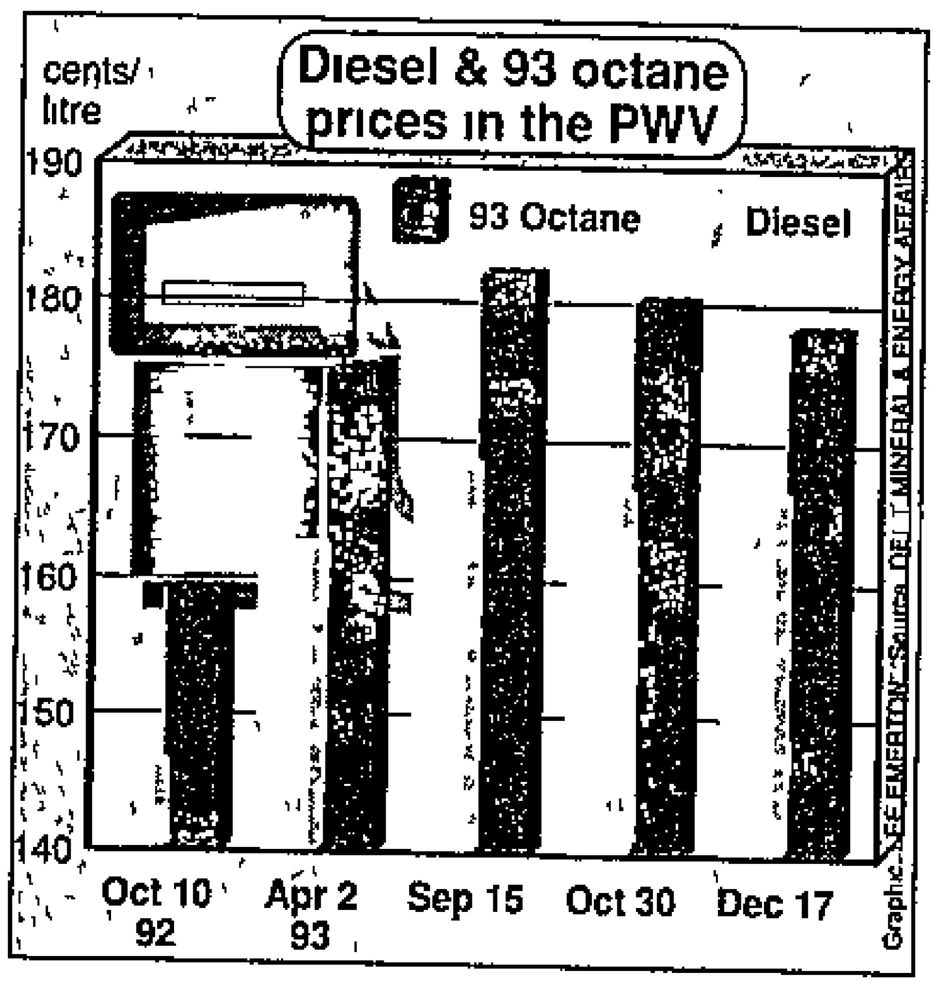
MANUFACTURING - CHEMICALS & PRODUCTS

1994

June - Dec



Petrol price cut in the pipeline

EDWARD WEST

CAPE TOWN — The current overrecovery in fuel revenues collected by government could result in a further decrease in the petrol price next month, industry sources said yesterday. BiDay

Mineral and Energy Affairs Department spokesman Theunis Burger said although it was impossible to guess what the National Economic Forum might decide at its fuel pricing review meeting next week, the 7,5c/*l* overrecovery meant there was potential for a price adjustment. 2/1/94

The overrecovery on diesel stood at a more modest 1,9c/*l* yesterday after falling since the beginning of the month.

Burger said the fuel price situation was fluid — a factor likely to be taken into account by the forum. Crude oil prices were firming and benchmark refinery postings, on which SA based its fuel price structure, had increased. (183)

An oil industry source speculated that the review committee would probably debate a fuel price cut of 2c/*l* for 93 octane petrol and of 4c/*l* for 87 octane, to come into effect early next month.

Transnet economist Mike Schussler said his calculations, which were based on government's petrol price formula, indicated that the overrecovery was about 9c/*l*.

He said a 2c/*l* cut would bring the decrease in the price of 93 octane petrol on the Reef since October to 6c/*l*, which was in line with earlier predictions that government had considered too optimistic.

Automobile Association public affairs manager Robin Scholtz said the overrecovery in December was about 6c/*l* and a price cut could be discussed by the forum's fuel price review committee this month.

Kuwait to sell SA 1-m tons of oil

KUWAIT — Kuwait, announcing one of the first oil sales to South Africa by a Persian Gulf state since the lifting of the oil embargo, said it had agreed to supply the country with one million tons of crude this year.

183

Sheikh Ali Jaber al-Ali al-Sabah, managing-director of marketing for the state oil conglomerate Kuwait Petroleum Corporation, signed an accord in Kuwait with South African oil official D F Mostert — Sapa-Reuter.

ARG 26/1/94

Task group recommends fuel price cut

BDay 27/1/94

Business Day Reporter

THE National Economic Forum's liquid fuel industry task group had recommended a cut in the petrol price, but this still had to be put before the forum's process committee, which would discuss the recommendation with interested parties before it went before the TEC next Wednesday, a Mineral and Energy Affairs Department spokesman said yesterday. (183)

Sapa reported that the recommended reduction was expected to be about 3c/l.

The task group met yesterday. A source said there was scope for a reduction of 9c/l. However, 6c/l would have to be passed on to the depleted fuel equalisation fund, which was used to smooth out temporary fluctuations in the cost of fuel.

Mineral and Energy Affairs Minister George Bartlett sparked an outcry in September when he raised the petrol price 7c/l. Government later reduced it by 2c/l.

Analysts have indicated that the current 7,5c/l overrecovery of fuel revenues means that a reduction in the fuel price of up to 6c/l is possible, a view described by Bartlett as optimistic.

resses a rally in Orlando, Soweto, yesterday to mark the 18th anniversary of the June 16

Picture GARTH LUMLEY

Deregulation demands follow petrol price rise

BDay 17/6/94

MICK COLLINS

THE latest hike in the petrol price has widened and intensified calls for the fuel industry's deregulation

Commerce and industry yesterday expressed grave concern at government's continued interventionist policies, saying this would take its toll on investor confidence and adversely influence the exchange rate

Sacob said the present need for a fuel price rise was an example of the negative effect of such policies

Business reluctantly accepted that an increase in crude prices and a deterioration of the external value of the rand made the price rise unavoidable

The Automobile Association said it was "absolutely essential" that the current debate around the rationalisation of the fuel industry be finalised without further delay

A market-driven, deregulated fuel industry, devoid of the current inefficiencies contained in the in-bond landed cost (IBLC) pricing mechanism, would substantially reduce the pressure to increase fuel prices as a result of higher crude oil prices

It warned that fuel prices could increase in total by between 12c/l and 15c/l this year

Transnet economist Mike Schussler said the basic SA fuel price was $0,085 (30,5 SA cents) more expensive than the average European price on the current formula

"We use Singapore postings in setting prices where the Europeans use Rotterdam and Mediterranean prices"

Singapore refineries had one of the highest profit margins because of a virtual monopoly in the region

The equalisation fund, which provided tariff protection to Sasol and Mossgas, also made fuel expensive

"This has got to be phased out over time" (183)

There were a lot of vested interests in the local oil industry whereas in Europe many of the fuel markets were already deregulated

Sapa reports the decision to increase the petrol price was condemned by the SA Black Taxi Association

"We cannot accept that decisions of this magnitude can be made without proper consultation and examination of the alternatives," Sabta said

One alternative, said Sabta spokesman Jacob Ledwaba, was for taxi associations to form co-operatives to own "consumer pumps"

Sweeping plan for petrol industry

B/Day 2/3/94

MICK COLLINS

THE Competition Board has recommended sweeping changes to the Service Station Rationalisation Plan (Ratplan) in a move that could see price controls on petrol and diesel abolished (183)

It has also strongly recommended the introduction of self-service at garages and the sale of petrol on credit

The board's report, which has been handed to Public Enterprises Minister Dawie de Villiers, says price control measures should be phased out

It says "restrictive practices" are not justified in the public interest and recommends the Minister take action, including declaring such practices unlawful

The board also recommends removing minimum requirements for retail outlets, the restriction on vertical integration, the collusive refusal to supply clause, discrimination against roster service stations in terms of product pricing and oil companies' support, and restrictions on the classes of buyers

"The Ratplan, while conceivably serving government's energy policy, is inconsistent with government's overall policy of liberalising the economy It flies in the face of government's deregulation policy," the report says

The Ratplan is an agreement between government, the oil companies and the Motor Industries' Federation, which controls fuel distribution.

The board is also highly critical of the so-called Blue Pump Agreements (between Sasol and the oil companies) which contravene the prohibition on resale price maintenance. These, it says, should be removed, failing which the matter will be referred to the SAP or attorney-general with a view to prosecution.

Clauses in the Ratplan and the Blue Pump agreements appear to contravene the prohibition on resale price maintenance "It does not appear that the statutory imposition of price control in terms of the Petroleum Products Act of 1977 authorises the relevant parties to refuse to supply a reseller of the product they believe is contravening the provisions on price control,"

☐ To Page 2

Petrol

B/Day 2/3/94

☐ From Page 1

the board says

However, companies that have based their investment decisions on the current regulations (companies involved in refining, wholesale and retail distribution) should be given a set period in which to adapt to a new dispensation (183)

There is also a real possibility that there could be a reduction in the number of outlets or pumps — based on other countries' experience — which could lead to a reduction in the number of employees

"The board is, however, convinced that opportunities will open up for new and creative ways in which petrol is made available to the motoring public

"This in turn should stimulate employment and small business development The number of service stations may very well decline, but the number of retail distribution points could increase"

ANC plans to slash R1,4bn off fuel bill

S/Times (Buss) 6/2/94

183

By KEVIN DAVIE

AN ANC-aligned policy centre proposes that the oil industry be revamped along Australian lines in a move which could save R1,4-billion a year on the national fuel bill.

The structure would allow the free import of fuel and set maximum prices with a formula similar to the one now used, but with less generous profit margins

The ANC has established the Minerals and Energy Policy Centre (MEPC) with the backing of $1-million a year for three years from the Netherlands' government

MEPC director Paul Theron, who serves on the National Economic Forum task force on liquid fuels, says the NEF has become focused on short-term issues

The ANC wants to further the debate on the industry's longer-term future

The MEPC believes the Australian model could place the SA oil industry on a more competitive footing by allowing a degree of price freedom

The MEPC is studying a comparison of wholesale SA and Australian prices. They show that Australian prices are 9c/l lower than SA's, says Mr Theron

This difference boosts the SA oil industry by R1,4-billion a year

International Energy Agency data for 17 Organisation for Economic Co-operation and Development (OECD) countries show Australia's pre-tax pump price is second lowest after France SA's price would be second highest after Norway

PETROL PLANNERS MEPC's Sandile Tyatya and Paul Theron

Mr Theron says maximum pricing lowered Australian prices and resulted in sustained competition

"Price maximums avoid the problem of collusion and bring competitive forces to bear The industry gets a sustainable return on investment and doesn't have to rely on begging bowls for profit-margin increases"

Mr Theron says the ANC has held meetings with Cosatu and believes that the focus will move to how the industry can best be restructured over the longer term

Service stations, for instance, may be encouraged to expand their activities by selling an increased range of non-fuel consumables.

Australia's Prices Surveillance Authority, like SA, bases its intervention pricing system (IPS) on Singapore prices

The Australian system allows fully for discounting, suggesting that Pick 'n Pay's Raymond Ackerman would be free to import fuel for sale at a discount

Australian fuel companies may increase wholesale prices at any time provided they remain at or below the intervention levels of that day. Leeway of 0,05c/l (Aus) is allowed

Mr Theron says "something like the Ratplan" would operate at the retail level Ratplan controls fuel distribution through site allocation

Ways may be sought to strengthen the role of dealers

MEPC staffer Sandile Tyatya says the ANC is likely to honour agreements, which expire in 1996, between the government and Sasol

Mr Theron expects Sasol to increase its retail business. Protection payments after 1996 will "not be so generous as at the moment"

The ANC view is that Sasol is a major player and has to continue to receive state protection

Mr Theron says that since public money supports Sasol, it should be clear that it is used to produce petrol for the motorist rather than to support other parts of the company's operation

Nationalisation of Sasol (Engen has said its synfuel operations should be run as a state utility) is not on the agenda because if the ANC were to nationalise over-protected industries, there would be many candidates

The MEPC board will include ANC members, trade unionists, businessmen and academics It will provide support to Paul Jourdan, the ANC's mineral and energy affairs policy co-ordinator

MEPC will work on policy and provide support to decision makers in the "democratic movement"

Issues include the move from energy security and self-sufficiency to greater social equity, accelerating household electrification and the future of synfuels

Sasol reports a solid performance

MICK COLLINS

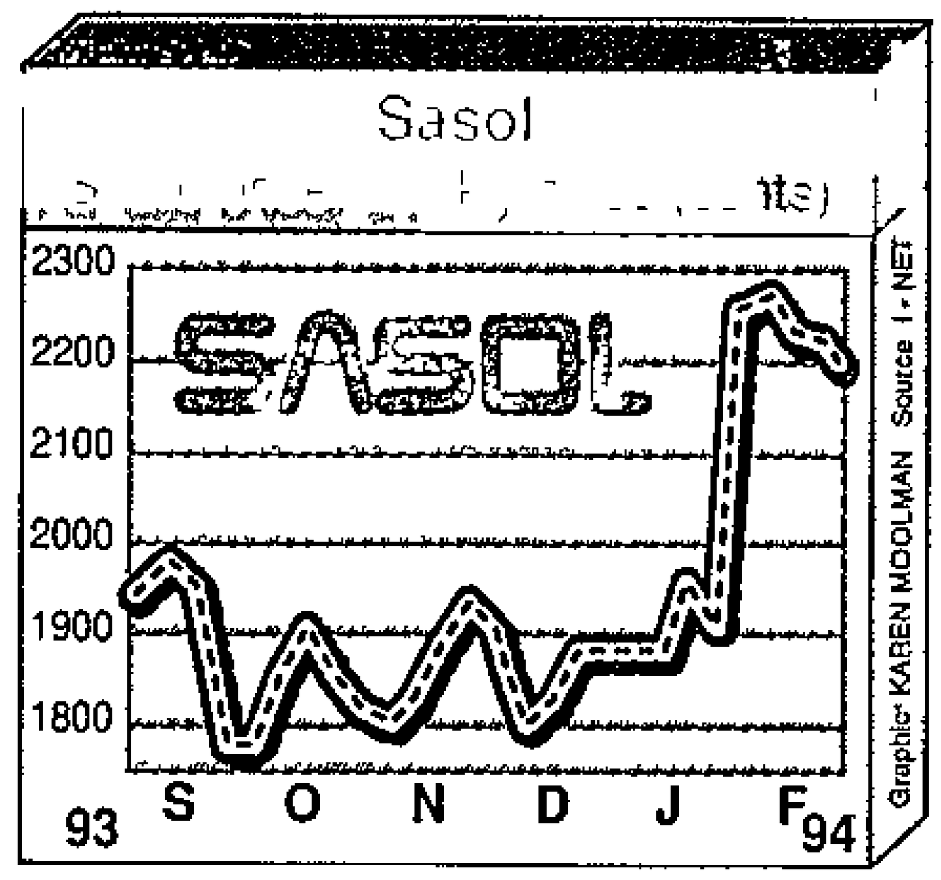
SASOL reported a solid 17% increase in attributable earnings from R560,7m in 1992 to R656,5m for the six months ended December, following an "outstanding" performance from all its main divisions.

The oil-from-coal and chemical producer reported earnings a share up 17% to 116c (99c), while the interim dividend was declared 10,5% higher at 42c (38c)

The average exchange rate, which weakened from R2,84/$ during the previous period to R3,28/$ for the period under review, contributed to the improved results. Lower net interest payable as a result of the further reduction of the Sasol III loan also had a positive effect.

An increase of 34,8% in operating income to R1,1bn (R822,3m) was eroded by an increase in the effective tax rate to 34,4% (20,9%). The rate was expected to increase because allowances from Sasol III and Syferfontein mine were exhausted. R100m had been set aside for tax this year.

Turnover increased 7,5% to R4,6bn (R4,3bn) after a marked increase in sales volumes, while the trading margin wide-



ned to 23% (19%) following tighter cost controls. "The company's cost-reduction programme, which we introduced last year, really only kicked in during the period under review," Sasol group GM Russell Kennedy said. (183)

Pre-tax profit was R1,06bn (R759m) as the interest burden decreased to R43,8m (R64,1m) due to the lower borrowings. After-tax profit came in at R698,7m (R600,3m) The impact of the temporary

□ To Page 2

Sasol

B/Day 1/3/94

□ From Page 1

reduction in the reference price for synfuel tariff protection to $21,84 ($23) a barrel is incorporated in the results. (183)

Sasol MD Paul Kruger said the commissioning of the rejuvenation project to convert the Sasol I plant to a chemical facility had been completed during the period.

"Even though full capacity was reached only during January 1994, a substantial improvement in profitability was already achieved during the half-year.

The Natref refinery had also been commissioned towards the end of the period

"The anode coke plant in Secunda and the acrylic fibres plant in Durban have not yet reached their full operating potential"

On future prospects Kruger said that barring unforeseen circumstances, the attributable profit for the second half should be higher than that of the first half "It is expected that there will be a satisfactory profit growth for the financial year"

Remove petrol subsidies — DP

MICK COLLINS

THE DP yesterday said the petrol price subsidies being paid to Sasol and Mossgas should be removed immediately

Reacting to Mineral and Energy Affairs Minister George Bartlett's announcement of a 3c/l cut in the petrol price, DP energy affairs spokesman Roger Hulley said this was not sufficient

"With the international crude oil price at its lowest level for many years, the SA motorist should be paying about 5c/l to 10c/l less for petrol.

"Ultimately, the only economically sound, long-term solution to the pricing of petrol is for government to have nothing to do with price setting."

However, Motor Industries Federation executive director Vic Fourie said "It has been confirmed that a regulated fuel industry is in the interest of lower prices due to the fact that there would be no obligation to lower the price of fuel in a deregulated fuel industry" BiDay 4/2/94

The SA Chamber of Business said the cut would benefit consumers and reinforce the incipient economic upturn.

Nissan SA Marketing MD Stephanus Loubser said any move that made motoring more affordable would provide a boost to the motor industry. (183)

The ANC welcomed the move, saying it indicated the value of National Economic Forum's involvement

The ANC said it also favoured lower paraffin and diesel prices

Engen endorses call for fuel deregulation

B/Day

EDWARD WEST

CAPE TOWN — Oil group Engen has strongly endorsed a Competition Board report recommending the dismantling of the fuel industry rationalisation plan Engen CE Rob Angel said the group welcomed a market characterised by free and fair competition and a minimum of government intervention.

While current regulations had played their role in the "siege economy" of the past, they had "served their time", he said

Freeing of retail prices should, however, be accompanied by the total dismantling of the current regulatory framework

Angel said there was still widespread debate on how the oil industry could be restructured without jobs being lost. 7/3/94

The report recommended that the industry should be deregulated and that free market pricing and competition should be allowed, Reuter reports

It also said government and the oil companies did not have the power to suspend petrol supplies to retailers who cut petrol prices (183)

Angel said· "Negotiations among interested parties will ultimately contribute to an acceptable solution for all concerned"

AA welcomes fuel deregulation plan

B/Day 3/3/94

MICK COLLINS

THE National Economic Forum s liquid fuel task group needed to give urgent attention to the orderly phasing out of the Service Station Rationalisation Plan restrictions, the Automobile Association said yesterday

Reacting to the release of a Competition Board report on the plan, known as the Ratplan, the AA said affected parties needed time to adapt to a negotiated new structure It welcomed the findings as they were in line with its own detailed submission

In light of the implications of deregulation, the board should negotiate an arrangement which would ensure the end of restrictive practice where it was not in the public interest, said the AA

Motor Industries Federation executive director Vic Fourie said the report was a typical free market approach, but it ignored important considerations

Among the motivations for the present regulatory fuel system was "to bring high quality product to the consumer at the best possible price" Under the circumstances, the SA industry compared well with the rest of the world

The synthetic fuel industry also had to be considered

Fourie said some of the Competition Board's recommendations did not take into account the need to retain and develop job opportunities, or the need to develop black entrepreneurship

He said the long-term future and structure of the fuel reselling industry its regulatory system and other factors, were being considered by the liquid fuel industry task group and the Competition Board recommendations would of necessity be on the table

(183)

"It will be incorrect and premature to take a stance at this stage on one sector of the industry in isolation," he said

A spokesman for the Mineral and Energy Affairs Department said the department was still studying the document "We will respond as requested by Public Enterprises Minister Dawie de Villiers by March 31"

Engen MD Rob Angel said he welcomed the report, adding that since the oil embargo had been lifted on SA there was a greater need for the industry to be exposed to a market-related economy

Spokesmen for Shell, Caltex and BP said the companies were studying the report and would be responding, as requested, to De Villiers by the end of the month

The DP welcomed the recommendations, saying they would lead to lower fuel prices, Sapa reports from Cape Town

DP energy affairs spokesman Roger Hulley said the recommendations, which included the scrapping of price controls on petrol and diesel, was "a complete vindication of the stand taken by the DP over many years"

Hulley said the systematic deregulation of the industry now needed to be done in steps

● Comment. Page 8

Fuel: Controls may go

CT 2/3/934

(183)

Own Correspondent

JOHANNESBURG — The Competition Board has recommended sweeping changes to the Service Station Rationalisation Plan (Ratplan) in a move that could see price controls on petrol and diesel abolished

It has also strongly recommended the introduction of self-service at garages and the sale of petrol on credit

The board's report, which has been handed to Public Enterprises Minister Dr Dawie de Villiers, says price control measures should be phased out

The Ratplan is an agreement between the government, the oil companies and the Motor Industries' Federation

Competition Board probe into Ratplan completed

CT 24/1/94

(183)

Own Correspondent

JOHANNESBURG — The Competition Board's probe into the service station Rationalisation Plan (Ratplan) has been completed and will be presented for discussion at a meeting of the board early next month

The board's investigation seeks to establish whether the Ratplan constitutes an unlawful restrictive pratice

The controversial Ratplan is an agreement between government, the oil industry and the Motor Industries Federation (MIF) prohibiting oil companies from operating service stations to protect small business development It also ensures the number of service station sites does not increase to a point where the petrol station business is not viable There are 4 900 service stations in the country

Also prohibited under the Ratplan is the introduction of self-service at service stations, to protect the jobs of about 45 000 petrol pump attendants

Competition Board chairman Pierre Brooks said "The draft has been completed and will be presented at the board's plenary meeting on February 9

"The various parties involved will have the opportunity to comment on the contents of the report, after which it will be forwarded to Public Enterprises Minister Dawie de Villiers"

Oil industry sources said if the board approved the abolition of the agreement, it could lead to a clash between De Villiers, who is in favour of deregulation and to whom the Competition Board answers, and Mineral and Energy Affairs Minister George Bartlett, whose department officially supports the Ratplan

Brooks said the time period for presentation to the minister would depend on the extent of the alterations made by the interested parties However, these would probably be completed within a few days

MIF executive director Vic Fourie said the federation believed the Ratplan was one of the components on which SA's orderly fuel industry was built

Fourie said the MIF was not completely opposed to any changes in the Ratplan which could lead to a better dispensation "In conjunction with the oil industry we are looking at changes that could make entry into the market easier for those who wish to do so

"We look forward to commenting on the Competition Board recommendations as soon as they become available However, we feel that any recommendations should be referred to the liquid fuels task force of the National Economic Forum so that they could become part of the discussion on the total fuel industry and how it should be structured"

Oil industry plan could save motorists billions

ARG 13/4/94 (183)

Business Staff

DEREGULATING the oil industry — an issue now being discussed by the government — could cut the petrol price by 15c to 24c a litre and save motorists R2 billion to R4,5 billion a year, Engen chief executive Rob Angel said

He was speaking at a Press briefing yesterday at which he revealed that Engen had lifted operating income in the year to February by 9,7 percent to R282 million (R257 million)

But earnings growth was hit by two extraordinary write-offs

One was a R17 million provision to cover retrenchment costs, which are expected to absorb R43 million this year The programme should save R45 million a year in wages

The second was a R37 million stock write-down stemming from the drop in world oil prices

But since year-end, the rise in oil prices and the drop in the rand/dollar exchange rate has lifted the value of Engen's oil stocks by roughly the same amount

However, the rising oil price and the lower rand mean that the petrol price will have to rise

It seems as though the first duty of the new government will be to announce higher prices

The write-downs, together with a R17 million interest payment (R13 million credit last year) reduced pre-tax income by 25,4 percent to R211 million (R283 million)

Taxed earnings were down 22,4 percent to R177 million (R228 million), equal to 113c (147c) a share An unchanged dividend of 55c is being paid

Mr Angel welcomed the recommendations of the Competition Board on the rationalisation plan

But he was convinced that tampering with only some parts of the current regulatory framework would not be sufficient and that total dismantling was needed

He said there were too many inefficient, low-volume filling stations

By allowing self-service, by phasing in free-market prices and allowing new market entries, he believed the cost of petrol could be cut by 3c to 5c a litre

Adjusting the Durban/Reef pipeline tariff to a competitive level could reduce the price by a further 3c to 5c

And an end to the synfuel levy could result in an additional saving of 9c to 15c a litre

Although Engen's turnover rose 13,1 percent to R4 billion, much of the increase reflected higher government levies Petrol sales rose 2,9 percent and total inland sales 3,4 percent

With little chance of a rise in margins, Engen's policy has been to improve its operations with "self-help" by introducing cost reduction/rationalisation programmes such as retrenchment, reducing working capital and sweating assets

Engen expects some improvement in its South African earnings this year and real growth from 1995 onwards

Overseas gas and oil interests have started production, but are not expected to make an immediate contribution to earnings

Engen is looking for foreign capital and has been weighing up a London listing when conditions are more propitious

In the meantime, it is arranging for its shares to become available in the US through the use of American depository receipts

Petrol would be 15c to 24c a litre cheaper

The advantage of deregulation

Star 13/4/94

■ BY DEREK TOMMEY

Rob Angel, chief executive of Engen, has some good new for motorists.

Deregulating the oil industry — an issue now being discussed in Pretoria — could cut the petrol price by 15c to 24c a litre and save consumers R2 billion to R4,5 billion a year, he says

He was speaking at a press briefing in Johannesburg yesterday at which he revealed that Engen had lifted operating income in the year to February by 9,7 percent to R282 million (R257 million.)

But earnings growth was hit by two extraordinary write-offs. One was a R17 million provision to cover retrenchment costs, which are expected to absorb R43 million this year. The programme should save R45 million a year in wages.

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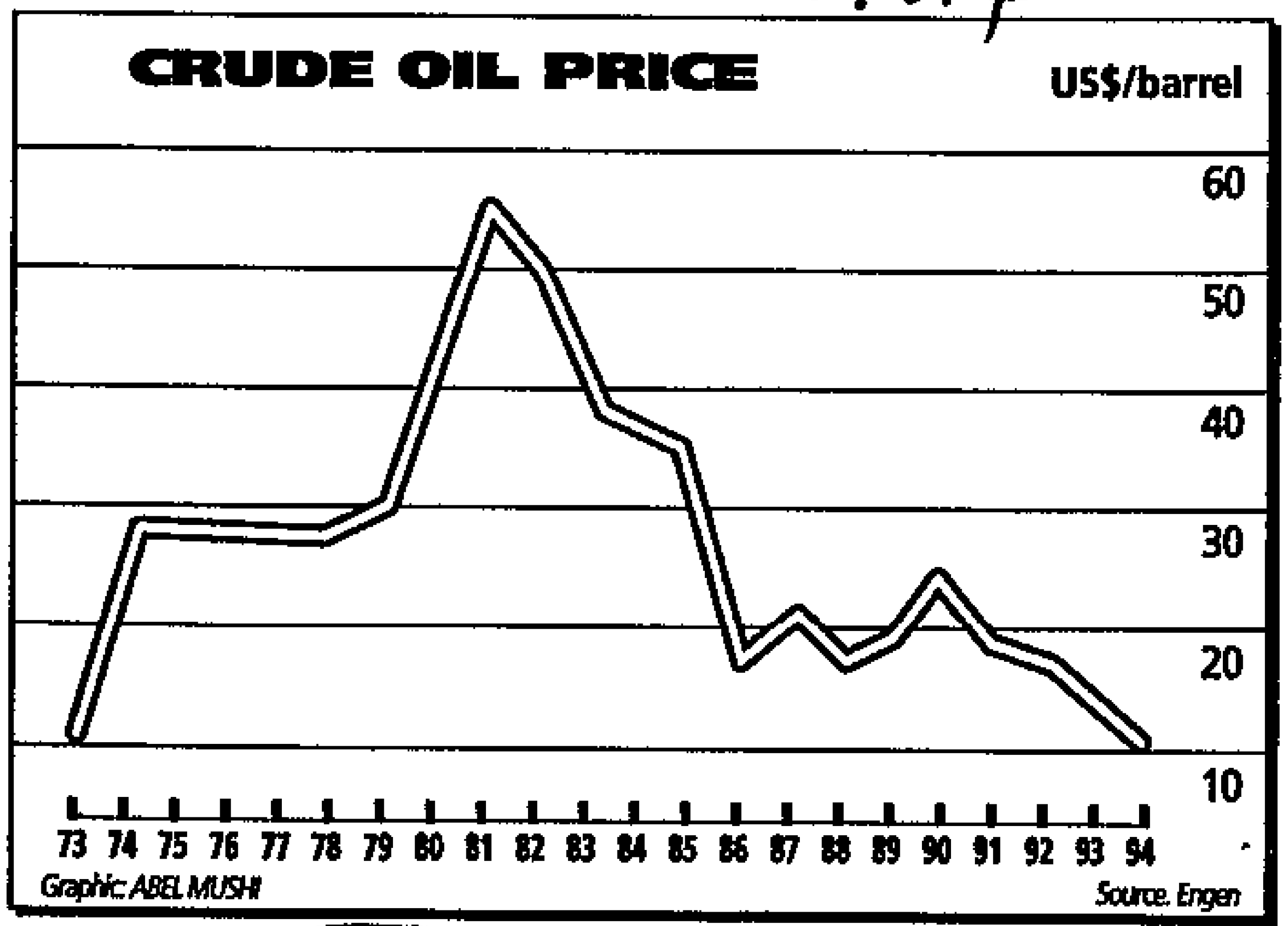

(183)

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Deregulation 'may axe 65 000 jobs'

MICK COLLINS

JOBS of 65 000 petrol pump attendants and support staff were at risk if the deregulation envisaged by Engen for the oil industry was implemented, the ANC-labour forum said yesterday

Responding to an Engen advertisement which claimed a deregulated oil industry could contribute R4bn to the economy, Chemical Workers' Industrial Union general secretary Rod Crompton said the union was taking legal advice on preventing dissemination of misleading information contained in the advertiseent "We believe it is misleading to the shareholders of Engen and the public at large

The advert said deregulation could bring fuel prices down as much as 25c/l and the proceeds could be used to fund 10% of the ANC's reconstruction and development programme, including creating 400 000 jobs and building 160 000 homes.

Crompton, who is also labour convenor of the National Economic Forum's liquid fuels task force, said Engen failed to mention that in the international experience deregulation led to mass closure of petrol stations. In the UK, the number of retail sites fell by more than one-third in the 10 years after deregulation, in the US the number was halved, he said

Cape oil strike

CT 8/1/94 (183)

By ANDRÉ KOOPMAN

AN oil strike that could yield at least 5 800 barrels of high-quality oil a day has been made by Soekor in the Indian Ocean off Mossel Bay.

Mr Joggie Meuser, chief executive of the state-funded Soekor, said last night the discovery of the oil 2 500m under the sea on November 28 was "very encouraging"

It indicated that there was more oil to be found in the Bredasdorp Basin, 140km south-west of Mossel Bay

If the field proved to be financially viable it could be linked to nearby fields for exploitation

The oil flow rate of 5 800 barrels of high-quality oil a day, together with 5,5 million cubic feet of associated gas, was encouraging for commercial development

"However, the final commercial viability of the oilfield will only be established after further extensive seismic, geological, engineering and economic evaluation," he said

Evaluations

The highly controversial R10 billion Mossgas oil exploration project was launched in the 1980s when sanctions were imposed on buying foreign oil

Recent evaluations indicate that the project, which costs the taxpayer an estimated R100 million a month, should be cash-positive when operational — but that none of the original investment will be recovered

The latest find should boost the profitability of the venture and if further fields are developed they could eventually make the project viable, Mr Meuser said

"This new discovery is particularly significant, he said, "in view of our intention to invite international oil companies to apply for prospecting leases" which would help reduce the costs to taxpayers

Commenting on the development Mr Roger Hulley, DP spokesman on Mineral and Energy Affairs, said last night "I would advise caution in reacting to this news Oil is very difficult to extract in the Bredasdorp Basin and as Mossgas has proved, the extraction is also extremely expensive "

● In a recent parliamentary debate, Minister of Mineral and Energy Affairs Mr George Bartlett said Mossgas was currently contributing to the economy by saving R1bn a year in foreign exchange

X

Fuel industry status probe

CT 10/1/94

(183)

Unions to oppose job losses

Own Correspondent

JOHANNESBURG — Trade unions are set to oppose any form of deregulation of the oil industry, a matter being investigated by the National Economic Forum

The National Union of Metalworkers of South Africa (Numsa) said the probe, being conducted by the forum's Liquid Fuels Task Force, could have grave implications for employment

At immediate risk are the 40 000 forecourt attendants employed at 5 000 garages who could see their numbers dwindle with the introduction of self-service

Numsa national secretary Mr Bernie Fanaroff, who represents Cosatu on the task force, says the federation would oppose deregulation, mainly because of job losses

"Deregulation overseas has led to the closure of between 50% and 60% of service stations, which in South Africa's case would lead to the loss of 50 000 to 60 000 jobs, including workshop and office personnel "

Numsa believed it would lead to monopolies in certain areas

"International experience has also shown that the petrol price may come down in the first year or two but thereafter it climbs," he said

Motor Industries Federation executive director Mr Vic Fourie said the federation, which represents the interests of the service stations, would resist the deregulation of the fuel industry and, by implication, the introduction of self-service

"We have looked at the situation overseas and seen the displacement of service station workers The protection of jobs and job opportunities is our business "

The federation has two representatives on the task force

Mineral and Energy Affairs deputy director-general Mr Gert Venter, who also serves on the task force, said job creation did not fall within his department's ambit

"However, the economic forum has initiated, with government funding, certain job creation projects No specific arrangements have therefore been made to accommodate pump attendants in the event of deregulation

"It may also be premature for such action before a decision on regulation has been taken "

Most consumers are still in favour of regulation, he said

However, industry sources say 1994 may see the introduction of self-serve stations, albeit on a limited scale

The oil industry is keeping the issue behind closed doors Caltex corporate planning manager Mr Ian McPherson said recently his company was taking part in the probe, but he could not comment yet

Shell communications and media manager Ms Koosum Kalyan said her company was involved in the investigation, but to comment at this stage would pre-empt the outcome of the negotiations

However, Engen chief executive Mr Rob Angel was bullish on the prospect of deregulation and said South Africa was moving into a new environment of exposure to world forces and free-market principles

"Engen fully supports non-protectionist policies, and free and fair competition," he said in the company's annual report

Fuel price increase puts spotlight on industry

Pressure mounts for deregulation

Star 20/6/94

■ BY JOHN SODERLUND

Although a showdown between the Ministry of Mineral and Energy Affairs and fuel retailers Pick 'n Pay and Engen has been narrowly averted, pressure is mounting for the deregulation of the fuel industry from both Government and industry quarters

Pick 'n Pay and Engen last week undertook to sell petrol at the old price until their tanks run dry — probably today, Pick 'n Pay joint MD Gareth Ackerman told Mineral and Energy Affairs minister Pik Botha late last week amid threats of government action against delinquent fuel retailers

But pressure has been mounting for the deregulation of the industry from all quarters, a move which Ackerman has repeatedly claimed would enable retailers to lower the price

MINISTER asks for substantiation of figures in the NEF's recommendation that the fuel price be increased

(183)

At stake are the jobs of pump attendants and the financial buoyancy of synthetic fuel producers Sasol and Mossgas, which are effectively propped up by government subsidies derived from centralised fixing of the pump price

Sources in the ministry say Botha is a bigger supporter of deregulation than his predecessor, George Bartlett, who ran a gauntlet of criticism following his handling of last year's fuel price increase The Cabinet last week charged the National Economic Forum's liquid fuels task force to make submissions on a number of issues relating to the regulation of the industry and, in a statement this weekend, Botha asked for substantiation of certain figures in the NEF's latest recommendation that the fuel price be increased by 8c a litre

There is reportedly increasing pressure from Government sources to hear proposals for a restructuring of the industry

Weekend newspaper reports suggested aspects of the regulation of the fuel industry could be challenged in a constitutional court, but this would be a very drawn-out process given that the constitutional court itself is unlikely to be established before the end of the year

The upward trend of oil prices and a weakening rand is likely to lead to further fuel price rises before deregulation begins

Business forum launches bid to free oil industry

S Times (Buss)

20/3/94

By KEVIN DAVIE

BUSINESS tabled proposals at the National Economic Forum (NEF) this week to deregulate fully the oil industry in a phased process beginning next year

The proposals — which are subject to further discussion and could change — call for phased change over three years

Crude procurement will be deregulated during 1995, Sasol's tariff protection will be investigated and wharfage and pipeline charges will be adjusted The synlevy paid to the oil companies to restrict production to take Sasol and Mossgas fuel will go and the Ratplan will be phased out

Fuel imports will be allowed from 1996 and Sasol's synthetic fuel and crude oil operations separated Sasol will begin direct retail marketing

Full competition, with minimum regulation concerning environmental and local planning requirements, will begin in 1997

The business position view is said to be a combination of most business interests, including the organised oil industry but not service-station operators

It will be subject to further discussion with labour and the government

Labour envisages the introduction of an independent regulatory authority The government is believed to favour the status quo, with minor changes to some of the formulas governing the oil industry

Oil industry and NEF sources were tight-lipped this week about the business proposals, saying they might be changed in negotiations

It is believed that the business proposal closely resembles one of two scenarios tabled earlier this month by the oil industry It calls for maximum competition and minimum regulation

The business proposal suggests that special arrangements would have to be made to accommodate synthetic-fuel production It is envisaged that Sasol's synfuel operations would be ring-fenced or separated from the rest of its operations

Synfuel producers would not be allowed to market directly Wholesalers would buy synfuel in relation to their market share

Government would set the price of synfuel on an "open and transparent" basis

Sasol's crude-oil refining would be placed on the same footing as other refiners Sasol would establish its own network of service stations

Observers familiar with the NEF deliberations say the oil industry has moved rapidly in recent weeks from a position where most companies said they were neutral about deregulation (but warned that it could have negative consequences) to the present position where full competition is favoured

(183)

It is said that Business Forum members have put pressure on the oil industry to support a growing lobby to restructure the SA economy on a more competitive basis

Observers say that should the NEF arrive at a consensus on the need for phased deregulation, the process could be influenced by a flurry of Supreme Court actions and full competition in the industry might well begin long before 1997

A major factor will be the position of the new government On the one hand, uneconomic service stations are likely to close, threatening the jobs of petrol attendants

But on the other hand, the new government will be able to offer users lower petrol prices and ensure that a major input to the economy is priced as competitively as possible

OIL INDUSTRY

Fm 11/3/94

High noon for deregulation

After months of debate behind the closed doors of the National Economic Forum, government, labour and business will table their formal proposals on Tuesday on how or whether the R23bn/year oil and synthetic fuels industry should be deregulated.

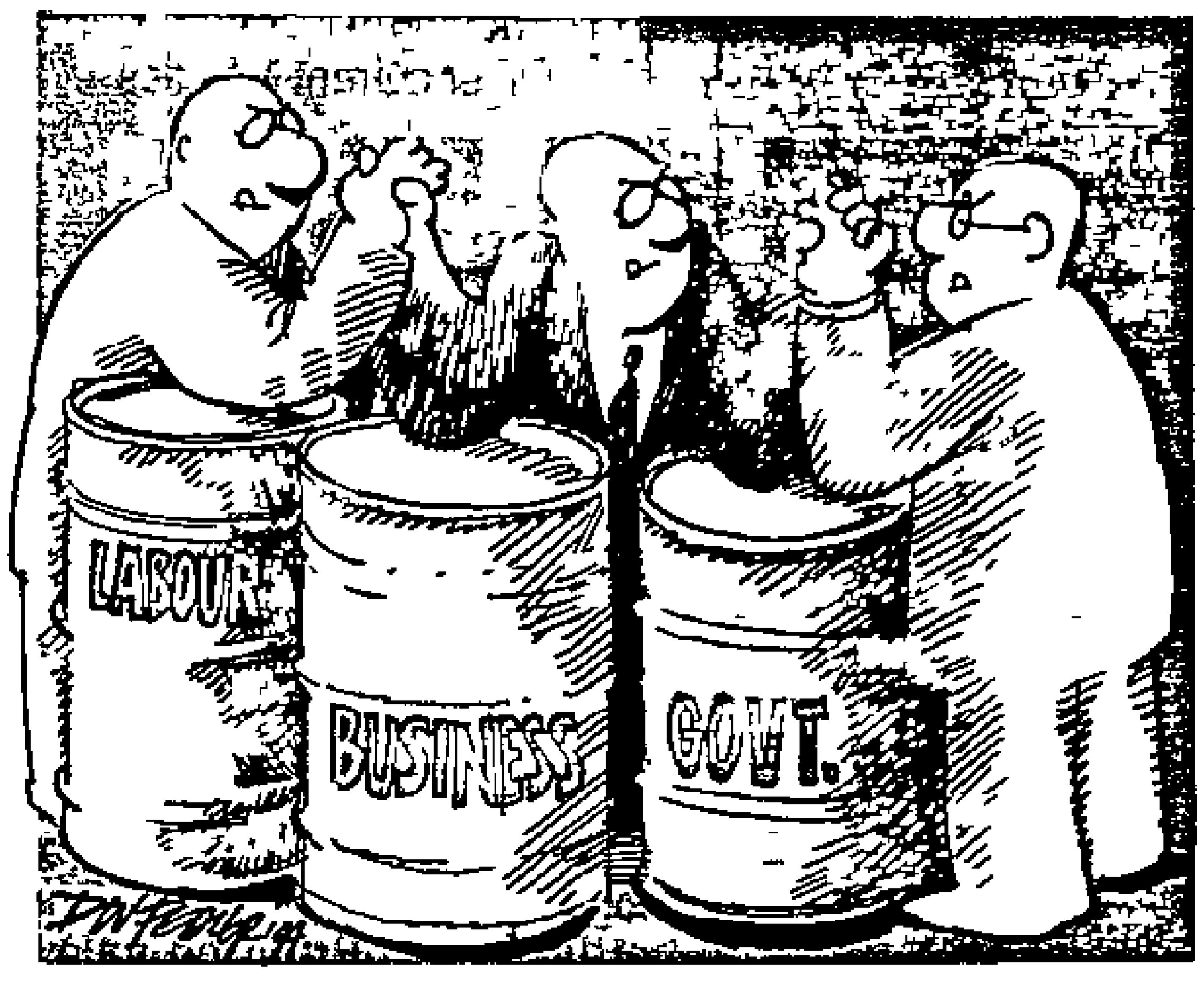
Business, which includes the major oil companies and Sasol but not the Motor Industries Federation, which represents service stations, says it has finally reached a consensus on the need for phased deregulation.

But labour is dead set against any move to free up the minutely controlled sector. "There is no possibility of deregulation in SA — only of who controls regulation," says Rod Compton, the Cosatu representative on the forum's 51-person liquid fuels task force.

Government, with its vested interest in keeping its Mineral & Energy Affairs bureaucrats employed, and its history of steadfast opposition to deregulation, might side largely with labour. It has argued that government must continue to oversee fuel distribution and control prices.

Until recently, the oil companies, and especially Sasol, were also fierce opponents of deregulation. But last year Engen broke ranks with the other companies and last week it succeeded in getting the industry to agree to a phased deregulation. What this means, however, is unclear. A spokesman for the business lobby says business doesn't want to lay its cards on the table until Tuesday. But it is understood that business will propose that Sasol's synfuel operation be divorced from the oil industry and continue to be subsidised, but at a reduced level.

"The company believes that while current regulations have played an important part in the siege economy of the past, they have served their time," says Engen CE Rob Angel. "In keeping with the opening up of our society and of the economy, the regulatory environment should be amended to allow the oil industry to move quickly to more competitive practices and transparency."



In addition to support from the industry, other pressures for deregulation are also mounting. With an economy saddled with 40% unemployment, the next government desperately needs to create jobs, and the more than R5bn/year that deregulation would save consumers at the pump certainly would create thousands of jobs. That figure comes from the 15c/l-20c/l in surcharges and levies that would be cut under deregulation plus the 10c/l that Pick 'n Pay and others say would be cut if service stations were allowed to set their own prices and compete with each other. (183)

Another source of pressure is the Competition Board's 178-page report last week calling for the abolition of the Rationalisation Plan (or Ratplan), the agreement among government, the oil companies and the Motor Industries Federation that controls fuel distribution.

Richard Feinberg, BP (SA)'s manufacturing supply manager and a member of the task force, says the oil companies have "no fundamental objection" to the report's findings, but also must caution that the environment in which they will operate will depend on the next government. "We are open to review, and also to whatever policy is laid down by government."

But in general, the business lobby (except the federation) sees the fight in the forum over deregulation as crucial for the future of free enterprise in SA. "If we lose this one, we are on the slippery road to increased interventionism and State control," says a spokesman. "But if we win it, free enterprise has a great future here."

Labour is committed to making sure business doesn't win this fight, but its proposals are coached in moderate tones. "Labour favours a middle-of-the-road policy of benign regulation, with an independent regulatory authority and government having the final say," says Compton, general secretary of the Chemical Workers' Industry Union. "Our model would leave room for competition, where possible."

While he agrees that no new synfuel plants should be considered at the current oil price, he says Sasol and Mossgas should be allowed to continue in operation, subject to a test of their "social rate of return." He believes that Sasol and Mossgas could, conceivably, pass this test. Mossgas is believed to enjoy a positive cash flow at crude oil prices of about US$15 a barrel if its capital cost is written off, but Sasol's subsidies could be reduced.

Econometrix economist Tony Twine foresees some "major train smashes" if full deregulation becomes policy. "Sasol and Mossgas may have to close down if market forces are set free. And the invisible dividends flowing to the oil companies would also be cut off."

Twine says his solution would be to "give Sasol a tax holiday of limited duration to allow it to diversify as fast as possible out of synfuels and into export-focused petrochemicals — the faster the better. As far as job losses at pump level are concerned, if the Ratplan goes, I do not expect full automation immediately. And those who would lose their jobs should find alternative employment, based on their marketing training and a growing economy." ■

SCIENCE FOUNDATION

Haven for a fugitive?

The Foundation for Research Development's point man on technology policy has been identified as a fugitive from the US who is wanted on rape charges in Connecticut. Issac Amuah (38), a senior policy analyst at the foundation — the statutory body that allocates State funds to universities, technikons and museums — was arrested in May on a charge of first-degree sexual assault (rape).

He was freed on US$10 000 bail and had his passport returned on December 10 on the condition that he would return to the US in the first week of January. Amuah, a native of Ghana and Nelson Mandela's son-in-law, left the US on December 11 and didn't return. His bail is now set at $150 000.

He says he is completely innocent. "The whole thing is baloney and we must wait for the matter to be settled in court." He says he couldn't return to the US because he had to undergo surgery for a tumour on his back on February 8. The tumour was nonmalignant.

According to foundation spokesman Hilda van Rooyen, Amuah accepted the position on October 1 and began work in Pretoria in mid-December. Since then he has been arguing that the ANC, government, industry and academic and scientific institutions should set up a national forum that will set priorities for State-funded R&D and set up a science and technology policy. The foundation would not disclose his salary.

Foundation president Reinhard Arndt says the organisation did not know about the outstanding criminal charges when it hired Amuah and will wait for the outcome of the case before taking any action. "Dr Amuah

Petrol shake-up

Public 'duped for many years'

ARG 2/3/94
(183)

The Argus Correspondent

PRETORIA. — The petroleum industry and the government are today accused of practising restrictive measures over many years to the detriment of the motoring public.

The two groups controlled the importation, distribution and sale of petrol, determined the price, decided where service stations could be situated and prevented outsiders from setting up stations or pumps close to those deemed "legal", a Competition Board finding shows.

They also stopped self-service pumps from being installed, and blacklisted stations perceived to have broken the rules of what is known as the Service Station Rationalisation Plan (Ratplan)

The government, the oil industry and the Motor Industries Federation (MIF) set up Ratplan

Their activities since the 1960s, and particularly since 1986, have been disclosed by the board in a hard-hitting report published today

It slams persistent state moves to prevent competition in the industry and calls for a reduction in government involvement

It points a finger at the Department of Mineral and Energy Affairs, which is "much involved, working closely with the oil companies as part of government energy policy"

The board has threatened to go to court if restrictive practices are not abolished "speedily" It says the Ratplan "cannot continue"

Market forces had to be allowed to determine prices

"The energy policy, while supporting the Ratplan, most certainly does not comply with market-oriented principles"

The report calls for

- Abolition of price control
- Allowing of credit sales
- Introduction of unspecified benefits tied to the sale of petrol and diesel
- Resale Price Maintenance (RPM), outlawed in other industries, to be removed
- Restrictive practices to be outlawed

There should be self-service pumps on garage forecourts which would create "new and creative ways" of making petrol available, stimulating employment and small business development "The number of service stations may decline, but the number of retail distribution points could increase"

The oil companies and the MIF are also accused of being involved in RPM

The board said the Ratplan should be seen on the basis of Section 26 of the Interim Constitution — in which the right to freely engage in economic activity and to pursue a livelihood anywhere is enshrined

The board has in its 179-page report — which took a year to complete — followed international trends calling for economic reform

It said that in South Africa, however, "competition policy has to be implemented within the constraints imposed by statutory enactments and other policies, which sometimes are at variance with the fundamental concepts of a market-driven economy in general and competition policy in particular"

More reports page 17

Calculating the retail price of fuel is a complicated exercise

(183)

CALCULATING the retail selling price of petrol is a complex exercise

It is made up by adding together all the components of the manufacturing and distribution chain, to which are added levies and government imposts

It is worked out as follows Average free-on-board petrol price listed at three refineries in the Persian Gulf and one in Singapore, sea freight, insurance, ocean leakage, landing and wharfage charges

These components are added together and called the "bond landed cost" calculated in cents per US gallon and converted to South Africa cents a litre

After that, all further calculations are in South African currency

These are unit under- or over-recovery calculated in c/ℓ, inland transportation costs (two segments the first calculated from port to depot by Petronet and Spoornet, the second from depot to points of sale is calculated by the Department of Mineral and Energy Affairs,

Service differential, Equalisation Fund levy (includes synfuel levy, tariff protection to synfuel producers and compensation to Mossgas)

Fuel tax, Customs and Excise levy, Multilateral Motor Vehicle Accident Fund levy, Road Safety Fund levy, delivery costs, wholesale trade margin, retail trade margin

The calculation is then rounded-off to whole cents rather than fractions of cents

ARG 2/3/94

Competition Board to rule on Ratplan

B/DAY 24/1/94

MICK COLLINS

THE Competition Board's probe into the service station Rationalisation Plan (Ratplan) has been completed and will be presented for discussion at a meeting of the board early next month (232)

The board's investigation seeks to establish whether the Ratplan constitutes an unlawful restrictive pratice. (183)

The controversial Ratplan is an agreement between government, the oil industry and the Motor Industries Federation (MIF) which prohibits oil companies from operating service stations, to protect small business development. It also ensures the number of service station sites does not increase to a point where the petrol station business is not viable. There are 4 900 service stations in the country

Also prohibited under the Ratplan is the introduction of self-service at service stations, to protect the jobs of about 45 000 petrol pump attendants

Competition Board chairman Pierre Brooks said: "The draft has been completed and will be presented at the board's plenary meeting on February 9.

"We have our views on the matter and they have been formulated The various parties involved will have the opportunity to comment on the contents of the report, after which it will be forwarded to Public Enterprises Minister Dawie de Villiers."

Oil industry sources said if the board approved the abolition of the agreement, it could lead to a clash between De Villiers, who is in favour of deregulation and to whom the Competition Board answers, and Mineral and Energy Affairs Minister George Bartlett, whose department officially supports the Ratplan

"Mineral and Energy Affairs is still of the opinion that existing regulatory measures are fair to all stakeholders and it sees no reason why they should be changed," one source said

Brooks said the time period for presentation to the Minister would depend on the extent of the alterations made by the interested parties However, these would probably be completed within a few days.

MIF executive director Vic Fourie said the federation believed the Ratplan was one of the components on which SA's order-

□ To Page 2

Ratplan

B/DAY 24/1/94

□ From Page 1

ly fuel industry was built.

"The Ratplan ensures the development of service stations in an orderly fashion. This leads to a supply of high-quality product to consumers, via the service station network, at a price which compares well to that at which petrol is sold overseas (232)

"We have made our submissions known to the Competition Board and we have also had discussions with board personnel. We believe that in this case it is not the intention to tamper with any of the components that have ensured for the SA fuel industry an advantageous, orderly system."

Fourie said the MIF was not completely opposed to any changes in the Ratplan which could lead to a better dispensation.

"In conjunction with the oil industry we are looking at changes that could make entry into the market easier for those who wish to do so. (183)

"We look forward to commenting on the Competition Board recommendations as soon as they become available. However, we feel that any recommendations should be referred to the liquid fuels task force of the National Economic Forum so that they could become part of the discussion on the total fuel industry and how it should be structured."

Oil industry calls for levy

JOHANNESBURG — South Africa's oil industry has asked for the reinstatement of the synthetic fuel levy it waived last year when the petrol price was cut (183)

This could contribute to a petrol price rise

The oil industry asked the National Economic Forum, comprising government, business and labour, for the return of the 0,7c/ℓ levy, temporarily withdrawn in October, a Shell spokesman said The levy rakes in about R7 million a month — Reuter CT 23/2/94

Petrol sales up 8% in November

(183) CT 7/1/94

Own Correspondent

JOHANNESBURG — Wholesale petrol sales climbed by almost 8% in November after supply distortions which surrounded September's price hike at the pumps

An analyst said petrol sales rose as service stations sold off the tail end of extra supplies they had built up before September's price hike

Seasonally adjusted figures released yesterday, by the Central Statistical Service (CSS) showed November petrol sales at 769 088 kilolitres — 5,2% higher than a year earlier and well above the last historic sales high of 753 668 kilolitres in March last year

The March high followed the 16c/litre rise in the petrol price in the 1993/94 Budget tabled in the same month "Service stations would have stocked up to make an inventory profit on the old wholesale prices by retailing on the new prices," said Econometrix economist Tony Twine

A repeat of the March pattern of increased sales to service stations in the run-up to a petrol price hike led to the lull in sales which ended with November's increase

Wholesale diesel sales also rose from October to November Sales in November were almost 4% up on the previous month, but 4,4% lower than in November 1992

French firm to increase SA chemical operations

(183)

Own Correspondent

JOHANNESBURG — French-based multinational company Rhone-Poulenc would increase its SA operations within the next few months, group president Jean-Marc Bruel said yesterday

Bruel said SA had been chosen as the centre for expanding the group's operations in Africa "We believe in the future of this country, and we're attracted by its rich natural resources"

He said the group, whose activities included pharmaceuticals, and agricultural and specialty chemicals, had realised that local resources were not fully utilised "We think this spare capacity, especially in the field of chemicals, can only be fully exploited by expanding our operations"

CT 7/1/94

The expansion programme would begin by training local personnel "before looking at technology and assets For this we'll send our key people in the research unit to assist here." This would take place within the first half of this year

The local company Rhone-Poulenc, formerly May-baker, has an asset base of R50m and annual turnover of R250m and has been in SA since 1934

It is involved in research in both the fields of agriculture and pharmaceuticals It is also building a plant to manufacture generic medicines.

FM 7/1/94

AFRICAN OXYGEN

Off the boil

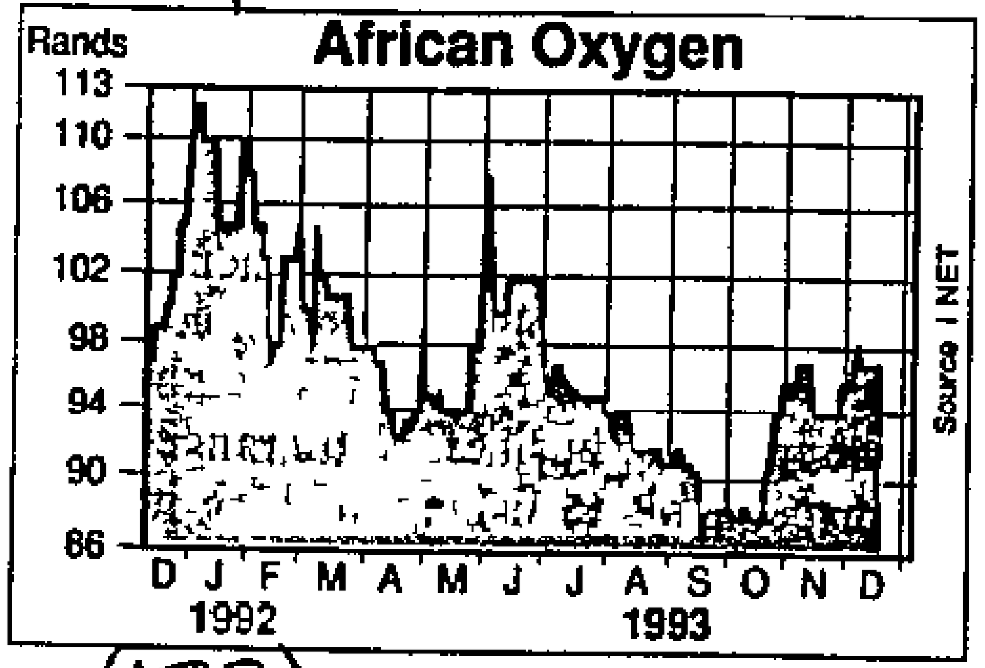
Activities: *Makes and markets gases and allied industrial products, also operates 12 hospitals and day clinics*
Control: *BOC Group Plc 57,7%*
Chairman: *P Joubert, MD R Vice*
Capital structure: *29,9m ords Market capitalisation. R2,93bn*
Share market: *Price R98 Yields. 2,2% on dividend, 3,6% on earnings, p.e ratio, 27,8, cover 1,6 12-month high, R112, low, R87 Trading volume last quarter, 120 000 shares*

Year to Sep 30	'90	'91	'92	'93
ST debt (Rm)	81,2	16,1	110,4	60,0
LT debt (Rm)	137	195,6	139,4	180,5
Debt equity ratio	0,35	0,32	0,34	0,29
Shareholders' interest	0,54	0,55	0,55	0,55
Int & leasing cover	5,6	6,6	6,1	7,0
Return on cap (%)	15	17,5	16,4	15,9
Turnover (Rm)	904	1 044	1 113	1 210
Pre-int profit (Rm)	171	208	217	227
Pre-int margin (%)	18,3	19,3	18,9	18,5
Earnings (c)	216	278	311	353
Dividends (c)	135	170	190	215
Tangible NAV (c)	1 872	2 061	2 306	2 507

Companies are saving money in all areas to combat recession and there's no reason the annual report should be immune Afrox has cut its back from 44 pp to 36 pp (of which two are blank), but analysts may wonder whether it's such a good idea The various operational reports which covered 10 pp of text last year have been cut to a single 3 pp MD's report, while the review by retiring chairman Peter Joubert is down from 2 pp to less than one. And as the type size has increased, the amount of information given has been reduced more than proportionately

True, some of what we used to be told was somewhat esoteric, but it can only be hoped that this is not a precursor of what will happen to one of SA's best reporting companies when Royden Vice takes over as

Afrox's Joubert . *retiring on a high note*



(183)

chairman after the February 4 AGM.

Financially, it wasn't a bad year, though the gain in inflation-adjusted earnings slipped from 28% at half-time to 13,5% for the full year Joubert's valedictory review says that though the industrial gases market fell by 14%, the gases division (its biggest) improved results, mainly because of a wide range of products and markets.

Fortunes of the welding division picked up towards year-end Together with gases, it contributed 71% (1992: 72%) of trading profit. Health care turned in a "robust" performance after a slow start and kicked in 19% (18%). Group capex absorbed R133,4m (R130,4m), mainly on gases and health care.

Vice's operational review says all regional operations had a decline in demand but maintained profitability through strict control of costs and better productivity

Afrox maintained growth in real earnings throughout the downturn, and, with the inflation-adjusting extra depreciation (R15,6m last year, down from R17,1m in 1972, presumably reflecting the lower inflation rate), the quality of reported earnings is probably unequalled on the JSE Balance sheet ratios have shown only a marginal tightening.

Joubert says uncertainties make it difficult to forecast results for the pre-election campaign but he is confident that Afrox is poised to take advantage of any economic upswing and expects a "gradual improvement" in economic performance in the second half of 1994

The share is virtually unchanged since we reviewed the 1992 report, which probably reflects the demanding yield pattern (a sub-2% yield) it had established a year ago Alternatively, it may be that as inflation falls, the attractions of Afrox's anti-inflationary accounting dwindle Either way, despite the group's enormous intrinsic strength, the share — regardless of its blue-chip status — may continue to underperform the market for a while *Michael Coulson*

Petrol price to drop by 3c/litre

183

CT 3/2/94

JOHANNESBURG. — The petrol price is to drop by 3c/ℓ from February 17, Mineral and Energy Affairs Minister Affairs Mr George Bartlett announced yesterday

However, the price of diesel and illuminating paraffin will remain unchanged

The cut was made after a recommendation from the National Economic Forum's liquid fuels task group

The price was first increased by 7c last September, provoking widespread protests that led to a 2c decrease in October, followed by a further 2c decrease in December and to the present decrease.

'Delighted'

The Automobile Association last night welcomed the announcement, saying some of the benefit of lower international crude oil prices was being passed on to the consumer

Pick 'n Pay chairman Mr Raymond Ackerman, who challenged the government on the 7c/ℓ price increase six months ago but lost his case in court, said last night he was "delighted"

● Dr Allan Boesak, Western Cape ANC leader, last night criticised the decision not to reduce the price of paraffin, saying this was the fuel most used by the poor — Own Correspondent, Sapa

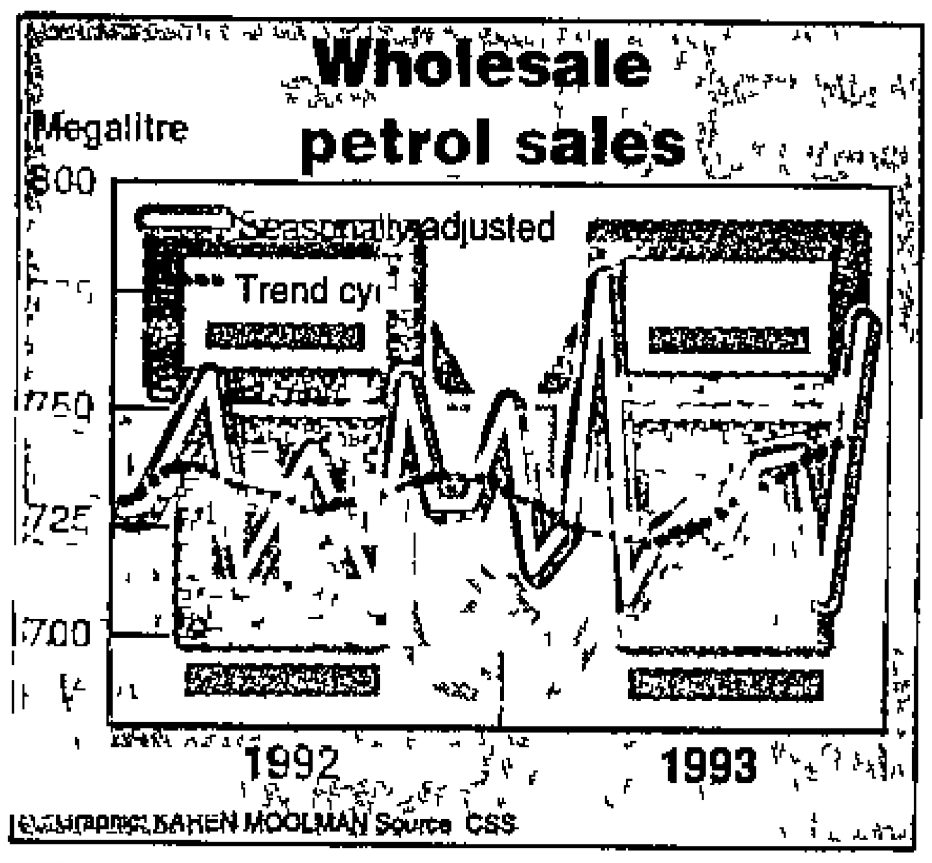
Record wholesale petrol sale

MUNGO SOGGOT

WHOLESALE petrol sales climbed almost 8% in November after supply distortions that surrounded September's price increase at the pumps BDay

An analyst said petrol sales had risen as service stations sold off the tail end of extra supplies they had built up before September's price increase. 7/1/94

Seasonally adjusted figures released yesterday by the Central Statistical Service showed November petrol sales at 769 088kl — 5,2% higher than a year earlier and well above the last sales record of 753 668kl in March last year



The March high followed the 16c/l rise in the petrol price in the 1993/94 Budget tabled in the same month "Service stations would have stocked up to make an inventory profit on the old wholesale prices by retailing at the new prices," said Econometrix economist Tony Twine

A repeat of the March pattern of increased sales to service stations in the run-up to a petrol price increase had led to the lull in sales that ended with November's increase (183)

After stations had stocked up in September, wholesale petrol sales would have tailed off in October with "no rush on the available inventory as stations needed less fuel", Twine said

This meant November's sales were not "abnormally strong", but that October's were "abnormally weak"

French giant plans massive SA expansion

Rhone-Poulenc's giant stride

Star 7/1/94

WE trust South Africa long term and we are long-term investors, says the firm's president

BY JOHN SPIRA

The world's seventh-largest chemical and pharmaceutical company is poised to expand its South African operations by a significant margin

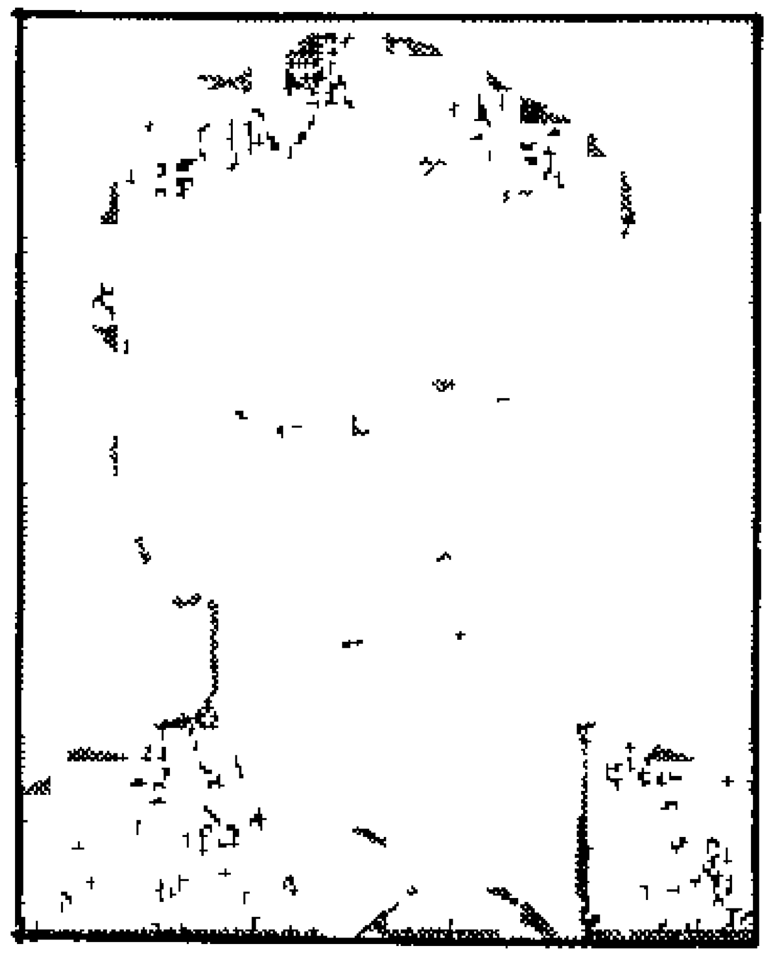
France's Rhone-Poulenc group, which operates in 140 countries worldwide, aims to boost its current South African turnover from R250 million to R350 million in the near future, says president and vice-chairman, Jean-Marc Bruel, who is currently in Johannesburg to help implement the expansion programme

Rhone-Poulenc, with 83 000 employees, generated worldwide sales of R140 billion in 1992, of which only 22 percent was derived from turnover in France itself

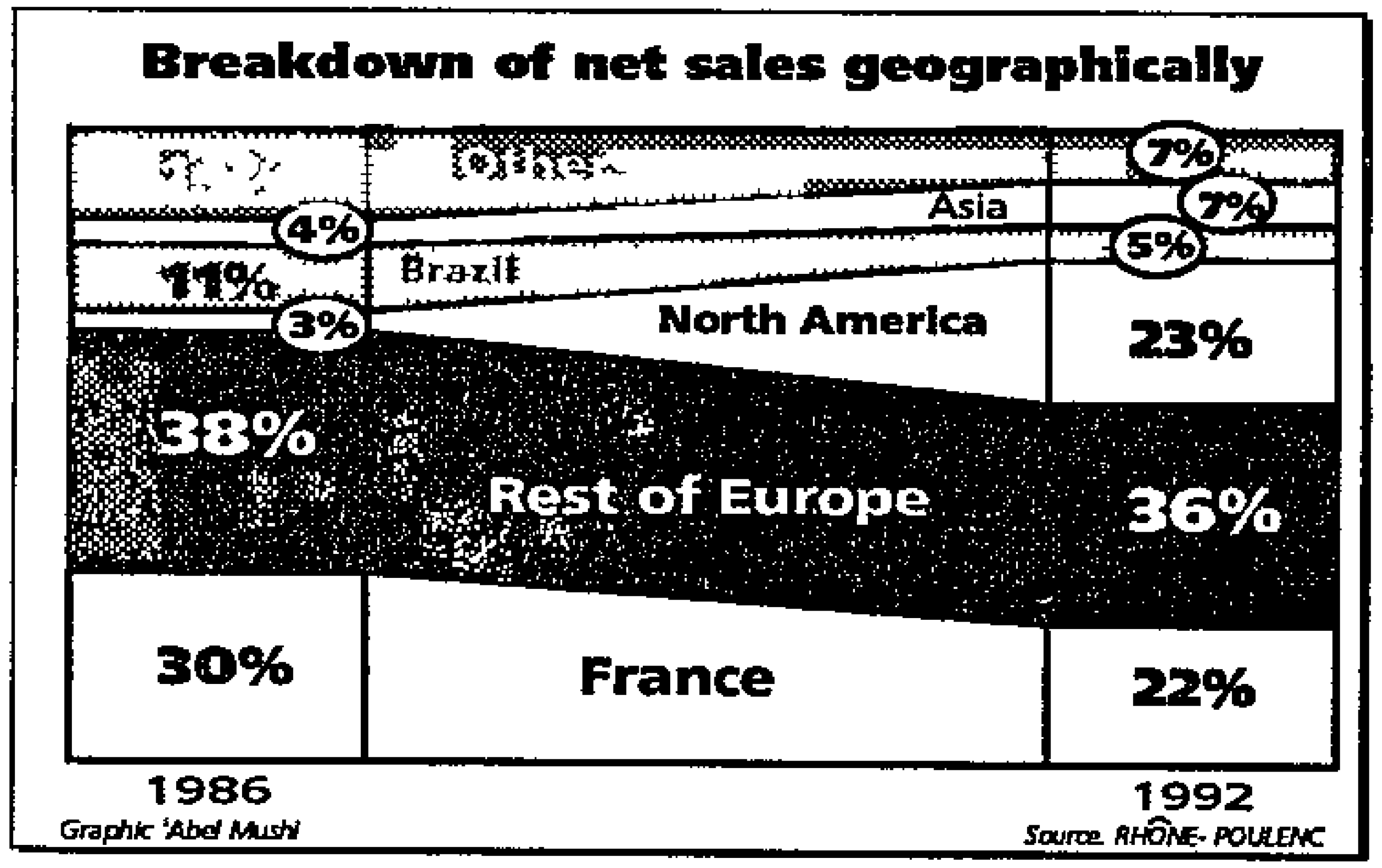
The group is strongest in health products, which account for 37,3 percent of turnover

Organic and inorganic intermediates account for 17,3 percent, specialty chemicals 16,5 percent, fibres and polymers 15 percent and agricultural products 12,4 percent

Rhone-Polenc in South Africa has four sites, three of which (in Port Elizabeth, Midrand and north of Pretoria) are operational



Jean-Marc Bruel .. market has great promise.



Graphic 'Abel Mushi

Source: RHÔNE-POULENC

The French company's investment in South Africa totals R50 million (183)

Bruel says new investment will initially be in the form of manpower and expertise, after which further investment in assets could well materialise

"In South Africa we are strong in pharmaceuticals and agricultural products

"We aren't as strong as we should be in our other product areas We fully intend to rectify that situation in the near future

"Africa is a huge continent with a large population, implying that Rhone-Polenc has substantial potential to expand its activities in Africa.

"And South Africa, being the continent's largest economy, is the logical country from which to launch this sales drive"

He believes the market has great promise, provided South Africa develops on a stable footing via a peaceful transition to full democracy

"At the same time, there is no question of us pulling out of South Africa unless the country degenerates into bankruptcy

"We've had a presence here for 60 years We remained throughout the sanctions era, so we're here to stay

"We trust South Africa long term and we are long-term investors.

"We know how to operate in difficult environments After all, we have a large and growing operation in Brazil, where inflation is 1,5 percent a day"

Bruel stresses the importance of a market-based economy and the absence of duty barriers

"Australia and Brazil have long protected their industries via high duty barriers Today these industries are collapsing"

Outlook brighter for AECI

(183) ARG 6/1/94

Business Staff

THERE are high expectations in the market that after three years of declining earnings, chemical giant AECI will report earnings growth of at least 20 percent from 106c to 128c a share, and perhaps to 135c a share in the year to December 1993

This year, AECI is forecast to increase profits by at least a further 25 percent to 167c

Yet these figures alone would not justify the tripling of the share price to R17,50 over the past 12 months

There has been a reappraisal of Mike Sander and his management team after AECI set up two crucial joint ventures, the chlor-alkali and plastics venture with Sasol and the explosives joint venture with ICI

AECI was penalised a year ago for its apparent lack of direction The share price of 560c a year ago was a deep discount of almost 60 percent on net asset value of R13,31

There was no indication of the future of the Coalplex facility, which produced PVC and polyethylene from carbide They were no longer competitive with plastics produced from oil-based feedstocks

The future for the domestic plastics industry looks much more promising in the light of the joint venture with Sasol because it will use Sasol's excess ethylene stock

Sasol MD Paul Kruger told the Investment Analysts Society late last year that the joint venture could extend to fertiliser in the future

But in the meantime, domestic fertiliser sales have increased by five to 10 percent in volume terms and AECI fertiliser business Kynoch has made considerable strides in its exports to Africa

The future of explosives looks more promising as it is now controlled by ICI and is integrated into its international explosives network, with greatly increased scope for exports

As part of the deal, AECI effectively acquired 25 percent of its own shares from ICI, allowing it to retain a quarter of its dividend payments

Anderson, Wilson analyst Mike Ray says the equity can be used either to expand its operations offshore or to acquire a new partner, which has synergy with the group's remaining business

Because ICI is no longer a dominant partner, AECI is free to explore investment opportunities with other multinational chemical companies

There is speculation that AECI is looking for a partner for its SA Nylon Spinners business, which has had considerable success in the export markets

Du Pont, the world's leading company in the synthetic fibres field, would be an obvious choice

NEWS 'Kaffir do

Sowetan

No end to Reef strike

6/1/94

By Ike Motsapi

THE strike by 319 workers over wages at an East Rand chemical company entered its seventh week yesterday with no end to the dispute in sight

The strike at Rolfes Limited, in Elandsfontein by members of the Chemical Workers' Industrial Union arose over demands for better working conditions and wages

183

CWIU spokesman Miss Susan Tilley said "Rolfes' management is offering an increase of 45c an hour, about 5,8 percent on the minimum wage

"The union demands salary increases of 70c an hour

"The other outstanding issues are those of a bonus and back payment," Tilley said

She said management had informed the union that the strike was illegal but had failed to prove this

"All the correct procedures have been followed," Tilley said

She added "The union views the employment of scab workers as being highly provocative This is contrary to attempts made at finding a solution to the problem "

Tilley added that the union was still committed to continue working towards finding a solution to the problem

Management spokesman Mrs Karin Jonker promised that the company would comment later on the CWIU's allegations. At the time of going to press he had not yet responded to the allegations

Mozambique gas project could fuel SA energy market

By KEVIN DAVIE

THE World Bank is ready to help fund a multi-billion rand project that could in time be part of gas pipeline criss-crossing much of the sub-continent.

The bank has funded a pre-feasibility study of the Pande gas field in Mozambique, and bank staffers believe that a pipeline could be built within a few years to bring the gas to the Reef

Natural gas could make a substantial contribution to the SA energy market. One estimate is that Pande gas could make annual savings in SA of R5-billion.

The possibility exists later that natural gas pipelines could link the sub-continent from Pande via SA to the Kudu gas field off Namibia, and include fields in Angola and Tanzania. S/Times 2/1/94

Pande, 800km north of Maputo, will include a R136-million field and a R2-billion to R2,7-billion pipeline to Komatiepoort, going on to Richard's Bay or Secunda.

Sasol is said to be interested in the project and has a one-year, first-refusal option with the Mozambican authority, Empresa Nacional de Hidrocarbonetos. This agreement is expected to renewed soon. (183)

Argentinian company PlusPetrol has expressed interest in operating the field. Other South African private and public companies are expected to participate, and meetings are scheduled for early this year.

Pre-feasibility studies funded by the bank have shown gas reserves of about 20 years. Further tests are being conducted as project participants believe 30 to 40 years' supply will provide a more acceptable cushion for the project. (Buss)

The plan is to pipe methane gas to the Reef where it will be a substitute for fuel, producer gas, liquid petroleum gas and paraffin. A source says the project will show a good return even at low current crude prices of about R47,60 a barrel.

Natural gas could supply 25% to 30% of SA's energy needs. In cases, natural gas supplies 45% of domestic energy.

The SA government will be involved in the project as contracts will have to be signed with the Mozambican government.

Talks are proceeding on how best to structure the deal, and there are also ongoing attempts to net a big international player into the project.

The World Bank is expected to produce a project information document within the next few weeks.

The project investigation has led to concern in SA industry circles that the feasibility studies have been conducted on the current high gas prices in SA. But Sasol says these prices are not artificially high.

Industry sources say gas prices are at least twice the international average as the government prohibits LPG imports. LPG prices are linked to producer gas prices.

Sasol says pricing is coupled to 93 octane fuel as LPG is converted to petrol to maintain the LPG demand supply balance.

Sasol reportedly earned R100-million profit from gas sales last year. It says its wholly owned company, Gaskor, is a Section 21 non-profit company.

It is understood that the pricing structure for the Pande project is still to be determined.

Eskom has been approached to build a power station in Maputo that will use Pande gas, but it has a huge over-capacity, and sees the project as unlikely.

Petronet, which operates pipelines in SA for Transnet, says it is not involved in the Pande project.

The Central Energy Fund's Danie Vorster says "apart from commercial services supplied by Soekor when the Pande 11 well was drilled, CEF or any of its subsidiaries are not involved in the Pande Gas Project."

AECI spokesman Robbie Vermont says they are not involved but "should gas from the fields become available, AECI would most likely be in the market to purchase some of it."

Sasol says a meeting with its Pande partners is to be held this month.

Strikers to decide if action goes on

ERICA JANKOWITZ

STRIKING members of the Chemical Workers' Industrial Union (CWIU) at Rolfes in Elandsfontein on the East Rand would meet today to decide whether to continue the seven-week wage strike, a union spokesman said yesterday BDay 5/1/94

The strike was called with management sticking to its 5,8% increase proposal in response to the union's 9,1% demand. Also on the table were the annual bonus and the question of backdating the increase, he said

CWIU's major complaint about Rolfes was the company's continued practice of employing casual workers from a labour broker to replace the 319 strikers.

"The union views the employment of scab workers as highly provocative and contrary to attempts to find solutions to the situation. It is feared this action will serve to heighten tensions in an already volatile situation " the CWIU said (183)

The spokesman expressed fears that the company might start dismissing strikers, as it had indicated it was not prepared to move on its final wage offer He said all attempts by the CWIU to resolve the strike had been met with Rolfes' unwillingness to compromise.

A Rolfes' spokesman declined to comment.

Drop in petrol price is forecast for end January

ST Times 2/1/94

By JEREMY WOODS

THE drop in world oil prices could bring petrol prices down by at least 6c a litre by the end of January, says the AA

"Based on oil prices ruling at December 15, the AA has worked out that petrol prices could come down conservatively by 6c a litre," said Robin Scholtz, the AA's general manager, public affairs

On Friday, the spot price of Brent crude, the market barometer, was $13,24 a barrel, within spitting distance of a six-year low A year ago, before the present oil glut, it was $21 a barrel (183)

However, this week government sources indicated a cut in the petrol price could be as little as 3c a litre (BUSS)

But Mr Scholtz said his organisation used a complicated formula "based on Singapore and Bahrain oil prices — the same as that used by the government" to reach these conclusions

He stressed the AA's price estimates were "conservative"

Although the price of oil justified "a cut in petrol prices now", Mr Scholtz said the AA believed any cut would not come until the end of January

"The National Economic Forum has a meeting towards the end of January and a price cut is most likely to be made by Minister of Mineral and Energy Affairs George Bartlett if it is recommended by the forum"

MANUFACTURING _ CHEMICALS & PRODUCTS

1994

JANUARY — MAY

Soekor finds more oil

ANOTHER oil discovery has been made in the Bredasdorp Basin, 140 km south-west of Mossel Bay, Soekor announced yesterday

183

A spokesman said the oil flow rate of 5 800 barrels of high quality oil a day and 5,5 million cubic feet of associated gas were encouraging for commercial development

ARG 8/1/94

"But this will only be established after further extensive seismic, geological, engineering and economic evaluation" — Sapa.

Multinationals in big battle for pill supremacy

S | Times [Buss]

9|1|94

By DON ROBERTSON

SOUTH Africa's pharmaceutical industry is in turmoil because major multinational manufacturers are determined to maintain their grip on the R3,2-billion-a-year drugs market.

Four competing manufacturers — Bayer, Ciba, Roche and Boehringer Ingelheim — shocked the industry last month when they set up Healthcare Distributors (IHD), cutting out wholesalers

Some manufacturers were reported to have threatened to quit SA if planned legislation allowed greater use of generic medicines

Another development was the formation in Europe and America by Wellcome, Warner-Lambert and Glaxo of a joint venture to develop and market over-the-counter drugs The agreement will come into effect in SA this year

IHD's formation was countered by wholesalers, who lost their right to sole distribution of medicines to the public and private hospitals They returned products to the four manufacturers and are alleged to be refusing to handle them

Retail pharmacists say that in the first few weeks of IHD's operation, deliveries from the four member companies virtually dried up They allege they were unable to order what were, in some cases, life-saving drugs because IHD telephones were not functioning Its computer system was also not working

The IHD companies say the decision to distribute their own products was taken in an effort to cut burgeoning theft in the industry It is claimed that thefts amount to R1-billion a year

Drugs and medicines from the four companies make up about 12% of pharmaceutical products sold in SA

In spite of an improvement in deliveries from IHD, the four manufacturers continue to receive criticism from pharmacies which say the service is not up to scratch.

Johan Bothma, chairman of the SA Association of Retail Pharmacists, says that at one stage the situation was extremely serious But deliveries have improved in recent weeks

However, he is still not satisfied with the IHD service

In the past, wholesalers would make an average of at least two calls to pharmacies a day to establish their requirements If needed, orders were delivered that day

To obtain medicine from IHD, pharmacies are required to get in touch with it

Mr Bothma says "Even if you phone before 10am, the drugs are not delivered until the following day This is not good enough because customers are often unable to wait

"IHD has suggested that chemists increase their stock of medicines, but this will add to costs

"We have no control over what medicines are prescribed by doctors and it is not possible to keep a full range of products at all times We need daily deliveries"

Phil Barrett, managing director of IHD and in charge of distribution in the Transvaal and Free State, concedes that deliveries in December were "chaotic and pandemonium reigned" (183)

He blames the wholesalers for boycotting products of the four IHD companies

The intention was to increase IHD's operations over about a year. But because of the wholesaler boycott, the distribution network had to come into full operation immediately

"This put a strain on the computer, telephone and staff operations," says Mr Barrett

"We now have daily turnover equal to that which we had planned for the end of this year We are still capturing about 10 000 accounts."

IHD delivered only 10% of its products to pharmacists and doctors on the same day in December This has improved to about 92% and a 24-hour service is now offered, says Mr Barrett.

Trevor Phillips, executive director of the National Association of Pharmaceutical Wholesalers (NAPW), says members are not boycotting the four manufacturers, but are only acceeding to the IHD wish to be sole distributor. He says NAPW is happy to distribute these products as before

The national Department of Health has put on hold plans to introduce legislation allowing greater use of generic drugs and so reduce medicine costs

Unnamed multinationals have apparently put pressure on the department, saying that increased use of generics instead of brand names developed by them at high cost would slash their profits This could result in other medicines, for which there are no generic equivalents, becoming unavailable

Engen actively seeking foreign exploration ties

BDay 12/1/94

(183)

MICK COLLINS

ENGEN'S offshore exploration is proceeding on African and European coastlines with the local oil company actively seeking foreign partners and drilling sites overseas.

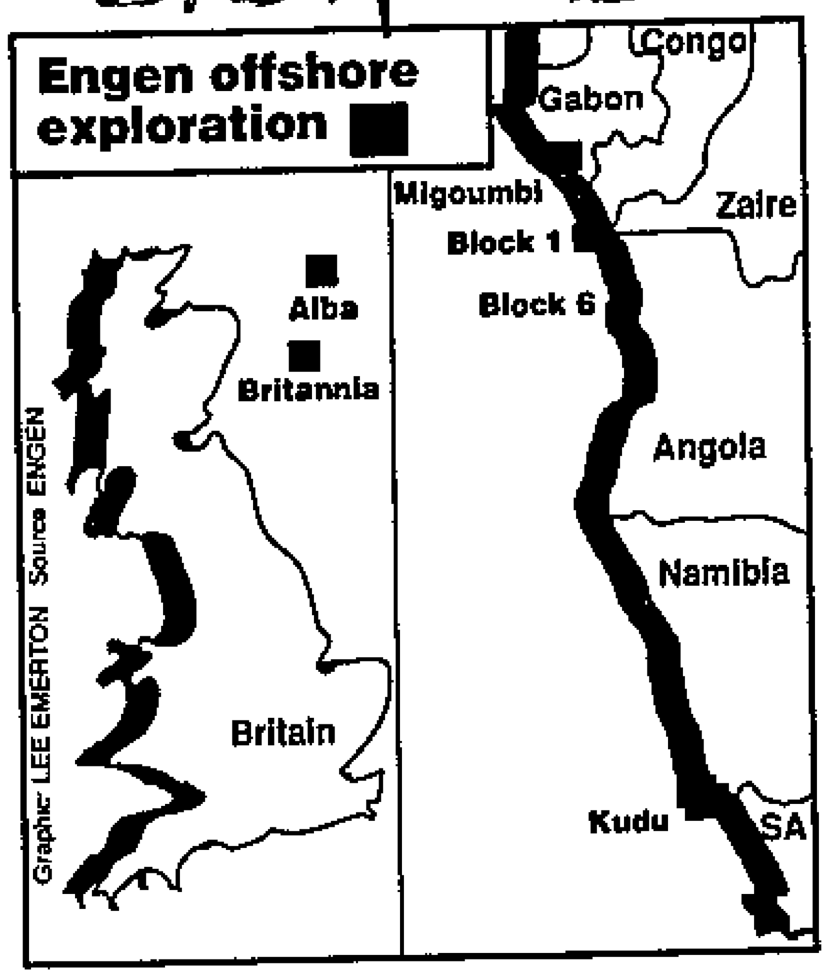
With a budget of R40m, the company's exploration activities continue to focus on West Africa where it has been successful in being awarded four new licences — all of them in partnership with major operators.

Engen exploration and production GM Adrian Nel says "In the Kudu field off Namibia we are involved with Shell, which has a 75% stake in the operation, while in the adjoining Block 2815 we are in with Chevron (40%) and Shell (40%). At 2815 we have just finished a two-dimensional seismic shoot which is being evaluated. We expect to start drilling there before the end of the year."

He says the company is involved with Shell-owned Pecten (40%) and Shell itself (10%) at Block 1 offshore Angola. Also involved is US independent oil company Maxus (25%). Engen has a 25% interest.

At Block 6 — also off Angola — the company has as partners Pecten (40%), US-based oil conglomerate Conoco (25%), Total (15%) and Nippon Mining (20%). Engen has 15%.

The company has a 25% stake of the Migoumbi project in Gabon along with Total (50%) and Austrian state-owned oil operation OMV (25%).



Engen relinquished the Alombie permit in Gabon and the Kayes B Permit in the Congo early in 1993 following completion of exploration commitments.

Last year in March the company acquired a 10% interest in the Bukha gas-condensate development which is offshore Oman. This is due to enter production shortly.

It is also involved in the development of the Alba oil field in the North Sea (2,2%). Nel says its commitment is expected to start showing benefits in the £650m project soon.

"Although it was expected to start producing oil early last December there was a delay in commissioning but production is now imminent," he says.

Production at Alba, which is operated by Chevron, is expected to build up to a plateau level of about 70 000 barrels a day early this year.

Recoverable reserves are estimated at 350-million barrels, giving Engen 7,6-million barrels from its 2,2%.

Preliminary planning for the second phase of Alba's development is already underway and it is anticipated that production will start in 1999.

A three-dimensional seismic study of the Britannia gas condensate field, which ranks as the largest gas condensate development in the North Sea, is currently being evaluated.

Estimated recoverable reserves are 200-million barrels of condensate and Engen's share is likely to be in the order of 3-million barrels. The company's annual report says it aims to seek UK government approval to develop the field this year and to achieve the first gas in late 1998.

"The potential value of Britannia was enhanced by the recent changes in UK petroleum revenue tax (PRT) legislation which removes PRT from all new-field developments."

Engen is sharply critical of the Reserve Bank which it says is hampering its offshore activities.

"Although a number of attractive acquisition opportunities have been evaluated, Engen's efforts to pursue them have been severely curtailed by the foreign exchange limitations imposed by the SA Reserve Bank. Alternative means of accessing funds offshore are being pursued," it says.

Baby deaths: 'Loopholes'

CT 18/1/94 (183)

Own Correspondent

JOHANNESBURG — The judicial inquiry into the deaths of seven babies after they received intravenous drips in 1992 heard yesterday that loopholes in the supplier's procedures could have let bacteria into the drip solution

Prof Margaretha Isaacson tropical diseases head at the SA Institute of Medical Research said in a statement her team was not convinced decontamination treatments by Isotec had achieved sterility in the isolators

Unfiltered

At best only surfaces accessible to and penetrated by the per acetic acid vapour used for sterilisation were sterilised

There were several breaches in the isolator canopy, such as the pipe connector, and some small

'No quality control by supplier'

tears seen in the cover of the emergency sterilising bin

The absence of several connecting plugs gave rise to more potential inlets for unfiltered air

The lack of provision for monitoring the power supply and detecting power failures also made the procedure unsafe

Isotec had done no quality control or sterility testing on any of the fluids or equipment as these had all been certified sterile by the manufacturers.

No provision had been made for the fallibility of equipment and services

The cold chain maintenance could therefore be expected to break down in the event of refrigerator defects, power failures and delays in transport

Such eventualities could remain undetected and result in the supply of sub-standard products.

Encrusted

Some organisms, including serratia odorifera — the organism found in most of the dead babies — 'grew under conditions where even an intact cold chain would not compensate for contamination at source

Some of the equipment was encrusted with what may have been glucose, which would have protected the organism from the sterilising vapour and helped it to multiply

In principle weekly tests were conducted on sample intravenous paediatric bags, but samples from one of the contaminated batches had only been sent for testing 15 days later

Farm-Ag poised for R250-m share deal

ARG 20/1/94 (183)

Business Staff

FARM-AG directors believe the company will sell its half-share in Sanachem to Sentrachem next year for at least R250 million — equivalent to about R17,25 a share to the 687 holders of its 14,5 million shares

The agricultural chemical company based at Canelands, north of Durban, has sold off all its assets, bar a 40 percent stake in Glenmore Textiles, in recent years and plans to distribute the bulk of the cash in the company to shareholders after it completes the contracted sale of Sanachem

Financial director Richard McElligott, who chaired this week's annual meetings of Farm-ag and its holding company Rale, told shareholders that depending on tax implications next year, the directors would either sell Farm-ag as a cash shell or pay out shareholders in the form of a special dividend

Sentrachem has agreed to buy Farm-ag's share in Sanachem in 1995 at a price calculated using a formula based on earnings for financial 1993, 1994 and 1995 Sanachem's earnings have soared on booming export sales to more than 80 countries — which now account for about 70 percent of its turnover

The company has twice won the State President's award for export achievment, in 1991 and 1993

While Mr McElligott was reluctant to speculate on Sanachem's prospects, he said the high level of exports — and their healthy margins — afforded it protection from new competition in the domestic market

■ All mines in the **Gengold** stable have changed their year-end to June 30 and have adjusted by declaring dividends today

The next dividends will be declared in six months' time

Shareholders should be pleasantly surprised by some of the dividends

St Helena is paying 130c, compared with 80c in June and 25c in December 1992

Stilfontein is paying 75c, compared with 30c in both June and December 1992

Grootvlei, which was faced with closure six months ago, is paying 25c, against 30c in June and 25c a year ago

Other dividends declared are

Buffelsfontein 165c, against 165c in June,

Bracken 10c, against 30c in September and 40c in March,

Kinross 90c, against 180c in September and 120c in March,

Leslie 15c, against 35c in September and 20c in March,

Unisel 5c, against 15c in September and 20c in March, and

Winkelhaak 70c, against 130c in September and 70c in March

■ **Gazankulu Gold Holdings** (Gazgold), which operates three small-scale mines in the Giyani area, is steadily moving into the money

It reports an 83 percent increase in net profit to R949 000 for the December quarter

This is up from a profit of R518 800 in the September quarter and R436 200 in the June quarter

Agriculture buys 5% more diesel

MUNGO SOGGOT

WHOLESALE diesel sales to agriculture in the first 10 months of 1993 were 5% up from the same period the year before, according to a survey released by the Central Statistical Service (CSS) yesterday. B/Day

Econometrix economist Tony Twine attributed the increase to better summer rainfall crops — in particular the maize crop, which weighed in at 8-million tons in 1993, compared with 3-million tons the year before. 25/1/94

Twine said more diesel would have been used to harvest the crops, and to transport the produce afterwards.

In December last year the SA Agricultural Machinery Association said total tractor sales in 1993 had risen 41,6% from the year before.

"The growth of the agricultural sector's contribution to GDP in the second and third quarters of 1993 was phenomenal," Twine said. Contribution to GDP in the second quarter was 35% larger than in the first, and in the third quarter it was 31% up on the second. (183)

However, the CSS survey showed that diesel sales in October 1993 dropped 17,3% from September.

Twine said this fluctuation followed a similar pattern in wholesale petrol sales caused by supply distortions that surrounded September's fuel price increases The price of diesel went up 6c on September 15.

He said the fall in sales in October could be explained by "pre-emptive stocking before the September price increase".

Guarded support for ANC health plan

B/Day 25/1/94

THE Pharmaceutical Society of SA yesterday welcomed the broad principles of the ANC's health policy but questioned its possible tendencies toward nationalisation

Executive director Boet van der Merwe said the planned encouragement of the pharmaceutical industry to sell most of its production to the state smacked of nationalisation

"Health care should remain a dual system between the private and public sectors provided there is an aggressive drive to root out inefficiencies," said Van der Merwe.

"That the growth of private health care services is to be discouraged is a matter of concern.

"While the plan proposes to raise funds through increased taxing of alcohol and tobacco, the state will remain hard-pressed for health care funds"

He said it was desirable rather to minimise state involvement and expenditure by encouraging the private sector to serve those who could afford it.

Stimulation of the private sector to develop health care services and systems to serve lower income groups equitably and cost-effectively was the more attractive option, he said.

"Although it is envisaged that national health insurance is to be funded by employees and employers, more details are required.

"The private sector already funds a form of medical insurance for part of the population, through shared funding of medical schemes and 'top-up' health insurance," he said.

"Being privately administered, of which the medical scheme portion is non-profit making, the state and private sector could co-operate in extending such in-place expertise and facilities."

(183)

Van der Merwe added that where the ANC document referred to "private practitioners", the society needed assurance that this was a generic term for all healthcare professionals, including pharmacists.

"The society applauds moves towards formalising patients' rights," he said, adding that it was encouraging to see private practitioners and private hospitals would play an important role in the national health system

"Likewise, that health personnel will be multi-disciplinary."

The Pharmaceutical Society supported this concept, as it did that of integrating aspects of traditional healers' practices within the healthcare framework.

Van der Merwe said his society also welcomed the ANC's recognition of the need to retain statutory bodies in a more co-ordinated manner. — Sapa

Agriculture buys 5% more diesel

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Sasol and AECI venture named

B/Day 27/1/94

MICK COLLINS

THE new R2,5bn joint venture between Sasol and AECI is to be named Polifin, and the project could be listed on the JSE within the next two to three years.

The venture, in which Sasol has a 60% interest and AECI 40%, will see the merging of some of the companies' petrochemical and plastics interests.

(183)

Polifin MD and CEO Pieter Cox said: "In addition to being the company's name, it is our intention to market our products under this name in one form or another."

Polifin has applied for registration locally and internationally.

The new company will house Sasol's ethylene, propylene and polypropylene operations and AECI's chlor-alkali, PVC, polyethylene, cyanide and associated downstream converting companies.

The merger received Competition Board approval on condition that Sasol and AECI undertook not to discriminate in the supply of monomer feedstocks — ethylene and propylene — to rival chemical producers Sentrachem and Hoechst.

Meanwhile, a formal announcement giving the go-ahead for a joint AECI/Sasol R400m PVC conversion project is still pending.

Initially thought to be on track for a first-quarter disclosure, details of the venture will now be presented to the respective boards only in April.

The project will see the PVC production facility at AECI's Midlands factory at Sasolburg converting from carbide to ethylene feedstock.

"We have not even decided on contractors yet for the PVC conversion project. However, we have sourced part of the plant."

Asked about funding sources for the project, Cox said there were "still a lot of irons in the fire that need to be looked at".

An option open to Polifin is to fund the PVC project from cash flow but funding may also be sought from outside to provide for the optimum financial package.

AECI's current production of PVC uses carbide feedstock, an uneconomical process which makes the local material uncompetitive on international markets.

The upgrade will see ethylene being used rather than carbide as the PVC feedstock — a cost-effective change.

Sentrachem going to market for R294-m

Star 28/1/94

(183)

BY STEPHEN CRANSTON

Sentrachem is taking advantage of current market buoyancy by making a rights issue to raise R294 million

Shareholders will be given the chance to subscribe for 30 new shares for every 100 held at a price of 850c

This is a 13 percent discount on the current price, but a hefty 54 percent premium on net asset value of 552c and a 23 percent premium on October's low price of 690c

Sentrachem had originally intended to hold the rights issue then, but the timing would not have been advantageous.

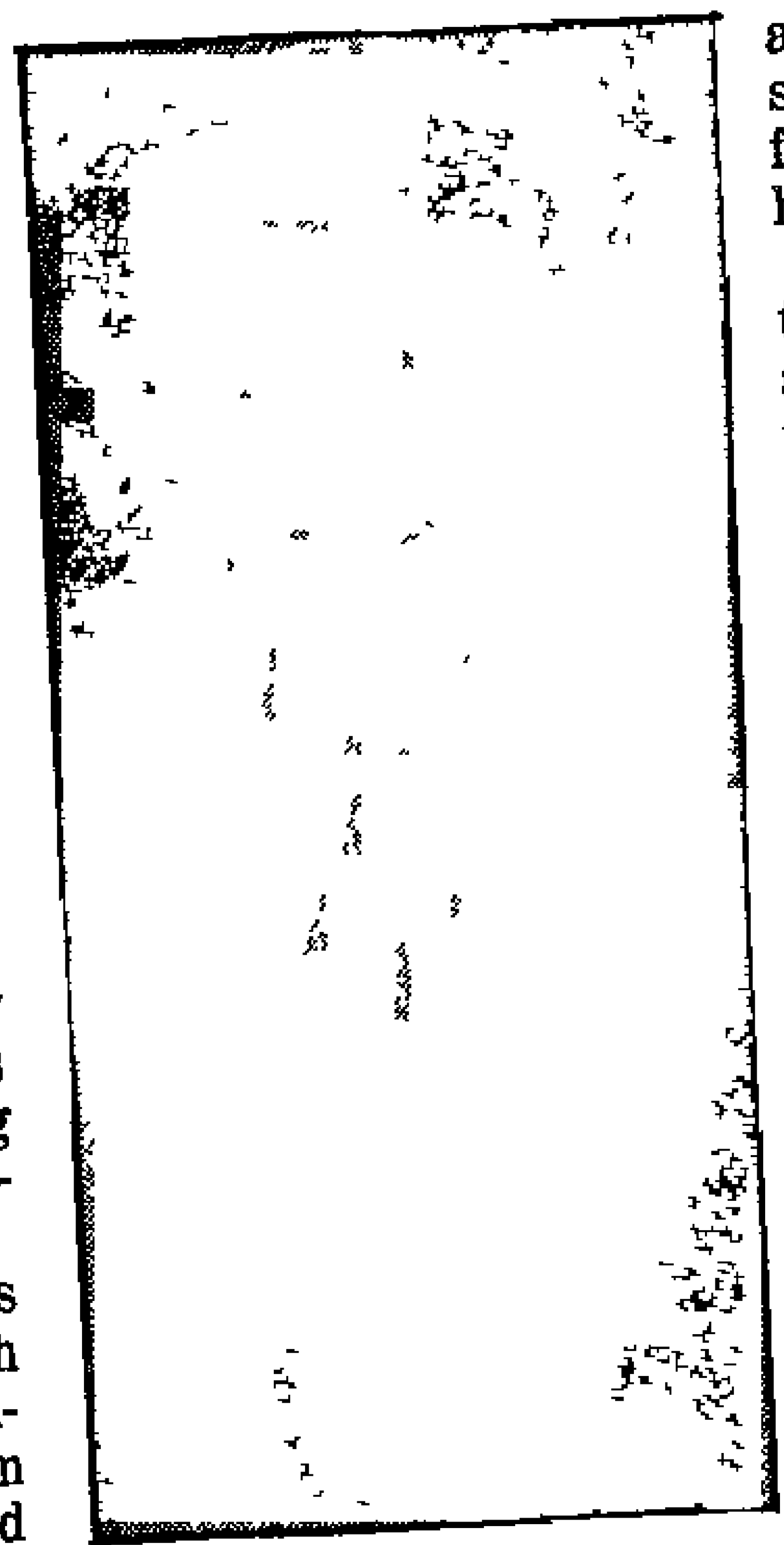
Group MD John Job says Sentrachem has projects worth R200 million to fund and intends reducing gearing from 42 percent at August year-end to 30 percent.

Job thinks Sentrachem's market rating might have suffered from the perception that debt was too high and interest cover too tight

Sentrachem has improved its interest cover from two times to 3,5 times and wishes to improve it to about six times

The group plans to finance two projects, which have already started, worth R50 million in total.

One is a joint venture with Sasol to make amines, a substance Sasol uses for water gel explosives and Sentrachem for herbicides.



John Job . . . rating might have suffered.

The plant is in Newcastle and it is expected to save imports of R39 million a year

Sentrachem is also doubling its mancozeb capacity This is a fungicide used in crop protection About 70 percent of production will be exported

Two somewhat bigger projects, on which R150 million will be spent, are close to approval

One is to make citric acid from sugar, which is used as an acidulant in food and beverages and in sodium citrate, described as an environmentally friendly ingredient in household detergents.

It is now economically viable to produce citric acid because sugar can be bought for industrial use at a world-related price rather than at the artificially high domestic price

Another new plant will make the agricultural chemical feedstock, cyanuric chloride

Sentrachem will be the only SA manufacturer of either product, and plans to export a substantial portion of its production.

In March next year Sentrachem will buy from Farm-AG the 50 percent of the agricultural chemical company Sanachem that it does not already own

Job says the rights issue will put Sentrachem in a stronger position to make the purchase, although further scrip is likely to be issued in the transaction.

The last day to register for the issue is February 4. Trade in the nil-paid letters will take place from February 7 to March 2.

Sankorp, which has a 37,16 percent interest in Sentrachem, is underwriting the issue, with several institutions saying they will support it

Job says Sentrachem has been trading well in slightly improved circumstances and that earnings in the first four months were comfortably ahead of those last year.

Sentrachem to raise R294m

BiDay 28/1/94

MICK COLLINS

CHEMICAL and plastics group Sentrachem yesterday announced it was to raise R294m in a rights issue to improve its gearing and interest cover as well as to fund a number of projects and an acquisition.

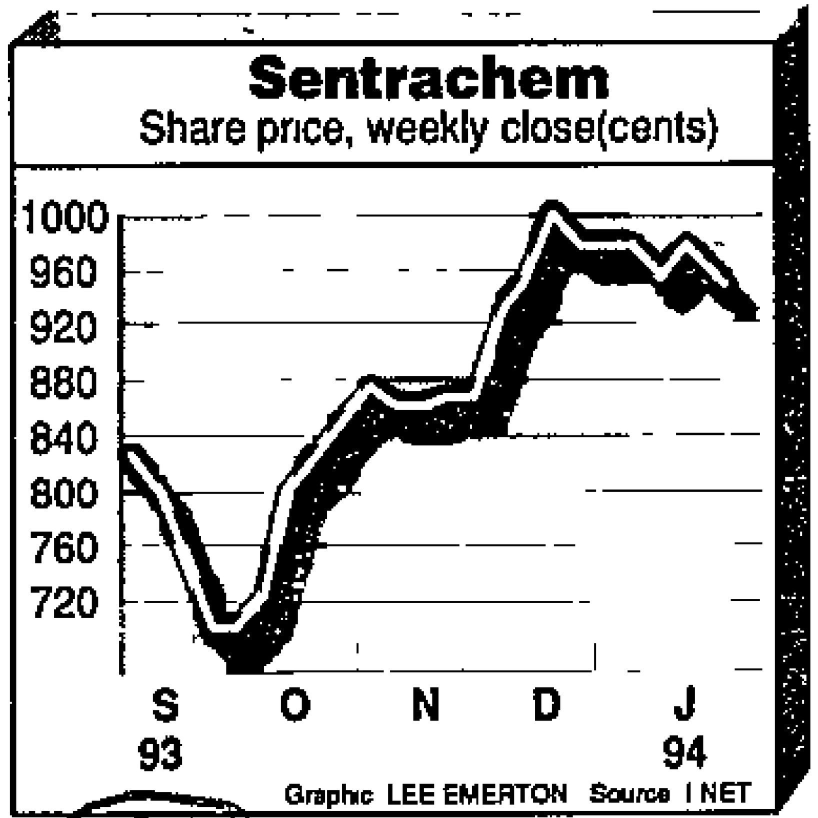
The cash would be raised by way of a 30-for-100 rights issue at 850c which represented a 13% discount to the market price of 975c. The share closed at 950c yesterday.

Sentrachem group MD John Job said the timing of the issue had been carefully looked at. "When the market conditions were right we said we would come to the market. We feel market conditions are now right."

He said one of the purposes of the flotation was to improve the group's gearing and interest cover. The gearing ratio at the end of the previous financial year was 42% while the aim would be to keep it nearer to 30%.

"Investors still feel Sentrachem's gearing is too high. We will be addressing this with part of this money," Job said.

"Sentrachem is also preparing for the purchase of the 50% of Sanachem from Farm-Ag that it does not already own. This issue will prepare the way. When the time comes we will decide how much of the purchase will be handled by way of cash and



(183)

how much by shares," Job said.

Asked about offshore acquisitions Job said it was not a specific issue at this stage but it was still on the agenda. He said the experience gained in attempting to gain control of the Australian chemical company Chemplex in 1992 "has pointed us in the right direction for offshore deals".

"What we are saying is that we are endeavouring to bring this money in now in preparation so we can exploit other avenues. It gives us greater control."

He said another reason for the issue was to use R150m to fund two new projects which were due for approval shortly. One plant would be to manufacture agricultural chemical feedstock and the other a citric acid plant.

SENTRACHEM

FM 28/1/94

Calling for cash

MD John Job has been keen to make a foreign acquisition, particularly since the deal to buy Australian styrene producer Chemplex fell through in 1992 His medium-term plan is for the chemical & plastics group to source 25% of earnings offshore, another 25% from exports and the rest at home

But it seems unlikely a foreign target is behind last week's announcement of a rights issue The Reserve Bank has probably put those plans on hold for a while

There could be a smallish, local acquisition, but it's also possible Sentrachem wants the bulk of the cash call to fund its acquisition of the remaining 50% of agricultural chemicals specialist Sanachem (183)

One thing the earlier, cancelled Australian acquisition showed was considerable support from shareholders for a rights issue The possibility of going back to the market has been on the boil ever since

Job was away from his office early this week but has promised to announce details soon, which could include a new acquisition, hinted at in the announcement as "other opportunities currently being negotiated "

Since increasing authorised capital from 125m to 200m shares last year, Sentrachem has the capacity to raise more than R800m new equity capital based on a current share price of R9,50, though it's unlikely to go for that much The issue will probably be about

FOX

FM 28/1/94

R250m-R300m

Last Friday's announcement lists three reasons for the cash call to fund investment projects, fund acquisitions, including the remainder of Sanachem (held jointly with Farm-Ag) and other opportunities, and reduce debt and improve gearing ratios (183)

The investment projects are mainly the R48m joint venture with Sasol on an alkylamines plant at Newcastle and R22m to increase output at Karbochem's mancozeb (an agricultural fungicide) plant at Sasolburg

August year-end borrowings, net of R161m cash, stood at R380m That's a total of R676m, so it's clear Sentrachem has plenty of uses for the money

Unknown acquisition

Apart from the unknown acquisition, though, the funds might most usefully be spent in acquiring the rest of Sanachem, *if* Farm-Ag would accept an offer now, probably at a discount to the estimated R250m-odd it would cost next February (see *Companies*)

Sanachem did well last year, raising earnings 70% to R34m, mainly through exports Prospects this year seem even better — it would be a good wholly owned subsidiary to have tucked under Sentrachem's belt by year-end in August, and fits Sentrachem's focus on exports and moving upstream into value-added chemicals

With Farm-Ag destined to become a cash shell in 1995, it's also possible that Sentrachem could reverse list Sanachem, which has a high profile abroad through its exports That would help maintain Sanachem's entrepreneurial flavour and independence

The *FM* understands a possible early settlement has been raised between the two groups, though no firm offer has been made

But whatever the reasons for the rights issue, it's a good time for Sentrachem to have additional capital The cycle seems to be swinging its way, and has already seen competitor AECI take off

Sentrachem's share price has been co-operating, at just 50c off its high for the year Yielding 2,5% on a p e ratio of 12,6, ratings have firmed since the annual report was reviewed in November It's not cheap but the prospect of the rights issue will probably push the price up further *Shaun Harris*

FARM-AG

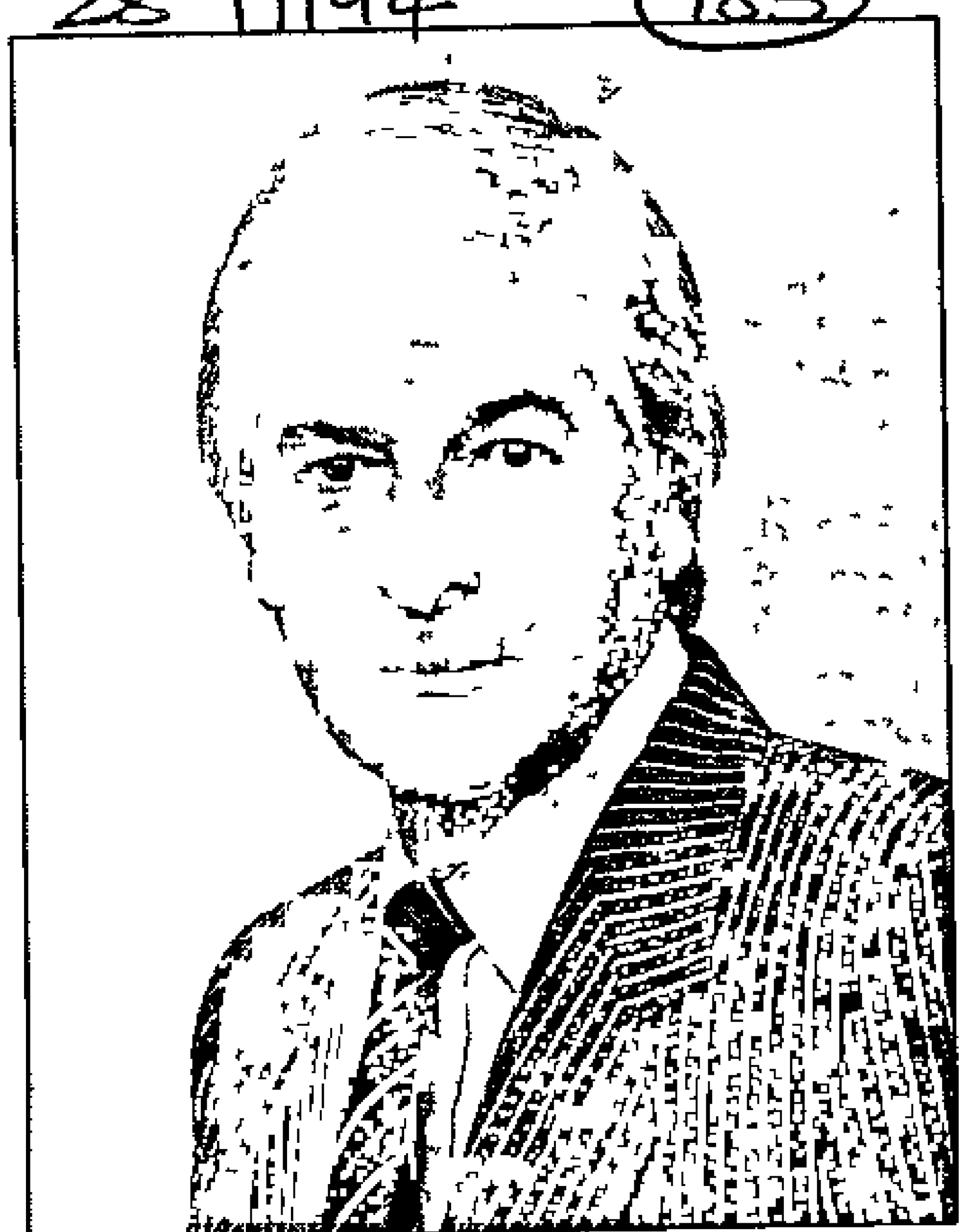
Gambling on a hefty pay-out

FM 28 11 94 (183)

Activities: *Subsidiary and associate companies manufacture and distribute agricultural chemicals, hosiery, yarns, bearings, seals, surgical gloves, fertiliser and industrial chemicals*
Control: *Rale Holdings 66,2%*
Chairman: *R E Sherrell, MD L M J R Maingard*
Capital structure: *14,5m ords Market capitalisation R203m*
Share market: *Price 1 400c Yields 2,9% on dividend, 6,3% on earnings, p e ratio, 16,0, cover, 2,2 12-month high, 1 450c, low, 800c Trading volume last quarter, 76 000 shares*

Year to Aug 31	'90	'91	‡'92	'93
ST debt (Rm)	98,8	58,5	19,8	1,6
LT debt (Rm)	1,9	0,6	0,03	0,6
Debt equity ratio	2,18	1,74	0,30	n/a
Shareholders' interest	0,25	0,34	1,01	0,83
Int & leasing cover	0,5	0,5	n/a	n/a
Return on cap (%)	4,5	6,5	n/a	24,2
Turnover (Rm)	206	73	29	0,7
Pre-int profit (Rm)	8,1	6,6	†(1,4)	(1,3)
Pre-int margin (%)	3,9	9,0	n/a	n/a
Earnings (c)	(56,9)	0,5	†(10,4)	87,4
Dividends (c)	nil	nil	nil	40
Tangible NAV (c) ..	280	233	352	362

‡ 18-month trading period † Annualised



Chairman Sherrell *a complicated formula*

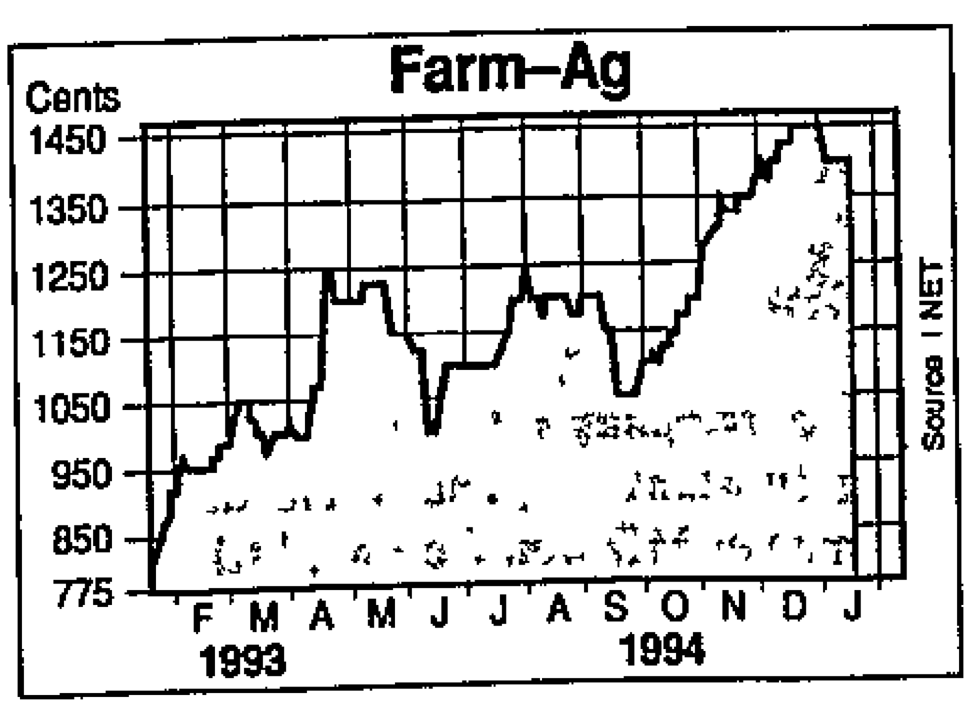
Agricultural and industrial chemicals group Farm-Ag has broken its four-year drought and resumed ordinary dividends

EPS at 87,4c in the year to August, against an annualised negative 10,4c in 1992, are only partly responsible for the surge in the share price over the past year Interest was also sparked by the deal whereby Sentrachem, which now owns Sanachem equally with Farm-Ag, will, with effect from next month, buy the remaining 50%

Farm-Ag will effectively become a cash shell and intends to distribute its cash to shareholders, probably ahead of the 1995 financial year-end

Chairman Reg Sherrell says the price for Sanachem, payable in 1995, will be the greater of 50% of its NAV at February 28 1995 or the average of valuations based on audited after-tax profits at end-February 1993, 1994 and 1995

Applying the valuation formula to 1993 profits, the consideration would be about R55m However, Sherrell believes Sanachem's profits in 1994 and 1995 will be much higher, considerably boosting the price tag



For the year to August, the significant improvement in Farm-Ag's attributable income to R12,7m against a R2,2m loss in the previous 18 months reflects the reduction in financing costs — borrowings fell 97% to R0,6m (1992 R19,5m) — and the vastly improved performance of Sanachem, which earned R34m, 70% more than the R20m in the corresponding 12-month period Sherrell attributes this to continued growth in exports, which rose by 43% to R186m

Farm-Ag also has a subsidiary, Glenmore Textiles Though performance improved slightly, Sherrell says it is still intended to sell Glenmore Extraordinary items of R4,3m relate to the closure of loss-maker Harvest Chemicals

Figures for 1992 have been restated to take account of an adjustment reducing Geis claims payable to Sanachem. The 1992 figures were prepared on the basis that certain products qualified as local inputs, Farm-Ag has since been told this applies only from March 1993 The effect has been to reduce attributable income by R5,1m.

Holding company Rale, which has a 66% stake in Farm-Ag, earned R8,5m, against a loss of R3,2m the previous year This translates into EPS of 75c (1992 loss of 23c)

R300m payday

Farm-Ag's share price has climbed 75% to R14 during the year. This compares with NAV of 362c at end-August Directors estimate the Sentrachem payout will be in the region of R250m-R300m, which translates roughly into between R17-R21 a share.

If investors are to receive a decent return, the payout will have to be high That's what they are gambling on. *Marylou Greig*

PHARMACEUTICAL SHARES

FM 28/1/94

Stable but uncomfortable

Investors who stay in this industry will have to be cautious

(183)

Pharmaceutical companies have provided sugar-coated shares in recent years, offering investors a healthy tonic to beat recession But the medicine is hard to swallow now as the JSE's Industrial index begins to outperform shares of the three leading pharmaceutical groups for the first time since 1992 (see graphs)

And it's not just the heady, gold-driven market of recent months that has taken the shine off the sector's former glamour

The industry faces peculiar problems and a number of uncertainties are far from being resolved Getting into the shares may well prove to have been the easy part, some analysts now feel the trick will be deciding when to get out

Ironically, the companies behind the shares — C G Smith's Adcock Ingram, Premier Group's Premier Pharmaceutical (Prempharm) and Malbak's SA Druggists — are probably in better shape than ever

As falling consumer spending at the depth of the downturn showed, even drug manufacturers were not immune from recession But they were able to maintain consistent growth in earnings while other industrial companies saw profits tumble

One result is that all three groups have lowered gearing during the recession and now have strong balance sheets with net cash All are on the prowl for acquisitions to broaden their product portfolios

But the same basic factor that kept pharmaceutical profits growing in the recession — the essential demand for medicines — is now throwing up a number of problems Medicines obviously remain essential, but rocketing health-care costs finally forced consumers, health authorities and medical aid schemes to take drastic action

These include the recent Medical Schemes Amendment Act, which allows schemes far more control over costs, and the trend towards lower-priced generic medicines

Uncertainty among investors last year over just what changes to legislation and new developments in the health-care industry may mean was probably coupled with a feeling that share prices were getting too high

A year ago, Adcock and Druggists each yielded 1,3% with p e ratios just above and below 30 respectively Prempharm was on a yield of 2,2% and p e of 19,1, almost the same as now Together, the three had a market capitalisation close to R5bn

Joint market value now stands at about R5,2bn, though that is thanks solely to Prempharm's appreciation of around 78% Market caps of Adcock and Druggists have slipped and their ratings have eased

Adcock, which led the ratings race for years while rivals were undergoing extensive restructuring, is now on a yield of 1,8% and p e of 20,8, little different from Druggists' 2,1% and 20,2

Drug prices have also become a political issue A perfect example appeared last week when the ANC, in an almost throwaway line in its draft health plan, suggested the industry be encouraged "to sell its products largely, if not exclusively, to the State "

It's unlikely the suggestion will be taken seriously and the ANC has emphasised its draft plan is open to debate and amendment But that's just the sort of proposal which sends cold shivers down the backs of pharmaceutical company MDs and illustrates the uncertainties the industry is facing

Pressure on prices is also taking a toll, especially in wholesaling and distribution These are now characterised by vicious competition as rivals offer discounts which seriously undercut already thin profit margins

The pharmaceutical groups have all responded to the uncertainties by trimming costs, concentrating on asset management and working capital, and in some cases cutting staff Most important, though, is how they have positioned themselves according to what each believes will be the future direction the market will take That's hard to call, but whoever gets it right will reap the benefits at competitors' expense

All three try to maintain a balanced portfolio of products, but in the end each concentrates on a particular segment Basically, this sees Druggists as the largest producer of generics in the southern hemisphere, Adcock with a broad portfolio covering most markets, but with a high exposure to ethical drugs, and Prempharm strongly into over-the-counter (OTC) medicines

It's a simplification, because they also compete in other areas All three make generics, for example, but for Druggists generics comprise about R471m, about 75% of turnover from its pharmaceutical division Prempharm is the second-biggest generics manufacturer but its exposure is far lower Adcock is forging into generics Though its business unit responsible for making and marketing generics increased turnover by 27% to R22,5m, that's only 2,3% of group turnover

Similarly, Druggists, since commissioning its Intramed plant in Port Elizabeth to make intravenous drips and injectables, is now competing with Adcock in the critical care market, long dominated by the C G Smith company, partly through its long-standing relationship with the US Baxter group Druggists and Adcock are also competing for the OTC market, where Adcock, according to latest information, has a slightly higher share than Prempharm

Recently, Adcock's growth in turnover slowed abruptly, to 6% against a six-year compound annual growth rate of 25,3% This was mainly due to rationalisation in the wholesale division but also reflects more vigilance from medical schemes and cost pressures which have led to fewer visits to doctors

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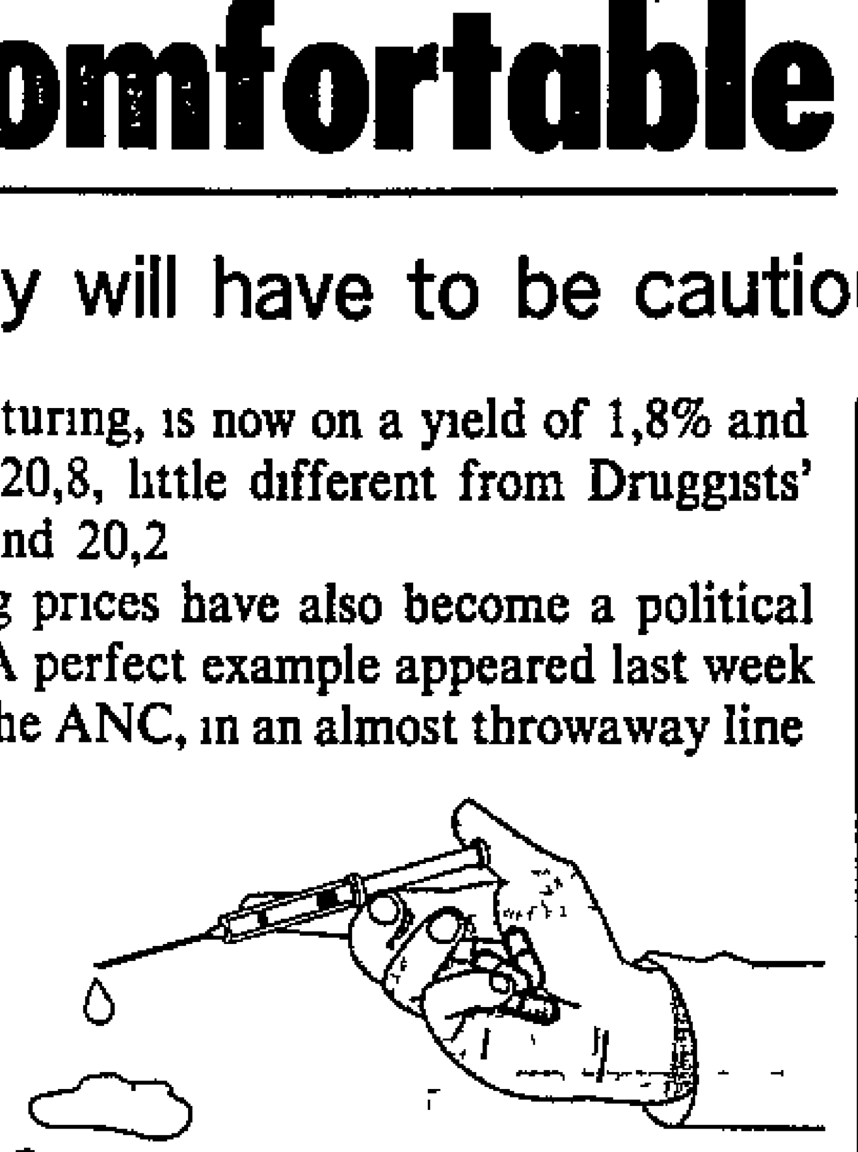
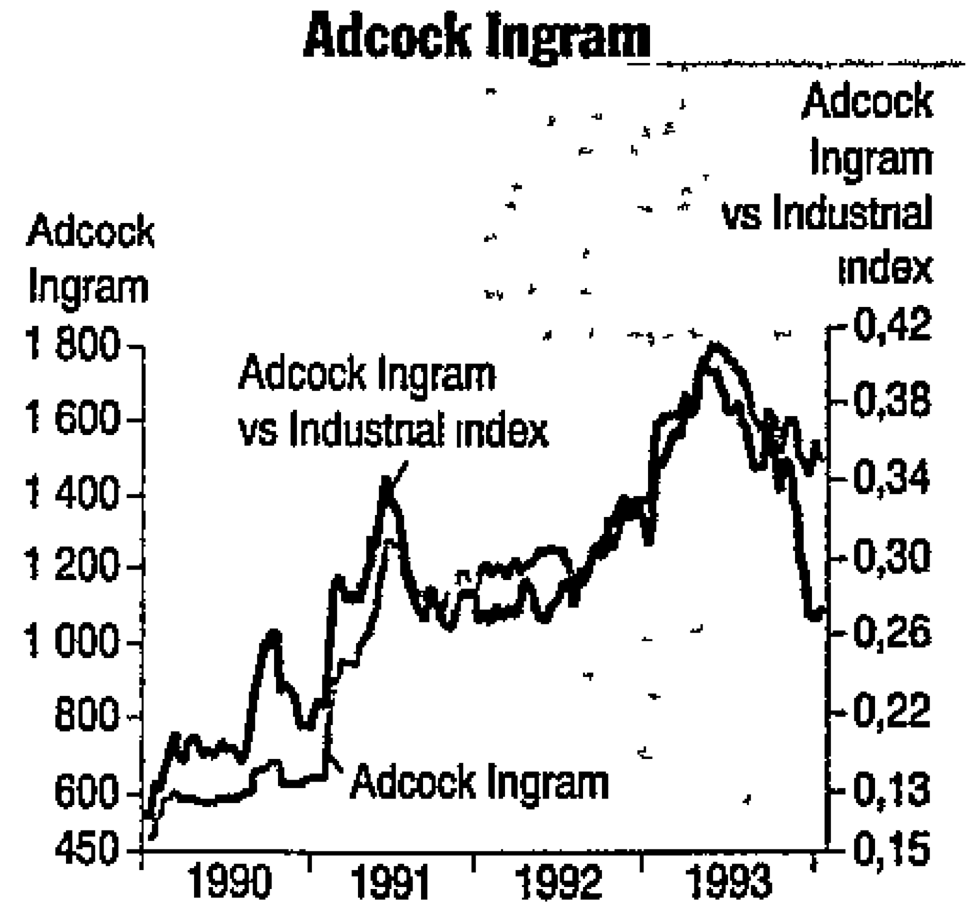
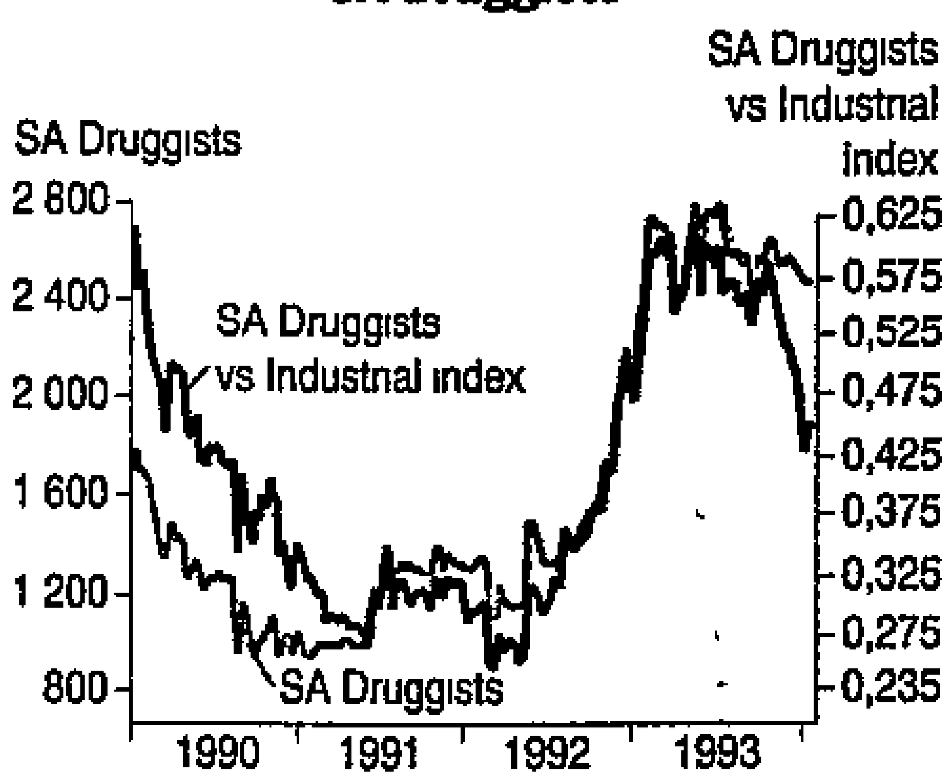


Caught at the turn

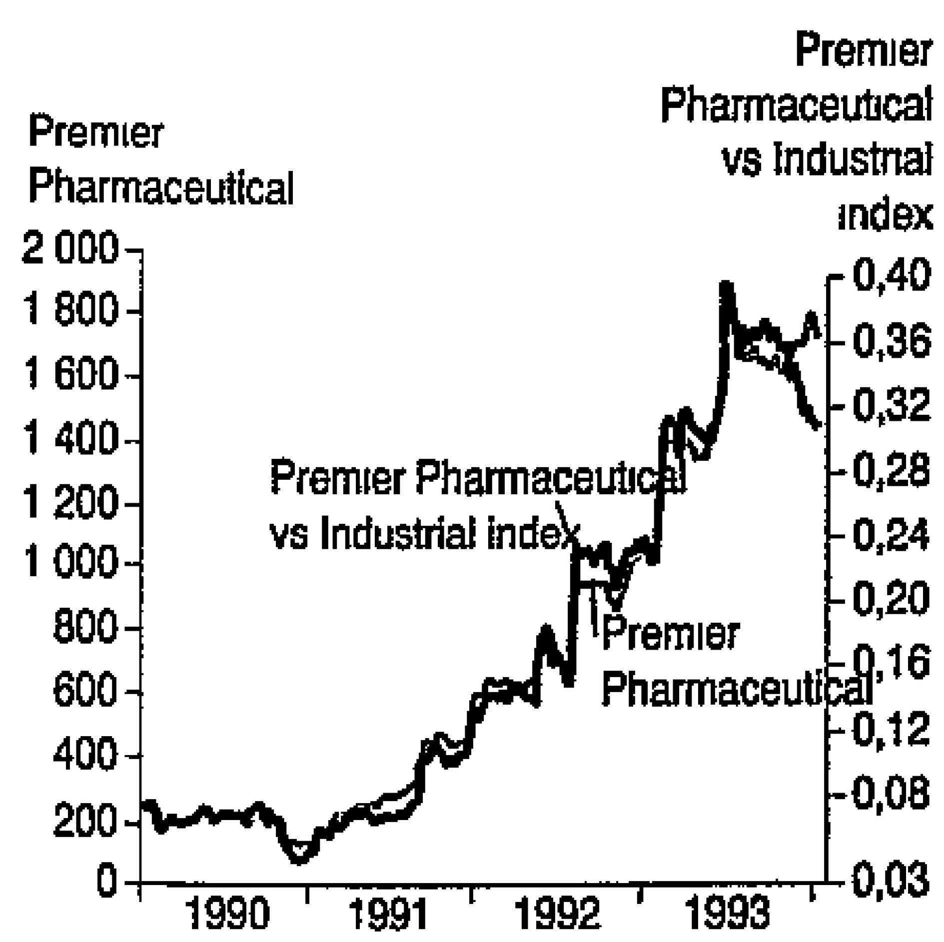
Adcock Ingram



SA Druggists



Premier Pharmaceutical



Source I-NET

FM 28/1/94

and fewer prescriptions being written

CE Don Bodley believes, however, that Adcock should continue to achieve real growth, though "it would be unrealistic for us to sustain recent average growth in earnings of about 30%"

Adcock can take a knock in wholesaling without too much damage to the bottom line because of its wide product mix and strong cash-generating ability But pressure on prices is making pharmaceutical companies wary of implementing sharp price increases "For some time, it has been our policy to hold price rises to the inflation rate or below With inflation coming down, our price increases will be kept down," Bodley says

Despite fierce competition in the wholesale industry, the biggest threat to Adcock is likely to come from the trend towards generics, though Bodley sees this as an opportunity rather than a threat "It's the growing sector, you have to be in it We are focusing on generics to help ensure growth but will probably concentrate on quality products aimed at the private sector We wouldn't want to compete in the commodity end"

That, to some extent, has been the experience of generic producers in the UK, where an unstable market and low barriers to entry have resulted in oversupply According to an article in the British *Pharmaceutical Journal* last year, companies are competing in a cycle of increasing sales volumes but declining profits

Druggists, while dominating the generics market, is believed to be keen to acquire more ethical brands with its R53m cash in hand, perhaps to spread risk

Of all the players, its fortunes are most closely tied to generics The commonsense view is that changes to legislation, pressure on health-care costs and the health policies of a new government should make generics a profitable area

But it may not be as simple as that The already mentioned low barriers to entry could make SA an attractive hunting ground for internationals, particularly now that sanctions have been dropped

Druggists CE Peter Beningfield admits foreign competition could be tough But he also notes the foreigners will be cautious, some having had bad experiences in Africa

There is also the possibility of cheap imports Beningfield's defence against this is the quality of Druggists' products "Our strength is in our brands, in the Lennon name (the manufacturer based in Port Elizabeth) We have spent a lot on manufacturing facilities and, as in the US, will remain competitive as long as we produce quality products We also have a broad spread"

Yet Druggists' high exposure to generics in the public sector, where it is the major supplier to State hospitals under the tender system, means volumes are important A factory such as Lennon, which, since Malbak took over the group, has doubled its output to about 10m tablets a day, needs high volumes


Bodley

That makes Druggists more exposed to disruptions Strikes and political stayaways affect production facilities, while its relatively large dependence on State tenders could upset production levels should a new government make changes in the public health sector and the tendering system

It also means it has to work off much thinner margins Adcock's operating margin of 16% and Prempharm's 26%, at year-end, offer scope to absorb a squeeze on sales without too much damage to the bottom line, at least in the short term For Druggists, with a 6,4% margin, turnover is vital

Small enough to do its own distribution, Prempharm is not exposed to the sort of vicious competition Adcock and Druggists face in the wholesale market

"About 60% of pharmaceutical sales are directly with customers through our own distribution set-up, which has allowed us to be competitive and ensure no-one else has a monopoly on distribution of our products," says CE Phil Nortier

Since it changed its name from Twins, contributions from the pharmaceutical division have risen from 33% to 45% of turnover Much smaller than its two main listed rivals, Prempharm has, since restructuring, shown strong growth in earnings And it has a big brother in Premier, if needed

Prempharm has positioned itself in the OTC market, believing this could offer the best opportunities in the future So far, the position has paid off, despite a poor year from its consumer division, second-biggest contributor to turnover

(183)

Though OTC medicines make up the bulk of Prempharm's pharmaceutical portfolio, Nortier also sees generics as the growth area — especially in the private sector market "We don't have much tender business, apart from our TB products If we can get more, we will Prescription generics is where we really come into the market"

Moves towards generic substitution, which Nortier believes will be introduced this year, would provide a growing market "We are concerned, though, that a lot of new competitors will come in This market is relatively easy to get into," he says

"Our turnover has been hit by pressure on the consumer division That should get better, not only as consumer spending picks up but also with the political changes ahead" With the consumer division's focus on the black market, he could well be right

On the face of it, Druggists stands to gain the most from the likely greater use of generics The risks are the high volumes needed and the thin margins

Since the Malbak takeover in 1991, new management has proved itself, not only in its ability to restructure and switch to a market-orientated focus, but also to get far better production and service Druggists has become a heavyweight and should offer new competitors stiff resistance

Adcock, on the other hand, could have the most to lose from a strong swing towards generics But it remains a blue-chip operation and the spread of its portfolio reduces risk Margins have been remarkably consistent for some years (see table) and it gets by far the best returns on assets and equity As an efficient, well-run group, it should be able to counter problems in the ethical market

Safest bet, though, is probably Prempharm It seems to have the right product mix to be least affected by changes to the health-care system and to benefit from more use of generics and consumer spending

Still, uncertainties remain and it's hard to tell where the health-care market could be heading in a year's time Investors who stay in the sector will have to be cautious

Shaun Harris

PROFIT TRENDS

	Adcock Ingram				Prempharm				SA Druggists			
	1990	1991	1992	1993	1990	1991	1992	1993	1990	1991	1992	1993
Turnover (Rm)	616	774	915	971	492	493	440	456	948	1 062	1 388	1 836
Operating profit (Rm)	94,3	118,4	140,9	157,5	83,0	81,7	106,3	118,5	87,2	80,2	90,1	118,0
Operating margin (%)	15,3	15,3	15,4	16,2	16,9	16,6	24,2	26,0	9,2	7,6	6,5	6,4
Earnings (c)	36,4	47,0	55,8	72,0	41,3	39,2	59,3	78,5	144,0	126,4	92,8	122,7
Dividends (c)	13,6	17,6	21,0	27,0	16,0	16,0	24,9	34,0	50,0	50,0	35,3	51,5
Cash flow per share (c)	†44,7	52,8	69,7	88,9	62,1	20,9	107,6	102,2	†27,5	†87,4	†155,0	†165,9
NAV (c)	126	154	201	242	218,7	219,8	259,1	345,1	679	753	727	971
Return on assets (%)	30,9	31,8	31,7	30,0	24,7	20,9	27,5	27,3	24,8	19,5	13,7	12,4
Return on equity (%)	31,9	33,6	31,5	32,3	29,1	18,5	24,8	25,3	22,6	17,7	11,1	13,7

Source I-Net

† Estimate due to minority interests.

