in for a few years with earnings way ahead of forecast, more than double what they were in 1986 and more than 10 times what they were in 1985.

At the half-way stage Blue Circle forecast earnings of 140c a share for the year to December, 1987, the figure now released is 151.2c, which is an increase of 108% on the previous year's 72.6c.

The final dividend is 30c, making a total of 90c for the year, covered three times.

Welcome change

This will be a welcome change for shareholders who have seen their dividend pegged at 30.5c since 1981 (except for 1985 when it was slashed to 11c).

Turnover at R378m is 25.6% higher than 1986 and the profit before tax and interest is 75.4% higher.

Both the cement and engineering divisions bettered their performances in the year, but the major improvement to profits came from the considerably enhanced results achieved by the materials division.

With the strong cash flow from profits, borrowings are down by some R44m to R101m, and a combination of this reduction and the lower interest rates led to a saving of R5.6m in the group's interest bill.

Borrowings

The balance sheet shows considerable strengthening with borrowings to shareholders' funds having been reduced from 78.6% to a much more satisfactory 48.1%.

The share trades on the JSE around R5.00c and the latest figures put it on an earnings yield of 15.1% and a dividend yield of 9%, which are both a little higher than the average for the building sector.
Capital requirements exceeded

Trust Bank sees
20% income rise

By Lawrence Tot Hill
Investment Editor

TRUST BANK shareholders should not fear a rights issue in the near future, as the bank says in its interim report that the requirements in terms of the Banks Act that 75% of new capital requirements had to be met by December, 1987 was "exceeded substantially"

Equally pleasing is the announcement that net after-tax income for the half year to December 31, 1987 increased by 20% to R24m from R20m in the same year-ago period after transfers to contingency reserve.

This was equal to earnings of 18.1c (15.1c) a share. In line with the higher earnings, the bank has declared an increased interim dividend of 5c (4.5c) a share and looks well set to increase the total distribution for the year.

During the six months the bank's total assets grew by 20% to R11.1bn from R9.3bn. Deposits grew to R7.1bn from R6.5bn. Shareholders' interests now stand at R307m against the previous R290m.

Net asset value increased to 231c a share from 218c six months ago. Trust Bank shares trade around 185c on the JSE which is a considerable discount on NAV, but that is not unusual in the banking sector at present.

Commenting on the results, the bank says "advantage was taken of the stronger demand for credit by vigorous marketing innovation, appropriate new products and services, the home loan market is being exploited with success".

"Interest margins came under pressure towards the end of the period, but operating costs, kept in check by effective cost management, have been rising significantly slower than the inflation rate."

Bad debts experience — always a threat, as shown in recent years — has continued to improve, and the bank says that disinvestment from non-banking interests has progressed successfully.
JOHANNESBURG — Tradebro's building materials subsidiary Cashbuild increased attributable earnings by 5 per cent to R1,2 million in the six months to December, compared with the 1986 half-year, the interim report shows.

However, the directors point out that the acquisition of Buy 'n Build as part of the Tradebro acquisition of Frasers impacted adversely as far as the results were concerned. If Buy 'n Build's results had not been consolidated with Cashbuild's, attributable earnings would have been up to R1,8 million, or 56 per cent better than the comparable period.

The actual results reflect earnings a share of 5.7 cents (5.8 cents), the decline being due to an increased share issue.

Turnover increased 60 per cent to R97,4 million.

Managing director Gerald Haumont says the Buy 'n Build deal will yield benefits in the longer term.

"Our network of outlets has been strengthened considerably, with inroads into many new areas. As management control of the Buy 'n Build outlets begins to take effect, our previous overall profit-growth will be restored," he said — Sapa
Hotels, gambling boost Kersaf profits, divs

By LAWRENCE TOTHILL
Investment Editor

The reports of considerably improved circumstances in the hotel and tourist industry are reflected in the all-round improvement in the interim results of Kersaf Investments for the six months to December 1987.

Most important for shareholders is the bottom-line where earnings per share have increased to 48.5c from the comparable 37.3c — an increase of 30%, and the interim dividend has been increased to 25c — 32% up on the previous 22c.

But that only tells half the story since turnover at R448m was 47% up on the previous R303m, and operating profit up a massive 67% at R129m from R74m.

Tax took a much larger slice and minorities also kept ahead with the result that the earnings attributable to ordinary shareholders of Kersaf at R36m were a more modest 34% up on the previous R27m.

Net asset value per share has increased to 598c from 518c.

Commenting on the results, the company says that all divisions contributed strongly to the group's improvement, saying "the SA hotel industry showed good recovery in the period with occupancies regaining some of their previous losses."

Sun Hotels International once again produced excellent results with occupancy levels of 70% and revenues from both hotel and gaming activities substantially up on the corresponding period of the previous year."

They add that the newly-formed inter-licence group made commendable progress in the consolidation of its various operating interests, and results for the period were satisfactory.
A bullish trend for the Beares

JOHANNESBURG — Beares has again demonstrated that it is not simply turnover that counts but how the bottom line profits are achieved with a stunning improvement of 95% in pre-tax income on the back of a 23% increase in turnover in the half-year to December 31.

The interim dividend has been lifted to 5 cents from earnings a share of 41.8 cents and in contrast with the 1986 interim of 2 cents from eps of 22.2 cents. Eps rose by 85%.

The directors are optimistic about prospects, "The past six months has seen an increase in consumer demand, particularly during the last three months of 1987. With the government taking steps to ensure continued growth in the economy, we anticipate that customer demand will be maintained, and the present trend of improved profits will continue."

Figures for January are up on January 1987. Turnover for this furniture and discount store operation at R250m was up on the 1986 half-year figure of R240m and approaching the full year figure, to June 1987, of R427m.

Interest at R63m (R74m) was down on 1986 but with rates rising this improvement may not be sustainable. The full year interest bill was R132m.

Pre-tax income was 95% up on 1986 and stood at R197m (R101m) and R18m for the year to June 1987.

Heavy provisions for tax, both current and deferred, have slashed this total to net income of R9,725m which is fractionally lower than the full year figure of R9,773m and contrasts with the R5,1m at December 1986 — DDC.
Consol boosts earnings 73%
Transun's earnings enhanced

By Sven Lunsche

Allegations about a possible involvement in the Transkei corruption scandal must still be worrying shareholders of Sun International's subsidiary Transun.

But there is some consolation in the latest interim figures which show that attributable earnings were up 37 percent to R18.1 million for the six months to end-December 1987, on a 43 percent rise in turnover to R55.4 million. Operating income improved by 49 percent to R23.3 million.

Earnings a share rose by only 12 percent to 12.3c, recognising the dilution effect of the additional shares issued when the company was listed in February 1987. The interim dividend was raised from 8c to 10c.

The directors said that the results were satisfactory taking into account the disruption to trading caused by the Natal floods as well as the construction activities that continued throughout the year.

"Despite the disruptions, the Wild Coast Sun achieved an occupancy of 85 percent for the period, which was considerably higher than that experienced by the hotel industry," they said.
Curnow seeking main board listing

By Teigue Payne

Having reported higher-than-forecast earnings in the year to December, Curnow has applied for a transfer of its listing from the DCM to the Retailers and Wholesalers sector.

Income attributable to ordinary shareholders was R1.25 million, equivalent to 6.4c a share (5.4c forecast in the prospectus last April). A dividend of 3c (3c forecast) has been recommended.

For a listing on the main board, a company must have pretax profits of over R1 million. Curnow's is R2.4 million.

Chairman Mr Brian Joffe says four companies acquired last year have strengthened Curnow's position as the largest supplier of automotive finished products.

Curnow is still hungry for acquisitions, he says. However, the acquisitions were in Curnow's normal business area and he is now looking to expanding Curnow's horizons in associated fields. Curnow has the major share of the R60 million a-year market for automotive paints supplied to the refinish market. Of its share capital, 72 percent is held equally by E W Tarry, a member of the W&A group, and AECL.
Cashbuild '49 posts a 5% increase in earnings

Finance Staff
Cashbuild, Tradegro's cash-and-carry buildings materials wholesaling subsidiary, increased attributable earnings by five percent to R1.2 million in the half-year to December.

Interim earnings per share declined fractionally to 5.7c (1988: 5.8c) on an increased share issue of 21.4 million shares (20 million shares).

Turnover increased 60 percent to R97.4 million, according to the interim report.

ACQUISITION

The directors say the acquisition of Buy 'n Build as part of the Tradegro acquisition of Frasers temporarily impacted adversely on the results.

"If Buy 'n Build's results had not been consolidated with Cashbuild's, earnings attributable would have increased 56 percent to R1.8 million.

Managing director Mr Gerald Haumant says the Buy 'n Build deal will yield benefits in the longer term.

"Our network of outlets has been strengthened considerably, with inroads into many new areas.

"As management control of the Buy 'n Build outlets begins to take effect, our previous overall profit-growth will be restored," he says.
Interest costs stifle Lion earnings

Lion Match showed a 5 percent improvement in net earnings in the year to December, the second interim report shows.

Turnover was up 21.7 percent to R179 million and operating profit rose 26 percent to R19,1 million (R15.2 million).

However, a substantial rise in interest costs because of increased borrowings was responsible for the relatively low increase in net earnings.

Earnings per share were 20.82c (19.84c).

With SA Breweries taking over control last July, the year-end has been changed to March 31 this year.

The directors say that, in view of traditionally slower trading conditions for group products in the post-Christmas quarter, the level of earnings for the 15-month financial period to March is likely to be little different from that reported for calendar 1987. — Sapa.
Morkels’ turnover up 34 pc

Reflecting the continued upturn in consumer expenditure, especially among durable goods, furniture group Morkels increased turnover for the first nine months of its current financial year by 34 percent, to R115.27 million.

This is almost identical to the figure achieved in the previous financial year. Taxed profit for the period rose by 195 percent to R5.87 million and is 79 percent ahead of the R3.28 million achieved in the previous year.
Rusfurn earnings up 67% 

Own Correspondent 

JOHANNESBURG — The Rusfurn Group has firmly established its class among the recently listed furniture chains by achieving a 67% increase in earnings for the six months to end-December.

Much of the rise — to 18.4c a share (from a pro-forma figure of 11.4c for the comparable period in 1986) — can be attributed to the purchase of Dumon and the furniture interests of the multi-million-rand Frasers chain.

An interim dividend of 2.5c a share has been declared, giving a conservative cover of 7.4 times.

The directors say this is approximately one-third of the expected full-year dividend, suggesting a total payout of 7.5c a share.

Turnover increased by 21% in the period under review, although operating profit rose by a more impressive 43% from R27.4m to R39.1m.

CE Geoff Austin says while turnover may appear to be lagging behind the increases recorded by competitors, Rusfurn's objective is to manage growth in turnover with a correspondingly higher growth in profits.

“We appear to have beaten most competitors in earnings growth for December 1987 and expect earnings to increase to about 75% for the year.”

Austin says the gross debtors' book now exceeds R450m and stressed the importance of increasing collection rates and optimising the funding base.

“As a result of close attention to asset management, gearing improved from 0.621 at June 1987 to 0.451 six months later.”

Because of the cyclical nature of the trade, borrowings are, however, expected to increase in the second six months of the year.

Having cleaned up the group since its listing, Austin says Rusfurn is now in a position to look for acquisitions. Although he would not comment on speculation that the group is stalking Morkels, he did concede that the speculation “is justified.”

Although Frasers contributed to earnings in the six-month period, full benefits from the Frasers/Wanda merger are still to flow through.
Reflecting the benefits of the recent upturn in consumer spending on non-durables, household furniture retailers, Barnetts Group, reported a vastly improved taxeD income of R1,4 million in the six months to December.

Reporting for the first time since its listing on the JSE in November last year, this represents an increase of 44,5 percent on the comparable half-year's figure of R809 000.

Turnover was R18,4 million, a 42,4 percent increase. An interim dividend of 2c per share on earnings of 11c was declared.

These results are well on target for meeting the forecast results for the full year, the directors say.
Group Five recovers to show profit

By Finance Staff

In its first year as an independent company, Group Five made a dramatic return to profitability and resumed dividend payments during the 1987 financial year.

The construction group's attributable income was R11 million compared to a loss of R11.4 million in 1986. A total dividend of 35c was declared.

While turnover rose by only nine percent to almost R500 million, the group's effective rationalisation and improved margins pushed operating income to R10.4 million compared to a loss of R10.3 million previously. The directors report that all divisions performed satisfactorily and the group was now well placed to take advantage of the improving conditions in the industry and therefore maintain the after-tax level during 1988.

They added that a pyramid holding company for the consortium - formed in August last year by SM Goldstein and Group Five - would be proposed to shareholders soon.
Motor manufacturers tool up for a bumper sales year

By Stan Kennedy

New investment projects approved or implemented in the last quarter of 1987 by car and vehicle manufacturers amounted to more than R36 million, reflecting the growing confidence of the industry in the economy.

Most of the money has been, or will be used, for new model and assembly tooling, production facilities, warehousing, computer facilities, expanding research and development facilities and increasing local content.

With the recent steady up-trend in car and commercial vehicle sales, the utilisation of production capacity edged higher in all four sectors - car 79 percent, LCV 76.4 percent, MCV 62.3 percent and HCV 66.2 percent.

To cope with the rising demand for vehicles, most of the seven major manufacturers increased their staff in the last quarter of 1987.

At the end of December, the industry employed a total of 32,737 compared with 31,275 at the end of September - an increase of 1,462 jobs or 4.6 percent.

But compared with the 29,178 employed at the end of December 1986, the gain was 3,559 jobs or a 12.2 percent improvement.

A statement from the National Association of Automobile Manufacturers of SA (NAAMSA) says an expected further improvement in the local economy and new vehicle sales, in particular, in the first half of 1988 should result in a further modest expansion of the industry's employment level.

Most manufacturers worked a single shift during the quarter, with only one manufacturer operating a 9-hour shift and double shifts in selected areas. Some manufacturers are currently operating two 8-hour shifts in their paint shops.

No problems were experienced in the availability of imported raw materials and components. Because of low inflation rates overseas, prices of imported components remained relatively stable.

However, the effect of the rand's depreciation against the mark and yen resulted in an average price escalation of 1.58 percent for the quarter or 6.32 annualised.

Local components were often in short supply because of constraints experienced by the steel foundries. The average price increases of locally manufactured original equipment components ranged from 2.01 percent to five percent.

NAAMSA says the underlying economy, despite the recent stock market crash, remains poised for further modest expansion in the short to medium-term.

On the assumption that the economy is set to record a three percent growth rate in real terms, in 1988, and based on the expectation that this year's budget will be structured to manage the economy to ensure business activism, generally, will remain positive, NAAMSA makes new projections.

It forecasts that sales of cars this year will be 216,500 (1987 209,824), LCVs 106,500 (50,346), MCVs 3,500 (4,755) and HCVs 8,500 (7,245).
Micor posts higher taxed profits

By Teigue Payne

Micor Holdings reports 21 percent higher taxed profit in the half-year to December and says indications are that the more favourable conditions will be maintained for the rest of its financial year.

If that happens, says Micor, its freight, finance and travel operations should produce substantially better results than in the previous year.

Turnover was 10 percent higher at R192 million (R175 million in the same period in 1986). Although the increase was modest, the company says it not only derived from the economic upswing but from increased market shares, particularly in the transport and travel sectors.

Taxed profit was R1,3 million and earnings per share were 47.8c (35.8c).

The group says closure of the fabricating plant reduced trading losses. Further improvement of this division depends on its ability to increase turnover in the "continuing difficult competitive conditions."
Property fund ups profits

Johannesburg

CBD Property Fund was the only one of the three property funds under the control of Sage Property Trust Managers to show an improvement in net distributable income last year.

Nevertheless, the directors of the company say results for the second half of the financial year confirmed their statement at the half-way stage.

They added that there were signs of recovery in the property market and prospects for a revival in income growth from 1988 were encouraging.

The preliminary profit statement shows that CBD's net distributable income for the year under review was R16.7 million, compared to R16.6 million in 1986.

A final dividend of 14.65c per unit has been declared, bringing total distribution for the year to 27.10c as against 27.05c in 1986.

Federated Property Trust's distributable income was R15.4 million, down R0.7 million, with a final dividend of 12.56c and a total distribution of 22.7c from 1986's 24.52c.

Pioneer Property Fund showed distributable profits of R21.2 million, down R3.5 million, a final dividend of 11.57c and a total distribution of 22.57c — Sapa.
Apparel accounts for 76% of income

Seardel lifts earnings, div

By LAWRENCE TOTHELL
Investment Editor

THE results of Seardel for the six months to December 31, 1987 show that the company is in great form with earnings per share up 26.1% at 60c (47.5c) and the interim dividend up 30% at 6.5c (5c).

Seardel's turnover for the six months rose 19.5% to R294m (R246m); operating income was up 29.2% at R22m (R17m); after-tax profit attributable to ordinary shareholders was up 26.1% to R10m (R8m).

Dividend cover

With earnings of 60c and a dividend of a modest 6.5c, dividend cover is a massive 9.2% times.

A breakdown of the various divisions of the group shows that apparel accounted for 76% of both turnover and operating income; consumer electronics for 16% of turnover and 17% of income; toys accounted for only 8% of turnover but 15% of income.

It must, however, be remembered that toys do extremely well in the first six months of Seardel's financial year.

Presenting the figures last night, chairman Aaron Searll said trading conditions were satisfactory and things are looking good for the current six months.

"Provided that the political and socio-economic factors which have a major bearing on economic activity in the country improve, it is anticipated that economic growth will continue.

"Subject to the above, earnings could approximate between 85c and 100c per ordinary share for the year to June 30, 1988."

Interest rates

The hope is also expressed that the monetary authorities will ensure that the trend of interest rates increases is not allowed to gain momentum. This is a logical hope since Seardel is relatively highly borrowed and financing costs are considerable.

A big hike in the final dividend should not be anticipated in spite of the improved profits as the company says dividend cover will remain consistent with past policy.

In the case of the pyramid company, Searcon, whose major asset is its shareholding in Seardel, earnings per share amounted to 6.5c and the dividend is 6.4c.

There are no comparative figures because the company was only incorporated in March 1987.
Profit up at Anglo-Alpha

Higher sales, better profit margins and a reduction in finance charges saw cement producer Anglo-Alpha return a 33.4 percent increase in earnings per share to 95.1c for the year to end-December. A total dividend of 70c, 16.6 percent up on 1988, was declared.

Turnover rose by 20.6 percent to R418 million, with most divisions enjoying the trend, but the costs involved in extending the employee shareholding scheme obscured margins and reduced the growth in net income from 24.1 percent to 18.8 percent.

Lower interest rates, an improvement in the cash flow by 27.2 percent and a subsequent R54.7 million decline in borrowings to R225.7 million brought down finance charges by 29.3 percent and helped to boost pre-tax profits by 40.6 percent to R81.3 million.
Interleisure in right direction

By Sven Lunsche

Kersaf's entertainment group Interleisure concluded its first six months of trading with a substantial 41 percent rise in attributable earnings to R10.9 million. A dividend of 3.23c for the second half of 1987 has been declared.

The directors cited the upturn in consumer spending as the major reason behind the good performance, as it increased cinema attendances by 12 percent and boosted sales for the group's food and retail sport outlets.

They add that all other divisions have also been trading satisfactorily as evident in the 55 percent rise in turnover to R126.6 million and 55 percent increase in operating profits to R17.7 million.

Since its formation and subsequent listing on the JSE in August, Interleisure has made a number of acquisitions which had the effect of pushing up earnings per share from 5.5c to 6.5c and the net asset value by 18c to 63c.

The acquisitions included Combined Caterers, Porterhouse, Bimbo's, The Pro Shop, The Sweat Shop and various retail and wholesale sport outlets. The expansion has led to the restructuring of the group into five divisions and now that the group has settled down the directors expect the current earnings growth to be continued in the second half of the financial year.
Wooltru increases interim dividend

Finance Staff

Wooltru has reported 35 percent higher profits in its half-year to December and chairman Mr. David Susman predicts at least the same for the full year, if consumer confidence remains high.

Turnover of the group, boosted by a lively Christmas, jumped to R660 million (R448 million in first half of 1986-1987), but the 92 percent increase is not comparable because of the acquisition of Makro on January 1 1987. Excluding Makro, turnover was 27 percent higher at R570 million.

Taxed profits were R27 million (R20 million) and earnings per share were 77c (66,1c) A 30 percent higher dividend of 35c (27c) has been declared.

Wooltru says sales gains by the group's retail companies were 27 percent for Woolworths, 24 percent for Traworths and 22 percent for Topics.

All trading companies except Makro reported improved profit performances. Although Makro's turnover rose by 17 percent, its contribution to group profits in this financial year is expected to be modest, says Mr. Susman. However, he says present actions to improve profitability reinforce confidence in its future.

Mr. Susman expects that trading will remain buoyant in the second half and that the 35 percent profit growth will be at least maintained.
A JIVELY Christmas period helped to boost Wooltrus's turnover to R860m in the half-year to December 31, 1987, and pre-tax profits show a healthy 35% increase to R53m (R39m).

The acquisition of Makro in January 1987 distorts comparisons, but excluding Makro, turnover at R570m was 27% higher than the R448m in the corresponding period of 1986.

The after-tax profit was R27m (R20m) giving earnings of 77c a share — 37% up on the 56c a share earnings of 1986.

A dividend of 35c — 8c higher than the previous year — has been declared.

Chairman David Susman says that the company is still in the process of re-instating a more traditional cover, and dividend cover for the whole year will be about 2.1 times.

The group's retail companies all showed meaningful increases in turnover in the six months — Woolworths increased sales by 27%, Truworths by 24%; Topics by 22%.

Susman says all trading companies except Makro reported improved profit performances.

Makro's turnover rose by 17%, but in spite of this, its contribution to group profits in the present financial year is expected to be modest. Susman says present action should improve its profitability and reinforce confidence in its future.

Susman expects trading to remain buoyant in the second half of the year. Should customer confidence remain at its present high level, profit growth for the year will at least match the 35% achieved in the first half.

Keith Allorto has been appointed to the board of Hillsdale Trust, a property management company within the HCI group.
MMG increases income by 56%  

Finance Staff

DMC-listed Market Motor Group (MMG), whose interests include the Cape's largest Toyota dealership, has boosted net pre-tax income by 56 percent to R3.1 million after a 32 percent increase in turnover to R69.4 million for the six months to December.

Earnings attributable to shareholders was R1.95 million (R1.61 million) MMG has declared an interim dividend of 2,1c, exceeding the forecast of 1,9c.

Chairman Barney Sank says a more profitable trading policy and tighter control of overheads helped to increase margins, with operating income up from 3,7 percent on turnover to 4,4 percent.

Mr Sank is optimistic that the forecast pre-tax earnings of R5,2 million for the full year will be exceeded.

"All MMG's divisions operated exceptionally well, and we expect similar earnings for the second part of the year. With no debt and a strong balance sheet, MMG will not be affected by increases in prime interest rates," he says.

Mr Sank believes the buoyant conditions in the motor trade will continue throughout 1988.

MMG is one of the largest motor organisations in the Western Cape, covering a wide range of motor-related undertakings. Apart from the Cape's largest Toyota dealership, it has one of the largest used-car operations and is also involved in repair, service and parts supply.

"Next month, the company will open what will probably be the largest used car facility in the Western Cape. Situated at Newmarket Street, Cape Town, where MMG first opened its doors, the facility will offer customers on one site a comprehensive range of economy, luxury passenger and commercial vehicles.

"We believe that this concept will reduce overheads, increase turnover and improve profitability," he says.
NEI ups earnings, dividend  

Finance Staff  
Northern Engineering Industries Africa (NEI) achieved an 18.5 percent increase in net income before extraordinary items in the year to December, the preliminary profit statement released today shows.  

This amounted to R24.7 million, compared with R22.5 million in 1986. Net operating income before tax showed an even better increase of 25.5 percent to R40.7 million.  

Earnings per share were 450c (391.9c). The company has declared a final dividend of 130c (119c), bringing total distribution to 180c (160c).  

Turnover was up 20 percent to R331.8 million and operating income increased 21.3 percent to R45.6 million (R37.5 million).  

Holding company NEI African Holdings has declared a final dividend of 65c a share (59.5c), bringing the total dividend for the year to 90c.
The engineering group NEI Africa has celebrated its 10th year of operations in appropriate style, with a 25.0% increase in net income to R40.7m on a turnover of R201.5m for the year to December 31, 1997.

In spite of a 49% increase in the tax bill to R113m, net operating income was 18.5% higher at R20.7m (1996:R22.5m) and a final dividend of 130c (1996: 119c) has been declared.

Earnings per share, on 5.9m shares in issue, were 15% higher at 450.3c (1996: 391.9c). The group has a strong base in the Cape through boiler manufacturer John Thompson Africa, transformer and substation manufacturer Power Engineers and diesel engine remanufacturer Probuilt Diesel. Formed in June 1978, NEI Africa has gained a reputation as a steady performer in the engineering sector. Over the past 10 years, turnover has increased from R65m in the first year of operations to R392m this year — an annual compound growth rate of 22%.

Over the same period, net operating income before tax has grown from R5.6m to R40.7m, reflecting a compound annual growth of almost 25%. Earnings per share, which have risen from 70c in 1978 to 450c this year, also reflect an annual compound growth rate of 22%.

**Acquisitions**

NEI Africa chief executive Blatz Bieber said all nine operating companies within the group were profitable and overall the group performed ahead of budget.

The mechanical division contributed 53.0% of turnover, the electrical division 25.2% and the diesel division 21.2%. "The year was largely one of consolidation and for the first year since the formation of the group, there were no major acquisitions we concentrated instead on improving productivity and efficiency and this will be an ongoing exercise," said Bieber.

He added that although ICAL has a workload through to 1993 in manufacturing pressure parts for Kendal power station, a major concern is the lack of capital investment in both the public and private sectors. "No orders for industrial boiler plant were placed in South Africa during 1997 and work that may stem from the few major projects that have been initiated is not likely to filter through into the engineering sector until the second half of this year.

"High raw materials and transportation costs are hampering the export activities of the manufacturing sector and this, coupled with high rates of taxation, means that reinvestment opportunities are limited. "He went on to say that in spite of the lack of investment, the group was already well set. "If the group companies continue to perform at the pace they achieved in the last quarter of 1997 then growth could be well ahead of our expectations.

NEI Africa Holdings is the parent company of NEI Africa.
Earnings per share rise to 225c

SBIC profit up 23% in 1987

By LAWRENCE TOTHILL
Investment Editor

STANDARD Bank Investment Corporation (SBIC) increased its pre-tax operating profit in 1987 by 23.2% to R329.4m from R267.3m in 1986. Earnings per share rose from 215c to 225c. Total dividends of 82c per ordinary share have been declared (1986: 78c) and dividend cover, at 2.5 times, is unchanged.

Total on- and off-balance sheet assets rose by 10.1% to R27 618m. This was in spite of weak demand for credit which, persisting through most of the year, saw advances and other accounts grow by only 5.8%.

Net income attributable to ordinary and preferred ordinary shareholders increased by 5.3% to R220.1m. A drop in dividend income, which is untaxed, was the main reason for a sharp rise in the effective rate of taxation from 26% to 37%.

Among the operating companies, STANNIC substantially raised its contribution to group profits. The other banking subsidiaries posted small profit increases.

Bad debts, net of recoveries, showed a dramatic improvement and declined from R164.2m to R52.2m, which is a welcomed change from some of the bad debt write-offs by several banks in the recent past.

Extraordinary items total R49.2m and include a provision for a reduction in the value of trade-related foreign investments due to the fall in international stock markets in October 1987 and appreciation of the rand against the US dollar.

Group Chairman Henri de Villiers and MD Conrad Strauss consider that current economic and political circumstances make a forecast for 1988 problematical. The group has, however, budgeted for a rise in earnings in the current year.

For some while SBIC has stood on a lower dividend yield basis than most shares in the banking sector of the JSE and certainly lower than those of the obvious competitors — First National, Nedbank, Trust Bank and Volkskas. The improved results could well entrench the bank as a favourite in this sector.
Prosperous times ahead for construction industry

The construction industry is well set for a prosperous future — and that prediction comes from a company at the "grass roots" of any building job, scaffolding and formwork group, Form-Scaff.

Managing director, Mr Lee Koch, believes that the next nine months will see strong activity in construction and building, although much depends on a favourable gold price and exchange rates.

Apart from the State President's general remedy for the economy, particularly by way of privatisation measures, the big contracts — still some way down the line from actual starts — such as the Lesotho Highlands Water Scheme and Mossel Bay offshore oil project will be further boosts.

Major projects

"Building activity is expected to be revitalised as major projects come off the shelves," says Mr Koch.

"Indeed, should the gold price come up we could witness a further 60 percent rise in construction activity over and above the 51 percent increase revealed by our survey."

The Form-Scaff graphs are made up of a number of composite leading indicators including building plans passed.

The company is also contributing to labour-cost saving through new scaffolding handling methods.

Uniformity

"We are approaching the Scaffolding Association of SA to introduce product handling uniformity in the industry which, we believe, could achieve a 10 percent saving in labour," says Mr Koch.

Also bullish on the prospects for construction is Mr Kees Lagas, executive director of the South African Federation of Civil Engineering Contractors.

"Civil work at Mossel Bay and Lesotho is due to start this year," he says in the latest safety review of the industry.

"While these projects are important, of particular relevance to the civil engineering industry's workload in the coming years will be the Government's privatisation policy."

"This is particularly true in the area of private toll roads and the contracting out of civil work which is currently undertaken by the public sector's construction units."
SA Eagle Insurance earnings continue their flight to heights

The profits of the SA Eagle Insurance continued to soar in the year to end-December 1987, with earnings a share rising by 80 percent from R17,8c (1986) to 211,8c.

A final dividend of 91c (1986 54c) a share has been declared, which increases the total payout to 125c a share, compared with 75c a share in the previous year.

The highlight of the result is the dramatic turnaround in underwriting activity, which ended the year with a surplus of R8,32 million after recording a deficit of R5,4 million the preceding year.

This performance was managed despite the adverse effects of the Natal floods, hailstorms in the Transvaal and several large fire and explosion claims.

Investment income was again the mainstay of the company and rose by a sterling 29 percent from R24,25 million in 1986 to R31,3 million as a result of higher dividends earned on equity investments, together with increased interest received from the greater cash flow resulting from the rise in premium income.

Operating income rose by 112 percent to R37,46 million, but the tax bill was significantly higher at R12,048 million (1986 R3,40 million), leaving attributable income at R25,414 million — 80 percent higher than the R14,1 million earned the previous year.

The dividend cover has been increased from 1.6 to 1.7.
I&J lifts interim 93% profit

Irvin & Johnson, Anglovaal Group's frozen food company, has announced excellent interim results, with a 93 percent increase in earnings in the six months to December, compared with the year-ago period.

The directors say if business conditions are maintained, satisfactory growth can be expected in earnings over the previous year's 122c a share.

In the half-year, I&J's attributable earnings rose to R19,9 million (1986: R10,3 million), equivalent to 71,1c (36,3c) a share—a 93 percent increase.

Group turnover rose by 21 percent to R422,5 million (R349,1 million). Growth in both the economic environment and consumer spending noted in the latter part of the previous financial year continued into the period under review.

Market conditions enabled the company to restore margins to historically acceptable levels. Consequently, operating profit was 71 percent higher at R34,4 million (R20,1 million).
Sappi boosts profit
— and more to come

By Finance Staff

Sappi results soared by a record 173 percent to 317c a share for the year to end-December and favourable market conditions are expected to further boost profits in the current year.

Because of the substantially improved results and the buoyant outlook for 1988, the directors have declared a final dividend of 90c a share, making a total of 130c for the year, compared to 40c in the previous year.

Looking at the year ahead, MD Eugene van As says the world market for most pulp and paper products continues buoyant and the prices for the main commodity grades have continued to firm. In South Africa there are signs of improved consumer confidence and the demand for the group’s products is strong.

"However the world scene is uncertain and it is difficult to predict earnings levels for 1988."

He adds, however, that if current market conditions continue and if the rand maintains its present position against other currencies, there should be a further material improvement in attributable profits this year.

The results show turnover up 19 percent from to R1,312 billion and a 170 percent increase in operating income to R263,9 million — largely as a result of firm markets, both domestically and internationally, improving world prices for pulp and paper and a better performance from the Ngodwana mill.

A stable rand exchange rate, however, impacted marginally on export earnings.

Results were largely unaffected by the Natal floods and the explosion at Ngodwana as insurance covered lost profits and damages.
Anbeeco posts huge earnings rise

Anbeeco, the sole importer and distributor of Seiko, Pulsar and Lorus watches and clocks, reports attributable earnings of R2,582 million in the year to December 1987 (R890,000 in 1986) - a rise of 274%.

Earnings per share were 20.1c (7.5c in 1986).

A dividend of 5.5c a share has been declared, making, with the interim, a total of 7c a share. This gives dividend cover of 2.87 times, compared with the prospectus forecast of 2.5 times.

At a current share price of 135c, Anbeeco is on a P/E ratio of 6.7. The dividend yield is 5.2%.

Chairman and MD, Mr Tony Brookstone says the group had "a very good trading year and profit growth has been exceptional."

The group received a further boost from the acquisition of Supalek Holdings from July 1, 1987.
THE giant pulp and papermaker Sappi increased the pace it set in the first half and achieved record earnings for the year ended December 31, 1988, and today’s results from Sappi indicate that the company has fully recovered from its setback of a couple of years ago and once again is firmly on the ascent.

Attributable earnings per share have soared 178% to 317c a share compared with the 116c earned last year while on a distributable income basis, earnings are 246c a share, 97% ahead of the 126c a share achieved a year ago. Further good news from the company is that the preferred ordinary shares are to be converted into ordinary shares earlier than expected.

Because of Sappi’s substantially improved results and the buoyant outlook for 1989, the directors have declared a final ordinary dividend of 90c a share, making a total of 130c a share for the year.

In the 1986 financial year Sappi’s total dividend was 40c an ordinary share. This enhanced dividend is equal to the increased preferred ordinary share dividend and in terms of the conditions of the issue of the preferred ords, this means that the preferred ords will be converted to ordinary shares from the start of 1989.

The results published today show that turnover that increased 19% from R1 100.9m to R1 312.3m, Sappi achieved a 170% increase in its operating income. This rises from R167.0m to R283.9m largely as a result of improved world prices for pulp and paper and a better performance from Ngodwana.

Finance costs declined substantially, to R28.9m (1986 R61.3m) and pre-tax income is 138% ahead at R256.7m (1986 R100.1m).

Sappi has made a provision for normal tax of R257 000 (1986 R454 000) which leaves a net income of R256.5m compared with the 1986 figure of R107.6m.

However, at the attributable level, after taking account of income attributable to outside preference shareholders in subsidiaries and preference dividends, Sappi’s income amounts to R207.0m a massive 235% improvement on the previous year’s R61.8m.

Sappi’s MD Eugene van As says: “This level of increase is not evident in the distributable profits which are up 142% on last year at R162m because of the effect of a deferred tax appropriation of R44.8m.

In 1986 the deferred tax was a benefit of R5.3m. Sappi had no tax liability in the year and its attributable earnings were, therefore, R207m or 317c a share.”
I & J nets 93% higher earnings

IRVIN & JOHNSON (J & J) — the Anglovaal group's frozen food company has announced excellent interim results with a 93% increase in earnings in the six months ended December 31, compared with the year-ago period.

The board states that if present business conditions are maintained, satisfactory growth is expected to be seen in the company's earnings over the previous year's 122c a share.

In the half-year, I & J's attributable earnings rose to R19.9m (1988: R10.3m), equivalent to 71.1c (36.8c) a share — a 93% increase.

Group turnover increased by 21% to R422.5m (R349.1m)

Market conditions enabled the company to restore margins to historically-acceptable levels. Consequently, operating profit was 71% higher at R34.4m (R20.1m).

