MANUFACTURING – IRON, STEEL etc
1993
(A)

Alumina recovery project beginning to take shape

Star 6/1/93.

(200) (227) (189A)

The Industrial Development Corporation (IDC) expects the first phase of a project to recover alumina, magnesia and potash from phlogopite in Phalaborwa to be completed by the middle of this year.

A pilot project in the northeastern Transvaal town is being conducted to establish the commercial viability of treating phlogopite and could lead to the establishment of a full-scale plant.

IDC projects and technical general manager Ted Droste said yesterday that recovered alumina would be supplied almost entirely to the Alusaf smelter in Richards Bay.

The magnesia would be exported because the expected high grade of the beneficiated mineral was not in substantial demand domestically.

The recovered potash, used in producing fertilisers, would make SA self-sufficient

Irish Menell and Rosenberg mining analyst Dave Russell said the supply of alumina to Alusaf would be significant if it could be produced more cheaply than it was by international suppliers

Once the magnesia and potash was sold it would create production cost benefits for the alumina.

However, Russell said it was still too early to comment on whether a full-scale project would be commercially viable

Phlogopite, a mineral of the mica family, is a waste product produced in large quantities by Foskor in its phosphate processing operation.

Droste said the proposed full-scale phlogopite plant would treat 1,5 million tons of waste producing 350 000 tons of alumina, which would be able to supply about a third of Alusaf's needs

He would not elaborate on the cost of producing the alumina, but said it was sufficiently competitive.

Alusaf is expected to receive most of its alumina from Alcoa Australia and Shell Oil's Billiton at a price linked to the aluminium price on the London Metal Exchange.

The total cost of the entire phlogopite project could reach R3,9 billion if the pilot commercial project indicates it is viable.

Droste said the treatment of the phlogopite to recover alumina, magnesia and potash was financially viable and would ensure a good return on the capital — Sapa

2 000 Samancor jobs on line

JONO WATERS and DIRK HARTFORD 189A

WEAK ferrochrome prices had forced Samancor to look at rationalisation which could result in a number of retrenchments in the next two months, chrome division GM Wilrich Schroeder said yesterday

Schroeder, who had just returned from price negotiations overseas, said the company had concluded most contracts for the first quarter and prices and volumes were down on the December quarter

As a result, he said the company was negotiating with unions to "adjust" manpower levels However, he would not say how many employees would be retrenched until negotiations had been finalised Analysts said about 2 000 of Samancor's 7 000 employees could be affected

"The market is very depressed at the moment and difficult to assess It is hard to see which way it is moving, but prices are likely to remain flat over the next quarter," Schroeder said

The first quarter of this year would ascertain if deliveries of cheap Russian and Turkish production were of good quality, reliable and met the right standards

Asked if Samancor would cut its current capacity of about 65%, Schroeder said it would continuously adjust production at its 16 furnaces in line with demand

Meanwhile, the NUM said yesterday that the jobs of more than 2 000 workers in the Lydenberg and Phalaborwa regions were on the line as a result of extensive rationalisation plans by the mining industry in the region

According to the NUM, Anglovaal's Lavino chrome mine was planning to retrench 418 employees and phosphate producer Foskor wanted to retrench 900 workers The NUM added that the retrenchment of 169 workers at JCI's Consolidated Metallurgical Industries was planned It said Samancor wanted to

☐ To Page 2

BDAY 13/1/93

Samancor

BDAY 13/1/93. 189A

☐ From Page 1

retrench 243 employees at its Tubatse ferrochrome smelting operation and 419 workers at its Tweefontein chrome mine when its underground operations closed

In April last year workers at Tubatse agreed to defer wage increases until January 1993 and to forfeit fringe benefits such as shift allowances in order to save jobs But, according to the NUM, this had not been sufficient to stave off retrenchments

The Lebowa Development Co-operation's Dilokong chrome mine, where 98 workers were retrenched in Febuary last year, now planned to retrench a further 313 workers, according to the NUM Copper producer Palabora Mining planned to retrench 15 workers next month, the union said

The NUM was negotiating with all employers to try to minimise or avert retrenchments The union was suggesting mechanisms such as extended leave, a shorter working week and shorter working hours to save jobs.

Otis elevates earnings after competitor buyout

Blday 15/1/93. EDWARD WEST (189A)

OTIS Elevator's earnings climbed 30,5% in the year to end-November 1992 on the back of the acquisition of competitor Melcorp and lift repairs, said chairman Drew Gnodde

Turnover increased by nearly two-thirds to R186,3m from R117m in 1991 and operating profit improved by a slightly higher percentage to R21,1m from R13,1m the previous year

Knodde ascribed a great proportion of turnover growth and improvement in profitability to the R21m acquisition of Melcorp, which was included in the results for a full financial year for the first time, and subsequent rationalisation of the two companies' operations under Otis.

Interest received fell to R238 000 from R653 000. After paying a higher tax bill of R11,2m from R7,2m in 1991, net income was 56,4% higher at R10,2m from R6,5m the previous year.

The number of shares in issue increased to 20,4-million from 17-million due to a R7,5m rights issue last year to fund the acquisition of Melcorp Share earnings were diluted, but were nonetheless 30,5% higher at 50c compared with 38,3c at the end of 1991.

A final dividend of 13c (1991 10c) a share was declared bringing total dividend for 1992 to 25c (19c)

Gnodde said elevator sales were affected by slower building activity, but repairs were ongoing He said 1992 profit growth was unlikely to be repeated in 1993, but earnings should improve. Sector: See McGregors

Ferrochrome flutters (189A)

WEAK ferrochrome prices could put 2 000 of Samancor's 7 000 workers out of jobs, believe analysts.

This week, the company revealed that most of the contracts concluded for the first quarter of 1993 were lower than the volumes and prices negotiatated last year. (21)

The mining industry also got nasty New Year news when Doornfontein Mine announced that it would probably close next year. W/Mail 15/1 - 21/1/93

The National Union of Mineworkers believes that 2 000 jobs could be lost to combined retrenchments at Lavino chrome mine, Foskor, JCI's Consolidated Metallurgical Industries, Samancor's smelting works Tubatse, the Dilokong chrome mine in Lebowa and the Palabora copper works.

Iscor's steely recovery

1894 ARG 16/1/93

JOHN SPIRA
Weekend Argus Correspondent

■ Last year Iscor earned the dubious distinction of being among the JSE's worst performers. But in the past couple of weeks it's turned around sharply. Why?

ON the last day of last year, Iscor dropped to an all-time low of 62c, taking its 1992 loss to a considerable 68,4 percent

Almost on cue, as the new year began, so the share price turned around and at 79c is a now a healthy 27,4 percent off bottom

Why the sudden about face? The correct answer is crucial, since it could reveal whether or not the share will continue rising

To suggest that the shares were oversold and overdue for a positive correction is to supply only part of the answer, the remainder of which I was fortunate enough to unearth in a comprehensive study of the steel giant recently completed by stockbroking firm EW Balderson Inc, which notes

Iscor is one of the lowest-cost integrated steel producers in the world and one of the few which are still profitable

Its steel plants are producing at full capacity in spite of the worldwide recession

Increased production and added value through new products since privatisation have established a larger profit base from which the company will benefit significantly when the world and SA economies improve

Iscor's profitability should improve in the medium term and the share price can be expected to start reflecting this within the next six months

The company's profitability is specifically geared to the price of steel (especially the more lucrative local market), interest payments and currency movements

Balderson analyst Louis Venter indicates that profitability is being enhanced by lower interest and capital expenditure, a weakening rand, stable international prices, increased volumes, continuous adjustments to local prices, improved productivity and added value

"When local demand firms, Iscor's profitability will improve markedly as the dual effect of relatively high prices and higher volumes is realised"

He points out that the Fortune 500 ranked Iscor as the steel company with the highest return on both sales and assets during 1990

"Its productivity has improved by three percent annually over the past five years and it is expected to continue to improve The company recently completed its new continuous casting plant, which will significantly cut costs further"

In the financial year to June 1992, interest was 60 percent of operating profit During calendar 1992, the prime interest rate declined by three percent, which, Mr Venter estimates, saved Iscor about R19,5 million

Iscor's exports are denominated in US dollars In the past three months the rand has weakened against the dollar, with the result that Iscor has received a better rand price for its steel And Mr Venter expects the rand to continue weak relative to the dollar

"The average exchange rate of the rand for the 1993 financial year is expected to at least cancel the profit erosion caused by inflation this year This was not the case during the past two to three years."

Mr Venter draws particular attention to Iscor's focus on continuously adding value by developing new products

"Since 1989 additional capital expenditure on expansion enabled the company to increase profits by some R270 million through added value The impending completion of more plants will further add to this"

Balderson predicts that interim earnings (for the six months to December 1992) will be down 19,4 percent to 7,5c a share and that the interim dividend will be cut to 2,5c (3c)

For the full 12 months it projects earnings of 15c (18,5c) and dividends of 5c (6c)

Metal producers face another tough year

Star 18/1/93. (189A) 231

LONDON — Metals producers are bracing themselves for another punishing year

Among the metals traded on the London Metal Exchange only copper is priced at a level that gives efficient producers a reasonable return.

For the rest, prices are not high enough for producers to survive in the long term

They are cutting investment, stopping exploration and postponing projects in a way that is storing up trouble for the future

But most analysts believe there will be no substantial rebound in 1993

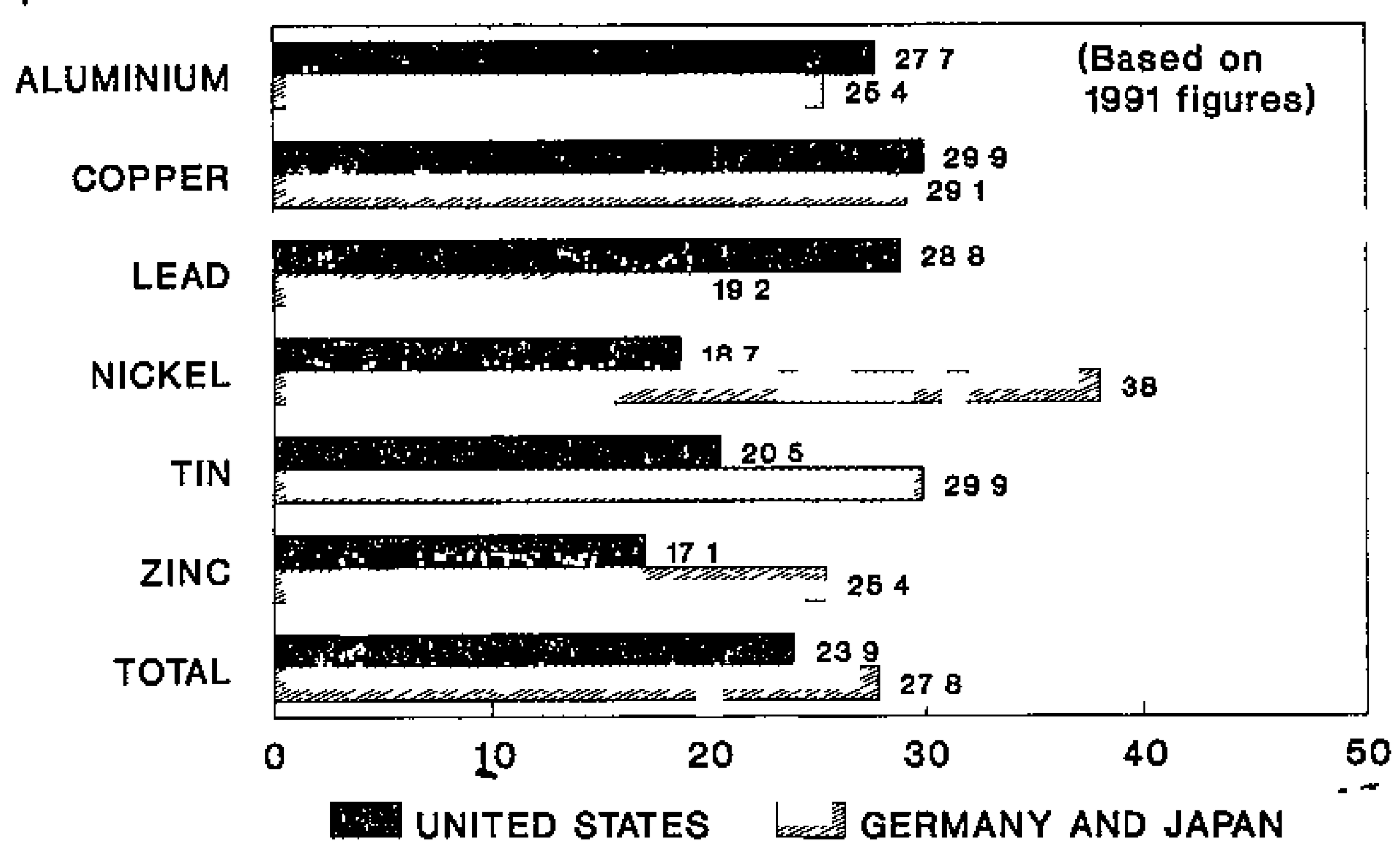
"Prices will remain soggy unless there is a significant upturn in the world economy," says Philip Crowson, chief economist at RTZ, the world's biggest mining company

He does not believe base metal prices will fall much further but thinks they will not improve until well into 1993

"In important areas such as construction and automobile production and many capital goods sectors, activity will remain below the peaks of the late 1980s, even as we go into 1994"

More production cuts by aluminium, nickel, lead and zinc producers are needed if prices are to show a short-term recovery, he says

PERCENTAGE OF WESTERN CONSUMPTION



Germany and Japan together have become more important consumers of metals than the US and the slowing of their economies is expected to offset any pick-up in US consumption.

Crowson is not alone in this belief LME prices have been on a rising trend in the last weeks of 1992 and the first days of the new year but this is not good news for the industry, according to Neil Buxton at the Metal Bulletin Research consultancy organisation

"It means the industry will delay the production cuts needed to reduce stocks and raise prices," he says

Stocks of aluminium, lead, nickel and zinc in LME warehouses are at record levels and those of copper and tin are uncomfortably high

Demand for metals will not increase enough to cut stocks appreciably, Buxton suggests, and it is also unlikely that the flood of metal from the Commonwealth of Independent States which is creating havoc in Western metals markets, will ease in 1993

These comments are echoed by Thomas Baack, chief economist for Germany's Metallgesellschaft mining and metals group

"The underlying situation of the non-ferrous metals markets hardly changed at all in the course of 1992 and in all probability will not do so in 1993 either," he says

"Production and consumption in the western world are stagnating or growing at an equal rate

"However, the imbalance caused by east-west trade persists and at this moment there are no prospects of improvement in this respect"

Most metals market forecasters subscribe to the view held by the 24-nation Organisation of Economic Co-operation and Development, which is forecasting only a very weak recovery in 1993

The OECD's central projection is that economic growth in 1993 will be about 1,9 percent, a substantially lower figure than the 3 percent it was forecasting six months ago

Growth last year is estimated to have been a lowly 1,5 percent

When growth is as low as this in the OECD countries, there is a strong chance that growth in manufacturing output will be lower still

As the Economist Intelligence Unit comments in its latest World Commodity Forecasts "Even allowing for a higher rate of growth among the less developed countries, world manufacturing output may well rise slowly enough to make any increase in world consumption of metals very doubtful"

The only good news in the OECD forecast is that the US economy — the most important in the world for metals consumption — is picking up at a slightly more rapid pace than previously expected

But this is being offset by the bigger-than-forecast fall in Germany and the slowing of growth in Japan.

But this is being offset by the bigger-than-forecast fall in Germany and the slowing of growth in Japan

Euan Worthington, head of the mining team at S G Warburg, points out "Together Germany and Japan are even more important metal consumers than the US"

Most forecasters assume there will be no easing of the pressures arising from the sudden swing in east-west metals trade seen since 1990

Import demand for lead, tin and zinc in the former eastern bloc countries dried up while the region's exports of aluminium, copper and nickel to the west grew at a frightening rate

Much of the extra exported metals were the main factor in the collapse of base metals prices since 1991 — Financial Times

Iscor expected to pass its interim dividend

(189A) APR 22/1/93

STEPHEN CRANSTON

JOHANNESBURG — Iscor is likely to pass its interim dividend, predicts Jacques Pickard, an analyst at broker Davis Borkum Hare

Mr Pickard reported Iscor had a high level of debt, with gearing at 30 percent and interest covered 1,9 times by operating income in the year to June, down from 3,7 in the previous year

He said that while many international steel companies were in the red, Iscor continued to trade profitably thanks to its low production costs and dominant local market share

But over five years profitability had been poor, with a return on total assets of 11,4 percent and a return on shareholders' funds of 12 percent

Mr Pickard predicted interim earnings a share would fall from 9c to 5c

The steel industry was at a low point of the business cycle, and worldwide demand was expected to bottom at between 710 and 720 million tons

International prices were forecast to remain weak because of overproduction, though there were signs international producers were cutting output

In the Eighties, South Africa had a below-average GDP growth rate of 1,9 percent. Consequently, domestic steel demand lagged forecasts and resulted in overcapacity

Utilisation had been maintained by high export levels — which would account for 58 percent of Iscor's production this year — but exports were sold at lower profit margins

Iscor had cut back on capital expenditure to R600 million, of which R500 million would be spent on the replacement of assets

Working capital fell in 1992 from 30 percent to 24,4 percent of sales and the group had scope to reduce the figure further

Mr Pickard predicted local sales should improve only from mid-1993 and that there would be further falls in Iscor's earnings a share in the six months to June

But there should be renewed growth in 1994 and 1995, which should see a revival of local economic growth

The United States economy appeared to be growing, but the Japanese and European economies were weak and unlikely to recover in the next year

● Struggling Free State gold mine **Loraine** has won government approval to work on Sundays for six months

But Loraine is not yet out of the woods

Government approval does not automatically mean employees and other interested parties will agree, and discussions are to be held

Loraine has found high-grade deposits and the sooner it can develop these and get the ore to the mill, the more chance it has of operating at a profit

● Minorities in **Meters**, which had its listing terminated on December 17, will finally receive payment for their shares, and instead of the original 67,3c a share due to them, they will be given 78c a share

Control of Meters was sold by Woodrow Holdings to Garditex International Finance in 1990

Aluminium comes into can market

S| Times (Buss) 24/1/93 189A

By MICHAEL WANG

THE R800-million beverage-can industry is facing fundamental change

This year Durban-based drum and pail manufacturer Rheem will begin making aluminium beverage cans Rheem is a division of Anglo American subsidiary Highveld Steel & Vanadium

SA's annual production of 2,3-billion beverage cans are made of tinplate, a steel-and-tin composite

The imminent entry of aluminium has caused uneasiness at SA's two makers of beverage cans, Nampak and Crown Cork, who fear that aluminium could make tinplate obsolete as a beverage-can material

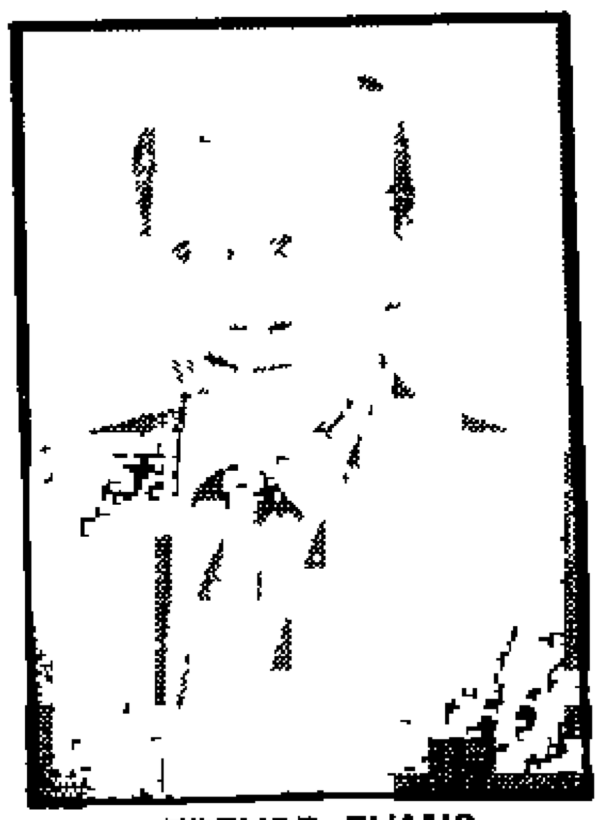
Iscor officials are also worried As the industry's exclusive tinplate supplier the steelmaker stands to lose as much as R200-million a year if beverage cans become entirely aluminium

"We are confident that we can meet the challenge from aluminium," says Nick Kock, technical adviser at Iscor "We have a tried and proven product in tinplate"

While costlier and generally less durable than tinplate, aluminium is considered a "cleaner" product and more efficient to recycling

Most industrialised countries have discarded tinplate in their beverage-canning industries "It was only a matter of time before aluminium came here," says Rheem MD Stuart Park

The Rheem project be-



TREVOR EVANS

came feasible after HS&V succeeded in having the import tariff on aluminium body stock cut from 25% to 5% Ironically, Nampak and Crown Cork sniffed at bringing in aluminium, saying it was too expensive "We are backing tinplate," says Nampak MD Trevor Evans

Rheem officials say though aluminium is initially pricey, an extensive recycling programme will be achieved by paying consumers for returning empties

Tinplate cans, with their steel base, tin coating and aluminium lids, are not economic to recycle

Rheem's R150-million plant in Wadeville is due for completion in June and is expected to employ 100 people

The cost of the plant and relatively few jobs created by the project — effectively R1,5-million a job — is the type of investment that the World Bank has argued is not capital-efficient

Rheem will have to depend on offshore producers for its aluminium With the exception of Hulett Aluminium, which supplies aluminium for beverage-can tops, SA does not have the capability to meet Rheem's needs

Mr Park confirms that a multiyear deal to supply 7 000 tons of aluminium annually has been signed with Australian suppliers Alcoa and Comalco

Large-scale expansions at Hulett's aluminium works and Alusaf, which are both expected to be completed by 1997, will allow Rheem to source domestically

Rheem's entrance to the beverage market is expected to increase can production by 500-million units a year, or almost a quarter of the industry's total output

This at a time when markets for beverage cans are depressed after consecutive years of flat or negative sales growth from the industry's biggest customers, SA Breweries and ABI

"After Rheem's entry it will be an overtraded market," contends Piet Neethling, Group MD of Consol, the diversified bottle-maker

Mr Park says that about 80% of Rheem's output has been bought by soft-drink canners Amalgamated Beverage Canners SA Brews is understood to be waiting until the success or otherwise of aluminium softdrink cans has been determined

Neither Nampak nor Holdains is taking the aluminium challenge lying down Both have announced they will be producing slightly smaller can ends this year The modification will reduce the cost of the can

Local industries 'will benefit'

Columbus ties up R1,5bn in contracts

(1891)

BDay 27/1/93.

JONO WATERS

IN A move expected to bring some relief to the depressed construction and engineering industries, the Columbus Joint Venture yesterday announced the awarding of more than R1,5bn in contracts

The initial contracts, for machinery and equipment for the plant under construction at Middelburg, would go mainly to companies abroad, CE Fred Boshoff said

However, local contracts for overhead cranes had been awarded to Mannesman Demag, while further orders to the value of about R600m would be placed for services, utilities and infrastructural equipment in the next six months, Boshoff said

Added to this, contracts for civil and structural work totalling R300m would be awarded in the next few weeks

Boshoff declined to name the local companies involved as some of the contracts still had to be awarded

He said tenders offered by contractors had been revised downwards since the middle of last year as a result of current economic conditions

Another estimated R300m would be spent on technology and project management during the construction period

"We are spending R1,1bn on goods from abroad and R1,4bn will be spent locally. However, this amount will be escalated by the time the project is completed"

Export credit financing of R1,1bn would cover imports from Voest Alpine SA, Danieli, Davy SA, Edner Industriefenbau and Maschinenfabrik Herkules Equipment that could be sourced locally would make up the balance of the R1,5bn, Boshoff said

The cost of the joint venture was estimated at R2,55bn in December, when the project was given the go-ahead. However, cost-escalation and interest on borrowings would push the final cost to R3,5bn, said Boshoff

"The joint venture expects that the capital invested will provide a welcome boost to the currently depressed SA construction and engineering industries." There was growing demand for stainless steel and Columbus would be a competitive producer at production cost level, he said

Samancor, Highveld Steel & Vanadium and the Industrial Development Corporation are joint partners in the project

Full production of 500 000 tons a year was expected by the end of 1995. The cold mill would be the first plant to be commissioned at the end of 1994, followed by the hot mill in the first quarter of 1995 and the steel plant in the third quarter of 1995

Columbus had agreed to UCT's environmental evaluation unit recommendations that equipment with the potential to pollute or create a disturbance would be equipped with modern means of limiting damage to the environment, Boshoff said

Columbus awards first contracts

STAR 27/1/93.

(189A)

Finance Staff

SA's giant stainless steel project Columbus will award contracts in excess of R1,5 billion this year, Columbus Joint Venture CE Fred Boshoff said yesterday

Boshoff also announced the first contracts for machinery and equipment, which went mainly to overseas companies

He said the civil and structural work contracts would be awarded in the next few weeks, which would push the value of the contracts awarded to R1,5 billion

This amount included orders of about R600 million for the services, utilities, and infrastructural equipment

The first contracts awarded went to Mannesman Damag for the overhead cranes, to Voest Alpine SA (steel plant), Danieli (slab grinders), Davy SA (hot and cold rolling mills), Ebner Industrieofenbau (batch annealing) and to Maschinenfabrik Herkules (roll grinders)

Boshoff said that with the initial contracts awarded the project would begin with the environmental programme He said a policy of strict energy monitoring would be adhered to and provision made to conserve water and minimise waste

Gencor head office staff face cuts

JONO WATERS

GENCOR chairman Brian Gilbertson confirmed yesterday that about 10% of the company's head office staff would be retrenched because of the recession

The divisions affected were Trans-Natal and Samancor, he said

Gilbertson declined to disclose the number of employees involved, as not all concerned had been notified However, sources put the number of retrenchments at about 80 BDAY 28/1/93

"In line with the restructuring of head office and in the light of current economic circumstances, we had to retrench," Gilbertson said

With Trans-Natal's operations concentrated in a smaller area, a reduced head office complement was needed to manage the corporation, he added Samancor's operations were running at less than 50% of capacity, also making head office retrenchments necessary 189A

Samancor has of late been hard pressed to maintain contract prices as a result of weak ferrochrome spot prices — pegged at around \$0,33/lb compared with the previous year's \$0,52/lb

Weak coal prices have also affected Trans-Natal's performance Industry sources said contract prices had fallen sharply to between \$25/ton to \$30/ton fob

In his annual review Gilbertson said the company would not be able to maintain its earnings in the current financial year

Fall in steel output reversed

(1894)

EDWARD WEST

THE sharp fall in world steel production early in 1992 slowed towards the middle of the year and has since reversed in some areas in spite of world over-production of about 15%, say industry sources

The latest Mineral and Energy Affairs bulletin said former East Bloc steel producers, which lost 15% production capacity in 1991, continued to curtail production as old and inefficient steel works were phased out Hungary and Romania fared badly, with output falling 25% and 27,2% respectively

Commonwealth of Independent States (CIS) production fell by more than 22% in the early part of 1992, but the rate slowed to 15,6% for the first nine months. Total world production for the first nine months of 1992 dropped 2,8% to 523,3-million tons, indicating a yearly output of 713,8-million tons

Bday 1/2/93

The bulletin said steel production in eastern Europe declined significantly over the past two years, but ferroalloy production had not fallen in proportion, and surplus material was being exported to the West at very competitive prices

This applied in particular to manganese alloys, making the short- to medium-term prospects for price increases for these commodities gloomy

While steel production in West Germany was still declining, many of the other West European producers registered increases for the first nine months of the year. Production in France rose 0,6%, Italy 2,9% and Britain 0,3%

Output in Canada and the US dropped 7,3% and 6,2% respectively, and 12,8% in Australia The total for all industrialised countries fell 2,3%, mainly because of the 12,9% fall in production in Japan

Steel production in China continued to climb sharply, and increased 14,2% in the first three quarters of 1992, after climbing 6,2% the year before

Steel production in Latin America improved 5,1%, Brazil 6,1%, Chile 8,1%, Mexico 5,1% and Venezuela 18,1%.