Venter calls for code to contain medicine costs

183

ARG 28/1/94

PRETORIA — National Health and Welfare Minister Rina Venter has called on all stake-holders in the pharmaceutical industry to co-operate in thrashing out a code of conduct aimed at containing medicine costs

In a statement outlining the National Party's present health care policy, Dr Venter said methods for controlling costs that could be considered included generic substitution, incentives to doctors by the Medical Association and medical schemes to control medicine costs and revision of the government's tender practices

In an apparent reference to the African National Congress's recently released draft health plan, Dr Venter said the NP was "a voice of sanity" among the high expectations and unrealistic solutions proposed

However, while access to health care was a basic human right, it could not be unlimited A "minimum package of services" should be determined in consultation with consumers, providers and financiers

While the state had to finance the care of the unemployed and needy, the degree to which it provided health services depended on the cost-effectiveness of private sector services and their availability It was therefore essential that the private sector complement the public services, she said

A National Academic Policy Council had been established in collaboration with the seven medical schools with the view to developing management autonomy Legislation to achieve this was approved by parliament in the Academic Health Centres Act in 1993

Manpower training for primary health care was receiving special attention

User charges, a national lottery, dedicated tax on alcohol, tobacco and cars, as well as local and international donations, should also be considered, she added — Sapa

Sentrachem plans R294m rights issue

(183)

CT 28/1/94

JOHANNESBURG — Sentrachem is to raise R294m in a rights issue to fund a number of projects and acquisitions as well as improve its gearing and interest cover, the firm said yesterday

The funds would be raised by way of a 30-for-100 rights issue at 850c, which represented a 13% discount to the market price of 975c

Managing director John Job said the aim of the rights issue would be to improve Sentrachem's gearing ratio from 42% in the last financial year to nearer 30%

In addition, two current projects at Newcastle would also be financed while about R150m would be spent on another two projects due to be approved soon

The latter two projects involve the manufacture of agricultural chemical feedstock, cyanuric chloride and the establishment of a citric acid plant

Sentrachem was also preparing to purchase 50% of Sanachem

Dr Job said Sankorp would underwrite the issue and several large institutions with significant holdings in Sentrachem had already indicated their support — Sapa

Price of gas in SA high in world terms

B/Day 2/2/94

MICK COLLINS

AFTER a 10% increase in 1993, local gas users are paying the fifth highest price of 11 major countries analysed in the latest international gas price survey compiled by National Utility Services (NUS).

NUS SA national sales manager Rob Mackenzie says the local 10% price increase is the highest in the 11 countries surveyed and, significantly, it exceeded the 9,1% rate of inflation Of the other countries, only two exceeded inflation with their price increases — the US with 5,4% (inflation 2,8%) and Italy with 4,9% (inflation 4,2%).

(183)

The analysis, on a cents per kilowatt-hour firm contract supply basis, shows that local gas at 6,4c is more expensive than in Britain, Belgium, the Netherlands, the US, Australia and Canada. It is cheaper than in Italy — the most expensive — and in Germany, France and Sweden.

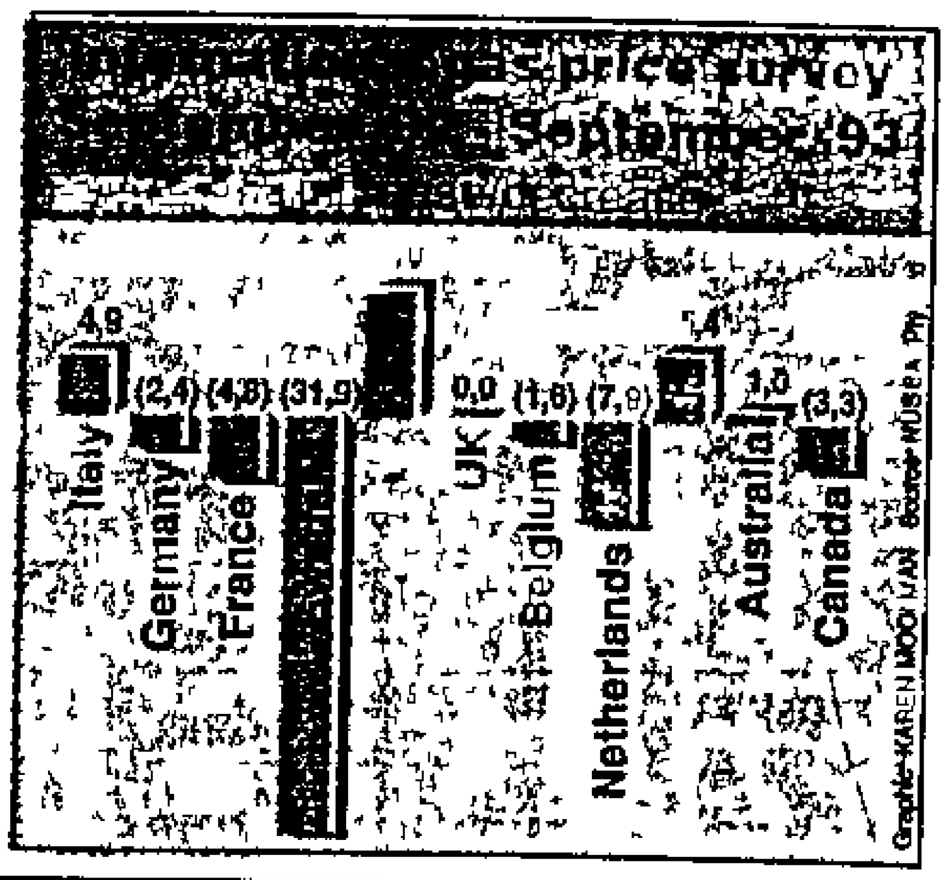
For large users consuming a million therms or more a year, SA is the most expensive country because no discounts are offered on volume.

A specialist in fuel and energy cost analysis, NUS serves 35 000 customers worldwide More than 2 500 of these customers are South African, at about 25 000 different sites around the country.

"In this year's survey it has been decided that as Gascor supplies more than 95% of the country's requirements, our survey is now based only on the Gascor price so as to reflect a truer picture for the vast majority of gas users," Mackenzie said.

Among other suppliers of piped gas, Johannesburg Gas increased its average price 15,7% during 1993 to 11,13c/kWh and Cape Gas 15% to 17,69c/kWh. This compares with Gascor's increase of 10% to 6,4c/kWh. Belgium, Germany, Canada, France, the Netherlands and Sweden decreased prices, Britain maintained prices at the 1992 level and Australia raised prices only 1%.

Mackenzie said: "While many other nations are static or reducing prices, we appear to be on an upward curve. For industries reliant on gas as an energy source, it constitutes an increased cost of production which must affect pricing and competitiveness."



Petrol price to drop by 3c/l

Star 3/2/94

BY PETER DAVIES

The petrol price will drop by 3c/litre at a minute past midnight on February 17, Mineral and Energy Affairs Minister George Bartlett announced yesterday. (188)

It will be the second fuel price decrease in two months

The price of 93 octane will drop to R1,75/l in the PWV. The price of diesel and illuminating paraffin will remain unchanged at R1,66/l

The petrol price was lowered by 2c/l in December, a few months after it had been increased by 7c/l amid public outrage.

Low crude prices

The latest reduction was recommended by the National Economic Forum's liquid fuel task force. It followed continued low crude oil prices and a stable rand/dollar exchange rate that resulted in over-recoveries of almost 8c/l on petrol

The diesel over-recovery is slightly more than 1c/litre and that of illuminating paraffin more than 4c/l.

The task force also recommended that the Equalisation Fund levy on 93 octane and 97-octane petrol be increased by 6c/l, on 87-octane petrol by 8c/l and on diesel by 1c/l to make up for underrecoveries

Bartlett said the cost of variables which comprised the pump price — including landing and travel costs — had dropped to 8c/l less than the pump price.

NATIONAL

Sasol, Mossgas cost drivers 5c/ℓ

183

ARG 3/2/94

BRUCE CAMERON
Business Editor

MOTORISTS have lost out on another 5c a litre petrol price cut because of the cost of Sasol and Mossgas.

With both companies now producing fuel at prices way above the world price of petrol, motorists are being forced to foot the bill

The government is using motorists' money to keep both Sasol and Mossgas in production And the lower the price of crude oil falls the more motorists have to subsidise the two synthetic fuel producers

It was announced yesterday that a 3c a litre petrol price decrease would come into force on February 17

The Automobile Association today demanded that the government take a fresh look at Mossgas to see whether its debt could be restructured, with savings for the motorist

AA spokesman Robin Schultz said the association accepted that Mossgas could not be closed down. But it felt that there could be savings if the debt was restructured He said the AA had not yet worked out any new figures on the amount of the savings

Low international crude oil prices have recovered slightly from the pre-European winter lows of $13,20 a barrel to $14,75 yesterday for the benchmark North Sea Brent

Even with the current winter rally, prices are $4 a barrel below what they were a year ago — and after taking account of inflation they are lower than during the 1973 Arab oil embargo

Prices are likely to drop back again as the northern hemisphere moves into spring and demand for heating fuel dries up

This could bring further good news for local motorists

The latest price cut brings the price of petrol back to where it was when Mineral and Energy Minister George Bartlett raised the cost of fuel by 7c a litre last September Under public pressure the increase was reduced by 2c in October and by another 2c in December

Petrol price to fall 3c on February 17

MICK COLLINS

THE petrol price is to drop by 3c/l from February 17, Mineral and Energy Affairs Minister Affairs George Bartlett announced yesterday. B/Day 3/2/94

However, the price of diesel and illuminating paraffin will remain unchanged.

The cut was made following a recommendation from the National Economic Forum's liquid fuels task group

Bartlett said the group had also recommended that the equalisation fund levy be increased by 6c/l on 93 and 97 octane petrol, 8c/l on 87 octane, and 1c/l on diesel This would not affect pump prices.

The task group had reported its findings to the forum's process committee, and Cabinet had approved the proposals (183)

"Continued low crude oil prices since the last price decrease on December 17 led to a further decline in international petroleum product prices in dollar terms The rand/dollar exchange rate remained stable, resulting in current overrecoveries of almost 8c/l for petrol, while the diesel overrecovery was slightly more than 1c/l Illuminating paraffin continued to experience an underrecovery amounting to more than 4c/l," Bartlett said The equalisation fund's liabilities exceeded income by about R60m a month, with tariff protection of about 20c/l on synthetic fuels, or 10c/l spread over total volumes.

Unilever action set to spread

B/Day

ERICA JANKOWITZ

STRIKES at Unilever plants in Natal could spread after workers at the Wadeville Elida Ponds factory voted yesterday for industrial action over a wage dispute 3/2/94

About 1 000 Chemical Workers' Industrial Union members at Unilever plants in greater Durban went on strike on Monday.

Union organiser Sipho Ntshaba said other plants, including SCI in Wadeville, had declared disputes.

Unilever confirmed strikes at Lever Brothers at Maydon Wharf, Quality Products in Mobeni and SCI in Jacobs (183)

Contingency plans had been implemented "to ensure that critical contracts can be fulfilled", a company spokesman said.

Ntshaba said this was the first wage strike at the company

He claimed management was trying to cut costs because of fears of overseas competition

Management has offered increases of between 6% and 8% The union's demands include a R55 a week or 13% increase, whichever is greater

Sasol in import deal with Kuwait

(183) CT 4/2/94

JOHANNESBURG — Sasol Oil said it has concluded a term contract for the supply from Kuwait of one million tons of crude

The deal will be financed through the National Bank of Kuwait, it said in a statement

This represented another important link in the direct procurement of crude oil and reduced financing and banking charges on the oil purchase, it added.

The deal follows a R390m upgrading project, commissioned in November, of the Natref oil refinery at Sasolburg

This enables the refinery to process relatively heavy crudes with a high sulphur content which trade at considerable discounts on international markets

The Kuwait crude, it said, trades at a discount of up to $4 a barrel below Britain's widely watched benchmark Brent.

Sasol said it has processed a trial shipment of Kuwaiti crude at the refinery, in which the group has a 64% stake, and which obtains a white product yield of more than 90%

● Meanwhile the benchmark oil price yesterday climbed to $15 per barrel for the first time since late November in a rally, helped by an Arctic US winter, that has partly reversed 1993's long recession-led slide

But market analysts called the price recovery fragile, based on the most severe US winter in recent years

London futures for Brent blend of crude oil traded up to $15,03 per barrel

Yesterday's prices were up from a five-year low of $13,20 at which futures ended 1993 But they remained around $4 below values of a year ago

FM 4/2/94

Ready to break out of its mould?

(183)

South Africans don't use much plastic Annual per capita consumption is only 17 kg compared with 65 kg-150 kg in developed countries But that could change quickly if the growing economic recovery, now a year old, gathers steam after the general election

Economists expect the next government to boost demand for housing, construction, packaging and household goods as State spending on electrification and other programmes accelerates

These sectors, together with mining and agriculture, are the biggest consumers of plastic-based products So the plastics industry, already turning over R12bn a year, could be in for a boom Traditionally, the industry grows at 1,5-2 times the rate of a country's economic growth, so, if SA sees 3% growth next year, sales of plastics could climb 4,5%-6%

One sign of confidence in plastic's outlook is the R2,5bn Sasol-AECI joint venture announced last year Sasol says the project, dubbed Polifin last week, will benefit from an expanding construction market as well as a growing demand for plastics in general

Says Plastics Industry Training Board chairman Ralph Oxenham "We have the markets and the products Once the skills and expertise are in place, the plastics sector will become one of the country's biggest boom industries "

Some plastics companies are already enjoying the upturn Sentrachem affiliate Mega Plastics reported a huge jump in profits for the 1993 financial year Pretax profit for its products rose 140%, largely due to capital investment in new technology and modernised production processes

CEO Doug Kydd says sales of his company's plastic-walled Megahome low-cost building kits should "take off when the political turmoil subsides and financing packages become more available to the lower-income sector "

But this rosy outlook is clouded by factors that have always retarded the industry's growth One reason South Africans don't use much plastic is that plastic and plastic-based products are expensive

Monopoly and duopoly suppliers, high tariffs that keep out imports, and poor economies of scale work to drive up costs through each level of production So everything that contains plastic, from garden furniture to rubbish bins to cool drink bottles, costs more than it should

The problems start at the beginning of the production chain There are two main types of plastics. one based on ethylene and the other on propylene, with ethylene-based plastic used in most of the products Only one local company, Sasol, produces ethylene, and only two, Sasol and Sapref, make propylene, with Sasol making 80%-85% There are no tariffs on either chemical but it doesn't matter because both are gases and ethylene in particular is costly to ship So, with little local competition, the products are sold locally at well above the world price Overseas, the price is around US$300/t for propylene and $400/t for ethylene Locally, they sell for $450/t-$500/t

At the next step in the process, Safripol, a joint venture between Hoechst SA and Sentrachem, and Sasol Polymers turn ethylene and propylene into polyethylene and polypropylene, which are the two types of raw plastics They can dominate this market and charge well above world prices because import duties are high, an effective 30%-34% Polypropylene, for example, costs R2 700/t-R3 500/t locally, while international prices range between R1 760/t and R2 200/t

This is increasingly making local plastics converters uncompetitive against imports, despite the 20%-30% tariffs on the imported products These companies, which turn the raw plastics into plastic-based products, say that unless the tariffs on plastic products are raised, or the duties on raw plastic lowered, it could be overseas converters that will benefit most from the local boom

Finished product *lower tariffs will bring down the price*

Tariffs on plastic products will not be raised — under SA's commitment to Gatt in December, the tariffs will stay at 20%-30% But the import taxes on raw plastics will come down SA will eliminate the complicated formula duties that drive up the cost of imports and instead will have no more than a simple 15% tariff on polyethylene and polypropylene

Another problem is the uncertainty over the continued supply of ethylene, the key feedstock on which the bulk of the industry is built Even though Sasol charges a premium for its ethylene, other players are not confident of future supplies

The Safripol plant at Sasolburg is totally dependent on Sasol for its ethylene, and Hoechst SA CE Reinhard Traub wondered how long he could count on Sasol for ethylene when Sasol and AECI formed Polifin, which will use ethylene to make PVCs But fears that Sasol would cut ethylene supplies to Safripol in favour of Polifin were quelled by a Competition Board finding last year that "Safripol will be assured of an objectively justifiable proportion" of Sasol's ethylene production

A bigger concern, however, is that in about five years there just won't be enough ethylene to go around unless Sasol decides to invest in another plant to convert coal into ethylene and other chemicals

Hoechst and Sentrachem are worried that a shortage of ethylene will stunt their growth, just as the plastics market booms Sentrachem MD John Job, in his recent annual statement, said "The ethylene supply question means that Safripol's expansion will focus on polypropylene In the long term, SA will need a new ethylene source and Sentrachem will continue to explore (ethylene) opportunities but at a lower activity level "

Traub concurs "Our expansion plans will be even more closely linked to the availability of ethylene from Sasol But past experience suggests growing markets could indeed be accommodated by Sasol "

Polifin CEO Pieter Cox says Sasol's growth could also be curbed by a lack of ethylene "When the joint venture comes on stream by 1996, we should be near the ceiling of ethylene availability in the local market I can therefore foresee that by about 1998, we could begin to look at developing additional sources of ethylene by the end of the decade "

World-scale operation

Even if ethylene supplies are sorted out, and after the tariffs fall, SA will never be a major player in the world plastics market SA's puny 700 000 t/year industry cannot compete against the huge economies of scale of a 112Mt/year global production, says Plastics Federation executive director Bill Naudé

"Nevertheless, the Sasol-AECI venture will create a world-scale operation "

Errol Stern, western Cape chairman of the Association of Plastics Processors of SA, says "It is hard for the local industry to compete against big exporters such as South Korea and Taiwan So we have to concentrate on niche markets, where original technologies and innovative products can open doors "

Naudé adds "There are exciting opportunities for the SA industry We have the raw materials, the converting technology and the capacity What is still required is that the various industry sectors realise this potential and co-operate to ensure maximum exploitation of new and existing markets "

Sasol orders new reactor

(183)

JOHANNESBURG — Sasol and Hyundai of Korea said yesterday they had signed a contract for the manufacture and erection of the reactor module and steam drum of the R123m Sasol Advanced Synthol reactor project

It was aimed to make synthetic oil more cost effectively than at present, Sasol said, when it is commissioned in September 1995

15/12/94

Fuel tax, vehicle licence levy proposed for Cape

EDWARD WEST

CAPE TOWN — The city's transport planning department wants to introduce a vehicle licence surcharge and local petrol tax to bolster flagging transport infrastructure funding from government.

Transport planning director Ian Speed said the council would make the levy proposals to the interim Cape metropolitan government structure as soon as the body was established. B/Day

The council supported the taxes in principle, but viewed the proposals as politically and economically inopportune at this stage. The proposals would also be put to the Western Cape Economic Development Forum, he said. 7/2/94

A report by the city's transport advisory board said the financial problems experienced by metropolitan areas were being aggravated by differing national and metropolitan priorities.

The report proposes a maximum fuel levy of 5c/l, for which ministerial approval will have to be sought, to generate an income of R40m a year.

A initial 2c/l levy was suggested to minimise the inflationary impact. A vehicle licence surcharge of up to 50% was proposed for Cape-registered vehicles to generate about R36,5m a year. (~~320~~)

The report said an annual government allocation of R90m was needed to reach the R150m that would be required to provide a minimum transport infrastructure in the Cape metropolitan area. (183)

The planned necessary expenditure for the 1992/93 financial year required a Department of Transport subsidy of R23,4m compared with an actual allocation of R3,8m, the report said.

Union accuses Unilev of paying whites more

B/Day 8/2/94

JACQUIE GOLDING

THE Chemical Workers' Industrial Union (CWIU) yesterday accused Unilever of paying white scab labour twice as much as black scab labour during the current strike by 900 workers at the company's three plants in Durban.

This allegation, as well as several others made by the union, were dismissed by management yesterday. (183)

A Unilever spokesman said the company was "traditionally opposed to any form of discriminatory employment practice".

Unilever described its policy of employing temporary labourers during the strike as a "contingency plan" to ensure "critical contracts" were fulfilled and essential services maintained.

The CWIU alleged Unilever was replacing black security guards with white security, and added management's actions increased racial tensions at factories

Unilever, which has also been accused of "union bashing" through offering workers pay increases if they resigned from the union, said the allegations had "no basis in facts"

The spokesman said the company recognised workers' rights to freedom of association and therefore did not exercise any influence over workers

About 900 CWIU members went on strike two weeks ago over a deadlock in wage and working conditions negotiations. The union said the cause of deadlock had been the company's refusal to recognise the CWIU.

Worker demands for a R55 a month or 13% across-the-board increase was opposed by the company's offer of a 6% to 8% increase Unilever described its offer as "reasonable"

"Despite the union's insistence on a negotiated settlement, the company has locked out workers and is seeking to obtain interdicts against them," said a CWIU spokesman

A Unilever spokesman said management of Lever Brothers, Silicate and Chemical Industries and Quality Products had been "obliged to obtain court interdicts" following incidents of intimidation and damage to property

UNLEADED PETROL

FM 11/2/94 (183)

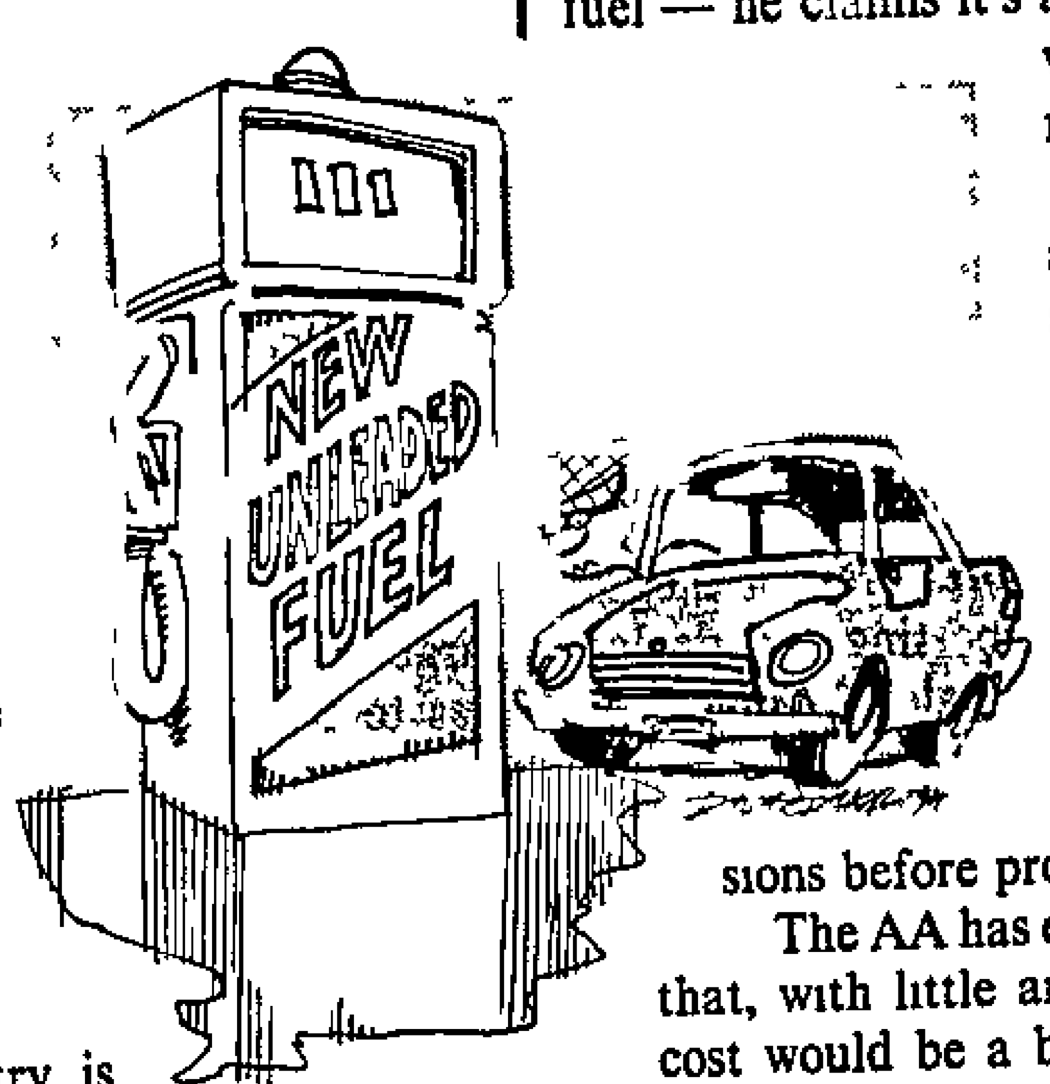
We need it but can we afford it?

Unleaded petrol is to be introduced countrywide by October next year under a November 1991 government agreement with the local fuel industry But oil companies fear violent protests could erupt because of the higher cost

SA will be following the rest of the world which has, since the US set the tone in 1975, progressively switched to unleaded fuel The change enabled platinum group metal catalytic converters to be used These, which cannot operate on leaded fuel, have helped to clear exhaust gases as required by environmental laws

The convener of the re-evaluation subgroup of the co-ordinating committee for the introduction of unleaded fuel, BP's Deyar Natha, says about 70% of the world's petrol is now unleaded. Car firms have had to adapt their technology accordingly.

Says Volkswagen SA legal & vehicle safety engineering manager John Summersell "We have to re-engineer, at R1m per engine model, engines from Germany so they can use SA's dirty fuel. We want unleaded petrol All our models can switch right away"



Toyota SA CEO Bert Wessels says. "Our models are ready for the switch We support the original target date of October/November 1995"

But the oil industry is not enthusiastic Spokesmen warn of a political debacle similar to the 7c/*l* price rise last year They say making the costlier unleaded fuel affordable — it'll be used mostly by new and luxury models — will require subsidising by increasing the cost of leaded petrol

Says BP's Natha "The oil industry will need 25% market share for unleaded the first year to allow economies of scale to offset distribution costs because the octane difference at pumps must be changed To achieve this, government will have to cut tax imposts on unleaded petrol and load this on leaded petrol which will be used mainly by poorer motorists This could have major political repercussions unless all role players become party to the change."

Oil companies say they may need a 10c/*l*-15c/*l* price differential between unleaded and leaded petrol to obtain the 25% market share in the first year, but this will depend on international price trends This figure is disputed by motor manufacturers Even government spokesmen say less would be enough

Mineral & Energy Affairs transport energy director Theuns Burger says government has in principle agreed to use the fuel tax mechanism but "the price differential is difficult to determine."

ANC-linked Minerals & Energy Policy Centre director Paul Theron says· "We support the introduction but believe a 2c/*l*-3c/*l* differential might be sufficient. And as ADE is developing diesel engine technologies for minibuses, the change to cheaper diesel should eliminate problems in that area"

The only problem is, admits ADE-linked Powerhouse sales manager Dave Warren, that diesel engines aren't cheap Though diesel gives 40% better fuel consumption, the engines cost 10%-20% more than petrol ones.

But, says Summersell, with most car models already in switchover mode, only motorists with cars unable to use the clean fuel — he claims it's a small percentage — will have to pay a premium to use leaded.

So the oil industry and car makers are sorting it out They are expected to meet next month to devise a joint strategy to submit to labour, taxi owners and government "We will have to thrash out the possible repercussions before proceeding," says Natha

The AA has entered the fray, saying that, with little air pollution in SA, the cost would be a big factor.

Technical services assistant GM Willie Viljoen says. "Air pollution levels in SA, in particular those created by automotive emission gases and particles, are substantially below internationally recommended safety levels"

He adds: "In some cases, it is submitted that pollution levels from automotive sources are at less than 25% of internationally accepted levels

"The evidence would suggest that even in those areas where the highest levels of air pollution exist — Cape Town for instance — compulsory fitment of catalytic converters would not be justified"

Viljoen claims.

- ☐ Catalytic converters emit carbon dioxide, a so-called greenhouse gas,
- ☐ The lead in fuel now does not pose a health risk in SA;
- ☐ The use of converters would lead to a cost increase of 10%-15% in engine management and emission control equipment,
- ☐ Lower octane fuel levels would result in 6% higher fuel consumption,
- ☐ The direct cost of introducing unleaded fuel would be about R250m a year,
- ☐ More complex refining and greater energy consumption would require increased crude oil imports, affecting the balance of payments, and
- ☐ Cross-subsidisation would be essential to make unleaded fuel cheaper than leaded

"The SA motorist is faced with either a higher tax bill if he does not switch to unleaded or the modification costs and a smaller tax bill which is still larger than at present," he says

Why bother if the picture is so gloomy? Because, says BMW SA corporate planning director Erich Papke, almost all new car technology is based on the use of unleaded petrol So SA must follow or fall behind as Brazil did when it decided to keep its ethanol-based fuel technology

Hard bargaining lies ahead before drivers will have the route mapped out ■

PETROL PRICING

FM 11/2/94

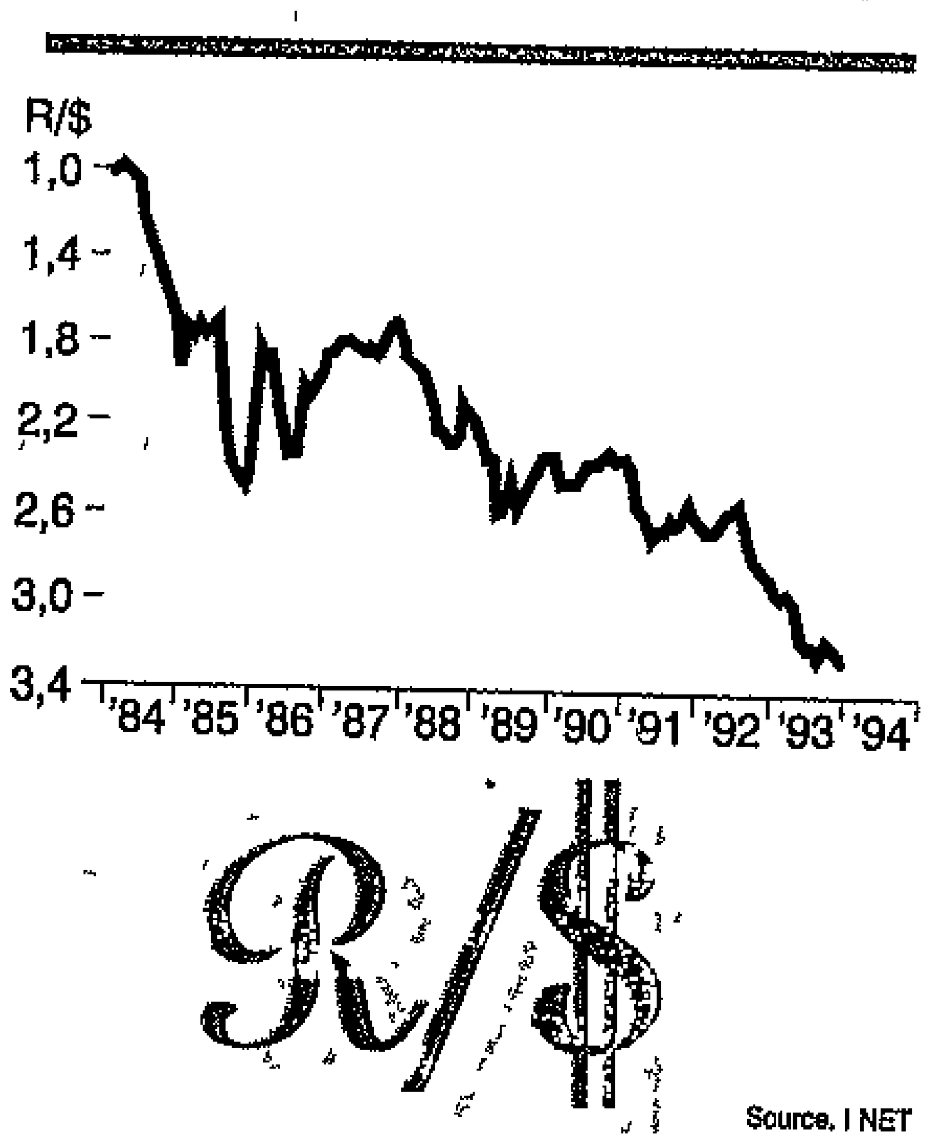
Unfair exchange

As the retail petrol price fell a modest 3c/*l* this week, and the prices of diesel and illuminating paraffin remained unchanged, a row erupted between Sasol and oil refiners The point of contention is the base price (in US dollars per barrel of crude oil equivalent) on which its financial assistance, from the Equalisation Fund, is calculated (183) (260)

Sasol's level of protection depends on the difference between the base price and the going dollar oil price Any fall in the dollar price of oil (below the base price) therefore has two contrary influences on the retail price Though the oil companies pay a lower price for their crude oil, the assistance to Sasol and Mossgas, via the Equalisation Fund levy (which Sasol insists is correctly described as tariff protection), has to be increased

That is why the 3c/*l* decrease was accompanied by an increase in the Equalisation Fund levy of 6c/*l* on 93 and 97 octane petrol, 8c/*l* on 87 octane petrol, and 1c/*l* on diesel An oil industry spokesman says Sasol's assistance, after the increases, is running at an annualised R1,1bn and Mossgas's at R420m Had it not been for these increases, the retail price of petrol in particular would have come down by another 1,5c/*l*

Commercial rand/US$



Source, I NET

Before November, the base price was US$23 a barrel The State's temporary reduction of the level to $21,85 significantly cut Sasol's take At the same time, the oil companies sacrificed, until February 1, a (relatively minor) benefit they were getting from the fund — the Synfuels Levy of 0,7c/*l*

As the oil companies' concession has now lapsed, Sasol wants the base price restored to $23 However, the oil companies argue this is hardly fair exchange as the additional payment to Sasol, if the base price reverts, would be 2,8c/*l*

As the spokesman claims Sasol's synfuel operations would be profitable without any State assistance whatever, even at present international dollar crude oil prices, there would seem to be no case for restoring the base to $23. But Sasol says the protection provided is a contractual undertaking given by government to Sasol shareholders until 1996 It also argues that its synfuel output saves SA R4bn annually in foreign exchange and provides the same in wealth creation

Liquid fuel

The new government will need to examine liquid fuel policy, especially the issue of assistance to Sasol and Mossgas (as well as the very existence of Mossgas) Whatever their merits and demerits, both an end to the Sasol/Mossgas protection and deregulation would provide at most a one-off reduction in the petrol price

It is possible the new government will greatly reduce protection but keep intact the basic structure of retail regulation

There is yet another controversial component of the retail price — tax The fuel tax, at 60,9c/*l*, is 34,8% of the pump price for petrol and 32,17% of the diesel price This percentage is modest by European standards, if not American On this point, too, the next government faces some painful choices (183) (260)

It desperately needs to balance the national books — which requires a certain proportion of indirect taxes, to tap the cash flow of those whose earnings entirely or substantially escape the formal income tax net And tax revenue is urgently needed to fund social infrastructure

There are two further elements which will decide the petrol price over time on a continuing basis the international oil price and the exchange rate of the rand (see graphs) Because of the depreciation of the rand against the dollar, as the price of oil (Brent light) moved down over the past 10 years, from around $30 to about $15, the rand price went from R33 to R45,9

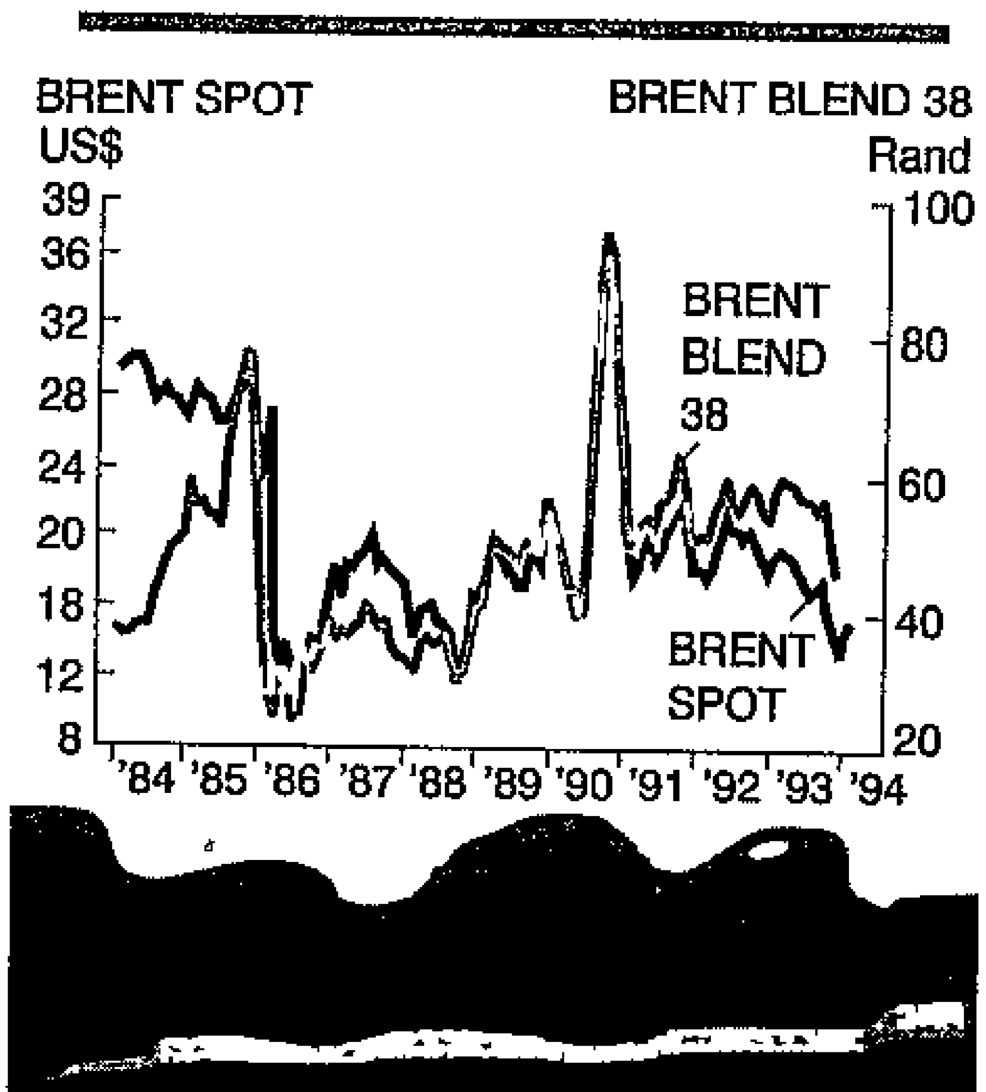
The international oil price seems likely to remain in a trough for a year or more

Shell SA CE John Drake suggests the recent firming was caused by freezing weather in the US and reduced Russian supplies — both temporary influences Depending on Opec's shaky self-discipline, prices could hit a low of $12 or a high of $16 around mid-year

By the fourth quarter they could exceed $16 Sasol oil manager Alphonso Niemand sees Brent light moving to $16 within 12-18 months

Over the next four or five years, price increases will be restrained by continued Opec overcapacity So Brent, says Drake, is unlikely to move above $20 Niemand suggests $16,50-$17 in five years' time For the long term, Shell sees prices in the broad range of $15-$25, provided there are no unpredictable events

Oil price: per barrel



Source I-NET & PETROLEUM MARKET INTELLIGENCE

All of this suggests the dollar price alone could bring about a rise of 15%-60% in liquid fuel prices, assuming tax remains a constant percentage and the rand does not fall against the dollar

But a stable rand implies the SA and US cont 19

ECONOMY & FINANCE

FM 11/2/94

inflation rates converge If SA does no better than to keep inflation at say 8%, or roughly five percentage points above the US rate, then the petrol price will rise by that amount over and above the increases in international oil prices A five-percentage-point inflation differential coupled with the high (60%) estimate for the increase in dollar oil, suggests that SA petrol prices would more or less double by the end of the century

Given continued monetary restraint, there is real hope of continued convergence Given reckless future SA monetary policies in the ostensible interest of social betterment, the potential for depreciation and therefore increases in liquid fuel prices, is unlimited. This would hurt the poor far more than the rich — a typical effect of inflation, which redistributes real wealth from earners to asset owners This is the best possible argument for a future radical government to aim for low inflation (183) (260) ■

samancor

Samancor Limited

Registration number 01/08883/06

Fwi 11/2/94

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 1993

(183)

The directors announce that the estimated consolidated unaudited income after taxation for the six months ended 31 December 1993 for Samancor Limited and its subsidiaries is as set out below

Group Income Statement

	6 Months to 31 Dec. 1993 R'000	6 Months to 31 Dec 1992 R'000	12 Months to 30 June 1993 R'000
Turnover	**971 163**	930 926	1 790 931
Income before taxation	**214 394**	71 406	144 361
Taxation	**58 811**	(25 004)	(2 697)
Income after taxation	**155 583**	96 410	147 058
Income from associates	**13 146**	18 506	38 162
	168 729	114 916	185 220
Attributable to outside shareholders	**4 507**	4 113	9 652
Attributable income	**164 222**	110 803	175 568
Extraordinary items	–	–	(1 129)
Income after extraordinary items	**164 222**	110 803	176 697
Transfers to non-distributable reserves	**5 197**	1 212	4 238
Income available for distribution	**159 025**	109 591	172 459
Ordinary dividends	**47 242**	37 794	94 485
Interim dividend	**47 242**	37 794	37 794
Final dividend	–	–	56 691
Retained income for the period	**111 783**	71 797	77 974
Total ordinary shares in issue ('000)	**188 969**	188 969	188 969
Earnings per share (cents)	**87**	59	93
Total dividends per share (cents)	**25**	20	50
Net worth per share (cents)	**1 197**	1 132	1 133
Capital expenditure	**44 235**	38 032	77 761
Note	**R'000**	R'000	R'000
Income before taxation is arrived at after taking into account			
Net interest received	**30 455**	30 941	58 419
Interest received	**34 601**	34 144	72 856
Interest paid	**4 146**	3 203	14 437

Group Balance Sheet

	31 Dec. 1993 R'000	31 Dec 1992 R'000	30 June 1993 R'000
Ordinary share capital and premium	**735 522**	735 522	735 522
Non-distributable reserves	**150 682**	146 455	142 714
Retained income	**1 375 254**	1 257 294	1 263 471
Ordinary shareholders' equity	**2 261 458**	2 139 271	2 141 707
Outside shareholders' interest	**141 369**	75 093	85 920
Deferred taxation	**82 512**	125 282	110 188
Long-term loans	**7 565**	10 460	7 637
Capital employed	**2 492 904**	2 350 106	2 345 452
Represented by:			
Fixed assets	**1 126 173**	1 164 250	1 113 607
Investment in associates	**391 422**	333 779	292 045
Other investments	**46 090**	29 861	13 981
Net current assets	**1 408 110**	1 204 942	1 329 919
Available cash resources	**689 831**	408 201	627 199
Less interest bearing debt	**(73 780)**	(20 369)	(99 152)
Net available cash resources	**616 051**	387 832	528 047
Other current assets	**1 264 322**	1 256 763	1 198 365
Net assets of discontinued operations	**8 451**	–	8 451
Creditors	**(379 155)**	(354 866)	(369 892)
Taxation	**(54 317)**	(46 993)	21 639
Shareholders for dividends	**(47 242)**	(37 794)	(56 691)
Operating provisions	**(478 891)**	(382 726)	(404 100)
Employment of capital	**2 492 904**	2 350 106	2 345 452

Directors. M Salamon (Executive Chairman), H F Boshoff, W G Boustred, L Boyd, F S Clarke, M L Davis, S P Ellis, B P Gilbertson, A B McKerron, Dr F J P Roux

Alternates: P A Brink, R L Cohen (British), D J C Munro (British), W J Murray, C M Norval, W H Schroeder, B A St John, C W P Yates (British)

FM 11/2/94 (183)

Comments on results

1 Samancor achieved a welcome improvement in operating results during the six months ended 31 December 1993 This, together with abnormal profits amounting to R54 million (see Note 4) increased income before tax by R143 million to R214 million Excluding these abnormal items, as illustrated in the table below, profit before tax, on a comparable basis, improved by 57% compared to the corresponding period of the previous financial year

	Six months to 31 December 1993	Six months to 31 December 1992
Income before taxation	174 979	111 406
Taxation on above	73 278	48 004
Income before abnormal items	101 701	63 402
Abnormal items (see Note 4)	53 882	33 008
Income after taxation	155 583	96 410

This was achieved largely due to a more beneficial exchange rate, a rationalisation of the Chrome Division undertaken early in 1993 and tight cost controls

2 Turnover increased by 4% compared to the corresponding period of the previous financial year and by 13% compared to the previous six months

Manganese ore export sales volumes remained stable compared to the corresponding six months of the previous financial year, with average U S $ export prices received 24% down Manganese alloy sales volumes have improved by 30% and now exceed the capacity of the Metalloys plant Prices were lower but the downward trend appears to have halted

The ferrochrome price achieved was lower than the corresponding period of the previous financial year but price levels were maintained compared to the previous six months Sales have stabilised at the post-rationalisation production rate Chrome ore sales volumes improved in the review period with prices remaining stable

Silicon metal prices and volumes remain under pressure from predominantly CIS and Chinese competition Currently an investigation is under way with a view to enhancing the cost competitivity and market position of Silicon Smelters

3 The taxation charge for the six months under review returned to more normal levels as compared to the six months to 31 December 1992 which included a non-recurring tax credit amounting to R53 million The contribution from associated companies was 29% down compared to the corresponding period of the previous financial year (see Note 8)

4 After taking into account an abnormal profit of R54 million after taxation, attributable income improved by 48% compared to the corresponding period of the previous financial year The abnormal item comprises

- Income from the settlement of a claim with the Department of Trade & Industry (R79 million), and
- Profit attributable to Samancor on the sale of Tubatse No 5 Furnace to NST Ferrochrome (Pty) Limited (R19 million) (see Note 9),

partly offset by provisions amounting to R44 million, including

- Costs relating to entering the medium carbon ferro-manganese market both through the SFPO joint venture (see Note 9) and production at Ferrometals (see Note 5)
- Costs associated with the restructuring of Silicon Smelters and enhancement of its market position

The abnormal item for the six months ended 31 December 1992 consisted of a non-recurring tax credit of R53 million and after tax chrome rationalisation costs amounting to R20 million

5 All operations performed satisfactorily during the period under review, with higher capacity utilisation as a consequence of the redeployment of furnaces to better match market demand for the group's different products Production of silico-manganese at Palmiet Ferrochrome, medium carbon and high carbon ferromanganese at Ferrometals, and ferrosilicon at Middelburg Ferrochrome has been phased in progressively over the past seven months Tight cost control as well as the dilution of overheads through these redeployment actions resulted in the average unit cost of production of all alloys being lower than in the previous six months

6 Capital expenditure amounted to R44 million for the six months, compared to R38 million for the corresponding six months of the previous financial year The Samancor Board has approved the installation of a power generation facility at the Metalloys plant as well as a chrome-from-slag recovery plant at Ferrometals Both of these projects should further reduce unit costs

7 Over the six months period from 30 June 1993, net available cash resources rose from R528 million to R616 million, after funding Columbus to the extent of R90 million This was mainly the result of strong operating cash flows as well as the abnormal items (see Note 4)

8 The Columbus Joint Venture operated satisfactorily and at full capacity throughout the review period, but margins came under pressure as stainless steel prices followed the fall in the nickel price This, combined with the reduction in Samancor's participation in Columbus from 50% to 33,3%, resulted in the contribution from Columbus for the six months falling by R8,3 million to R2,5 million The drop in stainless steel price levels experienced in the fourth quarter of 1993 appears to have bottomed out, following the increase in LME nickel prices The Columbus Expansion Project is progressing according to schedule and within budget

9 The Chrome Division concluded a 50 50 joint venture with Nippon Denko Corporation (NDC) in terms of which NDC's traditional customers will be serviced from the Tubatse No 5 Furnace The inauguration ceremony of the joint venture, NST Ferrochrome (Pty) Limited (NST), was held at Tubatse on 26 October 1993 NST was capitalised at R110 million which includes the purchase price of the furnace as well as an amount for working capital NDC invested R55 million in NST Sales by NST commenced in December 1993 and should result in an overall increase in ferrochrome sales for 1994

Negotiations with Societe du Ferromanganese de Paris Outreau (SFPO) to produce medium carbon ferromanganese at the SFPO plant in Boulogne are ongoing In the interim, medium carbon ferromanganese supplies will be sourced from the intermediate carbon ferrochrome facilities at Ferrometals

10 The Board has decided to declare an interim dividend of 25 cents per share (20 cents in 1993)

11 Although operating income improved significantly in the past six months, most of the markets served by Samancor remain finely balanced, and in particular ferrochrome prices continue to be under pressure Income before abnormal items for the second half of the year should approach the level reported in Note 1 above

M Salamon
Executive Chairman

8 February 1994

Declaration of interim dividend No. 107

On Monday 7 February 1994, directors declared interim dividend No 107

Amount	25 cents per share
Last day to register for dividend (and changes to address and dividend instructions)	Friday, 11 March 1994
Dividend warrants posted	Wednesday, 23 March 1994
Electronic payments effected	Friday, 25 March 1994
Payment date of dividend	Friday, 25 March 1994

Non-resident shareholder tax to be deducted, where applicable

By order of the board

Samancor Management Services (Proprietary) Limited
Secretaries

Samancor House
88 Marshall Street
Johannesburg 2001

Per **M J Campbell**
Group Secretary

8 February 1994

JONSSONS

PTO

'Environmentally-sound tanker chartered by Engen

ENGEN has sacrificed cargo capacity to concern for the environment by chartering the Japanese-built tanker "Sinora" (183) CT 14/2/94

A spokesman for the oil company explained that after discharging an oil cargo, tankers habitually fill their tanks with seawater as ballast

"Before taking on another cargo the seawater may be pumped out off-shore, unavoidably carrying a certain amount of residual oil with it"

To minimise danger to the environment, modern tankers have on-board facilities for separating and storing the skimmed-off oil for safe disposal on-shore

But, group communications manager Gareth Griffiths said "Engen's ship has 'segregated ballast' — tankage reserved exclusively for seawater ballast and never contaminated by oil This feature somewhat lessens cargo capacity but the loss of potential revenue is compensated for by risk reduction

Union set to accept Unilever settlement

JACQUIE GOLDING

THE Chemical Workers Industrial Union will today urge workers on strike at three Unilever plants in Durban to accept management's final wage offer of a 9,6% increase on the lowest grade and an 8% increase on the highest grade BDay

Mediation between the two parties continued on Friday with union official Sipho Ntshaba saying the "union might have to accept their offer" (183)

Workers on strike at the three plants — Quality Products, Lever Brothers and Silicate and Chemical Industries — all fall within the lowest grade job classification

Management's offer is 1,4% less than the union's initial demand. 14/2/94

About 900 CWIU members went on strike three weeks ago for better pay and working conditions.

A mandate was expected from workers today, a union official said. But the Quality Products strike was expected to continue since management at the plant refused to re-negotiate by the end of last week

Chemserv bounces back

Star 15/2/94

BY SVEN LUNSCHE

Chemical Services (Chemserv) bounced back from its disastrous 1992 results with a 28 percent rise in earnings to R25,8 million last year

However, the recovery was achieved only after the group was shrunk by one-tenth and gearing pushed up to finance strategic new acquisitions.

In 1992, earnings plunged 38 percent, its first drop in a decade, forcing a restructure

This paid off last year On a 38 percent rise in turnover to R802 million, operating profits were up 28 percent to R68,1 million and earnings up 26 percent to 402c a share

A final dividend of 166c a share is being paid, 11 percent up on 1992 (183)

Chemserve made some strategic acquisitions, including Plastamid, Prochem, Holpro Analytics and M&T Chemicals

They were financed by cash and equity, boosting interest-bearing debt from R12 million to R63,5 million, financing costs by 14 percent to R6,6 million and gearing from 10 percent in 1992 to 41 percent

Chemserve ups turnover 38% after drought

(183) CT 15/2/94

Own Correspondent

JOHANNESBURG — The break in drought conditions saw turnover at speciality chemicals group Chemical Services (Chemserve) rise 38% to R602m for the year to end December, compared with the R438m recorded the previous year

The improvement was due also to increased exports and better volumes, according to MD Lex van Vught. Turnover was buttressed by new acquisitions which accounted for 22% of the growth.

The trading margin narrowed to 9,7% from 10,4% because of changes in product mix This was despite a 28% increase in trading income of R58,1m (1992: R45,5m). Finance costs were up 14% at R5,6m from the previous year's R4,9m

Attributable profit was up 29% at R25,6m (R19,8m)

This translated into a 26% leap in earnings a share to 402c (319c) The final dividend was 11% up at 155c (140c)

Reduce

Gearing jumped from 10% in 1992 to 41% at the end of 1993 "Our corporate objective is to be geared between 40% and 80%, as we prefer to be at the lower end in times of higher interest rates," Van Vught said The effective tax rate last year was 47,4%, this year it was 42%, with 10% of this year's earning per share a result of the better rate. "I believe we can do still better A couple of our operations are over-invested in working capital, which we will endeavour to reduce this year" He forecast a rise of nearly 17% in earnings a share of 470c for 1994

Last year Chemserve acquired a 100% stake in Plastamid from AECI and Protea Chemicals for R10,7m The businesses of Holpro Analytics and M & T Chemicals was bought from Roychem for R27m

Van Vught said the acquisitions were "taking a bit of time to settle down but we are very pleased to have them as, strategically, they are very sound"

The group had noticed increased demand for its products in November and December. The uptick was "very encouraging for 1994 if political developments are not too disruptive If the election goes well the current demand we see for products can only improve"

The AECI subsidiary supplies a broad range of products to SA industry including food, detergents, cosmetics, pharmaceuticals, water purification, mining, the car industry and pulp and paper

"As in most industries right now the chemical industry is becoming a more global than regional business We see more and more activity in SA from international chemical companies

"There is a definite sign of international competition in our business However, since we are strongly technical service-orientated, we won't be affected significantly by this global village phenomenon."

JSE actuaries indices

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JSE actuaries indices

Johnson & Johnson make new offer

JACQUIE GOLDING

JOHNSON & Johnson management handed informal proposals yesterday to the Chemical Workers' Industrial Union (CWIU) following a week of talks, the company's head negotiator Wayne Munro said. B/Day

The legal wage strike which began on February 1 by about 400 CWIU members at three Johnson & Johnson plants in East London and Midrand continued yesterday with the union standing firm on its 13,5% wage demand. (265)(183)

The company is offering 9%.

Munro refused to expand on the proposals handed to the union but said everything was "now up to the unionists". 15/2/94

A union spokesman said proposals had been handed to management and a response was expected today.

Strikers defy Lever Brothers' ultimatum

JACQUIE GOLDING

CHEMICAL Workers' Industrial Union members will continue their strike at Lever Brothers in Durban today despite a management ultimatum that the union should accept a "final wage offer". BDay

Management's offer to employees of a 9,6% wage increase on the lowest grade and an 8% increase on the highest grade covers a 15-month period, rather than the usual 12 months. 15/2/94

Union chief negotiator Sipho Ntshaba said yesterday that workers had not accepted the offer and reiterated that workers were demanding an 11% across-the-board increase. (152) (183)

Ntshaba said the union compromised by lowering its initial demand for a 13% across-the-board increase to 11% last week. He said management threatened that the factory would operate at full steam, and temporary labourers would be employed, if the union did not accept the offer by later today. (355)

The union, however, requested yesterday that management extend its deadline because the meeting held by King Goodwill Zwelethini disrupted proceedings for union members.

Management was not available at the time of going to press.

About 900 union members went on strike at three plants — Lever Brothers, Silicate and Chemical Industries and Quality Products — three weeks ago for better pay and working conditions. They were also demanding a 40-hour week for all workers.

Ntshaba said Quality Brothers, which had earlier refused to renegotiate, approached the union at the weekend to reopen negotiations. However, management denied union claims that Quality Products had refused to continue negotiations.

Chemserve benefits from drought's end

B/Day 15/2/94

(183)

MICK COLLINS

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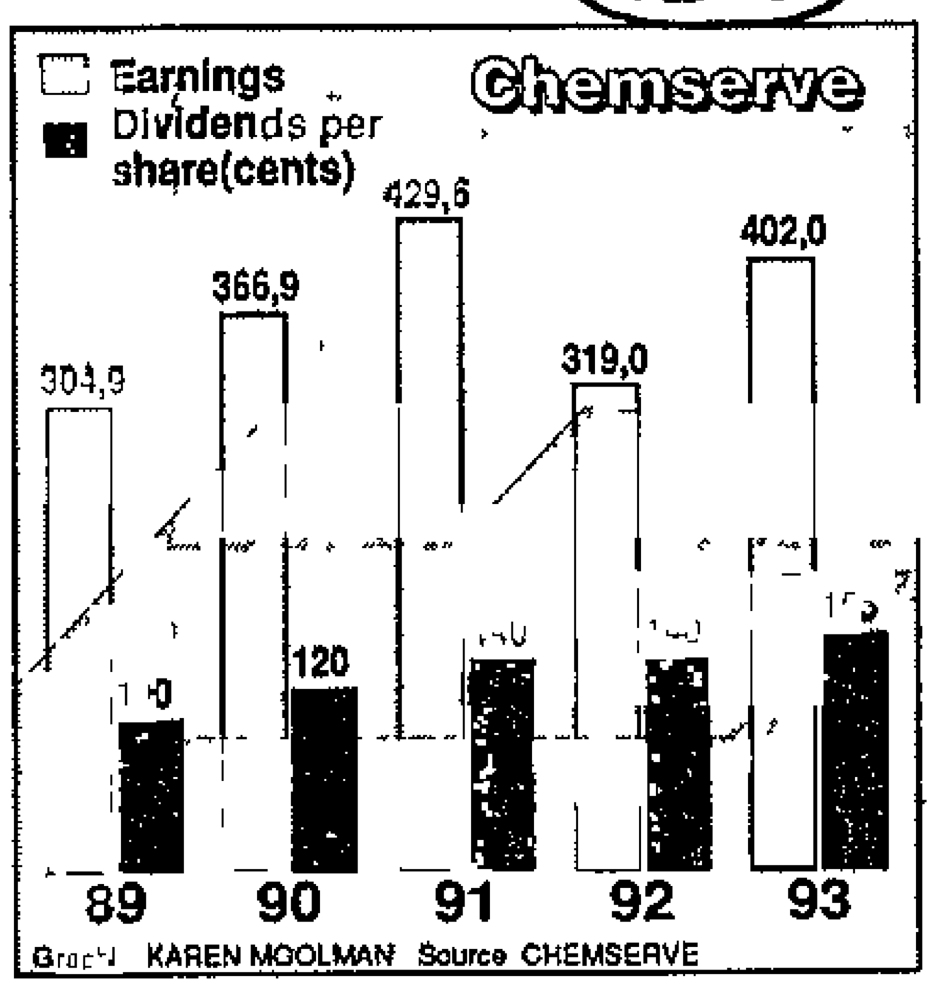

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AECI fulfils market's hopes

Star 16/2/94

■ BY JOHN SPIRA

Chemical giant AECI has handsomely fulfilled expectations with a 25 percent earnings boost to 133c a share in the year to December 1993

The market's confidence that AECI would emerge strongly from the slump with which it was afflicted at the start of the decade — an optimism that saw the share price soar by more than 190 percent in the past 12 months — has been vindicated.

The 14,3 price-earnings multiple is now in line with the chemical sector's average — a comparison which conjures up possibilities of additional appreciation in the share price, given especially the directors' forecast that 1994 should produce "a significant improvement in earnings per share"

Turnover grew by 8 percent to R5,97 billion (of which R649 million comprised export sales) and trading profit improved by the same percentage to R467 million.

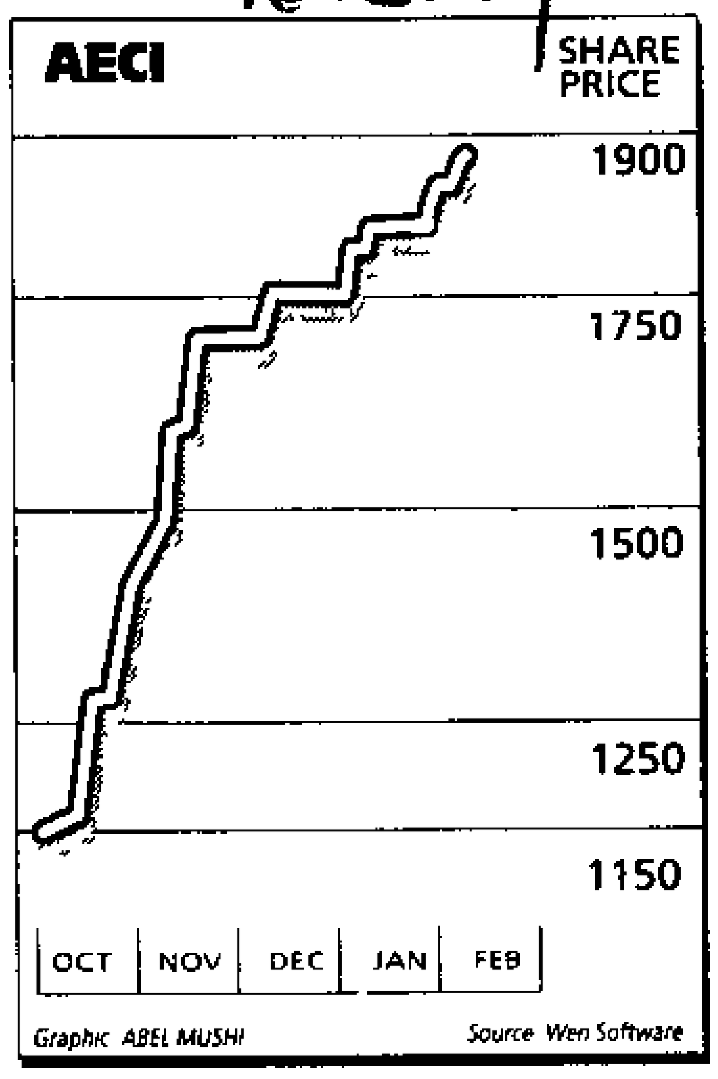
The big benefit came from a huge measure of relief in financing costs, which declined by R42 million to R120 million as a result of lower interest rates on foreign loans

Sander . . . expecting significant improvement.

Dividends are unchanged, with the result that cover has risen from 1,8 to 2,3 — a figure which the company aims to increase further (to around three times) over the next couple of years

Fly in the ointment was Soda Ash Botswana, which remained in the red and accounted for the bulk of R29 million loss labelled as "share of retained earnings of associates"

Depressed market conditions and aggressive foreign competition continues to plague this new project, such that the directors caution "The group's investment in this venture is being reviewed against various scenarios of economic and market growth"



Further "If necessary provision will be made against both the present and probable future investment of the group in Soda Ash Botswana. Any provision required will be brought to account in 1994."

Managing director Mike Sander points out that when the green light was given for the venture, worldwide demand for soda ash was 340 000 tons. It has since slipped back to 230 000 tons

(183)

"We are nevertheless optimistic that the plant will in due course prove profitable, since Soda Ash Botswana is a low cost producer which will do well when demand picks up in line with a revival in global economic conditions"

Given that the bulk of AECI's 1993 earnings advance derived from a sharp reduction in finance charges and given that a repeat of this windfall is unlikely to materialise in 1994, how will the group achieve the "substantial" earnings gain predicted for the current year?

Sander cites several positive factors

- Ongoing benefits from restructuring
- A marked improvement in earnings from AECI's fertiliser interests following the encouraging summer rainfall pattern
- The likelihood that prices for a wide range of chemical products will harden in the year ahead
- The positive outlook for explosives in the wake of the joint venture deal with ICI, the trend in the gold mining industry to exploit lower grade ores

Mossgas workers go on strike over wages

183

ARGT 16/12/94

SHARON SOROUR
Labour Reporter

OFFSHORE Mossgas workers, employed by Sopelog (Pty) Ltd, have gone on strike over wages and conditions of service

The workers stopped work at midday yesterday "because demands given to management over the past few years have not been attended to", according to their industrial relations consultant Richard Hoffman

He could not say how many workers were involved, but said they were part of a crew on board the platform and involved in its "technical operation"

Workers declared a dispute with the company, and if a conciliation board hearing in about seven days failed to resolve the matter, the case would be heard in the Industrial Court

"Both parties worked throughout the night to relieve the tension, but to no avail, although both sides want to arrive at an amicable solution," Mr Hoffman said

The workers, all South Africans, had been working in Mossel Bay for four years or longer

● A Sopelog spokesman refused to comment

Fresh demand activates turnover gain at AECI

B/Day 16/2/94

183

MICK COLLINS

IMPROVED demand in the domestic market saw turnover at chemicals manufacturer AECI rise 8% to R5,9bn for the year ended December 31 compared with R5,5bn the previous year

Operating profit increased 8% to R467m (1992 R432m) with interest paid considerably down at R120m (R162m) due to lower average borrowings and a decline in both local and foreign interest rates

The trading margin at 7,8% was unchanged from the previous year, the result of the "lid being battened down" to keep cost structures in place, according to MD Mike Sander

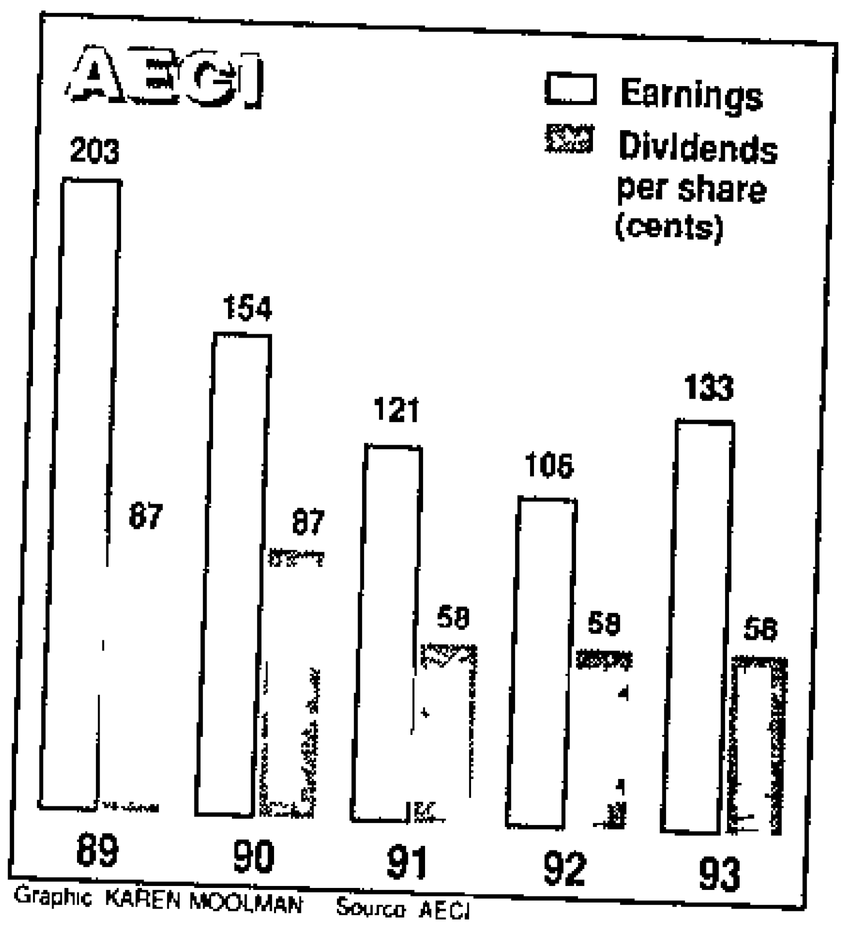
Pre-tax profit at R347m was up 28% on last year's R270m while after tax profit at R234m was 32% higher than the previous year's R178m.

Attributable profit was 45% higher at R237m (R164m) This translated into earnings per share, before an abnormal item, of 133c, 25% up on last year's 106c. Without the abnormal item — the release of R31m from deferred tax due to the change in the company tax rate — earnings per share were 153c The dividend was unchanged at 58c

Sander said selling prices remained under pressure from intense local and foreign competition, but added that the higher gold price was leading to increased demand for explosives from the mining sector

He said that following good rains demand from the agricultural sector had picked up as farmers were looking forward to a good season

Sander said income was again adversely affected by disappointing results from Soda Ash Botswana which continued to suffer from depressed market conditions and aggressive foreign competition.



Graphic KAREN MOOLMAN Source AECI

The previously announced joint ventures with Imperial Chemical Industries and Sasol were implemented with effect from January 1, 1994 The transaction with ICI involved the sale of assets at values in excess of those reflected in the balance sheet. The surplus, when finalised, would be brought to account in 1994 as an extraordinary item providing a base against which any provision considered necessary in respect of Soda Ash Botswana could be offset

"Good progress was made with the development of the lysine project and the group's share of capital expended during the year amounted to R35m. In addition, major expansion projects were completed by SA Nylon Spinners amounting to R75m.

Chemical Services extended its scope with the acquisition of Holpro Lovasz and a further R215m was invested in support of businesses within the group These expenditures together with the increased requirements for working capital in order to fund the growth in sales revenue resulted in net borrowings of R116m during the year to R858m at year end, representing 39% of shareholders' funds"

Higher demand pushes AECI profit up 45%

(184) (183)

CT 16/2/94

JOHANNESBURG — Improved demand in the domestic market saw attributable profit rise 45% at chemicals manufacturer AECI while turnover rose 8% to R5,9bn for the year ended December 31 compared with R5,5bn the previous year

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Disappointing

Sander said selling prices remained under pressure from intense local and foreign competition, but added that the higher gold price was leading to increased demand for explosives from the mining sector He said that following good rains demand from the agricultural sector had picked up as farmers were looking forward to a good season

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Talks fail to end strikes

B/DAY. 1/12/94

JACQUIE GOLDING

THE strike by Chemical Workers' Industrial Union members at Quality Products in Durban remained unresolved following yesterday's talks, a union spokesman said.

The union is demanding a R47-a-week across-the-board increase and management is offering R26 on the lowest grade.

Union negotiator Sipho Ntshaba said talks would continue.

About 900 people went on strike at three plants — Lever Brothers, Quality Products and Silicate Chemical Industries — three weeks ago. (183)

Mediation at the Lever Brothers Maydon Wharf site in Durban broke down yesterday but another meeting was scheduled for today, a Unilever spokesman said yesterday.

"Following the union's rejection of management's final wage offer, temporary labour has been recruited to ensure that full production can be resumed," the spokesman said.

At Silicate Chemical Industries at Mobeni, the R35-a-week increase offer by management was rejected by the union, which is demanding R47 across-the-board.

CHEMICAL SERVICES FM 18/2/94

Acquisitions kicking in

It has certainly been an eventful year for Chemical Services (Chemserve), AECI's speciality chemicals subsidiary It started, under new MD Lex van Vught, with turnover down 8% and EPS 38% lower, the first bottom-line decline in a decade (183)

It wasn't an inspiring start to what looked like another difficult year, but Chemserve

BUYING TURNOVER

Year to December 31	1992	1993
Turnover (Rm)	438	602
Operating income (Rm)	45,5	58,1
Attributable (Rm)	16,6	25,6
Earnings (c)	†267	402
Dividends (c)	140	155

† After abnormal item.

forged ahead with a restructuring programme, made five acquisitions, closed two plants and sold one of its businesses

The results look encouraging Turnover is growing again, by a creditable 38% to R602m, which, despite a tighter operating margin of 9,7% (10,4%) and 28% increase in

FOX

FM 18/2/94

financing costs to R5,6m, advanced EPS 26% before the previous year's abnormal item of R3,2m and by 51% after the abnormal item. (183)

New acquisitions helped turnover Van Vught says 22% of the increase is from the new businesses In total, the acquisitions — Plastamid, Holpro Analytics and M&T Chemicals, Crest Chemicals, Saarchem, and Chemical Resources — cost Chemserve about R55m, mostly in cash but also through the issue of shares

Most of the businesses were bought for net asset value — only about R5m was paid in goodwill, which Chemserve brings to its books and writes off immediately But the acquisitions have put some strain on the balance sheet, with debt of R53,5m pushing gearing to 41% (previous year· 10%) Van Vught says, though, that he is comfortable with gearing, at the bottom of Chemserve's (rather wide) target range of 40%-80%

"Trading cash flow is good, so the debt shouldn't be a problem We made a conscious decision to grow the business at what we hope is the trough of the cycle," Van Vught says He adds Chemserve is "strategically" happy with its acquisitions, which seems to imply they may need some work Benefits from the new business should start to flow in the second half, though the main surge is expected over the next few years.

Chemserve also closed two small plants during the year and sold its speciality food and beverages chemical cleaning business for about R3m. After all that, it is taking a breather Van Vught says 1994 will be a year of consolidation, settling down changes and optimising acquisitions

He is bullish about the future, forecasting year-end EPS of 470c, up 17% Considering 1993 EPS growth was 22c higher than forecast, his prediction is probably conservative

Chemserve's share is rated roughly in line with the sector average, though the R48 price is on a two-year high. It's not cheap but medium to long-term prospects look good, especially if the international chemicals market pulls out of the doldrums. *Shaun Harris*

AECI FM 18/2/94

Future uncertainties

(183)

By and large, the 1993 preliminary profit announcement is in line with expectations. The chemical giant attached to Anglo American Industrial Corp has returned net attributable profit of R237m, 45% better than 1992 At the EPS level and before a release from deferred tax, that turns into a 25% improvement — 133c (1992. 106c)

Turnover rose 8% to R5,97bn and net trading profit increased similarly to R467m However, the dividend is unchanged at 58c Defending the decision, chairman Mike Sander says 1994 has the potential to be unpredictable and cover is too low anyway.

There are some surprises, however, concentrated in the notes accompanying the results Just to confuse investors, the surprises lie in the future and ample warning is

REJUVENATED

Year to December 31	1992	1993
Turnover (Rm)	5 545	5 968
Operating income (Rm)	432	467
Attributable (Rm)	164	237
Earnings (c)	106	153
Dividends (c)	58	58

being given The issue revolves round Soda Ash Botswana, the project on the Makgadikgadi Pan, of which AECI owns 26,5%.

This company has had an unhappy time. It began normal commercial operations in June 1992, exploiting a large natural soda ash occurrence; this made it one of the world's cheapest producers. However, continuing local recession has been exacerbated by excess capacity among European synthetic producers That has meant fierce competition for local markets. In the event, both price and demand have fallen.

Now AECI is considering providing for "both the present and probable future investment ... any provision required will be brought to account in 1994" AECI's direct investment in Soda Ash is about R140m This could appear as a charge against the 1994 income statement. In addition, financial director Neale Axelson says it may be appropriate to provide for AECI's R172m share of Soda Ash's borrowings, which total about R650m The first repayment, about R60m, is due in July

Damaging the bottom line

If this proves essential — and Sander and Axelson are careful to emphasise no decision has been made — it could seriously damage the 1994 bottom line.

However, the real key to the problem lies

FM 18/2/94

in the treatment of the profits which will accrue from the sale this year of AECI's assets to the explosives joint venture with ICI. The question, of course, is whether one will offset the other and to what degree there may be a surplus Axelson won't be drawn "We haven't completed our calculations," is all he will say. (183)

It is a situation investors will need to watch with care

Meanwhile, borrowings have risen R116m Cash generation last year of about R700m wasn't enough to meet rising working capital demands which inevitably follow turnover increases And, while the tax charge didn't change materially, the sum due to the Receiver was substantially higher

Unobtainable stock

"We were expecting a good result," says one leading broker, "but the trouble is, the stock is virtually unobtainable I've only just been able to complete a buy order I received in November" The complaint is certainly supported by the statistic. over 1993 a mere 3,9m shares were traded of a total in issue of 155m — a very modest 2,5% This makes it one of the JSE's most illiquid stocks

Sander predicts "a significant improvement in EPS in 1994," basing optimism largely on good crops, anticipated increases in demand for chemicals and fertilisers later and an improvement in economic activity

I couldn't persuade him to reveal a number but a reasonable guess is probably an increase in EPS of between 15%-20% The bonus will be to ensure the potential damage of Soda Ash is neutralised *David Gleason*

Forum seeks an extra mile from fuel tax

S Times (Buss)

20/2/94

By CIARAN RYAN

THE Department of Transport is pressing for a fuel tax of 8c/l for building and repairing roads.

An amount of R17,7-billion is needed to restore national roads and nearly R8-billion for upgrading community, or rural, roads

The National Transport Policy Forum proposes increasing expenditure on community roads to redress the historical imbalances caused by greater concern for the urban and commercial areas

Malcolm Mitchell, deputy director-general at the Department of Transport, says some sacrifices will have to be made if the backlog of community roads is to be reduced.

National roads fell into disrepair after 1989 when the government took the National Road Fund's levy of 4c on every litre of fuel sold.

Building of roads has virtually halted. Since 1989, road development has been funded by transfers from the Treasury, loans and tolls.

The National Economic Forum has agreed to a 6c/l increase in fuel prices to subsidise Sasol and Mossgas. The increase was disguised by a 3c/l drop in prices made possible because the motorist was overcharged 9c/l while world oil prices were declining.

Expenditure by road authorities for the current fiscal year is budgeted at R2,56-billion, R516,5-million of which is a transfer from the Treasury to the National Road Fund The amount is about 41% of annual road needs

Three-quarters of this, or R1,8-billion, is spent on maintenance. The balance is spent on building roads. Tolls are forecast to yield R215-million in the current year

This compares with spending on roads of R4,4-billion (in 1993 money) in 1989, only 40% of which was to maintain the network

"Something must be done to raise additional funds for road development and upgrading," says Dr Mitchell

A fuel levy of 8c/l would raise about R1,12-billion a year. Every 1c levied on fuel nets about R140-million.

The department says R6,23-billion is needed each year for 10 years to clear the road backlog This could come from a mix of fuel levies, tolls, borrowings and central government funding Another source of funds could be higher vehicle licence fees.

SA's licence fees of about R150 a year are among the lowest in the world Increased licence fees would encourage the use of public transport and prolong the life of roads

Toll-road development has also stopped for lack of money About R1-billion is required each year to maintain toll roads

Work on the Harrismith bypass and Villiers-Heidelberg section of the N3 and the N17 between Krugersdorp and Springs has slowed or stopped because of lack of money. Up to R5-billion is required to complete these and other toll-road developments. (183)

Privatisation of toll roads is on hold pending a decision by the new government. The Department of Transport assumed responsibility for toll roads two years ago, including debt repayment.

Concessionaires Tolcon and Toll Highway Development Corporation continue to collect fees and maintain the roads on behalf of the Government.

By privatising toll roads, the concessionaires would take over some of the National Road Fund debt of about R3-billion, reducing the burden on the State There are fears, however, that tolls would have to be raised inordinately to cover the cost of highway development and maintenance.

Toll roads will continue to operate at a deficit for the next seven years because of high operating and finance costs

Tolls collected at the 16 plazas will be R215-million this year compared with R145-million in 1992 and R127-million in 1991.

The department says R7,3-billion is needed to clear the backlog of rural roads. A further R3,1-billion is needed for their maintenance and reconstruction.

Because of the growing emphasis on upgrading and building community roads, less money is likely to be available for the urban system, widely acknowledged to be in a critical condition.

Old sanctions-buster still bumbling along, says ANC

S Times (Buss) (183)

By KEVIN DAVIE

20/2/94

THE ANC has accused the state oil procurement agency, the Strategic Fuel Fund (SFF), of bumbling.

The ANC says the history of National Party management of the petroleum industry is littered with shocking investment decisions (more than R50-billion in today's money), secret deals with shady oil traders and a "blatant disregard for the principle of transparency"

"The bumbling has not ended with the ending of the UN oil embargo Government's SFF, having honed its skills at underhand crude-oil trading during the apartheid years seems unable to kick the habit.

"The SFF is continuing to purchase large quantities of Egyptian and other crude and preventing local refiners from doing so on their own account , they are continuing to trade crude on world markets, despite depressed prices.

"Is this an appropriate role for a parastatal body?"

The ANC media statement accuses the SFF board of being "a closed shop of Government cronies, unaccountable to the SA petroleum industry, let alone the general public"

Engen's John Crompton sees no role for the SFF "There is no advantage in having another link in the chain"

Mr Crompton says Engen, which has not bought crude oil through SFF for more than a year, was verbally informed that SFF had told the Egyptians in writing that it was the only authorised agency allowed to buy crude oil for SA

Engen applied to Egypt for six allocations of crude oil in 1994, but was turned down

Engen has asked SFF for a copy of the letter to Egypt, but is still awaiting a reply

SFF made most of SA's oil purchases during sanctions, although Shell and Total were responsible for their own imports

Industry speculation is that most refiners now import their own oil But Caltex and Sasolburg-based Natref have taken large supplies from the oil stockpiles at Saldanha Bay and Witbank respectively

SFF's Danie Vorster says the sale of oil by the agency is limited

"SFF does not assume open positions on trading transactions as a matter of policy to eliminate market risks."

Mr Vorster says SFF's trading has decreased as it has phased out procurement on behalf of the oil companies.

SFF, Shell and Total all bought oil for SA in the sanctions years.

Mr Vorster declined to provide details of SFF's record compared with those of the two companies

"For a comparison with Shell and Total I would suggest that you approach the two oil companies directly

"The liquid fuels task force of the National Economic Forum is in the process of analysing all aspects of the industry, including the role of SFF in managing the strategic oil reserve of the country, which also entails the buying and selling of crude oil from time to time"

Botswana's Soda Ash strains AECI

S1 Times (Buss)

SOUTH Africa's depressed economy and the uninspiring performance of Soda Ash Botswana were responsible for an unchanged total dividend of 58c a share from AECI in the year to December 1993

Losses from Soda Ash Botswana amounted to 19c a share last year.

Managing director Mike Sander says "The group's investment in this venture is being reviewed against various scenarios of economic and market growth and probable future investment of the company in Soda Ash Botswana"

The soda ash plant cost R920-million in 1991 It supplies soda and salt to SA and other markets near Botswana

ECI's initial investment was R80-million, but because of continued losses its commitment has risen to R140-million. Anglo American, De Beers and the Botswana government are also involved in the project.

The plant's arrival led to price cuts by world leader American Natural Soda Ash (Ansac), which Mr Sander describes as a cartel

Quality problems have been experienced and overall demand has fallen by about 100 000 tons since the project came on stream

Imports by SA are subject to a 10% duty, which will be reviewed in March.

Mr Sander says that whatever the outcome at Soda Ash Botswana, full provision for any future losses will be made by AECI in the current financial year

The explosives transaction with ICI, which came into effect on January 1, allows AECI to sell certain assests at well above prices reflected in the balance sheet and

By DON ROBERTSON

this will form the base of the Soda Ash Botswana provision 20/2/94

Mr Sander is confident that benefits from restructuring and the more favourable economic climate will result in a "significant achievement in earnings in 1994"

Turnover to December improved to R5,9-billion from R5,5-billion in 1993 and was only 25% better than three years ago

Pre-tax profit was R347-million (R270-million previous year) and was well down on R394-million in 1990.

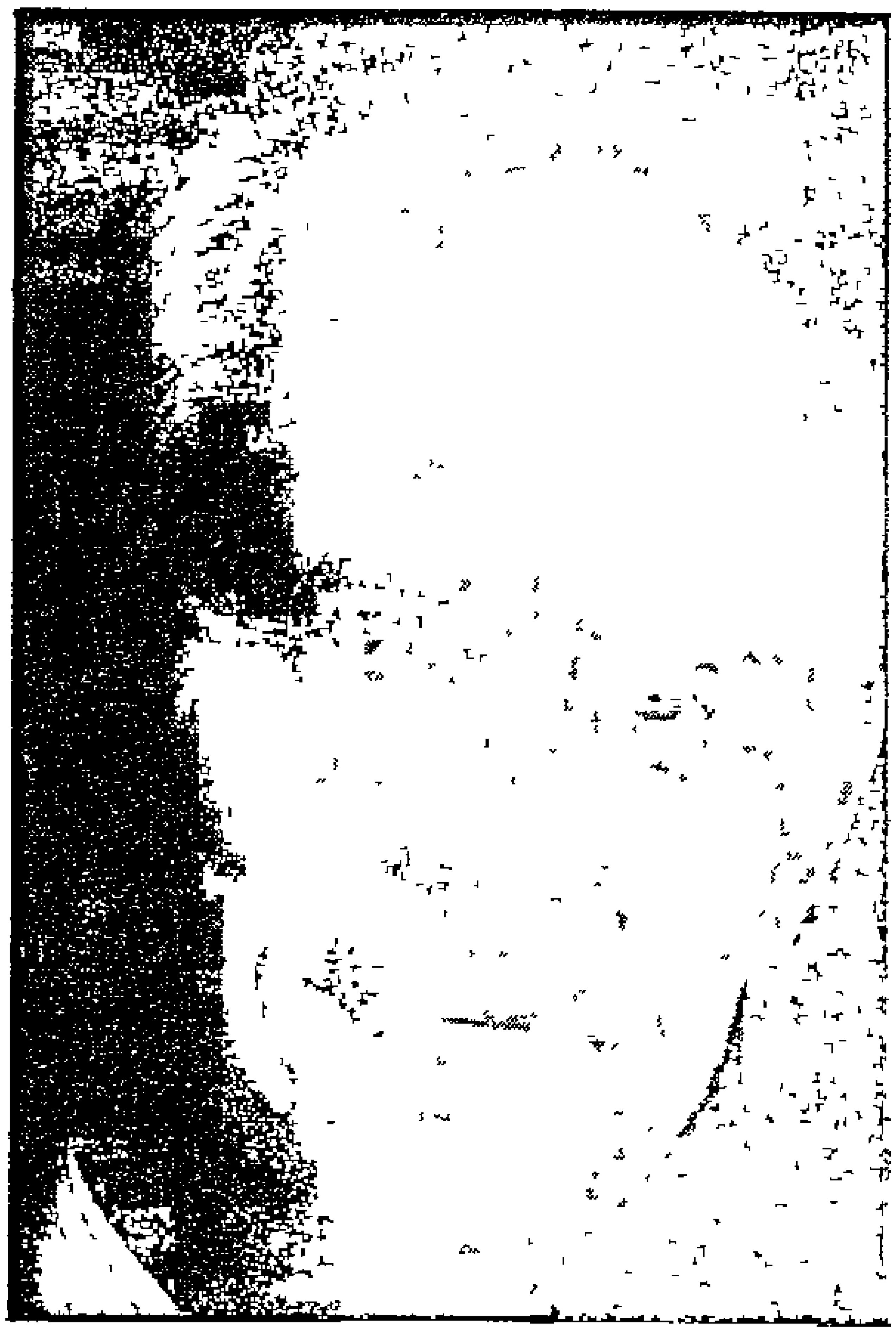
183

Attributable profit rose by R73-million to R237-million, equivalent to earnings a share of 153c (106c) This resulted largely from a decline in finance costs to R120-million from R162-million because of lower interest rates and an abnormal R31-million contribution from deferred tax

Capital expenditure is likely to rise to about R400-million from R355-million last year Good progress was made at the lysine project, major expansion was done at SA Nylon Spinners, Chemical Services bought Holpro Lovasz and other expenditure amounted to R215-million. Borrowings rose to R858-million, representing 39% of shareholders' funds

Mr Sander says the new SA government must present a Budget soon after the elections and if it is positive it will be good for foreign investment. This would help to improve education and job creation.

AECI exports of R649-million last year should be helped by the ICI explosives deal, the benefits of which will contribute to profits this year



MIKE SANDER . . . AECI gets a boost from explosives

Chemical firms heading for boom times this year

BDay 24/2/94

PETER GALLI

LISTED chemical companies are expected to post sound financial improvements in the present financial year on the back of the economic recovery, analysts say.

This will largely be as a result of increased demand from a number of industries for agricultural, chemical, petrochemical, plastics and paint products

Sasol, AECI and Sentrachem — regarded as the big three in the sector — have reported earnings growth of between 24% and 40% since 1991 This is expected to rise substantially over the next few years.

Meades De Klerk director Dawid Meades said all three would show strong growth in the present financial year as this "is the best year for them for some time"

"Sentrachem and AECI suffered due to the economic slump as most of their products are coupled to the economic cycle, but demand for most of their products is set to soar," he said

Another analyst agreed, saying chemical businesses were highly geared to a recovery in the domestic economy and had the propensity to grow at twice the rate of GDP growth.

"Hopefully, they will also be able to get product prices up in line with PPI rises and achieve volume growth." But, while many international chemical prices were poor at present, there was room for growth here.

Meades said the market had rerated the shares on prospects of sound future performances, given the fact that they had managed to report good growth over the past few recessionary years.

The chemicals, oils and plastics index has gained ground to 1 243 points from its October 5 1993 low of 1 077,91 — still off its March 1 1993 annual high of 1 378 points.

Sasol, which hit a February 11 high of R23 was trading yesterday at R21,50. It was not really dependent on the cycle because of its increased focus on the export market of specialised chemicals and the strength of its oil operations, Meades said.

Also, its joint ventures with AECI and Sentrachem and the fact that a new government was likely to continue supporting tariff protection lay behind the share's recent rerating.

(183)

AECI hit a R20 high yesterday from a 750c low exactly a year before. The company is also involved in the R2,5bn Polifin joint venture with Sasol, which will result in some of their petrochemical and plastics interests being merged.

Demand for plastic-based products is expected to surge as a new government boosts demand for household goods, packaging, construction and housing when state spending takes off

Sentrachem was yesterday unchanged from its December 24 high of R10,00. It recently held a rights issue to raise R294m to improve its gearing and interest cover. It was also preparing to buy the 50% of Senachem held by Farm-Ag.

The issue would also be used to fund two new projects scheduled for approval shortly One plant would manufacture agricultural chemical feedstock and the other a citric acid plant.

Deadlock at Unilever

JACQUIE GOLDING

THE Chemical Workers' Industrial Union strike has entered its fifth week with no settlement reached at Unilever's Durban plants.

About 900 workers went on strike at three plants — Lever Brothers in Maydon Wharf, Quality Products in Jacobs and Silicate and Chemical Industries (SCI) in Mobeni — over wages.

The union last week rejected Lever Brothers' final offer of R433,60 a week over 15 months, demanding R438,60 over 12 months.

A Unilever spokesman said the talks had reached an "impasse" and production at the Maydon Wharf site was being continued by "temporary labour". B Day

SCI management is offering R420 a week while the union is demanding R428,41 a week. 24/2/94

Mediation between Quality Products and the union deadlocked earlier this week with the union demanding R413,02 a week and management offering R399,02. (183)

A union official said yesterday that "informal proposals" had been handed to management at Quality Products and a response was awaited.

INMINS

Reversal of fortune

Activities: *Supplies goods to the mining, petrochemical and industrial supplies industries*
Control: *Winhold 73%*
Chairman: *W A R Wenteler*
Capital structure: *26,5m ords Market capitalisation R8m*
Share market: *Price 30c Yields 30,3% on earnings, p e ratio, 3,3 12-month high, 40c, low, 4c Trading volume last quarter, 28 000 shares*

Year to Sep 30	'90	'91	'92	'93
ST debt (Rm)	22,9	22,6	0,7	0,3
LT debt (Rm)	8,8	8,8	22,0	20,0
Debt equity ratio	12,7	18,4	9,1	4,6
Shareholders interest	0 04	0 03	0 02	0 06
Int & leasing cover	0,01	0,75	0,80	10,0
Return on cap (%)	—	9,1	3,0	4,8
Turnover (Rm)	193	169	146	143
Pre-int profit (Rm)	(1,8)	5,5	1,9	2,7
Pre-int margin (%)	—	3,2	1,3	1,9
Earnings (c)	(38,4)	(6,3)	(2,3)	5,9
Tangible NAV (c)	(29)	(32)	(34)	(26)

After three consecutive years of losses, profits again grace Inmins' income statement, though turnover fell slightly last year, operating profit rose 15% This change of fortune was the culmination of restructuring, both financial and operational

In 1992, management reached an agreement with banks to convert R13,7m interest-bearing debt, in subsidiary Inmins SA (Pty), into cumulative redeemable preference shares — these prefs are treated as outside shareholders' interest on the balance sheet Management argues the preference capital should be regarded as permanent capital because they are in a subsidiary Hence, they calculate debt equity at 0,87 — a rosier picture than the 4,6 the *FM* gets if prefs are not included in total shareholders' funds

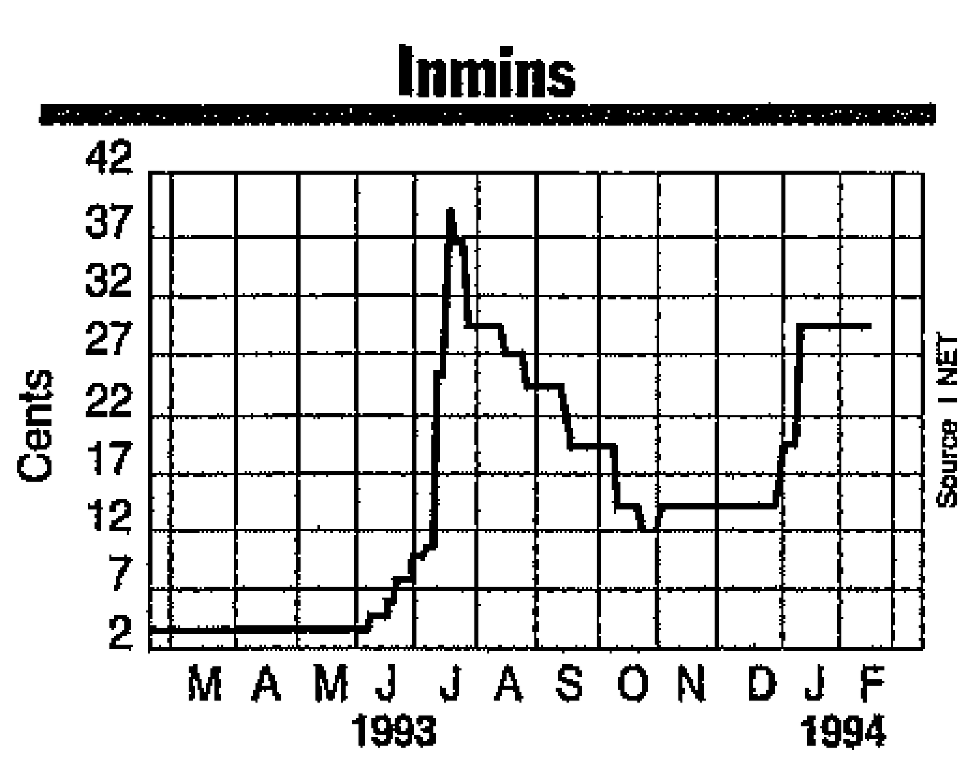
A closer look at the balance sheet reveals that though stock fell marginally to R15,4m last year, debtors increased by R3m while creditors decreased R5,5m, cash more than halved to R5,5m Chairman Bob Wenteler says better stock buying opportunities presented themselves and, in these circumstances, it is "better to hold stock rather than cash"

During the year, one of Inmins' operating branches was closed This explains the lower turnover Nonetheless, Wenteler says most of the branches performed well under trying conditions Corrective action, not including retrenchment, was enforced in the weaker branches Products were refocused and production lines improved

Inmins's Wenteler *it has been a negative fight*

Wenteler expects "substantially improved results" this year "For the past few years, management has been fighting a negative fight, now we are looking to improve profits" New markets and products are being investigated and the intention is to capitalise on niche markets and infrastructure

The situation for speculators has indeed been interesting After stagnating at 4c until June, the counter rocketed to 40c overnight It took four months to descend to 13c before starting a second, slower climb to 30c now Until Inmins sustains this turnaround for a couple of years, the thinly traded stock will remain one for the punters *Kate Rushton*



PLASTALL Fm 25|2|94

Paler shade of red (183)

Sinking deeply into the red is an easy process, the difficult part is clawing back Plastic packaging supplier Plastall is practised in both, each alternate year for the past six years it has recorded a loss, only to return to profitability the next year But this yo-yo cycle ended last year Though seemingly due for a profitable 1993, after a huge 17,9c a share loss in 1992, Plastall lost 4,8c a share

Though this is a substantial improvement, it brings little comfort to shareholders who have received only one dividend — 4,2c a share in 1991 — in five years Inevitably, the dividend was passed again There is limited solace in the share price which, at 30c, is now well above the 18c 12-month low It traded at 90c in 1990 and 50c in 1992

Activities: *Makes and distributes plastic bags and sheeting* Fm 25|2|94
Control: *Winhold 86%*
Chairman: *W A R Wenteler*
Capital structure: *14,4m ords Market capitalisation R3,6m* (183)
Share market: *Price 25c Yields 33,0% on earnings, p e ratio, 3,0 12-month high, 30c, low, 18c Trading volume last quarter, 120 000 shares*

Year to Sep 30	'90	'91	'92	'93
ST debt (Rm)	6,2	5 2	6,6	5,2
LT debt (Rm)	1,6	1,3	1,1	2,8
Debt equity ratio	0,65	0,44	0,63	0,83
Shareholders interest	0,38	0 42	0 34	0,34
Int & leasing cover	—	1,9	—	0,72
Return on cap (%)	—	11,1	—	5,1
Turnover (Rm)	65	64	56	62
Pre-int profit (Rm)	(0,03)	3,3	(0,9)	1,4
Pre-int margin (%)	—	5,2	—	2,2
Earnings (c)	(9,3)	10 6	(17,9)	(4,8)
Dividends (c)	nil	4,2	nil	nil
Tangible NAV (c)	81	87	69	65

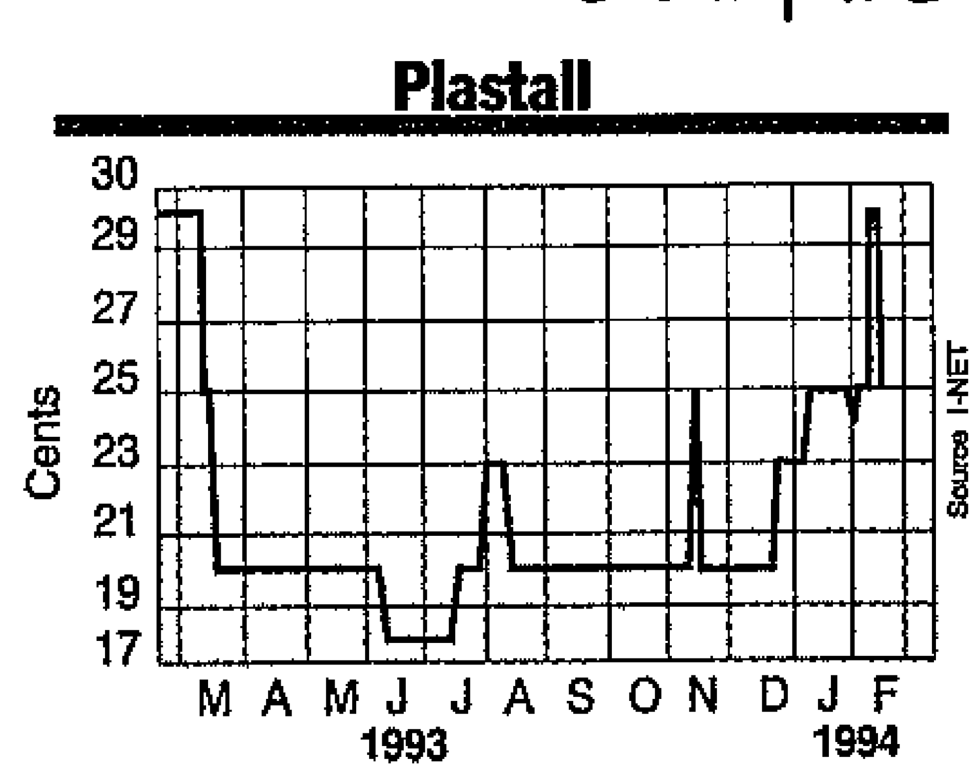
Shareholders in holding company Winhold and top pyramid Winbel have a lot more to smile about Winbel and Winhold hold 14th and 15th position on the JSE's 1993 best performers' list They both quadrupled in value

That's not all Thanks to a better performance from Winhold's other operating subsidiary, the industrial equipment supplier Inmins (see separate report), Winbel recorded EPS of 1,5c (1992 3,4c deficit) while Winhold chalked up EPS of 2c (1992 4,6c deficit)

For the first time, Plastall provides a breakdown showing where money was made and lost The office furniture and seating division recorded losses for the second consecutive year — on turnover of R10m it lost R2m These operations were subsequently discontinued

Without these divisions, the core business — making and distributing flexible plastics — traded profitably last year, posting EPS

Cont p100



P.T.O

Fuel price war looms after board condemns collusion

(183)

BRUCE CAMERON
Business Editor

ANOTHER fuel price war looms with the release this week of a Competition Board report condemning petrol price fixing and collusion among petrol companies

ARGT 28/2/94

Pick 'n Pay chairman Raymond Ackerman, who has led the fight against petrol price-fixing, today called on the government to allow an immediate reduction of 4 or 4,5 cents a litre

The Competition Board report has been submitted to Mineral and Energy Affairs Minister George Bartlett, the petrol companies and individuals who have complained about the tight grip held by the petrol companies through the so-called "Ratplan".

As a result of the "Ratplan" some of the complainants have had their fuel stations closed or have been refused licences to trade In terms of the "Ratplan" petrol companies decide among themselves when and where petrol stations should operate

A source in the fuel industry said today that the South African-controlled petrol companies Engen and Sasol were prepared to break from the current petrol collusion agreements, but the foreign-owned companies were fighting for their retention

Sasol is apparently keen to begin opening its own fuel stations, particularly as the Competition Board has found that the "Blue Pump" agreement under which Sasol is sold at fixed prices at other fuel stations could be a contravention of the law

The report is to be made public on Wednesday

Complainants, who have received the report already, said that the Competition Board had recommended the phased removal of price control and the scrapping of the "Ratplan"

The board had also placed a question mark on the joint action taken by the government and the petrol companies against Pick 'n Pay last year, briefly cutting supplies when Mr Ackerman dropped the pump price below the fixed price

The board believed that petrol companies and Mr Bartlett had acted beyond their powers

Mr Ackerman today called for the urgent scrapping of price control and the "Ratplan" on the basis of the board's report

Mr Ackerman also revealed that he had plans to establish a franchise fuel station operation, which would "empower" a wide range of people

"Either we have free enterprise or we don't This is like being half pregnant"

Mr Ackerman said the argument for "orderly marketing is such a dangerous concept"

"I was also told price-cutting food was disorderly marketing"

New boys claim 20% of market

EDWARD WEST

CAPE TOWN — After breaking a virtual monopoly in the polystyrene food tray industry, Cape-based Atlantic Forming had secured a 20% market share since its inception 10 months ago, director Anton Freulink said yesterday. B/Day

Although trading figures were not disclosed, the company had exceeded its initial market share projections by a considerable margin in its first financial year, he said.

This was in spite of harassment and industrial espionage which resulted in it being awarded a Supreme Court interdict against its main competitor, Holdains subsidiary Sun Packaging, said Freulink. 1/3/94

Prosecutor Frank Silbert said criminal charges were being drawn up by the State against Sun Packaging following the interdict. The nature of the charges had not yet been formulated, but would probably include housebreaking, theft and some other minor charges. Nor had it been decided who at Sun Packaging would be charged. (183)

Freulink said that as a result of Atlantic's entry into the market, a price war had developed. In some cases, he said, prices had dropped to what they had been seven years ago.

Holdains directors were not available for comment yesterday.

Freulink said Atlantic had secured 50% of Shoprite/Checkers and 60% of Rainbow Chickens' polystyrene packaging needs.

Commonwealth Observer Mission to SA chairman Russell Marshall and chief programme off
Colleen Lowe Morna at a news briefing in Johannesburg yesterday. Picture GARTH LU

Drug theft claims by industry 'exaggerated'

BIDay 1/3/94

KATHRYN STRACHAN

A YEAR-long investigation into the pharmaceutical industry's claim that about R1bn worth of stock is stolen each year has found the claim to be greatly exaggerated, according to Witwatersrand Attorney-General Klaus von Lieres und Wilkau.

Von Lieres said yesterday SAP investigations had shown the value of medicines reported stolen during 1993 was only R1m. However, a spokesman for international investigators Hamilton Whitton said the actual loss was far greater.

While the state was investigating only the number of reported crimes, the actual shrinkage in companies was far higher, he said. He said stolen medicine worth R500 000 had been recovered last week alone.

Von Lieres said most of the losses referred to by the industry were caused by the practice of offering pharmacies promotional stock free. One pharmacy investigated received R2,5m worth of "bonus stock" in one month.

Pharmacies in turn resold the "bonus stock" to pharmaceutical wholesalers at reduced prices, in a practice known as "roundtripping". (183)

"This is certainly one reason for the high price of certain medicines," said Von Lieres. Recommendations to combat this practice had been made to the Health Department director-general.

Von Lieres said the allegations of theft had been intensively investigated by police, who even operated a pharmacy to act as a receiver of suspect medicines.

During the initial investigation police raided the offices of Medical Cash and Carry (MCC) and arrested former director Dennis Symons No one else is suspected of criminal activities at MCC.

Another six people, who have no connection to MCC, have been arrested and charged by police.

National Association of Pharmaceutical Wholesalers executive director Trevor Philips said the introduction of a single exit price — the price at which the product leaves the factory — would curb discounting and roundtripping.

Philips said earlier that discriminatory pricing had led to an escalation of theft and illegal trading as it tempted dispensing doctors to sell their stock back to wholesalers at a profit. Stolen and counterfeit drugs were often introduced at this stage and were almost impossible to identify, he said.

However, hopes for the early introduction of a single exit price were dashed when five major companies appealed against it late last year.

NEWS IN BRIEF
editing by C Pickard-Cambridge, all of 11 Diagonal Street, Johannesburg

JONSSONS

Sasol nets 17% growth in earnings

(183)

CT 1/3/94

From MICK COLLINS

JOHANNESBURG — Sasol reported a solid 17% increase in attributable earnings from R560,7m in 1992 to R656,5m for the 12 months ended December, following an outstanding performance from all its main divisions.

The oil from coal and chemical producer reported earnings a share up 17% to 116c [illegible] declared 10,5% higher at 42c (38c).

The average exchange rate which weakened from R2,84 during the previous period to R3,28 for the period under review, contributed to the improved results. Lower net interest payable as a result of the further reduction of the Sasol III loan also had a positive effect.

An increase of 34,8% in operating income to R1,1bn (R822,3m) was eroded by an increase in the effective tax rate to 34,4% (20,9%). The rate [illegible] increased because allowances from Sasol III and Syferfontein mine were exhausted. R10[illegible] [illegible] for tax [illegible] year.

Turnover increased [illegible] to R4,6bn (R4,3bn) after a marked increase in sales volumes, while the trading margin [illegible] following tighter co[illegible] the company's [illegible]

which we introduced last year really only kicked in during the period under review," Sasol group GM Russell Kennedy said.

Pre-tax profit was R1,06bn (R759m) as the interest burden decreased to R43,8m (R64,1m) due to the lower borrowings. After-tax profit came in at R698,7m (R600,3m). The impact of the temporary reduction in the reference price for synfuel [illegible] protection to $21,84 ($23) a barrel is incorporated in the results.

Sasol MD Paul Kruger said the commissioning of the rejuvenation project to convert the Sasol I plant to a chemical facility was completed during the period.

"Even though full capacity was only reached during January 1994, a substantial improvement in profitability was already achieved during the half-year."

The Natref refinery was also commissioned towards the end of the period.

"The [illegible] coke plant in Secunda and the acrylic fibres plant in Durban have not yet reached their full operating potential."

On future prospects Kruger said that barring unforeseen circumstances the attributable profit for the second half should be higher than that of the first half. "It is expected that there will be a satisfactory profit growth for the financial year."

Ackerman moves on cheaper petrol

183
ARG 3/3/94

BRUCE CAMERON
Business Editor

RETAILER Raymond Ackerman is fueling up for another head-on collision with the government over plans for a minimum four cents a litre cut in petrol prices.

Mr Ackerman's latest moves in a 20-year fight for deregulation of the fuel industry follow condemnation by the Competition Board of government control of the industry in collaboration with the major petrol companies.

The board has recommended that the industry be deregulated and that free market pricing and competition be allowed.

In one of its harshly critical findings, the Competition Board expressed the view that the government and the petrol companies did not have the power to automatically suspend petrol supply to a retailer cutting prices, as had been done to Pick 'n Pay.

It was for the courts to decide on a possible contravention of the law, the board said.

Mr Ackerman has instructed his legal team to consider three options following the board's report. These are:

- To cut the price of both grades of petrol immediately by between 4 cents and 4,5 cents a litre.
- To take on appeal the case he lost in the Cape Town Supreme Court late last year to issue food discount vouchers on petrol sales.
- To wait to see how the government handles the report.

Meanwhile, oil companies have gone to ground to study the report.

They have also not been prepared to say why they argued strongly in favour of maintaining the current price-fixing system at the board hearings when publicly they have been claiming that they do not mind under which market system they operate.

Engen was praised by industry critics today for being the only company with fuel outlets to support deregulation of the industry.

Democratic Party energy spokesman Roger Hulley, a long-time critic of the country's artificial pricing and supply system, said today that the government had to take the rap and get out of the fuel industry.

Mr Ackerman said that by cutting petrol by 4,5 cents a litre, all petrol retailers would still be able to make a decent profit.

(News by B Cameron, 112 St George's Mall, Cape Town)

Workers march against job losses

JACQUIE GOLDING

ABOUT 400 Chemical Workers Industrial Union members marched on Johnson & Johnson in East London yesterday to protest against pending retrenchments B/Day

This came as the 27-day strike by union members at Johnson & Johnson plants ended yesterday with agreement on wages and conditions of employment (183)

Johnson & Johnson company negotiator Wayne Munro said a settlement of an 11% across-the-board wage increase over 15 months compared favourably with the pre-strike offer of 9% over 12 months.

The union said improvements were made to shift and service allowances.

The East London workers demanded the withdrawal of retrenchment notices, an immediate top-level inquiry involving international company staff into the "behaviour and competence" of Munro, a commitment by management to job creation, and an end to worker victimisation

The union accused management of adopting a hostile attitude to workers and of using security forces to control strikers. Munro rejected the accusation that the company held anti-union views and said management looked forward to a process of bridge-building with the union. 4/3/94

He confirmed that security forces were used last week to evict workers from the company's East London plant, but only as a last resort.

"This (action) followed numerous violations of a Supreme Court order granted to protect non-striking employees from intimidation and assault and also to protect company property," he said

Union slams Ratplan paper

B/Day

JACQUIE GOLDING

THE Chemical Workers' Industrial Union yesterday called the Competition Board's report on changes to the Service Station Rationalisation Plan (Ratplan) a "typical apartheid product" 4/3/94

The union said the board's recommendations — among them the scrapping of price controls on petrol and diesel and self-service at garages — were a means of undermining small businesses and promoting oligopolies

The union said it had never been asked to comment on the plan.

Only in June had Mineral and Energy Affairs Minister George Bartlett circulated a report which included a brief outline of the Ratplan (183)

The union added that the National Economic Forum liquid fuels task force — a private and public initiative which forms part of the economic forum — had never been given a copy

Union general secretary Rod Crompton said all the important players in the new SA should have been consulted.

He said the liquid fuels task force had overtaken the board report, rendering it redundant

PREMPHARM FM 4/3/94

Shot in the arm

(183)

Having the right product mix to minimise effects of looming changes to the health-care system is all important for pharmaceutical companies right now — as CE Phil Nortier well knows Two months ago he cited generics as a growth area in the industry and if Premier Pharmaceuticals (Prempharm)

FM 4/3/94

could "get more (in this arena), it would" And it has This week it acquired Zurich Health Care and Zurich Pharmaceuticals

These businesses make and distribute pharmaceutical products — including prescription, over the counter, generic and branded generic items — which are marketed to a large customer base They hold more than 140 product registrations — including some relatively new, others not yet marketed

(183)

Though this is Prempharm's third acquisition this financial year — Laser was bought in June and Leppin in May — it is by far the largest While Laser cost R35m and Leppin only a few million, the Zurich operations absorbed R75m cash

This might seem a lot to pay for something that is not going to contribute to NAV in financial 1994 (in effect, cash will be swapped for assets) or earnings (Prempharm's year-end is only two months away) However, profit contributions in financial 1995 will be "good" Chief financial officer Hymie Shapiro says it is premature to forecast exact contributions since "we are still putting a budget together But it will certainly be a better return than on money in the bank"

Turnover of the Zurich companies was about R50m last financial year — a ninth of Prempharm's 1993 R456m Shapiro is confident this will improve substantially as new products come on line and dormant products are reinstated Also, the acquisition will create large opportunities in the over-the-counter market

The share has hardly responded it climbed only R1 to R19, but the deal looks bullish

Kate Rushton

27-day pay strike settled

CT 4/3/94

JOHANNESBURG — A 27-day strike by about 400 workers at Johnson and Johnson companies ended yesterday with settlement of a pay dispute

183

Explosive wage dispute

CIPress 6/3/94

By KHANGALE MAKHADO

THE legal strike over wages by about 250 members of the Chemical Workers Industrial Union employed by AECI Explosives at Zomerveld, Hennenman in the Free State, enters its 28th day today (183)

The union's national company negotiator, Meshack Ravuku, has dismissed all signs of a negotiated settlement, and accused the company of using various underhand methods to break the strike (355)

Ravuku said the dispute stemmed from management's refusal to increase wages by 15 percent The company has offered a six percent wage increse, he said (152)

"Instead of addressing the impasse, the company is engaging in the employment of scabs, court interdicts and using security forces to resolve labour disputes," he said

The company, however, told City Press that their offer was 7,5 percent while the union was demanding a 10-percent increase

According to Michael Blizzard, group communications manager for the company, only 160 workers are involved and efforts to resolve the situation are continuing

"Owing to the undisciplined behaviour of striking workers, we were forced to apply for a court interdict and involved the police to prevent further incidents of assault, intimidation and damage to property," he said

Blizzard said the factory manufactured commercial explosives The company therefore had no alternative

Decor Holdings makes comeback

ROBYN CHALMERS BiDay

DECOR Investment Holdings, specialising in wall coverings, recovered from a controversial diversification exercise to lift turnover a fifth to R6,1m (R5,1m) for the six months to December. 7/3/94

However, a continuing squeeze on margins saw operating income dip to R604 000 from R787 000 during the previous interim period. (183)

A reversal of interest paid of R216 000 during the comparable six months last year to interest received of R6 000 helped lift pre-tax income 6% to R610 000 from R571 000.

The tax charge dropped to R135 000 (R217 000), which led to attributable net income increasing a third to R475 000 (R354 000). This translated into earnings of 2,72c a share (2,02c).

Directors said as a result of the erosion of the group's resources over the past few years, a policy of conserving and restoring the capital base had been maintained. No interim dividend was declared.

A provision for an extraordinary item of R150 000 was not reflected in the income statement.

"This provision was shown as a contingent liability in the 1993 annual financial statements and has been accounted for in the abridged balance sheet."

Sasol signs R350m fuel alcohol export deal

CT 7/3/94

JOHANNESBURG — Sasol is to export fuel alcohol worth R350m to Brazil, the petro-chemical company announced in a statement yesterday

Brazil, the largest consumer of fuel alcohol in the world, will receive 300 000 cubic metres during the 18-month contract.

Fuel alcohol, a co-product of Sasol's synthol process, will supplement the sugar cane-based ethanol produced in Brazil

The export contract would have no effect on the availability of petrol, as production at Secunda had increased, Sasol said — Sapa

Chemserve poised to cash in on upturn

B/Day

MICK COLLINS

THERE was every indication that economic growth would revive this year and Chemical Services (Chemserve) was poised to benefit from any upturn, Chemserve chairman Mike Sander said in the company's annual report

But it was the most significant and delicate election year in the country's history and it was hoped the unacceptably high level of violence and disruption would not escalate.

"Group management has, however, expressed confidence in the trading environment and is currently projecting earnings in 1994 of 470c a share," Sander said.

Acquisitions accounted for 22% of the 38% increase in turnover to R602m in 1993 Most of the businesses acquired, as part of a strategy to expand the group's trading arm, operated in the lower-margin field of chemical distribution.

"As a result of this change in the product mix, the trading margin declined from 10,4% to 9,7% Earnings were 402c a share, calculated on the higher number of shares in issue, which represents a 26% increase on 1992's earnings of 319c The dividend for the year was increased 11% to 155c resulting in cover of 2,6, which remains low in terms of the objective of 3,5"

An extraordinary charge of R6m, representing write-offs attributable to losses on closures or disposals of smaller underperforming businesses and manufacturing sites, had also been brought into account The extraordinary item also included the writedown of certain foreign investments to market-related valuations 8/3/94

"The year was one of considerable change for Chemical Services The five businesses acquired have strengthened the group's strategic position in a number of markets and are expected to make a material contribution to earnings for the second half of 1994."

In addition, Sander said, certain structural changes were completed in 1993 whereby a number of operating companies became vertically integrated, a move designed to improve their operational effectiveness (183)

He said the gearing of 41% at the year end, as compared with 10% at the end of 1992, was considered satisfactory in view of the high level of acquisition expenditure.

"Most operations were successful in controlling working capital within target levels, but further improvements are required in certain areas," Sander said

MD Lex van Vught said a number of themes were launched at the beginning of 1993 to prepare the group for the competitive global trading environment

"These themes of growth, ownership, productivity and leadership were pursued with enthusiasm and have already started to yield improvements in both strategic strengths and operational effectiveness"

Police arrest AECI strikers

BDay

KATHRYN STRACHAN

POLICE yesterday arrested more than 30 striking workers at AECI Explosives' Zomberveld factory at Hennenman in the Free State after clashes broke out 9/3/94

AECI spokesman Michael Blizzard said non-striking employees and temporary labour employed in place of striking workers had been assaulted and cars damaged by the strikers

He said the situation had been brought under control in the afternoon after police were called in

More than half of the 250-strong workforce are out on strike. Workers are demanding a 10% wage increase, while the company is offering 7,5% Negotiations are still under way

Blizzard said local peace structures had been used in the past to get striking workers to refrain from violence and to comply with industrial court interdicts, but their intervention had failed in this case (183/82)

AECI Explosives called on the Chemical Workers' Industrial Union to restrain its members from further unacceptable behaviour, he said.

cil's response to its demands for full representatation in the council's chamber

The council has said it is not legally possible to allow hawkers or any other interest groups to be represented on the council

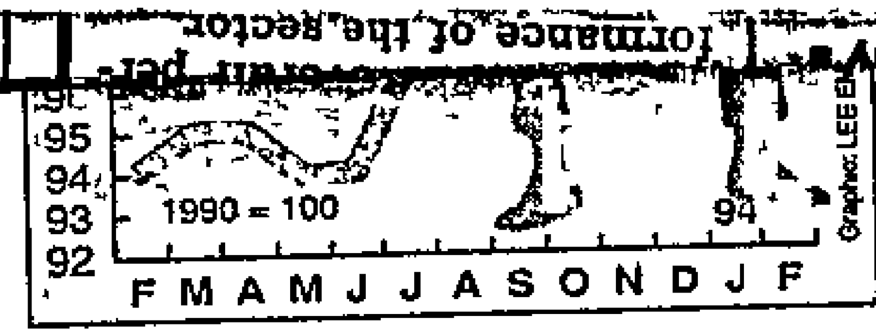
Dam fund reaches R2m

THE Merriespruit Disaster Fund for victims of the slimes dam tragedy in Virginia in the Free State has passed R2m The bank holding the account said the balance was now R2 052 904.

REPORTS Business Day Reporter, Sapa

3% in 1994 were good. The underlying tone of business sentiment remained good as the economy continued its recovery, he said

This was reinforced by the results



SA signs a tax convention with Italy

AMANDA VERMEULEN

ITALY and SA have concluded a tax convention which includes the avoidance of double taxation and prevention of fiscal evasion.

The Inland Revenue Department said yesterday the convention, which covered all forms of income, followed a similar agreement reached with Hungary last week The convention indicated mutual confidence and was likely to promote a flow of investments between SA and Italy

Ernst & Young international tax partner Ray Eskinazi said double taxation agreements were negotiated to encourage investment and the transfer of technology and capital

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West Driefontein miners stage protest march

JACQUIE GOLDING

ABOUT 4 000 NUM members marched on Gold Fields' West Driefontein Mine near Carletonville yesterday in protest against unfair dismissals and racial discrimination.

A memorandum handed over to management demanded that Gold Fields allow NUM safety stewards to be involved in all accident inquiries at the mine and that the company adhere to safety standards

"Proper medical personnel should be available at all times," said an NUM official yesterday B/Day

The NUM also demanded that the allocation of workers to hostels along tribal lines be abolished and that the induna and isibonda authority systems be removed Other demands included compensation for injured workers and the improvement of working conditions 9/3/94

Catering facilities and the quality of food given to hostel dwellers were "appalling", said the NUM, which demanded improved facilities

The NUM also alleged that mine management was engaged in "constant efforts to delay our stop orders for union subscriptions" (213)

A Gold Fields spokesman said the march went off "smoothly", adding that worker grievances would be discussed after the memorandum had been examined He would not comment on allegations that management was "racially biased" and purposely delayed union stop orders

Union criticises AECI for calling police

B/Day

KATHRYN STRACHAN

THE Chemical Workers' Industrial Union yesterday criticised AECI Explosives for calling police to intervene in a strike at Zomberveld factory in Hennenman in the Free State.

CWIU branch secretary Nelson Mthombeni said the union was alarmed by the arrest of 41 striking members when police were called in on Tuesday this week. 10/3/94

Wage negotiations were continuing, he said, but there had been no progress as management's offer remained at 7,5% and workers were demanding a 10% increase. About 160 members of the factory's 250-strong workforce are out on strike.

Mthombeni said union officials monitoring the strike denied the company's claim that striking workers had breached a court interdict and damaged property. (183)

AECI spokesman Michael Blizzard said the situation at the factory returned to normal yesterday, and that production was continuing with the help of temporary staff. Blizzard said police had been called in only after attempts by local peace structures had failed to rectify the situation.

Healthcare distributor thrives

BEATRIX PAYNE

INTERNATIONAL Healthcare Distributors (IHD) had survived its pre-Christmas start-up difficulties and was being run as a viable business, rather than simply as a pharmaceutical manufacturers' distribution depot, CE Trevor Lauf said on Wednesday.

IHD was established in December as the sole distributor of products manufactured by multinationals Bayer, Boehringer Ingelheim, Ciba and Roche, which together control about 12% of the prescription medicines market.

The company's launch caused a furore among pharmaceutical wholesalers, who boycotted products from the four multinationals and refused to pay bills reported to be worth up to R80m

Lauf said the boycott had put IHD under extreme pressure to meet a demand that was higher than had been expected "We didn't anticipate the sudden jump to maturity"

Despite the chaotic start, IHD manufacturers and directors were delighted with the demand, he said.

Lauf could not say if outstanding payments to manufacturers had been settled. "Those transactions took place prior to the launch of IHD and are a matter between the wholesalers and the manufacturers"

Ciba head of pharmaceuticals Johan Niehaus said outstanding payments were being discussed with wholesalers. (183)

He said he did not know how much business Ciba had lost during the boycott, but delivery times had improved over the past few months and sales had improved beyond the company's expectations.

IHD supplies goods to pharmacists and dispensing doctors at prices determined by the manufacturer, preventing expensive round-tripping

Lauf said IHD had been established because "the manufacturers believe it is important to be in control of the pricing and distribution of their products"

He said warehouse thefts had been almost nil The Witwatersrand attorney-general recently reported medicine thefts of about R1m in 1993

GROUP FIVE/EVERITE

For the shopping basket

In five trading days, Group Five's share price has risen 15%, from 260c to 300c a share No-one is telling why, though last week's interims from the company and associate Everite are most pleasing Turnover, operating income and EPS are up across the board More important, perhaps, margins have improved appreciably FM 1/3/94

Group Five's turnover has increased 12% over first half 1992, operating income soared to R20m and the trading margin has gone to 2,37% from 1,74% a year earlier These remain pathetic figures which demonstrate the extraordinary pressures which have been applied against the construction industry during the recession

Nevertheless, tight cost controls pushed EPS up 24% to a very creditable 12,9c (1992 10,4c) The unaudited, abridged balance sheet reflects the weakness you would expect after the erosion of the last four years It is plain one of chairman Theunis Kotzee's principal objectives will have to be to rebuild the asset base

Long-term borrowings have increased to R26m, and gearing is now at 38% of shareholders' funds Finance director Howard Turner says this is the outer limit, he expects gearing to be 28% by June year-end

However, this company has survived a brutal period intact and expects now to reap the rewards Among these will be a fat endowment policy with Momentum, laid down some years ago, and which is to mature in June It will produce R50m, which will go a long way towards restoring the health of Group Five's balance sheet

Much of the income improvement this time has come from Everite, where refocusing and restructuring of diverse operations is paying off Everite's EPS improved 72% to 7,4c on a turnover rise of 10%

Group Five is now on a p e of 23, rather high for a company emerging from troubled times, the EY is 4,3% Those investors who believe April will bring relief and economic resurgence are right to put Group Five into their shopping baskets Otherwise, there is cause to delay *David Gleason*

CADBURY SCHWEPPES

Another sweetener

FM 1/3/94

Yet another first-class result from confectionery, soft drinks and food producer Cadbury Schweppes (Cadswep) EPS growth of 22% for the 1993 financial year is excellent in a time of recession and unrest

CE Peter Bester says volume gains in the main product segments and an improved sales mix helped turnover to rise 13% to R818m "Particularly satisfying was the gain in market share across the broad spectrum of products This insight into the relative competitiveness of the group gives an indication of its long-term vitality" (182)

Operating profit increased 18% to R83m, finance costs declined almost 21% to R12m, influenced by lower interest rates and lower borrowings — gearing declined from 39% in 1992 to 25% Interest cover improved to 6,8 times (4,6) Pre-tax profit climbed a satisfying 28% to R70,7m This was partly thanks to a well-managed increase in the trading margin, which grew to 10%, and benefits from structural changes to the manufacturing facilities in 1992

The effective tax rate was lower than expected, at 24%, and Bester attributes this to export allowances Though exports remain a small part of the business, he says their importance is growing materially The bulk of exports are in confectionery, though there has been an increase in exports of soft drinks, cordials and food into Africa

To retain cash resources, Bester says management has proposed a capitalisation shares award which has fully provided for STC "If there is 100% acceptance, the impact on attributable earnings will be R2,9m" If so, the 1993 figures are conservative

Though reasonable real earnings growth is forecast for this year, the share has fallen 20% from its annual high of 5 900c This suggests some investors feel the counter is expensive and are rather increasing exposure to recovery stocks *Marylou Greig*

183 13/3/94 ST Times 13/03/94 183

The man who has thunder and lightning in his head

CONFUSED VICTIM . . . Siphiwe Sibiya, who has been affected by mercury Picture: FRED KOCKOTT

Four years ago, a worker complaining of 'chest problems' was admitted to a hospital specialising in tuberculosis. Only now that he is dead has it been discovered that he was suffering from mercury poisoning.

Frank Shange has joined a growing list of victims of a trade in mercury wastes.

Thor Chemicals, already charged with causing the death of one worker and the mercury poisoning of 28 others, has announced that it is phasing out its mercury recycling operations.

FRED KOCKOTT reports that this decision marks the close of a tragic story that is only just beginning to be told

THERE is thunder and lightning in our heads.

This is the translation of a Zulu expression used to describe one's state of mind when extremely distressed or disturbed

Many people who have worked at Thor Chemicals' Natal Midlands plant — the world's biggest mercury reprocessing facility — have thunder and lightning in their heads

Mercury attacks the central nervous system, causing tremors and shakes, emotional instability, psychological disturbances, loss of libido

"I do not know what is happening to me," says Mr Siphiwe Sibiya, 31

Mr Sibiya sleeps a great deal and is prone to irrational outbursts His hands shake and his lips tremble slightly

But he counts himself lucky He can walk, talk and he still enjoys sex

Then there is Mr Engelbrecht Ngcobo, once a proud, jovial father of six children He now lies comatose in a hospital bed where he will probably stay for months, perhaps even years, responding to neither sight, sound nor smell, until he dies

Mr Peter Cele, 21, spent months in a coma in hospital before his death

Mr Sibiya, Mr Cele and Mr Ngcobo are but three of an unknown number of victims of lucrative deals in which mercury waste was sent to South Africa to be recycled in a process described by the government as having "great merit in the conservation of the environment"

The facts, however, speak for themselves

A spring feeding the Mngceweni River below Thor's plant is so contaminated with mercury that its sediment could be classified as toxic waste

A recent study by Granada Television's *World-in-Action* shows that rats near Thor's plant have a blood mercury level seven times the norm

This has led to fears that the entire area could be contaminated with airborne mercury from Thor's incinerator

A Department of Manpower inquiry in 1992 showed that Thor's own records revealed that workers had been continually exposed to dangerous levels of mercury — sometimes 10 to 20 times the internationally recognised limits

According to culpable homicide charges filed by Natal's attorney-general against three senior Thor officials, Thor failed to remove workers from the plant when tests revealed they were contaminated with mercury

Instead, the company allegedly falsified the monthly records submitted to factory inspectors, and left these men working in high-risk areas, sometimes for months on end

Workers say they were not informed of the dangers of handling mercury, nor were they provided with adequate training or supervision

Neither did Thor ensure effective use of protective clothing, and until 1992 a first aid box was allegedly the sum total of Thor's medical service

Thor Chemicals and three senior executives now stand accused of causing Mr Cele's death and the mercury poisoning of 28 other workers

Since being charged in September another man has joined the list of known victims Mr Frank Shange, who worked as a gardener at Thor, was originally traced by Earthlife Africa in 1990 after he had spent six months in a hospital specialising in turberculosis complaints

A post-mortem late last year revealed that Mr Shange had, in fact, suffered from mercury poisoning

A spokesman for the attorney-general has confirmed that in addition to 43 counts of reckless conduct, Thor will also be accused of causing Mr Shange's death when the trial begins in May

While the prosecution is significant, it is confined to determining Thor's culpability for mercury poisoning of workers and is unlikely to probe the nature, scope and extent of Thor Chemicals' activities

Thor Chemicals is a British multinational with subsidiaries in a string of countries, including West Germany, France, Australia, the US and Britain

In the Companies Registration Office in England, Thor states its intention is to research, develop, manufacture, experiment and deal with any substance, chemical or material, for the sole purpose of rendering profit

At first Thor experimented with recycling mercury in the UK — until it fell foul of increasingly stringent regulations

According to an already published TV documentary, the UK Health and Safety Executive warned the company of inadequate standards of mercury handling in their UK plant 12 years ago, and in 1988 the executive threatened legal action unless working conditions improved

Thor subsequently relocated all its mercury production facilities to South Africa where there is no legislation regarding hazardous waste and little control is exercised over the chemical industry

Thor was thus able to continue its hazardous processes, and waste difficult to process or dispose of in its country of origin, was shipped to South Africa — the only country in Africa that can legally accept imported waste

Thor gets paid to solve a problem — about R3 300 a tonne of waste received, according to Greenpeace As the waste is destined for "recycling" it travels as "raw materials" or "products of commerce" and are accordingly exempt from the stringent controls governing the shipment of toxic waste

Thor's reprocessing facility has been described as a model of state-of-the-art technology

"It was designed with an environmental benefit in mind," said Thor spokesman John MacDonald

"We should be encouraged to continue our operation, not discouraged," added managing director Steve van der Vyver

"The dumping of toxic waste in Third World countries is a terrible idea, but I don't think recycling operations like ours fit in the same category We accept only spent catalysts originally supplied by Thor "

Despite the dangers of mercury, there has been no effective policing of Thor's imports and exports by any government agency, and very little monitoring of activities at the plant

Thor's business has, however, come under scrutiny from Greenpeace International and Earthlife

Among other things, they have publicly claimed that Thor has not complied with basic conditions laid down by the government, including the provision that Thor import only waste originating from mercury-based catalysts supplied by its parent company

In November 1992, Thor asked the Department of National Health and Population Development for permission to import a "product called Cinncarb" — a mercury waste generated by an American company based in Indonesia

"Certain people are calling it raw material," said a frustrated government official last year, who did not want to be named

"It's toxic waste," he said

A senior health department official told Thor there were no restrictions on such an import

On December 12 1992 Thor was granted a licence by Natal's regional director of the national health department to ship in vast quantities of the substance

Earthlife also has evidence that Thor has disregarded a directive that any waste ash resulting from incineration be disposed of at a registered Class 1 site.

"I have personally witnessed toxic ash being deposited on a dam on the premises of Thor Chemicals," said Earthlife spokesman Chris Albertyn.

Such evidence has been submitted to the attorney-general who has ordered several matters to be investigated In the meantime, Earthlife Africa has called for a full inquiry into the monitoring of Thor Chemicals' activities by the present authorities

When the ANC sent a delegation of international environmental experts to inspect Thor s plant, Mr van der Vyver assured them, and publicly declared, that the company was phasing out its trade in mercury and would import no more waste

However, the decision came too late for Thor workers suffering from mercury poisoning, or to repair the damage done to the environment

And, as the international delegation discovered, there are three 30m by 40m warehouses packed full of barrels of mercury waste from all over the world, as well as about 2,5-million kg more waste in the sludge pond

It was finally revealed that despite the application of so-called state-of-the-art technology, Thor has not been able to reprocess much mercury, and at present does not even have a licence to operate its incinerator on a commercial basis

Instead, the Department of Health has given Thor "verbal permission" to operate the plant on a "trial basis"

"Thor is sitting with a stockpile of hazardous waste," alleged Mr Albertyn

"They are now seeking permission to dispose of these wastes by the cheapest means available — incineration on site"

Mr MacDonald confirmed the furnace wasn't working to full capacity, and said this was the reason waste was accumulating

This begs the question what will become of the tonnes of pure volatilised mercury if it is not recovered?

As Greenpeace notes, there is no means at present to render mercury harmless, no matter what we do with it or where on earth we put it.

Engen 'maintains Ratplan'

S Times (Buss) 13/3/94

By CIARAN RYAN

ENGEN has been accused of closing a small filling station in Kimberley in the same week that it agreed to recommend a moratorium on closures of similar businesses

Diabs Garage was closed on January 31 Four days later representatives of all oil companies agreed to recommend to their boards that a moratorium be placed on closures

The oil companies also decided to recommend resumption of supplies to closed filling stations whose pumps were still in place

Dozens of garage owners claim their stations were closed because of the rationalisation plan (Ratplan), an informal agreement between the oil companies, the government and the Motor Industries Federation to limit the number of petrol stations.

Pat Stillwell, an attorney who represents several filling stations, says "What is disturbing is the unseemly haste with which the oil company removed the petrol pumps from Diabs Garage"

The Competition Board has recommended phasing out of the Ratplan, most of which constitutes a restrictive practice in terms of the Maintenance and Promotion of Competition Act

"I was selling 35 000*l* a month," says Lenny Stanford of Diabs Garage "This business feeds seven families and is profitable if it can sell petrol They sent me a letter giving me notice, without explanation, and then they turned up one day and took the pumps out."

Peter Bartlett, regional sales manager for Engen, says Diabs was closed for economic reasons and not to generate a site quota in terms of the Ratplan

"Diabs was selling only 21 000*l* according to our figures and this was not economic for us We cannot agree to a moratorium on closures because this interferes with management's prerogative to run its business" (183)

Engen supplies six other garages in the area

Mr Bartlett says Engen supports the Competition Board findings and denies suggestions that the closure of Diabs is inconsistent with its statements in favour of deregulation

'Since the beginning of the year, no petrol stations have been closed to generate site quotas in terms of the Ratplan That provision of the agreement fell away"

Mr Stanford says his business has collapsed since the pumps were withdrawn. He still has a Sasol pump from which he sells a small amount of petrol. But Engen is putting pressure on Sasol to withdraw the pump, he says

Differing versions have been given about what was agreed to at the February 4 meeting Mr Stilwell says oil company executives were reportedly infuriated about what their juniors agreed to put before their boards

Rod Crompton, representing labour on the liquid fuels task group, says "One objective which has broad agreement in the industry is the need to maintain and promote small business

But a garage owner says "Uneconomic means anything the oil companies don't want"

Little hope of cheap fuel

S Times (Buss)

By KEVIN DAVIE

HOPES of a drop in the petrol price in the wake of deregulation of the oil industry may be dashed, says Andersen Consulting's Wolf Kursten (183)

Mr Kursten, a senior manager at Anderson with 10 years' international experience, says reports suggest that as a result of regulated business, oil companies and the SA government make huge profits

"The truth is that nobody is making money. The regulated oil industry has resulted in huge inefficiencies which need to be ironed out.