Investment income was also sharply higher, while interest paid was little changed, leaving a pre-tax profit of R33.4m (R18.4m).

The tax charge rose by 69% to R13.4m (R8m) and left an after-tax figure of R20m (R10.5m).

I & J's share of associated companies' earnings was R6 000 lower at R9 000, while minority interests absorbed R124 000 (R176 000), thus leaving consolidated earnings of R15.9m (R10.3m).
Fenner group proves a point

Fenner is a typical new entrant to the JSE with sparkling current results compared with the previous year’s low additional capital raised on its debut of R9.3 million less the heavy listing expenses of R737,500 is the platform to first fund any acquisition, strengthen the capital base and provide the working capital for the enhanced state of the group.

Shareholders and investors need to look more closely at management and establish whether they have the experience and skills to bat in a higher league or not. The proving time is not year one when management knew full well by May, eight months into the year, whether they were on line with projections, but rather years two and three in which management must prove whether they are capable of handling a bigger ship.

The Fenner group was listed on the JSE during May last year at the height of the listings boom with a prime objective of becoming the country’s major suppliers of mechanical products and specialised engineering services.

Management has decided “in the interest of the shareholders” not to publish divisional results as this would lead to the group’s competitive position being compromised.” The annual report fails to disclose the competitors.

The group’s ultimate holding company is J H Fenner (Holdings) PLC incorporated in England.

The annual report is silent as to the UK’s percentage holding. Nevertheless against the background of all the divestment nonsense it is gratifying to note that foreign shareholders are still active.

In its first year of operation as a listed company the group exceeded expectations. Turnover increased significantly to R104.6 million (1986 R63.8 million). Margins improved with net operating income R10.7 million (1986 a disappointing R2.6 million) representing just over 10 per cent of turnover.

After deducting tax, preference dividends and outside shareholders interest, the net income attributable to ordinary shareholders totalled a respectable R27.5 million (1986 R23.8 million) giving 29.9 cents earnings per share.

The annual dividend — forecast at 6 cents in the prospectus — was increased to 6.5 cents. This absorbed R1.98 million of profit leaving an amount of only R999,000 (less than one percent of turnover) retained income for the year.

The improvement was achieved against a background of sanctions affecting the mining industry, some mine closures, a general lack of major projects and a greater degree of labour unrest resulting in more lost production time than had occurred in previous years, says chairman Mr P J Hutton.

To meet the challenge of the present economic climate, one of management’s major objectives was to maintain healthy balance sheet ratios. To achieve this, close attention was paid to assist management and sound improvements were achieved in the areas of stock turn and debtor collections in all companies.

The group comprises Fenner SA (Pty) Limited with its divisions — Power transmission, conveyor belting and Fluid power, Control Specialists (Pty) Limited, Furmanite Africa and 50 per cent of KSB Pumps (SA) Limited.

In the power transmission division the 22 existing outlets were increased with one new distribution point opened at Evander to secure the Secunda complex. The conveyor belting division passed another milestone by producing the 1.5 millionth metre of belting.

Conveyor belting is promising with new power stations and mines under development and the restoration of coal exports. The mining industry has provided the most significant growth for KSB Pumps. Export sales to African countries have continued to increase.

The group’s balance sheet at end August 1987 has a sound foundation for growth. Shareholders’ funds total R26.7 million (1986 R22.9 million). The working capital position of net current assets has grown to R17.83 million (1986 R11.7 million). The ratio of current assets to current liabilities is 1.73 to 1 (1986 1.94 to 1). Bank overdrafts of R5 million (1986 R1 million) represent the only significant borrowings. The preference shares are redeemable in three installments of around R1 million each in 1989, 1990 and 1991 and should present no repayment problems.

While it might be early days to judge the group, chairman Mr Hutton is confident all companies are well-placed to assist in various large-scale projects including Mossel Bay and the proposed synthetic fuel plants. Let’s hope that Mossel Bay will indeed turn out to be the pot at the end of the rainbow that everyone expects.

Demand for the group’s products remains good and provided the economy continues to show modest growth Mr Hutton expects higher earnings next year. The net asset value is R1.57 per share and the JSE current price hovers around R1.60. The next two years could be testing for management.
CARLSON'S SALES, PROFITS SOAR

BY TOM HOOD

CARLSON'S SALES, PROFITS SOAR
Penpin bullish about its prospects

Finance Staff

Pennypinchers (Penpin), the Cape-based building materials chain, reports a 55 percent increase in turnover to R65 million for the year to December 1987, writes Anne Crotty.

The group, which came to the Development Capital Market (DCM) in December 1988 and moved over to the main board last year, is bullish about prospects for financial 1998. MD Fanie Malherbe is looking to a 70 percent increase in turnover to R110 million in the current year, with sales boosted by expansion initiated in 1987.

"We will break through the R100 million barrier with ease and without opening any new stores" he says.

Penboard, a Penpin subsidiary listed on the DCM last November, boosted its contribution to group turnover by 125 percent to R17.3 million. Management is expecting this figure to double in financial 1988.

In the last financial year, a new division, Pennypinchers Properties, was formed to give the company exposure to the property market. Penprops acquires strategic properties to accommodate Penpin branches and on an investment basis.

Penpin is currently trading at around 120c a share, off its 12-month low of 90c and well below the high of 206c. In the current market climate it may take more than the full announcement of the results in March to move the price.
PRETORIA — The Reserve Bank's gold holdings decreased by R342 million during December to R4 504 million, according to the bank's monthly statement.

Total gold and foreign assets decreased by R327 million to R6 139 million on December 31.

Reserves were valued at R841.13 per fine ounce compared with R840.54 the previous month.

Bank down R3.42m

Foreign investments and other assets increased by R15 million to R1 235 million.

Notes in circulation increased to R5 981 million at December 31 from R5 967 million on November 30.

Deposit by banks fell by R20 million to R474 million.

The ratio of gold reserves to liabilities to the public less foreign assets decreased to 22.5 percent from 21.0 percent.

— Sapa

DELSWA up 70 per cent

Johannesburg — Re- form-tax profits up 70 per cent, from R975 000 to R1.7 million, in the six months to end-October 1986, compared with the comparable period the previous year, were announced by Delswa yesterday.

The interim dividend has been lifted 50 per cent from 20c to 30c.

First Personal Asset Management

INVESTMENT SEMINAR Daily Dispatch

The seminar objective is to present the investor in this area with the best possible investment avenues for 1986.

Questions to be answered are: Will interest rates rise? What will the stock market do? Are unit trusts still a good investment? Is insurance a good long-term investment? Is it time to invest in property?

Date: Tuesday, 16 February. Time: 8 a.m. to 1 p.m. Venue: Opray Hotel, E.L.
JOHN NESBURG — Before-tax profits up 70% from R975,000 to R1.1 million in the six months to end-October 1997, compared with the comparable period of the previous year. They were announced by Delphy yesterday.

The interim dividend has been lifted 50% from 20c to 30c.
Everite turnover has risen by 44%.

The interim dividend has been raised by 25% to 4.5c from 3.6c, based on the higher turnover level, a strong balance sheet and expected rationalisation benefits following the acquisition.

However, bottom line profits were only 5% higher at R6.15m because of a change in revaluing and depreciating fixed assets at replacement cost instead of at historical, plus a 50% rise in tax charges.

Earnings a share on the increased issued shares capital declined slightly to 7c from 8.8c in the 1976 half-year. Dividend cover has been reduced to 1.5 from 2 times.

Historical valuation would have added R3.4m to profits and earnings would have been 10.8c a share.

An extraordinary profit of nearly R3m — not reflected in earnings — was realised from the sale of the concrete division, further strengthening finances.

The higher interim dividend signals...
Hudaco's profits rise 51% on acquisitions

HUDACO Industries has completed a year of acquisitions with profits up by 51%.

Reporting results for the year ending November 1987, bearing and transmission-engineering group Hudaco has notched up earnings a share of R1.7c, up 40% from the previous year's R1.2c and marginally ahead of the 6c EPS forecast after the acquisition of Fencorp in September.

Fencorp's results for the nine months to November 30 have also been reported. Hudaco has declared a dividend of 26c (20c) a share.

At the year-end, four strategic businesses — Abeis, Swift, Fencorp and Henven — had been acquired at a cost of R28.1m. This boosted equity and borrowings on the balance sheet to R56.5m. This is 52% up on the previous year-end R37.2m.

Directors forecast the enlarged Hudaco Industries stable should bring in turnover of about R230m in the current year.

Profits attributable to shareholders was up 49% to R12.5m (R8.5m). In addition, a non-trading item of R4.5m brings profit after non-trading items to R12.5m to contribute to the 51% improved profit. The 1987 year began with cash deposits of R8.5m and ended with net borrowings of R5.2m, which makes for very low gearing against shareholders' equity of R3.7m.

Chairman Bruce McInnes and CE Kevin Clarke report that the large consumption of cash is in line with expectations because of the acquisitions and strategic stockpiling.

Listed Fencorp, which was bought for R18.1m, has declared a 5.8c final dividend for the nine months ending November 30, 1987, compared with the 2c declared in the previous year.

Earnings a share of 19.1c for the nine months represent an annualised improvement of 33% compared to the previous 19.5c.

Profit after taxation for the year rose by 37% (annualised) to R1.7m (R1.5m) and after non-trading items increased by 60% (annualised).

Fencorp chairman McInnes and CE Garfield reported that increased sales and greater operating efficiencies boosted by slightly improved margins resulted in the good results.

The strong positive cash flow from operations enabled the group to repay short-term borrowings and, at the year-end, cash resources exceeded long-term loans outstanding, putting the company on a quick-asset ratio of 2.1.1.
JCI raises div to 60c
on 21% profit increase

Own Correspondent

JOHANNESBURG. Johannesburg Consolidated Investment Company (JCI) has raised its interim dividend to 60c (500c) on a 21% increase in taxed profit to R137,3m (R91,9m) in the six months to December.

The group scored on a lower tax rate, higher investment income and a special non-recurrent dividend from Rustenburg Platinum arising from the flotation of Lebowa Platinum. Income from investments rose by R12,8m to R72,4m as a result of increased platinum and industrial dividends. However, dividends from its gold mines declined.

The profit from Lebowa's flotation brought in R36,8m. Attributable earnings of operating subsidiaries fell to R10m (R12,4m) because of adverse conditions in its coal division.

However, any further decline in the coal market will have a minimal effect on the group as it accounts for only around 5% of group profits.

Other net revenue increased by R1,7m to R10,65m (R8,9m).

JCI's interest in profits retained by non-subsidiary companies in which it has substantial investments amounted to R44,3m (R50,3m).

These retained earnings are net of any dividends received from these companies in the past six months.

At the end of the year investments were valued at R840m in the balance sheet, compared with R722m at the end of 1986.

JCI's net asset value has declined sharply from R778 a share at the end of June to R608 at end-December.
Anglovaal: 25% profits increase for quarter

From CHERLYN RISON

JOHANNESBURG. — A solid performance from three of Anglovaal’s four gold mines resulted in a 25% increase in profits to R91.6m (R72.8m) for the December quarter.

Hartiesfontein (Harties), Village Gum and ET Cons managed to raise working profits considerably over the three-month period thanks to a higher gold price, well contained costs and marginally higher grades.

However, Free State producer Lorraine was not as fortunate, with higher costs outweighing the benefits from increased gold production.

Harties’ taxed profit was 25% higher but earnings slipped to 37.8c a share (39c previous quarter) after a R19.8m increase in capital expenditure.

This was largely on the new low grade plant which started commissioning during the quarter in all 136,400 tons were milled at the new plant at a grade of 0.62g/t.

At the year end the mine had long term borrowings of R8.2m and outstanding capital commitments of R14.9m.

During the quarter pulp treated totalled 894,000 tons (810,000) but sales dropped, from the previous quarter, leaving profit from this source and pyrite and sulphuric acid sales, R5.2m lower at R1.7m.

Lorraine’s taxed profit fell to R4.1m and capex of R5.7m left earnings sharply lower at 5.3c a share, compared with 19c the previous quarter.

The decline was mainly a result of a rise in costs of R2 a ton which counteracted the increase in tonnages milled and consequently, gold production.

Gold revenue declined slightly to R30.494 kg (R30.544kg) but Lorraine has now entered 1976 hedging transactions which should ensure a price of between $450 and $580 a ton for some of its outputs.

As with Harties, development values were lower on reefs. A significantly higher go price of R31,774kg ($129,777) contributed to the 40% rise in Consolidated’s net profit. With the increase in capex, earnings were lower at 81c a share (78c).

Village Gum’s output returned to more normal levels and this contributed to the 80% rise in net profit.

The higher throughput had favourable impact on unit cost and unit profit rose by R1.85 to R7.77 a ton.
JCI mines boast combined net profit boost of 65%.

From MERVYN HARRIS.

JOHANNESBURG. — Mines in the JCI fold increased combined net profit by 65% to R55.9m in the December quarter with a strong recovery by Randfontein offsetting poor results from Western Areas.

Randfontein, which was hit in the previous quarter when production was disrupted by the strike, boosted profit by 184% to R32.7m (R3.8m).

Profit was R29.7m against a loss of R5.6m in the previous quarter, equal to earnings a share of 40.6c (loss of 92.6c).

Western Areas reported a bad quarter with production interrupted by two fires — at the end of October and the beginning of December — in the electrical sub-station at the North Shaft metallurgical plant.

This resulted in an 8.4% decline in tonnes milled to 820, the grade down 2% to 3.3 g/t while working costs were 5.2% to R118,224,000. Losses were therefore increased from R2.9m in the previous quarter to R10.7m while the loss after capex was R17m to bring the loss to almost R21m in the last two quarters.

Maxwell said he was cautious about predicting the future, "Problems such as the fires occur when you least expect them. We hope to reduce the situation and plant into areas where we could show improvement by opening areas with higher grades and better mining systems."

HJ Joel, the group's chief mine south of Weiken, developed a total of 1.35m m in the quarter (322m) and the proven advance is 3.41m (2.41m).
CORPORATE PROFITS

The tough keep going

Corporate profits have now been firmly in a rising trend for more than 18 months. Despite the tepid performance of the economy during 1987, most industrial companies not only maintained the momentum but in many cases also quickened the pace during the second half.

Estimates of the average pace of growth in earnings per share run at 30%-35%, with dividends rising at a somewhat slower pace. But it is no exaggeration to say that dozens of companies — well over 50 of those listed in the accompanying table — have shown significantly faster growth rates, far outstripping inflation. The table summarises a selection of results published over the past six months. Those whose figures are not comparable with the previous year have been omitted, as have many of the new listings, pyramid companies, and all of the DCM All

Slack economic conditions and the JSE crash of October have obscured the sound base of many listed companies, and their consistent earnings' growth patterns. This year looks to be as good as last.

but about seven of those listed increased their earnings, even though many are still rising off a low base.

Industrial companies are continuing to enjoy benefits from improved efficiencies, even though the benefits from lower interest rates or debt repayments have largely run their course. This means that business activity will have to be the main force behind profits during coming months. But, with the economy presently on line for a better performance than that achieved in 1987, there is a lot of potential for the average 1988 profit growth rates to exceed many of the forecasts made six to 12 months ago.

As always, forecasts on the economy's performance for the current year vary widely and the gold price — which at present is particularly difficult to call — will dictate the vigour of growth. Still, gold currently stands above US$480/oz (a low point for last year was US$390.25), the former rand against the dollar is helping to lessen the costs of imports, consumer spending is looking encouraging, and fixed investment is rising. All these should contribute to a perkier economy, with varying effects on the different companies quoted in the industrial sector.

Everyone accepts that road safety is essential, but the inherent danger is that the system will be used as an excuse for the replacement of one set of regulations by another — equally overturned — set.

The attitude of Sats is paramount. According to Braun and Byers, there are "various lobbies" within Sats's management structure. The rail lobby is in favour of deregulating road transport, while the road lobby is concerned that Sats will lose market share in traditionally profitable areas.

Since the White Paper effectively gives Sats control over the timing of deregulation (because of the stipulation that it will have to be compensated for the loss of more than R1,5bn in subsidies), the eventual outcome of this internal struggle is vital to the future of transport.

Braun and Byers underline this in their discussion of the possible privatisation of Sats, which is the crux of the strategy as a chance to sub-contract or put out to tender much of its work. "There is a strategic implication to the whole exercise that could result in the government adopting the same stance it has with deregulation — and that is to do whatever it does against a background of not actually relinquishing control."

"It is a pity the DoT is not seen by many to be effectively controlling the mechanism of Sats operations rather than paying attention to the entire transport requirement of SA."

"This perception has been generated by the actions of the department over the years. If the current incumbents of the key transport portfolios can move away from this image, the way will be clear for looking at more innovative transport solutions for SA in the future."

The way should also be clear for an urgent and intensive investigation into the management and future of Sats. Last year it admitted foreign losses in excess of R1bn and it has also just announced losses on its train services of close on another R1bn (an unacceptable figure — even allowing for the principle of operating high-loss commuter and "homeland" trains as a service to society and apartheid).

Assistant GM of Sats' road and passenger services, Barry Lussing, says tariffs would have to be increased by "more than 33%" to cover costs. Whether via Treasury, or the RSCs, Sats is heavily subsidised by the taxpayer.

This goes on while the company calls on transport deregulation, and manifestly constitutes mismanagement by government. (The black transport situation is the direct result of geographic apartheid.)

One of the problems — as described by a senior member of the DoT — is that senior government officials tend to listen to the last special pleader. There is no single firm policy line — departmental policy swings like a pendulum, now supporting and now doubting the wisdom of deregulation and privatisation.

Nowhere is this clearer than in the DoT's attitude to the setting up of new bodies essential to any deregulatory process in the sector. The Transport Advisory Council (TAC) and the Transport Tribunal (TT)

Mechanisms have been in place for months which allow for their implementation. Both are designed to have majority private-sector representation, and both are integral to the White Paper programme — the TAC will assist in preparing policy, while the TT will aid in its enforcement.

Yet both bodies have been delayed, for no apparent reason other than terrors within the DoT. That attitude could destroy the progress expected by everyone in road transport in 1988.

Government actions have not been encouraging, even the introduction of the exempted areas was mishandled, with operators given insufficient time to register and testing stations insufficient time to prepare for the increased demand on services. Public carriers are still waiting for the hundreds of millions in fuel levy rebates owed to them by the Department of Customs and Excise. So it goes on.

If SA is to have an efficient transport sector, government will have to choose its policy and follow through with neger. Right now it is merely adding chaos to inefficiency. Clearly, too, a prerequisite for an efficient transport system is for new management at Sats. It needs urgently to be reduced radically, as Eskom has done, to workable proportions as a prelude to meeting the real needs of customers — and ultimately privatisation.

CORPORATE PROFITS

The tough keep going

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**PAPER & PACKAGING**

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**FINANCIAL MAIL, JANUARY 15 1988**

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*P = Preliminary  n/d = Not disclosed  = Income before tax  = Net interest  $ = Net finance charges  = Current cost basis  = Continuing operations only  = Annualised  = Not comparable  = 8 months  = 9 months*
HORSE RACING INDUSTRY

Going to the dogs

In January, the racing man's fancy lightly turns to thoughts of lying on the beach, visiting stud farms and seeing his mates at the Met. The Christie Report has probably done more to disrupt this time-honoured pattern than anything since the battle of Magersfontein.

In 1984, the Transvaal Provincial authorities formed the Transvaal Horse Racing Development Fund in order to re-invest in the industry a percentage of the moneys garnered from the taxation of racing. This taxation is a major source of revenue to the province — last year's take was R44m. With approximately R10m a year available for distribution, the board administering the fund was mandated with requests for money. These were so diverse that it became increasingly difficult to distinguish between the needy, the greedy and the chancers.

In an attempt to clarify the position, and amidst growing suspicion that Transvaal racing was without direction or common purpose, the provincial MEC, John Grifiths, commissioned a report on the situation plus a five-year strategic plan for the administration of racing in the Transvaal.

The result was the Napper Committee, which completed its investigation and made its recommendations to the provincial au-
thorities in April 1986. The report made clear that change was necessary. To achieve the ultimate goal of re-establishing the Transvaal as the premier racing province, a corporate-type top management structure was required to direct matters relating to racing in the Transvaal - the proposed Highveld Racing Commission.

The balance of the proposals were as expected and perfectly sensible: the development of two training centres, realistic stakes, tighter control of racing, rationalisation of the on-course and off-course tote systems, and so on. There were no bombshells, except possibly the exclusion of professional racing executives from the governing body. In the opinion of many this was a big mistake - hell hath no fury like a scorned chief executive.

The Napper report was accepted in principle by the Administrator-in-Executive. But then, in July, he appointed a one-man commission of inquiry to investigate the utilisation of the funds in the Horse Racing Development Fund, based on the goals recommended by the Napper Committee. This instruction was later extended to include an inquiry into racing in the OFS.

Sandy Christie, retired Turffontein chief executive, was appointed commissioner of the inquiry and, 18 months later, we have his recommendation for the reshaping of the racing industry in the two provinces.

Surprisingly, Christie chose to develop his own views and provide a series of ad hoc suggestions rather than build on the recommendations of the Napper Committee which, after all, reflected the considered opinion of the clubs racing in the Transvaal and OFS.

The most startling aspects of the report are those dealing with the recommendations for the creation of a statutory body to take over certain responsibilities from the Jockey Club of SA. It is important that the body vested with the administration of the industry is not only independent, but also seen to be independent. It must be so constituted as to ensure that it cannot be criticised on the grounds of vested interest. The commission is therefore of the opinion that the statutory body must comprise persons nominated by the province, and not by any one sector of the racing industry.

However, the officers of the body should, where possible, be selected from persons with industry experience and these employees should be remunerated at a level which is competitive. The Highveld Racing Commission would consist of a board with a minimum of two and a maximum of three members, all appointed by the Administrators-in-Executive of both provinces.

There should be a full-time executive chairman and one or two full-time commissioners representing both provinces. The board would also employ the necessary full-time employees or consultants to administer and control the horse racing industry.

It is interesting that the commission feels that officers nominated by the province would be more effective than those nominated by the racing industry in fact, the record of State-appointed agencies would appear to indicate quite the reverse. There are also very few persons with the necessary high degree of industry experience who might be available for the top position - always excepting the commissioner himself.

The commission admits there could be problems as in that, at present, all officials, trainers and owners alike, are licensed by the Jockey Club. Unless the club accepts the rules and regulations of the Highveld Racing Commission, owners and trainers from other provinces would not be able to participate in the industry in the Transvaal and the OFS.

Transvaal and OFS owners would be unable to participate in the industry in the Cape and Natal.

Furthermore, there would at all times have to be liaison and full co-operation between the Highveld Racing Commission and the Jockey Club. In the circumstances this seems unlikely.

With regards to the race clubs, the commission is of the opinion that their operations, and those of the TAB boards, should be rationalised under one common management and should be responsible to the Highveld Commission.

While there is obviously a need for a greater degree of rationalisation, this way of doing things seems to be putting a great deal of power into very few hands. Tackled onto the end of the report is a suggestion from the auditors that, just possibly, privatisation of the industry may be the answer to all problems...
Profits boost for New Wits

Boosted by share dealing profits, Gold Fields group investment company New Wits achieved a 17% increase in interim earnings but the interim dividend has been pegged.

However, earnings will be lower in the second half of the year as the current market is not conducive to share dealing. The dividend total should be maintained at 45c.

Earnings were up at 41c a share from 35c a share (adjusted for the sharesplit). An interim dividend of 15c has been declared. New Wits' investment income was virtually static at R8,37m (R8,26m) but the surplus on realisation of investments leapt to R2,63m (R912 000). Attributable profit increased to R9,56n (R8,19m).
Companies achieve unexpected reductions

Gold Fields sees lower mine working costs

JOHANNESBURG — Most of the gold mining companies in the Gold Fields group achieved an unexpected reduction in workings costs in the quarter to December, the group announced yesterday, when it released its quarterly results for its precious metal mines.

Overall working costs were down by 1.5% to R406.4m, compared with R412.5m in the September quarter. Average working costs per ton milled dropped from R110.27 previously to R108.34 in the December quarter.

Five of the eight companies achieved lower unit costs on tons milled, these being Dieffontein Consolidated, Kloof, Deelkiaal and Doornfontein.

Alan Wright, general manager of the group’s precious metal companies, said one of the main factors contributing to this unusual occurrence was that some of the mines had substantial reductions in stores costs.

However, in the case of Kloof, its marked cost reduction to R131.00 per ton from R137.07 in the previous quarter was due mainly to a change in accounting procedures.

A number of “firsts” were scored during the quarter under review.

The companies’ gold revenue topped the R1bn mark for the first time in a quarter, reaching R1 000.5m, against R967.2m in the previous quarter.

Yield improvement

But inflation was a big contributor to this. Wright said aggregate pre-tax profit was an all-time record for a quarter at R639.6m (R614.7m).

After-tax profit was also the highest ever at R336.7m (R315m).

There was also a marked improvement in yields on most mines, with the average yield for the quarter increasing to 8.8 g/t from 8.7 g/t previously.

East Driefontein, Deelkiaal, Doornfontein and Lebanon had higher yields while Venterspan and Viakfontein maintained their yield levels.

Total gold throughput by the gold producing companies was up by 10 000 tons on the previous quarter at 3 751 000 tons, while gold production increased by 349 kg to 22 988 kg.

Average revenue per kg of gold increased to R30 425 (R30 167).

Taxation and state’s share of profit increased marginally.

Net profits of the mines were:

- Dieffontein Consolidated R104.5m (R147.5m)
- Kloof R113.2m (R104.7m)
- Lebanon R10.9m (R17.1m)
- Doornfontein R12.3m (R15.9m)
- Venterspan R5.6m (R6.4m)
- Viakfontein R22.1m (R29.9m)

— Sapa
New year good cheer for beverage and hotel stocks

BEVERAGE and hotel stocks have started the new year with a flourish and have been in the forefront of the dramatic rise of industrial shares on Diagonal Street this week.

Shares in the sector have featured prominently in the daily list of largest price gainers to lift the index by almost 15% or 407 points to 3,207 in the first three days of trading this year.

The upturn has been led by shares in Sol Kerzner’s mushrooming empire, with Kersaf shares shooting up 38.7% (450c) to R16.75 before easing to close at R16.50 yesterday. Average rises of almost 20% were initially registered by the three other shares in the group.

MERVYN HARRIS

but, as forecast by analysts, there was selling into strength.

Interleisure, the newcomer to the Kersaf fold, has notched up the biggest rise of 22.9% (40c) to 215c while Sun Bop and Transun — which are expected to report bumper interim earnings — each gained 18.1% in the first two days of trading.

Sun Bop, historically volatile, rose from 550c to a high of 675c before falling back yesterday to 620c. Transun surged 60c to 390c but eased back to 375c.

Hot on their heels has been Sun-crush which has jumped almost 20% or R9 to R55, while market leader SA Breweries (SAB), which forms the biggest component of the index, has chalked up a gain of 10.5% (175c) to R18 and seems set to go higher.

The only share in the sector to go against the firmer trend has been Union Wine which has slipped 10c to 110c. Southern Sun Hotels yesterday advanced 15c to R2.95.

After reaching a high of 4,117 points on October 1 last year, the beverage and hotel index slumped to a low of 2,561 towards the end of November. At its current level, the index is on an average dividend yield of 3% and a p/e ratio of just over 18 against the industrial average yield of 3.7% and a p/e of 6.1.

The highly rated sector was expected to rally after the post-October slump but the rapid upward move, albeit on small volumes, took many analysts by surprise.

Kersaf shares were considered to have been oversold while demand for SAB suggested institutional interest in quality stocks with good prospects.
Satisfactory growth expected

PGSI increases earnings 35%

JOHANNESBURG — Plate Glass and Shatterprufe Industries (PGSI) increased earnings in the six months to September 30 by 35% and raised the interim dividend by 31%.

In a press release yesterday, joint chairmen Bertie and Ronnie Lubner say that although a cautious outlook was adopted at the end of the previous financial year, all divisions performed better than expected.

Half-year earnings increased to R86.3c a share from R63.5c in the first half of last year, with the interim dividend lifted to 55c (42c).

Although management remains cautious about future prospects, particularly given the international nature of the group and the inter-dependence of the SA economy with other world economies, "it is believed that earnings for the full year should continue to show satisfactory growth," they say.

"In this context it must be remembered that exports from SA constitute an important component of group activity."

The group's balance sheet remains strong and, although gearing has increased from 43% to 58%, the ratio of debt to shareholders' funds remains well within self-imposed limits.

Interest cover has, however, risen to a comfortable 6.5 times.

The bulk of the increase in debt, from R224m to R295m, is due to additional working capital requirements with both stock and debtor levels showing sizeable increases over the same period last year.

This is principally due to the increased level of sales within the group, with turnover up 24% to R1.035 billion in the six months.

The Lubners say that the earnings performance is particularly pleasing given the strong first half in the previous financial year, with which these latest figures are being compared.

Commenting on the growth prospects of the business, the Lubners say that the SA operations continue to be in a strong position because of the ability to fund expansion through healthy domestic cash flows being generated.

They say "Numerous opportunities are available internationally and, consequently, management continues to study the potential for raising funds overseas to create a more flexible financial platform for the growth of the group's offshore subsidiaries."

However, the addition of more interest-bearing debt to the balance sheets of the overseas companies could inhibit their growth.

The PGSI share price has been watered down by a third from a peak of R45 in August to R30 earlier this week.

At this level, assuming that the rate of earnings growth is sustained, the shares are on a forward PE of a shade under 7 and offer a prospective dividend yield of slightly over 6%.

The group's net asset value has appreciated to R18.50 a share, from R17.65 at the interim stage last year, with group assets now totalling R1.2 billion.

Dividend growth is expected to be slightly lower than that of earnings per share as management adopts an approach to dividend cover that should ensure a smoother, long-term, return for shareholders, they say.

Cover for the last full financial year was 2.1 and is expected to increase marginally this year. — Sapa
R8-million recovery for Tek

From ANN CROTTY

JOHANNESBURG. — TEK Corporation, the domestic appliances and consumer electronics subsidiary of Federale, has turned a loss in the first six months of its last financial year into an R8-million profit in the six months to September.

The group, which is making a strong recovery from the knock the industry took after the 1985 slump, achieved sales of around R200-million in the first half of financial 1988 and is looking for full-year sales of about R425-million.

In the first half it attained an operating margin of around 7 percent and MD Mike Bosworth says that long term management is targeting an operating margin of 10 percent.

HEAVY CAPEX

A 7 percent operating margin represents an operating profit of around R28-million. But this was significantly reduced by the interest payments on borrowings of around R90-million.

A heavy capital expenditure programme of more than R20-million a year is responsible for much of the borrowings. The capex is aimed at increasing local manufacturing capacity as the group continues to reduce dependence on imports.

Mr Bosworth believes borrowings will be reduced from the current 120 percent of equity to 60 percent by about 1990 as improved profits bump up the equity base and improved cash flows reduce the need for external borrowing.

He says the past two years have been particularly difficult and that while a lot has been done to sort out the problems, this effort was not seen at the bottom line until this review period.

The group is being restructured to provide greater focus and a more effective management structure to "respond aggressively and successfully to the business challenges that lie ahead". The change, which will become effective in April 1989, is aimed at creating smaller, more specialised and market-responsive business units within Tek.

Management feels this type of structure will be better able to optimise the opportunities that present themselves within the respective markets served.

Recently listed Transvaal Clothing (Traclo) has reported a 42 percent increase in turnover and a 93 percent increase in operating profit for the six months to October.

Although not listed in the last financial year, the group does provide comparative figures for the 1986 financial interim. However, it does not reveal turnover figures.

Operating profit of R13-million was reduced by interest payments and tax to an attributable income of R636 000, which was 170 percent up on the previous interim figure.

The performance at the attributable level was helped this year by interest receipts of R61 000 and a cutback in the proportion of income used to finance borrowings.

Earnings a share were 2.9c, based on the total number of shares in issue. This was 3.1c if earnings are based on the weighted number of shares in issue in the six months.

At the time of the listing, management forecast earnings for the full year of 5.8c a share. At this stage it says "The outlook for the second half of the financial year is encouraging and the group's full production is committed, with confirmed customer orders well beyond April 1988."
Soaring profits seen for industrial firms in 1988

From SVEN LÜNSCHE
JOHANNESBURG. — Profits of industrial firms will continue to soar in 1988, after rising by 30 percent in 1987, based on an expected upturn in manufacturing production to meet increased consumer demand.

The volume of manufacturing production for September 1987 showed a seasonally adjusted increase of 2 percent compared with August 1987. Department of Central Statistics figures also indicate that during the first eight months of this year, production improved by 3.5 percent over the comparable period in 1986.

The only dark spot was a slight downturn in the volume of production in the second quarter this year, when numerous public holidays and strikes affected output seriously.

Economists are optimistic that the upward trend, that started in earnest during the second quarter of 1986, could extend well into 1988.

Says Mike Daley, chief economist of Southern Life. "As private consumption expenditure increases, wholesalers, retailers and suppliers will continue gearing up towards the expected rise in demand and we could see healthy increases in manufacturing production."

In a recent economic report, brokers Menell, Jack Hyman, Rosenberg wrote that in 1988 the volume of manufacturing production was expected to grow at an almost identical rate to 1987, namely 3 percent, with some sectors growing in excess of 5 percent.

The Econometrix research institute is forecasting that production will rise by 2.7 percent in 1988, after reaching a peak of 4.8 percent during the second quarter of the year.

Further evidence of the renewed strength of companies in the manufacturing sector is a substantial pick-up in the utilisation of production capacity. The percentage utilisation in August increased by 2.9 percent compared with August 1986.

For the industry as a whole the figure has now moved to 80.6 percent, with some semi-durable sectors reaching 85 percent utilisation. According to Old Mutual's economist David Mohr "This bodes well for renewed investment in that area, especially if an increase in consumer spending materialises."

But there is still room for further improvement and this could well derive from the expected strong company earnings, with the subsequent move towards higher stock levels.

Aggregate real inventories in the South African economy have already exhibited a small increase of about R300-million in the second quarter of 1987, after dropping to levels of R1,5-billion in the previous two quarters.

The overall rise in the book value of inventories, however, did not prevent a decline in the ratio of all inventories to gross domestic product to a record low figure of 31.5 percent in the second quarter of this year, a figure that, according to Mr Daley, "can only improve in the next few months."
Ovbel chalks up R2m

By AUDREY D'ANGELO
Financial Editor

OVBEL Holdings — formed last year from the property and construction interests of the former Ovestone group — achieved after-tax earnings of more than R2m in the six months to September 30.

Income attributable to ordinary and preferred ordinary shareholders was R1,8m compared with R1,6m in the previous six months.

The asset value of each share has risen to 102c compared with 98c six months ago and earnings at share level were 67c compared with 58c in the previous half year.

Total liabilities have been reduced to R48,9m (R55m) with long-term borrowings down to R12,7m (R22,4m).

Chairman Andrew Ovestone forecasts earnings of 12c a share for the year to March 31, on the basis that the preferred ordinary shares are converted into ordinary shares at a meeting to be held on December 9.

He expects the final dividend to be 3,6c a share "which, together with the interim preferred ordinary dividend of 4,5c, equates to approximately 6c a share."

Confirming that it is still intended to seek a listing on the JSE in the first quarter of the New Year "although we reserve the right to withdraw if the situation warrants that," Ovestone said the company did not need to go to the market to raise money, "and therefore the fact that the market has changed should not matter that much to us."

"When we put the group together to form Ovbel we indicated that we would go for a listing. The results certainly justify it."

The results are certain to revive the regrets of former shareholders who were not happy about splitting off the property and construction interests from the rest of the group, in spite of assurances from chairman Tony Bloom that it would be too expensive to continue to hold land and that there was unlikely to be a housing boom in the near future.