An Iscor spokesman said the group, which produces 75% of SA's steel, turned out 6,03-million tons in 1992, up 7,7% from 5,6-million tons in 1991. He said world over-production of steel climbed from 7% of demand in 1991 to about 15% in 1992

However, he added that there had been production cutbacks in Britain, Japan and Germany in the past month which would help bring world production more in line with demand

Ferrochrome prices push CMI into the red

BIDAY 5/2/93. (189A)

JONO WATERS

WEAK international ferrochrome prices had pushed Consolidated Metallurgical Industries (CMI) further into the red and there appeared to be no relief in the short term, CE Sandy Wood said at a news conference in Johannesburg yesterday

In the six months ended December 31 1992, CMI made an attributable loss of R26,1m compared with a loss of R180 000 during the same period in 1991

Wood said the company was now operating only one of its five furnaces

CMI's overall capacity utilisation was 25% of its capacity of 330 000 tons a year.

Turnover fell to R126m (R144m) and the company produced an operating loss of R16,8m (R10,4m profit) A reduced interest bill of R4,19m (R6,2m) resulted in a pre-tax loss of R21m (R4,17m profit) Preference dividends of R5,18m (R4,31m) were paid.

Wood said trading conditions were "extremely difficult" for CMI as the company was more sensitive to price than volume

Low spot market prices of around \$0,35/lb had forced contractual producers to lower prices. However, prices in the contractual market were between \$0,40/lb and \$0,45/lb.

The company's two furnaces in Rustenburg had been closed towards the end of last year and were expected to reopen at the end of January. However, Wood said this did not happen and he could not see them opening this month.

However, Wood felt that the damage to the ferrochrome market had "reached its capacity" While the short term was not going to be easy, CMI had facilities to keep it going The cash balance at the end of the period amounted to R6,88m

Deputy marketing manager Alastair McAdam said the international ferrochrome market was oversupplied largely as a result of material from the Commonwealth of Independent States and former Eastern bloc countries — dumped on the market to earn foreign exchange.

A 300% devaluation in the rouble in the past two years had resulted in the commonwealth offering "unrealistic prices" for their material as they had "very little business acumen"

McAdam said SA producers would rather accept a lower world market share than a massive cut in prices and, as a result, a two-tier price system had developed

Traditional contractual suppliers were receiving higher prices than traders in the spot market Spot market ferrochrome still had to prove its quality, quantity and reliable deliveries

Demand for stainless steel, with ferrochrome the major input, was expected to increase at 2% a year until the year 2000 However, ferrochrome production would have to be cut, he said

Star 5/2/93

Massive loss for CMI in profitless markets

(189A)

By Derek Tommey

South Africa's ferro-chrome exporters are suffering heavily from cut-throat and profitless competition in over-supplied world markets

This has led to Consolidated Metallurgical Industries, one of the country's "big two" exporters, having an attributable loss of R21,0 million for the six months ended December against an attributable loss of R180 000 for the same period a year earlier.

CMI has again passed its dividends These were last paid in 1990

Chief executive Sandy Wood reports that the serious oversupply position in the ferrochrome market had been exacerbated by spot sales at distress prices.

The result was that South Africa's market share had fallen sharply in most countries In America from 43,5 percent to 28,0 percent, Japan from 63 percent to 57,6 percent, in Germany from 52,7 percent 20,5 percent, in Italy from 46,4 percent to 29,0 percent, in France from 66,0 percent to 60,9 percent and in the Benelux countries from 31,4 percent to 16,4 percent

Because of the oversupply situation CMI had cut production by almost 65 percent and only one of the company's five furnaces was now in operation

Furnaces closed

Its three smaller furnaces at Rustenburg had been closed as had one of its two larger furnaces at Lydenburg This had led to the retrenchment of about 170 people or about 20 percent of its labour force

However, Wood believes that the situation could change CMI is planning to restart one of its Rustenburg furnaces next month in order to maintain current stocks But a production rate of less than 50 percent is foreseen for some time to come

A major feature of the market had been disruptive sales of ferro-chrome from the CIS countries, the former Eastern bloc and "social" sales from Norway, other Scandinavian countries and India," said Alistair McAdam, CMI's manager marketing

He said the social sales came from countries which were less interested in selling at a profit and more interested in maintaining full employment

The CIS countries and ex-Eastern bloc producers were mainly selling through traders in a bid to raise foreign exchange

These traders were not known to the industry, had no stocks, had no proof of continuity of supply and sold at cut prices This had forced other producers to follow suit

However, CMI was not prepared to join this party Instead it had cut back production

One of the factors which had encouraged ferro-chrome users to buy in the spot market had been the belief that the existing established producers could make good any shortages

But with these now having cut back on production, it could become increasingly risky for users to relying purely on the spot market for their supplies.

Because of this it is believed that the bottom of the market is close, says Wood

The continuation of considerable production cuts by even the most competitive of suppliers, including CMI, and signs from the market that the availability of spot metal is decreasing, gives some weight to this belief

Turnover in the six months ended December was R125,7 million (R143,7 million) and the operating loss was R16,8 million (profit of R10,4 million)

Loss before tax was R21,0 million (profit of R4,2 million) No tax (R46 000) was payable The loss was equal to 61c a share

At December 31, CMI had current assets of R187,2 million (R213,6 million) At present the company's prime objective is cash management

Steel industry probe has been completed

ADRIAN HADLAND (189A)

PRETORIA — An investigation into alleged restrictive practices in SA's steel industry has been completed and a report will be handed to Public Enterprises Minister Dawie de Villiers this month, says Competition Board chairman Pierre Brooks.

The investigation, which did not include primary steel producers but companies "further downstream", had taken about a year to complete, he said.

The time required to look into complaints concerning the industry was comparable to similar investigations undertaken by the Monopolies and Mergers Commission in Britain and equivalent bodies in the US and Europe, Brooks said yesterday.

"These things sometimes require long periods depending on the complexity of the issues and the availability of the parties." 8/10A

The board's recommendations on action to be taken within the steel industry would only be publicised once the Minister had seen the report, he said.

The existence of a possible monopoly situation within SA's coal industry and allegations of restrictive practices were also being investigated by the board, Brooks said. 9/2/93.

While further meetings between the parties involved would be taking place this week, Brooks said, De Villiers was likely to receive recommendations from the board next month.

The board's investigation into the coal industry was begun in August last year.

The board, which was founded in the early '80s to investigate sectors of SA industry and commerce vulnerable to monopolistic control or restricted trade practices, is currently looking into a range of companies and organisations.

These include the steel and coal industries, and Transnet and the SABC, which, independent producers claim, have starved the private sector of work.

The board had noted an increasing number of restrictive practice allegations against parastatals, he said.

Highveld Steel earnings drop 16%

BDAY 9/2/93. (189A)

JONO WATERS

HIGHVELD Steel & Vanadium reported a 16% drop in attributable earnings in the year ended December 1992 because of poor steel demand in the export and local markets, chairman Leslie Boyd said yesterday

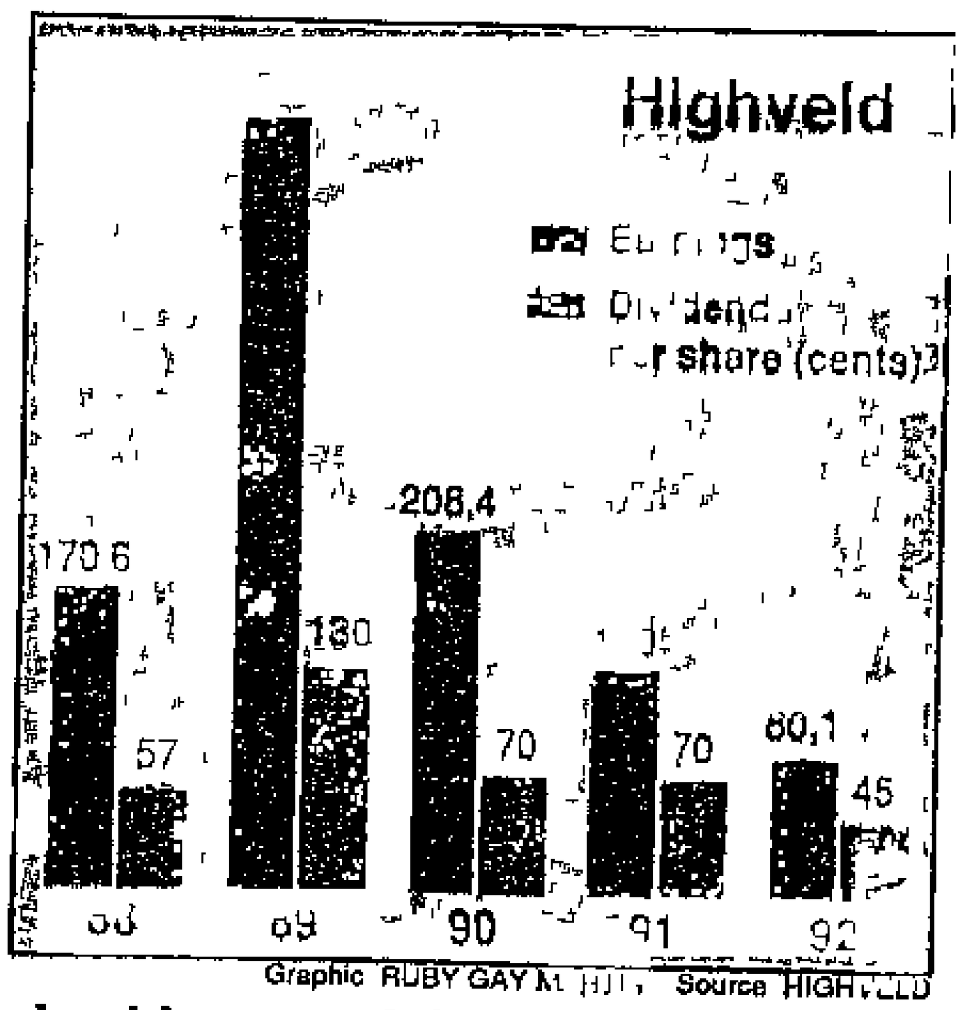
The group cut its total dividend by 36% to 45c a share Earnings a share fell to 80,1c (130c) diluted by the larger number of shares in issue

Turnover rose 8% to R1,49bn (R1,38bn), but pre-tax profit dropped 32% to R74,4m (R109m) reflecting higher costs

Lower tax of R3,4m (R13,6m) reduced attributable income before extraordinary items by 26% to R70,8m (R95,6m) Extraordinary items credited Highveld R5,49m, compared to deductions of R4,33m in 1991

Boyd said total world demand for steel fell during 1992 and world production of crude steel fell 2,9% in 1992

Local steel sales from the group declined because of the weakness of the SA economy and customers' reliance on large inventories held by merchants.



Graphic RUBY GAY ... Source HIGHVELD

☐ To Page 2

Highveld

BDAY 9/2/93 (189A)

☐ From Page 1

However, Boyd believed that during 1993 the bottom of the cycle affecting the group's results would be reached

Vanadium pentoxide consumption remained at a low level in line with world steel production The recommissioning of Vantech and low grade vanadium pentoxide and ferrovanadium knocked prices

The group's Vantra division was operating at 25% of its 26-million pound a year capacity 9/2/93.

The vanadium trioxide project was scheduled for completion this year

Silicomanganese and medium carbon ferromanganese prices were also under pressure because of oversupply and fierce competition As a result the Transalloys division operated at a reduced capacity throughout the year, Boyd said.

The Rheem aluminium can factory was ahead of schedule and was expected to start supplying customers by mid-1993

Meanwhile, at a sod-turning ceremony at the Columbus expansion project in Middelburg yesterday, Boyd — who is chairman of the venture — said R1,5bn would be spent in the local economy through awards to local contractors

Highveld, Samancor and the Industrial Development Corporation (IDC) are equal partners.

CE Fred Boshoff said a shortlist of the civil contractors included Murray & Roberts, LTA and Concor, while contractors Dorbyl, Genrec and Grinaker were shortlisted for structural work.

Boshoff said ferrochrome would be sourced from Samancor "at an arm's length market-related price". If Columbus was not happy with Samancor's prices, the venture could call for an audit on producer prices or put up its own plant

A contract had been signed with JCI for some of the venture's nickel requirements All the nickel would be sourced from Rustenburg Platinum and Impala Platinum

IDC MD Carel van der Merwe said the organisation had spent more than R6bn in the past financial year compared to R2bn in the previous year The IDC had bought a third of the existing plant at Middelburg Steel & Alloys and was financing a third of the expansion He said the group's interest would eventually be reduced to 15%

Columbus giant begins to roll

STAR 9/2/93.

By Derek Tommey (1891)

Plans to make South Africa one of the world's major and also the world's cheapest stainless steel producer took a major step forward yesterday.

Leslie Boyd and Brian Gilbertson, joint chairmen of the Columbus Joint Venture, both collaborated in turning the first sod at the Middelburg site on which the R3,5 billion project is to be built.

Boyd said it was a very symbolic step It was most important to beneficiate and add value to South Africa's raw material to earn foreign exchange and provide new jobs, as the new plant would do

Company officials said the permanent labour force would probably increase from about 1 700 to 1 800 people, but some 5 000 people would be employed on construction work during the next three years More employment would be created in factories supplying plant for the project.

Boyd replied to criticism that not enough contracts had gone to South Africa companies

The criticism followed the awarding of a major contract for equipment worth R800 million to a British company, Davy International

Boyd said there were only a few companies in the world with the highly specialised skills needed to build a modern stainless steel plant.

However, contracts worth R1,5 billion were being placed with local companies, and Davy had undertaken to buy locally wherever possible.

Boyd said that Columbus would be a significant player in the stainless steel industry with a production of around 500 000 tons a year and ranking between fifth and sixth.

He paid tribute to the Industrial Development Corporation for supporting the project by taking up a third interest. "If the IDC had not come to the party it would have been very difficult (for Anglo American and Gencor, the controlling shareholders) to justify this together," he said.

After the ceremony Dr Carel van der Merwe, chairman of the IDC, said that his organistion had been extremely busy in the past six months supporting new projects

Altogether it had approved some R4,5 billion for projects which together would involve an outlay of some R12 billion. These projects included Namakwa Sands, the Alusaf aluminium project, and the Columbus project.

Other projects were being considered in conjunction with Sappi and Sasol. He said the proposed steel-semis plant at Saldanha in which Iscor would have a stake was still in the pre-feasibility stage The current investigation would last a further six months

Fred Boshoff, managing director of Columbus, said the decision to build the plant was an act of faith in the future of South Africa.

He said the plant would be state-of-the-art.

It was planned to build a plant which would make Columbus in three years' time the world's preferred supplier of stainless steel.

The R3,5 billion cost comprised R2,5 billion for construction and equipment and a further R1,0 billion for inflation, interest, cost over-runs and contingencies

Weak markets impact on Hiveld's earnings

STAR 9/2/93

(189A)

Finance Staff

As forecast by chairman Leslie Boyd, the continued economic downturn in South Africa and the deterioration in market conditions for all of Highveld Steel and Vanadium Corporation's products resulted in a decline in earnings for the year ended December 31.

A final dividend of 25c a share has been declared (1991—40c) which, together with the interim dividend of 20c (30c), makes a total of 45c for the year

Earnings per share decreased to 80,1c compared with 130,0c in 1991, due to considerably lower domestic volumes and lower export prices

Attributable income, including net interest of R54,5 million, was R70,8 million, after providing R68,6 million for depreciation and R8,7 million deferred tax Net cash on hand at year end was R309,9 million

In his chairman's statement Boyd highlighted the difficult trading conditions Although production of steel dropped in Western Europe, Japan and the former Eastern Bloc countries, this was partly offset by increased output in the US and China

Semi-finished products (billets) showed a slight improvement towards year-end mainly as a result of delayed shipments out of the CIS.

Boyd notes, however, that this only served to emphasise how the large tonnages of steel emanating irregularly from the former Soviet Union and Eastern European countries were disrupting international markets

Referring to the local market, he said the continued weak domestic economy, coupled with a substantial inventory correction by steel merchants, impacted on local sales which declined by a significant amount during the year

Mr Boyd indicated that the board has approved expenditure of R56 million to upgrade the steel plant and improve steel quality.

CT 9/2/93. (189A)

Highveld Steel earnings slide 38%

HIGHVELD Steel and Vanadium, part of the Anglo American stable, mirrored the woes of the local and world economy when it turned in earnings 38% lower at 80,1c (130c) a share for the year to December

A final dividend of 25c (40c) a share pushed the total declaration to 45c (70c) — 36% lower than the previous year

Turnover rose 8% to R1,49bn (R1,38bn), but pre-tax profit dropped 32% to R74,4m (R109m) reflecting higher costs

Lower tax of R3,4m (R13,6m) reduced attributable income before extraordinary items by 26% to R70,8m (R95,6m). Extraordinary items credited Highveld R5,49m, compared to deductions of R4,33m in 1991

Chairman Leslie Boyd said total world demand for steel fell during 1992 and world production of crude steel fell 2,9% in 1992

Local steel sales from the group declined because of the weakness of the SA economy and customers' reliance on large inventories held by merchants

However, Boyd believed that during 1993 the bottom of the cycle affecting the group's results would be reached

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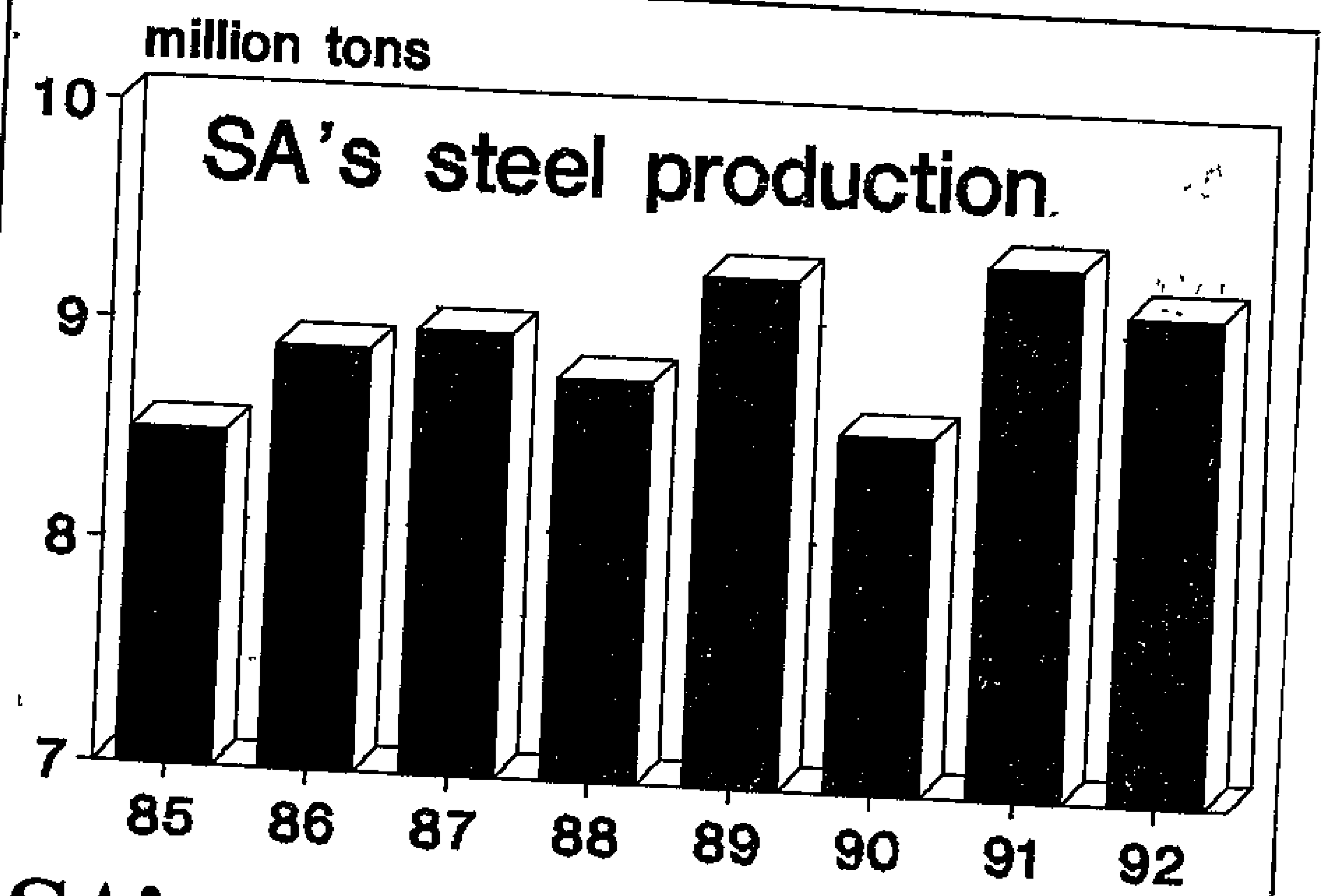
NESS



SA's steel output falls 2,2 pc

Finance Staff

Star 10/2/93

South Africa's steel production fell by 2,2 percent to 9,15 million tons last year from 9,36 million tons in 1991, according to figures released by the International Iron and Steel Institute in Brussels

The poor production figures reflect the continued economic depression in the major industrialised nations

On a monthly basis, however, SA steel production showed a slight improvement from 773 tons in November to 781 tons in December

Total world crude steel production at 714 million tons was three percent below the 1991 level of 735 million tons, led by a 10,5 percent fall in Japanese steel production to 98,1 million tons and a 3,6 percent drop by EC producers to 132,5 million tons. (189 A)

This more than offset a 4,3 percent increase in steel production by the United States to 83,2 million tons

In the developing countries production rose to 116,9 million tons, 5,1 percent above the 1991 level, while the largest increases were reported by Far Eastern countries (mainly China), whose output surged by 11,7 percent to 87,4 million tons

CMI FM 12/2/93

In the wars (189A)

Interim results from JCI's Consolidated Metallurgical Industries (CMI) bear a striking resemblance to a battlefield the income statement and balance sheet look as though they've been trampled by marauding hordes

The bottom line is an attributable loss for the six months of R26,1m That compares with a R180 000 loss at the same stage of

FM 12/2/93 (189A)

1991 and 1992's 12-month loss of R5,3m — a mere bagatelle against the latest figures

CMI is an important producer and exporter of ferrochrome That is a market, say the directors, which was overwhelmed by distress selling by former Eastern Bloc countries. The effect, of course, was to reduce substantially the prices earned by CMI

The *FM* calculates that sales proceeds net

BLOOD BATH

Six months to	Dec 31 '91	Jun 30 '92	Dec 31 '92
Turnover (Rm)	143,7	162,6	125,7
Operating inc (Rm)	10,4	4,5	(16,8)
Attributable (Rm) ..	(0,2)	(5,1)	(26,1)
Earnings (c)	—	(12)	(61)

of discounts and commissions probably dipped from US47c/lb to about US42c CE Sandy Wood won't comment

An interesting question is what happened to the rand equivalent of sales revenue This was a period during which, for a time, the rand actually hardened against the dollar — which had exporters worried and taking forward cover.

Wood says CMI was covered but won't reveal the average realised exchange rate other than to say he thinks "we did reasonably well, certainly better than the average "

However, the sharp fall in unit price and exchange rate moves, plus what was clearly a substantial cut in the tonnage offered for sale, combined to produce a dismal turnover of R126m, fully 12,5% down on the six months to December 1991

The balance sheet shows that CMI's pipeline has contracted since June Wood says it's intended to reduce sales volumes anyway, especially in the light of current conditions Cash has fallen by more than R10m, understandably in these circumstances, net worth has declined to R359m

Wood says the next six months will be even harder "Operational (unit) costs will be affected by much lower volumes And fixed overheads are unlikely to change and we will have to absorb a number of input price increases as well "

Despite all this gloom, Wood believes the bottom of the market is close It is good that he can look ahead with such confidence

David Gleason

FM 12/2/93 (189A)

HIGHVELD STEEL FM 12/2/93 (189A)

Dividend taking strain

The international recession finally affected the pockets of Highveld Steel & Vanadium (Hiveld)'s shareholders last year, when the board cut both interim and final dividends after maintaining payouts for two years

Reasons are the depressed conditions for almost every commodity the diverse steel and ferro-alloy group makes, as well as Hiveld's need to conserve cash and pay its share of the R3,5bn Columbus stainless steel project

Boyd now estimates that share will amount to R715m, taking into account Columbus' tax allowances This money will be spent by 1996, when it's forecast the peak funding requirement will be reached

Hiveld at end-December 1991 had R447,3m cash, but the depressed business conditions of the past 12 months and capital spending commitments have put a considerable dent in that It is spending R150m on the aluminium can production facility for its Rheem division and Boyd says another R56m is earmarked for upgrading the steel plant and improving steel quality

He says Hiveld will have net cash early this year of R400m, but that will include R120m to come from the Industrial Development Corp (IDC) The IDC paid R240m for a one-third stake in Columbus last year, to become an equal partner in the venture with Hiveld and Samancor.

TARNISHED EARNINGS

Year to	Dec 91	Dec 92
Turnover (Rm)	378	1 489
Attributable income (Rm)	[illegible]5,6	[illegible],8
E[illegible] c)	130,0	[illegible]0 1
Dividends (c)	[illegible]0 0	[illegible],0

Boyd says Hiveld will have to increase borrowings to meet its commitments but, given no unforeseen circumstances, a rights issue won't be necessary

Key factor will be whether 1993 turns out to be the bottom of the business cycle that has knocked Hiveld's earnings for three consecutive years If so, fortunes should start improving from 1994 Boyd avoids making predictions on 1993 earnings and dividends, but his review makes it clear it will be another tough year

The international steel market remains oversupplied because of large volumes being sold from the CIS and various eastern European countries, while SA steel demand has dropped sharply

The vanadium market has all but collapsed. Hiveld's Vantra division is operating at just 25% of its annual production capacity. The outlook is not promising because John Vorster's Vantech operation (formerly Rand Mines Vansa Vanadium) started production last year and Rhombus Vanadium is going ahead with its project, which will start producing in about two years

Markets for silico-manganese and medium carbon ferro-manganese remain oversupplied, while the ferro-silicon market has been swamped by material from China, the CIS and former eastern European countries Hiveld's Rand Carbide ferro-silicon production ran at 55% of capacity last year

Boyd expects, at best, maintained domestic demand for Hiveld's products in 1993 International prices of steel and alloys could be kept down by oversupply, despite a forecast 1,5% increase in world steel consumption

That could mean further pressure on the dividend — though Hiveld shares have risen to R9 from the 12-month low of 825c reached in December, underpinned by investors prepared to look long-term to benefits from Columbus

Brendan Ryan

Job prospects brighter for thousands

Plan for SA steel giant

(189A)

ARG 13/2/93

Weekend Argus Correspondent

JOHANNESBURG — Plans to make South Africa one of the world's major and cheapest stainless steel producers took a major step forward this week

Mr Leslie Boyd and Mr Brian Gilbertson, joint chairmen of the Columbus Joint Venture, both collaborated in turning the first sod at the Middelburg site on which the R3,5 billion project is to be built

Mr Boyd said it was a most symbolic step It was important to add value to South Africa's raw material to earn foreign exchange and provide new jobs, as the new plant would do

Company officials said the permanent labour force would probably increase from about 1 700 to 1 800 people, but about 5 000 people would be employed on construction work during the next three years More employment would be created in factories supplying plant for the project

Mr Boyd replied to criticism that not enough contracts had gone to South Africa companies

■ Employment hopes soar with the news that a new stainless steel plant is to be built, eventually boosting the labour force by thousands

The criticism followed the award of a major contract for equipment worth R800 million to a British company, Davy International.

Mr Boyd said there were only a few companies in the world with the highly specialised skills needed to build a modern stainless steel plant

However, contracts worth R1,5 billion were being placed with local companies, and Davy International had undertaken to buy locally

Mr Boyd said Columbus would be a significant player in the stainless steel industry with a production of about 500 000 tons a year

He paid tribute to the Industrial Development Corporation for supporting the project by taking up a third interest

"If the IDC had not come to the party it would have been difficult (for Anglo American and Gencor, the controlling shareholders) to justify this together," he said

After the ceremony, IDC chairman Dr Carel van der Merwe said his organistion had been extremely busy in the past six months supporting new projects

Altogether, it had approved about R4,5 billion for projects which together would involve an outlay of R12 billion These projects included Namakwa Sands, the Alusaf aluminium project and the Columbus project

Others were being considered in conjunction with Sappi and Sasol He said the proposed steel-semis plant at Saldanha, in which Iscor would have a stake, was still in the pre-feasibility stage The investigation would last a further six months

It was planned to build a plant which would make Columbus the world's preferred supplier of stainless steel in three years' time.