"Guaranteed profit margins have resulted in the focus being shifted from net profits to selling as much fuel as possible 13/3/94

"This has caused duplication of services, with all the large oil companies getting involved in the manufacture, distribution and retail trading of all oil-derived products across Southern Africa"

Mr Kursten says oil companies should concentrate on certain products or markets The result would be a more efficient industry

Users pay a high price for petrol because oil companies have to buy a certain quantity of synthetic fuel

"Synthetic fuel manufacturers need to prove they can survive without the current system or suffer the consequences"

The oil industry has started restructuring But deregulation will not bring immediate relief to fuel users It will take years of hardship for many in the oil industry

Agfa aims to snap up business locally

BDay 16/3/94

PETER GALLI

THE local photographic market offered unusual growth potential for photographic companies as a large segment of the population had never used their products, Agfa-Gevaert director Gert-Peter Scheck said in an interview yesterday

The Europe-based group aimed to consolidate its presence in SA and promote interest in photography in the entire community

The group was also committed to environmental protection and would continue to make this a priority

Agfa SA GM Peter de Maayer said the company was trying to "get the informal photographic sector going" by establishing some sort of formal structures

"We are involved in discussions with Anglo American about offering photographers who work informally on the street more formal structures from which to operate," he said

Agfa SA, which is a division of pharmaceutical giant Bayer, was also examining the possibility of bringing out an affordable camera in conjunction with a major producer

The potential for growth in the black market was huge, with latest figures showing that there were only about 4-million cameras in use locally, he said

(183)

"The potential for product growth from the black market is huge and we are very active in trying to develop this area," De Maayer said

Scheck said the African market accounted for just 2% of the group's sales Europe was its largest market, accounting for 60% of group turnover, with 20% coming from the US and 11% from the Far East and the Pacific

"We believe that our biggest opportunities for future growth are not in Europe but outside, and we are determined to continue seizing these opportunities in the future," he said

In 1993, Agfa SA's turnover grew 20% to R150m and its market share now stands at about 35%

Net sales for the Agfa group, which specialises in photographic products, graphic systems and technical image systems, slipped slightly to DM6,66bn in 1993 from DM6,68bn previously, while operating income of DM220m was declared

Scheck said about 13% of the group's turnover had been spent on investment in the future, including DM451m on research and development and DM390m on fixed assets

"Globally, Agfa employs about 24 300 staff, including about 188 in SA The Bayer Group, of which we are a division in SA, employs 1 403 people," he said

Wage battle intensifies

JACQUIE GOLDING

THE Chemical Workers' Industrial Union intensified its strike for better wages at the Protea Industrial Chemicals plant in Wadeville this week when 60% of the workforce downed tools, a company spokesman said yesterday BDay

The union and management deadlocked over a wage and provident fund dispute with the union demanding a 15% wage increase and management offering 8%. 16/3/94

A Protea Industrial Chemicals spokesman yesterday said management was prepared to consider "reasonable alternative proposals" in relation to the provident fund dispute but 8% was the company's final wage offer (183)

Strike action started with go-slows and sleep-ins last week, culminating in about 90 workers out of a workforce of 120 going on strike

The company obtained a Supreme Court order against the union but union members breached the order, forcing the company to hand the matter over to the "authorities", a Protea spokesman said

FM 18/3/94

CHEMICAL SERVICES

An object lesson

FM 18/3/94

Activities: *Makes and distributes speciality and raw chemicals*

Control: *AECI 66%*

Chairman: *M Sander, MD L C Van Vught*

Capital structure: *6,5m ords Market capitalisation R339m*

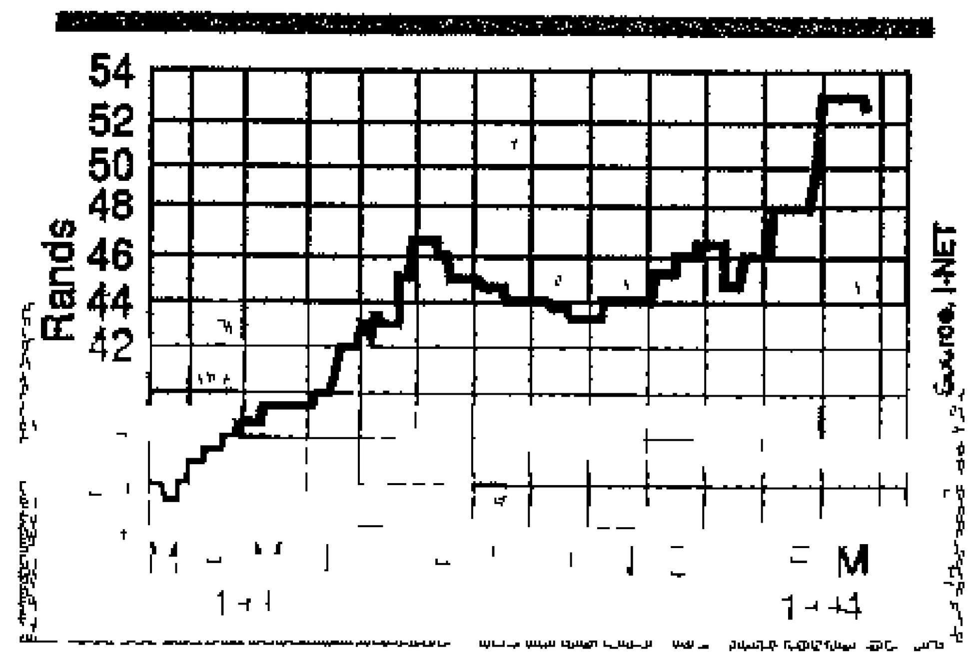
Share market: *Price 5 250c Yields 3% on dividend, 7,7% on earnings, p e ratio, 13,1, cover, 2,6 12-month high, 5 250c, low, 3 200c Trading volume last quarter, 22 500 shares*

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	37,8	29,7	20,0	46,8
LT debt (Rm)	13 1	15,8	6,7	24,4
Debt equity ratio	0 51	0,41	0,10	0,41
Shareholders' interest	0,39	0,42	0,51	0,39
Int & leasing cover	6 3	6 0	9 2	10 4
Return on cap (%)	23,5	25,0	19,4	16 8
Turnover (Rm)	446	478	438	602
Pre-int profit (Rm)	53,9	59,8	45,5	58,1
Pre-int margin (%)	12,1	12,5	10,4	9,7
Earnings (c)	367	430	267	402
Dividends (c)	120	140	140	155
Tangible NAV (c)	1 404	1 609	1 887	2 025

Chemical Services (Chemserve) has provided a lesson in how to ride out recession and reposition for an upturn, with limited damage to the business (183)

A year ago the AECI subsidiary was feeling the full impact of recession, as demand for its products weakened and competition squeezed margins It battened down the hatches, restructuring companies, rationalising its inventory and, as a last resort, trimmed staff numbers At the same time, it shed debt and cut financing costs, reducing gearing to a historically low 10% Then, when it estimated the trough had been reached in the speciality chemicals industry, Chemserve went on a robust acquisition spree

Chemical Services



With demand picking up — chairman Mike Sander says sales volumes for manufactured goods increased by 14% and for traded goods by 12% — and growth through acquisitions, 1993's results are strong turnover up 38% against a five-year compound average of 16%, earnings up 26% (compound average 7%) (183)

A lot of debt has been added, pushing gearing up to 41% at year-end, but MD Lex van Vught says trading cash flow is strong and expects between R12m-R15m of debt to be retired, leaving gearing below 30% by year-end

Cash generation remains strong, up about 38% over 1993 to R64m The acquisitions, worth around R55m, paid for mainly in cash, reduced net cash flow from R27m to R19m, but have helped grow net current assets about a third to R92m and, at 20,5%, are getting a better return than a year ago

Chemserve divides its 15 main businesses into three sectors and of these, the agency and distribution division showed the strongest growth in its contribution to turnover (R165m), trading income (R6,8m) and net assets (R64m)

Process chemicals, largest contributor to turnover and trading income, kept its contribution about stable, while there was a relative fall-off from formulated chemicals, partly from the sale of the food sciences division to Henkel SA

In line with Chemserve's policy of becoming more globally competitive, exports are increasing and now account for R26m of turnover, double the amount in 1992 Looking ahead, Van Vught says business so far this year indicates Chemserve will meet its forecast 17% growth in earnings, to 470c a share A lot depends on events around the elections, though Chemserve comfortably beat its forecast last year

Since preliminary results were released, the share price has firmed from R48 to a new high of R52,50 and though hampered by limited tradeability — and a price that can no longer be considered cheap — it should have fair potential considering Chemserve's expanded business and better prospects for the industry

Shaun Harris

Worries about price of unleaded petrol

BIDay 18/3/94

EDWARD WEST

CAPE TOWN — The oil industry has raised concerns about the pricing structure of unleaded fuel, which is scheduled for introduction on October 1 1995

Co-chairman of a meeting between oil and motor industry representatives late last week Paul Clarke said the oil and motor industries would hold regular meetings to assess cost analysis studies on the introduction of unleaded fuel

It was agreed at the meeting the introduction date should not be extended and that the price differential between unleaded and leaded fuel should be as small as possible.

There were no guarantees in the motor business, but the market penetration of unleaded fuel would satisfy oil industry requirements, he said.

ANC mineral and energy spokesman Paul Jourdan said the party supported the introduction of unleaded fuel because SA could not afford to have motor industry exports impeded by outdated technology — engines compatible with leaded fuel only

Clark said some motor manufacturers were already unable to fit imported engines on car models in SA because unleaded fuel was not available. (183)

An international oil industry consultant said yesterday consumer expectations of a drop in petrol prices in the wake of deregulation of the oil industry might not materialise. (384)

Andersen Consulting senior manager Wolf Kursten said reports implied that, because of the regulated environment, oil companies and the SA government were making huge profits. The truth was nobody was making money

Research on drugs cut back

B/Day 2/3/94

BEATRIX PAYNE

PHARMACEUTICAL manufacturers in SA holding licence and technology agreements with US manufacturers could be affected by declining investment in research and development by US pharmaceutical companies.

Pharmaceutical Manufacturers Association executive director John Toerien said last week that US manufacturers' research investments had fallen in real terms and could cause the number of new drugs available in SA to decline.

Toerien said investment in research by US firms in 1994 was expected to increase nominally by only 9,3% to $13,8bn. This was the first single-digit increase in research investment since 1977. The average annual increase from 1980 to 1992 had been about 16%.

Many SA manufacturers had licence agreements with US firms and relied on medical research performed in North America and Europe for new medicines.

A decrease in research would hinder health care and treatment in SA, he said.

(183)

Twenty major US pharmaceutical companies had projected a decline in their 1994 research growth rate compared with figures for 1993, Toerien said.

When budgets were adjusted for inflation, six of the companies expected to invest less in research in real terms than they had in 1993.

Toerien said these figures showed a real threat to the development of modern and technologically advanced medicines. "It is crucial that the patent life of a medicine be extended to at least 16 years from the day it is approved by the regulatory authorities."

In spite of an overall decline in investment many pharmaceutical companies in the US expected to invest a slightly higher percentage of their sales in research in 1994.

Adcock Ingram CE Don Bodley said the group's Critical Care Division — which had a licence agreement with US manufacturer Baxter — would be unaffected by the trend. Baxter manufactured hospital supplies and did not cater to the same market as research-based pharmaceutical firms.

UK-based pharmaceutical firm Glaxo, which has a subsidiary in SA, said research investment would increase 15% from 1992/1993 to top £850m in 1994. Glaxo (SA) corporate affairs manager Martin Jennings said Glaxo had invested R60m in SA-based research in 1993. He said Glaxo had increased its SA research investment to research the development of a drug or vaccine to prevent tuberculosis.

Fransaf maiden results show 17% turnover rise

B/Day 23/3/94

RECENTLY listed plastics company Fransaf today announced its maiden results for the year to December with turnover rising 17% to R21m (R18m) thanks to increased business activity and the consolidation of Plastifurn into the group.

The company also announced that Sentrachem had exercised its option to increase its shareholding in the plastics group to 10% for R2m.

MD Denis Guerre-Genton said relations with Sentrachem were becoming closer and there could be further synergy between the two groups

The trading margin widened to 43% from the previous year's 25% thanks to better efficiency, which resulted in a 50% increase in net income to R9,1m (R4,5m)

Pre-tax profit was also up 50% at R9,4m (R4,7m) and despite a higher tax burden, income attributable to shareholders increased to R4,1m (R2,5m) Earnings rose to 12,8c a share from the previous year's 8,3c

MICK COLLINS

The board decided not to declare any further dividends in respect of the 1993 financial year following a R2,4m dividend paid in May 1993 This dividend was paid when there were only 100 shares in issue

Guerre-Genton said there was a possibility that the company would pay an interim dividend in June. He described the results as "a little bit better than the prospectus".

Fransaf was quoted on the JSE on December 10 after a private placing of 3-million shares at 120c each.

The company is involved in plastic injection moulding and road traffic signs through its recently acquired subsidiary Safety Technologies Limited (Safetec)

Safetec's results have not been consolidated for the six-month period.

These results were also not included in the prospectus because the acquisition had not been finalised at the time.

Safetec's financial year has been changed to December 31 1994 and in the six months to December the company made a loss of R366 000 of which R346 000 was attributable to Fransaf

(183)

Guerre-Genton said Fransaf was in a strong financial position with adequate cash reserves and well on track to achieve budget for the first quarter of 1994

He said the company was expanding its mechanised refuse collection system and a lot of interest was being shown by municipalities.

Hickson soars on lower interest

B/Day 24/3/94

CHARLOTTE MATHEWS

HICKSON Chemical Holdings lifted attributable profits 71% to R4,6m in the year to December 1993 from R2,7m in 1992, mainly on a substantial reduction in net interest charges, according to figures released today.

Turnover lifted 5% to R87,6m from R83,8m and operating income was 4% higher at R6,1m (R5,9m). Net interest paid dropped to R770 000 from R2,7m, reflecting the injection of capital from a R11,3m rights issue in late 1992 and the containment of working capital last year. However, gearing of 25% at the end of December was double its level a year previously.

The tax rate declined to about 14% from 17% in 1992. Earnings a share were 10% higher at 7,13c from 6,47c. A dividend of 2,30c a share was declared, against 1,25c in 1992. (183)

Hickson's directors said the increase in turnover was achieved despite the closure of the group's polymer business in August 1992. Sales in the second half of 1993 were 17% higher than in the first half.

Performance in the first two months of 1994 was in line with budget expectations, and if political events did not adversely affect the economy, a further improvement in operating income was expected.

is highly unlikely Airlink, which has a big network, carries only 12 000 passengers a month "

It also wrankles Geldenhuys that SAX wants to serve the Johannesburg-Phalaborwa route "Neither we nor Airlink are flying with full planes On good days we each move about 25 passengers each way Now SAX wants to put a 50-seater on that route It's overkill " ■

RAISING THE HURDLES FOR HYUNDAI

The South Korean government has accused the SA motor industry of trying to block imports of Hyundai cars The industry responds that Hyundai shouldn't be here in the first place

Hyundai set up an assembly plant in Botswana last year to take advantage of loosely phrased SA local-content definitions of what constitutes a completely knocked-down (CKD) vehicle

Under SA rules, CKD vehicles assembled in SA or neighbouring Customs Union countries, including Botswana, aren't subject to protective import tariffs CKD is intended to mean a fully disassembled set of components requiring complete assembly But the official definition isn't specific and Hyundai argues that the operation at its Botswana plant, where vehicles require only partial assembly after arriving semi-built, meets the requirements

SA companies admit that Hyundai is meeting the letter of the law but charge that it is not meeting the spirit Having invested huge sums themselves to meet local-content requirements, they say it's not fair that others should be allowed to take advantage of loopholes

The National Association of Automobile Manufacturers of SA describes as ill advised an official Korean complaint that the industry is trying to block Hyundai imports

It says companies simply want the rules to reflect what was intended

They might soon get their way The just-released report of the motor industry task group (see page 91) recommends that CKD should be defined as "vehicles of which the floorplan, body sides and roof assemblies may not be attached to one another Furthermore, the chassis and/or floorplan may not be fitted with drive train components, axles, wheels, radiators, fuel tanks and braking and electrical equipment "

Not much room for doubt there

FM 25/3/94 (183)

OIL DEREGULATION FM 25/3/94

Drip, drip, drip

The business lobby at the National Economic Forum's Liquid Fuels Task Force believes that its pro-deregulation presentation last week took the wind out of the sails of its opponents Counterproposals and a lot more lobbying can be expected before the next meeting on April 12

Crucial to the debate, from the point of view of business (and especially the oil companies), is the future of Sasol and Mossgas, SA's two synfuel giants that will fill an historical high of about 45% of SA's liquid-fuel demand this year (183)

"Enforced synfuel upliftment and the fact that refinery capacity is not fully utilised lies at the centre of the national debate," says BP's task force representative Richard Fienberg "But most parties agree that it could take years to unscramble the status quo Meanwhile, oil companies are more than willing to co-operate in devising a new structure that will meet the needs of the economy and the industry "

Guaranteed profits

Oil companies are concerned that Sasol, which is now restricted to about 9% of the wholesale market under the Blue Pump Agreement, will be allowed to enter the market freely while still receiving subsidies The way it stands now, oil companies must take up all synfuel produced in SA and are compensated through the guaranteed profit margin in the government-set price

Sasol Oil MD Danie de Villiers says Sasol asks only for the same level of protection on synfuels that is normally allocated to other sectors of industry by the Board on Tariffs & Trade — within the parameters of Gatt "We have been working for some time towards splitting our protected synfuel from the crude-based Natref production and would now like to expand our wholesale operations based on the Natref fuel flow only "

And De Villiers adds that Sasol will need retailing outlets, and a "structured and mutually agreed" arrangement will also have to be made with the oil companies on that issue "We may need 400-600 service stations and should therefore be allowed enough time to set up this infrastructure Government should help facilitate this arrangement "

Fergusson Bros industrial analyst Chris Sloan estimates that "savings of between 7c/l-15c/l could be passed on to Reef fuel users, depending on the extent of the changes to be made "

He says this would reduce inflationary pressures and "correct some of the misallocation of resources in the economy arising from the historical structure "

Sloan says the following deregulatory steps may be implemented within the foreseeable future

☐ Reducing the IBLC by 2c/l-3c/l, due mainly to a recalculation of transport costs of crude oil to SA The IBLC could inflate refining profits so the oil companies, including Sasol and Engen, might suffer a reduction in refining margins,

☐ Withdrawing all subsidies to Mossgas after writing off its R11bn "historic" capital costs (a Mossgas source says it is now cash-positive at a crude oil price of US$13 a barrel), saving fuel users a further 1c/l,

☐ Reducing the subsidy to Sasol, which is based on a $23 a barrel oil price

In fact, he adds, this has already been reduced to $21,85 a barrel (or about 3c/l) He also expects Sasol and the future government to agree on a protection level of $20 a barrel, reducing Sasol's 1995 subsidy by about R217m If no protection is granted, he adds, Sasol should move into increased petrochemical production With Sasol allowed to compete freely at wholesale level, the synlevy paid to oil companies should also be reduced by about R100m/year,

☐ With Sasol's full entry into the wholesale market, competition between Sasol and the oil companies will be fierce This should reduce wholesale margins by an initial 5c/l, settling down to 2c/l-3c/l below current margins, later,

☐ Petronet, which charges 10,9c/l for the inland transport of fuel via its oil pipeline from Durban and uses the profits to subsidise Transnet's money-losing operations such as Spoornet's passenger trains, will most probably be allowed to continue doing this, subject to a marginal adjustment This is because reducing the charge and ending the subsidy would lead to a demand on the fiscus to find other tax sources to support these operations, and

☐ At retail level, Sloan expects both the Rationalisation Plan and the Blue Pump Agreement to be

Priming the pump *will petrol prices come down?*

ANC drops health plan proposal

BEATRIX PAYNE

THE proposal that pharmaceutical manufacturers sell medication and equipment "directly if not exclusively to the state" had been dropped from the ANC's health plan, ANC health secretary Ralph Mgijima said yesterday B/Day 26/3/94

He said the proposal for state control of medicine distribution did not "fit in with other principles in the health plan". The final draft would be published next month

The motivation behind the proposal had been to keep medication costs down, but there were other ways this could be achieved. The ANC and manufacturers would have to "look together to see where costs can be cut", he said (183)(85)

Pharmaceutical manufacturers welcomed the move. The Pharmaceutical Manufacturers' Association and the ANC would discuss proposals from manufacturers next Tuesday. The association would not disclose the proposals, but it had been lobbying for an extension to medicine patents to allow recovery of losses incurred in research and development.

Mgijima said the ANC would examine the amount invested in the development of a drug and consider the benefits of extending the patent He was concerned that multinational manufacturers would be discouraged from investing in research and development if patents were shortened

He said the cost spiral in health care was unacceptable. Prices could be cut by factories, wholesalers and distributors, and pharmacists or dispensing doctors

Many manufacturers imported cheaper medicines but sold them at higher local prices, Mgijima said. State-controlled parallel importing could prevent this

Report by B Payne, TML, 11 Diagonal St, Jhb

ANC changes medicine plan

CT 25/3/94

Own Correspondent

JOHANNESBURG — The proposal that pharmaceutical manufacturers sell medication and equipment "directly if not exclusively to the state" had been dropped from the ANC's health plan, ANC health secretary Mr Ralph Mgijima said yesterday.

The final draft of the plan will be published next month, he said.

Strong market penetration keeps SA Druggists ahead

BEATRIX PAYNE

HEALTH care group SA Druggists (SAD) continued to perform well in the six months to end-February in spite of declining volumes and intense competition. B/Day

SAD reported a 48% increase in attributable earnings to R35,7m. Earnings a share rose 25,4% to 59,2c but CE Peter Beningfield said the lower rate of increase was attributable to a rise in the number of shares in issue. A dividend of 25,5c (23,7c) was declared. 28/3/94

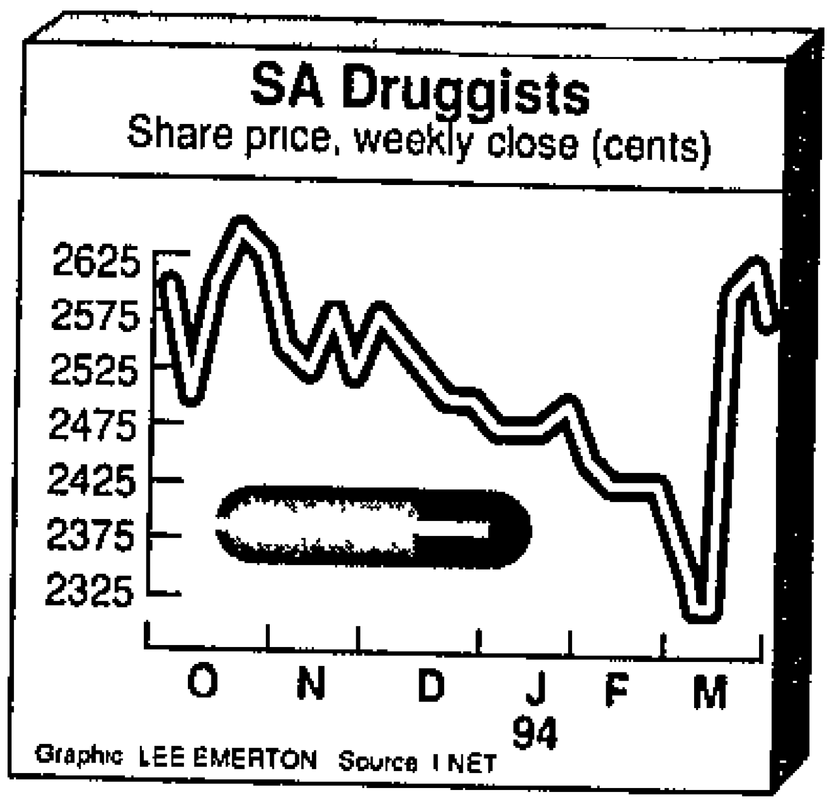
Beningfield said although volumes had fallen industrywide, SAD had been able "to maintain sales in real terms without sacrificing margins".

"Improvements in operating efficiencies and increased market penetration were the hallmarks of performance in the review period."

While it was difficult to predict developments during and after the elections, Beningfield expected earnings growth in the second half to August to be lower than in the period to February. But earnings a share for the year were expected to be in a range of 140c-145c (122,7c).

Turnover increased 11,5% to R1bn and operating profit rose 28,3% to R62,2m Operating efficiency — reflected by the ratio of operating income to turnover — improved to 6% from 5,2%.

The pharmaceutical division continued to contribute strongly to turnover, increasing income 28,4% to R55,2m. Beningfield said a R20m capital expenditure project had been ap-



proved to expand facilities at the company's Cape Town-based fine chemicals raw materials plant on the back of higher export demand from the US. (183)

Intramed, the company's intravenous and injectable products facility, was operating well but not contributing a large portion to the bottom line.

The chemical division reported a rise in income to R11,8m (R9,1m), having increased sales volume and market share. But the distribution division's income fell 7,1% to R10,5m.

Interest paid declined 80% to R2,1m as interest-bearing debt was slashed to R26,8m (R159m). Beningfield warned that comparisons with the same period last year were difficult as the R200m rights issue in May was used to clear debt.

The tax charge almost doubled to R24,4m (R12,8m)

Permanent capital exceeded R600m and gearing had been reduced to less than 5%.

Big projects in the pipeline for Sasol

B/Day 28/3/94

MICK COLLINS

SIX multimillion-rand prospective beneficiation projects for Sasol are awaiting approval by the petrochemical company's management

The projects under consideration are plants for the manufacture of synthetic lubricants, cyanuric chloride, acrylic acid, acetic acid, propionic acid and beta-carotene

Cyanuric chloride is used in the manufacture of herbicides, and beta-carot is used in the pharmaceutical industry and in the food industry as a colourant Propionic acid is used in food preservatives and acrylic acid is used in super absorbants

Engineering News reports that the projects are in addition to the recently announced R430m vinyl chloride monomer plant at Sasolburg and the planned chlor-alkali plant at Sasolburg by the Sasol-AECI joint venture Polifin

A Sasol spokesman said the company's technology division, Sastech, had started preliminary work on a R1,2m pilot plant for acetic acid at Secunda Acetic acid is used by the mining industry in the gold extraction process

The decision to build a full-scale acetic acid plant will be taken only if the pilot plant proves viable

(183)

Sasol is also exploring the viability of developing a synthetic lubricant plant using feedstocks from its alpha olefins project

The developments follow the recent announcement of the vinyl chloride monomer project planned by Polifin at Sasolburg

In addition, the Sasol and AECI joint venture is to invest a further R90m in a chlor-alkali plant at Sasolburg and an undisclosed amount in a cyanide plant at its Secunda division

□ Engineering News also reports that Sasol MD Paul Kruger has confirmed a World Bank report than an Argentinian gas and oil producer, Pluspetrol, has signed a co-operation agreement with the Pande gas field joint venture partners Sasol and ENH of Mozambique

If the R3bn gas field project proves commercially viable Pluspetrol may become a technical partner in the development of the field

Sasol says a financial analyst has been appointed to assess the potential of the project and the joint venture is looking for a fourth party to assist with financing

SAD boosts earnings 25%

CT 28/3/94 (183)

Business Staff

SA DRUGGISTS (SAD) shook off the effects of unhealthy trading conditions to produce a robust performance in the six months to February

All SAD's divisions improved their market shares, enabling the group to post a 25,4% increase in earnings per share

While noting that second-half trading conditions were difficult to anticipate in the light of the April elections and other factors, the group has forecast earnings per share for the year of 140c to 145c (122,7c)

The group's interim results, published today, show turnover increasing by 11,5% to pass the R1bn-mark for the first time

Operating income was 28,3% up at R62,3m and, with the interest bill reduced by 81% to R2,2m, pre-tax earnings increased by 61,8% to R60,1m

With the tax charge almost doubling, attributable earnings of R35,5m were up 48,1% The lower rate of increase in earnings per share, which went up from 47,2c to 59,2c, reflects the rise in the number of shares in issue

An increased interim dividend of 25,5c (23,75c) was declared, giving a dividend cover of 2,3 times

A R20m capital expenditure project has been approved to increase capacity to meet higher export demand for pharmaceutical raw materials from the USA, CE Peter Beningfield said

"It is also gratifying to report that Intramed, our new intravenous and injectable products facility is, in its first year of operation, now capable of producing the wide range of specialised products required from it," Beningfield said

The Chemical division also traded very successfully, significantly increasing sales volumes and market shares

Glaxo to phase in agency distribution

B/Day

BEATRIX PAYNE

PHARMACEUTICAL manufacturer Glaxo (SA) had finalised agreements with a number of medicine distributors, allowing them to become sole agents for Glaxo products, Glaxo financial director Alex Du Plooy said yesterday.

Corporate affairs director Martin Jennings said the three companies — Druggists Distributors, Natal Wholesale Chemists and United Pharmaceutical Distributors — represented about 70% of the wholesale market. The agency system, which would be subject to a three- to four-month testing period, would allow Glaxo to exercise greater control over the distribution of its medicines.

Du Plooy hoped this would limit the growth of the "grey market", ensure price transparency and provide closer contact with pharmacists and doctors, who would become Glaxo's direct clients.

Under previous distribution arrangements Glaxo sold products directly to wholesalers Under the new agency system Glaxo would supply goods to agents on a consignment basis, demanding payment only once medicines had been sold to clients. "We will carry stock holding costs for the agents," Du Plooy said. This would reduce agents' stock holding costs by 30 to 40 days

During the first month of running the agency system Glaxo would have to dedicate turnover worth about R10m to buy goods back from wholesalers to convert to a consignment system. 29/3/94

Jennings said Glaxo was prepared to carry these costs as the new system would ensure stock was being marketed effectively rather than sitting in a warehouse

While Glaxo had established agency arangements with preferred wholesalers, Du Plooy said other wholesalers could buy Glaxo goods from specified agents, although they might buy them at slightly higher prices than would have been offered under the old wholesale system.

Signatories to the agreement had realised "a reorganisation of the pharmaceutical distribution system is long overdue but the route has to be one of partnership, rather than conflict". (183)

National Pharmaceutical Wholesalers Association executive director Trevor Phillips welcomed the new arrangements as a "positive" development as Glaxo was using the expertise and structures of the wholesaling industry. He did not expect a backlash from wholesalers who might feel excluded from the arrangements, but hoped Glaxo would establish agency arangements with all association members

Du Plooy said the new system would not affect retail pharmacists. Distribution agents would still offer discounts to different customers. "We don't want to disrupt benefits offered to pharmacists and doctors," he said. Glaxo would determine only the maximum price at which medicines should be sold.

Pay increases end Unilever strike

B/Day JACQUIE GOLDING 29/3/94

MEMBERS of the Chemical Workers' Industrial Union yesterday ended a nine-week wage strike at three Unilever plants in Durban

At Lever Brothers, Maydon Wharf, and Silicate & Chemical Industries (SCI), Mobeni, a 9% wage increase was agreed.

An 8% pay increase was agreed at Quality Products, Jacobs.

About 1 000 workers had been on strike to support demands of an 11% across-the-board wage increase, improved working conditions, paid maternity leave, provision of child care facilities and a 40-hour week.

The union said yesterday most of these demands had been met and described the wage settlements as satisfactory. (355) (552) 183

However, Unilever said only minor adjustments had been made to conditions of employment.

The union said Lever Brothers and SCI had initially offered increases of 8% and Quality Products increases of 6%.

Growing demand for farm products helps Sentrachem

B/Day 30/3/94

MICK COLLINS

LOCAL and export demand for agricultural products helped chemical group Sentrachem's earnings grow about a quarter for the six months to February.

Attributable earnings climbed 21% to R46m while earnings a share rose the same amount to 39c The dividend rose 14% to 8c.

Operating income increased 8% to R124m on a turnover that was 4% higher at R1,38bn

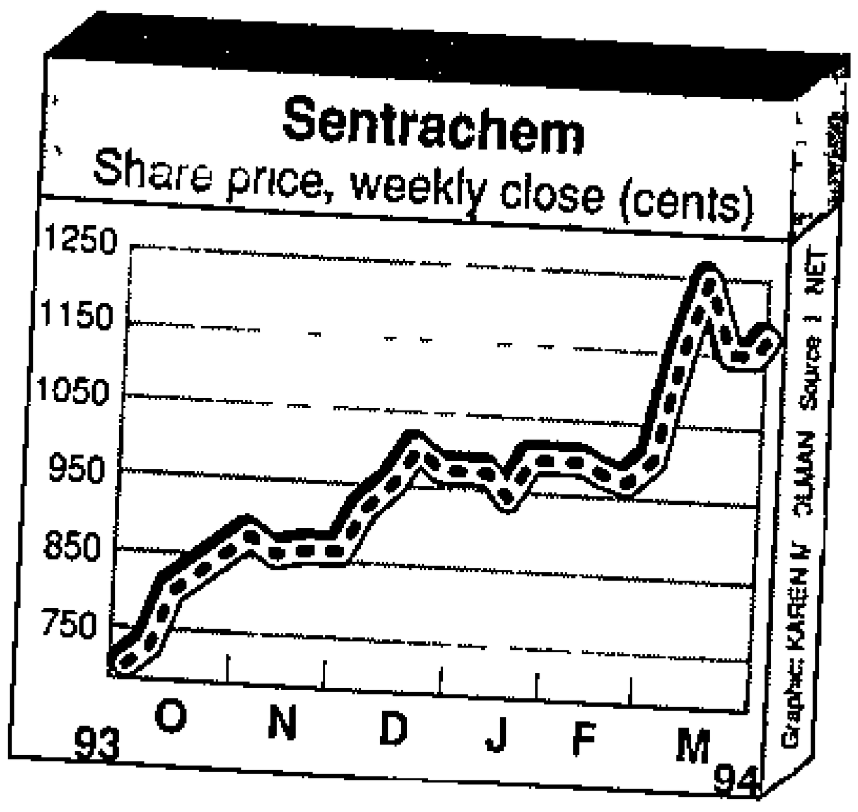
Stricter cost control and internal improvements improved margins to 9% (8,1%)

Tax, at R21m, was R5m lower than in the comparable period, leaving taxed profit ahead at R67m (R54m).

Financial director Norman Kennelly said the tax rate was in line with last year's as a result of an unused secondary tax on companies (STC) credit of R2,3m, which was not accounted for in the earnings

"There is no STC liability coming through for the period and the likelihood of paying STC for the remainder of the year is small," he said

Finance charges were relatively unchanged at R36m (R35m) which Kennelly said was the result of interest rates holding steady during the past year "They have now reached a plateau For two years we had a tight rein on capex, which had a major impact on gearing"



He said "capex will rise in the next six months, which was one reason we had the rights issue" Capex would be slightly more than R69m, he said

MD John Job said that, apart from the agricultural business of Agrihold and Sanachem, where local and export demand were strong, trading conditions remained difficult

"All other divisions, except Mega Plastics, performed adquately in the current uncertain political climate. Operating profits at Mega declined due to a reduction in the orders for crates during January and February Orders in March are again at acceptable levels Price pressure continues on most industrial products"

He said the balance sheet incorporated the company's recent R294m rights issue, which saw net borrowings down to R98m from R423m in the comparable period and the debt to equity ratio, reflecting the rights issue proceeds, reduced to 8% (47%).

Exports continued to show improvement with Sanachem and Karbochem, with its carbide exports, strong performers "Exports are running at between 14% and 15% of sales and there is plenty of growth there. It is now an essential component of our activities" (183)

On prospects for the year, Job said the only caveat was political "If we were expecting a lot worse we would have held back in this period However, so far, the upswing still has to be seen"

The uncertainty surrounding the elections made it difficult to predict the full year with any confidence "However, subject to the normal caveats, group results for the year are again expected to reflect real growth at the earnings a share level based on the increased weighted average number of shares in issue."

Rains and cost controls boost Omnia's fortunes

B/Day 30/3/94

CHARLOTTE MATHEWS

AGRICULTURE, trading and explosives company Omnia Holdings lifted net income nearly 50% in the year to December 1993 because of good rains, tighter cost controls and greater penetration in its key markets

However, the company's directors decided to increase the dividend only 10% to 44c from 40c in 1992

Omnia CE Neville Crosse said this was because dividend cover during the 1992 drought had fallen to 1,5 times from the company's goal of 2,5 times

According to figures published today, Omnia's turnover rose 27% to R616,9m from R487,1m and its operating income improved 53% to R68,1m from R44,5m

Finance costs dropped to R18,9m from R21,9m, although Crosse said gearing had risen slightly to 43% from 39% at the end of 1992 because cash flow during the year had been negative. The company's target maximum for gearing was 50%

The tax bill tripled to R15,2m from R3,1m after assessed losses were fully used in the previous year.

After-tax income increased to R34,1m from R19,8m before an extraordinary item of R378 000 (R3,2m), representing the profit on the sale of a farm.

Crosse said the results, although good, were off a low base. All divisions had performed satisfactorily

The agricultural operations had had a good year after the return to normal rainfall patterns, while explosives company BME had increased market penetration to become a leading bulk explosives supplier to the mining industry BME had signed a technology agreement with Dyno Nobel, the second-largest explosives group in the world This would enable BME to expand its range into packaged explosives

Omnia's trading division, which traded in agricultural commodities, had performed well It had small offices in Zambia, Zimbabwe and Mauritius, and was considering opening an office in Malawi, Crosse said

(183)

A cautionary notice issued to shareholders more than a year ago had been cancelled as no acquisitions had taken place.

Crosse said Omnia was still looking for an acquisition, probably in the chemicals industry It would be financed with long-term borrowings, which were low for a group of its size. However, there was nothing on the horizon, he said

Omnia expected to deliver further growth in earnings in 1994 — although not at 1993's high rate — provided the operating environment was "reasonably stable"

Sentrachem earnings rise 21% on back of lower tax rate

Star 30/3/94

BY STEPHEN CRANSTON

A more favourable tax rate was the main reason for Sentrachem's 21 percent improvement in earnings per share to 46c in the six months to February

The trading performance was good in the circumstances All divisions except Mega Plastics improved operating income, which was up eight percent to R124 million

There was reduced demand for plastic beer and soft drink crates in January and February as demand tailed off This hit Mega Plastics' contribution, and kept the rise in group sales to a modest four percent at R1,38 billion

MD John Job says trading conditions improved for the agricultural chemical businesses housed in Agrihold and Sanachem

Sanachem continued to increase its exports, which now account for two-thirds of its sales

But conditions for the other divisions, which include Karbochem, NCP and Safripol, remained difficult (R3)

"Patterns of demand do not indicate any general improvement in the economy — but the group performed well in spite of this"

The effective tax rate fell from 32,5 percent to 24 percent

Sentrachem has a R2,3 million credit on secondary tax on companies because it receives more dividends than it pays out It also benefits from Sanachem's export incentives

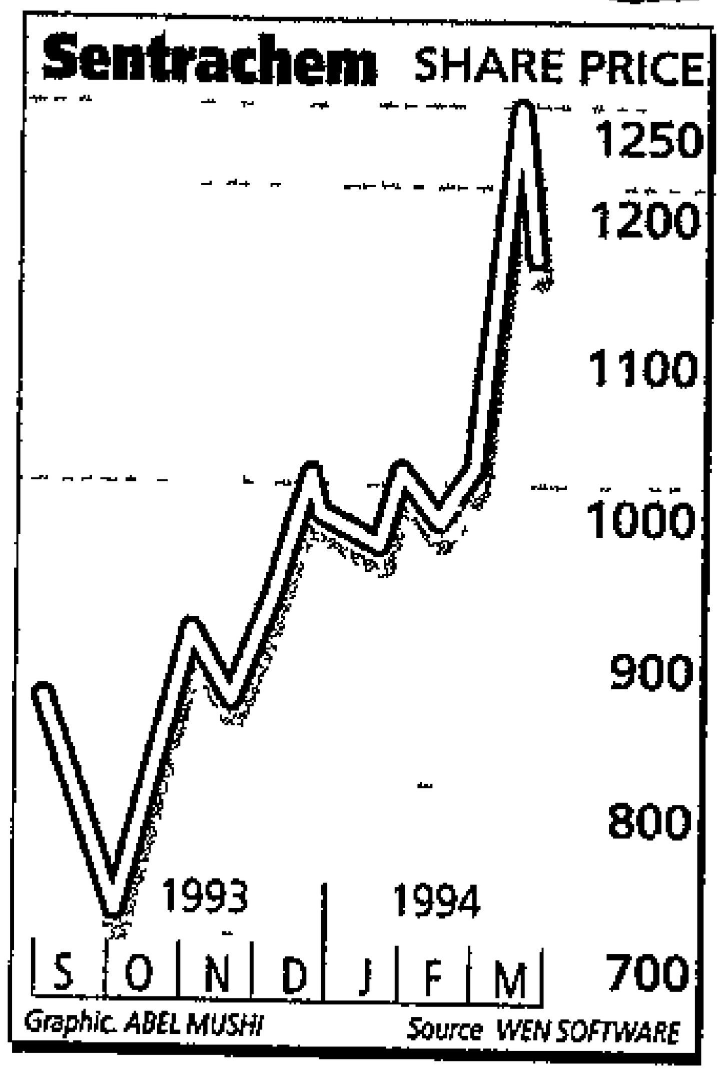
Job says Sentrachem is not yet through the transition from a business geared to import substitution into one which is internationally competitive It will accelerate capital spending to ensure its capacity remains up to date

This was one of the reason's for the recent rights issue, which raised R290 million, and brought gearing down from 47 percent to eight percent

It increased the number of ordinary shares by 30 percent, and on a weighted average shares in issue will be up 15 percent for the full year, which will dilute earnings per share

Job is nonetheless confident Sentrachem can show real earnings growth in the year to August

Net working capital rose R47 million, principally because Sanachem's debtors' book grew on the back of exports Other divisions saw working capital fall



Profit bells ring loud for Omnia

Star 30/3/94

BY STEPHEN CRANSTON

A much better agricultural year was the principal reason for Omnia's 72 percent increase in earnings per share to 88c for the year to December

MD Neville Crosse cautions that the increase was off the low base of a depressed 1992, but it nonetheless puts Omnia back on the long-term earnings growth trend enjoyed from 1989 to 1991.

Return on shareholders' equity was 25,1 percent — a return which many companies include as a target, but few achieve

But shareholders will only enjoy a 10 percent increase in total dividend to 44c It is group policy to increase dividends at the rate of inflation

Turnover rose by 27 percent to R616,9 million and the operating margin improved from 9,1 percent to 11 percent

The seed division doubled earnings and increased volumes off a low base Seed sales have now reached the critical mass necessary to cover heavy research and development costs

Subsidiary BME continued to gain market share in bulk explosives, used primarily for coal and iron ore

It has entered the packaged explosives market following an agreement with Dyno Nobel, the world's largest explosives group after ICI (183)

It will be supplying the gold mining industry for the first time Crosse says it is only expecting a modest share of the market, but mining houses appear to be welcoming an alernative supplier

The trading division has established a presence in African countries, notably Zimbabwe and Zambia, and the recently established industrial chemicals operation made a modest contribution to group profits

Crosse says profits in the current year are difficult to predict, but he feels there should be further earnings growth, provided the operating environment remains reasonably stable

DIAGONAL STREET

Julie Walker

SITimes (Buss)

Seeds of Omnia's success

3/4/94

183

3141

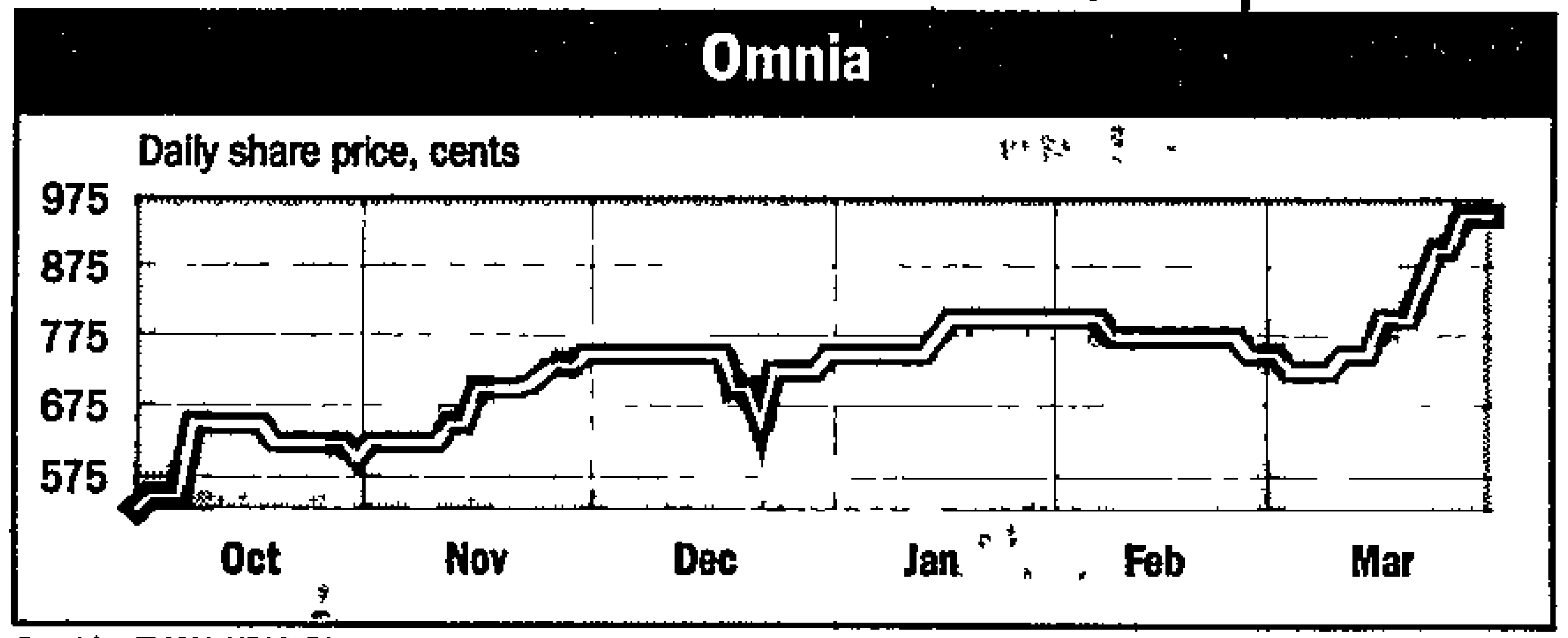
OMNIA Holdings is one of the best-kept secrets on the JSE.

The fertiliser, explosives, seed and industrial chemicals company's managing director, Neville Crosse, gave members of the Investment Analysts Society a peek inside the family-owned business which took on the big guns of fertiliser in the 1980s and won.

Mr Crosse says Omnia was started in 1953 as a lime distributor by the Marais and Winkler families. It entered fertiliser in 1967, liquid fertiliser in 1972, was listed on the JSE 10 years later, got into explosives in 1987 and seeds and commodity trading in 1989

Mr Crosse says that although Omnia is highly rated and its profile low, it is aggressive in business

"People think ours is a cyclical market, but our compound growth rate of profit after tax was 35,6% a year for the last seven years"



Graphic. FIONA KRISCH Source I-NET

Omnia's plants run at full capacity 365 days a year because high throughput leads to reasonable profit margins.

In its year to December 1993, Omnia's income after tax of R34-million was 72% higher than in 1992 from a 27% rise in turnover to R616-million It had a relatively poor 1992

Fertiliser accounted for 61% of earnings, seed 7%, explosives 28% and industrial chemicals 4% These divisions respectively accounted for 66%, 18%, 28% and 2% of funds employed

"Fertilisers made up 100% of our business in 1986 We would like to see it come down to about half our earnings"

Mr Crosse estimates that Omnia is No 2 in fertiliser with market share of 30% In the main agricultural areas, it is probably 40%.

Seeds are a long-term business

Mr Crosse says: "It takes seven years to develop new seed, there is only one six-week season for it every year and if you get your marketing strategy wrong, you have to wait a whole year for another try.

"We are now over the research and development hurdle and foresee much better profits for our seed business."

Mr Crosse says Omnia enjoys the competitive explosives business and hopes it will expand into gold mining with the Dyno Nobel explosive technology agreement

The fledgling industrial chemicals company is doing well

"We are really a chemical company, it is just because our products sell in the agricultural market that we are called a fertiliser company."

Omnia's domestic fertiliser sales have climbed steadily for nine years in spite of SA's fluctuating rainfall

SA has 15 000 maize farmers and 50 000 in all categories. Mr Crosse says no more than 3 000 new farmers can come on the land in the next few years. SA has little experience in farming 20-hectare plots and new technology will be required.

Omnia's shortcoming — if it can be called that — is that there are virtually no shares available for trade The Winkler family and Anglo-Alpha each own 26%. The Marais family own 15% Staff has a stake and institutions, notably Old Mutual, most of the remaining 21%

If you can find Omnia shares, buy

AECI winning its battle for needed competitive edge

Star 5/4/94

■ BY STEPHEN CRANSTON

The creation of the Polifin joint venture with Sasol represents a significant advance in AECI's effort to make its operating companies internationally competitive, says AECI chairman Mike Sander.

Writing in the annual report for the year to December, Sander says that only the existing process of ammonia manufacture is clearly not able to match the unit costs of leading world producers

He says replacement of the existing modification of this process will be kept under review, until it has clarification of the availability and cost of alternative feedstock sources such as natural gas from Mozambique

But even after solving the problem of its chlor-alkali and plastics business through Polifin, and the problem of increased exports from its explosives business through a joint venture with ICI, AECI is left with certain headaches

Dent

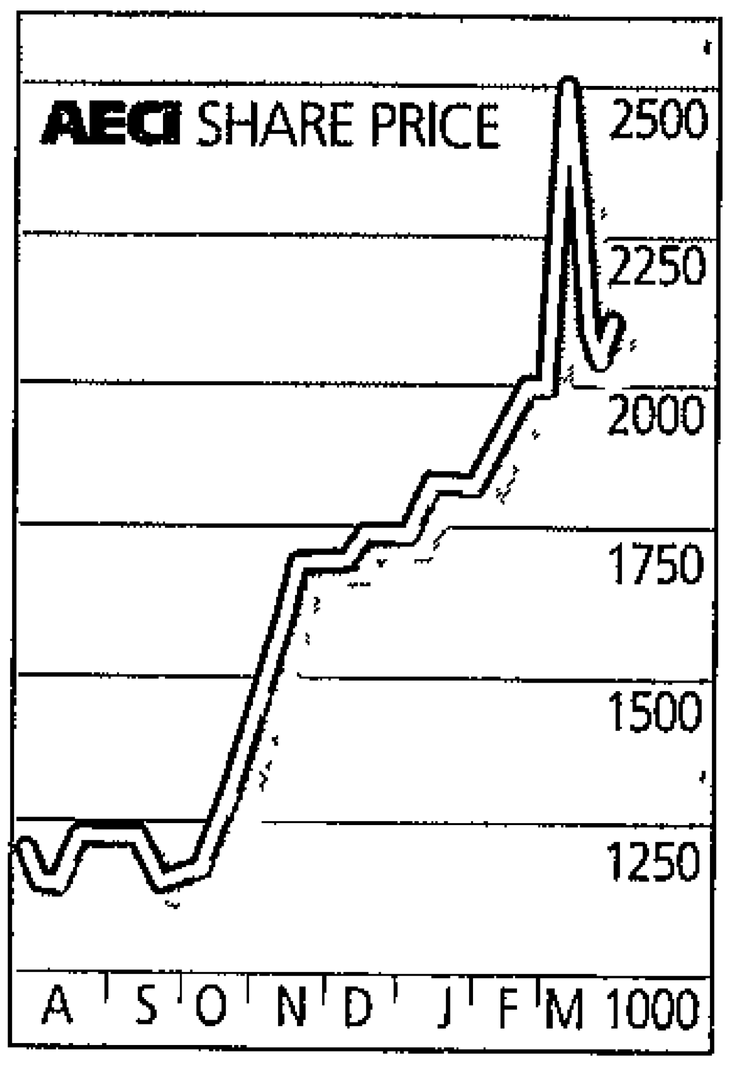
183

Not least of these is Soda Ash Botswana The attributable loss from its 26,5 percent stake in this business is equivalent to 18c a share, creating a sizeable dent in the group's earnings per share, which were 133c before abnormal items for the year.

There has been a 30 percent decline in the South African market for soda ash from 330 000 tons in 1990, and the venture has faced aggressive price-cutting by foreign suppliers

But Sander says that while the combined impact of these factors is severe and inescapable in the short term, in the longer term the underlying economics and technical capability of the production process employed at Sua Pan have been proved to be sound and fully competitive, at higher production levels with leading producers of soda ash from natural sources elsewhere in the world, and substantially more attractive than the synthetic process, which is used to supply two-thirds of world consumption

Sander says AECI will probably make a provision against both present and future investment in Soda Ash Botswana so that further losses can be made against the provision rather than against earnings.



AECI is about to enter a number of new business areas.

The lysine project, in which the Industrial Development Corporation (IDC) holds a 40 percent stake, is scheduled to begin production in mid-1995

The feasibility of establishing a world-scale facility to manufacture penicillin, in the related area of fermentation technology, is being evaluated in conjunction with SmithKline Beecham

This is partly funded by the American Trade Development Agency

A first investment in the speciality field of flavour, fragrance and food chemicals has been approved, and the facility is under construction at a new factory site in Richards Bay

Among AECI's operating companies, Kynoch Fertilizer increased sales in the domestic market by 15 percent off a low base

Margins were below expectations, but there was a significant improvement on 1992 thanks to tight cost management and a major contribution from exports, which increased by 25 percent

SA Nylon Spinners increased real trading profit in line with inflation

International yarn markets were weak, with commodity yarn prices down by more than 20 percent in dollar terms

There was, therefore, limited scope to recover the year-on-year 20 percent increase in the rand cost of raw materials due mainly to the weakening currency

AECI expects to surge ahead in coming year

BDay 7/4/94

MUNGO SOGGOT

PETROCHEMICALS group AECI expected a significant increase in earnings in 1994 provided SA's political transition ran smoothly, chairman Mike Sander said in the group's annual report

He said the rise should stem from a moderate improvement in the economy in 1994, as well as AECI's radical reshaping last year

The restructuring — in which ICI sold its 25% stake in AECI in exchange for a 51% share in a joint venture in AECI's explosives business — marked the end of ICI's role as a joint controlling shareholder of AECI after 70 years

He said AECI's investment in Polifin Ltd — the company created by the merger of AECI Chlor-Alkali and Plastics Ltd and Sasol's associated downstream operations — should have a positive effect on earnings in future years

The joint ventures with ICI and Sasol would enable AECI to compete more effectively with other suppliers in international and domestic markets

(183)

Sander said AECI's turnover increased 8% during 1993, and "substantially reduced financing costs" lifted earnings a share 25% to 133c from 106c a share in 1992

He said the board had decided to maintain the dividend on ordinary shares at 58c, to leave a dividend cover of 2,3 times

"It remains the policy of the board to pursue a policy of building a still higher dividend cover," he added.

Sander said the lysine project — in which the Industrial Development Corporation had a 40% stake — was expected to start production in mid-1995

"Experience gained to date has served to confirm the competitiveness and economic viability of this venture"

AECI had also launched a feasability study with SmithKline Beecham to investigate setting up a "world scale facility" to manufacture penicillin in SA The study would be completed in 1994

The group had made its first foray into flavour, fragrance and food chemicals, after investing in a factory at Richards Bay AECI was also involved in small plant-breeding ventures

"These initiatives, together with the group's substantial continued expenditure on the research and development of other innovative technologies, have the prospect of providing further cost-competitive and rewarding investment opportunities in future years"

But a current investment — the Soda Ash Botswana venture — remained a thorn in AECI's side Its "serious underperformance" had knocked 18c off earnings a share, and Sander warned that AECI would take a charge against Soda Ash Botswana in its 1994 figures to safeguard earnings against future losses

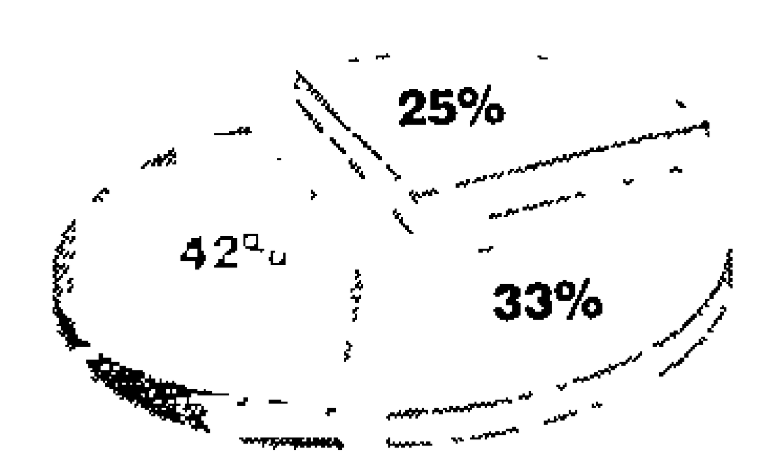
The group made a R45m provision against its investment losses in 1993, though it was not clear how much of this related to the venture

A spokesman said the company had still to complete an investigation into Soda Ash Botswana which would allow it to quantify the provision

Sander said that despite short-term problems such as a 30% decline in the SA market for soda ash, the group remained confident of the "inherent cost competitiveness and viability" of the operation

The annual report also showed that the five-year decline in AECI's workforce was halted in 1993 Staff numbers rose to 23 700 last year, against 23 600 in 1992.

AECI
proportion of group turnover



Speciality products & services
Explosives, chemicals & agricultural products
AECI chlor-alkali & plastics

Graphic LEE EMERTON Source AECI

Curnow acts to reduce costs

CAPE TOWN — Rationalisation at automotive paint and refinishing product group Curnow M&G was leading to higher turnover and reduced costs, new chairman Peter Brunnschweiler said in the company's annual report

AECI and W&A previously held 71,4% of Curnow In November debt-ridden W&A sold its shares to Elzet Industrial for R2,7m. Curnow then bought Harveys Equipment — previously its major competitor in the Western Cape — in exchange for shares to become a 57% subsidiary of Elzet (232) (183)

Curnow is the leading distributor of AECI's Dulux products through its 15 branches

During the rationalisation, two branches were closed and others moved

EDWARD WEST

Brunnschweiler said he was confident of improved profits in a better economic climate B/Day

Trading in the past year was marked by fierce competition, particularly in the PWV region In the year to December 1993, turnover climbed 16,3% to R54,5m (R46,8m), but operating profit fell 24% to R2,3m (R3,1m) as margins slipped for the fourth successive year

Earnings fell to 3,7c a share from 4,9c in 1992, but the dividend was maintained at 2c for the third year

Despite the poor results, the share has been trading at a 12-month high of 40c most of this year after recovering from a low of 17c It was untraded on Tuesday 7/4/94

T&N HOLDINGS
FM 8/4/94

Exports building up

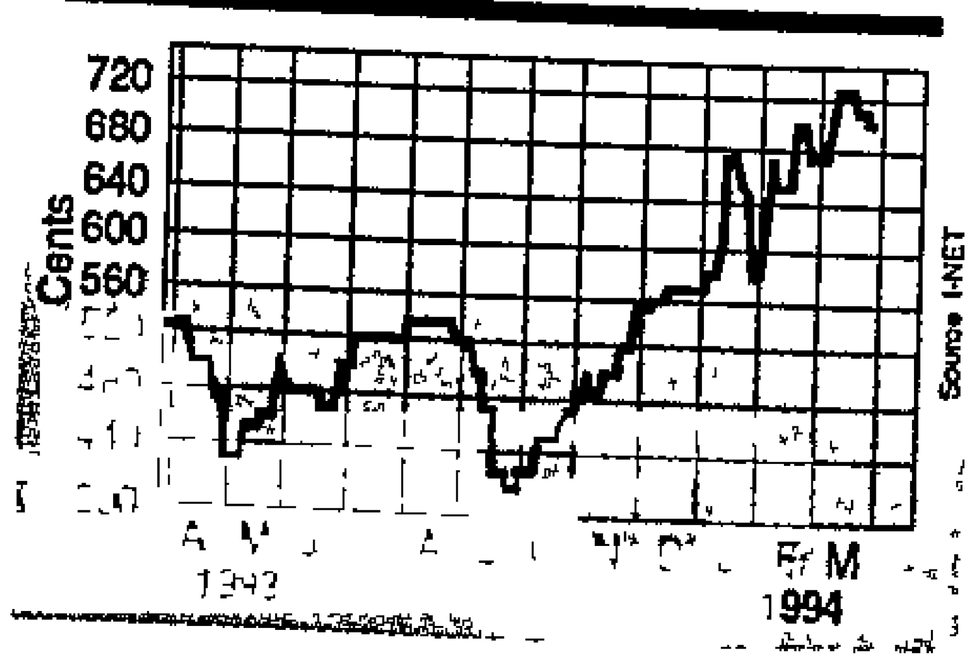
Activities: *Developing, manufacturing and trading in chemicals and plastics, automotive components, and industrial products*
Control: *T&N Plc 51%*
Chairman: *C F N Hope; CE W W Cooper*
Capital structure: *23,1m ords Market capitalisation· R157m*
Share market: *Price 680c Yields 5,0% on dividend, 14,6% on earnings, p e ratio, 6,8, cover, 2,9. 12-month high, 735c, low, 410c Trading volume last quarter, 35 000 shares*

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	73,3	48,6	59,9	36,2
LT debt (Rm)	31 5	46,4	46,0	36,1
Debt equity ratio	0,60	0,34	0,38	0,28
Shareholders' interest	0,39	0,40	0,42	0,45
Int & leasing cover	1,34	1,68	2,46	2,77
Return on cap (%)	9,6	10,8	13,6	13,6
Turnover (Rm)	413	426	424	495
Pre-int profit (Rm)	28,2	34,8	48,6	46,7
Pre-int margin (%)	6,8	8,2	11,5	9,4
Earnings (c)	35 0	70 0	86,0	99,6
Dividends (c)	13,8	24	34	34
Tangible NAV (c)	408	532	626	643

With its fingers in the motor and chemical industries as well as plastics and industrial products, T&N Holdings continues to perform admirably Financial 1993 was the fourth consecutive year of turnover and real earnings growth

(183)

T & N Holdings



OMNIA

Fertile ground

A graph of the share price says it all for agriculture, trading and explosives company Omnia Holdings At R10, the counter has almost doubled in value over the past year — 38% of this increase occurred during last month

With a hiccup in earnings in financial 1992, directly because of the drought, the group made the most of 1993's improved season

Most satisfying for shareholders, particularly those who bought the share when it bumped along at around R5 for the best of five months last year, is the 72% increase in EPS to 88c Admittedly off a low base, the performance is nevertheless commendable operating income increased 53% to R88,1m

FM 8/4/94

on turnover which was up by little more than a quarter to R616,9m (183)

But improvement in margins from 9% to 14% was due not only to the better rainfall, but also to strict control of overheads, improved raw material procurement and greater penetration of key markets Earnings were enhanced by the 13% reduction in finance costs despite a slight increase in gearing from 39% in 1992 to 43% at end-December But the pre-tax earnings increase of 117% to R49,1m was severely trimmed by a quadrupling of the tax charge to R15,2m, assessed losses were used fully in 1992

Omnia is traditionally a strong second-half company, earning most of its profit during the summer planting season In the six months to December turnover was twice that of the first half Operating income increased from R9,7m to R58,4m The turnaround is evident at the bottom line. an earnings loss of R1,95m at the interim was transformed into a R36m profit in just six months

In recent years, management has sought to reduce Omnia's dependence on fertiliser, placing greater emphasis on diversification Its explosives company, BME, recently concluded a technology agreement with Dyno Nobel, the world's second-largest explosives group CE Neville Crosse says this will enable BME to expand its product range significantly

A particularly gratifying feature of these results, says Crosse, is that all divisions — agriculture, explosives, trading and the recently established industrial chemicals made positive contributions But fertiliser remains the biggest contributor to earnings, about

GREEN FINGERS

Year to December 31	1992	1993
Turnover (Rm)	487	617
Operating income (Rm)	44,5	68,1
Attributable (Rm)	19,8	34,1
Earnings (c)	51	88
Dividends (c)	40	44

FM 8/4/94

70% of income coming from this source

With the return of normal climatic conditions, and given the efficiency of the businesses and the footholds in respective markets, Omnia could again deliver real earnings growth this year, though not at last year's pace (183)

Marylou Greig

AECI

FM 8/4/94

Look towards the long term

183

Activities: *Makes and sells chemicals, explosives and plastics*
Control: *Anglo American Industrial Corp 40%*
Chairman and MD: *M Sander*
Capital structure: *154,7 ords Market capitalisation R3,25bn*
Share market: *Price R21 Yields 2,8% on dividend, 7,3% on earnings, p e ratio 13 7 cover, 2,3 12-month high, R26, low, R8,50 Trading volume last quarter, 776 000 shares*

Year to Dec 31	'90	'91	†'92	'93
ST debt (Rm)	460	477	455	307
LT debt (Rm)	331	470	350	738
Debt equity ratio	0,55	0,46	0,35	0,38
Shareholders interest	0,44	0 50	0,50	0,50
Int & leasing cover	3,9	2,6	2,7	4,0
Return on cap (%)	15,8	10,3	10,6	10,4
Turnover (Rm)	5 031	5 280	5 545	5 968
Pre-int profit (Rm)	521	422	443	475
Pre-int margin (%)	9,9	7,6	7,8	7,8
Earnings (c)	154	121	106	153
Dividends (c)	87	58	58	58
Tangible NAV (c)	906	1 303	1 331	1 436

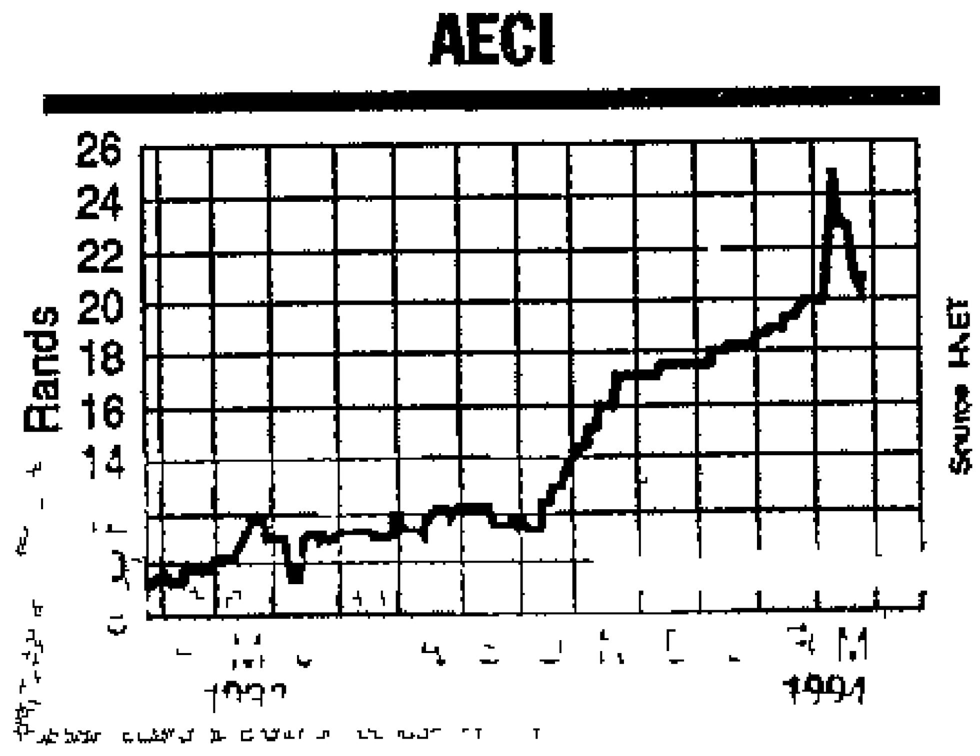
† Restated to reflect proportional consolidation of jointly controlled entities

Financial 1994 will probably mark some of the most significant changes to industrial giant AECI in its 70-year history Structural changes, including control reverting from the UK to Anglo American Industrial Corp, strategic joint ventures and an upturn in earnings after three years of decline have rekindled investor interest, reflected in a share price which has more than doubled over the past year

The new course the group appears to be on certainly holds long-term potential, particularly for export-orientated business Shorter term, AECI is still battling under difficult trading conditions, with some areas, notably Soda Ash Botswana, cause for concern Results for 1993 — and they are encouraging — have however been heavily influenced by one-off factors and should not cause undue optimism

Perhaps AECI's greatest feat last year was to maintain trading margins in what chairman and MD Mike Sander says was the most intense competitive pressure on selling prices yet experienced That allowed the 7,6% growth in turnover to translate to an 8,1% increase in trading profit

AECI



AECI's Sander *intensive pressure on selling prices*

The rest of the income statement has been boosted to some extent by a R42m reduction, to R120m, in finance costs, and a R31m deferred tax adjustment arising from the lower corporate tax rate, shown as an abnormal item That boosted earnings by 44%, or 25% before the abnormal item

The deferred tax break will not be repeated this year, finance costs will not have the same effect, as AECI's borrowings, net of cash, have risen by about R116m

So while earnings should continue to grow, it's very unlikely to be at the 44% rate recorded after the abnormal item in 1993 And some dismal trends of the past few years remain in place Chief among these is the trading margin around 8%, in place since 1991 despite steadily growing turnover, and the 9% return on assets over the same period

Executive director Neale Axelson says he does not expect margins to improve this year from better prices "Generally, there is an improving trend in world dollar prices, particularly for fertilisers and PVC But trading conditions for the different businesses remain extremely competitive," he says

Two new developments which came into effect at the beginning of the year — the partnership and asset swap with former joint controlling shareholder Imperial Chemical Industries Plc (ICI) to form AECI Explosives (*Fox* February 18), and the joint venture with Sasol, named Polifin — will not significantly affect 1994's results

Polifin, in which AECI holds 40%, is expected to reach full potential only early in 1996, when AECI's PVC manufacturing facilities have been converted to use Sasol's ethylene feedstock While the establishment of AECI Explosives, with ICI as the 51% partner, offers AECI strategic benefits through enhanced access to overseas technology and markets, the business is not likely to show much improvement this year

What will probably appear on the 1994 accounts is a provision against the present and future investment and equity-accounted losses coming from Soda Ash Botswana, in which AECI has a 26,5% stake and which so far has proved to be a bleeder AECI's share of losses now total about R45m, with an investment of R181m

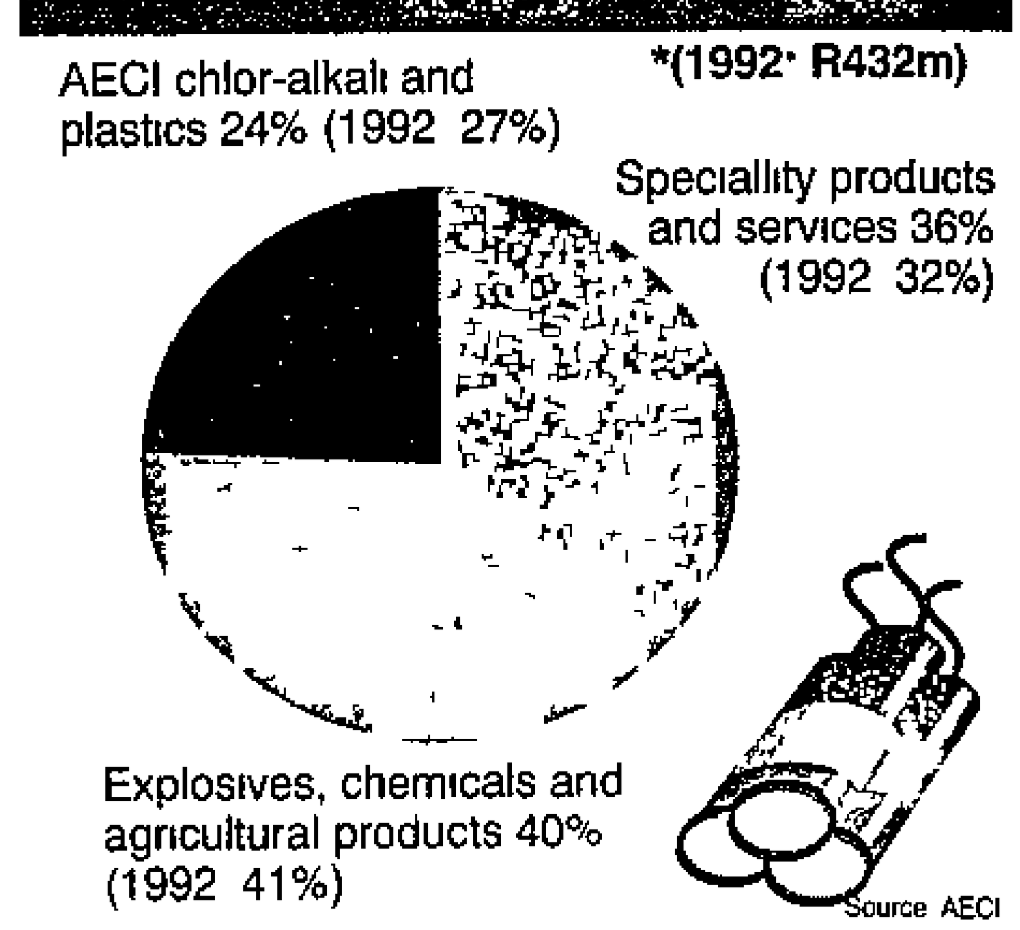
Abnormal item

Earlier suggestions that the provision might be shown as an extraordinary item below the line raised some eyebrows Axelson says the inclination at the moment is to treat the provision as an above the line abnormal item, which will probably be offset by similar treatment of the R300m-odd surplus which AECI will accrue from the disposal of 51% of its explosives business

Soda Ash Botswana, which increased market share to 55% in the shrinking local market, is still on track to become cost competitive and viable in the long term Prospects look good, with the projects already mentioned, and the cash of R812m at current value but potentially far more than AECI is expected to raise in the next few years from placing with an overseas shareholder the 25% equity it holds in itself through Afex Holdings

But don't expect too much this year Axelson says the first quarter has reflected uncertainties around the elections The second half should be better, given some political resolution, economic improvement in the US, and an expected uptick in demand from the agricultural sector after good summer rains

Contribution to trading profit of R467m*



AECI should prove to be a prudent long-term hold but, on present ratings, it's looking fully priced

Shaun Harris

ENGEN

Fm 15|4|94

UNAUDITED RESULTS

for the six months ended 28 February 1994

(183)

ABRIDGED INCOME STATEMENT

	Unaudited Six months to 28/2/94 Rm	28/2/93 Rm	% change	Audited 12 months to 31/8/93 Rm
Turnover	**4 032**	3 564	13,1	7 719
Operating income before exceptional item and inventory effects	**282**	257	9,7	556
Exceptional item*	**(17)**	0	—	—
Inventory effects**	**(37)**	13	—	22
Operating income after exceptional item and inventory effects	**228**	270	(15,6)	578
Net financing income/(expense)	**(17)**	13	—	16
Income before taxation	**211**	283	(25,4)	594
Taxation#	**34**	55	—	113
Income after taxation	**177**	228	(22,4)	481
Attributable to outside shareholders	**1**	0	—	1
Net income	**176**	228	(22,8)	480
Shares in issue – weighted average (000)	**155 630**	154 873		155 192
Earnings per share (cents)				
– after exceptional item and inventory effects	**113**	147	(23,1)	309
– before exceptional item and inventory effects	**142**	140	1,4	298
Cash equivalent earnings per share (cents)				
– after exceptional item and inventory effects	**150**	164	(8,5)	349
– before exceptional item and inventory effects	**179**	157	14,0	338
Dividend per share (cents)	**55**	55	—	154
Dividend cover (times)	**2,1**	2,7		2,0
Exceptional item and inventory effects				
* Exceptional item Retrenchment costs	**(17)**	0		0
** Inventory effects Inventory profit/(loss)	**(37)**	(12)		18
Transfer from inventory reserve	**0**	25		40
Net before tax	**(54)**	13		22
Net after tax	**(45)**	11		18
#Effective tax rate %	**16,1**	19,5		19,1

ABRIDGED BALANCE SHEETS

	28 February 1994 Rm	28 February 1993 Rm	31 August 1993 Rm
Total shareholders' interest	**3 034**	2 801	2 931
Net borrowings	**512**	218	335
Current liabilities	**1 024**	1 086	1 323
Total capital employed	**4 570**	4 105	4 589
Fixed assets	**2 729**	2 111	2 494
Investments and advances	**518**	516	509
Current assets	**1 323**	1 478	1 586
Total assets	**4 570**	4 105	4 589

OPERATIONAL STATISTICS

(Millions of barrels)

	Six months to 28/2/94	28/2/93	% change	12 months to 31/8/93
SA domestic sales	**15,2**	14,7	3,4	30,4
Bunkers/other	**2,8**	2,0	40,0	5,1
Chemicals	**0,6**	0,5	20,0	1,1
Exports	**4,2**	1,8	133 3	5,7
Total sales	**22,8**	19,0	20,0	42,3
Refinery crude throughput	**14,5**	12,1	19,8	27,6

lower expenses and a reduction in our total workforce of around 15%, or some 500 people, by the end of the current financial year

The effects on the individuals concerned of the regrettable loss of jobs will be ameliorated by their receipt of suitable retrenchment packages We have decided to account conservatively for the very significant associated costs by absorbing them in full during the current financial year as an exceptional item

At the end of February 1994, 338 individuals had been given retrenchment packages and the associated exceptional expense deducted from our earnings for the six months to that date was R17 million However, most of the people concerned only left our employ towards the end of the period, and some are still on our payroll Consequently, associated expense savings during the first half of the financial year were modest Exceptional retrenchment costs for the full financial year are likely to approach R60 million, with associated expense savings for the same period of around R20 million Based on current remuneration levels, ongoing expense savings of some R45 million per annum are expected

3. INVENTORY EFFECTS

Engen's ongoing profitability is primarily a function of our operational efficiencies and the margin between crude and refined product prices, as opposed to the absolute level of such prices Therefore, the low level to which crude prices have declined over the reporting period is not, all other things being equal, negative for the company In fact, the associated decline in product prices should have a positive effect on economic growth in general, and demand for fuel and other oil products in particular (albeit that the payment of substantial subsidies to synfuels producers – which rise as the price of crude falls – currently limits the extent of the decline in domestic retail prices)

However, any change in absolute price levels does affect revenue from the subsequent sale of crude and product inventories, and hence has a once-off impact on our profits At present inventory levels and exchange rates, a change of $1,00 per barrel in the crude price has a pre-tax inventory effect of approximately R20 million

Therefore, the fall of around $2,00 per barrel in international crude prices during the six months to 28 February 1994 resulted in once-off inventory losses of R37 million Although similar losses of R12 million were incurred during the comparable reporting period in 1993 these were, in terms of our accounting policy, more than offset by a transfer of R25 million from the stock profit equalisation reserve This policy was adopted, and the reserve created, in previous years with a view to reporting periodic earnings which more accurately reflect the underlying earnings capacity of our business However, the unexpected and sustained fall in crude prices since January 1993 resulted in the depletion of the reserve during 1993 Consequently our 1994 results will reflect the full impact of the changes in crude and product price levels, and will not be representative of the underlying earnings capacity of our business We have therefore decided to report our earnings, as well as other salient financial statistics, before and after the inventory effects of crude and product price changes to appropriately reflect this capacity

4. ENGEN REFINERY UPGRADE

The Phase II upgrade project will, inter alia, give the Engen refinery the capability to process cheaper crudes while maintaining the present yield of white oils and to increase output by some 22%

The sulphur recovery complex has already been completed and streaming of the balance of the project is now scheduled for December 1994, some four months ahead of the original projection The upgrade will also be completed within budget

5. UPSTREAM

The Alba Field, offshore UK, achieved first oil in January and the Bukha platform in Oman was successfully installed during December 1993, with commercial production scheduled for April 1994

Exploration activities continue in West Africa and four exploration wells are scheduled in the second half of the year

6. CHANGE TO ENGEN BRAND NAME

The highly successful programme to change the Mobil brand name to Engen reached its conclusion, as envisaged ahead of schedule in December 1993 In all, approximately 1 000 sites were converted at a total cost of R116 million, some R30 million below budget

7 DEREGULATION

We welcome the recommendations contained in the recently released report by the Competition Board on the Rationalisation Plan (Ratplan) as healthy and fair competition in our industry will benefit the South African economy in general and consumers in particular However, we remain convinced that tampering with only some parts of the current regulatory framework will not achieve such results and that a total dismantling is required

8 FUTURE PROSPECTS

Growth in domestic demand will depend largely on the performance of the South African economy and the outcome of South Africa's first democratic elections We are optimistic with regard to the latter and are encouraged by signs that the economy has finally come out of recession

We expect some improvement in underlying earnings before exceptional items in the second half of the financial year, compared to the performance just reported However, the significant retrenchment costs that will be incurred during the second half are likely to more than offset this increase Nevertheless, we are confident that the future cost savings associated with the re-engineering of our business will, together with the benefits that will increasingly flow from the major investments that we have made in recent years, result in the resumption of real growth in Engen's earnings in the 1995 and future financial years

Cape Town
On behalf of the board — 13 April 1994

B A Smith *(Chairman)*
R J Angel *(Managing director and chief executive officer)*

DECLARATION OF INTERIM DIVIDEND

Notice is hereby given that an interim dividend No 50 of 55 cents per share in respect of the six months ended 28 February 1994 has been declared payable to shareholders registered in the books of the company at the close of business on 29 April 1994

Dividend cheques will be dispatched by the transfer secretaries on or about 13 May 1994 A shareholder who requires the company to make any changes in regard to the payment of his dividends must lodge a written request with the company or its transfer secretaries on or before 29 April 1994

In accordance with the South African Income Tax Act (as amended) non-resident shareholders' tax at the laid-down rate will be deducted from the dividend payable to the shareholders whose registered addresses are outside the Republic of South Africa

By order of the board — 13 April 1994
A A Gani *(Secretary)*

Registered office:
Engen Court
Thibault Square
Cape Town 8001
(PO Box 35
Cape Town 8000)

Transfer secretaries:
Central Registrars Limited
154 Market Street
Johannesburg 2001
(PO Box 4844
Johannesburg 2000)

European chemical moves could help SA

B/Day 8/4/94

MUNGO SOGGOT

THE SA petrochemical industry would benefit from a more streamlined European chemical sector which could soon be pooling its resources for research and development, industry heads said yesterday.

They were responding to a recent report in the Financial Times which said the European chemical sector has been suffering from chronic overcapacity.

The report said research directors from European companies would meet this month to identify suitable areas for sector-wide research.

SA companies gave different reasons for the impact these European developments would have on the local sector.

Sentrachem executive director Ralph Oxenham said the tackling of overcapacity in Europe would result in higher prices of imported chemicals into SA.

This would allow SA companies to increase their prices.

He said the European chemical industry was a "bloodbath", which explained the drive to rationalise and pool resources.

However, AECI executive director Johnny van Leeuwen said SA companies would be unaffected as it was unlikely that European companies would team up in "competitive areas".

"AECI suspects that common industry problems such as the environment, waste, safety and health will be addressed.

"With this scenario we believe that industries in SA with European connections will benefit," van Leeuwen said.

(183)

The report quoted Italian chemical group Enichem research head Peter Schwarz. "We believe co-operation will be a large part of operations in the future, particularly in the situations of high-risk financial exposure which are present in the chemical area."

The report said the European companies would hand their proposals to the European Commission — which currently provided half the funding for joint research projects — in the hope of attracting funding.

Sentrachem financial director Norman Kennelly said although the SA industry was more sheltered than the European one, there were several local joint ventures on the go. For example, Sentrachem had teamed up with Hoechst to form Safripol, which produced high density polyethylene.

SENTRACHEM

FM 8/4/94

Market recovery remains limited

(1823)

After five years of recession, which for diversified chemical group Sentrachem started in the second quarter of 1989, margins are starting to firm But the increase in the operating margin — to 9% in latest interim results, from 8,2% at year-end and 8,6% in the previous period — comes mainly from a vigorous cost containment programme rather than any recovery in market demand

World chemical prices remain largely stagnant and outside the agricultural sector the rest of the local economy is not showing discernible patterns of improved demand With products sold to literally hundreds of sectors, Sentrachem is a good barometer of the economy And, as the interim results from consumer-focused Malbak showed last week *(Fox* April 1), now that the drought is over and after good summer rains, it's only agriculture that's showing clear signs of improvement

Sentrachem's Job *main improvement from exports*

For Sentrachem, that meant better trading for agricultural chemicals and animal products division Agrihold, though MD John Job points out the real improvement in earnings — up 21% to 39c per share — came from increased exports, mainly from joint venture Sanachem

Group exports have grown from about R190m at the previous interim to around R208m, increasing their proportion of turnover to 15% Sentrachem is on a strong export drive, with Job saying investments over the next few years will be in export-orientated businesses and projects that are internationally competitive The strategy seems sound Export earnings could prove to be more stable considering SA's erratic weather pattern Job says he does not want to be too exposed to natural phenomena like droughts

Accordingly, Sentrachem has expanded its overseas presence with a new office in Hong Kong and has taken its operations in London and Houston out of the sanctions closet "We've been in the UK and US since 1986, but now we are raising our presence, putting the red S (Sentrachem's logo) on the doors We will probably expand further overseas, to help our manufacturing companies in SA," Job says

Most dramatic feature of the interim accounts is the sharp reduction in Sentrachem's gearing ratio, down to 8% from last interim's 47% and against an historical average over the past 10 years of about 70% That's from February's R290m rights issue, proceeds from which were put straight into reducing net borrowings to R98m (R423m)

Lower debt is not yet reflected in finance charges of R36m, which should reduce substantially at year-end, despite an estimated increase in gearing to about 12% as Sentrachem invests in new and ongoing projects Capex for the full year is around R160m-R170m

Additional shares in issue from the cash call will dilute earnings, but not significantly Job says an earnings forecast for the year is confused by politics, but should show real growth With lower interest charges, a stronger balance sheet and the possibility that other sectors of the economy could start increasing demand in the second half, the *FM* does not expect earnings to increase by less than about 15%

Part of Sentrachem's reason for reducing gearing was to improve investor perceptions These have been improving anyway when the annual report was reviewed in November, the share was trading at R8,75 on a p e of 11,6, slightly below AECI and Chemical Services At R11,75, the share is not far off its annual high and the p e has firmed to 14,3, overtaking AECI and Chemserve

FIRMER MARGINS

Six months to	Feb 28 '93	Aug 31 '93	Feb 29 '94
Turnover (Rbn)	1,33	1,29	1,39
Operating income (Rm)	115	99	124
Attributable (Rm)	38	49	46
Earnings (c)	32,3	43,0	39,0
Dividends (c)	7	17	8

With the exception of Sasol, still apparently dogged by investor concern about its tariff protection, share prices of all the chemical groups are discounting improved performances this year Sentrachem is the most expensive, but its strongly improved ratings indicate investors are expecting the most from it

Shaun Harris

STANDARD ENGINEERING

FM 8/4/94

Into reverse

Investors have come to expect earnings growth from Standard Engineering Sadly, events in the six months to end-February caused the first earnings decline since the group was constituted in its present form in 1989

Shareholders should not have been too surprised by the tax surge, which transformed a 15% decline in pre-tax profit into a 24,7% drop in earnings In the last annual report, CE Terry Davidson warned that tax losses were exhausted

But it was the unexpected that threw forecasts off track Last year, the automotive division benefited from a destocking cycle by OEMs (Original Equipment Manufacturers) and deliveries were in line with demand for heavy commercial and passenger vehicles This good offtake was not sustained in the interim period and an unexpected sharp decline in demand seriously affected AS Transmissions and Steerings' performance

CE Terry Davidson says "With the international market still depressed, export sales could not compensate for the decline in the domestic market "

Though automotive sales are expected to improve over the next four months, volumes will probably be lower than those achieved over the same period in the previous financial year (Murray & Roberts bought control of Standard Engineering last May By bringing its year-end in line with that of M&R's, Standard will have only a 10-month operating period for financial 1993)

A second problem area in the six months was the pipe division The loss of the Rand Water Board contract, with depressed local demand, resulted in a loss Though there has been some increase in local demand and export orders are good, the volume shortfall will not be recovered by year-end

It's not all bad news though The rolling stock division received its biggest contract yet — a significant portion of a US$395m order to supply electrical multiple unit train sets to Taiwan The two-and-a-half year contract will start in October next year

The fluid handling and measurement division also did well Protea Technologies, part

Joint distribution boosts drug firms' sales

B/Day 8/4/94

BEATRIX PAYNE

SALES for the four multinational pharmaceutical manufacturers selling products through International Healthcare Distributors (IHD) have risen by up to 24% in the four months since IHD was created, industry sources said yesterday

But the companies — Ciba, Bayer, Roche and Boehringer-Ingelheim — said they were unlikely to cut medicine prices, despite the boost in sales

IHD was established in December to better control the distribution of their products and limit the impact of cheaper illegal medicines.

Boehringer-Ingelheim CE Paul Stewart said the distribution of products through a single distributor had triggered a rise in medicine sales.

Stewart said Boehringer-Ingelheim had chalked up an increase in sales to about R2m, 15% higher than in the same period last year

He warned that the increase was off a low base as the first quarter of 1993 had seen a decrease in sales for the industry as a whole

But better sales performance was unlikely to translate into cheaper medicines as the multinationals had cut product prices by 5% when IHD was launched

Ciba marketing manager Anton Potgieter said sales had increased 24% when compared with the same period last year

But it was difficult to make an exact comparison as, unlike IHD, wholesalers often bought low volumes during the first quarter of the year, having stocked up during the previous quarter in anticipation of new year price increases

Bayer Pharmaceutical Division manager Richard De Chastelain said sales had exceeded expectations, rising roughly 10% because IHD had given Bayer more control over its trading operations.

Sales figures had also been boosted by the limiting of sales of illegal products (183)

Sales of Roche products had not improved dramatically under IHD distribution, CE Tobias Kiechle said

But contrary to expectations no sales had been lost when IHD was established

He warned that the company's prices could rise in July Roche had frozen prices in April last year but would have to increase prices to absorb inflation

Sasol's fiery debate

S I Times (Buss) 10/4/94

By KEVIN DAVIE

SASOL should be run as a non-profit organisation, says a study for the Government by the Energy Research Institute of the University of Cape Town.

Richard Dutkiewicz says in a study for the Department of Mineral and Energy Affairs "Since there are no economic or other grounds for closing down Sasol or Mossgas the question becomes what subsidy should be paid to make them competitive with liquid fuel suppliers

"Theoretically the sunk cost should be covered by the Government and the two bodies should be operated as non-profit organisations"

Professor Dutkiewicz recommends that a subsidy system be introduced to ensure that Sasol and Mossgas continue, but without harming the profitability of the petroleum industry unduly

Sasol says that as a privately owned company it, unlike Mossgas, cannot be run on a non-profit basis

"At the time of privatisation, the State undertook to provide a measure of tariff protection at times of low international oil prices

"The State has invested R4,9-billion in Sasol projects for which it received more than R14-billion in loan repayments, interests, dividends and shares

"The argument of a sunk cost does therefore not apply in Sasol's case"

Sasol was privatised in 1979 Low oil prices have lifted its protection payments to more than R1-billion a year

Its future is being hotly debated by the industry and analysts are calculating the effect deregulation might have on its finances

The fuel industry intends to place itself on a fully competitive footing, but says arrangements will have to be made for Sasol's uneconomic synfuel operations

Considerable debate is likely about these arrangements, especially the price oil companies pay for Sasol fuel

An analysis by an industry expert concludes that Sasol's synfuel operations would incur a large loss in a deregulated environment, wiping R1-billion off pre-tax profit

Business Times has a copy of this study, which says that even partial deregulation would adversely affect Sasol — ranked one of the world's most-profitable industrial corporations by Fortune magazine.

The study calculates Sasol's 1993 synfuel profit before interest and tax (PBIT) at R896-million

Stripped of protection, Sasol would have lost R266-million

Even if its profitable chemical operations were included, Sasol would have lost R27-million

The synfuel study says Sasol's coal and chemical operations should be included to give a better picture of its overall finances.

This is because 95% of Sasol's coal is used by Sasols I, II and III Chemicals are largely a by-product of synfuel operations.

The analyst says "all the stockbrokers, including Sasol, are admitting that the degree of protection Sasol is enjoying is reaching embarrassing levels".

It says rising oil prices and falling rand exchange rates could rescue the synfuel operation, but are not part of the analysis

Sasol says this analysis presents "highly improbable worst-case scenarios"

It says the reputable consultancy, Petroleum Economics, has estimated an oil-price increase of $3 to $4 a barrel for Sasol's next financial year "with a corresponding decrease in the level of protection" (183)

Sasol adds "A summary of six international crude oil forecasts shows a price range of $20 to $27 for the year 2000 (in 1992 dollars)

"This would indicate the gradual phasing out of tariff protection over the medium term"

Spokesman Jan Krynauw, who disputes the analysis, says "It is evident that the analyst quoted is very much out of touch with possible scenarios being discussed as part of the National Economic Forum (NEF) negotiations.

"The analyst assumes that no tariff protection is given in a deregulated industry. This is a false assumption

"Tariff protection afforded to any local industry (80% of SA industries enjoy protection) is an issue quite separate from deregulation.

"It is our understanding that most of the participants in the NEF acknowledge the contribution of synfuels and the scenarios being discussed there are far more realistic and favourable"

Palamin still studying underground mining plan

JOHN DLUDLU

COPPER producer Palabora Mining (Palamin), which is controlled by Rio Tinto Zimbabwe, still had to determine whether it was financially viable to go ahead with the R2bn plan to start underground mining, MD Frank Fenwick said on Friday

He said the technical analysis of the viability plan of starting an underground operation for the open-pit mine had been completed

Fenwick said as far as he was concerned, no deadlines had been missed "The study is still on track We just don't know whether we have an underground project or not This will be determined by the outcome of the study and shareholders' response"

The mine was doing a financial appraisal of the plan and hoped to complete the study before the end of the year The plan would then be presented to the board of directors for approval (271)

This comes in the wake of analysts' concerns that the underground project would not go ahead

Although Fenwick refused to speculate on the outcome of the study, he expressed confidence that shareholders would back the project if it showed potential of yielding good returns Apart from RTZ, which holds a 38,9% stake in Palamin, another major shareholder is Anglo American Corporation with 19,1%.

Fenwick believed the mine's history of a stable workforce, combined with healthy reserves of about R300m, would enhance the company's ability to attract foreign investors "Foreign participation will also be determined by general stability in the country," he said

It was hoped that the underground operation would be funded independently of the existing operation

Fenwick said he was happy that the mine, with R1,7bn market capitalisation, had had its economic life extended by a further two years to 2002 "This will give us enough time to consider our decision of going underground carefully"

Regarding fears that Anglo and RTZ would concentrate on high grade copper deposit areas elsewhere in the world, he said "I think investors' support will be the result of debt-equity ratio and potential for returns"

Despite its low grades, the mine, which has R28,3m ordinary shares in issue, has scored some operational successes as a result of efficient management. Its healthy borrowings situation and substantial reserves have allowed management to continue with a full dividend payout policy

Polifin 'will not threaten' Sentrachem

BDay 11/4/94

MUNGO SOGGOT

PETROCHEMICALS group Sentrachem was confident it could extract conditions from rival producers Sasol and AECI to ensure that their joint venture plastics company Polifin would not damage Sentrachem's operations, the company said at the weekend (183)

The Competition Board's approval of the Polifin tie-up hinged on making sure that it would not threaten Sentrachem's performance in the plastics sector

"Discussions with AECI and Sasol are still in progress It is a complex issue, but there are no stumbling blocks," a Sentrachem spokesman said

Competition Board chairman Pierre Brooks said the formation of Polifin could have given rise to "restrictive practices"

Sentrachem had been concerned about Polifin, and the board had stipulated that the joint venture would have to honour the claims by plastics manufacturer Safripol — a joint venture between Sentrachem and Hoechst — "to an objectively justifiable portion of Polifin's monomer feedstocks"

The Safripol plant at Sasolburg is totally dependent on Sasol — the only producer of ethylene in SA — for its ethylene.

Brooks said it was up to Sasol, AECI, Sentrachem and Hoechst to agree on what constituted "an objectively justifiable portion" However, if the parties were unable to come to an agreement, then Sentrachem and Hoechst would be able to approach the Competition Board

Brooks said the feedstocks would have to be supplied to Sentrachem and Hoechst "on a non-discriminatory basis" Polifin was not to give preference to companies with which it was vertically integrated

Pharmacists 'must control grey market'

BEATRIX PAYNE

THE SA market in illegal medical supplies — believed to be worth R500m a year — could be cut substantially if the pharmacy industry followed simple operating procedures, the new head of the Pharmaceutical Society of SA said yesterday. B Day

Executive director Ivan Kotze said such "grey market" trade — which has recently prompted several companies to form their own distribution networks — could be controlled if pharmacists were prepared to take a tougher measures. These included double-checking batch numbers and expiry dates, and conducting simple tests on certain compounds, he said. 12/4/94

He said government should also tighten legislation regulating medical supplies, as several prosecution cases had been lost on technicalities.

The Pharmaceutical Society of SA — which represents 80% of SA pharmacists — already had a close relationship with the SA Police, often providing information vital to convictions. Kotze, who took the helm of the society earlier this month, said the industry should also pursue more transparent pricing policies (183)

This hinged on single exit pricing, which could curtail much of the "wheeling and dealing" which haunted the industry. But he said it was vital to strike a fair balance between the needs of some multinationals who were against single exit pricing, and members of the industry who supported it.

Kotze said he supported the substitution of prescription medicines for cheaper generic copies "as long as this is done in consultation with the patient".

While many multinationals were against generic substitution, Kotze said the industry could not "withold the cheaper product from the customer"

Talks with multinationals would continue, and the society was keen to broker a settlement between the pro- and anti-generic substitution lobby groups.

Retrenchment bill dampens Engen's show

CT 13/4/94 (183)

From MICK COLLINS

JOHANNESBURG — Lower crude oil prices and heavy retrenchment costs dampened good operating results and put pressure on Engen's bottom line for the six months to February

The fuels producer saw operating income after a R17m exceptional retrenchment item and a R37m inventory loss come in 15,6% lower at R228m (1993. R270m) Without the effects of the two abnormal items operating income would have been 9,7% higher at R282m (R257m)

Pre-tax profit was 25,4% down at R211m (R283m) and a lower effective tax rate of 16% saw after tax income 22,4% down at R177m (R228m)

Attributable income dropped 22,8% to R176m (R228) which translated into a 23,1% fall in earnings a share to 113c (147c) The dividend was maintained at 55c Divend cover based on earnings before the exceptional items remained at 2,6 times.

CE Rob Angel said the once off inventory loss was due to a fall of about $2 a barrel in international crude prices "At present inventory levels and exchange rates, a change of $1 per barrel in the crude price has a pre-tax inventory effect of approximately R20m"

The company was re-engineering in a bid to eliminate uneconomic business, lowering expenses and reducing the workforce by 15% or 500 people by the end of the financial year

Exceptional item

The retrenchment costs for the six months were R17m, but retrenchments costs for the full financial year were expected to be R60m, which the company would absorb in full as an exceptional item It was estimated that expense savings of about R45m a year would flow from the retrenchments

Turnover including government levies rose 13% to R4bn (R3,5bn) Angel said although there was little improvement in the economy, domestic sales volumes rose 3,4% with slightly lower diesel sales offset by increased petrol and other sales

The slight loss of market share experienced during the initial stages of the change of brand name from Mobil to Engen had been recovered in full, he said

Export sales improved materially as a result of increased refinery output and the successful expansion of export business The refinery performed well, Angel said, and the full benefits of the investment in Phase 1 expansion project were being realised Crude throughput was 20% higher and refining margins were similar to a year ago The Phase 2 upgrade project was progressing well

Some improvement in underlying earnings before exceptional items were expected for the second half

Strikes wipe out detergents

183

CT 13/4/94

Staff Reporter

THE absence of certain detergents from supermarket shelves has been attributed to a nine-week wage strike at three Durban chemical factories.

A Unilever spokesman said yesterday that shortages of toilet and laundry soaps, toothpaste and cooking fats in Cape Town could be attributed to simultaneous strikes at the Lever Brothers Maydon Warf factory, the Silicate and Chemical Industries factory in Mobeni and the Quality Products factory

Chemical Workers Union members embarked on the legal strike on January 24 and returned to work on March 28 after settling on wage increases ranging from eight percent to nine percent across-the-board

The spokesman said full production had resumed at all three plants.

Pharmacy sector needs a vitamin boost — analysts

B/Day 13/4/94

(183)

BEATRIX PAYNE

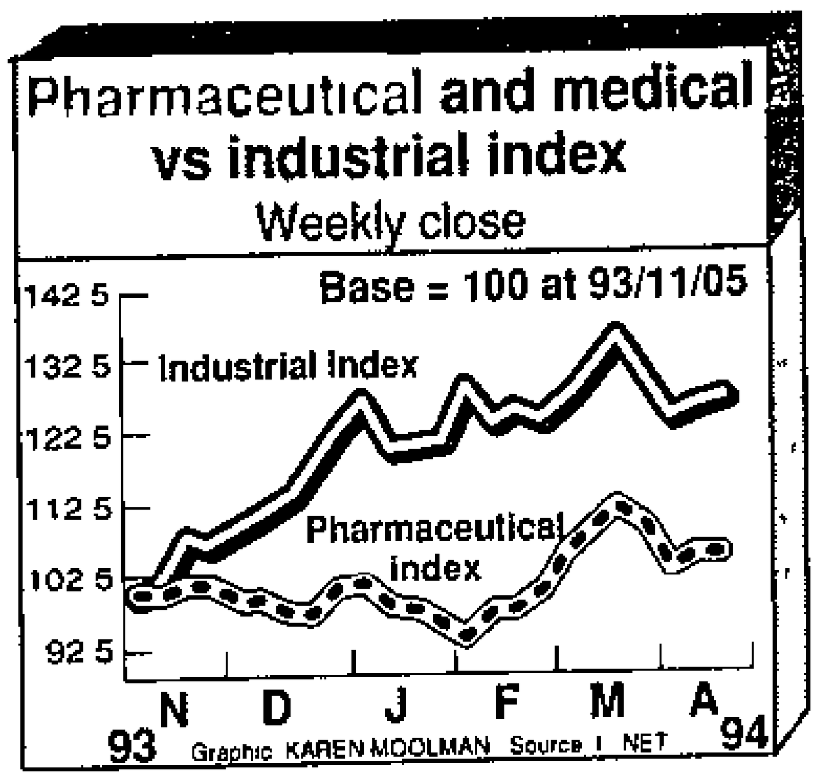
SHARE performance in the pharmaceutical sector could be squeezed over the next nine months as share prices were overrated, making investors nervous, market analysts said.

"The sector has gone nowhere over the last six months and has underperformed," said an analyst who noted that price to earnings ratios for pharmaceutical firms averaged 21. The average for the industrial index as a whole was 17.

While confidence in the manufacturers was limited, private hospitals and day clinics could offer growth.

Private sector hospitals would benefit if standards at state hospitals continued to slide, the analyst said.

The sector had shown good growth over the last three years but this was unlikely to continue as "the heady days of medical aid schemes covering all costs are over". Medical aid schemes encouraged cost containment.



The industrial index had climbed almost 30% over the last six months, but the pharmaceutical sector had lagged. The sector tracked the performance of the bourse as a whole, but the pharmaceutical index had slipped in the New Year as "the market was troubled by ANC proposals to limit the private medicine sector", an analyst said.

Of the three companies that moved in the sector — SA Druggists, Adcock Ingram and Premier Pharmaceuticals — it was expected that Premier would come out best in the next year.

"It has posted good results, it has the most balanced portfolio of the three and has a sound management structure," an analyst said.

The pharmaceutical sector tended to be dominated by Adcock Ingram, which some analysts felt would come under pressure from worldwide trends towards cheaper medicines and health care.

Adcock's margins could be further squeezed as SA Druggists attempted to move into the intravenous drip market and a number of manufacturers established their own distribution outlets.

Pharmaceuticals were a defensive investment during recessions, an analyst said. Once the economy showed signs of growth, investors tended to switch to the construction industry and commodity-based products.

An increasing emphasis on cheap medicines and generic drugs had seen foreign investors become wary of investing in the sector.

Engen pressured by retrenchment costs

BDay 13/4/94

MICK COLLINS

LOWER crude oil prices and heavy retrenchment costs dampened good operating results and put pressure on Engen's bottom line for the six months to February

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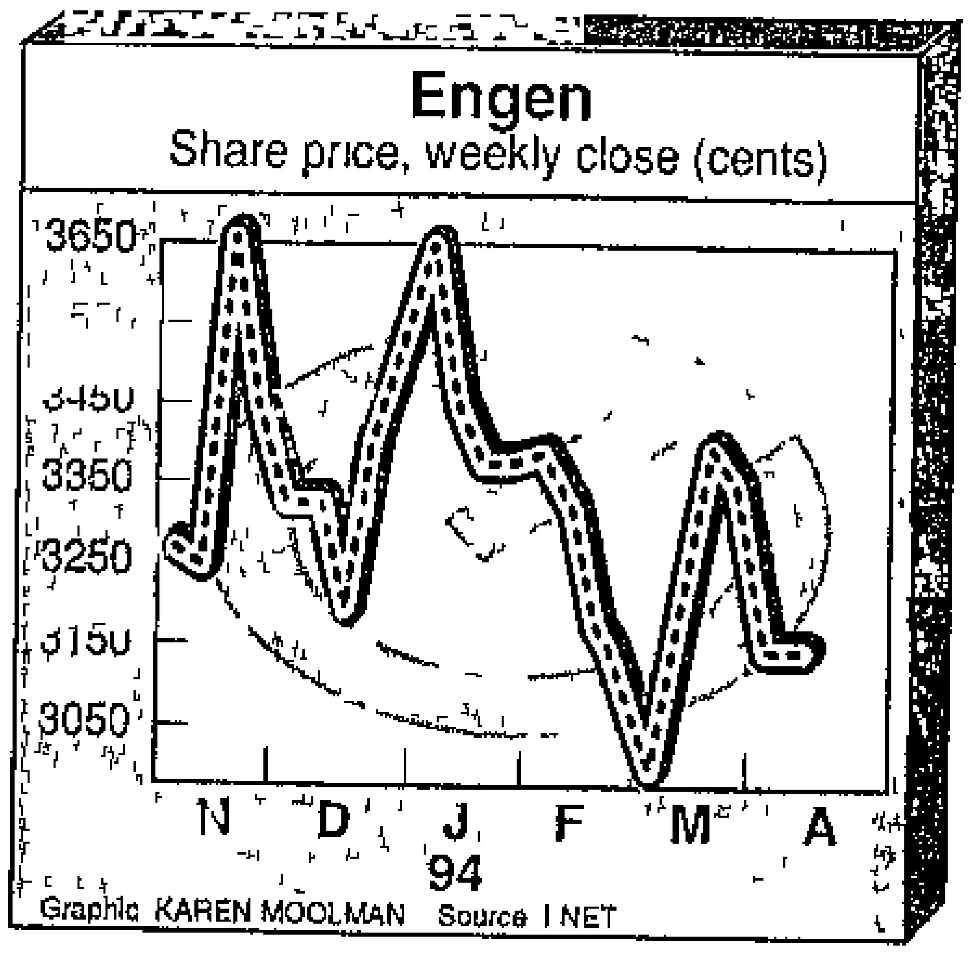
CE Rob Angel said the one-off inventory loss was a result of a fall of about $2 a barrel in international crude prices. "At present inventory levels and exchange rates, a change of $1 per barrel in the crude price has a pre-tax inventory effect of approximately R20m"



The company was re-engineering in a bid to eliminate uneconomic business, lower expenses and reduce the workforce by 15% or 500 people by the year-end. The retrenchment costs for the six months were R17m, but retrenchments costs for the full year were expected to be R60m, which the company would absorb in full as an exceptional item It was estimated that expense savings of about R45m a year

☐ To Page 2

Engen

BDay 13/4/94

☐ From Page 1

would flow from the retrenchments

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Export sales improved materially as a result of increased refinery output and the successful expansion of export business The refinery performed well, Angel said, and the full benefits of the investment in Phase 1 expansion project were being realised Crude throughput was 20% higher and refining margins were similar to a year ago The Phase 2 upgrade project was progressing well and the streaming of the project was now scheduled for December, four months ahead of schedule (183)

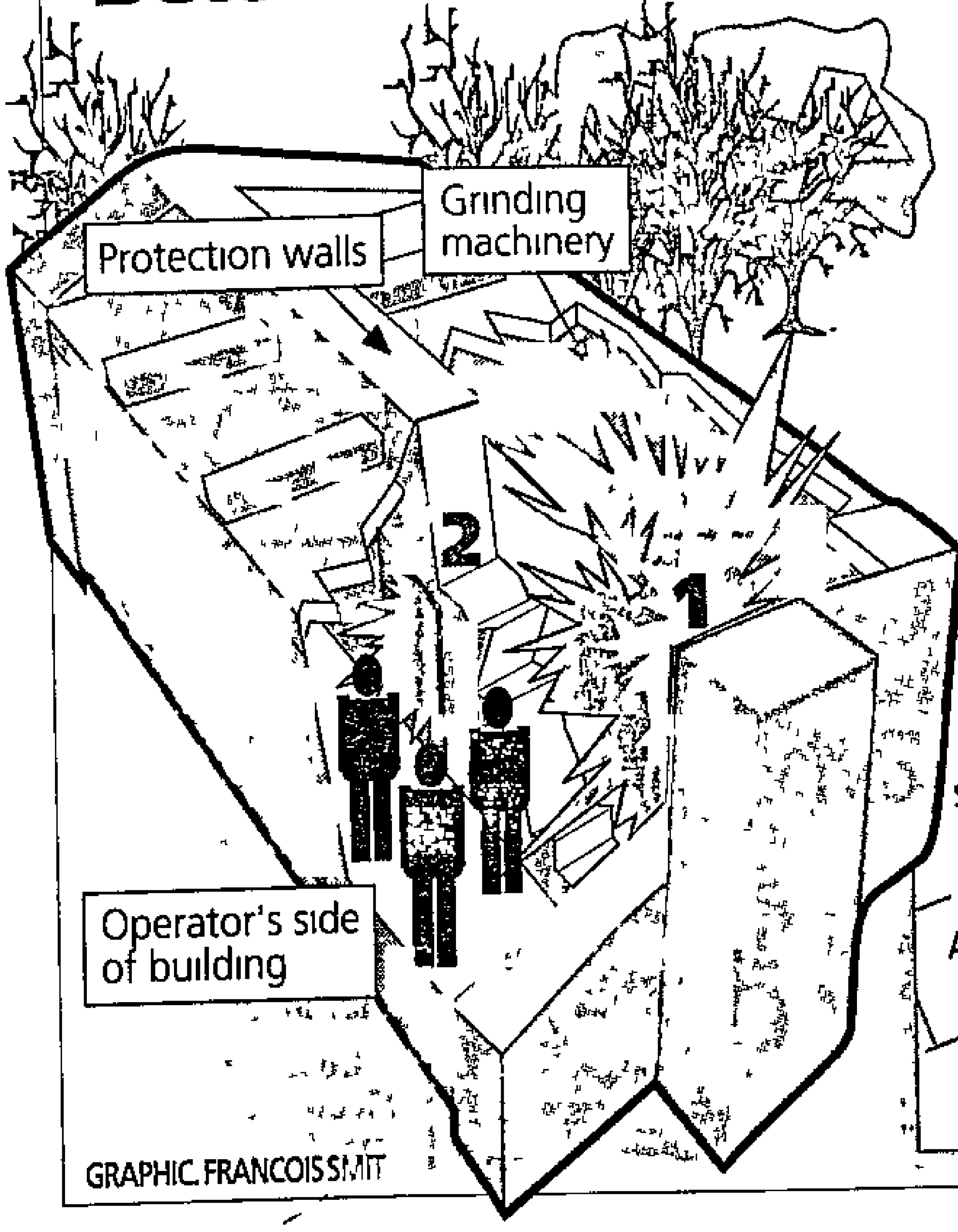
Some improvement in underlying earnings before exceptional items was expected for the second half, but the significant retrenchment costs in the period were likely to offset this increase

"Nevertheless, we are confident that the future cost savings associated with the re-engineering of the business will, together with the benefits that will increasingly flow from the major investments that we have made in recent years, result in the resumption of real growth in Engen's earnings in future years," Angel said.

Engen's involvement in upstream activities saw the Alba field off the British coast achieving its first oil in January Angel said Engen still had pre-emptive buying rights for Gencor's 5% stake in the Alba field, a deal which was still pending.

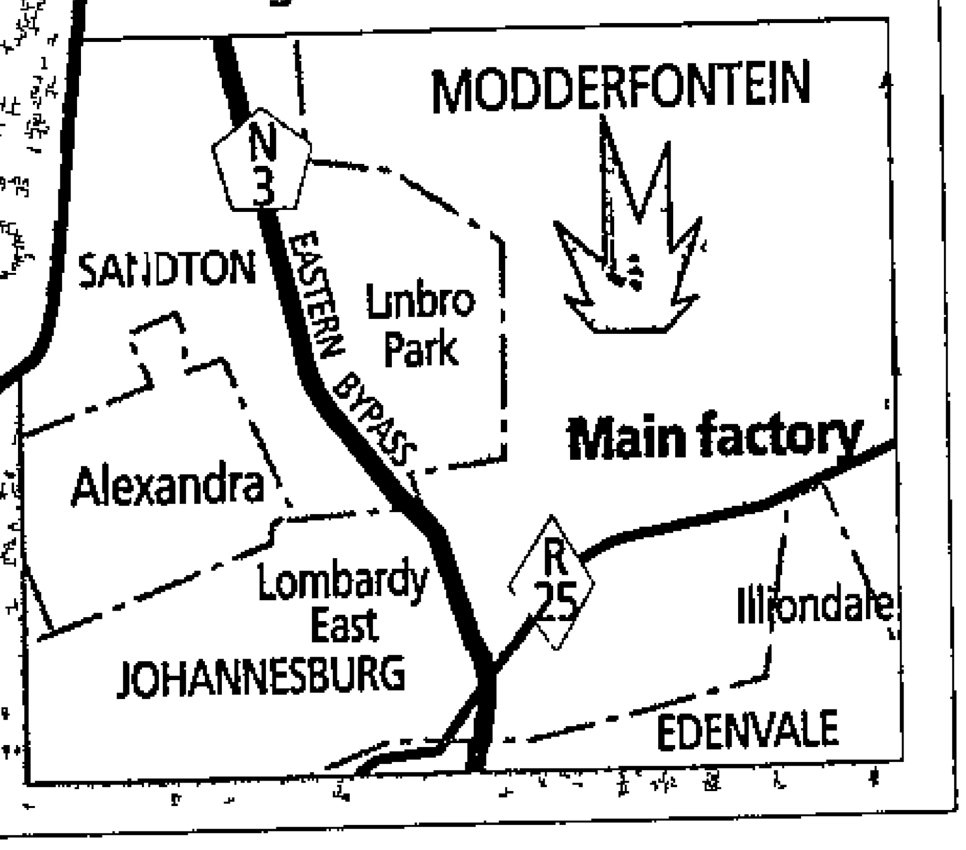
The Bukha platform in Oman was successfully installed in December, with first commercial production scheduled for this month Exploration activities continued in West Africa and four exploration wells were scheduled for the second half.

Detonation at Modderfontein



Yesterday 12.23 pm
About 2 5 km north-east of the main AECI Modderfontein factory, three people were killed when the black powder plant exploded.

1. 250–600kg black powder is detonated in the black powder plant.
2. The explosion rips through the thick protection wall, killing the three operators and destroying the building.



3 die in AECI explosion

Star 13/4/94

■ BY CHERYL HUNTER and CHARMEELA BHAGOWAT

An explosion at AECI's black powder plant in Modderfontein, near Johannesburg, killed three employees instantly and demolished the reinforced area in which they were working yesterday.

Between 250 kg and 600 kg of semi-processed black powder detonated just after midday and caused a grass fire, said AECI operation services director Boet Coetzee

The area was evacuated immediately after the explosion and all operations had been halted until the highly explosive debris could be cleared away and all evidence gathered from the site, he said.

AECI "expected incidents of this sort because of the nature of the process, but was saddened that lives had been lost", Coetzee added.

No one could speculate on the cause of the explosion and preliminary investigations would be completed in about a week, he said.

(183)

AECI declined to name the dead employees until their families had been notified. The victims lived at a hostel in Modderfontein.

The black powder is apparently sensitive to both friction and heat and either could have detonated it

Fuel prices 'should be cut 15 percent'

ARG 14/4/94

BRUCE CAMERON
Business Editor

(183)

PETROL prices should be slashed by up to 15 percent by cutting subsidies to the synthetic fuel industry and reducing guaranteed mark-ups to the petrol companies and the service station retailers, a fuel chief said today

The chief executive of locally-owned Engen, Rob Angel, issued a strongly-worded statement that drew a battle line between his company and foreign competitors

Mr Angel said Engen was prepared to compete in a deregulated industry and would be happy to take on Sasol, which would also like to see some deregulation, and Pick 'n Pay, which has been at the forefront of the campaign to deregulate the industry

Mr Angel's statement clashed with claims from foreign-owned petrol companies that deregulation had resulted in price increases in other countries and would also do so in South Africa

The Engen chief said deregulation could cut the petrol price by between 15 and 25 cents a litre

This would pump between R2,5 billion to R4 billion into the economy every year

He said that at least 87,1 cents of the Johannesburg pump price of R1,75 a litre was made up of state duties, levies and taxes

Of the 87,1 cents, 13 cents went to the Equalisation Fund to pay for the synthetic fuels levy, a subsidy for Sasol and Mossgas that currently amounted to R1,6 billion a year

"We think that at least 6c-10c a litre could be taken out of the petrol price if the subsidy to the synthetic fuels industry were simply reduced"

Apart from the subsidy, another three to five cents could be knocked off the petrol price by cutting down on the 14,1 cents a litre marketing margin that the oil companies were granted and another three to five cents off the 15,6 cents a litre margin dealers received

Another three to five cents a litre could be saved by reducing the 10,9 cents a litre theoretically paid to transport fuel from the coast through the under-utilised Durban/Reef oil pipeline

ENGEN FM 15/4/94

Oil price clamp

Engen CE Rob Angel describes the petroleum group's first-half performance as characterised by "self-help" results — efficiencies were squeezed out of areas Engen could control but the rest was largely at the whim of deteriorating world crude oil prices

With prices of Dubai crude, for example, about $2 a barrel lower than in August, the effect on Engen's profit was significant They look all the worse on the income statement because the stock equalisation reserve, used to cancel out the R12m loss incurred in the previous period, was depleted in 1993 because of the fall in crude prices Consequently, Engen has shown the full impact of the declining prices under "inventory effects" as a loss of R37m (183)

With an exceptional item of R17m relating to retrenchment costs, part of continuing rationalisation, the 9,7% advance in operat-

FOX

FM 15/4/94 (183)

Engen's Angel *few signs of growth*

ing income to R282m was reduced to R228m, 15,6% down on the previous period With a finance charge of R17m, EPS declined 23% to 113c.

But operationally Engen looks sound, benefiting from crude runs which were up by 20% at the Durban refinery The second phase of the R800m expansion is ahead of schedule and budget — benefits should start to come through in financial 1995, with other projects now absorbing capital but not yet contributing to the bottom line.

Angel notes that apart from agriculture, there are not many signs of growth elsewhere in the economy Against growth in domestic market volumes of about 1,6%, Engen did well to increase sales by 3,4% to 15,2m barrels Exports surged by 133%, absorbing extra refining capacity and now accounting for about 18% of total sales of 22,8m barrels

However, the second half does not offer much scope for improvement Angel notes domestic demand will depend on the performance of the local economy and the outcome of the election He is optimistic about the politics and encouraged by signs that the recession has ended.

It's also possible that an improvement in crude and product prices, together with a weaker rand, could partly reverse the inventory losses of the first half, though the world oil market remains difficult to read

But any improvement in underlying earnings will be offset by retrenchment costs, expected to reach about R60m for the year with the full benefit of expense savings, estimated to be about R45m a year, only coming through in the following financial year By the end of February, 338 people had been retrenched, staff are being cut by about 500 or 15% by the end of the year to August 1994

Angel is therefore looking towards 1995 for a resumption of real growth in earnings The trick for investors will be to decide whether growth in 1995 will compensate for what some analysts expect to be a decline in EPS of 13%-15% for the 1994 financial year

Engen is geared for strong growth, though much depends on world product prices and the performance of the domestic economy

At R31,50, the share price is probably close to bottoming, it offers a yield of 4,9% and p e ratio of 11,5 This p e is higher than Sasol's 8,9, though Sasol is continuing to produce good earnings growth Still, with Engen now consolidating and focusing on capital investments, it has long-term potential, especially in a recovering economy

Shaun Harris

LOWER GEAR

Six months to	Feb 28 '93	Aug 31 '93	Feb 28 '94
Turnover (Rbn)	3,56	4,18	4,03
Operating income (Rm)	270	308	†228
Attributable (Rm)	228	252	176
Earnings (c)	147	162	†113
Dividends (c)	55	99	55

† After exceptional item and inventory effects totalling (R54m)

Pande gas project proves viable

B/Day

THE $5,8bn Pande natural gas project on the northern coast of Mozambique was "viable and economically attractive", joint developer Sasol said yesterday 15/4/94

Reserves had proved significant and were likely to support projected market demand for at least 20 years

About 1,7-trillion cubic feet of dry gas were probably recoverable The gas was high in methane and contained no sulphur

Sasol is investigating the gas field in partnership with Mozambican state oil company Empresa Nacional de Hidrocarbonetos (ENH) Exploratory work began in early 1992 with funds provided largely by the World Bank

Sasol said almost sufficient reserves had been found to sustain the project, but the two firms wanted to prove there were additional reserves before going ahead with commercial development

They were holding talks on the terms for further appraisal, on developing the field and on selling the gas

Leading Argentinian oil and gas exploration and production enterprise Pluspetrol would probably be awarded the role of field operator, Sasol said (183)

Sasol and ENH plan to transport the gas down a 900km pipeline to Secunda in the eastern Transvaal to be sold on domestic markets Sasol said they hoped to appoint a company to operate the pipeline by September It would cost about $400m to $500m to build A planned spur line to Durban would raise the total cost to about $850m

The World Bank would probably fund the balance of ENH's share of exploration and other pre-developments costs, Sasol said It had also indicated it was willing to help finance the project

Morgan Grenfell International has been appointed the project's financial advisor — Sapa

Engen lays off 170 managers

BDay

MUNGO SOGGOT

FUELS producer Engen had laid off 170 middle managers as part of its restructuring programme aimed at retrenching 15% of the company's 3 500 staff, it said yesterday 15/4/94

A company spokesman said that since the restructuring began last September, 450 employees had taken retrenchment packages.

Middle management was most severely hit, accounting for 35% of the retrenchments. Half were made up of supervisory and clerical staff, and senior management accounted for the remaining 15%.

CE Rob Angel said Engen would save R45m a year from the move. Retrenchment costs were expected to be R60m for the full year. Cost savings associated with the re-engineering of the business would, together with the benefits from major investments, result in the resumption of real growth in Engen's earnings, he said. (183)

Engen to close 300 outlets

S/Times (Buss)

By ZILLA EFRAT

ENGEN is to close 300 less-profitable petrol stations, including those trading as Trek and Sonap

The closures are expected to take place over three to five years and will affect fewer than 1 000 jobs Engen has about 1 400 service stations 17/4/94

Commenting on results for the six months to February, chief executive Rob Angel says Engen has had to take various steps because of uncertainty surrounding the fuel industry (183)

They include a "re-engineering" of its business, focus on costs, accelerated "asset sweating" and retrenchments

By the end of the current financial year, Engen's workforce will have been cut by 15%, or 500 people, at a cost of R60-million

Retrenchments are expected to save R20-million in the current year and about R45-million each year afterwards

By the end of February, 338 people had lost their jobs at a cost of R17-million

This and lower world oil prices dented Engen's profit.

Interim earnings fell by 23% to 113c (147c) a share, but the dividend remained 55c

Engen suffered one-off inventory losses of R37-million, the result of a fall of $2 a barrel in international oil prices

Its turnover benefited from government levies, rising 13% to R4-billion Without them, turonover would have been 10% higher

Domestic sales volumes rose by 3,4% Foreign sales also improved Engen exports about 20% of its output to 20 countries, partly because of overcapacity in SA's fuel refineries

Although operating income rose 9,7% to R282-million, Engen moved from earning interest to paying it because of higher borrowings to fund expansion of its Durban refinery. It benefited from a lower effective tax rate of 16,1% (19,5%)

The first phase of the refinery expansion lifted crude-oil throughput by almost 20% The second phase, costing R800-million, is ahead of schedule

The change from the Mobil name to Engen at 1 000 sites has been completed at a cost of R116-million This was R30-million under budget and contributed to Engen's gain in market share

The North Sea Alba Field, in which Engen has a 2,2% interest, pumped its first oil in January. The Bukha platform in Oman was installed in December Commercial production is due soon

Exploration continues in West Africa

Mr Angel says Engen continues to assess international opportunities, but is frustrated by exchange control

COMPANIES

Sasol ponders gas project funding

MUNGO SOGGOT

18/4/94

FUEL producer Sasol had still to decide how to fund its stake in the Pande gas project on the Mozambique coast, mineral and energy resources GM Peet Steyn said at the weekend BDay

Sasol and Empresa Nacional de Hidrocarbonetos de Mocambique (ENH) — who were jointly testing the waters for the project — had appointed Morgan Grenfell International as their financial advisers

The project would get the go ahead only once gas reserves had been fully explored and feasibility studies completed Industry estimates suggested the project could cost about $850m

Morgan Grenfell had estimated that the project — which would eventually supply most of its gas to SA — would generate $5,8bn in sales during its lifespan

If the project was given the green light, Argentinian gas and oil exploration company Pluspetrol could run the gas field, Steyn said.

Sasol and ENH hoped to select a further partner by the end of the year to invest in and operate the pipeline, he said

This would determine the eventual stake Sasol held in the scheme

Pluspetrol had been chosen because an "international company which was experienced in gas exploration" was needed to run the field (183)

"We will be able to carry out feasibility studies only once we have established that there are sufficent gas reserves

"So far we have only begun negotiating contracts with the interested parties," he said

The pipeline route had not been finalised, but was likely to enter SA south of the Kruger National Game Park in the eastern Transvaal town of Secunda

Fuel levy mooted to aid transport

~~244~~ ~~330~~ 183

Municipal Reporter

A REGIONAL fuel levy should be used to subsidise public transport, says the Cape Town Chamber of Commerce

ARGT 19/4/94

The Chamber rejected surcharges on vehicle licence fees and levies on central business district parking as sources of subsidies

"It seems strange to charge the providers of public transport in order to raise revenue that will be channelled back to them"

A levy on CBD parking fees would discourage people from shopping there, the Chamber said

A regional fuel levy would be the most equitable source of funding

Refinery monitoring inadequate

CT 20/4/94

(183)

Staff Reporter

THE monitoring of air pollution from the Caltex refinery in Table View is inadequate — and assessments of risks to residents' health cannot be made

This was the finding of a R30 000 Medical Research Council (MRC) project commissioned by Caltex

The project was designed to assess the need for further research and investigation into the refinery's health impact on the community, by focusing on air quality monitoring procedures

In the study period — September 1991 to August 1993 — Caltex exceeded minimum size guidelines for smoke and dust particles more than half the time

Dr Charles Parry of the MRC said they believed "urgent action" was required by Caltex and other industries in the area

During the study period 237 complaints were made to Caltex, mostly about odour

Dr Parry said the range of substances now being monitored was not enough to assess health risks

Dr Petro Terblanche, of the CSIR, said the pollution from the refinery was "a real public nuisance" but not necessarily a health hazard

Dr Parry said Caltex acknowlegeded responsibilty for two-thirds of the complaints but that residents' groups had questioned their sincerity

Commitment

The MRC recommended that "substantial technical changes were needed in the way in which emissions are monitored" and extra monitors at a cost of R500 000 should possibly be bought

Caltex general manager Mr Johann Lubbe said the findings confirmed many of the plans the refinery had to improve pollution control

He said the commissioning of the study was evidence of Caltex's commitment to managing the problem

Refinery air, noise pollution: 'Many charges justified'

183

ARGT 20|4|94

☐ 'Monitoring and control needs upgrading'

JOHN YELD
Environment Reporter

MANY of the complaints about smells, smoke, noise and soot from the Caltex refinery at Milnerton are justified, says a report on the refinery by the SA Medical Research Council

The oil company should immediately review its technical plan to address problems like equipment failure, leaking seals and boilers malfunctioning, the report said

This is among the major findings of a three-month "needs assessment" study, conducted for the refinery by the MRC and released at a media conference yesterday

It was found that the range of substances monitored was not comprehensive enough to assess the effect of air pollution from the plant on the health of the local communities, and the routine monitoring of emissions at ground level should be improved urgently so this could be determined

In response, Caltex said there was no doubt that air pollution monitoring and control needed to be upgraded and that the refinery management would analyse the study's findings as a matter of urgency

"There is little doubt that recent research locally and internationally has shown the importance of improved monitoring and control of air pollution," said refinery general manager Johann Lubbe

"Caltex remains committed to finding a long-term solution to air pollution problems in the area"

The MRC study confirmed many of the refinery's plans to improve pollution control measures, Mr Lubbe said

Also, the study agreed with one of the refinery's most recent initiatives — plans to involve the community in helping to develop a strategy to address air pollution in the area

Replying to a question, MRC research team spokesman Charles Parry said the study had been unable to make a definitive finding on whether air pollution from the refinery was affecting the health of the local community

Earlier, during a presentation of the team's findings, Dr Parry said the effect of air pollution on public health in urban environments was a topic of increasing concern both locally and internationally

During the past two decades residents of Milnerton, Edgemead, Table View, Welgelegen, Bothasig and Richwood had perceived a health hazard caused by air pollution from the refinery

Following a health survey by the University of Cape Town's department of community health in 1986, the oil company had recognised the need for further research and had commissioned the MRC study

Specific objectives had been to evaluate the refinery's air quality monitoring procedures and data in terms of acute and chronic health risks, and to determine the extent of the community's concern regarding air pollution, Dr Parry said

Monitoring was currently performed by the Western Cape Regional Services Council, using a monitor bought by Caltex

"The technical audit found the methods of operating the sulphur dioxide monitoring station to be of a high standard"

But weaknesses in the monitoring system had been noted These included that the range of substances monitored was not wide enough to assess adequately the effects on health

Also, because the monitor was moved around, the data did not represent the long-term position at any one site, and this made it difficult to judge the potential impact of emissions on the health of the community, Dr Parry said

"It's therefore difficult to recommend a particular line of health research which should be embarked on in the short term, besides improving the system for routine monitoring of emissions at ground level"

Responding to questions, Mr Lubbe said an extra monitor — which cost about R500 000 — would be put in

Oil company should act urgently, says report

Environment Reporter

URGENT action is needed by Caltex and other relevant organisations to deal with air pollution from the Milnerton refinery, says a report done for the oil company by the SA Medical Research Council

There were six potential areas of action, said research team spokesman Charles Parry.

- **A comprehensive and integrated approach to dealing with actual and perceived air pollution and its effects was needed, "going well beyond dealing with a single industry".**
- **Caltex should immediately review the existing technical plan to address problems associated with equipment failure, maintenance problems and operational errors, such as leaking seals and boiler malfunction**
- **The company should take immediate steps to help set up a forum comprising representatives from local industries, regulatory bodies, health service providers and others such as community representatives**
- **Substantial technical changes were needed in the way in which emissions were monitored.**
- **Improvements were needed in the system of logging and responding to complaints from the public**
- **An improved programme of monitoring emissions at ground level would yield representative data and assist in determining the impact of emission levels on health.**

Caltex expansion plans 'in future'

(183)

Business Editor

ARG 23/4/94

CALTEX, which was under the whip from the trade magazine Engineering News for attempting to halt the publication of a report on expansions to its Cape Town refinery, also received queries from the Milnerton municipality this week.

Milnerton town engineer Dave Brook sent a letter to the petrol company asking about the proposed plans as neither he not the Department of National Health's chief air pollution officer had received any notification.

Caltex replied that no physical work had yet been carried out on the proposed expansion, which includes the building of an aircraft fuel production plant

Caltex media manager Terry O'Donovan insisted this week that "the controversy erupted as a result of a misunderstanding"

"The project has not yet begun. All that has been done is initial scoping work. This is drawing board stuff — a cost anaylsis of the project."

He said Caltex would follow the proper procedures once a decision had been made on whether to proceed with the project

Engineering News was infuriated when Caltex attempted to pressure it to stop publication of the expansion which it said was already under way.

ANC backs new regulations for the fuel industry

S ! Times (Buss)

24/4/94 (183)

By KEVIN DAVIE

THE ANC has proposed setting up two regulatory authorities for the fuel industry and says regulation should continue

The ANC and organised labour propose in a submission to the National Economic Forum (NEF) that the controversial Ratplan, which controls fuel distribution in South Africa, be retained

Retail price maintenance (RPM) should remain as should import control on fuel until SA's refineries become internationally competitive

The ANC says SA's fuel tax is low by world standards and there will be "tax pressure to finance the reconstruction and development programme (RDP)"

One of the two new regulatory authorities should have the power to inspect oil-company records and set prices without reference to the government, "although this may have to be developed over time depending on political realities"

The ANC says a commission of inquiry of "mutually acceptable" experts should be established now to investigate protection payments to Sasol

"Sasol shareholders benefit unreasonably at the expense of motorists," says the ANC

A four-man price-setting authority, the petroleum industry regulator (PIR), would consist of a former government official, a fuel-industry representative, a trade unionist and an academic economist

The ANC proposals have been described as "old-fashioned state meddling and socialist thinking"

NEF sources say fuel is the first test case of the coming government's economic policy Other issues, such as prescribed assets and mining rights, are on the backburner

The fuel issue has immediacy because motorists are underpaying 8c a litre on petrol

Although the new government will face the unpopular task of putting up the fuel price, Engen's Rob Angel says deregulation could lower prices by up to 24c/l

Business sources say divisions exist within the ANC about deregulation Although some ANC policymakers favour increased competition, the pro-regulation lobby has won the day

Paul Theron, who is overseeing the development of the ANC's energy policy, says the document is the start of liberalisation and the introduction of competition

He says it is important that a flexible regulatory authority be established to manage change

The ANC wants the pipeline charge for carrying fuel to the Reef to be reviewed

Mossgas would be allowed to develop its own service stations at a reported cost of R1-billion Sasol likewise could develop its own service stations to market fuel from its Natref refinery But the PIR should ensure that there is no "unhealthy proliferation of service stations"

The PIR would oversee the transition from Ratplan

The MPAR formula, which sets wholesale margins for the oil industry, would be retained, but with changes to make more use of international data

The ANC says the urge to discount fuel may be increasingly difficult to stop, but recommends that RPM — slammed in a recent Competition Board report — be retained

RPM might in time be replaced with maximum wholesale prices, as now applied in Australia

The ANC report criticises the Competition Board for not consulting fully with it before releasing its report

Import parity, as measured by the in-bond landed cost (IBLC), would be retained, but the use of a new basket of international prices and shipping costs could lead to a lower IBLC

Over the longer term free imports of fuel would be allowed to provide "some measure of check on the IBLC"

Tariff protection for Sasol should be lowered in stages in line with the Gatt logic, synfuels eventually being exposed to the same competitive environment as conventional ones

The two industrial councils which govern the industry and the two training boards should be strengthened

A lower tax on diesel and unleaded fuel should encourage their use

A stronger role for organised labour is envisaged in the industry, unionists gaining seats on several new and existing authorities

If competition is underdeveloped, full deregulation cannot take place

In the longer term there could be greater competition "when conditions are appropriate"

See FOCUS page

FUEL WORKS lifting retail price maintenance could cost 70 000 forecourt jobs, says the ANC Picture COBUS BODENSTEIN

Economic scales swing in Sasol's favour

ST Times 24/4/94

By LEAN STRAUSS

NEGOTIATIONS at the National Energy Forum (NEF) on a new dispensation for the fuel industry continue Remarks in the media aimed at Sasol by some participants, whose commercial interests might be at stake, should be evaluated and treated with circumspection

For example, an unnamed analyst s views in Business Times (April 10) were not only fraught with error, but reached conclusions based on highly unrealistic worst-case scenarios The analyst was out to prove that Sasol would not be profitable in a deregulated fuel environment.

The improbable scenarios selected — they ignored further weakening of the rand — were based on 1992-93 results The rand-dollar exchange rate then was on average 2,98 — currently 3,55 An analyst who understands Sasol's business will appreciate the importance of the rand-dollar exchange rate on its results — Sasol is one of the best rand-hedge investments

The analyst, who ignored this, said that stripped of tariff protection, Sasol would have incurred a loss in 1992 93 This is, of course, totally wrong For that year profit before tax was R1,8-billion, which would have left a pre-tax profit of R1,2-billion without tariff protection

The international consultancy firm, Petroleum Economics, forecasts an increase in Brent prices to $3 to $4 a barrel in Sasol s next financial year An upturn in oil prices is already evident A summary of six international crude-oil forecasts shows a price range of $20 to $27 for the year 2000 (in 1992 dollars)

At current very low oil prices, tariff protection, based on a reference price of $21,85, is high The expected increases in crude-oil prices will show corresponding decreases in the level of tariff protection They will phase out tariff protection for Sasol in the medium term Scenarios for business analysis should be based on longer-term trend expectations and not a snap-shot basis

Sasol was the first oil company publicly to advocate deregulation — in a phased manner — to maintain job security for thousands of pump attendants

Sasol welcomes the outcome of the Uruguay Round of the General Agreement on Tariffs and Trade negotiations and the agreement's phasing in over five years A similiar dispensation for the protection of the synfuels industry is in line with Sasol's thinking on how tariff protection in the industry should be dealt with

Tariff protection is not an alien concept devised to boost unfairly Sasol's income It is a worldwide method to promote investment in indigenous industries that contribute significantly to a country's welfare

Some 60% of SA manufacturing industries enjoy tariff protection (183)

Tariff protection and the regulatory framework applying to an industry are separate issues Some highly protected industries operate in a totally unregulated market — for example, the motor industry

Sasol has made a substantial contribution to the SA economy

- It has shown what can be achieved by beneficiating low-grade coal, one of SA s abundant natural resoures.
- It has more than repaid the state's investment of R4,9 billion — the total is now R14-billion Furthermore, the state earned R134-million last year in dividends alone Sasol provided R366-million in taxes in the half-year ended December 1993
- It directly and indirectly provides 160 000 jobs
- If SA had to import all the oil and chemicals Sasol beneficiates from coal, its balance of payment problem would be greater, reducing the rand s value even further Sasol saves and earns R4 000-million a year in foreign exchange and this will grow as more projects come on stream
- Sasol directly creates another R4 000-million in new wealth — three times as much as the rest of the oil industry

Sasol supplies about a third of SA's liquid fuel needs from coal and is also the largest producer of chemicals Sasol's confidence in SA's future is shown by a R4 500-million investment programme over the past three years — more jobs, more money coming into the country through exports

Lean Strauss is Sasol's manager for refining and planning

FOCUS

ANC structures both flexible and dynamic

S1 Times (Buss) 24/4/94

(183)

The ANC and organised labour this week submitted their proposals for the fuel industry to the National Economic Forum. The recommendations, from which this extract is taken, could provide the first test for the coming government's economic policy.

THE ANC-labour alliance is neither dogmatically wedded to minimum or maximum government involvement in the industry It is likely that some form of regulation will always be appplied to the petroleum industry for two important reasons

☐ Internationally, the sale of petroleum products has not been seen to be fully competitive, even in countries where price controls have been lifted The history of the international petroleum industry is replete with examples of oligopolistic behaviour and cartelisation

☐ The price and supply of petroleum products, as the primary transport fuel, have a major effect on the consumer price index Petroleum is a strategic commodity These issues should not be left entirely in the hands of the private sector if competition is undeveloped

The long-term vision for the SA petroleum industry in one of greater competition Competition would replace regulation where and when it was able to meet the objectives spelt out above

Lifting retail price maintenance (RPM) now would result in considerable discounting, the closure of 25% or more of service stations and the loss of up to 70 000 forecourt and workshop jobs

International experience suggests that deregulation may not promote competition and would therefore not necessarily result in lower prices

The lifting of RPM will only be possible in an economy which is showing real growth, significantly reduced and falling unemployment and a rapidy expanding black small-business sector

Structures to regulate the petroleum industry will have to be dynamic and flexible

They should involve stakeholders, such as organised labour, who were excluded in the past Two statutory bodies are proposed to lead this change

☐ A national energy policy council (NEPC) consisting of key stakeholders to advise the minister of mineral and energy affairs

☐ A petroleum industry regulator who would have statutory powers to scrutinise companies' books and conduct public inquiries

SA should develop world-scale and world-class crude refineries Prices must allow sufficient re-investment to meet changing SA and global demands

The concept of import parity should be adhered to as an integral part of the price build-up and of RPM

A review of import parity mechanisms appropriate to SA is required

As refineries become more internationally competitive, the free import of refined petroleum products would provide a real import parity comparison to that refined here SA's location does not allow for cheap imports, but this would provide some check on the IBLC mechanism being used

A review of the zonal inland transport build-up factors should be carried out by an independent third party, with the involvement of all affected

The synfuels industry must eventually be exposed to the same commercial and competitive environment as the rest of the petroleum business The production of liquid fuels from coal and gas has significant foreign-exchange saving benefits However, it is not obvious that these savings will always justify the cost of the tariff protection needed to support Sasol and Mossgas at times of low crude prices

Sasol's oil refining should be separated from the rest of its operations Sasol Oil would then be allowed access to the retail business

All wholesalers of fuels (including Sasol and new entrants) would be obliged to lift Sasol and Mossgas synfuel production in relation to market share

The levels of tariff protection, although varying with international prices, should also decrease over time in line with the logic being applied under Gatt to most tariff protection measures and in order to provide Sasol with an incentive to improve productivity further

In the longer term, it is envisaged that this revised upliftment agreement be dropped At this stage Sasol and Mossgas would have established service stations networks of their own, as well as the right to export any excess produced Tariff protection would have to be scaled back to the minimum necessary to allow synfuel operations to break even

The Competition Board's recent report, compiled without evidence from or consultation with key parties, has caused confusion about Ratplan in the eyes of the public

Larger service stations, especially those on major highways, have already diversified into convenience stores and fast-food outlets This adds to their highly profitable position as a result of fixed retail margins

The service stations most threatened by change are those owned and operated by dealers They are smaller-volume sites in less competitive locations that may not be able to diversify their business rapidly

The oil companies own and either control directly or have franchise agreements with about 40% of service stations These stations account for about 60% of the volume supplied to the market The franchise agreements give the station owner little power and link the franchise to the site lease

The petroleum regulator would manage changes, such as encouraging diversification of service stations into retailing other goods and so reduce their reliance on the petrol sales

Franchise laws should be improved to give franchisees greater powers in their relationships with oil companies Oil companies should be encouraged to apply affirmative action when appointing franchisees

Long-term vision of the future combines checks and balances

died. The blast, from 100kg of explosives, threw cars off the street onto parked taxis.

Picture ROBERT BOTHA

Cosatu affiliates — de- from 1992

10 000 still on strike at Northam platinum mine

JACQUIE GOLDING

ABOUT 10 000 NUM members are still on strike at Gold Fields' Northam platinum mine near Rustenburg

NUM general secretary Kgalema Motlanthe said yesterday the strike, which began on Thursday last week, was the result of a "misunderstanding" between workers and management. BDay 26/4/94

He said workers handed a memorandum to mine management demanding it tackle grievances first raised at a mass meeting on March 25. Workers said the reply received from managment was "insufficient".

Motlanthe said workers were unaware that management was planning to meet them as a follow-up to its reply to discuss their demands further. The demands included the recognition of the NUM, health and safety stewards, ending racial discrimination and ethnic allocation of accommodation, freedom of speech and choice and the implementation of the NUM provident fund.

Gold Fields said negotiations between the NUM and mine management were continuing in an effort to defuse the situation before April 27

Meanwhile, the illegal strike by about 8 000 workers at Rusplats' Rustenburg section ended on Sunday

The workers began striking on Monday last week in support of demands for immediate payouts of their contributions to the provident and unemployment funds, death benefit insurance and income tax

ANC probes synfuels protection

BDay 26/4/94

MICK COLLINS

THE ANC has called for a commission to be established to investigate "appropriate" levels of tariff protection for Sasol and Mossgas

In its proposals on the future of the petroleum industry submitted to the National Economic Forum, the ANC-labour alliance says the level of protection received by both operations needs to be reviewed.

The current formula used for Sasol "has enabled Sasol shareholders to benefit unreasonably from motorists' contributions", and the level of tariff protection paid to Mossgas bears no logical relation to its capital base.

The synfuels industry must eventually be exposed to the same commercial and competitive environment as the rest of the petroleum industry, it says.