"We were fortunate to put together the team and the investors to take over these good companies with enviable track records," said Ovestone.

"But they did not fit in with what was required by the former controlling shareholder (Premier Group)."

Ovestone is optimistic about the future, although he admitted that the stock exchange crash might affect time share and resort developer Ovland's up-market schemes. These include the third phase of a resort at Cape St Francis, which will be launched this month.

"A lot depends on whether the stock market crash encourages people to invest in property rather than the equity market, or whether the loss of their paper profits made in the last year makes them feel less affluent so that they put off purchases like time share units and serviced plots in resorts."

"That will become apparent in the next few weeks."

However, Ovland has traded well so far this year, with 25% of the units at its Bantry Bay time-share block sold in the first two months for a total of R15m. The group has sold R17m worth of fixed property.

Ovestone explained that this was part of a new policy to concentrate on property trading, with a quick turnover, rather than holding on to assets for long term growth.
PRODUCTIVITY

1989
Labour productivity up 2.7% in 1987

Labour productivity in the private sector, excluding agriculture, rose by 2.7% in 1987 compared with a 0.5% improvement in the previous year, the latest National Productivity Institute (NPI) figures showed.

However, the private sector remains more capital-intensive than labour-intensive. Employed labour fell by 0.1% to 2.485 million from 2.487 million in 1986.

The continued higher usage of capital rather than labour was attributed to the 4.2% rise in capital employed in the mining sector. The gold-mines dominated sector's number of labourers dropped by 0.4% but their real earnings improved by 4.5%.

The capital-labour ratio in the sector rose by 4.9% and output dropped by 3.1%. This resulted in lowering the overall performance of the private sector's productivity because goods-producing sectors outside of mining generally showed improved productivity.

NPI economist Karen Liebenberg pointed out statistics for the mining sector were anomalous because management was influenced to mine lower grade ore when the gold price was strong. This resulted in distortions in the statistics.

Capital employed in the manufacturing sector has shown a decline since the debt standstill. Capital employed in the manufacturing sector showed a decline of 3.8% in 1987, while labour productivity rose by 3.1%, real output rose by 3.0% and real earnings (adjusted by the 16.1% inflation for that year) of employees declined by 0.1%.

Liebenberg said the improved use of capital in the private sector did not signal overall improved productivity because of a decline in labour employed in the mining sector.

Employment in the manufacturing sector was at 99,9 on the index, an improvement compared with 1986 when it was 99.1 and comparable to the 100 base in 1985.

The manufacturing output index for SA in 1987 was 171.1, compared with

108.3 in the US, 106 in the UK, 263.4 in Japan, 635.1 in Taiwan and 879 in Korea. (The indexes had a base of 100 in 1970.)

Output an hour in manufacturing in SA was 142.9 (155.3 previously), in the UK it was 165.8, in the US 163.9, in Italy it was 218.6 and in Japan 263.1.

In SA, the hours worked in manufacturing were at 119.7 (123 in 1986) compared with 101.4 in the US, 100.1 in Japan and 97.1 in the UK. No index is given for Korea or Taiwan
PPI up one percent

The year-on-year production price index (PPI) for November last year increased by one percent compared with October to reach 14.1%. This was the highest rate since July 1987, when it also stood at 14.1%.

Relatively large monthly increases were recorded in the prices of basic metals (5.0%), non-ferrous metals (11.8%), electrical machinery (5.7%), and transport equipment (4.8%). Decreases occurred in the prices of agricultural food products (3.4%), and "Other" mining and quarrying (1.3%).

The annual rate of increase of locally produced commodities for November last year was 14.2% — 1.3% percentage points higher than the corresponding rate for October 1988. The price index of imported commodities increased by 0.9% to 13.7% — Sapa
INDUSTRY TALKS

He said that unions were in a strong position as far as the pay talks were concerned. "We are ready to negotiate," he said. "We want to reach an agreement that is fair to both parties."

Some employers, however, have expressed concern about the potential for increased costs. One employer said, "We understand the need for fair pay, but we also need to remain competitive in the market."
SA's productivity declining - report

CAPE TOWN - The productivity performance of South Africa was increasingly declining while it was steadily improving in many of its trading partners, the President's Council Economic Affairs Committee has found.

In its report tabled and debated yesterday, it said the situation was even worse than in some developing countries.

The report recommended a national awareness campaign and special tuition at school level to acquaint the public with basic economic and productivity principles.

It also recommended that the Institute of Chartered Accountants and the National Productivity Institute should jointly investigate the feasibility of incorporating accounting for productivity performance in annual financial statements to make managers more aware of the importance of productivity.

EXCESSIVE TAXES

The committee said that international experience showed that excessive taxes were damaging to productivity.

It was a pity, the Margo Commission had set no goals for the ratio between direct and indirect taxes. Such goals should make an important contribution to the productivity effort and it was recommended that the Tax Advisory Committee investigate the possibility of establishing an ideal ratio for South Africa.

There was wasteful education in South Africa, particularly at tertiary level where too large a proportion of students were educated in skills not directly required by the economy.

The committee said that the government should, in view of the critical role productivity played in the country's social, political and economic well-being, select productivity improvement as the key directive in its national economic policy. - Sapa.
Perception of trade unions 'not correct'

Political Staff

THE general perception that labour unions in South Africa were undesirable and irresponsible was not correct, the President's Council economics committee said yesterday.

It had been authoritatively told that most of the trade unions in South Africa were reasonable and responsible in their bargaining, their actions were not considered newsworthy and they consequently got little publicity.

Although the number of strikes increased dramatically in 1987, the committee was informed that 56% lasted for less than one day and 80% for less than three days. Only 7% of the strikes had lasted for 14 days or longer.

The committee said in its report on "a strategy and action to improve productivity in South Africa", which was tabled in the council yesterday, that it was stated in evidence that "radical demands on the labour front are as a rule made by the trade union federations as opposed to the trade unions. "These demands get extensive publicity but have no force in the bargaining process between the labour union and the employer."

Job security was an important consideration for many employees, particularly in the public sector, the committee said.

In order to foster workers' security, the committee said it was convinced that employers should avoid retrenching workers as a result of increases in productivity. Other ways of reducing staff, such as not filling vacancies, should be preferably be used when the work force had to be reduced, the committee said.
PC unveils productivity action plan

CAPE TOWN — Productivity improvement should become a key directive in government's national economic policy, and a definite productivity growth objective of 3% a year should be set.

That recommendation comes from the President's Council (PC) economic affairs committee in a major report released in Cape Town yesterday.

Setting out a strategy and action plan for improving productivity in SA — whose general performance the report describes as 'rusty unsatisfactory' in comparison with its main trading partners and even many developing countries, it says SA cannot hope to achieve a target growth rate of 5% a year unless a productivity growth rate of 3% can be reached.

The national objective of 3% growth in productivity should permeate every action taken by the nation as a whole, the report says.

The PC recommends that a major national awareness campaign, based on the report, should be initiated by the State President and executed by its Economic Advisory Council and the National Productivity Institute (NPI).

It further recommends that such a campaign should start with a high-level inaugural meeting called by the President and attended by leaders from all walks of life.

This would be followed by specialist workshop groups to discuss the implementation of the PC recommendations, culminating in a final gathering of leaders to integrate the different strategies into a national productivity plan.

The PC stresses that unless a strategic decision is taken on this score, the economy is bound to remain as sluggish as it has been since 1982, with a high probability of further deterioration.

Among its many recommendations:

- All state subsidies should have sunset clauses stipulating they would be granted for only a limited time to enable the organisation or industry concerned to obtain viability through productivity improvement.
- The Tax Advisory Committee should investigate the possibility of establishing an ideal 'ratio between direct and indirect taxes';
- All new legislation and regulations should be evaluated in terms of their cost escalation impact and, ultimately, on what impact they may have in productivity terms.
- An investigation should be launched into the desirability of formulating a national technology policy as well as the establishment of a national co-ordinating body for industrial policy.
- Company financial statements should not only reflect profitability but also productivity performance and growth, and
- The Minister of National Education should appoint a committee with strong representation from the private sector to investigate the desirability of establishing accredited management colleges.

GERALD REILLY reports from Pretoria that Assecom yesterday welcomed the report as a major contribution "to what needs to be done on the productivity issue".
summit in bush

Maggie's

From MIchael Hartnack: "HABIBA: Prospects for a peace initiative in Mozam-
ique yesterday dominated summit talks between British Prime Minister Mrs. Margaret
Thatcher, Zimbabwean Prime Minister Mrs. Roberta Mugabe and Mozam-
bique President Joaquim Chissano."

Sources close to the talks said that a draft agreement on political and social issues had been
reached, but that agreement on a formula for the future of Mozambique was still a long way
off. The British Prime Minister is due to visit Mozambique this week to try and
persuade the South African Communist Party to support the peace initiative. **(Redacted)**

In an address to the Mozambique National Assembly, President Chissano reiterated his
support for the proposed peace initiative, emphasizing the need for all parties to
cooperate in achieving a just and lasting solution to the conflict. "We are committed to
reaching a peaceful settlement that will bring an end to the suffering of our people," he
said. **(Redacted)**

Mrs. Thatcher, who is on a three-day visit to Mozambique, is expected to meet with
President Chissano and other political leaders to discuss the prospects for peace.

In South Africa, the government's official policy on Mozambique remains one of prov-
edence and neutrality. Despite this, there are growing signs that South Africa may be
more actively engaging with the peace process. **(Redacted)**

In a joint statement, the British and Mozambiquan governments expressed their
commitment to working towards a peaceful resolution of the conflict. "We are deter-
mined to do everything in our power to bring an end to the senseless violence," said Mrs.
Thatcher. **(Redacted)**

The Mozambiquan government has been under increasing pressure from interna-
tional organizations and the United States to reach a comprehensive peace agreement.
Mrs. Thatcher’s visit is seen as an important step in this direction. **(Redacted)**

The proposed peace initiative focuses on addressing the root causes of the conflict,
including issues of governance, human rights, and economic development. **(Redacted)**

The United Nations has expressed its support for the initiative, calling on all parties to
work towards a lasting peace. **(Redacted)**

In South Africa, there is a growing awareness of the need for a comprehensive
approach to addressing the regional conflict. The government has been engaging with
other countries in the region to discuss ways to support the peace process. **(Redacted)**

This joint statement is seen as a significant step forward in the efforts to reach a
peaceful resolution to the Mozambiquan conflict. **(Redacted)**
'Overhaul producer subsidies'

CAPE TOWN — Government subsidies should have a limited life span because they interfere with market forces and thus tend to be counter-productive, the President's Council recommended yesterday.

It also called for the introduction of an alternative to the subsidy system, such as a voucher system, to assist the needy.

In its report on "a strategy and action plan to improve productivity in SA", tabled in the council yesterday, the PC's economic affairs committee said the evidence it had heard on the effectiveness of producer subsidies — whose ultimate aim was to reduce the cost of basic products and services to the poor — was that they worked against productivity.

"It was stated that producers are given an incentive to show higher cost increases in order to claim an increased subsidy.

"It was alleged that cost figures could be boosted by incurring unnecessary expenses such as generous entertainment allowances, luxurious offices and expensive vehicles.

"Examples were quoted to show that subsidised bread costs more than non-subsidised bread in the informal sector and that the most expensive bus tariffs are on the most heavily subsidised routes.

"The committee could not verify these claims but felt that subsidies should be targeted by introducing a voucher system or similar approach to assist the needy, rather than indirectly through the subsidisation of the costs of producers.

"However, the administrative burden of various systems of direct subsidisation must be considered.

"Subsidies basically interfere with market forces and therefore tend to be counter-productive, which suggests that all subsidies should have limited life span.

The committee said it heard evidence that the agricultural sector should in principle be subject to normal market forces.
PC warns high tax is stifling productivity

CAPE TOWN — Government has been warned that high levels of taxation have had a demonstrably negative effect on productivity, and for this reason it has become essential that its pattern of spending should be kept as low as possible.

The warning is contained in the President’s Council (PC) report on a productivity strategy for SA, released in Cape Town yesterday.

**Accountable**

The report suggests that one method by which this can be achieved is by eliminating certain government activities, an option which is currently being addressed by the “function accountability programme” being carried out by the public service and through measures such as privatization and deregulation.

The PC report also notes that more directors-general should be made accountable for ensuring that more productive use is made of government resources, as accountability is not clearly assigned at present.

The report also recommends that the Treasury can and should play a more prominent role in enhancing productivity in the public service. This can be done by properly assessing the extent to which departments adhere to set budgets and performance objectives.

It is recommended that the Treasury should in future assist government departments in setting productivity objectives and require feedback on their performance before the budget allocation for the next year is made.

The report notes that an important element of state spending takes the form of subsidies, a practice which, it says, tends to be counter-productive.

It proposes that subsidies should have sunset clauses in which they would only be granted for a limited time to enable the organisation or industry concerned to obtain viability through productivity improvements.

Government spending on capital projects can in certain cases be unproductive, and the PC report recommends that a cost-benefit model be applied in every instance where significant capital expenditure is envisaged.

Noting that international experience has demonstrated that excessive taxes are damaging to productivity, the report suggests that many of the proposals contained in the Margo Commission report could materially benefit productivity in SA.

They include proposals to significantly reduce the number of income tax brackets, reducing company tax progressively to 40%, making the individual unit of personal taxation, and changing depreciation on a sliding scale of 50/50/25 over a three-year period.

The aim of neutrality of taxation between the main sectors of the economy should stimulate productivity by ensuring that resources are allocated productively, the report says.

**Ideal ratio**

It adds that it is unfortunate no goals were set by the Margo Commission or the White Paper in regard to the ratio between direct and indirect taxes.

The report notes that such goals could make an important contribution to the productivity effort, and it is recommended that the Tax Advisory Committee investigate the possibility of establishing an ideal ratio for SA.

It stresses that the aim expressed by Finance Minister Barend du Plessis of reducing total public expenditure from 38% of GDP in 1984/5 to 34.5% in 1991/2 is highly desirable from a productivity point of view.
Subsidising waste

Civil servants and SA's pampered agricultural sector could be in for a rude awakening — if elements of a new government report on productivity are applied to them.

The report, published this week by the President's Council on Economic Affairs committee, pulls no punches. It claims public servants have yet to learn the meaning of productivity, and state subsidies to agriculture should be stopped because they are open to abuse and mitigate against efforts to improve productivity.

The committee, chaired by FJ Jacobsz, recommends that all subsidies should have "sunset" clauses — granted for a limited time only to allow an organisation or industry to become viable through improved productivity.

It calls for productivity goals for the civil service and for directors general of government departments to report on progress towards achieving those goals. It also wants intensified effort to scrap remaining obstacles to blacks participating in the economy on an equal basis.

The committee started work in August 1987. Employers' organisations argued that agricultural subsidies were necessary only in exceptional circumstances, such as natural disasters.

"It was argued that the agricultural sector should in principle be subjected to normal market forces. This approach is in accordance with the committee's view that the marketplace is the natural means to ensure productive performance," the report states.

It suggests agriculture consider establishing a joint fund, financed by levies on sales, to be used for relief during times of disaster.

Evidence also suggested producer subsidies aimed at reducing the price of end-products, such as bread, work against increased productivity.

"It was stated that producers are given an incentive to show higher cost increases in order to claim an increased subsidy. It was alleged that cost figures could be boosted by incurring unnecessary expenses such as generous entertainment allowances, luxurious offices and expensive vehicles.

"Examples were quoted to show that subsidised bread costs more than non-subsidised bread in the informal sector and that the most expensive bus tariffs are on the most heavily subsidised routes."

The committee holds that a voucher system, or something similar, could be used to help the needy rather than producer subsidies. "Subsidies basically interfere with market forces and therefore tend to be counterproductive, which suggests all subsidies should have a limited life span."

The committee maintains there are ways of measuring productivity in the public sector and non-profit organisations and says "productivity accounting" should be introduced in state departments, municipalities and similar organisations and the results disclosed in annual reports.

It recommends the Treasury assist government departments in setting productivity targets and should demand feedback on productivity performance before allocation of the following year's budget.

Other recommendations include:
- A national productivity awareness campaign,
- That the Institute of Chartered Accountants and National Productivity Institute investigate the feasibility of incorporating accounting for productivity performance in annual financial statements,
- A committee investigate the establishment of accredited "management colleges" to ensure a steady flow of trained managers to the market,
- That the Department of Manpower and industrial councils investigate the desirability of excluding certain (generally smaller) firms from industrial council agreements, and
- Action by the Department of Manpower to eliminate the creation of artificial manpower shortages by some artisan-based unions which do so in order to "manipulate the supply factor and bargain for higher wages than would have been possible with the free entry of workers."

FINANCIAL MAIL MARCH 17 1989
Manufacturing sector achieves 85.3% 247

Production capacity at seven-year high

USE of production capacity in the manufacturing sector during the last quarter of 1988 reached 85.3%. This was a seven-year high, since the 85.5% reached in the first quarter of 1982.

The figures, released by the Central Statistical Service (CSS) this week, bring the annual average production capacity for 1988 to 83.8%.

Major contributors to the activity, such as plate glass, chemicals and iron and non-ferrous metals, had strong export orders, while the best performer, footwear, indicated the strength of the black consumer market.

The Federated Chamber of Industries (FCI), which conducts monthly surveys among industrialists, estimates production capacity in the manufacturing sector in the first quarter this year at between 85.3% and 86%

The last time production capacity beat this level was in 1981 on the strength of a strong gold price, said FCI.

HELOISE HENNING

consulting economist Gad Arrovitch The difference this time was that manufacturing capacity had increased in spite of a weak average gold price for 1988

Sentrachem

Footwear (95.5%), glass (94.7%), paper (91.7%), printing (89.1%), basic iron and non-ferrous (88.8%), chemicals (88.4%) and wood (88.3%) were the top seven performing sectors. Of these, footwear was the only labour-intensive industry. Following closely were furniture (88.5%), textiles (88.1%) and clothing (87.6%).

Ferguson Bros analyst Richard Price said Sentrachem had indicated that its three plants producing artificial rubber had reached an average 70% capacity in the last quarter of 1988, compared with 35% in the first quarter.

One division was functioning at over 100% capacity. More than 70% of the synthetic rubber produced was used in tyres, which had become an important export product, Price said. Other strong export-led products were ferrous and non-ferrous metals, chemicals and glass, as well as paper and packaging.

Analyst Arlene Rosenberg said the labour-intensive footwear industry was one of the sectors that showed low concentration, with small industries being established in homelands, where there were pools of non-unionised labour. The strength of this industry was that its low-cost products sold in the local black consumer market.

CSS said in its summary that increases in production usage occurred in 22 of the 27 major manufacturing groups. The largest increase — 18.5% — was in the motor vehicle sector.

It said the under-utilisation of 14.7% in November was attributed to the shortage of raw materials in the food, beverage and metals industries (2%), and insufficient demand in the basic steel industry (9.8%).
Producer prices increase sharply

KAY TURVEY

Producer prices have accelerated sharply with the index moving up from 286.4 in January to 305.4 in February, giving a monthly increase of 1.9%.

Central Statistical Service figures yesterday showed the production price index (PPI) rose 14.9% in the year to February, up from the 14.8% corresponding rate recorded for January, and the highest since May 1987 when the rate was 14.6%.

The 1.9% monthly rise translates to an annual rate of increase at 24.9%, indicating considerable momentum in the inflationary spiral and providing strong evidence of an upward turn in the Consumer Price Index (CPI), which has been widely predicted by economists.

Nedbank economist Edward Osborn said the figures revealed pressure on prices was growing.

Imported commodities rose 15.2% for the year to February, while locally produced commodities were up 14.8% for the year.
GOVERNMENT must make productivity the single most important long-term objective in SA to improve the general standard of living, says National Productivity Institute executive director Jan Visser.

Outlining the findings of the recently published President's Council report on productivity, Visser said in Johannesburg yesterday there would be more for each person to consume when resources were better utilised.

Everyone should be involved in productivity improvements and a five-year awareness programme was needed to reach all levels of the economy.

Visser said all social, economic and political decisions should be tested against their impact on productivity.

Companies applying for tariff protection, decentralisation and export subsidies should show evidence of productivity improvements.

He called for a more occupation-based education system which stressed achievement rather than conformity.
State urged to link the Public Service’s budgets with productivity tests

By Michael Chester

The Economic Affairs Committee of the President’s Council has been urged to start a crackdown on State over-spending by insisting that all government departments must run the gauntlet of new acid tests on their budgets.

The National Productivity Institute (NPI) yesterday listed the excessive cost of the Public Service as a main cause behind the rebellion against high taxation and its impact as a disincentive on initiative.

Executive director Dr Jan Visser told a business seminar in Johannesburg that the NPI believed that radical new moves to curb taxation by boosts in productivity needed to be tackled at State President level.

First move

A first move should be to instruct the Treasury to insist that all future Budget allocations to government departments should depend on proof of better performance.

The exercise should be made one of the spearheads of new strategies to counter South Africa’s flagging economic performance and reverse trends of higher and higher taxation which were snuffing out individual enterprise. The Treasury should call in outside experts if necessary to set fixed new targets that the director-general of each government department must reach to justify allocations from the national Budget.

In the process, each government department needed to provide proof of better productivity from its team of civil servants.

The aim of the exercise, said Dr Visser, should be to scale down the expenditure of the public sector — and in turn scale down the level of direct taxation that was needed to foot the bill.

Once the programme inside the civil service was under way, new strategies should be launched to improve productivity at all levels of the economy. The urgency was shown in new evidence that living standards inside South Africa had been slipping an average of 1.7 percent a year since the start of the 1980s, while standards overseas had surged ahead.

In contrast, living standards had climbed by an average annual rate as high as 3.2 percent in Japan and even higher 3.7 percent in Taiwan — in patterns closely linked to productivity.

While average wages in South Africa’s manufacturing sector had bounded ahead by no less than 1.60 percent since 1980, static or even even slackening productivity had resulted in all the gains being wiped out by inflation. Dr Visser argued that wage increases must more and more be linked to productivity — but with stress on assurances that workers draw benefits as well as shareholders and corporate profits.

Global studies now proved beyond doubt that productivity was the key not only to living standards but also to the pace of new job creation.
Jobs pool lags badly behind high birth rate

JOBS are getting scarcer as population growth follows an unstoppable upward trend.

The National Productivity Institute reported yesterday the economy was failing abysmally to absorb many more people trying to join the workforce.

It said employment in non-agricultural sectors remained virtually constant between 1981-87 while the population increased annually by an average 2.5%.

The institute added in its Productivity Focus annual report that unemployment had manifested itself as one of the most crucial dilemmas of the decade.

It also stressed the alarming trend of more jobs being created in the public instead of private sector.

A net total of 233 000 jobs were created between 1980-87.

Responsible

To achieve this, however, 394 000 more people went to work in the public sector while manufacturing shed 87 000 jobs in the same period.

The NPI felt this was a cause for concern because manufacturing was the single largest private sector employer and the main engine for economic growth.

NPI figures showed manufacturing responsible for almost 25% of economic activity and should, therefore, play an important role in creating jobs for a growing population.

A major contributor to unemployment was lack of economic growth which, in turn, was partly due to poor productivity.

Contribution

"Productivity growth generates economic growth and the latter is a prerequisite for higher employment. Productivity growth creates jobs. It is the lack of productivity improvement which creates unemployment and reduces the standard of living," the report said.

It added between 1981-87 the economy had an average annual growth rate of only 0.7%.

The institute said productivity made a very small contribution to overall economic growth whereas in many of SA's trading competitors productivity growth was responsible for almost 60% of it.

An annual population growth rate averaging 2.5% needed an economic growth rate of at least 3.5%.

The report said the increase in population growth rate exerted tremendous pressure on an economic growth rate insufficient to ensure an improvement in the standard of living during the past decade.
Sharply higher

February's whopping 1.9% increase in the producer price index (PPI) is the largest in two and a half years and supports predictions of a sharp, rather than mild, rise in inflation this year.

One month's figure doesn't make a pattern after all, 1.9% monthly increases would add up to 25% a year — which is unlikely. But in the past three months, producer prices have moved up at an annualised 17%-plus (0.9% in December, 1.3% in January and now 1.9% in March).

February saw both local and imported commodity prices shoot up, by 1.8% and 2.2% respectively.

What should be clear from these dreary figures is Pretoria can't print money (to keep interest rates artificially and temporarily low) without fuelling inflation and sinking the currency.

As both PPI and CPI pick up, expect new rounds of populist attacks on "greedy businessmen" and "concentrated industry." If we're lucky, we'll enjoy rising, double-digit inflation, as the market tries its best to cope with a debased rand. If we're unlucky, a vote-mad government will give us price controls, or "guidelines," and all the disruption and corruption they bring.

February's rise, the largest since 2.2% in October 1986, pushes the 12-month increase in PPI to 14.9%, from 14.6% (January and December), 14.1% (November) and 13.1% (October) and is the highest since April 1987's 16.1%. The index rose to 305.4 from January's 299.8 (mid-1980=100).
The NAU program is implemented to achieve the following objectives:

1. Increase the productivity of the sector:
   - Improve the efficiency of the farming practices.
   - Enhance the quality of agricultural products.
   - Develop new agricultural techniques and technologies.

2. Support the government's objective of poverty reduction:
   - Provide financial assistance to small farmers.
   - Increase access to credit and inputs.
   - Promote rural development initiatives.

3. Strengthen the role ofextension services:
   - Provide training and education to farmers.
   - Establish linkages between farmers and market agents.
   - Foster community-based agricultural extension programs.

4. Enhance the contribution of agriculture to the national economy:
   - Promote agribusiness and value addition activities.
   - Expand market access for agricultural products.
   - Strengthen the position of agriculture in the national economy.

The program is designed to achieve these objectives through a combination of technical assistance, training, and policy recommendations. It aims to improve the livelihoods of rural communities and contribute to the overall economic development of the region.
POPULATION AND EMPLOYMENT
Average annual growth rate 1981-1987

IMPROVEMENT IN STANDARD OF LIVING
Average annual growth rate 1981-1987
Stock management more productive

Research by the Federated Chambers of Industry (FCI) suggests the ratio between inventories and sales in the manufacturing sector has declined over the past decade, probably due to better stock management and the computerisation of stock flows in manufacturing operations.

The latest FCI opinion survey shows that SA industrialists intend to maintain their present stock levels over the next 12 months, while only a month ago most were thinking of increasing their stocks over the year.

FCI industrial consultant Gad Arlovich says that, since January, industrialists have consistently been scaling down their intention to build stocks over the next 12 months as their stocks are too high to satisfy the current demand for their products.

The decision to keep stocks at the present level in spite of better sales is probably the result of anticipated slower economic activity and relative high real interest rates.

Arlovich says this strategy should alleviate downward pressure on manufacturing activity.
Import push

The impact of the declining rand, import surcharges introduced last year and rising world oil prices have caused a surge in the Production Price Index (PPI). In March, imported commodities played a major part in pushing prices higher.

In the first quarter, producer prices rose almost 4,8% — an annualised rate of 20,5%. The monthly increase for all commodities for consumption increased by 1,5% in the month.

Moving upwards

13-month increase in PPI reported monthly (Source: CSIR)

12.7% 15.6% 16.9%
1987 1988 1989

15.5% year-on-year (14.9%) but only 1.9% rise in February) and
15,5% year-on-year (14.9%)

Prices of imported commodities rose 2.1% in the month (2.2%) and 16.7% year-on-year (15.2%) while prices of locally produced

commodities rose 1.3% monthly (1.8%) and 15.1% year-on-year (14.8%)

However, Econometrix chief economist Azar Jammie points out the rand has not depreciated as much as in 1984-1985 and the increase in the rate of inflation has not yet been as great. In May 1984 producer prices increased year-on-year by about 7%, by December 1985 the year-on-year increase was 22%. This followed a drop in the rand from US$0.1c in March 1984 to US$0.1c in December 1985. Recent changes have been less severe from a PPI year-on-year 11.3% rate of increase in December 1987 (with the rand at US$0.1c) to March’s 15.5% (US$0.1c).

However, the months ahead may still see more serious shifts in the rand and inflation CPI, up 13.8% year-on-year in March, is expected to follow PPI’s upward path.

Says Rand Merchant Bank’s Rudolf Gouws “This is the price we have to pay for not allowing interest rates to rise early enough and then trying to limit the rise. HP restrictions and loan levies aren’t the way to attack our problems. If interest rates had been allowed to rise in response to market forces, spending would be curbed and we wouldn’t now need other restrictions.”
The road to productivity

THERE is no magical solution to South Africa's productivity problems, says a report by the Bureau for Economic Research in Stellenbosch. As a result of the study, the Institute of Personnel Management (IPM) has drawn up recommendations, based on human resources and general management principles.

To find solutions to the problem, IPM says the capital-labour-productivity question must be addressed at both macro and micro levels in organisations.

"Macro solutions include deregulation and the promotion of the informal sector on a large scale at a more rapid rate than currently contemplated. Real capital investment is essential and the removal of discriminatory legislation while actively promoting reform would be powerful tools in attracting foreign investment.

"The resolution of in-company differences, the creation of common objectives, real participation and a sense of mutual satisfaction on achieving successes are the tasks of the businessman and the personnel practitioner."

"Consulting the workforce on ways and means of achieving the company's intentions and objectives as well as keeping it informed of progress on how the enterprise is doing, are important."

IPM says management needs to take positive educational action to ensure that a business culture and a work ethic are developed. All staff members should be educated to understand that change in the political system is not sufficient to raise living standards. It says management needs to recognise that industrial relations in SA will by definition have a political flavour.

"An aspect hitherto little explored in SA is that of productivity bargaining. Representative trade unions should be involved in discussions on the need to ensure the continuity of sustainable business enterprise and be involved in the question of setting and maintaining high standards of productivity, quality, management and behaviour."

The private sector will have to spend more money to overcome the low quality of manpower. This includes literacy programmes, bridging programmes, skills training and assistance to schools and universities."
Heading for 20%

Production prices skyrocketed again in May, up 1.5% for the month, 15.8% for the past year and — projecting May’s increase — 21.35% for the next year.

A year-on-year increase hasn’t been this high since April 1987, when the rate peaked at 16.1% before falling to a low of 11.3% at the end of that year. Since then producer price inflation has been accelerating and the worst is yet to come.

Petrol and coal products (up 6.5% for the month), fresh meat (5.4%) and metal products (4.7%) were the main culprits while wool, sugar-cane and hides, skins and furs showed double-digit decreases.

Paradoxically, prices for SA products rose faster in May than prices for imports for the first time in several months, despite the rand’s rapid depreciation that month. Two theories restricts are weakening the market for imports and keeping prices down, and SA producers — seeing their import rivals becoming non-competitive through tariffs, quotas and the lower rand — are taking full advantage by raising their prices aggressively.

This price spiral is all very predictable because the money supply has been out of control for much of the past two years and the entire effect has yet to play itself out through higher inflation.

Econometrix believes there is an average of 21 months between the peak money-supply increase and the peak inflation rate. With money-supply growth peaking last August, inflation probably won’t peak until around next May, says Tony Twine, an economist with the firm. The lag period is remarkably similar from country to country, with all Western countries showing a lag period of between 20 and 29 months, he says.

With each uptick in inflation in the months ahead, “the gap is closing on real interest rates,” he says, meaning savings and investment will suffer. But Twine doesn’t believe another increase in interest rates is wise right now. “We must avoid overkill. The May package got pretty close to the margin on overkill. An additional interest rate increase will cause as much harm as good.”

But an interest rate hike coupled with deep cuts in taxes and government spending would do a world of good — curb inflation, rally the rand, boost savings, spur growth. But of course, that’s not about to happen.
Ailing S Steele bought by Supreme

Finance Staff

In its second major acquisition in a year, Supreme Bond Trust has gained control of cash-strapped Sam Steele Holdings, whose subsidiaries make and retail furniture.

Supreme is the controlling shareholder in Supreme Industrial Holdings (SI), formerly Mewa Holdings, which was taken over last October for R7.1m.

In terms of agreements announced today, Supreme Bond Trust has acquired claims of R45 million by banks against Sam Steele for R38 million.

It has also acquired the 49 percent interest of Johannesburg Mining and Finance Corporation in Sam Steele.

Subject to shareholder approval, Sam Steele will issue to Supreme 50 million shares at 20c each by capitalising R10 million of the claims of R45 million.

Supreme will offer 20c a share.

AECI smoothes out problems in production

By Ann Crotty

Latest results from AECI show the quality of performance that shareholders can enjoy when the group is free of major production problems. The higher than expected 38 percent surge in earnings to 84c (61c) was also helped by rationalisation in the group’s fertiliser division and the generally strong economic conditions.

Management capitalised on all of these factors and succeeded in boosting operating margins from 9.5 percent to 11.3 percent. When it is achieved on a turnover of R2.26 billion (up 25 percent from R1.8 billion), an improvement of this extent has a major impact on the bottom line.

The improvement in margins helped to counter the impact of a sharp increase in finance costs and a higher tax rate.

The higher finance costs reflect significantly higher interest rates and to some extent camouflage the improvement in working capital management.

Net trading income was up 47 percent to R355 million (R269 million), financing costs were up from R30 million to R53 million — accounting for 21 percent of operating income compared with the previous year’s 17.3 percent.

Earnings rose to R159 million from R141 million. An interim dividend of 30c a share has been declared. This is 5c up on the previous interim and reflects an increase in cover from 2.4 times to 2.8 times.

Higher cover

The higher cover won’t surprise many shareholders as it is in line with chairman Gavin Reilly’s reference in the annual report to “the need to increase gradually the level of dividend cover in view of a continued high level of inflation and the difficulties foreseen in raising finance abroad.”

Exports account for R201 million, or 8.9 percent, of group turnover. This is significantly ahead of the previous interim’s R107 million (5.4 percent) contribution.

Exports accounted for around 7 percent of turnover value for the 12 months of financial 1988. This was down significantly from the 10 percent that exports traditionally account for and was attributed to the production bottlenecks at Coalpex. Now that these have been ironed out, MD Mike Sanders is optimistic that exports could account for close to 10 percent of turnover for the full financial year. This, he says, should have a positive impact on margins.

Looking at the divisional performances, Mike Sanders says that chlor-alkali and plastics performed very well — helped by comparatively strong international prices and the weaker rand.

Export performance

Export performance from SA Nylon Spinners more than made up for the higher cost of internationally sourced raw materials.

Although there was a softening in demand from the gold industry, overall demand facing the explosives and chemical division was firmer but according to Mr Sanders, the week’s gold market meant that customers were sensitive to cost increases.

Sasol has now become a major competitor in the explosives market but Mr Sanders appears confident that AECI’s size and its strong technology base will help it to defend its position.

Despite the one-off costs associated with the rationalisation of fertiliser production facilities, this division managed to make a positive contribution to group profits.

On a general note he states that demand for most of the group’s products was reasonably strong “We saw a fairly good economy.”

Management does not expect the rate of growth to be sustained in the second half.

This may be a little conservative. A number of positive developments could see the group sustain its strong first half performance raw material constraints on the polyethylene plants have been sorted out which will not only improve capacity utilisation but should also lift exports and, the second half of the year is seasonally much stronger for the fertiliser industry.

But as Mr Sanders points out, much depends on the strength of the economy.
Productivity takes turn for better

The Star Tuesday September 5 1989
Brighter for Productivity

...reduction in the labor force and the increased productivity in the labor force...
SA's low labour productivity retards growth

Senbank

SA's "notoriously low" labour productivity is retarding economic growth, Senbank says in its latest Focus on key economic issues.

"The huge supply of labour is simply not making its potential contribution towards creating a higher growth scenario."

Indirectly, the low productivity contributed towards structural inflation and induced the business sector to turn to more capital-intensive methods of production.

This was a very unfortunate development, since capital was also becoming an increasingly scarce factor of production. It was generally accepted that low labour productivity was not necessarily the fault of labour itself.