The R3,5 billion cost comprised R2,5 billion for construction and equipment and a further R1,0 billion for inflation, interest, cost over-runs and contingencies.

Iscor fears a world steel war

(189A)

S| Times (Buss) 14/2/93.

By CIARAN RYAN

CHAOS in the international steel market threatens to unleash a rash of anti-dumping investigations, with serious implications for Iscor.

Iscor has applied for an increase in import tariffs from 5% to 20% to replace variable rate formula duties, a move which some customers say will raise steel prices by 15%

The steel giant exports close to 60% of its total production at below domestic prices — leaving it exposed to charges of dumping in an increasingly protectionist world market

Volley

The Clinton administration slapped anti-dumping duties of 109% on exports of British Steel plate last month, firing the first volley in what could become an all-out steel war There are fears this could jeopardise the Uruguay Round of GATT and delay further trade liberalisation

European trade expert Jean-Francois Bellis told delegates at a conference in Johannesburg this week that Europe is certain to emulate the US example and institute anti-dumping investigations against steel exporters This follows investigations by the EC last year into SA exports of managanese parts at below the domestic price

The EC is attempting to thrash out an agreement on production cuts among European steel makers World prices have been hit by falling demand, but producers have been reluctant to trim output, currently 15% in excess of demand Few steel producers in Europe and the US are making profits because of falling prices

Mike McDonald, economist with the Steel Engineering Industries Federation of SA, says Iscor may not be in immediate danger of European opprobium because of sympathy over the harm caused by sanctions. "But that can change very quickly."

Iscor supplies less than 1% of the total world market of 716-million tons

Iscor has applied for 20% ad valorem duties to replace the 5% duties currently in place, a move which has incensed some customers

"Because Iscor prices its products based on what the equivalent imported product costs, this increase in duties from 5% to 20% will, if granted, result in domestic prices going up by 15%," says Robin Bosomworth of the Independent Wire Converters Association

"The export market is becoming increasingly tough for Iscor, so it is attempting to boost profitability by squeezing the domestic market even more"

A spokesman for Iscor says the higher tariffs are being motivated on the grounds that formula duties have to be replaced and ad valorem duties which have to be reduced over time to comply with the Uruguay Round of GATT He says 20% duties are not out of line with world trends

"These steps will coincide with the introduction of effective anti-dumping legislation under GATT"

Steel imports to SA account for less than 2% of the total, much of it products not manufactured in SA Given SA's geographical location and the cost of shipping steel from producing countries, there is almost no possibility of dumping in SA, says Mr Bosomworth

He says Iscor has been emboldened by the recent tariff increase from 5% to 15% granted to Haggie Rand on high carbon wire, steel ropes and cables and is attempting to have two-tier pricing for downstream producers cast as official trade policy

Undercut

Presently, in addition to the 5% ad valorem duty, a reference price ensures that imported steel does not undercut the local price for cold rolled steel The formula duty will have to disappear once SA signs the Uruguay Round of GATT

Mr Bosomworth, Iscor's most vocal critic, says domestic prices of steel are up to 60% more than export prices — the so-called two-tier pricing system Iscor defends this system on the grounds that it is common worldwide and that low-margin exports make an important contribution to fixed overhead recovery

Mr Bosomworth replies "Iscor has been trying to hoodwink everyone in the Department of Trade and Industry with this argument What they do not point out is that the differential between domestic and export prices in Europe are just a few percentage points — not 50% or 60%"

He cites the example of wire rod The domestic price of \$300 a ton in Germany compares with the export price of \$290. a difference of 3,3% The same product sells in SA for around R1 250 a ton compared to the export price of R750, a difference of 60% Cold rolled sheet sells for R2 150 free-on-board in SA, as against an international price of R1 350, a difference of 60%

The increasing dependence on low-margin exports is reflected in Iscor's earnings per share, down from 43,9c in 1989 to 18,5c in 1992 Exports as a percentage of sales increased from 37% to 53% over the same period

Local consumers who add value and export steel are able to buy from Iscor at heavily discounted prices This, however, accounts for a relatively small proportion of total sales

Metals analyst Kevin Kartun of Frankel Max Pollak Vinderine says Iscor's European markets could start to question the price at which the group is selling steel

"There is surplus capacity and oversupply, forcing companies like Iscor to export We are looking at a slow recovery at best."

Samancor will cut its dividend, say analysts

BIDAY 15/2/93. (189A)

JONO WATERS

FERROCHROME giant Samancor, which reports its interim results tomorrow, is expected to record a drop in earnings and a cut in dividend, analysts said yesterday

The world's largest producer of ferrochrome reports for the six months ended December 1992 against a backdrop of weak ferrochrome prices and low volumes.

Chairman Brian Gilbertson said two weeks ago that Samancor was now operating at 50% capacity and analysts said the group was receiving prices of between $0,40/lb and $0,45/lb

Davis, Borkum, Hare analyst Alex Wagner said he expected earnings to be down to 50c from 85c in the interim period, while earnings for the year would be down about 26% However, this would depend on the exchange rate.

Ferrochrome prices were significantly down compared to the same period last year and it would not be easy for Samancor until the oversupply from China and the Commonwealth of Independent States dried up, he said Manganese, which had kept Samancor "buoyant", was also soft.

Samancor's divisions were struggling to make profits and Wagner could see no turnaround in the next 18 months

Frankel, Max Pollak, Vinderine analyst Kevin Kartun said the results should be similiar to those of Highveld Steel & Vanadium with earnings down about 40%. "As vanadium has done badly for the one, so ferrochrome has done badly for the other "

The performance of Samancor's manganese division and Columbus would be steady, but the ferrochrome division would break even to a small profit "The rest of the group's performance is pedestrian," he added

Kartun's forecasts were for year-end June 1993 Earnings would be down to 96c a share from 151c a share last year, he said, and the dividend would be cut to about 60c (90c)

Fergusson Brothers, Hall, Stewart & Co analyst Philip Marillier was more optimistic, forecasting earnings of 110c a share for the year and a dividend of 70c a share.

Samancor had made a "big mistake" by trying to maintain the ferrochrome price in an oversupplied market and was now suffering.

"It will take a while for them to come right and they are in for a hard year," he said

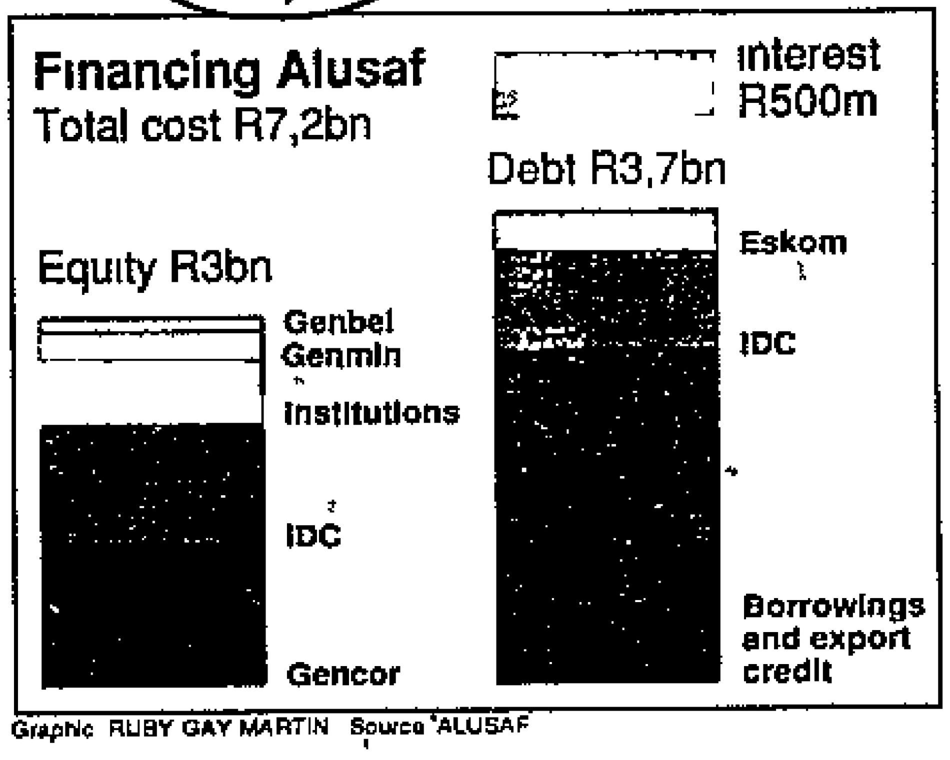
Irish, Menell, Rosenberg analyst Dave Russell said the results would be "well-off" when compared to the interim period in 1991

"The ferrochrome market is very difficult as is the manganese market and the results are not going to be very good "

Signs of strain in talks with bankers on Alusaf project

B1Day 16/2/93 (189A)

MATTHEW CURTIN



Graphic RUBY GAY MARTIN Source ALUSAF

THE first signs of strain may be appearing in negotiations between Alusaf and the consortium of commercial banks providing finance for the multibillion-rand aluminium smelter project in Richards Bay.

The total cost of the new smelter, which will turn Alusaf into one of the western world's largest producers, is about R7,2bn At least R3,5bn of that will be made up of borrowings and export credit facilities, provided by a consortium of commercial banks including Absa, Nedcor and Standard Bank

Industry sources said yesterday there was no indication of profound problems between the parties, but agreeing on project finance for a venture on the scale of Alusaf, with the risks peculiar to the aluminium smelting business, was proving difficult

Alusaf chairman Fred Roux said no problems had been encountered so far beyond those one would expect from "a group of hard-nosed businessmen trying to drive the hardest bargain"

He said the project finance talks would "inevitably be protracted" However, with significant equity finance attracted by Alusaf, borrowings would not be used for financing the early stages of the project, relieving time pressure from the current negotiations

Alusaf had contigency plans for raising borrowings from other sources should negotiations prove unsuccessful

Standard Bank project finance GM Rob Wassenaar said the size of the project was significant, as was the fact that it was the first of its size in SA The financial arrangements were complex, and agreement on loan finance would involve "considerable negotiation".

Nedbank project finance GM Wilhem Frost said because the project was an expansion of Alusaf's existing plant, it was in a sense already a third complete, complicating security arrangements.

Alusaf already benefits from a number of agreements which have reduced risks associated with the project to a manageable level, at a time of a glut of world aluminium supply and low prices Alusaf secured an aluminium-price-linked electricity tariff from Eskom and barter agreements with alumina suppliers, techniques commonly used by overseas aluminium producers

However, sceptics are yet to be convinced that this will be enough to ensure Alusaf falls into the lower quartile on the aluminium production cost curve. Such concern may be weighing heavily with Alusaf's bankers

Implats income slides by 25%

(18914)

JOHANNESBURG — The continued lacklustre price [illegible] impacted [illegible] on Impala Platinum Holdings performance for the [illegible] months ended December 1992 a[illegible] income fell 25 [illegible] R124 [illegible] R93 [illegible] share [illegible] 150c

CT 14/2/93

[illegible] over [illegible] the [illegible] the platinum [illegible] economic [illegible]

[illegible] the [illegible] the [illegible]

[illegible] logical [illegible]

● [illegible] appeal [illegible] against the [illegible] Barplats [illegible] owned [illegible] of Barplats Investments [illegible] to be heard in the Johannesburg Supreme Court this week.

Poor metal prices buffet Samancor

BDay 17/2/93. (189A)

JONO WATERS

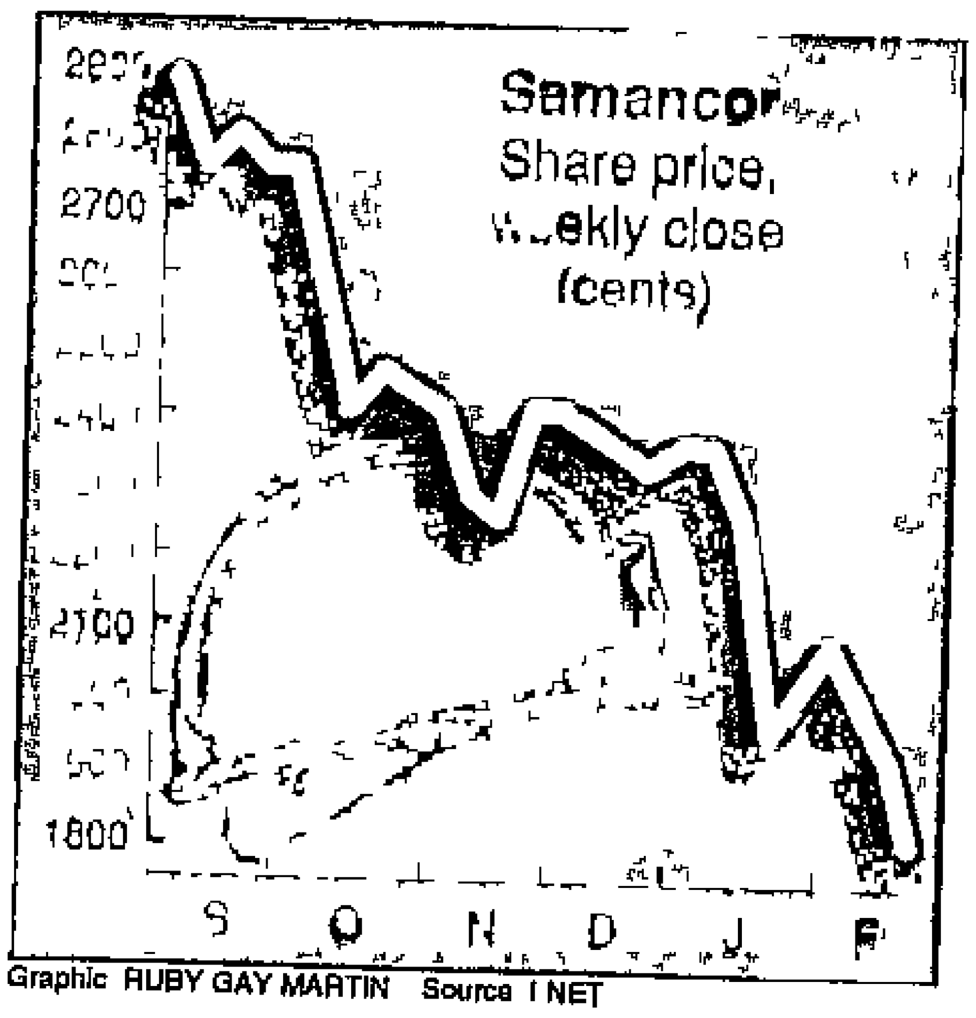
SAMANCOR reported a 31% drop in earnings to 59c (85c) a share in the six months to December 31 as the metals producer was buffeted by the effects of poor ferro-alloy prices. The group halved its interim dividend to 20c (40c).

Despite a significant weakening in metal prices and production cutbacks, the first half's turnover was only marginally lower at R931m against R954m in the previous year's first half.

The first half's pre-tax income fell sharply to R71,4m from R254m as operating costs were lifted by expenditure on retrenchment payments and furnace closures. MD Hans Smith said, however, that the rationalisation programme was virtually complete and employee numbers now stood at about 11 000 after a 30% reduction over 15 months.

He went on to say that profits had also been affected by a reduction in ferro-alloy prices, a changed product mix and higher production costs for some alloys.

After-tax income amounted to R96,4m (R152m), but increased revenue from associates of R18,5m (R6,94m) left net income at R115m (R159m).



Graphic RUBY GAY MARTIN Source I NET

Attributable income fell to R111m (R151m).

In financial 1992 turnover totalled

To Page 2

Samancor

BDay 17/2/93. (189A)

From Page 1

R2,06bn, the year's pre-tax profit was R381m and attributable income was R277m. The year's earnings were 151c a share and a total dividend of 90c a share was paid.

Smith said the group was now operating at 40% of its 1-million ton a year ferrochrome capacity, adding that the chrome division would not make profit in the current quarter.

"No producer can make a profit at current prices."

He added that Samancor had cut its ferrochrome prices by $0,025/lb in the last quarter He said Samancor was selling at between $0,43/lb and $0,45/lb in the US and Europe and at $0,47/lb in Japan where the producer price still operated.

Ferrochrome prices had touched $0,33/lb in the spot market in Europe late last year, but had now risen to between $0,36/lb and $0,40/lb according to the London-based Metal Bulletin, chrome division GM Wilrich Schroeder said Low spot prices are reported in the US by the authoritative Metals Week. Schroeder expected ferrochrome oversupply to persist for some time as cheap Commonwealth of Independent States material and increased scrap usage cut into Western producers' sales.

The income statement disclosed a special tax rebate of R76m arising from the group's 1991 restructuring

This more than offset the normal tax of R51m which, in turn, was half of the R102m tax payment in the corresponding period of the previous year.

Smith pointed out that Samancor's balance sheet remained strong with R500m in cash reserves, "an extremely healthy position to be in at this stage of the recession" Of these reserves, R386m was in cash and R120m was due from the Industrial Development Corporation for its share in the Columbus Joint Venture. "Those with strong balance sheets can weather the storm," Smith concluded.

Manganese division GM Dave Munro said the division was running at 65%-70% capacity, but he expected Samancor to increase its sales following the recent closure of a 130 000 ton a year British Steel plant.

Samancor has the capacity to produce an annual 350 000 tons of ferromanganese and 180 000 tons of silico-manganese

Negotiations with Japanese manganese buyers are due to start in the next few weeks. At present Samancor is selling ferromanganese at $2,85 a metric ton unit However, Munro expected negotiated prices to be 11% or so lower, matching cuts in iron ore prices negotiated by other producers and Japanese steel mills.

Star 17/2/93

Samancor forced to cut production

189A

By Derek Tommey

Not one ferro-chrome producer in the world is operating at a profit — but this position cannot last, says Hans Smith, managing director of Samancor, the world's biggest ferro-chrome producer

Samancor earned 59c a share in the six months to December, down 30,5 percent from the 85c earned a year earlier The interim dividend has been halved from 40c to 20c.

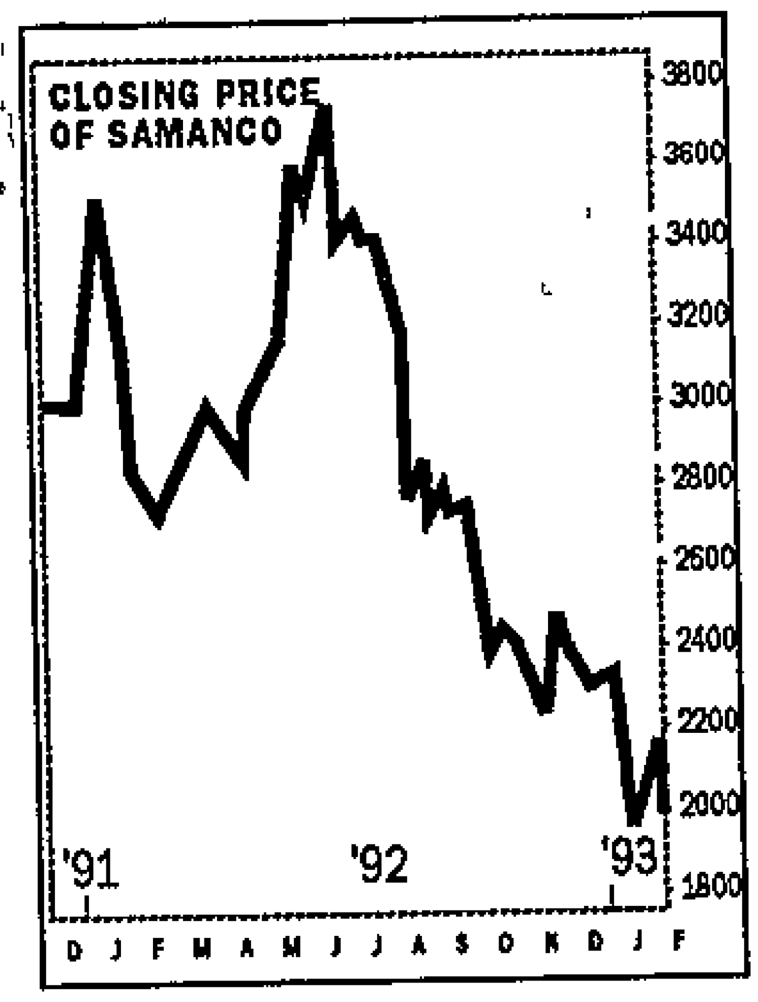
Announcing the results yesterday, Smith said that in a bid to bring about a better supply-demand position in the ferro-chrome market Samancor had cut back production to an effective 500 000 tons a year — half the company's potential production.

As a result a further 2 100 people at head office and at the operating centres had been retrenched The workforce had been reduced from about 16 000 18 months ago to just over 11 000.

Smith was reluctant to forecast the expected profit for the six months ended June except to say they would be low

But the company would receive an export incentive payment for the nine months ended December, which in view of the company's depressed earnings could make a significant difference to the year-end results.

A 3c a pound increase in the ferro-chrome price could also have a big impact on Samancor's profits



The market price of ferro-chrome was under pressure in the first half as a result of large quantities of scrap and ferrochrome coming on the market from the CIS and former Eastern bloc countries

Samancor's income before tax was R71,4 million (R254,4 million) but a cash refund of R73 million afterthe rationalisation of Samancor's structure resulted in a net tax credit of R25 million (payment of R102,8 million)

This, together with increased income from associates and a smaller minority interest, resulted in attributable income of R110,8 million (R151,0 million)

Tough going for Samancor

(189n)

JOHANNESBURG — Sinking ferrochrome prices impacted severely on Samancor's performance for the six months ended December 1992 as earnings a share plunged by 30% to 59c a share from 85c previously

However, Samancor's MD Hans Smith said the group was in a very healthy state with R500m in cash, including the R120m due from the Industrial Development Corporation for its stake in the Columbus expansion project

There was little joy for the shareholder in one of the world's largest ferrochrome producers as the interim div was halved from 40c a share to 20c

Attributable income to outside shareholders fell from R7,5m to R4,1m while attributable income for the group also fell from R151m to R111m

The income statement disclosed a special tax rebate of R76m arising from the group's 1991 restructuring This more than offset the normal tax of R51m which, in turn, was half of the R102m tax payment in the corresponding period of the previous year

Smith said its annual ferrochrome capacity of one million tons was now operating at 40% while ferromaganese capacity was 350 000 tons a year and full production of silicomanganese is 180 000 tons a year

But manganese division GM Dave Munro said the division was operating at around 70% of capacity This would probably increase because of the closure of a 130 000 tons a year British-based steel plant

CT 17/2/93

Smith said Samancor's employment levels had been reduced by a third or 2 100 people in the last 15 months and the restructuring programme was now near completion — Sapa

Rhovan gives details of rights issue

BIDM 19/2/93 (189A)

JONO WATERS

RHOMBUS Vanadium (Rhovan) announced yesterday details of its rights issue to raise R35m for construction of its controversial R85m vanadium oxide plant

Rhovan would issue 230 shares for every 100 held at 20c each

This would increase its issued capital by a further 175,9-million shares

Rhosco Holdings, the holding company of Rhovan, has agreed to underwrite the rights offer

The go-ahead for the new plant was made possible after US international commodity group AIOC Corporation agreed to invest R28m in Rhosco AIOC's investment would give it a 33,3% indirect interest in Rhovan after the rights issue

Rhovan CE Rob Still has said the plant would be one of the lowest-cost producers in the world

SAMANCOR FM 19/2/93 (189A)

Conserving cash

Market conditions are so tough for ferro-alloy producer Samancor that the final dividend could be determined by the size of the electricity rebate due to the group, according to MD Hans Smith That's one of the reasons he gave at this week's press conference to justify the vague — but rather ominous — forecast that "second-half profits from operations are likely to be low "

Says Smith "The electricity rebates have been withdrawn but Samancor is still due its final payment for the nine months to December I don't know how much we're going to get It could be anywhere between R10m and R50m Under normal business conditions this wouldn't matter, but given the way our mining profits have been squeezed it becomes significant "

Smith's other area of uncertainty concerns ferrochrome prices These are still being negotiated for the next quarter's delivery They have hit rock bottom thanks to material dumped by the Commonwealth of Independent States (CIS), with some shipments going at spot prices around US33c/lb That's the delivered price, and Smith says the actual price being received by some CIS producers could be as low as US25c/lb

Samancor has cut its annual ferrochrome production to an annual rate of 400 000 t, compared with its capacity of 1 Mt/year, and is selling for about US43c/lb, before discounts At these prices, Smith says, the group is not making profits — even though the SA ferrochrome companies are the lowest cost producers in the world

"These low prices cannot be sustained, but I don't know when they are going to turn I would not like to mislead shareholders with a totally gloomy story and then have ferrochrome prices jump 3c/lb which would considerably improve the profit picture," he says

If prices do not rise then second-half earnings could be sharply lower than the first half's R110,8m, and the 50% cut in the interim payout could be repeated for the final

Manganese alloys remain depressed, and the group is operating at about 65% of production capacity of 350 000 t/year ferromanganese and 180 000 t/year silico-manganese

There may be some light ahead, according to manganese GM Dave Munro He points out that, after the closure of one of British Steel's plants in the UK, the remaining

Samancor's Smith *prices not sustainable*

world producers should share the 130 000 t/year of ferromanganese the British Steel plant used to produce

Samancor has responded to a dismal state of affairs with a ruthless cost-cutting exercise, involving retrenchment of another 2 100 staff and a management restructure Total workforce is now 11 000, which compares with peak manpower of 16 000 reached after Samancor took over Middelburg Steel & Alloys and Rand Mines' chromite interests

It has also tightened stock levels and debtors, and so recovered about R50m in cash that was tied up in working capital There has been a welcome increase in net available cash resources, from R101,6m at end-December 1991 to R266,8m at end-June and R385,7m at end-December last year in keeping with Smith's management doctrine that "cash is king "

He even got some help from the Receiver of Revenue, in the form of a R73m refund following final approval of the rationalisation of Samancor's company structure in 1991 in terms of the moratorium on stamp and other duties

Apart from the need to survive current market conditions, Samancor has to fund its R730m share of the Columbus stainless steel project

The group now looks in far better shape to handle this than appeared to be the case at the end of last year (*Fox*, Dec 25) Adding in the R120m due from the Industrial Development Corp pushes Samancor's available cash to R500m It had minimal debt of R22,5m at end-December, so funding the balance should not be a problem

The dividend cut is worse than expected, and the share price should weaken further after the R1 dip to R19 ahead of the results

Like so much in the mining industry, a recovery depends on an end to the international recession *Brendan Ryan*

SLASHED DIVIDEND

Six months to	Dec 91	Jun 92	Dec 92
Turnover (Rm)	954	1 110	931
Pre-tax inc (Rm)	254,4	127,0	71,4
Attributable inc (Rm)	150 9	126,1	110,8
Earnings (c)	85 0	66,0	59,0
Dividends (c)	40,0	50,0	20,0

AECI Fm 19\2\93

Cause for modesty

Isaac Newton said that for every action there is an equal and opposite reaction In AECI's case, that immutable law of physics has found its way through to the financial results There has been plenty of opposite reaction

Turnover for 1992 fell into a hole the increase to R5,36bn was a modest 1,5% better than the previous year's That, in turn, had a dampening effect on net trading income, which rose by only R1m to R403m The 0,25% improvement reflects the efforts of a huge workforce over an entire year

An argument often used in the past by AECI's management is that, because of its wide spread of industry, it is relatively immune to recession That is no longer true A small increase in tax and a substantial fall in investment income all contributed to a 12% fall in nominal terms in EPS It means AECI shareholders are roughly 22% worse off in real terms than they were at the end of 1991

Conditions were particularly difficult in many of AECI's markets, says MD Mike Sander Volumes dropped across the spectrum of the activities and there was a consistent erosion of prices AECI's production cost base was brought under unrelenting pressure from inflationary elements, wage demands and increasing competition, especially from overseas

AECI's Botswana soda ash project provides an example of the tenacity of overseas competition The company has satisfied its bankers as to the technical performance of

contin ->

AECI's Sander *Volumes down across the spectrum*

S|Times (BUSS] 21/2/93

A scrap over scrap

(189A)

By CIARAN RYAN

THE Competition Board has called for a revision of trade policies which allow two companies a monopoly in exports of scrap metal and industrial copper

The board blocked the proposed R600-million merger of Haggie subsidiary Copalcor and Non-Ferrous Metals (NMF) on the grounds that it constitutes a restrictive practice

The two companies control between 70% and 100% of the domestic industrial copper product market, with sales of more than R650-million a year.