Production of liquid fuels from coal and gas achieved significant foreign exchange savings, but "it is not obvious that these savings will always justify the cost of tariff protection needed to support Sasol and Mossgas at times of low crude prices"

Proposing a two-stage process, the report calls for the separation of Sasol's oil refining from the rest of the group's activities Sasol Oil could then be allowed access to the retail business.

(183)

Levels of tariff protection should take into account the flow of funds between the mining and chemical production streams linked to the synfuels plant.

"The levels of tariff protection, while varying with international prices, should also decrease over time in line with the logic currently being applied under GATT to most tariff protection measures and in order to provide Sasol with an incentive to improve productivity further.

"At this stage Sasol and Mossgas would have established service station networks of their own, as well as the right, as any other refiner does, to sell product to other wholesalers, or to export any excess produced"

The report says tariff protection would have been scaled back to the minimum necessary to allow synfuels operations to break even.

The ANC also proposes that regulation of the petroleum industry should continue and calls for the establishment of two new statutory bodies for the sector — a National Energy Policy Council and a petroleum industry regulator.

"Critically, these structures also have to involve all stakeholders, such as the organised labour movement who were completely excluded from such structures in the past."

The council would be formed out of, and in consultation with, existing energy-related forums such as the National Electricity Forum and the National Economic Forum's liquid fuels task force.

☐ The seasonal increases in crude oil prices and the deteriorating rand/dollar exchange rate are ominous signs of an increase in fuel prices early in May, according to the Automobile Association

st warns

Adcock notches 15% earnings rise

(183) CT 29/4/94

From MARCIA KLEIN

JOHANNESBURG. — Internal efficiencies helped pharmaceutical group Adcock Ingram brush off pedestrian turnover growth to produce 15% higher earnings of R36,8c (R31,1c) a share in the half year to March.

Turnover — which rose just 3% to R503,4m (R488,7m) — was affected by rationalisation of the wholesale division and lower volumes across the industry, CE Don Bodley said

But cost containment and better efficiencies, as well as an improved sales mix, saw operating income grow 13% to R81m from R71,6m previously Efficient asset management enabled Adcock to generate 21% more cash from operations This, together with interest income, saw pre-tax income rise 14% to R86,6m from R75,8m

Bodley said the 15% rise in attributable income to R50,8m (R44m) was satisfactory in a difficult trading environment. In line with the rise in earnings, Adcock declared an interim dividend of 9,7c (8,4c).

The self-medication division continued to gain market share and the generics division showed strong growth.

Adcock was making a substantial investment in the generics business — the total generics business now accounted for 20% of sales — and it expected strong growth.

The critical care division had made good progress, and a R15m upgrade would improve efficiencies. Increased competition in intravenous solutions would be offset by entry into exports and new markets

The consumer products division benefited from new products and maintained its leadership of some markets The international division was operational and a UK branch would open next month.

Bodley said full year earnings would reflect real growth off a high base, and the longer-term potential was good. The group had a broad, balanced product portfolio and was well positioned to take advantage of increasing attention to health care.

The new product programme for prescription pharmaceuticals was focused on cost-effective products "which will provide growth and help offset the sales of products transferred to the joint ventures with the Swedish multinationals, Astra and Pharmacia", announced last year

The benefits of the recently announced alliance with US-based Eli Lilly, in which Adcock will market Eli Lilly products locally, would be felt first next year

Bodley said Adcock's cash-generating ability left it well placed "to make suitable acquisitions or to enter joint venture arrangements with other companies"

Oil prices boosted by world growth

B/Day 29/4/94

SAMANTHA SHARPE

BRENT crude oil prices, fuelled by increased demand from growing world economies, have edged up 14% to $15,38 a barrel since the start of the year.

Economists said the recovery of the US and European economies and burgeoning Asian industries lay behind the latest rise in the demand for crude.

The US experienced its third coldest winter this century, they said. The harsh winter had taken care of most excess stocks, leading to speculation that demand for crude would continue to rise.

Petroleum economists in London have speculated oil could trade between $14 and $16 a barrel in the next two months and perhaps as high as $18 a barrel in the last six months of the year.

Low oil prices have been a key factor in keeping producer inflation down by offsetting the effect of the depreciation of the rand on the imported component of the producer price index.

The mining and quarrying component of the index, which was directly affected by oil prices, showed year-on-year deflation of 8,7% in February against 7,2% in January.

Should the oil price continue to rise these figures could change and translate into higher imported inflation, said Econometrix economist Tony Twine.

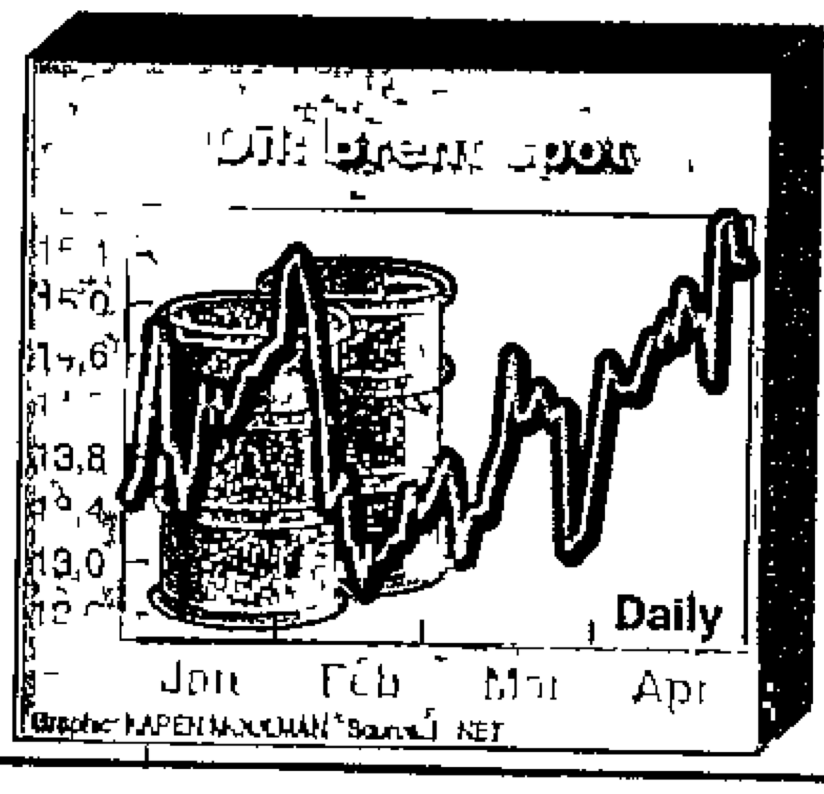
The component has a weighting of less than 10% in the calculation of producer inflation, and the sharp year-on-year declines in oil prices had helped keep the change in the PPI well in single digits

(183)

SA Foreign Trade Organisation economist Carlos Teixeira suggested low oil imports had helped keep the import bill down.

In March unclassified imports — mainly oil — amounted to R123m against R545m in February

The Automobile Association said recently the increases in crude oil prices and the deteriorating rand/dollar exchange rate were threatening signs of a possible increase in fuel prices early in May.



Adcock earnings outstrip turnover

BIDay 29/4/94

(183)

MARCIA KLEIN

INTERNAL efficiencies helped pharmaceutical group Adcock Ingram brush off pedestrian turnover growth to produce 15% higher earnings of R36,8c (R31,1c) a share in the half year to March.

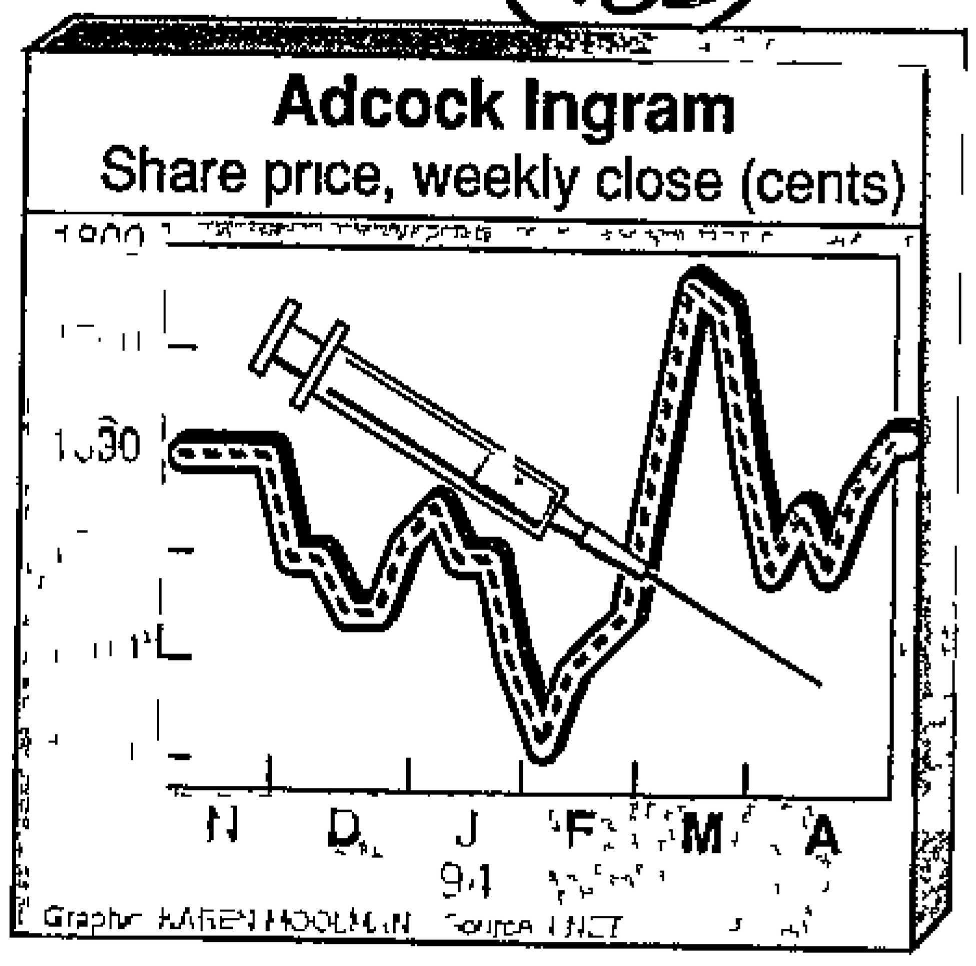
Turnover — which rose just 3% to R503,4m (R488,7m) — was affected by rationalisation of the wholesale division and lower volumes across the industry, CE Don Bodley said.

But cost containment and better efficiencies, as well as an improved sales mix, saw operating income grow 13% to R81m from R71,6m previously. Efficient asset management enabled Adcock to generate 21% more cash from operations. This, together with interest income, saw pre-tax income rise 14% to R86,6m from R75,8m.

Bodley said the 15% rise in attributable income to R50,8m (R44m) was satisfactory in a difficult trading environment. In line with the rise in earnings, Adcock declared an interim dividend of 9,7c (8,4c).

The self-medication division continued to gain market share and the generics division showed strong growth.

Adcock was making a substantial investment in the generics business — the total



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Adcock

BIDay 29/4/94

☐ From Page 1

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(183)

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Adcock Ingram fails to match own standards

Star 29/4/94

BY STEPHEN CRANSTON

The 15 percent increase in Adcock Ingram's earnings to 36,8c a share in the six months to March compares well with most company results, but is disappointing by its own high standards (183)

The pharmaceutical blue chip rarely shows less than 25 percent growth.

Adcock is continuing to rationalise its wholesale division, which is the main reason group sales were up a mere three percent to R503,3 million

Some sales were also lost as products made by Swedish multinationals Astra and Pharmacia, previously sold on an agency basis, are now sold through joint ventures

Management

But a change in the group mix away from low-margin distribution business to higher-margin manufacturing, as well as improved cash management, enabled operating profit to increase by 13 percent to R81 million.

Group CE Don Bodley is satisfied with the interim results in a difficult trading environment, and expects real growth in the full year

He says Adcock has a broad and balanced portfolio, which ranges from critical care hospital products, patented and branded prescription products and generic medicines through to self-medication and consumer products

All divisions have strong new product pipelines

The healthcare scene is likely to change sharply in the near future as the new government attempts to make health more accessible to the broader population, putting a stronger emphasis on cost-effectiveness.

Bodley says more pressure on prices can be expected, but a viable private sector will remain, offering potential for patented and branded products

System

"But these products will have to show real savings to the healthcare delivery system. The new product programme for prescription pharmaceuticals is therefore focused on cost-effective products which will provide growth."

Further growth will be provided by a strategic alliance established with Eli Lilly, the third-largest research-based pharmaceutical company in the US.

The generics division gained market share and total generic business throughout the group now accounts for 20 percent of group sales.

Despite increased competition from SA Druggists' Intramed facility, the critical-care division made good progress in the blood and renal markets.

Self-medication and consumer products maintained their high market shares

Cartel criticised for exorbitant charges

S Times 1/5/94

By DIANA STREAK

A RANDOM survey has shown South Africans are paying exorbitant prices for medical drugs that are available overseas at a fraction of the price.

A sample of commonly prescribed drugs has revealed huge discrepancies in the retail prices of medicines available in South Africa, New Zealand and Canada — even though the medicines are manufactured by the same multinational companies

Some medicines cost nearly 1 000 percent more than the same product in other countries

A Cape Town surgeon blamed the pharmaceutical industry for the big mark-up (183)

A spokesman for manufacturer Glaxo, Mr Martin Jennings, said the South African mark-up system was the main reason for the high price of drugs here

He said a drug left its SA factory at R100 and was sold by pharmacies at R205 In the US, a drug costing R100 sells at R125

Although the situation was changing, the wholesalers' margin was 17,5 percent and the retailers' margin 33 percent

Another major reason for the high prices was that many of the raw materials for medicines had to be imported into South Africa

Concern has also been expressed within the pharmaceutical industry that the recent establishment of Healthcare Distributors — the distribution network set up by four major competing manufacturers, Bayer, Ciba, Roche and Boehringer Ingelheim — would cut out wholesalers

The manufacturers could not be reached for comment yesterday

Sources said the South African government was being held to ransom by the multinationals, who were determined to keep their hold on the R4-billion-a-year industry

Two recent attempts by the government to rectify the unrestrained pricing of drugs have been thwarted by the multinationals

Last year the National Health Department said it planned to encourage the use of generic alternatives to brand-name medicines, but it had come under pressure from multinationals

The government had also wanted a single "exit" price — the price at which the medicines leave the factory — but it was blocked by the drug companies, the doctor said

According to evidence given by the SA Pharmacy Council to the Standing Committee on Health last year, the private sector pays as much as 6 000 percent more for drugs than the state does

A spokesman for the National Health Department rejected any form of price control

The department recommended that generic prescribing of medicine by doctors should be implemented and generic substitution of medicine by pharmacists should be allowed "under certain conditions"

SA Pharmacy Council registrar Chris van Niekerk said high prices were caused by the "impact of the state tender system" which effectively meant the private sector was subsidising the public sector

HOW MEDICINE PRICES COMPARE

	S Africa	New Zealand	Canada
Ulcer drugs			
Zantac	R424,90	$ 50,04 (R100,08)	$69,01 (R179,42)
Prepulsid Forte	R401,47	$ 22,00 (R 44,00)	$62,21 (R161,74)
Losec	R388,98	$108,35 (R216,70)	$70,22 (R182,57)
Tagamet	R335,76	$ 50,05 (R100,10)	$66,79 (R173,65)
Anti-Depressant			
Prozac	R254,62	$ 97,33 (R194,66)	$51,24 (R133,22)
Asthma			
Ventolin inhaler	R 58,35	$ 5,64 (R 11,28)	$12,88 (R 33,48)
Rhinocourt aqueous	R190,93	$ 27,00 (R 54,00)	$20,75 (R 53,95)
Antihistamine			
Zertec	R 99,94	$ 9,09 (R 18,18)	—

Fuel price rise seems 'inevitable'

BiDay 4/5/94

EDWARD WEST

CAPE TOWN — The National Economic Forum's decision to freeze fuel price increases during the election had drained government's equalisation fund to critical limits, making a price rise inevitable, industry sources warned yesterday.

Oil companies said fuel prices required urgent attention from government. Rising international petrol and diesel prices since February, together with a weaker rand, made local price hikes inevitable

The equalisation fund, a regulatory mechanism to cushion motorists from international price fluctuations and which is funded by motorists through local fuel prices, could be drained of funds within two months (183)

A Mineral and Energy Affairs Department spokesman said the equalisation fund stood at about R145m. An outflow of R75m was expected this month to cushion motorists which, by Friday, were paying 8,5c/l too little for petrol The underrecovery had risen to 9,6c/l yesterday

Engen said it was "realistic to expect a new government to enjoy a honeymoon period, but the situation is critical".

☐ To Page 2

Fuel

BiDay 4/5/94

☐ From Page 1

BP Southern Africa chairman Tony Deakin said this month's R75m drain on the fund would have to be corrected if there were not to be serious repercussions for SA's crude refining industry. Posted prices of petrol and diesel in Bahrain and Singapore, on which SA pump prices were based, had risen about 8c/l since January while the rand had depreciated 5,5% since then.

Transnet economist Mike Schussler believed a price hike of up to 8c/l could be expected this month. (183)

ANC mineral and energy policy co-ordinator Paul Jourdan said the issue of further price hikes had been raised in the forum's liquid fuels task group, but the forum had recommended not to increase prices during the elections. Calling the issue "political dynamite", he said it would have to be tackled.

Some parties suggested an alternative pricing system which could automatically change fuel prices in line with international factors, but the ANC had not considered this yet. The mechanism could alleviate problems associated with ad hoc price movements, said Jourdan.

The task group had been due to meet last night and if price recommendations were discussed, these would have to be communicated to principals for approval.

The Automobile Association said aside from seasonal crude oil price increases, deteriorating exchange rate and the under-recovery, increases in the statutory retail and wholesales margins of the fuel price were likely in coming months.

Schussler believed a hike in the fuel tax component was also likely to help fund the reconstruction and development programme. SA's fuel tax component was low compared with most developed countries and the IMF had "warned" against increasing personal tax. Raising VAT could be politically sensitive.

Engen said the situation should be seen in the context of a change of government and calls for the deregulation of the fuel industry. Current government policies required a fuel price hike.

Fuel price rise is 'inevitable'

(183)

CT 4/5/94

Own Correspondent

THE National Economic Forum's decision to freeze fuel price increases during the election had drained the government's equalisation fund, making a price rise inevitable, industry sources warned yesterday

Oil companies said fuel prices required urgent government attention Rising international petrol and diesel prices, together with a weaker rand, made local price hikes inevitable

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'Cushion' funds are drained

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FOX

FM 6/5/94

ADCOCK INGRAM

End of a wonderful trip

FM 6/5/94

Never before has pharmaceutical group Adcock Ingram squeezed so much operating income from such little turnover Management kept a tight lid on costs and sharpened operating efficiencies, the question is how much longer this can be maintained before something gives way

CE Don Bodley has valid reasons for the declining turnover. further rationalisation of the wholesale division and lower volumes of pharmaceutical products sold, coupled with extreme pressure on prices Wholesale activities are the biggest contributor to turnover and, together with pharmaceuticals, account for half of total sales (183)

The effect on the top line is obvious, a continuation of the factors which slowed turnover growth in the 1993 second half

What is disquieting is that growth in turnover continues to decline, from 12% at the previous interim to only 3% now Strong results come from extending the operating margin — from 14,7% to 16,1% — and a solid balance sheet Ungeared for the past 30 months and with cash holdings now R89m, interest earned is a healthy R5m

Inevitably, tough trading conditions have begun to filter down to earnings growth and here Adcock is a victim of its own spectacular past A 15% increase in EPS to 36,8c is good by most standards Against Adcock's 28,5% compound growth over the past seven years, it appears weak And this is how the latest performance will probably be judged — investors have grown accustomed to consistently high growth

That's reflected in a R17 share price which, apart from a curious lift in March on heavy volumes, is at almost the same level as a year ago But it remains the most highly rated pharmaceutical share and, with the company's balanced mix of products and sound management, undoubtedly offers quality

Exports also offer potential Apart from Africa, Adcock is selling into New Zealand, Hong Kong, Taiwan and the United Arab Emirates A branch was opened in the UK this week to launch over-the-counter and niche generic products

The recent alliance with Eli Lilly, one of the larger US pharmaceutical groups, could become important Adcock has an agreement to co-market products or market them solely if feasible Two big product launches are expected soon (183)

Bodley expects turnover to improve in financial 1995 He points out that Adcock is concentrating on sectors which offer better margins and investing in areas, in prescription pharmaceuticals and generics, which focus on cost-effective products

With new health policies likely to increase the impetus for lower health-care costs, Adcock should be well positioned for long-term growth

Investors who take a similar view should be rewarded, as long as they realise the almost guaranteed bottom-line advances of around 25% are history

Shaun Harris

C G SMITH FOODS

Who needs it?

FM 6/5/94

Activities: *Holding company with interests in food and pharmaceuticals*
Control: *CG Smith 81%*
Chairman: *R A Williams*
Capital structure: *94,5m ords Market capitalisation R4,76bn*
Share market: *Price R50 Yields 2,0% on dividend, 6,1% on earnings, p e ratio, 16,4, cover, 3,1 12-month high, R57, low, R40,50 Trading volume last quarter, 381 000 shares*

Year to Sep 30	'90	'91	'92	'93
ST debt (Rm)	655	665	561	685
LT debt (Rm)	362	388	723	781
Debt equity ratio	0,41	0,31	0,31	0,21
Shareholders interest	0 44	0 45	0 47	0,47
Int & leasing cover	5 0	6,0	7,77	8,3
Return on cap (%)	13,0	14,6	13,7	12,8
Turnover (Rbn)	9,9	11,3	13,1	13,9
Pre-int profit (Rm)	742	803	956	994
Pre-int margin (%)	6,8	7,0	6,8	6,1
Earnings (c)	264	398	322	306
Dividends (c)	87	99	105	99
Tangible NAV (c)	1 380	1 588	1 855	2 044

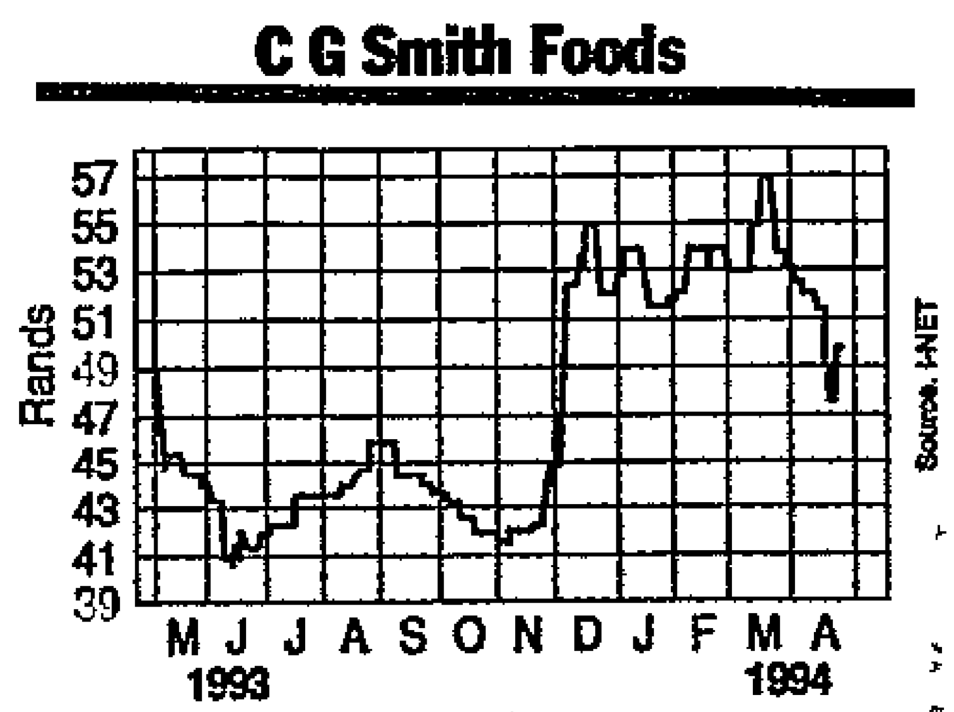
C G Smith Foods took a tough double whammy last year — first, the drought, then weak consumer spending Both combined to affect most of Smith's diversified foods portfolio Not surprisingly there was generally less demand for value added brands, but even basic foods produced by subsidiary Tiger Foods felt the pressure of weakening demand

Chairman Robbie Williams notes that this put margins under extreme pressure, while lower sales volumes and price increases less than the rate of inflation depressed turnover to growth of only 6,6%

Bottom line results, though, were not as bad as feared at the interim, when Smith Foods expected the 8% decline in earnings to be at a similar level for the full year Still, the overall 5,1% drop in earnings and 5,7% decrease in the dividend payout represents the first decline recorded by the group in at least seven years

At 6,1%, the operating margin was squeezed to a level not seen since 1987 and most return ratios followed suit return on equity declined from 17,3% to 14,9%, return on total assets from 16,1% to 13,9%

Internally, Smith Foods has done much to counter weak demand and difficult trading




Williams .. *a double whammy*

conditions Subsidiaries like Adcock Ingram, and particularly ICS, entered into a number of joint ventures Costs have been reduced, at times quite ruthlessly, as seen in the recent retrenchments at Tiger Oats' head office (*Business* April 22), which reduced staff numbers by nearly two thirds

Smith's financial core remains sound Cash generation is strong, up 5,4% to R1,3bn, an amount which nearly covers interest-bearing debt Cash holdings of R682m sharply reduced net borrowings and that lowered gearing to a comfortable 21%

That leaves Smith Foods in good shape to benefit from any increase in demand The end of the drought will be a help, though not yet for Smith Sugar in the current season

An increase in consumer spending is also likely, though Williams cautions that trading will probably be influenced more by socio-political developments than economic fundamentals A relatively trouble-free run-up to the elections last week is, hopefully, an indication of more political stability, in which case Smith Foods should be able to get earnings on an upward trend again

But the share price isn't reflecting this potential After picking up strongly when preliminary results were released, it drifted in the first months of the year and now looks to be on a downward trend Overall, the price has only gained 2% since annual results were last reviewed, compared with about 26% in the previous period

One wonders how much this has to do with Smith Foods' position in the greater group structure as an intermediary holding company After the unbundling of Barlow Rand — which released top pyramid C G Smith as a subsidiary — the structure below appears

(183)

cumbersome Is there really a need for Smith Foods, sandwiched as it is between C G Smith and the operating companies, which all have autonomous management and strong identities?

The company shares the food sector with six of its listed subsidiaries, many of which have outperformed the parent's share price Arguments that the holding company provides management expertise may well carry some validity, though it is equally possible to suggest that is a dubious claim

Even on ratings which indicate there is fair value in the price and prospects of a better year, there seems little incentive for investors to buy in Smith Foods rather than its subsidiaries

Shaun Harris

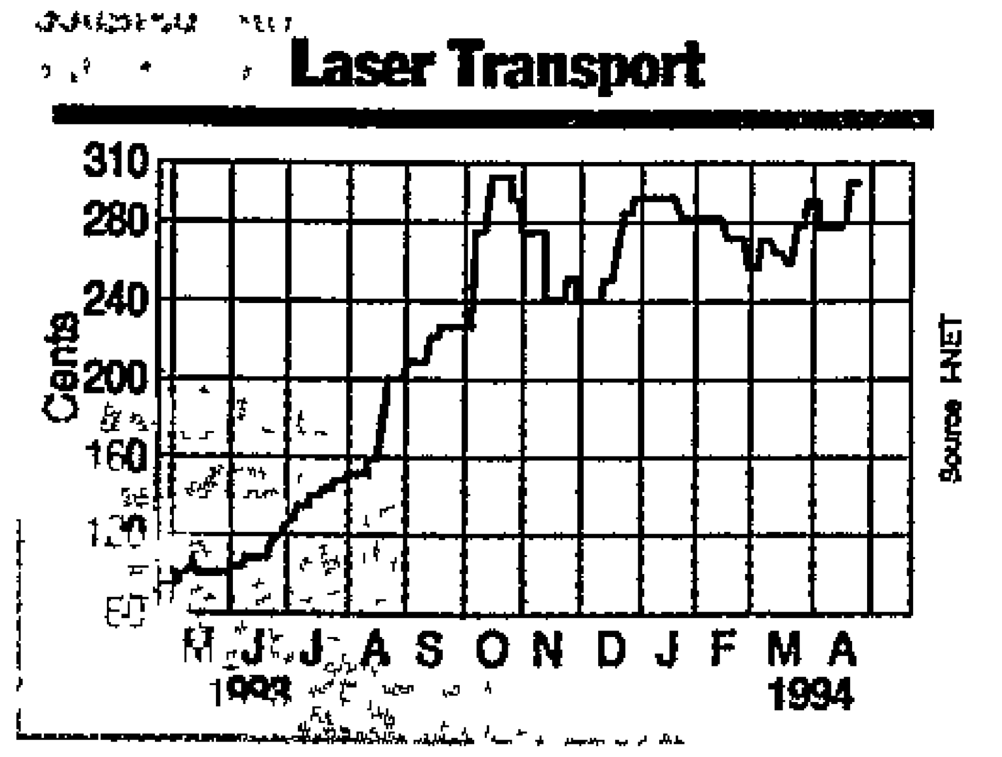
LASER FM 6/5/94

Rising profitability

Activities: *Transportation and storage of household and commercial goods, machine moving and rigging*
Control: *Directors 67,4%*
Chairman: *P Thomas, MD A C Cotterell*
Capital structure: *10m ords Market capitalisation, R27,5m*
Share market: *Price 275c Yields 14,8% on earnings, p e ratio, 7,0, cover, n/a 12-month high, 300c, low, 80c Trading volume last quarter, 123 000 shares*

Year to Sep 30	'90	'91	'92	'93
ST debt (Rm)	0,8	2,9	10,2	6,5
LT debt (Rm)	13,5	19,4	9,5	15,4
Debt equity ratio	0,59	0,82	0,99	0,86
Shareholders' interest	0,39	0,35	0,31	0,31
Int & leasing cover	3,4	2,6	nil	2,2
Return on cap (%)	15,2	10,4	1,2	8,9
Turnover (Rm)	106,5	87,3	116,2	119,3
Pre-int profit (Rm)	9,3	6,0	0,7	6,7
Pre-int margin (%)	8,7	6,9	0,01	5,6
Earnings (c)	33,9	25,1	(28)	39
Dividends (c)	13	6,7	—	—
Tangible NAV (c)	237	267	192	234

The balance sheet structure has not changed much over the year but the rising returns on shareholders' funds and capital employed highlight a significant turnaround in Laser's



Fm 6/5/94

Adcock Ingram

Adcock Ingram Limited

(Registration number 05/34385/06)

(Incorporated in the Republic of South Africa)

(183)

Interim Report to shareholders for the six months ended 31 March 1994

The unaudited results of the Company and its subsidiaries for the six months ended 31 March 1994 are set out below

Group Income Statement

	Unaudited Six months ended 31 March 1994 R000	1993 R000	Change %	Audited Year ended 30 Sept 1993 R000
Turnover	**503 368**	488 737	3	971 470
Operating income before interest	**80 976**	71 610	13	157 496
Interest received	**4 954**	2 724		2 550
Operating income	**85 930**	74 334		160 046
Income from investments	**653**	1 464		2 995
Income before taxation	**86 583**	75 798	14	163 041
Taxation	**35 793**	31 960		65 137
Income after taxation	**50 790**	43 838		97 904
Share of associate companies' retained income	**–**	204		431
Income of the Group	**50 790**	44 042		98 335
Attributable to				
– minority shareholders' interest and preference shareholders	**–**	–		1
– ordinary shareholders in Adcock Ingram Limited	**50 790**	44 042	15	98 334
Number of ordinary shares in issue (000's)	**138 036**	137 625		137 700
Weighted average number of shares for the period (000's)	**137 845**	137 340		137 490
Earnings per ordinary share (cents)	**36,8**	32,1	15	72
Cash available per ordinary share (cents)	**21,3**	20,0	7	92
Dividend per ordinary share (cents)	**9,7**	8,4	15	27
Cash generated (R000)	**96 632**	79 579	21	199 956
Operating income before interest as a percentage of turnover	**16,1%**	15,0%		16,2%
Return on equity (annualised)	**28,8%**	30,2%		32,4%
Return on net assets (annualised)	**27,5%**	28,5%		30,7%

Group Cash Flow

	Unaudited Six months ended 31 March 1994 R000	1993 R000	Audited Year ended 30 Sept 1993 R000
Cash generated by operating activities	**96 632**	79 579	199 956
Taxation paid	**(67 195)**	(52 054)	(73 008)
Cash available from operating activities	**29 437**	27 525	126 848
Dividends paid	**(25 612)**	(19 717)	(31 275)
Cash retained from operating activities	**3 825**	7 808	95 673
Net investment activities	**(17 030)**	(10 415)	(36 365)
(Increase)/decrease in funding requirements	**(13 205)**	(2 607)	59 308

Group Balance Sheet

	Unaudited 31 March 1994 R000	1993 R000	Audited 30 Sept 1993 R000
CAPITAL EMPLOYED			
Share capital and premium	**96 299**	93 711	94 169
Non-distributable reserve	**820**	3 503	820
Retained income	**275 621**	212 007	238 221
Ordinary shareholders' equity	**372 740**	309 221	333 210
Minority shareholders	**10**	9	10
Group equity	**372 750**	309 230	333 220
Deferred taxation	**16 606**	16 763	16 606
	389 356	325 993	349 826
EMPLOYMENT OF CAPITAL			
Fixed assets	**200 839**	182 030	193 484
Investments	**15 089**	18 462	17 935
Current assets	**398 807**	306 796	372 267
Stock	**120 081**	111 313	111 476
Debtors	**189 793**	157 848	160 783
Deposits and cash	**88 933**	37 635	100 008
Total assets	**614 735**	507 288	583 686
Current liabilities	**225 379**	181 295	233 860
Creditors, provisions and shareholders for dividend	**225 379**	181 295	233 860
Net current assets	**173 428**	125 501	138 407
	389 356	325 993	349 826
Net worth per ordinary share (cents)	**270**	225	242
Cash generated total liabilities (annualised)	**85,8%**	87,8%	85,5%
Current ratio	**1,8**	1,7	1,6
Capital expenditure (R000)	**22 584**	15 670	44 236
– expansion	**17 178**	9 874	25 908
– replacement	**5 406**	5 796	18 328
Capital commitments (R000)	**27 331**	36 613	29 533
– contracted	**13 087**	12 443	19 703
– approved	**14 244**	24 170	9 830

FM 6/5/94

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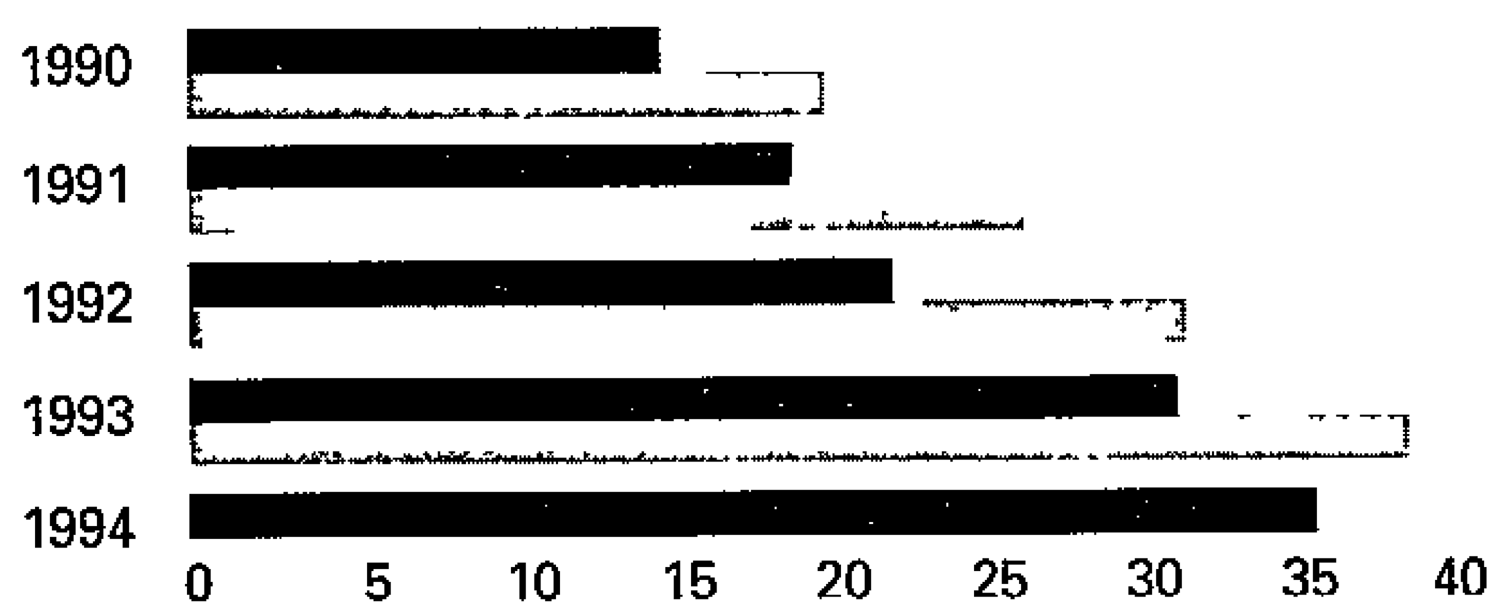
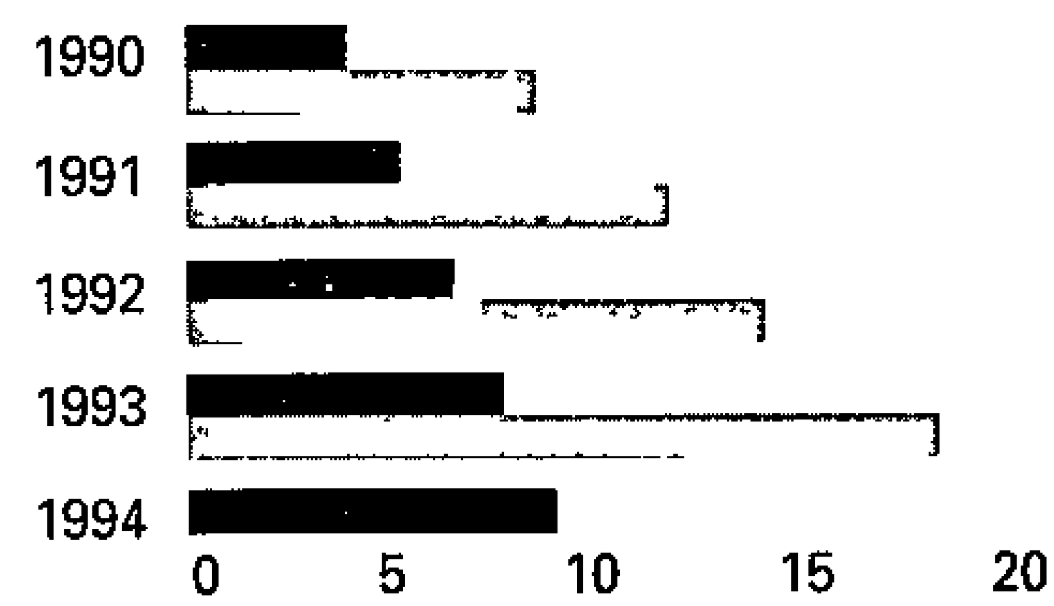
EARNINGS PER SHARE (cents)



DIVIDEND PER SHARE (cents)



■ Interim
❐ Final

Review of operations

Turnover growth of 3% was affected by further rationalisation of the Wholesale Division and lower volumes generally prevailing in the pharmaceutical industry The Self Medication division continued to gain market share while the Generic division showed strong growth as a result of entry into new markets and successful new product introductions The Consumer Products division also benefitted from new products The Critical Care division continued to perform well especially in the blood and renal markets despite increased competitive activity and the disruption of supplies caused by industrial unrest at some hospitals

Focus on cost containment and operating efficiencies continued throughout the Group which, together with an improved sales mix, resulted in operating profit increasing by 13% Cash generated by operations increased by 21% to R97 million due to efficient asset management Earnings per share increased by 15% to 37 cents

Earnings for the full year are expected to show reasonable growth

Dividend

The Board has declared an interim dividend of 9,7 cents per share which represents an increase of 15% over last year

For and on behalf of the Board

R A WILLIAMS
Chairman

D C BODLEY
Group Chief Executive

28 April 1994

Interim Ordinary Dividend No. 90

Notice is hereby given that an interim dividend of 9,7 cents per share has been declared payable to shareholders registered in the books of the Company at the close of business on Friday, 13 May 1994

The transfer books and register of members will be closed from 14 May 1994 to 27 May 1994, both days inclusive

The dividend is declared in the currency of the Republic of South Africa and warrants in payment thereof will be posted to shareholders by the Company's transfer secretaries on or about 1 July 1994

Non-resident shareholders' tax at the appropriate rate will be deducted from dividends payable to any shareholder whose address in the register is outside the Republic

By order of the Board

D B KRONSON
Secretary

28 April 1994

Turnover growth of 3%
Cash generated increases by 21%
Earnings per share improves by 15%

Registered office 209 15th Road, Randjespark, Midrand, P O Box 2497, Halfway House 1685
Transfer secretaries: Rand Registrars Limited, Cnr Northern Parkway and Handel Road, Ormonde, Johannesburg 2001 P O Box 82549, Southdale 2135

Member of the CG SMITH GROUP

Directors R A Williams *(Chairman)*, D C Bodley *(Group Chief Executive)*, B H Adams, H L Bernstein, B P Connellan, D E Cooper, D L MacRobert, Dr N H Motlana, M C Norris, C W P Rose, J B Spence, I J Strachan, Prof S A Strauss, L Tannenbaum, C Wolpert

JONSSONS

Afrox cost control helps to nudge profit higher

B Day 6/5/94

MICK COLLINS

LIQUID gas and healthcare company African Oxygen (Afrox) posted a marginal increase in results for the six months to March with attributable profit up 3% to R59,4m

Results published today show inflation-adjusted earnings a share up 10% to 198c from 180c while the interim dividend was also lifted 10% to 88c (80c) covered two times by attributable profit.

Chairman and MD Royden Vice said the results were achieved despite adverse economic conditions and political unrest

Management control over costs was maintained, as evidenced by an 18% increase in trading profit to R134,2m (R113,8m) on a 16% increase in turnover to R686,7m (R592,2m)

Pre-tax profit was 18% higher at R118,7m (R107,7m) but a bigger tax bill of R49,4m (R45,5m) saw after-tax profit come in 11% up at R69,2m (R62,1m)

Results were affected by a higher interest charge at R18m (R15m) due to increased borrowings arising from hospital acquisitions and a net working capital increase due to higher stock levels in the run-up to the elections

Vice said despite the sociopolitical environment, the company's results had been bolstered by acquisitions in the healthcare field and improved performance from the welding products division (183)

"The healthcare division performed well during the period. The purchase of the Anncron Clinic in Klerksdorp and a majority holding in the Gaborone Private Hospital, Botswana, enhanced the performance of this business"

Vice said the welding products division reflected improved performance after four years of recession.

Products were being exported into First World countries as the division's export drive gained momentum

The gases division had a slow start to the financial year as many of its customers had been adversely affected by the difficult economic conditions

But the division had since secured major contracts for the supply of gases for a number of projects including the Columbus stainless steel project and the Namakwa Sands heavy minerals scheme.

On the outlook for the final six months, Vice said conditions were likely to be difficult but the company was expecting to maintain 10% earnings growth

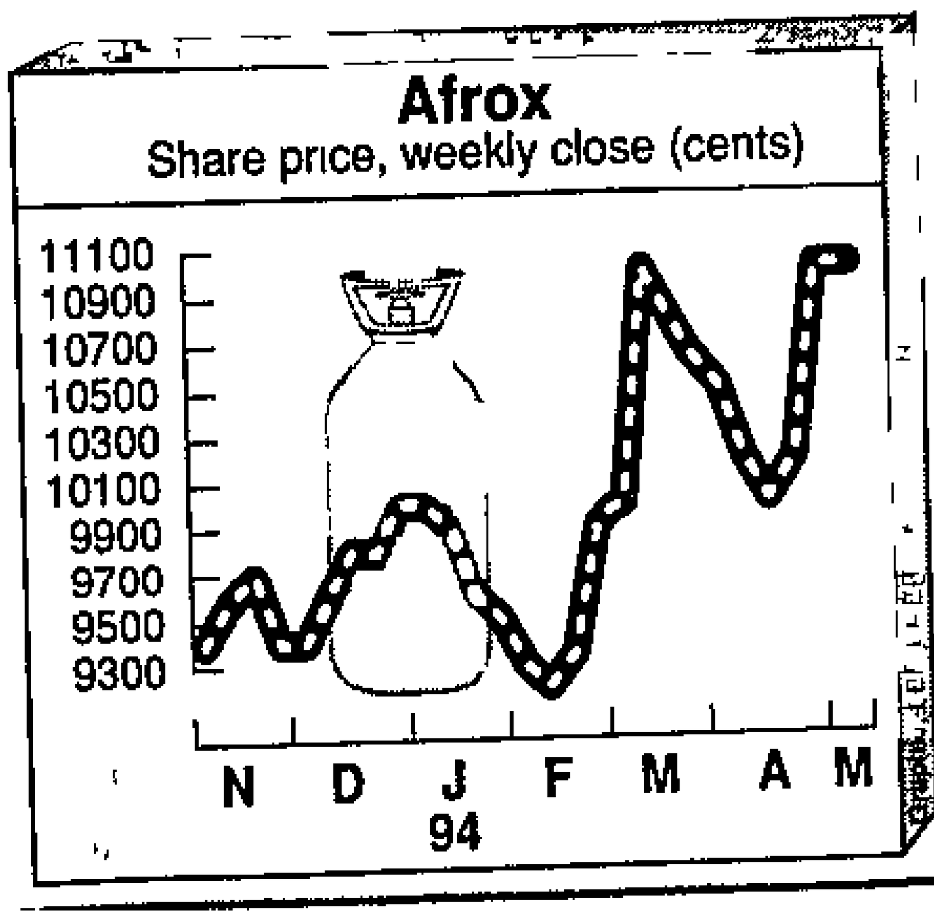
"The period has already begun badly with trading days lost to the public holidays in April and May

"These have been increased dramatically by the proclamation of additional holidays over the election period"

He said many businesses had adopted a wait-and-see attitude towards the elections

As a result many projects had been placed on the "back burner" by businessmen, who were anxious to assess the agenda of a new government before committing their companies to a course of action

"Despite this somewhat gloomy outlook, Afrox is on track to supply satisfactory earnings growth for the year even though the results for the six months might not match those of the period to March"



Solid rise in earnings for Afrox

Star 6/5/94

■ BY STEPHEN CRANSTON

Gases, welding and healthcare group Afrox has reported a 10 percent increase in earnings per share to 198c, on a current cost basis, in the six months to March.

On the more common historic cost basis, earnings were up from 205c to 222c.

The interim dividend is up 10 percent at 88c

Acquisitions in healthcare and an improved performance by welding led to a 16 percent rise in turnover to R686,7 million and an 18 percent rise in operating profit to R134,2 million

Chairman and MD Royden Vice says the core gases division had a slow start to the year. (183)(~~222~~)

But the division has since secured major contracts for the Columbus and Namakwa Sands projects.

There was an improved performance by welding after four years of recession and products are being exported to first-world countries as the export drive starts to gain momentum.

There was better overall use of services in the healthcare division and costs were carefully watched

The Anncron Clinic in Klerksdorp and a majority holding in the Gaborone Private Hospital were acquired.

Vice says the second half is expected to be difficult Many businesses have adopted a wait-and-see attitude and many projects have been placed on the back burner.

But he expects satisfactory earnings growth for the year

Adcock buys 50% of Vesta

BEATRIX PAYNE

PHARMACEUTICALS group Adcock Ingram has bought a 50% stake in local generic manufacturer Vesta Medicines for an upfront payment of R12m

Adcock CE Don Bodley said yesterday the final purchase price would be related to the company's profitability in 1994/95

The group intended to buy the remaining 50% but Bodley could not say when this would occur BiDay

The investement would enable Adcock to increase its share in the generic market where "reasonable margins can be obtained", Bodley said 10/5/94

Branded generics and generic intravenous solutions accounted for about 20% of Adcock's total sales which amounted to R503,4m for the six months to March

He said Vesta's estimated turnover this year was around R20m.

Bodley said Vesta would remain a stand alone company but Adcock would have equal representation at board and management committee level (183)

Sources said the deal would have a minimal impact on the group's bottom line and share price (382)

BUSINESS DAY, Wednesday, May 11 1994

Impending petrol price rise 'could be avoided'

MUNGO SOGGOT

AN IMPENDING 10c/l rise in petrol prices could be averted if oil refineries and petrol companies were forced to squeeze their margins, the ANC-linked Minerals and Energy Policy Centre said yesterday

MEPC director Paul Theron said the rise — necessitated by high import costs and the weakening rand — would be politically "unsaleable" for the new government

The National Economic Forum had instead to finalise a formula at the meeting scheduled for next week which would ensure the burden fell on industry rather than the consumer, Theron said

He said the gap between the in-bond landed cost of fuel and the pump price had been too wide for too long, which meant a price hike by June was needed

Theron said there were possible savings of 6c/l to 7c/l on the in-bond landed cost He said cutting the import parity price of fuel would force refiners to chop their margins

Industry sources reacted cautiously to the proposals

Sasol said it was "surprised by the comment which implies that a rise in the pump price should be laid at our door" It said the present under recovery stemmed from higher oil prices and a less favourable exchange rate

183

Engen said reducing the import parity price of fuel by switching to other sources — one of the ideas discussed by the NEF — glossed over problems such as price fluctuation A spokesman said the in-bond landed cost was part of a "complex puzzle".

BP said savings could be made by reducing the Mossgas tariff protection.

Omnia has high hopes

8/5/94

BEATRIX PAYNE

FERTILIZER and chemicals group Omnia Holdings expected considerable growth this year, provided the fertilizer industry was rationalised and competition allowed for the provision of services to mines, the company said in its annual report

The company reported 73% rise in earnings to 88c a share for the year to December 1993, boosted by good rains, tight cost controls and greater market penetration (183)

MD Neville Crosse said the group's portfolio was more equally balanced between the business units as the percentage income derived from fertilizer diminished each year 11/5/94

The group was recently ranked 10th in the Financial Mail's survey of top performing companies on the basis of its 54,8% growth on return on equity over the last five years

Chairman RKJ Winkler has announced his resignation after 27 years with the group He is to be replaced by Anglo Alpha marketing director Johan Pretorius

MIF questions claims on oil industry deregulation

B/Day 13/5/94

MICK COLLINS

THE Motor Industries' Federation (MIF) has hit back at calls for the immediate deregulation of the oil industry, saying any form of deregulation should be carefully managed and controlled

MIF executive director Vic Fourie said it was "unwise" for an oil company to suggest that there would be petrol price reductions if the oil industry was deregulated

Fourie was reacting to Engen's call in Press advertisements for the total deregulation of the industry The Engen statements said this saving would keep R4bn in the economy each year which would be enough to fund 10% of the ANC's reconstruction and development programme (RDP)

"When Engen's CE Rob Angel says that deregulation could bring the pump price of fuel down by 25c/l, he is creating an expectation of something which is unlikely to happen," Fourie said

Careful analysis of what had transpired in other countries where the fuel distribution industries had been deregulated had, indeed, showed the pump prices to have changed both upwards as well as downwards in the short term and moving upwards generally over the longer term

"It is clear that deregulation does not reduce the price to motorists across the board Some 'specials' might be offered in some areas at some times when there is no price control, but the oil companies still recover the full price from motorists overall," he said

The MIF, which represents SA's 5 500 filling station operators, was committed to making petrol available to motorists at the best possible price everywhere in the country at all times It was also committed to protecting the small entrepreneur who provided job opportunities for about 40 000 pump attendants countrywide

(183)

Fourie said while the MIF supported a market-driven economy and free trade, it believed deregulation should be carefully managed

"Our frequent studies of the process in other countries convince us that poor control of the lifting of regulations in the fuel distribution sector often leads to mere 're-regulation' with the oil companies taking over control of the industry where the authorities left off. When this happens it is clearly to the disadvantage of all concerned"

(183)

Fuel task force to debate petrol hike

PRETORIA — A possible increase in the petrol price is to be on the agenda of the National Energy Forum's liquid fuels industry task force meeting next week

The Mineral and Energy Affairs' Theunis Burger confirmed the price situation would be tabled

Mr Burger said the government was investigating deregulation of the oil industry Organised business and labour were also part of the task force

He said the Department of Mineral and Energy Affairs would not unilaterally decide on a petrol-price increase

In March the forum's announced that agreement had been reached that the price of controlled liquid fuels — petrol, diesel and illuminating paraffin — would remain unchanged until the forum's liquid fuels industry task force had tabled its recommendations on a fundamental investigation and review of the regulatory framework for the industry

Mr Burger said the department would abide by this agreement if and until the forum decided otherwise

But Ben van Rensburg, Chamber of Business director of economic policy and the representative of organised business in the task force, indicated that a recommendation on the petrol price would be processed by the meeting and passed on to the forum.

However, he stressed that it was the government's prerogative to decide whether to increase the petrol price and it would also be up to the forum to decide whether to pass on to the government whatever recommendation the task force made

ARG 14/5/94

The latest forum statement about the petrol price revealed that due to the weakness of the South African rand against the US dollar and increasing crude oil prices and resultant increase in the in-bond landed cost (IBLC) for all three grades of petrol, diesel and illuminating paraffin, prices had come under severe pressure

An under-recovery of 2,9c a litre on petrol in March increased to 6,2c a litre in April and motorists were now paying 8,7c a litre too little for 93 octane petrol.

Mr Van Rensburg said the rand continued to depreciate against the US dollar and the oil price continued to rise

Mr Van Rensburg said organised business believed the oil industry should be deregulated in a phased manner so announcements about petrol price increases were de-politicised and the price was market-driven

Chemical plant is in hot water

S Times 15/5/94

(183)

By FRED KOCKOTT

THOR Chemicals has been refused permission to continue burning mercury waste at the company's plant at Cato Ridge near Durban.

The Department of National Health told the company last month that the continued operation of its incinerator in its present condition could pose a serious threat to the environment and the public.

The department declined to allow the company to continue burning mercury waste — even for the purpose of conducting trial runs — until the inadequacies of the plant could be rectified

The country's chief air pollution control officer, Mr Martin Lloyd, said latest tests had revealed levels of mercury in the emissions from Thor's incinerator were well above the maximum allowable concentration.

Thor Chemicals managing director Steve van der Vyver said he was not prepared to comment on matters relating to the plant while a court hearing on the deaths of workers was continuing

Until the end of March this year Thor operated its new incinerator — designed to handle a significantly larger quantity of waste than its original cellular furnace — under a temporary permit to conduct trial runs.

This was while the National Health department consulted with local and international authorities with a view to determining the necessary requirements for operating a hazardous process.

The department has laid down conditions, but Mr Lloyd said this week that Thor had not met these requirements Since Thor began its mercury trade in the late 1980s supplying mercury-based catalysts on condition they took back the spent catalysts for reprocessing, thousands of tons of mercury waste has entered South Africa

Much of this waste remains unprocessed at Thor's site

Mr Lloyd said Thor was "sitting on a major problem" and the vast quantity of stockpiled waste presented South Africa with an environmental crisis

"Mercury is a very hazardous substance," he added

THOR ON RECORDS CHARGE

By FRED KOCKOTT

The Department of Manpower did not know that Thor Chemicals employed casual labourers to handle hazardous work until three workers were hospitalised in March 1992

Thor is facing charges in the Supreme Court, Maritzburg, relating to 13 counts of wilfully submitting false or misleading test results to the Department of Manpower

Senior factory inspector Colin Murphy, testifying in court, said it was only after the hospitalisation of three men with chronic symptoms of mercury poisoning that the Department of Manpower began earnestly to investigate working conditions at Thor's Cato Ridge plant

Mr Murphy said he witnessed workers walking into mercury contaminated areas with no protection and contaminated clothing lying on the floor

Mr Murphy told the court that after he seized Thor's records of tests done to determine the level of mercury in workers urine, he discovered Thor had supplied figures to the factory inspectorate which differed from those recorded in Thor's own laboratory.

Defending Thor Chemicals, lawyer Kemp J Kemp argued that, because people excreted different quantities of mercury at different times, the results of tests varied considerably He said factory manager Gavin Daniel interpreted the weekly tests and reported a figure for each month "which was the most reliable after interpretation".

Thor is also facing 31 charges of criminal conduct These include·

- Failing to control the handling, storage and use of toxic mercury substances,
- Failing to provide adequate training and supervision of workers with regard to the handling of these substances,
- Failing to ensure the proper usage, maintenance and storage of personal protective clothing;
- Failing to remove employees from high-risk areas when they were already contaminated with dangerous levels of mercury;
- Failing to take reasonable steps to prevent the contamination of the atmosphere and the environment by mercury-based toxins.

The trial continues

PresMed restructuring and expansion pay off

BDay

AMANDA VERMEULEN

A STRATEGY of regrouping and expansion lifted earnings at pharmaceuticals group President Medical Investment (PresMed) 33,5% to 23,1c a share for the year to February. 16/5/94

PresMed said widening its equity base, expanding service points, restructuring facilities and strengthening management had underpinned the performance, pushing it into the R100m-plus turnover bracket.

A dividend of 6,56c (5,25c), covered more than 4,5 times, was declared. Turnover was up 31% to R125,3m (R95,8m) and operating income increased 32% to R18,2 (R13,8m).

Despite a 21,9% increase in net income to R13,9m (R11,4m), an increase in outside partners' share to R2,7m from a loss of R403 000 the previous period led to a 4,9% fall in pre-tax income to R11,2m (R11,8m).

However, a 51,4% drop in tax to R2,9m from R5,9m left net income at R8,3m (R5,8m). Income after outside interests was pegged 74,2% higher at R7,4m.

Issued shares increased to 24 294 from 18 432 after the recent acquisition of Faerie Glen Hospital and a minority interest in Wilgers Hospital, both in Pretoria.

The group also bought three day clinics, two in Pretoria and one in Cape Town, and the Carstenhof Clinic in Midrand.

Joint MD Carl Grillenberger said the effect on earnings lost as a result of the recent elections and public holidays could not yet be quantified but some adverse effect on gross income for the half-year to August could be expected.

The conversion of debentures into ordinary shares during the financial year to February 1995 would dilute earnings growth.

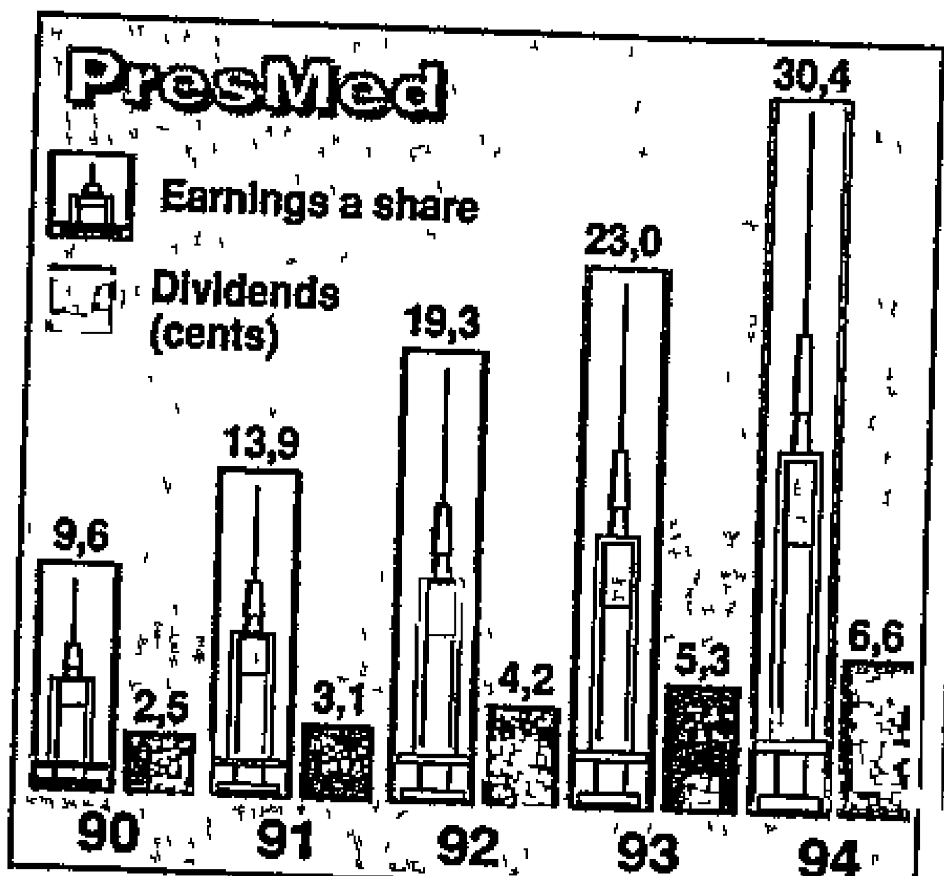
(183)

The board said the strengthened equity base had not only improved net asset value a share but had also reduced gearing.

The restructuring of the group into separate hospital and day clinics would streamline service provision and further improve efficiencies.

The board expected a continued demand for private health care services.

"PresMed believes its philosophy of being as cost-effective as possible will be of even greater strategic importance in the future."



Graphic: KAREN MOOLMAN Source: PRESMED

Petrol price rise meeting

C.T. 16/5/94

~~244~~ (183)

JOHANNESBURG — The National Economic Forum's Liquid Fuel Task Group is to meet at Sasol headquarters here this week to discuss changes to the fuel price

Matters to be discussed include proposals that protection to Sasol should only be granted once the fuel price drops below $18 (about R63) a barrel, instead of the present $21,84 (about R76)

A further proposal that other oil companies should have the spot price of crude oil calculated on the Mediterranean price rather than the basket of Middle Eastern prices will also be discussed

If the proposals are accepted it would mean a reduction in the in-bond landed cost of fuel

Earlier it was reported that the cost of petrol would have to be increased

If the proposals are accepted, however, it could mean a smaller increase for consumers — Sapa

Drug price controls to be introduced

B/Day

BEATRIX PAYNE

SUN CITY — The ANC plans to introduce a list of maximum prices for medicines.

National Drug Policy (NDP) Commission convenor Prof Peter Eagles said yesterday the proposals were part of the "third and final" draft of the ANC's national health plan. 17/5/94

The proposals for an essential drug list were in line with World Health Organisation cost containment policy. (183)

Eagles told a Pharmaceutical Society of SA and SA Association of Community Pharmacists symposium at Sun City yesterday the NDP would encourage the wider prescription of generic medicines.

The proposals set out in the NDP would contribute to the ANC's reconstruction and development programme and would encourage the growth of local industry.

Eagles said it would be important to develop local pharmaceutical companies into locally based multinationals.

He said the current public sector medicines tender system under Comad was satisfactory. "The public sector — supporting 80% of the population — needs drugs at the lowest possible prices and Comad does that."

The third set of proposals had been modified and released after consultation with interest groups.

Eagles encouraged pharmacists to start lobbying government to pass the legislation to implement the NDP. He said it would provide legislative guidelines for the cost-effective use of medicines and would promote better use of current financial and retail sources.

BUSINESS DAY, Tuesday, May 17 1994

Petrol price discussed

MICK COLLINS

PRESSURE on Sasol protection payments and petrol price cuts were high on the agenda at a meeting of a subcommittee of the National Economic Forum's liquid fuels task force in Johannesburg yesterday.

Sources close to the meeting said major recommendations had been tabled and would be put to a full meeting of the task force tomorrow

A source said the ANC-aligned Minerals and Energy Policy Centre (MEPC) and the labour movement wanted Sasol to give up 6c/l to 7c/l of its protection payments. This would cut the synfuel floor price from $21,84 to about $18 a barrel

The MEPC/labour lobby reportedly also called on Transnet to lower its fuel-related tariffs

The task force subcommittee discussed cutting the in-bond landed cost — the country's base fuel price — 4c/l by changing the spot price of crude from the Middle East basket of prices to Mediterranean prices.

183

Industry sources said current underrecovery at the pump would inevitably mean an increase of 4c/l in petrol prices in the next few weeks

With the new proposals on the table, the increase could be as little as 1c/l, task force sources said.

Recommendations tabled at yesterday's meeting would be discussed at a full sitting of the task group tomorrow, the sources said.

Higher petrol price imminent

Star 17/5/94

BY NORMAN CHANDLER

PRETORIA BUREAU

The Government may have to agree in the next few days to a petrol price increase of about 3c/litre

Diesel and paraffin could also be affected

This is the word in Pretoria as the National Economic Forum's (NEF) liquid fuel task group meets in Johannesburg to discuss changes it wants to recommend in the structure of the fuel price

Prices in the oil industry are set by the Department of Mineral and Energy Affairs

It is understood that the decline of the rand against the US dollar and rising world oil prices are the main reasons for the imminent price hike

An under-recovery of 2,9c/l on petrol in March increased to 6,2c/l in April and motorists are now paying 8,7c/l too little for 93 octane petrol The Equalisation Fund — utilised by the Government to top up funds available for petrol purchases — is under strain

The agenda for the NEF meeting also includes proposals to alter tariff protection for Sasol, in that protection should only be granted if the oil price drops below $18 a barrel compared to the present $21,84

A further change is that oil companies are to be urged to negotiate for crude oil at the Mediterranean spot price rather than the traditional Singapore/Bahrain term pricing basis ~~SHH~~ (183)

Mineral and Energy Affairs spokesman Theunis Burger said the Government was investigating the deregulation of the R23 billion oil industry — recommended in March by the Competition Board — and that the department would therefore not "unilaterally decide on a petrol price increase"

'Vested interests will oppose generics law'

B/Day 18/5/94

(183)

BEATRIX PAYNE

THE Pharmacy Council could have a fight on its hands if it lobbied government to legalise the practice of generic substitution, council president Johan van der Walt warned yesterday at Sun City.

Speaking at the Pharmaceutical Society of SA's annual conference, Van der Walt said it could take "some months and a few fights with vested interests" before the demand could be met.

Pharmaceutical Manufacturers' Association (PMA) representative and SmithKline Beecham CE Dr Gunther Faber warned delegates that manufacturers who were PMA members, mainly multinational companies, were "totally against generic substitution"

But Van der Walt said the principle of generic substitution would be accepted by government as it would have a major impact on the cost of health care.

He said the council would start lobbying government only in a few months to allow it to "settle in", he said.

In a surprise move, a motion intended to ask the Pharmacy Council to maintain its position that only registered pharmacists may own pharmacies was withdrawn at the last minute

Van der Walt said the motion would have been superfluous because the council was "very clear" that ownership should remain in the hands of pharmacists

The council would make exceptions for pharmacies operating in private hospitals and rural clinics

But one delegate said he believed the withdrawal of the motion was simply a "pragmatic move" intended to show the new government that pharmacists were prepared to move away from some of their traditional positions

Van der Walt had earlier delivered what some delegates saw as a "rap over the knuckles" when he urged pharmacists "to change a culture of apathy and resistance and accept realities in pharmacy".

He said they were underperforming and would need to provide a package of primary health care services designed to improve accessibility

Electronics sector 'set to flourish'

B/Day 18/5/94

EDWARD WEST

CAPE TOWN — The electronics industry was set to expand rapidly, mainly because of an expected surge in telecommunications industry growth, Plessey Tellumat SA MD John Temple said yesterday.

Speaking at the opening of the Cape's first electronic component industry exhibition, Temple said the industry would also be bolstered by orders from the defence industry.

This sector was at the leading edge of technological capital and should be used as a base for high-technology exports. Because of this, he believed defence spending was likely to rise, not fall.

Infrastructural development due to political change would also stimulate the electronics industry through items such as prepaid electricity meters, transport control systems and education and broadcasting equipment.

Greater research and development was needed to increase exports. SA could not compete with the Far East's productivity and an alternative area of competitiveness was products where engineering and scientific skills made up a high proportion of the sales price Temple said the state's support programme for the electronic industry was helpful In terms of the scheme the state contributed a third of the cost of labour in research and development, reducing pre-tax risks for participants.

Proprietary)

Petrol price set to go up by 4c a litre

(183) ARG 18/5/94

The Argus Correspondent

PRETORIA — The liquid fuels task force of the National Economic Forum (NEF) meets today to consider a cut in protective payments to Sasol and a petrol price increase of up to 4c a litre

Reports today speculated about a possible 14c a litre petrol price rise. But among the recommendations on the table at today's meeting is a cut of up to 7c a litre in protective payments to Sasol

According to reports this would bring down the synfuel floor price by more than R9 a barrel — which could limit the petrol price increase to as little as 1c a litre. With the protective payments in place, current under-recovery at the pumps would necessitate an increase of about 4c a litre

The task group, consisting of representatives of the Department of Mineral and Energy Affairs, organised business and labour, was established last year to investigate the deregulation of the fuel industry

Department of Mineral and Energy Affairs spokesman Theunis Burger confirmed that the department would abide by this agreement

COMPANIES

Sentrachem to axe 500 workers

B Day

MUNGO SOGGOT

SENTRACHEM would retrench 500 staff as part of its attempts to restructure its National Chemical Products (NCP) division, the petrochemicals company said yesterday

NCP chairman Vince Lovell said the company would shut down its Germiston distillery — along with the factory's pentacrythitol, acetaldehyde, and acetic plants — forcing the cuts.

Sentrachem would import those products no longer manufactured.

All of NCP's alcohol production would be consolidated at the NCP plant in Durban Lovell said NCP employed 2 500 people About 1 300 of these worked in its organic chemicals division

The retrenchments and closures — to be phased in over the next six to nine months — would cost R7m, he said The shutdown would also see below-the-line write-offs of about R40m in assets.

Lovell said the restructuring stemmed from softer international petrochemical prices, an expected drop in local import duties, and increases in the price of materials 19/5/94

"Pressure placed on margins by these developments emphasised the need for further action to reduce fixed costs in the division," Lovell said (183)

An analyst said the organic chemicals division had not been contributing to profits This pointed to the fact that it would still not make an acceptable return on capital even with an economic upturn.

The latest restructuring had come about after a refocusing exercise to determine which parts of the operation would be competitive in the long term, he said was likely for export stocks such as gold. | ture between Saccawu, | taken to the HIPPF board | fairs had been sorted out.

BDay
19/5/94

Deal struck to end holiday pay strike

DURBAN — Thousands of striking clothing workers returned to work in KwaZulu/Natal yesterday after agreement was reached ending a two-week strike, the Natal Clothing Manufacturers' Association said

The strike began over a refusal by the association to pay clothing workers for all of the April 27 and 28 and May 10 public holidays

"The strike has been resolved There is a settlement and most factories appear to be operating," said association director Len Smart

SA Clothing and Textile Workers' Union regional media officer Rajesh Jock said. "We are happy with the proposal to pay our members for three days

Smart would not confirm what had been agreed

Jock said it had been agreed that all three holidays "are payable, one up front, and the time-frame for paying for the other two will be negotiated at factory level"

He said the association had argued that smaller factories could not afford payment of all three holidays up front but had agreed to negotiate when these wages would be paid

Thousands of workers had returned to their jobs, Jock said

The ANC and Labour Minister Tito Mboweni came out in support of the strikers, urging employers to pay workers who stayed away on the election and inauguration holidays. — Reuter

Drug pricing system likely to be changed

BDay 19/5/94

BEATRIX PAYNE

MEDICINE pricing systems that offered different discounts to doctors and pharmacists were likely to be revamped this year, National Association of Pharmaceutical Wholesalers (NAPW) executive director Trevor Phillips said yesterday.

Phillips told the Pharmaceutical Society of SA annual conference at Sun City that the present pricing systems had created public perceptions of "high prices and unfair profits"

It was likely that a new system of "net pricing" for medicines would be introduced following the pharmaceutical wholesalers' discussions with interest groups

The NAPW aimed to introduce single exit pricing which could prevent "round tripping" of drugs, Phillips told the conference

He said "net pricing" would end the use of the Blue Book, which quoted suggested retail prices but was allegedly misleading because of widespread discounting

"Round tripping" occurred when dispensing doctors, who received greater discounts on medicines than pharmacists, supplied pharmacists with cheap medicines and bypassed the registered wholesaler.

The NAPW aimed to rewrite the draft Prohibition of Discriminatory Pricing Act. This was gazetted last year, he said, to try to accommodate the objections of members of the Pharmaceutical Manufacturers Association (PMA)

He said the PMA had objected to the "unclear phraseology" of the Act when it was originally gazetted.

Phillips said co-operation by interest groups in the industry could contribute to an overall reduction in health care costs (183)

The launch late last year of sole distribution networks by a number of international manufacturers had caused a storm among wholesalers, many of whom had refused to supply medicines manufactured by the multinational companies.

Phillips warned that it could be impossible to bypass the wholesele network that distributed medicines to 8 500 community pharmacists, private clinics and doctors

But to remain the prime conduit of medicines to the customer, wholesalers had to satify the market's distribution needs, Phillips said

☐ Pharmaceutical Society vice-president Cecil Abramson was elected president, succeeding Gary Kohn

BDay 19/5/94

Business school opened to teach black managers

ERICA JANKOWITZ

ARTHUR Andersen yesterday launched a business awareness school at which black managers will learn essential business skills in an interactive environment

Speaking at the launch, Arthur Andersen consulting partner Peter Prinsloo said the first group of 35 delegates had been identified by clients of the Andersen Organisation as having potential for promotion

They would attend an eight-week, part-time course aimed at "honing this important group's awareness of business practices and disciplines".

The company expected to train five such groups a year in disciplines such as business law, accounting practice and administration.

Prinsloo put the cost of establishing the school and training the first participants at R80 000-R100 000, borne by the Andersen Organisation

Prinsloo said the group set aside 7% of its annual revenues for training and education, and this project extended the process beyond its own employees to include clients' employees and eventually other candidates.

"The courses will be presented by Andersen partners from, among others, business law, taxation, business finance consulting, accounting and auditing, operational consulting and management consulting practices"

The guest speaker at the launch was Anglo American director Don Ncube, who welcomed the initiative as an important first step in training aspirant black managers in complex business issues

Plan to end

Star 19/5/94

500 jobs axed

NCP, a division of Sentrachem, is to axe 500 jobs as part of a restructuring programme

Chairman Vince Lovell said yesterday several factors had contributed to the decision to restructure — softening of international prices of petrochemicals, an expected reduction of local import duties, and increases in the price of local raw materials.

Pressure placed on margins by these developments emphasised the need for further action to reduce fixed costs after previous downsizing over the past two years, Lovell said.

The changes involved the rationalisation of personnel. Around 500 jobs would be lost at the Germiston site.

The programme was being carried out in consultation with those affected and would extend over a period of six to nine months.

Lovell said supplies and service to customers would not be affected.

The focus of the changes in the organics chemicals division was on alcohols and some derivatives. (183)(835)

All alcohol production was being consolidated at the NCP Natal plant at Umgeni, Durban, with the distillery at the Germiston factory complex being phased out, along with some downstream and by-product plants.

Lovell said certain plants might be relocated to the coast, in which case production would continue at Germiston until the move. Plants not associated with alcohol would all continue in operation. — Sapa.

PHARMACIES

No antidote for reform

Pharmacists, it seems, remain more determined than ever to hold on to their near-monopoly of drug sales to the public.

Pharmaceutical Society of SA president Gary Kohn this week again stressed that the present network of pharmacies needs to be maintained at all costs. "The pharmacy as a small business enterprise must be recognised as important and in the public interest," he told delegates to the society's 49th annual conference at Sun City. FM

Also tabled at the conference was a motion calling on the Pharmacy Council — statutorily constituted to protect the public interest but made up of a large number of pharmacists — to maintain pharmacy ownership firmly in the hands of registered pharmacists. 20/5/94

The motion, however, was withdrawn after the council's Johan van der Walt emphasised its commitment to keeping ownership with the pharmacist. Confirming that the council last year managed to scuttle the deregulation of pharmacy ownership by opposing the final draft of the Pharmacy Amendment Bill — which would have given the Health Minister the right to approve applications from Clicks, Pick 'n Pay and other non-pharmacists to open pharmacies.

Van der Walt nevertheless stresses the importance of allowing controlled deregulation at the retail level. (183)

"Government advisers and business are still applying pressure to deregulate the sector."

Van der Walt envisages a situation where limited non-pharmacist ownership of pharmacies is allowed, at the sole discretion of the council — a suggestion the Competition Board last year threw out as not being in the public's best interest.

The board was concerned that the council would largely prevent deregulation of the sector by setting difficult criteria for non-pharmacist applications.

Van der Walt suggests that the council will consider an application from a non-pharmacist to open a pharmacy in an area where there is none. Of course, this type of thinking could exclude the large retail chains that tend to operate in busy places where often there are lots of little pharmacies operating mostly on inefficient economies of

FM 20/5/94

scale.

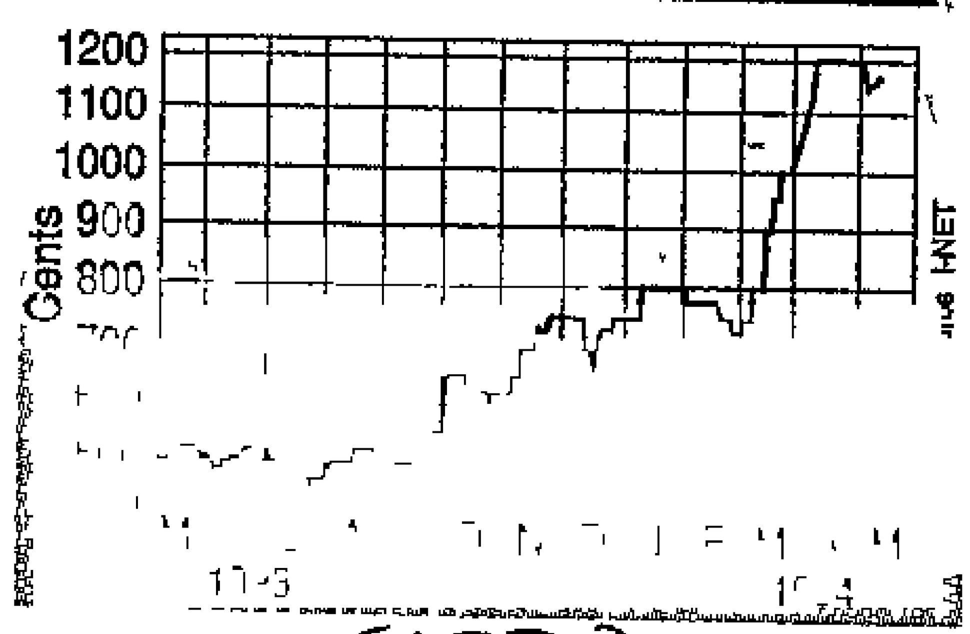
Pharmacists are also concerned about the proliferation of mail-order drug suppliers In recent months these operations have managed to undercut the 50% mark-up pharmacists add to the wholesale price (which is 17% more than the manufacturer's price) by operating largely from cheaper warehouse-type premises and employing fewer staff Kohn alleges that the pharmacist, in such an undertaking, is unable properly to fulfil his core function of promoting the safe and effective use of medicines (183)

Of course critics would argue that drugs-by-post has proved successful and cost-effective in the US and is supplemented by a toll-free phone advice bureau.

Pharmacists, however, are considering replacing their traditional 50% markup (less discounts) with a professional fee that would cover dispensing, advice and follow-up monitoring ■

FM 20/5/94

Omnia Holdings



(183)

Activities: *Makes and markets fertilizer, explosives, chemicals, seeds and conducts farming operations*
Control: *Anglo-Alpha 33%*
Chairman: *R K J Winkler, MD N J Crosse*
Capital structure: *38,8m ords Market capitalisation R456m*
Share market: *Price 1 175c Yields 3,7% on dividend, 7,5% on earnings, p e ratio, 13,4, cover, 2,0 12-month high, 1 200c, low, 450c Trading volume last quarter, 200 000 shares*

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	40,6	43,9	28,4	48,8
LT debt (Rm)	27,8	23,5	21,0	19,8
Debt equity ratio	0,63	0,23	0,38	0,44
Shareholders' interest	0,37	0,35	0,33	0,38
Int & leasing cover	2,31	2,34	2,04	3,64
Return on cap (%)	17,8	18,0	12,6	19,2
Turnover (Rm)	381	438	487	617
Pre-int profit (Rm)	49,2	60,7	44,5	69,0
Pre-int margin (%)	12,9	13,8	9,2	11,2
Earnings (c)	73,2	82,0	51,1	87,9
Dividends (c)	30	35	40	44
Tangible NAV (c)	261	308	307	354

OMNIA FM 20/5/94

Green fingers

With fortunes intricately linked to agriculture — just over 61% of earnings sourced from fertiliser — Omnia had a financial field day with 1993's improved season (183)

EPS increased a stunning 72% to 88c However, and before shareholders wax lyrical about this result, it has to be said it was achieved off a low base following the drought-driven hiccup in earnings in financial 1992 But there were also healthy contributions from other areas of the business explosives, chemicals, trading and seeds

Operating income increased 53% to R88,1m on turnover which was up a little more than a quarter to R617m Chairman Joachim Winkler says. "Because 1992 figures were affected by abnormal weather and market conditions, comparisons with 1991 are more meaningful on that basis, turnover grew by 40%" This is an impressive increase

Crosse *expanding Omnia's range*

Earnings were enhanced by the 13% reduction in finance costs despite a slight increase in gearing from 39% in the previous financial year to 43% The pre-tax earnings increase of 117% to R49m was severely trimmed by a quadrupling of the tax charge to R15m, assessed losses were fully utilised in 1992

These results put Omnia firmly back on the growth path The balance sheet shows cash at almost R9m, up from R3m the previous year, achieved despite a small increase in stocks and a 27% decrease in creditors

Though fertilisers remain the core business, management says it remains determined to lessen dependence on sales to the farming industry by doubling efforts in areas such as chemicals and explosives

Its explosives company, BME, recently concluded a technical agreement with Dyno Nobel, the world's second-largest explosives group CE Neville Crosse says this will enable BME to expand its product range significantly and should provide a boost to results in 1995

The trading and industrial chemicals division was reorganised during the year to accomodate the group's offshore structure as well as its recently established chemicals business Its scope has been expanded to capitalise on opportunities, primarily in

FM 20/5/94

Africa, created by the removal of sanctions

Other activities reflect equally pleasing performances Carnia Seed, in which Omnia has devoted considerable capital over the years, continues to improve its market position Omnia Farming, the group's farming arm and which has struggled with a variety of problems, has now been fully rationalised However, the division's full potential is being dampened by the fact that investment in farming ventures in neighbouring countries is currently limited by foreign exchange considerations, though it must be added that this is unlikely to change soon (183)

Given the efficiency of the business and a return to normal climatic conditions, there are good prospects for real earnings growth this year The share price continues to climb — it has more than doubled over the past 12 months With the market expecting earnings this year to be more than 100c — giving it a forward p e of 11,6 — the share provides a good investment opportunity *Marylou Greig*

Sasol, Mossgas stand to lose R300m sales a year

B/Day 20/5/94

MICK COLLINS

SASOL and Mossgas stood to lose around R300m a year in sales if the proposed 2c/l cut in tariff protection was implemented, analysts said yesterday.

The cut was proposed by the National Economic Forum's liquid fuels task force as part of a package which will shortly see a two-stage rise in petrol prices of 8c/l.

One analyst said the tariff protection reduction would have the effect of chopping more than R245m a year from Sasol and nearly R50m from Mossgas.

A Mossgas spokesman said it was not clear how the tariff protection reduction would be applied and "until such time as we receive clarity on its application we are not in a position to comment on how it will affect us".

Sasol refused to comment.

Engen MD Rob Angel welcomed the proposed review. Another analyst said if the underrecovery rate of 14c/l had been allowed to continue it would have amounted to R2bn a year.

"As it stands the underrecovery is still 3,5c/l which comes to R500m a year" He added that government was still not sharing the burden with a tax cut in the fuel price.

(55)(183)

The SA Chamber of Business said while business recognised the increases would have a negative effect on the economy, it reluctantly accepted that external pressures had made them unavoidable.

It said that for as long as fuel was subject to regulation and to retail price maintenance the government would have to announce price adjustments.

In terms of the recommendations, the oil industry and Sasol would have to make considerable sacrifices, which could only be a one-off measure.

"These factors give substance to the concerns of business regarding the direction of government's interventionist policies and their effects on investor confidence and the exchange rate," it said.

Sacob said its acceptance of this method of dealing with the short-term price pressures on fuel was conditional on an acceptance that the oil industry had to be restructured so as to allow market forces to determine the price

State expenditure over-runs

Finance Minister Derek Keys and deputy Alec Erwin reacting to the furore about

Picture COBUS BODENSTEIN

S1Times (Buss) 22/5/94

No surprises for drugs companies

By ZILLA EFRAT

PHARMACEUTICAL companies greeted the ANC's health policy with "reasonable" satisfaction on Friday.

As producers of generic drugs, they stand to benefit from the policy's thrust in this direction. Makers of over-the-counter self-medication also expected a boost.

Analysts, howerver, warned that margins on generic drugs sold to the public sector could tighten further.

Industry players said multinational manufacturers of branded original medicines would come under pressure although most had already learnt to cope with a worldwide swing towards generics

While most players had not read the policy's final draft, they said it contained no surprises. More details, however, were needed on how the policy's objectives would be achieved

Analysts said the policy could restrain earnings growth of private hospital groups. Even though private care could become more expensive, demand for it is expected to rise from people who could afford it.

Some, however, might move more strongly into the day clinic business

Clinic Holdings expected to benefit from public sector use of its expertise and high-tech equipment

The proposals, however, alarmed tobacco manufacturers with the suggestion to raise taxes on cigarettes to finance the expected R2-billion health bill

(183)

The plan proposes doubling the price of cigarettes.

Share prices of Rembrant group companies plummeted in reaction to the proposals with Rembeheer giving up a quarter of its market capitalisation on Thursday.

Liquor shares, notably SAB, remained largely unaffected

RDP plan a boost

Govt will soon see unleaded petrol plan

B/Day 24/5/94

MICK COLLINS

GOVERNMENT was soon to be presented with a package outlining the planned introduction of unleaded petrol for SA motorists, fuel and motor industry sources said yesterday

If government approval is given, the fuel could be on the forecourts by July 1995 with countrywide availability by October 1995

The package, compiled by representatives of the motor manufacturers, the Mineral and Energy Affairs Department, oil companies and the Motor Industries Federation, is said to contain consensus from all parties

Sources said the new fuel would be sold at a lower price but the differential was not likely to be as large as first thought — 7c/l to 10c/l Oil industry sources said yesterday the price differential would probably be about 5c/l

The main incentive for introducing the fuel at a lower price was to assure oil companies that motorists would immediately buy the new product, establishing a volume throughput

The National Association of Automobile Manufacturers of SA's Paul Clark said government had to decide whether SA would follow the rest of the world, where 70% of all fuel sold was unleaded

(183)

He said 65% of vehicles on SA roads could operate on unleaded fuel without any modification

The benefits of using unleaded fuel included longer spark plug life, longer exhaust system life and reduced engine contamination, which translated into longer engine life

Sentrachem set for export boost

BiDay 24/5/94

MICK COLLINS

PETROCHEMICALS group Sentrachem was poised to beef up its export drive with the recent opening of another office in Hong Kong, the company said yesterday

MD John Job said the company's offices in Houston and London were also shifting focus from procurement during the sanctions era to active sales in the plastics, agricultural and industrial chemical markets

Group exports had already grown from R190m at last year's interim period to about R208m at the recent interim, increasing their proportion of turnover to 15% (183)

Job said the three operations were now operating under the Sentrachem International banner and an aggressive export drive would accompany the new visibility

Areas of specific interest to the company's Hong Kong office are the Pacific Rim, China, Vietnam and Southeast Asia

"The export programme goes on with the help of our international offices," Job said "Exporting is a fundamental requirement for this country's manufacturing sector and Sentrachem is clear as to where it can be competitive"

Much of the company's capex of R170m for 1994 would go towards building plant for exports

"We will be aiming to export 50% to 60% of the capacity created by these investments," he said

"We have been driving exports hard from SA, but now we want to develop demand abroad The three foreign offices will act as our eyes and ears"

Convenor of the Sentrachem Exporters Club Klaus Hudoffsky said the company had to pursue niche markets

The company planned to exhibit in Dubai, which it saw as a "gateway to the rest of the Middle East"

Russian woes to aid ferrochrome

BiDay 24/5/94

JOHN DLUDLU

THE deepening crisis in the Russian economy looked set to underpin a recovery in the ferrochrome market, sources said at the weekend.

JCI's Consolidated Metallurgical Industries (CMI)'s marketing director Allan Kuhnert said the economic problems in Russia had put a serious setback on efforts to modernise ferrochrome plants

Recently released economic figures suggested that Russian industrial production, which fell 25% in the first quarter of the year, appeared to be accelerating

He said the infrastructural problems had translated into supply problems for Russian exporters

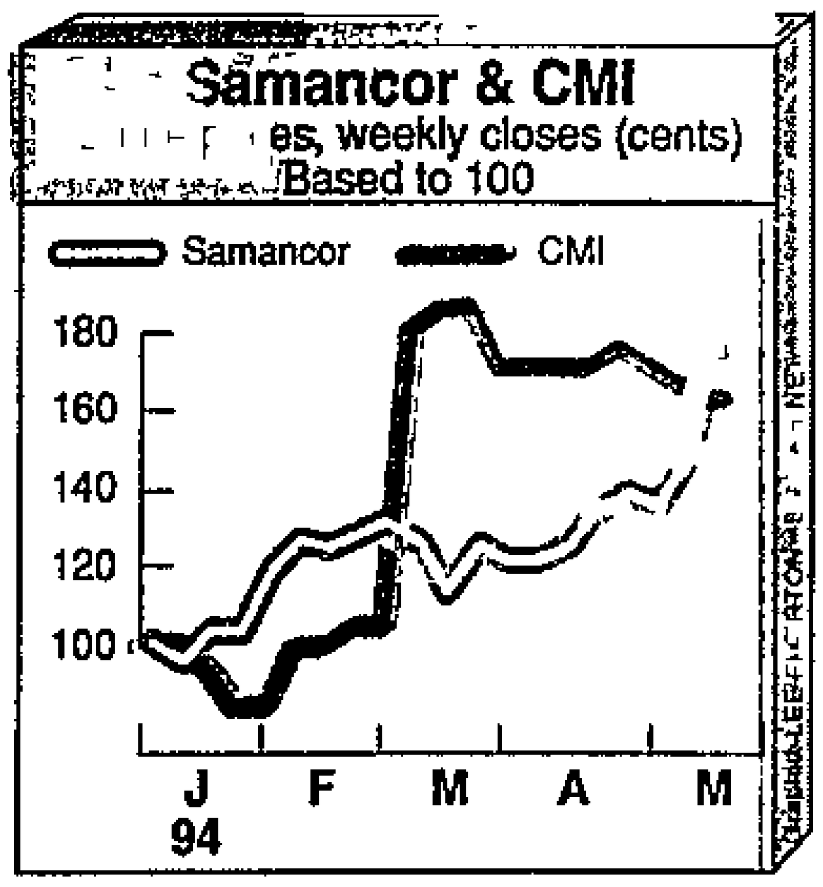
Kuhnert attributed the recent rise in demand — which became noticeable at the beginning of 1994 — to the problems in Russia

"These problems have pushed up the ferrochrome spot prices for suppliers in Zimbabwe, SA, India and North America"

Sources said the affect of Russian suppliers on global markets could start showing up this year in ferrochrome suppliers' earnings

Ferrochrome demand is expected to rise this year, fuelled by hefty gains in stainless steel production which last year lifted ferrochrome consumption an estimated 9% to 2,69-million tons

Prices began to stabilise last year, at about $0,43c/lb in Europe and $0,47c/lb in Japan They have dipped slightly in the first quarter of 1994, hit by aggressive marketing strategies by stainless steel producers. Prices were thought unlikely to move up before the end of this year



Gencor-owned Samancor, which is one of the world's largest ferrochrome producers, was cautious about the affect of Russian problems on the local industry

Chairman Mike Salamon said it would take the next three to five months to determine the likely affect of the recent upturn in spot prices for other suppliers

"Since CIS suppliers began selling less stocks to the market, the demand-supply has become balanced"

Kuhnert said the fortunes of local producers depended on whether the current infrastructural problems in the CIS had dried up all the stockpiles of ferrochrome in Russia

CIS producers have been blamed for depressing the prices by flooding the market. "The thing with them (CIS) is that they care less about profit," a mining analyst said

The problem of oversupply has caused a decline in earnings for local producers. Samancor was forced to operate at half capacity, while CMI cut its capacity 30%

If the economic crisis spills over into social unrest in Russia, the support for better prices will remain

SA primed for new fuel

Own Correspondent

JOHANNESBURG — Unleaded petrol may be available in South Africa by the middle of next year (183)

If government approval is given to a package outlining its introduction, the fuel could be on sale by July next year with countrywide availability by October

The package was compiled by representatives of the motor manufacturers, the mineral and energy affairs department, oil companies and the Motor Industries Federation CT 24/5/94

Sources said the new fuel would be about five cents a litre cheaper than leaded petrol x

Sasol aims to offset tariff change losses

BIDay 25/5/94

MICK COLLINS

(183)

PETROCHEMICALS giant Sasol yesterday said an ongoing series of cost-cutting measures would go a long way to offsetting anticipated losses in income of R350m if government decided to implement a change in tariff protection.

It said that Sasol's loss of income would be R200m a year should the tariff cuts, as recently outlined by the National Economic Forum's liquid fuels task force, be put into effect. Added to this was a further R150m a year loss as a result of the reduction in tariff protection announced in October last year.

The company said that it was only a series of dramatic increases in efficiency in operations and a massive cost-savings drive that "have placed us in a position to cushion any such reductions in income"

Sasol Limited GM Pat Davies said the company had anticipated the need to become more competitive because of market changes

These market changes included possible alterations in the regulation of the fuel industry and international competition

The company had over the past two years reduced its staff complement from 32 000 to 26 000 and a programme of natural attrition was in place.

But if posts became redundant because of further rationalisation "we attempt to use these people on our new chemical projects", he said

"The cost saving drive at Sasol never ends. Resulting from Sasol's quality improvement process, there have been substantial cost reductions and improved productivity and efficiencies in recent years," Davies said

These improvements had been made possible by a massive investment in training, enhanced working methods and the judicious expenditure of capital in both technological renewal of Sasol's existing facilities and in new chemical production facilities

It said Sasol Coal had been able to reduce production costs 3,6% despite inflation. Its underground section had increased output 29% over the past five years, raising productivity in terms of tonnage mined per man from 2 600 to 4 300 — an increase of 65% over the past five years

Sasol's synthetic fuels company had also shown marked improvement with its multifactor productivity index — as defined by the NPI — improving 37% over three years. Yield efficiency, measured by the amount of oil produced per unit of coal consumed, improved 30% over three years Total output per employee improved 35% over the same period

It said similar results had been achieved by Sasol's other divisions

Sasol's technological innovations had been measured against cost-containment and efficiencies. For example, the recent investment to revitalise Sasol One's factory at Sasolburg would add R137m in value a year to the group's bottom line.

De-bottlenecking projects and other process refinements at Sasol Two and Three had enabled the company to operate at well above design capacity This had provided the products streams required for Sasol's beneficiation thrust.

Chemical industry has care programme

MICK COLLINS

THE SA chemical industry yesterday launched a responsible care programme to minimise adverse environmental effects and protect the health and safety of employees and the public

At a seminar in Midrand the Chemical and Allied Industries' Association (CAIA) said its programme was in line with the norms and guidelines of the International Council of Chemical Associations (ICCA)

To date 15 local chemical companies, including Sasol, Sentrachem and AECI, had signed up and the CAIA expected many smaller firms to sign up in the near future

Sentrachem GM, health, safety and environment, Peter Hart, who has been seconded to the programme, said chemical companies would commit themselves to a three point philosophy This, he said, would embrace

B/Day

- Excellence in health, safety and environmental (HSE) performance,
- Effective communication with the public, and

(183)

- Inter-company assistance and sharing of experience in HSE matters

25/5/94

The CAIA had produced a manual to assist members in developing HSE programmes, covering health and safety, waste management and pollution control, transportation of chemicals and storage and distribution of chemicals, he said

"By the end of 1994 the manual will include sections on community awareness, emergency response and product stewardship," Hart said

Self-regulation was an integral part of responsible care, Hart said

"The CAIA will promote this by issuing self-evaluation questionnaires to evaluate performance against CAIA standards

"The association will then have the data on individual companies which will be consolidated into an industry progress report," Hart said.

Govt plans new policy on vehicle emissions

MICK COLLINS

THE Mineral and Energy Affairs Department said yesterday it would develop a national policy on vehicle emissions in preparation for the planned introduction of unleaded petrol

A working party had been formed in conjunction with the departments of National Health and Population Development and Environmental Affairs

It would include representatives of government, the oil industry, the motor industry, the Automobile Association, academics and other interest groups.

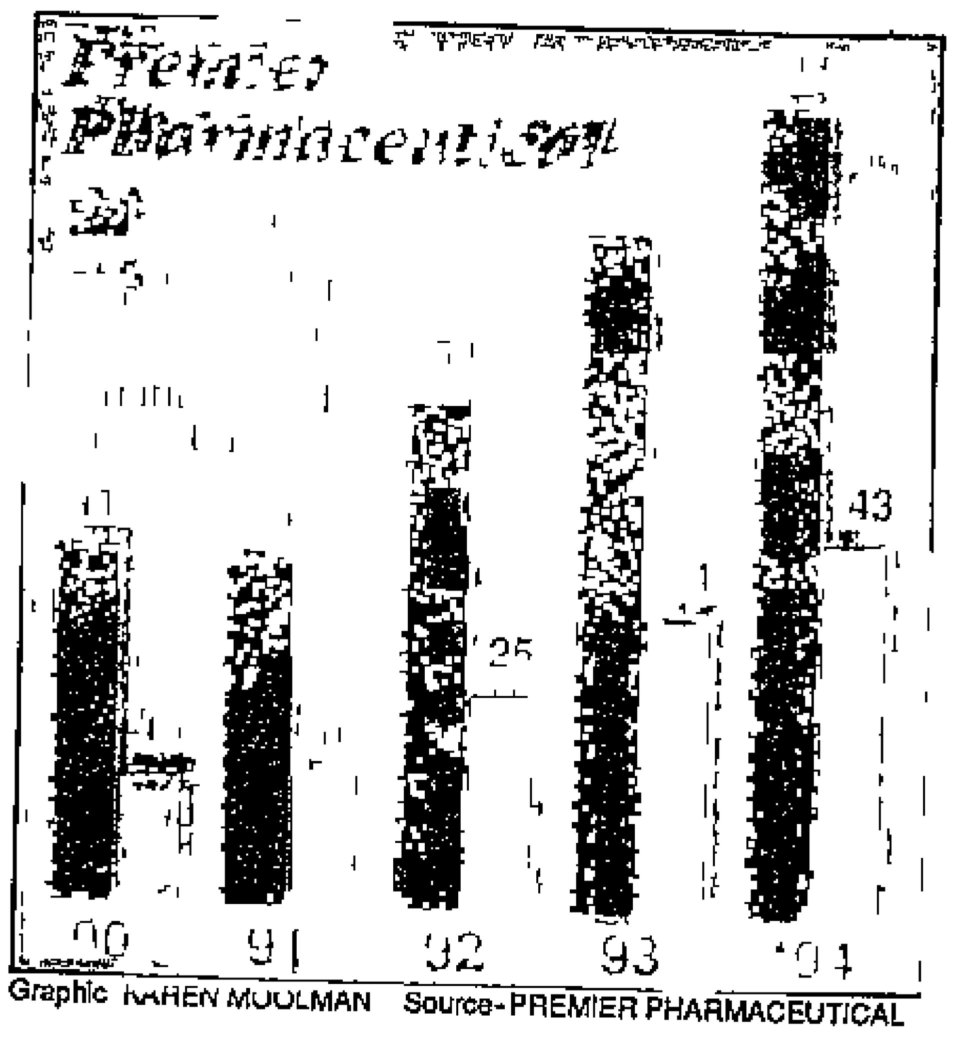
The Minerals and Energy Affairs Department said a new policy was needed to meet changes brought about by vehicle emissions control technology, liquid fuel formulation — specifically the introduction of unleaded petrol — urban growth and the drive for a better environment.

"Clear policy is needed to guide the introduction of motor vehicle emission control technology and regulatory measures," it said.

The introduction of such measures could have profound effects on the motor industry, the petroleum industry, mass transport policies, alternative engine technologies and urban design, it said. (183)

The department wanted the best possible information on current and anticipated environmental pollution levels caused by vehicle emmissions

Policy development would be divided into three phases. The first information session would discuss with interested consultants draft specifications for phase one. 26/5/94



Graphic KAREN MOOLMAN Source - PREMIER PHARMACEUTICAL

Prempharm looks for real growth

BEATRIX PAYNE BiDay

PHARMACEUTICALS group Premier Pharmaceutical (Prempharm) lifted earnings 28% to R99,3m for the year to April, as stringent cost control offset sluggish consumer spending 27/5/94

The company said that despite depressed markets, sales jumped 11% to R505,5m as the pharmaceutical division again lifted turnover and profitability.

Operating income jumped 18% to R138,8m, and the company also reaped the benefits of investment income, which was ahead R2,8m at R10m (183)

The total dividend rose 26% to 43c The rise in earnings a share was limited to 20% (up to 93,2c) by the release of new shares

☐ To Page 2

Prempharm

BiDay 27/5/94

☐ From Page 1

last year.

Market sources said the results were in line with expectations (183)

CEO Phil Nortier said it was a good performance, and added that the company should achieve "real earnings growth in the coming financial year".

Prempharm was also looking at further expansion locally and abroad, he said.

Nortier said while the pharmaceutical division had performed well through increased sales, the vision care division performed only "creditably".

The animal health division sustained its previously reported marked improvement in profitability on the back of improved agricultural conditions But depressed spending slowed down sales in the consumer division which performed "below expectations".

Nortier said an expected increase in "discretionary" consumer spending could benefit the division. Financial director Hymie Shapiro said the company was considering acquiring additional brands to improve the division's performance.

Nortier said the company was well placed to take advantage of the increasing trend toward self-medication and the expanding market for generic medicines as a result of the acquisition of Zurich (for R75m cash), Salters, Laser and Leppin The acquisitions had increased products in the company's existing range.

He said despite difficult trading conditions and uncertainty about the future direction of the pharmaceutical industry, the new political dispensation and recent acquisitions "augured well for the future"

Cash reserves, net of borrowings, fell to R45,7m from R153,2 the previous year, while higher working capital requirements cut cash generated from operations to R116,7m ((R141,2m)

But Nortier said the group's finances remained strong enough to support its expansion plans.

The company had embarked on a programme to modernise its manufacturing facilities which was expected to facilitate the launch of several new products

COMPANIES

Samancor recharging furnace

MICK COLLINS

SAMANCOR was planning to switch on one of its mothballed ferrochrome furnaces at Tubatse once details of its $100m deal with French stainless steel producer Ugine were completed, the metals group said yesterday BDay 27/5/94

The volume of sales to be delivered under the contract had not been finalised, a spokesman said

Another furnace had been recharged at Tubatse, he added This was part of Samancor's deal with NST Ferrochrome, in partnership with Nippon Denko of Japan

A low carbon unit at Middelburg had been also been recharged to cater for sales, which for the past two to three years had been below capacity He said it was part of normal production planning

The Metal Bulletin reported traders in Europe as saying it was too early to foresee the effect a new supply contract between Samancor and Ugine could have on ferrochrome markets Prices were stagnating because of aggressive selling from traditional producers, they said

Chrome prices in the third quarter could be as low as 37c-38c a pound delivered to customers. (183)

Officially second-quarter rates were significantly higher at 40,50c/lb to 41,00c/lb In practice the larger stainless steelmakers appeared to be paying less Only smaller customers had been obliged to find 40c/lb

For the bigger mills, a level of 37c-38c in the third quarter would not be a price cut

Traders have talked of at least two "traditional" producers seeking third-quarter orders at this level The available material has increased as Elkem, like Samancor, has recently raised production by recharging its second furnace at the Rana works

Clothing, plastics arms boost Lenco earnings

(183) (184)

CT 27/5/94

By MAGGIE ROWLEY
Deputy Business Editor

CAPE-based Lenco continued its strong first half performance lifting earnings for the year to end February by 18,[illegible]% to 70,73c in spite of a larger number of shares in issue.

This improvement in earnings on [illegible] increase in turnover to R671,[illegible]m against R594,1m has been attributed to the main to [illegible] performance by its clothing and plastics divisions.

Operating profit of R73,3m was up 23,7% on the previous year and while taxation rose from a nil base to R5,4m, a slightly lower interest bill of R13,6m (R14m) saw net profit up 19,6% at R54,3m.

The amount due to outside shareholders dropped from R5,1m to R4,5m resulting in attributable profits totalling R49,8m — up 23,5%.

The dividend has been increased 14,2% to 16c a share.

Executive chairman Douglas de Jager said the Combined Packaging division continued to perform superbly through the challenges it faced during the year and remained the major contributor to group profitability.

He said they were "one-step" away from internationalising the division and acquiring a foreign packaging operation.

"The Reserve Bank has given us permission but we have stipulated as a condition of sale that the seller institutes a four shift system such as we operate in South Africa before the sale can be finalised and they are currently seeing how best they can do so."

De Jager said that while the acquisition was not expected to make a significant impact on earnings in the immediate future, it was expected to have a very positive effect within the next few years.

The group had also entered negotiations for the acquisition for a local company, but these talks were still at an early stage, he said.

A star performer in the year under review was the clothing division, particularly the House of Monatic which had contributed to the group's improved results.

Monatics's performance in the menswear sector was enhanced by increased penetration of export markets particularly to the UK and contracts had jsut be renewed until 1988 with full escalations and prices in pounds. With the depreciating exchange rate of the rand, this would stand the company in good stead for years to come, he said.

De Jager said Amalgamated Shoes division improved its performance in the face of difficult trading conditions and rationalisation measures now under consideration should enhance profitability.

The housewares division, Hendler & Hart, had experienced difficult conditions in the industry under the uncertain socio-economic climate with stockists cutting back on stock levels. Since the April election however, a significant improvement had been noted and a more positive contribution was expected in the current financial year.

This, he said, would also arise in part from the rationalisation of the newly acquired Krost aluminium cookware division with Hendler & Hart's own aluminium division and other improvements.

● Lenco Investment Holdings, the results of which are dependent on its 50,3% stake in Lenco, reported net attributable earnings of R24,9m against R20,1m the previous year with earnings at the share level up from 39,7c to 47,13c. A dividend of 10,5c (8,85c) a share will be paid.

Cost cuts boost Premier earnings

(183) CT 27/5/94

Own Correspondent

JOHANNESBURG — Pharmaceuticals group Premier Pharmaceutical lifted earnings 28% to R99,3m for the year to April, as stringent cost control offset sluggish consumer spending

The company said that despite depressed markets, sales jumped 11% to R505,5m as the pharmaceutical division again lifted turnover and profitability

Operating income jumped 18% to R138,8m, and the company also reaped the benefits of investment income, which was ahead R2,8m at R10m

The total dividend rose 26% to 43c The rise in earnings a share was limited to 20% (up to 93,2c) by the release of new shares last year

Market sources said the results were in line with expectations

CEO Phil Nortier said it was a good performance, and added that the company should achieve "real earnings growth in the coming financial year"

Prempharm was also looking to further expansion at home and abroad, he said

Nortier said while the pharmaceutical division had performed well through increased sales the vision care division performed only "creditably".

The animal health division sustained its previously reported marked improvement in profitability on the back of improved agricultural conditions

But depressed spending slowed down sales in the consumer division which performed "below expectations."

Nortier said an expected increase in "discretionary spending" by consumers could benefit the division Financial director Hymie Shapiro said the company was considering acquiring additional brands to improve the division's performance

Nortier said the company was well placed to take advantage of the increasing trend toward self medication and the expanding market for generic medicines as a result of the acqusition of Zurich — for R75m cash — Salters, Laser and Leppin The acquisitions had increased products in the company's existing range

He said despite difficult trading conditions and uncertainty as to the future direction of the pharmaceutical industry, the new political dispensation and recent acquisitions "augured well for the future"

Cash reserves, net of borrowings, fell to R45,7m from R153,2 the previous year, while higher working capital requirements cut cash generated from operations to R116,7m (R141,2m)

Pik appeals for patience on fuel pricing

ARG 27/5/94

THE liquid fuel task force of the National Economic Forum should be given enough time to address the serious question of a petrol price increase, Minister of Mineral and Energy Affairs Mr Pik Botha said today

Speaking in debate on the President's address, he appealed for patience (183)

He said the petrol price was dollar-driven, and if members could assist him in improving the exchange rate, it would be easier to retain the current price and reduce the price of diesel — Sapa (214)

Oil puts Pik in a new class

S Times (Buss)

By KEVIN DAVIE

29/5/94

(1833)

ENERGY Minister Pik Botha says market forces will have to regulate the fuel industry

He says, though, that the government will have to ensure that several months' oil supply is stockpiled for strategic reasons

The government cannot leave fuel completely to the market

The former Foreign Minister describes oil as the most complex commodity in the world

"I am back at back at university The only problem is that my lecturers have opposing views on the same issue."

Mr Botha has a copy of an article by Humphrey Harrison of London-based Europe Energy Environment

Mr Harrison says a phalanx of prospective investors is waiting to enter the most lucrative and significant oil market south of the equator

Regulation has greatly benefited the oil companies — "and intentionally so"

Mr Harrison writes "The new SA can ill afford to embrace an oil policy which strives to be all things to all men but, which in practice, could cause the undoing of the ANC's more considered and imaginative policies for other sectors of the economy"

Mr Botha has spent hours in discussions with interested parties and members of his department The major issue is the level of state involvement in the fuel industry

Mr Botha made a secret visit to the Shah of Iran in the late 1970s when that country was the only one prepared to supply oil to SA Now all countries want to sell oil to SA

Mr Botha is awaiting the latest National Economic Forum proposal about an expected petrol-price increase A decision is expected within a month

He says the issue has to be discussed by the Cabinet He plans a television debate with interested parties

Mr Botha says "It is true that Sasol is subsidised, but it's also true that Sasol saves SA a tremendous amount of foreign exchange and provides work You can talk about phasing out (the subsidy), you can't say you will do it tomorrow"

He has had foreign visitors who are interested in using Mossgas's refining facilities The government will consider anything which reduces the cost of capital and production at Mossgas

Mr Botha says his views are close to those of the ANC reconstruction and development programme.

An initiative is under way to explore mining co-operation between SA and the Southern African Development Council (SADC)

MANUFACTURING – CHEMICALS & PRODUCTS

1994

JUNE – DEC.

Multinationals bet on generics

B/DAY 2/6/94

BEATRIX PAYNE

MULTINATIONAL drug manufacturers had been quietly repositioning themselves in the local generic medicine market to exploit an expected rise in generic use stemming from the ANC's national health care plan, market sources said yesterday.

Lennon Generics CE Dave Stubbins said many multinationals in SA had either bought out local generic manufacturers or had started up their own generic businesses

SA Druggists Pharma Marketing executive chairman Kobus Nel said that generic medicines' share of the local market could jump from its current 15% to as much as 50%

Analysts said yesterday that multinational presence in the local generics market so far was "fairly" small and unlikely to threaten the business of local generic manufacturers

SmithKline Beecham, Warner Lambert and Hoescht had all entered the burgeoning local generics market through acquisitions conducted over the last six months.

Smithkline Beecham (SB) bought a 100% shareholding in Xixia, previously known as GS Pharmaceuticals, in January (183

Parke-Davis marketing director Ian Robertson said parent Warner Lambert planned to enlarge the division's range of generic products to 20 by the end of the year

Ciba Geigy Pharmaceutical division head Johan Niehaus said the company had seen the way the market was developing when it acquired Rolab, which now does a third of Ciba's SA turnover, in 1986

Bad time for drug makers

BEATRIX PAYNE

GROWTH in the pharmaceutical sector could be sluggish over the next year despite most companies being well placed to take advantage of the boom in low-cost health care triggered by the ANC's health plan, sources said yesterday. B/Day

"The sector has had a good run but we don't expect much more," an analyst said. 3/6/94

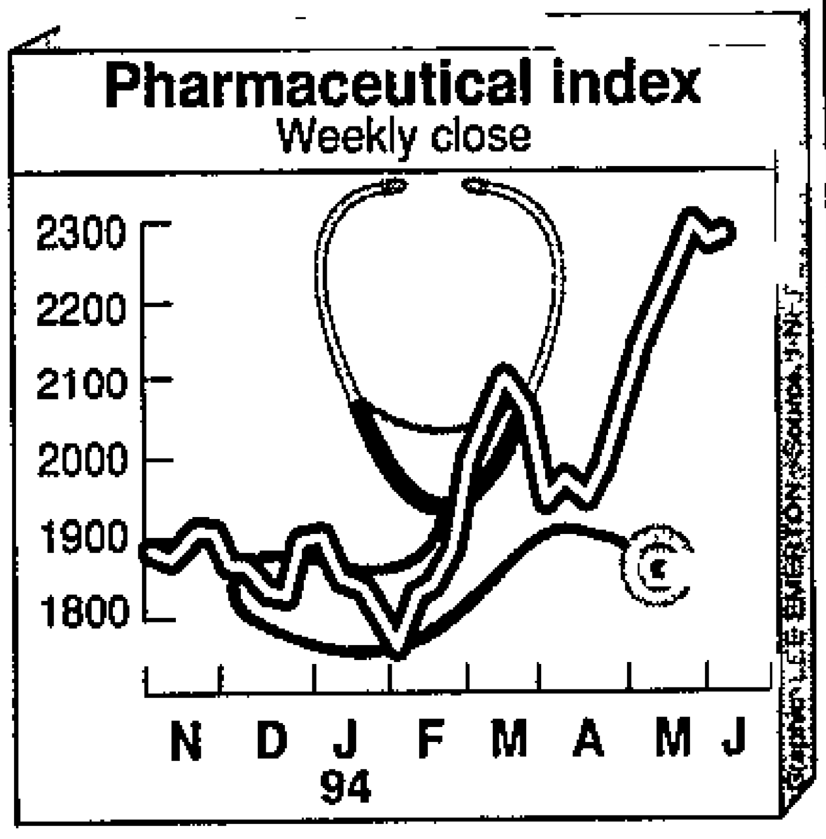
The sector was currently underperforming the industrial index by about 14%, having streaked about 30% ahead of the index this time last year. (183)

Sources highlighted SA Druggists (SAD) and Premier Pharmaceuticals, both carrying large generic madicine and self medication portfolios, as being best placed for the growth in low cost health care.

SAD had given the market a "pleasant surprise" recently reporting a 25,4% rise in earnings a share for the six months to February while analysts had expected only 18-19% earnings growth

But Adcock Ingram had recorded the worst performance of medicine manufacturers as a result of limited growth in the ethical drugs market.

The group reported only a 3% increase in turnover to R503,4m for the six months to March



One analyst predicted that private hospital groups Mediclinic and Clinic Holdings could post good growth if demand for private sector health care rose on fears of declining standards in the public sector

He said shares in this area of the sector were "still quite cheap"

Clinic Holdings, which released interim results to March this week, had been able to record real growth in turnover to R324,3m (R267,7m) which had boosted interim attributable earnings 15,6% to R19,1m

Although growth in bed occupancies had been limited, both Mediclinic and Presmed had taken advantage of declining tax rates to boost earnings a share for the year 16% and 32% respectively.

Sasol seeks ways to spend R2bn

8/Day 3/6/94

PETROCHEMICALS group Sasol had set aside R2bn for capital expenditure and various options were being studied, the company said yesterday. (183)

The figure included a possible R600m phase two and three development at its new alpha olefins plant at Secunda which produced co-monomers for the plastics industry. The plant's phase one had recently been commissioned at a cost of R300m, and a decision on its expansion was expected by the end of the year,

Apart from chemicals, Sasol said it was active in oil and gas exploration in Namibia and Mozambique respectively It was also investigating the feasibility of a coal export project

The company said that during the sanctions period it had surged ahead with its capex programme and had spent R6bn in the past five years

"The current year's figure is estimated at R1,6bn and expenditure is expected to remain at this level for the foreseeable future"

It said its synfuels and synchemical undertakings were the most lucrative means of adding value to an annual 40-million tons of low-grade coal which could not be exported

Some of the more significant projects that had recently been commissioned included the R333m anode coke plant at Sasol Two, the R370m Natref oil refinery upgrade and the

MICK COLLINS

R820m Sasol One renovation which increased production of industrial gas, wax, phenol, creyslic acid and ammonia

Other projects were the R200m "seventh oxygen train" project at Sasol Three which was commissioned last week A R400m acrylic fibre project — a joint venture with the Industrial Development Corporation — was commissioned during the second half of 1993

The company said other projects which were progressing well included the R120m pipeline from Secunda to Middelburg which would enable Gascor to supply the Columbus stainless steel project with industrial gas Pipe construction was completed on June 1.

The joint venture with AECI, Polifin, recently announced a R530m PVC conversion project which would convert the existing facility to using ethylene instead of carbide-based feedstock

Other projects to be commissioned next year included a R300m plant to produce acrylonitrile (the basic feedstock for acrylic fibres) from propylene and ammonia, and the R123m Sasol advanced synthol (SAS) reactor The new technology used in the SAS reactor was more energy- and cost-efficient and required less maintenance than the existing synthol technology

ANC to set up forum on drug pricing

B/Day

BEATRIX PAYNE

THE ANC plans to change the pricing system for medicines supplied to the private sector and is to establish a negotiating forum to enable government and the pharmaceutical industry to discuss the issue

An ANC drug policy commission spokesman said yesterday the party was considering introducing "non-discriminatory pricing" to ensure that wholesalers, doctors and retailers received the same price from the manufacturer.

The ANC was also planning a more transparent system of "add-on" pricing which would involve the wholesaler and retailer, adding professional fees to the published price at which a medicine left the factory, rather than "discounting down" from prices set in the Blue Book.

The ANC intended to determine specifics through a negotiating forum, he said. No date had been set for the convening of a forum.

The spokesman said the organisation would consider implementing "something along the lines of single exit pricing" but had not fully investigated the issue

3/6/94

It would be necessary to consider all members of the supply chain to see where costs could be contained The manner in which manufacturers set prices was often "not transparent at all"

(183)

Pharmaceutical Society of SA (PSSA) president Cecil Abramson welcomed the move but said some areas of the ANC's health policy needed clarity

He supported "add-on" pricing and said Blue Book medicine prices were often "fictitious"

Abramson said the forum would provide a means to find a solution to single-exit pricing, which the PSSA supported

Representative Association of Medical Schemes executive director Reg Magennis said fundamental reform was required for the pricing system for private sector medicines

Private hospital group President Medical Investment joint MD Rob Speedie said it was imperative that private hospitals be represented on the forum

He was concerned that a reduction of the base price of medicine would have unfair consequences for private hospitals if the lower professional fee paid to pharmacists working in private hospitals was not addressed

Drug manufacturer Lennon Generics' CE, Dave Stubbins, said the industry should try to move away from the "discounting and bonus mania" by which retailers and wholesalers set prices

He warned against price control mechanisms as most raw materials were imported and were subject to currency fluctuations

Fin 3/6/94

The Premier Pharmaceutical Company Limited

183

FINAL RESULTS AND DIVIDEND ANNOUNCEMENT

Your directors have pleasure in presenting the audited summarised results for the year ended 30 April 1994

OPERATING INCOME UP BY 18% • EARNINGS PER SHARE UP BY 20%
DIVIDENDS PER SHARE UP BY 26%

Earnings per share (cents)	
1994	93c
1993	78c
1992	59c
1991	39c
1990	41c

Dividends per share (cents)	
1994	43c
1993	34c
1992	25c
1991	16c
1990	16c

Income Statement

	Year ended 30 April		
	1994	1993	
	Rm	Rm	% change
Turnover	**505,5**	456 1	11
Operating income	**138,8**	117 8	18
Net investment income	**10,0**	7 2	
Income before taxation	**148,8**	125,0	19
Taxation	**50,4**	48,3	
Income after taxation	**98,4**	76,7	28
Share of associate companies retained income	**0,9**	0 7	
Income attributable to ordinary shareholders	**99,3**	77 4	28
Weighted number of ordinary shares in issue (million)	**106,6**	99 5	
Earnings per share (cents)	**93,2**	77 8	20
Total dividend per share (cents)	**43,0**	34,0	26
Interim dividend (cents)	**18**	13	
Final dividend (cents)	**25**	21	
Extraordinary items *Note 1	**(14,3)**	(0 1)	

Note 1		
Extraordinary items (R million)	**(14,3)**	(0,1)
Tax rate reduction on deferred taxation	—	3,9
Trademarks and patents written off	**(2,0)**	(1 1)
Goodwill on acquisitions written off	**(13,0)**	—
Other	**0,7**	(2 9)

Cash Flow Statement

	30 April	
	1994 Rm	1993 Rm
Cash generated from profits	**147,2**	125 7
Cash (utilised)/generated from working capital	**(30,5)**	15 5
Cash generated from operations	**116,7**	141 2
Income from associate companies	**0,9**	0 7
Net investment income	**10,0**	7,2
Taxation paid	**(51,1)**	(47,4)
Extraordinary cash flow items	**(4,7)**	—
Cash flow from operations	**71,8**	101 7
Dividends paid	**(39,8)**	(27,5)
Net cash retained from operations	**32,0**	74 2
Cash utilised to maintain operations	**(25,1)**	(15,1)
Cash utilised to expand operations	**(97,4)**	—
Proceeds on disposal of assets	**4,1**	1,8
Net acquisition of subsidiaries	**(21,4)**	(1,3)
Investment in associate companies	**0,3**	(1,3)
Loans advanced to share incentive trust	**(13,0)**	—
Net cash utilised in investment activities	**(152,5)**	(15 9)
Proceeds from additional shares issued	**13,0**	78,0
Cash utilised to decrease/(increase) cash reserves	**107,5**	(136 3)

Balance Sheet

	30 April	
	1994 Rm	1993 Rm
Capital employed		
Shareholders' equity	**412,7**	360 6
Deferred taxation	**18,1**	18,0
	430,8	378,6
Employment of capital		
Fixed assets	**94,4**	81 0
Trademarks and registrations	**204,6**	107 1
Investments	**1,1**	1 4
Loans to share incentive trust	**13,0**	—
Cash reserves net of borrowings	**45,7**	153 2
Working capital	**147,0**	105 6
Current taxation	**(48,2)**	(49,1)
Shareholders for dividend	**(26,8)**	(20 6)
	430,8	378 6
Ordinary shares in issue (million)	**107,3**	106 6

COMMENTS

EARNINGS

Attributable earnings of R99 3 million reflect an increase of 28% on the figures for the previous year However, as a result of the additional shares issued in March 1993 and April 1994, earnings of 93 2 cents per share increased by 20%

DIVISIONAL REVIEW

Notwithstanding the decline in consumer spending and the continued depressed state of the economy, turnover increased by 11% primarily as a result of the performance of the Pharmaceutical Division which once again recorded increased sales and profitability Operating income increased by 18% mainly as a result of the stringent control exercised over expenditure by all divisions Continued depressed demand resulted in the Consumer Division performing below expectations The Visioncare Division performed creditably particularly when existing price constraints in that market are taken into account The marked improvement in the profitability of the Animal Health Division reported at the interim stage was sustained

Despite the active acquisition policy pursued by the company as detailed below and the increased working capital requirements resulting therefrom, investment income of R10 0 million reflects a substantial increase over that for the previous year due to the proceeds of the additional shares issued

ACQUISITIONS AND NEW PRODUCTS

In line with the ever-increasing trend towards self medication the rapidly expanding demand for generic medicines and the envisaged changes in the pharmaceutical industry, the company has subsequent to the acquisition of the Laser Leppin and Pharmatec businesses as reported at the interim stage acquired the Zurich Pharmaceuticals and Salters businesses towards the end of the financial year

These acquisitions which the company views as a strategic opportunity to further strengthen its presence in these markets, resulted in a very substantial number of products being added to the company's existing pharmaceutical range

A further programme to modernise the company's manufacturing facilities has commenced which should facilitate the launch of a number of new pharmaceutical products in the forthcoming year

PROSPECTS

The company's strong financial position enables it to take advantage of further expansion or investment opportunities both locally and internationally, which might arise Despite the current uncertainties regarding future trends in the pharmaceutical industry and the generally difficult trading conditions the new political dispensation in South Africa coupled with the recent acquisitions augurs well for the future and the company should continue to achieve real earnings growth in the forthcoming financial year

DECLARATION OF FINAL ORDINARY DIVIDEND

Notice is hereby given that a final ordinary dividend of 25 cents per share for the year ended 30 April 1994 has been declared payable on 8 July 1994 to ordinary shareholders registered in the books of the company at the close of business on 10 June 1994 For the purpose of paying the above dividend the ordinary share register will be closed from 11 June 1994 to 18 June 1994 both days inclusive Non-resident shareholders tax will be deducted from dividends where applicable

By Order of the Board

P G A Wrighton – *Chairman*

P S Nortier – *Chief Executive Officer*

Registered office
Premier Pharmaceutical House
Epsom Downs Office Park
13 Sloane Street
Bryanston
2152

Transfer secretaries
Mercantile Registrars Limited
Sixth Floor
94 President Street
Johannesburg
2001

Sasol eyes new chemical products

(183) CT 3/6/94

JOHANNESBURG. — Synfuel producer Sasol said it had a "treasure chest" of chemical products available in its product streams and it was studying numerous projects totalling a cost of R2bn

This figure includes the possible R600m phase two and three development at its new Alpha Olefins plant at Secunda. The plant produces ~~co-monomers~~ in the plastics industry and a decision on its expansion is expected by the end of this year

New chemical projects would make up the major part of Sasol's future capital expenditure programme, it said in a statement

"Sasol's pursuit of value-added downstream chemical production continues to reap benefits as it diversifies its product slate beyond synthetic fuels and moves closer to the consumer," it said.

Sasol's cash capital expenditure on upgrading of facilities and new plant expansions was more than R6bn over the last five years.

"The current year's figure is estimated at R1,6bn and expenditure is expected to remain at this level for the foreseeable future," it said.

Sasol's synfuels and synchemical undertakings are the most lucrative means of adding value to an annual 40 million tonnes of low-grade coal, which cannot be exported. — Reuter

Winbel doubles income

8/DCY 7/6/94

MUNGO SOGGOT

MINING supplies and plastics holding company Winbel reaped the benefits of rationalisation and financial restructuring to push attributable income to R840 000 (R399 000) for the six months to March

Winbel has a 73% stake in mining supplies company Inmins and an 86% holding in plastics company Plastall. (183)

Turnover rose 4,7% to R103,7m and income before tax jumped 85,8% to R2,7m Earnings a share doubled to 1,6c

Chairman Bob Wenteler said the group was looking forward to sustainable growth in earnings despite a slow start because of lost production days in April and May

Winbel subsidiary Winhold reported attributable earnings of R1,4m (R689 000) for the interim period Earnings a share rose to 2,1c (1,1c)

Inmins posted attributable income barely changed at R886 000 (R868 000) on turnover which increased 11% to R76,3m (68,7m) Earnings a share were static at 3,3c

Plastall was back in the black with attributable income of R574 000 (loss of R736 000) for the six months, despite a 12% drop in turnover after one of its divisions was closed down Earnings a share were 4,0c against a 5,1c loss a share previously

Second-half slump not the right medicine for WPH

81 Day 8/6/94

BEATRIX PAYNE

WHOLESALE Pharmaceutical Holdings — the retitled and recreated former Gresham Industries — posted attributable earnings of R7,1m on turnover of R1,57bn for the year to April

With the company's creation effective last year, no comparative figures are available

But the figures disguised a second half deterioration in fortunes at the operating level Trading profit in the second six months notched up gains of just R5,65m, against R20m in the first half, despite turnover rising R711m in the second six months

WPH said the results of mainstay United Pharmaceutical Distributors (UPD) had fallen short of expectations, as rationalisation plans and the commissioning of a major distribution centre had been delayed

Interest paid in the second half increased R1,6m to R15,8m which raised pretax profit only R4m to R9,8m for the year After tax profits increased by R2,5m over the previous six months to reach R7,1m after a tax bill of R2,7m

The group recorded no payout to minorities, having paid R1,5m at the interim, but paid preference dividends of R24 000 Earnings a share rose 128% from the interim to 13c for the year and a dividend of 4c a share was announced

Chairman Gordon Utian said he expected improved results over the next year once the rationalisation program was complete He said the company's activities would be concentrated in five "strategically situated" distribution outlets

UPD would be able to focus on its core business after the establishment of its major distribution outlet, the closure of 17 distribution outlets and the disposal of business unit Salters to Premier Pharmaceuticals

He said the subsidiary — a "focused least cost" pharmaceutical distributor — would be well placed to take advantage of the government's emphasis on primary health care

Total assets for the period stood at R506m against current liabilities of R255m The share was unchanged at its high of R2,35 at the close yesterday, having touched 90c in September

(183)

Market sources said many pharmaceutical distributors had experienced a squeeze over the past six months after a number of multinationals had established their own exclusive distribution networks

SAMANCOR FM 10/6/94

Spreading wings (183)

Samancor is spreading its investment wings internationally SA's premier manganese and ferrochrome producer has announced it is to buy about 4% of the equity in Ugine SA, the world's largest stainless steel producer

Ugine, listed on the Paris bourse, is owned by French State steel producer Usinor Sacilor As part of a new public offering designed to broaden Ugine's ownership base, Samancor has picked up US$45m worth of Ugine shares at FFr300 each Samancor GM Chris Norval says the money was raised through offshore loan facilities using a number of banks, he declines to disclose Samancor's backers. Norval confirms the loans have the approval of the Reserve Bank.

Samancor's latest venture has its origins in its part ownership of the Columbus stainless steel joint venture (with Highveld Steel and the IDC). Ugine has contracted with Columbus to buy hot rolled coil steel, a development which may appear contradictory in view of Ugine's dominant position as a steelmaker. Norval says it is common practice for major producers to buy in hot rolled steel as an intermediate product which is then fed through their own cold rolled mills This arrangement is particularly important because it secures Columbus a 10-year sales agreement based on annual market-related prices

At the same time, Samancor has tied up a 10-year ferrochrome supply agreement with Ugine, apparently the tonnages are large, though MD Mike Salamon has so far avoided disclosing the quantities Given these two features, it makes good sense for Samancor to cement its long-term relationship with Ugine by becoming a shareholder, though minor.

At the halfway mark, Samancor reported surprisingly good results with pre-tax profits up 58% to R175m compared with the previous year's R111m This was achieved despite miserable demand circumstances for Samancor's products and stiff competition from floods of ores and alloys from CIS producers and China *David Gleason*

FOX

CONSHU FM 10/6/94

Off the floor

Activities: *Manufactures and distributes general footwear and rubber and plastic products*
Control: *S A Breweries 67%*
Chairman: *L van der Watt, CE R M Feinblum*
Capital structure: *46m ords Market capitalisation R276m* (183)
Share market: *Price 600c Yields 3,6% on dividend, 9,5% on earnings, p e ratio, 10,6, cover, 2,6 12-month high, 650c, low, 220c. Trading volume last quarter, 167 830 shares*

Year to June 30	'91	'92	'93	†'94
ST debt (Rm)	3,7	50,6	3,5	28,2
LT debt (Rm)	35,9	12,9	39,1	22,5
Debt equity ratio	0,28	0,42	0,25	0,28
Shareholders' interest	0,46	0,46	0,50	0,50
Int & leasing cover	5,2	3,8	4,1	5,6
Return on cap (%)	23,6	16,5	14,7	*15,9
Turnover (Rm)	622	621	631	515
Pre-int profit (Rm)	71,1	54,8	48,1	41,8
Pre-int margin (%)	11,4	8,8	7,6	8,1
Earnings (c)	66,6	53,1	48,4	*63,4
Dividends (c)	28,0	24,5	19,0	*27,0
Tangible NAV (c)	273	305	336	370

† Nine months to March 31
* Annualised

The more than doubling of the share price over the past 12 months reflects investors' changed perceptions of SA's largest shoe maker

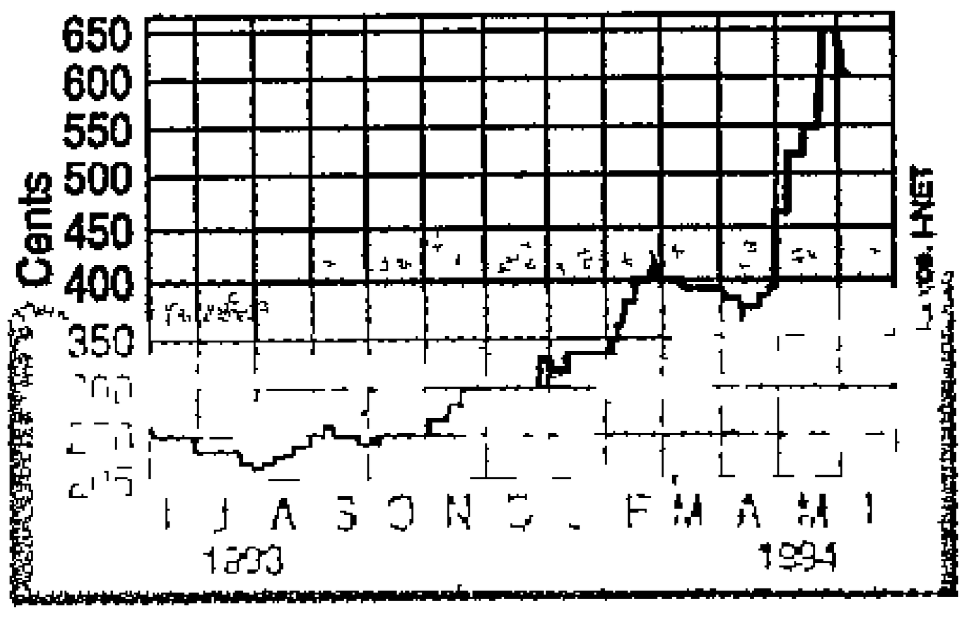
Heavily influenced by private consumption spending, continuing violence and industrial action, the industry had its fourth consecutive year of negative growth Conshu did well to lift earnings 31%

Results for the year to March 31 are pro forma figures for comparison. Conshu became a subsidiary of SA Breweries in 1993 and its financial year-end changed from June 30.

Effective asset management and stringent cost controls contributed to the 25% increase in trading profit on turnover up just 6% to an annualised R668m. Strong cash flow cut financing 14%, which helped drop gearing from 46% to 28%.

Conshu's general footwear operations contributed 75% (79%) of turnover last year and rubber & plastics products the rest (21%)

Conshu



With imports of low-priced footwear from the Far East still growing, the wisdom of the decision to move away from this market towards the medium and upper ranges of branded footwear has become apparent CE Robert Feinblum says Conshu is probably less affected by the 65% surge in imports during calendar 1993 than other industry members FM 10/6/94

The company's aggressive export growth continues to bear fruit Exports almost doubled but still account for only 5% of sales Feinblum says successful efforts in the UK and Europe will soon be complemented by a new representative office in the US

Restructuring of delisted Wayne Manufacturing returned the company to profitability Certain assets were written off at a cost of R10,8m and operations were rationalised This included the closure of the Western Cape plant. Costs incurred by these actions in the first quarter were largely offset by a pleasing improvement in trading in the fourth quarter Feinblum believes the company will operate profitably this year

Conshu raised its stake in Olympic Footwear from 50% to 67% at a cost of R12m. This has since been followed by rationalisation and synthetic footwear previously produced is being imported to supplement leather ranges (183)

Feinblum is optimistic about earnings growth this year Heartening signs of a recovery in SA industry filtered through in the final quarter with the receipt of the first significant orders of industrial footwear for some time, he says

At 600c and on an earnings yield of 9,5%, the share shows its improved rating and is at a 62% premium to NAV. Further gains will be linked to economic recovery *Marylou Greig* giant's results surpass expectations

Sowetan 10/6/94

Premier's earnings up

By Mzimkulu Malunga

FOOD and pharmaceuticals giant Premier Group declared results which surpassed market expectations when they increased earnings by 11 percent.

The company's retiring chairman, Mr Peter Wrighton, said this week the results exceeded expectations as last year was the toughest ever for Premier.

Although the company was affected badly by large-scale unemployment — as consumers spend less — Premier's turnover jumped 42 percent to R14,4 billion. Wrighton said huge sums of money were spent in the company's campaign to consolidate its stake in several of its subsidiaries. About R730 million was spent on expanding Premier's operations. 183

During the past financial year the company spent eight percent of the earnings attributable to shareholders on people development, said Wrighton

Wrighton retires from Premier at the end of the year and Argus Newspapers chairman Mr Doug Band will take over as chairman in January next year

Motorists face 8c petrol rise

(183)

Political Correspondent

ARG 14/6/94

THE price of petrol is set to rise by about 8c/ℓ this week if a recommendation by the liquid fuel task group is approved by the cabinet.

The task group, which includes representatives of the government, the taxi industry, oil refineries, organised commerce and the Motor Industries Federation, has been debating an increase and its recommendation will be discussed tomorrow at a meeting of cabinet committees.

It has been calculated that an increase in the oil price and a deterioration in the rand-dollar exchange rate mean motorists are paying 14c/ℓ too little for petrol.

The task group is said to be determined to keep the price increase as low as possible to minimise economic damage.

Mineral and Energy Minister Pik Botha refused to comment today on rumours of an imminent rise in fuel prices.

Any decision "must be taken by the cabinet", he added.

"It would be improper for me to make any comment at this stage," Botha added.

Drug companies need to refocus

B|Day

Reports by
MARCIA KLEIN

CHANGES in SA's health care industry will call for new marketing techniques, especially if local pharmaceutical companies are to survive 14/6/94

Upjohn marketing director John Finlayson said SA's health care was moving away from traditional curative medicine to primary health care or preventative medicine, and this would bring with it significant changes (183)

The ANC health plan effectively advocated a single health structure. Finlayson said the plan, "which is said to discourage the growth of the private health care services, introduce generic substitution, establish an essential drug list .. and limit the sale of drugs manufactured by pharmaceutical companies .. ", would provide a challenging environment.

He said the traditional market place was being destabilised by "the complex and forceful set of political, economic and social demands and changing customer needs and groups" In this environment, companies had to use non-traditional as well as traditional strategies to ensure their survival

The long period of evolutionary change was over, "and the balance of power is leaning towards large, vertically integrated firms and niche companies" Finlayson added that the major challenge facing the pharmaceutical industry was not technology or cash, but management.

"Management must read the signs, adapt strategies and move to a 'customer is king' philosophy, based on research, intelligence and excellent service aimed directly at satisfying customer needs"

Finlayson said the industry should redefine the marketing mix "and focus on delivering individualised value to customers over time"

The method should fit the message Traditional detailing to doctors was more effective for new products and the delivery of a complex message. But non-traditional marketing, such as telephone detailing, could deliver a simple message at a lower cost

He said manufacturers had become complacent as a result of the automatically expanding market "and little attention has been paid to efforts to grow this market"

About 80% of the top 100 brands in the private sector had been on the market for longer than 10 years, and more than 50% for longer than 15 years

But in the future, there would be a less protected product environment with shorter patent life, deregulation and substitution There would also be static demand, and low research and development expenditure.

The industry needed to target and segment the market, select and communicate product values, educate the consumer, and offer a high quality service.

A good product was no longer a criterion for success, and pharmaceutical companies should focus on "customer factors"

Finalyson said changes in the SA environment were not unique, as pharmaceutical companies were facing difficult business conditions worldwide Drug development costs had doubled over the past five years,

More fuel price rises in pipeline

(183) ARG 16/6/94

□ Motorists will be hit hard

Staff Reporters

MOTORISTS will be hard-hit by the 9c/ℓ petrol price rise at the coast — and more fuel price rises could be in the offing

Tomorrow's rise, which will be pegged at 8c/ℓ inland, has re-opened the debate over whether the cost of petrol can be kept down by deregulation in the industry.

A row blew up again today, with trade unionists accusing petrol companies of profiteering while the pro-deregulation lobby pointed a finger at Cosatu for blocking deregulation in its attempt to prevent the loss of 70 000 petrol station jobs.

Deregulation champion Pick 'n Pay has claimed that it could knock between four and seven cents a litre off the retail price. This would mean a significant saving to the economy.

Soaring demand from the United States pushed oil prices to 12-month highs of $19,90 a barrel after being below the $13 mark earlier this year.

At the same time the value of the rand has been dropping, portending yet another increase in the fuel price

The overall effect on the economy of the additional eight cents should not be as painful as previously because it did not include diesel and paraffin, said Boland Bank economist Francois Jansen

Normally an increase of this size would have added one percent to the inflation rate.

Tomorrow midnight's increase will have an almost immediate 0,2 percentage point effect on the inflation rate while another 0,2-points would work its way in from the indirect effects of higher transport costs, said Old Mutual economist Johan Els.

The Southern African Black Taxi Association said it had urged Mineral and Energy Affairs Minister Pik Botha not to increase the price of petrol without consulting the taxi industry

"In the interests of peace and stability Sabta urges you most strongly not to unilaterally announce price increases without adequate consultation," the association said in a letter to Mr Botha.

The Automobile Association said the debate about rationalisation of the fuel industry should be finalised without delay.