"The country's economic system, the larger social system and prevailing management practices may all contribute towards it. Yet the fact remains that low labour productivity retards economic growth."

Inefficient allocation of resources between the private and the public sectors also tended to retard growth. Government was claiming an increasing share of scarce resources.

Productivity was knocked because more skilled labour moved to the less productive environment of government with no reduction in its average remuneration.

The political reform experiments in SA tended to cause more administration and less productive expenditure.
STATE PAYS R12, YOU PAY R100 FOR SAME MUTHI

MUCH of the blame for rocketing medicine costs is laid at the door of pharmaceutical manufacturers.

Poor labour productivity and machinery use, the State Tender Board and controls are the main reasons for soaring prices, says a report by the National Productivity Institute (NPI).

Chemists add a 50% mark-up, so medicines are becoming too expensive for the average citizen.

For instance, 250mg of the antibiotic Amoxil, which was sold to the State Tender Board for R12,50 in January 1985 - the latest available figure - is retailed to the public at R100,19.

Rheumatism

Zyloprim (300mg), used by gout sufferers, was sold to the board for R1,30, but retails at R4,35.

Antibiotic Bactrim 509 is sold to the Government for R52, but to the public at R47,30. Rheumatism sufferers have to pay R100,32 for Brufen (400mg) sold to the board for R15,39.

Naprosyn, also used by rheumatics, costs the State R15, but the public has to pay R205,61 for 250mg.

The low prices to the Tender Board are related to quantity and better bargaining, say manufacturers.

The NPI says most pharmaceutical products have risen in price by 311% since 1980. This compares with the rise in the production price index of 178% and the consumer price index of 198% in the same time.

Most pharmaceutical manufacturers concede that cheap sales through the State tender system force them to make the private buyer pay more.

About half of the participants in the survey agree that State tender prices are subsidised by the private market, and 30% will not comment. Another 17% disagree with the suggestion.

The NPI says low productivity is an important reason for rising costs. The report says that productivity has shown no increase since 1984 - as evidenced by a 5.4% decline in production volumes, but no decline in the labour complement.

It recommends that urgent attention be given to productivity to contain prices.

The NPI's research shows that average labour productivity in the industry is 51.7% compared with an acceptable 68%. This suggests that productivity could be increased by 31.6%.

The industry is currently using the same time labour use could be increased by 13.6% and efficiency by 17.3%.

Average equipment use is 46.7% compared with a machine output of 105.7%.

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Average equipment use is 46.7% compared with a machine output of 105.7%.

Medicines...
Industry ups use of production capacity

SA INDUSTRY increased its utilisation of production capacity in May by 5.2% over May 1966, according to figures just released by the Central Statistical Office.

Increases in utilisation rates occurred in 15 of the 27 manufacturing groups, with the relatively largest increase in the industrial chemical industry — 19.5%.

Reasons for the under-utilisation of 15.1% were a shortage of raw materials, skilled labour, semi-skilled and unskilled labour and insufficient demand.

The food, metal products, motor vehicles and machinery and equipment industries were the main contributors to the 2.7% under-utilisation — from shortages.
Production prices of imports rising

By Tom Hood

CAPE TOWN — For the first time in two years, the increase in production prices of imported goods has exceeded that of the locally manufactured, says the Stellenbosch Bureau for Economic Research.

This supports sustained increases in the country’s inflation, says the bureau’s quarterly publication *Trends for September*.

Economists at the bureau calculate that steady inflation has reduced the buying power of R1 in 1980 to only 56c now.

The prices of non-food items also rose sharply in the second quarter of 1989, especially the price of vehicles which increased by 29.2 percent on the previous year.

The quarterly review also comments on different sectors of the economy.

Agriculture is still in an upward trend, although real gross income of production dropped in the first quarter due to seasonal factors.

Manufacturing confidence is still “satisfactory” in spite of constraints such as high prices, skilled labour and sanctions.

The downward trend in the index of new orders placed with manufacturers accelerated after government restrictions on spending.

Gross domestic fixed investment continued its uptrend, with the decline in fixed investment by public corporations levelling off.

The bureau’s building and construction indices all point to a slackening in building activity. The confidence index of architects and quantity surveyors has also dropped sharply.

The confidence of white consumers, retailers and motor traders is deteriorating, although not reflected to the same extent by the levelling off in sales volumes.
European trade: SA 'has head in sand'

South Africa needs to plan urgently to remain economically involved in Europe after 1992 when the European Parliament is established, says the executive director of the National Productivity Institute, Dr Jan Visser.

'Dr Visser said the Government had its head in the sand when it came to taking into account the changes taking place in Europe that would materially affect the local economy. Other countries were already actively pursuing strategies to gain part of the market of a unified Europe.'

Competitive

He said the European Parliament could feasibly forbid its member countries to trade with South Africa. For this purpose it was necessary to contain specifically South Africa's trading rights by selling up to its local products in Europe at competitive prices.

He said this strategy could be managed only if the country's productivity and the quality of its export products improved. — Sapa.
commitment to long-term exports and notoriously low productivity. But official statistics have not helped much to highlight these problems.

"Government statistics show 100% utilisation when a company is operating on one full shift a day," says the chamber's industrial consultant Gad Arlovich. "But each day constitutes three eight-hour shifts — and we intend establishing how many companies really operate on 100% capacity utilisation."

The three-page questionnaires ask for the number of full shifts a day and the amount of overtime worked by each company, as well as the obstacles to utilising the company's production capacity more fully.

The obstacles already revealed include a lack of supervisors, skilled artisans, technicians, catering and emergency staff and unskilled labour. Other "obstacles" the survey is turning up include:

- Transportation problems of employees on late and overnight shifts.
- Trade union objections.
- Reluctance of women to work night shifts.
- Insufficient demand for goods.
- Government regulations.
- Lack of cost-effectiveness, partially due to excessive taxes.
- Security, and
- Lower productivity, careless use of machinery and tools and higher theft rates on night shifts.
By Don Robertson

THE pharmaceutical industry has reacted strongly to a report by the National Productivity Institute (NPI), blaming poor productivity for the rising price of medicine.

The Pharmaceutical Manufacturers Association (PMA) says the report has done an injustice to the industry.

PMA executive director John Tooreen says the news release by the NPI was one-sided because it stressed only negative aspects of the industry.

He says the synopsis to the report mentioned that companies taking part in the survey were well managed and operated at a high level of efficiency.

In the report, the NPI found that poor labour and equipment use and the effects of the State tender system were the main reasons for rising prices of medicine. It was also reported that most manufacturers believe that sales under the State tender system were subsidized by the high price of medicines sold to the individual.

The average price of medicines has risen by 241.6% since 1980 — much higher than the increase in the production price and consumer price indices.

Mr Tooreen says the report claimed that “optimal production productivity in the participating companies is hampered by a number of uncontrollable factors, namely relatively low production volumes, fluctuating demand and rigorous Government control of quality.”

“The future of ethical products, the main product range of most of the participating companies, is influenced by the production of generic medicines. The latter is obviously more attractive to customers because of price considerations, but its therapeutic equivalence is not beyond doubt.”

“The industry practices sound labour policies financially the companies perform well, which is also in the interest of the SA economy.”

Mr Tooreen says it is a pity that these aspects were not highlighted because that would have given a far more balanced view of the industry and would have eliminated unnecessary speculation.

Clive Stanton, managing director of Lennox, a member of the SA Druggists group, says production at his company is well above the average for the industry and that in some cases two and three shifts are worked.

As one of the largest manufacturers of generic drugs in the world, high volumes are essential and in January this year, it was possible to reduce or at least maintain prices of some medicines.
Expert warns on 'productivity'

EDYTH BULBRING

SA INDUSTRY would continue to operate short of its potential until management and unions agreed on the meaning of productivity, says IR consultancy Gillam Brunjes and Associates.

The current definitions of productivity varied and were harmful to labour, management, capital and the country as a whole, said MD Dave Gullam.

Gullam said organised labour thought management's main concern was to keep costs as low as possible to maximise profits. Unions believed management tried to achieve productivity through paying workers the lowest possible increases, lowering wage bills and reducing numbers of employees.

However, a balanced perspective of productivity involved decreasing costs, improving quality, enhanced service, increased market share and growth in the overall business.
‘Increased productivity behind ’88 upswing’

Business Staff

IMPROVED productivity played a major part in the 1988 economic upswing, according to the National Productivity Institute.

Dr Jan Visser, executive director of the institute, said that 75 percent of the growth had been due to increased productivity and only 25 percent to increased inputs of capital and labour.

Growth rates

But the most pleasing aspect of productivity in 1988 was that positive growth rates had been recorded for capital productivity, a performance that had seldom been seen in the past 15 years when capital productivity showed a downward trend, he said.

Most sectors showed increases in labour productivity and employment, resulting in increased production.

The mining sector experienced a decrease in capital productivity. The impact of sanctions, boycotts and strikes was also reflected in a two percent reduction of job opportunities in mining.

“In most cases, the growth in labour productivity led to sharp increases in average wages and salaries,” said Dr Visser.

Neutralised by the increased productivity, and unit labour costs increased at a lower rate than earnings per worker.

“Labour productivity increases thus made a considerable contribution to decreasing the impact of salary and wage increases on inflation,” said Dr Visser.

He said the blame for rising labour costs per unit of production had been unfairly laid at the door of blue collar workers, which was one reason why labour was opposed to talking productivity.

White collar workers were responsible for 60 percent of the increase in unit labour cost in the manufacturing sector from 1984 to 1988.

Costs down

Salary increases for white collar workers often went unnoticed as they were seldom negotiated at industrial council level and rarely led to strikes with the accompanying publicity.

“In the effort to keep costs down, it is not only the blue collar, unionised labourers who must make concessions, but white collar workers must also realise that restraint is necessary and that increased productivity is an effective way of reducing unit labour costs,” said Dr Visser.
Support for Soares' visit

The Star's Foreign News Service

LISBON — The Portuguese, generally ignoring the diplomatic nuances, had followed President Mario Soares's private visit to South Africa to be with his injured son as a painful family drama.

But when Angola stepped in with sharp criticism, the Portuguese media rallied to Mr Soares's defence, accusing Luanda of political manipulation.

"Luanda dares to criticise Soares," the popular Correio da Manha tabloid said on page one yesterday.

"The Angolan media give more importance to political speculation than to the love of a father for his son," it added, echoing a general reaction.

The tempest broke on Monday when Angolan national television and Luanda's daily Jornal da Angola suggested in editorials that Mr Soares's visit came in payment for South Africa's help in saving the life of his only son, Mr Joao Soares, after an air crash on September 28 in Unita-held territory.

The Angolan editorials said there was "no recent memory" of a Western head of state having visited South Africa.

"The whole affair leads one to believe that for services rendered" in saving the life of the President's son, "South African diplomacy reaped good advantage", they said.

In reaction, Lisbon's leading Diario de Noticias quoted unnamed official sources as saying Angola's criticism was "indelicate" and "out of place."

"A private visit without any official character undertaken under such circumstances cannot be considered in any way to be supportive of the South African regime, which Portugal has always condemned," the newspaper said.

It recalled that in speeches made during an official visit to the Netherlands last week, before going to Pretoria, President Soares had denounced apartheid.
Angolan air crash has ivory links claim

LUANDA — The plane carrying Joao Soares, son of Portuguese President Mario Soares, which crashed shortly after take-off from Unitas headquarters on September 26, was carrying ivory, the Africa News Organisation (ANO) said yesterday.

ANO said the ivory consignment on board the plane was confirmed by Portuguese ambassador to the Congo Jose Manuel Duarte, who said an unknown amount of ivory was offered to Soares by Unitas.

However, Portuguese MPs who were in the plane when it crashed, denied Angolan accusations that there was ivory on board.

The Angolan News Agency ANOP said yesterday there was no doubt that Unitas was the mastermind behind the slaughtering of elephants in Angola to finance its war.

About 100,000 elephants had been killed by Unitas in the past 14 years for this purpose, the agency said, citing US government statistics.

"The information, disclosed recently in a meeting of the US government, justifies the preoccupation of various international organisations which accused Unitas of contributing to exterminating elephants," said ANOP.

"Leaders of this group continue to ignore this condemnation as recently proved when they were caught 'tight lipped' with the plane crash at their sanctuary because of excess ivory cargo," ANOP said.

Another Portuguese national, had recently been involved in the smuggling of 960 tusks, alleged ANOP. The haul was discovered in Namibia on September 16.

"It could be affirmed that this is a mafia of devils," stated ANOP.

"The indiscriminate killing of Angolan elephants is an intricate arrangement in which an enemy of the Angolan people will always be found for his own development and well being," said ANOP.

"For the Angolan people, said ANOP, "friends of the devil are devils too."
August revision

To err is human so it is not surprising that, from time to time, mistakes are discovered in official data. However, it is discouraging that policy decisions are made on the basis of information collected, collated and interpreted by official sources. When these prove wrong the consequences are incalculable (as Foreign Minister Pik Botha knows only too well after the interception of fake Umtata messages this month.)

A less dramatic but, in the circumstances, crucial mistake was made in May over monthly supply figures — when growth later proved to have been seriously underestimated. The blame here lay with incorrect entries by a major bank in its returns to the Registrar of Banks and Building Societies.

New Look

Eskom which prematurely included the recently announced increase in electricity tariffs. So the 13% increase in electricity, gas and water, previously announced for August, falls to 0.2%. The effect will still be felt when the increase in the producer price of electricity is implemented in January.

Revised figures show monthly PPI increases of:
- 0.5% in September, compared with 0.7% in August (revised from 1.6%) in all commodities.
- 0.5%, 1.1% (1.9%) in locally produced commodities, and
- 0.7%, 0.7% (unrevised) in imported commodities.

Year-on-year increases in the same periods and categories are:
- 15.1%, 15.4% (16.1%),
- 14.9%, 15% (15.8%), and
- 15.3%, 16.9%

In periods of imported commodities:

Textiles peaked in June, with a monthly rise of 2.3%. An absolute decline of 0.1% in July has been followed by increases below 1%. The year-on-year rate of increase peaked at 19.3% in June and has declined consistently in September was driven chiefly by large monthly increases in:
- Textiles and made-up goods (3.9%),
- Clothing (3.6%),
- "Other" mining and quarrying products (3.9%),
- Fishing (1.9%),
- Agriculture (1.3%),
- Anodised aluminium (12%),
- Ball bearings (3.5%),
- Transformer oil (6.8%),
- Petro-chemical building materials (1.6%), and
- Resilient floor coverings (1.2%)

There were falls in the price of:
- Fresh meat (0.8%); and
- Other agricultural products (1.6%)
TO KEEP up with world standards, more money needed to be invested in research and development (R & D) and re- search equipment infrastructure was crumbling, the CSIR's Foundation for Research and Development found in a recent study.

The report said SA's unchallenged wealth and prosperity were vanishing gradually, and its rich natural endowment and cheap labour were no longer the ingredients of economic prosperity for the country.

Internalised markets and increased investment in R & D by SA's competitors were diminishing SA's competitive edge. The export of primary products could no longer support the economy.

Producers of primary commodities had to produce 40% more in 1986 than in 1900 to buy the same quantity of manufactured goods.

SA's BoP was increasingly strained by high and medium technology deficits. During 1987, the deficit in high and medium technology was nearly R10bn, more than 6% of the GDP.

Productivity, which depended on R & D, had to be improved. In recent years SA's productivity increases averaged a scant 1.1% while countries once in lower levels of development were doing four to six times better, the report said.

Australian researchers were endowed with 50% more funds than South African researchers while Canadians received seven times as much. Only 18% of research equipment at universities could be considered up-to-date.

CSIR president Chris Garbers said yesterday the R & D funding mechanism for universities had as yet not been fully implemented, even though these funds had been increased by around 25% in the past few years.

Universities needed to be maintained as centres of excellence, especially considering government rationalisation of spending which had placed universities under pressure.

The R & D Foundation report added it was not surprising so many scientists left SA for greener pastures. More than 20 000 residents left the country permanently each year, a large proportion of whom took skills abroad.

National Productivity Institute (NPI) director for industries Jan Boer supported the view that not enough was invested in R & D. Industrialists often purchased technology overseas not suited to SA conditions.

Private businesses and government should work together on R & D programs, ensuring a focused program which could be practically applied, said Boer.

Science and engineering were SA's only hope to meet the challenges of international competition, the R & D Foundation report found.
PPI rate increase not alarmingly high — economist

FIONA FOURIE (247)

The annual rate of increase in the PPI was 0.2 percentage points higher in October 1989, at 15.3%, from September's 15.1%, according to CSS figures released yesterday.

The PPI showed a 1.2% monthly increase compared with September 1989. Rand Merchant Bank's Rudolf Gouws said the 1.2% PPI increase was "not as alarmingly high as would appear at first sight" if seen in the perspective of the previous month's "surprisingly low" increase of 0.4%.

He said these monthly statistics tended to be erratic because certain factors were measured in some months and not in others. Also, some commodities such as paper and furniture "all happened to go up at the same time this month".

"The basic trend is a slowing down of the PPI. The annualised rate of increase for the last six months is 17.6% and this has fallen to an annualised rate of 11.6% over the last four months," Gouws said.

CSS said locally produced commodities showed an annual rate of increase of 15.2% for October, 0.3 percentage points higher than the corresponding rate for the previous month.

The price index of imported commodities for October was 0.1 percentage point lower, at 13.2%.

Econometrix economist Tony Twene attributed the basic stability of the PPI to the "relative steadiness" of the rand against sterling, the Deutschemark and the yen during October.

He added that the price of meat in particular and food in general were helping to stabilise the domestic price index.

"These figures correspond with the lull in Consumer Price Index inflation, but Econometrix believes this lull to be temporary and that it will begin to accelerate in December or the first months of the new year."

The CSS accredited the PPI's monthly rise largely to monthly price increases for paper, paper products and printing (6.3%).

Also showing monthly increases were furniture (4.5%), ferrous (3.6%) and non-ferrous (4.6%) basic metals and rubber and plastic products (3.9%).
Increases in producer prices levelling out

By Sven Lunsche

Producer inflation, as measured by annual increases in the Producer Price Index (PPI), stabilised at 15.3 percent during October compared with 15 percent in September.

The rate has maintained levels of around 15 percent in most months this year and economists predict that consumer price inflation, which lags production prices by about six months, will follow the same path next year.

Central Statistical Services figures released yesterday show that on a monthly basis the PPI has risen by 1.2 percent from September to October.

The main pressure on producer prices over the last few months has come from imported products, following the weakness of the rand during the first half of this year.

By the same token, however, the current more stable performance of the rand against the US dollar, will eventually lower the cost of imported goods towards mid-1990.

While the annual price increase of imported goods in October at 15.2 percent was 0.1 percentage points lower than the previous month's 15.3 percent, the monthly increase was a high 1.2 percent and is a pointer towards further increases in the next few months.

The price of locally produced goods is up 15.2 percent in October over the same month in 1988. This is 0.3 percentage points higher on September's 14.9 percent.

The increase in the index of total output of South African industry remained the same as the previous month, at 15.3 percent.

Detailing the various sectors, the Central Statistical Services says the rise in the PPI was due to relatively large increases in paper and paper products, which rose by a monthly 6.3 percent, furniture (4.8 percent), non-ferrous basic metals (3.6 percent) and plastic products (3.3 percent).

The cost of transformer oil rose by 9.4 percent, aluminium sheeting by 13 percent and uncoated sheet metal by 7.1 percent.
A union point of view on productivity was briefly outlined in the latest issue of Work In Progress, in an article on economic policy by Mr Dave Lewis of the Transport and General Workers' Union.

Mr Lewis sees an element of the drive towards privatisation and deregulation from the state as aimed at underpinning unproductive employers by exempting them from collective bargaining agreements.

Collective

He argues that what is required is a collective bargaining structure that enables unions to pitch their demands and settlements at the "ability to pay" of the most successful enterprises in the economy.

Apart from the impact of higher wage levels on effective demand, he says a national high wage policy will impact on productivity.

"A policy that sets wages at the capability of the most successful enterprises will drastically squeeze profit levels in less successful enterprises, either compelling them to raise productivity or forcing them out of business altogether."

Raised

"Either way, productivity levels would be raised, providing the basis for a steady increase in wages and investment," he said.

Such a policy would require supporting institutions able to provide information and financial backing to enable workers to relocate from unproductive enterprises that are forced out of business to those that are capable of paying the agreed wage and institutions for retraining workers to enable them to take up new employment in high productivity enterprises.

Above all, the policy would require highly centralised collective bargaining structures capable of imposing decisions on all enterprises in a given industry.
PRODUCTIVITY has become a dirty word in industry and needs to be replaced by terminology more acceptable to trade unions and their members, says an industrial relations practitioner.

Gillam Brunquele Associates managing director Dave Gillam believes the word is to be discarded because it is become socially unacceptable to millions of workers.

It is identified by many managers as a serious barrier to harmony in the workplace.

"To unions and workers, productivity conjures up images of staff reductions and bigger profits. To management, productivity is found to be a restrictive terminology with debates revolving around semantics instead of the issues which need to be mutually addressed.

Mr Gillam believes that "productivity" is destined for the scrapheap in the same way as the words Binlu and plural were cast aside a few years ago because they were seen as derogatory terms for blacks.

Unions are not necessarily against companies making good profits, as long as profitability brings with it better job security and reward for workers.

"There is a growing belief in the union movement that employers must take on broader responsibility than safeguarding their bottom lines.

"In the 1980s, SA employers will be expected to demonstrate their social responsibility through increasing their involvement in housing, education, training, health and safety.

He believes companies will not be able to say that their responsibility stops when employees clock out at the end of the day. Companies will be expected to take the pain out of the workers' environment, by using profits to create more jobs and improve conditions outside the workplace.

A mutual achievement programme is needed, says Mr Gillam, so that both employers and employees can recognize the real meaning of productivity.

"As it stands, productivity is an unacceptable word and concept that will only raise the hackles of unions and their members. Its use in IR negotiations is likely to be unproductive until its meaning is more mutually acceptable."
PRODUCTIVITY  1990
Optimism of producers is down — BER

Edward West

The manufacturing sector was still buoyant in the fourth quarter of 1989, but expectations for the first quarter of 1990 are less optimistic, says the latest Trade and Commerce survey by the Bureau for Economic Research (BER).

Sales and production were expected to be at lower levels in the first quarter compared with the same period a year ago, and manufacturers' expectations of price increases remained high.

The survey of 873 manufacturers said the manufacturing sector still experienced buoyant conditions with 51% of the respondents expressing their satisfaction with present business conditions.

The results showed 7% of manufacturers planned to increase real investment in machinery and equipment over the next 12 months. This was less than the 11% net polled in the previous survey.

A separate survey conducted by the BER found that local manufacturers intended to comply with higher foreign demand in 1990 by better utilisation of existing production capacity.

Volumes

In reaction to a question on fixed investment during 1989, manufacturers considered investment to reduce costs and in new production techniques to be significant considerations.

However, the cost of credit for the development of overseas markets and investment to increase production capacity for new product creation was not considered significant, the report said.

Sales volumes during the fourth quarter of 1989 were still higher compared with the same period a year ago, but substantially lower sales were forecast during the first quarter of 1990 with a drop in index terms from 119 to 95.

Volumes of new orders received remained on a downward trend and were expected to cross the 100 index neutrality level during the first quarter of 1990. Production volumes were expected to be reduced because of lower demand.

Fewer factory workers were employed in the last quarter of 1989 compared with a year ago. The number of respondents who expected to reduce their workforce during the first quarter decreased in index terms from 62 to 63.

Average hours worked by a factory worker, it was forecast, would decrease. The significance manufacturers placed on reducing costs pointed to investment in automation and capital goods, signalling further curtailment of labour.

The latest lifting of socio/political restrictions by the government impacted positively on manufacturers, BER said.
Unispun set to pour money into productivity

INDUSTRIAL and hand-knitting yarn manufacturer Unispun will maintain a high level of capex in the next few years, say chairman Robert Wachberger and MD Chris Snijman in their annual review.

Their joint report says the aim will be to position the group in the forefront of textile technology and to improve its productivity to make it competitive in an open world market.

"We are of the opinion that it would be imprudent to base the company's future strategies (on) import protection, as world markets are continuing to be freer and the group must be competitive on world standards in order to remain a viable long-term business."

"Although we are fully aware this will limit growth in earnings per share in the short term, we have no doubt it will bear fruit in the medium and long term, resulting in substantially greater earnings on a compound basis."

Wachberger and Snijman say 1996 promises to be a successful year for the group in spite of the economic downturn.
CSS changes base for PPI calculation

The annual rate of increase for the production price index for November 1989 was 15 percent on the 1975 base. However, Central Statistical Service is to change to a 1985 base and on this basis, the annualised rate of increase for November was 12.2 percent.

The difference of 1.8 percent will phased out over the next 12 months, with 0.4 percent effective in the November calculations.

The monthly increase for November on this basis was 14.6 percent compared with 13.3 percent in October.

The annual rate of increase in the index for locally produced commodities declined by 0.9 percent to 14.3 percent while the index for imported commodities decreased by 0.1 percent to 15.1 percent.

The index for total output of South African industry was 1.1 percentage points lower than that of October with an annual rate of increase of 14.2 percent.—Sapa.
PPI down at 14.6% for November

The producer price index (PPI) for November 1989 was 14.6% — 0.7 percentage points lower than the corresponding figure for October (15.3%). Central Statistical Service (CSS) figures showed yesterday.

However, 1985 has been adopted as the new base year. The base year had been 1980 since January 1985. The November figure was based on the index value for November 1985. This was calculated using the 1975 weights and the

Index value for November 1989 calculated using the 1985 weights

Had only the old (1975) weights been used, the increase for November would have been 15%.

Had only the 1985 weights been used it would have been 13.2%.

Producer goods which cost R100 in 1985 now cost R185.6

Economist Michael Bester said yesterday the figures did not reflect any material change.

"No strong conclusions about the cooling of the economy should be drawn from the figures," he said.

The annual rate of increase in locally produced commodities was 14.3% — 0.9 percentage points lower than the corresponding rate for October (15.2%).

The annual rate of increase in imported commodities was 15.1% — 0.1 percentage points lower than for October (15.2%).

Significant monthly increases were recorded for tobacco products (4.7%), agricultural products (2.1%) and coal (2.8%).

More specifically, large monthly increases were recorded for face bricks (4.2%), crushed stone (3.4%), cut and sawn natural stone (7.9%) and clear float glass (8.1%)
INFLATION was unlikely to fall significantly in the short term, but longer-term prospects were promising, economists said yesterday.

TrustBank's Nick Barnardt said positive factors would outweigh the negatives and result in significant inflation reductions by year-end.

"The positive exchange rate in recent months is a great plus and is always an important leading indicator of overall inflation," he said.

This would help offset strong food-prices inflation which would result from a poor agricultural climate and reduced supply, he added.

Barnardt said interest rates were unlikely to rise further and would probably decline later in the year.

"Also, factors like expectations of import surcharge reductions in the next Budget, and lower wage cost increases, indicate an inflation slowdown," he added.

"We expect an annual inflation average of 13.8%, with 12.5% achieved at year-end and further declines next year."

Nedbank's Edward Osborne said a year-on-year inflation rate increase was unlikely in the short term but a downturn was expected in the second half of the year.

"Far too much money has been printed. This means inflation will not fall as much as anticipated," he said.

"The positive currency situation should not be over-emphasised."

"The rand has touched new lows against the Deutschemark and other European currencies in recent weeks. This is hardly an anti-inflationary environment," Jamme said.

Producer price inflation usually leads consumer price inflation by three to four months. The rate of increase for the November Producer Price Index (PPI) was 14.6%, 0.7 percentage points lower than the corresponding rate for October (15.3%).

However, economists said the lower rate of increase should not be seen as a strong indication that the economy was cooling or that inflation was slowing.
Act now, business community told

IT WOULD be "a grave error" for the SA economic community to wait apathetically for government action to improve productivity, says National Productivity Institute (NPI) executive director Jan Visser.

In the institute's latest annual report, Visser says there are "unlimited" opportunities for all managers, workers and consumers to take action to improve productivity.

"There is nothing to stop anybody from adopting a philosophy of 'doing the right thing right the first time'. Nothing prevents a board of directors, a top management team, a labour union or a team of workers accepting higher productivity as their credo for the coming year," he says.

"Some believe they do not have the knowledge and skills to start programmes to improve productivity. "This is a poor excuse higher productivity is nothing but good management, that is, using resources available for producing goods and services productively in the process of meeting customer requirements and demands," Referring to a President's Council report, published last March, on a strategy and action plan to improve productivity, Visser says it "rightly" states that high quality and high productivity are inseparable.

"SA needs a quality movement as desperately as it needs a productivity movement. It will not be possible, for example, to improve our export performance unless we succeed in delivering the right quality products on time and in accordance with previously agreed standards. "Yet total quality management should be practised by every organisation and not only by exporters. Every participant in the economy has a 'client' — some individual or organisation whose performance will be impaired if your performance does not carry the quality stamp."

Visser says SA has been in a period of political and social transition "for a number of years", and this process is building to a climax.

"The outcome will be an enormous anti-climax unless the economy is healthy and sound. Wealth must be created before it can be distributed, and wealth can only be created through productivity. We cannot wait for others to take the initiative — we must all tackle the problem immediately."
Caution over better PPI figures

THE annual rate of increase in the producer price index (PPI) for January was 14.1%, 0.5 percentage points lower than the corresponding rate for December (14.6%).

Central Statistical Service (CSS) figures released yesterday showed PPI for January was 0.9% higher than in December.

The annual rate of increase for locally produced commodities for SA consumption was 14% This was 0.5 percentage points lower than the rate for December (14.5%).

The annual rate of increase for imported commodities was 14.4%, which is 0.2 percentage points lower than the corresponding rate of 14.7% for the previous month.

TrustBank economist Nick Barnardt said the lower rate of increase confirmed views that inflation was on a downward trend. But this was largely dependent on the maintained strength of the rand.

Economist Azar Jammun said the lower rate of increase seemed positive. “However, despite good appearances, I remain sceptical about the extent to which improved PPI figures are the forerunner of a dramatic decline in the inflation rate,” he said.

This was because growth in money supply M2 was higher than at the US and major European nations. Thus, the rand would weaken against world currencies.

The index rose to 188.8. This means it now costs R188.89 to purchase the same producer goods purchased for R100 in 1960.
Is it braking?

Economists' views on whether the decline in PPI's annual rate of increase will be sustained depend on how they see the relative importance of growth in money supply. The year-on-year rate for January was down to 14,1% from December's 14,6%. Over the month the index again rose by 0,9% (as in December and November).

The annual rate of increase in import prices was 14,4% (December 14,7%) and the monthly rate 0,4% (0,3%). The annual increase in local prices was 14% (14,5%) and the monthly rate 1,1% (1%).

Econometrix chief economist Azar Jam- mine is sceptical about a sustained improve-

ment. "PPI is growing more slowly largely because of the rand's recent relative stability. However, with the growth in money supply over the past two years, and large wage increases awarded throughout industry on the basis of this growth, it is likely these increases will be passed on to the consumer."

He is also doubtful about the rand's ability to maintain its strength because money supply growth significantly exceeds that of many other countries. "This will eventually be reflected in a depreciating currency," he says.

Trust Bank economist Nick Barnard is more optimistic. He believes money supply growth is a factor but attaches less direct importance to it than other factors.

He says import price inflation, which nudged 29% in the first half of last year, has been declining steadily. "With the recent strength of the rand it could fall during 1990, possibly to 10% in the next six months."

The effect of excessive money supply growth on the exchange rate is not always the same. "The exchange rate eased much less during 1988-1989 than in 1984-1985."

He points out import surcharges, introduced towards the end of 1988, had an effect in 1989 and contributed to the high PPI early in that year.

The declining PPI will benefit CPI. Barnard says "We expect February's to be 15,4%, with a decline to about 13,5% by mid-year and below 13% by year-end, as long as food prices (which are more heavily weighted in the CPI) do not rise sharply."

CJ Mam contributors to January's PPI rise were electricity, gas and water (10,4%), forestry products (9,1%), paper, paper products and printing (5,1%), footwear (5%) and wood products (4,4%).

Wood, paper and their products and fuel are included quarterly in January, April, July and October. SA pine (14,8%), crushed stone (14,5%) and clear laminated glass (8,8%) recorded big rises. Petrol prices fell at the coast (1,5%) and on the Reef (1,4%) as did transformer oil (4,2%), food and other agricultural products, coal and fresh meat.
Emphasis on education at production conference

IMPROVED productivity, streamlined production techniques and quality management feature strongly at the SA Production and Inventory Control Society's (Sapics) 12th international conference.

Sapics 90 takes place in Durban from June 24 to 27.

Sapics president Dave Tootill said in a statement yesterday SA manufacturing companies had been hard hit by the shortage of qualified production, distribution and inventory specialists.

"Improving productivity through education and the latest methodologies will help to raise what is perceived as one of the lowest productivity levels in the world," Tootill said.
Home building industry needs major surgery, says NPI chief

PRETORIA — The building industry should take a close look at itself and decide where it was heading against the background of an abysmal track record, National Productivity Institute executive director Jan Visser said yesterday.

Speaking at the Home Builders' Conference, Visser said the industry had become known as one of poor workmanship and costly rework.

There were few home builders who could sleep well knowing they were producing relatively defect-free dwellings at minimum cost.

It was vital for management to want to change for the better, he said.

The institute found the biggest single factor hampering productivity was a lack of planning.

On top of the list of structural problems was an inadequate supply of well enough educated and trained workers — from managers down to supervisors.

GERALD REILLY

artisans and workers. The industry had badly neglected training over the years.

One reason for this was the job reservation system which prevented the proper training and development of black building workers.

The effects of this fallacy were now more damaging than the fallacy itself, because few trainees were entering the industry. The number of apprentices declined from 6 444 in 1972 to only 1 212 in 1988 and only 214 at the beginning of 1989.

When it was realised the construction industry employed more than 400 000 people in 1988, and if only 230 qualified people were added to the industry a year, the size of the skilled manpower problem became evident.

The number employed by construction companies and contractors declined from 327 000 in 1988 to 383 000 in 1988.

Earnings of employees increased by 190% while labour productivity declined by almost 5% in the same period.

Capital productivity declined too, by 12%, and total factor productivity by 10%.

Productivity and quality in the building industry were on the wane, but steps could be taken to rectify the situation, Visser said.

What was needed was an industry programme to develop productivity and quality performance. Not only was it necessary for the industry to embark on major manpower development programmes, but it was within the means of everyone.

To effectively meet the challenge of providing quality housing at economic prices, interfacing between government and the private sector was essential.
Drop in March PPI boosts optimism

A SURPRISE plunge of 1.3 percentage points in producer inflation in March to 11.5% fuelled bullish sentiment in the markets as optimism grew that rapid progress is being made in the fight against inflation.

This is the second successive monthly tumble in the annual rate of increase in the producer price index (PPI). February saw a 1.2 percentage point decrease from 14.1% in January to 12.9% in February.

Inflation at the producer level has turned around decisively from a peak of close to 16% in mid-1989.

The inflation developments fuelled bullish sentiment on the capital market, where the yield on the key Eskom Loan 168 shed 10 points to close at 15.63% yesterday.

However, an economist warned an upward correction was likely to follow.

"Not all prices are recorded every month. The low rate of increase between February and March (0.3%) is largely the result of no price movements in a range of domestic categories."

"Some of these have remained static for two months now and could be due for measurement soon."

But on face value, the figures show optimism on inflation is justified — especially the trend on the margin. March saw the fifth successive month-on-month increase of below 1%.

Domestic prices remained virtually static (up 0.1%) while imported commodities reflected the weak rand with a 1.4% rise.

On the domestic side, food prices were down between February and March with

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PPI drop

the red meat price dropping 4.6%.

The developments on food are especially encouraging for the consumer price index, where food has a weighting of 22% in the basket.