In addition to having a monopoly on both the purchasing of scrap metal and the sale of semi-finished and finished copper, Copalcor and NMF enjoy import protection in the form of a 15% ad valorem duty.

Furthermore, all exports must be channelled through the two companies because of the system of export permits which applies to copper products A 15% duty is charged on scrap exports

Competition Board chairman Pierre Brooks says independent scrap metal suppliers do not have the freedom to export outside these two companies· "This monopoly is made worse by a system of import and export controls

"We made recommendations to the Department of Trade and Industry on revising the tariff structure which applies to the industry. We feel there is good reason to do away with export controls and export tariffs."

There are approximately 200 smaller scrap dealers in SA, most of whom are obliged to sell their scrap to the two largest companies

NFM, owned by the Lazarus family, is the smaller of the two operations

Risk

The merger was motivated on the grounds that export sales would increase by R100-million over the next two years through improved efficiencies, rationalisation and economies of scale.

If the merger did not go ahead, it was alleged that both businesses were at risk of closure Export sales from the two companies are currently worth R200-million a year

The R600-million merger was to have been effected by means of a share swop, which would leave Haggie with 50% of the equity in a new holding company and the Lazarus family with the balance

Neither company would exercise outright control for two years, but thereafter either party had an option to acquire a controlling interest The board found that Haggie would in all probability end up with a monopoly of the non-ferrous scrap and industrial copper markets after two years

The price of semi-finished and finished products are determined by import parity pricing, taking the London Metal Exchange price as the basis, adding transport costs and a 15% ad valorem duty to arrive at local prices.

The presence of two large competitors in the market maintained a degree of competitive pressure on prices paid to scrap metal suppliers

The board found that competition would be eliminated if the merger went ahead, reducing competitive pressures on prices paid to suppliers The board had started to investigate the scrap metal industry prior to the merger after complaints had been received from scrap metal dealers

The final decision on the merger rests with the Minister of Public Enterprises, Dawie de Villiers, but provisions exist for appeals to be made against ministerial decisions

Columbus opts for UK firm

EDWARD WEST

TWO of the three largest contracts for the multibillion-rand Columbus stainless steel project — the supply and commissioning of a hot and cold rolling mill — have been awarded to the UK-based Davy International

Columbus Joint Venture joint chairman Leslie Boyd said the deal represented two of the three major contracts to be awarded for the Columbus project

Boyd said there were no SA companies that could supply steelmaking plant He said local businesses were likely to win tenders for civil engineering, supplies and other services, with contracts set to be [illegible]warded within the next week or two

[illegible] metallurgical engineering [illegible] said the R860m contract [illegible] Highveld Steel/Saman[illegible] joint venture was [illegible]petition from [illegible]ermany,

The other major contract, for electric furnaces, converters and slab casters, was awarded to the Austrian-based Voest Alpine (189A)

The Davy group said 20%-30% of the equipment and services for the R860m contract would be sourced locally Key processing equipment would be supplied by Davy overseas companies because of the need for modern equipment within a short time frame

Davy was the contractor for the original stainless steel plant in Middelburg and was also recently involved in Iscor's expansion Voest Alpine helped erect the world's first corex steel plant by Iscor in Pretoria

The expansion at Middelburg would bring production up to 500 000 tons of stainless steel flat products in 1995 with the commissioning of the plant by the end of 1994.

NTH/69

INVESTMENT

Iscor margins fall on export sales

B'Dam 25/2/93.

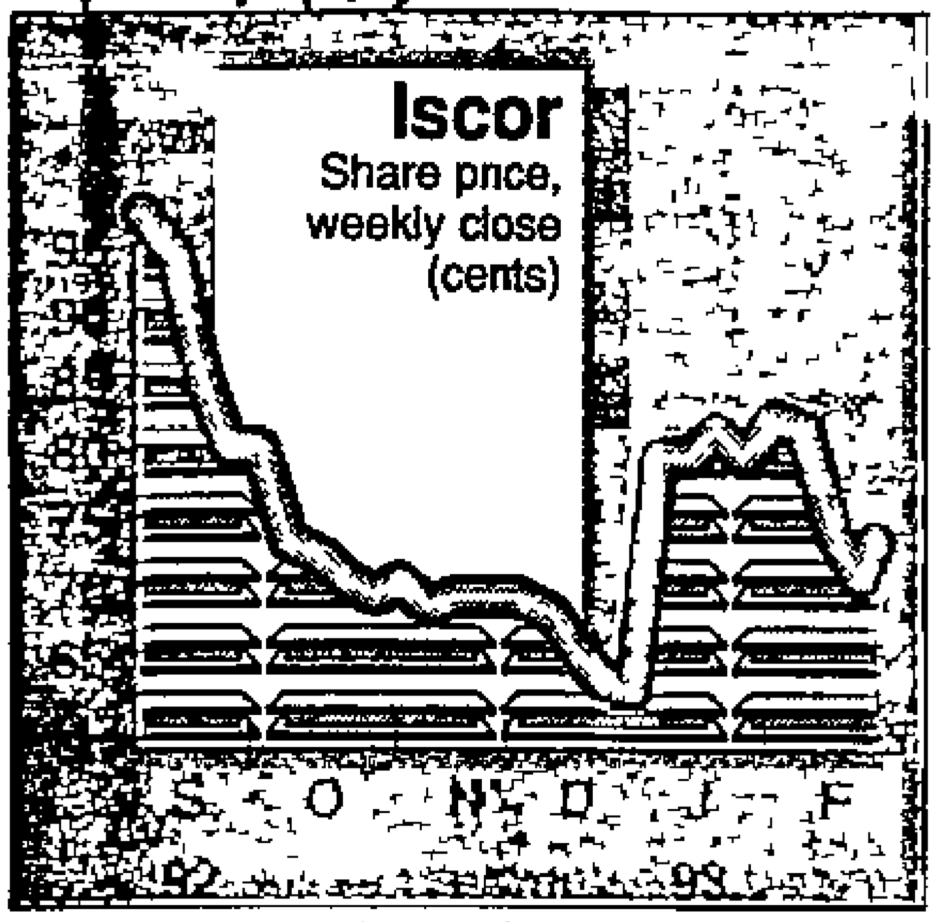
EDWARD WEST

WEAKENING international steel prices and a further swing from local to export sales continued to erode Iscor's margins, and earnings a share dropped 27% to 6,7c in the six months to-end December 1992 from 9,2c in 1991.

Today's published results show the interim dividend lower by a third to 2c (interim 1991: 3c). Iscor had forecast second-half earnings to be similar to those achieved in the first half, and year-end earnings consequently would be lower than the 18,5c achieved in the 1992 financial year.

Turnover for the half-year climbed 5,8% to R4,29bn (R4,06bn), although steel tonnages sold increased 1,8% compared with the same period in 1991. Local sales fell 9,9% because of the weak economy, while export sales increased 6,5% and now constituted 53,3% (49,1%) of total sales tonnages, Iscor said in a statement.

Profit before finance costs and tax fell 18,4% to R307m (R376m), resulting in the overall margin falling steadily to 7,15% of turnover from 8,68% at year-end and from 9,27% at the interim period in 1991. Falling margins were caused by the higher export component in the sales mix, said Iscor.



Graphic: LEE EMERTON Source I-NET

Attributable income was 27% lower at

☐ To Page 2

Iscor

B'Dam 25/2/93

☐ From Page 1

R125m (R171m). Results were positively influenced by the weaker rand/dollar exchange rate and reduced finance costs.

Capital expenditure was reduced to R267m from R393m for the corresponding period last year and R852m for the 1991/92 year. Expenditure was being restricted mainly to essential replacements and maintenance of existing plants. Iscor had spent R4,3bn over the past five years on replacement and expansion.

Capital employed stabilised, with interest-bearing debt up slightly at R2,56bn from R2,51bn. The liability ratio in the first half was down to 30,4% from 33,3% at year-end, while the interim debt-to-equity ratio was slightly higher at 31,3% from 30,2% at the previous year-end.

Although interest-bearing debt was marginally higher in the period under review, a 10% reduction in financing costs was realised through more effective management of funds and lower short-term interest rates, Iscor said.

Directors forecast that surplus international steel capacity would continue to affect prices and the dollar price of steel exports would remain depressed.

Encouraging inflation and interest rate trends would benefit the group in 1993, although second-half earnings would not differ materially from the first half.

Iscor's share price was 74c yesterday, up from 61c on December 31 1992, but still below its 1989 listing price of 200c.

Iscor still facing tough times

STAR 25/2/93.

By Stephen Cranston

A weaker rand-dollar exchange rate has offset some of the effects of reduced sales at lower prices from steel giant Iscor

Nevertheless attributable income fell by 27 percent to R125 million in the six months to December and earnings per share by the same amount to 6,7c

The dividend was reduced by a third to 2c and the dividend cover increased from 3,1 to 3,3

Turnover increased by 5,8 percent to R4,291 billion and steel tonnages sold decreased by 1,8 percent.

There was a sharp decline in local sales, which fell by 9,9 percent but this was partly offset by a 6,5 percent increase in exports, which now constitute 53,3 percent of sales up from 49,1 percent in 1991.

The higher export component led to a reduction in the operating margin from 9,3 percent to 7,1 percent and operating profit fell by 18,4 percent to R307million.

MD Willem van Wyk says that the group benefited from a reduction in finance costs, which fell by 10 percent, which was caused by lower interest rates and the benefits derived from strict cash management programmes conducted in all areas of the group.

1891

Cost control

There was more effective management of funds by the group

Total assets have been reduced by R23 million to R10,595 billion since June, although gearing has climbed up from 30,2 percent to 31,3 percent, but is still below the 32,9 percent reported in December 1991.

Over the past year interest bearing debt has increased from R2,511 billion to R2,563 billion

Net worth is 364c, which means that at a market price of 74c it is trading at an 80 percent discount.

Capital expenditure has been reduced to R267 million from R393 million in the six months to December 1991 and R852 million for the 1992 financial year

Expenditure is being restricted to essential replacements and maintenance of existing plant and equipment.

Van Wyk says that it is unlikely that the local economy or the domestic steel market will show much improvement in the second half of the financial year

With continued surplus steel capacity worldwide, dollar steel prices will remain depressed and iron ore export prices in dollar terms will weaken over the next 12 months.

But on the positive side, he says, the encouraging trends in inflation and interest rates should benefit the group in 1993

Van Wyk forecasts that earnings in the second half of the year will not differ materially from those in the first

Earnings in the first and second half differed little in the last financial year, being 9,2c and 9,3c a share

Iscor's margins eroded by weak global prices

(189A)

From EDWARD WEST

JOHANNESBURG — Weakening international steel prices and a further swing from local to export sales continued to erode Iscor's margins, and earnings a share dropped 27% to 6,7c in the six months to-end December 1992 from 9,2c in 1991

Today's published results show the interim dividend lower by a third to 2c (interim 1991 3c) Iscor had forecast second-half earnings to be similar to those achieved in the first half, and year-end earnings consequently would be lower than the 18,5c achieved in the 1992 financial year

Turnover for the half-year climbed 5,8% to R4,29bn (R4,06bn), although steel tonnages sold increased 1,8% compared with the same period in 1991 Local sales fell 9,9% because of the weak economy, while export sales increased 6,5% and now constituted 53,3% (49,1%) of total sales tonnages, Iscor said in a statement

Profit before finance costs and tax fell 18,4% to R307m (R376m), resulting in the overall margin falling steadily to 7,15% of turnover from 8,68% at year-end and from 9,27% at the interim period in 1991 Falling margins were caused by the higher export component in the sales mix, said Iscor

Attributable income was 27% lower at R125m (R171m) Results were positively influenced by the weaker rand-/dollar exchange rate and reduced finance costs

Capital expenditure was reduced to R267m from R393m for the corresponding period last year and R852m for the 1991/92 year Expenditure was being restricted mainly to essential replacements and maintenance of existing plants Iscor had spent R4,3bn over the past five years on replacement and expansion

Capital employed stabilised, with interest-bearing debt up slightly at R2,56bn from R2,51bn The liability ratio in the first half was down to 30,4% from 33,3% at year-end, while the interim debt-to-equity ratio was slightly higher at 31,3% from 30,2% at the previous year-end

Although interest-bearing debt was marginally higher in the period under review, a 10% reduction in financing costs was realised through more effective management of funds and lower short-term interest rates, Iscor said

Iscor's share price was 74c yesterday, up from 61c on December 31 1992, but still below its 1989 listing price of 200c

CT 25/2/93

ASSOCIATED MANGANESE

FM 26/2/93

Prices still falling

(189A)

It isn't often a highly reputable company like Associated Manganese (Assmang) is forced to publish annual results which reflect a halving of its annual earnings But anything's possible in the topsy-turvy world of base metals

FM 26/2/93 (189A)

CUT IN HALF

Year to December 31	1991	1992
Turnover (Rm)	575	473
Operating profit (Rm)	210,3	151,9
Distributable profit (Rm)	103,7	50,3
Earnings (c)	2 922	1 418
Dividends (c)	750	500

Deputy chairman Desmond Sacco says ferrochrome prices are substantially below the peak levels of around US80c/lb last seen in 1988-1989 That compares with wholesale dumping being led by China and some of the former Eastern bloc countries at prices of about 33c and 34c "These countries are desperate for foreign exchange They will sell at almost any price to secure hard currencies"

Inevitably, that kind of action most hurts SA producers, the world's largest "Nearly all SA producers are losing money at these levels," says Sacco "We have to get back to a situation where our product is earning somewhere in the mid-50c/lb"

Assmang's subsidiary Ferralloys lost R22m over the year Almost all of that, says Sacco, came from the operations of the high carbon ferrochrome plant at Machadodorp

However, Sacco is pleased with the performance of the company's biggest contributors — manganese and iron ore But even in these areas there is reason to be gloomy Sacco says he expects iron ore prices for 1993 may be as much as 9% down on last year's

Manganese prices haven't been fixed yet — it's still early, though the Australian producers are locked in negotiations

"Overall," says Sacco, "I'm an optimist The industry will come right, though it will take some years for equilibrium to be re-established For the time being, I'm happy we're still making profits"

Despite the fall in earnings and the 33% reduction in the dividend to 500c, Assmang's balance sheet remains strong Borrowings are almost unchanged at a modest R51m — gearing of about 11% Many high-profile companies would love to boast that kind of statistic

David Gleason

~~93~~ 189M

ARGT 27/2/93

Debt burden bugging Iscor

■ With profitability down and long-term prospects hazy, Iscor's prospects could be improved if President Clinton succeeds in stimulating the American economy. Meanwhile, market reaction has been muted with the share improving by 1c.

MARC HASENFUSS
Business Staff

INVESTORS seem to have taken their fingers off the panic button as regards struggling steel giant Iscor.

This week the group reported a 27 percent decline in attributable profit to R125 million in the half-year to end December as the swing to export sales and a weakening dollar export price — only partly offset by the falling rand's exchange rate — eroded profit margins

Iscor also slashed the dividend payout by a third to 2c

However, market reaction to Iscor's interim results to end December was muted The share firmed 1c to 75c when 750 000 shares changed hands midweek

This suggests that small investors (constituting the majority of Iscor's shareholding) have acknowledged that although their investment has rusted away considerably, it is not an investment debacle

In the period under review turnover grew by almost six percent to R4,3 billion, but was undercut at operating level by low export prices.

Net income was further eroded by a heavy debt burden Interest-bearing debt increased slightly to R2,5 billion and remains Iscor's single biggest obstacle on its difficult road back to improved profitability.

Spartan spending in the short term will be essential to pull debt down to acceptable levels. The high level of debt does, however, limit Iscor's ability to upgrade plant and equipment

Directors said expenditure was being restricted to essential replacements and maintenance of existing plant and equipment This was reflected in the sharp 32 percent reduction in capital expenditure to R267 million

Financing costs, however, declined by 10 percent (no figure provided) through more effective management of funds and lower short-term interest rates. Mopping up debt through a rights issue is out of the question due to prevailing market sentiment

At 75c the share trades at close to a fifth of Iscor's net asset value of 364c and almost a third of the listing price of 200c But the group is profitable and paying dividends. Panic selling, even in these tough economic times, is unwarranted

In the short term investors must expect the group profits to slide in light of the surplus steel capacity worldwide, depressed dollar prices for steel and iron ore export prices

Directors expect second-half earnings not to differ materially from the figures under review

Long-term prospects are hazy, but obviously if President Bill Clinton's attempts to stimulate the US economy start paying off, Iscor could be tugged up.

Iscor's export sales increased 6,5 percent to constitute 53 percent of total sales tonnage (Domestic sales slipped almost 10 percent) In spite of harming operating margins, the export initiative will play a key role in hauling Iscor out of the doldrums

Buyers display confidence in Highveld Steel shares

BIDPI 2/3/93. (189A)

MATTHEW CURTIN

SHARES in Highveld Steel and Vanadium, the Anglo American metals producer, have jumped 40% in the past month to a six-month high of R11,50 a share

Buyers seem undaunted by Highveld's exposure to the depressed worldwide steel maket and the near-collapse of the vanadium market. Their confidence has lifted the stock from lows of 825c in early February

Analysts said there was "no specific good news" to which the share price rise could be attributed. All the markets Highveld served would remain depressed in the short-term. The most likely explanation was that the market re-rated Highveld shares in light of more gloomy prospects facing rival steel-maker Iscor and ferro-alloy producer Samancor

Highveld reported a 48% fall in earnings a share to 80c (130c) in mid-February, but investors sensed the slide had left the stock undervalued, with an earnings yield of 11% However, Highveld now looked expensive on a yield of 7% and the prospect of lower earnings again

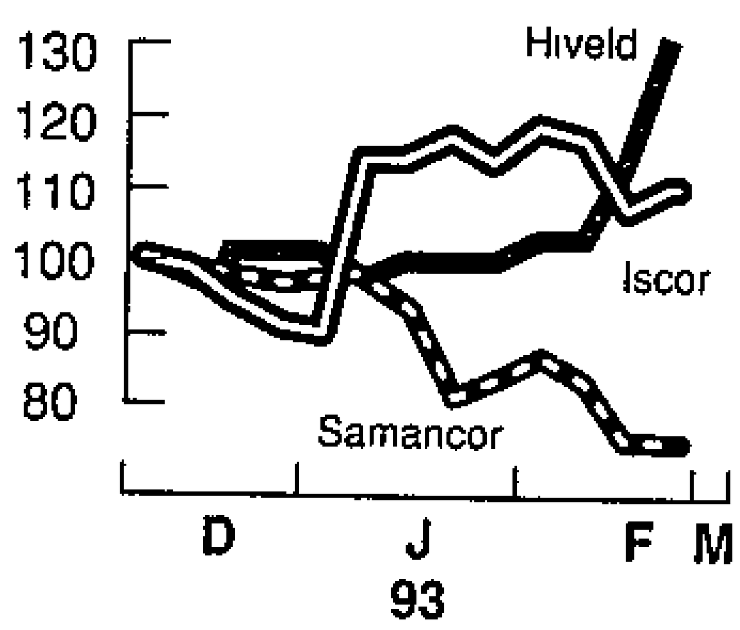
Analysts agreed there was some underlying confidence in Highveld chairman Leslie Boyd's prediction that 1993 would see the bottom of the group's business cycle

Irish Menell Rosenberg analyst David Russell said Highveld's determination to move towards more value-added output was strengthening its ability to weather the recession and capitalise on any turnaround in the commodities cycle

He cited the group's investment in its Vantra division, which converts vanadium-bearing waste — a by-product from Highveld's iron-making works — into vanadium pentoxide, a job done in the past primarily by toll-refiners in Germany

Hi-rise

Share prices, weekly close, indexed to 100



Graphic LEE EMERTON Source I NET

Russell said Highveld was considering increasing production of ferro-vanadium — the special steel alloy for which vanadium pentoxide is a feedstock — a product further down the value-added chain Highveld's producer price for pentoxide is $1,95 a pound (0,45kg) compared with spot market prices for ferrovanadium of $9,60 a kg

It is understood that environmental considerations, the depressed European steel market and a flood of cheap vanadium pentoxide and ferrovanadium from the former Soviet Bloc has led to closures and production cutbacks by German refiners, opening the way for Highveld to increase pentoxide and ferrovanadium output without compromising its business with refining customers

Russell said the go-ahead for local capital projects — Anglo's Namakwa Sands and Moab gold mine ventures, Alusaf's expansion and the Highveld-/Samancor Columbus Stainless Steel joint venture — would boost SA demand for construction steel

ANIES

Amic is likely to mark time this year

BIOM 4/3/93. (189A)

ANGLO American Industrial Corporation (Amic) was likely to maintain its year dividend at 350c for the third successive year when it reported expected lower earnings today, analysts said

"Earnings have been declining since the 1989 peak and, given the economic prospects for 1993, it doesn't look like a turnaround will occur in the current financial year," Barry Sergeant of stockbroker Mathison Hollidge told Reuter

Amic revised downwards prospects for the year to end-December 1992 at the half-way stage in August, saying most of its subsidiary and associate companies were experiencing reduced local demand and lower export prices In some cases production runs had been shortened

Its wide-ranging interests cover commodities, pulp and paper products, electronics, food, textiles, motor assembly and distribution, freight and travel

Analysts contacted by Reuters forecast lower earnings of between 630 and 590c per share in the period under review versus a previous 731c They said most of the bad news was probably already in the share price, which has moved from R90 in May to a R52 low in October, then to a current R60

"Most of its major listed investments such as Highveld Steel and AECI have recently reported lower earnings," said Syd Vianello of Ed Hern, Rudolph Inc

Exporter Highveld Steel Vanadium Corporation posted a 40% drop to 80c per share in 1992 earnings, while chemicals producer AECI's annual earnings fell 12% to 106c

Analysts said the two big unknowns were wholly-owned subsidiaries Scaw Metals and Boart International, both of which were major contributors to Amic revenue

Amic has made several recent changes to group shareholdings in which Amic companies have acquired from parent Anglo American Corporation increased stakes in certain investments

Nelson Mandela's ANC, which regards itself as a government in waiting, has voiced strong concern over what it sees as an excessive concentration of economic power in the hands of major, white controlled corporations.

It favours antitrust-style policies to counter this — Reuter

Monday, March 15 1993

Highveld expects demand to be static

BDPM 15/3/93 189A

EDWARD WEST

DOMESTIC and export demand for Highveld Steel products was expected to remain static in 1993, but chairman Leslie Boyd believed this was the year the economic cycle affecting the group's markets would bottom out

Export demands would be unchanged in 1993 in line with the International Iron and Steel Institute's forecast of a possible 1,5% increase in world steel consumption, Boyd said in the 1992 annual report

However, under those circumstances, excess world capacity in steel and alloys production could keep prices low This would be exacerbated by eastern European, Commonwealth of Independent States and Chinese products being sold at prices unrelated to sustainable cost structures

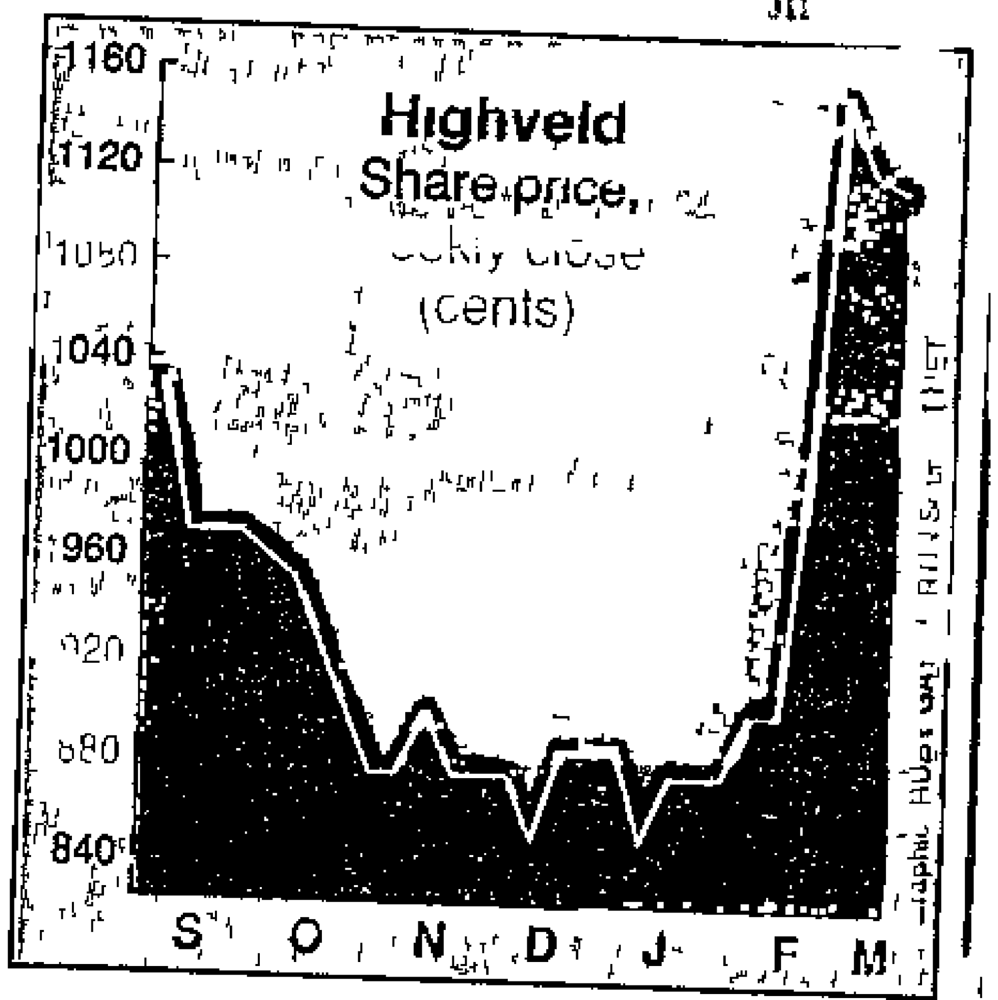
In the short term, some alleviation of the rand, relative to the dollar, and signs of Western steel and alloy producers lowering output levels, could moderate the negative pressure on prices

With many of the world's economies stagnating, SA's economy would be hard pressed to show growth in 1993, and domestic markets for the group's products were expected, at best, to remain static, he said

In 1992 apparent world steel consumption declined marginally against 1991, but world crude steel production at 714-million tons was 2,9% lower than in 1991 Production cutbacks in western Europe, Japan and former east Bloc countries were partly offset by increased US and Chinese output

In SA a weak economy coupled with an inventory correction by steel merchants affected sales which fell signficantly Highveld's iron making facility continued to operate at 75% of capacity because of poor trading conditions

The Vantra vanadium division operated one large kiln out of a total of six and operated at a capacity level of only 25% during the year, Boyd said Vanadium consumption remained at low levels



Boyd added that the recent announcement of Rhovan's vanadium pentoxide project was unfortunate in that it would add to world overcapacity in two years' time Recommissioning Vantech (formerly Vansa) and the emergence of low-grade Russian vanadium pentoxide had a negative effect on prices and demand, he said

Ferro-alloy prices also suffered from oversupplied markets and low prices and Rand Carbide's ferrosilicon production was about 55% of capacity in 1992

Sufficient orders were received to operate the Middleburg stainless steel factory at maximum production and earnings increased for the year In the long term the Columbus stainless steel joint venture with Samancor would yield significant benefits

Highveld's 1992 earnings a share dropped to 80,1c from 130c in 1991 Highveld's share price vas 1 120c on Friday, off its high of 1 400c on March 19 1992 and below its net asset value of 1246,2c a share

Weak prices wreak havoc on world steel industry

(189A)

BDay 16/3/93

MATTHEW CURTIN

SLACK demand, overcapacity and weak prices are playing havoc with the international steel industry, but SA's distance from the markets and the rand's weakness against the dollar are providing some relief for SA steel makers

However, market sources said yesterday that the outlook for the major listed companies in the SA steel sector was "profoundly gloomy"

The sector is exposed to international steel markets in various ways:

□ Iscor and Highveld Steel and Vanadium export carbon steel,

□ Highveld and Samancor export a range of ferro-alloys used in the manufacture of carbon steel,

□ Samancor and Consolidated Metallurgical Industries export ferrochrome used in the making stainless steel, and

□ Columbus Stainless, owned by Highveld and Samancor, exports stainless steel

The slump in the sector has been shown by 27% and 31% falls in latest interim earnings a share at Iscor and Samancor, a 38% fall in earnings a share in the year to December 1992 at Highveld, and an increased R26m (R180,000) interim loss at CMI

Iscor shares rose 2c to 78c yesterday, well clear of the 61c low reached three months ago, but still at a 22c discount to their listing price in 1989 Samancor closed untraded at R18, just 100c off its low, and more than 50% down from its 1992 high Rerated Highveld shares have steadied at R11, but CMI is trading at its low of 240c, compared with a 1992 high of R10,25

Carbon steel producers have been hit since 1989 by the world recession and the end of the Cold War, which led to sharply reduced military consumption of steel and increasing supplies of steel scrap as military equipment was jettisoned Scrap supplies have benefited owners of mini-mills, small low-cost operations pioneered by the Japanese and US companies, which specialise in converting scrap

Imports

Their success has undercut North American and particularly European steel makers, the latter dogged by overcapacity encouraged by wide-ranging state subsidies The EC is currently considering a $7,1bn restructuring package to stave off further "smeltdown" in the sector, as well as tariffs against cheap imports

Analysts said Iscor and Highveld, buffeted by weak dollar prices and a strong rand in 1992, would benefit from the SA currency's depreciation this year The companies were protected by being vertically integrated operations

However, they said any turnaround for both companies' fortunes would depend on recovery in the local economy beyond the small boost in demand likely to arise from the spate of new capital projects announced recently the Namakwa mineral sands venture, the Moab gold mine and Alusaf and Columbus expansion projects

Improved demand was most likely to result from a sharp pick-up in gross domestic fixed investment in SA and the green light being given for much-vaunted low-cost housing schemes

One of Samancor's major exports was ferro-manganese — manganese is an indispensable quasi-catalyst in the carbon steel-making process — and prices and volumes reflected depressed international conditions

However, the ferro-manganese market remained far stronger than that for ferrochrome, the key ingredient in stainless steel Steadily increasing demand for stainless steel had kept metal prices strong, benefiting Columbus Stainless, though it was still a small exporter

In contrast, huge ferrochrome capacity worldwide — a phenomenon partly caused by SA producers' expansion projects in the late '80s — and the availability of cheap stainless steel scrap had dented the fortunes of Samancor's chrome alloy division and CMI Ferrochrome prices, which producers tried to sustain at $0,55 a pound as recently as 1991, have fallen as low as $0,25 for Russian material

Anglo back as a target

189A

Weekly Mail Reporter

WATCH out Anglo, Alusaf, Columbus and Telkom, Numsa's coming to get you.