"A market-driven, deregulated fuel industry, devoid of inefficiencies in the pricing mechanism, will substantially reduce the pressure to increase fuel prices as a result of higher crude oil prices," it said

The AA predicted that the fuel price would increase by up to 13 percent in total this year because of fiscal pressure on the government.

9c petrol rise on coast

Business Staff (183) ARG 16/6/94

CAPETONIANS are in for a double petrol price shock — not only is it going up but the increase will be bigger than that inland

Oil industry sources confirmed today that the price of petrol in coastal areas is to go up by 9c a litre and not 8c as announced yesterday by Mineral and Energy Affairs Minister Pik Botha

Cape Town retailers have been told to up their prices by 9c from midnight tomorrow.

Oil industry sources attributed the extra cent to adjustments in Transnet's PetroNet operation.

No confirmation could be obtained from the department of Mineral and Energy Affairs, whose switchboard operator said today: "There is no-one available until later this afternoon"

● See page 7.

Petrol price jumps

CT 16/6/94

(183)

By ANTHONY JOHNSON

THE government announcement of an 8c/ℓ petrol hike from midnight tomorrow immediately sparked fears that hard-pressed motorists could be hit with further taxes on fuel on Budget day.

Experts said the increase — from R1,64/ℓ of 93 octane to R1,72/ℓ and from R1,68 of 97 octane to R1,76 — would curtail living standards, increase inflation and dampen business confidence This led to renewed calls for the urgent deregulation of the fuel industry and a transparent pricing system

Cosatu announced last night that it was convening a special meeting next week with the Minister of Transport and the taxi industry to ensure that the effect of the increase on the public was minimised

The business community and motor industry generally accepted that the increase — approved by the cabinet yesterday after a recommendation by the liquid fuel task group — had been unavoidable

Minister of Mineral and Energy Affairs Mr Pik Botha blamed the increase on a higher crude oil price and a worsening rand-dollar exchange rate

According to an Automobile Association spokesman, who used as an example the Ford Telstar 2ℓ-engine sedan which gets 9,6km to each litre of petrol, it would take 146ℓ of petrol to cover the 1 400km between Cape Town and Johannesburg At current 93 octane prices this would cost R239,44, and at the increased rate R251,12 For 97 octane, the new cost would be R256,96.

Mr Botha said the price of diesel fuel and paraffin would remain unchanged because many consumers depended on these to meet their basic needs, particularly in winter

OIL PRICES AT 12-MONTH HIGH

— Page 10

He said the government had made strenuous efforts to avoid the price rise However, the price paid for petrol at the pumps had been subsidised by up to R4 million a day "for some time now"

He said the increase should have been 14c/ℓ but the way in which the crude oil cost was calculated had been adjusted and tariff protection for Sasol and Petronet had been lowered to give a saving of six cents a litre

"When the petrol price was last adjusted on February 28 the landed cost (of crude oil) was 45,444c/ℓ The exchange rate then was $1 R3,45 The landed cost is now 57,542c/ℓ and the exchange rate is $1 R3,65 That, in a nutshell, explains the situation," Mr Botha said

The increase had been proposed earlier this week by a task group comprising representatives from the government, oil refineries, organised commerce, the Motor Industries Federation and the taxi industry

Reacting to the hike, the AA said fiscal pressure on the government might result in a national budget that increased direct and indirect taxes on fuel, and it was likely the total 1994 petrol price rise would be 12-15c/ℓ

Cosatu said it regretted that the government has been forced to increase the petrol price, blaming the decision both on external factors and "the massive wastage entailed in Mossgas, subsidisation of Sasol, and profiteering by the oil companies"

The Afrikaanse Handelsinstituut (AHI) said every effort had to be made toward a new transparent petrol pricing system that limited state intervention

The Motor Industries' Federation said the hike was "a great pity" but unavoidable

Shell South Africa said the price rise was part of "the package of restructuring the pricing mechanism in the oil industry", adding that the company supported the gradual deregulation of the industry in National Economic Forum discussions

Petrol price hike higher along coast

CT 17/6/94 (183)

By ANTHONY JOHNSON
Political Correspondent

MOTORISTS living close to the coast face a 9c/litre hike in the price of petrol from midnight tonight — and not 8c/litre as announced earlier

Coastal motorists still pay less than motorists inland who have to contribute towards the cost of piping petrol from the coast, where it is landed, to the interior.

A Department of Mineral and Energy Affairs spokesman said yesterday it had been possible to restrict the increase to 8c/litre only "in a few inland zones, including the PWV"

The lower increase for these areas was possible because Petronet had agreed to reduce its pipeline tariffs by nine percent, resulting in an additional 1c/litre reduction in the PWV area

Questioned about whether much of the petrol inland did not come from Sasol anyway, the official said although this was the case it was not possible to have a two-tier pricing system in a particular region

Minister of Mineral and Energy Affairs Mr Pik Botha said "the government remains concerned at the prospect of a fuel price increase especially as any increase directly affects the taxi industry and its clients as well as the cost of transport of persons and goods"

Eunice Rider reports that taxi industry representatives said the petrol price hike had been sprung on them without warning and left too little time to inform commuters of fee increases. They appealed last night to the government for subsidisation

National president of the Federated National Transport Organisation Mr Lennox Magwaza said at least a month was needed to inform the millions of people who used minibus taxis and were hardpressed, that it was necessary to increase fares

It would be the first fare increase in three years, he said

He also appealed to the Department of Transport to speed up the process of subsidising the "suffering" black taxi industry so the benefit could be passed on to commuters.

● **Fuel hike a warning against govt intervention — Page 15**

Threat of more taxi blockades

Petrol price to increase by 8c tomorrow

BIDay 16/6/94

(183) (264)

MICK COLLINS

THE price of petrol would increase by 8c/l at midnight tomorrow, Mineral and Energy Affairs Minister Pik Botha announced yesterday

He said the rise was unavoidable because of a higher crude oil price and a worsening rand-dollar exchange rate The price of 93 octane petrol in the PWV region would go up to R1,83/l, but the price of diesel and paraffin would be unchanged

Economists said the measure would have an inflationary effect which would hinder the 3% growth rate targeted by government

Botha said the increase should have been 14c/l, but it had been possible to reduce the effect by adjusting the calculation of crude oil costs and lowering tariff protection for Sasol and Petronet's pipeline

He said the National Economic Forum's liquid fuels task force's report had been seriously considered, as the increase would affect the taxi industry as well as the cost of transporting goods

When the petrol price was last adjusted on February 28 the landed cost of crude was 45,444c/l The exchange rate then was R3,45 to the dollar The landed cost was now 57,542c/l and the exchange rate had shifted to R3,65 As a result the pump price had been subsidised "for some time" by up to R4m a day "It is impossible for this state of affairs to continue without disrupting supplies to the consumer"

While government was concerned about the economic effects of the price rise, it had been unavoidable

Ed Hern, Rudolph strategic economist Nick Barnardt said petrol made up about 5% of the consumer price index

"Within six to 12 months the direct and indirect effects will make a difference of about 0,5% to the CPI"

The risk of any further sharp increases had been obviated largely by the recent stabilisation of the rand/dollar exchange rates and international oil prices

Another economist predicted the increase would lift the inflation rate 0,2% directly and a further 0,2% indirectly over the next three months.

This inflationary effect meant that interest rates would not come down and "the economy won't grow as quickly as Finance Minister Derek Keys hoped it would"

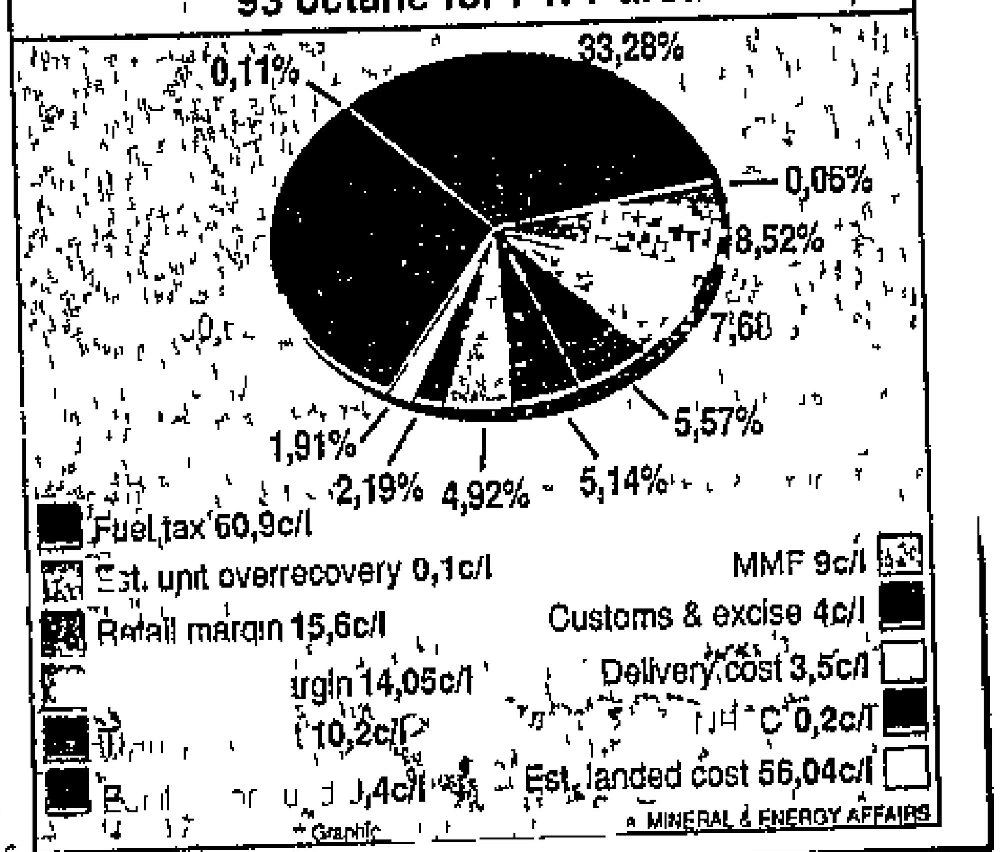
An analyst said the short-term effect of the increase would not last long "It should not be badly received by the public, especially as the balance of the underrecovery is being absorbed by the industry"

The SA Black Taxi Association said it

□ To Page 2

Petrol price: 183c/litre

'93 octane for PWV area



Petrol

BIDay 16/6/94

□ From Page 1

had warned Botha not to unilaterally announce a price increase "in the interests of peace and stability" (183) (264)

A spokesman said nothing had changed since the taxi blockades that greeted the last petrol price increase. If the price was increased without special assistance to the taxi operator "we cannot rule out the possibility of further blockades".

Cosatu said it was extremely concerned. "Government and business need to take steps to alleviate the effect of the increase in relation to the taxi industry, and to prevent exploitation of consumers."

It was convening a meeting next week with the Transport Minister and the taxi industry to ensure that the effect of the increase on the public was minimised.

The Automobile Association stressed that it was essential that the current debate around the rationalisation of the fuel industry be finalised without further delay.

Sacob said the increase would have an inevitable negative effect on the economy's cost structure But business reluctantly accepted that it was unavoidable.

BEATRIX PAYNE

SA Druggists buys controlling stakes in Mediscor, Inmed

SA Druggists (SAD) has bought controlling stakes in intravenous fluids producer Inmed and medical aid claims clearing house Mediscor for an undisclosed sum, SAD CE Peter Beningfield said at the weekend

The acquisition of Mediscor could translate into a R350m increase in the Malbak subsidiary's R1bn turnover, while Inmed would be merged with the company's intravenous fluid division Intramed, he said.

Mediscor would increase the volumes of SAD's distribution operation and would lead to the expansion of the group's Link pharmacy franchise which had been one of SAD's "prime goals", Beningfield said. "It will create the opportunity of securing 1 000 top-line pharmacies for the Link franchise "

The company reported earlier that its distribution division had not been able to maintain margins for the six months to February despite improvements in service levels

Mediscor had representation contracts with 920 retail pharmacies countrywide, several preferred provider arrangements with large medical aid societies and exclusive contracts with three medical aid administrators.

One analyst was concerned that this would not be the best time for SAD to enter the medical aid industry, which had seen a string of recent collapses.

But Beningfield said SAD was inextricably involved with the industry and hoped the acquisition would bring some stability to medical aid schemes "Mediscor will be able to grow and expand the range of products it is able to offer to medical aids."

Before the acquisition, Inmed was the third player in an intravenous market largely dominated by Adcock Ingram Beningfield said Inmed's contribution to SAD's turnover would be "relatively minor".

Through Inmed, SAD would gain worldwide rights to the company's Autoster intravenous fluid production process, which could earn up to R250m in foreign exchange over the next five years

Beningfield said the Autoster process was "attracting international interest" and could produce high volumes of sterile fluids at lower cost than conventional technology.

Product contamination by human intervention would be eliminated in the manufacturing process by the extensive use of robot technology.

NEWS

Depreciation of the rand blamed

Petrol hike shock for SA motorists

Star 16/6/94

BY KAIZER NYATSUMBA
POLITICAL CORRESPONDENT

The rise in the price of 93-octane petrol — which goes up by 8c a litre from midnight tomorrow — is a result of the continued weakening of the rand against the US dollar, Mineral and Energy Affairs Minister Pik Botha said yesterday.

The announcement, potentially the first unpopular decision taken by the ANC-led multiparty Government of National Unity, was greeted with mixed emotions by the Automobile Association and the South African Chamber of Business (Sacob), with the business body warning that the price increase "will have an inevitable negative impact on the cost structure of the economy".

In a statement yesterday, Botha said the Cabinet had accepted a National Economic Forum (NEF) recommendation that the price of petrol be increased by 8c a litre from midnight tomorrow.

This will raise the price of petrol from the present R1,75 to R1,83 a litre.

However, the price of diesel and paraffin will remain the same because of many consumers' dependence on these commodities, "particularly during the winter season".

Botha said although the Government remained concerned at the prospect of a fuel price rise — especially since such increases directly affected the taxi industry and its clients as well as the cost of transportation — the increase had become unavoidable.

FEB 94	TODAY
52,6c	57,5c

FEB 94	TODAY
$1/R3,45	$1/R3,65

FEB 94	SATURDAY
R1,75 A LITRE	R1,83 A LITRE

This was because of the continued weakening of the rand against the dollar and the hike in international crude oil prices.

He said that when the petrol price was last adjusted on February 28, the fuel landed cost was 45,4c a litre and the rand-dollar exchange rate stood at R3,45 to a dollar. The landed cost was now 57,5c a litre and the dollar equalled R3,65.

This, he said, had resulted in the Government subsidising the petrol pump price by up to R4 million a day "for some time now".

In its reaction, the AA said it was "absolutely essential that the current debate around the rationalisation of the fuel industry be finalised without further delay". (183) (2..)

The association called for deregulation in the industry, and said it now remained to be seen what view the Government will take in next week's Budget on increasing the direct and indirect taxes on fuel as a result of fiscal pressure.

Sacob, which is a participant in the NEF liquid fuel task force, said business reluctantly accepted that the increase in crude prices and the deterioration of the external value of the rand had made the latest petrol price rise unavoidable.

However, the chamber said it had grave concerns about the possible continuation of interventionist policies by the Government.

The Motor Industries Federation said it was "a great pity" that it had been necessary to increase the petrol price, and the Afrikaanse Handelsinstituut said every effort had to be made to create a new, transparent petrol-pricing system which would limit State intervention.

The Southern African Black Taxi Association said it had urged Botha not to increase the petrol price without consulting the taxi industry.

Taximen angry over fuel hike

Sowetan 17/6/94

BLACK taxi associations have asked for an urgent meeting with Mineral and Energy Affairs Minister Pik Botha to discuss the 8c/l increase in the price of petrol from midnight today

The SA Black Taxi Association and the National African Federated Transport Organisation have expressed shock at the hike and have vowed to protest against the decision.

They demand, among other things, that the black taxi industry be subsidised.

In announcing the increase, Botha said the rise was unavoidable because of a higher crude oil price and the worsening rand-dollar exchange rate He said the Cabinet had accepted a recommendation by the National Economic Forum that the price of petrol be increased by 8c from midnight today (~~182~~)(183)

This will raise the price of petrol from the present R1,75 to R1,83 a litre. However, the price of diesel and paraffin will remain the same

The associations said the announcement was probably the first unpopular decision taken by the African National Congress-led Government

They said the move would force consumers to dig deeper into their pockets.

Sabta's national treasurer, Mr Joe Mabaso, said taxi owners were angry because they were not consulted when the Minister increased the petrol price He said the taxi industry would hold protest actions outside Government buildings if their demands were not met

Nafto president Mr Peter Rabali said Botha should give "special concessions" to the taxi industry

The Motor Industries Federation said it was "a great pity" that it had been necessary to increase the petrol price

The Afrikaanse Handelsinstituut said every effort should be made to create a new petrol-pricing system which would limit Government intervention

Fuel hike a warning against govt intervention

CT 17/6/94 (183)

JOHANNESBURG. — The SA Chamber of Business expressed "grave concerns" over the possible continuation of interventionist policies by government, its effect on investor confidence and the exchange rate.

"The present need for a fuel price rise is an example of the negative effect of such policies," it said, commenting on the petrol price rise of eight cents a litre announced on Wednesday.

In terms of the price proposals accepted by government the oil industry, oil-from-coal and chemical producer Sasol and the state fuel pipeline operator Petronet would be making considerable sacrifices, it said in a statement.

"Further tampering with elements of the price build-up in the existing system of regulation will harm the industry and its investment prospects," it said.

This particular method of dealing with short-term price pressures on fuel could only be accepted on condition the oil industry was restructured to allow competition to restore efficiency in the delivery mechanism and to broaden the scope of consumer choice, it said.

Mineral and Energy Affairs Minister Pik Botha, announcing the petrol price rise, effective June 18, said recent levels of crude prices and the rand warranted an increase in the petrol price of at least 14c a litre.

"However, it has been possible to reduce the impact by negotiating an adjustment of the cost related to crude oil and lowering both the tariff protection to Sasol and Petronet's pipeline tariffs," he said.

The chamber is the country's biggest employer organisation, representing some 40 000 commercial and industrial enterprises.

It said business reluctantly accepted that an increase in crude prices and a deterioration of the external value of the rand made the price rise, which would affect cost structures in the economy, unavoidable.

"For as long as fuel is subject to regulation and to retail price maintenance government will have to announce fuel price adjustments," it said.

As a participant in the liquid fuel task force of the National Economic Forum — a mechanism for consultation between the state, business and labour — the chamber was involved in formulating the price recommendations to the government.

It added, however: "Throughout the discussions (the chamber) was mindful of the severe negative impact the fuel price increase would have, particularly on small business, and was instrumental in getting it structured in such a way as to minimise that impact." — Reuter

Petrol price hike rebellion

ARG 18/2/94

183

The price of petrol went up at midnight — but, the increase heralds a renewed attack on South Africa's fuel regulations which, if successful, could save motorists 21c a litre.

BRUCE CAMERON
Business Editor

OIL company Engen has joined forces with Pick 'n Pay in a renewed attempt to break the bastions of fuel regulation — a move which could save motorists 21c a litre on petrol.

Pick 'n Pay has ignored the midnight 9c a litre price hike announced by Mineral and Energy Affairs Minister Pik Botha and will sell existing stocks at its outlets at the old price "until the tanks run dry".

Engen, the only locally-owned petrol producer and retailer, has appealed to its outlets to do the same

Stocks could last for up to four days

And, the South African Black Taxi Association (Sabta) has warned that the fuel price rise may lead to protest action by taxi operators.

In a toughly-worded statement, Engen chief executive Rob Angel warned that continued regulation was jeopardising economic recovery and discouraging foreign investor confidence This, in turn, would limit the success of the Reconstruction and Development Programme

Pick 'n Pay joint managing director Gareth Ackerman said he would not be challenging the government, but his company would reconsider its options if a change of heart did not come soon

In the meantime, he would refuse to put up the price on existing stocks because "we don't believe we should be forced to make a profit from consumers".

In the last row over deregulation, the former government took action to close down Pick 'n Pay petrol stations for discounting petrol.

Mr Angel said "Consumers are still subsidising the synfuels industry at unacceptably high levels of 9c a litre At least 6c a litre could be saved if the synfuel industry operated on a cash break-even basis "

A further 15c a litre could be saved by scrapping other regulatory mechanisms

"The industry is being called upon to make continual sacrifices in terms of its already modest margins, while state-owned enterprises and a highly profitable company like Sasol continue to reap the benefits of unacceptably high subsidies "

Mr Angel said oil companies had retrenched staff and undertaken site closures as a result

"We cannot be expected to continue to participate in a process of forced self-sacrifice to the detriment of shareholders, employees and the industry as a whole "

Sabta, in a letter to Mr Botha, reiterated its concern that the taxi industry had not been consulted about the price rise

Sabta said Mr Botha had to meet the industry urgently to discuss ways of alleviating the price-rise burden

Hopes up for Mossgas turnaround

WILLEM STEENKAMP (183) ARG 18/6/94
Weekend Argus Reporter

MOSSGAS, the so-called R11 billion white elephant of the previous government, is investigating several "revenue enhancement projects" which could turn the beleaguered plant into a major economic asset.

Harry Hill, spokesman for Mossgas, said the company was investigating the possibility of expanding its refinery to include crude-oil processing.

"The existing facilities and infrastructure provide the basis to turn Mossgas into a major economic asset, for instance by using the facilities for the development of the additional refining capacity that South Africa will be needing by the year 2000"

Mr Hill said depending on the prevailing international oil price, the gas processing and oil refining facilities could be run in tandem.

"Preliminary figures indicate that the oil processing option would provide the sort of return which would be attractive to the private sector."

Mr Hill also confirmed that the marketing of gas to other parties (for instance Eskom) was being investigated. Although investigations were at an early stage and some modifications would have to be made, it would not be neccesfor the plant to be converted to supply gas to other parties

At present crude oil prices — excluding interest payments and depreciation — Mossgas was "cash positive" and able to sustain its operations But Mr Hill admitted that the plant did not cover the initial investment which he said should be considered as "sunk costs".

Mr Hill pointed out that by replacing imported crude oil and with the alcohols Mossgas was exporting, the plant was saving South Africa between R800 million and R1 000 million annually in foreign exchange

"It also provides employment for 11 000 people directly and indirectly. These benefits are obtained while Mossgas is covering its operating expenses In other words, Mossgas is producing fuels cheaper than it costs to import and refine crude oil."

Mr Hill said the idea that the initial investment should be regarded as a "sunk cost" and that Mossgas should be evaluated in terms of its current and potential longer-term benefits was now widely supported.

"Closing Mossgas down will not only mean foregoing the benefits mentioned, but also some very attractive, commercially justifiable options such as processing crude oil. In our view, Mossgas has a long-term future that is not dependent solely on the life of existing gas fields," said Mr Hill

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Pick 'n Pay, Engen move to cushion motorists

Fuel price: big firms hit back

Star 18/6/94

THE price of petrol went up at midnight — but the increase has prompted a renewed assault on fuel regulation which could mean savings of 21c a litre for motorists. BRUCE CAMERON reports.

PICK 'n Pay and Engen have combined forces in a renewed attempt to storm the bastions of fuel regulation — a move which could save South African motorists 21c a litre on petrol.

Pick 'n Pay has ignored the midnight 8c price increase and will sell existing stocks at its outlets at the old price "until the tanks run dry" Engen, the only locally owned petrol producer and retailer, has appealed to its outlets to do the same (183) (Star)

Stocks could last for up to four days.

In a toughly worded statement, the chief executive of Engen, Rob Angel, warned that continued regulation was jeopardising economic recovery and discouraging foreign investor confidence. This in turn would limit the success of the Reconstruction and Development Programme

Pick 'n Pay joint managing director Gareth Ackerman said he would not be challenging the Government this time but would reconsider his options if a change of heart did not come soon

However, he would refuse to put up the price on existing stocks because "we don't believe we should be forced to make a profit from consumers"

Stations closed

In the previous dispute over deregulation, the former government took action to close down Pick n Pay petrol stations for discounting petrol.

Angel said. 'Consumers are still subsidising the synfuel industry at unacceptably high levels of 9c a litre for petrol.

"At least 6c a litre could be saved if the synfuel industry operated on a cash break-even basis "

A further 15c a litre could be saved by scrapping other regulatory mechanisms

"The industry is being called upon to make continual sacrifices in terms of its already modest margins, while State-owned enterprises and a highly profitable company like Sasol continue to reap the benefits of unacceptably high subsidies "

Angel said oil companies had retrenched staff and undertaken site closures as a result.

"We cannot be expected to continue to participate in a process of forced self-sacrifice to the detriment of shareholders, employees and the industry as a whole "

Ackerman and Angel said deregulation would assist the Government, as it would no longer be faced with making highly charged political decisions "They could just take the tax."

Ackerman also announced that his company was contemplating going into the fuel industry, marketing petrol under its own name brand. But he said it was being stymied by the regulation of the industry

This included the regulations under which petrol stations were rationalised (the "rat" plan) This meant petrol companies could refuse to renew licences to operate on land owned and controlled by Pick 'n Pay The latter could also be barred from opening new petrol stations (183) (Star)

Ackerman revealed that "promising noises" had come out of discussions he was having with the Government and other interested parties

Angel said the dismantling of the regulations was in the interest of consumers, the economy and the country

'Foreign investors will stay away until the Government's actions, not words, demonstrate a real commitment to the market system "

Star 18/6/94

◆ Fuel price

The Southern African Black Taxi Association has told Minister of Mineral and Energy Affairs Pik Botha it is gravely concerned about the petrol price increase and the lack of consultation before it was announced

SABTA said in a statement it would do all it could to contain unhappiness, but that the frustration of taxi operators might manifest itself in protest action.

It was imperative that the Minister met the taxi industry to discuss ways of easing the burden of regular price increases

SABTA will meet Botha on June 27

"We cannot again tolerate a situation like that following the last increase," the statement said "The industry was then bought off with promises of investigations which, in a display of cynicism remarkable even for the Nationalist government, never took place This time there must be action."

Fuel industry prepares to fight the rules

S/Times (Buss)

By KEVIN DAVIE

THE implosion of the regulated fuel industry is imminent, say industry leaders

Key members of the National Economic Forum (NEF) say Pick 'n Pay will soon offer discount fuel and Engen will follow.

All companies are said to have contingency plans for a price war. 19/6/94

One source says Pick 'n Pay's legal advice is that fuel regulation can be challenged on constitutional grounds. (183)

Sabta's Jacob Ledwaba says minibus taxi operators are angry about the 8c/l fuel-price increase

Sabta will try "to contain the situation", but the frustrations of individual taxi operators may be shown in protest action

Sabta wants to operate its own fuel depots on the lines of its competitor, Putco

Engen's Rob Angel says fuel users are subsidising Sasol at unacceptably high levels — 9c/l

"At least 6c/l could be saved if the synfuels industry operated on a cash break-even basis"

Mr Angel says scrapping other regulations could save users at least a further 15c/l

Paul Theron, of the ANC-aligned Minerals and Energy Policy Centre, says Sasol's "tariff protection subsidies are too high"

"Every cent of subsidy reduced is an extra cent in the pocket of the consumer"

Sasol says a price war is unlikely because fuel discounting is illegal

"Should one of the players hold the opinion that the current laws conflict with the new constitution, this would have to be placed before the Constitutional Court, which could be a lengthy process

"We assume current laws will be enforced."

Sasol says it does not receive subsidies

"Tariff protection allows synfuels a moderate return on assets (9,6% after tax for the six months to December)

"As an active member of the NEF team Sasol made a contribution to cushion the effect of the 14c/l increase which would have been necessary as a result of rising crude prices"

Pick 'n Pay's Gareth Ackerman says fuel regulation is a "political albatross" around the government's neck

More petrol shocks around the corner

BDay 20/6/94

MICK COLLINS

HIGHER crude oil prices and a weak rand were likely to lead to more petrol shocks for SA motorists, economists warned at the weekend (183)

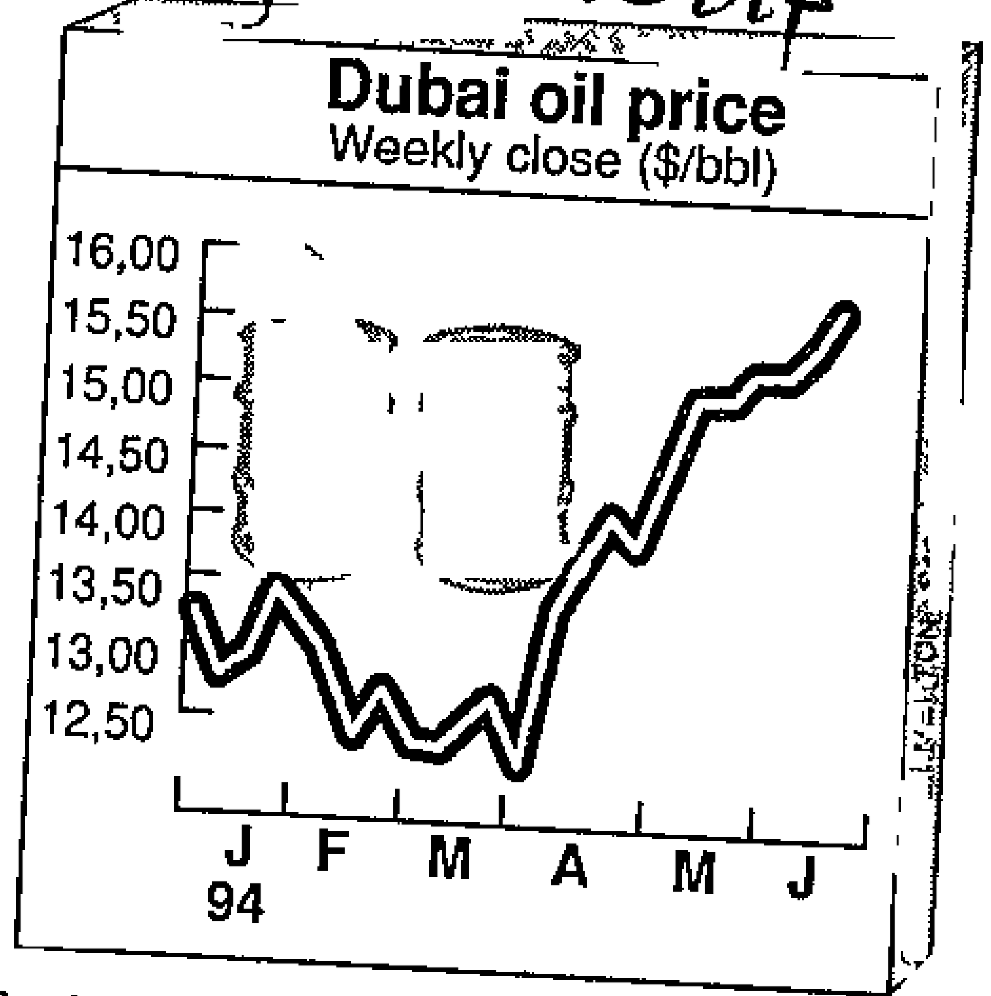
They said firmer crude oil markets and the poor performance of the local currency would lead to another price increase

The position was being exacerbated by government's reconstruction and development programme which would place more pressure on the fiscus

With only 7% of total government revenue coming from fuel as against 8% to 9% in some other countries, government would start looking at the fuel price for more cash, an industry source said The current fuel tax was 60,9c/l

One analyst said any further increase would be held in the 2c/l to 5c/l range With summer in the US and Europe, he saw oil stabilising at $17 a barrel The rand was expected to peak out at about R3,70 to the dollar It closed at R3,6503 on Friday

But on wholesale and retail margins for the industry, he said the last increase for



both these elements was in October 1993, so there could be further pressure from the oil companies An adjustment to the in-bond landed cost and the capping of the equalisation fund at 7c/l should hold overall increases at the 5c/l level

KATHRYN STRACHAN reports that in

☐ To Page 2

Petrol

BDay 20/6/94

☐ From Page 1

apparent defiance of Mineral and Energy Affairs Minister Pik Botha's threat to take legal steps against stations selling petrol at old prices, Pick 'n Pay yesterday vowed to continue to sell at the old price until its tanks ran dry However, stocks are expected to be depleted today (183)

Pick 'n Pay joint MD Gareth Ackerman challenged government to immediately deregulate the retail price of petrol and enable the market to set its own price.

Botha said that if deregulation was the answer, it had to be introduced in a structured way The interests of all parties had to be taken into account, in particular those of smaller operations, which could not endure price reductions without being forced out of business

All these matters had to be canvassed within the National Economic Forum, he said, but in the meantime order had to be maintained in the industry

Motor Industries Federation executive director Vic Fourie warned that if Pick 'n Pay and Engen sold petrol at the old price they would be breaking the law, and it was the seller who would become liable for prosecution, not Engen

Fourie was "surprised" at Engen going against a decision it had supported only days earlier Engen had played a direct role in putting together the structure of the new price right up until the announcement of the increase last Wednesday

Sondor 'will bounce back'

EDWARD WEST

CAPE TOWN — Rubber, plastics and tape products manufacturer Sondor Industries' earnings slipped slightly to 11,83c (11,94c) a share in the year to end-March 1994, but the company was budgeting for a slight improvement this year

B/Day

A dividend of 2,5c was declared and directors said margins were restricted in an increasingly competitive market

Group turnover was up 14% at R34,27m (R30,02m) and operating profit was 12,4% higher at R4,93m (R4,38m)

20/6/94

However, a higher tax bill at R1,73m (R1,56m) and finance charges of R356 000 compared with an inflow of R44 000 the previous year, pushed taxed income down to R2,84m (R2,87m)

A R4,46m extraordinary item included a R4,3m payment to the Receiver of Revenue in terms of a film scheme settlement and R160 000 goodwill was written off

Sondor shares slipped 25c or 16,6% to 125c yesterday, which was off their 150c annual high reached on June 9, but well above the July 1993 12-month low of 40c

(183)

More petrol rises forecast

(183)

CT 20/6/94

Own Correspondent

JOHANNESBURG — Higher crude oil prices and a weak rand were likely to lead to more petrol shocks for SA motorists, economists warned at the weekend

Pricier oil, weak rand blamed

They said firmer crude oil markets and the poor performance by the local currency would lead to another price increase

The position was being exacerbated by the government's Reconstruction and Development Programme which would place more pressure on the fiscus

With only 7% of total government revenue coming from fuel as against 8% to 9% in some other countries, the government would start looking at the fuel price for more cash, an industry source said The current fuel tax was 60,9c/ℓ

One analyst said any further increase would be held in the 2c/ℓ to 5c/ℓ range With summer in the US and Europe, he saw oil stabilising at $17 (R61,2) a barrel The rand was expected to peak out at about R3,70 to the dollar

But on wholesale and retail margins for the industry, he said the last increase for both these elements was in October 1993 so there could be further pressure from the oil companies

And in apparent defiance of Mineral and Energy Affairs Minister Mr Pik Botha's threat to take legal steps against stations selling petrol at old prices, Pick 'n Pay yesterday vowed to continue to sell at the old price until its tanks ran dry However, stocks are expected to be depleted today

Pick 'n Pay joint managing director Gareth Ackerman challenged the government to immediately deregulate the retail price of petrol and enable the market to set its own price

Mr Botha said that if deregulation was the answer, it had to be introduced in a structured way The interests of all parties had to be taken into account, in particular those of smaller operations, which could not endure price reductions without being forced out of business

All these matters had to be canvassed within the National Economic Forum, he said, but in the meantime order had to be maintained in the industry

Taxi owner Mr Dan Mawasha lies dead next to his car after he was gunned down by four attackers.
PIC: JONAS MANKEA

Fuel hike protests possible — Sabta

Sowetan 20/6/94

BOUGHT OFF Taxi industry should have been consulted:

By Sharon Chetty

AN URGENT meeting between the South African Black Taxi Association and Mineral and Energy Affairs Minister Mr Pik Botha will be held next Monday to address taxi drivers' opposition to this weekend's fuel price increase

Sabta has warned of protests if the meeting fails to arrive at an "action plan of relief" for the industry

Sabta's main complaint is that the industry was not consulted when the minister decided on the eight-cents-a-litre hike (183)

Situation is volatile

"The situation is volatile," Sabta told Botha in a letter this weekend

"Sabta will do all it can to contain the situation but it must be anticipated that the frustrations of individual taxi operators may again manifest in protest action," it added

The association says that it is "imperative" for Botha to discuss with the industry ways in which the burden of regular petrol price increases can be eased

Sabta added that at the time of the last increase, the industry was "bought off" with promises of investigations which never took place

Meanwhile, retail giant Pick 'n Pay and local fuel supplier Engen have been warned by Botha that their refusal to comply with the price hike may result in court action

Old prices

Pick 'n Pay has said that it will continue selling fuel at the old price until stocks at its 14 outlets run out.

Engen has vowed to do the same

Pick 'n Pay expects to start selling new stock by June 30, for which they will charge the new price

The supermarket chain says it will continue its 20-year fight for the deregulation of the industry

Engineering index hits annual high

CT 20/6/94 (189E)

From MICK COLLINS

MARKET confidence in heavy engineering and related industries has seen a recent leap in the engineering index, spurred on by capital-intensive projects such as Alusaf and Columbus

The index hit an annual high of 2 126 last week, compared with a low last October of 1 389

Analysts attributed the improvement to better sentiment and a rerating of the sector

The index components — Afrox, Standard Engineering, Hudaco, Haggie and Dorbyl — had all performed well with the exception of Dorbyl

Analysts said the sector tended to lag behind the rest of the market. Afrox had been running well and offered value Its growth prospects were in place

Another good performer was Haggie, which was doing well in mining and exports Chubb, which reported a 60% hike in attributable earnings in the year to March, had also helped The company rationalised operating costs substantially and the share put on 100c or 4,3% to move to a new high of R24 on Friday

One analyst said the gains in the index were earnings driven The sector was looking ahead at better earnings prospects "Engineering has been rerated and there is much better sentiment. It normally lags the building and conostruction sectors The building sector has had a good run and isnow dragging the engineering sector along with it."

Hudaco and Haggie performed well on the back of good prospects, with Haggie reporting a turnaround from last year "But the one that still lags is Dorbyl It will come out again with lower than expected earnings performance"

Afrox was the largest index stock, making up 60%, and there was a better outlook for the company The welding section would benefit from the economic upturn

"This will mainly be on the gross domestic fixed investment (GDFI) side," one analyst said The gas business was stable and the combination of these factors had contributed to the rerating.

Large capital projects — Alusaf and Columbus — would benefit the mechanical engineering industry

Another analyst said much of the improved sentiment rested on the expectation that the engineering sector would be one of the beneficiaries in any GDFI recovery

Fuel industry set for revamp

CT. 21/6/94 (183)

By BARRY STREEK
Political Staff

PLANS to restructure South Africa's R23-billion petrol industry should be negotiated by the National Economic Forum (NEF) by August 30, Minister of Energy Affairs Mr Pik Botha said yesterday

These might include the formation of a new SA National Petroleum Authority

Mr Botha said that although the US was the only country in the world where the government was not involved in the fuel industry, he wanted to reduce the government's involvement in determining the petrol price

The government had been blamed for the situation in the industry, but "it is not a government battle, it is a battle between the various parties in the industry"

National authority possible

The government was convinced there should be changes but these should be negotiated between the various business groups, labour and government in the NEF

The NEF's Liquid Fuels Task Force was "doing a good job" and it did reach agreement on the 6c/ℓ saving, said Mr Botha

"We have asked this task force to investigate and analyse Sasol, its tariff position, and Mossgas, and then come back and tell us what should be the degree of government involvement"

If deregulation was the answer it should be done in a strategic way, he said

The cabinet would take decisions as soon as possible after the August 30 deadline

Mr Botha said "It is no good saying we should not have started Sasol or Mossgas They are a reality There are 160 000 people employed by Sasol"

Its chemical production was earning foreign exchange

The immediate removal of the Sasol subsidy would not help resolve the issue

There were also about 30 000 petrol attendants and a large majority of service station owners were small businessmen, with people from the black community increasingly coming into the business, "investing, for them, vast sums of money"

● Pick 'n Pay stopped selling petrol at low cost at midnight last night

COMPANIES

Pharmacy companies form network

BEATRIX PAYNE

FOUR pharmaceutical companies have teamed up to form a single distribution network with sales of R800m, in a bid to sharpen their competitive edge

The companies — Natal Wholesale Chemists, Kemco, East Cape Pharmaceutical and Midlands Wholesale Chemists — have also bought sole rights for Plus Pharmacies from the Premier group. B/Day 21/6/94

Natal Wholesale Chemists CE and spokesman for the group Carl Schnell said yesterday that the new company would operate nationally under a new name, to be announced soon. (183)

"We are in a very competitive market and our joint buying power will bring us in line with some of the big players."

The group intended revitalising the Plus franchise which it had bought for an undisclosed amount from Premier.

The Bonus Chemist franchise would also be expanded from a largely Eastern Cape operation into a national chain.

Schnell said the partnership would provide a national distribution facility which could use the benefits of their joint buying power to cut medicine costs.

Pharmaceutical Society of SA president Cecil Abramson cautiously welcomed the move.

An analyst said the pharmaceutical wholesale industry was "struggling" and distributors were realigning to become more competitive.

Bid to reduce govt's involvement

Pik tells task force to defuse petrol crisis

BDay 2/6/94

(183)

MICK COLLINS

GOVERNMENT's resolve on deregulating the fuel industry appeared to be weakening yesterday as it shifted the burden of resolving the petrol crisis to the National Economic Forum's liquid fuels task force.

Mineral and Energy Affairs Minister Pik Botha said the task force — including representatives of oil companies, government, business, unions, the Automobile Association and garage owners — "must work together or find an arbitrator"

He appealed to the parties involved to reach an immediate solution to the petrol crisis, saying he wanted to reduce government's involvement in setting petrol prices and depoliticise the situation. The matter needed to be taken out of the political arena and looked at from a cold and economical viewpoint

Botha said the outcome could be the formation of a national petroleum authority which would agree on a formula to administer the petrol price.

A report on deregulation had to be ready by August 30 All investigations should be completed by the end of November.

If deregulation was the answer, it had to be introduced in a structured and orderly way, taking into account the interests of all parties. These matters should be canvassed in the forum, but order had to be maintained in the industry in the interim.

Referring to the possible loss of jobs through deregulation, Botha said the reconstruction and development programme stressed the need for job creation and avoiding job losses wherepossible

Government had taken into consideration the large numbers of relatively small petrol station businessmen, particularly in rural areas, as well as the thousands of pump attendants who could lose their jobs if the retail fuel market was disrupted

He said government still had a responsibility on broader social issues affected by the petrol price and it had to take cognisance of these and act accordingly.

Meanwhile, Pick 'n Pay joint MD Gareth Ackerman told all the company's general managers to increase petrol prices from midnight last night He said the company was not yet in a position to cut the price permanently, "as there are still a few pieces to be put into place"

Referring to his weekend meeting with Botha and other industry leaders, Ackerman said it seemed "we are making headway in our fight for the deregulation of the petrol price". This was shown by Engen's matching of Pick 'n Pay's selling "until our tanks run dry".

Our political staff reports Botha said the task force had also been asked to investigate Sasol and Mossgas and "tell us what the degree of government involvement should be" It should also advise on strategic holdings and on the extent to which the strategic fuel fund should be allowed to trade in oil

"It is no good saying we should not have started Sasol or Mossgas. They are a reality and Sasol employs 160 000 people" Its chemical production earned foreign exchange and its beneficiation of coal into synfuel saved R4,5bn in foreign exchange Its chemical industries created new business worth R8bn a year, and Mossgas saved R700m a year in foreign exchange

Afrox to buy slice of Engen for R88m cash

B/Day 22/6/94

MICK COLLINS

INDUSTRIAL gas, welding and hospital care company Afrox would acquire the cylinder portion of Engen's liquefied petroleum gas business for R88m, the company said yesterday

It said the cash deal for the business would include Engen outlets in SA, Botswana, Lesotho, Swaziland and Namibia (183)

The purchase, effective from August 1, will have no effect on the earnings per share and net asset value of either Afrox or Engen

Afrox chairman and MD Royden Vice said the deal would make Afrox SA's largest supplier of liquefied petroleum gas to the cylinder market

He said the acquisition was a "natural consequence" of the relationship that had developed between the companies, and comprised all LPG filling operations contracted to Engen including the SA Energy Corporation, Mobil, Trek, Sonap and Homegas

The purchase means that Afrox would expand its network to over 500 agents and distributors — an increase in the network of over 50%

Engen CE Rob Angel said Engen would use the funds in the normal course of business He added that the transaction was in line with Engen's objective of "sweating its assets to the fullest"

Every effort would be made to place Engen employees engaged in the handling, distribution, marketing, sales and administration of the business

Afrox had undertaken to interview each affected employee so as to offer staff employment where possible.

He said Engen's business focus would lie in the area of its core competencies — refining, distributing and the marketing of bulk petroleum products

"The market's increasing competitiveness will make it more difficult to achieve an above average return unless you are a specialist marketer like Afrox"

The agreement specified that Engen would remain a supplier to Afrox for its liquefied petroleum gas requirements

Angel added that ~~the~~ alliance would strengthen Afrox's position in the cylinder market, which w[redacted] in turn benefit Engen [redacted] gas supplier.

Engen's relationship with commercial bulk customers would be unaffected by the deal as the business formed part of Engen's complete package approach to satisfying customer's needs in a market where it was a dominant player

There had been a sharp increase in the popularity of liquefied petroleum gas in the formal and informal sectors

focus on

Sowetan 22/6/94

Mineral and Energy Affairs Minister Pik Botha feels like the ham in a sandwich, hemmed in by two competing forces over deregulation in the petrol industry. Political Editor **Mathatha Tsedu** reports:

ON THE one hand are multi-national oil companies that now call for complete deregulation of the petrol industry so that pricing is left to market forces

On the other hand, there are calls for more Government regulation of the R23 billion industry to ensure that small traders stay in the picture and that the price of petrol remains within reach of the man in the street

The latter argument is difficult even for the eloquent Botha to explain now in the middle of the fading controversy over his price hike and the lower priced petrol sold by some supermarket chains and oil companies

After all, he has been criticising them for selling it cheaper than he has priced it But Botha maintains that he is also a victim of over-editing by the media who have not spelt out his full explanation

And that explanation is simply as follows Government does not want to be involved in determining petrol price If mechanisms can be found to reduce or stop this, he would be the first to cheer

But Government is presently involved, and those calling for deregulation should advance their proposals in an orderly manner to ensure that whatever decision is finally taken does not cause chaos

Also, the danger of the small filling station owner in rural areas who could be run out of business by the oil companies has to be faced by the Government, which also represents him

In short, deregulation poses the danger of oil companies opening their own filling stations and selling the petrol cheaper, thus undercutting the small dealer

Monopoly

Were this to happen, as it could well be in a completely deregulated industry, it would be a matter of time before all small businessmen were eradicated and the oil giants would then have a monopoly and increase prices as they saw fit

Government's concern, therefore, Botha emphasised in an interview in his office in Cape Town on Monday, was that the small operators employed over 30 000 people who could lose their jobs through pump automation as has happened at some supermarkets already

He has faxes from small time operators to prove his concern as they write to him urging action against those flouting the law

One such operator wrote to say "It appears that Engen (which has said it would sell its old stock at old prices) are using this ploy to force deregulation on the South African market and we do not want to be party to that

"In our opinion a deregulated market effectively takes the retail fuel price from the control of the Government and puts it in the hands of the oil companies

"While in the short term this might benefit the consumer, the possibility exists that with so few

Pik Botha ... the petrol price stays up.

players in the industry, the consumer would be at the mercy of the oil companies who are quite naturally in business to maximise profits "

Put another way, motorists who applaud today's short-term low price may face a huge price hike later

(183)

It is an argument that seems to say motorists should be glad that prices are going up now for it is in their long-term good

But Botha is the first to admit that this does not go well with motorists, whose interest is to buy petrol at the cheapest available price today, and not a few years later down the line

Botha said he was also amazed at the turnaround by Engen, as it had, together with other oil companies, urged a 14 cents increase in price to offset the estimated loss of R4 million each day

"The Liquid Fuel Industry Task Force, as part of the National Economic Forum, and representing labour, business and government, looked into this matter and was able to cut the 14 cents increases by six cents through savings negotiated with Transnet, oil companies and Sasol

"Once agreement on the savings was reached, all parties agreed that the eight cents increase was unavoidable and it was thus announced People have to bear in mind that petrol is imported and bought with US dollars The rand-dollar exchange rate has worsened by 20 cents since February and the price of oil has itself gone up If we are to continue to buy oil at the market,

'In our opinion a deregulated market effectively takes the retail fuel price from the control of the Government and puts it in the hands of the oil companies'

the price to the consumer has to go up," Botha said

The Minister said the old argument about high prices, namely that because of sanctions the country had to employ middle men who siphoned large sums of money, was no longer valid

The country was buying directly from sellers but the dollar exchange rate and the high price have combined to eliminate the savings made through the political opening that has followed reform, he said

The gripe of the oil companies is that Sasol and Mossgas ate a large chunk of the petrol money, with Sasol alone getting nine cents from each litre sold

Protection

Deregulation would also mean the removal of this protection from Sasol, leaving it to compete openly with the international oil companies

The Government, Botha said, could not forego protection for Sasol lightly as huge public investment had gone into the project

Sasol today accounted for 30 percent of the market, employed about 160 000 people and saved the country over R4,5 billion annually in foreign exchange

But, if indeed deregulation of the industry was the way ahead, this decision should be taken after a thorough investigation by all concerned That is why, Botha said, "the search for a new mechanism to determine the petrol price will continue, as will the investigation of all the major facets of this important industry in the interests of the people of this country"

"The investigating committee has to report by August 30 after which the Cabinet will then take a decision "

And in the meantime, the high price of petrol stays up there

R88-m Afrox, Engen deal

(183) AEG 22/6/94

Business Staff

AFRICAN Oxygen is to acquire the cylinder portion of Engen's liquefied petroleum gas business in South Africa, Botswana, Lesotho, Swaziland and Namibia

Royden Vice, chairman and managing director of Afrox, said the purchase of the Engen cylinder business was an exciting development which would make Afrox South Africa's largest supplier of LPG to the cylinder market

Afrox is settling the R88 million in cash Engen will utilise the funds received in the normal course of business

Mr Vice added that Afrox's acquisition of the business was a natural consequence of the relationships which had developed between the two companies

"After more than 65 years in the gases business, Afrox has a highly developed branch infrastructure and distribution network A core part of our business is the filling and moving of cylinders containing a wide range of industrial, medical and other gases

"Afrox is also active in all the regions in which Engen distributors currently operate This makes the change of ownership a relatively simple matter for our customers"

Engen's chief executive Rob Angel said the transaction was in line with Engen's previously stated objective of "sweating its assets to the fullest"

"We have declared that the focus of our business will lie in the area of our core competencies which are the refining, distributing and marketing of bulk petroleum products.

"The LPG cylinder business is extremely asset intensive The market's increasing competitiveness will make it more difficult to achieve an above average return unless you are a specialist marketer like Afrox

"Our agreement with Afrox specifies that Engen will remain a supplier to Afrox for its LPG requirements for this business."

The purchase, which takes place on August 1, will have no material effect on the earnings per share and net asset value of either Afrox or Engen

Big shake-up in pharmaceutical industry

BDay

BEATRIX PAYNE

24/6/94

THE pharmaceuticals wholesale industry was expected to undergo a major reshuffle as distributors banded together in an attempt to survive in a highly competitive market, sources said yesterday

Analysts said the recent creation of a single pharmaceutical wholesaler by four small distributors, and attempts by some of the multinationals to set up their own distribution networks, were part of a major shake-up in the industry (183)

In larger metropolitan areas smaller suppliers were likely to be edged out, sources said.

"The only way to survive is to amalgamate or win contracts from medical aids," an analyst said "It's a business with small margins so the most important factor is increased buying power."

However, National Association of Pharmaceutical Wholesalers (NAPW) executive director Trevor Phillips said the reshuffling was unlikely to harm the business of smaller wholesalers

AFROX FM 24/6/94

More muscle in gas

Having the financial clout is what can make or break a company during a recession An R88m cash acquisition leaves no doubt in which category Afrox belongs (183)

The purchase of the cylinder portion of Engen's liquefied petroleum gas (LPG) business with effect from August 1 will, believes chairman and CE Royden Vice, add as much as 5% to earnings growth after interest

The sale comprises all LPG filling operations now contracted to Engen, including the SA Energy Corp, Mobil, Trek, Sonap and Homegas Engen will remain a supplier to Afrox for its LPG requirements for this business Afrox is currently represented in

FM 24/6/94

this market with Handy Gas (supplied by Caltex) The inclusion of Engen's distribution network and products will make Afrox the largest supplier of LPG to a market estimated to be worth R1bn a year, says Vice (183)

The synergies are many To the network of 80 branches, which will now be better used, and about 200 distributors, a further 300 distributors and agents will be added

"The beauty and strength of the deal is that we already have the management expertise and infrastructure in place," says Vice "Afrox is active in all the regions in which Engen distributors now operate This makes the change of ownership a relatively simple matter for all"

Afrox plans to fund the acquisition on the existing balance sheet With borrowings low at about R240m to shareholders' funds of R750m, R88m will not create undue financial pressure

Vice concedes that some capex will have to be incurred on tanks and cylinders in financial 1995 Spending of R10m-R15m will be focused on the distribution fleet, one tanker can cost at least R1m, he adds There are plans to build three new depots from next year in Cape Town, Durban and on the Reef

Engen CE Rob Angel says the transaction is in line with its stated objective of sweating its assets to the fullest Its business will be focused, he adds, on Engen's core competencies which are refining, distribution and marketing of bulk petroleum products

Marylou Greig

SA Druggists in deal with Mediscor

Star 27/06/94

SA Druggists (SAD) has concluded an agreement in principle to acquire a controlling business interest in Mediscor, one of SA's two medical aid claims clearing houses.

SAD executive officer Peter Beningfield said yesterday the acquisition would make Link the largest retail pharmacy market with 1 000 top-line pharmacies expected to join the franchise

Mediscor had representation contracts with 920 retail pharmacies countrywide

He said the move would also offer significant cost benefits to medical aids (183)(292)

Among the potential short-term benefits expected were an annual increase of more than R350 million in distribution turnover for SAD and a boost to the development of Link's own-brand products

The agreement was subject to the usual approval

In another development, SAD has acquired a 74 percent interest in intravenous fluids producer, Inmed

It has also acquired the worldwide rights to the new Autoster production technology for large-volume parenterals (intravenous drips)

Beningfiled said Inmed would be merged with Port Elizabeth-based Intramed, the large volume parenterals production division — Sapa

Irate taximen to see Botha

Sowetan

By Joshua Raboroko 27/6/94

IRATE black taximen are to meet Minister of Mineral and Energy Affairs Mr Pik Botha today to discuss the increase in the price of petrol.

The South African Black Taxi Association and the National African Federated Transport Organisation have expressed their shock and vowed to protest against the decision.

They demand that the minister consult them immediately to discuss the rise and that the black taxi industry be subsidised like buses and other modes of transport.

(183)

Sabta national treasurer Mr Joe Mabaso said taxi operators and owners were angry because they were not consulted before the minister increased the petrol price.

Nafto president Mr Peter Rabali expressed his shock and criticised the unilateral decisions which he said was reminiscent of apartheid.

Oil could be sold off to fund RDP

Fuel deregulation possible in 6 weeks

Star 28/6/94

BY CHRIS WHITFIELD
POLITICAL CORRESPONDENT

Cape Town — An announcement on possible deregulation of the fuel industry could be made within weeks.

Dr Piet Hugo, director-general of the Department of Mineral and Energy Affairs, said yesterday a fierce debate was raging on whether to "deregulate or re-regulate"

He told Parliament's joint standing committee on finance, which is studying the Budget, that an announcement could be made in about six weeks by Mineral and Energy Affairs Minister Pik Botha.

He thought some form of deregulation was going to be introduced, but stressed that this should be carried out in a "phased and orderly way"

"The main aim is that the price at the pump must be the lowest (possible)," he said.

His commitment to deregulation was welcomed by DP finance spokesman Ken Andrew, who said "There is no longer any need for secrecy in our oil industry and there is no room for inefficiency or government interference in pricing"

Pik Botha .. will make announcement on fuel industry soon.

(183)

The previous government had resisted deregulation, citing fear of job losses and threats to smaller outlets

Andrew said this was a "fallacious and dangerous" argument "Only an efficient and competitive economy will grow and provide jobs"

Hugo also said strategic oil reserves worth about R2 billion could be sold off to assist the Reconstruction and Development Programme (RDP)

He estimated that the value of the total stockpile was about R5 billion at present

This amounted to a reserve for about seven or eight months, while the internationally accepted norm was about six months

"It is possible that about R2 billion could be sold off beyond the six-month quota," he said.

Questioned on whether the money could not be used to fund the RDP, Hugo said his department did not make such decisions. "We are waiting for instructions from the Government on what to do with our fuel"

Fuel firms get R3,4bn in subsidies

BIDay

MUNGO SOGGOT

THE state had poured more than R3,4bn in subsidies into parastatal and government-owned fuel companies since 1985, the auditor-general disclosed yesterday 1|7|94

The level of state subsidisation of the Sasol group and Mossgas came to light when the 1992/93 auditor-general's report published the accounts of the Central Energy Fund (CEF) for the first time

The report said R2,4bn in "import protection" money had been channelled into the Sasol group of companies since April 1 1985 Of this, R622m was paid out between 1992 and 1993 (183)

It said subsidies to oil companies as compensation for loss of refinery throughput from current operations of Sasol Two and Three totalled more than R1bn for the same period

Auditor-General Henri Kluever said there was uncertainty surrounding the value of the investment in the Mossgas project It was impossible to give an unqualified audit of the project as the value of the investment hinged on several uncertain factors, such as the oil price, the exchange rate and gas field reserves

A recent forecast by the auditor-general estimated the value of future net cash

☐ To Page 2

Subsidies

BIDay 1|7|94

☐ From Page 1

inflows for Mossgas at R8,9bn

Kluever said he was also unable to give an unqualified audit of the CEF as the Mossgas investment made up most of the CEF's capital structure of R11,1bn

He told the briefing his office was restricted from adding comment to what was contained in the report (183)

Soekor — which had used loans and grants of more than R2,2bn in its search for petrol and gas — also came under the spotlight for "possible irregularities" in Soekor's management

In the report Kluever said a senior official at Soekor possibly had had or possibly still had an interest in a contracting company involved in the operations of Soekor A disciplinary inquiry had found that the official had acted unethically and in conflict with company policy

Druggists buys Mediscor

S Times (Buss)

By JULIE WALKER

3/7/94

SA DRUGGISTS has been shopping The manufacturer and distributor of pharmaceutical products has bought control of Mediscor, one of two medical-aid clearing houses, for an undisclosed sum

Peter Benningfield, SA Druggists' chief executive, says Mediscor has representation contracts with 920 pharmacies, providing an opening to lift the group's Link chain into a full franchise business

183

SA Druggists will benefit from an instant R350-million of distribution turnover In the longer run, the Link private label, for which a national credit card has been launched, will be expanded.

Another acquisition is for 74% of intravenous fluids producer Inmed, plus worldwide rights to its production-technology arm, Autoster Mr Benningfield says although SA Druggists has its own intravenous fluid manufacturer, Intramed, he was impressed with the Autoster technique

Autoster has been developed by engineering group Megkon, and produces sterile fluids far cheaper than current methods

Taxis may soon get petrol pumps

ERICA JANKOWITZ

TAXI associations are soon likely to win the right to operate and control petrol pumps at taxi ranks, with Cosatu representatives on Liquid Fuels Task Force set to agree to the proposal B/Day

Further meetings would be held this week and an agreement could be signed as a result, sources said 4/7/94

Cosatu negotiations co-ordinator Jayendra Naidoo confirmed on Friday the federation would support the proposal But, reacting to a suggestion that this would represent a form of back-door deregulation of the liquid fuels industry, Naidoo said Cosatu believed a new regulatory framework should be introduced

Naidoo said Cosatu believed the taxi industry had to be heard in discussions about the future regulation of the fuel industry as it had previously been excluded from the process In addition, transport costs directly affected workers who lived far from their workplaces.

He urged the task force to reach agreement on how to minimise the effect of the recent petrol price hike on commuters as the increases were due to factors beyond the control of all players. (183)

He said meetings between Energy Affairs Minister Pik Botha, the taxi industry and representatives of other parties, including Cosatu, took place last week

On the issue of a new regulatory framework, he called for an independent regulatory body to fulfil this function and ensure government did not, through deregulation, merely hand over to an "oil industry cartel" which would fix prices

The new system should also be structured to meet the government's reconstruction and development objectives.

Abbott will not produce generics

BEATRIX PAYNE

MULTINATIONAL pharmaceutical group Abbott Laboratories plans to increase its market share in SA despite growing emphasis on low-cost generic medicines, says Abbott (SA) CEO Jeff Petersen. BDay

Speaking at the launch of the company's new mission statement last week, he said Abbott did not intend to follow the route of other multinationals and move into the provision of generic medicines 5/7/94

"We are focused on the production of medicines based on original research and generics are not a strategic route for us.

"But we will reinvest money into research and development to produce cost-effective drugs," said Petersen

The company intended to maintain and develop local and global competitiveness through the development of its on-site facilities and workforce training, he said.

Training would focus on developing literacy, management and team work skills, and manufacturing practices.

The company also intended to improve its on-site facilities and cleanliness.

He said the company had a responsibility towards the community and would attempt to control pollution and emissions.

The group manufactured a range of consumer and pharmaceutical products in SA and had achieved an annual turnover of roughly R100m over the last few years, Petersen said At present this represented less than 1% of the multinational's $9bn annual turnover. (183)

The main challenge facing health care in SA was to balance the provision of high-tech medical care with the primary health care needs of the broader population.

MOSSGAS Fm 8/7/94

Poor returns

The scale of State spending, past and present, on the liquid fuel industry is a sharp reminder of one ruinous legacy of the apartheid years — extravagant attempts to achieve self-sufficiency It is recorded in the second annual set of Auditor-General's reports

The most painful reading deals with Mossgas Leaving aside an accounting quibble over depreciation policy (which the AG concedes is academic), we have to confront an "investment" of R9,8bn in the synthetic fuel project

The return on this sum will depend above all on the extent of its gas reserves and the oil price — neither of which is strictly within the province of accountants On the latest data he has, the AG puts the value of Mossgas at R8,932bn But the history of technical problems in estimating the amount of recoverable gas suggests that this should be accepted with great caution Past estimates of recoverable gas have proved too optimistic (183)

Fm 8/7/94

Other sore points in the report are

- □ During the financial year 1992-1993, Sasol received R623m from the Equalisation Fund as import protection;
- □ Local oil refineries received R86,6m as compensation for loss of output incurred because of their obligation to market Sasol's synthetic fuels preferentially A comparable amount of R14,6m — to cover loss of refinery throughput to compensate for taking Mossgas's output — has not yet been debited to the Equalisation Fund because it has not yet received ministerial approval,
- □ During the financial year, oil was sold from the strategic reserve and R327,4m transferred to the Equalisation Fund, but this was more than offset by the transfer of R780,5m to the State Revenue Fund Of the total proceeds of crude oil sales from reserves (plus interest on the proceeds), the fund had, up to the end of the 1992-1993 financial year, received R1,1bn and paid to the State slightly more — R1,2bn, and
- □ To the date of the report, Soekor had spent R2,2bn on its search for oil and gas, of which R119m was advanced in the year under review Excluded from these figures are earnings by Soekor, notably through managing Mossgas's gasfield Gross expenditure was R186,9m (183)

The AG was informed that a Soekor employee was discovered to be involved in a conflict of interest through ownership of a stake in a company contracting with Soekor No loss was caused but Soekor says it has taken disciplinary steps

The AG notes that — arising from his previous report — the Joint Committee on Public Accounts recommended, last August, that there should be no further expenditure on Mossgas without thorough official reinvestigation of the economics of the project and related policy issues

The installation of a new government provides a unique opportunity to rationalise liquid fuel policy Steps should include a ruthless writing down of the Mossgas investment to a value based on sound, conservative estimates of the gas reserves and cautious projections of the dollar/oil price and exchange rate for the rand Government should not balk at complete closure if that is the most rational course

The future of Soekor should be considered with equal ruthlessness Some offshore gasfields, modest by international standards, are not much to show for all the years of drilling Soekor has announced a programme

Fm 8/7/94

of rationalisation and commercialisation that it is hoped will lead to privatisation This course should be pursued with vigour

The remaining administered mechanisms regulating the liquid fuel industry, notably protection for synthetic fuels, are now the subject of fundamental policy review A major announcement is expected soon

One complication affecting possible further reductions in the level of protection is the fact that Sasol still owes money to the State (through the Central Energy Fund) for the purchase of its remaining half share in the Sasol 3 plant (183)

The agreement provides for variation in the interest rate applied to the loans from the State now being repaid according to the level of Sasol's revenue from synthetic fuels This would be affected by changes in the level of protection But this constraint can influence policy shifts only until the end of 1995 ■

Sasol extends fuel alcohol deal to R400m

BDay 11/7/94

MICK COLLINS

SASOL Oil has extended its fuel alcohol contract with Brazil, bringing the value of the export deal to about R400m over 18 months

The company said at the weekend it would supply an additional 120 000m³ of alcohol over and above the initial 300 000m³ contract which was concluded in February It hoped to develop exports to Brazil beyond the 18-month period

A spokesman said the contract's foreign exchange benefit for SA exceeded R150m

(183)

Fuel alcohol, a co-product of Sasol's synthol process, would supplement the sugar cane-based ethanol produced in Brazil

During the past three months more than 55 000m³ of fuel had been exported

The export of the alcohol would result in the complete withdrawal of fuel alcohol from petrol supplied by Sasol "This will, however, have no impact on the availability of petrol to the local market The fuel alcohol will be replaced by increased production of petrol from Secunda by way of higher productivity as well as an increase in crude oil refined by local refineries"

Taxi rank pumps 'will be powder keg'

BDay 12/7/94

THEO RAWANA

ALLOWING the erection of petrol pumps at taxi ranks — as demanded by the Organised Taxi Industry (OTI) — would be a "powder keg which could ignite widespread violence", Nafcoc public affairs director Gab Mokgoko says

OTI leaders met Mineral and Energy Affairs Minister Pik Botha last month to demand that 25 consumer pump concessions be granted to the industry to operate at taxi ranks countrywide, to lessen the effect of the recent petrol price increase.

OTI spokesman Joe Mabaso said after the meeting Botha was sympathetic to its position and had promised to respond soon

A Ministry spokesman said yesterday a task force "much like the National Economic Forum task force on liquid fuel" had been set up and had been looking into the issue

"It is expected to report to the Minister soon — the report might even be with him already.

"There is a lot of work being done on the question," he said

The idea also found favour with Cosatu, whose representative on the liquid fuel task force, Jayendra Naidoo, said his labour federation would support the proposal

Mokgoko said in a statement the idea of petrol pumps at taxi ranks was "a powder keg".

"Dissent about this proposal could ignite widespread violence and could severely destabilise the taxi industry," he said. (183)

He added "Neither petrol price deregulation nor taxi rank fuel pumps will address any of the major issues with which the taxi industry is grappling.

"Rather let all players get together to formulate a joint strategy.

"Perhaps the Transport Department should take the lead and get the taxi industry, the National Transport Policy Forum and the Department of Finance together in a forum to find mutually acceptable solutions."

Mokgoko said companies and individuals calling for the deregulation of the petrol price were doing so out of self-interest and without the support of black business or black labour

Deregulation would not empower black business, but would cause large-scale unemployment because of the closure of hundreds of petrol stations, Mokgoko said

Sentrachem to buy partner

BEATRIX PAYNE B/Day

SENTRACHEM was involved in talks to buy the remaining 50% stake in joint venture partner SA National Agricultural Chemicals (Sanachem) but an announcement was only expected next month, sources close to the petrochemicals company said yesterday. 13/7/94

Purchase of the controlling shareholding of Sanachem was on the cards after Sentrachem initially entered into the joint venture, a source said. (183)

Sentrachem CE John Job was overseas until the end of the month and "there is a good chance an announcement will be made then" Sanachem would become a wholly owned subsidiary of Sentrachem from September.

Generics boom benefits Lennon

BEATRIX PAYNE

SA DRUGGISTS subsidiary Lennon Generics recorded a 30% increase in sales over the past year on the back of a rise in the use of generic medicines, CE Dave Stubbins said at the weekend. B|Day

Generic medicine accounted for about 15% of sales in the private market and this was set to increase as government prioritised low-cost health care, he said.

It was estimated that by next year generics would account for 60% of medicines prescribed in the US 18|7|96

The UK government intended to see generic medicines eventually corner 50% of prescriptions, he said

A recent survey of an SA medical aid found that 21% of the scheme's R181m annual payout in medicine claims could have been substituted by cheaper generics and could have saved the scheme about R16m.

But the use of generic medicines had sparked controversy in SA and some doctors believed generic medicines were inferior to the on-patent product

Generic medicines contained the same active ingredients as the original medicine but could cost up to 60% less than on-patent drugs (183) (~~232~~)

The increase in the use of generic medicines in SA had been triggered by medical schemes introducing co-payment schemes and limits on medicine allowances

Under some co-payment schemes, if a member bought an on-patent drug where there was a generic equivalent, the scheme made the member pay the difference between the generic medicine and the branded drug, Stubbins said.

Business Report

Chemserve profits up by 20%

(183) CT 9/7/94

From ROBYN CHALMERS

JOHANNESBURG — Anglo American's speciality chemicals group Chemical Services (Chemserve) boosted attributable profit 20% to R13,1m (R10,8m) for the six months to June against a background of lacklustre trading conditions

The organisation went on an acquisition spree during the last financial year and carried out major restructuring to counter the effects of the recession

Earnings rose 20% to 203c from 169c a share and an interim dividend of 66c against 60c was declared Directors were confident that forecast earnings of 470c (402c) a share for the full year and a dividend of 170c (155c) would be achieved

A 39% hike in turnover to R340,1m (R245,2m) was achieved largely on the back of new businesses acquired during the second half of the previous year These accounted for 25% of the increase while the group's traditional operations recorded a rise of 14% in turnover and 8% in physical sales volume

Trading profit rose almost a third to R31m but the trading margin declined to 9,1% from 9,7% MD Lex van Vught said this was the result of a change in product mix to lower-margin distributed goods and the continued underperformance of two new acquisitions

"Holpro Fine Chemicals and Saarchem operate in the chemical distribution and trading business, where margins are traditionally low Both firms have been restructured which we believe will result in an improved performance by year end," he said

An effective tax rate of 41,5%, including the transition levy, left the tax charge at R11,3m against R9,4m previously Post-tax profit rose to R15,9m from R12,7m

Van Vught said the expected economic benefits of a successful transition had not yet filtered down Exports made up 6% of Chemserve's sales against 3% two years ago

Chemserve on track

Star 19/7/94

■ BY JOHN SPIRA

Chemical Services (Chemserve) is on track to achieve its earnings and dividend forecasts — 470c and 170c a share respectively — for the year to December

At the halfway mark, turnover was 39 percent higher at R340,1 million, pre-tax profit 23 percent higher at R27,2 million and earnings were 20 percent better at 203c a share The interim dividend has been increased from 60c to 66c

MD Lex van Vught says the improved sales reflect satisfactory demand for group products during a relatively flat trading period disrupted by political transition

The trading margin declined from 9,7 to 9,1 percent, partly as a result of a change in product mix towards lower-margin distributed goods and partly from the continued underperformance of two acquisitions

(183)

"A number of corrective measures were, however, implemented and these businesses have now been placed on a firmer footing"

The 45 percent gearing, which is expected to reduce during the second half of the year, is considered appropriate at the end of a strong expansionary phase

The shares have been remarkably firm, having risen from an October 1992 low of 2500c to the current 6700c.

Malbak could get 5% growth

YURI THUMBRAN

CONSUMER holding group Malbak could achieve a 5% growth rate for the financial year to August, analysts said yesterday.

Executive chairman Grant Thomas said the group had aimed at a growth rate of between 1% and 5% since its half-year results were announced earlier this year.

"We predicted a modest increase in earnings per share for the year ending Agust 31." B/Day 19/7/94

Thomas was optimistic Malbak could recover gradually as the company felt the positive effects of the economic upturn.

He said results for the second half of the financial year had been difficult to predict in view of uncertainty surrounding the election period.

"The election went much better than expected, while the new government has settled in without major problems."

One analyst said he expected a "mixed bag" from Malbak at group level. He predicted that its food arm, Foodcorp, its branded consumer products led by Ellerines and its health care outlet SA Druggists would make a sound contribution to Malbak's income base.

But packaging and paper company Holdains was not expected to add much to Malbak's earnings for the financial year.

Thomas said the economy showed signs of a return to real growth.

Another analyst said Malbak was on target for a growth rate of 5%. He said Malbak had been affected by constrained consumer spending which had caused pressure on sales volumes and operating margins.

"This has had a major effect on Malbak's operating performance," he said.

Malbak's ruling price yesterday was 1900c a share, which is 300c off its annual high, but 775c higher than its previous low recorded in October.

21-7.

Chemserve increases attributable profit 20%

B/Day 19/7/94

ROBYN CHALMERS

SPECIALITY chemicals group Chemical Services (Chemserve) boosted attributable profit 20% to R13,1m (R10,8m) for the six months to June against a background of lacklustre trading conditions.

The organisation went on an acquisition spree during the last financial year and carried out major restructuring to counter the effects of the prolonged recession.

Earnings rose 20% to 203c from 169c a share and an interim dividend of 66c against 60c was declared. Directors were confident that forecast earnings of 470c (402c) a share for the full year and a dividend of 170c (155c) would be achieved.

A 39% hike in turnover to R340,1m (R245,2m) was achieved largely on the back of new businesses acquired during the second half of the previous year. These accounted for 25% of the increase while the group's traditional operations recorded a rise of 14% in turnover and 8% in physical sales volume.

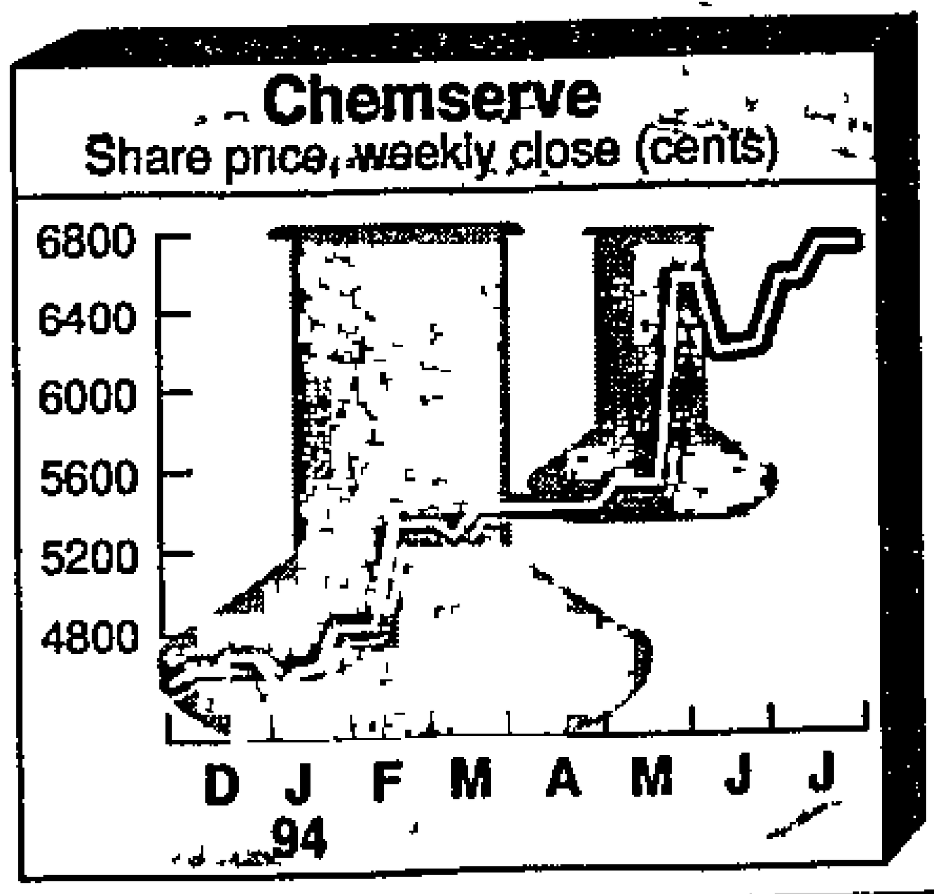
Trading profit rose almost a third to R31m but the trading margin declined to 9,1% from 9,7%. MD Lex van Vught said this was the result of a change in product mix to lower-margin distributed goods and the continued underperformance of two new acquisitions. (183)

"Holpro Fine Chemicals and Saarchem operate in the chemical distribution and trading business, where margins are traditionally low. We were aware of this when we bought the companies and both firms have been restructured which we believe will result in an improved performance by year end," he said.

An effective tax rate of 41,5%, including the transition levy, left the tax charge at R11,3m against R9,4m previously. Post-tax profit rose to R15,9m from R12,7m.

Van Vught said the trading environment during the half year was not particularly exciting, and the expected economic benefits of a successful transition had not yet filtered down.

"We had significant success in the export market and although exports will never be a big facet of the business, we are seeing increased demand from Africa and South America," Van Vught said. Exports made up 6% of Chemserve's sales against 3% two years ago



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Restructured AECI shows good health

Star 27/7/94

■ BUSINESS STAFF

Restructured AECI has reported attributable earnings of R107 million for the six months to June from the R75 million earned in the same period last year

Earnings an ordinary share before abnormal items were up 36 percent to 53c from 39c

The interim dividend has been increased 11 percent to 20c

Impact

183

AECI group's results for the six months reflect the impact of the separate transactions entered into with ICI and Sasol, which became effective on January 1

Direct comparison of these results with those of 1993 is therefore inappropriate, other than at the level of attributable earnings, AECI says

The transaction with ICI, which involved disposal of 51 percent of the group's explosives business and the acquisition of 50 percent of Afex Holdings (Pty), had the effect of reducing turnover and trading profit relative to 1993, while increasing investment income through the equity-accounting of Afex.

A surplus on disposal of R324 million was included in earnings as an abnormal item

Material

The merger reduced turnover relative to 1993, but the impact on trading profit, as expected, was not material in the current period, AECI says.

Capital expenditure for the period amounted to R200 million

The expected gradual improvement in the economy during the current half-year should lead to the rate of growth in earnings being maintained, says AECI

Restructuring and exports boost AECI

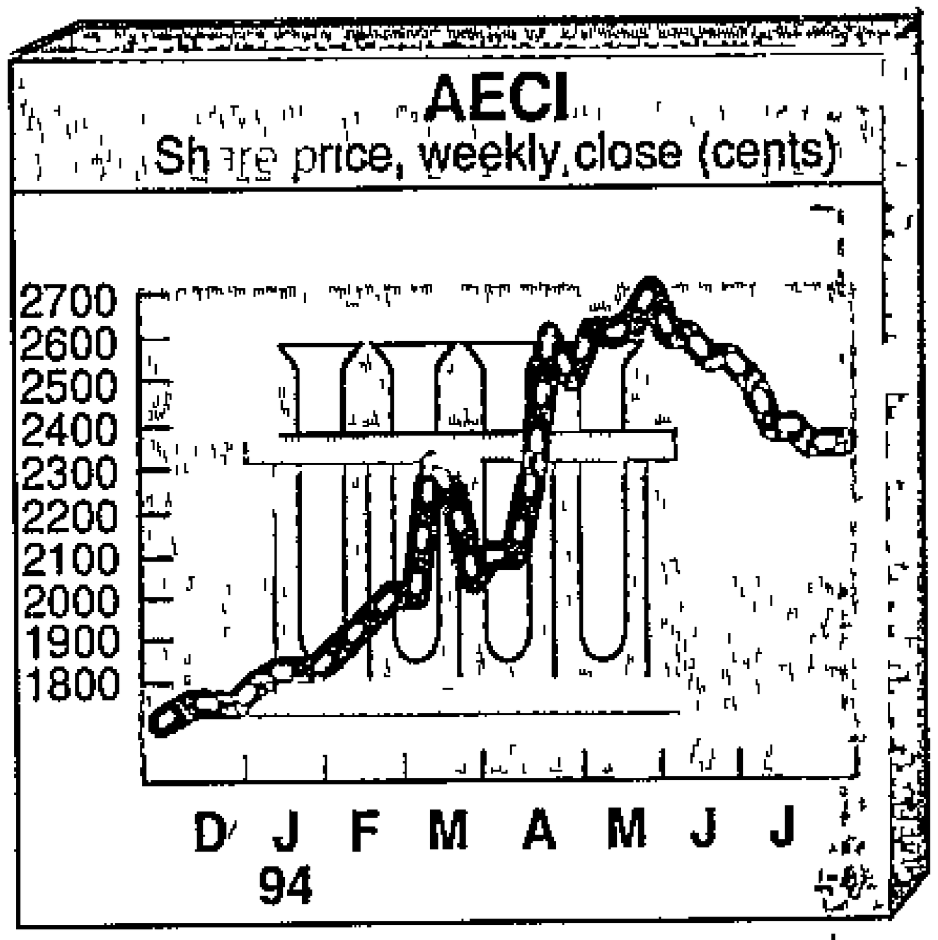
YURI THUMBRAN
and MUNGO SOGGOT

CHEMICAL company AECI, part of the Amic stable, lifted attributable earnings to R107m (R75m) on a drop in turnover to R2,5bn (R2,8bn) for the six months to June, after reaping the benefits of its recent restructuring BDay 27/7/94

Earnings a share rose to 69c (48c), while net trading profit slipped to R142m (R176m). (183)

The company said its subsidiaries had experienced satisfactory turnover growth and export sales had been up on the same period in the previous year. It expected to maintain the rate of earnings growth in the second half.

The restructuring involved selling 51% of its explosives business and buying 50% of Afex holdings, which had hit its trading profit. It had also merged its chlor-alkali, plastics and associated downstream operations with petrochemical group Sasol's ethylene, propylene and polypropolyene operations The merger had given birth to a new company, Polifin, in which AECI had a 40% stake.



AECI's tax bill dropped to R27m (R39m) following the cut in the company tax rate to 35%. The R4m transitional levy was

☐ To Page 2

BDay 27/7/94 ☐ From Page 1

AECI

reflected as an abnormal item.

A further R305m abnormal item was included to provide against present and future investment in Soda Ash Botswana (SAB). Therefore the group's equity accounted share of SAB's losses had not been recorded in investment income

No further cash injection was planned, but AECI had R155m available for the SAB project if needed. (183)

The capex bill was about R200m, which had been spent on a project at SA Nylon Spinners and continued development of the group's investment in the lysine project

Gearing was 46% (49%), while net asset value per share was 1 475c (1 323)

Group financial director Neale Axelson said AECI was capable of maintaining earnings growth because of favourable conditions in international markets and a gradual improvement of the SA economy during the second half of the year

The group's plans included a R360m joint venture with SmithKline Beecham to make penicillin in SA. The project would go ahead pending the results of a feasibility study Axelson said the interim report on the venture was expected in December or early next year.

He said the company's positive outlook would be maintained if its operations were not disrupted by industrial action

AECI's turnover included exports worth R347m (257m) Axelson predicted that there would be a slight increase during the second half of the year

Engen ups stake in major North Sea oil field

(183) ARG 27/2/94.

ENERGY group Engen said it was buying Gencor's 5,8 percent holding in the Alba oil field in the North Sea, raising its stake to eight percent.

Alba, which is estimated to have 350 million barrels of recoverable reserves, produced its first oil in January this year and over the years, Engen has managed both its and Gencor's interest in Alba.

The transaction involves Engen buying Gencor's interest in Baytrust Oil Explorations Limited and Union Oil Explorations Limited.

To fund the acquisition, Baytrust's and Union's interests in the Britannia gas condensate field will be sold.

This leg of the transaction is subject to the consent of the British Secretary of State for Trade and Industry.

Commenting on the transaction, Engen's chief executive Rob Angel said it had long been an objective of the company to acquire upstream production assets.

"We are aiming to establish Engen as a fully integrated energy group and obviously the acquisition of such asssets is crucial to that plan.

"We are dominant in the liquid fuels market in South Africa and the export of our products to other African and Indian Ocean countries is progressing well.

"In addition we continue to be active in oil exploration and development.

"However, because of South Africa's historical circumstances, and our stringent exchange control regulations, it is vital that we acquire reserves that will become income generating sooner than later.

"We are not easily able to participate in ventures that require large capital commitments in foreign currencies."

The Alba field, which is operated by Chevron, entered production in January this year and will shortly be approaching full production of 70 000 barrels of oil per day.

The Britannia field, which is primarily a gas field, is expected to begin production only in late 1998 and therefore, particularly in the light of the capital expenditure required for its development, would not benefit Engen in the short to medium term.

The funds raised by selling off this interest will help fund Engen's increased stake in Alba, Mr Angel said.

The acquisition of the additional interest in Alba will not materially affect Engen's earnings or net asset value. — Sapa.

Export sales boost AECI profits

(183) ARG 27/7/94

MARC HASENFUSS
Business Staff

AECI reported a 43 percent jump in net profit to R105 million for the half year to end June on the back of pleasing growth in subsidaries and significantly higher export sales

Directors noted, however, that domestic selling prices were under pressure from 'intense' local and foreign competitors.

Profit margins, they said, were at best maintained in most business sectors

Turnover came in significantly lower at R2,5 billion (previously R2,8 billion), while trading profit dropped 19 percent to R142 million for the period under review

Turnover and trading profit was afffected by transactions with ICI and Sasol which came into effect in January

Directors warned that the direct comparison of these results was therefore not appropriate, except at attributable profit level

■ Marginal gold producer Rand Leases has issued a cautionary announcement warning shareholders that negotiations are in progress

Speculation earlier in the month was that Rand Leases would secure a 'break-up' deal with doomed gold mine Durban Deep Roodepoort

The share edged up 2c yesterday to 63c Sentiment for the share has also been driven by expectations of a good showing in the June quarter

Engen buys North Sea stake

(183) CT 27/7/94

Business Staff

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Earnings soar by 42% for revamped AECI

183

Own Correspondents CT 27/7/94

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He said the company's positive outlook would be maintained·

Oil companies join hands

SOUTH Africa's six crude oil refining and marketing companies have formed their own association to promote their image after years of sanctions-related secrecy.

ARCT 28/7/94

The newly formed SA Petroleum Industry Association is chaired by Shell chief executive John Drake. The other member companies are British Petroleum, Caltex Oil, Engen, Total and Zenex.

"With oil sanctions lifted, the petroleum industry in a democratic South Africa — like its counterparts in other areas of the world — can now form an association to promote the common interests of its members, in the same way as other industries do already," Mr Drake said — Reuter

183

A new form of petrol outlet

Fuel price cut for taxis in pipeline

Star 29/7/94

BY MONTSHIWA MOROKE

Cheaper fuel for the taxi industry is in the pipeline following an agreement between the Minister of Mineral and Energy Affairs and the Organised Taxi Industry (OTI) this week

This breakthrough was announced at a press conference in Johannesburg by OTI co-ordinators who said they hoped the first fuel outlet would be operating from early September

The OTI includes the SA Long Distance Taxi Association, SA Black Taxi Association, National Federated Taxi Association, SA Metered Taxi Association, and other taxi bodies

It is expected that 25 permits will be issued by the end of next month following the initial pilot applications. The petrol pumps are to be installed in densely populated areas.

"After a year's talks agreement has been reached between all members of the liquid fuels task force of the National Economic Forum (NEF) that a new form of fuel outlet — a taxi installation — should be created

"The purpose of the taxi installation is to provide relief to the industry by accruing and distributing benefits to its members," said an OTI statement.

Members of the NEF's task force include organised business, all the major oil companies, the Government, organised labour and the Motor Industries Federation

OTI members believe this body will be seen as speaking with one voice and helping the industry to reduce violence.

(183)

Taxi industry set to erect petrol pumps

BDay 29/7/94

THEO RAWANA

THE taxi industry had been given the green light to erect petrol pumps at taxi ranks nationwide, the Organised Taxi Industry said yesterday.

The breakthrough was a sequel to a meeting with Mineral and Energy Affairs Minister Pik Botha earlier this year when an industry delegation demanded licences to erect petrol pumps at 25 major central taxi points, industry convenor Boetie Letsoalo said

The organisation, which represented 80% of SA's taxi associations, said it took the step to help taxi operators reduce overheads, offset fuel price increases, improve profitability and bring down the level of violence in the industry

The organisation said all members of the National Economic Forum's liquid fuel task force had agreed that a new form of fuel outlet, called a fuel installation, should be created to provide relief for the taxi industry by accruing and distributing benefits to its members (183)

Botha had promised he would "present this to Cabinet next week for rubber stamping".

A Ministry spokesman confirmed yesterday that a report on the issue had been drawn, finalised and sent to Botha, who had indicated last week he would raise the issue with Cabinet at the earliest opportunity

Letsoalo said 25 pumps would be erected in densely populated areas A committee would sit next week to work out the finer details

Letsoalo said the organisation catered for the interests of different taxi associations and the benefits would accrue to pump operators

Profits from fuel sales would be used to reduce taxi operators' insurance premiums and other overheads her uncle could help the public identify her, a police

very concerned about her, she said

imprisoned for her crime

for the

SA 'dump' for fake medicine

CT 29/7/94 (183)

Own Correspondent

JOHANNESBURG — South Africa is in danger of becoming a dumping ground for illegal counterfeit medicines, international specialist investigators say.

Mr Lee Dutton of Hamilton Whitton — an investigation agency specialising in counterfeiting cases — told a pharmaceutical conference here yesterday that a large Australian counterfeiting team had visited South Africa twice recently

Manpower

He urged the pharmaceutical industry to press for international standards of customs control to protect itself against the influx of counterfeit medicines

The customs department did not have the manpower to cope and there were at present 54 unmanned border control points into the country, he said

Better customs control urged

Counterfeit medicines were passing though South Africa to neighbouring countries, and the authorities were unable to check cargo arriving at its ports for transit to other African countries

Almost all pharmaceutical products followed by Hamilton Whitton on their way through the country had been found to be counterfeit

However, the major responsibility for theft and counterfeiting lay with the two-tier pricing system, which provided an incentive for operators to sell back bonus stock and for the grey market to flourish

Mr Dutton cited a case reported by the attorney-general's office of a wholesaler who had bought R2,5 million worth of bonus stock in six weeks

Airports

Legislation that banned retailers and wholesalers from selling bonus stock was needed urgently

Four companies reported stock thefts at airports This problem was being dealt with by airport authorities and police

Mr Dutton also urged the pharmaceutical industry to be more vigilant, as thefts were seldom carried out in "big hits" and storeroom shrinkage was more often the cause of the problem

... top of me," said Alex-

AECI

FM 29/7/94

Structural change helping profits

183

In a first half characterised by dismal trading conditions, chemical giant AECI managed to show strong bottom-line growth, influenced mainly by the significant structural changes within the group which came into effect at the beginning of the year

And after holding its dividend for the past three years, the 11% increase in the interim dividend can be taken as a sign of improving confidence from management

Since January 1, the deal whereby AECI sold 51% of its explosives business to former UK parent ICI and acquired 50% of Afex (and effectively 25% of itself) came into effect So did the joint venture transaction with Sasol, which combines AECI's plastics operations with Sasol's petrochemical feedstocks in a separate new company, Polifin

The new line-up distorts comparisons with the previous half, particularly the 11% drop in turnover and 19% decline in operating profit caused by the removal of businesses

BOTTOM-LINE GROWTH

Six months to	Jun 30 '93	Dec 31 '93	Jun 30 '94
Turnover (Rbn)	2,78	3,19	2,48
Operating income (Rm)	176	291	142
Attributable (Rm)	75	162	107
Earnings (c)	48	105	69
Dividends (c)	18	40	20

Still, margins were under pressure, declining from 6,3% to 5,7% Financial director Neale Axelson says a broad view of the group saw some improvement in volumes moving through subsidiaries relative to 1993 "It was, however, a difficult six months Political uncertainties before the elections and disruptions caused by the number of public holidays affected trading "

The relatively smooth political transition has not yet translated into increased demand from the wide range of industries served by AECI, though Axelson says there have been signs in the past month of a slight pickup

Lower finance charges (mainly from lower interest rates, AECI's borrowings have increased slightly to R1,09bn) and the decrease in the corporate tax rate helped results, but the bottom-line boost also came from structural changes, and some interesting accounting Investment income jumped from a loss of R7m in the previous period to a positive R32m There are two main reasons for this firstly, apart from about R7m received from foreign subsidiaries, the bulk of the R32m comes from equity accounting the 50% interest in Afex

It's confusing, because this is really AECI retaining a portion of its earnings in investment income Axelson says an alternative would have been a capital reduction of 25% of shares in issue "In terms of EPS we get the same answer "

Afex is equity accounted because AECI does not regard it as a permanent holding The aim, spelt out at the time of the asset swap with ICI, is to find a substantial overseas partner with compatible technology to take up the holding Axelson says options are being considered, though a new shareholder is not imminent

The second factor behind the sharp increase in investment income is the removal of losses from Soda Ash Botswana, now accounted for in a R305m provision included in the R25m abnormal item This operation has been the dampener on AECI's results for some time, resulting in the provision which Axelson says was a way of "taking a big hit upfront " R136m of the provision had been used by the December year-end, a further R16m was used in the first half, leaving R153m, reflected on the balance sheet

Substantial loans

"The remainder of the provision should not be read as a judgment on Soda Ash Botswana Its operating performance is improving and local demand is increasing There are early indications of a firming of international prices But the operation has substantial loans which will start to fall due The provision reflects our best judgment, at the time, against the future performance of Soda Ash Botswana," Axelson says

The happy part of the abnormal item is that the provision is negated, with a surplus of R19m, by the R324m paper profit AECI received on the disposal of the explosives business Unfortunately, about half the R305m provision represents real cash which has flowed out

Capital spending increased to R201m, aimed at growth businesses like SA Nylon Spinners and the lysine project Concentration on international competitiveness shows in exports of R347m, 14% of turnover compared to 9% in the previous period

AECI expects to maintain growth in earnings over the second half, provided the weather remains favourable and industrial action does not cause disruptions That's probably a conservative forecast — as the table shows, AECI traditionally has a strong second half Any improvement in demand and volumes will be a further boost

The market has recognised AECI's improved focus and new structure, shown in a share price which has more than doubled over the year to R23,50 The rerating makes the share one of the more expensive in the sector, but over the longer term — for example, the plastics joint venture will only really kick in during financial 1996 — there should still be considerable value *Shaun Harris*

LITIGATION

Revealing all

Short-term insurer Aegis is suing the broking firm of Ed Hern Rudolph for R1,9m in an unprecedented action that could bring into the open the tortuous and revealing preceedings at several secret inquiries

This is the amount it says it was obliged to pay Momentum Life, formerly Lifegro, for infidelities committed by then assistant general manager Christo Auret acting in collusion with Ed Hern Rudolph partners and employees and a third party

Ed Hern responded to questions from the *FM* with a terse "no comment", senior partner Johann Blersch declined to take calls

Momentum's Dippenaar *compensation was sought*

However, it is understood the JSE firm intends defending the action vigorously If so, this will be the first opportunity for a public airing of all the happenings — until now, hearings have either been protected by the JSE's secrecy rules or by pleadings of admission of guilt, thus obviating the need for court appearances

Aegis claims that between 1987 and 1991, Auret joined an informal arrangement with "Stompie" Coetzee, a partner in Ed Hern Rudolph, Kenny Fouche, an employee of the same firm, and a Jersey-based company A

FURNACE FUEL: Scrap tyres in a donga

Scrap tyres used as fuel by PPC

Star 30/7/94

ANITA ALLEN SCIENCE WRITER

SCRAP tyres will replace coal as a fuel in the cement kiln at PPC's Hercules factory in Pretoria, according to a proposal being considered by the company.

The process has been studied overseas, where it is already in operation at more than 80 plants around the world. During trials at the Hercules plant, 10 000 scrap tyres have been successfully burnt

Burning tyres as a fuel results in a three-way saving: it conserves resources of fossil fuels, in this case, coal, it solves a major waste problem, and it recycles energy from a waste product.

(183)

"We are confident the process is environmentally acceptable," says Jeremy Gaylard, PPC's technical consultant "We believe Hercules' location is ideal as the greater PWV region generates the largest volume of scrap tyres in South Africa, about 2,5 million a year."

Up to 85 percent of used tyres are unsuitable for retreading and are scrapped. This amounts to some 6 million tyres countrywide.

A very small percentage is used as raw material for the manufacture of rubber-based products, such as heavy-duty mats.

The rest creates a huge disposal problem Tyres are not biodegradable, and the small percentage which is dumped in landfills hinders compacting

Hazard

Most of the scrap tyres find their way to informal dumps, the veld or rivers Here they remain a health hazard, especially if they catch fire. They burn at a relatively low temperature and pour black smoke containing sulphur and carbon from incomplete combustion into the air. Burning tyres also discharge zinc, iron, tars and phenols, posing a threat to surface and ground water

"Cement kilns provide an environmentally acceptable disposal route which allows for complete combustion to take place," says Gaylard. "Tyres are made up of rubber and steel cord In the cement kiln, the composite rubber is completely burnt to carbon dioxide and the steel is oxidised, leaving no residue"

Cosatu eyes Sasol's profits

ST Times (Buss) 3/7/94

By KEVIN DAVIE

ROD CROMPTON

THE nationalisation of part of South Africa's chemical sector has been proposed as an option to supply feedstocks at world prices so that employment growth in manufacturing can be developed.

The proposal was made by unionist Rod Crompton in a 300-page study of South Africa's chemical sector for Cosatu's Industrial Strategy Project

Key policymakers, including Deputy Finance Minister Alec Erwin and Zavareh Rustomjee, adviser to Trade and Industry Minister Trevor Manuel, are understood to support the soon-to-be-published ISP document.

"This option would involve the nationalisation of Sasol's Secunda operations and a part of its Sasolburg operations, together with AECI's Coalplex and Midlands as well as Safripol, the joint venture between Sentrachem and Hoechst.

"The advantage of nationalisation is that it obviates the need to meet blue-chip-shareholder expectations and allows resources to be redirected downstream"

Nationalisation is one option. A preferred option is to reform tariffs to reduce prices.

The ISP favours shifting emphasis from the capital-intensive upstream to the higher value-added and labour-intensive downstream.

Mr Crompton criticises the high level of Sasol's subsidies and inflated plastic feedstock prices which have negative implications for competitiveness, employment and exports.

South Africa has a negative chemicals trade balance and lags behind world trends in exports

Feedstock prices in South Africa have been 20% to 60% higher than those in the US and Europe over the past five to 10 years

Sasol is "siphoning wealth away from motorists and taxpayers and into the pockets of Sasol and its shareholders", says Mr Crompton. (183)

Separated from its "ensconced regime", Sasol "may not be viable, whether nationalised or not".

Mr Crompton says Sasol overcharged for ethylene by R173-million during 1991 compared to world prices.

Even without the R173-million, Sasol would still have been the most profitable (as a percentage of sales) chemical corporation in the Fortune 500

Sasol's coal-based technology produces ethylene at 55% of world prices

Reducing Sasol's supports will lead to lower petrol prices and profits, which it has been using to finance a wave of investments.

Reduced profits are likely to cause Sasol to turn to usual market means to raise capital (debt or equity) and restrain its "investment splurges".

"Sasol shareholders require clarity about the extent to which their investments are at risk."

Mr Crompton, who represents labour on the National Economic Forum's liquid fuels task force, says he favours a mix of deregulation and re-regulation for the fuel sector

Deregulation will lead to oligopolistic power where companies will set their own prices Government should "govern the market", as in the high-growth East Asian economies

Tariff reform will bring down prices but "where other mechanisms can be found to achieve lower prices behind tariff barriers, these would be preferred"

Disincentives may be used where potential exporters refuse to co-operate "The Korean expedient of terminating an offender's electricity supply seems unlikely to be within the powers granted to a future Department of Trade and Industry

"Publicising offenders is a less harsh but sometimes telling form of censure."

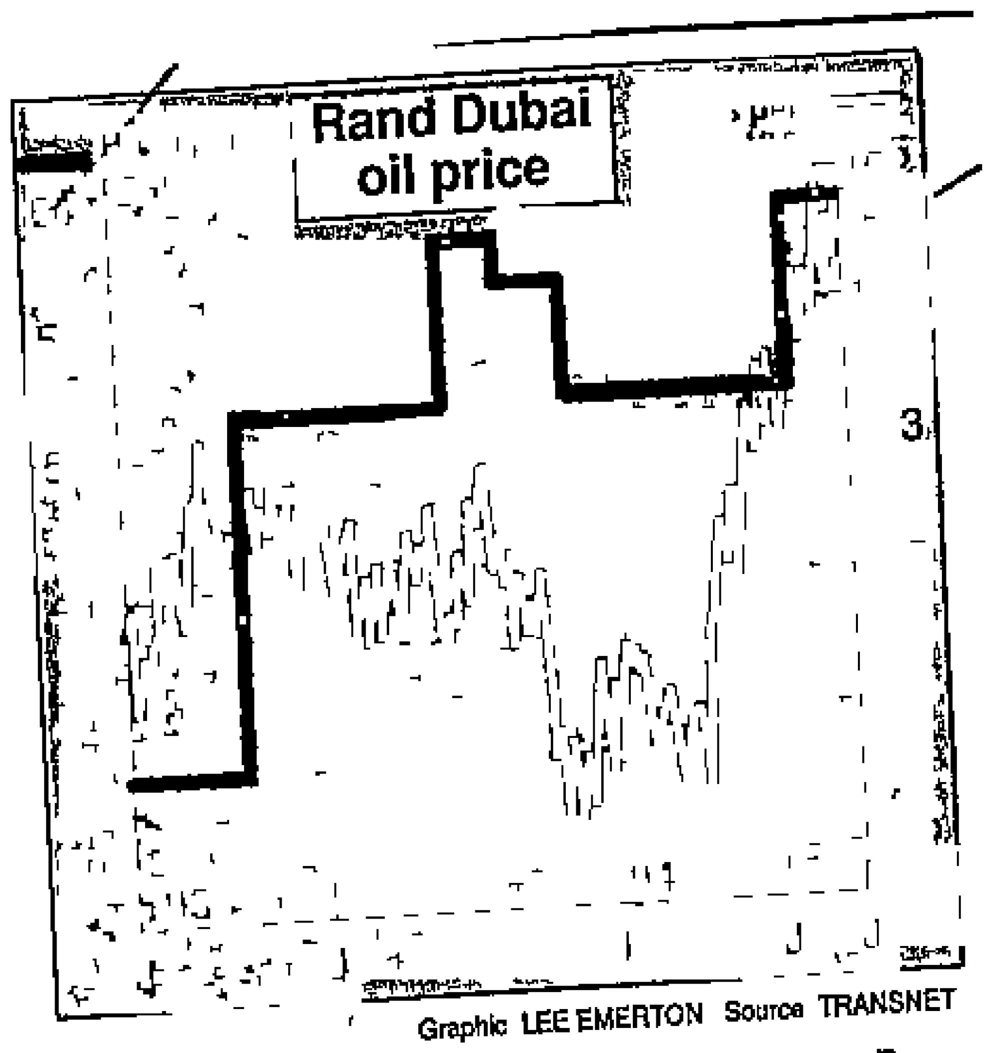
The state played a leading role in creating Sasol and should now redirect the industry away from its unsatisfactory situation.

The needs of the plastics industry could be regarded in the same light as agriculture, which got R5-billion during the 1992/3 drought

A negotiating forum could distribute expenditure equally between deserving employers and unions, avoiding "rent seeking and unnecessary industrial action"

Sasol borrowed a copy of the ISP report this week, but not in time to comment in detail It says it is particularly concerned about statements regarding re-regulation of the industry

The report "has some controversial interpretations and conclusions, many of which we strongly disagree with"



Graphic LEE EMERTON Source TRANSNET

Warning of petrol price jump to R2/l

BDay 1/8/94

MICK COLLINS

PETROL prices are expected to hit R2/l by the year end on the back of an ailing rand and stronger crude oil prices, analysts have warned

The situation was being "seriously exacerbated" by the weak rand which breached the R3,7000 resistance level on Friday before easing back to close at R3,6733 after Reserve Bank intervention, they said

Transnet economist Mike Schussler said labour problems continued to knock the local currency, and he expected the rand to go to R3,80 against the dollar over the next few months while by year-end it would reach R3,85

(183)

The increase in petrol prices in the

☐ To Page 2

BIDay 1/8/94

☐ From Page 1

Petrol

medium term would add about 0,4% to inflation while the effect over a year would be 1% "Our current price of R1,83c/l for 93 octane on the Reef will soon be a thing of the past," he said.

The Dubai benchmark, from which SA takes its lead, was being quoted at $16,80 on Friday, against last month's $15,70 "In rand terms this means the oil price has increased by 8% in a month"

It is understood that the National Economic Forum will discuss the issue when it meets next week

(183)

"At the moment there is still a 2c/l over-recovery on the slate but we expect the weakening rand will quickly put paid to that," Schussler said

Oil market analysts said crude oil and petroleum-product prices continued to rise on fears that world output would fail to keep pace with booming demand These were being compounded by a 10% slump in North Sea oil production due to maintenance being carried out on the oil platforms

Other factors threatening available supplies included a strike by Nigerian oil workers and a bottleneck in US pipelines that pump oil through to the Midwest

Supply factors had also been compounded by the increase in demand worldwide "In the Far East and particularly in the US, where the economy is coming into a mature phase of recovery, there is strong demand We are also seeing strong demand in Europe and Japan," one analyst said

The potential for political trouble in Saudi Arabia and Kuwait was also keeping prices up

Analysts said the primary factor behind oil's rally was the worldwide surge in demand, which made the market jumpy about possible glitches in supply At a time when Opec has frozen production, the Paris-based International Energy Agency last week raised its forecast for fourth-quarter world daily oil demand by 300 000 barrels, to 69,6-million barrels a day

Petrol 'R2/ℓ by year end'

CT 1/8/94 (183)

Own Correspondent

JOHANNESBURG — Petrol prices are expected to hit R2/ℓ by the end of the year on the back of an ailing rand and stronger crude oil prices, analysts warn

The situation was being "seriously exacerbated" by the weak rand, which breached the R3,7/dollar resistance level on Friday before easing back to close at R3,6733 after Reserve Bank intervention, they said

Transnet economist Mr Mike Schussler said labour problems continued to knock the local currency and he expected the rand to go to R3,80 against the dollar over the next few months and reach R3,85 by the end of the year.

The increase in petrol prices in the medium term would add

Rise may add 1% to inflation

about 0,4% to inflation and the effect over a year would be 1%

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Oil market analysts said crude oil and petroleum-product prices continued to rise on fears that world output would fail to keep pace with booming demand

There was also the potential for political trouble in Saudi Arabia and Kuwait, which was helping keep prices up

At a time when Opec has frozen production, the Paris-based International Energy Agency last week raised its forecast for fourth-quarter world daily oil demand by 300 000 barrels to 69,6 million barrels

SAD in key deal to boost exports

183

CT 1/8/94

Own Correspondent

JOHANNESBURG — SA Druggists (SAD) has merged its UK subsidiary Meprapharm with assets owned by several European companies as the main thrust of its bid to lift exports from less than 10% to about 30% of total group sales

CE Peter Beningfield said Meprapharm had a turnover of about £4m, though its earnings contribution was negligible But the UK's generic sector accounted for the bulk of its £3,6bn a year pharmaceuticals market, and was growing strongly

The new UK company — Trinity Pharmaceutical — would concentrate on selling generic medicines, produced by SAD's Port Elizabeth-based Lennon subsidiary, in Europe

The deal also gives Malbak-owned SA Druggists access to products owned by its unnamed partners in Europe and southern Africa, and the right to increase its stake in Trinity from 51% to 75% within five years

Trinity would be headed by former chairman of the British Generics Manufacturers' Association Steven Stocks, Beningfield said

Mediation in chemical workers' strike

(183) APLG 2/8/94

Staff Reporter

STRIKING Chemical Workers Industrial Union members employed at Capegas in Woodstock go into mediation with management today after the fatal shooting of a striking employee by a company security guard.

Union members have been on strike since July 22 over a wage dispute.

The strike erupted into violence yesterday when a three-truck convoy of company vehicles was attacked under the Church Street extension bridge in Woodstock.

A security guard armed with a shotgun fired a shot into the crowd, resulting in the death of company employee Aubrey Killarney, 49, of Guguletu.

A Capegas spokesman said calm had returned today ahead of mediation between management and union members, which was arranged by Independent Mediation Services of South Africa.

The spokesman said the company sincerely regretted Mr Killarney's death.

Parallel imports of medicines under fire

BIDay 2/8/94

BEATRIX PAYNE

LOCAL pharmaceutical multinationals could be hit by new proposals from the Medicines Control Council (MCC) unless the regulatory playing field was levelled, Boehringer Ingelheim director Kevin McKenna said yesterday

McKenna said the MCC's proposed regulations for parallel importers made it easier to register a parallel import drug than a local product

He described the regulations as "unjustifiably simplified" and said the system could increase the use of counterfeit medicines

The ANC's recently published national health plan stated that parallel importation by government would be an option "to be used only if necessary" to drive down local suppliers' prices

Parallel importing was common in EU countries with high retail prices for medicines

Under the proposed regulations, if a manufacturer produced a drug in both Portugal and SA and the Portugese product was cheaper, a parallel importer would be allowed to import that product for sale in SA at a discount, McKenna said

But in many cases the discount would not be passed onto the consumer and would end up in the pocket of the importer

He said Taiwan had banned parallel imports of medicines last year when it was found that their use had not led to lower prices and there had been an "explosion" of counterfeit medicines. (183)

"According to the proposed regulations the MCC would register the medicine simply on the basis that it is made by a particular multinational", bypassing the stringent regulations required for the registration of a locally produced drug, he said

Striker killed: Appeal to union

CT 2/8/94. (183)

Crime Reporter

A WOODSTOCK gas company is to appeal to senior Congress of South African Trade Union (Cosatu) officials to help put a stop to the violent nature of its workers' industrial action after a striking worker was shot dead

Mr Aubrey Killarney, 49, died yesterday after being shot in the leg when security guards accompanying casual labour into the Cape Gas premises, in Railway Street, opened fire at stone-throwing strikers around 8am, police said

A company spokesman said the strikers, armed with sticks and stones, ambushed a convoy of company vehicles by throwing a log across the left lane of the road to the gas works and a security guard fired a warning shot into the air

"The strikers continued to attack a vehicle in the convoy, which had been forced to stop, so the guard fired one shot at the crowd The crowd dispersed after the incident

"The company sincerely regrets the loss of life and hopes to involve senior Cosatu officials in combating the violent nature of the union's industrial action "

Strike action at the plant turned nasty last Tuesday when strikers forced their way into the factory and attacked permanent and temporary employees with sticks, iron bars, sjamboks and knifes

Sentrachem buys out Farm-Ag

(183) ARG 3/8/94

Business Editor

PETROCHEMICALS group Sentrachem has bought 100 percent of Far-Ag for R238 million, giving it total control of agricultural chemicals group, Sanachem.

Farm-Ag is to be delisted, while Rale, the pyramid company above Farm-Ag, will be voluntarily liquidated

Farm-Ag minority shareholders are to be offered R16,45 for every share and will possibly be offered the option to take Sentrachem shares on a ratio still to be decided Farm-Ag stood at R16,25 a share at close of trade yesterday

The net assets of Rale (estimated at R15,49 a share) and one share in Farm-Ag's subsidiary Strand for every Rale share, will be distributed to share holders.

Sentrachem managing director John Job said· "Sanachem will become one of the top profit producers in the Sentrachem group

"It's better to have 100 percent of a blue chip than 50 percent so naturally we are delighted with our purchase."

Sanachem, a joint venture between Sentrachem and Farm-Ag, is a world player in pesticides and has seen pre-tax profits leap from R5 million in 1990 to R58 million last year

The founder and managing director of Farm-Ag, and the chief executive of Sanachem will "stay on indefintely, subject to two years notice on both sides

■ Protea Furnishers has acquired full ownership of its subsidiary, Supreme Furnishers, by buying out the 10 percent stake held by director B J Behrens through the issue of 12,5 million Profurn shares The shares will be listed tomorrow and Profurn's controlling shareholder is to buy them at 20c a share Profurn traded yesterday at 28c.

■ Corporate Management Services is listing 1 842 798 shares on the JSE today following the capitalisation shares award to shareholders.

Only holders of 147 035 shares (7,39 percent) chose to receive a cash dividend instead of shares

Farm-Ag purchase nets Sentrachem a twin prize

B Day 3/8/94

BEATRIX PAYNE

PETROCHEMICALS group Sentrachem would buy industrial chemicals company Farm-Ag — so netting the remaining 50% stake of joint venture partner Sanachem — in a deal worth R238m, Sentrachem MD John Job said yesterday

The deal would be effective from September and would be financed through a share placement However, further financial details would only be finalised next week, he said

The group intended to invest R50m-R60m in Sanachem over the next year as "it needs investment and its scope for growth is strong"

He said earnings would be boosted through the acquisition, but was not prepared to forecast further until the financial details of the deal had been tied up

The deal had been on the cards for some time, he said The deadline for the acquisition was March 1995 and Job said he was pleased the deal had come off earlier, and would coincide with the group's year-end.

Sanachem was involved in pesticides and had seen pre-tax profits leap from R5m in 1990 to R58m last year

By launching generic pesticides and herbicides internationally, Sanachem had grown despite the severe drought in SA, and had supplied agricultural chemicals markets worldwide

Farm-Ag would be delisted and shareholders would be offered R16,45 per Farm-Ag share and might have the option to take Sentrachem shares

183

Sanachem CE and Farm-Ag MD Robert Maingard had been contracted to stay on in the group, Job said

Job said Sanachem would "become one of the top profit producers in the Sentrachem group and it is better to have 100% of a blue chip than 50% "

The transaction was in line with Sentrachem's plans to move from producing commodity chemicals into higher value-added finished products.

Before the acquisition Rale, the pyramid company above Farm-Ag, would be liquidated Net assets of roughly R15,49 a share plus one share in Farm-Ag's Strand subsidiary for every Rale share would be distributed to shareholders

Mossgas beats production and income targets

EDWARD WEST

CAPE TOWN — Mossgas outstripped targets for production, cost and income to produce foreign exchange savings of about R50m for its first financial year to March, the state-owned synthetic fuel producer said yesterday B/Day

The project, into which government has pumped an estimated R9,8bn, said its offshore and onshore facilities had performed well, and this had continued into the current financial year. 4/8/93

Mossgas produced 1,34-billion litres of fuel, 7,7% more than forecast, while operating costs were 18,4% below expectations at R628m This left the parastatal with an operating surplus of R58,2m, 8,2% above budget, at the regulated base price at which SA imports crude oil. This was despite a statutory maintenance shutdown of more than a month last October

A spokesman said Mossgas was gaining from higher crude oil prices The increase in Dubai crude from an average of $12,40 a barrel in March to more than $16 a barrel had enabled Mossgas to forgo 2c/l when local fuel prices were adjusted recently

In his 1992/93 report, the auditor-general said it had been impossible to give Mossgas an unqualified audit because of uncertainties stemming from the oil price, the exchange rate and the project's reserves Mossgas was commercially viable, but uncertainty surrounded its R8,9bn valuation

The Mossgas spokesman said it was investigating development projects, ranging from petrochemical production to expanding its refinery section to process crude oil

Preliminary figures indicated that some of these, such as crude oil refining, could be commercially attractive, but investigations were at too early a stage to go into detail However, restrictions on its licence were preventing Mossgas pursuing all its beneficiation possibilities, such as chemicals production 1830 (56)

Mossgas makes good with bumper operating surplus

(183) CT 4/8/94

Business Staff

PARASTATAL Mossgas notched an operating surplus of R58,2m — a buoyant 8,2% above budget — for its first financial year to March

The synthetic fuel producer offered figures that may go some way towards softening criticism of the project

Targets were exceeded in production, working costs and income, resulting in foreign exchange savings of the order of R50m

A spokesman said onshore and offshore facilities continued to perform well Operating costs were a healthy 18,4% below the budgeted R628m on 1,34bn litres of fuel produced.

Oil prices

Higher world crude oil prices have enabled Mossgas to forgo 2c/ℓ following a recent fuel price adjustment in SA

The spokesman said several development projects were currently on the drawing board, and included enlarging the refinery for the processing of crude oil, and petrochemical production

Initial research into the refining of crude oil in particular suggested its appeal as a commercial project, he said

Angry taxi operators threaten huge strike

B/Day 5/8/94

THEO RAWANA

TAXI operators were threatening the biggest strike SA had seen because oil companies were trying to sabotage plans for petrol pumps at taxi ranks, an Organised Taxi Industry (OTI) source said yesterday

The source, who wished to remain anonymous, said petrol companies were known to be trying to persuade Mineral and Energy Affairs Minister Pik Botha not to go ahead with the pumps plan

The OTI seemed to have made a breakthrough last week when it announced that the liquid fuel task force of the National Economic Forum had agreed that a new form of fuel outlet — called a fuel installation — should be created.

The organisation had met Botha earlier this year and demanded licences to erect petrol pumps at 25 major central taxi points, to provide relief for the taxi industry by accruing and distributing benefits to its members The organisation said Botha had given the green light for the erection of 25 pumps at taxi ranks across the country (183)

Ministry spokesman Roland Darryl confirmed then that a report on the issue had been finalised and sent to Botha, and the Minister had earlier indicated he would raise the matter with the Cabinet.

Darryl said yesterday pressure of other business in the Cabinet had "squeezed" the petrol pump matter out of the agenda, and the issue would be discussed next Wednesday.

He said the Minister refused to comment on the allegation that oil companies were putting pressure on him not to go ahead with the plan "He said you are welcome to speculate on your own to that effect," Darryl added.

The OTI source said. "The taxi industry is totally unhappy with this situation and could go on the biggest strike SA has seen if its efforts are frustrated."

A forum source, who also spoke on condition of anonymity, said the problem was "not insurmountable", although oil companies had raised serious concerns over the issue

"The business component of the task force had raised serious concerns over the pumps, indicating they were unhappy that their interests would be put out by the decision," he said.

COMPANIES

Soda Ash Botswana recovers

MUNGO SOGGOT

CHEMICAL group AECI's loss-making Soda Ash Botswana operation was recovering after a pick-up in demand for glass products and a weakening rand, which was squeezing out international competition, AECI executive director Johnny van Leeuwen said yesterday

Van Leeuwen said the rand-dollar exhange rate meant that US cartel Ansac, previously selling at very low prices on the SA market, was confined to the upper end of the market, leaving the bulk of the market to Soda Ash Botswana

AECI took a R305m provision to cover the project in its results for the six months to June The project has persistently dented the company's earnings BIDay

But Van Leeuwen said the project had improved output, quality and delivery.

It seemed as if the SA market had turned the corner after a steady decline, "but it is early days yet", he said 5/8/94

The SA market was 340 000 tons in 1990, before sinking to 230 000 tons, but was now expected to pick up and could reach 240 000 tons this year. "Soda Ash Botswana is nowhere near what we want it to be, but signs are more encouraging" (183)

300 unionists held

(183)

JOHHANNESBURG. — More than 300 Chemical Workers' Industrial Union members were arrested while on a legal strike in White River, the union claimed

ARG 6/8/94

A CWIU statement said workers employed by Sakpro Plastics were arrested yesterday morning

10% hike in electricity tariffs over the next five years.

Picture ROBERT BOTHA

Mines dispute on new path

B/Day

ERICA JANKOWITZ

THE NUM and Chamber of Mines have agreed to appoint independent political and economic analyst Eugene Nyati as the chairman of a conciliation board hearing which is scheduled to start today 8/8/94

Commentators said they believed this was the first time a chairman without a legal background had been appointed to head a statutory dispute resolution mechanism of this kind

Nyati, who is director of the Centre for African Studies, is expected to bring a new perspective to the collective bargaining process and actively participate in the hearing

His grounding in economic and social processes was welcomed by both parties in the belief this would contribute to the conciliation process

The parties reached deadlock with the chamber offering an average 8% wage increase and the NUM demanding 12% The NUM lodged a second dispute with the chamber on the issue of adult basic education and the development of skills

The conciliation board is scheduled to sit for two days in the hope that the parties will end the dispute and reach a settlement.

Meanwhile, Seifsa and its 12 recognised trade unions begin a wage mediation process today after the parties failed to reach a settlement Seifsa has offered an 8% wage increase but the unions are demanding between 9% and 12%

An exemption proposal proposed by some employers was also in dispute

Black fuel retailers reject petrol pumps at taxi ranks

B/Day 8/8/94

THEO RAWANA

THE erection of petrol pumps at taxi ranks was not a good plan because it meant taking a slice of business from black petrol retailers, the National Black Fuel Retail Association (Nabfra) said at the weekend.

The Organised Taxi Industry (OTI) is on the verge of getting government approval to erect 25 petrol pumps at major taxi ranks nationwide following talks with Mineral and Energy Minister Pik Botha.

The scheme, which will provide relief to the taxi industry through distribution of benefits to members, received the approval of the Minister, who is in turn due to present it to Cabinet on Wednesday.

Nabfra chairman Moses Moloele said last Friday that while his organisation sympathised with the taxi industry, the deal did not address affirmative action because it amounted to taking from blacks to give to blacks

Moloele said whatever arrangement was worked out in addressing the question of fuel-dispensing to taxis should be worked out with his organisation, which had more than 450 members in the Transvaal alone (183)

"Our organisation has many service stations in the townships

"We benefit a lot from the taxi industry and we see the two sectors as members of the same family which should not be separated by any other force.

"We have been trying to get in touch with the OTI, with a view to finding a solution that will benefit both sides, but they have been at meetings all week, Moloele said

"We feel that any deal that comes out should have our input. We all come from a disadvantaged community"

Land offer draws SA farmers

LOUISE COOK

THE promise of free land in Mozambique had attracted large-scale inquiries from SA farmers, sources said at the weekend

Farmers were also being enticed by promises of various attractive guarantees and financial incentives from Mozambique.

Deputy director of Mozambique's Investment Promotion Centre Mussa Usmen said at least 25 inquiries from SA reached his office every month

The move had the backing of the Mozambican government, which was encouraging the resettlements in a bid to help the economy recover after years of civil war

Jose Albert, senior manager of Mozambique's Trade and Travel, a company assisting in visa applications, said rice, cotton, maize and cattle were the main sectors attracting interest Most of the inquiries were from Eastern Transvaal farmers B/Day

He added that interest was also being shown in potato and maize farming in the area on the Mozambique side of the Sabie region. Interest was also being shown in fruit farming, despite the fact that farms were smaller than similar units in SA.

Mozambique was looking for investment and skills from all over the world and South Africans could be joining many others settling there, Albert said.

"Once an agricultural project proposal is approved, Mozambique allocates free land for a two-year period, during which sufficient progress must be made with the farming project," he said. 8/8/94

Meanwhile, sources from the Northern Transvaal Agricultural Union confirmed that efforts were being made to help resettle struggling farmers in Africa, but these farmers were more likely to move to Zambia and Zimbabwe

Northern Transvaal Agricultural Union chairman Gert Ehlers said local farmers' interest in moving elsewhere was linked to bleak economic prospects locally

CAPE

Stayaway threat by chemical workers

(183)

AR(G 9/8/94

'Prosecute guard and close security firm or . . .'

Labour Reporter

THE Chemical Workers Industrial Union is to call a one-day stayaway of all Western Cape members in response to the shooting by a Sea Point security guard of a striking Capegas worker — unless the guard is prosecuted and the security company closed.

Greaser Aubrey Kilana, who had 21 years experience at Capegas, was shot dead last Monday He was allegedly part of a group of strikers who attacked a three-lorry Capegas convoy in Beach Road, Woodstock

Meanwhile mediation between Capegas and the union resumes tomorrow Union organiser Colin Rani said today workers were satisfied with the company's latest offer of a 45 cents an hour across the board wage increase

Mediation would focus on the company's desire to build a disciplinary clause into its offer, and the union rejection of this position

Mr Rani said the stayaway had been decided upon at a branch executive meeting on Saturday Next week's meeting of the Chemical Workers Shopstewards Council would decide on a date for the action

The union was also demanding the dismissal of Capegas chief executive Keith Lloyd and financial director Bernard Straughan, Mr Rani said

Asked to comment on the latest developments, Mr Straughan said the company hoped to settle its dispute with the union at the earliest opportunity

"We are trying to get mediation going again and were under the impression some progress was made at the last round of mediation last Thursday," he said

Police spokesman John Sterrenberg said the investigation into Mr Kilana's "unnatural death" was continuing

"On completion of the investigation all the documentation will be laid before the senior state prosecutor who will have to decide on a course of action," Captain Sterrenberg said

● The South African Chemical Workers Union is planning a march for Saturday at 10am from the Macassar Civic Centre to Somchem in Somerset West

In a statement today, the union said it was embarking on the action because of Somchem's "refusal" to negotiate wage increases, recognise the union or allow union officials to be part of its job grading exercise

Petronet workers strike — but fuel is flowing

(Y183)

The Argus Correspondent

DURBAN — Petrol from Durban to the Reef has started flowing again after the main pipeline was shut down in a work stoppage by 10 highly skilled Petronet workers

An urgent meeting to discuss the workers' demand for better salaries was scheduled to be held today

Petronet commercial manager Peter Oberholzer said the replacements for the striking workers were found from people who had done the job before, but had since been promoted

He said two of the three lines — which had been shut down about 4 25pm — began operating before 6pm, and the third line about 7pm

Mr Oberholzer said the skilled workers, who each earn about R4 000 a month, were demanding a salary increase of 50 percent

The workers were responsible for scheduling the movement of petrol in the pipeline and also carrying out the schedule

ARG 9/8/94

Salstaff president John Benwell said the staff were paid 25 percent of the market value of their post As there was no market in South Africa, they are compared to overseas workers

He said the staff should be paid more than R200 000 a year if they were to be compared to overseas workers, as against the R48 000 they received

Mr Benwell said there were workers at Sasol who did less skilled jobs by comparison but who earned far more than their members

Petronet is back on line

ERICA JANKOWITZ

THE 10 Petronet workers who control the main petrol pipeline between Durban and the Reef yesterday dropped their demand for a wage increase of between 30% and 40% in response to management's offer of about 14%, Petronet commercial manager Peter Oberholtzer said. BDay

The workers, who are all members of the Federation of SA Labour Union-affiliated Transnet Salaried Staff Union, initially demanded increases of 400% They went on strike on Monday 10/8/94

The pipeline was shut briefly on Monday before management contingency plans came into operation

Oberholtzer said yesterday's negotiations had been constructive although no agreement was reached

The parties agreed to discuss the offers with their constituents and meet again. No date for the next round of negotiations was set, Oberholtzer said

The strikers were employed as co-ordinators and planners. Oberholtzer said managerial staff previously employed in the jobs were controlling functions and running the administrative side.

"We were operational within two hours and it's been business as usual since then," he added. (183)

Objection to OTI petrol bid

THEO RAWANA

THABA NCHU — The National Black Fuel Retailers' Association has written a memorandum to government objecting to the Organised Taxi Industry's (OTI) petrol pump programme, in a move that could frustrate the organisation's cheaper petrol scheme.

And the OTI, which is well on its way to achieving its mission of unifying the taxi industry, has again threatened mass action if its demand for petrol pumps at taxi ranks is not met.

A Mineral and Energy Affairs spokesman said yesterday the latest move by the black petrol retailers could delay the plan to erect 25 petrol pumps at taxi ranks nationally. He said Minister Pik Botha did not present the OTI's plan to Cabinet yesterday because the day had been set aside for financial matters.

The associations had objected last week to the taximen dispensing petrol, saying this would take a big slice from petrol dealers' business.

In its submission to government, the associations said the loss of the taxi fuel trade would undermine the viability of black service stations. B/Day

OTI co-ordinator Boetie Letsoela said his organisation had an agreement with the NEF on the cheaper fuel programme and could not go back to it as suggested by government. 11/8/94

He said black retailers were part of the NEF and had a chance to lobby against the programme at the time.

"The taximen are furious and we fear the worst strikes," Letsoela said.

Meanwhile, the conference held in Thaba Nchu to unite the taxi industry seemed to have found cause, with all associations — including those that had raised objections — agreeing on the formation of one body. (SS2) (183)

Final resolutions will be worked out today.

☐ Sapa reports police reinforcements have been sent to the SA/Lesotho border post because of mounting tension among taxi drivers on the SA side.

Call for tighter security at PWV govt offices

SECURITY should be tightened at the offices of the PWV executive council in Johannesburg after an electronic listening device was discovered, spokesman Ronnie Mamoepa said yesterday.

He said the device had been found two weeks ago during an electronic "sweep" of the office occupied by MEC for education Mary Metcalfe.

Mamoepa said sweeps of the offices of premier Tokyo Sexwale and other MECs had detected nothing, although Sexwale's office was broken into recently.

Documents, some of them sensitive, had been accessed and others damaged

Mamoepa said the executive council met to decide what steps to take. He attributed the breaches to "people seeking to undermine the PWV government". — Sapa

'Talks needed' on Pact

JACQUIE GOLDING

THE future of the Performing Arts Council of Transvaal (Pact) and other art institutions had to be discussed if government's reconstruction and development programme (RDP) was to be adhered to, PWV sport, recreation, arts and culture minister Peter Skosana said yesterday. B/Day

Skosana said the RDP advocated that the arts and culture department "democratise" the performing arts councils, museums, libraries and archives.

According to the RDP, commissions had to investigate existing publicly funded and parastatal cultural and arts structures. 11/8/94

It also stipulated that "complete tasks of transformation within two years" of appointment had to be made. (SS2)

A one-day conference on the PWV's public funding of the performing arts, held on Monday, was the beginning of a process in line with the democratisation of arts and culture, he said.

Pact did not attend the conference but sent Skosana a dossier outlining its proposals and visions.

Skosana said he was "sad" that Pact did not attend, but a meeting with the council to discuss its future was planned.

Pact CEO Louis Bezuidenhout said the council's 52-page dossier "addressed everything the minister needed to know".

He added: "The time allocated at the conference was 20 minutes for every participant and Pact's detailed proposals could not have been fully explained in limited time."

Omnia pays the price of fertiliser war

Star 11/8/94

BY DEREK TOMMEY

A price war in the fertiliser market in the second quarter of this year took its toll on Omnia, which produces fertiliser, chemicals and explosives (183)

A fall in local fertiliser prices below import parity, together with an increase in the cost of imported raw materials, squeezed Omnia's margins and profits

Operating income dropped from R9,7 million to R5,7 million

It had a net loss of R3,9 million, against a loss of R2 million last year.

But net income for the full year was R34,4 million

The directors say that Omnia earns the bulk of its income in the second half of the year

Favourable fertiliser earnings in this period, together with better earnings from other divisions, could compensate for the drop in first-half earnings, they say

Sasol takes 50% stake in fertiliser firm

B Day

MICK COLLINS

PETROCHEMICALS company Sasol has bought a 50% stake in independent Delmas Fertilisers for an undisclosed amount

The company said the move formed an integral part of Sasol Fertilisers' strategy to expand its products and service range

The agreement included building a liquid fertiliser plant at Secunda Construction had begun and the plant was expected to come on stream in September

A Sasol spokesman said utilisation of existing equipment at the Secunda plant had kept the cost of the new plant to less than R1m The main market for its products would be in the Eastern Transvaal

Delmas Fertilisers, based at Delmas in the Eastern Transvaal, had established production facilities at Potchefstroom, Endicot and Pongola. 16/8/94

Sasol Fertiliser MD Pieter Viljoen said the company was entering the market mainly because its customers would derive one major advantage — a fertiliser which was less labour intensive as it was easy to handle (250)(183)(232)

"In addition, Sasol will present farmers with the opportunity to buy high quality granular fertilisers as well as enable them to avail themselves of the excellent service from its liquid fertiliser plants"

All raw materials, the main ingredient being liquid ammonium nitrate, were available at Secunda and Sasolburg

COMPANIES

Polifin gearing for competition

BiDay 15/8/94

MUNGO SOGGOT

POLIFIN, the R1,5bn chemical group formed last year by Sasol and AECI, would use the fruits of its R635m modernisation programme to combat the foreign competition expected to follow the lifting of trade barriers, it said at the weekend

CEO Pieter Cox said Polifin — in which Sasol had a 60% stake and AECI a 40% stake — had "settled down" after its first eight months in business and had produced results that were "up to expectations" Figures would not be disclosed until Sasol released its results in September.

Polifin expected turnover of R2,7bn for its first year, R250m of which would be from exports

Removal of protective tariffs would open SA's chemicals market to competition from the Far East, the US and Europe

The modernisation programme, scheduled for completion in mid-1996, was being funded 'largely out of the company's cash flow" It included a R535m revamp of Polifin's Sasolburg PVC operations

The programme entailed switching from a carbide-based process to an ethylene-based process This was cheaper than the carbide option, which was developed during the 1970s when crude oil prices were high.

An upturn in local PVC demand looked set to be triggered by a construction boom

Most of Polifin's 160 000 tons a year of PVC was for the domestic market The company produced about 135 000 tons a year of polypropylene — its other main product — 70 000 tons of which was for the export market

183

Cox said the company "ideally" would be listed at the end of next year

500 in Somchem march

ABOUT 500 workers from two Somchem factories in Wellington and Macassar marched to the main factory in Somerset West on Saturday to protest against wages and working conditions

The workers handed over a memorandum to personnel manager Mr Hennie Marais in which they asked the company to negotiate with the SA Chemical Workers' Union They also demanded an across-the-board increase of 25% and equal pay for equal work

(183)

Sacwu spokesman Mr Peter Roman said management had agreed to meet with the union today — Sapa

CT 15/8/94

Wage dispute settled at Capegas but discontent lingers

183

ARG 16/8/94

ROGER FRIEDMAN
Labour Reporter

AGREEMENT has been reached in the wage dispute between Capegas and the Chemical Workers Industrial Union but the aftermath threatens to reverberate into the future

About 60 union members have been on strike since July 22

The death of striking greaser Aubrey Kilana two weeks ago, allegedly at the hands of a security guard sub-contracted by the company, complicated the matter

Yesterday the union's Shop Steward Council decided an industry-wide regional stayaway of its 4 500 members would take place next Tuesday

And it announced plans to take its dispute with the Woodstock-based Capegas to Johannesburg, where the Capegas holding company, Ozz Limited, is based

Organiser Colin Rani said the union had agreed to accept the 45c-an-hour across-the-board wage increase offered by the company after lengthy mediation

But it rejected a company proposal that disciplinary hearings against allegedly violent or intimidatory members be held "in camera".

"We need to ensure the rights of workers are adequately protected," Mr Rani said.

The union has also demanded the dismissal of Capegas executives Keith Lloyd and Bernard Straughan, compensation for Mr Kilana's family and action against Sea Point Security, whose officer allegedly fired the fatal shot

Mr Straughan said a "witness protection programme" was essential or no employees would be willing to testify against their allegedly violent or intimidatory peers Union lawyers would be allowed to cross-examine witnesses.

Sanachem to get offshore facility

B|Day 16/8/94

MICK COLLINS

SENTRACHEM would establish an offshore facility for Sanachem, the agricultural chemicals group in which it recently took full control, the company said yesterday

Sentrachem finance director Norman Kennelly said Sanachem already accounted for about half of Sentrachem's export sales, which this year should be approximately 15% of an estimated R3bn turnover. (183)

"We have a long-term strategic plan to increase exports to 25% of total sales and Sanachem features strongly in these plans," he said

"While it is one of our priorities we have no idea at this stage as to its exact location or what joint ventures could be entered into. We are still waiting to bed down the transaction which will be ratified next month The document concerning the transaction will come out on Friday"

He said a timetable indicating payment and share issue would be made with a three-week waiting period (September 23) in which shareholders could take time to digest the offer.

Sentrachem was proceeding cautiously following last year's failed bid for Australian group Chemplex

Sasol signs chemical deal with Japanese

B/Day 17/8/94

MICK COLLINS

PETROCHEMICALS company Sasol had signed a contract with Japan's Sumitomo Corporation to distribute its chemicals to Japan and other East Asian markets, it said yesterday

Sasol Phenolics — a division of Sasol Chemical Industries — said the deal involved the marketing and distribution of meta- and para-cresols, and xylenol blends (0183)

Sasol is the world's largest producer of cresols.

A Sasol spokesman said the contract was "relatively small" at this stage but "we foresee it growing as our cresols export business grows"

He said about 85% of the group's phenolic products were exported The gross value for 1994 would amount to R125m.

The venture augured well for Sasol Chemical Industries and SA as phenols represented an important source of foreign revenue.

"Sumitomo is actively engaged in developing trade relations with SA"

It was one of the world's leading integrated trading companies, trading and distributing commodities and products worldwide to business and consumers

"It also invests in ventures which promote the global flow of trade and technology."

He added the deal emphasised the importance of having an efficient and dependable global distribution and sales network.

Sumitomo employed 8 800 people in 43 offices in Japan and in 152 offices worldwide

Sasol's phenols, which included cresols, were recovered from the company's coal gasification process in the form of depitched tar acids

The new purification plant at Sasolburg had placed Sasol in a commanding position internationally

The spokesman said Sasol Chemicals had already secured significant market share worldwide

The company exported natural phenol to more than 30 countries

Sasol signs up with Sumitomo

CT 17/8/94 From MICK COLLINS (183)

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Call to cut costs with diesel power

(183) Business Staff

CT 18/8/94

DIESEL-powered taxis would reduce costs and converting the engines from petrol would give an opportunity for the industry to be regulated, says Glynn Whitmore, manager of Powerhouse Engineering, Atlantis Diesel Engines' distribution company on the Reef

ADE has presented four diesel-powered minibuses to major taxi organisations through the Organised Taxi Industry, for members to try out

Whitmore said the demand for conversions came initially from countries like Mozambique and Zimbabwe

"These conversions have been successful on the export market "

Crackdown on medicine costs

CT 18/8/94

(183)

THE government yesterday vowed to take "drastic steps" to crack down on the rocketing cost of medicines — including installing price control to stamp out profiteering

Health Minister Dr Nkosazana Zuma told Parliament that she was alarmed that the costs of medicines had soared by 37,2% from 1990 to 1991 and by a further 39,1% from 1991 to 1992

Speaking during a mini-debate amid calls from parties across the spectrum for drastic action to curb costs, the minister said that in the public sector — where buying was done in bulk and on tender and mostly generics were used — the cost of medicines was 9,9% of total health spending

But in the private sector 31,8% of benefits paid by medical aid schemes was for medicines

Dr Zuma said a departmental committee had been established

'Drastic' steps in the offing

to look into this "serious problem" and develop a new pharmaceutical policy that would include cost-cutting measures for the price of medicines

Earlier official probes had recommended that pharmacists and dispensing doctors should be paid dispensing fees rather than by the mark-up system which served as an incentive to use more expensive medicines

The committee could look into this and consider reintroducing price control

Its brief included developing a pricing plan, an essential medicines list for the public sector, increased use of generics and improved medicine distribution in rural areas

"I hope this house will support me when we have to take very drastic steps, because we can't solve this problem unless very drastic steps are taken," Dr Zuma said

Mr Farouk Cassim (IFP) said the costs of medicines were "moving into orbit", with prices about 600% higher than in India Cheaper medicine could be bought in Swaziland

Mr Mike Ellis (DP) said medicine wholesalers put a 21,3% mark-up on prices paid to manufacturers, and retail pharmacists added another 50%, often adding a dispensing fee and a 10% broken bulk fee as well — Political Staff, Sapa

Hickson Chemicals ups income by 37%

JOHANNESBURG — Hickson Chemical Holdings today reported a 37% rise in attributable income

(183) CT 18/8/94

Hickson's interim reports shows net attributable income of R198 6000 compared with R144 7000 for the same period last year.

Operating income rose 27% to R322 000 (R253 6000)

Earnings per share were R3,10 (R2,26)

An interim dividend of 90 cents was declared

— Sapa

Chemical market growth sought

BiDay 19/8/96

MUNGO SOGGOT

THE SA agricultural chemical market would only expand significantly with the launch of an education drive for small farmers on the use of agrichemicals, Sentrachem's Agrihold MD Abraham Brink said yesterday.

Brink said agricultural reforms were unlikely to hurt productive farms and did not pose a threat to the market.

But there was likely to be a proliferation of small and medium-sized subsistence farmers which were an important potential market.

He said Sentrachem exported about 70% of total agrichem production and that the ratio of export to local market was likely to stabilise at about 3 1.

(183)

The SA agrichem market — which contributed about R780m to the SA chemical industry's R27bn total turnover — is dominated by foreign multinationals such as Bayer, Hoechst and Zeneca.

Brink said Sentrachem had about 30% of SA's retail agrichem market.

Earlier this month Sentrachem bought industrial chemicals company Farm-Ag — which netted it the remaining 50% stake in joint venture partner Sanachem — in a deal which totalled R238m.

Sentrachem MD John Job said Sentrachem intended to invest R50m to R60m in Sanachem over the next year Its scope for growth was strong

Sanachem had managed to grow despite several successive years of drought by exporting its generic pesticides and herbicides, Job said.