The rate of increase in the CPI has also turned around from almost 16% in mid-1989.

Economists have reduced their inflation estimates substantially since the beginning of the year, when the consensus view saw the rate of increase in the CPI at 14% by year-end.

This forecast has now dropped to 13% with further declines likely next year.

Inflation has emerged as the key indicator on interest rates, and Reserve Bank Governor Chris Stals is not expected to cut the Bank rate until there is clear evidence of progress on this front.
WORKING TOWARDS A BIGGER CUT FOR ALL

The need for improved productivity is obvious to anyone concerned by sluggish economic growth, high inflation and the devaluing rand.

Saspa's education vice-president John Burman says the benefits of greater productivity are an enlarged economic pie with a bigger slice for every one.

Expanding the pie can help avoid clashes between groups fighting for pieces of a smaller pie, he says.

In business, productivity improvement leads to more responsive customer service, increased cash flow, improved return on assets and larger profits.

More profits can be used as capital to invest in expanding capacity and creating new jobs, says Burman.

Contributes

Improved productivity contributes to competitiveness in both local and foreign markets.

Steady growth in productivity is the only way SA can solve unemployment, an unstable currency, balance of payments deficits and soaring inflation. It boils down to how well we use our resources — materials, machinery and manpower — to increase the value of our products, he says.

The challenge of improving productivity is closely related to the way companies are managed. The quality of managers, engineers and technicians will make the difference as we enter the '90s, he says.
IDC set to boost productivity

THE Industrial Development Corporation (IDC) is again spreading its wings by offering R360-million to boost productivity in SA.

It follows the successful completion of a 5% loan which brought a flood of applications. In recent months, the IDC has offered the electronics industry R50-million for development and has raised a first tranche of R15-billion of a planned loan from the capital market.

The IDC has also disclosed it is to spend R3.5-billion on grassroots industrial developments in the next five years which could spawn additional capital expenditure of R25-billion.

When completed, these projects could save SA R4.5-billion a year in foreign exchange and create thousands of jobs. The latest scheme involves an offer of R330-million at a

rate of R100-million a year to industrialists able to increase the number of shifts worked in their factories.

The loans, with a minimum application of R150,000, will bear interest at 9% for three years and thereafter at a guaranteed, fixed interest rate. Loans may be repaid over five years, with the first payment due one or two years after the first advance.

The requirements are that the funds be used to add at least one shift of eight hours to the existing operation, lead to increased employment, have economic merit and that they maintain the profitable structure of the company.

Shortage

The project has been tailored for small to medium companies with assets of less than R100-million.

The previous offer of low interest loans closed in December with total withdrawals of R315-million.

Funds for the multi-shift scheme will be used mainly for working capital, although financing of new equipment will also be considered.

Managing director Carol van der Merwe says the finance should be used to employ new staff, fund increased debtors and stocks as well as additional administrators.

He is aware of the shortage of supervisory and skilled staff, but insists that industrialists' approach to increased productivity must change.

Ben Smith, head of the industrial financing division of the IDC, says: "We are adopting a carrot approach. If there is a good response to the issue we could make additional funds available, although not necessarily at 9%.'

The initial call for the promotion of multi-shift work came from the Federated Chamber of Industries (FCI), now part of the SA Chamber of Business.

About 70% of manufacturers work less than two shifts and only 10% work three.

Additional shifts will allow capital equipment to be used more productively, will increase job opportunities, reduce the need for import of new equipment to raise production in the current shift system and allow industrialists to dedicate more production to exports."
The physical volume of manufacturing production for February, seasonally adjusted, rose by 0.5% over that of January, preliminary Central Statistical Service figures show. CSS says increases occurred in 11 of the 27 major manufacturing groups, with the wood products, other chemical products, pottery, machinery and equipment and "other" industries recording the largest growth.
Paper intensity puts brakes on productivity, say experts

MOST institutions are too paper-intensive and could boost efficiency and profits by eliminating "paper cycles", say financial industry players.

* Improved back office efficiency would enable institutions to increase their client focus and boost profits, they say.

"To avoid situations where people and paper run around in circles, institutions must improve productivity by drastically redesigning paper flows," says Andersen Consulting financial industry chief Wendy Lucas-Bull.

And Nedbank executive GM Willie Boshoff agrees, saying:

"carefully planned moves to increase automation and reduce the amount of paper circulating always have positive results".

However, he says rationalisation strategies, including automation, could be disastrous if they are not properly planned.

"New controls must match the sophistication of every new system. A formal basis is vital. Doing things ad hoc creates chaos out of every inter-related system.

"Still, the situation where a document is prepared by one person, checked by another, approved by another, data captured by another and the printout itself checked by someone else, is ridiculous," he adds.

Says Lucas-Bull: "Productivity is improved by cutting redundant links. There is no need to compromise controls. Effective strategies focus on efficiency, management profile and concentrating on core business." Good strategic planning and risk analysis have to be matched by the quick implementation of decisions, she says.

Comparing administration areas to "paper factories", Lucas-Bull says: "They provide good opportunities to implement theories like 'Just in time' which improve efficiency and profit."

Boshoff confirms this but says new techniques are only as good as the people implementing them.

"We are always looking for top people. At this level they are not only motivated by commensurate renumeration but by the challenge. A handful of well paid top people will outperform pure numbers.

Lucas-Bull says: "Employees must focus on adding value at every stage. If value is not added a rationalisation opportunity may exist."

Strict capital adequacy requirements, tough competition and increased market sophistication put increasing pressure on institutions to make optimal use of capital.

"Many are becoming less risk averse and more sensitive to market information," she says. "They are focusing on managing risk properly. This means getting excellent market and competitive information."

International business trends, especially the focus on what is the core business, would become apparent in SA, she says.

"Overseas institutions concentrate on what they do well. They refine operations and, where relevant, rationalise." Lucas-Bull reckons staff prefer these circumstances as career paths are more clearly defined.
Sharp increase in producer inflation

ANDREW GILL

LATEST statistics show that year-on-year producer inflation is unchanged, but month-on-month there has been a sharp increase.

The annual rate of increase in the Producer Price Index (PPI) levelled off in April at 11.5%, the first time since October 1990 the rate has not fallen, Central Statistical Service (CSS) figures show.

But for the first time in six months the month-on-month increase was above 1% — at 1.6% — mainly as a result of locally produced commodities recording the highest month-on-month increase since May 1988 at 2.1%, compared to March's marginal 0.1% increase.

The largest monthly increases were in the coal sector, which shot up 14.5%, and alcoholic and non-alcoholic beverages, which were up 12.3%. Other increases included tobacco (9.3%), ferrous base metals (5.4%) and wood products (5%).

The year-on-year increase of locally produced commodities was 12% compared to March's 11.3%.

Economists said the scenario could have been worse had it not been for actual decline in the imported commodities sector. It fell 0.3% on a month-on-month basis and slowed to an annual 10.1% rate of increase compared to March's 12.5%.

Trust Bank economist Nic Barnardt said the high monthly increase in locally produced commodities was merely a hiccup and the overall trend was still downward.

He said the increase was probably technical after March's minimal increase and...
'High levels of intimidation'

Strike action trebles lost production

NEARLY 1.2-million man-days were lost because of industrial action in the first half of 1990 — almost treble the number for the same period in 1989 (403 804), a recently released labour report said.

Much of the activity was accompanied by unusually high levels of intimidation and violence, said consultants of Levy, Piron and Associates, who compiled the statistics.

They expect that "this large scale mobilisation will not abate in the months ahead, in light of the government's decision regarding amendments to the Labour Relations Act and the possible results of annual wage talks now in full swing".

The consultants warned that this could herald "an unprecedented wave of industrial action which employers would find difficult to counter."

Employer, union and government spokesmen said the significant increase in strikes was due to a combination of heightened worker expectations resulting from recent political changes, and SA's economic problems.

Anglo American chief communications officer James Duncan commented: "Political changes since the beginning of the year, together with economic constraints, have almost certainly led to mixed feelings of expectancy, uncertainty and frustration in most sections of the population. It is probably not wrong to assume that these have contributed to greater levels of industrial disturbances of various kinds."

The report said there had been a dramatic increase in the level of strike action in the public sector. The figure jumped from only 0.4% of the total man-days lost during the first half of 1989 to 46.3% during the first half of 1990.

"Much of the industrial action taking place in schools, hospitals and local municipalities has succeeded in bringing to the public's attention the plight of public sector workers — an area that has been largely overlooked by the union movement until now — as far as their wages and working conditions are concerned," said Levy Piron senior consultant Brian Allen.

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Manpower Commission acting chairman Frans Barker said the increase in public-sector action justified the urgent attention labour was receiving from government.

Although the actions could be tied to political developments, he noted there had been a "worldwide increase in the awareness of public sector workers' rights".

Wages as a trigger factor accounted for the largest percentage of strikes in terms of man-days lost (63.5%), followed by grievances and/or discipline (26%) and dismissals (17%).

The six most active unions with regard to the number of strikes were NUMSA (19.1%), Chemical Workers' Industrial Union (CWIU) at 11.8%, NUM (11%), Printing, Paper, Wood and Allied Workers' Union (6.6%), SA Commercial Catering and Allied Workers' Union (6.6%), and Food and Allied Workers' Union (4.4%).

NUMSA national organiser Bobby Marie said: "We don't necessarily want to go out and start strikes, but they are indicative of our members' frustrations with current wage offers and other issues."

He said the many wild-cat strikes the metal industry had experienced this year reflected the "growing militant attitude of the workers".

Sefisa executive director Brian Angus said while it was understandable that raised expectations from political developments were spilling over into industrial relations, it was worrying that so much wild-cat action had taken place.

"It indicates the unions don't have total control over their members," he said. "A mining industry spokesman said many of the sporadic work stoppages and sit-in protests at mines this year had been caused by "tensions between black and white workers over black workers' perceptions of racial discrimination.""

NUM spokesman Jerry Mayatla confirmed this view, adding that miners were increasingly frustrated by economic factors they had no control over which were given as reasons for "poor wage offers and working conditions".

Saccawu led the field in terms of man-days lost (12.5%), largely due to the protracted OR Tambo strike, followed by FWPWU (10.6%), NUMSA (9.1%), SA Chemical Workers' Union (6.6%), CWIU (4.7%), and Transport and General Workers Union (4.1%).

The report noted that a feature of the strikes at OK stores and the Cape Town municipality was the large-scale demonstrations by workers at the various head offices in an attempt to gain public sympathy and support.

It also said sit-ins were emerging as a feature of industrial action, often forcing employers to evict workers from their premises.
Concern over lack of productivity

THE MULTIPLYING OF LEGISLATED AND DE FACTO HOLIDAYS ON THE POLITICAL CALENDAR IS AN AREA OF CONCERN CITED IN INTERVIEWS IN THE JOHANNESBURG CHAMBER OF COMMERCE AND INDUSTRY PUBLICATION CHAMBER BULLETIN.

National Productivity Institute executive director Jan Visser says although all countries have some kind of holiday, "we have to decide what our priorities are - productivity or holidays. (247)"

"You cannot consume what you have not produced. We already have many companies that cannot recover because of too many strikes and stayaways."

JCCI president Johnny Frankel says "If SA is to achieve the levels of growth, productivity and job creation that will be demanded of it in the future, then what is urgently required is a national work ethic - more hard work and fewer public holidays. Also critical to the development of that work ethic is a free enterprise, market-competitive economy which is not strapped by red tape."

"Deregulate and give all people a chance to have a stake in a prosperous and growing economy. Given that (incentive) they will attach more importance to their endeavours in the workplace."

JCCI GM (industrial) Ken Mason says many industrial undertakings need at least 20 working days a month to break even. "In April they did not have that many working days, and operating losses were unavoidable."

Mason is a proponent of the "movable feast" concept, in which some public holidays are arranged to fall on Mondays, whatever the date of the holiday. Mondays are preferred to Fridays as many commercial sector employees work on Saturdays.

The bulletin says Sacoh places a high priority on rationalising the public holiday situation, which is complicated by the fact that recognised holidays vary according to industrial agreements. Most sensitive are de facto holidays on the political calendar, recognition of which many acknowledge could be part of SA's negotiating process.

Floating casino planned
Clothing study warns of rapid mechanisation

MECHANISATION of SA's clothing and textile industries would accelerate unless labour and management agreed production would not be disrupted by industrial action

This was the finding of a clothing survey conducted by the National Productivity Institute (NPI) into firms which represented 28% of sales turnover and 16% of the workforce.

NPI industries director Jan-Henk Boer said from NPI data collected from companies with a year-end of December 1989, it was clear manufacturers' financial situation had led to less than acceptable updating of technology.

"The trend away from labour-intensive industries is purely a function of the industrial relations climate."

The findings showed that the clothing industry's 1989 profits were dismal and the average return on operating assets before interest and tax was 18% and before tax was 12%, Boer added.

He said this was not healthy considering interest was about 3% of sales.

Ladies manufacturers had a profit margin of 5.7% before interest and tax.

He said the clothing industry found it very difficult to cost, plan and budget garments when it was uncertain whether it could depend on labour.

Consequently, clothing companies would prefer to invest in capital to reduce their dependency on labour.

Conditions in terms of profitability were similar in the textile sector.
Airways deregulation report nearly complete

Findings on several recommendations by the steering committee which investigated the deregulation of the domestic air travel market will be completed within the next few months.

The Domestic Air Transport Policy document, published two weeks ago, said detailed recommendations on how to implement the steering committee’s recommendations should be completed by December “with a view to implementing these on July 1, 1991”. Guidelines for a study of the future of SAA in a deregulated market would be completed by the end of this month with the contract being awarded about mid-September, a Privatisation Unit spokesman said yesterday.

And the investigation into the possible privatisation of the state’s nine airports would be completed within the next two months, a Directorate of Civil Aviation (DCA) spokesman said.

The steering committee’s report said the Department of Transport should preferably not be involved in offering services such as the provision and operation of airports, and airport and air traffic services.

The department’s role should be to set, monitor and enforce safety standards in this regard.

Functions

DCA director Japie Smit said the department was “very, very keen on getting an independent airport authority which could decide on matters concerning airports, like capital expenditure”.

The report also recommended that:

- The National Transportation Committee’s aviation functions should be abolished from July 1991.
- The Air Services Act 1949 should be renamed the International Air Services Act 1949 and be retained for international air services to and from SA.
- A new licensing system, based on safety-related criteria, should be introduced and make provision for the licensing and control of operators.
- A new statutory body, the Air Service Licensing Council, should be established to judge prospective entrants against the entry criteria to ensure they rendered a safe and reliable service.
- Auxiliary services such as the provision and operation of airports, airport services and air traffic services should be rendered on a commercial basis and the principle of user-charging should be applied to ensure users paid for these benefits.

Government accepted all the recommendations but reserved judgment on those affecting the position of SAA in a deregulated domestic market, according to the report.

It would only make its position on these recommendations known once, consultants have put forward proposals on how SAA should operate in a deregulated market.

Hotel industry ‘has management skills shortage’

The SA hotel industry suffered from a lack of management skills, National Productivity Institute (NPI) executive director Jan Visser said yesterday.

In his address to the annual Fedhass congress, Visser said there was a need for solid management development in the industry.

An NPI productivity study of the hotel industry showed that there was an annual labour turnover of about 67% among middle management, 27% of whom left the industry completely.

The study showed many managers were not aware of the extent to which staff were leaving the industry.

Further, management was not focused on industrial relations “A lack of trust existed between management and unions,” he said.

Managers needed to build relationships of trust and to train people properly.

More than 50% of the hotels in the sample had an occupancy rate of less than 60% and barely 23% had an average room occupancy rate higher than 70%, showing a major marketing problem, he said.

Another problem was that some hotels had no idea where they made their money.

In the decade to 1988 the industry’s salaries and wages index had increased from the 1978 base of 100 to 479.7, while the Consumer Price Index had risen from 100 in 1988 to 383.7. Visser said the real standard of living went up.
PRODUCTION capacity growth in the manufacturing industry has remained almost stagnant since 1980, says Augustin Nedbank guide to the economy.

The average growth rate between 1980 and 1986 was 1.17%, with most capital investment used to maintain rather than add to existing production capacity, it said.

High equipment import costs, poor performance in labour and capital productivity, and high inflation rates contributed to the erosion of possible growth.

Capital investment in manufacturing industries declined an average of 4.5% a year during the period, with the small rise since 1983 still well below 1980's levels.

The annual decline in capital investment could be seen in the decrease in the level of fixed capital stock, said the report.

While the beverages industry showed a 5.5% average annual production capacity growth, production capacity in 51% of manufacturing industries remained static or declined.
PPI chalks up sixth successive decline

GRET A STEYN

INFLATION at the producer level chalked up its sixth successive fall — albeit tiny — in June by sliding 0.1 percentage points to 11.2%, Central Statistical Service (CSS) figures show.

After peaking at 15.8% in August last year, the rate of increase in the producer price index (PPI) has been on a continuous downward trend. The slowing of producer inflation has filtered through to consumers with the rate of increase in the consumer price index more than two percentage points down from its peak last year.

Producer inflation has been kept at bay because of the domestic economy slowdown and curbing of imported inflation.

Old Mutual's David Moor said "The latest figures confirm inflation is slowing decisively. It is especially encouraging that producer prices for local commodities rose at such a slow rate in June."

CSS said the rate of increase in the producer prices of local commodities was only 0.8% between May and June this year — a significant slowing down from the previous month's 1.8% and April's 2.1%.

Less encouraging was the rate of increase in producer prices of imported commodities of 1.1% in June from May. But this followed two months of decline in imported producer prices.

Overall, the monthly increase in the PPI was a low 0.4% but it followed high rates in the previous two months. Underlying inflationary pressures picked up again in the second quarter with the increase in the PPI translating to an annualised 12.8%.

Economists said this indicated that though progress was being made there would be resistance before inflation was tamed.
Higher productivity must match wages, unions told

CAPE TOWN — Finance Minister Barend du Plessis lashed out at the trade union movement yesterday, saying its members would be priced out of the job market if high wage demands were maintained without an improvement in productivity.

Addressing a special President's Council debate on future economic policy, Du Plessis said high labour costs posed a significant threat to the corporate sector and reduced its ability to compete internationally.

If the labour costs were not accompanied by higher levels of productivity, and became prohibitive, companies would have to close down or mechanise their operations because workers would have priced themselves out of the market, he said.

But he strongly defended the unions' right to exist after CP President's Councillor Clive Derby-Lewis called for their abolition.

Du Plessis said the unions could not be abolished because every worker had the fundamental right to put his own case.

"If you try to outlaw trade unions you can stop open activities, but you can never outlaw people getting together to state their case. You can put a person in jail or execute them, but you will not kill an idea — the government has experience in this."

Ideologies

With constitutional and economic negotiations looming, Du Plessis said he believed there was every reason to be optimistic about the future. However, both parties would have to separate themselves from their fixed ideologies when it came to defining what they wanted to achieve in the new SA. This would draw them together at the start of negotiations.

If the objectives of maximum domestic and foreign investment, economic growth, job creation, a fair tax policy — to encourage savings and mobilise capital — low inflation and a stable domestic currency could be agreed on at the start of negotiations, there would be a chance of success.

Du Plessis said he was concerned at the breakdown in confidence which was inhibiting both domestic and international investment, and said he hoped that what emerged from the negotiations would open up the flow of investment which was crucial for economic growth.

In response to debate on issues related to wealth redistribution and the degree of state intervention in the economy, Du Plessis said the state could not accept full responsibility for the provision of education, health care and housing.

Unless there was greater participation from the communities which needed these services, the highest standards could not be financed by the other taxpayers. "What we want is a reduction in the public sector and a decentralisation of political and economic power."

Lesley Lambert

12/8/90
Import factor
Since the start of the year, slowing import costs have made a major contribution to decelerating growth of the producer price index (PPI). That may be about to change with the import component of PPI up 1.1% in June compared to actual declines of 1.5% in May and 0.3% in April.

Southern Life chief economist Mike Daly says the turnaround means recent gains from the relatively stable rand and falling oil prices may have run their course — though lower import surcharges have not.

Oil prices will now begin working against SA. Stanlan economist Pieter Calitz estimates that every 10% increase in the oil price will immediately push producer prices up 0.5%, with a further 0.5% within a year, as the hikes filter through the economy.

In addition, even if the rand manages to hold its own against the dollar (which is possible), the currency continues to weaken on a trade-weighted basis, losing ground against sterling, the D-mark and yen. Re-

Down slightly
12-month increase in PPI reported monthly.


Despite higher import costs (weighted at 20% of total PPI) are unlikely to be offset by lower local input prices, despite a rise of only 0.2% in June, lower than the 1.8% in May.

Daly says the decline is probably an aberration: "As long as wage and salary demands remain above the rate of inflation, there is little chance of bringing local producer costs under control."

All that means the PPI is probably about as low as it can go. Says Calitz: "We could see a slight reduction by year-end, to just below 1.5%, but that's bottom I can't see single-digit producer prices."

Daly is even more pessimistic: "PPI could rise again by the fourth quarter, when the effect of import surcharge reductions will begin to wear off."

Though a higher gold price may bolster the rand, Daly points out overall terms of trade have deteriorated for the past year. "That, and the continued inflation differential, will weaken the trade-weighted rand."

Where producer prices go, consumer prices follow, so inflation is not yet under control. As little can be done about the oil price, and unions are unlikely to moderate wage demands, monetary policy will stay tight.

The overall PPI increase for June was a modest 0.4% (0.9% seasonally adjusted) to a year-on-year 11.2%, compared to May's 11.1% (1.2%), or 11.3% year-on-year.
Figures an indictment of lagging SA productivity

**Business Day Reporter**

The latest statistics on productivity show that SA is lagging far behind trading partners in the West and East and is even being outstripped by some of its trading partners in Africa.

Figures released by the National Productivity Institute (NPI) indicate that the growth rate in SA’s Gross Domestic Product (GDP) per capita at -0.9% is trailing far behind that of Japan (3.6%), the UK (3.2%), the US (3.0%), West Germany (2.5%) and Switzerland (2.3%).

Even Malawi, with a negative GDP of -0.2% is ahead of SA. The NPI study covers the 1983 to 1988 period.

Korea at 7.8% and Taiwan at 7.5% are top of the GDP ladder, according to the NPI’s Productivity Focus released at the weekend.

NPI executive director Jan Vesper says SA has at present no chance of reasonable economic growth on the basis of greater domestic consumption.

The only way to remedy these imbalances was to increase production, not only for domestic consumption, but especially for exports.

According to the NPI’s findings one of the most alarming trends in the economy shows that employment in the non-agricultural sectors declined by 0.2% between 1983 and 1988, while the total population increased on average by about 2.4% a year during the same period.

“This means that the SA economy failed abysmally to absorb new entrants into the labour market and that unemployment has become a critical problem.”

“All indications are that this problem can only escalate further since the people who are going to seek employment will into the next century have already been born.”

One of the more serious trends emerging, according to the NPI, is that more and more jobs are being created in the public sector instead of the private sector.

It says 161 400 new jobs were created in the non-agricultural sector between 1983 and 1988. To achieve this, 100 500 more people were employed in the government sector, while 51 900 fewer people were employed in manufacturing.

“This is a cause for concern as manufacturing is the single largest sector in the SA economy and serves as the main engine for growth.”

NPI chairman Sebastian Kleu says “Productivity improvement is now fairly generally accepted as essential for efficient management.”

Some firms, however, still approach the problem in an ad hoc fashion and do not have a comprehensive, consistent productivity programme.

He says some trade unions actively support the productivity movement, but some regard it as a device to increase profits and make the rich richer at the expense of the workers, who have to work harder.

“The latter is devoid of all truth, as productivity improvement is a means of increasing the added value derived from given resources in an operation.”

“It implies more efficient work, rather than harder work. The greater wealth thus created can be shared by all participants in the economic process.”

“The alternative of increasing the workers’ share of national income through bargaining without raising productivity will increase costs and prices, reduce competitiveness and growth, and eventually make everyone worse.”

Kleu, who is also a special adviser to the Reserve Bank, says higher productivity can also contribute to price stability and reduce costs.

Monetary and fiscal stability can in turn stimulate further productivity gains through a more even utilisation of productive capacity and the encouragement of savings and investment.

The NPI will hold its national awards ceremony in Johannesburg tonight. Business Day will publish a survey on productivity tomorrow.
Productivity not keeping pace with wage increases

WAGES and salaries increased by an average of 25 percent per person a year while output has not gone up at all, Manpower Minister Eli Louw said in Johannesburg yesterday.

Speaking at a dinner in honour of national productivity award winners, Louw said South Africans as a nation could not consume more than was produced.

"If we cannot produce more per person, we cannot consume more per person.

"Already we find that we are pricing ourselves out of international markets," he said.

The Government and the private sector must work together to develop training methods.

Louw said he wondered if organised labour, which in the past had used the marketplace as there was no other political forum, would continue along this path.

"Will this approach still be appropriate in the new South Africa where different circumstances will prevail and where everybody will be required to make a maximum contribution to wealth creation?"

He warned against excessive demands within the labour market by "have-nots" and growing labour unrest causing growing unemployment, lack of investment and poor returns on capital.

Sapa
Productivity plan ‘of first importance’

GOVERNMENT action could rapidly and predictably improve productivity in SA more than in any other country in the world, World Conference of Productivity Science president Tor Dahl said yesterday.

Investment in the people of SA would have a higher pay-off than the use of any other resources of the economy, he said.

In his address to the National Productivity Conference organised by the National Productivity Institute in Johannesburg, Dahl said a national productivity strategy was the most important action a country could take to address its political, economic and social priorities.

Reasons for lack of action were beliefs in economic myths and ingrained cultural patterns, he said.

Governments could improve productivity by facilitating changes from a farm economy to an industrial economy to a knowledge economy.

Other measures government could adopt included education, and the provision of research and development funds.

SA had a negative growth rate of 0.9% between 1985 and 1990 compared with the UK’s positive 3.2%.

"This means that the SA population has become poorer in real income by a factor of 4.6% over five years, but it could have enjoyed a 21.7% higher income in 1988 compared to 1982 if it had enjoyed the same growth rate as the UK over those five years.

"What is now obvious is that each nation, each corporation and each individual must identify the most suitable and appropriate set of strategies," Dahl said.

Iscor MD Willem van Wyk said political stability would enable a productive SA to satisfy the needs of its people.

However, this depended on an effective economic model, an improvement in productivity, effective utilisation of investment capital and a reduction in the inflation rate.

"It will then be possible for SA to become sufficiently productive and competitive to participate meaningfully in international trade," he said.

Frustrations

Federation of Salaried Staff Associations of SA president Beks Weidema said management often used productivity as a "shield" in wage negotiations and did not credit better performance with better pay.

"As a result of this, and the tendency of trade unions to use the workplace as an outlet for political frustrations, employees are consistently negatively influenced about productivity," he said.

Business Times editor David Carter said the primary objective of the black, white and business communities was to proceed from the violent present to a democratic and prosperous future.

"The goal of a decent middle class lifestyle for all is a joint goal," he said.

Business Day will publish a special tabloid supplement on productivity tomorrow.
Five firms go gold with NPI awards

EDWIN UNDERWOOD

The National Productivity Institute (NPI) last night awarded gold medals to five SA companies which have made important contributions to the creation and sharing of wealth in SA.

They were Eskom's Koeberg nuclear power station, Rembrandt-controlled Hi & H Mining Timber, Sabax's critical health care manufacturing division, Sappi's Ngodwana nursery and Iscor's Sashen mine.

Ten silver awards were presented to pipe manufacturer Bartons, Rainet's Bloemfontein division, Iscor's Pretoria steelworks, Busaf's sales division, Eskom's distribution and marketing division, Concor Techncrete, the Pennells Group, Transnet's Transnet-Transtel division in northern Natal, Barlows Appliance Company's Kew factory, and the SADF's 61 Base Workshop which repairs and rebuilds all SA army vehicles and equipment.

There were 14 bronze award winners.

Speaking at the awards ceremony last night, Manpower Minster Eli Louw said the political situation had been the main reason for unacceptable economic performance.

Louw said wages and salaries had increased by an average of 23% a person over the last year while output had not improved all.

He warned against excessive demands within the labour market, and growing labour unrest causing rising unemployment, lack of investment and poor returns on capital.

See Page 3
Sentiment turns bullish on PPI fall

Producer Price Index

The producer price index (PPI) fell in July, with a year-on-year decrease of 0.2% as inflation expectations dropped.

Greta Steyn

Central Statistical Service (CSS) figures released yesterday show the PPI fell by 0.4% in the quarter to June. In seasonally adjusted terms, the PPI fell by 0.2% in the quarter to June.

The price index measures how far the price of a basket of goods has fallen from its peak.

Imported goods prices fell by 0.7%, while local prices fell by 0.1%.

Recent research has shown that a number of factors are expected to continue to impact on the economy in the medium term.

Agriculture

Inflation is expected to increase as a result of the high levels of agricultural prices.

The full impact of this increase on the economy is not yet clear, but it is expected to affect the inflation rate in the medium term.
Strong case for decentralisation policy

The National Productivity Director of Industries at CEBP

JANE HENK BEER

The contribution to GDP was 3% in 2010 and for the total
of the national economy, it contributed to 9%.

The contribution to GDP was 1% in 2011 and for the total
of the national economy, it contributed to 9%.

The contribution to GDP was 2% in 2012 and for the total
of the national economy, it contributed to 9%.

The contribution to GDP was 3% in 2013 and for the total
of the national economy, it contributed to 9%.

The contribution to GDP was 4% in 2014 and for the total
of the national economy, it contributed to 9%.

The contribution to GDP was 5% in 2015 and for the total
of the national economy, it contributed to 9%.

The contribution to GDP was 6% in 2016 and for the total
of the national economy, it contributed to 9%.
The reality of productivity

BERNARD JANISCH

The first step toward cutting costs and reducing costs is to recognize that productivity is an important factor in increasing profitability. Companies that focus on productivity and quality can increase their profits significantly. 

1. **Productivity** is the ability to produce goods or services at a high rate of return. 

2. **Productivity growth** is measured by the rate at which the output of a firm grows relative to the input of labor and capital. 

3. **Productivity growth** can be achieved through increases in the efficiency of resources, new technologies, and better management practices. 

4. **Productivity growth** can lead to increased competitiveness and higher profits for companies. 

5. **Productivity growth** can also help to reduce costs and increase the quality of products and services.

6. **Productivity growth** can be achieved through a combination of methods, including: 
   - **Investment in new technologies**
   - **Training and education**
   - **Improved management practices**
   - **Innovation and creativity**

7. **Productivity growth** can have a positive impact on the economy as a whole, as increased productivity leads to increased output and lower costs for businesses and consumers. 

8. **Productivity growth** is crucial for maintaining economic growth and competitiveness in the global market. 

9. **Productivity growth** can be measured using various metrics, including: 
   - **Labor productivity**
   - **Output per hour worked**
   - **Labor cost per unit of output**

10. **Productivity growth** is important for businesses and policymakers to focus on, as it can lead to increased competitiveness and higher profits for companies, as well as increased economic growth and lower costs for consumers. 

11. **Productivity growth** can be hindered by factors such as: 
   - **Lack of investment in new technologies**
   - **Poor management practices**
   - **Inadequate training and education**
   - **Market conditions**

12. **Productivity growth** requires a sustained focus on innovation, education, and good management practices. 

13. **Productivity growth** can be fostered through a combination of methods, including: 
   - **Investment in new technologies**
   - **Training and education**
   - **Improved management practices**
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   - **Investment in new technologies**
   - **Training and education**
   - **Improved management practices**
   - **Innovation and creativity**
JCCI head slams poor growth in productivity

SA manufacturing has shown a dismal growth in productivity, says Johannesburg Chamber of Commerce and Industry (JCCI) president Jenny Frankel.

At a recent Retailing Realities conference on merchandising, she said productivity was a principal determinant of the standard of living.

Job creation has been negative in manufacturing and large in government services, and he said since 1971 government expenditure had rushed ahead of private consumption.

While SA's dismal productivity was due to economic and social factors as well as education, housing and union problems, government consumption has hampered SA's productivity performance.

The increase in the civil service, the enormous rise in the tax burden and the erosion of disposable incomes leading to borrowing had erased productivity.

Privatisation

Pressure for wage increases by the unions was not backed by a corresponding productivity, and SA labour costs outweighed all other countries.

There was scope for improving the structure with the privatisation and deregulation initiatives and commitment to cut back on expenditure.

"It is a pity the privatisation programme has been interrupted," he said.

SA Commercial Catering & Allied Workers' Union national organiser Paul Kube said management bore the responsibility for production levels.

Productivity was not only a question of labour productivity, but also of materials and capital, and statistics showed the productivity of labour moved with the economy.

Pitch 'n Pay industrial relations GM Frans van der Wall said the political situation had contributed most to a drop in productivity, with more than 71% of SA's employees disgruntled.

However, he said companies were also to blame, and would have to pay a living wage before they could hope to negotiate on productivity.
Producer price index inflation edges up

By Damon Gqubule

Producer price index (PPI) inflation, which has been rising since August, rose yet again in October, with the annual rate of change in the index jumping to 12.1 percent from 11.8 percent in September.

The increase, which was somewhat less than some economists had feared, was mainly due to the 16c-a-litre rise in fuel prices (the largest component of the PPI) in September.

Dearer fuel led to a sharp increase in the index for imported commodities.

Imported producer price inflation rose by a year-on-year 11 percent in October, compared with an increase of only 4.4 percent in September.

But it appears domestic inflationary pressures are beginning to decrease.

The annual rate of change in the prices of local commodities for domestic consumption fell to 12.3 percent in October, which is 1.3 percentage points lower than the corresponding annual rate for September of 13.6 percent.

The annual rate of change in the price index of the total output of the SA industrial groups fell to 11.8 percent in October from 13 percent in September.

Bankorp economist Johan Els says producer price inflation could rise to 13 percent when October’s fuel price increase comes into the index.

"Thereafter producer price inflation should start coming down again," he says.

Mr Els, who does not expect any early reduction in interest rates, says the Reserve Bank will be looking more at the consumer price inflation rate, money supply growth and especially the extension of credit to the private sector before making a decision on interest rates.

"The Reserve Bank will want to see the rate of increase in bank credit (now at 15 percent) declining to below the inflation rate and staying there before reducing interest rates."

"I would think the first drop in interest rates will come in March or April next year," he says.
Politics ‘no answer’ to poverty

POVERTY will continue to dominate SA unless labour and management reach practical agreements on how to tackle the problem, the National Productivity Institute says in its annual report.

Political posturing does not help provide food, homes and education, it says.

"The quality of life should be the foremost issue for citizens seriously concerned about the well-being of ordinary people of all creeds and colours. "

"Poor people have a limited appetite for words. The masses are rapidly becoming disillusioned by the spectacle of so much posturing for political advantage while grinding poverty is ignored or exploited.

"The training of unskilled labour must be tackled on a much bigger scale to overcome shortages in the skilled, professional and managerial categories," says the institute.

It adds that it is time for leaders in the economy publicly to declare themselves willing to work together in easing the lot of the poor.

The NPI is willing to offer its services as a broker in serious attempts by trade unions and employers to address poverty.

"The NPI has the expertise to help companies tackle the challenges of the new SA by assisting in identifying problems and providing guidance towards solutions in the production, administrative, financial, human resources, marketing and sales functions," it says.
PRODUCTIVITY

1991
Call to raise productivity to fight inflation problem

By AUDREY D'ANGELO
Business Editor

HIGHER productivity—which must be management-led—and increased exports rather than lower pay increases will help to solve SA's inflation problem, the Minister of Manpower, Eil Louw, told a media conference in Cape Town yesterday.

He said that over the past decade the inflation rate and average pay rises had been more or less the same.

"It is not the increase in wages and salaries per se that contributes to inflation, it is the (low) productivity of labour."

But, he said, costs were not the most important factor in pushing up inflation. Materials, high interest rates and inflationary expectations were all contributory factors.