The National Union of Metalworkers of South Africa's weekend central committee meeting was geared at hammering out a co-determined approach in the industry, but it also drew up campaigns with more mass appeal.

W|Mail 19/3-25/3/93.

The campaign to unbundle the mother of all monopolies, the Anglo-American Corporation, will be resuscitated. Adopted with great fanfare by the Congress of South African Trade Unions last year, it was dropped after a single meeting with Julian Ogilvie Thompson.

Numsa general secretary Moses Mayekiso this week said "concrete proposals and time-frames" would be put to Cosatu and that efforts were being made to revive the Anglo shop-stewards council.

The union noted that "billions of rands in taxpayers' and public money" was being spent on the Alusaf and Columbus projects but that their job creation potential was limited.

Numsa's Bernie Fanaroff said that, in addition, the projects had created 20 000 jobs in the UK after project orders had been placed with a company called Davey International.

Numsa believes that such orders must be off-set: "Seventy percent of the total value of such overseas contracts must be spent in South Africa."

And no, the union will not be campaigning for lower telephone bills for its 273 000 members. But it will lobby for the government to negotiate its plans to grant telephone licenses and to introduce a cellular telephone system.

FM 19/3/93 189A

ENVIRONMENTAL RESOURCES

FM 19/3/93

Looking for a safety net

(189A)

Activities: *Reclaims metal from slag produced in steelmaking*
Control: *Vental Holdings 70%*
Chairman: *E Wolf, Joint MDs G C Wolf & J R J-M Jullienne*
Capital structure: *15,6m ords Market capitalisation R12,2m*
Share market: *Price 78c 12-month high, 78c, low, 65c Trading volume last quarter, 368 500 shares*

Year to October 31	'90	'91	'92
ST debt (Rm)	—	—	—
LT debt (Rm)	—	—	1,2*
Shareholders interest	0,78	0,95	0,94
Return on cap (%)	5 3	1,8	n/a
Turnover (Rm)	1,0	0,6	1,6
Pre-int profit (Rm)	0,43	0 12	(0,73)
Pre-int margin (%)	41 7	19,1	n/a
Earnings (c)	4,6	0,5	(5,0)
Net worth (c)	47	47	33

* Interest-free up to 31 October 1993

Diversifying is common in hard times, but DCM-listed Enrol's latest venture into food and dry goods distribution is a big move away from its core business of reclamation of metal from slag

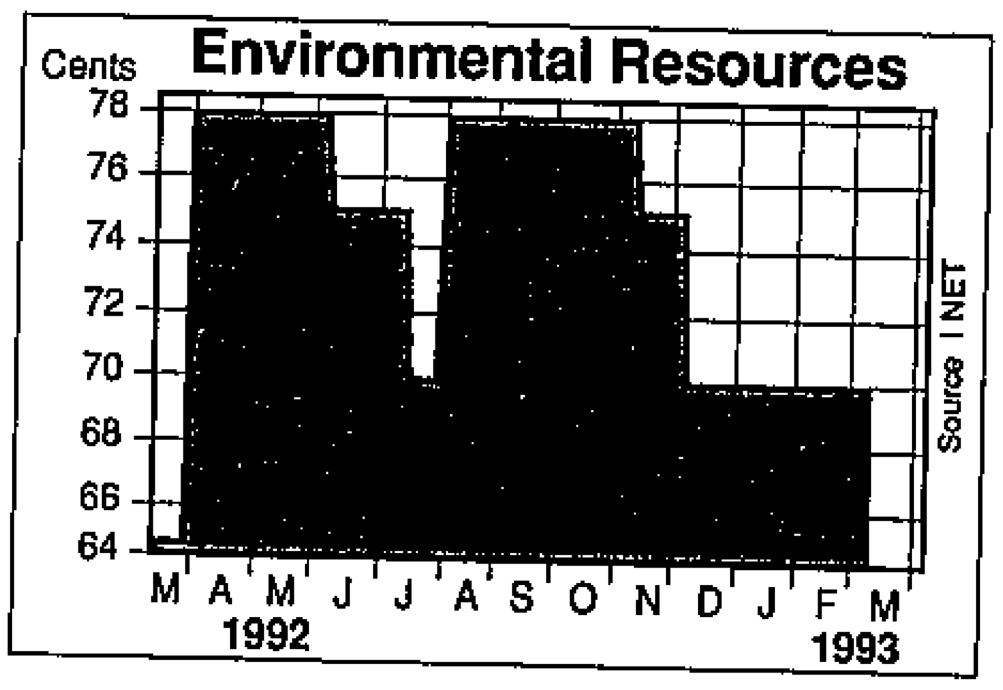
Joint MD Geoffrey Wolf explains "This is a year of change for us The state of the steel and ferrochrome industries, not only in SA but worldwide, forced us to make several major decisions in order to continue operating in the domestic market — one of which was to provide a safety net by spreading the risk and entering an area which would provide more scope for earnings growth "

Enrol will form a joint venture with Rustenburg Cash & Carry Wholesalers to expand the operation to other areas of SA Rustenburg has been operating for 10 years, showing good profit growth

Wolf says that, with the wholesaler's competent management and Enrol's ability to structure deals and contracts, there must be synergies

"This market has great potential, given the lack of infrastructure in traditional areas Our plan is to set up stores using existing operations, involving the communities in projects as much as possible "

Shareholders need not be too concerned by



this Enrol move Ferrochrome contracts have been renegotiated, with as much salvaged as possible Wolf says the company will take a knock on future earnings but it is important that it remains in business so that, when the industry turns, management will be able to negotiate new deals

Management is acquiring the rights to use the technology and skills needed for the reclamation of ferrochrome from slag in Kazakhstan and Romania — an important area for expansion The rights will be financed by the issue of 2,2m ordinary Enrol shares

In the steel sector, Enrol has entered into an agreement with an international contractor which can provide access to sophisticated technology

Turnover more than doubled to R1,6m last year but the poor state of the industry resulted in an operating loss of R728 000 (1991 R118 000 income), giving a 5c loss a share

Because Enrol does not own the slag heaps it works, it has no stock, it also has almost no debtors or creditors Its only debt is a long-term liability of R1,2m which was interest-free until the end of last month From that date, interest is capitalised at an effective 15% The creditor has undertaken not to demand repayments before the 1993 year-end, when the terms will be renegotiated

The latest venture is expected to have little effect on EPS or NAV this year The share is at a 12-month high of 78c Maintaining this will depend on when commodity prices improve and how soon Enrol gets a return on its new investment

Marylou Greig

HIGHVELD STEEL & VANADIUM

FM 26/3/93 (189A)

Not the time for primary commodities

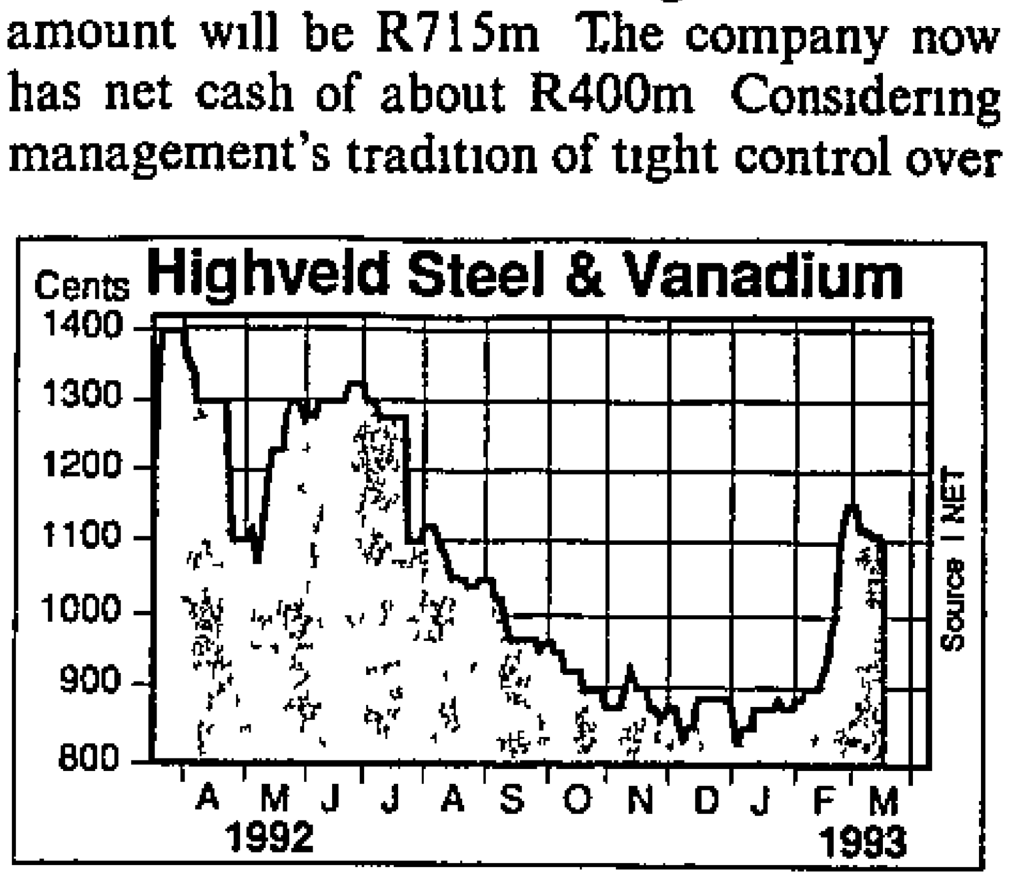
Activities: *Operates integrated iron and steel works, produces vanadium and manganese alloys as well as ferrosilicon products Manufactures drums, pails and crown closures Has a 50% investment in SA s only stainless steel plant*
Control: *Amic 52%*
Chairman: *L Boyd, MD T E Jones*
Capital structure: *88,4m ords Market capitalisation R928m*
Share market: *Price 1 050c Yields 4,2% on dividend, 7,6% on earnings, p e ratio, 13, cover, 1,7 12-month high, 1 400c, low, 825c Trading volume last quarter, 1,2m shares*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	6	46	163	126
LT debt (Rm)	—	—	57	—
Debt equity ratio	—	—	—	—
Shareholders interest	0,43	0,48	0,51	0,54
Int & leasing cover	—	—	—	—
Return on cap (%)	34 8	10,1	3,5	1,0
Turnover (Rbn)	1,61	1,43	1,38	1,49
Pre-int profit (Rm)	535	157	72	20
Pre-int margin (%)	33,1	10,9	5,2	0,01
Earnings (c)	450	208,4	130	80,1
Dividends (c)	130	70	70	45
Net worth (c)	1 091	1 031	1 205	1 246

This is not an investment for the faint of heart Highveld's annual report reflects financial results which, compared with the heady days of 1989, are embraced adequately only by the epithet "Ouch!" And further pain appears unavoidable Chairman Leslie Boyd says the bottom of the cycle will be tested in 1993

Nor should prospective investors lose sight of Highveld's heavy forward commitments in the Columbus joint venture stainless steel project, which will gobble up about R3,5bn This project excites and intimidates Grown out of the Middelburg Steel & Alloy purchase made jointly by Highveld and Samancor in 1991, it is intended to increase stainless steel production fourfold to 500 000 t/year It will make SA the world's sixth-largest producer and it is being undertaken with the Industrial Development Corp as an equal one-third partner

Boyd estimates Highveld's peak funding contribution will occur during 1996 and the amount will be R715m The company now has net cash of about R400m Considering management's tradition of tight control over



Highveld Steel's Boyd *local sales fell significantly*

working capital (there was a substantial decrease this year), Highveld will probably be able to fund its share of Columbus without raising borrowings unduly and that will be accentuated if, in the interim, world steel demand and prices improve

There is a sweetener in the deal for Samancor and Highveld, both of which have acquired the right to pick up part of IDC's shareholding (18,3%) in the five years after commissioning of the scheme (of course, they don't tell shareholders the basis of the future purchase)

The scary part of the Columbus project is that it is an awful lot of money to put down on a production line which might be delivering material, when it is commissioned, into a world market already saturated That is certainly the case now and Boyd says as much in his annual statement when he admits "stainless steel markets were under pressure throughout the year "

In the areas of Highveld's current production, 1992 was not the happiest of years Boyd says world steel consumption dropped marginally, helped by a 3% decline in world crude steel production But that didn't get rid of the oversupply which continued throughout the year. For Highveld, that meant poor export trade and no relief from SA's parlous economy Boyd says local sales fell significantly

World vanadium consumption remains abnormally low, Highveld's Vantra division produced to only 25% of capacity over the year And Boyd can't resist taking a swipe at Highveld's potential SA competitor "Unfortunately," he says, "an additional vanadium pentoxide project (Rhovan) has recently been announced, which will add to world over-capacity in two years' time "

Ferrosilicon markets remained depressed Prices for silicomanganese and carbon manganese gave little encouragement in trading circumstances of oversupply and low-priced competition Highveld's Rheem division showed a further decline in sales However, the aluminium can project, on which Boyd clearly lays considerable store, is running ahead of schedule and deliveries should begin in a few months

The latest accounts reflect the kind of management control one would expect in the third year of a savage commodities downturn There are no long-term borrowings and short-term loans have contracted by R36m Working capital has been decreased by R102m and there is a cash pile This is the kind of canny husbanding of resources in bad times which more companies should have adopted

Still, shareholders have taken a caning on their investment in Highveld over the past three years They have watched EPS decline from 450c in 1989 to 80c Dividends have gone the same way from 130c to 45c and the trading margin has whittled down to a minuscule figure It has not been a time to be invested in primary commodities

But that is what cycles are all about Highveld, with a huge investment in value-added stainless steel and a strong balance sheet, will be sitting pretty when the next global economic upturn materialises It will come, won't it? *David Gleason*

CLINIC HOLDINGS

Closing the gap

FM 26/3/93

Activities: *Operates private hospitals*
Control: *Hurwitz family and directors 70,1%*
Chairman: *B Hurwitz, MD J L Hurwitz*
Capital structure: *99m ords Market capitalisation R396m*
Share market: *Price 400c Yields 3,9% on dividend, 8,6% on earnings, p e ratio, 11,7, cover, 2,2 12-month high, 430c, low, 125c Trading volume last quarter, 447 000 shares*

Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	—	—	14 5	3,2
LT debt (Rm)	22	25	25	35,7
Debt equity ratio	0,34	0,31	0,43	0,31
Shareholders interest	0,35	0,36	0,37	0,36
Int & leasing cover	n/a	76	30	20
Return on cap (%)	26	27	27	24
Turnover (Index)	168	224	291	359
Pre-int profit (Rm)	39,4	48,2	57,8	66,1
Earnings (c)	20,2	23,9	29,8	34,7
Dividends (c)	10	11,5	13,5	15,5
Net worth (c)	52,6	65	81 3	100

Clinic Holdings' share seems to be starting to get the rerating that analysts feel it deserves. It's still some way off the average for the

continued →

Nippon Steel, Iscor resume deal

BIDAY 26/3/93

EDWARD WEST

189A

NIPPON Steel has resumed a multimillion-rand technology agreement with Iscor after a break of five years

Iscor MD Willem van Wyk said yesterday the three-year assistance agreement would entail the purchase of know-how and technology to improve yield, quality and performance-based productivity at Iscor's Vanderbijlpark works

Nippon Steel aided Iscor from 1969 to 1988, when it stopped doing so in line with economic sanctions

Nippon Steel is the world's biggest steelmaker, producing 26-million tons a year, and is also involved in steel plant construction and design

The scope of assistance to be provided would entail Iscor's entire vertically integrated steel production process One of the problem areas to be tackled was unsatisfactory delivery dates, said Van Wyk

The actual value of the agreement was impossible to determine at this stage and would depend on Nippon Steel's recommendations and their implementation The agreement would give Nippon Steel an advantageous position in supplying equipment and technology to Iscor, but the competitiveness of other suppliers would be considered, he said

Nippon Steel employees would work in SA on a permanent basis while Iscor employees would visit Japan regularly

Iscor also has technology agreements with the German-based Badische Stahl and the Austro-German joint venture Voest Alpine, said Van Wyk

Nippon resumes aid to Iscor

TOKYO — Nippon Steel Corporation will resume technological assistance to Iscor Ltd from April, a Nippon Steel spokesman said (189A)

The three-year assistance programme is worth several hundred million yen, he said

Nippon Steel and Iscor workers will exchange visits to help Iscor improve quality and increase productivity, he said CT 26/3/93

Nippon Steel aided Iscor from 1969 to 1988 when it stopped doing so in line with international economic sanctions against South Africa

A tough line on guns and gangs

By FERIAL HAFFAJEE

W/Mail 29/3 - 1/4/93

THE country's first draft election manifesto from the labour movement is a sign of the times: it calls for "strict action against criminal gangs" and a long-term "programme to remove all weapons, licensed and unlicensed".

The manifesto — drawn up by the National Union of Metalworkers of South Africa (Numsa), the country's biggest trade union — is bound to have some influence. Predictable in parts, but bold and innovative in others, the proposal should at least get people talking.

For instance, the union says there should be abortion on demand up to 20 weeks of pregnancy — an issue on which the African National Congress equivocates.

It calls for citizenship rights for all "those who have lived or worked in the country since at least 1989".

Numsa also suggests that a citizens' oversight committee and an ombudsman be given effective powers to investigate the police and security forces and that efforts be made to limit the power and influence of prison gangs.

The union has just the mannah to cure the problems civics are having with the banks: they suggest that a Reconstruction Bank be established to fund a range of development projects.

Its more controversial provisions include plans to renationalise companies privatised since 1988 and restructure a whole range of statutory bodies to make them more representative.

These include such bastions of power as the Reserve Bank, the Development Bank, the Electricity Council, the industrial courts, the research councils, the Board of Tariffs and Trade, the Industrial Development Corporation, the Central Energy Fund and the boards of Transnet, Telkom, the Post Office and South African Airways.

The union would like to see a concrete commitment to anti-trust law in order to unbundle monopolies more quickly and wants discrimination expressly outlawed by a Bill of Rights.

(189A)

The union has also identified a new type of right. It seeks "equal rights to capital and labour in industry, commerce, services, agriculture and mining" and plans to entrench a number of labour provisions in a Bill of Rights.

Other more predictable clauses are those on social welfare provisions, job creation plans and land reform.

Among the social welfare provisions Numsa would like to see entrenched are a national health service, seven years' compulsory schooling and a housing programme to "provide at least one million units by 1999 and a further 1,5-million by 2004".

Numsa gave its unequivocal support to the Congress of South African Trade Unions' draft Reconstruction Accord at a central committee meeting two weeks ago.

The draft manifesto was drawn up as part of a package of documents meant as a basis for discussion on the Reconstruction Accord.

Gold for Iscor at Namibian fair

WINDHOEK — South Africa's Iscor walked off with a gold medal at the Namibian trade fair here yesterday — for low-cost steel housing products.

(189A)

Prime Minister Hage Geingob said in opening the fair that its growth was an indication of economic progress in Namibia and an end to the isolation of the pre-independence era

ARG 3/4/93

Iscor spokesman Tony Slabbert said the corporation had made contact with potential clients from Botswana, Zambia and Zimbabwe. — Sapa.

Smelter a big plus for Alusaf

CT 7/4/93 (189A)

By JOHN CAVILL

LONDON — Alusaf's giant new smelter at Richards Bay will come on stream at a time of rising prices because of a predicted world shortage of aluminium capacity and the collapse of cheap Russian exports, according to two leading international consultants

The R7,2bn Alusaf project, which will boost SA annual output by 466 000 tons to 636 000 ton from 1995-96, is the only major plant likely to be built over the next four years, says Stewart Spector of the New York-based consultancy group which has just published its new report on the outlook for the industry to 1998

Demand growth

Its impact will more than double African production to 1,35mt a year over the period

And in their Aluminium Annual Review, Anthony Bird Associates of the UK, warn that world plans for yearly increases in smelter capacity of only 1,2% will not be enough to satisfy demand growth averaging 3,2% up to 2003

Both consultancies say the aluminium industry and its investors will want to a sustained period of firmness in the metal price — $1 653/ton against the current $1 141/t — before putting money into new smelters It would then take another three years to reach production

The Bird report says aluminium demand will rise in line with industrial output but the growth will be in "bursts" because of coming price fluctuations

A rapid rise in 1995-96 is forecast to be blunted by rising prices before demand growth speeds up from 1999

The present planned increases in smelter capacity were "quite inadequate," says the Bird report

For while consumption rises more uneconomic plants will be closed and one of the biggest price depressants, the flood of cheap metal from the old Soviet Union, will abate

Bird forecasts "the coming collapse in exports from the former Soviet Union"

The report says current Russian costs average only $540/t against $1 190/t for Western producers

"But this will change dramatically when Russian plants pay true economic prices for their inputs and their inefficiency shows through

"In time Russian costs will rise to $82c/lb ($1 800/t) in constant 1992 money and all but one or two smelters will be uncompetitive on Western markets," according to Bird

The Spector report says that net of closures and modernisation of existing plant, Western smelting capacity will rise by on 0,6% to 16,1m tons/year by 1995

Some 1,8m tons in new capacity is planned for completion between 1996 and 1998 "However, until the supply-demand, pricing and profit outlook improves, only South Africa's new 466 000t smelter is likely to be built," it says

China has new projects under way but many are behind schedule On top of this as bigger aluminium plants are built in China it could lead to the closing many of the country's smaller smelters which account for about 330 000t of the present capacity of 1mt

Biggest increase

The Spector report projects that total world aluminium ingot capacity will rise by 2,6mt to 23,9mt by 1998

Africa, led by Alusaf, will enjoy the biggest increase — up by 700 000t to 1,35mt Latin American output will climb by 610 000t to 2,6mt followed by China and North Korea with a 500 000t rise to 1,6mt

Elsewhere, South Asian production goes up by 300 000t to 2mt and in Western Europe the figure will be 220 000t higher at 3,8mt

North America, the biggest producing region with 6,4mt, and Eastern Europe, on 4,3mt, will show no increases at all

Alusaf's smelter timely — experts

189A

BDAY 7/4/93

JOHN CAVILL

LONDON — Alusaf's multi-billion-rand Richards Bay smelter will come on stream at a time of rising prices because of a predicted world shortage of aluminium capacity and the collapse of cheap Russian exports, two international consultants say.

The R7,2bn Alusaf project, which will boost SA annual output by 466 000 tons to 636 000 tons from 1995/96, is the only major plant likely to be built over the next four years, says Stewart Spector of the New York-based consultancy group which has just published its report on the outlook for the industry to 1998.

Its impact will more than double African production to 1,35-million tons a year over the period

And in its Aluminium Annual Review, Anthony Bird Associates of the UK warns that plans for yearly increases in smelter capacity of 1,2% will not be enough to satisfy demand growth averaging 3,2% up to 2003

Both consultancies say the aluminium industry and its investors will want a sustained period of firmness in the metal price — $1 653 a ton against the current $1 141/ton — before putting money into new smelters It would then take another three years to reach production

Alusaf used a base price of $1 650/ton in its feasibility study for the smelter, and has stressed that current low aluminium prices are not cause for concern because of the expected upturn by the mid-'90s

The Bird report says aluminium demand will rise in line with industrial output but the growth will be in "bursts" because of price fluctuations A rapid rise in 1995/96 will be blunted by rising prices before demand growth speeds up from 1999

As consumption rises, more uneconomic plants will close and one of the biggest price depressants, the flood of cheap metal from the old Soviet Union, will abate. Bird says Russian costs average $540/ton against Western producers' $1 190/ton.

"But this will change dramatically when Russian plants pay true economic prices for their inputs and their inefficiency shows through. In time Russian costs will rise to 82c/lb ($1 800/ton) in constant 1992 money and all but one or two smelters will prove uncompetitive on Western markets"

The Spector report says Western smelting capacity will rise by 0,6% to 16,1-million tons a year by 1995. Some 1,8-million tons in new capacity is planned between 1996 and 1998

The Spector report projects that total world aluminium ingot capacity will rise by 2,6-million tons to 23,9-million tons by 1998.