Medicine price control welcomed

STEPS toward price control on medicines announced by Minister of Health Dr Nkosazana Zuma were welcomed yesterday by the South African Pharmacy Council

Chief executive Mr Chris van Niekerk said controls would reduce the price of medicines by 20 to 60%, remove profit motives and bring about parity in the prices of medicines dispensed by the state and the private sector

He pledged the council's support for Dr Zuma's plan

Mr Van Niekerk said the proposed shift from patent to generic medicines would affect neither quality nor safety if a control body was formed

However, Durban pharmacists have reacted strongly to a media report that Dr Zuma threatened to allow the sale of medicines in supermarkets if it proved feasible (183) CT 19/8/94

Engelhard injects $6m for PE plant

CT 22/8/94 (183)

JOHANNESBURG — US speciality chemicals company Engelhard Corporation — in which Minorco holds a 32% stake — is to invest $6m to establish an autocatalyst production facility in Port Elizabeth

The plant — to be established in the old Ford factory in Neave township — will start up in January On full production it will have a capacity of more than a million units a year Current SA production totals about 1,2-million units a year

An Engelhard spokesman said the plant was being set up after requests from SA car manufacturers Although he declined to name the companies, sources said they included BMW and Mercedes-Benz

The spokesman said Engelhard already had commitments from European customers, and was looking to supply the Japanese market He said Engelhard had taken into account the risk attached to the project because of the uncertainty surrounding Phase 6 of the motor industry development programme

Sources said the introduction of a new autocatalyst manufacturer would reduce current producers' slice of the market Johnson Matthey, which supplies BMW, and Degussa, which supplies Mercedes-Benz, operate in SA at present

SSTA chief predicts defections

Own Correspondent

JOHANNESBURG — The Motor Industries' Federation (MIF) was seen as outdated and inept by most of its members who would probably defect to the new Service Station Traders' Association (SSTA), SSTA steering committee chairman Chris de Weert said yesterday

Last week De Weert resigned as president of the MIF to form the new association which will elect its executive committee at its first public meeting in here today

De Weert said the new association would fight moves to deregulate and automate petrol stations. "I am for an orderly, regulated system and not a wild, deregulated one," he said

(183) CT 24/8/94

The SSTA had called on Mineral and Energy Affairs Minister Pik Botha to freeze all decisions on the rationalisation programme for the oil industry

800 call for security guard's prosecution

By YVETTE VAN BREDA

ABOUT 800 members of the Chemical Workers' Industrial Union marched to Parliament yesterday demanding the prosecution of the killer of Capegas worker Mr Aubrey Kilane who was allegedly shot dead by a security guard

Mr Kilane was shot after striking union members allegedly attacked a convoy of Capegas trucks earlier this month

Yesterday morning the group of protesters set off from the union's offices to hand a list of demands to Capegas management calling for the closure of the Sea Point company where the security guard is employed, the dismissal of two Capegas managing directors and compensation for Mr Kilane's family

183

CT 24/8/94

In the letter handed to an official at Parliament but intended for Labour Minister Mr Tito Mboweni, the union said it wanted the right to strike and "not be killed by the bosses" and demanded that "the bosses stop employing scab labour"

Meanwhile, the ANC's central city branch said in a statement yesterday that it would be launching a full investigation into the security company where the guard worked

Strategic stocks: The sale of surplus oil could earn as much as R4-billion

Oil sales may boost RDP

(BM) WM 26/8-1/9/94 (183)

The reconstruction and development plan could receive a huge cash injection if surplus oil reserves are sold, reports **Teigue Payne**

SOUTH AFRICA has an inheritance of surplus oil which could yield R2-billion to R4-billion if sold — a massive possible injection to finance the reconstruction and development programme (RDP), the ANC's all-embracing plan to right the wrongs of apartheid The big debate seems to be how many months of reserves of oil this country needs

In late December last year the then minister of Mineral and Energy Affairs George Bartlett, came clean about what had hitherto been South Africa s secret oil reserves He revealed that 77-million barrels of reserves were being stored at Cape Town, Saldanha and Ogies some of it in mine shafts He said this was equivalent to about eight and a half months of current imported crude oil requirements

It's understood that at its peak in about 1989, reserves were a massive 150-million barrels What happened to the proceeds from the sale which reduced those stocks to 77-million barrels by 1993 is yet to be revealed

In July this year the director general of Mineral and Energy Affairs, Piet Hugo, told a parliamentary standing committee that South Africa had seven to eight months of oil in the strategic reserve, worth about R5-billion He said his department had proposed that South Africa maintain reserves of at least six months of national requirements, but that sale of two or three months' supply could net R2-billion

By implication, his statement means little net oil has been sold since Bartlett s statement A statement on the subject by the present minister, Pik Botha, is expected soon

But according to the authoritative Paris-based International Energy Agency, a normal country needs about three months of stocks Mike Haworth, an analyst at stockbrokers Silvis Barnard Jacobs Mellet and an expert on South Africa s oil industry, says no more than three months is needed because oil is internationally traded and freely available to this country

If the new government insists on the lower level of reserves rather than the department's recommendation, a total of about R4-billion could be earned from the sale

Haworth says while part of the surplus stock was sold following political liberalisation, there have not been net sales more recently because the ANC told the old government not to

Haworth says the oil deteriorates slightly under storage It could therefore fetch slightly less than the current price of around $18 per barrel

■Teigue Payne is research director of BusinessMap SA

Where there's fire there's smoke . The normally discreet tobacco lobby and its friends in the advertising world have come out with guns blazing against proposed legislation enforcing compulsory health warnings on adverts for cigarettes This billboard is part of their campaign, so the proposed laws have at least in the short term provided some more revenue for the ad industry PHOTOGRAPH HENNER FRANKENFELD

JSE opens up to shareholders

Jacques Magliolo reports on the ground-breaking JSE proposals to put more power in the hands of shareholders

SHAREHOLDERS are set to obtain greater control of companies listed on the Johannesburg Stock Exchange if proposed changes to disclosure and listing requirements are implemented next year

A draft consultation document has been released and sent to companies, auditors and stockbrokers for comment prior to the proposals being carried out in January 1995

These changes are to be imposed on all existing and new companies and aim to increase transparency and improve liquidity The new regulations should vastly benefit shareholders

Firstly, from 1995 all companies will have to place 25 percent of issued shares in the hands of the public and companies must ensure this percentage remains in force at all times

Existing companies will have until the year 2 000 to comply with this The JSE proposes that existing companies meet this requirement by issuing new shares to the public

This rule should increase the number of shares traded and reduce present shareholder control Companies will not be able to avoid such a step through the creation of pyramid companies, as new regulations will prohibit second-tier pyramid structures

In addition the role of the JSE to enforce these new requirements will increased and encompasses responsibilities of sponsoring stockbrokers in company transactions

Secondly, an important new direction of the JSE lies in its desire to strengthen company disclosure Companies will be obliged to announce any information shareholders need about the financial position of the company and which could affect the company's share price This will include information on possible takeovers, new contracts and even the discovery of new mineral resources

Implications of such disclosure are vast as it places greater power in the hands of the shareholders While shareholders are now only warned of major transaction when a company's nav (total assets of a company expressed per share) is affected and when the issue of new shares reduce eps (earnings per share), new regulations will encompass five methods of assessing whether disclosure to shareholders is necessary

In addition to nav and dilution effects of new shares, the JSE proposes to look at bottom-line profits, the price offered for a purchase and market capitalisation, which is a company's issued shares multiplied by the share price This should result in a more cautionary announcements being made in the media and, more importantly, should increase the number of shareholder meetings called by the company to obtain approval for a particular projects

If the JSE can accomplish a greater shareholder spread and increase shareholder meetings then companies are bound to face bidding wars The multitude of cross shareholdings in South Africa means competitors will invariably be able to attend such meetings and make counter-offers

Listings GM Richard Connellan says "In terms of their fiduciary duties to shareholders, directors will have to do what is in the best interest of shareholders " While this may not mean that a counter-offer has to be accepted by a company, it would have to be considered if the public controlled more than a quarter of the shares

Changes in pre-listing statements will also be amended to include the listing of new shares — that is rights issues — which exceed 30 percent of the share capital Companies will have to get the permission of shareholders before any major subsidiary issues shares which will materially dilute the holding of the listed company

Finally, the JSE intends to place more control in the hands of minority shareholders Although equity instruments with differing voting rights will continue to be allowed, shareholders — other than the controlling shareholders — will have to approve the issue of debentures and other such instruments

TURN TO THE BACK PAGE FOR SPORTS

Sentrachem arm in major offshore deal

(183) ARG 27/8/94

JOHANNESBURG — Mega Plastics, Sentrachem's polymer converting division, has purchased Kooltherm Holdings of the United Kingdom, a manufacturer of a fire-proof, CFC-free insulation foam, the company said here

The purchase price was not disclosed.

The deal gave Mega Plastics two factories in the UK, a partial-production site in Singapore and access to the technology required to make fire-retardent phenolic foam.

Phenolic foam, used in insulation instead of flammable polystyrene and polyurethane, was used mainly in pretrochemical plants, mines, shopping centres, subway stations, office blocks and numerous other applications where fire could pose a hazard

The product had been used extensively in the London Underground since the Kings Cross Fire

"The product has been around in South Africa for quite some time already," said Sentrachem executive director Ralph Oxenham

"What this means is that now we'll be producing for the international market."

Kooltherm had a significant share of the global market for low temperature fire-retardent insulation and expected further growth in the US market.

Kooltherm employed approximately 150 people and posted a turnover of £12 million for the year ended March 1994

Mr Oxenham said although offshore investments were notoriously risky for South African companies, Sentrachem was not entering an unknown market

"The purchase is small in Sentrochem terms and there is limited risk involved" — Sapa

Oil industry seeks free competition

SI Tickies (BUSS)

By CIARAN RYAN

THE fuel industry is to table a plan next week which would reduce government involvement in the industry, eventually leading to deregulation.

Industry sources say this could lead to price competition at the pumps and spare government the embarrassment of continually having to raise fuel prices.

Still not resolved, however, is the question of Sasol's synfuel protection, which amounted to R629-million last year. The oil majors are calling for an immediate end to what they call Sasol's "subsidies" to prevent it from competing unfairly at the pumps.

Engen says full deregulation cannot occur while Sasol continues to be funded by the motorist.

Sasol general manager Pat Davies says the deregulation plan includes provision for an investigation into Sasol's level of protection.

"The same norms and criteria that apply to other local manufacturing industries should be applied to synthetic fuels, which we believe will pass the most stringent true economic value test. I reiterate, we do not receive subsidies, but modest import protection."

One of the possibilities is converting Sasol's $21-a-barrel synfuel protection to an ad valorem tariff as applied to other imported manufactured products.

Sasol wants to establish a network of service stations before full deregulation, while the major oil companies say it must waive its claim on all "subsidies" before entering the market.

"If Sasol continues to be subsidised, its synfuels operations should be ringfenced and separated from the Natref refinery and its petrochemical industries so that we can compete equally," says Brian Paxton, Engen's manager for planning and business development.

Oil industry sources say the price which Sasol sells feedstocks to its downstream industries needs to be investigated.

Mr Davies replies that all Sasol feedstocks are sold at market prices and there is no cross-subsidisation.

While Sasol's protection is linked to the dollar price of oil, its costs are denominated in rands. By dragging out the issue of deregulation, Sasol can build up a "war chest" of several billions of rands — paid for by motorists — with which it can launch into petrol retailing, the sources say.

Mr Paxton says the oil companies favour an immediate deregulation for this reason.

Mr Davies says the return on assets at Sasol's synfuel operations is substantially lower than that of the oil companies.

He says agreement was reached with all oil companies on the way forward but that Engen now appears to have shifted its position.

Mr Paxton says Sasol has misinterpreted the agreement and the oil companies' demands for ringfencing remains unchanged. 183

Mr Davies warns that job losses would result from immediate deregulation.

One benefit to the consumer should be a reduction in pump prices as a result of deregulation in pipeline charges, which could happen before full deregulation.

Mr Paxton says oil company margins will drop after deregulation.

Sasol's plan to supply fuel to black taxis at bulk consumer prices has met fierce opposition from township service station owners who say they will be forced out of business. 28/8/94

One casualty of deregulation will be service stations, which will no longer be obliged to purchase fuel from a single oil company.

Up to 40% of smaller sites could close through competition. Engen says this will result in a more efficient industry to the benefit of the consumer.

Many service stations may be forced to convert to self-service and lay off staff. There are 45 000 forecourt attendants in SA, many of whom may lose their jobs.

The oil companies are sensitive to this problem and are addressing ways of offsetting it.

Sasol erected nine consumer installations for taxi drivers before a moratorium on further installations was imposed.

Numsa threatens to call for Engen's nationalisation

Star 30/8/94

The National Union of Metalworkers of South Africa (Numsa) is threatening to press for the nationalisation of Engen if the oil firm proceeds with a plan to close about 300 service stations

In a statement yesterday, Numsa said the National Economic Forum's Liquid Fuels Task Force (LFTF) had been informed on Friday that the company intended to close 300 to 350 service stations "at the cost of as many small businesses and over 2 000 jobs". (183)

As the LFTF was still discussing a new dispensation for the liquid fuels industry, Numsa regarded Engen's proposal as another act of bad faith by the company "to crash the system".

Numsa claimed Engen had no respect for the National Economic Forum or the Reconstruction and Development Programmme

"Unless Engen can be brought to its senses, Numsa will have to give consideration to calling for the nationalisation of this renegade oil company," said the union — Sapa.

Engen cuts off garages' fuel

ERICA JANKOWITZ

OIL company Engen plans to end supply contracts with about 350 non-viable service stations. B/Day

At a meeting of the National Economic Forum's liquid fuels task force on Friday, Engen served notice that it intended ending its service contracts with petrol stations where it made no financial sense to continue the current arrangement

Yesterday, the National Union of Metalworkers of SA called for the company to reconsider its decision, or the union would put pressure on government to nationalise the company. Numsa said Engen's move would be to the detriment of small concerns and would cause the loss of more than 2 000 jobs. (183)

An Engen spokesman said the company had given notice of its intention to review supply contracts at the end of 1993. This was in line with other moves to deregulate the industry and reduce fuel costs to consumers. Cosatu and its affiliates had not opposed these moves.

Engen services about 1 400 petrol stations nationwide, so it would be cutting back by about a quarter However, the spokesman disputed Numsa's claim that 2 000 jobs would be lost. Engen estimated that the total deregulation of the industry would lead to the retrenchment of only 7 000 workers. 30/8/94

Motor Industry Federation general secretary Vic Fourie confirmed that the federation was concerned about service station closures as they provided more than just a petrol supply for small communities.

The federation was discussing the issue with the Mineral and Energy Affairs Department and oil companies

Engen plans 'a saving for consumers'

(183) ARG 30/8/94

BRUCE CAMERON
Business Editor

THE possible closure of 250 unprofitable Engen service stations around the country is part of the petrol company's commitment to deregulation of the industry

Engen spokesman Gareth Griffiths said today "We are trying to save the consumer money"

Engen's confirmation that about 250 of its 1 400 outlets could be closed follows claims by the National Union of Metal Workers (Numsa) that nearly 350 outlets would be closed, and more than 2 000 jobs lost

Numsa has called for the nationalisation of Engen if the plans go ahead

Engen has made repeated calls for the deregulation of the petrol industry Ron Angel, Engen managing director, has criticised the foreign-owned petrol companies for not supporting deregulation

Mr Griffiths said the closure of the petrol stations had been on the cards for almost a year and "is not a new situation"

"If the maintenance costs exceed the operating margin, it does not make sense to maintain the outlets"

Mr Griffiths said the outlets were on the lower end of the scale, often had environmental problems, did not offer a 24-hour service, employed casual labour, and were in back streets or in small towns where there was an excess of service stations

He said the "gradual withdrawal" was not part of the oil industry rationalisation plan

Mr Griffiths said Engen was "accountable to shareholders and other stakeholders"

"South African consumers are already subsidising unprofitable operations like certain sections of Sasol, and certainly Mossgas

"We are looking at the situation in terms of deregulation of the industry For the past 30 years petrol companies have operated without having to give any details of profits or anything else

"By not supporting unprofitable ventures there will be a loss of jobs, but we will also be able to release a lot of money back into the pockets of consumers"

● Motor assembly strikers at Mercedes-Benz in East London have voted to end their five-week-old strike

They also voted today to accept the Automobile Manufacturers' Employers' Organisation (AMEO) offer of a 10,5 percent increase of actual wages

Union threat to nationalise Engen

(183)

CT 30/8/94

JOHANNESBURG — Petrol giant Engen was threatened with nationalisation last night for its reported plans to close more than 300 service stations countrywide

The National Union of Metalworkers of South Africa (Numsa) said the National Economic Forum's Liquid Fuels Task Force had been informed that the company intended to close 300 to 350 service stations "at the cost of as many small businesses and over 2 000 jobs"

Numsa said that as the LFTF was still discussing a new dispensation for the liquid fuels industry, Numsa regarded Engen's proposed action as an act of bad faith "to crash the system"

Numsa claimed Engen had no respect for the National Economic Forum or the reconstruction and development programme

"Unless Engen can be brought to its senses Numsa will have to give consideration to calling for its nationalisation," the union said — Sapa

Engen denies jobs will go

(183) CT 31/8/94

ENGEN yesterday rejected claims by the National Union of Metal Workers of South Africa (Numsa) that it would close about 350 service stations nationwide, leading to the loss of 2 000 jobs

An Engen spokesman said "the threats are based on a misunderstanding of the planned, phased closure of non-viable service stations"

The closures would mean the loss of far fewer than 2 000 jobs

"Engen has been continuously opening and closing service stations as a normal business practice," he said

Numsa on Monday threatened the petrol giant with pressure for nationalisation if it closed the stations.

Service Station Association president Mr Chris de Weerdt said yesterday "Heavy-handed, one-sided action of this nature is totally against the spirit of goodwill which currently prevails in South Africa and therefore cannot be tolerated." He said petrol station owners had to comply with instructions from oil companies or face threats that their contracts would not be renewed — Sapa, Staff Reporter

Engen workers face job losses

Star 31/8/94

BY HELEN GRANGE

The small Engen service station in Rosettenville's main street employs seven petrol attendants and six mechanics in the adjacent workshop — but if its petrol supply is cut off, most if not all these people will be out of work.

Engen served notice on Friday that it will be ending supply contracts to about 350 non-viable service stations nationwide, prompting a sharp attack from the National Union of Metalworkers of SA, which has called on the company to reconsider its decision or face pressure to have it nationalised.

The oil company last night replied that the closure of non-viable stations would be phased over three years. "Along with the rest of the oil industry, Engen has been opening and closing service stations as a normal business practice.

"Service stations operating at low volumes normally employ two people and tend to operate only during office hours," a spokesman said in a statement.

He added that "far fewer than 2 000 jobs" could be lost over the phased closing period and that the company was continuing to build new service stations throughout the country to match the changing retail demographics of the marketplace.

The company was "fully committed to the Government's Reconstruction and Development Programme".

Many smaller service stations currently supplied by Engen on the Witwatersrand were non-viable, with some selling far below the break-even quantity of between 100 000 and 150 000 litres a month.

The Rosettenville station is one of these underperformers, and would therefore be under threat if Engen carries out its intention to deregulate.

"Not only will the petrol attendants be out of work, but the workshop business will be very badly affected. Many of the stations also have all-night shops which are good businesses," said the station manager, who wished to remain unnamed.

The fact that a number of service stations are non-viable for the oil companies, yet are profitable as part of a business unit, is a cause of concern to the Motor Industries Federation.

"We have indicated to Engen and the Government that we are concerned at the escalation in the closure of service stations, and that as business units, many are viable," said MIF general secretary Vic Fourie.

Shell South Africa has assured it has no plan for a large-scale closure of petrol stations. In a statement yesterday, the company said changes in road networks and demographics had led to some stations being closed and others being opened.

183

AP&CI merges with Indian group

(183)

ST 1/9/94

Deputy Business Editor

ASSOCIATED Paint and Chemical Industries (AP&CI), the third largest paint manufacturer in SA, has signed a memorandum of understanding with the UB Group, India's billion dollar multinational with operations in 29 countries across the globe.

Spike Engelbrecht, general manager of AP&CI subsidiary, Vadek Paint, said in terms of the agreement UB will merge its paint businesses in 14 African countries with AP&CI subsidiaries which also include Albestra, cedar Radex, Cedar Spray, Nitromorse and Repex

The tie-up, he said, will see the formation of a South African holding company of global size and strength

"It will produce and market the international brands of both UB and AP&CI and is expected to notch up sales volumes of more than 27 million litres valued at R270m a year"

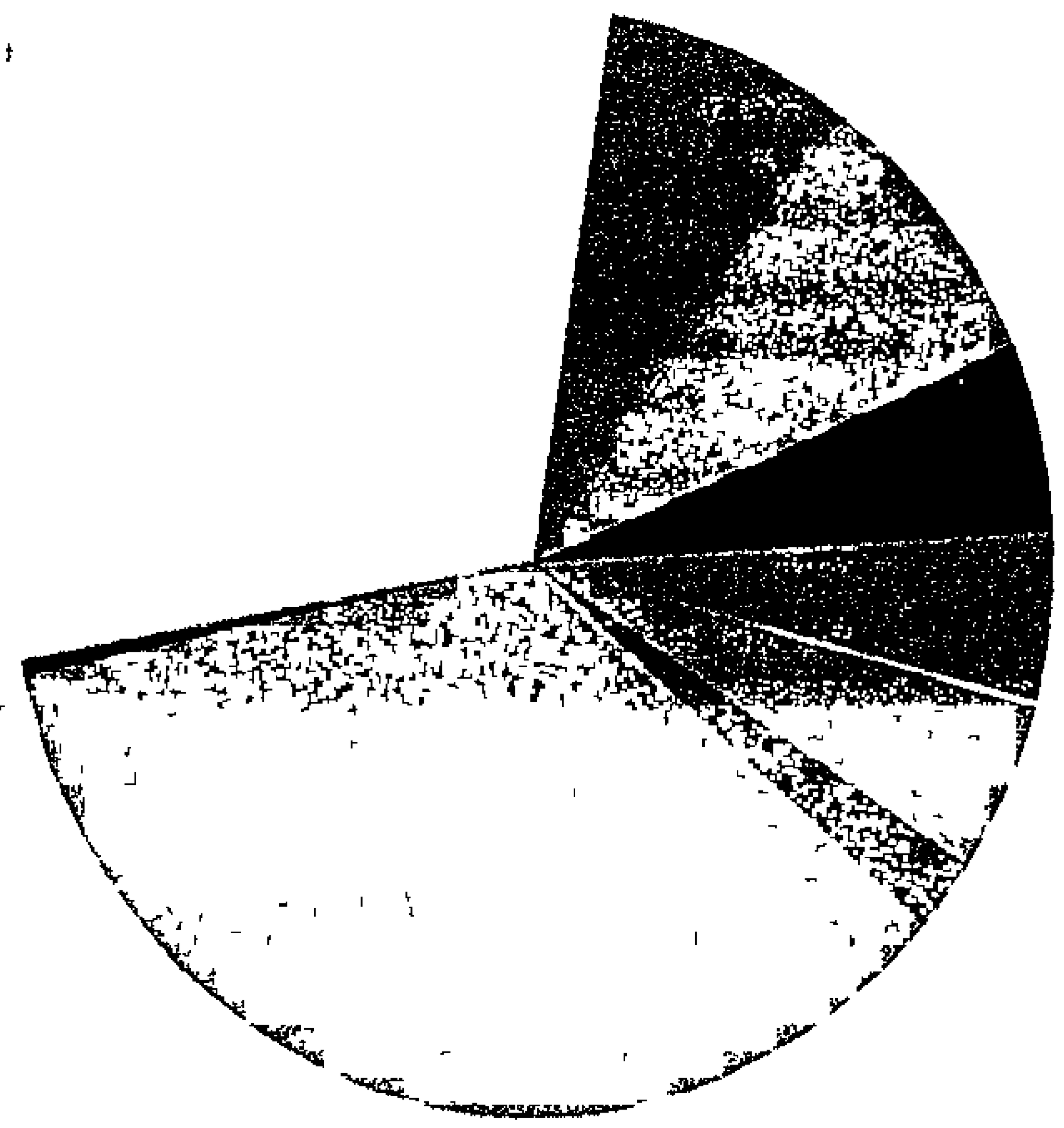
This arrangement, he said, would provide Vadek with access to the most up-to-date paint and coating techniques and products

Further details of the tie-up are expected to be released within the next few weeks

Engelbrecht said the UB Group had also concluded a Memorandum of Understanding with development agency, the Kagiso Trust

The Petrol Price Structure (93 Octane, PWV area)

25 August 1994



	c/l	%
Landed cost	55.340	30.24
Unit overrecovery	0.802	0.44
Fuel tax	60.9	33.28
Delivery cost	3.5	1 91
Customs & Excise	4	2 19
Equalisation Fund	9.4	5.14
NRSC	0.2	0.11
MMF	9	4.92
Transport cost	10 2	5 57
Retail margin	15.6	8 52
Wholesale margin	14.058	7.68
	183.00	100.00

Source : Department of Mineral and Energy Affairs

Exchange rate US $1 = R3.585

TAXING AWAY Almost a third of the price of petrol — 33,28% — goes to fuel tax, figures supplied by the Department of Mineral and Energy Affairs show Minister Mr Pik Botha also told Parliament yesterday he was opposed to cutting the "tariff protection" given to Sasol and Mossgas

183 CT 1/9/94

Petrol: No end to 'protection'

Political Staff

MINERAL and Energy Affairs Minister Mr Pik Botha yesterday opposed cutting the "tariff protection" provided to Sasol and Mossgas

Although the government was examining the present system of tariff protection of the synfuels industry, Mr Botha said Sasol sold R4,5 billion of fuel every year and the cost of importing this amount of fuel would seriously damage South Africa's foreign exchange reserves

He said it was therefore impossible to cut the 9,4c/ℓ "equalisation fund levy" on petrol

Speaking during the Mineral and Energy Affairs debate in the Senate, Mr Botha said oil companies wanted to deregulate the fuel prices, saying it would lead to cheaper petrol

But the effect on a large number of small concerns and the number of jobs lost would also have to be taken into account

Mr Botha said the Motor Vehicle Accident fund required R3bn to be on a sound footing He promised not to put up the petrol price to make up the shortfall

Answering a parliamentary question asked by Mr Kobus Jordaan (DP), Mr Botha said the total cost of the Mossgas project at December last year amounted to R11,1bn

The government did not intend to close down the project, which had a positive cashflow, forecast at R455m for the current financial year

Govt sanctions petrol pumps at 25 taxi ranks

THEO RAWANA

GOVERNMENT had granted the taxi industry permission to install fuel outlets at 25 taxi ranks as requested by the Organised Taxi Industry (OTI), Deputy President Thabo Mbeki said yesterday.

The decision followed a meeting in Cape Town on Tuesday between Mbeki, Mineral and Energy Affairs Minister Pik Botha and representatives of the OTI, the Western Cape Taxi Industry and oil companies, Mbeki said.

B/Day 1/9/94

They agreed the OTI and other taxi associations, government, labour and oil companies would form a site allocation committee, which was to report back within 14 days.

They agreed, also, that these installations would sell their products at regulated prices.

□ Sapa reports that security enforcement at taxi ranks, similar to that used in some PWV areas, is expected to be introduced to other regions, according to SA Long Distance Transport Association spokesman David Mofokeng. He said in Durban on Tuesday that the aim of the project was to help stamp out violence in the taxi industry.

183

Several million rand had been spent on training people to patrol major routes to the Johannesburg central business district in security vehicles.

Petrol price not going up to save MVA

(183)

VUYO BAVUMA
Political Staff

THE petrol price will not be put up to save the ailing Motor Vehicle Accident fund which needs R3 billion to be put on to an sound footing, says Mineral and Energy Affairs Minister Pik Botha

ARG 1/9/94

During debate on his budget vote in the senate yesterday, he said his ministry would not lower the 9,4c a litre equalisation fund levy on petrol which funded Sasol and Mossgas

Sasol sold R4,5 billion worth of fuel annually and the import cost could seriously damage the country's foreign exchange reserves.

Sasol and Mossgas employed about 160 000 people and comprised 35 percent of the country's total fuel sales

This meant Sasol contributed R8,5 billion

Mineral and mineral-based exports made up almost two thirds of South Africa's foreign exchange income and the purchase of oil was one of its biggest expenses

South Africa had to find a realistic way of getting oil at the cheapest possible price and the highest price for its minerals

Mr Botha said he was against deregulation because it would affect small businesses adversely.

Oil companies wanted to deregulate the fuel price because this would mean cheaper petrol, but "what would happen to the jobs of 30 000 petrol pump attendants?"

Replying to a question, Mr Botha said an additional R2,5 million would be allocated to Reconstruction and Development Programme.

Premier Group expects healthy rise in earnings

B/Day 2/9/94

BEATRIX PAYNE

PREMIER Group expected its restructuring and an uptick in consumer spending to fuel earnings growth this year, chairman Peter Wrighton said in his annual review.

The restructuring of the food division would be "expensive" in the short term, but was expected to save the company R40m a year, he said.

But the group intended to reduce the division's contribution to group earnings 4% to 40%, MD Gordon Utian said.

Instead, pharmaceuticals — which currently contributed 24% to earnings — would contribute 25%, and wholesaling would increase its share to 20% of earnings (18%). Retail and entertainment's contribution to earnings would rise 1% to 15%, Utian said. (183) (232)

The group reported a ~~11%~~ rise in attributable earnings to R259,1m on sales of R14,4bn for the year to April.

Premier Foods had become a "cost-ineffective" operation. "A fundamental change in food price inflation, diminishing margins in milling and baking necessitated a dynamic new structure."

Utian said the group intended to increase its brands and range of products to "develop more value-added products aimed at the mass consumer market".

Premier planned to restructure its pharmaceutical wholesaling division, United Pharmaceutical Distributors.

Previous reports said the group was in financial difficulty and Premier director and chartered accountant Leon Schonknect was recently appointed CE, replacing Norman Knight. Under Schonknect UPD would concentrate on becoming a "major least-cost distributor of pharmaceutical products", Utian said.

Premier Pharmaceuticals intended to increase its factory capacities to cope with demand and would focus on over-the-counter products, generics and branded generics, he said.

Wholesaler Metro would focus on strategies to increase sales and market share and planned to upgrade its southern African interests and pursue international opportunities. The retail and leisure division would benefit from a rise in discretionary spending, the group said.

Premier was well positioned to expand in a growing SA and assist with the reconstruction and development programme, Utian said, and was also seeking alliances in SA and abroad

Diamond deal in Botswana

Pik plans new role for Mossgas

(183) CT 5/9/94

PRETORIA — Mossgas could be converted to process condensate and crude oil to become a nucleus for other petrochemical industries and develop its own retail network, Minister of Mineral and Energy Affairs Mr Pik Botha said yesterday

Reacting to a Sunday newspaper report criticising his handling of the plant, the minister said the conversion could create employment and result in increased foreign exchange savings

Government assistance could be reduced and eventually eliminated, Mr Botha said in a statement here

Mossgas achieved a R69-million operating cash surplus, excluding government assistance, during the first four months of its 1994/1995 financial year

Defending his decision to grant a R379m subsidy to Mossgas, Mr Botha said South Africa could spend two or three times that amount importing foreign oil where the money would leave the country instead of being used to build the economy

He added that the decision to continue subsidising the plant was a cabinet decision as was the establishment of 25 fuel outlets for minibus taxis

Mr Botha acknowledged Mossgas had been initiated for strategic rather than commercial reasons and that less gas was found than initially expected — Sapa

R4bn Sentrachem plant 'feasible'

(163) CT 6/9/94

From MICK COLLINS

JOHANNESBURG — The Industrial Development Corporation (IDC) and chemicals company Sentrachem are involved in a study to build a R4bn petrochemicals plant, sources say

IDC senior GM Ted Droste said yesterday the corporation would consider some of the finance for the project once the go-ahead had been given

At present only the IDC and Sentrachem were involved but the possibility of more partners or foreign participation had not been ruled out

Droste said the complex — including a naptha cracker plant — would be required to meet the growing demand for polyethylene, polypropylene and other petrochemical derivatives used in the plastics convertor industry

Feedstock for the plant would be imported as all of Sasol's present capacity would be taken up

A pre-feasibility study completed in June indicated the project was viable and a detailed feasibility study was due to start soon, which would cost R20m-R30m A decision on the go-ahead of the project was unlikely to be made before mid-1996

Preliminary work had already been carried out by Sentrachem

A site for the complex would be choosen from Durban, Richards Bay and Mossel Bay

But Sentrachem MD John Job said one of the main reasons behind the study was the viability of Mossel Bay

Before there was any commitment to the project there would have to be a decision on the future of Mossel Bay as the gas reserves were not as good as first thought

Petrol price may soon be out of govt's hands

(183)

ET 7/9/94

THE liquid fuels industry had agreed on a mechanism "outside of government that would control the price of fuel in a transparent way", Mineral and Energy Affairs Minister Mr Pik Botha said yesterday.

The proposal would be taken to the cabinet as soon as possible, he said during a budget debate.

Mr Botha revealed that in the first four months of the financial year Mossgas had shown an operating surplus of R69 million and had saved the country more than R1 billion in foreign exchange — Sapa

Billions may flow to SA

(183)

CT 7/9/94

Taiwan fuel giant to study Mossgas

Own Correspondent

JOHANNESBURG — Taiwanese industrial conglomerate Chinese Petroleum Corporation (CPC) had held talks with Mineral and Energy Affairs Minister Mr Pik Botha about pumping "billions of dollars" into synthetic fuel producer Mossgas and other petrochemical projects, sources said yesterday

The move follows a visit by a high-powered Taiwanese delegation representing vast petroleum and petrochemical interests The group included CPC chairman Mr T Y Chang and petrochemicals company Tuntex Group chairman Mr Y H Chen

The delegation also held talks with the Central Energy Fund (CEF) on the possibility of establishing a petrochemical industry at Mossel Bay Mr Chang said a feasibility study of the R9,8-billion project would be compiled and "if the results are good for us we will come back again"

CEF chairman Mr Roy Pithey said a notional joint venture had been set up in Taiwan, made up of CPC, Tuntex and other petrochemical interests

"They would come in as a consortium involving the Taiwanese government and private sector "

Discussions had focused on the possibility of insufficient gas reserves at Mossel Bay and the conversion of the oil-from-gas facility to a crude oil refinery at a cost of R2,5bn, Mr Pithey said

"Alternatives were for a greenfields site for an oil refinery at Richards Bay coupled with a downstream cracker (chemicals refining plant) "

The delegation also expressed interest in talking to local oil companies about the possibility of Durban refineries being expanded to produce suitable feedstock for a cracker in Durban.

Mr Pithey said the move followed an undertaking to President Nelson Mandela that Taiwan would contribute to creating jobs Downstream converting industries were labour-intensive and would have a multiplier effect on employment The venture would be based purely on a commercial basis with raw materials being available at world prices

The petrochemical sector in Taiwan contributed 30% to GDP, while in SA the figure was as low as 10%

A Taiwanese embassy spokesman said that if the feasibility study was postive, CPC would send a working group to South Africa for detailed inspection and discussion

Dulux obtains interim order on strikers

SUSAN RUSSELL

PAINT manufacturer Dulux obtained an interim order in the Rand Supreme Court yesterday preventing strikers from interfering with other employees and obstructing operations at its Tulisa Park and Aeroton premises.

The order was granted by Judge J Myburgh against the SA Chemical Workers' Union and the workers involved. 8/9/94

Dulux PWV manager Charles Betts said hourly paid workers at both plants began an unlawful strike on August 26 after a number of employees were dismissed from the Alrode branch 10 days earlier.

Shop stewards informed a company representative on Tuesday vehicles would not be allowed to enter or leave the Tulisa Park premises. Dulux had stopped receiving and despatching vehicles for fear of something happening to the drivers, Betts said.

Each branch would lose R150 000 in turnover a day because of the strike. The company had already lost about R600 000, Betts said.

If the strike continued the company would have no alternative but to conduct mass dismissals.

Dulux had brought yesterday's urgent application to court pending the declaration of the referral of the dispute for resolution in terms of the Labour Relations Act.

FM 9/9/94

PREMPHARM

Returns still rising

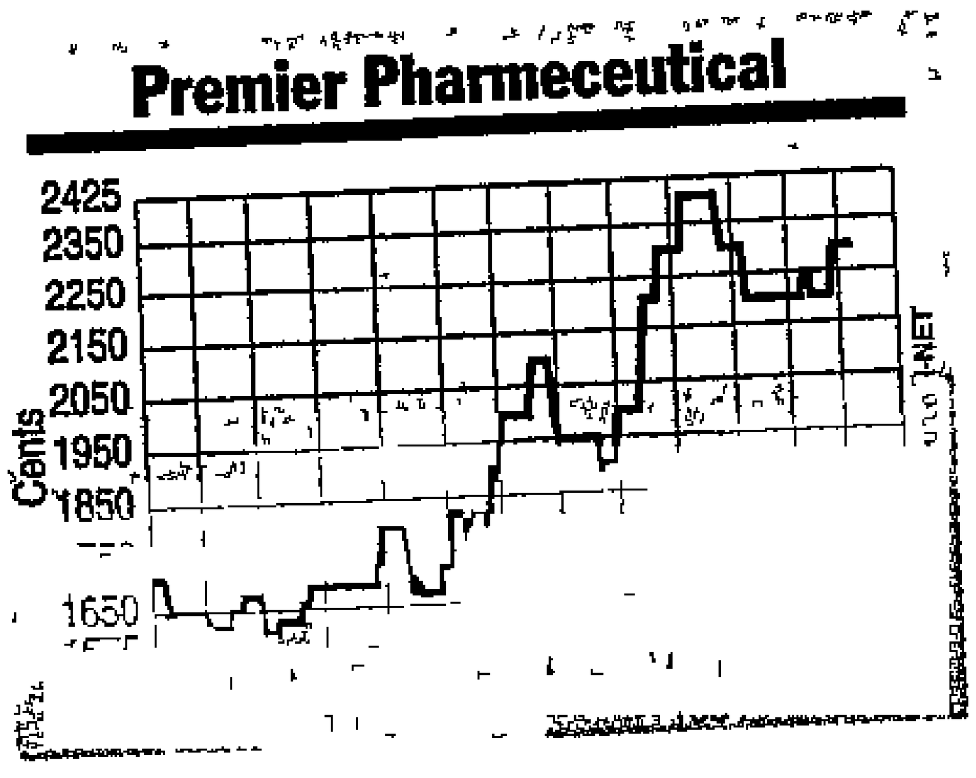
FM 9/9/94

Activities: *Makes and distributes pharmaceutical, consumer, vision care and animal health products*
Control: *Premier Group 58,7%* (183)
Chairman: *P G A Wrighton* *MD* *P Nortier*
Capital structure: *107,3m ords Market capitalisation, R2,47bn*
Share market: *Price R23. Yields 1,9% on dividend, 4,1% on earnings, p e ratio, 24,7; cover, 2,2. 12-month high, R24, low, R16 Trading volume last quarter, 63 000 shares*

Year to April 30	'91	'92	'93	'94
ST debt (Rm)	—	—	—	5,6
LT debt (Rm)	69,8	17,5	19,1	18,6
Shareholders' interest	0,44	0,50	0,61	0,53
Int & leasing cover	5,1	22	n/a	n/a
Return on cap (%)	33,1	40,2	28,4	35,6
Turnover (Rm)	493	477	456	506
Pre-int profit (Rm)	81,7	115,2	117,8	138,8
Pre-int margin (%)	16,6	24,2	25,8	27,5
Earnings (c)	39,2	59,3	77,8	93,2
Dividends (c)	16	25	34	43
Tangible NAV (c)	109,5	149,0	241,3	194,0

Premier Pharmaceutical (Prempharm), the smallest of the three listed pharmaceutical groups in terms of assets, now has the highest market capitalisation at R2,47bn

It overtook its rivals during the course of the year as the share price gained 35%, compared to SA Druggists' 19% and Adcock Ingram' stagnant price



Some growth came from acquisitions, most notably Zurich Health Care & Pharmaceuticals, and Laser But these only contributed to results for the last few months of Prempharm's financial year, the mainstay pharmaceutical division provided the crucial advance in market share, sales and profits, going against the sluggish trend in the health-care market

The most significant line in Prempharm's results is probably the 11% increase in turnover, achieved when most of the industry is battling to show growth in sales and reversing a three-year decline for Prempharm (see table) Against this is a steadily widening pre-interest margin, the result mainly of strict cost control, which allowed operating profit to grow by 18% (183)

CE Phil Nortier says the only one of Prempharm's four divisions to report decreased profitability was the Consumer division, reducing its contribution to group turnover to 27% Generally, it's a result of the depressed economy which, despite some encouraging signs, is still not showing any uptick in consumer spending.

Exposed largely to the black consumer market, any increase in private consumption expenditure should result in immediate benefits for the division

Chairman Peter Wrighton, due to retire from the controlling Premier Group at the end of the year (succession is not yet clear), notes, however, a recent upturn in consumer confidence and spending He believes under the new government trading conditions will continue to improve.

Since year-end, Prempharm has also taken action to improve prospects for its Animal Health division, by forming a joint venture with Sentrachem's Agrihold animal health division

Chief financial officer Hymie Shapiro says the joint venture should have little effect on results in the short term, though rationalisation should increase profitability Contributions from the new business will be proportionally consolidated, he says, while the formation of the new company will be settled by loan account and should result in little movement in cash

Prempharm's cash pile has been whittled down to R68m from acquisitions, though the group is still earning interest income of R10m and remains ungeared. Shapiro says interest income will decline this year, though the group will remain cash positive. Acquisitions — locally and abroad — will continue to be sought' But there is nothing concrete at this stage, Shapiro says, and it seems more likely that financial 1995 will be a year of consolidation for Prempharm as the acquired businesses are integrated

Despite continuing uncertainty in the health care industry the outlook for Prempharm seems relatively stable Firstly, full benefits of acquisitions will come through this year. That should ensure growth in profits, even off the present high base

More important, though, is Prempharm's positioning in the market As the *FM* has argued before (*Leaders*, January 28), by focusing on generics and over-the-counter medicines, the group appears to have chosen the most likely growth areas of the future Coupled with its relatively low exposure to the distribution business, Prempharm should be able to weather any disruptions in the market or changes to heath-care policy, perhaps better than its competitors

On a p e of 24,7, the share must be considered expensive One also wonders if the appreciation of 35% can be sustained Still, while there may be few compelling arguments for investment now in the pharmaceutical sector, Prempharm should continue to show steady growth *Shaun Harris*

Pik opposes cutting Sasol, Mossgas benefits

BDay 1/9/94

TIM COHEN

CAPE TOWN — Mineral and Energy Affairs Minister Pik Botha yesterday opposed cutting "tariff protection" provided to Sasol and Mossgas.

Although government was examining the system of tariff protection of the synfuels industry, Botha said Sasol sold R4,5bn of fuel yearly and importing this would seriously damage foreign exchange reserves. It was thus impossible to cut the 9,4c/l "equalisation fund levy" on petrol.

Speaking during the mineral and energy affairs debate in the Senate, Botha said oil companies wanted to deregulate fuel prices, saying it would lead to cheaper petrol.

But the effect on small concerns and the number of jobs lost would have to be taken into account, he said.

The Motor Vehicle Accident Fund required R3bn to be on a sound footing. He promised not to raise petrol prices to make up the shortfall.

Cabinet had decided last year against shutting Mossgas which got "synlevy compensation" and tariff protection of about R379m in this financial year.

Answering a question by DP MP Kobus Jordaan, Botha said the total cost of Mossgas at December last year amounted to R11,1bn.

Government did not intend closing down the project which had a positive cash flow, forecast as R455m for the current financial year.

The positive cash flow included "synlevy compensation" of about R139m and tariff protection of about R240m. But it excluded capital expenditure and finance costs and repayments on foreign loans financed by the Central Energy Fund.

In accordance with the recommendation of the joint committee on public accounts, no further money was to be invested in the project without a comprehensive investigation.

Sapa reports Botha said an additional R2,5m would be allocated to reconstruction and development programmes Electrification was the most important project of the RDP and "the electricity supply industry must be restructured"

"There are 1 000 or more different electricity tariffs operating in this country, and more than 300 suppliers of electricity." (183)

His ministry was geared to "initiate the electrification projects of the RDP", Botha said.

Reuter reports that he said his department would survey mines to determine which were marginal "so we can have a picture of their life span". This was to prevent retrenchment.

Eglin rejects MPs' resignation clause

Political Staff

CAPE TOWN — Government did not intend scrapping the clause in the constitution under which MPs would lose their seats if they left their party, Constitutional Development Minister Roelf Meyer said yesterday

He suggested in the National Assembly that the question should be reconsidered by the Constitutional Assembly But this was rejected by DP MP Colin Eglin, who said the clause affected the present constitution, not the future one.

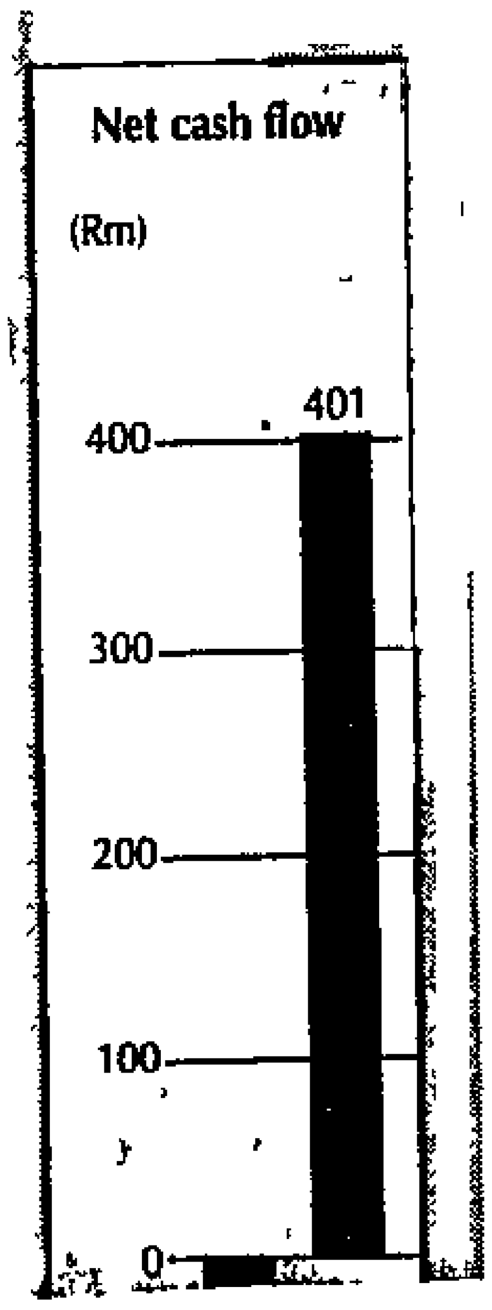
He said the clause violated the Charter of Fundamental Rights which guaranteed freedom of association and the freedom to make political choices.

"This clause, which requires members of Parliament to toe the party line and to submit to the authority of the party bosses, violates the whole spirit of openness, of freedom of expression, of transparency which is the hallmark of the new constitution.

He said it meant no party political changes would take place in Parliament for the next five years.

Ken Andrew (DP) said it had to be decided whether MPs were representatives of the people or delegates of parties, whether the people would govern or the parties would govern

Meyer said the rule was appropriate to SA's system of pure proportional representation.



Restructuring of govt 'needs political solution'

BDay 1/9/94

DAVID GREYBE

CAPE TOWN — Senior government officials told Parliament yesterday only a political solution could resolve the crisis over restructuring government at national and provincial levels, including the allocation of powers.

ANC MPs said they wanted to play a role but Constitutional Development director-general Neil Barnard said the process should be left to Cabinet, his Minister Roelf Meyer and the newly established intergovernmental forum made up by national and provincial premiers and ministers.

Select committee chairman Pravin Gordhan said after the committee met a "big tussle" was looming. Members mandated Gordhan to meet Meyer and other stakeholders before the next meeting.

ANC MP Salie Manie said unless new "overarching" legislation was passed to take charge of the process, "this process is going to blow up in our faces".

Barnard warned against introducing new laws. He said there was a long tradition in SA which had proved "laws do not take people along" or change attitudes

Ian Robson, one of five members of the Public Service Commission, said political leaders would have to step in and decide, in terms of the constitution, which powers belonged where.

Robson said only two phases — the creation by legislation of a single public service and the allocation of powers to provinces — had largely been completed. What remained was the task of "refining" activities at national and provincial levels, identifying which powers belonged at what level of government.

According to a lengthy "administrative, not political" document on the proposed allocation of functions, only four — local government, traditional authorities, works and environmental conservation — were earmarked exclusively for the provinces

The rest had to be shared, according to the proposals. Some of the concurrent powers listed were agriculture, constitutional development, culture, education, finance and health.

Powers to be administered exclusively at national level included defence, energy affairs and foreign affairs

Robson conceded the proposals were politically sensitive and could lead to clashes between stakeholders, which was why political consensus was necessary. He urged stakeholders to begin a consensus-seeking process, as without it the Public Service Commission's work was "very difficult".

Provincial government commission chairman Thozamile Botha said central government allocated funds to provinces only after functions had been agreed on and assigned to them.

However, some provinces had not even passed an Exchequer Act and were therefore not eligible for funds.

Monthly fuel price change on the cards

S1 Times [...]

By CIARAN RYAN

PETROL prices will be adjusted on the first Wednesday of every month if proposals by the National Economic Forum's Liquid Fuels Task Group are accepted by the government.

"Draft confidential" NEF minutes dated September 2 say the prices will be fixed each month by a new administrative body that should be "squeaky clean" and have no contractual links with the oil companies or Sasol.

The scheme has been proposed as an interim measure to be reviewed after three months, after which the possibility of announcing more frequent increases will be investigated. The minimum price adjustment will be 1c/l.

Energy Minister Pik Botha is expected to table the proposals soon for a decision by the Cabinet.

Government intends that the new "interim external price mechanism" will spare it the political embarrassment of having to announce large petrol price increases.

Prices will rise and fall in line with movements in the exchange rate and the international oil price, but all of the existing regulatory structures remain in place.

The new proposals are likely to cause a major row as recommendations by the Competition Board that resale price maintenance be phased out as soon as possible have been ignored.

"Where does the consumer feature in these plans?" asks Pierre Brooks, chairman of the Competition Board.

"The government should be representing the interests of the consumer and the poor of this country, yet it seems this has been overlooked." 11/9/94

Gareth Ackerman, Pick 'n Pay's joint managing director, says he may consider breaking ranks by offering discounted petrol.

"This scheme looks like another dinosaur and I don't believe it will work. We will consider our position carefully." (Buss)

The NEF minutes say that the in-bond landed cost, or IBLC, the mechanism used for determining South Africa's basic fuel price, should change its name. Preferred options are Basic Fuel Price or SA Basic Price for Petroleum products.

Also agreed by the NEF is that the current IBLC, calculated on 80% posted (or offer) prices and 20% spot (traded prices) "would be used to calculate an import parity price for SA controlled products."

All other aspects of the June NEF agreement, still secret although the NEF indicated on Friday that it would be released to Business Times, "would remain unchanged" (183)

The NEF minutes say that in the interests of transparency, the media will be issued with daily price graphs showing oil price and currency movements and their effect on the so-called slate, which reflects the over- or under-recovery of fuel costs.

The cost implications of the "squeaky clean" pricing administrative body still have to be addressed and the government has raised the cost implications of an administrative body not located within the public sector.

"Business indicated that this matter could be negotiated," the minutes say

CONSIDERING FUELISH OPTIONS Pik Botha, Minister for Energy Affairs

Oil policy holds up R10bn project

S1 Times (Buss)

By KEVIN DAVIE

SOUTH Africa's tightly controlled fuel market has been identified as a potential stumbling block by investors keen to develop a R10-billion refinery and petrochemicals complex in the country.

Preliminary estimates suggest the investment could create tens of thousands of jobs and add as much as 8% to gross domestic product.

A consortium of investors from Taiwan, including the giant state-owned Chinese Petroleum Corporation (CPC), has identified South Africa as a suitable home for a refinery with a capacity of up to 300 000 barrels a day and for a petrochemicals complex. The complex will export fuel to Africa and midstream and downstream chemicals, mainly to Europe.

Richards Bay was identified as a first-choice site by the potential investors, but other options include upgrading capacity in the Durban area or converting Mossgas into a conventional refinery and petrochemicals complex.

Likely partners in the joint venture would be the government and SA private-sector companies.

A CPC-led delegation met Energy Minister Pik Botha and Central Energy Fund chairman Roy Pithey last week. A joint South Africa-Taiwan task force has been set up to conduct feasibility studies into a refinery of not less than 130 000 barrels a day plus a petrochemicals complex. (183)

Mr Pithey says South Africa's regulated fuel market has been identified by the delegation as a potential problem. He says CPC would want to sell fuel and plastic feedstocks at competitive prices in South Africa. 11/9/94

CPC's mission statement is that it provides inputs for industry at world prices. Mr Pithey says this policy is important if the economy is to get the full job-creation potential from downstream investment.

Taiwan's refineries have come under pressure from environmentalists to clean up their act and government has embarked on a major clean-up programme as part of its economic planning.

'No petrol rise to bail out fund'

Star 1/9/94

Cape Town — The Government would not increase the price of petrol to bail out the Motor Vehicle Accidents Fund, Mineral and Energy Affairs Minister Pik Botha said yesterday

The fund needed R3 billion to get on a sound footing but he was not prepared to put up the price, Botha said.

The oil companies wanted to deregulate the fuel price, saying it would lead to cheaper petrol, but it would also mean difficulty for many small concerns

"What happens to the jobs of 30 000 petrol pump attendants?"

His ministry would not cut the subsidy and the 9,4 c/litre Equalisation Fund levy on petrol which allowed Sasol and Mossgas to operate

183 ~~244~~

Sasol sold fuel worth some R4,5 billion a year and importing that amount would seriously damage foreign exchange reserves Sasol and Mossgas gave direct or indirect employment to 160 000 South Africans — Sapa

New fuel price plan not mine, says Pik

PRETORIA — The Minister of Mineral and Energy Affairs, Mr Pik Botha, yesterday denied that a proposed interim external price mechanism for fuel was his plan (183) ~~(244)~~

Responding to a Business Times article, Mr Botha said the price mechanism plan was a recommendation by the Liquid Fuels Industry Task Force of the National Economic Forum The plan had involved all major stakeholders in the fuel industry, including consumers

The cabinet had not even considered the plan yet, Mr Botha said CT 12/9/94

He said he would have thought the plan would be welcomed, rather than be regarded as "Cuba-economics" — Sapa

BUSINESS DAY, Wednesday, September 7 1994

Golding calls for public debate on nuclear power

ADRIAN HADLAND

CAPE TOWN — Fundamental changes were imperative to SA's mining and energy policies, Mining and Energy standing committee chairman Marcel Golding told Parliament yesterday.

Speaking on the Mineral and Energy Department budget, Golding called for public debate on "the entire question of nuclear power" and for a radical shift in the priorities of Minister Pik Botha's department.

The department's budget did not "reflect the primary goals of where we should be going", Golding said.

He called for an urgent inquiry into the affairs of the Atomic Energy Corporation, saying all three of its plants — conversion, enrichment and fuel fabrication — were losing money.

While the global enrichment uranium capacity exceeded demand by 60% for the next 15 years, nuclear fuel procured from the AEC was 30% above the world market price, which affected the domestic electricity consumer

Golding said the department had cut its support to mines from R41m to R31m and this had "no rational basis". Although government had no intention of pouring money into unfeasible mines, it was necessary to have a targeted assistance programme to aid mines that complied with the criteria, he said.

Legislation was required to limit the social effect of closing mines and the subsequent loss of jobs

"Mining towns will become ghost towns if we do not plan adequately for the eventual closure of mines"

A new Health and Safety Bill should also be launched following the publication of the Leon Commission report in December, Golding said.

He called on the commission to begin its second phase of investigation into compensation for miners

On the petroleum industry, Golding said the free flow of commercial information on the oil and fuel industries, and the depoliticisation of the pricing process, would help to "change the climate".

Sapa reports Mineral and Energy Affairs Minister Pik Botha told Parliament yesterday that since 1990 the Atomic Energy Corporation had been able to turn itself from a fully state-funded parastatal to a commercially driven organisation.

Replying to his Budget debate, he said, "The government contribution to the AEC has dropped by R576m since 1990. A decline of R150m in government funding to the AEC is planned in the next five years"

He added that in the first four months of the current financial year Mossgas had shown an operating surplus of R69m. It had saved the country more than R1bn in foreign exchange.

Before the government put any more money into Mossgas, a complete survey, to be independently verified, would be undertaken, and only if it could be proved investment was justified would the money be spent, Botha said.

The liquid fuels industry had agreed on a mechanism "outside of government that will control the price of fuel in a transparent way"

The proposal would be taken to Cabinet as soon as possible, he said

"Why should the government get the blame when the rand-dollar exchange rate drops? Why should the government get blamed when there is an increase in the price of crude?"

The new body, if approved, would be able to make automatic adjustments to the petrol price as the need arose.

(65)183

Deregulating the fuel price would bring the petrol price down for a short while, but would lead to many small operations closing down and up to 30 000 pump attendants losing their jobs before the fuel price had to be reregulated again.

BUSINESS DAY, Monday, September 26 1994

AECI workers stay on strike

JACQUIE GOLDING

183

WORKERS at AECI's Modderfontein factory outside Johannesburg would not return to work because management would not agree to a R500 "danger pay" demand, the SA Chemical Workers' Union (Sacwu) said yesterday.

AECI communications manager Michael Blizzard said management did not believe it placed workers in danger.

Sacwu spokesman Tshepang Mika said management had agreed to separate the packaging and cartridge houses at the plant, but this was "not good enough".

Sasol to focus on boosting group's chemicals division

MUNGO SOGGOT

PETROCHEMICALS producer Sasol hoped to boost its chemicals division's turnover so it would contribute about half of the group's total operating profit by 2000, the company said.

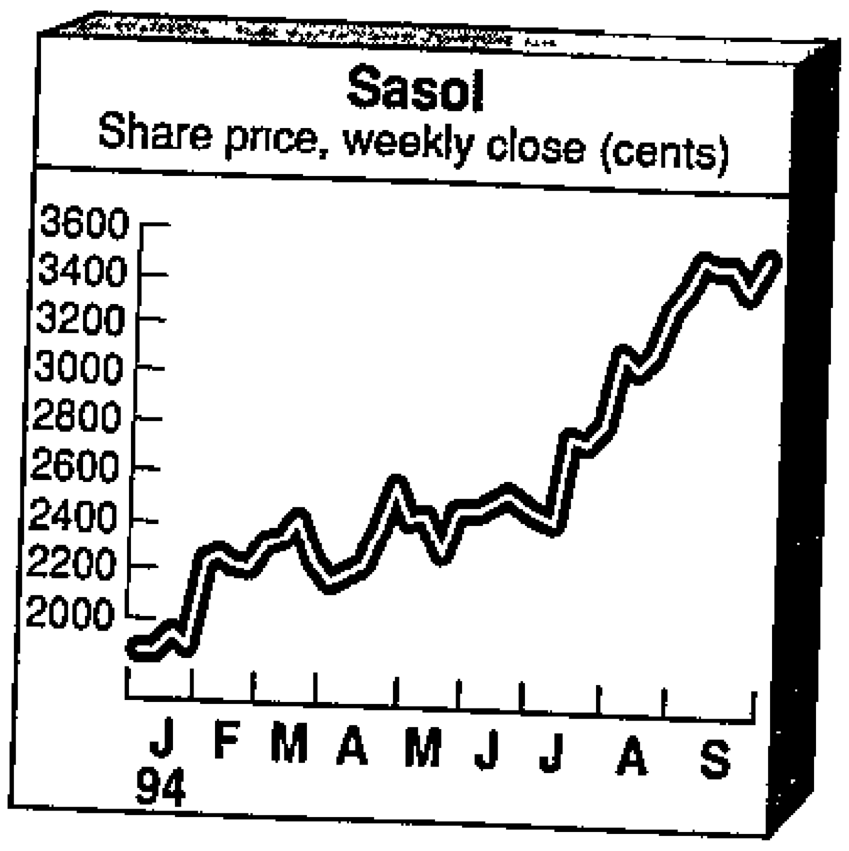
A spokesman said the increased contribution from the chemicals division would come from Sasol itself and from Polifin — the joint venture with chemicals group AECI in which Sasol has a 60% stake

The spokesman said Sasol hoped to expand the division's operating profit to equal that of its synfuel operations, depending on international market prices and demand

The company said the chemical division's turnover could grow one-third this year as long as international chemical prices continued to strengthen (183)

Management was taking an optimistic view of world prices, he said

Sasol's chemical industries were likely to show improved operating profit in the coming financial year because of the first contribution of its alpha olefins, improved results from its explosives and fertiliser businesses, the fruits of its cost containment programme, and an improved contribution from Polifin



Polifin combines Sasol's monomer and polymer businesses with AECI's plastics and chlor-alkali businesses

Sasol deputy chairman Paul Kruger said last week Polifin would be listed on the JSE in 1995

In the medium term, the division was set to benefit from an upswing in the world petrochemical price cycle and the growing southern African markets which would cut offshore exports

In 1996 Sasol would convert its PVC facilities to ethylene which would translate into an operating cost saving of R140m a year

Sasol hoped the long-term prospects for the division would improve through increased recovery of petrochemicals from the coal to synfuel conversion process

Sasol currently recovered 23% of the synfuels which could be used for petrochemicals.

The division would also benefit from the commissioning of new plants — for acrylonite, alkylamines and increased PVC capacity, as well as further beneficiation including the production of speciality waxes

Sasol reported a 14,9% increase in attributable income to R1,5bn for the year to June, compared with R1,3bn last year

Earnings a share were 264,2c (230,3c) The final dividend was unchanged at 48c a share bringing the total for the year to 90c (86c)

The company said the jump in earnings stemmed mainly from improved exports

FOCUS

Mossgas seeks to extend its mileage

Mossgas, the white elephant of PW Botha's total strategy delusions, has formulated a strategy to improve profits and survive, reports KEVIN DAVIE.

MOSSGAS is ready to bust the fuel cartel

The embattled synthetic fuel producer has told Engen and other oil companies which intend shutting garages it would like to have the addresses of the threatened service staions

"We're quite happy to break the cartel by supplying fuel to these sites," says John Theo, Mossgas's MD

Mr Theo explains that Mossgas could increase its revenue by between R300-million and R400-million a year if it could bypass the fuel distribution cartel

Mossgas is paid 9c/*l* less than the in-bond landed cost (IBLC), the controversial mechanism used for determining basic fuel prices

As it does not sell directly to the public it also does not receive the wholesale margin of 14,5c/*l*

Mr Theo says that if Mossgas got just 3c/*l* more for its fuel for supplying "uneconomic" garages threatened with closure, it would benefit Mossgas

Mossgas has also told the taxi industry that it is keen to supply its 25 fuel installations to which government agreed after the intervention of Deputy President Thabo Mbeki

Mr Theo says Mossgas, which is not a signatory to the industry's Ratplan, is keen to open its own service station network, particularly in the southern Cape

He says that as Mossgas supplies 10% of the fuel market, it should be entitled to operate about 460 service stations

Mr Theo believes Mossgas could eventually develop about 600 stations at a cost of about R700-million

The incentive for Mossgas to enter this market is the extra R400-million in revenue which it expects to receive

The service stations can be paid off in just two years, and the profits in future years can be used by Mossgas to ensure long-term survival

Mr Theo rejects oil industry suggestions that Mossgas cannot be allowed into free competition with the industry because of the subsidies it has received.

He says the IBLC, which artificially inflates the true landed cost of fuel, has acted as a multibillion rand subsidy for the fuel industry

The oil industry accepts that 9c/*l* less than IBLC is a fair price for Mossgas product But if the entire fuel market was set at this price the consumer would save about R1,35-billion a year

Mossgas says oil companies have been well treated during the sanctions years It has guaranteed returns based on the replacement value of assets

Oil companies get markedly higher levels of profit than their international competitors, says Mossgas

Management admits the R11-billion project cannot be commercially justified It can now be left to run until gas supplies are depleted in two or three years, or a rescue plan can be put together

Mr Theo says such a plan is being formulated and costed The intention is that all costs will be disclosed to Parliament where a decision will have to be made on whether new expenditure is justified

The feasibility studies are being costed at market prices and Mr Theo says there will be no hidden costs for the account of the motorist or taxpayer

Mossgas's options are to develop a second gas field at a price of R600-million, convert to a crude oil refinery (with private sector partners) at a cost of about R3-billion, and/or facilitate the development of a multibillion rand petrochemicals complex at Mossgas

The development of the second gas field, part of the original project plan, will extend the life of the gas fields to the year 2001 and save foreign exchange of R1-billion a year

Mr Theo says that at current oil prices ($14,50 a barrel), which he expects to remain at this level until the turn of the century, Mossgas will generate sufficient cash to maintain itself and fund the second gas field

It has the agreement of the oil industry to begin increasing its exports after November and says that it can earn R200-million a year above the "African netback" prices the oil industry now pays for Mossgas fuel

"African netback" is an export parity price which is discounted by the notional cost of shipping fuel to African markets

Government tops Mossgas revenue from the equalisation fund with "synthetic levy" payments (R123-million last year) to compensate for the gap between African netback and IBLC

Oil companies uplift Mossgas product at a discount as Mossgas fuel displaced fuel from conventional refineries when Mossgas came on stream

But Mossgas says this rule should no longer apply the domestic market has grown by more than the 30 000 barrels a day which Mossgas has produced since it came on stream in 1992

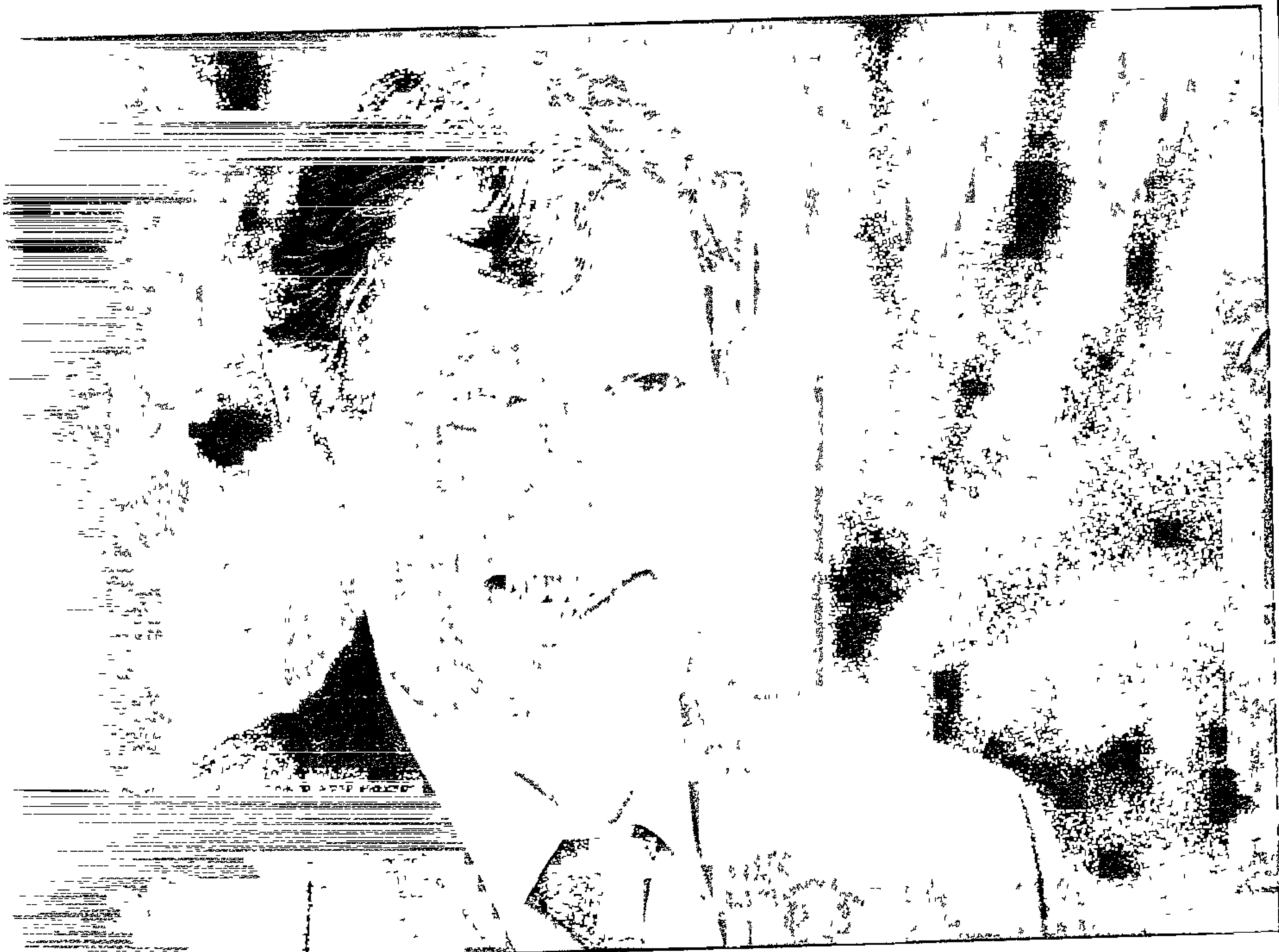
Another possibility for Mossgas is to develop a methanol plant at a cost of about R300-million

Mossgas showed an operating surplus of R86-million (without subsidies) during the first five months of this financial year (183)

It expects with tariff payments and the synlevy to show a R450-million surplus, enough to meet interest payments of about R400-million on loans

Mossgas management has held discussions with Taiwan's Chinese Petroleum Corporation (CPC) on the possibility of a joint venture in refining and petrochemicals at Mossgas.

"Any future projects planned by Mossgas will be economically viable and not dependent on state support," says Mr Theo



THAN HOT AIR John Theo, Mossgas managing director, who wants to break into the market by supplying threatened garages

Stock shortages squeeze plastics manufacturers

MICK COLLINS

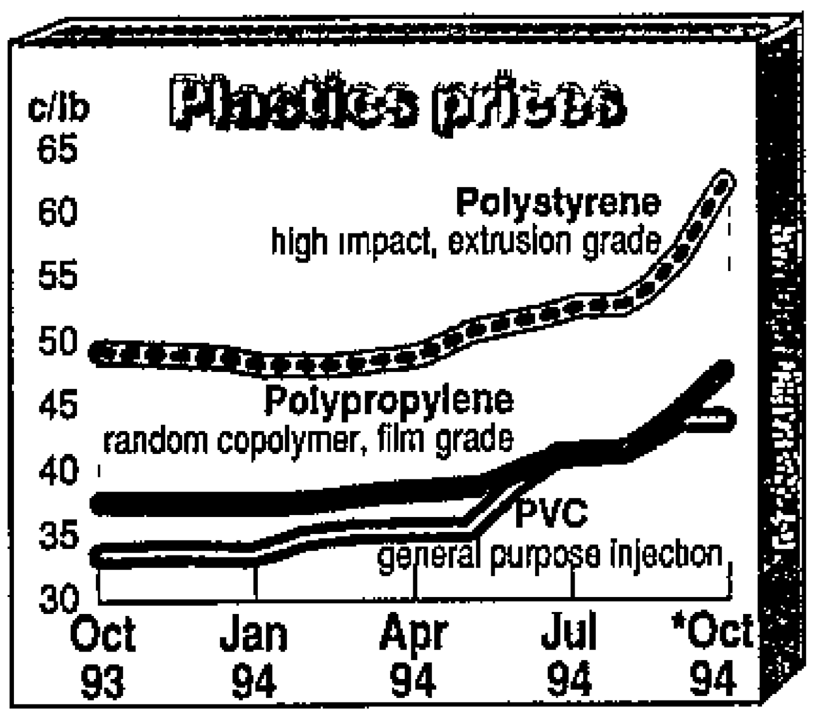
A SHORTAGE of raw materials for plastics manufacture has forced prices up 40% since the beginning of the year, threatening the local industry with closures and heavy job losses

Market sources said yesterday that huge demand from the Far East and the US had all but depleted stocks, while four price increases for polyethylene, polypropylene, polystyrene and PVC had been announced since January

SA's sole producer of low-density polyethylene — the Sasol/AECI joint venture Polifin — warned last week that supplies would be rationed

Some manufacturers said the system was unfair as it favoured certain Polifin customers The move would lead to factory closures and job losses, they said

One plastics converter said Polifin's supply system would "put the SA industry in a shambles"



"The customers who have been supporting them are being fully supplied, while we are only getting 70% (of requirements) It's a monopoly wielding a big stick"

Polifin CE Pieter Cox said the company had taken a historical view of customers' needs in designing the rationing system

"But that does not mean that we don't cater for new customers We are selling all of our production into the local market"

In the past month there had been a major change in the world supply/demand position, which had seen some users stocking up

As with other commodities PVC was now coming out of a trough and prices had risen in the past year

"Polifin's PVC price is lower than international prices

183

"Imported prices inland are running at around R4 000 a ton while Polifin sells for R3 300 a ton

"There has been a slight local price increase — we cannot ignore international trends"

Another converter said all converters were facing a lack of stock

"It is tight now but will become critical over the next few months

"Polifin indicated a 4% price increase to customers about six weeks ago What Polifin didn't tell everybody was that there was going to be a horrific stock shortage"

He added that Polifin "knew there was going to be a stock shortage a long time ago and should have told customers of this looming crisis"

63 gas workers appear in court

Staff Reporter (183) ARG 15/9/94

SIXTY-THREE Cape Gas workers who allegedly stormed Woodstock premises during industrial action have appeared in the Cape Town Magistrate's Court in connection with intimidation

One of them, Gamalake Albert Ketani, of Langa, also appeared in connection with a charge of attempted murder during a strike incident on August 25. He was released on R200 bail.

The workers, members of the Chemical Workers Union, from Langa, Khayelitsha, Guguletu, Crossroads, Philippi and Nyanga East, were not asked to plead and no charges were put to them They have been released on warnings.

Workers were arrested on August 25 for allegedly assaulting people with sticks, sjamboks and iron bars in defiance of a Supreme Court interdict ordering them to stay off the company's premises.

Magistrate Amanda Lucas postponed the case to October 5 for further investigation L Augustyn appeared for the State

Seven killed in factory explosion

Sowetan 15/9/94

■ AECI BLAST Full investigation into tragedy will be launched today:

Sowetan Correspondent

SEVEN MEN were killed when a powerful blast rocked the AECI explosives factory in Modderfontein, near Kempton Park, yesterday.

There were no other casualties.

AECI group communications manager Mr Michael Blizzard said the explosion occurred at 4.43pm in the nitroglycerine packaging area where explosives are made, primarily for the coal mining industry.

A preliminary internal investigation began soon after the blast but a full probe would be launched today.

"The incident will be investigated fully by the Director Occupational Health (Explosives) and Safety, a Government authority who is a chief inspector of explosives.

(183)

"We sincerely regret the loss of life," Blizzard said, adding the company was not in a position to release names of the deceased until their next of kin had been informed

Blizzard said manufacturing at the five "houses" in the plant area was stopped after the explosion, "as a precautionary measure and as procedure" and it was unlikely to resume today.

The explosion totally destroyed the packaging building. However, damage to surrounding buildings had been "minimal". The area was structured in such a way that, should an explosion take place, it is contained.

Explosives

"Productions houses are far from each other. The distances vary depending on the number of explosives that are being handled," said AECI managing director Dr Vernon Liddiard.

There had been no fire and no danger to other buildings.

Blizzard said the last fatalities had occurred in February 1974 in that particular manufacturing area when five workers were killed.

The last deaths at the factory had occurred in February when three people died in a different part of the plant.

HICKSON CHEMICALS

Change of thinking

FM 16/9/94

Activities: *Makes, supplies and distributes chemicals*

Control: *Hickson International Plc 80%*

Chairman: *B W Murray*

Capital structure: *64,1m ords Market capitalisation R51,3m*

Share market: *Price 80c Yields 3,6% on dividend, 8,9% on earnings, p e ratio, 11,3, cover, 2,5 12-month high, 80c, low, 35c Trading volume last quarter, 12 300 shares*

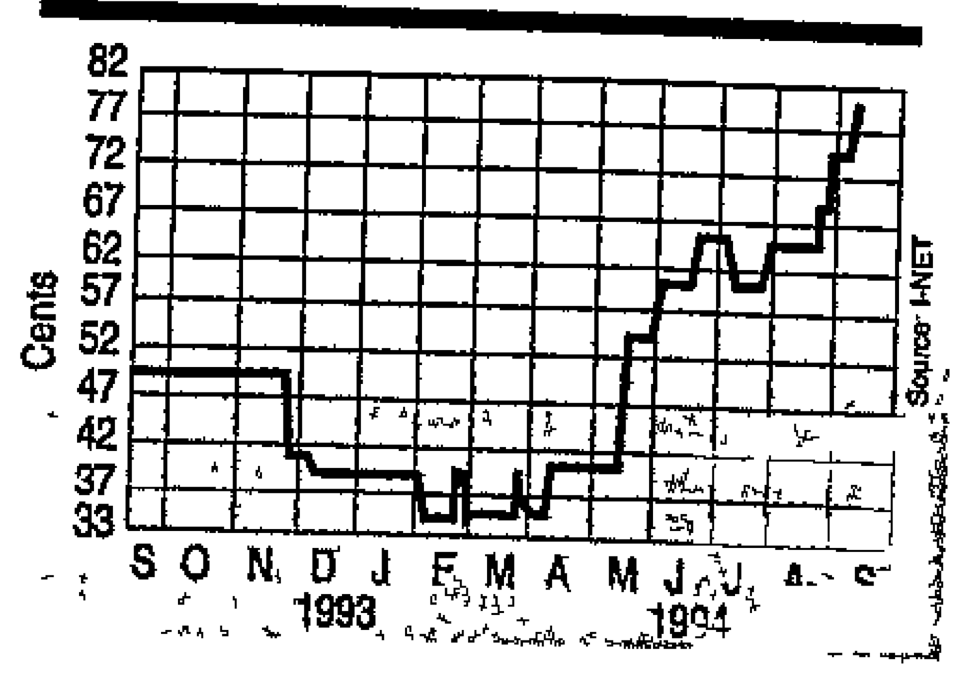
Year to December 31	'90	'91	'92	'93
ST debt (Rm)	5,2	16,2	4,0	9,2
LT debt (Rm)	1,1	0,4	0,02	nil
Debt equity ratio	0,26	0,61	0,12	0,24
Shareholders' interest	0,42	0,42	0,54	0,52
Int & leasing cover	5,2	2,6	2,2	7,7
Return on cap (%)	15,9	10,7	9,0	8,5
Turnover (Rm)	86,3	89,1	83,8	87,6
Pre-int profit (Rm)	9,2	6,9	5,7	6,1
Pre-int margin (%)	10,7	7,7	6,9	6,9
Earnings (c)	11,6	9,5	6,5	7,1
Dividends (c)	3,75	3,25	1,25	2,30
Tangible NAV (c)	60	67	54	58

The experience of Hickson Chemicals shows that there's nothing quite like the disapproval of the market to concentrate and improve corporate strategy. (183)

Originally Manro (the name was changed in July 1993), and founded and listed in 1987, the company has consistently underperformed in its sector and has traded at a substantial discount to its NAV That is, until a few months ago when the share began its climb, more than doubling to a high of 80c

Much was done during the year to refocus trading around the core businesses The relocation of the New Germany factory to Wynberg is now complete, as is the expanded speciality chemicals plant The New Germany property has been sold and the Natal operation, which now consists of warehousing, technical service laboratories

Hickson Chemicals



COMPANIES

FM 16/9/94

and a sales office, has been moved to Pinetown (183)

On the Chemtech side, three new plants for the production of a copper hydroxide fungicide, copper oxide and high purity arsenic pentoxide were built and successfully commissioned, production of noncore ferrous/ferric oxides was discontinued

Essentially, Hickson supplies the detergent and toiletries industries with raw materials, makes high purity copper sulphate, CCA timber treatment and copper oxychloride fungicide, and supplies speciality chemicals to the paint, paper and textile industries

Trading improved in the performance products division during the second half of 1993. Chairman Bruce Murray attributes this to higher demand for the surfactant product range in the detergent and personal care industries and an increase in speciality chemical sales to pulp and paper and surface coating industries Sales in the Chemtech division improved substantially on the previous year through increased exports of copper fungicides and timber preservatives

Group sales for 1993 rose 5% to R87,6m and operating income grew at a slightly lower rate to R6,1m Thanks to a drop in finance costs to R770 000 (1992 R2,7m) and a lower tax charge, earnings jumped 71% to R4,6m EPS rose 10% as issued capital had increased

Better trading and capex placed pressure on cash flow Gearing remains conservative at 24% (12%)

The first half of 1994 has been encouraging, with sales in the six months to June up 15% Overhead cost increases were contained below the inflation rate and operating profit was up 27% The better performance usually comes in the second half Full-year earnings should also be helped by rationalisation benefits and the broadening of the local product base

On an historical p e of 11,3 and dividend yield of 3,6%, the counter is still rated below the sector averages of 16,3 and 2,9% It's worth watching

Marylou Greig

Roychem acquires stakes in Medhold, Prempharm

BDay 16/9/94

(183)

BEATRIX PAYNE

CASH shell Roychem had acquired about 80% of medical supplies group Medhold and roughly 5% of pharmaceutical group Premier Pharmaceuticals (Prempharm), corporate financiers Price Waterhouse Meyernel said yesterday.

The group acquired roughly 5% of the Krok family's shareholding in Prempharm for R108m which would be paid in cash and shares The financiers said the group may increase its holding in Prempharm to 20%.

The group had acquired roughly 80% of offshore holding company Element's share in Medhold in exchange for 6,4-million shares in Roychem

The group said it intended to hold a "balanced portfolio of investments focused on health care and consumer products for the mass market"

The acquisitions would see earnings a share for the year to April 1994 rise to 10c from 8,6c when the group was just a cash shell It was also expected to boost the share price from R1,15 a share when it was suspended from the JSE in May to R1,50

The share was suspended in May after the group became a cash shell

JSE operations director Niel Carter said the JSE would review the group's announcement before it made a decision on relisting

The financiers said Medhold would be restructured to move into niche markets with high consumer growth The company makes medical supplies and hospital equipment

The group was set to acquire six additional companies involved in traditional African medicines, beauty products and emergency equipment

The restructured company would benefit from government's attempts to improve the supply of health care and upgrade facilities

Medhold's broad portfolio would enable the group to expand and through acquisitions achieve a "substantial market capitalisation"

After the ~~restructuring the~~ group would have a market capitalisation of R190m Medhold would remain listed on the JSE to provide investors with the choice of investing in a "young aggressive company"

Investors looking for a more balanced investment in the health care sector could buy shares in Roychem and take advantage of the stability offered by the group's share in Prempharm, the financiers said

The 5% share in Prempharm would contribute about 38% to the group's earnings but represented the major underlying value of the group

Roychem had been given until today by the Securities Regulation Panel (SRP) to give details of its acquisitions to shareholders

It was suspended from the JSE in May and was due to provide shareholders with details of its acqusition plans in late July but the SRP relaxed the deadline after majority shareholder Abe Krok said the negotiations had been protracted

Industry call for Sasol unbundling

BDay 16/9/94

CAPE TOWN — Sasol should be unbundled so its oil division could operate on an equal footing with other oil firms, SA Petroleum Industry Association chairman John Drake said.

He told the parliamentary mineral and energy affairs committee that this would remove tensions between Sasol and other oil firms and clear the way for Sasol to join his association, established recently to represent industry interests.

Drake said Sasol wanted to enter the retail market but the industry was against this unless it hived off its synthetic fuels operations, which he said received a subsidy of R1,5bn a year although the company was highly profitable.

Sasol argues that it does not receive a subsidy but enjoys relatively moderate tariff protection in the same way as many other local manufacturing industries.

Drake also said SA could easily cut its strategic oil reserves from seven to three months' supply and use the proceeds for development Most countries had only a two- to three-month strategic stockpile

He said consideration should be given to allowing the private sector to manage the strategic reserves.

The oil industry would also like to be able to use the substantial storage facilities of the state strategic fuel fund which manages the reserves.

The National Economic Forum was examining ways in which the industry could be deregulated, but he doubted that it would ever be completely deregulated

This was because of fears of job losses in service stations if they moved to a self-service system and smaller and less viable service stations closed in the face of competition from large outlets.

Plans to introduce a monthly fuel price review would make the public more aware of factors affecting pricing, BP SA manufacturing supply manager Richard Feinberg told the committee

He said the aim would be to make the pricing mechanism more transparent "and show that it is not manipulated" by the oil industry

It would remove confusion about fuel pricing, said Feinberg, who is the SA Petroleum Industry Association representative on the National Economic Forum, which has recommended the monthly fuel price review to the Cabinet

(183)

He said the fuel price changed daily depending on movements in the price of oil and exchange rates.

A slate was kept of the changes and when the real price was "too much out of kilter" with the set price, fuel prices were increase or decreased.

"But the public is not in touch with what is happening," Feinberg said.

It was therefore proposed that fuel prices be published daily, reflecting both exchange rate movements and the price of oil. — Reuter.

Visiting experts impressed with petro-chemical plant's potential

Taiwan may give Mossgas a boost

ARG 17/9/94 183

WILLEM STEENKAMP
Weekend Argus Reporter

■ A high-powered delegation from Taiwan has shown a keen interest in becoming involved in the petro-chemical industry in South Africa, which could result in investments of billions of dollars.

AUTHORITIES at the Mossgas project near Mossel Bay believe the controversial plant is poised to become the new hub of the petro-chemical industry in the Western Cape with the potential of creating many new jobs with other financial spin-offs for the province

Official Mossgas spokesman Harry Hill said a high-powered delegation from Taiwan had recently visited Mossgas and had been highly impressed by the potential of the project

Mr Hill confirmed that representatives of the Chinese Petroleum Corporation, the Tunex Group and other Taiwanese petro-chemical companies had discussed the feasibility of establishing a petro-chemical industry in South Africa with the Central Energy Fund

Both groups agreed to pursue further investigations into the concept which could ultimately involve billions of dollars of investment.

Mr Hill said currently a feasibility study was also under way to investigate the redirection of Mossgas If viable, the Mossgas refinery may be adapted to refine crude oil on a large scale

Mr Hill believes that if this direction is taken the area could become the new growth-point for the petro-chemical industry in South Africa.

The Chinese Petroleum Corporation has indicated that if the results from the feasibility study on the redirection of Mossgas prove to be positive, it was ready to send a working group to South Africa for detailed inspections and discussions on future involvement

Mr Hill said that in spite of heavy critisism over the years, Mossgas experts have always believed the project was technically sound and it would ultimately become a national asset.

"The fact that the Chinese delegation was highly impressed with the plant and what we have achieved here, and has shown a keen interest in becoming more involved, supports our belief in the project."

Mr Hill said Mossgas was open to financial partnerships with international groups and would like to move in that direction

"We would obviously welcome investments in our industry. We believe international investments and partnerships would be in the interest of the country as a whole and would go hand in hand with the reconstruction and development programme

"If we should move to the refinery of crude oil, there could be numerous other commercial benefits, not the least being job creation"

Mr Hill said the feasibility study on the redirection of Mossgas should be completed within four months and that decisions could be expected once the findings had been studied and evaluated

Knives are out for Sasol in fuel battle

S1 Times (Buss)

By KEVIN DAVIE

SHELL, BP, Caltex and local partner Engen have launched an unprecedented attack on synthetic fuel producer Sasol.

The SA Petroleum Industry Association (Sapia), representing multinational and local refiners, says "You cannot have free competition while Sasol is receiving protection at R100-million a month."

Sapia chairman John Drake says Sasol's protection this year "is equal to the combined profits of the rest of the industry"

Sasol has hit back, accusing the oil industry of serving its own interests "We find it strange that they negotiate agreements in the National Economic Forum (NEF) on the one hand and continually attempt to harm Sasol on the other," says Sasol's Pat Davies

NEF sources say the oil industry's attack follows a breakdown in negotiations regarding the upliftment of fuel from Secunda.

Added tension comes from a dispute over who will supply the 25 proposed taxi fuel installations Sasol has developed a good working relationship with the taxi industry, but the oil industry sees this as a threat to a key market segment.

Mr Drake says according to Fortune 500, Sasol is one of the world's top 500 industrial companies by return on sales and assets

"Sasol is one of the most profitable companies in the world. We find it strange that it should need the protection of taxpayers and motorists."

Sasol says it was not even listed in the latest Fortune 500 It says Sasol Synthetic Fuels' return on assets is substantially lower than that of the oil companies

Mr Drake says if the NEF recommends it, "the crude oil refiners are amenable to scrapping resale price maintenance"

Mr Davies says "If Sapia is now advocating a rapid deregulation, this is not only contrary to (NEF) agreements, but would appear to serve their interests and not those of the country."

He says deregulation should allow garage owners to operate without undue influence from oil majors

Mr Drake says synfuel production may have to be isolated and provided with a subsidy to be able to break even. "With all competitors having equal obligations to buy synfuel production, true competition could begin."

Mr. Davies replies that synfuels tariff protection currently costs the motorist 6,5c/litre compared to oil companies' marketing margins which are 17,5c/litre.

Mr Drake says Sasol's history would give it an unfair advantage for years.

"It received billions of rands from motorists and taxpayers in protection since 1980" (183)

Among the advantages allowed to Sasol was that fuel companies were compelled to buy every drop of its production and it "therefore had the assurance of running at full capacity"

Mr Davies says Sasol was first to advocate deregulation but believes that this should be done in a phased and orderly manner to minimise loss of jobs

The fallout between Sasol and the oil industry has developed during the last two to three weeks

An August 15 document prepared by the business delegation in the NEF shows the oil industry and Sasol had agreed to a two-year phased deregulation to bring full competition to the fuel industry

The NEF decided in June that the oil industry and Sasol should have agreed by August 30 on a set of principles regarding upliftment and pricing arrangements from Secunda.

This has been a bilateral negotiation, the negotiators being required to report monthly to the NEF on their progress But the deadline has been passed without agreement being reached.

The two-year phased deregulation, agreed by the business delegation, is being resisted by the labour delegation, NEF sources say

The plan envisages a new pricing mechanism to apply for the duration of the deregulation process

It calls for finalisation of the new roles of the Strategic Fuel Fund and industry in crude procurement and the management of the strategic stockpile.

Renegotiated agreements between the oil industry and Sasol would then be implemented and a new upliftment agreement with Mossgas finalised. 18/9/94

The lifting of restrictions on self-service fuel stations, the elimination of the Ratplan, lifting of import control, the commercialisation of transport tariffs and, finally, the lifting of resale price maintenance, would follow

Mr Drake briefed the standing committee on Mineral and Energy Affairs this week

Mr Davies says Sasol will approach the committee to "attempt to rectify any misleading perceptions that may have been created by the oil companies regarding synfuel protection"

TAKING HEAT . Paul Kruger, managing director of 'super subsidised Sasol'

Lady Star for Finance Minister

FINANCE Minister-designate Chris Liebenberg will take over as Minister

Bring out the b
GSB Imme

Workers want danger pay following blast

CT 21/9/94

JOHANNESBURG — Staff at AECI's explosives plant, where eight people died in an explosion last week, have gone out on strike. (183)

Unions at Modderfontein are demanding the plant be certified safe by the Department of Labour and outside experts before they return to work. (121)

They also want danger pay of R500 a month and a one-time "anxiety payment" in compensation for last week's blast.

An AECI spokesman said the firm would comment later. — Sapa

Earnings up 15% to R1,55-bn

Highly successful year for Sasol

Star 21/9/94

BY CHARLOTTE MATHEWS

Sasol improved earnings 15 percent to R1,55 billion in the year to June after what chairman Joe Stegmann called a highly successful year

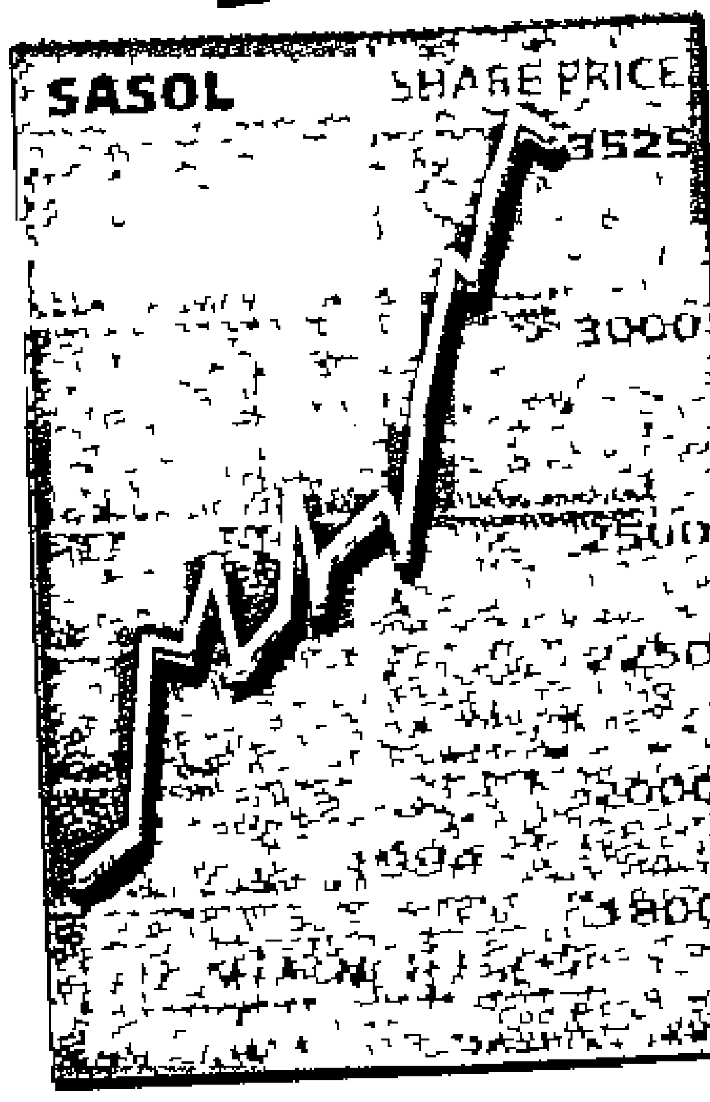
Turnover rose 11 percent to R9,8 billion, which included R1 billion of tariff protection, equivalent to 5,5c paid by motorists for a litre of petrol. Turnover was boosted by a 39 percent rise in exports by group companies to R770 million.

Operating income grew 29 percent to R2,5 billion and the interest bill declined to R76,7 million from R122,0 million previously

An increase in the tax bill to R912,5 million from R347,9 million, reflecting a rate of 37 percent from 19 percent in 1993, resulted from the exhaustion of all allowances on the Sasol Three project and the Syferfontein mine project.

Although a capitalisation award rather than a dividend is being offered, the tax rate has been calculated as if all shareholders chose the cash dividend.

To cushion the effects of the



tax rate increase, R50 million was transferred from the R100 million tax equalisation reserve

183

Earnings after the tax equalisation reserve transfer were 14,7 percent higher at 264,2c, but before the transfer were only 3 percent up at 255,4c.

A capitalisation award is being offered or a final cash dividend of 48c, unchanged from 1993, bringing the increase for the year to 4,7 percent, or 90c from 86c.

MD Paul Kruger said yesterday SA's tariff protection structure was unusual because its protection fell as the oil price fell.

In the past year Sasol Synfuels contributed nearly half of group operating income, equivalent to R1,2 billion The second-biggest contributor was Sasol Oil, at 20,5 percent, followed by Sasol Chemical Industries with 17,2 percent and Sasol Mining with a 14,4 percent

Stegmann said Polifin, the joint venture with AECI, had performed above budget and would be listed in 1995

A satisfactory profit improvement was likely in the current financial year as a result of a weaker rand — expected to average R3,65/dollar from R3,41 in the past year — and lower interest as the Sasol Three loan was repaid. Petrochemical prices were also showing signs of lifting from their historically low levels.

Sasol shares closed 40c higher at R35,15 yesterday and are on a P/E of 13,3, similar to Engen's but below AECI's 17. They have risen steeply since the beginning of July, when they were R24,50

Chemical exports fuel Sasol profit

BDay 2/9/94

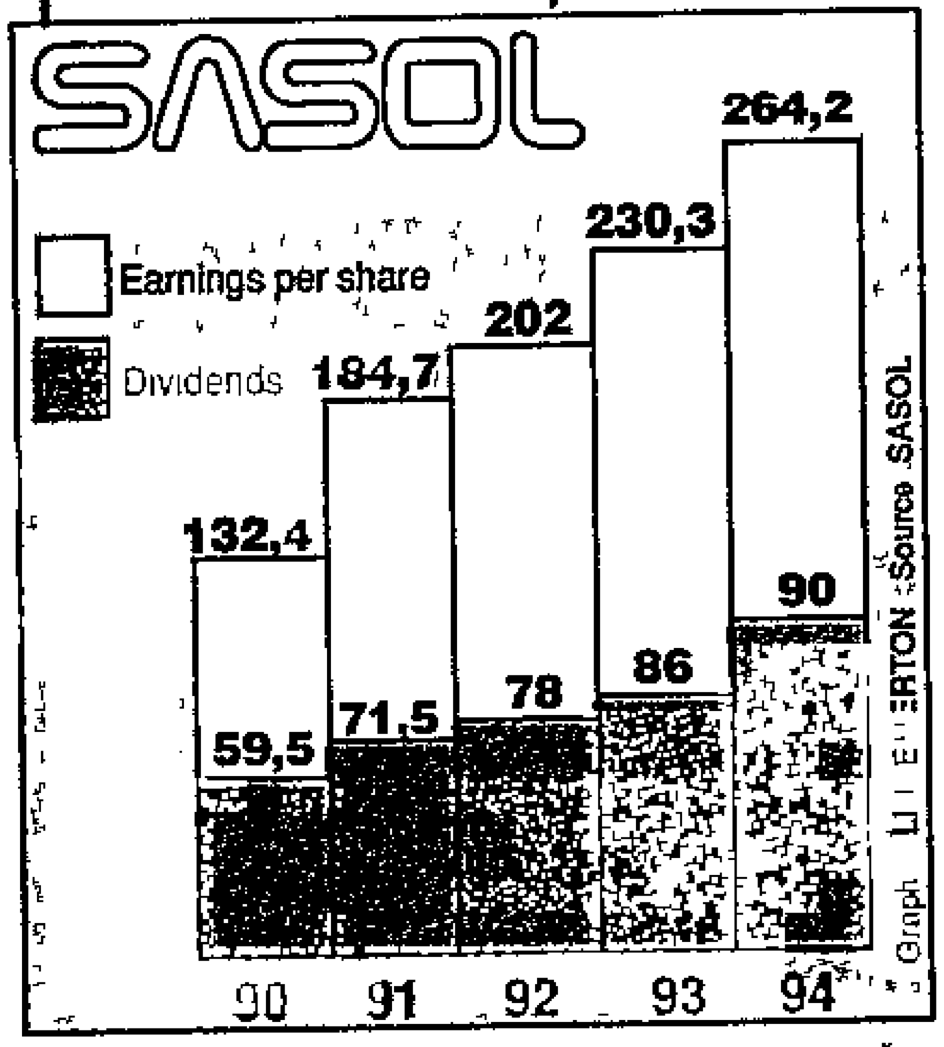
MICK COLLINS

PETROCHEMICALS company Sasol increased attributable profit 15% to R1,5bn in the year to June, following improved chemical sales volumes especially in export markets.

Turnover was 11% higher at R9,8bn as results from a better performance in its synfuels division fed through Increased dollar refining margins and a favourable exchange rate also helped boost results.

Operating income was up 29% at R2,5bn as lower interest charges of R75,3m (R120m) kicked in The group was continuing to pay off government loans for the development of Sasol III

Pre-tax profit came in at R2,45bn (R1,84bn), but a near tripling of the tax bill to R912,5m (R347,9m) drove the effective tax rate to 37% (19%) In order to cushion the impact the group transferred R50m to profit from its tax equalisation fund Tax allowances relating to the Sasol III project and the Syferfontein mine project were fully used in the year. (183)



Earnings a share were up 14,7% at 264,2c and a dividend of 48c was declared, bringing the total for the year to 90c (86c)

Shareholders have been offered a scrip alternative to the cash dividend and the

☐ To Page 2

Sasol

BDay 2/9/94

☐ From Page 1

number of shares to be awarded for every 100 Sasol shares will be announced soon.

MD Paul Kruger said Sasol could look forward to a satisfactory profit increase in the current financial year despite pressure on oil refining margins and reduced tariff protection. The reduction in protection had cost the group R100m this year and was expected to detract R250m from the bottom line by next year. The group did not expect any further protection reductions.

The group's oil-from-coal synthetic fuel business contributed R1,2bn or 47% to group profits. But without tariff protection (R1bn) the division's contribution would have been R199,7m. (183)

Sasol is compensated by government for any loss in synfuel revenue calculated on the gap between world oil prices and a $21 a barrel crude oil reference price.

Kruger said Polifin — the group's joint plastics venture with AECI — would seek a JSE listing in the first half of next year.

The venture was profitable but the effect of its earnings would be felt only once the PVC project had been completed in 1996.

Sasol Mining's contribution to operating income dropped to 14,4% (20,8%) at R364m. Sasol Oil maintained its contribution at 20,5%, bringing in R515,8m, while contributions from Sasol Chemical Industries rose to 17,2% (15,3%) at R435m.

Kruger said coal prices were moving up and the group's evaluation of its export project would be finalised by the end of the year. It had not yet decided if it would buy in export capacity at Richards Bay or opt for the Coalex project.

Exports, boosted by a large alcohol sales contract to Brazil, rose 38,4% to R767m and were running at R1bn a year.

Chairman Johannes Stegmann said the highlight of the group's performance was the successful conversion of its first Sasol I synfuel plant to chemicals production.

Exports spur Sasol profits

From MICK COLLINS

JOHANNESBURG — Petrochemicals company Sasol increased attributable profit 15% to R1,5bn in the year to June, following improved chemical sales volumes especially in export markets

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(163)

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CT 21/9/94

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AECI workers continue with their strike action

B/Day

JACQUIE GOLDING

ABOUT 3 000 workers — 90% of the workforce — at the AECI's Modderfontein plant, northeast of Johannesburg, continued strike action yesterday in protest against poor working and safety conditions

The strike by members of the Chemical Workers' Industrial Union (CWIU) and the SA Chemical Workers' Union (Sacwu) started on Monday when both unions decided that the safety of workers had to be guaranteed before they returned to work

The plant at Modderfontein was forced to shut down because of lack of staff, the company said

The issue of safety was raised after an explosion which killed eight people at the plant last week

Talks with the unions were continuing, management said, but it was not clear, by late yesterday, if the company would accede to workers' demand of R500 "danger pay" a month

AECI communications manager Michael Blizzard said the company did not place its workers in danger and would reject the concept of "danger pay"

CWIU regional organiser Jan Mahlangu said the plant had a bad safety record (183)

Blizzard denied that the company had a bad safety record and added that the last nitroglycerine explosion — the same type of explosion which occurred last week — was recorded in 1974 when five people were killed 22/9/94

A service will be held today for victims and a mass burial will be held in Tembisa at the weekend

Union to meet AECI officials

Sowetan 22/9/94

■ LABOUR CORRESPONDENT

The strike by 3 000 workers at AECI's explosives manufacturing plant in Modderfontein, who stopped work in protest against health and safety standards, enters its seventh day today

The South African Chemical Workers' Union (Sacwu) and management are scheduled to meet today (183) (102)

The strike was sparked by the death of seven men who died in an explosion in the nitroglycerine packaging section last week

Sacwu local organiser Godfrey Ramothata said management had accepted a union proposal that the packaging and explosives warehouses be separated, but was not willing to pay workers a danger allowance

AECI spokesman Mike Blizzard was unavailable for comment yesterday

Strike at dynamite factory continues

(183)

CT 22/9/94

JOHANNESBURG. — A strike by workers at AECI's Modderfontein explosives plant near here entered its fifth day yesterday and negotiations were continuing, a company spokesman said.

Mr Mike Blizzard said about 750 strikers gathered at the company's administration block yesterday to repeat earlier demands.

The plant has been closed since Thursday last week after an accident in which eight workers were killed.

A South African Chemical Workers' Union spokesman, Mr Tshepang Mika, said strikers were protesting against health and safety standards at the plant and in support of a R500 a month risk allowance. — Sapa

Sasol share earnings below par — analysts

BIDay 22/9/94

MICK COLLINS

PETROCHEMICALS company Sasol's yearly results yesterday drew mixed comment from analysts who said the 14,7% increase in earnings a share (eps) was below expectations

Growth at the after-tax level was 3% and with debenture interest and minorities share unchanged, the growth at eps level was achieved entirely through "manipulation" of the tax equalisation reserve, one market commentator said.

Another analyst said the small final dividend of 90c was questionable in the light of Sasol's low gearing (5,9%) and its large bank balance of R1,3bn

"It seems odd that they could be saving cash for capex purposes given that cash flows are so strong," one industry source said.

He added the move was probably in line with government's Budget objectives in introducing the secondary tax on companies (STC), designed to force companies to retain income and reinvest.

Also hitting market sentiment was the increase in the effective tax rate from 18,9% to 37,3%. This translated to R565m and was due largely to the exhaustion of tax allowances as well as higher STC and the transitional levy.

"But Sasol has indicated the rate will come off in the future and I forecast a rate of 30% to 32% depending on the number of shareholders who take the capitalisation award," an analyst said.

Three factors weighed heavily on the future performance of the company. These were the rand/dollar exchange rate, the state of the petrochemicals industry and Sasol's protection from government.

The issue of protection continued to plague the company Sasol received R1bn in assistance from government in the 1993/94 year. Ignoring the benefits of the claw-back provision regarding the Central Energy Fund interest, the R1bn assistance pre-tax equated to about 110c at eps level. Discounting this reduction into the PE ratio would take it from 13,2 to 22,7.

183

"While this worst case scenario is highly unlikely in the short term, it does provide a base case against which other alternatives can be measured," one market source said.

Prospects for the company were difficult to predict due to the uncontrollable constraints underpinning its operations. "Assuming a phased deregulation process, a further weakening of the rand dollar exchange rate and growth in petrochemical prices, I forecast eps to grow 18% to 313c for the year to June 1995. This would put Sasol on a forward PE of 11,2 which indicates moderate growth."

Another analyst said the R1bn received in tariff protection had been expected given the level of oil prices and the weakening rand.

Sasol shed 15c on the JSE yesterday to close at R35 with 368 000 shares traded valued at R13m in 47 deals.

AECI strike could drag on

B/Day 23/9/94

JACQUIE GOLDING

A STRIKE by about 3 000 workers — 90% of the workforce — at AECI's Modderfontein explosives factory, northeast of Johannesburg may continue indefinitely because of the company's rejection of workers' R500 danger pay demand.

The strike, headed by the SA Chemical Workers' Union (Sacwu) and supported by the Chemical Workers' Industrial Union (CWIU), entered its fourth day yesterday.

The strike was sparked by an explosion which killed eight people at the factory's nitroglycerine explosives plant last week.

The company said the section of the plant where the explosion occurred had not been operating since last Thursday and was closed as a precautionary measure.

AECI communications manager Michael Blizzard said the company believed it did not place workers in danger and therefore did not agree with the danger pay concept.

CWIU regional organiser Jan Mahlangu said the plant had a bad safety record. Blizzard denied this, and said the last nitroglycerine explosion was in 1974, when five people were killed.

"The company does all in its power to reduce accident rates through improved training and working conditions," Blizzard said.

Sacwu spokesman Tshepang Mika said workers were demanding the scrapping of temporary labour.

He said that four of the eight people killed in the explosion were temporary labourers and not covered by insurance.

183

FORIM Fm 23/9/94

More realistic rating

183

Activities: *Makes and distributes pharmaceutical products Also owns properties*
Control: *Directors 27%*
Chairman: *H R Levin MD M Gelbart*
Capital structure: *47,9m ords Market capitalisation R38,3m*
Share market: *Price 80c Yields 2,5% on dividend, 5,9% on earnings, p e ratio, 17, cover, 2,4 12-month high, 80c, low, 40c Trading volume last quarter, 116 000 shares*

Year to February 28	'91	'92	'93	'94
ST debt (Rm)	0,03	0,96	3,89	5,31
LT debt (Rm)	5,2	7,3	6,5	5,8
Debt equity ratio	0,25	0,49	0,45	,039
Shareholders' interest	0,73	0,53	0,60	0,59
Int & leasing cover	n/a	12,2	4,3	2,8
Return on cap (%)	7,1	7,5	9,4	8,5
Turnover (Rm)	2,4	21,8	37,4	42,6
Pre-int profit (Rm)	1,5	2,3	3,6	3,7
Pre-int margin (%)	62,4	10,7	9,7	8,6
Earnings (c)	2,5	3,3	5,0	4,7
Dividends (c)	1,5	2,0	2,4	2,0
Tangible NAV (c)	43	45	45	48

Last year the *FM* noted that, with most of its profits coming from the pharmaceutical business, Forim Holdings' listing in the property sector was uncomfortable A year later, the same applies but Forim is still officially a property company MD Meyer Gelbart says, as he did last year, that the matter is being addressed

Fm 23/9/94

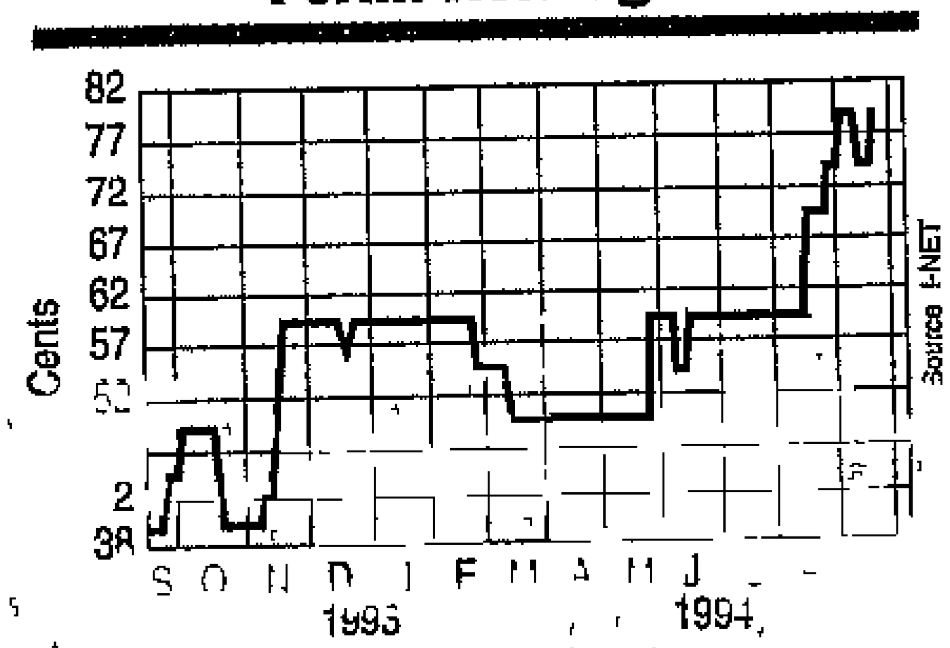
But investors are not waiting for the company to change sectors The rerating of the share, which has seen the price double over the year, must reflect someone taking the view that this is a pharmaceutical company Accordingly, Forim's assets are being revalued by the market A year ago, the share traded at a discount to NAV, now the price is at a premium of 67%

Yet pressure on margins (see table) must be coming largely from the pharmaceutical business Turnover from pharmaceuticals grew 15% to R39,7m, the bulk of Forim's turnover, yet the taxed profit contribution dropped 19% to R995 000 183

Gelbart says many products are sold through chain stores and so continuing pressure on consumer spending is depressing profits

The share still trades on thin volumes, though there has been considerably more activity lately In the last quarter, about 116 000 shares were traded, compared with 500 during the same period last year Apart from directors' holdings, the shares are largely tied up by the families who held

Forim Holdings



Fm 23/9/94

them when Forim was reverse-listed four years ago But Gelbart says the families' stake is slowly being lightened 183

Though it's one of the top rated shares in the property sector, a better perspective can be gained from comparing Forim's 2,5% dividend yield to the average 2,8% of the pharmaceutical & medical sector and its 17 p e to the average 20,3

That suggests the share is not as expensive as it appears, though the exercise is academic until Forim gets on with it and changes sectors *Shaun Harris*

SASOL

FM 23/9/94

More in the pipeline

(183)

Sasol's strong operating performance for the year to end-June was fuelled by a record performance in synthetic fuel production at Secunda, and the successful turnaround of the loss-making Sasolburg synfuel operation to a producer of petrochemicals, which added R200m to operating profit

The increased contribution from synfuels (see table) naturally raises again the whole controversy about Sasol's tariff protection It's probably best to get it out of the way, to provide a clearer view of the underlying operations — something some investors seem to have been doing over the past year, as the share price appreciated over the period by 93%, to close at R35,15 after results were announced on Tuesday

MD Paul Kruger says tariff protection added nearly R1bn to turnover in financial 1994, compared to about R629m the previous year — a result of the lower average international prices of crude oil That cost the motorist 5,5c a litre of petrol

However, the lower reference price on tariff protection, reduced from US$23 a barrel to just over $21, will cost Sasol's operating profit R250m, Kruger says, about R100m before tax and clawback benefits from Sasol Three, dampening latest results The matter will be referred to the Board on Trade & Tariffs for review That might lead to a futher reduction in the reference price, but it's unlikely the protection structure will be much altered in the short term

The exception to an otherwise solid performance was from Sasol Mining, where stagnant local prices and an amended coal price formula for coal quality reduced income Kruger expects operating profits to rise from higher selling prices, cost containment and productivity improvements

Board approval for Sasol's coal export project is expected before the end of the year

Kruger says Sasol Mining will initially export about 3 Mt of coal (40 Mt were mined last year).

Completion of the upgrade at the Natref refinery has resulted in up to 92% white product yield More important, though, is the improved refining margins Sasol will get Liquid fuel production dropped slightly from 2,38m m³ to 2,29m m³ due to the start-up phase of the upgrade

The outlook for refinery profits is not too encouraging this year, however Kruger says pressure on dollar refining margins could reduce operating profit, though the full effect of the refinery upgrade should partly offset this

Chemicals, now housed in Sasol Chemical Industries, began to come into its own last year This business has largely been the focus of earlier capital spending by Sasol and, with firming international chemical prices, should become an increasingly important contributor to group profits

Sasol is not releasing any financial information yet on Polifin, in which it holds 60% in a joint venture with AECI But chairman Joe Stegmann says Polifin will be listed in 1995, in the first half of the year if possible.

Kruger

He adds that Sasol would be prepared to reduce its shareholding with the listing, but presumably not below 50%

The big benefits from Polifin are not expected until 1996, when conversion from carbide-based feedstock to ethylene feedstock is completed

First contributions from the alpha olefins, acrylic fibres and anode coke plants were received in financial 1994, but significantly improved operating results and increased volumes are expected this year

Capital spending of R1,5bn is planned for this year, up on 1994's R1,3bn. That will help to keep Sasol's effective tax rate, sharply up from 19% to 37%, stable The increased tax charge, R913m compared to last year's R348m, would have severely retarded earnings growth were it not for the R100m Sasol tucked away last year in anticipation of the higher tax rate. A R50m transfer from this reserve smoothed EPS growth to 14,7%

Interest payments should also continue to reduce this year, as Sasol repays a further R400m on its Sasol Three loan.

That, with improving chemical prices and an expected further weakening of the rand (with about 80% of its products priced in non-rand currencies, favourable exchange rate movements are a common theme in most of the businesses, where exports are currently running at R1bn/year) points towards continued profit growth for Sasol

FUELLING GROWTH

Year to June 25	1993	1994
Turnover (Rbn)	8,88	9,84
Operating income (Rbn)	1,96	2,52
Attributable (Rbn)	1,30	1,50
Earnings (c)	230	264
Earnings (c) before tax equalisation transfer	248	255
Dividends (c)	86	90

STILL SYNTHETIC

Contribution to operating profit

	1993 Rm	1993 %	1994 Rm	1994 %
Synthetic fuels	811	42	1 200	48
Mining	409	21	364	14
Oil	401	21	516	21
Chemicals	299	15	435	17
Other	37	2	6	0,3
Total	1 956		2 520	

In addition, new projects are coming on stream which should pump up volumes

The strong rand hedge element in the share is an attraction, but the driving force behind the share price during this year has probably been the realisation that Sasol was underpriced relative to its medium-term growth potential Foreign buying of the counter has probably helped too Investors' views are complicated by the protection stigma and the uncertainties about deregulation of the petrol industry, though this does not seem to be having any particularly bearish effect on market perceptions of the share now

Still, it seems surprising that, with confirmation of the listing of Polifin, Sasol now seems to be blowing cold on any further "unbundling" and separate listings Kruger says the matter remains under consideration, but will only be done if it is clearly in the interests of shareholders That seems to imply the board is keeping its options open, perhaps waiting for clarity on aspects such as deregulation

Despite the recent surge in the share price, the protection issue must still be dampening the rating of the share On latest results, the p e is 13,3 and the dividend yield 2,6% — hardly expensive in the current industrial market Some analysts feel it remains undervalued, possibly up to around R40

Even so, surely it would benefit shareholders to separate the rest of the business from synfuel production? Generating an operating profit of R1,2bn, it's big enough to stand on its own and would enable the other businesses to be valued on their underlying strengths without the protection

MINORCO

Question of timing

With its results for the 12 months to June 30 (the year-end has been changed to December), Minorco can be examined in its new form created by the US$1,1bn re-

Sasol foresees rise in profit

S I Times (Buss)

By ZILLA EFRAT

SASOL should show a satisfactory rise in profit in the current year despite a cut in its tariff protection, says managing director Paul Kruger. 25/9/94

The improvement could come on the back of a weaker rand and improved prices for chemicals

Ongoing cost containments and the commissioning of new projects will also help even though crude oil prices and refining margins are expected to be weaker

The group this week announced a 14,7% growth in earnings to 264,2c a share in the year to June A final dividend of 48c was declared (183)

Sasol's share price has been running at record highs recently and hit a peak of R36,25c earlier this month It came off slightly, however, after the results were announced and were trading around R35 on Friday

In the year to June, Sasol benefited from a favourable exchange rate, improved production, better refinery margins and new projects coming on stream

It countered a jump in its effective tax rate to 37,3% from 18,9% by taking R50-million out of the tax reserve it created last year

Mr Kruger says cost cutting has now become a way of life as the level of tariff protection enjoyed by the group on synfuels has fallen to $21 from $23 a barrel

Despite this, Mr Kruger expects Sasol's synfuels company to show a marginal improvement in earnings

It should benefit from higher volumes, production improvements and from the export of alcohol products and coal — expected to be on-stream sometime next year Sasol's tariff protection amounts to R1-billion a year

Packagers squeezed by rising prices

SI Times (Buss)

25/9/94

By CIARAN RYAN

SEVERAL plastics manufacturers plan to take the country's sole producer of low-density polyethylene to the Competition Board.

They claim Polifin, a joint venture between Sasol and AECI, is giving preferential supply to loyal customers while importers who have been forced to buy locally because of rising world prices are being severely rationed.

Several companies say they face staff lay-offs and production cut-backs as seasonal demand picks up. Some companies say they may be forced to look at alternative packaging materials, such as paper, if the shortage continues

"A monopoly is not necessarily a sole supplier," says Tim Stewart, managing director of ITB Plastics in Isethebe, one of the country's largest plastic converters.

"I question the manner in which Polifin is rationing customers Those of us who were large importers of polyethylene are getting precious little supply from Polifin while others are getting nearly all the supply they need."

Prices of imported low-density polyethylene (LDPE) — used extensively in the packaging industry — shot up 40% over the past three months following several plant closures over-

PETER COX

seas and rising world demand.

Polifin's prices are now 20% below imported costs, resulting in a sharp increase in demand from plastics manufacturers unable to source supplies overseas.

One importer says a European supplier quoted R4 000 a ton for LDPE this week compared with R2 000 two months ago Polifin is quoting around R3 300 a ton.

Pieter Cox, Polifin's chief executive, says the rationing system is fair and transparent.

"We have agreed to supply all customers with at least the same average monthly amount of PVC that they purchased over the last year — and have committed ourselves to offer more should it become available from our plants which are running at maximum capacity.

"LDPE supply is based on historical performance Unfortunately, this means that those customers who imported their requirements before may have to continue to do so."

Colin Pallas, managing director of Plastall Gundle, says the government should waive the current 10% import duty on LDPE "for a limited period to alleviate the crisis".

Mr Stewart says Polifin enjoyed massive protection in the past through formula duties which made it impossible to import LDPE below R3 000 a ton, excluding shipping, regardless of overseas prices.

(183)

He says imports of PVC and polyethylene were prohibited until 1990 because of Sasol's strategic protection.

The SA market for PVC — used mainly in the manufacture of piping, cables and bottles — is estimated at 130 000 tons a year, of which Polifin supplied 112 000 tons last year, the balance coming from imports.

Of the 110 000 tons of LDPE consumed in South Africa last year, Polifin supplied 90 000 tons Polifin's PVC prices increased 23% since December 1993, as against a 40% increase in world prices over the same period.

Dudley Le Roux, managing director of LR Plastics in Durban, says Polifin failed to read market trends and expand its production of LDPE to meet rising local demand

Mr Cox says Polifin has always been able to meet regular demand, but not "short-term swings away from imports by some local converters

"Nowhere in the world do plastic raw material producers willingly install capacity in excess of their normal demand," says Mr Cox.

Fuel cost plan 'could cut prices'

BDay 30/9/94

MICK COLLINS

PETROL prices could drop 9c/l immediately if Cabinet approved the new in-bond landed cost (IBLC) structure for the fuel industry, oil sources said at the weekend

They said the move would save motorists R1,35bn a year and give a much needed boost to the SA economy. Government sources confirmed that there "could be a drop in petrol prices at this stage

"Bearing in mind that it will be an average of a month's fluctuations and based on present figures, there could be a reduction of about 4c/l But we must assume that nothing drastic happens in international oil markets," they said

The new IBLC structure — proposed by the National Economic Forum's liquid fuels industry task force — calls for local petrol prices to be fixed on the first Wednesday of every month against a basket of different international prices.

Transnet economist Mike Schussler said falling oil prices and the application of the IBLC formula showed an over-recovery of 8,57c/l on the pump price of 183c.

Renewed pressure on oil prices had seen prices nearing 21-week lows as oil product stocks rose in the US and higher North Sea and Opec crude oil supplies kicked in.

Schussler said the application of the new pricing points of Caltex Bahrain, Esso, Mobil, the Singapore Petrol Company and the 20% spot price in Singapore had seen prices come down 2c/l last month

If pump prices were lowered the SA economy would feel the effect of a half a percentage point decrease in the CPI, half of which would be immediate and the rest fed through over the following three months, he said

The long-term oil price had declined and the only upward pressure that could possibly come would be that Iraqi supplies were allowed back on world markets But, he said, this was highly unlikely.

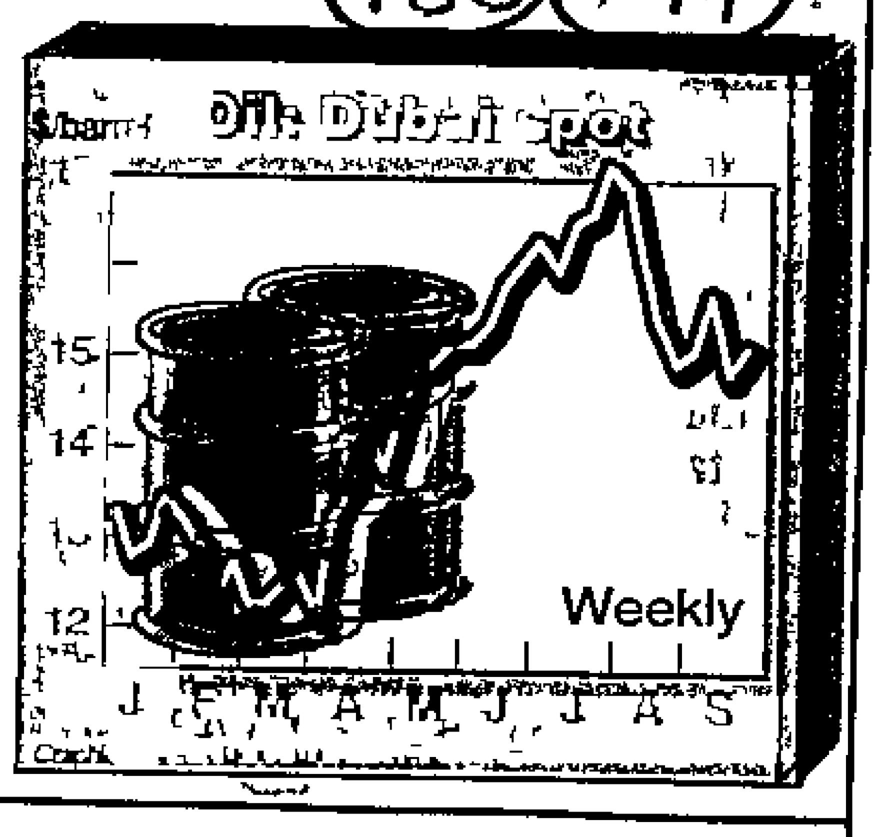
With US refineries running at nearly full capacity, traders expected even higher stockpiles of heating oil

Oil prices were nearly $4 below 17-month peaks seen in early August, but still about $2,70 above five-year lows reached in late February.

Also lending downward pressure was news that North Sea supplies would be higher next month as most of the scheduled maintenance work had been completed

Prices had hit a four-month low of $15,60 on August 22 in expectation of the end of a Nigerian oil workers strike, and had moved in a $1 a barrel range above that level since, another analyst said.

(183)



Petrol pricing: Jobs considered

(183)

CT 26/9/94

PRETORIA. — Any restructuring of the petrol price system would take into account possible job losses, Mineral and Energy Affairs Minister Mr Pik Botha said yesterday.

Every effort would be made to minimise "traumatic disruptions" in the lives of some 60 000 people employed in the retail fuel sector, he said in reaction to press reports.

The present petrol price system was not being handled according to "Pik Botha policy", he said in a statement, but according to cabinet policy. This price system had achieved "one of the lowest petrol prices in the world".

He was no defender of price maintenance and fully supported the aims of the Competition Board. But if eliminating retail price maintenance from the petrol price structure threatened so many jobs and the closure of many of 4 000 petrol retailers, he and the cabinet would scrutinise such "elimination" carefully before proceeding

Any restructuring would have to be "people-centred — designed as far as possible to minimise traumatic disruptions in the economic lives of over 60 000 of our citizens, most of them from the more modest levels of society" — Sapa

Petrol jobs 'key factor in reform'

PRETORIA. — Any restructuring of the petrol price system would take account of possible job losses and try to minimise "traumatic disruptions" in the lives of about 60 000 people employed in the retail fuel sector, said mineral and energy affairs minister Pik Botha. 183

Mr Botha, reacting yesterday to an article in a financial newspaper, said in a statement that the petrol price system was not being handled according to "Pik Botha policy" but according to cabinet policy.

The system had achieved "one of the lowest petrol prices in the world", he said

He was no defender of resale price maintenance and fully supported the aims of the Competition Board But if eliminating retail price maintenance from the petrol price structure threatened 60 000 jobs and many of the 4 000 petrol retailers, Mr Botha said he and the cabinet would scrutinise such "elimination" carefully before proceeding.

"Others apparently have no such scruples," the minister said, in reference to the newspaper.

Any restructuring would have to be "people-centred — designed as far as possible to minimise traumatic disruptions in the economic lives of more than 60 000 of our citizens, most of them from the more modest levels of society." — Sapa ARG 26/9/94 special, individually numbered *Shares 4 Africa* lucky number on the front page. If your number and the security

... *Sowetan* on Thursday. You could gain an in-vestment for your future.

Deadline for AE&CI strikers

Sowetan 27/9/94

STRIKING workers at AE&CI's Modderfontein explosives factory north-east of Johannesburg have been given two days to report to work or face dismissal, management said yesterday.

About 2 000 workers embarked on a strike last Monday after the death of eight colleagues in an explosion at the plant two weeks ago.

Employees are demanding R500 danger pay.

The company obtained an interim court order on September 22 declaring the strike illegal and prohibiting workers from taking part in the illegal action.

183

Court order

AE&CI spokesman Mr Michael Blizzard management had requested striking workers to comply with the court order by first shift tomorrow. Employees failing to report for work by this deadline would be dismissed without further notice. — *Sapa*

Cabinet to discuss petrol price plan

B/Day 28/9/97

PETROL prices would have dropped 4c/l this month if the new interim pricing formula had been in place, an oil industry source said yesterday

The new in-bond landed cost (IBLC) structure, proposed by the National Economic Forum, will be discussed by the Cabinet tomorrow

The scheme was totally transparent, the source said "There are no funnies in this system"

Calculation of the price would be from a mixture of finished and crude prices from a basket of daily benchmark prices at the Esso refinery in Singapore, Mobil (Singapore), Singapore Refinery Company and Caltex (Bahrain).

The daily price is calculated by taking 80% of the daily posted product prices and 20% of the published spot prices for crude oil. By adding freight, insurance and landing cost, a figure in US dollars a litre is arrived at which is converted at the ruling rand/dollar exchange rate for that day (183)

To that is added the wholesale price, delivery, service costs and government levies — Sapa

Petrol shake-up lops 4c off price

ARG 28/9/94

(183)

BRUCE CAMERON
Business Editor

THE petrol price is set to drop almost immediately by at least 4c/ℓ and a cabinet decision on a new pricing system is expected today

Under the new system, the petrol price will be adjusted monthly according to a publicly disclosed formula

After being stalled for months because of differences between lobby groups, a proposal of an interim pricing system has been put to the cabinet after agreement among members of the Liquid Fuels Task Force of the National Economic Forum

The government hopes the new system will remove political sensitivity from the pricing mechanism.

As a result of the present price of crude and the dollar/rand exchange rate, the price can be expected to fall almost immediately by 4c/ℓ

Any decision on the sensitive deregulation issue — on the production as well as the retail side — has been postponed.

The controversy over deregulation, which some proponents claims could reduce prices substantially, is between organised labour and fuel retailers, as well as between producers The position is further complicated by subsidies paid to Sasol and Mossgas.

The new system will be based on the spot prices and the posted product prices for longer-term contracts of refined fuel from the Esso and Mobil refineries in Singapore, and the Caltex refinery at Bahrain. Eighty percent of the basic price will come from the longer-term contract prices and 20 percent from the spot price.

To this will be added freight, insurance and landing costs to give a dollar price This will be converted to rands daily according to the ruling exchange rate to provide a rand wholesale price, which will include a margin for producers

Delivery charges, taxes and levies, and a fixed profit for retailers will be added.

Mossgas confident

(183)

Own Correspondent

JOHANNESBURG — The future of synthetic fuel producer Mossgas would be determined in November, when the parastatal's board would decide whether life-saving expansion plans were feasible, chairman Mr Roy Pithey said yesterday

He said he was confident the expansion — which would cost R600 million in today's money and extend the operation's life to 2001 — would be approved when the proposals were presented to the cabinet

CT 28/9/94

Such plans would leave the project cash-positive, he said But Mossgas would have to be converted into a crude oil refinery or methanol producer if the company was to have any chance of repaying the R11bn so far pumped into it.

Mr Pithey said Mossgas was often seen as a symbol of the old order, but the government seemed prepared to accept responsibility for getting the best out of the investment

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From page 1

Mossgas

(183)

Mossgas's operating surplus would be R140m for this financial year, against R68m last year and it would make foreign exchange savings of about R1bn, against R500m last year.

Mossgas was completing a feasibility study on the expansion programme which involved gaining access to "satellite" gas fields next to the operation's current gas fields

This would extend Mossgas's life to 1998.

Also under investigation was the establishment of a compression facility to help "suck the gas out of the fields". This would extend the life of the operation to 2001, Mr Pithey said.

He added that if Mossgas was converted to refine crude oil or produce methanol or both, it could pay back the original investment and become viable in the long-term. It could also become the hub of a "vast" petrochemical industry situated in Mossel Bay

CT 28/9/94

Mr Pithey said the feasibility of the expansion programme did not hinge on the feasibility of these projects.

He said there could be opposition to the crude oil option from the local fuel industry.

The methanol option was attractive as it would give a higher yield of saleable product from the gas from the gas field

Mossgas had been holding preliminary talks with representatives from Taiwanese petrochemical companies who were interested in investing in such a scheme

Strikers to defy ultimatum

BDay 28/9/94

JACQUIE GOLDING

THE SA Chemical Workers' Union (Sacwu) said yesterday its members would not report for work at AECI's Modderfontein factory today despite an ultimatum that workers return by the morning shift or face dismissal

About 3 000 AECI workers embarked on a strike more than a week ago to protest against alleged poor and unsafe working conditions The strike was sparked by an explosion that killed at least seven people (183) (52)

Sacwu spokesman Tshepang Mika said workers decided against reporting for work because they believed management had been negotiating in bad faith.

AECI communications manager Michael Blizzard said despite protracted negotiations, which included discussions on safety, both parties had failed to reach agreement He said an interim court order was obtained last Thursday and the strike had been declared illegal.

AECI sacks workers defying order

BIDay 29/9/94

ERICA JANKOWITZ

AECI's Modderfontein explosives plant yesterday dismissed all workers who did not comply with the court order aimed at ending a nine-day illegal strike following an explosion two weeks ago in which eight people were killed

AECI spokesman Mike Blizzard said production had been completely disrupted yesterday, but non-explosives plants had continued working in spite of intimidation

He said the company would enforce the court order, but the exact number of workers fired would be determined only after all the shifts had reported for work

SA Chemical Workers' Union (Sacwu) spokesman Tshepang Mika estimated that 3 000 workers would be affected He said the Cosatu-affiliated Chemical Workers' Industrial Union had indicated that its members had joined the strike yesterday This would mean that 100% of the workforce had defied the ultimatum, he said

Talks between AECI management and Sacwu failed to break the impasse with the union sticking to its demand for a R500 a month danger allowance (183)

Blizzard described this as "a cynical way of getting a wage increase" The company had offered a R2 000 ex gratia payment for all workers in the nitro-glycerine plant on the day of the explosion, but this

☐ To Page 2

AECI

BIDay 29/9/94

☐ From Page 1

was rejected.

The company was not prepared to consider the R500 a month demand as many workers at Modderfontein were not involved in the explosives plants in any way.

Blizzard said about 1 000 strikers marched to the AECI administrative building at Modderfontein yesterday carrying sticks and brandishing weapons. After some stone-throwing incidents and other acts of intimidation, the company used its security and called in the police. Teargas was fired at strikers who then dispersed "We can't tolerate such acts of aggression," he said. (183)

He denied reports that monthly paid workers had been sent home, but said those who had indicated fear of intimidation were treated sympathetically AECI would handle claims of intimidation by workers who had not complied with the ultimatum in the same manner.

Fuel cost could be cut by 6c/*l*

Govt approves new scheme to price petrol

BDay 29/9/94

(183)

MUNGO SOGGOT

THE Cabinet yesterday brought the fuel industry a step closer to deregulation when it approved a new petrol pricing scheme

Mineral and Energy Affairs Minister Pik Botha is due to announce the changes this morning.

The new system, under which fuel prices would change on the first Wednesday of every month, could see petrol prices fall by as much as 6c/*l* from next Wednesday, economists said

Oil industry sources said the change would automatically feed movements in international oil prices through to local petrol pumps instead of leaving the timing and control of price changes at government's discretion SA petrol prices would be more exposed to the vagaries of international oil prices, which were likely to drop in the short term.

Econometrix economist Tony Twine said the move signalled an important "culture step" for SA. "It removes the petrol price from the direct control of the political arena," and would also accustom the public to frequent adjustments in the fuel price, in preparation for full deregulation.

Transnet economist Mike Schussler said the price mechanism was a bridging formula ahead of a more fundamental change in the local petrol industry in the next 18 months to two years, which could mean complete deregulation

The new version of SA's import parity pricing system — which was put forward by the National Economic Forum's liquid fuels task force — would work out the pump price from different international oil prices each week day and average them out on the first Wednesday of every month

The new in-bond landed cost structure would be calculated on a basket of daily benchmark prices from the Singapore Petroleum Company, Esso Singapore, Mobil Singapore and Caltex Bahrain The daily price would be worked out by taking 80% of these prices and 20% of the Singapore spot price Freight, transport insurance and landing costs would be added before the final dollar price per litre was converted to rands using the day's exchange rate

Sources said the new system would be more transparent Central Energy Fund representatives would average out the prices every week day Each month the Minerals and Energy Department would engage an independent auditor to check the calculations The whole process would be subject to media scrutiny.

Economists said petrol prices were likely to drop in the coming months as the long-term oil price had declined and the only possible upward pressure would be if Iraqi oil supplies were allowed back onto world markets, which was unlikely Reports that North Sea oil supplies would be higher next month would also add to the downward pressure on prices.

Prices hit a four-month low of $15,60 on August 22 in expectation of the end of a Nigerian oil workers' strike, and had moved in a $1 a barrel range since, one economist said

□ Botha is also expected to announce a further reduction in oil stockpiles to help the reconstruction programme, and give details of SA's new nuclear energy policy

Petrol price bonus

ARG 29/9/94

183

Minister announces 6c-a-litre cut

CLIVE SAWYER
Political Correspondent

THE petrol price will drop by 6c a litre next Wednesday, mineral and energy affairs minister Pik Botha announced today.

And South Africa is to sell about half of its strategic crude oil stock, expected to fetch about R1,5 billion, with proceeds likely to go to the reconstruction and development programme.

In other announcements today, Mr Botha said South Africa was to build a new uranium enrichment plant

The price of 97-octane petrol in the Western Cape will be R1,71.

The diesel price will be lowered by 2c a litre at the same time, just after midnight on October 5

The price of paraffin will not change.

The petrol price adjustment signals the start of a new "yo-yo" arrangement of petrol price changes on the first Wednesday of every month

Mr Botha said the new interim pricing mechanism would allow for "regular and automatic adjustment of prices"

The move is part of restructuring of petrol price calculations and a further deregulation of the fuel industry

The monthly review of the price would mean consumers would be exposed to international oil price fluctuations

Announcing the sale of the crude oil stock, the government was investigating whether to improve and lease its modern crude oil storage facilities at Saldanha to international clients

If successful, the arrangement could allow the government to further reduce the supply of crude oil kept in reserve from four months to about two months, Mr Botha said.

Funds generated by the sale of the strategic supplies would be made available to the department of finance It would be free to allocate them to the government's reconstruction and development programme

"The sales will be carried out in close consultation with the department of finance and in a way which will not force the strategic fuel fund association to sell under pressure at reduced prices

"Consideration will also be taken of crude oil prices and the cash requirements of government," Mr Botha said

Reuters reports that the Atomic Energy Corporation (AEC) is to close its uranium enrichment plant and build a new plant.

The present plant was "energy-intensive" and a new process had to be developed to produce enriched uranium more competitively

The cabinet has decided that all purchases of enriched nuclear materials should be routed through a government department which would act as the government's agent

"The only condition is that the best commercial alternative must be sought, with and for the end-user"

Because shipping companies demanded an indemnity against third-party liability when transporting enriched uranium products, urgent steps would have to be taken to accede to the relevant international convention which restricts a state's liability to R1 billion

Because South Africa was not a signatory to these conventions, operators would not be protected by the conventions, and needed to be provided with 100 percent indemnity by the state

A laser-based uranium enrichment process is being tested and was expected to be incorporated in the new plant

Shots fired, say workers

JOHANNESBURG — The South African Chemical Workers' Union yesterday accused police of firing on 3 000 strikers from AECI's Modderfontein plant (183)

Sacwu spokesman Mr Tshepang Mika said shots were fired as they marched along the main thoroughfare in Modderfontein CT 29/9/94

Company spokesman Mr Michael Blizzard said strikers had thrown stones and barricaded streets

The strike, which started after an explosion killed eight workers, entered its ninth day yesterday — Sapa

Drop in petrol price confirmed

SA oil stock sale will earn govt R1,5bn

BIDay 30/9/94

STEPHANE BOTHMA

PRETORIA — SA would sell nearly half its strategic oil stocks to generate about R1,5bn for government spending, Mineral and Energy Affairs Minister Pik Botha announced yesterday

The country's crude oil supply would be reduced from seven-and-a-half months to four months, in a move that will probably be used to boost the reconstruction and development programme. (183)

Botha told a news conference that government was investigating the leasing of the relinquished storage facilities to oil-producing countries, which would allow the further reduction of reserves to about two months and the generation of an additional R1,2bn All the funds would be made available to the Finance Department.

Botha confirmed a 6c/*l* drop in the price of petrol from October 5 and the introduction of a new petrol pricing system that provided for monthly changes in pump prices The diesel price would be reduced by 2c/*l*, but as a result of persistent under-recoveries, illuminating paraffin prices would remain unchanged

"In order to reduce government's involvement in the setting of certain petroleum prices, the Cabinet has approved the implementation of an interim pricing mechanism that will allow for the regular and automatic adjustment of prices," Botha said "The function of adjusting the prices — necessitated by currency and external product price changes over which government had no control — would be transferred to an independent body.

"Seldom have I relinquished such a responsibility with such joy," he said

The new system was a modern, smooth and very transparent way of setting the fuel price Although it would bring the fuel price in line with external market forces, the existing system including a fuel tax would remain in place for the time being. The National Economic Forum's liquid fuels task force was still investigating the issue of government involvement in the industry, Botha said

Business and consumer organisations welcomed the price cuts

The SA Petroleum Industry Association said it applauded the new transparent system of fuel pricing.