Stressing the need for the Reserve Bank to control the growth in money supply, he said this had been done in every country where the inflation rate had been brought down.

The disadvantage in this process was that unemployment tended to rise. It was important that the Reserve Bank should not be too drastic in applying this policy, causing too much unemployment.

The minister was speaking after the fourth annual conference of industrial councils at the Holiday Inn in Woodstock.

In his opening speech at the conference, he said there could be "no doubt about the consequences of prolonged unemployment of large numbers of people on mental, social and racial tensions and on attitudes to work and society as a whole."

However, "the government can create only the economic framework and the climate favourable for job creation."

"It primarily remains the function of the private sector to create employment opportunities."

"Growth in job opportunities, in the final analysis, depends on the rate of economic growth in the country. SA's economic momentum for the future will have to come mainly from exporting manufactured goods."

"Exports and excellence in general depend on our level of productivity which, in turn, must be management-led."

"For a firm or an industry to become more competitive through productivity, management must be trained in productivity concepts and techniques."

"They must know how to measure productivity, how to set productivity targets in co-operation with the workers, suitable training and how to develop teams of excellence in which management and workers jointly work towards a successful goal."

The minister pointed out that if more wealth had been created through higher productivity it should be shared in three ways.

"The owners of capital should get a share in the form of greater profits, the customer should get a share in the form of lower prices and the worker should get a share in the form of higher wages."

The minister said it was not only management who needed training to achieve higher productivity. "Workers must also be taught to have the right attitude to work, productivity and wealth creation for us to succeed."

By AUDREY D'ANGELO
Business Editor
Doubt cast on growth in farming productivity

By Sven Lunsche

It is doubtful whether farmers will be able to maintain the past five years' growth in productivity, Volkskas says in its Economic Spotlight.

The bank says it is essential that productivity be increased in order to improve profitability of the farming sector. In an analysis of the sector, economists at Volkskas say productivity increases over the last five years took place from a relatively low base.

In addition, capital goods, especially machinery, will have to be replaced and will further slow productivity gains.

The commercial agricultural industry has only been able to exploit capital more effectively since 1984, Volkskas says, whereas labour productivity has recorded good growth over the past 30 years.

Despite this trend, the practice of replacing labour with capital came to a halt in 1985, which was a reflection of the relative cost of various production factors.

Volkskas says it is essential for farmers to raise the productivity of their capital.

It says there is a direct link between the profitability of farms and land prices.

Producer prices for grain and meat began dropping in 1989, and there were indications that land prices, which were still climbing in 1988, had since begun to decline, Volkskas says.

It seems, too, that the role of inflation hedging as a determinant of raising land prices has diminished, which could place increasing pressure on management capabilities and creditworthiness of farmers and prejudice their credit rating.

The debt burden had already risen by R800 million to R4.6 billion in the 1998/99 agricultural season which, in terms of a debt-to-asset ratio of 96.7 percent, was not too excessive, Volkskas says.

However, the short-term component of this debt swelled from 35 percent 15 years ago to 55.3 percent last year, which has been one of the primary causes of farmers' liquidity problems over the last few years.

The higher debt burden is exacerbated by the high level of interest rates in real terms. A one percentage point rise in prime rate lifts the total agricultural burden by an annual R40 million.

Rate hikes over the last three years have added about R2.2 billion per annum to the industry's interest charges.

'This has not only threatened interest rate subsidies intended to stabilise the cash-flow positions of farmers with high debt burdens, but has also intensified the overall financial risk in agriculture,' Volkskas says.
Search for Japan's Miracle Formula
Companies lose millions in bad sales planning

POOR sales-force productivity costs South African companies millions of rands, says Dr Johan Smuts, director of productivity promotion at the National Productivity Institute in Pretoria.

Information gathered by the NPI shows that South African sales representatives on average spend only 27% of their time with customers and about 20% of their time travelling.

Of the time spent with customers, 60% is spent with low potential customers and 53% of salesmen’s time is spent on office tasks not directly related to promoting their products, such as handling inquiries on production, quality, debtors and delivery time.

Dr Smuts says low productivity levels, leading to inadequate sales performance, are almost without exception the result of poor quality sales management.

“The NPI is finding that this year companies are showing a keen interest in investing in sales productivity improvement programmes,” says Dr Smuts.

“No longer can they afford a high-cost sales force that does not deliver profitable sales.”

Various customer opinion surveys conducted by the NPI show that sales staff need more guidance from their companies with regard to product knowledge, call objectives, frequent calls in accordance with customer requirements, more technical knowledge and more empathy towards the customer.

Companies with an effective sales management system find that sales staff are not only motivated to top performance, but also enjoy greater job satisfaction.”
Rise in consumption spending continues

By Michael Morris

Production levels in mining, agriculture and manufacturing fell last year, but the service industry showed moderate growth, according to the Budget review.

Private consumption spending continued to rise during the present downphase of the business cycle, but real gross domestic expenditure fell by about three percent in 1989, against the one percent drop in 1989.

Real government consumption expenditure in 1990 was about one percent higher than in 1989, though the rate of increase was both considerably less than the 3.5 percent of 1989 and the lowest growth rate for the past 12 years.

The review, by the director general of the Department of Finance, Gerard Croser, says although the economy has been in a downward phase of the business cycle since March 1989, real gross domestic product (GDP) rose by two percent in 1989.

"The relatively favourable conditions throughout the greater part of the year were attributable mainly to good harvests and a continued sharp increase in the volume of exports",

Poor harvest

But from the fourth quarter of 1989, there was a noticeable change as a result of a poor wheat harvest and decline in mining production.

The resultant fall in the GDP continued through 1990.

For 1990 the negative growth in real GDP is now estimated at slightly less than one percent. Real GDP per capita fell by about three percent in 1990 after having been unchanged in 1989.

After a new high for the 1980s in the third quarter of 1989, real agricultural production then fell continuously.

In the mining sector the fall of one percent in the value added in 1989 was followed by a further 1.5 percent in 1990.

Real value added in the secondary sectors, which had risen by 1.5 percent in 1989, fell by 1.5 percent last year.
Productivity is crucial, says Louw

By SHARON SOROUR
Labour Reporter

MINISTER of Manpower Mr Ehi Louw has warned that unless drastically low productivity levels improve, South Africa will have no hope of competing in world markets when sanctions are lifted.

This blunt warning in an interview with The Argus follows the dire predictions of Reserve Bank governor Dr Chris Stals that South Africa will be un-governable by 1985 if the country's poor economic growth continues.

Underlining deep concerns that high production costs and low productivity were pricing this country out of the international market and eroding investor confidence, Mr Louw appealed to employers and unions to work together to achieve the economic growth that would reward all sectors.

Greater potential

While the European Community's decision this week to end sanctions against iron, steel and Krugerrands cleared the way for open trading with the 12 EC countries, business observers did not expect the move to have an immediate effect on trade levels.

Against the background of greater export potential, Mr Louw warned that South Africa would have to improve its production performance if the country hoped to compete with the rest of the world and create new job opportunities.

Last week, Dr Stals singled out social unrest, industrial action and the political uncertainties that were inhibiting business confidence as some of the main economically crippling factors.

Mr Louw pointed to a recent survey of labour productivity in the manufacturing sector between 1975 and 1989 that showed South Africa fared the worst of the six countries reviewed.

Korea's productivity was the highest, followed by Japan, Germany, the United Kingdom, the United States and lastly, South Africa.

In contrast, Mr Louw said, the unit cost of production in South Africa was "by far the highest" of the six countries.

He said "We are poor competitors in foreign trade as far as manufacturing is concerned..." Trade union leaders say that labour is exploited while employers complain that productivity is very low.

"Both parties have to come together, and even bring in outside expertise, to find out where the truth lies."

Complex reasons

Mr Louw said the reasons for South Africa's poor performance were complex, involving training, motivation of the work force, the type of industry and whether the country had an export advantage in that particular industry or not.

While certain issues in labour relations were having a "bad effect" on the economy, Mr Louw believed the historic Labour Relations Amendment Act made "meaningful negotiation possible" and could lead to "economic realism" among both employers and unions.

"The department is trying to find a way to develop the economy so that people can earn a decent living, but in a way that does not kill the economy. There is a delicate balance to be reached," Mr Louw said.
Production volumes decline

By Sven Lunsche

Manufacturing production volumes continue to decline in the wake of the slowdown in economic demand.

Figures released by the Central Statistical Services show a decline in the index of the volume of manufacturing production of 2.9 percent for February 1991 compared with the same month last year. For the past three months the index has fallen by 0.4 percent compared with the preceding three months from September to November 1990.

The manufacturing sector has been hard hit by the slowdown in consumer demand and the subsequent de-stocking that has taken place in most sectors of the retail industry.

The seasonally adjusted Gross Domestic Product for the manufacturing sector fell by three percent in the first quarter of this year and many economists do not expect a significant improvement over the next few months.

Inventory investment was negative throughout last year and the decline accelerated in the fourth quarter as a result of a further drawdown of industrial and commercial inventories.

Altogether, there was a net de-stocking in real inventories of R3 billion last year. Economists had estimated that such a low level of stock could not be maintained and the subsequent re-stocking would lead to a rise in orders from the manufacturing sector.

However, the extent of the fall in consumer demand has put paid to hopes of such a recovery.

The Bureau for Economic Research at Stellenbosch University has estimated that private consumption expenditure on durable goods will fall by 3.3 percent this year, while demand for semi-durable goods is forecast to rise by a moderate 0.3 percent.

Similarly, motor manufacturers predict a three percent fall in demand for new cars this year.

Providing a breakdown of the volume of production in sub-sectors of the manufacturing industry, the Central Statistical Services figures show that large decreases were recorded by the textile and footwear industry, iron and steel basic products, machinery and equipment and electrical machinery industries.
THE SNIFF OF DEATH... Desperate poverty is often the cause of drug abuse among youths.  • Pic: EVANS MBOWEN!

'Poverty causes drug abuse'

By SOPHIE TEMA  30/6/91

THE best way to fight drug abuse is to create better living conditions, says Deputy Planning Minister Andre Fourie.

Speaking to social welfare leaders at the international day against alcohol and drug abuse called by the United Nations, Fourie said the lack of proper health facilities for blacks had aggravated the drug problem.

Phoenix house director Dr S de Miranda said the massive increase in alcohol and drug abuse in black communities had not seen a parallel increase in facilities.

He said drug abuse among young children is most common in poorer communities.

"Research carried out in Soweto showed that children involved with drugs came from very poor homes and were suffering from malnutrition."

De Miranda called on the government to improve the entire health services network rather than waste money building more clinics.

"Because of the poor economic climate, many blacks got involved in illicit drug trafficking. Their luxury cars, expensive clothes and big cigars attract young people," he said.
Manufacturing industry plunges into recession

THE manufacturing industry slid deeper into recession in March with production volumes down 5.2% year-on-year, according to preliminary figures released yesterday by the Central Statistical Service (CSS).

Manufacturing production had been in a shallow downward trend since the recession began in the first half of 1993, but the latest figures show a steepening fall.

The manufacturing production index fell to 106.6 (1985 = 100) in March from 111.5 last year.

Production of durable and semidurable goods has been particularly hard hit by recessionary conditions in the industry.

The industries contributing to the slump in March were beverages (down 6.4% year-on-year), clothing (-5.3%), paper (-4.8%), other chemical products (-2.3%), machinery and equipment (-3.0%) and motor vehicles (-1.7%).

The figures followed recent concern expressed by Socab and economists about the poor performance of the manufacturing industry, which is considered to be the growth engine in the development of the SA economy.

Socab, in its recently published Industrial Policy document, said industry’s contribution to growth had declined steadily during the 1980s and remained significantly lower than in most developed and newly industrialising countries.

The manufacturing industry as a whole contracted by 0.3% a year between 1981 and 1989, said NetBank chief economist Edward Osborn in his latest Guide to the Economy.

Osborn pinpointed several problems behind the poor performance of the industry during the decade:

- The cutback in fixed investment and capital formation in the manufacturing industry during the 1980s had a severe impact on the industry.

- "SA has inflicted greater damage on itself through curbing of capital formation activities than international sanctions," he said.

Socab says fixed investment in the manufacturing industry has been insufficient to meet capital replacement needs. This is reflected in the declining trend in the level of fixed capital stock during the 1980s.

The share of investment in the manufacturing sector in total fixed investment declined to 18% from 26% between 1980 and 1989.

Manufacturing production stagnated during the 1980s despite high growth in domestic consumption and demand Osborn said increases in consumption demand had been met by imports instead of local production.

Analysis showed only 16.7% of local production had been stimulated by the rise in domestic consumption over the period.

The analysis also indicated that, apart from a few exceptions, SA manufacturing was not export-oriented — a mere 7.0% of the industry produced goods for export.
THE LOW-GROWTH TRAP

An important constraint on the economy’s capacity to generate sustained growth is poor capital productivity. An analysis by the SA Chamber of Business (Sacob) shows that capital productivity in manufacturing is about 60% of the level of OECD countries. Total productivity is only 41.3% of that in the average OECD country (see table).

Not only are these figures alarming in themselves, they become far more so in relation to the poor performance of gross domestic fixed investment (see Leaders). Reserve Bank Quarterly Bulletin figures show that capital stock rose only 13% in real terms in the seven years to end-1990, to R400.4bn.

Because it’s hard to get directly comparable data, Sacob made what it calls a “reasonable comparison” with a group of OECD countries, weighted by the relative size of their GDPs. Values for SA in 1998 were compared with 1986 values of OECD countries, because capacity utilisation and the stage of the economic cycle have a significant impact on the productivity of capital stock. “It was felt that these two years were a reasonable basis for comparison.”

SA figures, however, may be inflated in two ways: Firstly, due to the reduced level of investment in fixed assets in recent years, the capital stock is relatively low compared to countries where investment levels have been maintained or even increased. Secondly, due to the high cost of capital, many industries which can service this high cost of capital have been established, thus causing a relatively high added-value ratio.

A better assessment of productivity would be the ratio of net total output to total capital employed. But as figures for working capital are not available, this can’t be calculated.

Sacob points out that all major sectors showed productivity declines between 1970-1989 - at an average annual 2.2%.

While most countries experienced falling capital productivity over this period, SA’s performance was the third worst of those analysed. The low level and negative growth of productivity results in “inefficient use of what is a scarce resource.”

The major casualty has been manufactur-

According to the Quarterly Bulletin, in constant 1985 rand, capital expenditure in this sector fell from R6.8bn in 1983 to R6.87bn in 1987. After a marginal increase in 1987, it surged by 21.1% in 1988, 24% in 1989 and 23% in 1990. But this was not due to any happy revival of animal spirits, asgic capital stock had to be replaced.

And despite the additional spending, the level of capital stock rose only 1.3% in 1989 and 3.2% in 1990 to its present R47.2bn (in constant 1985 rand) - lower than in 1983.

Moreover, a massive portion of the increase represents capex in Mossas and is not the result of market investment decisions.

Sacob says this lack of performance probably made a considerable contribution to the lack of performance in the economy as a whole - particularly since 1980 when the gold price peaked and the rand value started decreasing rapidly. Investment in the manufacturing sector declined such that the volume of output remained static and the productive capacity decreased.

As the rate at which capital stock is replaced declines, productive capacity falls. High costs of inputs - capital, labour and intermediates - place the manufacturing sector at a competitive international disadvantage. If SA is to regain some of its lost market share in world markets and get manufacturing back on a growth curve, these factors will have to be addressed, Sacob says.

FIRST NATIONAL BANK

WRONG NUMBER

FNB has given bondholders headaches by extending account numbers from 11 to 13 digits. Debt orders to the new account numbers were rejected by the bank’s electronic clearing systems as invalid. Clients have now been told to use their old numbers and bank staff are transferring the funds manually.

The new numbers are part of the development of the Hogan computer system, which has caused problems during its implementation over the past five years.

The trouble is that the Automated Clearing Bureau (ACB), which co-ordinates payments between the banks, cannot cope with 13-digit numbers. FCB is owned by the banks and operates on agreed international standards (a maximum of 11 digits).

Hogan puts the customer account record at the heart of the system, giving access to a full customer profile at the touch of a few buttons.

This enables the bank to identify clients’ needs and gives it a marketing edge. Any increase in ACB’s account number field to accommodate FNB would have serious implications for other users, which include large insurers and other banks. Software, perhaps even hardware, would have to be changed, costs could be high.

Why didn’t FNB anticipate these difficulties? Senior manager Brian Giffillan says FNB asked ACB to amend its account number field. ACB couldn’t, and another method will be introduced this weekend. This will allow banks and insurance companies to truncate FNB’s numbers, ACB will then expand them in its own system.

INSURANCE

LLOYD’S AGAIN

Private haulers are working towards a form of pool insurance - their riposte to an increased crime rate and across-the-board rates in insurance costs.

Through Holsen Insurance Brokers, the National Association of Private Transport Operators (Napto) has introduced NaptoSure, providing wide cover, typically at lower rates than operators can negotiate for themselves. There is a safeguard against the usual weakness of such schemes - that efficient
SA pay rises outstrip productivity

By SHARON SOROUR
Labour Reporter

WAGE increases in South Africa far outstripped increases in labour productivity, according to industrial relations expert Mr Larry Palk.

Productivity was a major problem, especially in manufacturing, which was much lower than current and future world trading partners, he told delegates at a labour seminar in Cape Town.

"Calls by government and major institutions over the last 10 years for an improvement in productivity had fallen on deaf ears. However, there is no doubt that over the last 12 months, and particularly at the moment, there is more focus on low productivity than there has been for the last 10 to 15 years," Mr Palk said.

Productivity in the business environment was becoming increasingly important because political changes would lead South Africa back into world markets.

"The ability to compete on world markets will become a major issue," Mr Palk said.

The export of manufactured goods from South Africa was vital.

"Khaki" Roberts, whose oul
tie-swagging antics in court working class than to you or me."
Low output keeps SA back

MONEY TALK

ONE of the most depressing problems South Africa faces on world markets is that our goods are no longer really competitively priced.

The reason is our high inflation rate, which economists say is the direct result of low productivity.

It is demoralising to look at worker productivity which has been declining for years with no sign of reverse.

In other words, the world will continue buying the products of Taiwan, Korea, Western Europe, Japan and the US because they offer better value for money.

The reasons for our declining productivity include lack of investment in modern technology, lack of training and motivation of workers, illegal strikes, stayaways, unrest and mediocre management. But most demoralising is the confrontational attitude of both management and the trade unions.

Endless debates between the two parties have solved nothing. Instead of co-operating they have been blaming each other for lack of progress.

But during the past week a breakthrough was announced. A new agreement between Anglo American gold producer Ergo and the National Union of Mineworkers has been worked out in a spirit of cooperation which could change the face of negotiations.

The agreement provides for a mere five percent general wage increase, but bonuses tied to productivity can be as much as 15 percent, depending on company profits and the performance of employees.

There is speculation that the agreement can form the basis of this year's agreement between the NUM and gold producers who are members of the Chamber of Mines. That would indeed be a breakthrough.
A chance for Third World countries

IT'S WIDELY held that the force behind economic growth is increased national productivity. It's also been shown that such productivity increases are affected by investment in, and successful adoption of, modern technological methods in all segments of an economy, says Punchline Columbia Training Group Jacques Kabatznik.

Third World countries have battled for the growth found in developed countries, but she says changes have come with the knowledge revolution and the advent of the PC. Successful use of computer technology and new technological infrastructure can instantly place previously backward countries at the forefront of economic activities.

"There are huge installations set up to process paper work, transactions and other functions of the service-based sector," she says. "Many organisations are moving these processing operations out of metropolitan areas into areas where labour is less expensive, yet educationally on a par with urban workforces."

"This is one area of opportunity for less developed nations."

Allows

"Communications technology allows these operations to take place anywhere in the world."

"There is thus no reason why less developed countries can't attract a share of this market," she says. "But for Third World countries to take advantage of the computer revolution, the knowledge and education component of the transfer of technology must take centre stage."

"All areas of computer literacy must be emphasised — from rudimentary keyboard skills to applications training and sophisticated programming."

"This is a new educational challenge."

"The developing nations have a rare opportunity to compete on a level playing field."

"A chance for Third World countries"
GRAHAM BELL

1876-1914

can curb inflation

wage dears

inked

PRESIDENTIAL CONFERENCE

CENSUS REPORT
Office workers waste 50 percent of day.
Retrenchment — its effect on staff and productivity

The economy is in the doldrums and many organisations are faced with shrinking markets, increasing competition, escalating inflation and costs, a weak rand and expensive financing.

To survive they can reduce dividends, reserves and overheads, and where possible, increase prices. But to remain competitive they need to increase throughput (not total output) and contain or reduce inventories and operating expenditure.

Items such as advertising, training, travel, entertainment and stationery are all subject to pruning, but almost inevitably the real discussions are about the necessity of retrenching staff to survive.

Often the instruction goes out that current staff levels must be reduced by say 10 percent across the board. Section managers must submit lists of those whose services can be dispensed with, usually starting from the bottom up. From experience we know that such actions are disruptive, and worst of all, that within months higher costs start creeping back, regardless of statements that this will not be allowed to happen.

It is worthwhile looking first at some of the causes of excessive labour costs:

- Above average salaries and wages that have crept in over the years.
- Under-utilisation of labour resources.
- Inefficient labour performance due to poor systems, methods or technology.
- Organisational structures which are either over-centralised or over-decentralised.
- A devotion to sacred cows and traditional activities which contribute little to what should really be achieved.
- Too many levels of management and too-narrow spans of control.
- Inefficient, poorly trained or uncommitted supervisors and managers.

But assuming for the moment that there is no other way out of this quagmire, what are some of the dangers of moving straight into reactive cost cutting through staff reductions, without even looking at the effect on the overall productivity of the organisation?

Some of the more important dangers of staff reduction which management needs to be aware of are:

- Poor morale and the resulting suspicion and in-fighting, a lack of commitment to improvement schemes, fear amongst those remaining that their turn will come, "cooking" reports to keep bad news from management (just at a time when it is critical that they be aware of what is going on in every area).
- Losing the best workers, who can move more easily, and being left with the mediocre ones.
- Weakening the skills base generally and particularly in those areas which may be required when the economy improves.
- Actually reducing productivity, service levels and quality.

So we see that the mere announcement that "management has decided with regret to reduce staff by 10 percent" can hold the risks for an organisation. What is required is systematic, pragmatic planning for survival and not sweeping, knee-jerk reactions and near panic percentage-based retrenchments.

In fact, if management makes an operations level appraisal of the organisation and sets a framework of criteria for identifying where improvements leading to increased competitiveness can be made, it may be a golden opportunity to upgrade the productivity of the firm.
Share analysis and accurate forecasting — 5

Assessing margins and productivity

A 10-part series by Jacques Magliolo on methods used by JSE analysts to predict company performance.

In this final section on fundamentals, changes in profit margins are investigated and other factors affecting final company profits are described.

Before assessing changes in margins, the following basic definition and explanation should be reviewed.

- Margins effectively indicate whether the company is operating at a high or low productivity level.
- To calculate margins, operating profit is taken as a percentage of turnover.

There are many factors which can seriously affect productivity and can often be assessed only after a “factory tour”.

To prepare for the excursion, the analyst carefully looks at the company’s value added statement, which enables him to determine three fundamentally important issues:

First, this shows historic dividend and interest payments. If interest payments have been rising rapidly and thus trend is not expected to abate, it could leave less capital available for future expansion and to strengthen reserves.

Secondly, it shows the amount of funds used for maintaining and expanding operations. The latter figure enables the analyst to ascertain changing company policy — for example, there may be a move away from being labour intensive.

Thirdly, and more important, the high cost of employee remuneration is shown. In the past two years there has been a major move towards reducing the wage burden through mechanisation.

**Labour disputes**

Another reason for aiming at becoming more capital intensive is to offset the negative effects on productivity and sales of prolonged labour disputes, strikes, go-slow and stayaways.

A walk through the factory floor enables the analyst to inspect personally how smoothly factory operations are carried out, whether any serious problems exist and how new the machinery is.

Before making his final forecast on profit margins and, thus, future operating profit, it is essential for him to look at the effects of possible future consumer boycotts, international sanctions, government interference through tariffs and duties and the availability of raw materials resulting from scarcity or monopolistic control.

Once all these factors have been assimilated, a decision on profit margins is made using the following formula:

\[ \text{Attributable profit} = \frac{\text{Operating profit}}{\text{Sales}} \times 100 \]

These attributable profits enable the analyst to calculate earnings per share (EPS), by dividing this amount by the number of shares in issue, which can also be assessed from press cuttings and discussions with the directors.

**Dividends per share (DPS)**

Once EPS has been calculated, this figure can be worked out by reviewing the company’s dividend policy and historic dividend cover (EPS divided by DPS).

If the cover remains constant over a number of years, it is highly probable that this policy will remain in force.

Part 6 on Monday will deal with ratio analysis and cash flow projections, which are used to determine company strengths and weaknesses, such as solvency, liquidity and financial leverage.
Rates remain high to fight unemployment

SOUTH AFRICA needs positive real interest rates — or higher than inflation — to fight growing unemployment.

This, as well as fighting inflation, was achieved by Reserve Bank governor Chris Stals this week as a reason for keeping rates at present levels.

Stals put his finger on what has become one of South Africa’s intractable problems in his address to the Bank’s annual conference.

Realistic interest rates, and Stals, are needed for a proper allocation of resources. They will, among other things, lead to capital being used more productively and to production being restructured to allow growing unemployment.

The Reserve Bank’s annual report, released this week, points to South Africa’s worrisome displacement of workers by capital over the last two decades, especially in the private sector.

Indeed, the Monetary Policy Committee has reduced income transfer which underpin the poor performance of output.

The NPI’s productivity measures show that capital productivity last year declined by 1.2 percent, and labour productivity more or less stabilized with a 0.1 percent decline. Multi-factor productivity — the broad measure — showed a 0.9 percent decline.

Increasing use of capital in the private sector is prompted by the Reserve Bank. Its annual report says the "capital-labour" ratio, which shows the substitution of capital for labour, has increased in the public sector.

Various causes are mentioned for the phenomenon of buying machines instead of employing people. In particular, "relative factor prices" were distorted.

Low and often negative (lower than inflation) interest rates meant the cost of capital in the early and mid-1980s and during the Seventies was relatively low.

The average exchange rate of the rand, especially in the early 1980s, was unusually high. Revalued Rand policies protected local industries against foreign competition. There were a number of tax allowances designed to encourage capital expansion in manufacturing.

At the same time labour became more expensive, real "wages" showed a steady upward trend because wage settlements generally failed to adequately reflect the relative abundance of high-skilled labour.

"Unemployment, political actions in the trade unions movement, protective services, strikes and unrest added to the non-wage cost of labour."

"The annual report also comments that it is not surprising that there was a considerable net loss of labour to capital in the high rate of increase in average normal salaries and wages in the non-agricultural economy, the report says the South Africa labour market has become increasingly distorted.

"In contrast to most industrial countries, which have been able to contain wage increases within reasonable limits by decentralizing the determination of salary and wage increases. The wage negotiating process in South Africa has become more and more centralised, leading to unprecedentedly high wage settlements.

"Labour unions have mainly been concerned with broader social and political issues which are not always worked-out and often aimed at neutralizing short-term benefits for the unions' members, but disregarded the long-term effects of such actions on labour and unemployment.

"Attempts to close wage differentials based on race and sex also did not take underlying supply and demand conditions into consideration."

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Boom in black credit demand

by MUSIKA VUNGA

Credit use by blacks is on the increase and it is expected to increase in line with the increase in sales. But the rise in sales is not keeping pace with the rise in credit demand.

The increase in credit demand by blacks is a result of the growth of credit that we have been offering to clothing and furniture retailers. Long warranties are "very popular" and the next two years will see a big increase in credit as retailers begin to capture this market.

At the start of the black credit boom in the early 1980s, retailers often asked for credit warranties. The main issues that were raised were the high cost of inventory. The credit risk for the banks have now increased to the point that credit has been available to only a small number of people.

The long warranties are also a result of the growth in credit that we have been offering to clothing and furniture retailers. The credit risk for the banks has now increased to the point that credit has been available to only a small number of people.

However, it looks as though credit is a myth that needs to be dispelled. "For the time being, it is much better to keep the black market alive."

"The black market is very efficient and it is much better to keep it alive," he says.

"Allowing the black market to die would be a disaster. Basically, the black market could quickly become a much more efficient way of doing business, but it also needs to be kept in check."

"The black market is very efficient and it is much better to keep it alive," he says.

"It is much better to keep it alive," he says.
Advice

Understand your marketplace and customers

Meet the market needs

NP's focus changes to

Range of training

Individual worker

Andragogy is more than

The coming years

To curtail shop

To wealth creation

National must

J47

National Productivity Institute Awards
(Our involvement with them did the trick!)

IN THE PAST YEAR, INCREASED PRODUCTIVITY AND PROFITABILITY DRAMATICALLY INCREASED SOUTH AFRICAN COMPANIES AT LEAST 184 ECONOMIC DOWNTURN.

OUTLOOKS

Our Mission

The purpose of this document is to...
 Mondial methode open

Port's capacity is
increased by 133%

Economizing Sun

Good Speaker

Improvement process

Like operating profile

Getting a meaning better is

Assist in the drive

Government must

To create wealth
is a breakthrough to help themselves

Helping Companies

National Productivity Institute Awards

The ISO 9000 series is a family of international standards that defines quality management systems. These standards are used to help organizations improve their processes and ensure that they provide products that meet customer needs. The ISO 9000 series is recognized worldwide and is used by organizations in various industries to improve their quality management systems. The standards cover a wide range of topics, including customer satisfaction, product design, production, and distribution. The ISO 9000 series is a valuable tool for organizations that want to improve their quality management systems and provide products that meet customer needs.
Keep eye on things

A simple method to apply in industry needs help.

The top performers

Recognition goes to

problem of poverty

Concierge effort is

national productivity trust awards

Survey day
Iscor’s new Corex plant is a world first.

ISCOR’S Pretoria works has won a gold class award for its commissioning of the world’s first commercial-size Corex plant—a more efficient and environmentally friendly process to manufacture iron. Commissioned 20 months ago after start-up problems, the plant produces ingot iron at a cost 28% below that of a conventional blast furnace.

Corex plant manager Harry Delport says the plant operates on a new technology that makes use of the reserves of non-coking coal.

By eliminating the use of blast furnaces—which operate on coke coal, a scarce raw material in SA that would have to be imported later—the Corex plant has decreased air pollution.

The plant produced 270 000 tons of ingot iron in its first year, representing 90% of the design production capacity, and in the past financial year full capacity of 300 000 tons was achieved, says Delport.

Judges of the National Productivity Awards recognised the innovative approach shown by management, which persevered for 18 months to overcome difficulties before establishing the new process.

The Pretoria works produces considerable quantities of ingot iron, from which a wide range of steel products are manufactured for the domestic and export markets.

Colours:
A coloured washer hangs from each nail. Each nail represents an hour’s work and if the green side of the washer is visible it indicates the target set for that hour has been met—or visa versa if the red side is showing.

Other coloured washers are used to indicate the reason why target was not met.

Various other boards summarise the position of the entire plant, attendance and other factors.
increased productivity

Economic growth is essential for growth.

ANC

R10bn uplifting plan is

Business Day, Thursday, September 1991
Managers blamed for restricting productivity

THE small number, poor training and "I know my blacks" attitude of SA middle management was restricting productivity, US management consultant Mike Allen said yesterday.

Allen, president of California-based Louis Allen and Associates, said in an interview yesterday that these problems had emerged during discussion with businessmen in SA.

The typical attitude of middle managers was that they felt they understood their staff very well, when in fact they did not.

For example, a manager of a Japanese company operating in Natal had expressed surprise that SA companies did not require their managers to learn the language spoken by the majority of their employees.

Allen said that contrary to prevailing beliefs, SA workers were almost as productive as their counterparts in Singapore, although in Singapore workers worked a 52-hour week, whereas in SA — as in the US — the working week was about 10 hours shorter.

Allen said that in discussions with ANC representatives, he had been told SA required about 600 000 new middle managers, of whom only 56 000 could conceivably come from the white community.

The shortage of middle managers in SA also meant that people who should not have become managers had been promoted to these positions.

Allen said Japanese management systems were still playing a large role in international perceptions of how management ought to be conducted, mainly because it had proved itself so effective.

Concepts finding greater application and which were being researched in greater depth included the problem of the correct staff size and contracting out functions (outsourcing).

The use of computers was particularly significant for staff size, because more efficient computer use meant that staff complements often did not need to be as large as they were.

Many companies were beginning to "out-source" functions such as canteens and transport facilities. This had the advantage of allowing people working in those departments, which were really adjuncts to the main function of the company, to have a career path which extended further, he said.
Johannesburg — The small number, poor training and "I know my blacks" attitude of South African middle management was restricting productivity, US management consultant Mike Allen said yesterday.

Allen, president of California-based Louis Allen and Associates, said in an interview yesterday that these problems had emerged during discussion with businessmen in SA.

The typical attitude of middle managers was that they felt they understood their staff very well, when in fact they did not.

For example, a manager of a Japanese company operating in Natal had expressed surprise that SA companies did not require their managers to learn the language spoken by the majority of their employees.

Allen said that contrary to prevailing beliefs, SA workers were almost as productive as their counterparts in Singapore, although in Singapore workers worked a 52-hour week, whereas in SA — as in the US — the working week was about 10 hours shorter.

Allen said that in discussions with ANC representatives, he had been told SA required about 500 000 new middle managers, of whom only 50 000 could conceivably come from the white community.

The shortage of middle managers in SA also meant that people who should not have become managers had been promoted to these positions.

Allen said Japanese management systems were still playing a large role in international perceptions of how management ought to be conducted.
Team-work for productivity

By ADRIAN HERSCH

A SURVEY of 120 medium to large SA companies shows that 20% have implemented some form of team-based productivity improvement scheme.

The survey was conducted by Frank Horwitz of the University of Cape Town Business School, who is also a management consultant.

Flexible reward systems are being introduced in negotiations with trade unions.

But Professor Horwitz says productivity will not necessarily improve simply through an agreement.

A crucial area is the supervisor-worker relationship.

A previous survey conducted by the UCT Business School indicated that productivity was regarded by managers as the most important issue in industrial relations.

Yet its multi-faceted aspect is often not appreciated.

Professor Horwitz says: "Invariably when the issue of productivity is raised, managers refer to labour productivity and not to the productive use of capital."

He urges management to give priority to this aspect of productivity.
QUESTION U2

SUGGESTED SOLUTION

Stock at 4 October 19x6
Less Purchases from 1/10 - 4/10 taken into
warehouse (R7 684 - 2 639) 40 639

Add cost of sales 1/10 - 4/10
([R3 475 - 495] x 80%) 35 594

Less Cost of goods sold 30/9 added to stock
in error - R95 x 80% 2 384

Less Rejected goods erroneously included
in stock 37 978

Stock at 30 September 19x6 37 541
Low productivity is blamed for SA woes

GERALD REILLY

PRETORIA — Low productivity levels had forced SA into the position of a losing nation, National Productivity Institute executive director Jan Visser said in Pretoria yesterday.

He told the Afrikaanse Handelsinstituut (AHI) congress that SA’s GDP per capita was 10th of that of the US, an eighth of Japan’s and a sixtieth of the UK’s.

More alarming still was that living standards in SA had declined annually by 1.2% since 1990, against increases of 6.5% in Taiwan, 3.4% in Japan and 2.2% in the UK.

Partly as a result of low productivity SA was plagued by high inflation; low economic growth; high unemployment.

Because of low living standards and high unemployment, violence was flourishing. This undermined investor confidence.

Visser said SA was squandering its most scarce production resource — capital — in an outrageous way.

Owing to political circumstances many businesses and industries had developed over the past few decades because they were identified as “strategic”.