Africa, led by Alusaf, will enjoy the biggest increase — up by 700 000 tons to 1,35-million tons Latin American output will climb by 610 000 tons to 2,6-million tons, followed by China and North Korea with a 500 000 ton rise to 1,6-million tons

Ferrochrome market appears to stabilise

(189A)

BDAY 8/4/93

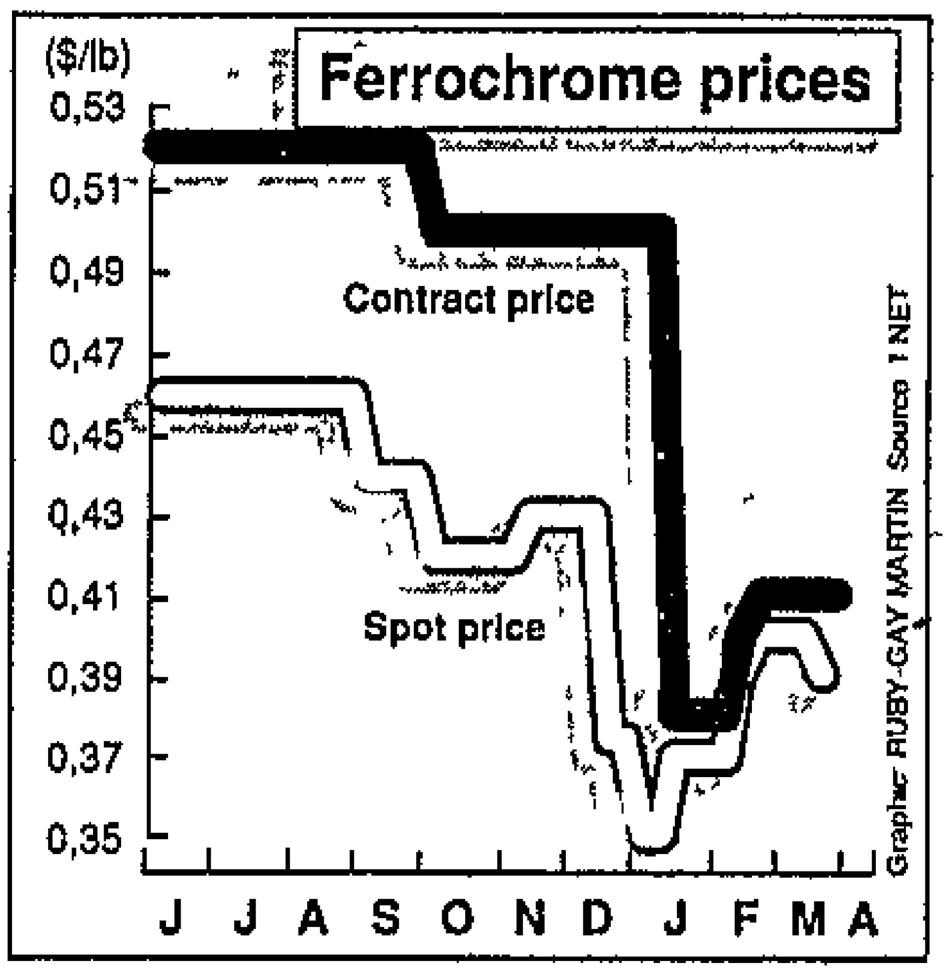
JONO WATERS

THE ferrochrome market was showing signs of stabilising, with SA producers receiving unchanged contract prices of about \$0,43/lb before discounts for the second quarter of this year

Industry sources said yesterday the gap between spot and contract prices had narrowed as demand in Europe for immediate delivery of spot material was not being met. Producers also stood to benefit from the rand's loss in value against the dollar.

Ferrochrome spot prices sank to \$0,33/lb at the beginning of the year from \$0,46/lb in October, while contract prices fell to about \$0,42/lb from close to \$0,49/lb.

Samancor's newly appointed MD Mike Salamon said the ferrochrome giant received rollover prices for the second quarter. Quarter-on-quarter price stability was good news.



However, the ferrochrome outlook for the year remained cloudy as there was uncertainty about Russian production "There is a lot that is unknown, and given the unknown, any prediction is difficult"

A more positive factor for the market was that scrap sales did not appear to be as high as originally thought, Salamon said. Samancor was still operating at about 50% capacity The current half of the financial year ending June 1993 was expected to be worse than the first half Attributable income in the six months ended December 1992 fell to R111m (R151m).

Consolidated Metallurgical Industries (CMI) CE Sandy Wood said the company was aiming to settle contracts at unchanged prices of about \$0,43/lb in the second quarter. He ruled out price increases in the near future, but added: "We are reasonably happy with unchanged prices at the moment."

Wood said CMI had recommissioned one of its two furnaces at Rustenburg, and one of its three furnaces at Lydenburg was still operational. The mine at Rustenburg was running at a reasonably high capacity as CMI had received some chrome ore orders.

In the six months ended December 1992, CMI reported an attributable loss of R26,2m and announced it would retrench 20% of the company's employees.

The rest of the year would be tough, but the depreciating rand would provide CMI with some relief.

Hulett announces plans for R500m aluminium cans plant

(189A)

BIDAY 15/4/93

EDWARD WEST

HULETT Aluminium planned to invest R500m in a plant for converting aluminium ingots into plate for the canning industry, marketing director Ian White said yesterday

Although a final decision was expected near the end of 1993, it represented a further squaring up between tin-plate can makers and emerging aluminium can makers in a battle for market share for the 2,5-billion cans made every year Beverage cans are currently made by Nampak and Crown Cork from tin-plate — a steel and tin composite supplied by Iscor — with aluminium tops

Highveld Steel drum and pail making subsidiary Rheem plans to commission a R150m aluminium can manufacturing plant by June after concluding a contract with Coca-Cola manufacturer Natbev

Rheem marketing director Keith Norman said the company was aiming at a 20% market share of 500-million cans a year

Nampak subsidiary Bevcan MD Alistair Lang said the group would continue supporting tin-plate because it was cheaper than aluminium, raw material was not imported like aluminium and SA did not have the capability to convert aluminium ingots from Alusaf into plate

Aluminium would initially be imported, but Keith said it eventually would be supplied by Alusaf and converted into plate by Hulett Aluminium when the plant was completed The cans would be competitively priced, he said

Success of the aluminiun can industry in SA depended on consumer perceptions White said four out of five cans manufactured in the world were made from aluminium

Norman said it was perceived to be an environment friendly alternative because of its recycling potential and aluminium did not affect taste

Tin-plate can manufacturers have launched a recycling programme, and the Aluminiun Can Recycling Association would be formed with the commissioning of the Rheem plant

Highveld cuts forced by weak vanadium prices

JONO WATERS (189A)

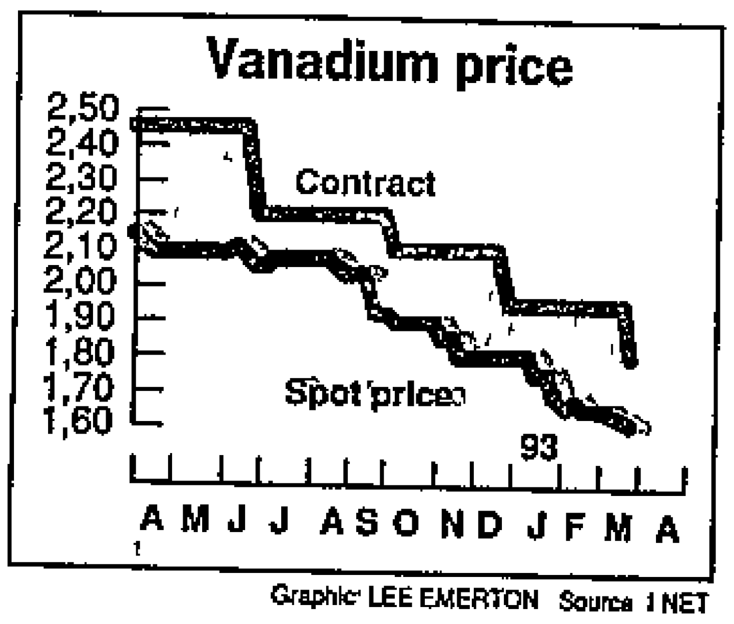
WEAK vanadium pentoxide spot prices had forced Highveld Steel & Vanadium to cut its second quarter contract prices to $1,80 a pound from $1,95/lb, MD Trevor Jones said at the weekend BDAY 19/4/93.

This was the eighth successive quarter Highveld had cut its prices

He said fundamentals in the world vanadium market were largely unchanged from the first quarter Oversupply persisted as a result of cheap material from China.

Jones said there was downward pressure on prices and demand was still weak

Highveld is the world's largest producer of vanadium pentoxide, accounting for nearly 40% of world production of nearly 100-million pounds a year.



Graphic LEE EMERTON Source I NET

However, the weak rand had provided Highveld with some relief although this was not enough to compensate for the fall in dollar prices, Jones said

Vanadium pentoxide is used mainly in the manufacture of special carbon steels As a result, any off-take in price would be indicated by a recovery in the world steel industry, he said

Samancor strikes deal with Japanese

189A

BDAY 22/4/93

JONO WATERS

SAMANCOR, in an attempt to speed its recovery from the prolonged downturn in the ferrochrome market, has reached an agreement with Japan's Nippon Denko which may lead to a multimillion-rand joint venture.

Chrome division GM Wilrich Schroeder said yesterday the deal involved the sale of half of Samancor's No 5 ferrochrome furnace at Tubatse to the Japanese steels group

Schroeder said the project's go-ahead depended on the success of a feasibility study currently under way. He would not give a price for the possible transaction, but an analyst said the deal would amount to about R30m

The furnace has a capacity of 60 000 tons a year compared with the group's total capacity of more than 1-million tons of ferrochrome a year.

Samancor's 16 furnaces are operating at about 50% capacity, but last year the group closed its entire capacity for three months when customers shied away from SA material after local producers failed to make an increase in contract prices stick.

The agreement comes at a time when Samancor's chrome division is unlikely to turn in a profit because of weak ferrochrome prices and demand for the alloy from stainless steel producers worldwide

Schroeder said the deal would enable the furnace to run at full capacity and restore its profitability.

Ferrochrome would be sold through Nippon Denko's sales network in Japan

He added: "The joint venture will strengthen the chromium businesses of both companies"

An analyst said depressed conditions in the ferrochrome market were speeding restructuring in the industry, and Samancor would benefit from Nippon Denko's marketing facilities He suggested similar deals could be struck by Samancor and SA's other ferrochrome producers with overseas parties. Consolidated Metallurgical Industries, SA's second major producer, has been running at a loss because of weak prices and demand

Samancor seals deal with Nippon Denko

189A

CT 22/4/93

Own Correspondent

JOHANNESBURG — Samancor, in an attempt to speed its recovery from the prolonged downturn in the ferrochrome market, has reached an agreement with Japan's Nippon Denko which may lead to a multi-million rand joint venture

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Ferrochrome would be sold through Nippon Denko's sales network in Japan He added "The joint venture will strengthen the chromium businesses of both companies"

Iscor targets China in export drive

189A

CT 22/4/93

Own Correspondent

JOHANNESBURG — Iscor said yesterday it had targeted mainland China in a new export drive.

Deputy MD Nols Olivier said Iscor was "doing brisk business" as a result of China's industrial growth

But he said the steel company was being much more selective in its export efforts and aimed to halve the 70 countries it currently exported to.

Analysts said China had already emerged as one of Iscor's key markets, although as in most other markets, it was selling at prices which would only enable a contribution to overheads But China's growing demand and the bullish international outlook for steel prices could turn the country into a lucrative market

The 53% of production which Iscor exported in 1992 was likely to rise to more than 60% this year, they said

Predictions earlier this year of improved international steel demand were being realised. It now appeared likely that worldwide consumption would grow by 1,5% this year, with capacity being cut back by about 3,5%

Improved international trading conditions helped push Iscor shares to a high of 97c this week, compared with a record low of 61c in December.

● Meanwhile, South Africa's first trade delegation is in China looking to expand economic links that pushed bilateral trade to $250m in 1992, the official Xinhua news agency said

It quoted Danie Marais, director of the marketing division of Kwanatal Marketing Initiative, as saying South Africa would give Chinese investors tax-exempt status for three years while simultaneously offering "basic subsidies" for factory shipments and purchases of equipment and raw materials.

Bilateral trade amounted to $250m in 1992, including $150m in imports and $88m in exports, Xinhua said — Sapa-Reuter

FM 23/4/93. FOX

VANADIUM (189A)

The bottom's dropped out

The move by Highveld Steel to drop its vanadium pentoxide price to US$1,80/lb for second-quarter delivery from $1,95 brings its producer price more in line with the spot market It's the eighth successive quarter Highveld has had to reduce its selling price

The spot price has moved between $1,55-$1,65 for the past two months, confirming predictions by chairman Leslie Boyd and Rhombus Vanadium MD Rob Still that prices would weaken further in 1993

The underlying cause for this grief is the depressed state of the world iron and steel industry, which is the principal consumer of vanadium Boyd says world production of crude steel during 1992 at 714 Mt was 2,9% lower than in 1991 He points out the International Iron & Steel Institute forecasts a mere 1,5% rise in world consumption this year

That means prices will remain under pressure from excess capacity, which will hold down vanadium prices Vanadium is also under direct attack from stocks being offered at bargain prices by China and the Commonwealth of Independent States

Highveld's Vantra division is working at 25% of annual capacity of 26m lb vanadium and MD Trevor Jones indicates that output could be trimmed further The group constantly juggles production to match demand

Executives have always claimed Highveld can cope with such low prices because vanadium is a by-product of its core steel business Rhovan, on the other hand, which is spending R85m on a new plant with the capacity to produce 13m lb vanadium annually, will be a primary producer

Boyd believes 1993 will see the bottom of the cycle Still confirms that view, saying the vanadium market could reach its cyclical low in 1993, but recovery is likely to be slow in the absence of rationalisation in the industry

Time, at this stage, is on Rhovan's side The new plant is forecast to start production in 1995. The rights offer document projects a price of $1,80 that year, rising to $1,90 in 1996 Of course, Still and Rhovan's board are praying the world economy will have pulled around by then, with Europe and Japan following the recovery now evident in the US

Brendan Ryan

Ferro-chrome link forged with Japan

DEREK TOMMEY, Business Staff (189A)

A MAJOR Japanese company is planning to make a direct investment in South Africa.

This follows an agreement between Samancor, the world's biggest producer of ferro-chrome, and Nippon Denko, a major Japanese producer of ferro-chrome, to establish a joint venture to sell South African ferro-chrome in Japan.

The agreement is subject to the outcome of a feasibility study ARG 24/4/93

If the companies go ahead with the arrangement, it will increase South Africa's ferro-chrome exports by about R100 million a year at the current depressed price, Mr W H Schroeder, general manager of Samancor, said.

Samancor would benefit from the increase in production, which should lead to lower unit costs, and from the profit on sales of ferro-chrome in Japan, he said.

Samancor hoped the link with Nippon Denko would lead to further sales in Japan.

However, Samancor was quite well represented in Japan.

Nippon Denko had been finding it increasingly difficult to sell its ferro-chrome at competitive prices because of the sharp appreciation in the value of the yen against the dollar, said Mr Schroeder.

The proposed joint venture would be established in South Africa, with equal participation by Nippon Denko and Samancor

The production facility of the joint venture would be the No 5 furnace of Samancor's Tubatse plant, which had a capacity of 60 000 tons a year.

Chrome ore would be supplied from Samancor's mines under a long-term agreement.

The joint venture would strengthen the chromium businesses of both companies by utilising their respective strengths and combining Nippon Denko's sales network in Japan with Samancor's chromium resources and production facilities in South Africa

Both companies would be represented on the joint venture's board of directors, with Samancor being responsible for production and Nippon Denko for sales.

ALUSAF PUTS OUT SMELTER TENDERS

S Times (Buss. Times) 25/4/93

(189 H)

ALUSAF, owned by Gencor and the Industrial Development Corporation, has started to call for tenders worth billions of rands as construction of its 466 000-ton-a-year smelter expansion gets under way

Alusaf managing director Rob Barbour says no favouritism will be shown to South African companies They will be awarded contracts if their bid compares favourably with those of foreigners

"Alusaf is a private-sector, commercial venture," says Mr Barbour "Our priority is to make good business decisions that will further promote our competitiveness on a global scale"

IDC lands foreign funding for projects

BDay 26/4/93 (189A) (1149)

PETER DELMAR

THE Industrial Development Corporation (IDC) has secured 100% off-shore funding for foreign tenders for the Columbus stainless steel project and is confident of doing the same for Alusaf. Foreign tenders are expected to win contracts worth about R3bn for the two projects

Foreign export funding agencies usually provide only part of the finance needed for an export order, with the remainder generally provided by commercial banks in the exporter's home country In recent years, however, foreign commercial banks have been reluctant to provide long-term loans to SA.

The funding was confirmed as Alusaf management announced that local tenderers would not be favoured over foreign companies for the R7,2bn project

An IDC spokesman said that in the case of Columbus, the successful tenderers had qualified for 85% export finance from overseas agencies and the IDC had negotiated with foreign banks to supplement this to ensure they had full foreign financing. The spokesman said arranging the financing, which he believed was "a major achievement", had been done in a foreign exchange neutral manner and would not put any pressure on SA's balance of payments This was achieved despite foreign banks' reluctance to take on long-term SA exposure, but was helped by the competitive nature of the bids

Foreign companies were expected to win Alusaf contracts worth R2bn

Meanwhile Alusaf announced at the weekend that it had started calling for tenders for the construction of the 466 000-ton smelter expansion

An Alusaf statement warned that the tenders would be sought worldwide Alusaf MD Rob Barbour said many foreign companies had expressed interest in the project and these would bid in fair competition with locals

"We are not in a position to show favouritism to local companies Alusaf is a private sector, commercial venture. Our priority is to make good business decisions that will further promote our competitiveness on a global scale

"If a local company tenders a bid comparable to that of an international company, all things being equal, the local company will be selected," Barbour said

Alusaf has appointed Alptrom, an SA

☐ To Page 2

IDC

BDay 26/4/93 (189A) (1149)

☐ From Page 1

company jointly owned by EMS and SNC-Lavalin of Canada, as the engineering procurement and construction management contractor

"Generally, a maximum of six tenderers will be subject to prequalification," the statement said. "Most supply and installation contracts will be packaged to enable SA contractors and fabri tors with suitable technical and fina. capabilities to tender Pre-qualified bidders for turnkey packages will generally be international contractors coming into SA in association with established SA contractors"

Barbour confirmed that French company ECL, a subsidiary of Pechiney, which is supplying the aluminium reduction technology for the project, had been awarded a R240m contract for the supply of specialised ~ troom equipment.

IDC secures 100% Columbus funding

189A

297

CT 26/4/93

From PETER DELMAR

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Poll boosts mark against the dollar

BDAY 27/4/93

ANDREW KRUMM

THE dollar lost ground to the German mark yesterday, ending two-and-a-half pfennigs down on Friday's close at around DM1,5680 in Johannesburg as the Russian referendum dominated trade in world currency markets.

One dealer said while President Boris Yeltsin's apparent victory made the dollar less attractive as a "safe haven", it boosted the Deutschmark — the currency considered most vulnerable to political and economic fluctuations in the former Soviet Union.

Reuter reported the dollar trading at around DM1,5670 in Europe late yesterday, holding above technical support levels. However, analysts warned that the US unit could rally in the midweek, bouncing back to the DM1,57-DM1,575 level, before slipping to trade in the DM1,54-DM1,55 range towards the end of the week.

The commercial rand firmed on the back of the weaker US dollar, gaining a full cent during the day to close at R3,1412. But, in tracking dollar movements, the commercial rand weakened against the basket of currencies. Dealers said the sharp move in the gold price had given the commercial rand some support.

There was no Reserve Bank intervention during the day, allowing the rand to achieve its own level. Dealers said although finrand trade was range-bound, the finrand looked stronger as a result of the higher gold price. The unit closed at R4,58 to the dollar.

"The demand for finrands was equity-driven as international investors sought to buy gold shares on the JSE on the back of a strong gold price," a dealer said.

'Sentiment fuels gold bull run'

BDAY 27/4/93.

MATTHEW CURTIN

THE bull run in gold prices and shares has taken market and mining industry sources by surprise, but few are convinced that market euphoria is based on anything more than sentiment and speculative buying

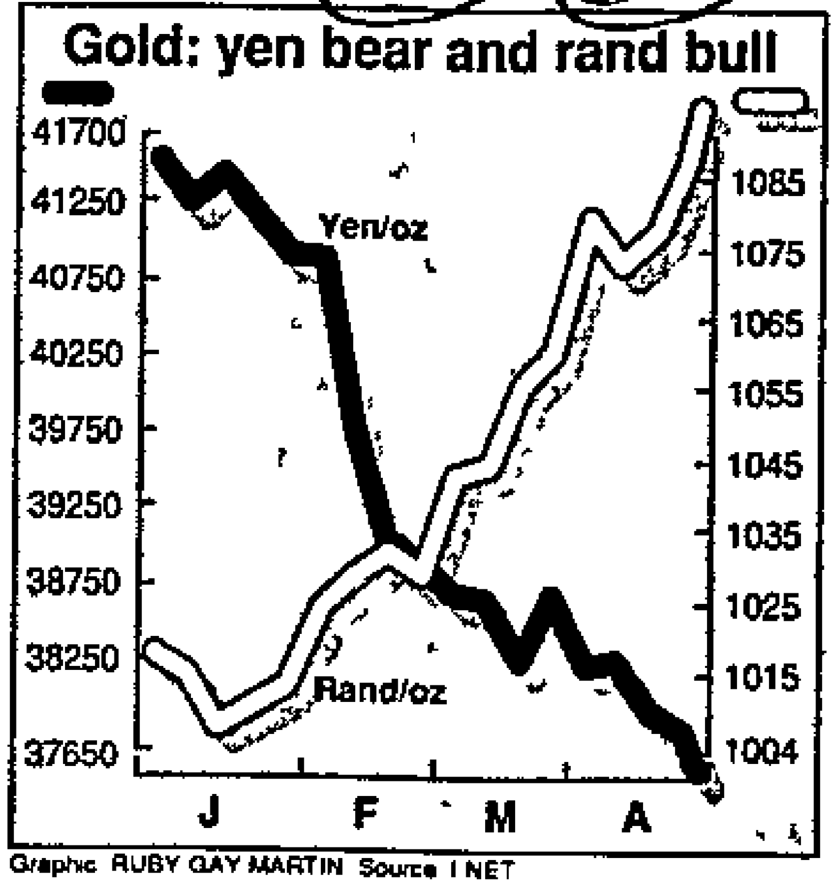
For all the factors believed to be boosting prices — from anxiety over political stalemate in Russia to billionaire George Soros's investment in the US mining industry and technical analysts' confidence the metal has "broken" its bear run — gold watchers are quick to point to the absence of substantive change in the gold market to justify the price increases

Genmin mineral economics manager Francois Prins said yesterday his research focused on the longer term forces influencing the market which suggested gold prices "were fundamentally undervalued" With primary demand for the metal — from jewellers and industry — outstripping mine supply by a wider margin every year, gold prices could be seen to be too low, but only by 10%

However, gold prices remained primarily driven by sentiment, with key bearish factors being the continued threat of central bank gold disposals and the attraction of better performing investment instruments

Gengold director Tom Dale said while the dollar prices might have bottomed, gold was increasingly "price elastic" because jewellery demand dominated the physical gold market "We are unlikely to see any fireworks," he said

The belief gold and mining shares were "oversold" had also been strong, but SA dealers and investors were



Graphic RUBY GAY MARTIN Source I NET

normally more sensitive to "any glimmer of hope in the gold market"

Analysts agreed institutional buying on the JSE yesterday had been slight, with higher share prices driven by "jobbing"

One analyst said: "Soros's entry into the gold market is adding to the current euphoria but I would still exercise caution The more emphatic Yeltsin's victory in the referendum is, the more speculators fancy the prospects of taking the impressive profits on offer, the more likely gold prices and shares will settle faster than they rose."

Gold Fields Mineral Services CE Stewart Murray said it was all very well for investors to buy gold shares, but without corresponding interest in gold bullion, they were likely to make only speculative gains "Central banks may start to mobilise reserves with higher bullion prices, and producers may increase forward sales, although most pundits felt producer selling would take place above the $340 level, and it does not seem to have happened so far"

Confidence in CMI shares revived

BDay 27/4/93.

JONO WATERS

FIRMING ferrochrome prices and signs of growing co-operation between SA producers and Japanese customers has revived investor confidence in Consolidated Metallurgical Industries (CMI), JCI's loss-making ferrochrome producer CMI's share price has nearly doubled in the past month

CMI shares closed unchanged on the JSE yesterday at 450c, but the stock has climbed steadily from a low of 240c in March.

SA producers have been forced to cut production and lower contract prices as a result of world oversupply in the ferro-alloy, a key ingredient in the making of stainless steel, while cheap material exported from Russia has knocked spot market prices

However, European spot prices have risen to $0,40 a pound in the past week from lows of about $0,33/lb in January Market commentators believe cutbacks by producers will result in production outstripping supply before the end of the year.

CMI recently confirmed it had reopened a furnace in Rustenburg and had orders for chrome ore from its nearby mine The JCI-owned producer also announced in January it had commissioned a feasibility study with Japan's Nippon Steel and trading house Mitsui for the establishment of a chrome mine in the north-eastern Transvaal

Rival producer Samancor announced last week it had signed a deal with Nippon Denko which may see the Japanese company buy one of its ferrochrome furnaces

CMI MD Zed van der Walt said he viewed the share price rise as "speculative"

Frankel, Pollak, Vinderine analyst Kevin Kartun said the increase could be a result of investors taking "a macro view" of commodities, confident prices were set to rise because the majority of the world's industrialised nations were starting to show signs of recovery

However, Kartun pointed out that the shares were tightly held and demand for small amounts of stock could easily push the price up

Another analyst said the main reason for CMI's rise was that the replacement cost of the company's capacity three months ago was more than double its market capitalisation

ST Times [Buss] 9/5/93

(189A)

Dawie against copper merger

MINISTER of Public Enterprises Dawie de Villiers has endorsed the Competition Board's recommendation that the proposed R600-million merger between Copalcor and Non-Ferrous Metals be blocked A notice declaring the proposed merger unlawful will be published in the Government Gazette this week The board opposed the merger on the grounds that it gave the two companies control of the copper scrap market company officials say ... the transactions. ... ment Bank sources

Liquidations 4 pc up in first quarter

Star 10/5/93

By Sven Lunsche

Central Statistical Service (CSS) figures show a continued rise in both insolvencies and liquidations in the first quarter this year.

Recently released CSS figures show that company liquidations in the first quarter of this year totalled 683 — 4,1 percent up on the same period in 1992.

Insolvencies for the first three months were up by 3,3 percent to 1 004 compared with last year.

The total value of civil debt judgments in the first two months of the year, however, declined from R576 million in 1992 to R493 million

The share of civil debt judgments against individuals fell from R511 million to R422 million, but rose against companies from R65 million to R71 million.

Credit Guarantee economist Luke Doig says the figures appear to indicate that the peak of the recession, as reflected in debt judgments may have been reached.

"Our experience indicates, however, that the worst is not necessarily past and that we have rather reached a plateau in these figures," he says

Doig adds that the lagged but positive effect of the four interest cuts over the past 15 months, taken with the suggestion of another, should offer some respite as the year progresses.

Breakdown

He also provides a sectoral breakdown of the number of liquidations since the start of the current recession in mid-1989

The share of the financial services sector as a percentage of total liquidations has fallen from 40 to 25 percent.

The share of manufacturing, however, has increased from 12 to 18 percent and wholesaling and retailing from 30 to 39 percent.

Lion's share of Columbus capex for local firms

Star 10/5/93

Finance Staff

Almost 65 percent of the capital spent on the Columbus stainless steel project will be awarded to local contractors, says chief executive Fred Boshoff.

Responding to criticism that major contracts valued at R1,8 billlion had gone to offshore contractors, Boshoff said at the weekend that South African firms "simply do not have the expertise to provide these units on a performance-guaranteed basis".

This was recognised by local firms, none of whom had tendered for these specific contracts

(189 A)

Boshoff added, however, that overseas contractors had been asked to use local resources wherever possible.

"We estimate that at least R230 million of the R1,8 billion awarded to foreign suppliers, will be placed locally in a subcontracting capacity," he said.

South African companies would take the lead in the remaining 187 orders and contracts that were still to be awarded, he said.

To date, more than R260 million in contracts had been awarded to local business, Boshoff said.

Copper firms take issue with board's ruling

B/DAY 11/5/93. (189A)

EDWARD WEST

REFUSAL by government to allow the R600m merger between Haggie subsidiary Copalcor and Non-Ferrous Metals (NFM) would lead to a contraction in, or demise of, the copper alloy industry, NFM director Bernhard Lazarus said yesterday

SA's average annual copper product production is about 82 200 tons worth nearly R660m.

A Competition Board investigation determined that the deal would give rise to a monopoly situation with the merged entity holding between 77% and 100% market share for various products in terms of volume.

Lazarus said a probable contraction, or alternatively the demise of the copper alloy extrusion industry would result from the loss of synergies which could have resulted from the merger. In highly industrialised countries such as France, Germany, Italy, the UK and US, metallurgical groups were amalgamating to remain viable and competitive

Lazarus rejected the Competition Board's assertion that a merged company would control the copper scrap market The bulk of scrap was purchased by the chemical industry and parastatals, and eight smaller competitors were exporting scrap through lack of proper export control procedures

The decision by government had weakened the local industry, encouraged costly imports and had eliminated export potential in spite of the fact that 100% of the raw material was locally available, he said.