South African Chamber of Commerce economist Ben van Rensburg said the new system was more market related and would help reduce inflation caused by sudden big price rises

The Afrikaanse Handelsinstituut said the system was more transparent and acceptable to the business sector than the previous one because it largely excluded political intervention in the fuel price

Pick 'n Pay said the news was particularly welcome in the face of rising inflation. It would comply with the new regulation by not lowering the price before the due date. But joint MD Gareth Ackerman said the group was disturbed that recent decisions on the state and operation of the oil and energy industry, including the flexibility of a monthly price adjustment, amounted to effective re-regulation by another name

Engen said it supported the interim pricing control measures as a move towards

☐ To Page 2

Oil

BIDay 30/9/94

☐ From Page 1

"depoliticising" the fuel price in the direction of a more "market-related" system of pricing. "Engen sees this as a necessary step towards realising the goal of minimum government intervention."

The Automobile Association said the decrease in the price would bring "some measure of relief to the hard-pressed motorist". But the debate on the structure of the in-bond-landed-cost continued. (183)

"The introduction of a pricing mechanism that more accurately reflects prevailing international prices for a commodity such as fuel is welcomed," it said, calling for the money generated by the sale of oil stocks to be used on upgrading and maintaining SA's roads.

The Consumer Council said "the more accurate pricing system's gradual increases and decreases will enable consumers to budget more effectively for fuel".

● Picture: Page 3
● Comment: Page 14

Monthly revision of prices

PRETORIA. — The government announced yesterday it had ceded control of the fuel price to the Central Energy Fund which would adjust prices on the first Wednesday of each month.

Mineral and Energy Affairs Minister Mr Pik Botha said the first adjustment, on October 5, would cut the petrol price by six cents a litre and the diesel price by two cents. The price of paraffin would remain unchanged

Mr Botha told a press conference the new system would depoliticise fuel price adjustments and link them more directly to market forces.

He said international crude oil prices had fallen and the rand had strengthened against the dollar since the last adjustment, an increase, on June 18.

The in-bond-landed cost had therefore fallen, resulting in an over-recovery from the motorist

However, Pick 'n Pay managing director Mr Gareth Ackerman said yesterday that although he welcomed and was encouraged by the decrease, con-

URANIUM PLANT TO CLOSE DOWN

See PAGE 2

sumers were disturbed that recent decisions on the oil and energy industry amounted to re-regulation by another name. (183)

He said consumers should not be fooled that a simple decrease in the petrol price meant deregulation.

"The petrol price is still government-driven; retailers do not have the discretion to discount according to the price they pay for fuel."

The South African Petroleum Industry Association (Sapia) welcomed the new pricing system and the cut in the petrol price.

Sapia, which represents the six crude oil refining and marketing companies, said it applauded the new transparent system of fuel pricing recommended by the Liquid Fuels Task Force of the National Economic Forum.

The Automobile Association said the price drop would bring "some measure of relief to the hard-pressed motorist".

The Consumer Council welcomed the new pricing system, adding "the more accurate system's gradual increases and decreases will enable consumers to budget more effectively for fuel".

South African Chamber of Commerce economist Dr Ben van Rensburg said the new pricing system was more market-related and would help reduce inflation.

The Afrikaanse Handelsinstituut said the interim pricing system was more transparent and acceptable to the business sector than the previous one because it largely excluded political intervention in determining the fuel price.

CT 30/9/94

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CT 30/9/94

Cape fuel boost

FESTIVAL PROCESSION The staff and pupils of St Cyprian's School took their annual walk from the school down Government Avenue on the second-last day of term yesterday to St George's Cathedral for a Festival Evensong. Here Aqeelah Bawa, 6, and Nikki Seally, 6, lead the way. Picture by BENNY GOOL

Govt's decision on tanks could net R30m a year

CT 30/9/94 (183)

By BARRY STREEK
Political Staff

THE government's decision to lease its six huge oil storage tanks at Saldanha Bay could earn South Africa up to R30 million a year

It would also be a major boost to the depressed West Coast economy and the Cape as a whole.

The upgrading of the oil storage tanks at Saldanha Bay to a commercial tank farm was announced yesterday by the Minister of Mineral and Energy Affairs, Mr Pik Botha.

His spokesman, Mr Roland Darroll, said last night that international companies and countries abroad, which had "macro visions of the possibilities", were already interested in the prospects of the six storage tanks which have a capacity of 44 million barrels.

Strategic stockpiles

The Saldanha Bay tanks were very strategically located for people who traded oil throughout the world, he added.

The tanks, which until recently were regarded as secret, have until now held part of South Africa's strategic oil stockpiles.

The West Coast economy, severely hit by recession and difficult conditions in the fishing industry, has been helped, however, by the establishment of the R1-billion Namaqua Sands mineral extract plant at Brandsebaai north-west of Vredendal by the Anglo-American Corporation.

The negotiations between a Taiwanese company, Dalsin-lihwa, and Iscor over a large new iron contract from Sishen have also raised hopes of an economic turn-around in the area.

Mr Botha said in a statement that the cabinet had approved the upgrading of the oil tanks at Saldanha, subject to a lease agreement being negotiated.

He also said South Africa would sell off about half its strategic crude oil stock to reduce the supply from 7½ months to four months.

The sale could realise funds of about R1,5bn for the treasury, he said in a statement.

Mr Botha said: "Steps will be taken to interest one or more oil-producing countries in leasing, on a commercial basis, the relinquished storage facilities.

"The Saldanha facilities will be upgraded to a commercial tank farm, subject to a satisfactory lease agreement.

"The reduction of strategic stock beyond four months will not be considered until the proposed lease arrangements with producing countries are operating successfully."

Mr Darrol said that if the negotiations were handled properly there was no reason why Saldanha Bay could not become an important base in oil trading.

"There are countries abroad and international companies that are definitely interested. It is a useful supply depot and it is well situated," he added.

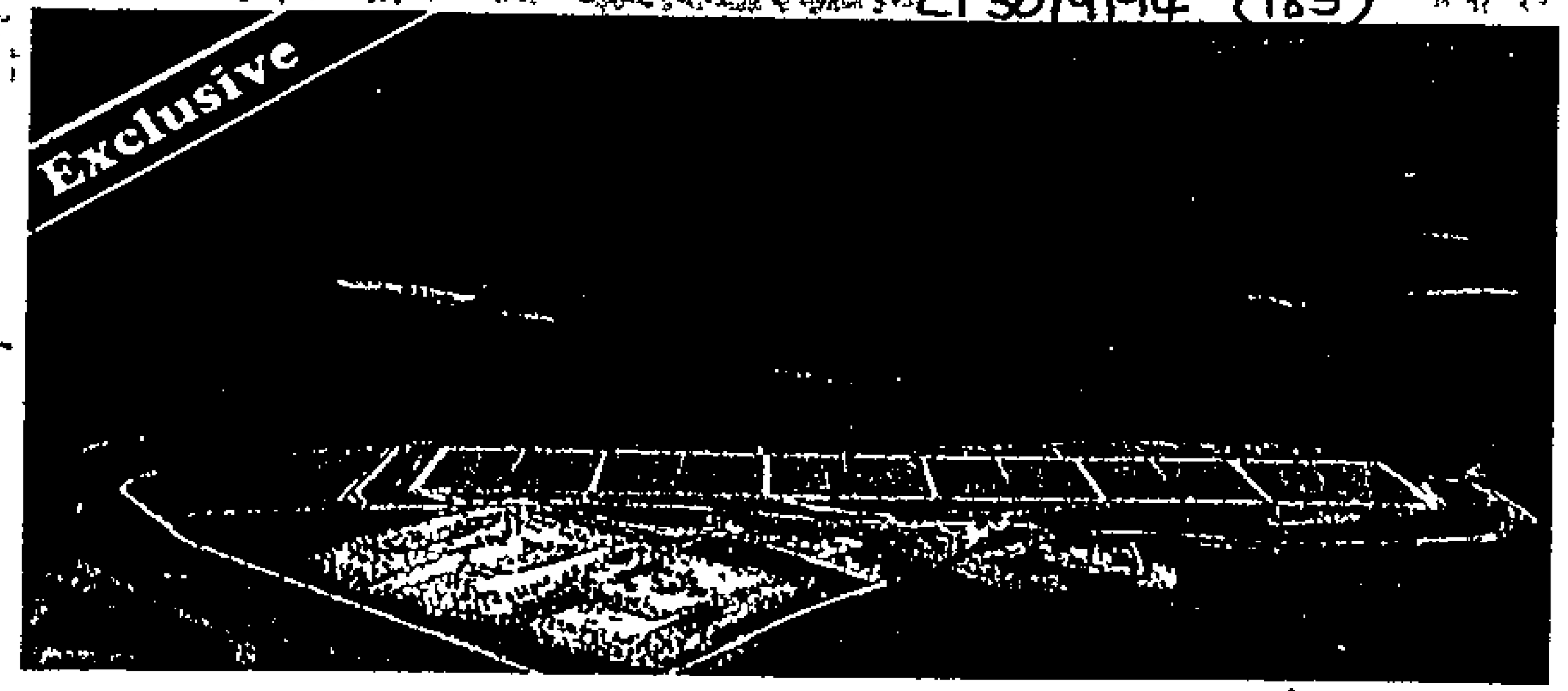
Mr Botha said in his statement that the funds generated by the sale of the strategic supplies would be made available to the Department of Finance.

'Close consultation'

"It would be free to allocate them to the government's Reconstruction and Development Programme.

"The sales will be carried out in close consultation with the Department of Finance and in a way which will not force the Strategic Fuel Fund Association to sell under pressure at reduced prices.

"Due cognizance will also be taken of crude oil prices and the cash requirements of government," Mr Botha said.



FLASHBACK ... The six huge oil storage depots at Saldanha Bay as depicted by the Cape Times when breaking the "secret" oil storage story on October 24, 1992. The government plans to lease the tanks which could earn South Africa up to R30 m a year

NEWS

'Better rand, lower costs allowed decrease'

New petrol pricing system welcomed

Star 30/9/94

The launch of a new fuel pricing system and the initial 6c a litre petrol price cut from next Wednesday have been welcomed by the business sector, petrol dealers, oil companies and consumers

The immediate decrease is based on the improvement in the strength of the rand and a drop in the international price of crude oil, said Mineral and Energy Affairs Minister Pik Botha yesterday

This resulted in lower international product prices and therefore lower in-bond landed costs for petroleum products, he said

Prices will in future be adjusted on a monthly basis on the first Wednesday of every month, Botha said

Motor Traders' Association national chairman Roy Davies said the new system was totally acceptable as long as it acknowledged the dealer who was for the first time privy to background information about pricing structures

He said it was essential to protect the operating margin at the retail pump

Previously the department surveyed some 50 sites then applied a margin to cover their cost factors based on turnover averaging 150 000 litres a month

"It is important to acknowledge the dealers' margin so that new entrepenuers and the Reconstruction and Development Programme are protected and encouraged," he said (183)

The new system recommended by the Liquid Fuels Task Force of the National Economic Forum would stabilise the industry, said the South African Petroleum Industry Association, which represents the six crude oil refining and marketing companies

The SA Chamber of Business economist Dr Ben van Rensburg saw the system as more market orientated, and one which would help reduce inflation caused by sudden price rises

The Afrikaanse Handelsinstituut (AHI) emphasised the transparency of the new deal, which it said was more acceptable to the business sector than the previous one because it largely excluded political intervention in determining the price of fuel

It also made possible more regular and therefore generally smaller adjustments

"However, this is only an interim price mechanism and the fuel task group is still busy developing a totally new fuel pricing mechanism," the AHI stressed — Staff Reporter

BATTLE OF THE PUMPS

All fired up over fuel price

183

ARG 30/9/94

New system reopens war of words on free competition

BRUCE CAMERON
Business Editor

THE petrol deregulation lobby, claiming major potential savings for motorists, has reopened battle following the introduction of the new petrol pricing system

The new system has been introduced as an interim measure while the war of words continues around how petrol should be finally priced and how the whole industry should be structured

The debate is taking place at a number of levels and with groups representing petrol companies, petrol retailers, supermarkets and organised labour, it is generating almost as much heat as the conflagration on Kuwait's oil fields after its short-lived invasion by Iraq

The new system of pricing, which effectively allows the government to escape from political pressure every time the petrol price is changed, was delayed because of the larger debate

The new system however is not very different from the old which was introduced when South Africa was reeling under international sanctions and an oil embargo

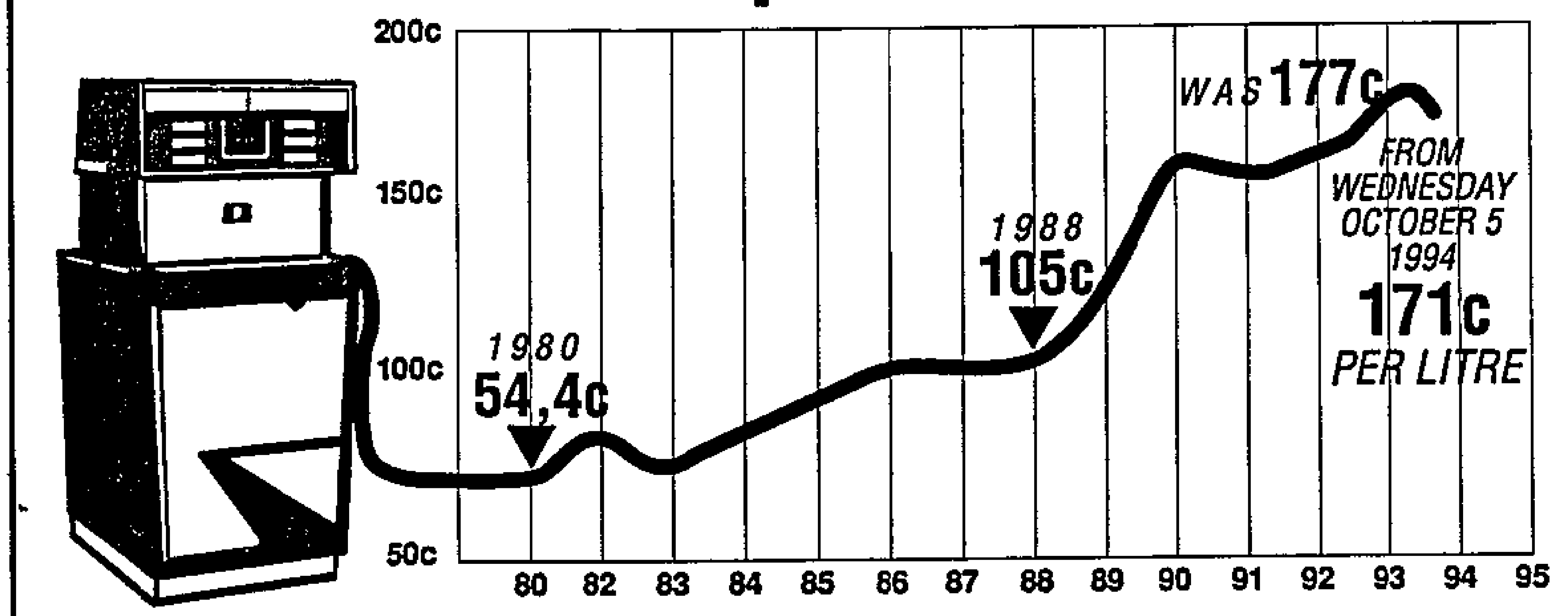
The main difference is there is less secrecy and the price adjustments will be made every month

The price is still based not on real costs, but on a make-believe system of competition with refineries in Singapore and Dubai It is not based on the cost of landed crude or on free competition at producer level or at retail level

The whole pricing system is further bedevilled by the payment of subsidies to synthetic fuel-producer Sasol, which even has the oil companies breathing fire

The pricing of petrol still falls in the category of a government administered price

Petrol: How the price has changed



no matter how the government attempts to escape responsibility Either by luck or good planning the first price adjustment is down by a solid six cents a litre, which will please everyone

Whether the minibus taxis will block the streets of the cities, and who they will blame, when the price goes up again — as it surely will — remains to be seen

The fuel companies are still not able to compete against each other on the issue of price and neither are the retailers

It did not take long for the pro-deregulation lobby to rekindle the public debate

Pick 'n Pay, which has been fighting for deregulation for years, often resorting to outright defiance, has immediately asked for changes to the interim system to allow it to edge closer to a deregulated market

The chain is quite happy to start price cutting even without deregulation at the level of the refineries

The joint managing director of the chainstore, Gareth Ackerman, said that it was attempting to meet Mineral and Energy Affairs Minister Pik Botha to persuade him to allow retailers to adjust prices when they wanted.

"We would like the flexibility of allowing our tanks to run dry and sell fuel at the lower rate, when the price of petrol goes up again.

"We feel the new system, which allows for an adjustment on a monthly basis, should be seen as a way of familiarising consumers, dealers and other parties with the process of adjusting price according to the wholesale, is a good sign."

But "this is not by any means an ideal situation"

Mr Ackerman says this time Pick 'n Pay will not challenge the government but he warned that it would not hesistate to discount petrol in the future "should more positive steps not be made to deregulate the industry properly and according to the free market principles of supply and demand"

The main opposition to Pick 'n Pay comes from the smaller retailers who fear losing market share Their main argument, with the backing of the unions, is that Pick 'n Pay will switch to self-service, with the loss of thousands of jobs for forecourt assistants

Mr Ackerman's response is that self-service will be phased in and the savings generated for the motorists will see extra spending in other areas, creating new jobs.

The basic philosophy has been backed loudly in recent months by Engen, which claims savings of 21c a litre could be made for the motorist by deregulation and by chopping the Sasol subsidy Much of the ire of Engen chief Ron Angel was directed at the foreign-owned petrol companies

His critics in the industry accused him of attempting to use the issue as a marketing device

However Engen has joined the recently formed South African Petrol Industry Association (Sapia) and its comments today were less fiery, with chief operating officer Errol Martin saying the new system was a "necessary step towards realising the goal of minimum government intervention in the oil industry "

Sapia, which represents six producers with Sasol being the odd-one out, issued a statement welcoming the introduction of the new system, believing it "will stabilise the industry while it restructures in the next two years"

The question however is whether two years will be enough for the warring members of the Liquid Fuels Task Force of the National Economic Forum.

NEWS AECI management fires 1 300 workers at Modderfon

Shots fired at workers

Sowetan 30/9/94

■ ORDER DEFIED Situation quiet after employees try to gain entry to premises:

By Khathu Mamaila

THE AECI explosives factory at Modderfontein outside Johannesburg had dismissed 1 300 striking workers by yesterday afternoon for failing to comply with a court order requiring them to return to work by Wednesday morning

This was confirmed by company spokesman Mr Michael Blizzard who also admitted that the company's security personnel had fired teargas and used dogs to disperse 250 strikers attempting to gain illegal entry to the premises on Wednesday

The situation at the complex was quiet yesterday after Wednesday's clashes

SA Chemical Workers' Union spokesman Mr Tshepang Mika accused police of opening fire on demonstrators, but this was denied by SAPS spokesman Lieutenant Deon Peens

Blizzard confirmed police only arrived at the scene after the company's security personnel had fired teargas and strikers had allegedly fired three shots at company security

Blizzard said the crowd of 1 000 strikers had been aggressive on Wednesday and then a group of 250 had broken off and attempted to storm the company's premises When the strikers moved to another fence in an attempt to gain entry, the security personnel fired teargas An unidentified member of the crowd then allegedly fired three shots at the security guards

The inquiry into the deaths of eight workers in an explosion at the factory on September 14, which sparked the strike, will begin in the Kempton Park Magistrate's Court today — *Sapa*

183 ~~182~~

Petrol move hailed

Sowetan 30/9/94

By Josias Charle and Joe Mdhlela

BUSINESS, TRADE UNIONS and economists welcomed yesterday's Government decision to reduce the petrol price by 6c a litre

The price cut will come into effect next Wednesday The announcement was made by the Minister of Mineral and Energy Affairs, Mr Pik Botha (183) ~~(244)~~

Petrol will be reduced by 6c a litre while diesel will go down by 2c This means that premium will now cost R1,77 a litre and regular R1,75 Diesel will come down to R1,61

However, the price of paraffin will not be affected as it was being subsidised by the Government, Botha said

The price cut resulted from falling international crude oil prices and the strengthening of the rand/dollar exchange rate, Botha said

He also said the price adjustment would herald the implementation of a new approach to fuel price adjustments — prices would be adjusted on the first Wednesday of every month

The Central Energy Fund will calculate the basic fuel price through an agreed formula The data will then be passed to independent auditors who will set the price

The South African Chamber of Business said the reduction of petrol and diesel would be welcomed by the business community

National Council of Trade Unions general secretary Mr Cunningham Ngcukana said the federation welcomed the move if the new system did not mean loss of jobs "for our people "

Cosatu's Mr Neil Coleman said the federation would go along with the system provided it did not tamper with jobs "Cosatu is opposed to anything that will mean loss of jobs," he said

After nearly 30 years exploring for oil, Soekor is now ready to develop South Africa's first oilfields off the Cape coast.

CAPE OIL BONANZA!

W/End Argus 1/2/10/94 (183)

WILLEM STEENKAMP
Weekend Argus Reporter

OIL may soon be flowing from South Africa's first oilfield off the Cape south-coast near Bredasdorp where nine small oil fields have been discovered over the past couple of years

An excited Joggie Heüser, Soekor chief executive, told me in an exclusive interview that early indications were that upward of 20 000 barrels of high quality light crude oil could be tapped from the E-BT oil field about 100km west of Mossel Bay

Mr Heüser said several international companies had been invited to tender for the development of the so-called E-BT oilfield off the coast

It is expected that an overseas contractor would have to spend between R175 million and R350m on the development of South Africa's first oilfield Mr Heüser said Soekor oil giant Engen and the overseas contractor would be partners in the venture

The venture would be run on a profit basis and would not cost the taxpayer any money It would, however, save the country millions of rands in foreign exchange

Mr Heüser said new technology now made it financially viable to develop smaller oilfields A Floating

■ More details, maps and graphics on page 23
■ PLUS — major mining boost for West Coast — see BUSINESS section

Platform Facility (FPF) would be used to tap into the oilfield and pump crude oil into tankers to be sold to refineries

It is expected that about 200 new jobs will be created, most of them to be filled by local labour

Nine small oilfields have been discovered in the Bredasdorp Basin and it is believed there may be other reserves in the deeper water Soekor showed me samples of the high quality light crude recovered in the area

Mr Heüser said when one field was depleted, the FPF would simply be moved to another field and continue producing oil.

"We are evaluating all our data and will be able to make a firm decision by the end of the year Indications are extremely positive and we would not have undertaken these studies, surveys and prospecting if we weren't confident we could go ahead with the project

Mr Heüser said that apart from the oilfields, 14 gasfields had been discovered in the Bredasdorp Basin These do not include the gasfields discovered and presently used by Mossgas

Although there has been considerable oil exploration and drilling in the Bredasdorp Basin, a large section of the area is still under-explored and significant potential exists for other natural oil and gas discoveries.

■ In a separate development, Soekor is to embark next week on a ma-

■ To page 3

☐ **OIL AT LAST:** Petroleum engineering manager of Soekor, Kevin Stallbom, holds up samples of high quality crude oil recovered from the Bredasdorp Basin off the Cape south coast, where intense investigations are under way to develop South Africa's first oil-producing field
Picture: ANDREW INGRAM, Weekend Argus

Oil bonanza

W/End Argus 1-2/10/94

■ From page 1

jor drive to market licences for 18 exploration areas off the South African coast By issuing licences Soekor hopes international consortiums can help discover and develop other potentially oil-rich reserves

Minister of Mineral and Energy Affairs Pik Botha will invite investments in offshore oil and gas exploration on behalf of the South African government at a seminar to be held in London next week

All the major international oil companies have been invited to the seminar, the second of which will be held in Houston, Texas on October 11

Mr Heüser said there was great interest among international oil consortiums about becoming involved in oil exploration off the SA coast

But he emphasised that although 18 oil exploration blocks would be offered for sub-lease to international consortiums, Block Nine (the Bredasdorp basin) would not be offered as existing discoveries in this area were due to be developed

Pik launches oil rights bid in UK

CT 3/10/94 (183)

MINERAL and Energy Affairs Minister Mr Pik Botha will launch South Africa's first public bidding round for offshore oil exploration rights at a conference in London on Wednesday, officials said

Oil officials announced at the weekend that nine oil fields that could yield more than 20 000 barrels of high quality crude oil had been discovered off the West Coast

While relatively small, the nine fields are the first to be developed by South Africa after a 30-year search for oil and gas in the Atlantic and Indian oceans

Mr Piet Hugo, director general of Mineral and Energy Affairs, said a government team would repeat Mr Botha's offer to US oilmen in Houston a few days later before returning to address oil ministers and experts at a Cape Town conference on October 17

Mr Nok Frick, director of the Council for Geoscience, said Soekor would offer sub-leases on all but one of the 18 offshore exploration blocks

"You could not have a better demonstration of our commitment to a free market than this privatisation of our offshore exploration operations," he said

But Mr Hugo and Mr Frick were both cautious in their assessment of the oil prospects off South Africa's coast — Sapa-Reuter

Unionist excluded from blast inquiry

B Day 31/10/94

DEBORAH FINE

A BID by chemical worker unions to call an overseas industrial hygienist as an expert witness in the statutory inquiry into the recent explosion at AECI's Modderfontein plant failed on Friday after the hygienist was found to be inexperienced in the field of explosives.

However, Occupational Health and Safety deputy-director and inquiry chairman Shaun Darlow ruled that Oil, Chemical and Atomic Workers' International Union hygienist Charles Barrett could attend an inspection at Modderfontein site where eight workers were killed in an explosion on September 14 as a union representative.

Darlow said UK Transport and General Workers' Union senior representative Ian Gibbs — also called as an expert witness by the unions — could assist the inquiry in assessing the cause of the explosion.

(183)

The in loco inspection, carried out on Friday afternoon, was attended by Darlow, Gibbs, AECI experts, union representatives, Barrett, AECI health and safety (explosives) deputy-director Lucas Potgieter and health and safety (explosives) director Retief Kok.

Kok will present a report to the attorney-general once the inquiry is completed for a decision on whether any person is criminally liable for the deaths of the workers.

AECI group communications manager Michael Blizzard said an internal probe into the explosion was being hampered by a strike called after the incident and the company's refusal to accede to demands for better safety measures and a R500-a-month danger allowance.

The statutory inquiry, which could take up to two years, is to continue on November 17. Friday's inquiry was also attended by AECI production director Rod Prior, ICI Explosives operations manager Andy Begg, Modderfontein area manager Deon Jooste and AECI staff association chairman Herman van Staden.

The Chemical Workers' Industrial Union was represented by health and safety officer Shirley Miller and the SA Chemical Workers' Union was represented by national organiser Manene Samela.

Sipho Madhlopa appeared as the union's attorney and Graham Edwards appeared for AECI.

'SA must lift oil industry barriers'

BDay 4/10/94

MICK COLLINS

SA HAD to lift the barriers preventing new players — particularly foreign oil companies — from entering the oil industry if the sector was to enjoy more competition, Minerals and Energy Policy Centre acting director Paul Theron said yesterday.

Theron said the National Economic Forum's liquid energy committee — which is drawing up proposals to restructure the oil industry — had still to convince all concerned parties that a healthier industry hinged on freer market principles The centre is one component of the NEF's energy task force

Speaking in his personal capacity, Theron said indirect investors and service providers also had to be attracted to oil exploration and production, crude imports and trading, product import, synfuels conversion, refining, distribution of petroleum products, and retailing

He said a second area of change related to price controls on petrol and diesel Competition had to replace regulation in the determination of prices charged

"As a first step, discounting off of price maximums could be introduced, with simplified systems in place for calculating these price ceilings. A petroleum industry authority may be required to implement this system"

Theron said that in time the system could be replaced with a price monitoring system and subsequently by complete price freedom

Government had no choice but to move swiftly to a thorough deregulation of the fuel industry, he said

Theron added that the NEF's liquid energy fuels task force had delayed further discussions until government proposals were heard

"Although much time has been spent by this committee, little of substance has emerged The need to develop a more competitive industry has yet to be acknowledged by all concerned parties

"Some of the parties involved in this debate have yet to grasp that those who seek to invest in the SA oil industry, both existing and new players, are likely to do so only in a stable, open and competitive investment environment"

He said the rationale for controlling prices in the past was in part the need to guarantee above average returns for oil companies to prevent disinvestment (183)

"In the new context a clear move towards reduced government intervention in price setting and increased competition will have to be made.

"Only if prices are seen to be determined on the basis of competition between rival suppliers of petroleum products will the public accept frequent product price changes"

Theron also questioned whether Soekor, the state agency of oil exploration and production, should continue to be funded by motorists He suggested the functions of the Strategic Fuel Fund of crude oil importation and trading be made a responsibility of local crude refiners

This would allow the fund to sell further strategic oil stockpiles and their fuel tanks to be used by private importers to maintain a stockpile

Theron said the regulation of retailing by means of the service station rationalisation plan (Ratplan), had become outdated

The Ratplan, an agreement between government, the oil industry and the Motor Industries Federation which represents service station owners and operators, prohibits self-service to retain the jobs of about 45 000 pump attendants and also bars oil companies from owning service stations to protect small business

Soekor gears up to exploit oilfield

BDay 5/10/94

EDWARD WEST

CAPE TOWN — Soekor would seek government approval to exploit SA's first commercial offshore oilfield at the end of the year — 28 years after it first began its search for oil, the exploration parastatal said yesterday

In the meantime Mineral and Energy Affairs Minister Pik Botha will address potential investors in London today to market licences for 18 oil and gas exploration areas off SA's coast Similar seminars will be held in Houston, US, on October 11 and at Soekor's Bellville head office on October 20

The last round of international offshore licences was awarded in 1967, attracting nearly all major exploration companies at the time But sanctions and the opening of more attractive areas led to the last internationally financed well being sunk off the West Coast in 1976.

Soekor said it had sent a letter of intent to a foreign oil exploration contractor to become a partner in the venture to exploit up to 20 000 barrels of high quality crude oil a day from the E-BT oilfield, west of Mossel Bay

A spokesman said the letter was sent after Soeker had considered proposals from five international oil exploration contractors (183)

He said the financial effect in terms of foreign exchange savings had yet to be evaluated, as final details had not been finalised

But analysts said potential oil reserves of 20 000 barrels a day were tiny by world standards

Saudi Arabia produced up to 8,5-million barrels a day, while the smallest Arab producer, Shirjah of the United Arab Emirates, produced 40 000 barrels a day

Responding to a question on the time taken for Soekor to exploit its first commercial oil, the spokesman said that up to 200 exploration wells had been sunk in a year in the search for North Sea oil, while Soekor had sunk 240 over the past 28 years

Engen — another potential partner — said various joint ventures with Soekor were under discussion, but negotiations were confidential

The company predicted in its 1992 annual report that some of its exploration interests in the Bredasdorp Basin, including the E-BT field where oil deposits had already been discovered, might develop into commercial ventures with the further development of subsea technology

Constraints to commercial exploitation then were severe weather conditions and lack of infrastructure Soekor has rights over eight blocks in Bredasdorp Basin, where hyrdrocarbons were discovered, until 2003

Soekor said exploitation of the oilfield — which would involve extraction from nine small oilfields consecutively once reserves in each were depleted — would not have been possible without the development of new technology.

Twenty-one injured in clash at AECI

B/Day 5/10/94

JACQUIE GOLDING-DUFFY

CLASHES between dismissed strikers and non-striking workers at AECI's Modderfontein plant yesterday left 21 people injured, some seriously

AECI chairman Mike Sander said eight people had been discharged from hospital

The company had called in the police because employees were being "intimidated, stabbed and assaulted" by strikers He said 2 800 workers — about two-thirds of the workforce — had been dismissed after failing to heed an ultimatum to return to work They are expected to collect their wages over the next two days, while those living in company accommodation would be asked to vacate the premises.

Sander said the violence was "unacceptable" and would not contribute towards resolving the dispute The union had sidelined the issue of safety

The SA Chemical Workers' Union (Sacwu) had been informed that AECI would recruit a new workforce

The 12-day strike by workers was sparked by an explosion at the plant two weeks ago which killed eight people

AECI said the strike was hampering the gathering of information for the Labour Ministry investigation into the explosion

The union denied that members had been unruly and said its demands were legitimate It had proposed that management re-employ all workers without loss of pay. "We have backed down on our danger pay demand of R500 a month, but management refuses to compromise."

(183)

21 hurt in AECI clashes

Star 5/10/94

■ BY JOVIAL RANTAO
LABOUR CORRESPONDENT

The three-week-old strike at the AECI plants in Modderfontein on the East Rand took a violent turn yesterday when clashes between strikers and non-strikers left 21 workers injured

Thirteen of the workers were admitted to Edenvale Hospital

AECI chairman Michael Sander yesterday said the workers were "viciously beaten up, stabbed and smashed with rocks" at Modderfontein early yesterday morning

Workers at AECI's three plants went on strike on September 19 in protest against health and safety standards On September 27, workers ignored an ultimatum to return to work and 2 800 were dismissed

"We're dismayed that in the last 24 hours an unacceptable level of violence has led to the injury of 21 workers We called in police to restore calm and order because we don't support circumstances that can cause further loss of life," Sander said

Yesterday's clashes came as the South African Chemical Workers' Union (Sacwu) made a settlement proposal to AECI management. According to Tshepang Mika, a Sacwu spokesman, the union has tabled a proposal to management that all workers should be reinstated without loss of pay or benefits, and without a break in their service

At a press conference yesterday, Sander said he was concerned that the dispute between management and Sacwu had not focused on safety — an issue that started the strike following the September 14 explosion at the AECI explosives plant which left eight workers dead

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Oil flare fury

183

Staff Reporters

MILNERTON's Caltex refinery shut down last night as clouds of acrid black smoke spewed out of the controversial plant after a power failure.

CT 7/10/94

Angry residents described it as the worst pollution the area had ever suffered

A flame four times the normal size rose above the refinery, emitting an overpowering smell of burning rubber

Some Table View residents left the suburb saying they "couldn't breathe", and a local hotel quickly lost most of its customers Complaints were received from as far away as Melkbosstrand.

Caltex spokesman Mr Terry O'Donovan said the Eskom power failure had caused the problem

He said the smoke from the refinery's chimney stacks comprised unburnt fuel oil, a type of low-grade crude oil used to fire the refinery's burners

The outpour continued for more than an hour of the two-hour blackout, which had been caused by a fire in an electrical sub-station

Mr O'Donovan said that although the emissions were unsightly they did not pose a health threat.

Fled stench

Eskom spokesman Mr Charles Cooper said the power failure had been caused when a breaker in a sub-station blew up, resulting in a blackout in the surrounding suburbs, including Montague Gardens, Bothasig and Richwood

"According to our technicians, the fault was a one-in-a-million chance, which also caused the back-up power system to be knocked out," Mr Cooper said A full investigation is to be carried out.

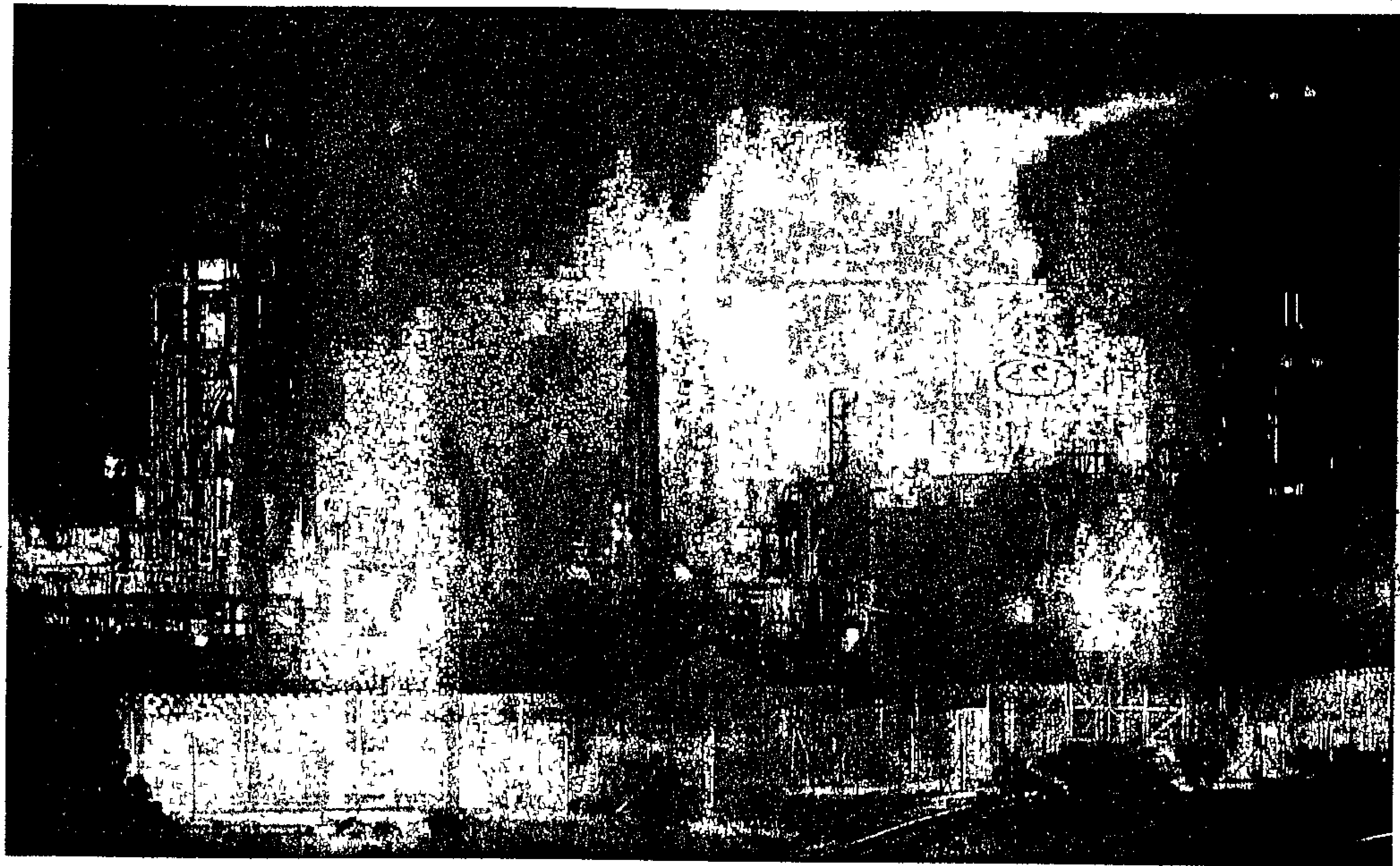
The duty manager at the nearby Killarney Hotel, Ms Liz Futeran, said patrons had fled the stench

"We weren't sure if we were being poisoned to death. You could choke on the fumes. The smoke came down with a rain-like effect. How have they been allowed to get away with it for so long?"

Mrs Futeran said her family had run the hotel for 30 years and had never had such severe pollution

Mr Paddy Pereira, a credit manager, who lives in Circle Road, Table View, said "I can't breathe properly — there's this horrific, pungent odour, like a mixture of rotten eggs and petrol. It's disgraceful. When will Caltex do something about this?"

Bank consultant Mr Trevor Shaw called off a braai for friends at his Table View Extension Five home



FOUL FUMES . . . Smoke billows from the Caltex Oil Refinery in Milnerton after a major technical problem last night sent thick fumes into the surrounding suburbs. Angry choking residents, many of whom fled the foul-smelling area, described it as the "worst-ever" pollution incident in the suburb.

Picture ANNE LAING

AECI workers return

JOHANNESBURG — All dismissed AECI workers will return to work today following a settlement reached between the company and the SA Chemical Workers Union yesterday

Sacwu organiser Mr Godfrey Ramothata said workers would be reinstated to positions they held before the 16-day strike, sparked by an explosion at AECI's Modderfontein factory on September 14 in which eight died

He said the union reserved the right to represent workers in disciplinary actions that AECI has threatened to take against strikers

(183)

AECI has said it will discipline workers who left their working place in unsafe conditions to participate in the industrial action and those who involved themselves in violence, according to Mr Ramothata

Sacwu would contest AECI's "no work no pay" policy

The union would also pursue workers' demands that were made during the dispute — Sapa

CT 7/10/94

AECI and union in deal to reinstate 2 800 workers

JACQUIE GOLDING-DUFFY

AECI management and the SA Chemical Workers' Union (Sacwu) agreed yesterday that the 2 800 dismissed workers at the company's Modderfontein site would be reinstated today, the company said.

The framework for the reinstatements was laid yesterday between the parties when separate agreements were reached in principle at the three companies — AECI Explosives Ltd, Kynoch Fertiliser Ltd and AECI Operations Services — affected by the strike.

The strike, which began on September 19, was sparked by an explosion at AECI's nitroglycerine factory which killed eight people. Striking workers were dismissed after they defied a court order to return to work

AECI communications manager Michael Blizzard said the illegal strike had, however, resulted in a potential loss of about 700 jobs at the plant, but the issue had still to be discussed with Sacwu (183)

Sacwu spokesman Tshepang Mika yesterday said management had agreed to reinstate all dismissed workers without loss of benefit, adding that workers would be reinstated to positions they held before the 16-day strike

"AECI also agreed that the issues of health, safety and job grading be negotiated with the union," Mika said

AECI said the workers would be reinstated without any loss of pension and medical aid benefits, but the "no work no pay" rule would apply for the duration of the strike

It added that yesterday's recognition agreements had to be signed between the companies and the union within four months, failing which the union would lose its stop order and office facilities at the Modderfontein plant

DRUG PRICES FM 7|10|94

Rigging the market?

A strange collection of bedfellows in the pharmaceutical and medical industries appear to be pushing proposals that could amount to price fixing and collusion in private sector drug distribution

The proposals, called "net pricing — an alternative pharmaceutical pricing system for SA" — and commissioned by the Pharmaceutical Society of SA (representing registered pharmacists), the Pharmaceutical Manufacturers' Association and the Medical Association of SA (representing doctors) — calls for a pricing system that would let drug wholesalers determine drug prices at both the manufacturing and retail levels In effect, the arrangement would be similar to the floor price system applied by former agricultural boards

The proposal has now been forwarded to the wider medical and pharmaceutical industries for discussion (183)

Certainly, the document offers no obvious benefits to the consumer It states "It is not an immediate objective of Net Pricing to reduce the cost of medicine to the end-purchaser, whether individual patients or medical schemes"

FM 7|10|94

Instead, it stresses the need to "correct the perceptions of inordinately large retail and wholesale margins and the impression that prescription medicine prices are too high" It claims the proposed Net Pricing system will introduce more pricing transparency into the pharmaceutical distribution channel by eliminating existing traditional mark-ups — the 21,21% wholesalers add to the manufacturers' selling price, 50% retail pharmacists add to the wholesale price and dispensing fees and other charges

(183)

The scheme's authors — Glaxo chief Andrew Witty, bulk drug discounter and medical scheme facilitator Medikredit's David Boyce (owned by the Pharmaceutical Society of SA) and Lex Tannenbaum who represents wholesalers — argue that the present pricing system unfairly portrays the final mark-up to consumers at around 91% when, in practice, because of wholesale and retail discounts, the mark-up is effectively only around 59% The intention of the new pricing system is to make this clearer

"Net pricing can be understood as a pricing system that, instead of adding artificial or inflated markups to the cost prices of products and then discounting them from the selling price, rather recalculates the mark-ups to take into account the discounts it was intended would be given"

Of course, any capping of discounts or prices amounts to a distortion or subversion of market forces and is thus artificial Minimum and maximum prices have been ruled out by the Competition Board as "not being" in the public interest"

There's also a lack of clarity over how the system will work Says medical consultant Tony Leveton: "It looks like a very complex system that won't do much for the consumer and will be difficult to enforce What's to prevent a manufacturer from discounting the average wholesale or net price determined by the wholesaler?"

Overall, the arrangement could be described as a bid to satisfy vested interests at a time when deregulation is challenging protectionism. For the retail pharmacists, for example, the document promises that Net Pricing won't be subject to further discounts. There's also a further proposal that sanctions the payment of a professional fee to the pharmacist for services that include prescription screening, drug utilisation and patient counselling — services they seldom rendered to the public.

One way to drop prices would be to open up ownership of retail pharmacies to non-pharmacists, particularly medical schemes and retail stores, and allow cheaper imports and generic substitution

But such reforms — envisaged in the Medical Schemes Amendment Act — would also question the continued need for small and uncompetitive retail pharmacies as well as many wholesalers in an already crowded distribution chain

Mirryena Deeb

Explosives sector turns to exports

B/Day 11/10/96

MICK COLLINS

GROWTH in the R1bn-a-year explosives sector has slowed dramatically, with companies now moving to aggressively push products and technology to overseas buyers, market sources said at the weekend

(183)

Linked inextricably to mining, the explosives industry has mirrored the downturn being experienced in the coal, gold and platinum sectors

But the local industry, with an annual offtake of about 400 000 tons, is still responsible for more than 1-million detonations a day, which places it second only to the US

Although shrouded in secrecy because of fierce competition, the local market is mainly shared by two players, AECI Explosives and Sasol's SMX division

What is significant, analysts say, is the drive by both companies to export product and technology

Sasol says the success of its SMX division and the subsidiary joint venture companies — SMX Manufacturers and Ensign-Bickford SA (EBSA) — is particularly dependent on the performance of its customers

"The construction and opencast mining sectors are already gaining from the sequential firing systems supplied by EBSA," Sasol says

"The underground gold and platinum mining sectors are now also becoming aware of the value of these state-of-the-art shock tube initiation systems These products enhance the effectiveness of the modern bulk and packaged explosives and significant improvements in productivity have been achieved with their introduction," the company says

AECI is equally bullish about its prospects and says overall demand in the local market remained firm last year with increased demand from the gold sector countering the weakness in coal and diamond mining

"Competition pressures remain intense and are unlikely to be alleviated while the mining industry maintains its quest for cost containment," AECI says

The company says it has had considerable success in identifying ways to meet customers' real needs

In line with this drive, an improved plastic finished fuse and a new generation of specialised bulk explosive products have been introduced offering benefits to customers through improved operating costs

It says the joint venture with ICI which led to the establishment of AECI Explosives has strengthened business focus while at the same time improving international market opportunities The joint venture is held 51% by ICI and 49% by AECI

AECI says export sales are down as a result of a marked downturn in the Zimbabwean mining industry

Significant in the industry is the race to produce new, more cost-effective products with the quest for new-generation explosives "intense", industry sources say

Sasol says a unique nitrate explosive product has been developed by SMX which should have a revolutionary effect on the use of ammonium nitrate fuel oil in both the underground and opencast mining sectors

A provisional patent on the product and the manufacturing process has been registered locally and the company has also applied for international patent protection

"International companies have expressed interest in both the product and the technology

"This, together with the development of other new products and systems for local application, will support SMX's export drive"

Sasol says despite intensified competition and virtually constant prices, the value of sales of SMX and its subsidiary joint ventures has increased 5,3%

Following the success of sales of explosive products into the Pacific Rim region, new export areas are being explored

Oil search licences decided by November 1995, says Pik

CAPE TOWN — SA should be able to grant its first commercial offshore oil exploration licences by November next year, Mineral and Energy Affairs Minister Pik Botha said yesterday

Botha said in an interview he had been encouraged by the response in London last week to his announcement of the first open bidding round for offshore oil exploration licences

"It went very well indeed. We had almost 80 companies attending . all the main players in this industry from around the world

"We can look forward to closing this bidding round at the latest by April," Botha said in an interview after an address to the executive assembly of the World Energy Council

"By June we should complete the negotiations on the bids and then finalise other work by October We should be able to make the first awards by October or November, which is fast"

SA has searched for oil off its western and southern coasts for more than 20 years, but has has found only natural gas and oil deposits too small for commercial exploitation

A senior official with the government Council for Geoscience said recently that state-owned oil exploration firm Soekor had spent up to R3bn and sunk 230 offshore test wells in its search for independent supplies

B/Day

Botha announced last week that, with anti-apartheid sanctions lifted, the country would throw the search open to commercial oil companies"

Only one block in the Bredasdorp basin, which provides gas to the Mossgas petrol conversion plant, would not be put out to tender

12/10/94

Botha said that investors would assess the data packs of seismic and drilling results provided by Soekor objectively, but he added that the existing goodwill towards SA's fledgling democracy could also play a role.

(183)

"We are not isolated any more and that has a tremendous impact on the way people think about us It could have a spin-off effect on investors in manufacturing or onshore mining operations"

Botha stressed that President Nelson Mandela's post-apartheid coalition government was determined to ensure a safe investment environment

"I assured them there will be stability and security in the fiscal regime, in the financial regime and in the legal regime," he said — Reuter

SAD earnings surge 48%

(183)

CT 13/10/94

By MAGGIE ROWLEY
Deputy Business Editor

VIGOROUS market penetration coupled with sustained improvement in productivity saw SA Druggists group lift earnings by 48% to R96m on a 17% increase in turnover to R2,2bn for the year to end August

While operating income was up 22% at R150m, a 74% drop in the interest bill to R6m resulted in income before taxation, which was 50% higher at R51m, rising 44% to R144m

Earnings at the share level were up 30% at 159,4c

Despite the significant financing of about R49m required by new ventures during the year, the group's balance sheet continued to strengthen with gearing down to a nominal 3,9% at end-August

SAD CE Peter Beningfield said the improved results had been achieved despite generally tough market conditions Growth had been experienced since June

The group has declared a capitalisation issue equivalent to 30,5c a share against a divided of 27,27c a share last year in "support of government's policy to encourage companies to plough cash back into development" The impact on 1994 EPS is 6 1c while the cash flow benefit will amount to R18m, he said

Beningfield pointed out that if it had not been for this issue, earnings would have increased by 41% to R92m and EPS by 25,2% to 153,3c

Shareholders will be given the option of receiving cash in lieu of the scrip dividend, details of which will be announced next month

According to Beningfield, an analysis of independent data shows that the group now holds a 25% market share by dose unit of SA's total pharmaceutical market

He said in the immediate future there would be a strong focus on the development of new delivery systems as well as on internationalising the group's businesses

While further market growth was expected during the year ahead much of this would be in the state and lower-margin sectors

S A Druggists profit surges 48%

Argu 13/10/94 (183)

ALIDE DASNOIS
Business Staff

SA DRUGGISTS is expecting a further 20 percent increase in profits this year after posting a 48 percent rise to R96 million in the year ended August.

The group spent R54 million on expansion in the year, and invested R49 million in new ventures.

But in spite of this the balance sheet continued to strengthen during the year and gearing was reduced from 5,1 percent to 3,9 percent.

Turnover was up 17 percent to R2,15 billion in a dificult year. Operating income rose 22 percent, with the main contribution coming from the pharmaceutical division, where sales and factory productivity improved.

Directors decided on a capitalisation share issue to conserve cash, in order to meet capital commitments of R79 million in the current year. Shareholders can choose between shares or a cash dividend of 30,5c.

The group directors said the market should continue to grow this year, especially in the lower margin and state sectors

Increased private use of generic drugs (up from 19 percent to 23 percent), an improved export climate and stronger demand from the United States for fine chemicals, left the group well placed for continued growth, they said.

■ Motor parts and accessory suppplier Midas raised attributable profit 49 percent to R4,9 million in the six months ended August, and slashed interest bearing debt by almost half, from R23,4 million to R12 million.

Profits for the half year were boosted by an extraordinary item of R575 000 recouped from discontinued items

Directors said operating efficiency had improved. The auto electrical and diesel division and the parts and accessories division had performed well, expanding market share.

Activities would be further consolidated in the current year and profits should improved further, they said.

A dividend of 8c (5c), covered four times, was declared.

■ New Central Witwatersrand Areas raised its interim dividend from 72c to 91c for the six months ended September. Net income was up 26 percent to R1,616 billion.

■ Investment holding company Ozz cautioned shareholders that negotiations in progress could affect the share price.

SAD extends market share

Star 13/10/94

■ BY CHARLOTTE MATHEWS

Increased market share and improved productivity lifted bottom-line profits from SA Druggists in the year to August despite difficult trading conditions

Attributable profits rose by 48 percent to R96 million from R65 million in the year to August 1993, which translated into earnings of 159,4c (122,4c) a share

This took into account the favourable effects on the tax rate assuming that 80 percent of SA Druggist shareholders choose to take the capitalisation award, rather than the final cash dividend of 30,5c (27,75c)

Turnover lifted by 17 percent to R2,2 billion and operating margins edged up to 7 percent from 6,7 percent in 1993, heading towards the group's short-term target of 8 percent

An extraordinary item of R38 million (R24 million) included the write-off of goodwill and costs of closing the LPA division

SA Druggists chief executive officer Peter Beningfield said an improvement in the private sector, as opposed to the public sector/tender market, had only been evident after June

Although some increased demand probably reflected the effects of a harsh winter, an improvement in the economy meant more people could afford sophisticated medication

During the year the group expanded its UK operations with the aim of exporting its generic products to the UK and Europe Beningfield said the overall aim was that exports should represent one-quarter of capacity and at present exports represented about five percent Increased demand from the SA market was absorbing ~~most~~ of the group's capacity 183

In the current year the group has budgeted capital expenditure of about R100 million, which includes R15-R20 million to establish a new research and development centre, probably on the Reef.

Other items of expenditure include expansion of the syringes and fine chemicals operations and the consolidation of the group's various offices to premises in Sandton.

SA Druggists posts 30% earnings rise

B/Day 13/10/94

MUNGO SOGGOT

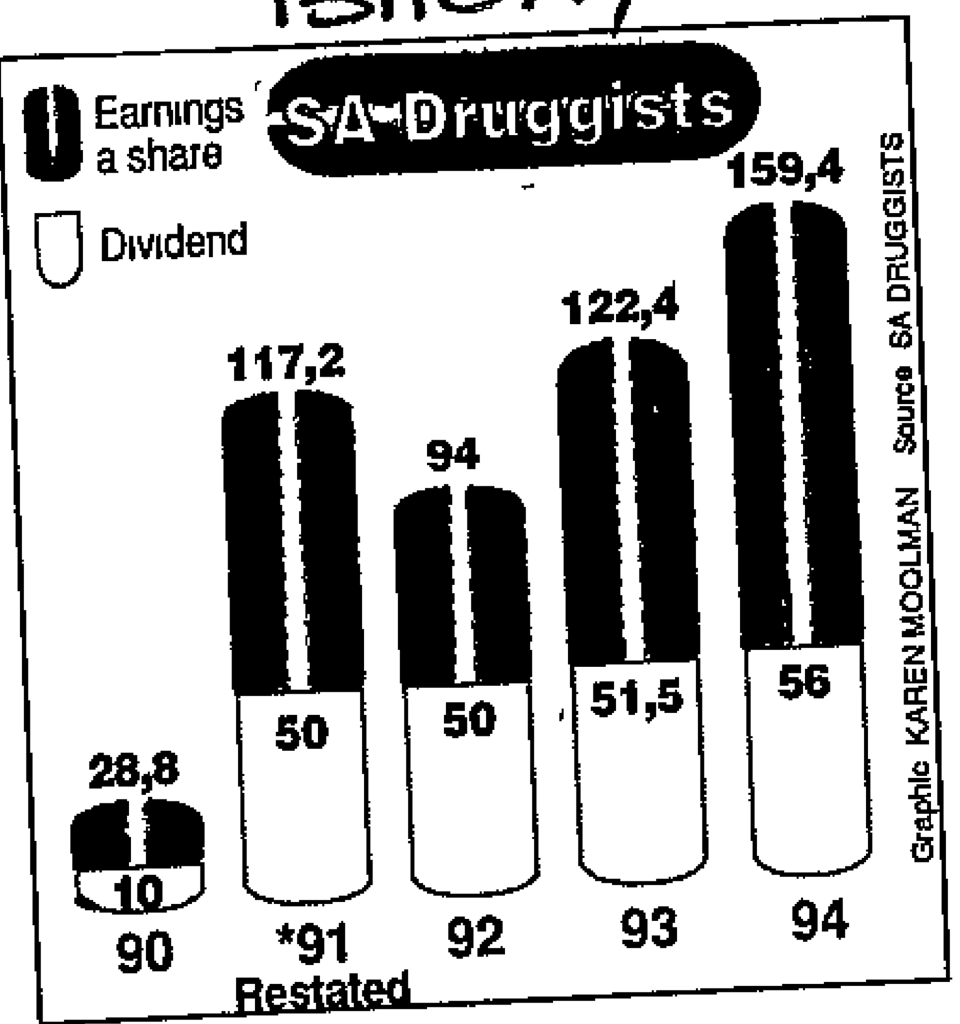
SA DRUGGISTS shrugged off difficult trading conditions to increase market share and hoist earnings 30% to 159,4c a share for the year to August

Turnover rose 17% to R2,15bn, while operating income rose 22% to R150m Attributable earnings were pegged at R96m, 48% higher than the previous year's R65m figure, while the group's operating margin improved 7%

A final dividend of 30,5c was declared, increasing the total dividend 9% to 56c Shareholders would be offered shares instead of a cash dividend, details of which would be announced later

CE Peter Beningfield said an independent survey had shown that the group now had a 25% share of the SA pharmaceutical market in terms of dosage consumed

Lennon, the group's major manufacturing unit, had increased its production by a third with very little capital outlay SAD's other manufacturing facilities had also increased output The generic medicine business had grown 30%, while ethicals sales had risen more slowly (183)



Despite a spate of acquisitions — including Inmed, medical aid claims clearing house Mediscor, Chronimed and a pharmaceutical wholesaler in Swaziland — which together soaked up about R49m, gearing had been cut to 3,9% at the end of August

The group had been restructured, completing the restructuring programme be-

To Page 2

SA Druggists

B/Day

From Page 1

gun when Malbak bought SAD in 1991 This had not triggered significant retrenchments, but the closure of retailing arm LPA Distributors had resulted in some job losses, Beningfield said The R14m cost of closing LPA — brought on by "fiercely competitive rates" — was written off as an extraordinary item. (183)

Discount levels in the distribution sector had increased to "unsustainable levels", but this trend was set to turn.

The chemicals division performed well in all sectors. Fine Chemicals' production capacity was being increased in a R20m expansion programme geared mainly at the export market Its capex bill was R94m (R64m), R54m of which had been spent on expansion projects. 13/10/94

Beningfield said a stronger export market and the increasing use of generics in the private market should see earnings grow about 20% in 1995 The company was enlarging its UK distribution arm and was preparing to expand into Europe

SA Druggists

BDay

From Page 1

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13/10/94

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Exports of chemicals looking buoyant

MUNGO SOGGOT

SA CHEMICAL exports of R2,8bn are 40% up on last year, with most producers reporting a surge in sales and analysts expecting the trend to continue as the global petrochemical cycle picks up

Customs and Excise figures showed SA exported R2,01bn of chemical and allied products in the eight months to August 1993 against R1,94bn for the same period last year

SA Foreign Trade Organisation statistics indicated chemical exports now accounted for about 11% of total exports

Analysts said most SA chemical groups were limbering up for a further expansion and most had either set up or were considering setting up overseas offices

The lowering of US import tariffs was also likely to lift demand, said the analysts

(183) (,)

Africa 'must lure oil companies

(183)

CT 18/10/94

... with favourable terms for investment'

By MAGGIE ROWLEY
Deputy Business Editor

AFRICAN countries would have to offer attractive terms and fiscal policies if they were to compete globally in attracting investment by oil companies.

This was the overriding message from speakers at the first day of the Africa Oil 1994, an international energy conference being held in Cape Town this week.

Paul O'Bryan, director of commercial development of Amoco Corporation, which operates in more than 30 countries and is the largest holder of natural gas reserves in North America, said the "new oil game" was characterised by global competition for investment capital

Earlier predictions of tremendous increases in oil prices in the '90s had not materialised and oil companies were also facing increased costs of exploration and projection.

As a result the economics of these companies had become less favourable and they had begun to focus their activities on more favourable investment climates and to prioritise countries.

"Some countries have reacted to the lower oil prices and reduced their disincentives for investment. This has paid off in a more favourable response by companies. Some countries have not and, as a result, have lost considerable interest by the companies."

"My own company has already begun focussing our efforts seeking investment opportunities particularly in countries with good hydrocarbon potential, appropriate fiscal regimes and contractual terms. We weigh the opportunities of Africa against other parts of the world and believe that many companies will follow this same strategy.

"We will see capital flowing to countries with more attractive opportunities and away from countries with unreasonable disincentives"

Reward

Fiscal regimes, he said, had to be tailored to allow projects of varying size so that countries could benefit from development of marginal fields and companies could earn competitive returns.

While African countries were beginning to recognise the need for rewarding companies for undertaking such high risk by providing more attractive fiscal terms, some had not gone far enough to meet competition from other parts of the world.

John Cousins, vice president of new business development for Mobil Oil Corporation said many emerging economies in Asia, South America and in Africa would need to double their energy consumption over the next 20 years if they were to realise their visions of economic growth.

Oil and gas demand, which accounts for 60% of total world energy consumption today, was expected to maintain its market share and reach more than 140 million barrels of oil a day by the year 2010

African countries endowed with oil and gas riches had the opportunity to capture a share of increasing worldwide demand.

"Africa has no shortage of investment possibilities but if the countries in Africa are to capture a proportionate share of increasing worldwide energy demand, investment levels in these countries must increase."

However, he said, the investment climate in African countries generally was not sufficiently favourable to attract significantly higher levels of investment.

"But it is only each country itself that can determine whether it is positioned to capture sufficient capital to drive its economy into the 21st Century

Terms

"The stewards of the petroleum resources in the great nations of Africa must continually re-evaluate whether or not host nation terms are competitive with those of countries elsewhere. There is not enough money to go around and things are changing too fast."

He said he hoped Africa rose to the challenge and offered investment opportunities which were among the best in the world.

If there were good opportunities in South Africa, Mobil would be keen to bring prosperity through new investments and the latest technology, he said

SA set for oil exploration boom

(183) CT 18/10/94

SA's offshore oil and gas exploration was set to rapidly increase, Soekor CE Joggie Heuser said.

Addressing the conference, Heuser said that SA had only begun to start discovering the secrets of its offshore area "and now with the political doors open to the international community, these secrets are going to be unravelled very quickly.

"In a certain sense the SA oil search is like a Rip van Winkel who is now waking up after a 20-year sleep and is ready to go," Heuser said.

(183) CT 18/10/94

Mobil Oil set to return to SA market

Deputy Business Editor

MOBIL Oil Corporation, which disinvested from South Africa in 1989, was considering returning to SA, president of Mobil Africa, Dick Leonard said yesterday

In an interview at the international oil conference attended by more than 260 delegates from 30 countries, Leonard said Mobil was currently operating in 28 other countries on the African continent and saw South Africa as the foothold to the Southern African region.

He said that with seven oil companies operating in South Africa, it would be difficult for another big player to enter the market.

"However we may look for a special niche sector or we might tie up with one of the existing players"

When it disinvested from South Africa, Mobil sold its business to Engen which is currently the largest player in South Africa and listed on the JSE.

Asked if they were considering re-investing in South Africa through Engen, Leonard said: "We obviously know them well. Anything is possible."

John Cousins, vice president of new Business Development for Mobil and a speaker at the conference said in an interview that Mobil were currently evaluating South Africa's off-shore exploration permits.

Bidding for the round closes on April 12 next year with the first complete evaluation of the bids expected by June 1, 1995, with the first block expected to be awarded by November 1 next year.

Cousins said however that oil and gas reserves off South Africa were not expected to be as good as some of its neighbours such as Angola.

"However new seismic technology could prove differently," he said.

SA most economical supply source

(183)

CT 18/10/94

Deputy Business Editor

THE synergies between the petroleum industries of Southern Africa and the Southern African Development Community region were key to the successful development of the region's economies, Tony Deakin, chairman of BP Southern Africa said yesterday

Delivering the keynote address to the Africa Oil 94 conference, Deakin said that at no time since World War II had the prospects for the southern African region been better

The abolition of secrecy surrounding the SA petroleum industry following the moves to democracy in SA had enabled the synergies in the Southern African region to be explored and begin to be realised

He said South African refinery capacity had recently increased from 510 to 650 barrels a day and this expansion had resulted in South African refiners having sufficient petrol capacity until the turn of the century and an ongoing surplus of diesel As such, there was no immediate need for additional refining capacity

SA refineries, unlike the other four refineries in the SADC region, he said, were able to rank effectively with the main international refining centres on measures of yield performance and economies of scale.

The demand pattern of the region was such that the surpluses of South Arica complemented the remaining SADC import requirement, and additional diesel produced in SA could efficiently be supplied to meet the deficit elsewhere in the region

UPD losses likely to affect Premier figures

BDay 18/10/94

BEATRIX PAYNE

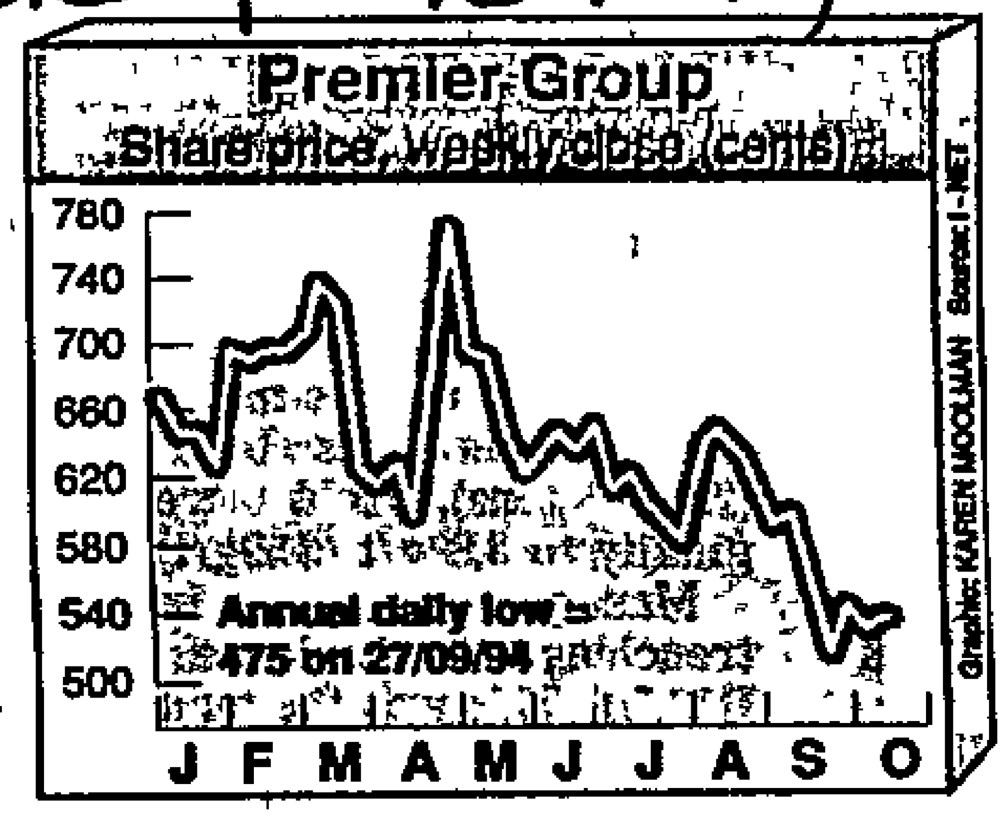
THE Premier group was expected to report a 5%-15% loss in earnings for the six months to October in the wake of losses at its distribution subsidiary, United Pharmaceutical Distributors (UPD), analysts said yesterday

Earnings for the year to April were likely to remain at last year's levels as the group's retail-related subsidiaries benefited from increased consumer spending.

UPD former executive chairman Norman Knight was arrested at the weekend on six counts of fraud and theft totalling roughly R40m. The group warned shareholders last month that UPD had incurred an operating loss of R18m during the previous four months ~~232~~ 183

Outgoing chairman Peter Wrighton said yesterday the group would not comment on the full effect of the losses at UPD until the subsidiary's interim results to October were released in December.

"Earnings to April are unlikely to change, but that depends on the extent of the write-offs at UPD," a top analyst said, estimating that the group might have to write off above-the-line losses of R25m. The group's results for the year would hinge on the extent of the write-offs, he said.



The group reported an 11% rise in earnings to R259,1m for the year to April

Another analyst said the group was likely to report a 10%-15% slide in earnings for the six months to October, attributable predominantly to the losses in UPD and the food division

Premier's retail-orientated subsidiaries were likely to pick up during the second half The group was likely to show earnings growth of no more than 5% at year end and was likely to regain much of the ground lost at the interim stage, he said

Petrol profits to fuel taxi drivers' income

THEO RAWANA

THE taxi industry is on its way to dispensing petrol to members with a government announcement that a subcommittee had been appointed to formulate criteria for the allocation of 25 pumps.

The Mineral and Energy Affairs Department said yesterday the committee would work out details of the taxi petrol installations, which had been requested by the Organised Taxi Industry (OTI).

The committee would work according to directives from a meeting of the taxi installation committee, comprising representatives of the OTI, Deputy President Thabo Mbeki and oil companies, the department said in a statement.

The appointment of the committee was the culmination of months of talks between the parties, following a request by the OTI that the taxi industry should be allowed to instal fuel pumps at 25 centrally situated ranks across the country with a view to alleviating the financial plight of taxi owners. B/Day

The establishment of the committee followed satisfaction in the taxi installation committee that consensus had been achieved, except on the level of participation of individual oil companies in the supply of 25 taxi installations. 18/10/94

The taxi and oil industries would try to resolve the outstanding issues on a bilateral basis, the parties agreed.

The taxi installation committee has now concluded its task and the final agreement will be reported to the Office of the Deputy President and the Mineral and Energy Affairs Minister, the statement said. (183)

OTI co-ordinator Boetie Letsoela said he saw this as a breakthrough to ensure taxi drivers made a living, as profits from the pumps would benefit members.

Chemical workers to go on with strike over wage offer

ARLG 18/10/94

(183)

LENORE OLIVER, Staff Reporter

MORE than 100 members of the Chemical Workers Industrial Union (CWIU) are to continue their 12-day legal strike at pharmaceutical company Heynes Matthew to protest against an "unfair" wage offer

Their 10-hour sit-in at the Malbak subsidiary yesterday was called off following a court interdict. Police were called in and the strikers ended the sit-in after negotiating with management.

A union spokesman said today the strike would continue today and CWIU members would decide what strategy to pursue

Heynes Matthew human resources manager Guy Bloch said "We have offered to go to mediation. We are still waiting for the union to come back to us"

The workers are demanding a wage increase of 14,2 percent while management has offered them nine percent across the board and an additional payment equal to about one percent

The group toyi-toyied and held a placard demonstration yesterday while management observed the activities from a distance

Senior shop steward Dennis Maarman said the union had initially asked for a R200 increase

"They told us they were in a financial crisis We then asked for R200 across-the-board and we gave them an undertaking we would go back to work and work hard to help them out of their crisis This they refused," Mr Maarman said

The union then asked for 14,2 percent

Panicky investors sell Prempharm shares

B/Day

BEATRIX PAYNE

PANIC selling by some private investors had seen Premier Pharmaceuticals' (Prempharm) share price tumble R2 or 8,7% over the past month, analysts said.

One analyst said some individual investors had wrongly assumed Prempharm was linked to, or would have to carry the can for losses and fraud at the Premier Group's distribution wing, United Pharmaceutical Distributors (UPD)

183

"Prempharm holds no stake ~~in UPD~~ and with its strong balance sheet is likely to be unaffected by trading write-offs by the parent company," he said.

One analyst said only R1,1m worth of shares had traded last month when the share slipped The share was thinly traded and as a result movements in the price could be quite volatile 19/10/94

The said the share was relatively expensive at its price to equity ratio of 22,5, with expectations of a 25% rise in earnings for the six months to this month

Jobs poser dogs new deal in fuel industry

JOHANNESBURG. — The impact of deregulation in the fuel industry on small businesses and jobs had to be determined before implementation, John Drake, chief executive of Shell South Africa and chairman of the board of governors of the SA Petroleum Industry Association, said

Addressing the opening of the Motor Industries Federation conference in Durban, he said crucial questions to be answered before a new structure for the industry could be finalised were, "the impact on small business and jobs"

Also to be established were the implications of deregulation for the oil industry and related industries and businesses and whether deregulation would deliver cheaper petrol prices over the long term.

(183) ARG 19/10/94

He said deregulation in the South African context was essentially the "lifting of restrictions on self-service fuel stations; the elimination of the service station rationalisation plan, lifting of import control, the commercialisation of transport tariffs, the vexed question of the synfuel industry and its future, and the lifting of the resale price maintenance".

Mr Drake said following deregulation and the lifting of retail price maintenance, several issues would have to be addressed by the Liquid Fuels Industry Task Force

Among these were a fairly rapid move to self service once price became a dominant factor "This can lead to a loss of jobs on the forecourt where our 45 000 attendants are employed"

Since many service stations would not be able to compete, escpecially against hypermarkets, a significant number could be expected to close down

"If international experience is used as a yardstick, this could mean a reduction of as much as 30 percent"

Mr Drake said there would be an emergence of new petrol retailers, especially hypermarkets with aggressive discount strategies to attract shop traffic

He asid the most complex of all the problems was the issue of the synfuel industry.

"Sasol and Mossgas pose very different types of problems Sasol is obviously an established key player in the industry However, the members of SAPIA, an association representing both multinational and local refiners and marketers believe there can be no free competition or full deregulation as long as Sasol continues to receive government subsidies"

The level of this subsidy — or whether there should be any at all — was a key issue that should be the subject of independent impartial review "If one is to have fair competition and a level playing field, the indsutry believes that the Sasol synfuel plants should be 'unbundled' and ring-fenced to prevent cross-subsidisation"

So far as Mossgas was concerned the question was whether good money was being thrown after bad by continuing to subsidise it

Mr Drake said the issues facing deregulation were complex, but not negative "On the contrary, I believe greater deregulation will stimulate economic growth, create opportunities and on balance the result will be positive" — Sapa

CAPE

Top executive warns of pitfalls in deregulation of oil industry

(183) ARG 20/10/94

□ 'Loss of jobs and the closing of service stations'

TOS WENTZEL
Staff Reporter

A TOP oil company executive has warned of pitfalls in the deregulation of the oil industry, which could lead to loss of jobs and the closing down of service stations

Opening the Motor Industries Federation conference in Durban, Shell South Africa chief executive John Drake said the oil industry was now allowed, for the first time in many years, to emerge from the suffocating blanket of secrecy imposed by a siege economy to discuss its affairs openly

The South African oil industry constituted the major foreign investment in the country

As primary energy producer it was important that it should be stable and efficient, in the best interest of the South African economy

The outcome of discussions could be the substantial deregulation of the petroleum industry in South Africa

In most cases the calls for this have been based on the belief that deregulation would promote competition and substantially lower consumer prices

In essence deregulation meant lowering the level of government control within the markets

This meant the lifting of restrictions on self-service petrol stations, the elimination of the service station rationalisation plan, lifting import control, the commercialisation of transport tariffs, the vexed question of the synfuel industry and its future and the lifting of resale price maintenance

The industry and allied retail sectors were responsible for the direct employment of more than 100 000 people with combined foreign exchange savings and earnings amounting to R7,5 million every year

Recent expansion projects at major refineries would lead to further foreign exchange savings South Africa was an exporter of refined petrol products, particularly to the Southern African region, and was likely to remain so for the rest of the decade

Local petrol prices were very competitive as a result of regulation and the efficient operation of the local industry

There were some 4 900 service stations at present

In terms of the service station rationalisation plan the oil industry was prohibited from operating any retail outlets

This had facilitated the establishment of a significant, economically viable small business sector

Through an agreement between this industry, the government and the oil industry to prohibit self-service stations, around 45 000 petrol attendants had been assured of jobs

This, coupled with the employment of some 20 000 people in allied industries and numerous others in the distribution and resale of petroleum products, had created an important sector for the economy

Mr Drake said that, following deregulation and the lifting of retail price maintenance there would be

- A fairly rapid move to self-service once price became the dominant factor This could lead to a loss of jobs for petrol attendants,
- The closing down of a significant number of service stations which would not be able to compete, particularly against hypermarkets, and
- The emergence of new petrol retailers, especially hypermarkets with aggressive discount strategies Overseas experience had shown that hypermarkets in particular flourished in a deregulated fuel market since they used discounting of petrol prices to attract shop traffic

Aggressive discounting strategies could lead to severe price competition, shrinking profit margins and some very disillusioned dealers

A new breed of dealer would probably emerge, some who would be dependent on aa wide range of products for their livelihood instead of just petrol and the workshop

A significant growth of convenience stores, carwashes and other allied retail business activities could be expected

- Problems with the availability of petroleum products in rural areas along with much higher prices

The synfuel industry remained the most complex issue because there were no international precedents

There could be no free competition as long as Sasol received a R100 million government subsidy each year

As far as Mossgas was concerned the question was whether good money was being thrown after bad

There had been many successful deregulations in other countries recently

Sentrachem nets 38% growth in earnings

(183)

CT 20/10/94

From MUNGO SOGGOT

JOHANNESBURG — Chemicals group Sentrachem fought off difficult domestic trading conditions to lift earnings 38% to R120m for the year to August after improved performances from most of its subsidiaries

Turnover rose 7% to R2,8bn, 15% of which stemmed from exports which rose 34% to R464m Gross sales topped R3bn for the first time

Earnings a share rose 20% to 90,5c and a final dividend of 20c was declared, bringing the total dividend to 28c (24c) Net income climbed 43% to R159m Operating income was up 16% at R248m, while the operating margin rose to 8,7% (8,1%)

MD John Job said subsidiaries Agrihold, Carbochem, NCP and Sanachem had improved performances But Chemical Syndicate, Mega Plastics and Safripol had come under pressure in depressed and competitive markets.

This year's restructuring of NCP — in terms of which the group shut down its Germiston distillery and consolidated alcohol production at the Durban NCP plant — had restored the division to "acceptable" levels of productivity All restructuring costs had been accounted for

Sentrachem's tax bill dropped to R34m (R37m) as a result of the cut in the corporate tax rate and the group's "international activities" Job said Sentrachem's increased exports had netted some tax benefits in terms of the general export incentive scheme (GEIS). International operations had also been consolidated into Sentrachem International

The R295m rights issue had helped cut finance charges to R55m Net borrowings had dropped 61% to R147m and gearing was down to 12% (42%)

The balance sheet was now a "sound platform for future growth"

Domestic demand had picked up from July, while the benefits of an upturn in the world chemical cycle would be felt only next year Job said, barring any unforeseen events, the global cycle was likely to remain buoyant for about five years

Sentrachem was likely to report a further increase in earnings next year

Bright prospects

Sanachem, which was previously 50% held, had become a wholly owned subsidiary from September 1, following the acquisition of Farm-ag "Sanachem performed exceptionally well and its prospects remain bright," he said

Import tariffs on chemicals would probably be cut by a third in terms of GATT. The cuts would not be particularly disruptive as the industry had a rough idea of what they would be.

Job said Sentrachem was also fairly certain of how it would be affected by the removal of GEIS. Sanachem would be the worst hit, but its GEIS benefits would be phased out more slowly

Compulsory saving scheme on the cards

TIM COHEN

CAPE TOWN — Welfare Minister Abe Williams announced yesterday that government was considering introducing a compulsory savings scheme to fund citizens' retirement, home ownership and medical care.

BDay 20/10/94

Presenting the Welfare budget to Parliament, he said the funding of social welfare services was totally distorted and dramatic amendments were needed.

Of the Welfare budget of R12bn, about 86% was spent on social allowances. The 4% annual growth in social allowances would soon lead to large increases in spending and exhaust the Treasury. Expenditure on social pensions was about R800m a month for 2,6-million people.

SA and Namibia were the only countries in Africa to provide pensions, Williams told a news conference.

The department had already begun rationalising social pensions to establish a national pensions register and to eliminate duplicate payments, fraud and corruption. Millions of rands would be saved once the provinces implemented and adhered to the minimum criteria.

He was reluctant to spell out the proposed compulsory savings scheme, saying it would be up to a working committee to make recommendations in a White Paper.

But the scheme would have to be jointly supported by employees, employers and government and was necessary to alleviate the burden on the state.

Its basic purpose would be to help members meet their primary needs in their old age, or when they were unable to work. Membership could be compulsory for all employees, as well as self-employed persons, especially in the informal sector.

Members could draw on their savings only when they retired or were permanently disabled. Withdrawals might be allowed for home ownership and medical care.

First as Sentrachem notches R3bn sales

BDay 20/10/94

MUNGO SOGGOT

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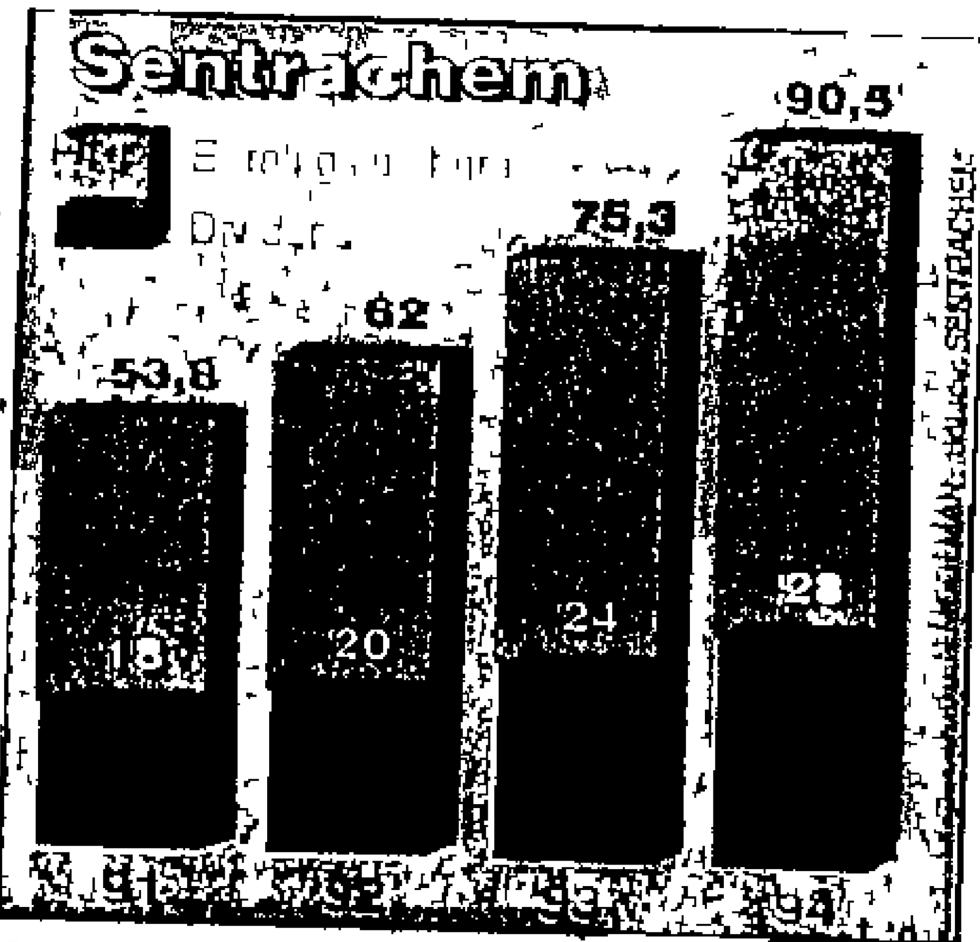

Sentrachem's tax bill dropped to R34m (R37m) as a result of the cut in the corporate

To Page 2

MMF asks for petrol price increase

TIM COHEN

CAPE TOWN — The Multilateral Motor Vehicle Fund has asked the Cabinet to increase the petrol price 1c/l to stop the fund's R3,7bn debt rising further.

CEO Willem Swanepoel told the parliamentary select committee on public accounts yesterday that the troubled vehicle accidents fund's income was insufficient. Although it had a positive cash flow of about R300m for the 1993/94 financial year, claims of R950m were outstanding and its liability had risen R650m.

Income came only from the fund's portion of petrol and diesel sales — 9c/l on petrol and 5,8c/l on diesel. This levy should be increased by between 10% and 12% a year so that the fund could begin reducing its overall debt, Swanepoel said.

Other methods should be used to limit the third party claims against the fund, including a redefinition of the claims that could be brought against it. Current MMF benefits allowing unlimited claims were luxurious by Third World standards.

Third party victims of accidents could claim for loss of support, medical expenses and "general damages", including "pain and suffering". The fund could decline liability for "general damages", which accounted for half of the amount usually claimed against the fund.

Claims should be capped and, if the public was unhappy with this, people could take out private insurance.

There were currently 66 claims against the fund in excess of R1m

First as Sentrachem notches R3bn sales

BDay 20/10/94

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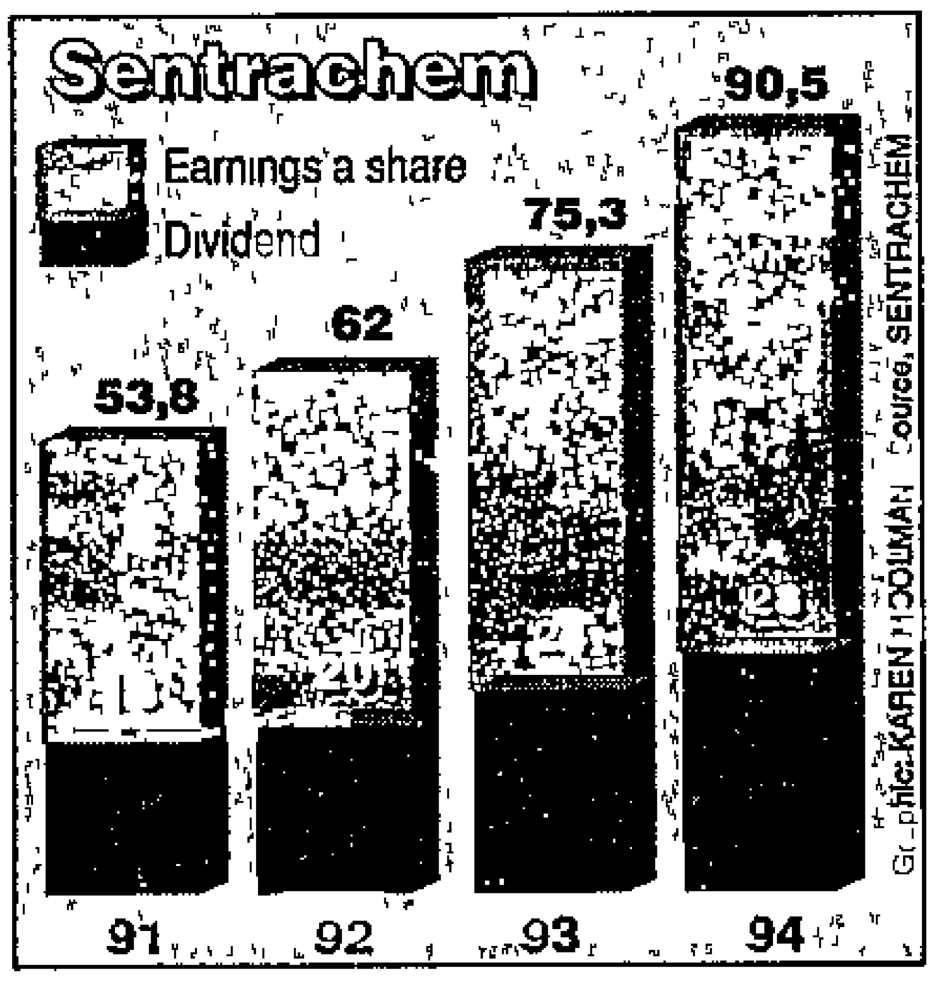

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To Page 2

Sentrachem

BDay 20/10/94

From Page 1

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'Interest' in offshore oil

INTERNATIONAL oil and gas companies were showing keen interest in South Africa's offshore oil and gas exploration licensing, Soekor chief executive Mr Joggie Heuser said.

"Although it is too early to say how many bids we are likely to get by the closing date of April 12, 1995, the response has been very positive so far," Mr Heuser said in an interview during a promotional seminar.

Soekor, a state-owned exploration company, is asking for bids from oil and gas companies for 15 offshore exploration blocks along South Africa's coastline. (183) CT 21/10/94

Soekor has itself done extensive initial seismic work but little drilling has taken place. Mr Heuser said the first block should be awarded by November 1995.

During the seminar, Soekor chairman Mr Roy Pithey said that although South Africa's energy was now primarily coal-based, the experience of Australia had shown that the demand for gas could grow quickly once it was introduced into a market.

Monthly petrol price adjustment accepted

CT 25/10/94 (183)

JOHANNESBURG — The cabinet has formally accepted a recommendation from the National Economic Forum's liquid fuels task force that the petrol price be adjusted monthly

The Central Energy Fund said yesterday only external factors such as international product prices and the rand/dollar exchange rate would be taken into consideration when determining price adjustments

The system was used on a trial basis earlier this month and pushed petrol prices down 6c/ℓ and diesel 2c/ℓ.

The fund said from October 5-21 the average unit over-recovery for petrol had been 1,711c/ℓ and for diesel 0,132c/ℓ. But oil industry analysts said the present petrol price was 4,6c/ℓ overvalued. Taken over the month the current over-recovery was more in the region of 3c/ℓ to 4c/ℓ

Transnet economist Mr Mike Schussler said that for October the average price would be about 3c/ℓ lower than the current pump price "One could expect that the November price could drop 3c/ℓ to 4c/ℓ"

The fund said the next period to be assessed would be from October 5-25 and an adjustment would be made on November 2.

The change would be made on the first Wednesday of every month but would be announced the previous Friday

crack of dawn

W Cape abandoned as NP congress venue

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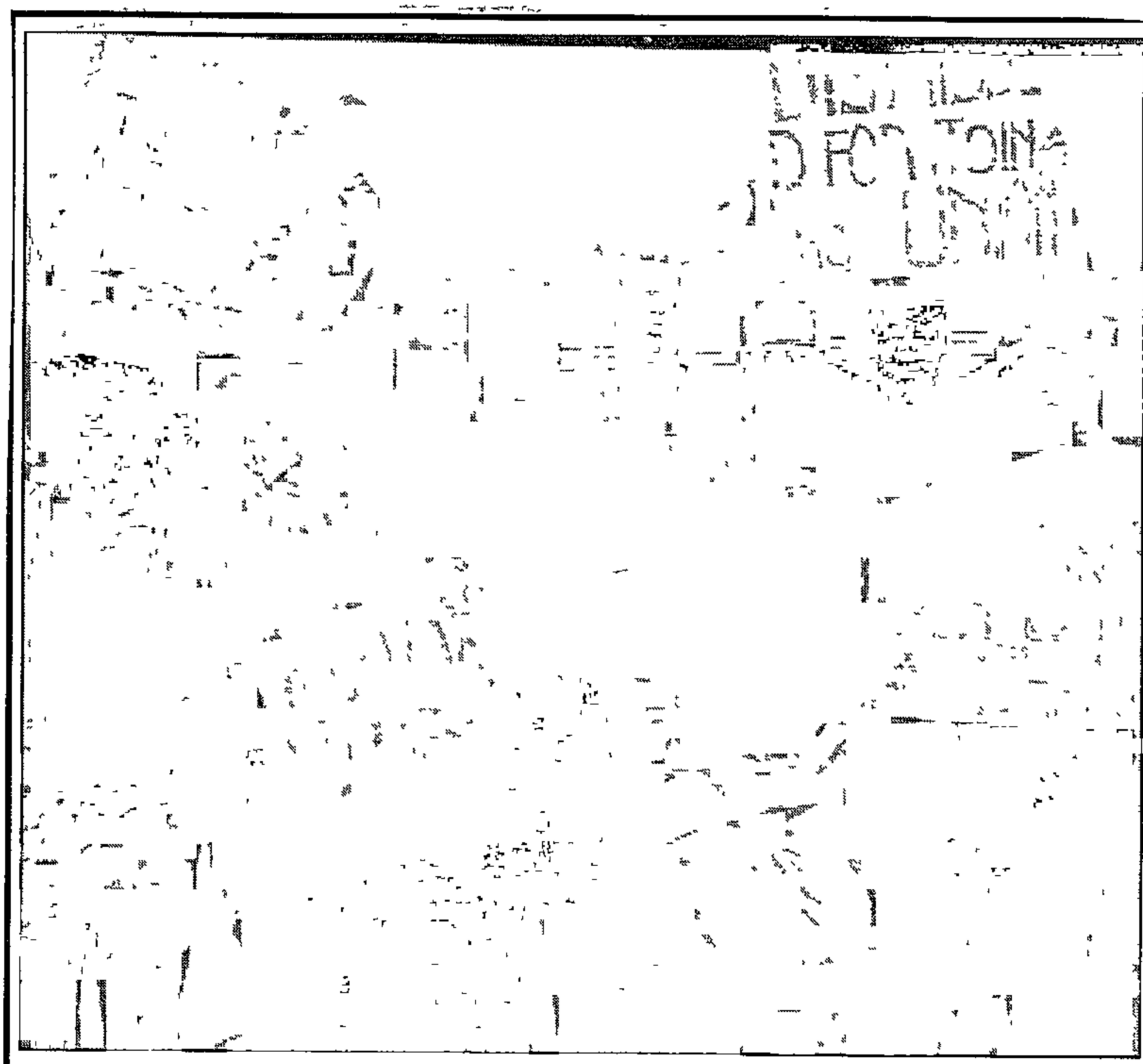

"Dismissed" Afrox workers protest against the company's refusal to recognise their union.
PIC LUCKY NXUMALO

Firings unfair, say workers

Sowetan 25/10/94

By Mzimasi Ngudle

MORE than 100 Afrox employees yesterday accused the company of harassment, victimisation and union bashing which, they said, led to their dismissal

Their reinstatement depends on the outcome of mediation held yesterday to resolve the impasse between management at the company's Gas Operation Centre in Germiston and their union

The workers, all members of the South African Chemical Workers Union, went on strike last Tuesday after Afrox allegedly refused to recognise the union

When Afrox obtained a court order restraining workers from picketing on company premises on Wednesday, the workers decided to go back to work

Sacwu shop steward Mr Moses Dimso said the workers resolved to continue with the strike after management refused to take back some workers when they reported for work on Thursday

Meanwhile, the workers had received a warning that failure to resume work on Wednesday would lead to dismissal, Dimso said

(183)

The workers alleged that the company, in keeping with its policy of union bashing, fired six workers on September 14 Dimso said the disciplinary infractions committed by the workers did not warrant dismissal

Afrox spokesman Mr Peter Scott said yesterday he would only respond to a written inquiry

Voltex blames political uncertainty for slump

BDay 25/10/94

AMANDA VERMEULEN

POLITICAL uncertainty affecting industries serviced by electronics group Voltex resulted in a 9% slump in attributable income to R45,2m in the year to June

Fully diluted earnings a share dropped 13,1% to 11,9c and a total dividend of 5,95c (6,75c) was declared.

Turnover increased 4,3% to just more than R1bn, but operating income declined 14,6% to R81,3m.

After net finance costs of R10,4m (R23,2m) and interest on compulsorily convertible debentures of R8,1m (R13,5m), income before tax and extraordinary items was up 6,5% to R62,8m Tax of R19m (R10,1m) and share of associated companies' net income after tax of R1,8m (R1,6m) left income before extraordinary items down 8,6% at R45,7m.

After income of R525 000 (R337 000) attributable to outside shareholders, income to shareholders totalled R45,2m (R49,6m)

Joint chairman Myron Berzack said the results were satisfactory considering the political uncertainty in the review period, which had severely affected many of the industries serviced by the company.

But the new financial year had seen a significant improvement in almost all group activities, with operating income showing good growth

The group's participation in the RDP boded well for future performance, while a continuing stable political environment would stimulate increased industrial and mining capital expenditure, which would be beneficial to Voltex.

Tighter cash management reduced interest paid by 55,1%, while an extraordinary loss of R11,7m after tax related to unauthorised forex transactions. The group had absorbed the full loss and had taken steps to prevent any recurrence

The elimination of Sanlic and Elcentre from the group was expected to have a positive effect on future group performance

The board said it would offer a capitalisation share award and a final announcement would be made by November 4.

Results from Berzack and Bivec, which derived a substantial part of their income from Voltex, were similar in most respects. Berzack's earnings declined 15,9% to 73c a share, while Bivec showed a 14,4% reduction to 52,2c

Berzack's annual dividend declined 15,4% to 27,5c, while Bivec's dividend dropped 15,2% to 19,5c

Berzack's losses in its UK operations reduced operating income 29% to R4,8m.

Analysts suggest Adcock should rethink strategy

BDay 25/10/94

BEATRIX PAYNE

PHARMACEUTICAL group Adcock Ingram is likely to provide shareholders with a "respectable" 10%-16% rise in earnings for the year to end-September, analysts said yesterday

But if the group intended to grow over the next few years, it would need to rethink its business strategy to take advantage of the changing health care environment, one analyst said

Over the past five years the group showed compound earnings growth of about 25% Comparedwith its competitors' results, the picture was not rosy, the analyst said

SA Druggists reported a 30% rise in earnings for the year to August and Prempharm is expected to post a 20%-25% surge in earnings for the year to October

"The possible fall in Adcock's earnings growth represents quite a slowdown," he said "The group just isn't in the right markets"

He said it needed a higher market penetration in generic medicines and added that some of its markets, particularly ethical products, were not reporting growth.

Another analyst said Sabax, the group's intravenous drip division, had lost market share to SA Druggists' Inmed operation There was also considerable pricing pressure on the group's leading products — mainly ethical medicines

183

The group had acquired a number of small generic interests but would need to become a lot more aggressive if it hoped to make a dent in SA Druggists' and Premier Pharmaceuticals' current market shares

He said the group was unlikely to post more than a 15%-20% rise in earnings during financial 1995 but a turnaround was possible if it increased consumer products growth.

"Its past growth was driven by a number of smart deals with divesting multinationals but the environment has changed completely now," said another analyst.

But a third analyst said the group had continued to show earnings growth each year despite an increasingly higher base

RDP 'overlooks entrepreneurs'

A STEADILY declining level of entrepreneurship in SA over the past three decades threatens to undermine economic growth, says the Small Business Development Corporation (SBDC).

SBDC researcher Prof Geert de Wet said yesterday the private sector's decreasing share of economic activity and low level of investment did not augur well for growth.

He said government needed to move away from the notion of central planning and to embrace the entrepreneur as the "prime mover" in economic activity.

However, SA entrepreneurs were seriously constricted by a lack of access to financial resources, such as private capital and property.

Most SA enterprises — informal sole proprietorships and self-sufficient farmers — contributed only 13% towards GDP.

Government needed to ensure that entrepreneurs gained access to financial resources. However, financial resources needed to come from government and not necessarily from financial institutions.

De Wet said "the word entrepreneur was not mentioned once" in government's RDP. — Sapa.

Cabinet okays plan to adjust petrol price

BUSDAY 25/10/94

MICK COLLINS

THE Cabinet has formally accepted a recommendation from the National Economic Forum's liquid fuels task force that the petrol price be adjusted monthly

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The fund said the next period to be assessed would be from October 5-25 and an adjustment would be made on November 2

SA's new import parity pricing system would work out the in-bond landed cost structure calculated on a basket of daily international benchmark prices

The fund said it would be responsible for the calculation of the basic fuel price and its calculations would be verified by independent auditors. Prices would be adjusted to correct the overrecovery or underrecovery of the previous month

The minimum adjustment would be 1c and always to the nearest cent The cumulative slate balance would determine whether the unit overrecovery or underrecovery would be rounded up or down

The change would be made monthly at one minute past midnight on the first Wednesday of every month but would be announced the previous Friday.

Adcock Ingram posts 15% earnings rise

Star 26/10/94

Adcock Ingram yesterday reported earnings growth of 15 percent to R113,4 million on turnover 4 percent higher at R1 billion in the year to September.

Dividends totalled 31c per share, a 14,8 percent increase over 1993.

The group said an improved sales mix, increased focus on cost containment and productivity improvements had resulted in an 11 percent increase in pre-tax operating income.

Cost containment and good asset management had resulted in a strong cash flow performance. Cash generated increased to R202 million.

Group CEO Don Bodley said self-medication, generics and consumer products showed good sales growth.

However, group turnover growth was affected by continued rationalisation of the wholesale division, increased competition in the critical care market and loss of sales of Astra and Pharmacia products, which had been transferred to joint venture companies. A share of profits from these joint ventures contributed to earnings. (183)

The pharmaceuticals/generics division recorded turnover of R175 million — a decline of 4 percent. Sales of branded prescription products declined by 8,9 percent due to the transfer of Astra and Pharmacia products to the joint venture companies, while generic products grew by 30,2 percent.

"We have every confidence in the growth of branded ethical products and expect that new product introductions next year will offset the impact of products transferred to the joint venture companies," Bodley said.

"We are well placed to capitalise on increasing use of generics and are confident our generics range will maintain its growth pattern next year," Bodley said.

The international division was concentrating on building brands in selected markets in Africa, the UK, the Middle East and Pacific Rim. Sales in Africa were expected to gain momentum.

Bodley said the group's balanced product portfolio, new products in the pipeline and its active pursuit of acquisitions and strategic alliances would ensure it could at least maintain the current level of earnings growth next year — Sapa.

Adcock Ingram inflates earnings by a healthy 15%

BEATRIX PAYNE

PHARMACEUTICAL group Adcock Ingram reported a 15% rise in attributable earnings to R113,4m for the year to September after improved sales in self-medication, consumer and generic products, the group said yesterday

But turnover was affected by rationalisation of the wholesale division and the transfer of certain products to joint ventures

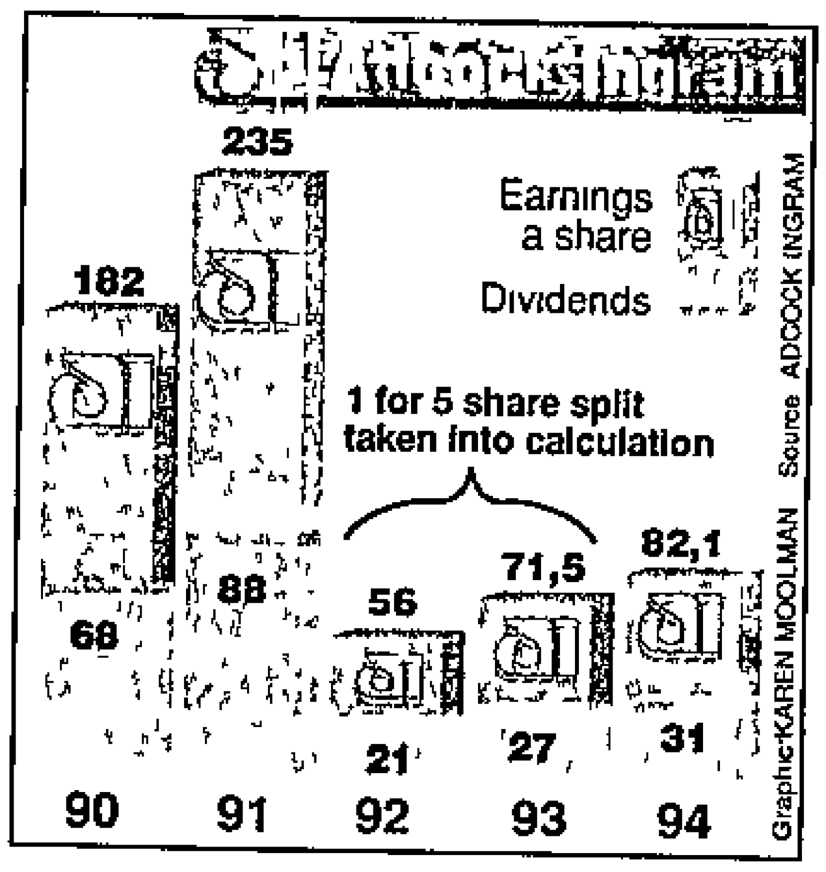
"We have maintained quality earnings off a high base," said group CE Don Bodley

Total sales rose 4% to R1bn from R971m last year, while increased focus on cost containment and productivity boosted operating income 11% to R177,9m

Income from interest grew to R9,3m and a lower effective tax rate increased the tax bill marginally to R66,6m (R65,1m)

Earnings for ordinary shareholders rose to 82c a share (72c) and dividends for the year were 14,8% up at 31c a share (27c)

Cost containment and "good asset management" led to a strong cash flow performance and cash generated by operations rose to R202m



Sales from the Pharmaceuticals/Generics division fell 4% to R175m after the transfer of Astra and Pharmacia products to joint venture companies

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The transfer caused sales of branded prescription products to fall 8,9%

But sales of generic products, which account for 30% of group manufacturing turnover, grew 32%

The Critical Care division achieved turnover growth of 3,5% to R249,2m in the face of increased competition and budgetary constraints in the public sector

The division's marketing operations were restructured and plant facilities upgraded to the tune of R31m

The division would remain an important contributor to earnings through the expansion of exports in the renal, blood and cardiac markets

The self-medication and consumer products division recorded 15,3% growth

The wholesale division saw profits increase by 30% The division had been restructured and would move "aggressively" into new markets such as private clinics and dispensing doctors

The international division had concentrated on building brands in the rest of Africa, the UK, the Middle East and Pacific Rim He said sales of group products were expected to gain momentum in Africa and opportunities were being investigated in Eastern Europe and the Middle East

The group announced yesterday that it had acquired for R32m Zimbabwean trademarks and registrations previously owned by pharmaceutical group Sterling The move would double the group's profitability there and would boost turnover by about 10% This would contribute about 4% to earnings next year, Bodley said

Adcock Ingram earnings up 15%

(183)

Own Correspondent

JOHANNESBURG — Pharmaceutical group Adcock Ingram reported a 15% rise in attributable earnings to R113,4m for the year to September after improved sales in self-medication, consumer and generic products, the group said yesterday CT 26/10/94

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Key meet on fuel industry deregulation

(183) CT 26/10/94

By ARI JACOBSON

MAJOR players in the SA petrol industry will meet at the weekend outside Cape Town — a get together that the business community hopes will herald the first firm moves towards deregulation, Liquid Fuel Industry Task Force co-convener J P Landman said yesterday

Proposals on a phased and orderly deregulation have been submitted by the business community to the task force

Eventual deregulation, it is argued, will increase competition in the industry and lead to lower prices

Johannesburg-based Landman was a keynote speaker at the Afrikaanse Handelsinstituut (AHI) conference held in the city yesterday

He heads out this weekend to Caledon for the pivotal meeting between business, government and labour on the future of the petrol industry

"The business community believes that in the next two years petrol could be deregulated"

He said that the environment in SA was conducive to creating competition with petrol pricing determined by market forces of supply and demand

Oil companies such as Engen, Caltex, BP and local producer Sasol would compete to force down the retail price, in a bid for market share

Sasol is considered by market players to be well-placed to increase its market share in the PWV region, where the bulk of petrol is used, given that all the other refineries are based on the coast

The business community argues that a lower level of tariff protection could further enhance the benefits to the consumer

The downside will be jobs lost at filling stations likely to be closed down However, Landman maintained this would "free up wasted resources to be used elsewhere, more productively, in the economy"

● Meanwhile at the AHI conference Landman warned that the SA economy must brace itself for "severe and savage" foreign competition

Landman said that the only way for SA to stay on top was to develop "innovative human capital"

SASOL

FM 28/10/94

Getting the timing right

(183)

Activities: *Makes and markets liquid fuels and gas from coal and crude oil Also makes and markets petrochemicals, plastics, fertilisers, explosives and mines coal*
Control: *Old Mutual 21%, Sanlam 14%, IDC 12%*
Chairman: *J S Stegmann MD P Kruger*
Capital structure: *568m ords Market capitalisation R21bn*
Share market: *Price R37 Yields 2,4% on dividend, 7,1% on earnings, p e ratio, 14, cover, 2,9 12-month high, R37,50, low, R17,75 Trading volume last quarter, 17m shares*

Year to June 25	'91	'92	'93	'94
ST debt (Rm)	406	459	578	538
LT debt (Rm)	1 762	1 822	1 492	1 326
Debt equity ratio	0,37	0,13	0,16	0,06
Shareholders' interest	0,46	0,53	0,56	0,57
Int & leasing cover	5,1	7,0	9,7	15,8
Return on cap (%)	18,1	14,3	15,3	17,5
Turnover (Rbn)	7,56	7,85	8,88	9,84
Pre-int profit (Rbn)	1,90	1,79	2,05	2,61
Pre-int margin (%)	20,2	22,7	23,1	26,5
Earnings (c)	185	202	230	264
Dividends (c)	71,5	78	86	†90
Tangible NAV (c)	857	980	1 124	1 296

† Capitalisation award

Prospects for many of Sasol's diverse activities are more encouraging than they have been for years Most markets, domestic and international, in which the group operates are starting to firm And the cost containment programme of past years, with continuing investment in production, has honed efficiencies

The real cream should start coming through this financial year and next as capital projects (R1,1bn completed in 1994, R2,4bn in progress) are commissioned. This should coincide with rising demand and prices, evident towards the last year-end

Kruger *boost in operating profit*

Last year's results were helped by lower interest payments — Sasol repaid another R400m of its Central Energy Fund loan for the acquisition of Sasol Three — and the transfer of R50m from its tax equalisation reserve to offset the increase in tax from R348m to R913m This reserve is an accounting device used to smooth earnings but it means reported EPS do not necessarily reflect the year's true performance

MD Paul Kruger says Sasol's effective tax rate rose from 18,9% to 37,3% because assessed losses from Sasol Three and the Syferfontein mine were used up and STC was higher

Lower average prices of crude oil and an exchange rate favourable for Sasol brought in nearly R1bn in tariff protection

Turnover increased by a muted 10,9%, though the important trend is the steadily increasing operating profit which Sasol is deriving from firming pre-interest margins (see table) A five-year view shows compound growth in turnover at 18,2%, compared with the 10,9% increase of financial 1994, operating profit grew at 28,9% compared with the 18,3% five-year average

The weakening rand also boosted operating profit The average exchange rate in financial 1994 was R3,41/US$ against the year-ago R2,97/$ That lifted the performance of all divisions and shows Sasol's exposure to foreign currencies (about 80% of its products are priced in nonrand currencies).

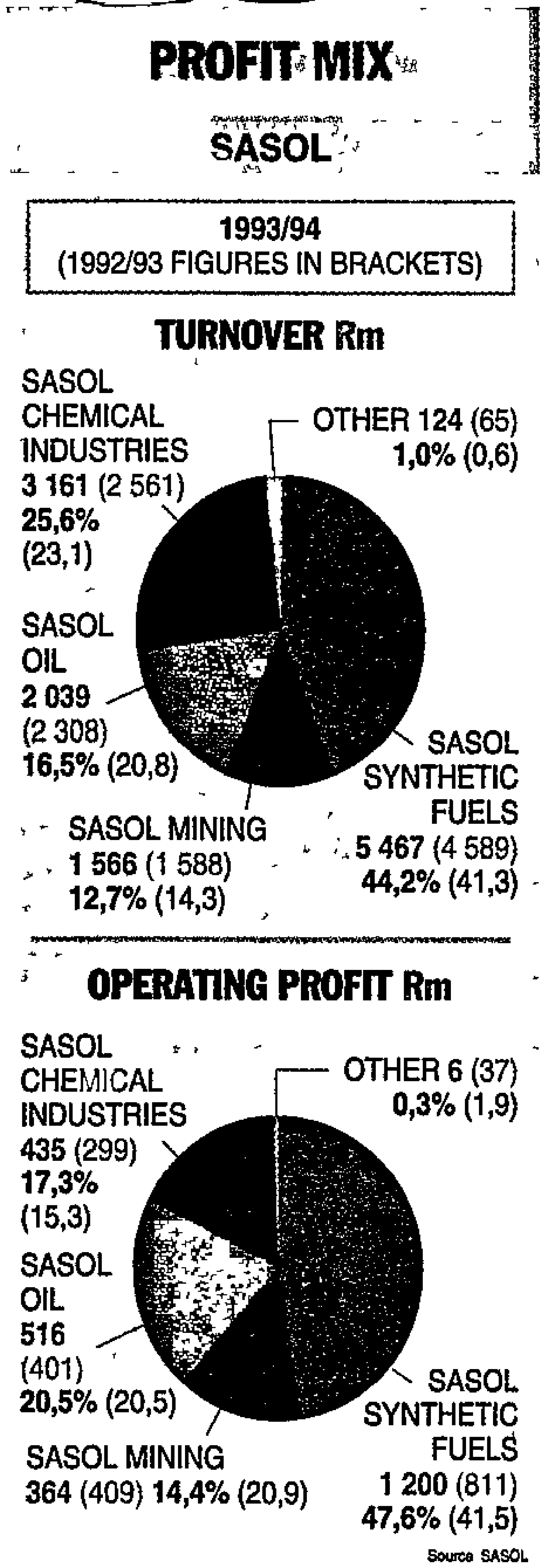
The balance sheet is strong but the group's real strength is its substantial cash generating ability Operating cash flow rose by 20,6% to R3,1bn in 1994 The net cash inflow was R465,5m (1993 R498,5m net outflow) Planned capital spending of R1,6bn will be funded internally Chairman Joe Stegmann says capex on new projects totalled R6,6bn over the past five years

Sasol's timing appears to be spot on The bulk of capex has been on expanding capacity and developing the downstream capabilities of petrochemicals For most of the 1994 year, world chemical prices were depressed, in some markets lower than at the bottom of the previous slump in the early Eighties The last quarter, though, saw chemical prices rise off the bottom — and they are continuing to firm

This is happening just as Sasol starts to benefit from earlier spending Major projects completed last year include the R403m Natref upgrade, which allows the refinery to process cheaper, heavier crude, resulting in higher refining margins, the R300m alpha-olefin plant, which will export about 90% of its products, the R92m gas pipeline to Middelburg, and the R280m expansion of gas production at Secunda

Current projects are the R310m acrylonitrile plant moved from Austria to Secunda, expected to start production towards the end of the financial year

About half of the 73 000t/year capacity will be supplied to the jointly owned acrylic fibres plant in Durban and the rest exported The R53m alkyl amines plant, a joint venture with Karbochem in Newcastle, is almost complete Part of the output will be used by SMX, Sasol's mining explosives division whose exports are growing Its main market is the Pacific Rim but world



P.T.O.

Fm 28/10/94

operate under the Department of Mineral & Energy Affairs These are never mentioned as attractive targets

The Industrial Development Corp and phosphate producer Foscor fall under Trade & Industry The Airport Co, which owns the State's nine airports, the Air Traffic & Navigation Services and the Commuter Corp fall under the Department of Transport while abattoir utility Abacor, the Land Bank and the agricultural control boards fall under the Department of Agriculture Water boards come under the Department of Water Affairs they are statutory bodies funded by government-guaranteed loans and their trading revenue

A number of services performed by government departments were privatised over a period The White Paper on the subject, published in 1988, listed a range from transport for schoolchildren, the attorney and advocate services, management at sawmills and preparation of study material and manuals

The first major privatisation was in 1979 — when 70% of Sasol, previously wholly owned by the Industrial Development Corp, was sold to finance Sasols 2 and 3 The IDC, an arm of government, has subsequently reduced its stake to 10%

In 1988 government committed itself to a privatisation programme but decided to initiate commercialisation programmes first to make their assets more attractive In 1989, steel producer Iscor was privatised The issue was more than four times oversubscribed and it raised R3,7bn A stake of 16% was retained by the Industrial Development Corp

The last privatisation was in July 1990, when National Sorghum Breweries was sold privately by the Industrial Development Corp to consumers, employees and distributors

In the light of negotiations that were started in February of that year, between the former Nationalist government and extraparliamentary opposition, further privatisation plans were suspended

However, in the past three years, the IDC has sold R4bn of its equity investments to fund a five-year programme "We have undertaken to find R10bn to create projects worth R30bn In the third year of our five years we have reached that target," says MD Carel van der Merwe

While the sale of certain State assets now appears highly likely, the controversial issue is the fate of the real jewels in the crown — the public utilities

The hard truth is that no-one wants loss-makers Few people are interested in companies which perform moderately Only the most promising companies will attract the quantity and quality of investment SA needs So government will have to do more than dip a toe in the water with the sale of some minor assets

It will have to emulate much of the rest of the world and make a determined move to modernise SA's commercial and industrial horizons ■

SENTRACHEM

Fm 28/10/94

Lighting the fuse

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A leaner structure is set to exploit firmer local and export markets

A year ago, when chemicals and plastics group Sentrachem posted modest results, the share climbed to a high of 873c Ratings firmed to the point where, at 2,7%, Sentrachem had the lowest dividend yield in the chemicals and oils sector, but, with a p e ratio of 11,6, still trailed AECI and Chemical Services

At the halfway mark, a stronger performance, achieved while domestic and international chemical prices languished, pushed the share's ratings past its rivals' Since then, the price has gained another 28% to trade earlier this week at R15 — best rated share in the sector

Last week's preliminary results justified the near doubling of the price over the year On slow growth in sales of only 7%, taxed income increased by 43% to R159m A lot of help came from the balance sheet, strengthened by an earlier R289m rights issue, which reduced the debt equity ratio to 0,12, possibly the lowest since Sentrachem's formation in 1967

The management style and strategic direction is now vastly different from when Sentrachem was created out of the pooled chemical resources of the Industrial Development Corp, National Chemical Products and the old Federale Volksbeleggings 27 years ago The founders had ambitious plans to create a vast SA company and a significant international player But ideology sucked Sentrachem into a spiral of unsound import replacement projects The crash came in the mid-Eighties, when the group was caught with heavy offshore borrowings as the rand collapsed, aggravated by some large, financially suspect projects Sanlam came to the rescue, restructuring and recapitalising Sentrachem, placing it in the Sankorp stable

John Job, who became MD in 1991 after 18 years on the payroll, decided he had to make the business grow without any help from the SA economy and in the face of a trough in international chemical prices as well as a long drought at home Now Sentrachem seems set to enjoy the benefits of its leaner structure "Over the past few months most of our markets have started to look distinctly better," Job says "Immediately after the election, one could feel stability starting to return to most areas of our business" He admits that not all the financial ratios and returns are where he would like them to be but notes that EPS grew through the downturn "We should be able to boost growth in the upturn"

The benefits of firmer local and world markets were absent for most of the financial year to end-August and not all of Sentrachem's main businesses did well A divisional breakdown is not yet available but financial director Norman Kennelly says three companies were affected by depressed markets Safripol, the joint venture with Hoechst, Chemical Syndicate, which makes resins, and Mega Plastics

All other divisions performed well, fuelling the 16% growth in operating profit to R248m, aided by a firming operating margin (8,1% to 8,9%) and a record 34% increase in exports to R464m, which now contribute 15% of turnover compared with 13% in the previous period

Exports and greater downstream beneficiation of chemicals were the two broad-based thrusts that management identified as routes to increase profitability and lessen dependence on commodity cycles The financial trends are going the right way (see table), though it could be argued that Sentrachem is hampered by being the smallest of the four main oil and chemical groups in the sector

RIGHT FORMULA FOR INVESTORS

Year to August 31	1991	1992	1993	1994
Turnover (Rbn)	2,28	2,43	2,62	2,80
Pre-tax income (Rm)	108	145	148	193
Attributable (Rm)	62	72	87	120
Net borrowing (Rm)	499	390	380	147
Debt equity ratio	0,63	0,44	0,42	0,12
Interest cover	2	2,7	3,3	4,5
Earnings (c)	54	62	75	91
Dividends (c)	18	20	24	28
Dividend cover	3	3,1	3,1	3,3
Tangible NAV (c)	489	518	552	671

P TO

Star 29/10/90

Petrol to drop by 1c

THE price of all grades of petrol and diesel fuel will fall by a 1c/litre at 1 am on Wednesday, but the price of liquid paraffin will rise by 4c/litre, the Central Energy Fund said in a statement yesterday

Fuel prices are adjusted on the first Wednesday of the month in terms of a new system approved by the Cabinet early this month The cumulative slate for the three products for October 5 to 25 was used as the basis for the adjustments, the CEF said In future, the period from the 26th of the month to the 25th of the following month would be used as the basis

The last adjustment was on October 5, when the price of petrol fell by 6c/litre and of diesel fuel by 2c The paraffin price remained the same — Sapa (183) (~~244~~)

Reckitt targets world households

(183) WM 30/9-6/10/94

Patrick Donovan in London

RECKITT and Colman on Monday unveiled plans to become one of the world's biggest suppliers of household goods, with the £1-billion purchase of United States-based L&F Household and plans to shed food operations such as Colman's mustards

L&F, a New Jersey-based cleaner and disinfectant manufacturer, makes some of the biggest-selling names in the US shopping basket, including Lysol, a cleaning product used in two out of three US homes

The deal will see Reckitt and Colman, which already has brands such as Dettol and Lemsip, soar up the sector league table to become the world's fourth-biggest disinfectant and cleaning products company — just behind US companies Colgate and Procter and Gamble.

As part of a strategic decision to refocus the business, Reckitt has decided to pull out of the British food operation by putting up for sale some of the country's best-established brand names, such as Colman's mustards and Robinson's Barley Water

The businesses, which were founded by the forebears of current chairman Sir Michael Colman nearly 200 years ago, could raise up to £400-million This money, together with the £230-million proceeds of a rights issue which was also announced on Monday, will be used to help fund the purchase of L&F Household from Eastman Kodak.

Reckitt says it will be able to pay off within three years the estimated £800-million debt mountain built up as a result of the deal

News of the one-for-eight rights issue at 500 pence a share saw the Reckitt share price tumble 38p to 560p The cash call is payable in two instalments

Vernon Sankey, Reckitt's chief executive, said the company was obliged to build up a top-ranking presence in the US household-ing products market if it was to have any real chance of achieving its aim of developing global-selling brand names.

The acquisition means that sales from the company's US activities will increase from 26 percent to just over one-third of total turnover. Overall, the amount of revenue generated from household-products business will jump by nine percentage points to 77 percent.

The decision to hive off the British foods operation was taken because this is seen as primarily a domestic-based business with limited export potential and does not fit the company's strategic aim of building up international brands

The big attraction of the L&F acquistion is Lysol — a $360-million-a-year trade name that is still growing sales at the rate of 2,5 percent a year Lysol is the star turn among the US company's six main brands, which account for 80 percent of L&F's $775-million turnover The company turned in operating profit margins of more than 15 percent on operating profits of about $119-million

Other main L&F brands include Love My Carpet, d-Con rodent exterminator, Mop & Glo floor waxes and Ogilvie home perm preparations Three-quarters of its sales come from core US activities

Sankey insisted the deal would have "no impact" on earnings per share during 1995 Within three years, the benefits of the acquisition would enhance forecast earnings by about 15 percent, he added.

Over the same period, the benefits of merging the businesses would start to generate economies worth about £40-million a year

Petrol price dip 'could stem CPI'

CT 31/10/94 (183)

JOHANNESBURG — The latest drop of 1c/ℓ in the petrol price, to come into effect on Wednesday, could help negate the effect of creeping inflation, which was expected to hit 11% in November, economists said at the weekend

Ed Hern, Rudolph strategic economist Nick Barnardt said combined with this month's 6c/ℓ drop, the latest decrease would have a 0,2% direct effect and an indirect effect of 0,4% on the consumer price index (CPI)

"This could help keep the CPI around 11%, rather than the higher level that it is due to rise to during the next few months."

The decrease could also help offset the effect of the increase in bond rates, which would hit the CPI next month.

Referring to the producer price index (PPI), Barnardt said as fuel "on the margin" made up a larger share of the PPI, it could help prevent the PPI from rising to more than 12% "But a lot will depend on fuel price decreases in the next few months."

In line with its revised mechanism in the setting of fuel prices, government announced on Friday that the prices of diesel and petrol (all grades) would drop 1c/ℓ, while the price of paraffin would rise 4c/ℓ

The Central Energy Fund said the Mineral and Energy Affairs Department had appointed Kessel Feinstein to audit the monthly price adjustment.

Barnardt said with the rand firming and international oil prices dropping, a further drop of 4c/ℓ to 5c/ℓ in petrol prices was likely in December.

However, if the rand adjusted 10% on the abolition of the finrand early next year, it would imply an adjustment of 3% to 4% in fuel prices, which would translate into an increase of about 6c/ℓ.

Deregulation battle reopens

The argument continues on how petrol should finally be priced. ***Bruce Cameron reports***

Star 3/10/94

The petrol deregulation lobby, claiming major potential savings for motorists, has re-opened battle following the introduction of the new petrol pricing system

The new system, which comes into effect on Wednesday, has been introduced as an interim measure while the war of words continues around how petrol should be finally priced and how the whole industry should be structured.

The debate is taking place at a number of levels and with groups representing petrol companies, petrol retailers supermarkets and organised labour, it is generating almost as much heat as the conflagration on Kuwait's oilfields after its short-lived invasion by Iraq

The new system of pricing, which effectively allows the Government to escape from political pressure every time the petrol price is changed, was delayed because of the larger debate

The new system, however, is not very much different from the old one which was introduced when South Africa was reeling under international sanctions and an oil embargo

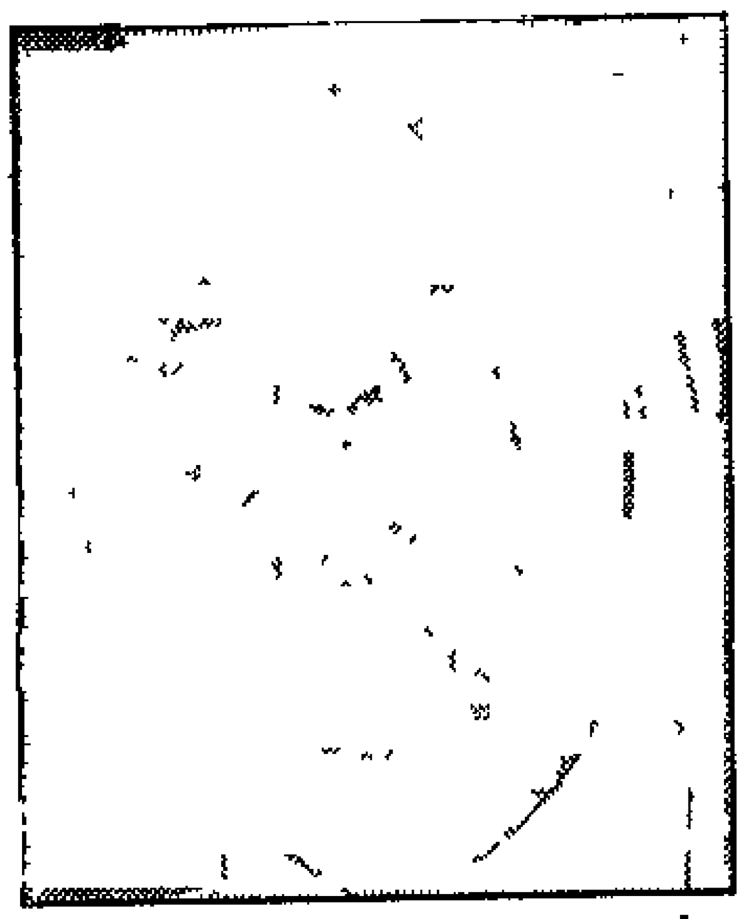
The main difference is that there is less secrecy and the price adjustments will come every month.

The price is still based not on real costs, but on a make-believe system of competition with refineries in Singapore and Dubai It is not based on the cost of landed crude or on free competition at producer or retail level

The pricing system is further bedevilled by the payment of subsidies to synthetic fuel-producer Sasol, which has even the oil companies breathing fire

The pricing of petrol still falls in the category of a Government-administered price no matter how the Government attempts to escape responsibility. Either by luck or good planning the first price adjustment is down by a solid six cents a litre

Whether the minibus taxis will block the streets of the cities,



Deregulation . . . tough challenge to Pik Botha.

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and who they will blame, when the price goes up again — as it surely will — must still be seen

The fuel companies are still not able to compete against each other on the issue of price and neither are the retailers

It did not take long for the pro-deregulation lobby to rekindle the public debate

Pick 'n Pay, which has been fighting for deregulation for years, often resorting to outright defiance, has immediately asked for changes to the interim system to allow it to edge closer to a deregulated market The chain is quite happy to start price cutting even without deregulation at the level of the refineries

Joint managing director Gareth Ackerman said the chainstore was attempting to get a meeting with Mineral and Energy Affairs Minister Pik Botha to allow retailers to adjust prices when they wanted

"We would like the flexibility of allowing our tanks to run dry and sell fuel at the lower rate, when the price of petrol goes up again

"We feel the new system, which allows for an adjustment on a monthly basis, should be seen as a way of familiarising consumers, dealers and other parties with the process of adjusting price according to the wholesale, is a good sign.

"But this is not by any means an ideal situation".

Ackerman said this time Pick 'n Pay will not challenge the Government But he warned that it would not hesistate to discount petrol in the future "should more positive steps not be made to deregulate the industry properly and according to the free market principles of supply and demand"

The main opposition to Pick 'n Pay comes from the smaller retailers who fear losing market share Their main argument, with the backing of the unions, is that Pick 'n Pay will switch to self-service, with the loss of thousands of jobs for forecourt assistants

Ackerman's response is that self-service will be phased in and the savings generated for the motorists will see extra spending in other areas, creating new jobs

The basic philosophy has been backed in recent months by Engen, which claims savings of 21c a litre could be made for the motorist by deregulation and by chopping the Sasol subsidy Much of the ire of Engen chief Ron Angel was directed at the foreign-owned petrol companies

His critics in the industry accused him of attempting to use the issue as a marketing device

But, Engen has joined the recently formed South African Petrol Industry Association (Sapia) and its latest comments were less fiery, with chief operating officer Errol Martin saying the new system was a "necessary step towards realising the goal of minimum government intervention in the oil industry "

Sapia, which represents six producers with Sasol being the odd one out, issued a statement welcoming the introduction of the new system, believing it "will stabilise the industry while it restructures in the next two years"

The question, however, is whether two years will be enough for the warring members of the Liquid Fuels Task Force of the National Economic Forum

COMPANIES

Sasol backs new pricing system

MUNGO SOGGOT

PETROCHEMICALS producer Sasol had always been strongly in favour of all short-term oil price movements being reflected in petrol pump prices, chairman Joe Stegmann said in the annual report. BiDay

He said the move to do so, announced last week, would avoid the unfortunate and incorrect impression that the adjustment of petrol prices was a political decision In most cases these adjustments simply reflected the cumulative price movements since the previous changes. 3/10/94

But he said full deregulation of the oil industry would have to be phased in over time and preceded by a "levelling of the playing field in the market place"

A "moderate measure of protection" for the synfuel industry was justified for as long as the low level of oil prices in play since 1986 persisted. "It bears repeating that the protection enjoyed by Sasol's synthetic fuel business since its introduction in 1979 has been very modest"

Sasol looked set to post a further increase in earnings this year A global recovery was starting to lift petrochemical prices from historically low levels

Projects to produce high value petrochemicals from low value feedstocks would provide a solid base for growth.

Over the past five years, Sasol's capex bill had totalled R6,6bn — an average of R1,3bn a year, Stegmann said

Synthetic fuel production at Secunda over the past year had reached record levels. Sasol's cost containment programme initiated last year had been maintained and in some cases improved on.

Sasol's chemical operations were now housed in Sasol Chemical Industries which had a 60% stake in Polifin and a 50% stake in Sasol Fibres.

Chemicals producer Polifin — in which AECI holds the remaining 40% share — had shown an "encouraging" performance in the six months to June.

Polifin had recently initiated investment projects worth R630m, including a restructuring of its PVC and chlor-alkali production facilities These projects would significantly improve Polifin's contribution to group profit (183)

Exports by group companies during the past year were up 39% to R770m, he said

Sasol reported a 14,9% rise in attributable profit to R1,5bn for the year to June.

'Layoffs likely to squeeze Engen'

B/Day 31/10/94

MICK COLLINS

TIGHTER refining margins and higher-than-expected retrenchment costs would see earnings at oil company Engen down about 15% for the year to August, analysts predicted at the weekend

This would translate into earnings a share of about 265c while the market expected the dividend to be maintained at last year's 154c level The company is to publish its results on Wednesday

One analyst said higher international oil prices would probably wipe out the inventory loss experienced at the halfway stage and should result in a small surplus

At the interim stage the company reported a R37m inventory loss as a result of a fall of about $2 a barrel in international oil prices

He said the lower refining margins currently experienced on international markets could be offset in part by a slightly better yield from local refining operations

Throughput at the group's Durban refinery was up 20% to 80 000 barrels a day while petrol and diesel yields were up 3%

Even though domestic fuel sales were picking up, extra expenditure incurred through retrenchments and the closure of about 300 service stations would push costs artifically high But he added that with just about all of the restructuring costs out of the way, the market expected strong growth next year

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Once the R800m second phase of the group's refinery upgrading project was completed in December, higher throughput could be expected, another analyst said

He expected earnings a share of 260c while the dividend would be maintained

But one oil industry commentator said the earnings a share level would be down to 250c as the Singapore refining margins were under a lot of pressure He said Engen was a "big buyer" in the Asian market with an offtake of between 300 000 and 500 000 barrels a day

Although most of the retrenchments had now been completed a "lot of packages have been paid out"

At the interim stage the company indicated that about 500 jobs would be shed at a cost of R17m for the half-year. But retrenchment costs for the full year were expected to be about R60m which would be absorbed in full as an extraordinary item The company was re-engineering in a bid to eliminate uneconomic business and to lower expenses

It was estimated that savings of about R45m a year would flow from the retrenchments

One analyst said he expected a pickup in refining margins in the financial year 1995 which would see a return to the higher levels last experienced in 1993

BUSINESS DAY, Monday, October 31 1994

3

Fuel cuts may offset inflation

MICK COLLINS

THE latest drop of 1c/l in the petrol price, to come into effect on Wednesday, could help negate the effect of creeping inflation, which was expected to hit 11% in November, economists said at the weekend.

Ed Hern, Rudolph strategic economist Nick Barnardt said combined with this month's 6c/l drop, the latest decrease would have a 0,2% direct effect and an indirect effect of 0,4% on the consumer price index (CPI).

"This could help keep the CPI around 11%, rather than the higher level that it is due to rise to during the next few months."

The decrease could also help offset the effect of the increase in bond rates, which would hit the CPI next month.

Referring to the producer price index (PPI), Barnardt said as fuel "on the margin" made up a larger share of the PPI, it could help prevent the PPI from rising to more than 12%. "But a lot will depend on fuel price decreases in the next few months."

(183)

In line with its revised mechanism in the setting of fuel prices, government announced on Friday that the prices of diesel and petrol (all grades) would drop 1c/l, while the price of paraffin would rise 4c/l.

The Central Energy Fund said the Mineral and Energy Affairs Department had appointed Kessel Feinstein to audit the monthly price adjustment.

Barnardt said with the rand firming and international oil prices dropping, a further drop of 4c/l to 5c/l in petrol prices could be expected in December.

However, if the rand adjusted 10% on the abolition of the finrand early next year, it would imply an adjustment of 3% to 4% in fuel prices, which would translate into an increase of about 6c/l.

"This is far more moderate than opponents of the finrand's abolition fear. If oil prices soften a bit further the increase might be less than 6c/l."

This increase could even be offset completely by deregulation in the oil industry, he said.

Another analyst said that if deregulation was brought in there would be "enormous" structural adjustments to fuel prices, which would help bring inflation back to single digits.

Macmed sent sky high as exports boom

CT 2/11/94 (153)

By MAGGIE ROWLEY
Deputy Business Editor

A 400[illegible] ... ports ... tion ... pital ... boosted turnover of Cape ... health care ... MacMed ... 182% to R3[illegible] ... six months ... September

[illegible]

Engen pays high cost for 'meddling by govt'

(183) CT 2/11/94

By MAGGIE ROWLEY
Deputy Business Editor

THE "disarray" in the domestic oil industry in the past year coupled with the significant restructuring of its business, saw Engen's earnings drop 13,6% to R416m, equal to 267c a share in the year to end August.

This was in spite of turnover rising 9,5% to R8,5bn during the year.

Lashing out at the government, Engen said the "piecemeal tampering with the regulatory system in the areas of the synthetic fuel levy, the in-bond landed cost formula and the service differential as well as the authorities' failure to grant the marketing margin due to the oil industry" had cost Engen an estimated R100m plus in the past year

The effect for a full year, it said, would amount to about R140m.

"Such tampering is clearly untenable if the industry is expected to adhere to the rules of the regulatory framework"

Chairman Bernard Smith said over and above the negative impact of certain regulatory changes on operating income, the results were a reflection of difficult trading conditions throughout most of the year, a number of exceptional items and positive inventory effects

CE Rob Angel said Engen's earnings were particularly sensitive to the gross refining margin that it could generate and these had been under pressure in recent months due to soft international refining margins The negative impact on operating profit for the year under review from the $1 a barrel decline in the international refining margin in the second half of the year had been about R50m

The restructurning programme embarked on a year ago which saw the loss of 500 jobs — roughly 15% of the work force mainly at senior and middle management levels — at a cost of R65m was continuing This exercise was expected to yield annualised savings of about R50m

The cost of this programme, when set off against the R45m net profit earned on the sale of Engen's gas cylinder business to Afrox and R12m net profit from the sale of upstream assets in the North Sea, resulted in an exceptional cost of R12m

Angel said that excluding government levies, turnover for the past year was up 6,5% with sales volumes to the local market growing by only 1,6% Gasoline sales were up 3%

However healthy volume growth had been seen in July and August with gasoline sales being up more than 5%.

Highlights of the year included containing the increase in expenses to 2% and the strong performance from the Durban refinery

Engen, he said, stood to benefit from the Phase 11 refinery upgrade but the closure of the refinery for the commissioning of the project and major periodic maintenance would limit the extent of the benefits realised in the current financial year.

The full benefit of the upgrade, he said, was also dependent on higher light heavy crude price differentials than those currently prevailing

Angel said the long, ongoing deregulation debate and piecemeal tampering with the current regulatory system had put marketing margins under pressure

During the year Engen had closed more than 100 service stations which had not been economically viable and unless there was an increase in wholesale margins, additional uneconomic stations would be closed

Discussing prospects for the year ahead, Smith said results would be significantly affected by the behaviour of international freighting margins as well as light/heavy crude differentials

Engen

B/Day 2/11/94

From Page 1

brought operating income after exceptional items and inventory effects to R547m.

After financing costs of R49m (R16m), pre-tax profit was 16,2% down at R498m.

The group's tax bill fell to R80m from R113m in 1993.

Earnings a share after exceptional items and inventory effects fell 13,6% to 267c. The dividend was maintained at 154c, covered 1,7 times A scrip alternative will be offered to minimise STC exposure. Shareholders can decline the award

Angel said the restructuring programme which the company had embarked on a year ago had resulted in the loss of 500 jobs at senior and middle management level. The exercise was expected to yield annualised savings of about R50m.

He said piecemeal tampering with the regulatory system in the synthetic fuel levy, the in-bond landed cost formula and the service differential, as well as government's failure to grant the marketing margin that was due to the oil industry, cost Engen more than R100m. The effect would amount to R140m in the current financial year.

Having closed more than 100 uneconomic service stations, the group "had temporarily suspended this programme" But in the absence of an increase in wholesale margins additional non-commercially viable stations would have to be closed.

Better bunker fuel and export sales boosted overall sales 4,8% to 43,9-million barrels from 41,9-million barrels.

Two major factors behind Engen's results were the fact that expenses grew only 2% during the year and the excellent performance of its Durban refinery.

Angel said the group stood to benefit from phase two of its refinery upgrade, with the full benefits contingent on higher light/heavy crude price differentials than those currently prevailing The 1995 financial year would be affected by the closure of the refinery during the project.

Depressed refining margins hurt Engen

B/Day 2/11/94

MICK COLLINS

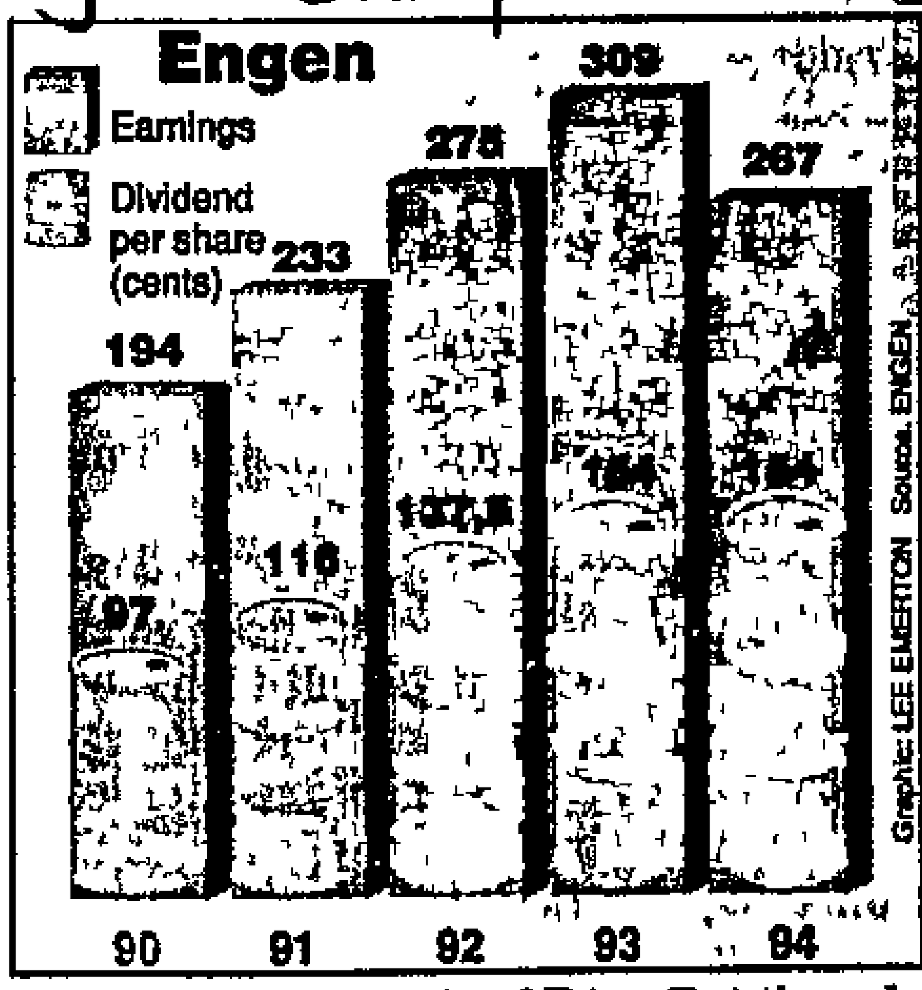
FUELS producer Engen yesterday reported a 13% drop in net income to R416m for the year to August following depressed refining margins and sluggish sales.