Mossgas was a prime example of how prime capital should not be utilised.
Manufacturing volumes increase

MANUFACTURING production volumes showed a mild recovery in the second quarter, rising by 0.5% compared with the first quarter, according to figures released by Central Statistical Service (CSS).

The most important contributors were the food, "other" chemical products, "other" non-metallic mineral products, iron and steel basic products and machinery and equipment industries.

At the same time retail trade sales began to bottom out and rose by 14% year-on-year in July. Although the trend shows retail sales reaching a plateau after declining gradually since the beginning of the year, on a monthly basis sales eased by 0.7% in July.

The monthly decline was mainly due to decreases in retail sales in the Cape, said CSS.

Economists were divided on whether the apparent turnaround in manufacturing production and flattening out in retail sales was the beginning of a revival.

Rand Merchant Bank economist Rudolf Gouws said he did not expect the figures to herald an upturn in manufacturing production.

"The economy has reached the bottom," he added.

This was confirmed by flat retail sales and there would have to be a sustained improvement in retail sales before manufacturing production would start to improve.

Bankorp economist Jacques du Toit said he foresaw an upward trend in manufacturing production for the rest of the year because of a build up in inventories following high rates of destocking during the last two years.

Manufacturing was expected to continue improving next year because of better economic conditions.

Retail trade sales and private consumption expenditure were expected to decline for the rest of the year because of negative factors such as inflation and interest rates, he said.

Private consumption expenditure was expected to level out in the first half of next year and then increase.
Improved productivity 'can attract investment'

Paul Ash

Productivity in SA, among the world's worst, would have to improve dramatically before any meaningful foreign investment could be expected, management consultant firm F-E Corporate Services MD Martin Westcott said yesterday.

Westcott warned that potential investors had many countries to choose from and were not interested in indifferent financial returns or having to worry about the security of their capital.

"Although we are well-located geographically, the world is in recession and SA does not offer any incentives for investment," he said.

He urged government to reduce red tape and bureaucratic procedures, re-assess import duties and investigate the need for tariff protection.

"SA's ability to manufacture at internationally competitive prices had declined rapidly and was being threatened by strike action and demands for wage increases."

Making people work more productively was important in the short-term. "We don't have productivity bargaining like they have in the UK and there is an urgent need in SA to link remuneration with performance," he said.

The shortage of management skills and the resulting high cost of employing skilled people was another problem facing SA.

Improving productivity in the long-term began with the education system. The Pacific Rim countries, where a shortage of schools had been overcome by teaching two shifts of children a day, were an example of the benefits of educating everyone, Westcott said.

He said SA would probably receive foreign aid in the medium-term but unlike many African states, it was not a truly needy nation. The unequal distribution of wealth was not an aid-agency concern.
‘Increase in efficiency, productivity essential’

SHARON SOROUR (21)
Labour Reporter

If South Africa does not increase its level of productivity, poverty and misery will prevail, says the director-general of manpower, Mr Joel Fourie.

No-one could escape it, irrespective of whether a free market system or a centrally controlled system was implemented, he said.

Ideological thinking was not enough, he told a national symposium on manpower development.

He said “It can be counter-productive to state that the free-market system or centrally controlled system would be the solution to the problem.

“It would then hinge on the promotion of a specific system and not on the pursuit of the result.”

There could be no doubt that manpower development was essential to stimulate economic growth in South Africa.

Many young people left school to start careers without any specific training, failed to obtain jobs and did not have any skills to fend for themselves, he said.

“Rapidly changing technology necessitates that workers receive purposeful and need-oriented training in order to ensure that they reach the highest level of efficiency and productivity in the shortest period of time.”
Production levels continue to slide

SHARON WOOD

The slide in manufacturing production continued in August, with production volumes falling by 1.0% in the three months to August compared with the previous three months, figures released by Central Statistical Services yesterday show.

In contrast to this, real retail sales picked up slightly during August, rising by 3.0% month-on-month and 6.8% year-on-year.

Large drops in chemical product, rubber product and motor vehicle industry production caused a 2.5% year-on-year decline in the total volume of manufacturing production.

The increase in real retail sales came from a 9.3% rise in domestic hardware sales and an 8.4% rise in alcoholic and non-alcoholic beverages.

"Manufacturing production levels might have been influenced by the introduction of VAT with firms reducing inventories and by Armstor cutting back on production," said Standard Bank chief economist Nico Cypionka.

The uptick in retail sales probably did not signal the beginning of an upturn and sales should stay weak until employment started rising and income levels increased, he said.

"There is not enough money available to turn it into an upturn," Cypionka added.

The latest trends in manufacturing production and retail sales were unexpected, Bankorp economist Jacques du Toit said.

"We expected retail sales to decline because of the high inflation rate and high interest rates and overall bleak economic conditions.

"Agricultural production would probably be poor in quarter three because of a bad maize crop and all these factors should lead to weaker consumer expenditure," he said.

"Manufacturing is a leading indicator and the recent trend shows the economy would probably decline for the rest of the year and also in the early stages of next year."

The Reserve Bank coincident indicator had fallen quite sharply in June by 1.4% month-on-month indicating the declining economic growth, he added.

Both economists agreed that both series were extremely volatile, subject to large monthly fluctuations and thus it was difficult to discern a meaningful trend.
Appeal for Renewed Investment in Industry

Cynical Public Servants

I cannot adapt to new order.
VAAL Reefs gold mine paid R5m in cash to its 50,000 workforce yesterday, a productivity bonus which would not have come into play if workers had not observed Cosatu’s call for an anti-VAT strike earlier this week.

Anglo American’s premier gold operation reached a R10m cumulative profit target, based on accumulated cost savings and improved gold production, which kicked the year-old bonus scheme into play.

However, many underground mineworkers had to queue for two to three hours outside paypoints yesterday afternoon to receive their R100 tax-free cash bonus. Some were unsure of exactly why they had earned the extra money.

Problems faced by management in putting the “team jackpot” into effect showed the communication gap which still bedevils the gold mining industry in SA.

The Vaal Reefs bonus follows multimillion-rand payouts at JCI’s Randfontein Estates and Rand Mines Harmony gold mines in the September quarter, and a R600,000 payment at Anglo’s Ergo gold operation.

Ergo’s agreement with the National Union of Mineworkers (NUM) was followed by an industry-wide agreement between unions and the Chamber of Mines involving productivity and gold price bonuses.

Meyer, regional general manager, said yesterday it was no coincidence that during the anti-VAT strike, Vaal Reefs had normal levels of attendance.

He said “Employees knew what a two-day strike would do to productivity and what that, in turn, would do to the bonus.”

Meyer said the jackpot scheme was devised to reduce costs below budget and improve gold production targets. Cost savings contributed 68% of the bonus, the remainder made up from improved production.

The jackpot was an extraordinary bonus paid over and above long-standing monthly productivity bonuses which currently amounted to R420 a year.

He said Vaal Reefs had cut its working costs by 8% since October, from a high of R26 500/kg to R25 100/kg. The bonus targets had been calculated on the basis of a zero increase in budgeted costs.

The mine’s East division contributed R216m to the total bonus — cutting costs and producing 5 200 g of gold above target — making up for weaker results from the South and West divisions.
High cost of funding cuts competitiveness

CAPE TOWN — The cost of capital in SA was about 31.3% higher than in other countries and played a significant role in undermining the international competitiveness of its industry, Barlow Rand special projects consultant Paul Hatty said yesterday.

Hatty told the seminar that the cost of capital in SA compared unfavourably with Australia (14.5%), US (11.4%), Germany (9.7%), Taiwan (4.2%) and Japan (3.4%) and would have to be addressed to give SA international competitiveness.

He said SA’s high inflation rate, high real interest rates, high risk and high corporate tax rate put its industry out of the international race.

The high cost of capital in SA meant production costs had to be increased by 5.6% in a labour intensive industry and by 30.4% in a capital intensive industry to obtain a selling price able to service the cost of funding.

Hatty said margins in the clothing industry would have had to increase by 9% in 1989 to service the price of capital, and by 48% in the capital intensive textile industry. The increase in the price of textile goods was not gross profiteering on the part of manufacturers but the effect of government policies on the cost of capital.

Attention would have to be given to the price of capital, the productivity of capital and labour, the cost of imported machinery and manufactured intermediate inputs, and incentives for new industry, if there was to be significant investment and growth in the manufacturing sector.

The productivity of capital in SA was much lower than in other countries. Capital productivity of 0.315 in 1988 — measured by the GDP output per unit of capital stock — was 41.5% of the weighted average GDP for OECD countries in 1986.

Hatty said one of the main reasons for this was that before the introduction of VAT SA industry paid 58% more than its counterparts in the UK for imported machinery and capital goods. VAT had reduced this to 37%.

As for labour productivity, Hatty said SA had a cost disadvantage of about 19% compared with other countries.
Dispute over VW targets

The dispute between management and the Works Council at VW's Wolfsburg plant over production targets has escalated. Employees are concerned that the new production targets set by management do not meet the needs of the workforce. The Works Council has expressed objections to the new targets, arguing that they are not feasible given the current production capacity. The situation has led to a deadlock in negotiations.

Labour
Productivity is key to success

More than 99 percent of the broadly defined M3 money supply in South Africa was in some form of deposit with a banking institution that could be used for purchasing services or goods, says Reserve Bank Governor Dr Chris Stals.

In notes prepared for delivery at the launch of Future Bank yesterday Dr Stals said even though these deposits might not be used soon, they still represented potential purchasing power.

Banks, he said, through their activities exerted a major influence on the course of the economy and on the real economic growth — and the rate of inflation.

Dr Stals emphasised that in the new South Africa, the rate of savings — presently less than 20 percent of GDP — would have to be stepped up.

"Funds will desperately be needed to finance new and additional real investments that will increase production and create more employment opportunities," he said.

He stressed it would be of no avail to try and create the additional funds by creating more money — reflecting the central bank's stance on continuing strict monetary control.

Dr Stals said funds would either have to be generated by internal savings or come from abroad.

"Not only shall we need more capital to enable us to employ more people, but we shall also have to produce more with each unit of labour and with each unit of capital employed."

Increase in the multifactor productivity, Dr Stals said, provided the key to success for many of the newly developed industrial countries of the world and South Africa now had a "wonderful" opportunity to follow their example.

He added that the banking sector faced many challenges in fulfilling this function.

Banks around the world were being squeezed by rising costs and narrowing margins coupled with increasing risks.

But, Dr Stals stressed that while there had been "unfortunate experiences" of bank failures in South Africa over the past year and that, in a few cases, the central bank had to step in with special assistance to offer partial protection to depositors, they could not rely on the Reserve Bank to always be prepared to bail them out.

Depositors, he said, should always be prepared to carry their own risks, and decide on their own responsibility.

— Sapa
PRODUCTIVITY - 1992
Productivity levels set to increase 2%

Sheridan Connolly

PRODUCTIVITY was set to increase by 2% in 1992 despite a zero growth rate forecast for employment in the non-agricultural sector of the economy, the National Productivity Institute (NPI) said yesterday.

NPI assistant chief economist Karen Liebenberg said with labour productivity expressed as a measure of output over employment, an expected rise in GDP would effectively increase productivity levels about 2%.

"Because the economy is at present unable to create many new jobs, the growing tendency to replace labour with capital increases the levels of automation and mechanisation in the private sector, which also benefits overall productivity levels."

Commenting on the Bureau for Economic Research's survey predicting a lower rate of increase in the nominal value of salaries and wages per worker in the non-agricultural sector, she said a positive GDP rate coupled with lower growth in wage rates would reduce unit labour costs, benefiting export competitiveness.

"In the past, exchange rate devaluations have been used to improve SA's competitiveness on international markets; a lowering unit wage costs is obviously more desirable."

The BEER projected a 15% increase in nominal wages for 1992 compared with 18.7% in 1991. Although unions had brought wage demands more in line with inflation, the NPI did not expect wage rates to decline significantly, limiting the extent to which unit labour costs could be reduced.

Labour productivity in the non-agricultural sector reversed its declining trend in the third quarter of 1990 when it grew sharply from an annual rate of 0.7% to 1.9% in the second quarter of 1991.

The Reserve Bank has attributed the improvement in the real value of production per worker to a faster decline in the number of non-agricultural workers in output volumes, rather than to a determined increase in effort by workers.
Costly labour harms SA's potential, says analyst

CAPE TOWN — Escalating labour costs and low productivity made SA an unattractive investment proposition for foreign companies, London-based James Capel analyst Fiona Halse said yesterday.

Halse, who has worked as a senior analyst on the JSE and as a financial analyst with the Financial Mail, heads a research team that reports on conglomerates for stockbroking firm James Capel.

National Productivity Institute (NPI) figures show the SA manufacturing sector registered the lowest labour productivity growth in the period 1975-1990 when compared with Taiwan, Japan, UK, US and Germany. On the other hand, the increase in wage rates was one of the highest, second only to Taiwan.

The NPI said unit labour costs far outstripped the increase in unit labour costs in other countries, with severe adverse effects on the competitiveness of SA manufactured products in local and international markets.

Halse said productivity returns from labour in SA were falling and companies invested in the country were not putting more money in.

"As companies move towards globalisation, SA will become less attractive because labour costs are not as cheap as they used to be."

Labour instability, strikes and the number of man hours lost annually also received prominent media coverage, Halse said.

"At the moment fund managers are basically waiting to see what happens. The things that concern them are the changing view on nationalisation, the violence and the fear that once black rule materialises there will be tribal conflict."

Halse said international fund managers were more interested in investing in established economies such as the US, UK and Europe. If they wanted development markets in their portfolios they would choose markets such as Mexico, which offered returns of about 40% to 50%.

SA's gold mining industry was not much of a drawcard because the industry was seen to be shrinking.

"The consensus is that the price of gold is not going to rise very high. Gold does not react to crises in the same way it did in the past."

"One of the reasons for the lack of excitement about gold is the international drive to stamp out inflation. Governments overseas are extremely committed to bringing down inflation, and with financial markets offering some exciting returns, people are not being forced into hard assets."
Producer price rises dip sharply
Use of production capacity is down 1.6%.

PRETORIA — Utilisation of production capacity declined by 1.6% to 88.5% in the 12 months to end-August, according to the Central Statistical Service.

A major reason for the slowdown was lack of product demand. Decreases in utilisation occurred in 17 of the 27 major manufacturing industries.

The motor industry showed the largest decline with 15.8%, machinery and equipment was down 17.8%, and non-ferrous basic metal industries 6.2%.

The 19.5% under-utilisation in August was due to a shortage of raw materials (1.5%), a shortage of skilled workers (1%), of semi-skilled and unskilled workers (0.4%), and insufficient demand (13.4%).

An economist, Adam Jacobs, said the figures were another pointer to the dire state of the economy.
Greater productivity level urged to face international competition

"We face a critical issue," says the South African National Council of Economic Development, "and the policy is to be addressed through increased productivity." He adds that the government must take action to ensure a competitive edge in international markets.

"We need a more efficient and effective approach to productivity," he continues. "We must ensure that the private sector is given the tools it needs to increase productivity."
Get Real – and Get Rich
Construction industry suffers

Drop in SA output hits six-year low

NATIONAL output fell by the biggest margin in six years last year as SA's longest post-war recession depressed economic activity.

Figures released by the Central Statistical Service at the weekend show that national output, as measured by the inflation-adjusted change in gross domestic product (GDP), fell by 0.5% in 1991. This is the biggest fall in GDP since the -1.2% recorded in 1985.

The figures are preliminary, which means they are subject to revision later, but they broadly confirm analysts' expectations that last year's economic growth performance would not differ greatly from that posted in 1990, when GDP fell by 0.5%.

It is no coincidence that the two calendar years of economic contraction - 1989 and 1991 - are those in which interest rates peaked out in the current business cycle. Prime overdraft rates plateaued at a five-year high of 21% for the duration of 1991 and were only one percentage point lower for most of 1991.

Most authoritative forecasts project an economic recovery this year, expecting GDP growth for 1992 to be about 2%. Such an outturn would deliver the highest rate of economic growth since the 2.3% recorded in 1989.

The sectoral breakdown of the data shows the sharpest decline was in the construction industry where output dropped 4.5% last year after dipping by only 0.2% in 1990 following a 7.2% rise in 1989.

The fall in the sector reflects the increasing dismay that has been signalled by non-residential building contractors over recent months. New contracts have been increasingly scarce, and overbuilding has been reported in some areas.

The fall in manufacturing output steepened to -2.4% last year from -1.2% in 1990 as high interest rates, destocking and falling business confidence dampened industrial activity. The manufacturing decline would have been much more marked had exports not chalked up a 9% increase in nominal rand terms last year.

Production in the mining sector continued its steady slide, falling by 1.5% last year after a 1.2% fall in 1990 and a 1% dip in 1989. The largely static gold price, combined with rising labour costs and deteriorating ore grades, has left the non-coal mining sector in a poor state, with a negative contribution to GDP in all but two of the last seven years.

Agricultural production rallied last year to fall by only 1.3% after a tumble of 7.4% in 1990. The late rise in the maize harvest, a solid contribution from deciduous fruit and a good wheat crop provided the foundation for the rebound, although the current drought threatens to abort the recovery in agricultural output this year.

Elsewhere among the GDP sectors, positive contributions were recorded by the electricity and water utilities, financial services, community services and general government. Transport contracted for the first time in five years.
Warning over output drop

THE decline in national output in the last two years was alarming and should be seen as a clear warning that time was running out for SA unless everyone put aside their differences and concentrated on increasing productivity, Johannesburg Chamber of Commerce and Industry president Mike Cato said in a statement yesterday.

"Organisations and individuals alike must now put the growth of the economy at the top of their priority lists. It cannot wait for Codesa or a new dispensation," he said. — Sapa
Low productivity slows growth — NPI

SHERIDAN CONNOLLY

The NPI stresses the need for higher levels of savings and investment in SA, but says the country needs to ensure that investments are channelled into the right sectors. "Projects like Mosgas and the erection of luxury office blocks are perhaps not the most productive investments," the NPI says.

Commenting on employment, the NPI says the alarming decrease in manufacturing employment since 1982 is cause for concern as manufacturing is the largest sector. In order to ensure a peaceful political transition, more people will have to be employed. In this government will play an important role, it says.

SHAREC increases in the cost of labour and capital and unsatisfactory productivity are severely restricting SA's international competitiveness and its capacity to export, says the National Productivity Institute (NPI).

In the latest edition of Productivity Focus, the NPI says low productivity levels are hampering the country's growth potential and employment opportunities. SA's negative rate of capital productivity implies an inefficient use of scarce resources, it adds.

"Both the cost and productivity of SA's labour and capital resources are completely out of line with the situation in more successful and productive countries," the report says.

The NPI says SA's high corporate tax rate, inflation and interest rates reduce the international competitiveness of SA-made products. SA's corporate tax rate of 46% is significantly higher than almost all the OECD countries as well as the newly industrialised countries of East Asia. The high tax rate is one of the factors exerting the greatest influence on the country's competitiveness, the report says.

The NPI says the extent to which a country channels its savings into fixed investments is an important indicator of both business confidence and the economic growth potential.

Gross domestic fixed investment as a percentage of GDP declined significantly since the early 1980s due to poor economic prospects and political uncertainties, it says.

"In the '80s people saved less, not because they spent more on goods and services, but simply because they paid more tax," the report says.
Volkswagen strike ballot over productivity targets

By FERDINAND HAFFAJEE

A STRIKE BALLOT at Volkswagen South Africa (VWSA) in Uitenhage is throwing the spotlight on the company’s controversial production targets. Thirty-nine workers were dismissed at the beginning of February for failing to meet targets in the company’s press shop. Management says the workers “repeatedly failed to build the daily schedule required to fill export orders.”

VWSA also said that the dismissals were procedurally fair. But workers feel they cannot meet the new targets. The difficulty of these new targets is borne out by a work study conducted by the National Union of Metalworkers of South Africa, which revealed that the machines could not work any faster. It also concluded that raising targets from 160 to 211 parts an hour was unreasonable.

John Gomomo, the Congress of South African Trade Union’s president and Numsa’s chief shop steward at Volkswagen, says the company turned down a recommendation that the work in the press shop be done on another line. Instead the workers were dismissed.

VWSA announced an export deal to China worth R150-million.

The union and the company were in negotiations for most of this week in an attempt to iron out the dispute. A VWSA representative said the talks had been “positive and co-operative”.

The union will decide whether to proceed with strike action or take the matter to arbitration.

The recession has resulted in a freeze on employment in many sectors. It has also seen many companies opting for productivity deals with workers instead of conventional across-the-board increases.

But these deals are not without their problems. The National Union of Mineworkers recently abandoned the productivity-linked wage deals they concluded with the Chamber of Mines when these hit snags relating to the disclosure of information and a disillusionment among the NUM members with the deal.
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John Gomomo, the Congress of South African Trade Union’s president and Numsa’s chief shop steward at Volkswagen, says the company turned down a recommendation that the work in the press shop be done on another line.

Instead, the workers were dismissed soon after VWSA announced an export deal to China worth R150 million.

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Despite Recession
Factory Output Holds
Victory is costly

DAVID CUMMING
JOHANNESBURG. — Last week's historic cricket victory over Australia might have done wonders for the country's morale, but it probably cost in the region of R500 million in lost productivity.

That figure is based on the National Productivity Institute's estimate that every public holiday costs about R521 million in lost production.

It is estimated that there were more grannies' funerals on that Wednesday than at any other time in living memory and stockbrokers on a JSE already moribund after the announcement of the referendum said there was a good deal more interest in the cricket on the dealing floor than there was in the serious business of accumulating wealth.

Hotels and pubs were jammed with television sets, reported soaring turnover as those crowding in for a view of the game.

Opening time until well after the last ball was bowled...
Productivity of a new SA

key to ideals

Moreover, the projected increase in the total population of more than nine million people will have to become productive in order to improve the standard of living. The high number of people who are unemployed will have to be reduced by providing job opportunities. The high proportion of people in the country aged 15 years and over who are economically active but not in the labour force also have to be made productive. However, productivity is not enough; it must be based on quality education. The South African experience shows that a nation's economic growth has to be based on productive people and good education. Therefore, the four conditions for major economic growth are: a high proportion of the population who are economically active and therefore contributing to the economy; a high proportion of the population who are in the labour force; a high proportion of the population who are in the labour force but not in the labour force; and a high proportion of the population who are in the labour force and are contributing to the economy. These conditions are not sufficient to make the country productive. Without a change in the way people are educated, productivity will never improve.
Productivity problems

Bosses must tackle performance issues
Holidays 'cos
SA R521 million'
By Paula Fray

South Africa's long list of public holidays costs the country an estimated R521 million in lost revenue each time workers stay away from work, says the National Productivity Institute.

There will be three four-day weeks this month as a result of Easter and Foundation Day holidays.

However, NPI executive director Dr Jan Visser noted that only five working days would be lost this year as a number of the holidays fell over weekends.

This excludes the "unofficial" holidays such as June 16 and 17.

"It's just awkward at the moment as our public holidays are concentrated in April and May," Dr Visser said. He noted the long weekends were a welcome break for workers.

"I only hope that in the new SA this will be changed for the better. That we won't have more public holidays," he said.
Producer inflation remains stable

South Africa’s producer price index remained stable in February increasing by 0.7 percent over the previous 12-month period. The same increase was recorded in January.

This was the lowest increase recorded since May 1972 when the increase was 5.9 percent.

The seasonally adjusted index increased by 0.1 percent from January to February this year.

Locally produced consumables increased by 8.5 percent compared with the 8.7 percent increase in January.

The price index for imported commodities decreased by 0.3 percent from February 1991 to February this year which is one percent higher than the corresponding rate in January of -1.9 percent.

"Other" agricultural products remained one of the largest contributors to the increase in producer inflation, recording a 9.8 percent increase in February while red meat declined by 4.3 percent — Sapa.
Machines Lie Idle

ONE-FIFTH of SA's manufacturing capacity lay idle last year, says the CSS.

Figures released last week showed that the average use of production capacity in 1991 in the manufacturing sector fell 1.2% compared with 1990. This left the average underutilisation of capacity at 19% in 1991.

Largest capacity-use increases in 1991 were in the tobacco industry (25%), leather and its products (90.4%) and glass and glass products (89.0%).
Recession puts brake on manufacturers

By Derek Tommex

The recession has sharply curtailed the output of the manufacturing sector, official figures show.

Although inflation last year was running around 13 percent, the value of total manufacturing output in current prices rose only R12.5 billion (7.6 percent) to R17.6 billion.

The output figures show that the processing of food remains the country's biggest industry. Last year it had an output worth R25.8 billion. This was an increase of R2.4 billion or 10.2 percent on the previous year's figure.

The second biggest industry was what Central Statistical Service termed "other chemicals" which probably embraces the oil refining sector. This industry had an output last year worth R24.4 billion, which was an increase of R2.6 billion or 12.0 percent on 1990.

Third in size was the motor vehicles and parts industry. It had an output last year of R16.5 billion. It was followed by the iron and steel industry with an output worth R13.5 billion, then the metals industry with output worth R10.3 billion and the industrial chemicals industry with output worth R9.3 billion.

Best growth rate last year was achieved by the transport equipment industry. This excludes the motor vehicle and parts sector. Output of the transport industry sector grew by R353 million (or 25.6 percent) to 1.7 billion. This suggests an increase in sales of rail rolling stock and sea-going vessels.

Next best performance was put up by the "professional equipment" sector with a 21.4 percent growth in sales to R6.6 million.

This sector includes a wide range of products, but it seems likely that most of the growth came from growing sales of computers and other electronic equipment.

Output of the tobacco industry grew by 15.9 percent to R1.9 billion and that of the printing and publishing industry by 14.4 percent to R3.9 billion.

Sales by the beverages industry grew 13.8 percent to R2.7 billion and sales by the footwear industry 12.2 percent to R1.8 billion. Sales of "other chemicals" grew by 12.0 percent.

Increases

Other significant sales increases (though well below the inflation rate) were achieved by the paper and paper products sector (11.4 percent), plastic products (10.7 percent), food (10.2 percent), clothing (10.0 percent), industrial chemicals (9.5 percent), wooden furniture (9.1 percent), glass products (8.1 percent), motor vehicles and parts (8.0 percent) and metal products (non-machinery, 7.1 percent).

At the other end of the scale, the value of output of non-metallic minerals (mainly bricks and cement) rose by 3.4 percent, while the value of electric machinery produced grew by 1.8 percent, machinery by 1.3 percent and leather goods by 1.0 percent.

The iron and steel industry increased its sales by a meagre 0.26 percent or R0.6 million.

Negative sales growth were reported by the non-ferrous metal industry, the rubber products industry and the "other industries" (of which a large part probably comprises the armaments industry).

Sales by the "other industries" dropped by R216 million (10.9 percent) to R1.76 billion.
Living standards 'set to drop again'

THE poor growth expected this year would cause a further decline in living standards and a considerable increase in unemployment, Absa said in its latest Economic Monitor released yesterday.

The prolonged downward trend in the business cycle was unlikely to bottom out before mid-year because of a worse than expected international situation, persistently high domestic inflation, a continued reduction in inventories, poor prospects for fixed investment and a bad agricultural season.

The Budget might benefit economic growth marginally in the short term but did nothing to address and rectify the long-term structural problems in the economy.

A 4.5% deficit before borrowing made the Budget "demand expansionary" and "dangerous" as it did not comply with sound fiscal norms, Absa cautioned that while production under-utilisation should preclude serious problems in the short term, there was a strong possibility that the budget deficit would be exceeded. This would change the situation considerably.

Two years of negative economic growth had resulted in a 5% drop in per capita living standards during the period. In addition, 150,000 more job opportunities were lost last year and unemployment rose by about 500,000, it said.

"Prospects for the year ahead do not appear more promising."

While the quality of life for most South Africans would continue to be eroded by inflation and an increasing tax burden, an increase in real fixed investment appeared unlikely because of surplus capacity in the economy and the high degree of social instability and political uncertainty, the Monitor said.
VW and Numsa settle work rate dispute

THE dispute over production schedules at VW's press shop has been resolved after the National Productivity Institute (NPI) found that workers could produce more vehicle floors an hour than the disputed target set by the company.

VW declared a dispute with the National Union of Metalworkers (Numsa) after it caused production schedules from 160 to 211 an hour and workers consistently failed to reach the new target. The union said the target was unrealistic and demanded an independent study.

Eventually 38 workers were dismissed for failing to reach the new schedule. After a strike threat and constant short stoppages, VW agreed to Numsa's demand for an independent assessment by the NPI.

The NPI said workers could produce about 213 floors an hour, but set down about 14 provisos - including allowing time for glove changes, maintaining a constant work speed, and foremen helping when workers went to the toilet.

According to a VW spokesman, these provisos are in place and workers have consistently reached the new target.

Meanwhile, the retrenchment moratorium in the car assembly and tyre and rubber industries, which looks set to become the major issue in this year's negotiations, continues to cause dissatisfaction between unions and employers. Employers say the moratorium expires at the end of June. In this context, the tyre and rubber industry offered to extend the moratorium until the end of the year, with an offer of a R1 an hour across-the-board increase.

Numsa rejected the offer. It insists the moratorium is a standing agreement. In addition, it said its demand of R2 an hour increase still stood. Negotiations in the car and tyre and rubber industries will continue early next month.
VWSA on target

In South Africa, the National Union of Metalworkers was forced to concede this week. The National Productivity Institute found that workers in the company's press shop could produce two more parts per hour than management's production targets required.

In February, 89 workers were dismissed from the press shop for repeatedly failing to meet production targets. The union was on the brink of strike action when the company agreed to reinstate the workers and be bound by the findings of the NPI.

But surprisingly, the NPI found that workers could build 213 parts an hour, two parts more than management had set. Now the press shop is achieving just that.
Dismal productivity, no matter how you look at it

The buzzword is productivity. At the start of the 1990s, round of annual negotiations between employers and trade unions over the size of pay packages the bargaining table

Productivity is no newcomer to the vocabulary used at the bargaining table. In a tense atmosphere of recession and retrenchments, new-words international competition, blowouts as sanctions fall away, the issue is likely to be far higher on the agenda than usual.

The secretariat of both sides will be tested in the heat. The outcomes may depend on how each side meets the challenge of higher costs and figures they will pull out of their smartphones. The true facts are buried in mountains of statistical tables that can be manipulated to suit any particular argument.

As a start, it can be expected that comparisons will be drawn between the dismal record of labour productivity in South Africa and the successes scored by overseas workers.

The keen edge of ax sharpened looks formidable. For example, the records show that while labour productivity in South Africa, manufacturing industries managed to creep higher by no more than around 11 percent between 1995 and 1998, the average labour productivity peaked by no less than 650 percent.

Raced ahead

Of course, there will be lots of sympathy about the way rank-and-file black workers in South Africa are deprived pay increases on such a scale to set about remedying the slave labour conditions paid to them in the dark years of apartheid.

But these figures will be set aside with what happened in the meantime — where around the world, in Germany, Germany, labour productivity raced ahead at more than three times the speed — almost 11 percent — while pay packages grew by far more modest levels.

In the United States, labour productivity already at a high level, advanced at a still faster pace, nearly 8 percent — and wages increased by little more than 6 percent.

At an extreme of comparison, labour productivity in Taiwan surged by a phenomenal 180 percent.

What happened in Taiwan climbed at an even steeper angle than in South Africa, but without being explained, pay packages were raised from an even lower base than before.

More to the point are the statistics that underscore how South Africa's manufacturers lout out in the trend of overall productivity. In 1979, it was 200. In 1985, it was 240. In 1990, it was 270. In 1995, it was 300. In 1998, it was 312. In 1999, it was 317.

On the one hand, there were awful black/white wage gaps that had to be tackled. But in the meantime, the productivity of the black union was understandable — but that in turn was often the reason why many companies chose to plough cash into mechanization rather than face more risk on the manpower side.

"Unfortunately, the extra muscle normally provided by mechanization was never given a chance to flex properly because of the lack of demand caused by shortages and retrenchments."

In South Africa, the labour cost carried by each item of production rocketed by more than 60 percent.

The evidence would appear to be a damping influence that ought to be levelled at the trade unions in general — and black workers in particular. If they do not check the rising cost of labour per unit, it will be held down to a relative levy 77 percent.

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Distortions

Combine the two elements in what the experts call a sector-mix effect, and you discover the dreadful truth that overall productivity is the main productivity in South Africa's manufacturing industries. And more to the point are the statistics that underscore how South Africa's manufacturers lagged behind.

There's no time for more retrenchments. The answer lies in boosting productivity and shedding surplus labour.
Output fall keeps SA in recession

SA remains firmly in the grip of recession, with latest figures showing one of the largest quarterly declines in national output in more than two years of steady economic contraction.

A considerable fall in agricultural production was the main force behind the March quarter decline, preliminary GDP estimates released yesterday showed.

Central Statistical Service (CSS) figures showed national output, as measured by the inflation-adjusted change in GDP, declined 1.9% in the three months to March in seasonally adjusted terms from a decline of 0.6% in the fourth quarter of 1991, and growth of 0.5% in the third quarter.

The CSS said the fall in GDP in the first quarter of this year was the largest quarterly decline recorded since the three-month period to December 1989 when GDP fell 2.6%.

The negative growth rate in the first quarter was attributed to a 15.8% drop in agricultural production, which had increased 4.9% in the previous quarter.

Real GDP declined for the fifth successive quarter, decreasing at a seasonally adjusted rate of 0.9% in the latest quarter.

"Negative real growth rates were recorded due to decreases in the seasonally adjusted production levels of manufacturing, construction and trade."

In real terms, manufacturing production declined 3.2%, construction was 8.2% lower, and trade dropped 3.2%. Mining production showed a 1.9% increase.

Output dropped 0.5% recorded in the third quarter of last year, the economy has been contracting for the past nine quarters in nominal terms. The generally accepted formal definition of recession is two consecutive quarters of economic contraction.

Nedbank chief economist Edward Osborn said growth prospects had been dominated by the negative effects of agricultural production. The sector’s poor performance reflected the severity of the drought and also the collapse of maize production.

The maize harvest had declined substantially and prospects for a good wheat crop were bleak. Some agricultural sectors, such as deciduous fruit production, had, however, recorded relatively good production levels.

Osborn said lower growth in most sectors of the economy showed the recession was “still very much with us”. A small degree of recovery with regard to the volume of gold production had contributed to some growth in the mining sector.

The negative rate of economic growth recorded in the third quarter of last year was, unusually, attributed to a good agricultural crop, Osborn said. Implications for economic growth for the remainder of this year had been affected by the drought, and the overall growth rate for 1992 should be zero or even show a decline.

Osborn said the only chance for economic growth this year was in SA’s export potential, but improvement would be limited by recovery rates in the international economy. Any benefits from a recovery in the world economy would be felt only in the fourth quarter of this year.

Higher levels of government spending would be inadequate in boosting domestic demand and would not encourage any positive movement in fixed capital formation.

A return to a “normal” agricultural harvest would make some positive contribution to economic growth.
Pay talks focus on productivity deals

ANNUAL wage negotiations between the NUM and the Chamber of Mines are scheduled to begin tomorrow, with the likely focus on wage increases, productivity deals, and a number of non-wage issues.

The NUM has voiced unhappiness over the operation of last year’s historic productivity and gold price-linked settlement.

But industry sources believe the state of the industry means a further productivity deal — perhaps a revised and improved version of last year’s — will be the only way for the union to win significant increases for at least some of its members.

Across-the-board increases last year averaged 5%, and the bottom line in this respect is unlikely to exceed that level.

Meanwhile, NUM negotiator Martin Nicol confirmed yesterday that the union and Rand Mines had agreed to approach Mineral and Energy Affairs Minister George Bartlett for discussions on the downsizing of operations at Harmony gold mine. However, they had not yet agreed on the basis of their joint approach.