Haggie financial director Bill Smart said it was impossible to determine what effect the failed merger would have on group earnings at this stage as a number of alternative options were being considered

Shrinking demand, a metal workers' strike and rationalisation costs had reduced the Haggie copper product division operating profit by 64% to about R9m from R25,2m in the year to end-December 1993

The declining profits could be reversed this year from a new copper casting facility, upgrading of the bronze plant and rationalisation If not, more drastic options, such as disinvestment or curtailment of operations, would be considered, the group's 1992 annual report said

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Ferro-manganese weighed up

BDay 12/5/93

JONO WATERS

ASSOCIATED Manganese Mines' (Assmang's) wholly owned subsidiary Feralloys was probing the possibility of producing refined ferro-manganese at its Cato Ridge plant in Natal

A statement yesterday said the study would determine the feasibility of producing about 50 000 tons of low and medium carbon ferro-manganese a year

SA's current production of medium carbon ferro-manganese by Highveld Steel & Vanadium's Transalloy division is 48 000 tons a year SA's total annual capacity of ferro-manganese is about 700 000 tons Last year total production was nearly 220 000 tons.

A senior industry source said the study would probably result in construction of another furnace, expected to cost about R50m

Ferro-manganese is used in the manufacture of high-purity steels.

189A

Gencor gears up towards growth in the new SA

BDay 12/5/93.

MATTHEW CURTIN (189A)

IN A dizzying series of announcements in the past year, Gencor has taken huge steps towards meeting the extraordinary demands of sustaining the group's growth as a major mining group in a recession-hit post-apartheid SA

If unbundling and the launch of the multibillion-rand Alusaf and Columbus projects go far in meeting the demands of the local business environment, then the proposed multimillion-dollar purchase of Royal Dutch Shell's minerals businesses may establish the mining house as a leading international natural resources group

Chairman Brian Gilbertson says that should the Shell deal come off, Gencor is looking at "very significant growth as an international mineral resources group"

Gencor has systematically confronted the forces which were impairing or likely to impair its performance once the headache of competing internationally for investment and markets with sanctions in place eased in 1990

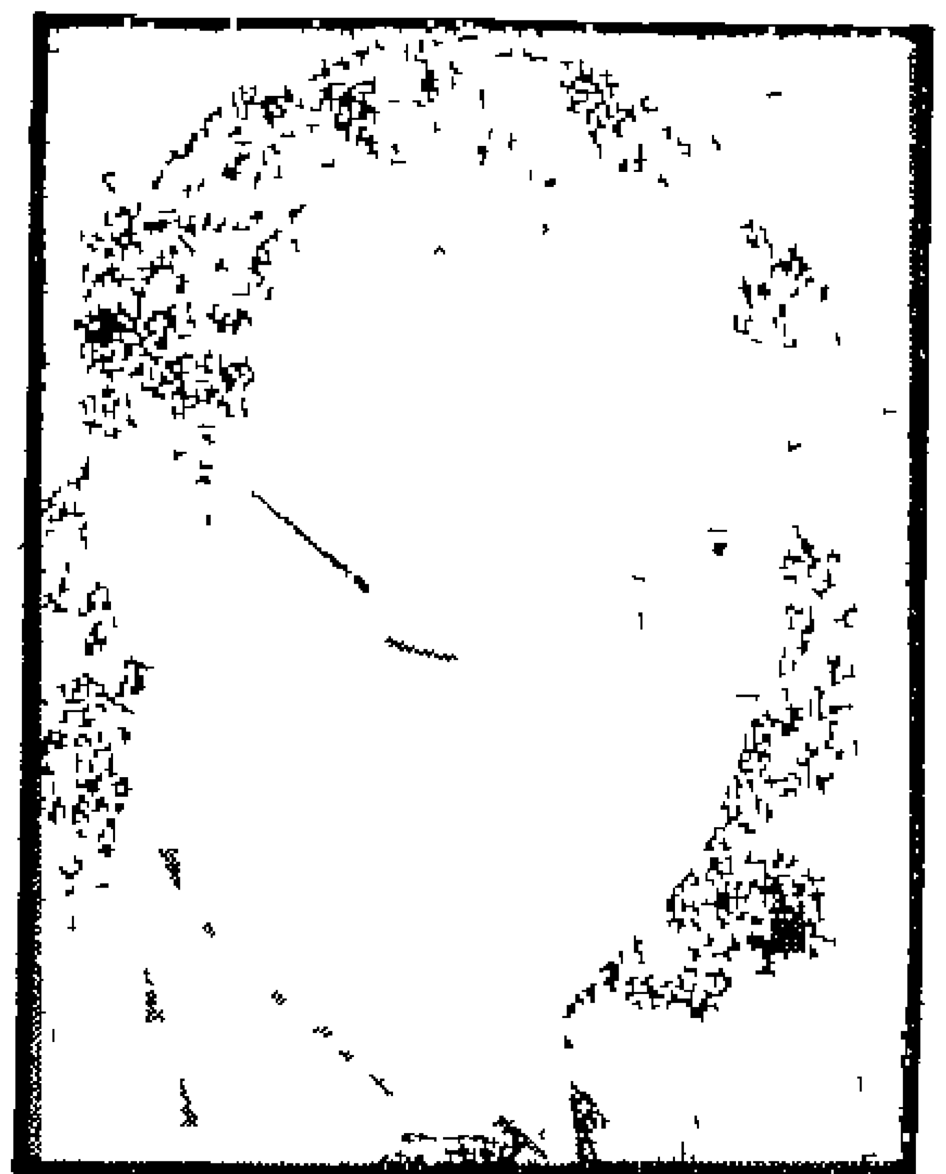
First, the group tied up the best of few major resource projects still available in SA and gave the green light to billions of rands worth of capital spending at its existing operations In so doing, Gencor diversified its commodities portfolio, moved towards value-added mineral production, maximised its capacity to raise finance from shareholders and the share market, and pushed to the limit its ability to achieve domestically driven earnings growth

Ferro-alloys subsidiary Samancor and Anglo American's Highveld Steel and Vanadium had long eyed the prospect of establishing a local stainless steel project With sanctions in place, the task proved too difficult — a potential Taiwanese partner fell away in 1990 But the parties seized on Barlow Rand's decision to sell its erratically performing ferrochrome and steel interests in 1991 They became the base for the Columbus stainless steel expansion project which took off late last year.

Similarly, plans to expand smelter capacity at Alusaf were facilitated to a large degree by the negotiation of favourable alumina-supply contracts from overseas minerals groups Alcan and, ironically, Billiton — Shell's mining and minerals division which Gencor now wants to buy

With these projects in place — in addition to the expansion of the Genref oil refinery, the new Oryx gold mine, Sappi's Saiccor pulp mill expansion, multiple but now deferred expansion projects at Impala Platinum among others — there was little more Gencor could do in SA

Yet, a second obstacle remained



KEYS

The group was still tied to the commodity export business at a time of a trough in world prices Local markets it served were blighted by the domestic recession. With no chance of significant local market growth and steadily climbing operating costs, the only room to manoeuvre would be to increase export capacity in an attempt to win overseas market share, always at the risk of inducing lower prices.

This scenario left the mining house facing earnings growth unlikely to come close to matching the rate of inflation at many of its businesses, and with others dependent on the next, illusory commodities boom. It was vital to acquire offshore assets to sustain long-term growth

This was certainly the thinking which motivated Sappi's purchase of German paper producer Hannover Papier in mid-1992, and Trans-Natal's abortive attempt to buy Australian colliery Oakbridge Coal.

The Oakbridge deal was scuppered by a Finance Ministry directive to the Reserve Bank insisting that companies wishing to finance offshore deals through the finrand had to show the acquisitions were of immediate benefit to SA and funded with offshore borrowings. The beauty of Gencor's approach to Shell to buy Billiton is that the deal will circumvent all exchange control obstacles linked to the neurotic performance of the finrand

GILBERTSON

Gencor executive director Colin Officer says the deal will allow the group to gain full benefit of its offshore assets which complement Billiton's existing operations and Shell's main oil business Gencor has stakes in Latin American and Australian base metal operations and the Alba oil and gas field in the North Sea, likely to be a key part of any deal, as assets on which overseas borrowings can be raised or traded to Shell

SA exchange control precludes companies from servicing offshore debt in rands, but in buying Billiton Gencor would immediately own operations with significant cash-flows to manage its borrowings

Officer says Gencor would ideally like another overseas partner to join the deal, injecting equity, which would ease Gencor's burden in bringing the venture off

However, perhaps the real benefit of a deal with Billiton is the way in which it complements Gencor's current unbundling exercise

When Finance Minister Derek Keys first mooted the idea of unbundling when he was still Gencor chairman, the primary motivation may have been political, before fears of nationalisation subsided, but soon the economic argument took over

He asked how Gencor could realise the full value of its underlying assets when the group's market value remained persistently below net asset value of its operating assets

Gilbertson is confident the exercise will work, now that Keys as Finance Minister has paved the way But he says the risks of the deal were debated in full during tough talks at the Gencor and Gencor Beherend boards early this week There was, he says, "a full and frank exchange of views"

Gencor has invariably thrown up comparisons with its overseas competitors — Rio Tinto Zinc and BHP — at investor presentations, and Gilbertson laments that a streamlined Gencor, reduced to its mining assets, is significantly reduced in scale. More seriously, he says it is vital the group can sustain the critical mass to put together projects like Alusaf and Columbus

Not only does unbundling reduce Gencor's mass, but it strips it of the contracyclical support afforded by Malbak's wide-ranging industrial interests and Engen's oil and fuels businesses

Billiton offers no contracyclical cushion but Officer stresses that its wide range of mining and mineral businesses are among the low-cost operations worldwide, particularly its bauxite and nickel mines.

Most importantly, Gencor will have little to worry about critical mass with Billiton under its belt

Gencor could get stake in LME

Star 13/5/93

189A

By Neil Behrmann

LONDON — The book value of assets which Gencor is negotiating to buy from Royal Dutch/Shell, is worth around $1,3 billion (R4,1 billion), according to sources close to the oil company.

Total net book value of Shell's mining and metals company, Billiton, is $1,8 billion, they say.

Gencor is negotiating to buy around 70 percent of these assets.

If the deal goes through, Gencor will be the only South African company to hold a direct stake in a member of the London Metals Exchange (LME)

The company, which trades under the name of Billiton-Enthoven Metals, is among the top five trading firms on the LME

It deals in copper, aluminium, zinc, lead, nickel and tin on the exchange and in other metals too.

Bullion

Billiton is also a member of the London Bullion Market Association and trades in gold and silver for its mines and metals businesses They mainly produce precious metals as a by-product.

A Shell spokesman said it was early days and the process of negotiations would take several months.

A Gencor source also said the group would need to examine Billiton operations in detail before making a firm price

As a result of depressed metals markets and provisions, Billiton showed a loss of $75 million last year, against a profit of $12 million in 1991

Sources within the Shell group said, however, there would be synergy between Gencor and Billiton operations.

Billiton produces nickel, lead, zinc and gold and aluminium. Its interests would be combined with Gencor's foreign operations

Merger ban could cost R100m in alloy exports

S/Times (Buss) 16/5/93

COPPER-ALLOY processors Copalcor and Non-ferrous Metal Works (NMW) have protested at the Competition Board decision to disallow their merger.

The merger was banned by Public Enterprises Minister Dawid de Villiers.

Copalcor managing director Piet Malan says the decision is "not in the best interests of SA".

189A

NMW director Bernhard Lazarus says "it is likely to have serious consequences for the metallurgical-engineering industries".

Neither company will challenge the decision.

Mr Malan says the merger would have generated an extra R100-million in exports in the next two years because of improved competitiveness, productivity and economies of scale.

Both insist that the planned merger would not lead to a monopoly position. Both have adopted other measures to improve competition and reduce costs.

Merger ban 'a missed chance'

PETER DELMAR

HAGGIE Rand subsidiary Copalcor has slated government's ban on its proposed merger with Non-Ferrous Metals, saying the authorities had missed a chance to build a strong copper products industry

Copalcor MD Piet Malan said at the weekend "Government and the Competition Board have failed to see the interaction of the local copper industry in the world market"

Malan was reacting to Public Enterprises Minister Dawie de Villiers' decision to uphold the board's ruling that the R600m merger would not be in the public interest

Malan said Copalcor would not appeal against the decision and had already taken measures to improve competitiveness and to reduce costs

Copalcor has maintained that the merger would generate an additional R100m in exports within two years because of improved competitiveness and economies of scale

Malan disputed De Villiers' contention that the increase in export earnings was speculative because of the depressed world copper market. In fact, demand was forecast to grow by 4% next year, Malan said

"The government has missed a great opportunity to lay the building blocks of a powerful local copper products industry"

BD 17/5/93

189A

COMPANIES

Green light for Alusaf finance

MATTHEW CURTIN

ALUSAF is on the verge of sealing project finance worth R700m from local banks as financing and construction work for its R7,2bn expansion project gathers pace

Chairman Fred Roux said yesterday local project finance — in the hands of Absa, First National Bank, Nedcor and Standard Bank — would be secured before the end of next month Alusaf was in the process of appointing overseas banks to raise R2bn to cover the imported component of the project's costs

The IDC is providing the project's remaining R800m loan finance

Meanwhile, Alusaf has awarded contracts worth R150m in the past week to local companies for work on its smelter expansion project at Richards Bay

Alusaf's existing smelter has secured its largest order involving the supply of 22 000 tons of busbar — aluminium conductors — to the new Hillside smelter (189A)

Civil engineering group Stocks and Stocks (Roads) has won a R12,5m earthworks contract to prepare the ground for the new plant, a project which entails the removal of 1,5-million cubic metres of soil from June to October

Overseas companies are likely to win the lion's share of the multimillion-rand tenders, with French group Pechiney supplying new smelter technology

An Alusaf spokesman said further contracts for site work would be awarded in the near future, with tender calls due next month for concrete work and construction

Star 18/5/93

Alusaf awards local contracts

(189 A)

Alusaf has awarded local contracts worth R150 million for its R7,2 billion aluminium smelter at Richards Bay.

Stocks & Stocks (Roads) has been given a contract to establish a level terrace on which the smelter will be built.

A contract for the supply of 22 000 tons of aluminium busbar sections has gone to the Alusaf Bayside smelter.

The sections will go to a local manufacturer for fabrication.

Tenders for piling work have been called and in June calls will be made for concrete work, the construction buildings, the temporary construction offices and facilities, and construction-village houses.

Industry uses more energy

6107 19/5/93 189 A

MATTHEW CURTIN

THE iron and steel industry's consumption of electricity and coal may double in the next 20 years in line with rapid export-driven growth in the sector, says the Mineral and Energy Affairs Department

In a recently published report on projected energy use in the metal industries, the department forecast that "steel production in SA will more than double in the next 25 years, increasing dramatically as a voracious user of the country's power resources"

A department spokesman said yesterday the metals sector currently accounted for half of Eskom's industrial sales, and for more than a third of SA's coal usage

The study was conducted by Mintek's techno-economics department, a spokesman of which said that electricity usage by iron, steel, ferro-alloy and aluminium producers was expected to grow at 3,9% a year through the '90s, with coal usage growing at a rate of 3,1% a year

He said Mintek's "optimistic" forecast of rapidly increasing SA metals output was based on expectations of domestic economic recovery and burgeoning exports

The development of the Columbus stainless-steel expansion project and the new Alusaf smelter were the first indications of SA's move towards sharply higher metals exports

While steel demand was in long-term decline in developed countries, developing areas such as South-east Asia and, in particular, Latin America had emerged as important markets There, economic growth was outpacing increases in domestic iron and steel-making capacity, leading to increasing reliance on imports

He said SA metals output remained energy-intensive by world standards SA coal reserves were of low quality, high in ash, mostly unsuitable as coking coal, and with low thermal capacity In addition, SA had fallen behind in iron and steel making technology, although new plasma furnaces at many plants, continuous casting being introduced by Iscor, and state-of-the-art technology set to be introduced at Columbus and Alusaf would improve the sector's efficiency

The spokesman said primary steel, ferrochrome, ferromanganese, titanium slag and primary aluminium production accounted for 90% of the sector's energy consumption

Unemployment 'getting worse each month'

B/DAY 19/5/93.

GERALD REILLY

PRETORIA — Central Statistical Service (CSS) figures released yesterday showed unemployment in SA was worsening by the month and the sectors hardest hit were building, mining and quarrying

In the four months to end-November last year, the number employed in the mining and quarrying industries dropped by nearly 10 000 to 588 966, and in the construction industry by a huge 7 700 to 360 700

The manufacturing industry, however, increased its workforce by 32 400 to 1 400 516

A separate set of CSS statistics, covering the whole of 1992, showed that employment levels had also fallen in the wholesale, retail, hotel and motor trades

Nearly 11 000 jobs were lost in retailing during the year and more than 3 000 in wholesale businesses The figures for the motor trade were down 1 500 to 115 100, and in the hotel trade by 2 400 to 40 700

Pick 'n' Pay chairman Raymond Ackerman commented yesterday that conditions had never been tougher in the retail sector The job loss trend was likely to continue, he said.

A glimmer of hope was that business confidence seemed to have strengthened, but consumer confidence had never been lower.

Only one development could restore consumer confidence and give the strapped economy the first real boost for three or more years. This was politicians agreeing to an election date and the formation of a transitional executive council Until current negotiations achieved concrete results the slide in the retail trade was likely to continue, he said

Stellenbosch University'e economic research bureau head Ockie Stuart said the increase in the number of workers in the manufacturing industry in the four months August to November could have been a seasonal hiccup which could be followed by a decline in the first quarter of this year

However, the loss of 7 700 jobs in construction highlighted the severe depression in the building industry

This was unlikely to be relieved until well into 1994 and only then if violence subsided and real political progress was made, Stuart said

Mine blast payouts explained

B/DAY 19/5/93.

ERICA JANKOWITZ

SASOL has said compensation for the families of the 53 miners killed in the methane gas blast at the Middelbult colliery on Thursday will be based on each worker's income level

Sasol spokesman Jan Krynauw said this week the company provided insurance for accidents, as well as group life assurance, pension and provident funds with special provisions in cases of accidental death, an employees' assistance fund and the government-administered Workmen's Compensation allowance.

"In some cases up to seven times the individual's annual salary could be paid to a miner's dependants," Krynauw said

In the interim, Sasol would adopt a sympathetic approach to the families of victims as it would take some time for the question of compensation to be sorted out and paid, Krynauw said

No family would be asked to leave company-assisted housing and each case would be handled individually

Chemical Workers' Industrial Union (CWIU) general secretary Rod Crompton said that as compensation was based on income, those in lower job categories would be paid significantly less than their more highly paid colleagues

Sasol said that in cases where negligence was proved at the inquest, workers would be entitled to additional compensation

The company said that if negligence was a contributing factor to the Middelbult mine accident, workers would have to to approach the commissioner and furnish evidence to that effect The commissioner would consider the evidence and decide whether additional compensation was appropriate

In another development, Sasol said yesterday it had declared today a day of mourning It said it would cease all underground operations at Secunda "to allow employees to attend memorial services"

Iscor sees windfall in Alusaf project

(189A)

JONO WATERS

ISCOR could earn R100m from the new R7,2bn Alusaf smelter project which would require about 100 000 tons of steel

B/DAY 19/5/93.

The corporation has undertaken to offer steel at competitive prices to local contractors and construction companies for the project

An industry source said Iscor sold hot rolled steel locally for R1 300/ton compared with prices in Europe of R1 000/ton Iscor had an annual capacity of 7-million tons

Alusaf MD Rob Barbour said Alusaf could not favour local companies "We do, however, vigorously promote SA industry to all overseas companies with whom we deal"

Alusaf wanted to maximise the SA content, but local bids had to be competitive If a local bid was comparable to that of an international company, "then the local company will be selected", he said

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Oversupply sinks Vanadium prices

JONO WATERS

VANADIUM prices have sunk to their lowest levels for more than a decade as a result of oversupply and poor demand for special steels

Prices for vanadium pentoxide and ferro-vanadium have continued to fall since the start of 1991 Vanadium pentoxide was trading at $1,45/lb on the European spot market last week, down from $4 three years ago Ferro-vanadium, which tracks pentoxide prices, has fallen to nearly $8/kg from $20/kg at the start of the '90s

The recession has led to a slump in demand for special steels, with European companies offering vanadium at cut-throat prices to steel makers

Highveld Steel & Vanadium has seen its contract prices fall consistently over the past two years Prices have been weak largely as a result of oversupply by the Chinese

A recent Minerals Bureau report said prices were expected to remain depressed for the next three years and any further capacity brought on stream could depress prices for a further 10 years

However, Rhombus Vanadium seems determined to build a vanadium pentoxide plant at its mine near Brits

Analysts say the move will depress prices well into the next century

B/Day 24/5/93

189A

US weighs up import duties against SA steel

EDWARD WEST

THE US was considering imposing import duties against SA steel makers because of alleged subsidisation of the local industry, Iscor MD Willem van Wyk said yesterday.

Thirteen US companies had given Iscor and Highveld Steel notice that they intended applying for duties against SA's steel exports

The extent of the sanctions would depend on an investigation over the next three months into the alleged subsidisation, Van Wyk said

He denied the local industry was being subsidised and he welcomed the investigation as a means to prove it BDAY 25/5/93

He believed the move could be an attempt by US steel makers to protect their markets from imports in a tough world steel market characterised by falling demand and low prices

The only import protection enjoyed by local producers was a 5% ad valorem duty which was low when compared with up to 20% ad valorem duties charged by other steel-producing countries, he said

Iscor's US exports — which Van Wyk refused to quantify — were not subject to incentives such as railage discounts, the general export incentive scheme, loan assistance and Section 37E accelerated tax write-offs, he said.

Steel and Engineering Industries Federation of SA (Seifsa) economist Michael MacDonald said the investigation was unfounded as local steel makers had already approached US producers when steel sanctions were lifted in 1991 to reach agreement on an orderly re-entry into the US market

Speculating on the motive for the investigation, he said that while SA exports were small compared with US and local output, the US companies could be tightening protection measures in the event of a long-term increase in imports from SA

Furthermore, President Bill Clinton's new Democratic administration was more prone to impose protection measures than the previous Republican government

Although total imports comprised a relatively small percentage of US GDP, the imposition of import protection measures in the face of a sluggish economy could be seen as an easily won political point, he said

In January the US government imposed temporary duties of up to 109% on foreign steel imports after it claimed shipments from 19 countries were being "dumped" on US markets at less than fair prices SA producers were not among these

Incentive for local Alusaf contractors

BDay 27/5/93 (189A)

MATTHEW CURTIN

ALUSAF will sell aluminium at world prices to local metal fabricators tendering for work on the construction of its new R7,2bn smelter That amounts to an effective discount on current domestic prices of about 30%, enabling SA companies to compete on equal terms with foreign rivals

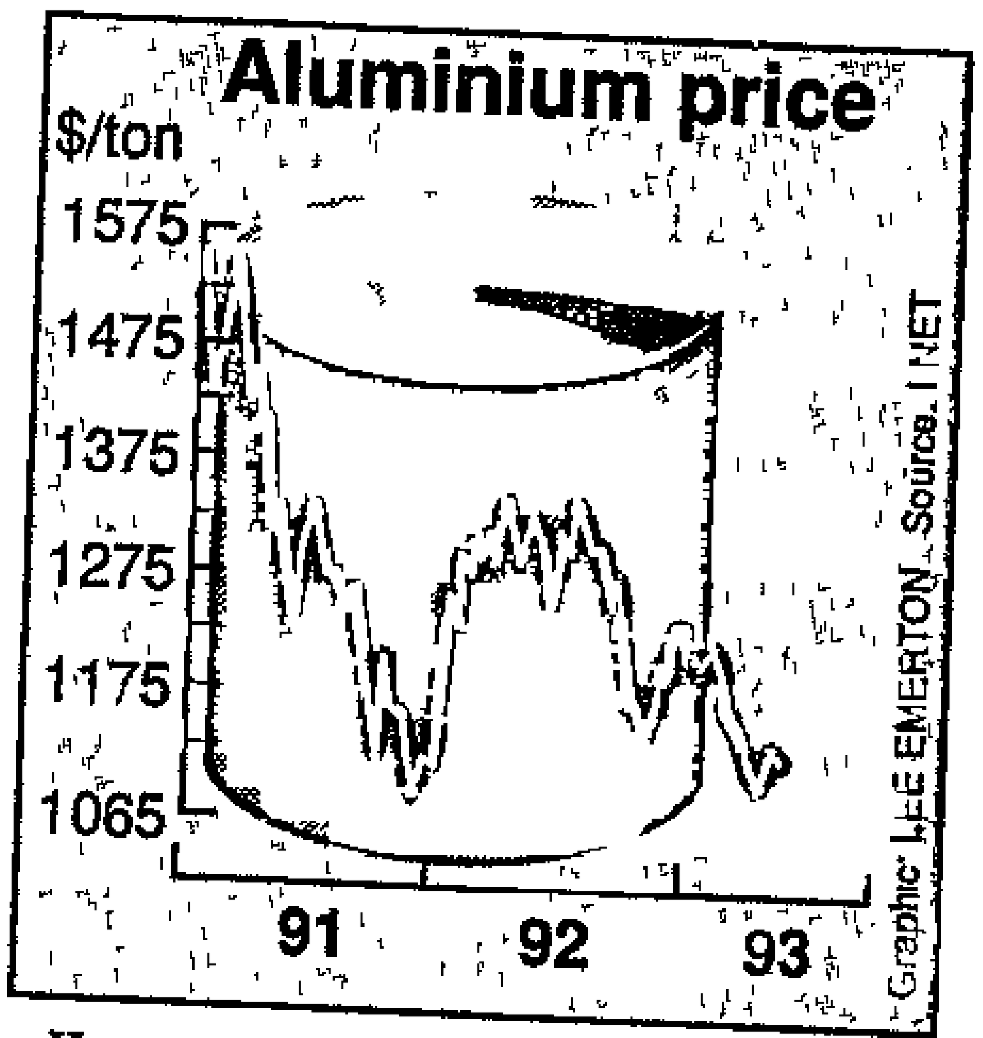
MD Rob Barbour said yesterday the onus was on SA's engineering industry "to bring its manufacturing and installation costs as well as productivity in line with world competition"

Alusaf has been at pains in recent weeks to show that it is not prejudicing SA companies in awarding construction contracts for its smelter expansion project

Barbour has said the group remains determined to win the highest quality and most cost-competitive contracts for the huge capital project Many of the heavy equipment and technology contracts have already gone to foreign companies

Yesterday's announcement follows concern expressed earlier this month by the Aluminium Federation of SA about Alusaf's procurement policy

In a recent memorandum to the federation, Barbour said "To enable local industry to compete against foreign competition, both Alusaf and Iscor have agreed to co-operate with SA suppliers to the project by offering unworked metal at prices that will be internationally competitive "



He noted that a condition for the new smelter's successful qualification for Section 37E tax benefits — without which the new smelter would not have been commissioned — was a commitment to supply aluminium at world prices to the local market once the new plant was up and running in the mid-'90s. That would disqualify it from government subsidies and export incentives

Barbour said the new Hillside smelter at Richards Bay had to compete "at world-related prices"

He added yesterday that Alusaf's price offer would ensure that local contractors

□ To Page 2

Alusaf

BDay 27/5/93 (189A)

□ From Page 1

for the project would be "on a level playing field with their foreign counterparts"

Alusaf would offer the same price to all local bidders, but the reduced prices would apply only to contractors for tendering aluminium and steel fabrication work for the new smelter.

Alusaf is selling ingots at R5 480 a ton (fob Richards Bay) compared with London Metal Exchange prices of $1 116 a ton, equivalent to R3 562 a ton at the current rand/dollar exchange rate.

Similarly, Iscor's domestic prices for hot-rolled steel plate and hot-rolled sheet average R1 500 to R1 600 a ton, compared with rand-equivalent world steel prices of R950 to R1 400 a ton.

Barbour said Alusaf's existing smelter had won the contract to suply most aluminium conductors for the new plant, but other contracts requiring aluminium components included electricity transmission lines and roof cladding.

Alusaf was supporting raw material import replacement projects for pitch coke, binder pitch, alumina and refractory bricks as well as downstream value-added opportunities in SA.