Turnover rose 9,5% to R8,4bn, but CE Rob Angel said that with the disappointing performance of the economy, Engen's sales volumes to the local market grew only 1,6% with petrol sales up 3%

But he noted that there was healthy volume growth in July and August, with petrol sales up 5% on the previous year

Operating income before exceptional items and inventory effects was 4,3% lower at R532m, but with the recovery of crude oil prices in the second half of the year Engen was able to more than reverse the R37m inventory loss reported at the interim stage and earned a R27m inventory profit for the full period.

This was offset by exceptional items which included retrenchment costs of



R65m and other costs of R4m. But the sale of the company's cylinder business to Afrox for R45m and a R12m profit on the sale of upstream assets saw the final figure translate into a loss of R12m, which

To Page 2

Taxed earnings 13 percent lower

Govt blamed for Engen profit fall

Star 2/11/94

BY DEREK TOMMEY

The government's failure to abide by oil industry agreements cost Engen more than R100 million in the year to August, says chairman Bernard Smith

This was one of the reasons for the R24 million — 4,3 percent — drop in operating income to R532 million, even though turnover rose 9,5 percent to R8,45 billion.

Another reason was a $1 a barrel decline in refining margins in the second half of the year, which cost Engen R50 million. Engen is sensitive to changes in gross margins.

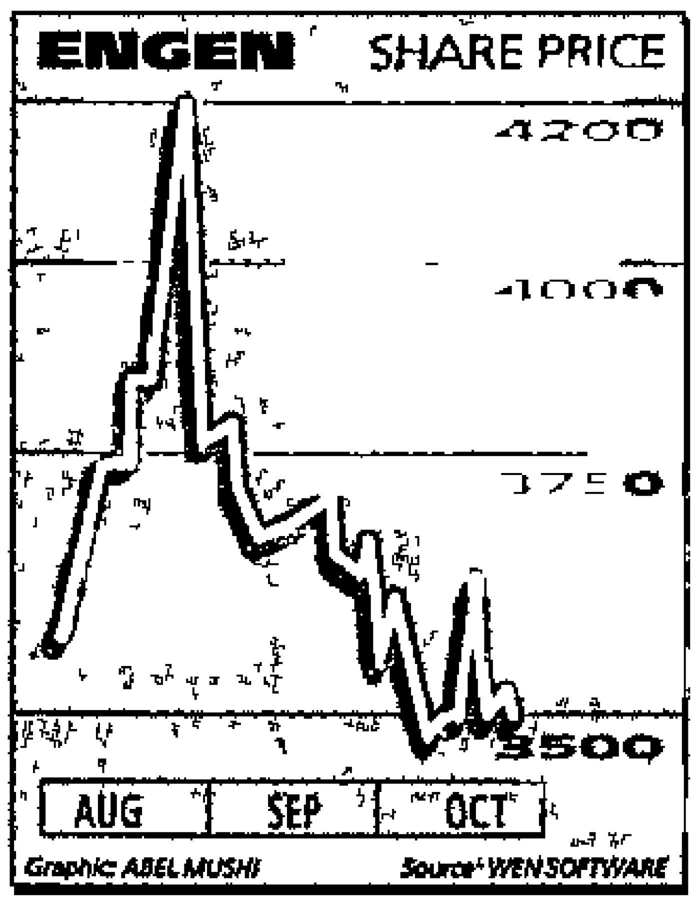
Higher financing costs further depressed earnings and though the provision for tax dropped R33 million to R80 million, taxed earnings before exceptional items were R63 million — 13,3 percent — lower at R416 million, equal to 259c (1993 298c).

Cash earnings (reported profits plus depreciation) were slightly higher, being equal to 345c (342c) before exceptional items.

Engen is paying an unchanged final dividend of 99c a share, making an unchanged 154c for the year. Shareholders can elect to receive the dividend in cash or in capitalisation shares

Smith says Engen's view that the oil industry should be run on the free enterprise market principle now enjoys widespread support.

"Regrettably, the past year was characterised by piecemeal tampering with the regulatory system."



He lists the elimination of the synthetic levy, changes in the IBLC formula, failure to adjust the service differential and grant the marketing margin increase due to the industry.

This reduced Engen's operating income by R100 million in 1993-94 and, in a full year, will cost close to R140 million.

"Such tampering is clearly untenable as long as our industry is expected to adhere to the rules of the current regulatory framework."

Reviewing current operations and prospects, chief executive Rob Angel says domestic sales in 1993-94 grew by only 1,6 percent to 31,6 million barrels, with petrol sales up 3 percent.

But demand in July and August picked up and sales were 5 percent ahead of last year

In September and October, the first two months of the current accounting year, the increases were even greater.

Angel says a 4 percent growth in GDP should result in a 6 to 7 percent increase in petrol consumption. If such growth is achieved, SA will soon need to consider increasing refining capacity, even though there is 20 percent surplus capacity at present

In the past year Engen closed down 109 unprofitable filling stations

The job losses arising from the closures were more than made good by the opening of 60 Quick Shops.

It is planned to open 200 Quick Shops at top service stations where they should generate 10 percent of operating income from service station business.

More than 500 people, mostly in middle and senior management, were retrenched at a cost of R65 million. Savings are expected to amount to about R50 million a year.

Another area which should help increase profits is refining The R600 million phase two upgrade is progressing well.

It will enable the plant to process cheaper crude and increase recoveries by 22 percent.

However, the closure of the refinery for the commissioning of the project will limit the benefits of the upgrade this year. These benefits are also contingent on wider than prevailing light/heavy crude oil differentials.

Engen is continuing to restructure to cope with the highly competitive environment that lies ahead.

Tight curbs on Mossgas investment

CT 3/11/94 (183)

Political Staff

FURTHER capital investment in Mossgas would not be undertaken unless it was in the interests of the country and an investigation had been carried out by independent assessors, Mineral and Energy Affairs Minister Mr Pik Botha said yesterday

Speaking in Parliament, Mr Botha said that while Mossgas had been a commercial mistake, it would be "inexplicably foolish" to close it down

He would abide by earlier recommendations of the Joint Public Accounts Committee that any investigation carried out with a view to further investment would be independently verified

But ANC MP Ms Barbara Hogan said the two-person body appointed to provide independent verification was too closely tied to the Central Energy Fund

One of the two assessors worked for the fund, she said

The Public Accounts Committee, who would have to agree to additional investment, would not accept the recommendations of the assessment body, she said

ANC MP Mr Marcel Golding, who is also chairperson of the National Assembly's Mineral and Energy Affairs Standing Committee, said nothing had been done by the Central Economic Advisory Service concerning a study on the future socio-economic benefits of Mossgas

"Nothing was done or where attempts were made they remain unsatisfactory"

Mr Botha said studies were being conducted to see if a compression project should be undertaken at Mossgas which would give access to an additional 35% of natural gas

COMPANIES

Sentrachem shareholders promised 'solid growth'

BDay 3/11/94

MUNGO SOGGOT

CHEMICALS producer Sentrachem's drive to move away from commodity chemicals into higher value products was gathering pace and shareholders could look forward to another year of solid growth, MD John Job said in the annual report

Job said Sentrachem was continuing to reduce its exposure to commodity chemicals, illustrated by its increased stake in Sanachem, which was now wholly owned, and its acquisition of fine chemicals producer Delta G Scientific

Research and development spending had risen to R26m from R14m last year.

He said alcohol production at the group's NCP division in Germison would stop in a few months, resulting in the loss of 500 jobs. The division was on track to report better profits.

Sanachem, which produces generic herbicides and pesticides, now exported 65% to 70% of its output It supplied its products to a world market worth \$11,5bn a year, and it clocked up sales of \$120m a year.

The group's export drive was steaming ahead. Exports had topped R3bn for the first time in the past financial year and accounted for 15% of turnover. Sentrachem was now a net earner of foreign exchange It posted a 38% jump in earnings to R120m for the year to August on a 7% rise in turnover to R2,79bn

Substantial improvements in the results of Agrihold, Karbochem, NCP and Sanachem had been highlights of the year, Job said.

After years of decline, the prices of several chemical commodities started improving last year, but the pick-up in the world chemical cycle would rub off on earnings only next year. A number of players in the SA chemical industry were now collaborating to make final value-added products more internationally competitive

Sentrachem had settled supply arrangements with Polifin, the joint venture between Sasol and Amic-owned AECI

(183)

"The political and economic outlook is brighter than it has been for years," Job said. "I am confident, therefore, that 1995 will be another year of solid progress."

During the past financial year, gearing had been knocked down to 12% from 42%

Sappi looks eastwards for more foreign ventures

AMANDA VERMEULEN

PAPER and pulp giant Sappi, which last month announced the \$1,6bn Warren deal, one of the largest transactions by an SA company outside its own borders, is looking again across the seas.

MD Ian Heron said recently that, although the former Soviet Union had enormous timber reserves, its economic woes and lack of infrastructure made it a difficult place in which to operate

BDay 3/11/94

China, on the other hand, was being considered by Sappi as an opportunity The group was already trading there and considering joint ventures

The rest of Asia, which had its own pulp and paper industries, posed stiff competition for the SA industry, partly because of low labour costs But Heron said potential for mergers and acquisitions also existed in Indonesia in the long term

Sappi had made preliminary moves into Asia by establishing a trading arm in Hong Kong

Africa also offered expansion opportunities, but unstable political and economic environments in countries such as Angola and Zaire made it difficult to realise the potential offered by those countries

For the moment, the group was concentrating on Mozambique, where it was involved in a joint venture with the government on a 30 000ha forest project.

The group was also investing heavily locally, with a planned capex of R2bn over the next two to three years

Diversified Afrox 'rides out storm' with 8% growth

BDay 3/11/97

MUNGO SOGGOT

AFRICAN Oxygen (Afrox) has posted an 8% increase in attributable earnings to R124,8m for the year to September on turnover up 19% at R1,43bn.

Chairman Royden Vice said group results had improved despite an uncertain business environment

Earnings a share rose to 392c (352c) and a final dividend of 150c a share was declared, bringing the total payout to 238c (215c).

The company said its aggresive investment policy lifted net interest paid 37% to R44,6m, while its tax bill was up at R89,87m (R87m).

The company had bought Engen's liquified petroleum gas (LPG) cylinder business and three new hospitals for its health care division for a total of R285m The acquisitions would rub off on earnings next year (183)

The Engen aquisition had boosted its LPG filling and distribution business, and the group said it was now the market leader in SA, Lesotho, Swaziland, Namibia and Botswana.

"The Engen operations have been successfully incorporated into Afrox's operations under the Handigas trademark

"The future is bright for this product given its multiplicity of uses in industry, the hospital business and domestic markets where it is used for heating, cooling and lighting"

The group's gases division had performed satisfactorily during the year, and had won several major contracts, which included Columbus Stainless Steel and the Namakwa Sands project

Its welding business, which had been worst-hit by the recession, was beginning to show signs of recovery, spurred by demand from major capital expenditure projects

The company had beefed up its health care business by buying the Daview Clinic in Brakpan, the Gaborone Private Hospital in Botswana and Border Hospitals in East London

Group trading profit was up 15% at R266,3m (R231,8m)

Yesterday the share price closed unchanged at R105,00 on the JSE from a high of R122 on June 8 and a low of R90 in November last year

Vice said· "These results have displayed Afrox's ability to ride out economic and political tempests because of the company's diversified operations and large customer base, which covers virtually every field of commercial endeavour"

ENGEN

Fm 4/11/94

Running on lower octane

(183)

Results after a difficult year's trading can best be described as reassuring The 13,6% decline in EPS was slightly better than what the market was expecting Internally, it seems the oil group is doing all it can to reduce costs and squeeze greater efficiencies out of assets

The question now is whether Engen has been through the worst and will be able to reverse the trend of declining earnings in financial 1995 For investors, the related question is whether the share price, which, at R35, has stagnated for most of the year, will start to recover An improved performance this year depends on some factors beyond Engen's control specifically, future refining margins and the outcome of the debate on deregulation of the industry

On the positive side, CE Rob Angel says the first two months of the 1995 year have seen firming demand for petroleum products, with growth now running between 6%-7%/year Domestic fuel sales over fiscal 1994 year grew by only 1,6% to 31,6m barrels, with petrol sales up 3%

"I think we are starting to see a kick up in GDP growth Traditionally, this has a multiplying effect on growth in the oil industry Higher domestic demand also means higher margins than we get on the excess production we now export"

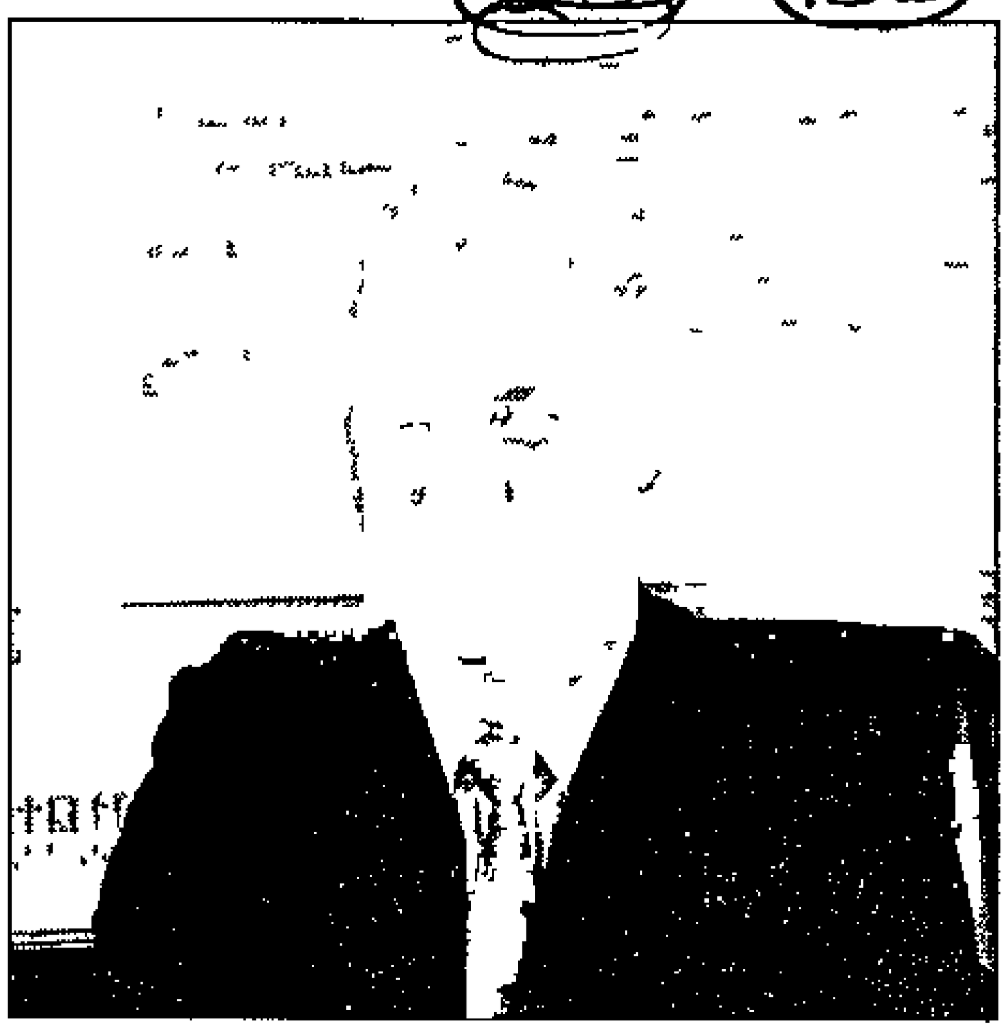
Fuel sales are critical to Engen, so the prospect of increasing demand should partly offset the likelihood that international refining margins will remain weak in the short term Angel says, though, that margins can move quickly, particularly in the dynamic Far East market Refining margins declined, on average, by about US$1/barrel in the second half, taking some R50m out of full-year operating income

Deregulation remains a question mark Chairman Bernard Smith says the piecemeal tampering with the regulatory system, including the removal of the synthetic levy, changes to the in-bond landed cost formula and failure to grant the marketing margin increase due to the industry reduced operating income by more than R100m in the financial year, with the effect on calendar 1994 expected to be R140m

While Engen may not receive much sympathy for the marketing margin — analysts say the SA industry enjoys one of the widest margins in the world — ad hoc

FEELING THE SQUEEZE

Year to August 31	1993	1994
Turnover (Rbn)	7,72	8,45
Operating income (Rm)	556	532
Attributable (Rm)	480	416
Earnings (c)	309	267
Dividends (c)	154	154



Engen's Angel *demand for petroleum products is firming*

changes to regulations have a significant effect on Engen and make future planning diffficult

Angel says the past year's restructuring programme is continuing into a second phase, transforming Engen and preparing it for what he calls full deregulation Engen will not get the full benefits of deregulation of the retail end of the industry unless there is full freedom to procure oil from its own sources and not be obliged to take a percentage of oil from Sasol Angel says, pointedly, that Sasol's market entry will not be facilitated by the oil industry

While upstream exploration and production of oil is a long term, often expensive business, it will offer Engen more balance in its activities Angel says Engen's focus is increasingly on offshore west Africa, where much of the earlier political risk has diminished

During the year, Engen re-arranged its upstream assets, selling the Britannia gas field, for which it earned a profit of R12m for its original 27,2% stake As part of the transaction, it bought Gencor's interest in the Alba field in the North Sea

Prospects for 1995 are also strengthened by the completion of the refinery upgrade, which can increase capacity by 22%, if needed, and will allow the plant to process cheaper crude oil while maintaining the yield of white oils

Debt, which more than doubled to R787m during the year, is expected to shrink with the completion of the refinery upgrade unless a significant upstream investment is made Exchange control regulations are hampering Engen's efforts in this regard

The share remains a difficult call Ratings have slipped to below the average for the sector, though prospects for this year suggest the price should not decline further That gives it [illegible] speculative attraction, though sustained growth will probably depend largely on Engen's next results

Shaun Harris

NBS HOLDINGS

Diversifying earnings

The first full inclusion of income from associates and a strong performance from the mortgage division boosted interim results, with earnings rising 49% More importantly, it shows NBS on target in its diversification strategy to attain a wider spread of earnings, reducing the importance of interest income

MD John Gafney says insurance and assurance now account for about one-third of earnings, mainly from associates Norwich Life, RMB Holdings (including Momentum Life) and Aegis Insurance

With all these investments accounted for in the first six months, income from associates more than doubled to R20,7m

At the same time a 26% increase in advances — mainly in home loans which account for more than R8bn of total advances of R11,9bn — fuelled asset growth by 21,5%, to R14,8bn

Earnings growth would have been stronger were it not for a bad and doubtful debt charge rising from the year-ago R31,6m to R74,7m General provisions were raised by R40m to R154m, largely, says corporate division senior GM Paul Leaf-Wright, because of the possible effect of an expected increase in interest rates

"The last time the interest rate cycle went up there were more defaulters We are creating a provision ahead of the likelihood of this happening again"

However, about half the bad debt provision for the first half relates to possible losses due to fraud and related, inadequately secured loans Leaf-Wright says NBS has been conservative — at best, it will only lose the first R500 000 and get the rest back from fidelity insurance

Action has also been taken to recover some of the fraudulent losses NBS has applied for the sequestration of Lionel Gafney, one of the former employees who allegedly defrauded the bank "But it will probably take some time to process the insurance claim Should we get the bulk of the money back, we will consider reversing the provision," he says

If so, it would mean a one-off boost to the bottom line, either in the second half or next financial year As it is, the second half should see the 25% increase in EPS

POLITICS Fuel that was saved during sanctions years

Sasol is SA's big asset

By Ismail Lagardien
Political Correspondent

THE strategic oil stockpiles of the sanctions era and the Sasol plants may well become one of South Africa's bigger assets

It was estimated that by the end of August this year the strategic oil reserves — 63 million barrels, enough for seven months' domestic consumption stockpiled during the sanctions era — were worth R3,5 billion, Minister of Mineral and Energy Affairs Mr Pik Botha told Parliament this week

He said reducing these reserves over the coming months to four months' supply, a decision already approved by the Cabinet, could generate about R1,5 billion, which would be paid into the Exchequer Sasol, on the other hand, produces a wide range of primary, intermediary and final chemical products, some of which are exported to 41 countries (outside of Africa), Botha said

During the 1993-94 financial year, the total value of these exports was estimated at R770 million 183

"Sasol, in total, exports 120 products that earn South Africa R1 billion annually in valuable foreign exchange If these exports cease, South Africa will lose this foreign exchange

"Even worse, the country will be required to pay out a further R4 billion in foreign exchange to purchase crude oil

'Mossgas spending to be assessed' 183

Political Correspondent

NO further investment will be made in the controversial R12 billion Mossgas project without a thorough, independent assessment, Minister of Mineral and Energy Affairs Pik Botha has assured parliament's public accounts committee

Mr Botha, who appeared before the committee for an hour yesterday, confirmed that an investigation — by a team including international experts — was under way into the feasibility of adding to the plant at a possible cost of about R600 million in order to double the gas yield

But he said he was in full agreement with the committee that the results of this investigation should be "verified" by independent experts before any money was spent ARG 4/11/94

This was requested by the previous parliament's public accounts committee more than a year ago, prompting African National Congress committee member Barbara Hogan to charge "We do not believe the Mossgas management has taken our request for independent verification seriously"

But Mr Botha assured the committee that he agreed the results of the investigation now under way — to determine whether it would be feasible to spend money on a compression plant to double the gas output from 35 to 70 percent — should be subjected to independent verification.

● Mr Botha also confirmed that legislation had been drafted to lift restrictions on reporting to parliament by the auditor-general on the financial statements of the equalisation fund and other fuel-related institutions.

Unleaded fuel to be cheaper

CAPE TOWN — Unleaded petrol should be available from July and would cost about 5% less than leaded petrol, a Mineral and Energy Affairs official disclosed yesterday.

The lower price would be based on a lower tax on unleaded petrol and would stay in place until unleaded petrol had at least 20% of the domestic market, the official said. B|Day

The oil industry has been pressing for a price differential to encourage motorists to use unleaded petrol, which will be more expensive to make. 4|11|94

Earlier, Mineral and Energy Affairs director-general Piet Hugo told a parliamentary committee that unleaded petrol could be used by new cars and vehicles up to eight years old that had been modified.

Older cars could also use unleaded petrol without adaptations as long as they were filled with regular petrol at one filling out of every five. (183)

The official said a new octane rating system would be introduced when unleaded fuel reached pumps countrywide.

Coastal fuel stations will sell 97 octane leaded petrol and 95 octane unleaded.

Inland stations will sell 93 octane leaded and 91 octane unleaded.

The 87 octane petrol sold inland, which accounts for about 5% of the market, would fall away. — Reuter.

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Fuel industry, State set for a showdown

(183)

ARGS 5/11/94

BRUCE CAMERON
Business Editor

THE fuel industry and the government are lining up for a heavyweight punch-up as accusation and counter accusation followed poor performance by the only locally-owned petrol refinery and marketer, Engen.

The government is fuming about accusations made by Engen that it is responsible for a R64 million (13 percent) drop in the profits of the petrol company.

But the department of mineral and energy affairs rejected the accusation with a counter claim that according to its sources Engen's poor results were the result of "bad management decisions and business strategies".

The recently formed South African Petrol Industry Association (Sapia), representing all the petrol companies except synfuel producer Sasol, has entered the row taking the side of Engen

Chief executive Colin McClelland said Sapia agreed with Engen's assessment of the reason for a reduction of profits

He said it was estimated that the industry as a whole had lost about R600 million as a result of government not sticking to original profit margin agreements.

The petrol companies were losing about four cents a litre as a result of changes.

In reporting its results for the year ended August, Engen said it estimated "the piecemeal tampering with the regulatory system of the synthetic fuel levy, the in-bond landed costed formula and the service differential as well as the authority's failure to grant the marketing margin that was due to the oil industry" cost in excess of R100 million for the past year.

The effect for a full year would total R140 million.

Engen said "such tampering is clearly untenable if the industry is expected to adhere to the rules of the current regulatory framework".

Reacting, Roland Darrol, spokesman for the Department of Mineral and Energy Affairs, said it was "very convenient" for Engen to place the blame on the government.

The decisions which were being attributed to the government by Engen were reached by consensus at the National Economic Forum special task group on the fuel industry and "Engen was represented at all meetings".

Mr Darrol said that Engen was contemplating the closure of 360 filling stations and this was also one of the reasons for the company's poor results.

Labour had managed through pressure to force Engen to delay its decisions until early in 1995.

He said Engen itself also admitted that the reduction of the international refining margin had led to losses.

"Once again this led to poor financial results."

The government is further angered by Engen because the company had not abided by agreements reached in the task force meetings and it had at one stage instructed its petrol stations to sell below the set prices.

The department also claims that petrol companies had been claiming that they were only getting a wholesale margin of four percent.

The department had audited the figures and found that the margin was not four percent but was in fact 13,8 percent.

Industry sources however accused the government of interpreting the figures to suit its purposes.

In the complex formulas on which the petrol price is based the industry says it was done down by about 1,8c a litre in the marketing margin in 1992

The industry says it also lost a synfuel subsidy and changes on the price setting for refined fuel had cost additional amounts

The claims of government on the margins had been incorrectly claimed.

Mossgas up for sale at a discount

S I Times (Buss)

6/11/94

By CIARAN RYAN

MOSSGAS is for sale, says Pik Botha, Minister of Mineral and Energy Affairs.

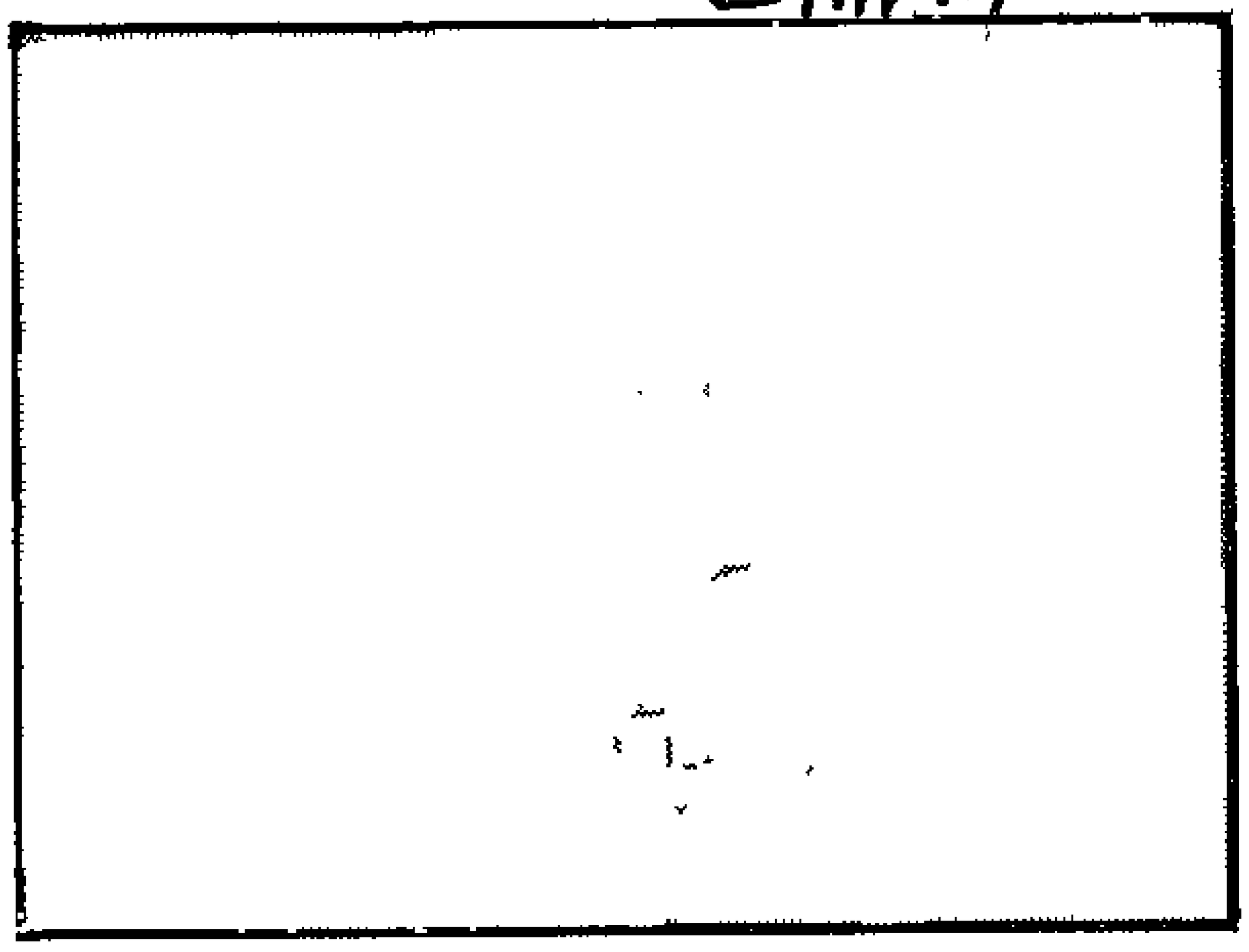
Mr Botha says discussions have been held with several potential buyers, both local and foreign, but the state will not recover anything like the R11-billion it cost to build the synthetic fuels plant

"We must accept that we cannot recover our initial investment, but at the right price Mossgas is an attractive proposition," he says.

Taiwan's Chinese Petroleum Company, already in discussion with Mossgas over the possibility of a joint venture in refining and petro-chemicals, is a potential buyer Another is a petroleum group from an oil-producing country.

John Theo, managing director of Mossgas, says buyers are likely to express greater interest once the plant's future is assured

"We have had discussions with several groups on a range of issues regarding the future of Mossgas But if we privatise Mossgas as it stands today, we will not attract much attention If we



ANY TAKERS ... Pik Botha, Minister for Energy

83

were making the decision today, Mossgas would never have been built."

Mossgas is asking the Cabinet for an additional R600-million to extend the life of the gas reserves at the FA field, due to run out in little over a year — three years after start-up The government, however, is keen to accelerate privatisation talks so that a purchaser will take over responsibility for recapitalising the company

The Cabinet is awaiting the results of an independent feasibility study on the complex, due out in December, before authorising additional capital spending

"We want to be absolutely sure that the project is commercially viable and that government will get its money back before we part with a cent," says Mr Botha.

There is concern in the government that a PR campaign waged by sectors of the oil industry is aimed at preventing Mossgas from receiving the funds it needs to continue operating

"Obviously, Mossgas is a potential competitor to the oil industry and if they can rubbish the company, they might be able to deter foreign investors or pick it up themselves at a good price," says one government official

Mossgas was built on the basis that gas reserves would last 25 years, provided additional capital was invested to extend the life of the gas fields The R600-million is needed to install a compressor at the FA field, without which only 35% of its reserves can be exploited, and to tap the nearby satellite gas fields This would extend the life of the project to 2001

Mr Theo says Mossgas is already cash positive (making an operating profit, but not servicing loans) Excluding tariff protection of $21,75 a barrel and synthetic fuel subsidies, the business generated an operating profit of R100-million last year

Mossgas says it will be able to repay the R600-million new capital required at the rate of R100-million a year while paying a further R100-million dividend to its shareholder, the state.

Mr Theo says Mossgas is not dependent on the gas fields for its future survival

"We can obtain our crude oil feedstocks from a number of suppliers Part of our master plan includes developing a methanol processing and a downstream petro-chemicals plant."

French company acquires control of SA's Fransaf

B Day

MICK COLLINS

FRENCH-based Compagnie Plastic Omnium has acquired a controlling interest in plastics converter and durables manufacturer Fransaf for R25,3m.

Plastic Omnium, one of the world's leading plastics groups, said it had acquired a 51% stake in Fransaf at a price of 132c a share. It said the recently established relationship between Fransaf and chemicals and plastics manufacturer Sentrachem would be maintained. Sentrachem has a 10% stake in the local company.

Plastic Omnium had a turnover of nearly R3bn in 1993, 48% of which was generated by operations located outside France It manufactures high-performance polymer plastics, injection-moulded thermoplastics and blow-moulded plastic products. The group supplies the automotive industry. (183)

Plastic Omnium chairman and MD Jean Burelle said Fransaf would continue to operate its core business, the manufacture and distribution of plastic durable products.

It is expected that the Safetec road signage division of Fransaf will benefit from advanced technology to be introduced by Plastic Omnium. 8/11/94

Fransaf acquired Safetec in 1993 and has since conducted extensive tests on plastic road signage which is relatively new to the SA market.

Mthembu at Pepsi's R100m bottling plant in Germiston. The plant was opened nercial affairs in southern Africa Millard Arnold. Picture: NICKY DE BLOIS

Underrecovery expected to push up fuel prices

B/Day 11/11/94

MICK COLLINS

THE Central Energy Fund (CEF) yesterday said the present under-recovery in the petrol price was 1,32c/l and 2,1c/l for diesel, which economists said could lead to an increase in prices when the next adjustment is made early next month

As part of its new transparency policy on fuel prices the CEF issued a breakdown of costs for the October 26 to November 9 period.

But longer-term forecasts by oil industry analysts showed that prices should remain in their present range for at least the next two months and could drop 2c/l in the new year

Transnet economist Mike Schussler said the current under-recovery of about 1,2c/l was a result of a slight weakening of the rand against the dollar because of the Republican victory in the US. (183)

There was also a slight recovery in refinery product prices, he said.

Freight rates for product cargoes to the Far East and crude oil to Singapore were unchanged at $23 a ton and $13,65 a ton respectively. Fuel oil to Singapore rose to $7,45 from $5.

"Refiners' margins are under pressure but they still see an interest in keeping throughputs up, especially in view of the collapsing crude prices. But most are reluctant to buy any more crude in the short term.

"The price of North Sea Brent has dropped from $17,95 to $16,95 from last Thursday. We will see a weakening of refinery product (petrol) in about a week — product prices follow about 10 to 14 days later — which should cancel out the current under-recovery," Schussler said.

He expected (Brent) oil prices to move in the $16 to $17 range until the end of the year. "Depending on maintenance of Opec quotas in the next month or two we should see a sideways to slightly downward movement with the result that the SA motorist will see petrol remain at the same price for the next two months.

"After January we can expect a slight drop in the price of perhaps another 2c/l. The rand should remain stable for the next two months as short-term capital flows help the Reserve Bank keep it in check."

FM 11/11/94

Aside from ensuring earnings growth, improved cash generation from operations will help to cut the interest burden, which was up 36% on a year ago to R44,6m — almost a fifth of pre-interest profit

The balance sheet reflects the cost of aggressive expansion, needed to ensure long-term growth, says chairman and MD Royden Vice Net borrowings have climbed 69% to R385m, gearing is 31% (1993 21%) Vice says 1995 will be a year of consolidation Capex is budgeted at R160m and gearing, with improved cash flow, should fall over the next few years

Profit generally improved across Afrox's operations towards year-end, though this was not enough to prevent narrower margins Operating income increased 15% to R266m on turnover up 19% to R1,44bn

Gases and welding account for about 68% of pre-interest profit and health care 23% Future contributions from the gas operations should be boosted by the purchase in July of the cylinder portion of Engen's liquefied petroleum gas (LPG) business Vice estimates that in the 1995 year Afrox will make R9m before tax on the R88m acquisition The EPS contribution would be about 16%, well above the 9% estimated at the time of the acquisition Synergies are better than expected.

The welding business saw rising demand for consumables and welding machines, stimulated by major projects and general improvement in the fabrication sector Exports account for about 12% of the division's sales, the target is 30%.

Strong growth with higher occupancies fuelled profit of the health-care business. It acquired three private clinics: the Dalview Nursing Home in Brakpan, Gaborone Private Hospital in Botswana and the East London Private Hospital (183)

Vice will not be drawn on an earnings forecast, though he expects better performances in all three businesses.

Though the counter has lost 13% in the past two months, at R105 and on p e of 26,8 it looks relatively pricey However, there is little to suggest further downrating is justified

Marylou Greig

AFROX

Ballooning capex

FM 11/11/94

The industrial gas, welding and hospital care group reported real earning growth of 11% (after stripping out inflation on the company's assets, rather than inflation equating with the CPI). After investing heavily in these areas throughout the recession — Afrox spent about R290m last year mainly on acquisitions — benefits are expected in the current year (183)

SA environment has nothing to do with it

Unleaded petrol due for Govt okay

Star 14/11/94

■ OWN CORRESPONDENT

Cape Town — The Cabinet is expected to endorse the previous government's decision to introduce unleaded petrol at South African service stations by October next year

The Cabinet is to review the previous decision in the next few weeks, but indications are that it will give the nod to the proposed move that will see oil companies investing R270 million — much already spent — to adapt their refineries to produce the new fuel

Contrary to popular opinion, it is not straight concern for the environment that is the major motivation for the move to unleaded fuel, but rather technological advances in the motor manufacturing industry

"This industry pointed out that if we were going to stay in the mainstream of motor technology, we'd have to be using unleaded fuel," said SA Petroleum Industry Association director Colin McClelland.

"Countries like the United States and Japan and the European Union, where most motor design emanates from, are moving to a situation of almost 100 percent unleaded fuel for new vehicles

"That's why that (South African) decision was made in 1991

"But with the changes in the country, the new Government is having to revisit this issue and confirm that the original decision to introduce unleaded fuel is still in line with national priorities

"The Cabinet will be making that decision, we imagine, within the next month or so"

The Cabinet will also have to decide what price for unleaded fuel, initially more expensive for the oil companies to produce, will be charged

Earlier this month, Mineral and Energy Affairs director-general Piet Hugo told a parliamentary committee that unleaded fuel should be available in July next year and would cost about 5 percent less than leaded fuel

The lower price would be based on a lower tax for unleaded petrol

Oil industry environmental officer Bernard Winter said several committees had been formed under the auspices of the Department of Mineral and Energy Affairs to oversee the introduction of unleaded fuel

One committee was considering the issue of vehicle emissions, and an evaluation project was out for tender (183)

"This will be a major national study to look at the contribution of vehicle emissions to air pollution problems in the whole of South Africa, with the ultimate aim of putting in realistic legislation for controls," Winter said

Taking lead out of petrol would not end pollution problems, he warned

"If you don't have catalytic converters on a significant number of vehicles, you could have a situation where the photochemical smog potential will actually increase

"Anybody who thinks that this brown haze over Cape Town is going to disappear after October next year is making a mistake It's not, but the provision of unleaded petrol will pave the way for future reductions."

□ Higher cost of crude oil affects SA

BRUCE CAMERON, Business Editor

193

Petrol price likely to rise by 2c

THE petrol price is likely to rise by around 2c a litre on Wednesday next week, and is is likely to go higher in the months ahead.

Crude oil prices are around $17 a barrel compared with $13 earlier this year.

Although the price for the world benchmark North Sea Brent Blend was down today at $16,89 a barrel, agreement by the Organisation of Petrol Exporting Countries (Opec) on freezing production levels and the onset of the northern hemisphere winter are likely to drive crude prices up.

The pricing of petrol in South Africa was "depoliticised" two months ago with price adjustments being made on the first Wednesday of each month.

In October the price dropped by 6c a litre and by 1c this month

Meanwhile the managing director of Atlantis Diesel Engines (ADE), Fritz Körte, has confirmed that his company is negotiating with the government and the minibus taxi industry to start a programme to convert the engines of the more than 100 000 taxis to diesel.

The petrol price is expected to be increased by 2c next week to cover a shortfall incurred in October

The under-recovery, funded by the equalisation fund — to which motorists contribute at a rate of 9c a litre — averaged 1,26c a litre between October 26 and last Friday The figure declined over the past week from 1,42c last Monday.

Engen restructuring aims at hard, lean look

B/Day

EDWARD WEST

CAPE TOWN — Petroleum products group Engen would be restructured over the next two to three years, a move which was expected to have a significant impact on group earnings, CEO Rob Angel said yesterday.

Speaking at an Investment Analysts' Society meeting, Angel said the project — to involve more than just cost cutting and asset sweating — would prepare the group for full deregulation of the fuel industry.

Engen's entire R8,4bn-a-year business would be reviewed, radical changes would be made and there would be "no sacred-cows" in the process

Angel said "We can no longer behave as a multinational. We are an independent SA group and we have to find a new way of doing business The deliverability of this project has my head on the block"

The restructuring was aimed at developing a new, lean, focused and responsive company, he said

"At the moment we have about 40 000 customers It would be more appropriate as an independent group to have between 6 000-10 000 customers"

Angel said that he would be devoting a substantial portion of his own time to "project discovery", which would look at the highly competitive business environment and prepare for full deregulation

The project would also encompass the group's second stage of restructuring and would include an evaluation of business processes to transform Engen.

"We will improve the performance of our infrastructure.. the programme will require a reduction in assets. We aim to add value significantly to our bottom line. We also need to find a way to access opportunities overseas"

Angel said the group had been investigating opportunities and alliances abroad, but the efforts were stymied by an inability to access funds "We have not yet found a way around the Reserve Bank, but we are working on it."

Negotiations on the future of the fuel industry, which he believed would continue into 1996 before being concluded, had already had an effect on group profitability.

There had been no fuel marketing margin increase since July 1992, which affected operating profit to the tune of R70m in the past year, while the "stroke of a pen" reduction in the margin in June this year was expected to wipe out an additional R70m operating profit. (8/83)

In addition, R50m was lost to the group as a result of weak international refining margins in the past year.

Angel said Engen's poor earnings performance over the past year was not due to uncompetitive facilities or infrastructure, or poor operating performance, but to "changes in the rules of the game" and decline in worldwide refining margins

Funds to be open to audit

CT 16/11/94

A BILL placing the finances of the Central Energy Fund and the Strategic Fuel Fund under the full scrutiny of the auditor-general was approved in a National Assembly Extended Public Committee meeting yesterday (183)

The bill endorsed the need to repeal restrictive measures which had become redundant, Mineral and Energy Affairs Minister Mr Pik Botha said during the second reading debate

The public had the right to know what was happening in the strategic fuel and equalisation funds, Mr Marcel Golding (ANC) said in support of the bill — Sapa

Oil refiners launch major export drive

MICK COLLINS

EXCESS capacity in the oil industry has seen local coastal refiners embarking on a major export drive, says Engen CE Rob Angel in the company's annual report.

With expansions at all four SA refineries on stream or near completion, refiners now found themselves in competition with Middle East and Mediterranean refineries, Angel said

B/Day 16/11/94

"Dependent on the extent of the growth in the dominant SA market, gasoline surpluses in southern Africa are expected to last until at least 1998, while diesel surpluses could last till beyond the turn of the century"

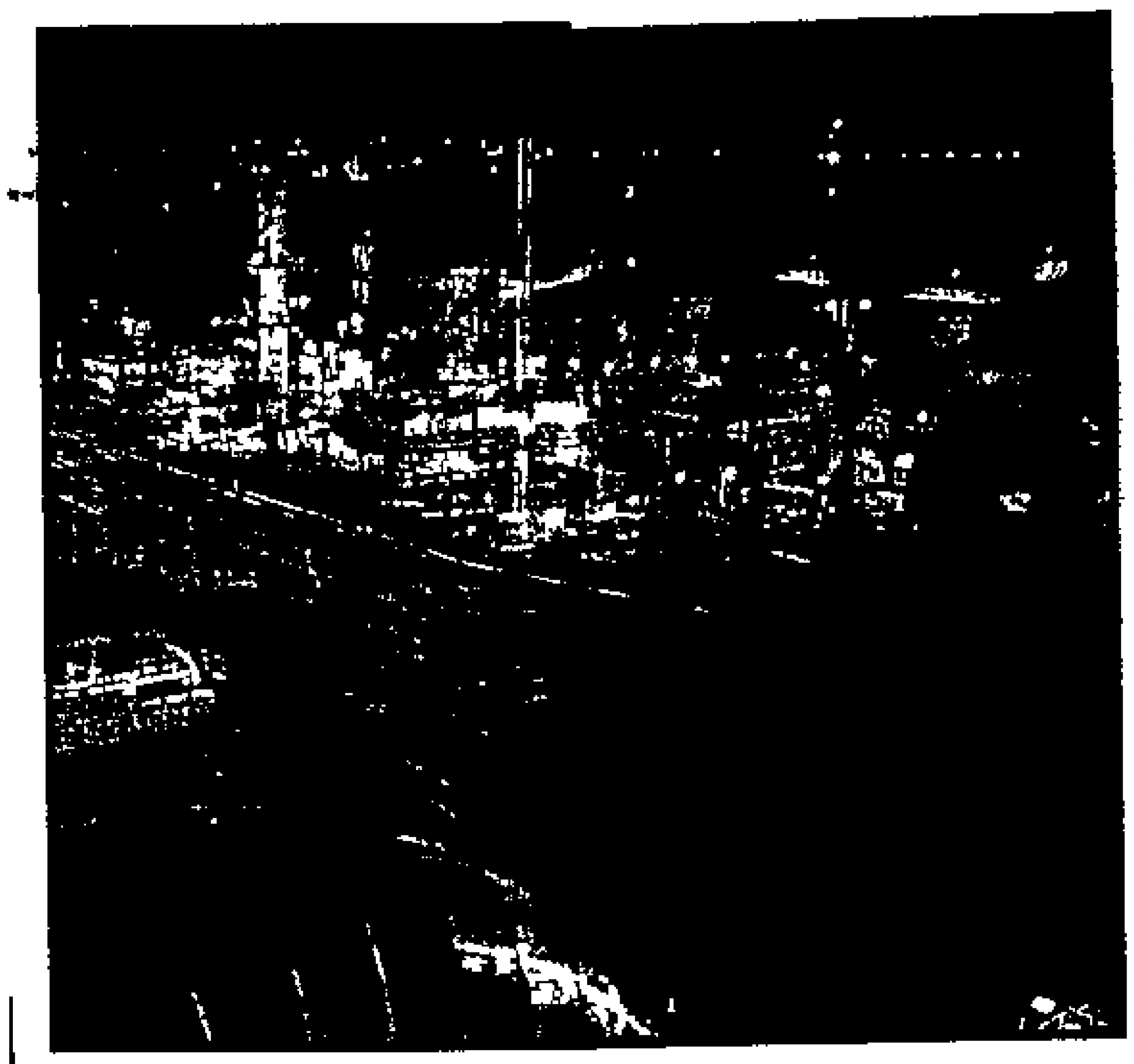
Angel said there would be pressure on the smaller, inefficient central African refineries to close, as SA became an integrated part of the region, internal tariff barriers fell and oil industry regulations were amended

Angel said while Engen welcomed the change of government that had taken place, "unfortunately the political transition has been replaced by a policy vacuum while the civil service is realigned, and outward-looking policies replace those reflecting the siege mentality"

The current uncertainty around the restructuring of the oil industry was a reflection of this hiatus

As a result economic growth had been slow to follow, but the group's forecasts were of significant growth in the period ahead. (183)

The company had mounted a major business transformation project called Discovery to ensure that business processes, organisation and operations were properly attuned to the likely new environment.



An aerial view of one of major Engen's plants.

Challenges for Engen

Star 17/10/96

■ BY CHARLOTTE MATHEWS

The current financial year will be another challenging one for Engen and a number of uncertainties make it difficult to forecast earnings with confidence, chairman Bernard Smith says in the annual report.

On the positive side, there are encouraging signs of growth in demand for petroleum products and the group will benefit from cost savings flowing from restructuring (183/(88)

Engen will gain from the Phase 2 refinery upgrade and expansion for part of the year, although in 1995 the closure of the refinery for the periodic maintenance shutdown will reduce the gains. The benefits of the upgrade also depend on the recovery of the price differential between light and heavy crudes to historical levels.

International refining margins and light/heavy crude price differentials should return to higher levels of recent years, but the timing is difficult to anticipate, says Smith.

Engen is budgeting for higher earnings, but dependent on an early improvement in the factors.

Firms establish clearing house

BEATRIX PAYNE

PHARMACEUTICAL wholesalers United Pharmaceutical Distributors (UPD), Adcock Ingram distributors and Alphapharm had banded together with a medical aid clearing house to counter competition in the industry, Alphapharm director Alan Walter said at the weekend. B/Day

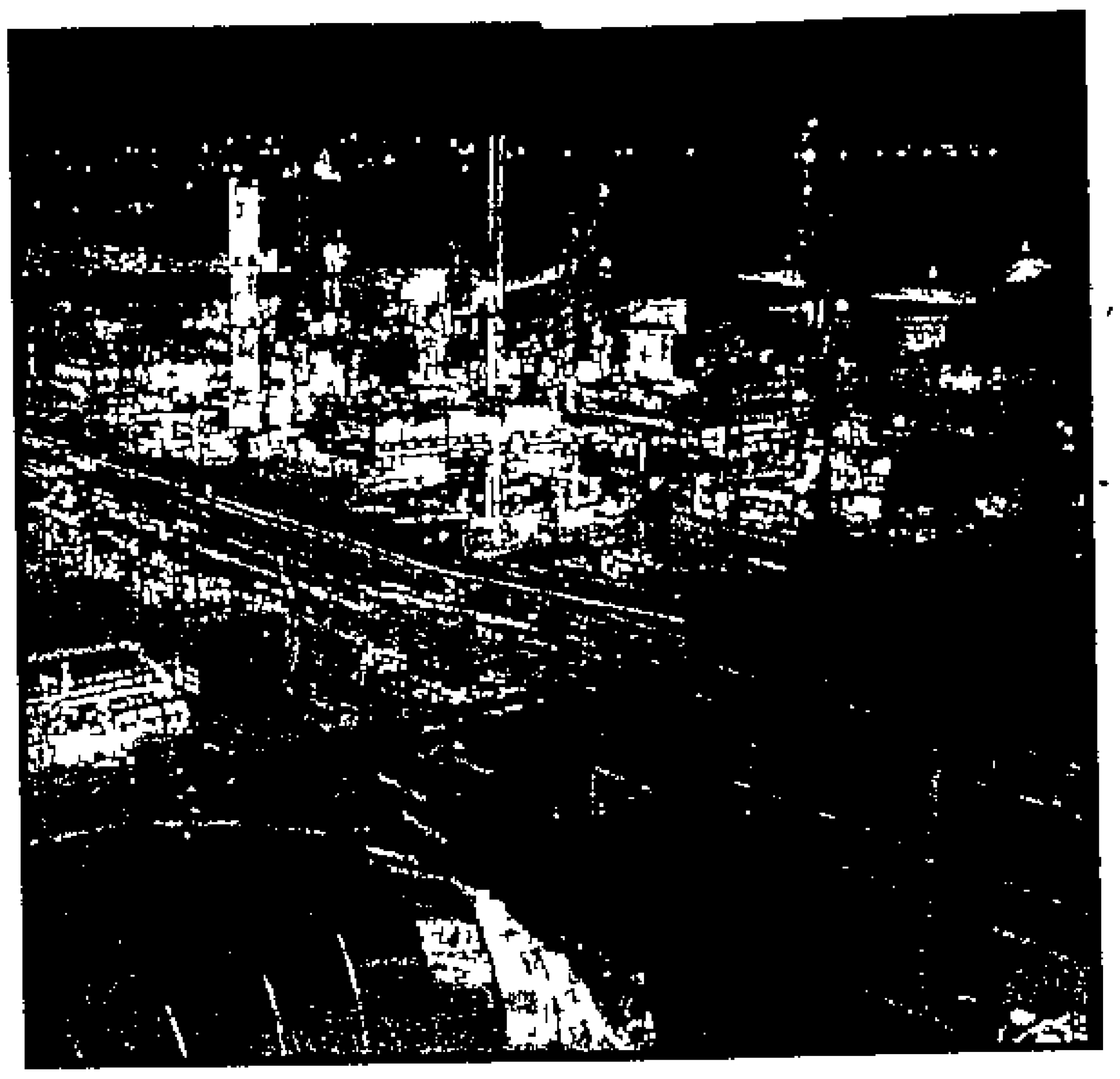
The move aimed to "meet and beat" competition arising from SA Druggists' alliance with clearing house Mediscor. 7/11/96

It brought the three wholesalers together with medical aid claims processor Medikredit. The venture — PPO Alliance — would support the independent retail pharmacist and could result in cheaper medicine.

The wholesalers would remain in competition but would combine in manufacturing and distribution to lower medicine costs "The partners will be competing head-on"

Recent UPD losses would have little effect on the venture as the distributor was "trading normally"

Recently formed Alphapharm was an alliance of wholesale distributors Eastcape Pharmaceuticals, Kemco, Midlands Wholesale Chemists and Natal Wholesale Chemists (183)



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Tioxide to increase production

B/DAY

MICHAEL URQUHART

AECI subsidiary Tioxide SA, the only domestic producer of titanium dioxide, is to increase production from 35 000 tons to 45 000 tons a year 17/11/94

Tioxide — embroiled in an anti-dumping dispute with titanium dioxide importers — said it needed the higher volume to meet expected demand increases as the economy picked up

Sales manager Robin Archer said yesterday Tioxide was struggling to prevent material being dumped in SA and it had applied for anti-dumping protection from the Board of Trade and Tariffs.

The slump in the global economy had led to an over-capacity on world markets Tioxide had told the board some producers were selling titanium dioxide in SA below the prices in their own countries to keep up volumes

Although Archer could not say what proportion of the market had been taken over by imported products, he said importers were bringing in enough product to hurt Tioxide

One case, against an Australian producer, had been successful he said Other cases against Du Pont, SCM Chemicals, Crystal Pigments and a Belgian producer were pending Decisions could be made by the end of the year, he said

Archer said Tioxide was expanding, despite the imports, as the track record of importers as reliable suppliers was not good

Titanium dioxide, used mainly as a pigment in paints, is subject to a 15% import duty. (183)

SENTRACHEM

Growing export mix

FM 18/11/94

Activities: *Makes and markets chemicals and related products*
Control: *Sankorp 38*
Chairman: *P N A Hunt-Davis MD J L Job*
Capital structure: *150m ords Market capitalisation R2,5bn*
Share market: *Price 1 650c Yields 1,7% on dividend, 5,5% on earnings, p e ratio, 18,2, cover, 3,3 12-month high, 1 660c, low, 850c Trading volume last quarter, 4m shares*

Year to August 31	'91	'92	'93	'94
ST debt (Rm)	135	102	181	196
LT debt (Rm)	475	366	360	244
Debt equity ratio	0,63	0,49	0,43	0,33
Shareholders' interest	0,33	0 38	0 39	0,43
Int & leasing cover	1,6	2,9	2,5	2,9
Return on cap (%)	11,7	10,5	9,3	9,2
Turnover (Rbn)	2,28	2,43	2,62	2,80
Pre-int profit (Rm)	235	220	214	249
Pre-int margin (%)	10,3	9,0	8,2	8,9
Earnings (c)	54	62	75	91
Dividends (c)	18	20	24	28
Tangible NAV (c)	499	521	605	713

Earnings growth of 38%, diluted to 20% at EPS level after Sentrachem's R289m rights issue, show why the chemical group's shares have become the most highly rated in the sector (183)

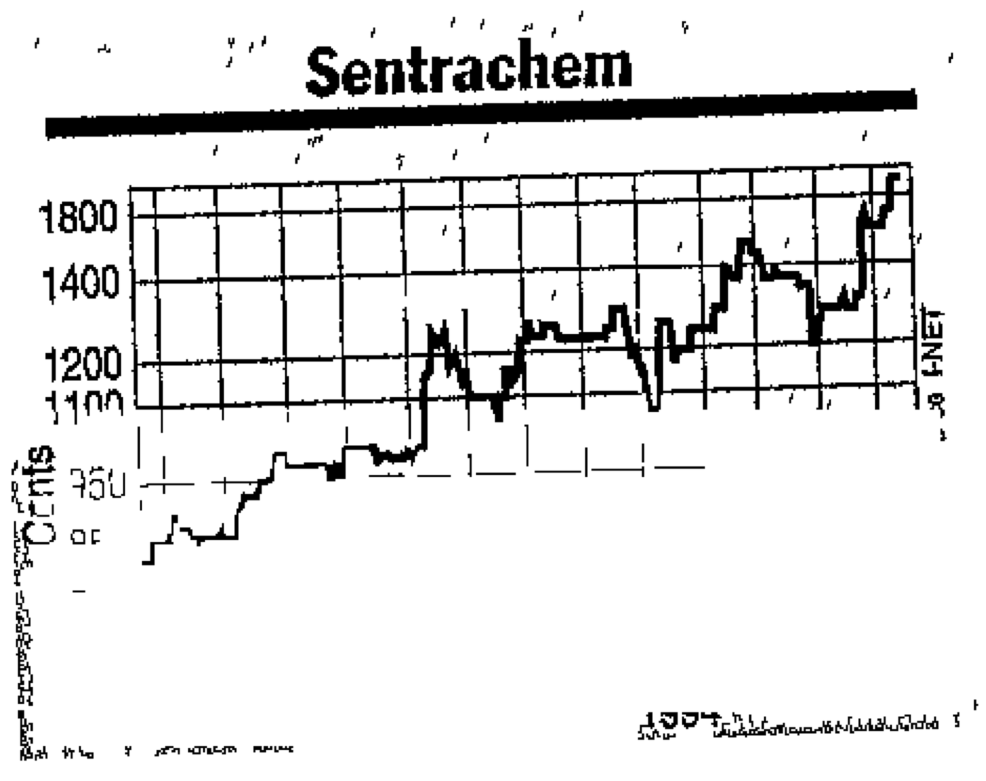
The success shows on the income statement, particularly the 16% increase in operating profit, to R248m, which financial director Norman Kennelly says was achieved through strict control of fixed costs

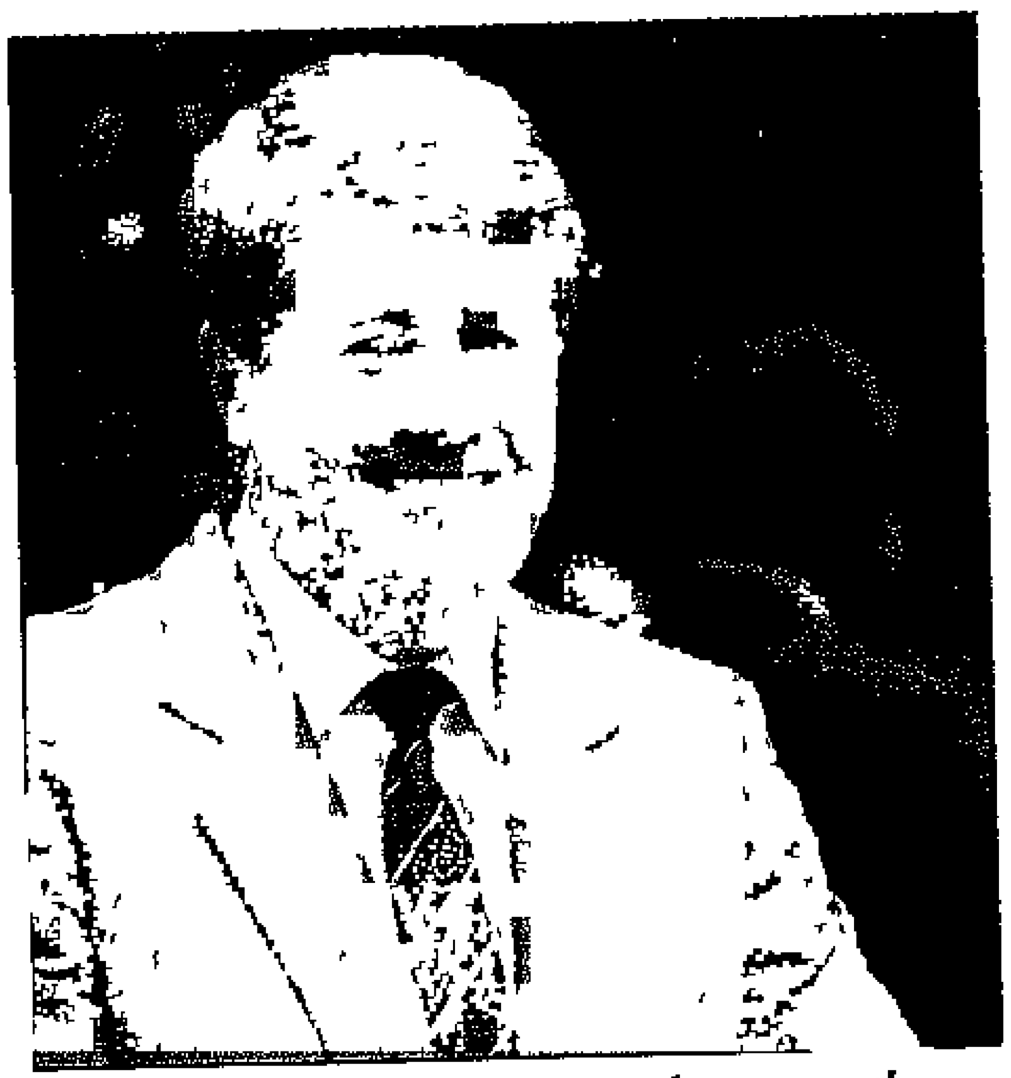
It's also notable that the operating divisions faced difficult conditions for most of the year MD John Job says indications of a tightening of supply in international chemical markets only became evident in the last months of the financial year

The real strength, though, is on the balance sheet, where the debt equity ratio has been reduced, a deliberate strategy to improve the investment attractions Interest payments are down by more than R10m to R55,3m and are expected to decline further this year

Most of the improvement in both local and foreign markets will come through only this year So will the first full year's contribution from Sanachem, now wholly owned by Sentrachem after it purchased the remaining 50% in September

Of particular importance will be the





Job *the real strength is on the balance sheet*

FM 18/11/94

increased export revenue Sentrachem receives from Sanachem At R464m, exports account for 15% of group turnover "The group is now a net earner of foreign exchange. I am confident we shall achieve the 25% target of exports to turnover in the next few years." (183)

Job notes that when Sentrachem first established Sanachem as a joint venture with Farm-Ag five years ago, exports accounted for 20% of its sales "Now 65%-70% of Sanachem's sales are exports It supplies a world market estimated to be worth $11,5bn a year With annual sales of $120m, there is no foreseeable prospect of its saturating these markets," he says

That's where a lot of the future growth should lie Other areas, though, particularly those where businesses received considerable help from tariff protection, have had to be scaled down NCP took the brunt of this, with most of the Germiston plant closed at the cost of 500 jobs Job says after closure costs and the curtailing of loss-making operations, NCP is expected to report better profits next year

Chairman Derek Hunt-Davis, who stepped down at the end of the financial year to be replaced by Sankorp director Attie du Plessis, says the ongoing reduction in tariff protection should be partly offset by improving world and domestic economic conditions He says Sentrachem had adopted appropriate strategies to counter declining tariff protection

Since preliminary results were released there has been active investor interest in the shares, with more than 4m trading in the last quarter, compared to 230 000 in the same period last year Tradeability has been improved by the rights issue and shares issued for the Farm-Ag acquisition

With Sentrachem geared to world chemical prices and the local economic cycle, financial 1995 should see strong earnings growth, particularly with the corrective action taken last year and the ongoing export drive The share is expensive, but there should be value as Sentrachem picks up the benefit of increased volumes and firmer prices *Shaun Harris*

Strong lobby to abolish subsidy

Sasol tariff protection under threat

B/Day 18/11/94

MICK COLLINS

TWO official probes are about to be launched into Sasol's extensive tariff protection.

Informed sources said yesterday the investigations had been mooted by two National Economic Forum committees — the liquid fuels task force and the trade and industry working group

They said there was a "growing feeling" that comprehensive studies of the oil-from-coal and petrochemical group were needed, focusing particularly on the synfuel subsidy system.

Liquid fuels task force co-convenor Johannes Landman said: "All parties agree it is an area that must be addressed, but who should conduct the investigation has not been agreed to."

The task force is reportedly under pressure from several lobbies to immediately lower the protection for Sasol's synfuel business and abolish it in the longer term

A Sasol spokesman said the company was not aware of any move to reduce the tariffs "Sasol has always maintained that the Board on Tariffs and Trade should be the body to conduct an investigation into Sasol's tariff protection."

He said there was no cross-subsidisation between Sasol's coal, synfuels and chemical businesses. Feedstocks and products were sold at market prices

Last year the tariff protection amounted to R1bn for the group

The trade and industry working group is set to investigate cross-subsidisation between coal and synfuels, and synfuels and petrochemicals. SA levies import tariffs on various feedstocks. One lobby in the group is arguing that as Sasol provides cheap feedstocks for the manufacture of raw materials the tariffs could be cut substantially, even to zero

Another possibility is that Sasol could soon see its floor price for oil — guaranteed at $21,85 a barrel — lowered to $20 with further decreases later. Sasol receives revenue equivalent to the difference between the prevailing oil price and $21,85.

The new moves would cut tariff income nearly 50% next year and slide to R200m by 1996. (183)

Edey Rogers & Co Inc analyst Franco Busetti said increasing pressure for the removal of protection was expected to cut the floor rate to $20 a barrel before the month-end. "It appears unlikely that the oil price will exceed even $20 a barrel by the end of 1996, so protection gains will continue, albeit at a much lower level."

In the 1995 financial year protection of R693m could accrue, despite the forecast reduction in the floor rate, but it would fall to R488m in 1996 and to R205m in 1997.

He said a drop in the floor price would severely dent protection receipts, followed by a continuing decline due to the oil price slowly rising towards the new floor level

Another analyst said lower synfuel protection would be a key factor in lower fuel prices. The solution might be to isolate synfuel production — subsidising plants only to the extent that they broke even.

An oil industry source said Sasol's tariff protection was reflected in the equalisation fund and transport costs. "The question is will the equalisation fund levy and transport costs come down to benefit the motorist?"

Medicine crisis

Hospitals running out of drugs as free patients pour in

CT 19/11/94 183

● Health Minister Dr Nkosazana Zuma

By MELANIE GOSLING

PROVINCIAL hospitals are running out of drugs fast as the number of outpatients continues to rocket after the government decision to give free medical treatment to pregnant women and children under six.

It is reported that some hospitals in rural areas have less than a week's medicines left and no money to buy more.

Provincial hospital spokesman Ms Eleanor Valentine said yesterday the health service had already spent its entire annual medicine budget to meet the demand as people crammed outpatient departments for free treatment — many with minor ailments.

Patient numbers had increased from 20% to 80% at some hospitals.

"In the past people did not bring their children to hospital with minor ailments because they were charged R4. Some hospitals can barely cope with seeing so many patients.

"Children with runny noses which parents would have treated at home are now sent to hospital because it is free. We are running a bankrupt company," Ms Valentine said.

She said the health service had established that some parents had taken their children under six off medical aid so they could capitalise on the government's new policy.

Hospitals set for big changes with plans to shift staff and equipment

See PAGE 2

"These people are not poor," she said.

Dr David Webster, executive chairman of a drug company that is the biggest supplier of medicines to the state, said yesterday the company was working overtime to supply the state backlog.

"We are working unbelievably hard. We are flying in raw materials from overseas and have put on extra staff shifts, which is not reflected in our prices," Dr Webster said.

He said the state demand was 50% higher than it was six months ago for drugs right across the spectrum.

Backlog

The backlog would get worse, as factories would close between December 15 and January 4, he said.

An added complication was the continuing go-slow strike at the provincial hospital medicine depot in Cape Town.

A spokesman for Groote Schuur Hospital said yesterday the go-slow had forced them to get their drug supplies direct from the manufacturers.

"Fortunately they are giving the medicines to us at the tender price, so we are not losing financially yet," the spokesman said.

Health Minister Dr Nkosazana Zuma announced in June this year that there would be free medical treatment for pregnant women and children under six from July 1.

SA firms export cut-price petrol

B/Day 25/11/94

MICK COLLINS

A FLOOD of surplus fuel from local refineries has led to large quantities of petrol and diesel being sold at bargain prices on international markets

Oil industry analysts said yesterday that with expansion at all four local crude oil refineries, excess capacity had forced the oil firms to turn to global markets

One analyst said the exported fuel was fetching 10c/l less than if it was sold under SA's in-bond landed cost system Local industry and consumers were subsidising the exports 183

He said next year would see a 20% increase in capacity, which would lead to a further increase in exports. Oil companies had spent about R6bn on refinery upgrades in the past three years and most of these were on stream or nearing completion

Increased production had been based on expectations of rapid GDP growth which had not yet materialised Additional petrol capacity would be taken up only by about 1998 Surplus diesel capacity would be taken up by the turn of the century

"They are not losing money but the refined product is being exported at lower margins They are still making profits but nowhere near what they would make if the products could have been sold on the local market," another analyst said.

The oil companies were battling for market share with the Middle East, Australia and Singapore and had to lower prices to be competitive.

Industry sources said factors making international markets fiercely competitive included the return of Kuwaiti refineries to full production and the restriction by the Chinese government on the import of refined products at a time when new refining facilities were coming on stream in the Far East As a result, product stocks had built up in most major refining centres

An Engen spokesman said exports amounted to 6,7-million barrels in the year to August The company had spent R1,4bn

☐ To Page 2

Petrol

B/Day 25/11/94

☐ From Page 1

on two upgrades on its Durban refinery, the last of which was due for completion next month It exported to about 30 countries, mostly in the sub-Saharan region but also to Australia and Singapore. 183

Caltex said it was the leading exporter, but declined to give details of volumes or markets A spokesman said Caltex was engaged in a R1bn upgrade of its Calref refinery in Cape Town This would bring it into line with acceptable environmental standards and also increase capacity.

The Sapref refinery in Durban, jointly operated by Shell and BP, was recently upgraded at a cost of R450m

A Shell spokesman said exports for the year to December would amount to about 4,7-million barrels This consisted of 30% petrol, 50% gas oil and 20% aviation fuel Most of the exports went to Africa.

A BP spokesman said the company exported mainly diesel fuel, most of which went to Lesotho and Swaziland

The Natref refinery in Sasolburg, operated by Sasol and Total, recently announced a R400m upgrade which would increase capacity and enable the refinery to increase margins. A Sasol spokesman said the refinery would rank among the most efficient in the world The project would see the production of up to 90% of "white products" from a barrel of crude compared with the 65% to 70% of a conventional crude oil refinery Under existing arrangements all of the company's exports were taken up locally

Total said it was not a big exporter

Strike threat at oil depots

29/11/94

WORKERS have threatened to strike at three former state fuel farm oil depots on the West Coast that store nearly a third of the country's annual crude oil supply, SA Chemical Workers' Union spokesman Mr Peter Roman said yesterday. (183) (185) (152)

The union has proposed that the dispute, over an 8% across-the-board increase and pay parity, be referred to mediation, he said.

"The Strategic Fuel Fund Association has big contracts with the Iranians. This might affect them if there is a strike" — Sapa

SA, Taiwan for giant petro-chemical venture

(183) 30/11/94 ARG

CLAIRE GEBHARDT

JOHANNESBURG. — A proposed giant petro-chemical joint venture, valued at billions of dollars is being considered by the Republic of China (Taiwan) and South Africa.

The complex, which could involve 14 or 15 plants, is likely to generate at least 5 000 jobs

RoC Minister of Economic Affairs, Dr Pin-Kung Chiang said an international consulting company had been appointed to do research and look at environmental aspects

"A feasibility study on the market, the infrastructure and the site could be completed within three to six months"

Job creation could be either of the skilled or unskilled category depending on whether the emphasis was upstream or downstream, he said

Industry sources said downstream job creation would probably be in terms of the plastics industry which was basically labour intensive

Analysts speculated that the joint venture could be an attempt to salvage something out of Mossgas by adding chemical production

However, a world-scale petrochemical plant would be heavily reliant on imported feedstock unless something new came out of Mossgas, they said

At the signing of the minutes of the thirteenth Economic and Technical Co-operation Conference between the two countries yesterday Chiang also expressed concern about South Africa's high labour costs

This, and worries over strikes and shifts towards shorter working hours had the potential to deter joint ventures, he said

"If productivity increases I think we will be able to accommodate the increased wages which worker unions are seeking"

Mr Chiang urged greater harmony between unions, business and government and called on the South African government to advise investors on how to deal with trade union issues

"Trade unions have to realise how important it is to negotiate with investors because this will spur economic growth and give labour an opportunity to share in the profits"

Afrox bedding down acquisitions

Star 29/11/94

BY CHARLOTTE MATHEWS

Better performances can be expected in all three of Afrox's main businesses — gases, welding and healthcare — in 1995, provided the economy can grow and violence is stemmed, chairman and MD Royden Vice said in the group's latest annual report.

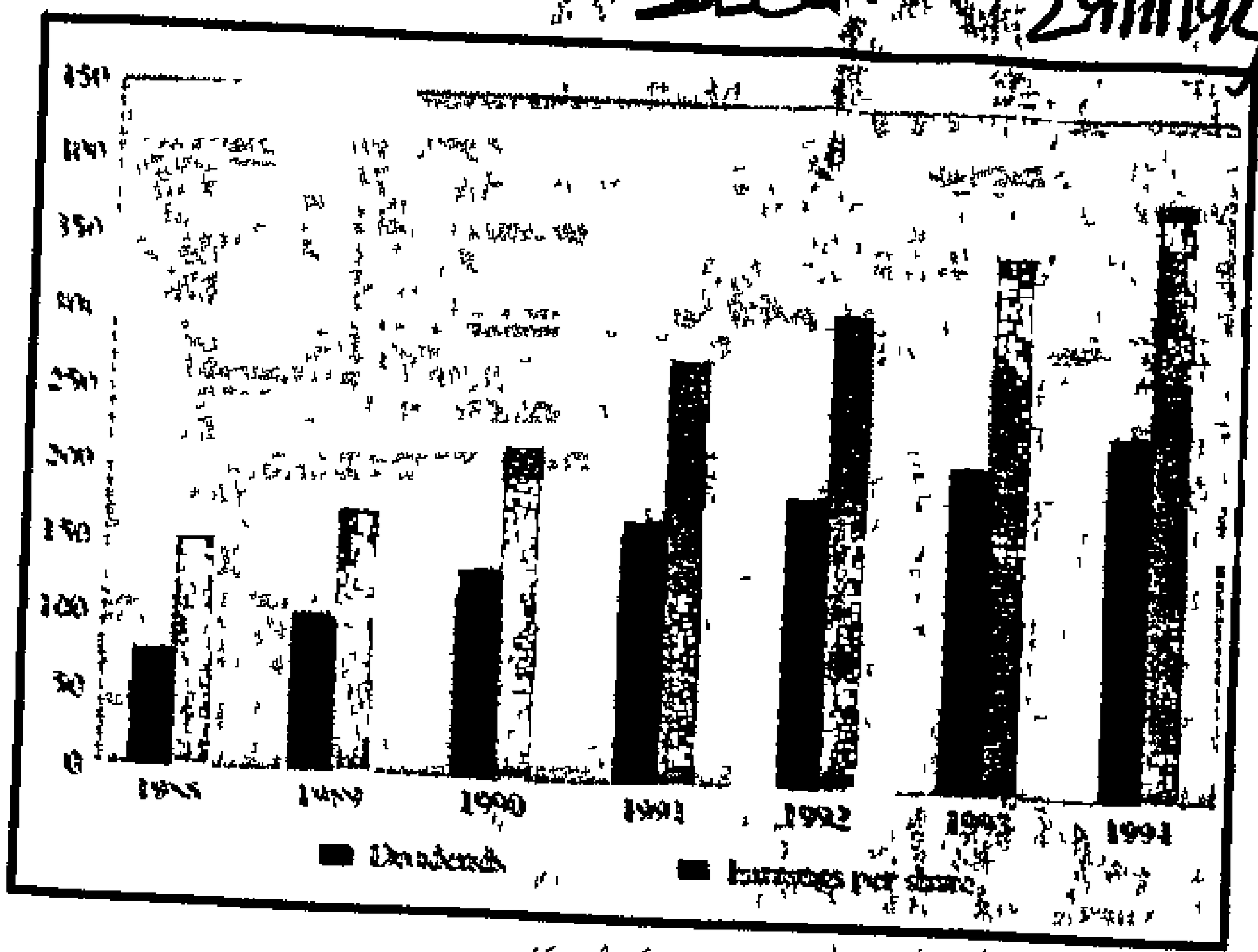
Afrox, which has now been listed on the JSE for 30 years, recently reported turnover up 19 percent and trading profit 15 percent higher in the year to September compared with the previous year.

In 1994 the group's purchases and investments totalled over R290 million. The current year would be a period of consolidation to ensure that Afrox could obtain the maximum benefit from its acquisitions and expected better trading conditions, Vice said.

The diversified nature of the group's business helped it to ride out the unrest that characterised the country leading up to the election.

The gases business improved towards the end of the financial year and won a number of contracts to supply industrial gases to major projects.

It also acquired Engen's liquid petroleum gas (LPG) business which would enable it to expand the core business of filling and distributing cylinders and make the company the largest SA supplier of LPG to the cylinder market.



Welding started to show signs of a recovery in the middle of the financial year and managed to increase its market share in most product lines, as well as improving profits. New export areas had opened up and currently the Middle and Far East looked most promising.

183

The healthcare division continued strong growth and purchased three more hospitals. Its strategy is to acquire hospitals and clinics in key niche markets and the division is also expanding its pharmaceutical distribution activities.

Afrox shares were unchanged at R114 yesterday, where their p.e of 29,1 is well above the engineering sector average of around 19. Despite regular comments from analysts that the shares are fully priced, they have continued to appreciate.

Acquisitions aid Premier

BDay 30/11/94

BEATRIX PAYNE

PREMIER Pharmaceuticals experienced a 22% rise in attributable income to R59,7m for the six months to end October on the back of acquisitions and a steady tax bill, the group said yesterday.

Earnings a share rose by 21% to 55,6c and a dividend of 25c (18c) a share was declared

Chief financial officer Hymie Shapiro said he was satisfied with the results, which were in line with market expectations.

Turnover surged by 33% to R326,5m due to acquisitions made in the latter part of the previous financial year Through the acquisitions of Laser, Leppin, Pharmatec and Zurich the group acquired additional interests in generic and over-the-counter products.

Operating income rose by 24% to R85,4m and income from investments fell to R1,2m from R6,6m last year The group said cash resources over the period were lower as a result of its active acquisition policy last year.

This left pretax income 15% higher at R86,6m The tax bill was virtually unchanged at R26,9m (R26,6m) as the effective tax rate decreased and liability for STC was reduced as a result of the capitalisation issue

Income after tax rose by 22% to R59,7m.

(183)

The directors resolved to give shareholders the choice of a capitalisation issue and a cash dividend

The pharmaceutical division achieved turnover growth of 56% for the period and performed "well" despite rationalisation costs

The consumer division benefited from the upturn in consumer spending towards the end of the period and posted a 14% increase in turnover and improved profit

The vision care division increased market share and the animal health division maintained earnings levels in an "extremely competitive" environment The group said it aimed to maintain earnings growth at 20% for the year despite the changing environment in the industry.

Sasol quits R700m Coalex project

(183)

CT 1/12/94

From MICK COLLINS

JOHANNESBURG — Sasol has announced its withdrawal from the R700m South Dunes coal export terminal (Coalex), which could sound the death knell for the project

The company said it had reached agreement in principle with a number of Richards Bay Coal Terminal (RBCT) shareholders to acquire a 5,2% interest in RBCT It declined to say from whom the shareholding had been acquired

A spokesman said the acquisition would enable Sasol Mining to export 3-million tons of coal a year when the total throughput at RBCT reached 58-million tons Sasol intended to start exporting coal from 1997

Plans for the rival Coalex project were drawn up by companies denied access to RBCT, in which Anglo American's Amcoal and the recently merged interests of Trans-Natal and Randcoal, Ingwe, are the major shareholders The Coalex consortium had included Anglovaal, Gold Fields, Iscor and Sasol

A Coalex source said Sasol's withdrawal was a major blow to the project. "We knew there was a chance it would withdraw and that the consequences would not be very good " The remaining consortium members would meet on Monday to decide on the project's future "We will see if anything can be salvaged — but I doubt it "

Analysts said it was likely that Amcoal and Ingwe had granted the RBCT facility to Sasol as they feared the extra export capacity from Coalex could lower prices

Sasol Mining produces 41-million tons of coal a year, most of which is consumed by Sasol petrochemical plants The coal for export will be supplied by the company's Twistdraai mine

Medicine shortage is 'due to manufacturers'

Health Reporter

A TEMPORARY shortage in the supply of medicines at State hospitals in the Western Cape is "not entirely due to the introduction of free services".

This is according to Tom Sutcliffe, deputy director of hospital and health services in the Western Cape.

Dr Sutcliffe said the main reasons for the shortage of medicines were "a difficulty on the part of certain manufacturers to meet demand on national level" and "local logistical problems".

These included a measure of "alleged labour disruption" at the central medical supply depot.

The problem would be addressed through the temporary loan of extra staff to the depot, improved transport and distribution arrangements and the delivery of bulk supplies directly from the manufacturers to the larger hospitals.

He said that if the manufacturers could continue their "round the clock efforts to meet demand", the hospital branch did not believe "any crisis will eventuate"

There would be difficulties in respect of some medicines but these "were not insurmountable"

Referring to the introduction of free health care for pregnant women and children under six, Dr Sutcliffe said it was well known that the health services were experiencing a financial crisis.

Allocated funding fell far short of actual expenditure but although a small percentage of the overexpenditure could be attributed to free health care, it was "more than justified in terms of longer term improvement in health profiles that follows the availability of such free services"

While some patients might abuse the free services, this was the exception

And the increase in workload initially experienced now showed signs of flattening out and, in some cases, even falling

(183) ARG 2/12/94

FM 2/12/94

MEDEX

Different medicine

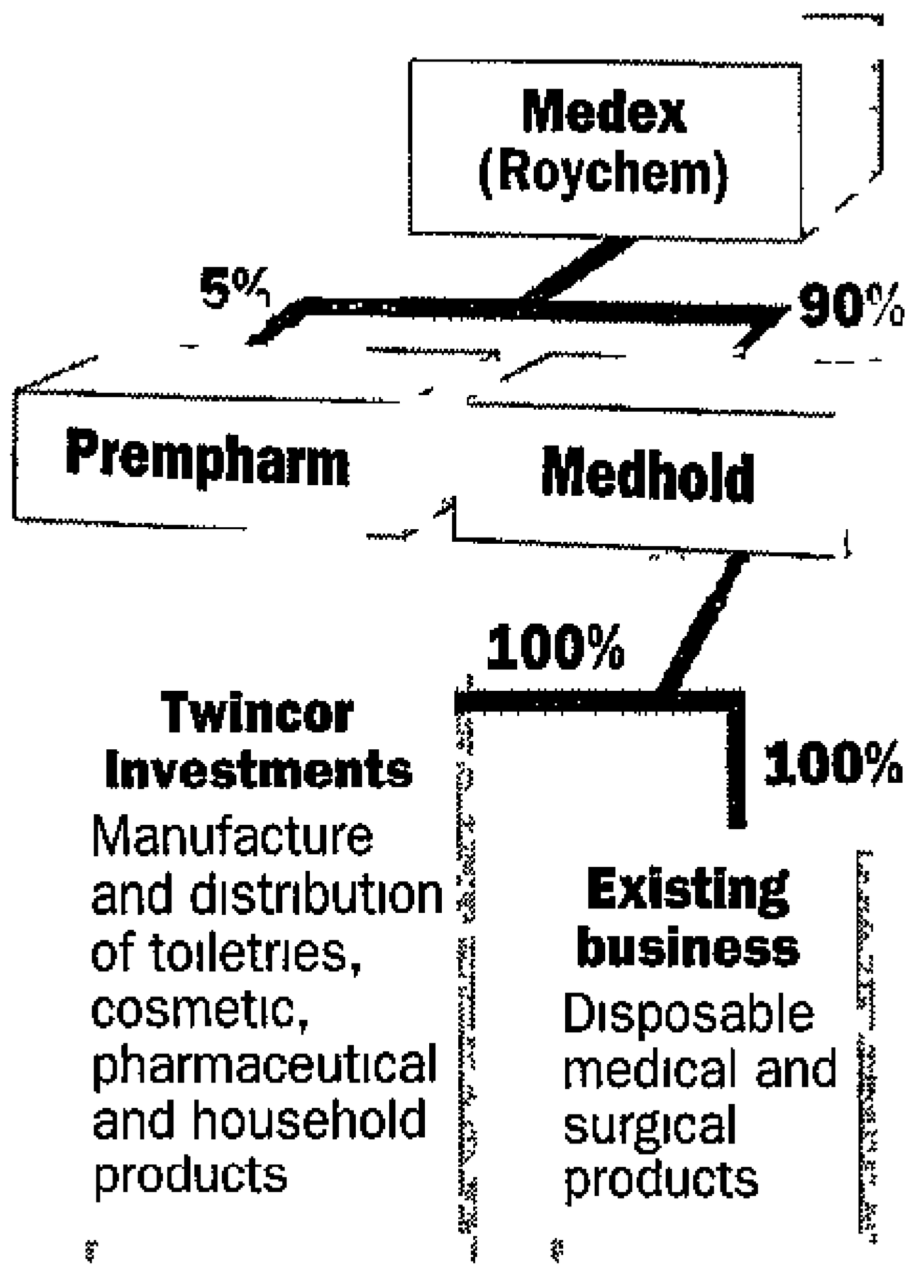
Entry into the pharmaceutical sector is a pricey business — for blue-chip exposure at any rate And the gap between the majors of the sector such as Prempharm, Adcock and SA Druggists and the second liners appears insurmountable No longer (183)

The latest pharmaceutical listing to be brought to the JSE board aims to bridge this gap Medex, formerly the Roychem cash shell, was acquired in March by Consolidated Drug Houses (CDH), owned by the Krok twins, Abe and Solly At the time of the deal, the twins were on the board of Medex but they have since resigned, leaving management control of the Medex operation in the hands of their sons, Maxim and Martin

Medex comprises a 5% interest in Prempharm and a 90% stake in Medhold and gives investors a balanced portfolio, straddling businesses involved in ethical, generic, over-the-counter non-scheduled medicines and preparations, and medical and surgical products and equipment (183)

Prempharm provides the stable earnings, achieving over the past five years a compound growth rate of 22% Medhold, now expanded by the injection of Twincor Investments (TIL)'s interests (previously owned by Maxim Krok, and injected into Medhold for shares), offers exposure to high growth areas with strong cash generation focused on mass consumer markets — pro forma EPS show compound growth of 39,3% over the past four years

MEDEX'S PARTS



Source MEDEX

The existing Medhold businesses, with turnover of R31m, compares with TIL's roughly R56m

Pre-acquisition Medhold's market cap stood at R16,5m The inclusion of TIL increases it to R78,5m

Pro forma 1995 accounts for the enlarged Medhold show turnover at R103m, pre-tax profit R15m and a profit margin of 14% Of the three new divisions, OTC-self medication, consumer products and medical equipment — the latter encompassing Medhold's traditional business, remains the largest contributor to turnover (46%) with sales of R47,6m

However, consumer products are expected to be the largest contributor to profits at 46% of the total

The inclusion of TIL adds 1,5c to Medhold's EPS in 1994 and is forecast to add 2,5c in 1995 to 9,7c — an increase of 20% over comparable 1994 numbers This puts the enlarged Medhold on a forward p e of 6,5 Market forecasts for earnings growth in Prempharm in 1995 is around 22%

Based on pro forma figures to June, contribution to Medex's earnings in 1994 by Prempharm would have been 3,8c (38% of total) and by Medhold 6,2c (62%) This is assuming no minorities accept the offer and Prempharm is equity accounted Forecast contributions for 1995 are 4,3c and 7,4c respectively (183)

According to the pro forma balance sheet, Medex is ungeared debt amounts to R7,7m while cash holdings total R9m

Medex's investments in Prempharm and Medhold at market prices are worth R133m and R66m respectively, representing 63% and 37% of the company's total investment

More acquisitions planned

The 5% stake in Prempharm may be increased over the years to a maximum of 20%, but will be done so as to match the appreciation in value of the Medhold stake Shares are available through the Krok link.

Future acquisitions are expected to reduce the current 90% holding in Medhold Avenues being considered include health care, cosmetics and toiletries, all of which should capitalise on Medhold's strong distribution system Food is also said to be a possibility

Prempharm stands on a 22 p e and Medhold on 8 Medex, by contrast, is on a p e of 14 — a prospective p e of 12 (Medex and Medhold shares have been consolidated, two for one) At 288c, with an estimated NAV of 278c, Medex offers potential for high returns through Medhold but hedged partly by the stability of Prempharm's earnings

The real attraction in this counter — for some investors at any rate — is the association with the Kroks who have a reputation for making money *Marylou Greig*

Pik makes Sasol an offer it will refuse

S/Times (Buss)

(183) (26)

By KEVIN DAVIE

ENERGY Minister Pik Botha has asked Sasol to forfeit its controversial tariff payments — R1-billion last year — against cancellation of its almost R1-billion loan obligation to the state.

The deal would mean an immediate termination of tariff payments to Sasol in exchange for writing off Sasol's remaining R950-million payments to the Central Energy Fund for the purchase of Sasol III

"Sasol's present form of tariff protection ought to be withdrawn," says Mr Botha

"But this will constitute a breach of contract with a private enterprise company resulting in litigation which could cost the government R1-billion or more

"In terms of the sale agreement of Sasol III, the government is obliged to continue providing tariff protection at an agreed rate until the end of 1995"

Mr Botha says preliminary investigations into scrapping the Sasol payments have revealed significant stumbling blocks

"One of these is that the fiscus would lose something like a conservatively estimated R300-million in tax at present payable by Sasol on its profits, enhanced due to tariff protection"

Sasol's Amelia Soares says Sasol does not want any special treatment such as writing off loans to compensate for adjustments to tariff protection

4/12/94

"It also appears to us that the negative effects on the fiscus would effectively rule out this proposal"

She says any reduction in tariff protection should be phased in over at least five years as agreed for other industries in terms of South Africa's offer to the general agreement on tariffs and trade

The ANC added its voice this week for calls to cut tariff payments to Sasol Its draft energy policy says "the current formula used in respect of Sasol has enabled Sasol shareholders to benefit unfairly"

In another development, Roy Pithey, chairman of the CEF, whose organisation is responsible for calculating the fuel price, says the system artificially inflates prices

The petrol price is to go up by 1c/*l* on Wednesday He says "market forces would give consumers a fairer price"

Mr Pithey, who is also chairman of Mossgas, was responding to faxed questions on statements by Mossgas's John Theo that the local oil industry was being subsidised by South Africa's basic fuel price, the in-bond landed cost

Mr Pithey did not quantify the extent of the subsidy but says the export price which SA oil companies pay for Mossgas fuel was 4,7c/*l* to 9,5c/*l* cheaper than SA fuel this year

The CEF, which is responsible for the structure used to administer the oil industry, has been calculating the monthly changes to the fuel price agreed by the National Economic Forum.

NEF sources say the NEF did not investigate the IBLC, but accepted the assurance of the business delegation that the IBLC was a fair price.

Transnet economist Mike Schussler calculates that the SA fuel price, exclusive of taxes and levies, is 25c/*l* more expensive than average European prices.

This is R3,75-billion a year, a figure which accords with the R3,5-billion which Engen's Rob Angel says will be saved if South Africa moves to a deregulated market.

Mr Pithey says the IBLC, calculated from Singapore prices plus shipping, artificially inflates South Africa's true import parity price as Singapore prices already include the actual freight charges from the Gulf to Singapore

CEF figures show the government-administered wholesale margin paid to the oil companies has increased from 1,6c/*l* in the early 1980's to the present 14,05c/*l*

This margin has increased by almost twice the inflation rate over the last six years

Mr Botha says deregulation will bring down prices but the oil companies will soon take over stations in the country resulting in an oligopoly and a price increase

He says Energy Affairs, Trade and Industry, Transport, Labour and Finance are working hard to achieve a synthesis out of the industry's antitheses

ROY PITHEY chairman of the Central Energy Fund

Row brews after Sasol dumps Coalex

CT 6/12/94

(183)

Own Correspondent

JOHANNESBURG — Coalex Joint Venture members yesterday lashed out at the Richards Bay Coal Terminal members, saying their unwillingness to accommodate smaller producers' needs meant opportunities for small producers to develop their reserves and take advantage of emerging markets would be lost.

This was not in the best interests of the further development of SA's mineral wealth, a joint statement from the Coalex members said.

The plan to develop Coalex was derailed when Sasol, the biggest partner in Coalex, bought a 5,6% stake in RBCT, enabling it to export 3-million tons a year.

Sources said this option was cheaper for Sasol than developing a new terminal from scratch.

This effectively knocked Sasol out of the Coalex venture. The statement admits that the remaining members would not have sufficient exportable coal to create a viable new terminal.

But the members said they would seek every possible avenue to ensure that the assets of Coalex were not "dissipated to the overall advantage of the SA economy."

They said that since its formation Coalex had procured an option over suitable ground at Richards Bay, had conducted a detailed technical feasibility study for a new terminal and had been given full co-operation by Spoornet and Portnet. This work had value, they added.

According to the statement, Coalex was formed in 1990 by potential and existing coal exporters "whose ability to export was frustrated by the apparent unwillingness of RBCT members to accomodate their needs."

The proposed R700m scheme would have been capable of handling 12-million tons of coal a year, and had been mooted as an alternative export facility by companies denied access to RBCT.

Afrox poised to exploit upturn in the economy

MICK COLLINS

AN aggressive investment and acquisition strategy would pay dividends for welding and healthcare company Afrox, chairman Royden Vice says in his annual review

In the past year the company acquired the Engen liquid-petroleum gas (LPG) cylinder business, the Daleview Hospital on the East Rand, the Gaborone Private Hospital in Botswana and the East London Private Hospital.

It also invested in two new carbon dioxide plants These investments, together with new capital assets for gases, welding and health care, totalled more than R290m.

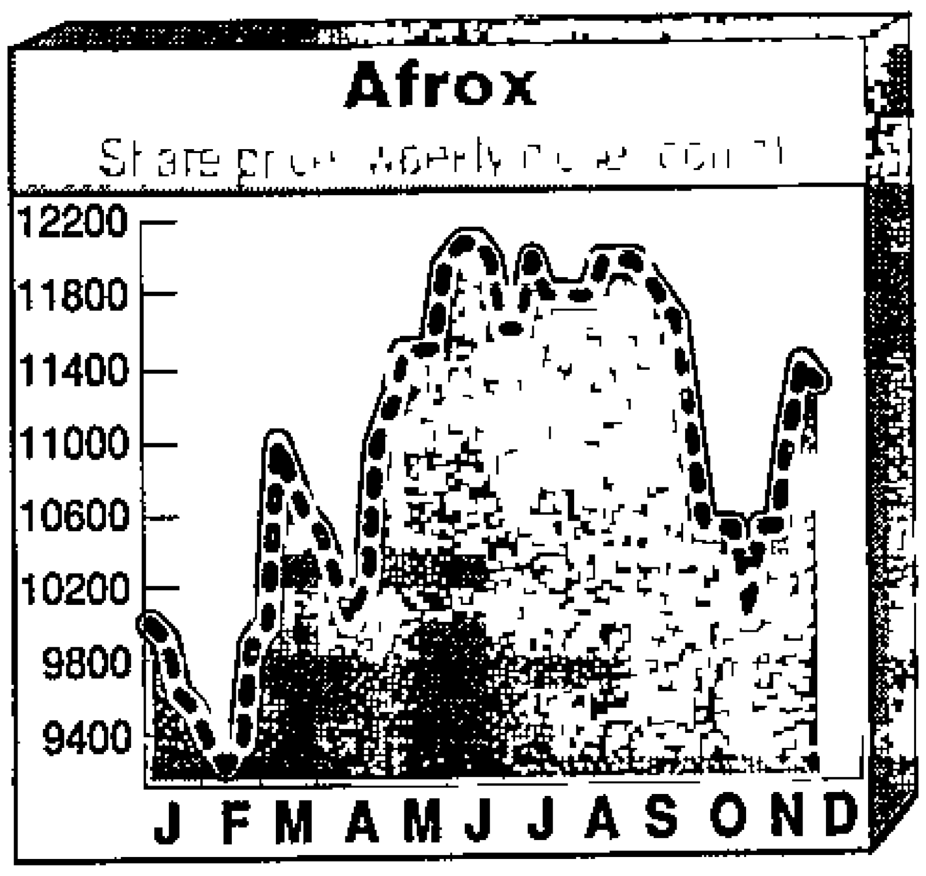
Vice said Afrox was now well positioned to benefit from an economic upswing

The gas business performed satisfactorily through a difficult year, with the company winning a number of major contracts for the Columbus Stainless Steel and the Namakwa Sands projects

The acquisition of Engen's LPG cylinder business for R88m was an "exciting development" which would allow the company to expand its core business of filling and distributing cylinders The acquisition would mean a far greater volume of LPG through Afrox's already developed infrastructure of branches and distributors. The move had made Afrox the largest supplier of LPG to the cylinder market.

"It will provide the impetus for future growth in this rapidly expanding market, which is fed by the increasing urbanisation taking place in major cities and the resultant demand for energy," Vice said.

The welding business, which had long been adversely affected by the poor economy and the lack of any major infrastructural projects, had begun to show signs of recovery in the middle of the year The demand for consumables and welding machines was fuelled by projects such as Columbus, Namakwa and the Alusaf Hillside aluminium smelter project (K3)



The healthcare division continued its strong growth, with improved occupancy leading to higher earnings

Operating profit increased 15% to R125m, earnings a share 11% to 392c and turnover 19% to R1,4bn.

Vice said the year was characterised by near anarchy leading up to the election This was followed by a remarkable period of reconciliation and hope

"Unfortunately, it ended with industrial unrest Afrox could not escape the consequences, but the diversified nature of our business contributed once again to the excellent overall performance of the company," he said

NEF's petrol pricing system 'fair'

JOHANNESBURG — The interim pricing system for petrol, introduced at the recommendation of the National Economic Forum (NEF) is delivering reasonable prices attuned to the international market, according to chairman of the SA Petroleum Industry Association (Sapia) John Drake

However, the continuing synfuel subsidies granted to petrochemical giant Sasol were inflating prices by an average of 9c per litre

In a statement yesterday, accompanying the monthly price adjustment (1c a litre for December), Drake said the interim pricing system succeeded in reflecting fair market prices

CT 8/12/94

His comments followed recent criticism of the interim system by chairman of the Central Energy Fund Roy Pithey

(183)

Pithey claimed the interim system artificially inflated prices — a claim vehemently denied by Drake

"The system, based on a formula, was recommended by the NEF as its choice of alternative interim systems It will obtain while restructuring discussions proceed," Drake said

"Among those who agreed was Roy Pithey," he added

He said Sapia believed the government should embark on a gradual process of policy reform to ensure minimum government intervention in the petroleum market

Engen approves $100m project

(183)

ET 9/12/94

By AUDREY D'ANGELO
Business Editor

THE Engen board had approved the planned 4% stake in the N'Kossa oil field, offshore from the Congo, which would cost about $100m over the next four years.

Chairman Bernard Smith told shareholders at the agm yesterday that N'Kossa had a total recoverable reserve of 500m barrels and production, which was expected to start in 1996, should be 100 000 barrels a day.

"This transaction represents a significant step in Engen's objective to secure equity crude We are expecting the Reserve Bank to give its approval for this transaction "

Smith added that a higher demand for petroleum products is a clear sign that the SA economy is recovering — and "will naturally have a positive impact on Engen's results".

He said demand for petroleum products was 5% higher than a year ago "while the volume offtake of gasoline is 7% ahead of

Products demand hots up

last year

"As far as international refinery margins are concerned there are also positive indications.

"Our refinery margins are firmer than those experienced during the latter part of the 1994 financial year "

Smith said Engen completed its refinery upgrade in November and was slowly increasing its crude throughput to 105 000 barrels a day This was a volume increase of more than 61% from the refinery production of 65 000 barrels a day just over two years ago

Smith said Engen supported total deregulation of the oil industry and regretted that the current national policy lacked any direction

"We have calculated that the piecemeal tampering with the industry is costing Engen, alone, about R140m a year. It is our firm contention that the industry is still burdened with the relics of the past and that the current government should not have to take on these problems — the Central Energy Fund, Mossgas and Sasol It is time for a fresh, dynamic approach to our industry."

The chairman of the Shareholders Association of SA, Issy Goldberg, asked if Engen received assured profits from "millions of rands invested in overseas projects "

Smith said production in the North Sea Alba field, where Engen has an 8% interest, and the Bukhta gas and condensate field in Oman where it has a 10% interest, had just commenced "By the end of the year we should start to see input."

He was convinced there would be an adequate return from the N'Kossa oilfield, where the best consultants had been employed

Multimillion rand deals from Sasol

CT 9/12/94 (183)

From MICK COLLINS

JOHANNESBURG — Sasol yesterday announced two multimillion-rand deals

The petrochemicals group said it would merge its wax interests with those of German wax giant Schumann, subject to certain conditions It had also signed an agreement with Petronet to supply methane rich gas from Secunda to KwaZulu/Natal in a R133m project

Details of the size of the proposed joint venture with the privately-owned Schumann group of companies and shareholdings would be announced when negotiations were further advanced If the talks were successful, Sasol's earnings might be affected, and shareholders and convertible debenture holders were advised to exercise caution in their dealings

Sasol said the companies' wax products were complementary The merger would enable customers to purchase a comprehensive range of Firscher-Tropsch and crude oil derived waxes

In a joint statement with Petronet, it said it would spend R100m to install the infrastructure, while Petronet would invest R33m to reconfigure sections of its pipeline network. The first gas would be delivered in the last quarter of 1995.

● Meanwhile, our Durban correspondent reports that the economy of the depressed Maputaland area of north-east KwaZulu-Natal is to receive a major boost with the official opening of a R12m road scheme

The Minister of Public Works, Jeff Radebe, yesterday launched the massive project, which involves the construction of five roads over 67km of rough terrain The project will employ more than 1 000 people and will service an area of about 200 000 people

Radebe said the benefits of the scheme would be incalculable.

"We need to leave not only physical assets such as roads behind in these areas, but also human assets such as skills acquired in training programmes"

ENGEN

FM 9/12/94

Facing growth constraints

(183)

Activities: *Exploration, production, marketing and distribution of petroleum products*
Control: *Sanlam 23%*
Chairman: *B A Smith MD R J Angel*
Capital structure: *155,7m ords Market capitalisation R5,41bn*
Share market: *Price 3 475c Yields 4,4% on dividend, 7,7% on earnings, p e ratio, 13,0, cover, 1,7 12-month high, 4 200c, low, 3 000c Trading volume last quarter, 4,1m shares*

Year to August 31	'91	'92	'93	'94
ST debt (Rm)	47	100	826	479
LT debt (Rm)	253	615	731	1 315
Debt equity ratio	n/a	n/a	11,5	25,0
Shareholders' interest	0,64	0,58	0,50	0,50
Int & leasing cover	n/a	n/a	n/a	11,2
Return on cap (%)	12,2	7,6	9,2	8,5
Turnover (Rm)	6 098	6 560	7 719	8 450
Pre-int profit (Rm)	463	349	538	547
Pre-int margin (%)	7,8	8,5	7,0	6,5
Earnings (c)	233	275	309	295
Dividends (c)	116	137,5	154	154
Tangible NAV (c)	1 665	1 720	1 879	2 032

A fascinating dichotomy of views on the future potential of oil group Engen, and the performance of its shares, exists in the market Two leading broking firms are bullish on medium-to-long term prospects and are signalling a buy Two other prominent firms are cool towards the share, and believe Sasol now offers better value

These divergent views have little to do with the performance of Engen during financial 1994 or with its operations The 13% drop in EPS was seen as a sound result, achieved when international refining margins remained under pressure and, locally, there was no help from government in the form of an increase to the industry's marketing margins

Angel *pressure on refining margins*

Engen's vigorous cost cutting programme, which with a 15% reduction in staff cost R65m but should yield an estimated saving of R50m a year, has been extended to a second phase This will occupy most of CE Rob Angel's time this year, and should help Engen to meet what Angel calls the "likely new environment" after the SA industry is deregulated

Apart from that, Engen's restructuring is in line with the trend in overseas oil companies, which have shed about 500 000 jobs over the past five years and increased output at the same time The six biggest oil companies in the US have announced they will cut up to 13 000 jobs this year, which, American publication *Business Week* notes, appears to have moved the shares to new highs Engen chairman Bernard Smith says the local industry cannot expect to escape these trends

However, future growth for Engen hinges on two key factors which largely control profitability refining margins and marketing margins A view on these determines one's attitude towards the group's potential and the performance of the share

Smith says Engen believes international refining margins will return to the higher levels of previous years, though he notes it is difficult to anticipate the timing That in turn qualifies his prediction of increased earnings for financial 1995

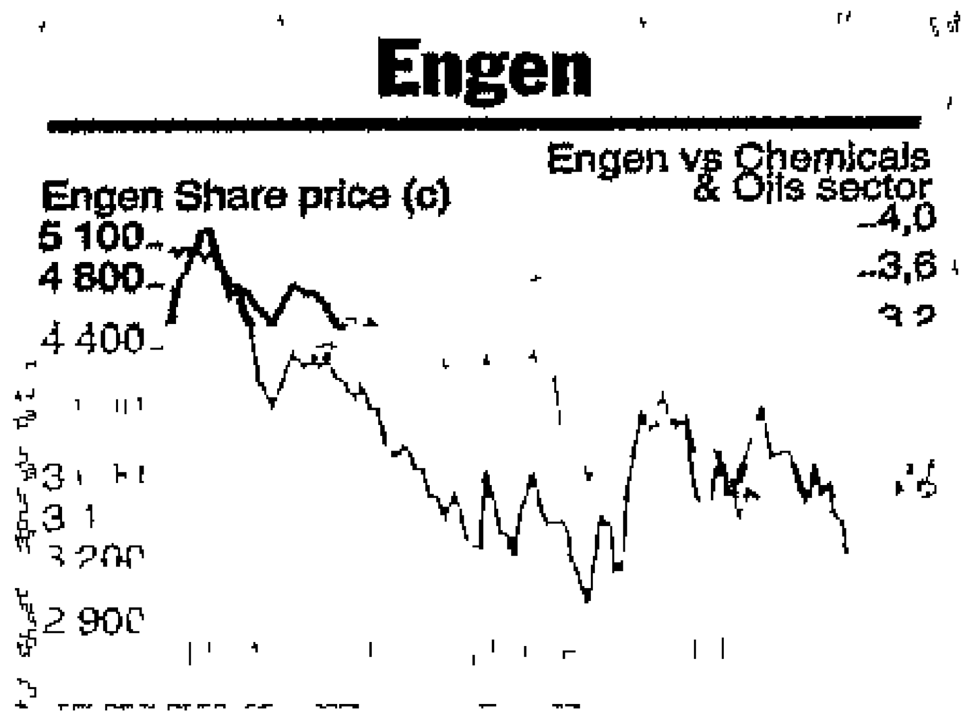
Angel believes refinery margins are likely to remain under pressure until product growth outstrips the introduction of additional refinery capacity He says various factors, including the Chinese government restricting the import of refined products as new refinery facilities were coming on-line in the Far East, have caused a build-up of product stocks in most of the world's major refining centres

Locally, there is significant excess capacity stemming from expansion of the country's four refineries For Engen, this means increased focus on exports, which rose from 5,7m barrels to 6,7m barrels in the financial year, though the margins received on exports are significantly lower than on domestic sales

The completion of the expansion and upgrading of Engen's Durban refinery places the group in a strong position to benefit from increased demand for petroleum products, which became evident towards the financial year-end But in the end Engen needs a wider refining margin One analyst says while margins will probably remain under pressure in the coming year, the Asian margins to which Engen is most exposed should recover

However, refining margin predictions are difficult, and cannot accurately be included in an assessment of future growth

Easier to anticipate is the marketing, or wholesale margin, and that does not look good for Engen Angel says that with government's removal of the synthetic levy payment to oil companies and the lower



pricing system for gasoline and diesel, the failure to increase marketing margins for more than two years knocked R100m off earnings

The wholesale margin has become a political issue, and is not likely to be increased until agreement has been reached on deregulation of the industry Even then, increases will probably not exceed inflation and will certainly be lower than the often generous increases of the past

Engen, with the largest share of the fuels market in SA, is particularly exposed to the wholesale margin, over which it has little or no control

This emphasises the importance of upstream exploration and production The group has rearranged its upstream assets, and is getting net production of about 6 200 barrels/day from the Alba and Bukha oil fields, while also increasing exploration activities with partners, particularly offshore west Africa

But upstream exploration costs of R30m only returned production income of R3m in the past year Vital as it may be to Engen, production and exploration is an expensive and risky business At this stage it cannot be built into forecasts of profitability

That points to the main reservation some analysts have about Engen — both refining and marketing margins are beyond the group's control, and there is little management can do about it

There is consensus that, despite improving demand and refinery capacity, Engen is in for another difficult year Earnings are expected to decline over the first half — thereafter much depends on margins.

Unlike Sasol, which despite its tariff protection has the comfort of its strong diversification into chemicals, Engen is far more influenced by cyclical, often volatile, factors That also means it could fly should margins move in the right direction

On a dividend yield of 4,4% and p e ratio of 13 the share is certainly undervalued At R34,75 there is a strong speculative attraction More conservative investors,

Piped gas for KwaZulu/Natal

183

BD 9/12/94

MICK COLLINS

SASOL and Petronet announced yesterday that an agreement to supply methane-rich gas from Secunda to Kwazulu/Natal in a R133m project had been signed

A joint statement said Sasol would spend R100m to install the infrastructure, while Petronet would invest R33m to reconfigure sections of its existing pipeline network First gas would be delivered in the last quarter of 1995

The gas, a clean-burning energy source with a neglible sulphur content, would reduce air pollution

It would be available to highly industrialised areas in KwaZulu/Natal and possible expansion to the greater Durban area was being investigated

"The agreement underwrites the open access principle and is in line with the international deregulated transport agreements Sasol will not have exclusive rights to transport the gas via the pipeline Any third party may in future use the system subject to available capacity and gas compatibility," the statement said

Petronet said the move was in line with its policy to diversify operations into areas related to its core business — the transportation of petroleum products

"This venture is also in line with Petronet's vision to position itself as the national gas transporter for southern Africa, with the prospect of transporting, among others, Pande gas"

Engen in $100m Congo oil deal

BD 9/12/94

(183) EDWARD WEST

CAPE TOWN — Engen's board had approved a $100m investment over the next four years to help develop the N'Kossa oilfield off the Congo coast, Engen chairman Bernard Smith said yesterday.

Engen had agreed on terms with the international oil group Elf for a 4% participation in the development. The deal was a significant step in Engen's objective to secure equity crude and the Reserve Bank was expected to approve it.

N'Kossa had a total recoverable reserve of 500-million barrels, and production, due to start in 1996, should amount to 100 000 barrels a day. Smith said extensive tests had been conducted and the board was confident of a more than adequate return.

Production had started only recently at Engen's other overseas oil exploration activities — an 8% stake in the North Sea Alba Field and a 10% share of the Bukha field in Oman — and these projects would affect Engen's bottom line only from the start of the next financial year.

Smith said the group's refinery margins — which had contributed to the dip in net income in the past financial year to R416m (R480m), were firmer. The differential between light and heavy crude remained narrow and because of the demand for heavy crude, the differential was not expected to widen until the second half of next year.

After the planned 34-day refinery shutdown, phase two of the refinery upgrade and expansion programme was commissioned on November 24, four months ahead of schedule and well below budget.

The upgrade allowed the refinery to process a wider range of crudes. When the light-heavy differential widened substantial benefits would flow to the group.

Over the next two months the refinery would increase crude throughput to 105 000 barrels a day from 65 000 two years ago.

Sasol announces multimillion-rand deals

MICK COLLINS

SASOL yesterday ~~announced~~ two multimillion-rand deals. 183

The petrochemicals group said it would merge its wax interests with those of German wax giant Schümann, subject to certain conditions. It had also signed an agreement with Petronet to supply methane-rich gas from Secunda to KwaZulu/Natal in a R133m project.

Details of the size of the proposed joint venture with the privately owned Schümann group of companies and shareholdings would be announced when negotiations were further advanced. If the talks were successful, Sasol's earnings might be affected, and shareholders and convertible debenture holders were advised to exercise caution in their dealings.

Sasol said the companies' wax products were complementary. The merger would enable customers to purchase a comprehensive range of Firscher-Tropsch and crude oil derived waxes.

In a joint statement with Petronet, it said it would spend R100m to install the infrastructure, while Petronet would invest R33m to reconfigure sections of its pipeline network. The first gas would be delivered in the last quarter of next year.

BD 9/12/94

● See Page 9

Oil price spike on the cards

From MICK COLLINS

JOHANNESBURG — Oil prices are expected to spike over the next two years despite the possibility of a bout of price weakness in mid-1995 when some Iraqi production could return to the market. (183)

According to a report by Ord Minnett, the Australian associate of stockbrokers Martin & Co, the key feature of the expected price rise is strong growth in oil demand coupled with a relatively slow increase in capacity worldwide.

Prices in the first half of 1995 are expected to maintain a level of $20 a barrel, but the report cautions that on the assumption that by mid-year some Iraqi oil is allowed back on the market, there could be some price weakness on fears that Opec will not be able to adjust prices

But the negative sentiment is likely to be shortlived and a combination of new quotas and strong growth will restore prices to the $20 a barrel level "As we move into the second half of 1995, 3% demand growth and the resulting squeeze on Opec capacity is likely to produce oil prices of $21-$22 a barrel" CT 12/12/94

The report predicts a 15% price rise in 1995 to $20,25 and a further 17% rise in 1996 to $23,75 a barrel The key factor in the increase will be the high level of capacity utilisation in Opec

ARG. 12/12/94

Chinese bid to buy Mossgas

(183)

The Argus Correspondent

TAIPEI. — Taiwan wants to buy the Mossgas oil project at Mossel Bay as part of a R10-billion official development programme designed to help the RDP.

Thousands of additional jobs will be provided by specialised plants and facilities linked to Mossgas, providing a shot in the arm for the economy.

Taiwan wants Mossgas as an alternative supplier of crude oil, which it imports from the Middle East and south-east Asia. It is understood that the oil-from-gas facility may be converted into a crude oil refinery, which on its own would employ about 1 600 people.

Minister Without Portfolio Jay Naidoo yesterday declined to comment on the Taiwanese proposal.

Taiwan Board of Foreign Trade deputy director-general Leo F Tseng said in an interview here: "We are on the point of making a detailed study of the Mossgas project and expect that after six months a joint task force will be established to decide what to do with this enterprise.

"Negotiations have been continuing for some time with a view to the possible purchase of Mossgas."

Taiwan has given the South African government a blueprint for the establishment of small and middle-sized petrochemical industries which could provide jobs for tens of thousands.

Last week officials emphasised that the initiative had to be taken by South Africa.

"We have provided your government with ideas for long-term development schemes and the South Africans have to now appoint a task force to co-operate in realising the plan," said Mr Tseng.

He added that continuing trade with South Africa was important to Taiwan "and we look forward to a much closer relationship".

Taiwan is South Africa's sixth largest trading partner. Pretoria is one of 27 nations which maintains diplomatic ties with Taipeh.

Mr Tseng said new joint ventures and co-operative ventures were part of proposed co-operation in South Africa over the next few years.

These included technical training, energy and development projects, water reticulation programmes in rural areas, the purchase of surplus maize, electronic communication systems, the purchase of additional ferrosteel, manufacture of high-voltage transformers, establishment of new breweries, production of stainless steel products, development of micro-electronics industries and helping the computer industry.

Sharp rise in oil price predicted

BD 12/12/94 (183)

MICK COLLINS

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But the negative sentiment is likely to be shortlived and a combination of new quotas and strong growth will restore prices to the $20 a barrel level "As we move into the second half of 1995, 3% demand growth and the resulting squeeze on Opec capacity is likely to produce oil prices of $21-$22 a barrel."

The report predicts a 15% price rise in 1995 to $20,25 and a further 17% rise in 1996 to $23,75 a barrel The key factor in the increase will be the high level of capacity utilisation in Opec on the back of strong demand growth "The fall in oil prices over 1993/94 hit Opec hard and prevented investment in new capacity. But many Opec countries will move towards 100% utilisation by 1996. This will prevent the cheating which has, in the past, undermined prices"

Ord Minnett assumes Iraqi production will return at 1,5-million barrels a day, rising to 2,5-million barrels a day by 1996 The risk is that the start up will be delayed, increasing pressure on Opec capacity and prices

Strong growth around the world would boost energy demand 7,5% for the 1993-1996 period compared with growth of 0,8% in the 1990-1993

The high growth would be achieved despite a return to energy conservation, a reversal of the recent trend

Fuel switching would continue to be negative for oil, but the report predicted a gain in oil consumption of 6% between 1993 and 1996 Asia and western Europe showed the strongest growth potential.

The report said non-Opec production continued to grow despite the decline in US output The North Sea was the main driver but the former Soviet Union was expected to bottom out and show some growth by 1996

Oil stocks would rise marginally in absolute terms but, given the growth in demand, would fall in terms of days of consumption The review said stockpiles were slowly getting tighter and were not a drag on prices

As demand grew and capacity utilisation rose, most countries would be unable to overproduce and the spare capacity and power would be concentrated in the hands of Saudi Arabia But, Ord Minnett said, Saudi Arabia would not abuse its power and push for massive price rises An increase to $25 a barrel by the end of 1996 would satisfy Opec

Loraine counts on 7-day week

MUNGO SOGGOT

LORAINE Gold Mines' ability to return to profitability this financial year would hinge on whether its permission to work a 7-day week was renewed, chairman Rob Wilson said in the mine's annual report

The Anglovaal mine's permission to conduct normal operations seven days a week expires on January 15

Profitability would also depend on whether it achieved the planned production rate from the 3C shaft area

Loraine sustained a R1,5m working loss for the year to September

Mining in the 3C shaft area had been hit by a high incidence of faulting and the slow build-up of production from the shaft meant grade fell below expectations to 5,1g/t, compared with 5,86g/t the previous year

Wilson said the production plan for the current financial year was to mill 1,68-million tons at an overall recovered grade of 3,87g/t Tonnage from underground sources was planned at 970 000 tons, although the tonnage contribution from the higher grade 3C shaft would increase in the year and turn in an average recovered grade of 6,2g/t

Working costs for the year were expected to jump about 10%, while a capex bill of R5,5m was planned for exploration drilling and development, metallurgical plant and employee amenities.

"The life of the mine at current rates of underground production is now estimated to extend beyond the five-year plan However, confidence levels in tonnage and the grade of the Basal Reef associated with the synclinal structure running through the western portion of the mine need to be improved" Underground drilling programmes to the north and south of shafts one and three were planned

Durban consortium in line for oil-field bid

MICK COLLINS

DURBAN consortium Intershore is in line to win a contract for a $200m offshore platform for the third phase development of the Angolan Cabinda oil project

A team from the oil and gas industry venture, which comprises Dorbyl Marine, Murray & Roberts and UK-based Amec Process & Energy, left for California at the weekend for talks with the client, Intershore MD John Cheesebrough said

Cabinda Gulf Oil is a subsidiary of Chevron Overseas Petroleum, which trades on behalf of Agip Angola, Elf Petroleum (Angola) and Sonagol

Cheesebrough said the company had prequalified and the team would establish a strategy for the execution of the tender If the bid was successful, the project would create 1 000 jobs at Dorbyl Marine's Durban facilities

Dorbyl CE Bill Cooper said it was originally thought the contract would call for the construction of two small platforms, but it had transpired that the tender would be for one giant rig

The bid follows the November signing of a $107m contract for the building of two offshore platforms for phase two of the Cabinda project

BD ~~10~~ 12/12/94

Cheesebrough said Intershore's participation in the Cabinda development had aroused international interest and a delegation from Nigeria would visit the company within two weeks to discuss oil-field contracts coming up for tender

Analysts said Intershore was expanding into a field that had enormous growth potential There was extensive exploration by most international oil companies off the West African coast

(183)

Winbel rejig pays off

~~1090~~ 183

CT 13/12/94

From MICK COLLINS

JOHANNESBURG — Mining supplies and plastics holding company Winbel posted a barely changed R1,1m attributable profit in the year to September, but the group's restructuring programme continued to pay off.

Winbel owns 61% of Winhold, which has a 73% stake in mining supplies company Inmins and an 86% holding in plastics company Plastall

Turnover rose 7% to R218m and pre-tax income jumped 91,7% to R4,6m Earnings a share rose 37,4% to 2,1c

Chairman Bob Wenteler said action to improve manufacturing efficiencies had started to filter through and benefits of a strategic restructuring would be felt in the longer term

Subsidiary Winhold also reported attributable earnings barely changed at R1,77m (R1,76m) Earnings a share rose 37% to 2,8c. Turnover rose 7% to R218,8m while pre-tax income rose more than 90% to R3,2m

Inmins returned to the black, reporting R560 000 (R553 000 loss) in attributable earnings

Operating income improved 72,8% to R2,4m despite a 7,8% drop in turnover to R57,6m Earnings a share came in at 3,9c (-4,8c)

Taiwan's bid

Proposed deal could create 400 000 jobs

ET 13/12/94

(183)

By ANTHONY JOHNSON
Political Correspondent

AT LEAST 400 000 jobs would be created by a proposed R28-billion Taiwanese investment in South Africa's oil and chemical industries, the government said last night.

Mineral and Energy Affairs Minister Mr Pik Botha, who described the Taiwanese scheme as "a massive and dramatic one for South Africa", said a joint South Africa-Taiwan task force had been set up to complete an initial evaluation of the plan by the middle of next month

"The objective is to evaluate the assumptions on which the proposal is based and to compare the relative merits of siting such a project at Richards Bay or Mossel Bay," he said

If the scheme — which is linked to Taiwanese plans to buy Mossgas — gets the green light, it would contribute about seven percent to the Gross Domestic Product (GDP), he said

However, government sources said last night that the cash-flush Taiwanese were pushing for both the installation of a Hong Kong-style free port at either Mossel Bay or Richards Bay and a "no unions" deal as preconditions for the massive investment

Despite the huge impact such a scheme would have on unemployment, any attempt to sideline employee bodies is expected to spark a major outcry, with South African trade unions spoiling for a fight with Taiwanese employers after a showdown earlier this year in the textile industry in the Northern Cape

Mr Botha said that "indications" had been given to him by senior representatives of the Taiwanese government and their oil and chemical industries that they were keen on taking over the Mossgas project

The talks with Taiwan were part of "exploratory talks with various parties in the search for a longer-term solution for Mossgas which will reduce the loss which the Mossgas investment represents" More than R12bn of taxpayers' money has already been pumped into Mossgas

The minister said the Taiwanese proposal entailed:

- Investment in a refinery (with Mossgas serving as an alternative supplier of oil currently imported by Taiwan from the Middle East and South East Asia)
- A plant for olefins (raw materials to manufacture plastics)
- A plant for aromatics (required to manufacture synthetic fibres such as polyester), downstream plastics, fibre and textile production (to manufacture, for example, clothing material, motor car bumpers, TV cabinets and packaging materials)

Mr Botha said the Taiwanese proposal was technically similar to, although much larger than, similar proposals made by the local chemical industry in the past

"A major difference is the proposal to invest in and develop the downstream activities This element dramatically increases the initial capital requirements," he said

The minister said that while the sale of Mossgass was one alternative being considered, another was the possibility of further South African investment in Mossgas to prolong its life to 2001

This process is being scrutinised by the parliamentary Joint Committee on Public Accounts

A decision has been taken that "no further money be invested" in Mossgas without an independently verified, comprehensive investigation "which demonstrates conclusively that further investment is financially justified"

Local gas becoming costlier

BUSINESS STAFF

SA has become the fifth-most expensive country for commercial and industrial gas consumers among thirteen countries compared in the National Utility Services (NUS) International Gas Price Survey.

Last year SA was ranked eighth-most expensive. Star

The survey prices relate only to Gaskor, which supplies over 95 percent of SA's gas requirements. 13/12/94

The reason for SA's re-ranking is the revision of the price structure by Gaskor in January, which effectively raised the cost of piped gas by 25 percent over 1993, more than twice the rate of inflation

Consumers now pay 7,58c/kWh

Sweden increased prices by 22,2 percent in the same period, taking it from fourth-most expensive in the 1993 survey to second-most expensive in 1994. (183)

In six countries — the US, Belgium, Germany, the UK, France and the Netherlands — prices actually fell by 12,2 percent to 1,9 percent.

However, UK prices are expected to rise in the long term as suppliers move from the low-margin industrial and commercial sector to the more profitable domestic market.

The cheapest supplier, at 4,61c/kWh, was Canada, despite a 12,2 per cent price increase as a result of soaring demand.

Canada's prices are expected to remain low as production is stepped up and increased storage and pipeline capacity come on stream

The most expensive country was Italy, at 11,44c/kWh. But according to the survey, one of the main reasons for the high price is a punitive government tax.

COMPANIES

Move could ease prices of drugs

BEATRIX PAYNE

PHARMACEUTICAL multinational Sandoz will distribute its products in SA exclusively through International Healthcare (IH) in an attempt to prevent illicit trade in medicines, Sandoz public affairs manager Bonang Mohale said yesterday

The move is believed to increase IH's market share to about 16% The organisation was formed late last year to be sole distributor for multinationals Bayer Boehringer Ingelheim, Ciba and Roche.

Sandoz's products were previously distributed through SA Druggists' distribution subsidiary LPA, which closed at the end of August, Mohale said (183)

SA Druggists CE Peter Benningfield said LPA was closed after Sandoz and another company withdrew from the distribution network As a result its operations were not economically viable due to lack of volume.

Mohale said that — like other players in the business — the group had experienced losses through its traditional distribution service as a result of shrinkage and truck hijackings.

Prior to IH's launch last year, some wholesalers, concerned that the organisation would monopolise the industry, had refused to supply goods produced by the multinationals involved BD 13/12/94

The new distribution arrangement would ensure greater transparency on pricing Doctors and pharmacists would have more control over retail pricing as the distributors took no mark up on products delivered. It would also ensure better distribution control.

IH CE Trevor Lauf said increased market share was not a key objective for the group, as it was not in the business for profit Unlike traditional distributors, the group did not take a cut on the goods it sold but was paid directly by manufacturers

The addition of Sandoz products would increase throughput by about 18%, Lauf said The group had had no response from retail wholesalers, but he said Sandoz's decision to join IH "signals that traditional wholesalers have to change the way they do business"

The National Association of Pharmaceutical Wholesalers could not be reached for comment

'Offer may be made for Mossgas'

183

BD 13/12/94

Taiwanese propose $8bn fuel project

MICK COLLINS

TALKS were under way which could see Taiwan pumping $8bn into synfuel producer Mossgas and other downstream petrochemical projects, Mineral and Energy Affairs Minister Pik Botha said yesterday

A Taiwanese analysis had shown the project would contribute about 7% to SA's GDP and create about 400 000 jobs, he said

The study called for the establishment of an internationally competitive petrochemical industry in SA, ranging from catalytic cracking plants to midstream and downstream factories.

Botha said capital for the project would come from joint ventures between the Taiwanese government and private sector companies involved in the oil and chemical industries SA's private sector would be invited to take part, while government would keep its options open on investment

"This is serious stuff There is huge Taiwanese enthusiasm for the project They want to help SA in a big way From their point of view we have the right macroeconomic and fiscal environment"

Botha said some of the largest companies in Taiwan had expressed interest These companies had huge capital bases while Taiwan itself had a favourable balance of payments of more than $100bn

"The companies interested in starting this project are top groups. . The state-controlled Chinese Petroleum Company and petrochemical giant Tuntex Group are some of the players"

The Taiwanese proposal called for investment in an oil refinery, a plant for olefins (raw materials to make plastics), a plant for aromatics (required to manufacture synthetic fibres), and downstream plastics, fibre and textile production

Botha said the Taiwanese estimates of cost and contribution to GDP tallied with previous estimates by the Industrial Development Corporation and Sentrachem

An informal joint task force had been set up to complete an initial evaluation of the proposal by mid-January It would also compare the relative merits of siting such a project at Richards Bay or Mossel Bay

"The proposal is a dramatic one for SA. It is technically similar to, although much larger than, proposals made by the local chemical industry in the past A major difference is the proposal to invest in and develop the downstream activities This element dramatically increases the initial capital requirements"

Botha said the Taiwanese had indicated Mossgas could be included as part of the chemical complex at a price still to be negotiated SA had to accept any real offer for Mossgas so that it did not lose the whole lot "We must look at alternatives to soften the loss of R12bn"

Botha said the proposals followed a visit by a top-level Taiwanese delegation representing government and vast petroleum and petrochemical interests The delegation also held talks with the Central Energy Fund "We are only at the preliminary stage of discussions The proposal will have to be subjected to extensive analysis, examination and assessment The opinions of international consultants and other experts will have to be obtained. Only then can it be considered by the Cabinet"

ADCOCK INGRAM

Adjusting to changing markets

FM 16/12/94

Activities: *Makes, markets and distributes health-care, hospital and consumer products*
Control: *Tiger Oats 73,5% Ultimate holding company is C G Smith*
Chairman: *R A Williams MD D C Bodley*
Capital structure: *138m ords Market capitalisation R2,07bn*
Share market: *Price R15 Yields 2,1% on dividend, 5,5% on earnings, p e ratio, 18,3, cover, 2,7 12-month high, R17,50, low, R12,50 Trading volume last quarter, 509 000 shares*

Year to September 30	'91	'92	'93	'94
Debt equity ratio	0,05	n/a	n/a	n/a
Shareholders' interest	0,51	0,56	0,57	0,59
Int & leasing cover	28,1	52,0	n/a	n/a
Return on cap (%)	28,9	28,3	27,5	28,7
Turnover (Rm)	774	916	971	1 009
Pre-int profit (Rm)	120	142	160	171
Pre-int margin (%)	16,3	16,4	16,5	16,9
Earnings (c)	47	56	72	82
Dividends (c)	18	21	27	31
Tangible NAV (c)	154	201	242	263

Adcock Ingram (AI), the top performing health care products group before changing market conditions and a crunch on turnover began to slow growth about two years ago, is rapidly restructuring and realigning its position in the industry

Most visible changes are the merging of the Self Medication and Consumer Products business units, and the Pharmaceuticals and Generics units. That focuses the group from the previous six to four core divisions, as well as the relatively new international arm, set up to market AI products to selected markets in Africa and abroad

CE Don Bodley says that in line with international thinking and after a review of activities and strategic direction, it was decided that an approach which transcends the traditional business units was required The realignment of AI's businesses, he says, is aimed at meeting the "new needs of our customers."

The move is timeous Pressure on distribution activities, which resulted in extensive rationalisation of AI's Wholesale division, with tough competition has seen growth in turnover slip from 18% two years ago to 4% in financial 1994 Admittedly earlier gains occurred in an environment of higher inflation and less restraint on prices, and AI has squeezed good EPS growth from declining sales through tight asset management and strong cash flow

(183)

Bodley . *meeting new needs of customers*

Inevitably, though, EPS have started to track the turnover trend An increase of 15% compares with EPS growth of 29% the previous year

Basically, AI is a classic case of a blue chip operation which after years of strong and consistent growth has found itself in mature — and more competitive — markets. Comparisons with its earlier performance are unflattering because of the high base the group has built up to. This has been compounded by changes to the health care market in SA, particularly political and consumer pressure on medical costs and the worldwide swing towards generic medicines

Though AI has been growing its generics business strongly (it's the third largest player in the total market in SA), certain competitors have a larger exposure to generics and have benefited more from recent changes in the market. However, AI says it will continue to develop and launch a steady stream of new generic products in future, and has recently added considerable additional sales resources to capture a larger share of the generics market

AI's strength lies in its broad products portfolio and the potential of its own research and development activities and links with international partners to launch new ethical products

But in the short term that does not make for exciting growth prospects, despite some major changes, which include a R31m upgrade of the Critical Care factory and the purchase, for R12,2m, of 50% of branded generics and nutrition products group Vesta Medicines

Certain divisions, particularly Self Medication and Consumer Products (which last year showed the strongest growth in turnover and taxed profit) are well placed to benefit from ongoing cost containment by medical schemes and greater consumer spending Both businesses hold strong market positions and a number of new products are in the pipeline, some to be launched this year, which add to prospects

What AI really needs, though, is a substantial acquisition to get volumes up It has the resources The balance sheet has been debt-free for the past three years, with R75m cash at year-end. Many of the group's factories are among the best in the industry and could add capacity at little extra cost

But acquisition opportunities are limited in the SA industry, unlike last decade when AI picked up some useful businesses from divesting multinationals Instead AI has had to follow the joint venture and strategic alliance route, notably with international groups Astra, Pharmacia and Eli Lilly.

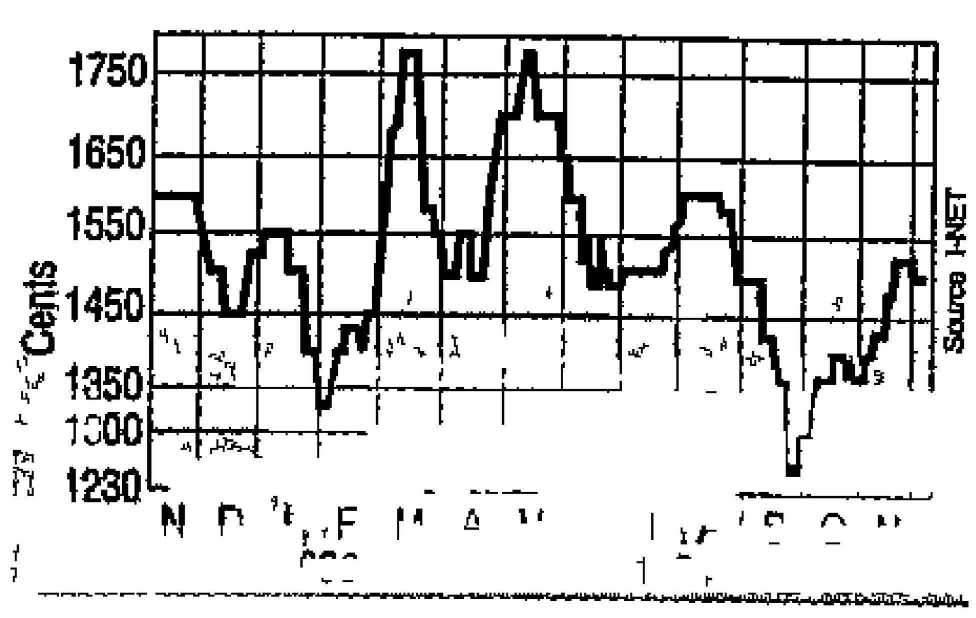
It is also working hard on selected niche export markets and has established a presence in the UK, which it plans to further develop this year as well as targeting Pacific Rim countries Exports, though, only account for about 1,3% of turnover — it will take time for this to become a significant contributor.

Analysts don't expect EPS growth to outstrip 20% this year, it's likely competitors, off a comparatively lower base, will show stronger gains This is reflected in AI's share price, which is about the same as a year ago

Investors who have the share, which has shown compound annual growth of 32% over the past seven years, will want to tuck it away for when AI resumes its spectacular growth of the past Management action being taken now and the inherent strength of AI must ultimately translate to the bottom line Institutions may find some attraction at R15, particularly as the share is tightly held and not easy to buy in quantity.

Shaun Harris

Adcock Ingram



CORONATION HOLDINGS

Trading's role declining

Formerly called Coronation Syndicate and now concentrated exclusively in financial services, Coronation Holdings has turned in

The Argus,

Huge losses hit Premier

ARG 19/12/94

(183)

ALIDE DASNOIS
Business Staff

HUGE losses at United Pharmaceutical Distributors (UPD) and lower profits in the food division sent the Premier Group's interim profit down 8 percent to just over R100 million

The figures reveal the extent of the damage at UPD, where alleged fraud and mismanagement by previous directors brought accumulated losses to R155,2 million by last April

New management which took over at UPD last July has been selling off unprofitable businesses, retrenching staff and restructuring the company to bring it back to profitability.

In order to complete the clean-up, Premier is to make UPD into a wholly owned subsidiary by taking over the share held by Wholesale Pharmaceutical Holdings (WPH) for a nominal 100c.

Premier will also make an offer of 220c a share to WPH minority shareholders who hold 14 percent of stock.

This compares with net asset value of about 54c a share

Premier's loss of R90,8 million on its troubled subsidiary was partly offset by a R71,9 million profit on the sale of the group's interests in Amerpharm

A total of R275 million of interest-bearing finance to UPD has been converted into an interest-free loan from May 1994

Premier Group chairman Doug Band is optimistic about UPD's future. The effects of the restructuring are now being realised and the R14,9 million loss in the first six months should be significantly reduced in the second half, he says

Among the group's other businesses, Premier Foods was hit by difficult trading conditions in the first quarter of the current year but the second quarter has been better.

Bonnita, which was listed in August, reported a 39 percent improvement in attributable earnings and expects further growth in 1995 as new plant capacity expands opportunities in local and export markets

■ Supplier of office furniture **Mathieson&Ashley** turned a R3 million loss into attributable profit of R635 000 in the year ended September, on a 26 percent increase in turnover

The group's new core business, Officemart, did particularly well, raising turnover 400 percent to R62 million during the year.

Following the sale of its furniture manufacturing division to SA Breweries subsidiary Afcol for R16 million, M&A will be changing its JSE listing with effect from January 1995 from the Furniture to the Stores sector

■ **Del Monte Foods International** has launched its products in Israel in partnership with Israel's leading producer of canned fruits and vegetables, Pri-Ha'emek

Pri-Ha'emek will can locally grown produce under the Del Monte label using its own canning process, while produce not locally available will be imported via Del Monte's international operations, including South Africa

Botha calls urgent oil firms meeting

(183)

MICK COLLINS

MINERAL and Energy Affairs Minister Pik Botha has called an urgent meeting of SA's oil companies in Pretoria today to try to settle issues besetting the fuels industry

Botha said yesterday that since taking over the portfolio he had been confronted with contradictory claims and predictions

These included the claim that deregulation might lead to cheaper petrol in the short term, but the oil companies would soon take over all pumping stations in SA and put up the petrol price.

"Even if deregulation does mean that the oil companies can form a cartel enforcing higher petrol prices, any other entrepreneur would be free to enter the market and challenge them This would force them to bring down the price again"

Withdrawal of synfuel tariff protection was another issue While Sasol's tariff protection ought to be withdrawn, this would constitute breach of contract and could result in litigation costing government "R1bn or more". BD 21/12/94

Forcing Sasol to terminate its synfuel production would have consequences for the inflation rate as well as the rand/dollar exchange rate, which in turn would contribute to a higher petrol price

"The question also arises as to whether the country could afford the foreign exchange which would be required to purchase the necessary substitute oil supplies with Sasol synfuels producing 35% of our total fuel consumption."

Illovo closes spray propellant plant

Star 22/12/94

BY DES PARKER

A worldwide shortage of methanol and soaring prices look set to have a big impact on the spraycan industry.

Illovo Sugar Merebank general manager Brett Stewardson said the company would close production in its dimethylether (DME) spray propellant plant on April 1

The price of methanol, the main ingredient of DME, had risen 400 percent in the past 10 months.

(183)

DME is used as a propellant in a wide variety of locally made spraycan products, including paint

An investigation by Illovo showed the high prices were likely to persist for at least three years and even then prices were unlikely to return to former levels.

The closure of the plant has been delayed until April to give spraycan manufacturers time to reformulate their products to use other propellants. Stewardson said butane could be used as a propellant and ample stocks were available.

Butane, like DME, was ozone friendly so manufacturers would not be forced to use a propellant containing harmful chlorofluorocarbons.

The DME plant was already making a loss and Illovo directors apparently had no choice but to halt production

Petrol down as diesel goes up

HOLIDAYMAKERS will save two cents a litre of petrol on their way home after January 4, but farmers who use diesel will pay two cents a litre more for their fuel

A Central Energy Fund statement yesterday said international petrol prices continued their downward trend from November 26 to December 25, but diesel had become more expensive

This necessitated a two cents decrease in the petrol price to R1,65 at the coast and to R1,75 inland

Diesel is expected to retail at R1,57 a litre in coastal areas and R1,67 a litre inland

A fuels industry analyst said a further drop of two cents a litre could be expected in February as international oil prices continued to fall (183)

The price of paraffin remains unchanged CT 30/12/94

● The financing and introduction of unleaded petrol in South Africa next year would have to be considered by the present government, Mineral and Energy Affairs Minister Mr Pik Botha said yesterday

The Automobile Association yesterday opposed the use of unleaded petrol and possible discounting, saying it would lead to increased taxes on leaded fuel

Petrol price to fall by 2c

Sowetan

30/12/94

THE petrol price will drop 2c a litre from Wednesday, according to the latest price adjustment from the Central Energy Fund.

In a statement yesterday, the CEF said lower international petrol prices had more than offset the effect of a weakening rand against the US dollar, resulting in the decision to lower the domestic price for all grades of petrol.

183

Diesel would rise 2c a litre The price of illuminating paraffin would remain unchanged The Automobile Association said the new price could have a hidden cost attached to it in the form of increased taxation of leaded fuel users.