Nicol said Rand Mines appeared unwilling to make requests to government not based on “strict business principles.” On the other hand, while the NUM accepted that a measure of retrenchment was necessary to ensure the mine’s longer term future, its proposals included provision for a limited and temporary subsidy to slow down the downsizing of operations.

It also sought assistance with retraining of retrenched miners, and development assistance for Virgilia, the mining region affected, and the region from which the workers originated, Lesotho.

Rand Mines gold division CEO John Turner said it would be inappropriate to comment before finality had been reached.
Pay rises outpacing productivity

By Roy Cokayne (247)

South Africa is pricing itself out of world markets with earnings per worker in the manufacturing sector increasing by about 650 percent between 1975 and 1990, says National Productivity Institute executive director Dr Jan Visser.

"Giving 1. Hendrik van der Byl lecture at the University of Pretoria Dr Visser said the country had lagged far behind comparable countries in its labour productivity and had shows a sharp rise in the unit cost of production.

Although monetary measures were necessary to fight inflation and create international competitiveness, they were not adequate.

It was also essential to ensure that productivity had a bearing on the remuneration of both white and blue-collar workers and the remuneration of capital was also brought into balance with productivity.

South Africa could compete with any country in the world technologically, as was proved by Arnisco. But its economic development problems were huge and becoming bigger every day.

"The GDP per capita is a reflection of a country's living standard and South Africa's achievement here is tragic.

"SA's living standards decreased from 1980 to 1990 at a rate of 1.1 percent annually. A comparison with Korea, Taiwan and a few other countries makes one jealous."
New approach to productivity

FURTHER cuts in SA labour costs, currently at 5%-10% of cost of sales, will no longer provide the grounds for competitive positioning against the country's Japanese and European trading partners, says Andersen Consulting partner responsible for the manufacturing industry practice, Umar Galimudi.

"An average German worker produces an output of $36,000 a year at an average hourly rate of $12.50," says Galimudi. "His SA counterpart produces $9,000 a year and is paid an average $4.50. This is almost a 50% productivity advantage for the German worker."

SA's prohibitive capital costs, with a hurdle rate at 31% compared to Japan's 3.4%, is providing another barrier to improving quality and production efficiency.

Galimudi says another unique characteristic of SA's manufacturing is the angularly high variety and low volume of the product ranges, further obstructing the achievement of quality and productivity.

"Business re-engineering could help SA's CEOs overcome these obstacles in the way of establishing competitive positions in local and world markets. It is only the CEO's leadership and vision that can harness the energies of his organisation towards a major improvement in operational effectiveness.

"SA's CEOs, however, are typically too deeply involved in day-to-day management and firefighting. They are finding it difficult to keep pace with latest management philosophies and technologies."

He says business process re-engineering is the most recent emerging management philosophy. "It aims to integrate an organisation's vision, processes, technology, people and infrastructure."

"It aims to break the traditional values of manufacturing. The safe haven of stable manufacturing environments, long production runs and little change in product range is no longer affordable in our shrinking global village," says Galimudi.
Indaba seeks drought aid solutions

By Julienne du Toit

Broadly divergent organisations at the weekend put aside their differences to work out a national drought relief strategy.

The Rev Frank Chikane of the SA Council of Churches, who opened a conference on the drought at the University of the Witwatersrand, urged for solutions to avert possible mass starvation.

A food coupon system for the very poor might be implemented, he said.

Professor Wiseman Nkulu of the Independent Development Trust (IDT) said funds available for drought relief were not adequate and the need to co-ordinate them was a major issue.

The drought should not be hijacked as a political issue, as this could only be counter-productive.

The conference, hosted by the IDT and the Kagiso Trust, included political organisations such as the ANC and IFP, various church groups, trade unions, government departments, homeland governments, embassies, agricultural unions and representatives from the business sector.

In total about 68 organisations, including Operation Hunger and World Vision, worked out a co-ordinating strategy between parties involved in drought relief.

The conference set up a consultative forum of about 30 members, with a national steering committee, which will meet soon.

Consultative council priorities were:

- To fit drought relief into longer-term development planning, especially at regional level.
- The current commercial agricultural sector should not be propped up by drought relief.
- Aid that farmers got specifically for farm-workers should be subject to control by representative drought committees.
- Existing protocols between the Government and self-governing states regarding water planning and provision should be reviewed.

The consultative forum's functions would be to exchange information between participating organisations, match needs with resources, establish priorities, and lobby for aid internationally and nationally.
Productivity-boosting sales course on offer

THE National Productivity Institute (NPI) is planning a bumper productivity-boosting sales training course to be presented in five cities this month. Statistics show that, on average, sales people in SA spend only 27% of their time in front of clients, with some spending as little as 11%, says NPI marketing and sales manager James Cagney.

Thousands of people are expected to attend the course, which will be the largest organized gathering of its kind in SA, he says.

Organised in conjunction with the Self Development Foundation, the seminar kicked off yesterday in Cape Town, today it will be held in Port Elizabeth, in Durban on July 9, Johannesburg on July 13 and Bloemfontein on July 16.

The NPI has focused on sales productivity as an area that needs dramatic improvement.

Cagney expects the series of seminars to have a far-reaching effect on the economy since well over 100 000 people are employed in the sales field.

"Our problem is not so much the poor sales skills of sales people, but the ineffectiveness of sales management. Most come from the ranks of sales people, with little or no managerial training and told to get on with the job," he says.
Economy's idle capacity increases

PRETORIA — Production capacity utilisation and wholesale trade sales statistics released yesterday by the Central Statistical Service (CSS) reflected the continuing distress of a bogged-down economy, economists said yesterday.

Production capacity utilisation in the manufacturing sector in February stood at 88.8% — down 0.5% compared with February last year.

Decreases in utilisation occurred in 15 of the major manufacturing groups. The largest decreases were in the footwear industry (14.4%), glass and glass products (11.3%) and in the textile industry (7.9%).

The 19.2% under-utilisation in February was due to a shortage of raw materials (1.5%), of labour (1.2%), insufficient demand (13.3%) and "other" reasons (3.2%).

The highest utilisation rates were in the tobacco industry (96.4%), leather and leather products (90.3%) and metal basic industries (88.3%). The transport equipment industry showed the lowest utilisation rate — 70%.

According to the CSS total wholesale trade sales excluding diamonds amounted to R10,628bn in April — 4.5% lower than expected.

Real wholesale trade sales decreased by 1.5% compared with March after seasonal adjustment.
Unions' productivity 'hatchet job'

ROGER FRIEDMAN
Staff Reporter

TRADE UNIONS "have done a very effective hatchet job on the concept of productivity", the key to the future economic well-being of South Africa, industrial relations consultant, Mr Andrew Levy, said today.

But amid the gloom, "the unions are beginning to change their minds", and the doors to productivity bargaining were beginning to "swing open."

Mr Levy was addressing a conference in Cape Town on labour problems and solutions, focusing on wage demands, productivity, industrial action and retrenchments.

Professor Robert Scharre of the University of Cape Town cautioned employers that policies of pure expediency would never work.

Businesses would not survive the onslaught of extended industrial action.
Index shows production stagnant

PRETORIA — A stagnant SA economy reflected in recent CSS figures is confirmed by the latest indices of the physical volume of manufacturing production.

The CSS's production index has increased by a mere 1.9 points since the base of 100 was set in 1965. Latest figures show a production decline of 2.3% in the three months to end-April but an increase in sales values of 3.9% to R46,214bn when compared with February-April last year.

Seasonally adjusted, the index fell by 1.3% in February-April, compared with November-January, to 101.7 and the value increased by 0.2% to R46,949bn.

The main contributors to the 1.3% decline in February-April after seasonally adjustment compared with the previous three months, were industrial, chemical, basic iron and steel, machinery and equipment and electrical machinery industries.

In another CSS release at the weekend, trading revenue in the retail motor vehicle and accessories industry increased by 0.9% to R8,961bn in the second quarter this year compared with April-June last year.
Focus on productivity

The National Productivity Institute (NPI) is to hold a five-day series of workshops and seminars on productivity from August 31 for Productivity '92.

The highlight of the programme, which has the theme Productivity Through Creativity and Cooperation, will be a series of day-long workshops on creativity and idea-generation by Chic Thompson of the Creative Management Group in the US.

Thompson, founder and president of the management group, started a crusade in the US to wipe out "killer phrases" such as "It'll never work", "Yes, but", "...or "It's not in the budget", according to an NPI statement.

The Chic Thompson workshop in Johannesburg will take place on August 31. It will be held in Durban on September 1 in the Royal Hotel, and in Somerset West at the Lord Charles on September 2.

One of the speakers at a one-day seminar on Customer Care — Key to Profitability on September 1 at the Jan Smuts Holiday Inn will be a 1992 National Productivity Award winner who maintained high quality standards and improved customer service while reducing costs by R10,6m.

His name will be announced on the day.
SA doctor presents new medical research

AN SA general practitioner yesterday told a Copenhagen medical conference of a major breakthrough in the treatment of chronic pain and fatigue.

The conference, MyoPain '92, is being attended by over 500 delegates from around the world.

The 45-year-old Alberton doctor, who may not be named for ethical reasons, said he and a colleague had conducted a five-year research programme involving a new "wonder drug". B/[1992] 22/1992

He said the research finding had been well received by the conference which was mainly attended by medical academies and heads of teaching hospitals.

"SA is still leading the world in medical research. What we have done is to find a cure for previously untreatable disorders such as migraine and yuppie flu."

Treatment consists of three consecutive intravenous infusions of the drug. The administration of the drug does not require hospitalisation.

"We have a reasonably large practice and have conducted extensive research over the past few years with the co-operation of our patients. The results have been fantastic."

A colleague said the doctor had been invited to attend the conference after writing a thesis outlining the research. He was the only general practitioner among the speakers who addressed the delegates.

"This has brought now hope to people suffering from chronic pain and fatigue. Although a lot of research still has to be carried out we have brought relief to people who up to now were considered untreatable."

"Judging by the reception at the conference it seems as though SA is once again in the forefront of medical research," he said.

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A FINE TOUCH

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'Literacy key to a higher productivity'

State and employers will be asked to set up a training fund:

Sowetan Correspondent

South Africa's low productivity can only be properly addressed through a Government-backed literacy programme for the country's estimated 15-million functionally illiterate adults, claims Cosatu.

Cosatu's Rahmat Omar said although no official figures were available, the gloomy picture was that 45 percent of the economically active population was illiterate and 25 percent semi-literate, leaving a mere 30 percent literate.

If these figures are correct, that puts South Africa on a par with New Guinea but behind Zimbabwe which claims a 75 percent literacy rate and Botswana with 71 percent literacy rate.

Basic literacy training

Many private organisations have surfaced, progressing from solutions based on basic literacy training to a comprehensive focus on life skills.

They include Read, Educate and Develop (Read), English Literacy Project (ELP), Co-operative Organisations for the Upgrading of Numeracy Training (Count), Training in English Language and Literacy (Tell), National Literacy Co-operation, which is active in the Eastern Cape, and Basic Education and Skills for Adults (Besa).

A holistic approach

Besa, which caters for the lion's share of the market, "established a need for a holistic approach to adult basic education, linked to skills-based career paths", according to marketing director Keiva Jansens.

Mr Jansens said, "After addressing basic literacy, we move on to English language competency along a continuum of growth, numeracy, life and technical skills.

Simon Mtshkulu, training officer at Allied Publishing which will launch a Besa training programme next month, said many newspaper vendors were unable to read the product they were selling.

Omar said the State would be urged to set up a training fund assisted by employers who should be offered tax exemptions.
PRETORIA — The volume of manufacturing production in the three months to end July dropped by 5.5% to an index level of 101.2 compared with the same three months last year (107.1), Central Statistical Service (CSS) figures show.

Compared with the previous three months, volume declined by 4% from an index figure of 103.1 to 99.

However, compared with June, the July figure increased by a solid 3.5% after seasonal adjustment.

Production increases were recorded by 17 of the 27 major manufacturing groups, whose reasons for increases included a larger supply of raw materials, an increase in exports and less strike action.

And in another release yesterday, the CSS said total wholesale trade sales for July, excluding diamonds, were up by 5.5% on wholesalers expected sales for the month.

In May-July, sales at then current prices increased by 11.3% to R33,560bn. At constant 1990 prices they dropped by 0.9% to R27,213bn.
Numsa strike lost nearly R1bn

PRODUCTION losses during the four-week strike action in August by nearly 80 000 members of the National Union of Metalworkers of SA (Numsa) amounted to nearly R1bn, the Steel Industries Federation of SA (Seifsa) said.

Its latest Seifsa News publication said although no complete shutdowns had been reported, it estimated the industry had lost one fifth of its production capacity over the four weeks. This amounted to production losses of R660m.

Seifsa claimed Numsa's orchestration of the strike action had been unwise considering the industry was in a recession.

The industry was shedding between 2 500 and 3 000 jobs a month, business closures were on the increase and investor confidence was at its lowest Union members lost R110m in wages during the strike.

At least 1 600 workers had been dismissed during the strike and it was expected many more would be laid off as a result of lost business caused by the strike.

Some companies had managed to maintain and even improve production during the strike, with fewer workers. Indications were that management would review productivity standards with the possibility that manpower levels would change.

The successful court interdict against the Numsa strike had established some important collective bargaining principles, Seifsa said.

Seifsa and its employer organisations were able to institute legal proceedings and seek court interdicts against trade unions on behalf of their members.

Employer organisations also had the right to know the outcome of the union strike ballot. Seifsa said this meant the "principles of industrial democracy" had been entrenched by the court.
New Cape chamber chief

CAPE TOWN — Hans-Pak MD John Middleton was elected president of the Cape Chamber of Industries at the chamber's AGM last night. Middleton has been a member of the chamber's executive council for five years.

Barlow Rand (Cape) chairman Ted Parribane was elected first vice-president and Duram Products MD Michael Stekhoven and Middleman Brokers owner Harold Storey were elected vice-presidents.

In his outgoing address, president Ernest Wilson bemoaned SA industry's low level of productivity relative to its trading partners, and especially relative to its competitors in the Pacific Rim.

"The investment incentives we offer are pitifully unattractive and our export incentives are not geared to promote the greater beneficiation of our domestic raw materials," Wilson said.

"Throughout the world, cost reduction is the name of the game, yet our costs in SA, even in recession, are rising almost in step with inflation, which stubbornly continues to defy all efforts to achieve even single-digit status."

He said the chamber was concerned that current government consumption expenditure remained excessively high at 21% of GDP compared with the 10%-15% of most of SA's trading partners.

The next few years were unlikely to bring a significant reduction in state expenditure as socio-economic backlogs would have to be dealt with.
**Productivity in ANC spotlight**

WILSON ZWANE

NO PROGRAMME aimed at increasing productivity would succeed unless the entire economic system was legitimized, ANC NEC member Saku Macozoma said yesterday.

Addressing the 36th annual convention of the Institute of Personnel Management in Sun City, Macozoma said labour should not be blamed exclusively for the ills of the country's economy.

He said various factors had an impact on the "productivity dynamic".

These included the perception SA's economic system was illegitimate because it excluded blacks, and the poor education system which "fails to inculcate basic tenets that would help in increasing productivity".

Macozoma said the country's political crisis was characterized by:
- A lack of political legitimacy;
- Mistrust of security forces and the judicial system (by blacks);
- A climate of repression and intolerance;
- Escalating exploitation of ethnic and regional divisions, and
- The collapse of local authorities.

**Police 'threatened Boipatong witness'**

TWO policemen threatened a witness of the Goldstone commission of inquiry into the June 17 Boipatong massacre when they visited his home, the inquiry heard in Vereeniging yesterday.

ANC counsel Karel Tip told the commission, which resumed sitting yesterday after a two-month recess, that the witness had said policemen visited his Boipatong home on Wednesday last week. The witness was not home so the policemen had left a threatening message with his wife, Tip said.

SAP counsel Philip Hattingh told the commission the police had no idea the man was to be called as a witness.

He said policemen had visited the Boipatong area on Wednesday night to make certain observations, but said they had not entered any premises.

The commission was also told that an analysis of the erased police tapes relevant to the investigation would be made available next week.

Judge Richard Goldstone said the British government, to whom the tape had been submitted for analysis, would provide the commission with the relevant information.

— Sapa.

**Stress a danger to black managers**

SUN CITY — The small pool of black managers would shrink in the next five years should advancement programmes not take into account stress-related disorders, Bristol-Myers-Squibb director Ben Allmann said yesterday.

Speaking at the 36th annual convention of the Institute of Personnel Management, Allmann said corporates had to extend their thinking beyond the workplace, or about 88% of black managers would suffer from performance-impairing stress-related disorders within the next two years.

He said his predictions were based on the results of a three-year collaborative national management stress research project he conducted among managers from 13 major companies.

The project showed that black managers found their homes and community environments twice as stressful as their work.

Black managers recorded lower remuneration, less praise and more criticism, discrimination and cultural gaps as contributory to stress.
ANC plans protests against KwaZulu

NATAL is on the boil following the deaths of more than 40 people in the past week.

The ANC's three Natal branches are planning a day of protest action against KwaZulu police stations and government offices.

ANC Natal Midlands spokesman Reggie Hadebe said yesterday the day of action was part of a build-up to a march on Ulundi.

A committee had been established to plan the campaign and set an exact date for the day of action and a march on Ulundi.

"The date is not crucial. What is crucial is that the campaign must get off the ground. There is no question of the head office trying to postpone the march indefinitely as has been suggested," Hadebe said.

He said no plans had been made to meet Inkatha leaders, but the matter was being discussed at national and regional levels within the ANC. A meeting with President F W de Klerk was also being discussed, he said.

Hadebe said the focus of violence was being systematically shifted back to Natal because Inkatha was coming under greater public pressure in the region.

He said Inkatha had stepped up the military training of its members in preparation for a major assault on the ANC in the province.

The Human Rights Commission recently reported that 123 people died in violence in Natal during September.

Sapa reports six people were wounded when a group of gunmen opened fire with pistols and AK47 rifles at commuters disembarking from a train at the Elandsfontein station in Gernost in Tuesday morning.

In a report yesterday, Witwatersrand police spokesman W/O Andy Peke said a policeman returned fire when he was shot at, but it was unknown if any of the attackers, who fled the scene on foot, were wounded.

The injured passengers were admitted to the Willem Cruywagen Hospital in Gernost.

The motive for the attack was unknown and no arrests had been made, said Peke.

Productivity is based on labour's trust, says ANC

LABOUR and management had to enter into a more trusting relationship in order to minimise trade-offs between a living wage and productivity growth, ANC economist Tilo Mboweni said yesterday.

Addressing the 36th annual convention of the Institute of Personnel Management (IPM) in Sun City, Mboweni said there was "growing room" for cooperation between management and labour.

Mboweni said if organised workers were well informed about the possibility of wage growth eroding their companies' competitiveness, they would be more prepared to "co-ordinate their wage demands with increases in productivity".

"This entails a totally new and trusting approach to the relationship between capital and labour. Management will have to alter its secretive stance and provide unions with detailed information about a company's economic position," Mboweni said.

He added that pressure on trade unions to identify with the goals of national development "will be considerable under a democratic government".
Spot Desk

against initiation

The best weapon is

Productivity is
Africa ‘must work hard to become a world player’

TOTAL factor productivity remained constant between 1960 and 1997 in sub-Saharan Africa against increases of 1.9% a year in East Asia, National Productivity Institute executive director Jan Visser said yesterday.

Delivering the keynote address, he said that since 1960, growth in productivity had accounted for a small proportion of output growth for most developing countries.

Visser said the World Bank had predicted there would be an increase of nearly 100 million poor people in sub-Saharan Africa which would make 30% of the developing world poor, compared with 16% in 1963.

“The correlation between productivity and economic growth is strong and positive, and Africa will simply have to increase productivity if it wants to become a world economic player,” he said.

GDP in the sub-Saharan region decreased by 12% a year between 1969 and 1999, while it increased in all other regions except Latin America.

The growth rate of 1% a year achieved by the sub-Saharan region was not high enough to accommodate the high population growth rate of 3.2% a year.

Visser said that in recent years, East Asia had grown rapidly through expansion in trade. Annual growth in real exports increased by more than 10% from East Asia, while they declined in sub-Saharan Africa.

Since agriculture provided Africa with 33% of Africa’s GDP and 40% of its exports, the continent had a clear comparative advantage and it offered the best immediate opportunity for raising incomes, he said.

“Agricultural growth must be doubled to 4% a year to be able to increase Africa’s standard of living,” he said.

He said even when full account was taken of the environmental limits to land exploitation, the scope for expanding production was great.

Over a longer period, policies should aim at fostering private investment and entrepreneurship in the industrial sector, he said.

Visser said education would affect productivity and growth, as a better educated person absorbed information faster and applied new processes more successfully.

Visser said the adult literacy rate in sub-Saharan Africa was only 48% compared with 71% in East Asia, and fewer than 50% of children were enrolled in primary school in the sub-Saharan region.

Visser concluded that to have an African productivity association dominated by governments and politicians would be fundamentally wrong, and he was pleased that no politician had been involved in the first assembly.
Use of capacity drops sharply.
Streamlining Mauritius

SENIOR Mauritian finance ministry official Rajn Jugnauth has just concluded a four-day visit to SA to investigate the possibility of the National Productivity Institute (NPI) helping his country streamline its public service...NPI spokesman Jap Syfert said Jugnauth's visit was part of a plan to build an industrialised economy in Mauritius on the lines of the Singapore model.
Multi-skilling lifts productivity 45%

PRODUCTIVITY has increased by as much as 45% in some companies where multi-skilling has been introduced.

This is one of the findings of a survey of 40 large companies in South Africa.

But companies also report several drawbacks.

The research was conducted by Theo Veldsman, a consultant at Anglo American's Central Training Unit (CTU).

The survey shows that most companies implement multi-skilling at shopfloor level (38%), followed by supervisory (32%), and middle-management level (15%).

Dr. Veldsman says the response is "fairly representative of the larger companies that have implemented multi-skilling."

**Warning**

Reasons for the benefits obtained are "more efficient and effective operation" (31%), a reduction in costs (17%) and improved productivity (14%).

But Dr. Veldsman warns that although multi-skilling can offer much in the short term, it should be coupled with adult education programmes if medium — and long-term benefits are to be gained.

"A worker has to have a certain level of education to enter a job grade demanding certain complexities of skill. Once a worker has been multi-skilled to a maximum level in a grade, it often happens that he is unable to advance because he does not have the education to enter the next grade."

Fortunately, adult education programmes are increasingly being used by businesses.

National Training Board acting chairman Ray Ebers says it is possible that these adult education programmes could be "recognised by issuing nationally acceptable certificates."

Dr. Veldsman's survey shows that the most common form of multi-skilling adopted is operators doing different tasks in their own discipline (29.7%).

This is followed by artisans across disciplines — doing maintenance and working in production as well (21.6%) — supervisors across disciplines (16.8%), operators across disciplines (10.8%), management across disciplines (10.8%) and artisans across trades (6.1%).

There have been instances where trade unions have rejected multi-skilling. But several Cosatu unions have agreed to its implementation.

Dr. Veldsman says "Although in some cases there is a problem of job security, the alternative can be that the company will go under overload.

"When implemented correctly, multi-skilling provides for growth and progression among the members which the unions are keen to see."

Some drawbacks mentioned by the companies that implemented multi-skilling are it is difficult to assess a suitable level of pay, concern about employee "work overload", a high level of supervision is needed to maintain standards, the problem of getting the right balance between specialists and generalists.

Employers are also concerned that multi-skilling does not appear to foster job creation — a problem which SA desperately needs to resolve.
Redesigning yields direct returns in productivity

CORPORATE clients are becoming increasingly aware of the financial advantages of improving their immediate work environments, says SA Design Society president Des Laubscher.

"It has been proven that an enhanced work environment increases the productivity of staff. Thus the money spent on revamping space has a direct return in improved staff performance. While the recession has affected the amount of money businesses are prepared to spend on this, many are now re-evaluating their buildings and how they can make these more cost-effective, rather than building new premises," he says.

Laubscher says South Africans are inclined to accept whatever they are told at face value.

"It is essential that we become more discerning, as many things can be changed to suit the client’s requirements without much expense," he says.

A much wider product base is now available, and local designers have access to global suppliers. This in turn has made them more aware of international trends and has encouraged them to become less stand, Laubscher says.

"An example of this is Nedbank's banking malls.

"The company has taken its corporate image and colours and used these as the focal point of its malls, where everything is designed with this in mind — even down to the pen holders," he says.

Formal open-plan offices have become less popular and have been replaced by cellular open-plan designs as the trend is for buildings to be as energy-efficient as possible.

In the past, few designers were involved in projects from the outset, which meant they designed from the outside in.

"What is happening now is that the end users are being considered and the interior designer is called in at the start of the project.

"This allows him to use the environment as best as possible — for instance, by harnessing natural light to save energy and minimizing heating and cooling costs," Laubscher says.

The society has nearly 300 members, encompassing graphic, interior and product designers. However, this represents only a small percentage of the industry.

"We have adopted the international code of conduct and will start looking at the establishment of fee structures next year, as well as benefits such as medical aid," he says.

Capital boost fails to stem Zevenwacht losses

CAPE TOWN — Despite significant injections of capital and attention to long-term debt, the Zevenwacht Wine Estate, one of the largest in the country, incurred losses in excess of R2,68m in the 12 months to 30 June 1992.

The company and its two wholly owned subsidiaries produces red and white wines in its Stellenbosch district. To restore its position, directors have resolved to offer new shares to existing shareholders to enlarge the capital base and reduce interest-bearing debt.

Zevenwacht chairman Harold Johnson said sales of the estate’s wines had been adversely affected by the poor economic climate.

No dividends on the ordinary shares were declared and no dividend was proposed.

Johnson said he did not anticipate a “quick turnaround in Zevenwacht’s fortunes”, but added that everything feasible was being done to ensure the long-term future of the farm.

Three new dams had been built, new vineyards were being established and wine-tasting facilities were being improved. The estate was also receiving favourable reaction from the export market.
MANAGEMENT STYLES DO IMPACT ON PROFITABILITY

TOUGH economic times, political duress and the challenge to compete globally has placed tremendous stress on senior executives.

However, considering the very high costs involved in recruiting, training and developing staff, companies cannot afford to lose quality employees due to poor management styles. Yet more and more employees are citing this as the reason for leaving their jobs.

As companies downsize, so the role of the line manager has changed. Companies have decentralised authority and empowered managers to build winning teams and to be accountable for the entire running of departments.

But the most sophisticated strategising is worthless unless it is coupled with skills training to equip managers to cope adequately with their new-found responsibilities.

Compassion

It is in this area that many South African companies are sadly lacking. Especially when we know that the workforce of the future will be multi-cultural and diverse.

Managers will require new attitudes, new skills and a change of mind set to motivate and understand the needs of their human resources in order to obtain maximum efficiency and productivity.

Traditional autocratic management styles found in large hierarchical companies are no longer effective in the flatter structure of flexible responsive companies of the '90s. To guide employees through disorientation and change, managers must have a genuine care and compassion for the workforce. People of all levels need to be treated with respect and dignity. Effective managers will have to realise that leadership is a human activity.

For companies to win, there has to be a meeting of mutual need for both the employee and the employer in the workplace. As we live in an environment of constant change, so we need to realise that the needs of people are also constantly changing.

Managers can develop their workforce by staying abreast of this change through constant appraisals, the results of which must be acted upon. Should this not occur, companies will become the training ground for their competitors.

As we promote people on the basis of merit, profitability increases and work ethic improves.

As the focus of work moves away from the company towards the individual, so employees are demanding recognition for their labour. To say nothing about good performance, but to consistently reprimand poor performance, is a practice which will not be tolerated — even in recessionary times.

Employees are demanding recognition of their self worth. As employees self worth increases, so a company's net worth increases.

Managers need to be visible accessible role models to their employees as they set the example of realising the company's vision and mission statements.

Shape

But the enforcement of management change is only as strong as the support of the CEO, who needs to demonstrate his total commitment to such a programme.

Tony Manning emphasises the need for leadership qualities in management. He says: “Leaders foster change, while managers maintain the work. Leaders create the future, while managers sustain the present.”

Managers are people who make ordinary people do extraordinary things in the face of adversity. To this end, managers will shape the destiny of their workforce, their companies, their industries and the country as a whole.

Litsa Roussos is Emmanuels Personnel Group's chief executive officer.
Manufacturing production volumes at 11-month high

Production volumes among SA's manufacturers showed a slight improvement in October on the previous month but are still well down on the levels prevailing in October last year.

According to Central Statistical Services figures released yesterday, the volume of manufacturing production gained 3.4 percent in October from September this year.

However, October's index of 105.4 was marginally less than last year's October index of 104.

The CSS trend cycle is reaching the low levels of manufacturing production seen last in early 1986 after it had peaked in late 1983.

The monthly gain in production was due to an increase in 18 of the 27 major manufacturing groups, primarily other chemical products, metal products, paper and paper products, electrical machinery and basic non-ferrous metal products industries.

"Manufacturers in these major groups indicated that increased orders from both local and export markets resulted in the production increases," the CSS said.

October's actual index of the physical volume of manufacturing production of 111.4 was the easily the highest level achieved in the last eleven months.

In a separate report on manufacturing's financial statistics for the second quarter of this year, CSS said both profitability ratios increased slightly from the comparative quarter last year.

The tax-profit/turnover ratio increased from 4.61 percent in the June quarter last year to 4.71 percent in the second quarter of 1992. But this profitability ratio was lower compared to the March quarter this year of 4.81 percent.

The tax-profit/fixed-assets ratio was up slightly at 3.12 percent in the June quarter from last year's 3.06 percent but down on the previous quarter in 1992 of 3.20 percent.

The capital expenditure on new assets expressed as a percentage of turnover decreased from 8.56 percent for the second quarter of 1991 to 5.55 percent for the June quarter of 1992. — Supa.
WASHINGTON — Worldwide economic output, already harts by slowdowns in Japan and Germany, will grow even more slowly in 1993 than first predicted, the International Monetary Fund said yesterday.

In a special report, the fund predicted a rise of only 2.3 percent next year, instead of the 3.1 percent it foretold in October and the 3.5 percent it forecast last May.

Rapid growth is expected to continue in Asia, but elsewhere, even where it predicted growth the fund lowered its estimates.

This year, worldwide production grew by an anemic 0.6 percent, the fund said, lower even than the one percent it predicted in October.

After an aggregate production decline of 10.1 percent this year, Czechoslovakia, Hungary and Poland are exporting strongly and expected to grow next year — but by only 2.1 percent, smaller than fund predicted in October.

For Latin America, the IMF slashed its growth estimates to only two percent, due mainly to difficulties in Brazil, which accounts for one-third of the area’s economy.

It said the situation in the former Soviet Union has continued to get worse, with production dropping 10.6 percent this year and predicted to drop 7.5 percent in 1993, worse than was predicted earlier in the year.

The differences in predicted growth rates mean billions of dollars when applied to the trillions of dollars worth of goods and services produced throughout the world.

Output in Germany has been declining; the fund said, but it expects to see a strengthening in western Germany next year, with a “more moderate” growth in wages and “somewhat lower” interest rates.

“Even with this improvement during the year, however, real output in unified Germany is projected to rise by only 0.3 of one percent in 1993,” it said.

The fund noted Japan’s slowdown in the first half of this year followed by a further drop in the second half, “as indicated by slow wage growth, declines in automobile sales and other consumer durables, and a decline in the ratio of job offers to job seekers.”

The IMF saw a relatively unchanged outlook for the United States. It expects stronger activity next year — three percent growth, only 0.1 percent less than it predicted in October.

The fund released its special “World Economic Outlook,” usually issued only in May and October, due to “an unexpected weakening of activity in many key economies and a period of considerable turmoil in foreign exchange markets.”

The report referred to devalued assets in “in a number of countries,” which officials said meant chiefly a drop of prices for land and securities in Japan.

The report also blamed slower growth on high interest rates in Europe, brought on by the cost of German unification. — Sapa-AFP.

Well, I think I finally have the answer to the recession.

The International Monetary Fund takes today’s spot in our Outlook ’93 series with a report predicting continued weakening of economic activity in the major industrialized countries.
Manufacturing production keeps up its momentum

THE physical volume of SA’s manufacturing production continued its upward momentum in October, but was lower when compared to a year earlier.

Figures released by the Central Statistical Service yesterday showed a 3.4% seasonally adjusted gain in October to 163.4 on the index from September 1992. This was 0.6% down on October last year.

Increased production was recorded in 10 of the 27 major manufacturing groups. Those which contributed the most included metal products, paper and paper products, electrical machinery and basic nonferrous metal products industries.

"Manufacturers in these major groups indicated that increased orders from both local and export markets resulted in the production increases," the CSS said.

However, the physical volume of manufacturing production for the third quarter of 1992 showed a 2.5% decrease compared with the second quarter of 1992 after seasonal adjustment. The largest decreases were recorded by the printing, other chemical and chemical products, other metallic mineral products and metal products industries.

The seasonally adjusted value of sales of manufactured products for the third quarter showed a slight increase of 0.8% compared with the second quarter of 1992. Increases came mainly from the food, basic iron and steel, and motor vehicle industries.

Manufacturing’s financial statistics for the second quarter of this year showed profitability ratios increased slightly from the comparable quarter last year.

The net profit after tax/tax turnover ratio increased to 4.71% in the second quarter of 1992 from 4.6% a year earlier. However, the profitability ratio was lower compared to the March quarter this year of 4.8%.

The net profit after "tax/fixed assets ratio was up slightly at 3.12% in the June quarter from last year's 3.09% but down on the March quarter figure of 3.3%. Capex expressed as a percentage of turnover decreased to 5.5% for the June quarter of 1992 from 6.6% a year earlier."
WASHINGTON — Worldwide economic output, already hurt by slowdowns in Japan and Germany, will grow even more slowly in 1993, said the IMF yesterday.

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The report is usually issued only in May and October — Sapa-AP
'Workers also support improved productivity'

WORKERS will not be able to solve their problems without a substantial improvement in productivity, says National Council of Trade Unions (Nactu) assistant general secretary Mahlonula Skhosana.

Writing in the latest edition of Nactu's newsletter Izwilethu, Skhosana says the opinion that unions reject productivity in principle is wrong.

It seems to unions that many employers feel improving productivity means "working harder for longer hours at super-exploitative wages".

Culture

For workers, improved productivity means working in an "enabling environment" in a "democratic workplace" with a changed management style.

"A new culture of doing things must develop with the active participation of everyone involved," says Skhosana.

There should be open communication and no information should be kept from workers, and government and business must provide the resources and time for education and training.

With the advantages of improved productivity an "uncorrupt" government could pass on the benefits to society through improved social benefits.

These include parity of old-age pensions, subsidies for education at all employment levels, provision of low-cost, but decent, housing and subsidies for basic food.

Skhosana says it is also necessary to look into the quality of management personnel "who at times do not seem to know what they are doing".

Inadequate planning on the part of management has been largely responsible for the large number of retrenchments this year, he claims.

On the National Economic Forum, Skhosana says labour, business and government must find ways to reconcile the interests of the employed with the needs of the unemployed.
Productivity gains pay off

THE September quarter's average profit gain on gold mines was attributed to productivity gains sufficient to offset a simultaneous underrecovery on price, the Chamber of Mines said in its latest newsletter.

The R402,32/kg profit improvement was realised as a result of an average productivity gain, equivalent to R1 390,21/kg of gold produced, exceeding the quarter's average price underrecovery of R87,60/kg.

The report said gold mines had waged a determined struggle to counter effects of a poor gold price by seeking financial relief from recurring price underrecovery through the generation of productivity gains.

A feature of the average productivity improvement for all mines was that productivity gains were recorded for all measured resource categories. These consisted of labour (unskilled, semiskilled and skilled), electricity, compressed air, water, other stores and other costs.

It was the first time since the productivity monitor's inception in 1991 that resource productivity gains had been made across the board.