Haggie copper refinery may close

ANDY DUFFY

BiDay 9/6/93 (189A)

THE country's only scrap-based copper refinery faces closure following the Competition Board's decision to block the R600m merger between Haggie Rand's Copalcor subsidiary and Non-Ferrous Metals (NFM)

Haggie said yesterday that the future of its Wadeville refinery was now under review as part of a rationalisation plan forced by the board's decision

Copalcor's operations were to be cut back by roughly 20% over the next two years, Haggie added, with the cuts concentrated on high volume business

Haggie finance director Bill Smart added that the Germiston refinery fell into this category Its fate, and that of its 80 staff, would be determined by production changes currently being undertaken at Haggie's plant at Springs

"Volumes are too marginal to keep this (Wadeville) going," Smart said "We're examining very carefully every area of our business"

Copalcor, which has already cut staff by nearly a quarter to 1 900 over the last 18 months, expected to lose a further 200 staff as a result of the contraction

The announcement of the contraction follows less than a month after government backed the Competition Board's view that the merger should be barred

Copalcor and NFM convert about 60 000 tons of scrap a year, producing R500m of semi-finished copper products, of which R100m was exported

Rhoex reports a leap in profit

JONO WATERS

B DAY 9/6/93

RHOMBUS Exploration (Rhoex) reported a rise in after-tax profit to R1,21m (1992 R300 000) in the six months ended March 1993

Pre-tax profit was lower at R1,21m (R1,74m) but the company incurred no finance charges compared with R1,44m in the same period last year As a result, earnings on after-tax profit increased to 3,61c (0,89c) a share

CE Rob Still said after the completion of Rhombus Vanadium's (Rhovan) rights issue, Rhoex now had a 53,8% stake in Rhovan. Rhovan announced in November it planned to raise R35m in a rights issue and build an R85m vanadium oxide plant. The rights issue was 60,2% subscribed.

Still said construction of the plant had commenced and was proceeding according to plan Costs were within budget.

Taaiboschspruit colliery, in which Rhoex has a 50% interest, made its first contribution to income, he said.

"A decision to proceed with the detailed design phase of the Northern Natal Sands project is still be awaited from the joint venture's managing partners"

Still added that the company continued to investigate new propositions. some beyond the borders of SA

187A

Hans Smith to take over as Iscor MD

BDay 11/6/93 (189A)

EDWARD WEST

FORMER Samancor MD Hans Smith, 52, had been appointed Iscor MD from September 1, the steel group said yesterday.

Iscor chairman Marius de Waal said the management team under the leadership of Smith would continue to contribute to the group's progress.

Smith said he was excited at the prospect of taking over the reins from Willem van Wyk, who retires at the end of August.

He believed Iscor had good growth potential as long as one was not single-minded about the growth of steel operations only. He cited Australian group BHP, which had grown from a steel-making operation smaller than Iscor into the world's largest mineral resource group.

Smith said he believed the steel market would recover in time as international prices were firming slightly and producers overseas were taking steps to curb production and market share.

"There is not much one can do about world steel demand except watch economic indicators. Iscor is sensitive to local and world economies as well as the rand dollar exchange rate, all of which impact substantially on the bottom line."

The group was well poised to take advantage of any economic improvement following the completion of a massive capital expenditure programme, he said.

Govt looking at export controls

EDWARD WEST

GOVERNMENT was investigating scrapping export controls on ferrous and non-ferrous scrap metals, the Trade and Industry Department said yesterday. 189 A

Export controls, introduced three years ago to promote raw materials beneficiation, gave local buyers of scrap metals first option to buy the intended exports.

Local buyers were also granted a 15% discount on the LME price for non-ferrous scrap and a 7,5% discount on the free-on-board price of ferrous scrap.

The metals concerned included waste and scrap steel, iron, refined copper and copper alloys, nickle, aluminium and zinc.

Copalcor MD Piet Malan believed abolishing export controls would be detrimental to industry as the controls had been set up to prevent scrap metal from leaving SA.

He said abolishing the controls could push local scrap prices up.

The department said the investigation into lifting export controls would be completed in about two months, after interested parties had made submissions. BDAY 16/6/98

Foreign banks to oversee Alusaf loans

MATTHEW CURTIN

ALUSAF has appointed the foreign merchant banks which will oversee more than R2bn in finance needed to cover the imported components of its R7,2bn expansion project. B/Day 16/6/93

It is expected that the total R2,7bn worth of loan finance will be secured in principle by the end of July. The loan finance complements the R3bn equity backing already secured from Gencor, institutional investors, Eskom and the IDC, in addition to an R800m IDC loan.

Finance director Paul Snyman said yesterday project finance for the expansion had proved to be one of the largest private sector facilities offered in SA because the existing Alusaf smelter would be such a small part of the completed project.

Alusaf's current capacity is 170 000 tons a year, but the new facilities will add another 466 000 tons a year while the old smelter is being upgraded. (189-A)

He said non-equity finance was made up of R2bn in export credits backed by local guarantees with a total value of R2,7bn, plus the IDC loan

Most of the overseas finance was in the hands of a consortium of French banks — much of the capital equipment and technology for the new smelter is being sourced from France — but German, UK and Swiss banks would also be involved.

Only technical issues remained to be

☐ To Page 2

Alusaf

B/Day 16/6/93

☐ From Page 1

resolved with regard to finance secured from local banks to cover the R700m domestic cost component of the project.

The funding arrangements thrashed out in recent weeks with Absa, First National Bank, Nedcor and Standard Bank would be ready for final approval by the Alusaf consortium and bank boards in the first half of July. (189A)

Snyman said that Alusaf's qualification for Section 37E of the Income Tax Act, providing for the accelerated write-off of capital costs, would see the project "picking up capital allowances as and when spending occurred".

That left little room for "creative financing arrangements such as leasing".

COMPANIES

New stainless steel plant likely

JONO WATERS

ANOTHER stainless steel operation, funded by foreign capital, was likely to come on stream by the year 2000, Mintek president Aidan Edwards said yesterday

The trend in recent years was to produce stainless steel in developing countries with large chrome reserves, he said

SA would be the prime choice for any company planning to establish a stainless steel operation as it had the largest reserves of chrome ore

B/Day

"A decade ago, only 1,5% of total stainless steel capacity was situated in the developing world Today that figure is 8% and growing"

17/6/93

The rise in world demand and the resultant increase in capacity was based on reasonable forecasts Stainless steel production had been increasing at an annual rate of 5% Last year demand rose by about 500 000 tons

"There are a number of groups continuously examining opportunities in SA By the time Columbus comes on stream in the mid-90s, the next project will be announced"

(189A)

Joint partners Samancor, Highveld Steel & Vanadium and the Industrial Development Corporation approved the R3,5bn Columbus project last December

Star 18/6/93

French banks to provide bulk of Alusaf's export credit finance

(189 A)

French banks would provide the bulk of export credit finance for the giant aluminium project Alusaf, finance director Paul Snyman said yesterday

Alusaf has appointed three French foreign lead banks from which to source the major portion of export credit finance of R2 billion for imported technology and equipment

Other lead banks in Germany, Britain and Japan were also involved in providing export credits to cover potential suppliers to the R7,2 billion Alusaf smelter expansion project, he said

A consortium of the four major South African banks had agreed to provide guarantees for the R2 billion in foreign loans as well as approximately R700 million in local loan finance

Although this would be one of the largest private sector facilities offered in South Africa, the facility had not yet been finalised, he said

He pointed out that the foreign and local loan finance amounting to R2,7 billion was complementary to the R3,8 billion equity and shareholder loan backing which had been secured from Gencor, the Industrial Development Corporation (IDC), Eskom and various institutional investors

Snyman said there would be scope in the future for creative financing arrangements as Alusaf's qualification for Section 37 (E) would ensure the project received the cash equivalent of tax deductions for capital expenditure as it took place — Sapa

COMPANIES

Columbus work for local firms

JONO WATERS

THE R3,5bn Columbus stainless steel expansion project would award contracts worth R950m to SA firms over the next 14 months, project manager Phil du Toit said yesterday.

B/Day 18/6/93

This would lift the value of contracts awarded locally to R1,95bn or 64% of total expenditure

(189A)

Du Toit said to ensure local companies obtained maximum benefit, foreign contractors were asked to place the bulk of their sub-contracts with SA companies It was estimated that at least R230m of the R1,18bn in contracts awarded to foreign suppliers, would be subcontracted locally

Columbus had decided to offer R950m contracts to local companies In addition, local firms could provide the required back-up service once the project was fully operational

Columbus CE Fred Boshoff said poor after-sales service or inadequate technical back-up could not be afforded on a project that would contribute R2,5bn a year to GDP Concern was raised earlier that the majority of the contracts in the multi-billion rand Columbus and Alusaf projects would be awarded to foreign firms.

To encourage local firms, Alusaf announced it would sell aluminium at lower world prices to local metal fabricators tendering for construction work on the new R7,2bn smelter

COMPANIES

Samancor strikes French deal

DUMA GQUBULE

SAMANCOR has reached agreement with French company Société du Ferromanganese de Paris-Outreau (SFPO) to co-operate in the production of 40 000 to 80 000 tons of medium-carbon ferromanganese a year

BiDay 24/6/95

A joint announcement yesterday said Samancor would acquire a 5% shareholding in SFPO for an undisclosed sum Further details about the structure of the arrangements would be announced at the end of the year

Samancor would supply 80 000 to 160 000 tons a year of its of its high-grade manganese ore to SFPO, which would convert it into low-phosphorus high-carbon ferromanganese using its blast furnaces in France The alloy would be refined into medium-carbon ferromanganese

The parties said the agreement, still subject to approval by French authorities, would strengthen both businesses

SFPO would enjoy a higher level of capacity utilisation, gain access to ore which was complementary to its traditional source from Gabon and enter a new market

(189A)

Samancor had secured an additional outlet for its high-grade manganese ore and would gain access to the market for refined manganese alloys

Trials of the equipment required for the refining process were well advanced and small-scale production and sales would start shortly

Output would be increased gradually in line with market requirements and was expected to exceed 40 000 tons per year in 1994

Both SFPO and Samancor would individually market the product

It was intended that the project would provide a reliable and stable source of medium-carbon ferromanganese to consumers worldwide

Further details would be announced at the end of this year In the meantime, Samancor said the agreement with SFPO would not affect alloy output from its Metalloys works in Meyerton.

DIAGONAL STREET

Aluminium squares up to steel in beer-can ring

St Times [Buss] 27/6/93

NAMPAK management faces a question is there a life for the humble steel can when the aluminium competitor starts its charge?

Nampak has invested R115-million in a steel beverage-can plant at Springs, commissioned a little ahead of Highveld Steel's Rheem aluminium-can factory

A strong environmental lobby in America has given aluminium cans virtually the entire market Aluminium is more expensive than steel But there is a payback in gathering spent aluminium and recycling it

That is only half the green picture Left to nature, a steel can decomposes years ahead of an aluminium one Energy costs to produce aluminium far exceed those for steel

Steel cans still have most of the market in Europe

Nampak managing director Trevor Evans presented some statistics to a meeting of the Investment Analysts Society in Sandton

Mr Evans says 16% of the 2,3-billion litres of beer brewed in a year in SA is sold in cans compared with 79% in Britain and 67% in America The other large market for cans is carbonated soft drinks, of which 20% is sold in cans

The national beverage-can capacity is 2,95-billion a year. It is expected to rise to 3,75-billion by 1994 The market has grown by 5% or more a year for a decade

Mr Evans says there are fine growth prospects for canned beer, indeed for the beer market South Africans drink less beer than people in similarly developed nations There is also the prospect of more brewers with an appetite for cans entering the SA market

Markets are also growing for cider, fruit juice and housebrand colas

In short, says Mr Evans, the beverage market grows at a faster rate than does gross domestic product

If the economy picks up from next year, spare capacity will come into use Even now supply can be tight at seasonal peaks But until then, the market is probably oversupplied

Competitor Crown — recently bought by Holdains — is believed to have shut one production line in the Transvaal and Nampak will consider closing an older one

Mr Evans hears Rheem is a little off its programme, which might ease the position

In Nampak's favour, steel for cans is reliably supplied by Iscor Although Alusaf will be running in five years' time, it might not produce the correct grade of aluminium It is impossible to run a high-speed plant with off-spec material

189A

The cost of aluminium will be based on world prices of raw material

Steel has room for technological improvement It is more robust than aluminium — "deliveries can be tough on cans", says Mr Evans

The Collect-a-Can project to recycle steel cans should improve recovery from 20% of those sold to above 50% in three years

The drinks can comprises only 16% of Nampak's business

Mr Evans says the returnable glass-bottle market is at a low One reason is that manufacturers wanted to see how well the 1,5-litre Pet (advanced polyethylene) returnable bottle shaped in the market — not well

He expects a recovery in glass bottles because suppliers have been squeezing 11 to 12 trips out of every bottle and there is bound to be a rush to top up

He describes the paper market as a bloodbath Although there are early signs of a recovery, Nampak has not been unscathed by persistently falling paper prices

New management at the corrugated cardboard division after the unfortunate Adrian Barker fraud incidents is competent Mr Evans says the impact of SA Breweries' switch from cardboard beer boxes to plastic crates has largely been absorbed

Perhaps the most encouraging feature of Nampak's presentation is its importance in global terms and its focus on being a world-class player Estimated to be the 12th largest packager in the world, it is certainly the most diversified

Its 15 divisions employ 21 000 at 122 sites and goods are exported to 47 countries Nampak has spent well over R1-billion in the past five years on technological improvements without tapping shareholders for money and has still reduced gearing and lifted dividends annually

TREVOR EVANS Demand for our products growing

The shares are priced at R97, 17 times historic earnings Mr Evans says that although trading conditions remain tough, there should be a satisfactory improvement in earnings for the year to September

A favourable tax ruling will add 19c a share to earnings because of the write-back of a provision made last year

In the medium term, Mr Evans aims to improve the underperformers in time for the upturn in the economy

Demand for Nampak products is destined to grow — demand for the tightly held shares will do the same

Stability expected in ferrochrome

B/Day 30/6/93

ANDY DUFFY

PRICES in the tarnished ferrochrome industry were expected to hold steady this year, although a return to profitable levels could be at least 12 months away, industry sources said yesterday

Market leaders Samancor and Consolidated Metallurgical Industries (CMI) said low ferrochrome spot prices, which had battered the margins of long-term contract suppliers, had continued the rise started earlier this year

The flood of metal from the former Soviet Union onto the market last year was slowing to a trickle, and buyers were reluctant to gamble on cut-price, but unreliable, suppliers

Although SA producers were barely breaking even on current gross contract prices — around $0,43c/lb in Europe and $0,47c/lb in Japan — previous deep cuts into production and staff were unlikely to continue this year. "We do not necessarily say the world is a great deal better," Samancor MD Mike Salamon said, "but we get the feeling it's not getting any worse"

(189A)

CMI MD Zed van der Walt added that prices were not at a level "that we are comfortable with", but the industry was in a "better position to withstand these price levels".

Although SA is among the lowest-cost ferrochrome producers, the onslaught from the Commonwealth of Independent States (CIS) has forced the industry to cut capacity to 50% of its 1,6-million ton total, against 70% a year ago CIS suppliers, selling 25% below SA break-even prices, are thought to have taken 10% of the total market of 2,5-million tons.

In the six months to December attributable earnings for the Gencor-owned Samancor slumped to R111m from R151m while CMI, part of the JCI stable, was pushed into a R26,2m attributable loss.

However, the spot price stabilised in the first quarter, and since April has risen steadily Industry estimates show it now averages $0,39c/lb.

Samancor and CMI said cut-price suppliers had been unable to buy further market share, and had begun aligning prices with rivals.

Analysts added that any rise in prices would be off a very low base, and that the producers would rely on lower working costs to protect margins The dollar's rise against the rand would also offer some comfort.

Hopes run high for Iscor

Star 7/7/93

By Stephen Cranston

The Iscor share price has more than doubled since the beginning of the year as the market has high hopes for next year's performance, though there are no illusions about current trading conditions.

Certainly, there have been improvements Analysts expect Iscor to earn 14c a share in the full year, giving an improvement from the first half's 6,7c a share to 7,3c in the second (189 A)

Reduced borrowings, improved international prices and a weaker rand/dollar exchange rate should push earnings up to at least 20c in the year to June 1994 — just above the 1992 earnings.

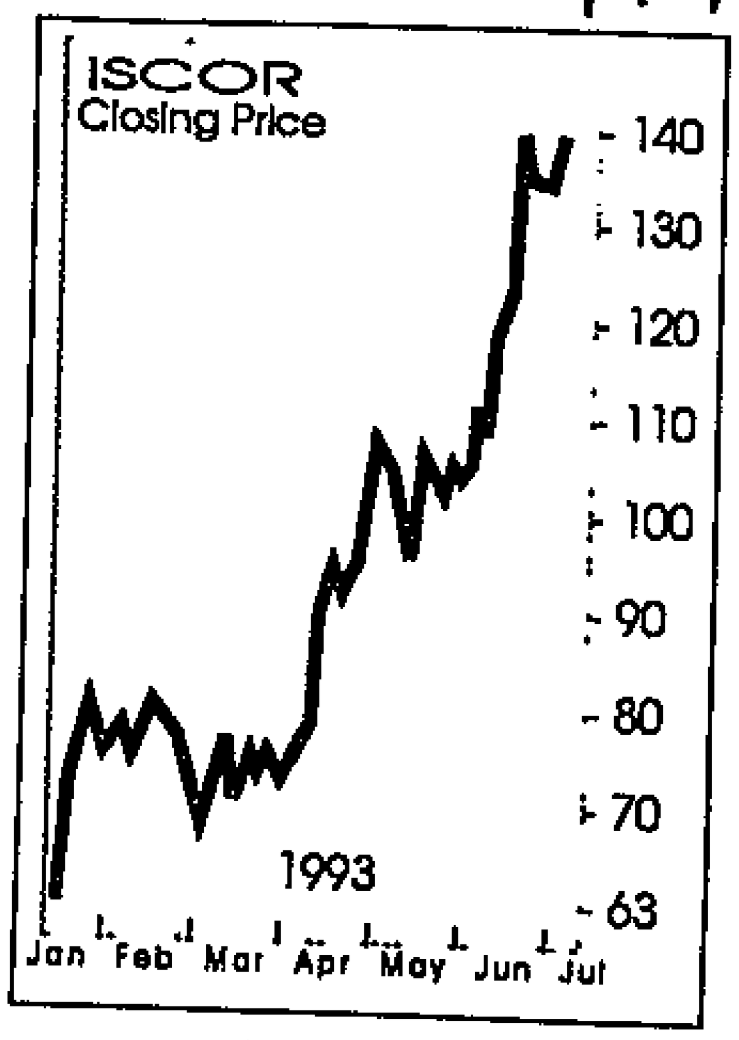
This puts Iscor on a relatively modest forward P/E ratio of seven.

There are already signs of a recovery in demand and prices Prices of steel slabs from Latin America, for example, have increased since October from $160 a ton to $230 a ton, while billet prices from Europe have increased from $200 a ton to $240 a ton over the same period

There had been cutbacks in production worldwide, notably in the former Soviet Union where monthly output fell from 10 million tons to 8 million before settling at less than 9 million

Locally, steel demand improved by 4,5 percent in the first six months of the year, despite the high industry stockpiles

But much of the current optimism can be ascribed to the appointment of Hans Smith as MD



He had great success turning around Trans-Natal Coal and saw Samancor through difficult times

With his extensive experience in minerals, he can unlock the potential of Iscor's considerable mineral holdings and unexploited mineral rights

Already Iscor's non-steel sales, principally of iron ore and coal, account for a quarter of group turnover and 35 percent of operating profit.

This is set to increase markedly when Iscor begins to export metallurgical coal from the Grootgeluk colliery, which will be subject to it taking a meaningful part of the quota at the Richards Bay coal terminal

Other minerals in the portfolio include zinc, dolomite, quartzite and refractory sand

The exchange rate will help Iscor, although as it sells many of its exports forward, it has not enjoyed the full benefit of the recent slide in the rand

It received an average of R3,02 a dollar on exports in the year to June, which will improve considerably this year

Iscor still has a heavy debt burden, but more professional asset and cash management by finance chief Louis van Niekerk has at least put a lid on borrowings, which are expected to remain at the interim level of around R2,56 billion Lower interest rates will see finance charges fall

Now that Iscor's R4,3 billion capital expenditure programme is over, it will be easier to start bringing the debt burden down in the 1994 financial year

Senekal Mouton & Kitshoff analyst Rob Cattich says Iscor is worryingly dependent on GEIS (export incentives) subsidies, which accounted for 27 percent of 1992 earnings

However, he expects this to be replaced by other kinds of allowances or assistance as any new government would be reluctant to jeopardise the industry and the jobs depending on it

The Gatt requirements will affect steelmakers around the world, who will see much of their protection fall away

The new environment is likely to favour Iscor as it is one of the world's lowest-cost producers

Iscor unharmed

189A
ARG 10/7/93

■ Iscor will not be harmed by the G7 decision to reduce steel tariffs

BRUCE CAMERON
Business Staff

ISCOR does not expect its trading to be affected by the decision of the G7 countries in Tokyo this week to reduce tariffs on steel

Iscor public relations manager Mr Ernest Webstock said Iscor already was operating at full capacity and would not be able to sell more steel as a result of the decision

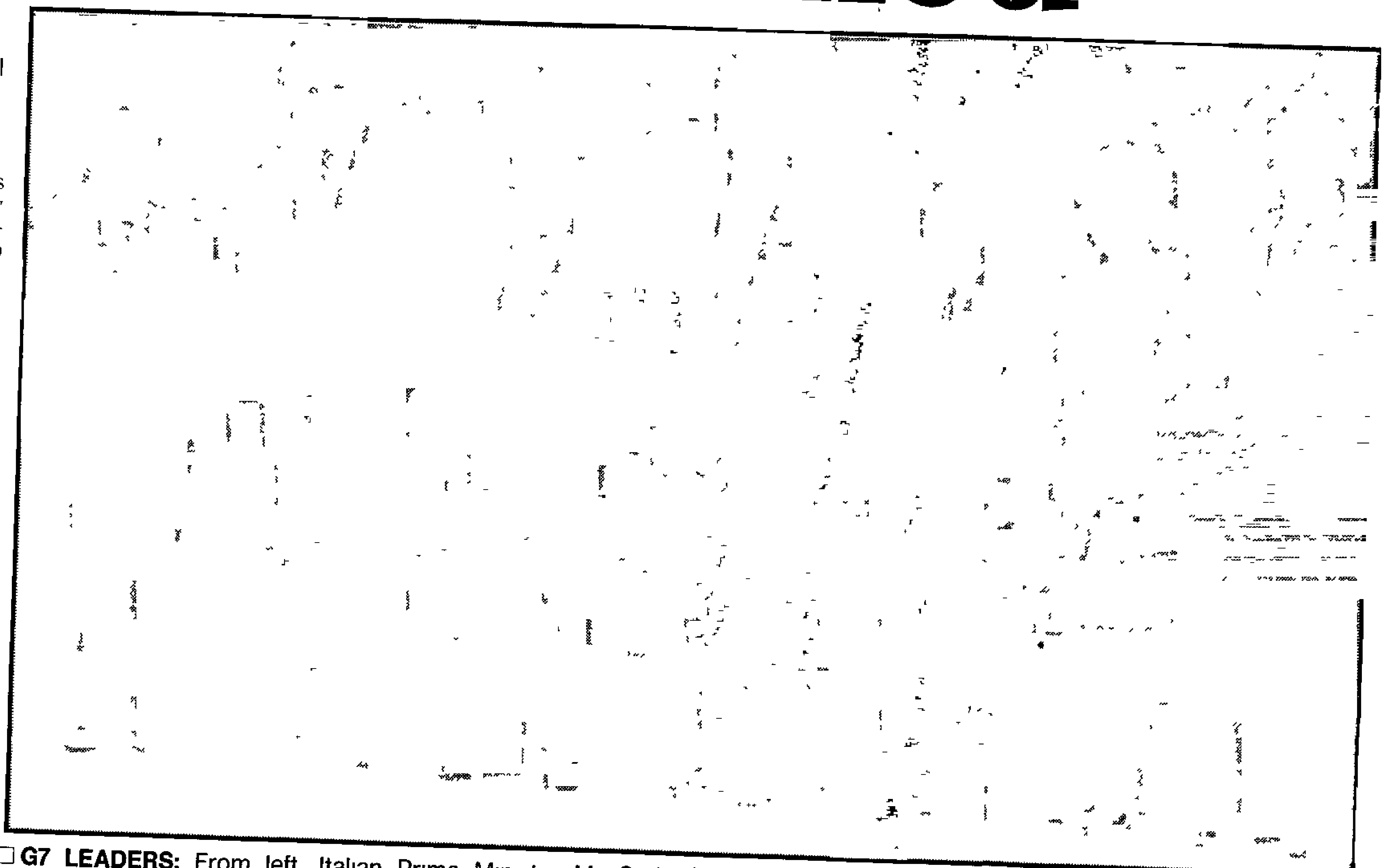
However Iscor continued to look for the best prices in the very competitive international steel market

Iscor also was stepping up its value-added production to improve earnings

The company was unlikely to be damaged by the removal of tariff barriers in South Africa where there was an ad valorem tariff of 5 percent

This would be replaced by anti-dumping measures permissible under Gatt rules

Mr Webstock said the South African barriers were low compared with tariffs elsewhere like the South American countries, Taiwan and Korea ranging from 15 to 45 percent while the United States was levelling tariffs on certain products of 109 percent



□ **G7 LEADERS:** From left, Italian Prime Minister Mr Carlo Ciampi, German Chancellor Mr Helmut Kohl, French President Mr Francois Mitterrand, US President Mr Bill Clinton, Japanese Prime Minister Mr Kiichi Miyazawa, Canadian Prime Minister Mrs Kim Campbell and British Prime Minister Mr John Major

G7 giants break world trade logjam

TOKYO — Global trade negotiations resume on Monday in Geneva, with the world's trading giants affirming their desire to have them completed by the end of the year in the wake of the deal they reached at their Tokyo summit

After having welcomeda "major step to the immediate resumption of multilateral negotiations in Geneva", the heads of state and government of the Group of Seven invited other countries taking part in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) talks to match "comparable market opening measures"

The pre-agreement on market access — anticipating a major lowering of customs tariffs and "peak tariffs" — concluded between the United States, the European Community, Japan and Canada is already seen as the main outcome of the Tokyo G7 summit

It came as negotiations in the Uruguay Round that had been stalled for months, threatened to collapse

The Tokyo summit can congratulate itself for having successfully relaunched the talks, in spite of the trade differences between the United States and the European Community, which had paralysed the negotiations

Yesterday, the last day of the summit, European Commission vice president Sir Leon Brittan lost no time in announcing that he would return to Geneva on Monday to brief the 12 members of the community on the content of the Tokyo arrangements and resume dialogue with the other countries

Sir Leon, like the G7 leaders, did not hide the fact that there remained "much more to do" to reach a final agreement in the round

As reiterated by French President Francois Mitterrand, "nothing is agreed until everything is agreed " That formula was used word for word in the declaration

The relative unanimity over GATT and the absence of disagreement on the part of France were the best gauge of credibility of the G7 countries' determination to tone down their trade disputes in order to conclude the Uruguay Round

France, opposed to an agricultural pre-agreement known as the Blair House accord reached between the EC and the United States last November, could readily have cooled the optimism born in Tokyo

But Mr Mitterrand said there had been "real progress "

"This G7 has been a way to return to the proper track of GATT negotiations since we are sending them back to Geneva," he said

German Chancellor Helmut Kohl said "The way is now clear for the relaunch of multilateral negotiations and success by the end of the year '

As for Sir Leon, architect of a number of deals between the United States, the EC and GATT authorities since January, he may consider the Tokyo agreement a personal success, considering that only on Tuesday the United States was uncompromising on textiles, while France vowed it would not hear of concessions on electronic goods

With the conclusion of the meeting in Tokyo, a series of thorny issues will need to be tackled, which were not taken up during the summit, especially services

Joint venture firm launched to boost local recovery of steel cans

BiDay 19/7/93

ISCOR, Metal Box SA and Crown Cork have formed Collect-a-Can, a company aimed at expanding steel can recovery in SA

The company, funded by the three founding partners, was launched in April to expand can recovery in the PWV, Durban, Cape Town, Botswana, Lesotho and Swaziland

A significant aspect of the collection drive is that Collect-a-Can pays one cent for each can delivered to its depot, or R255 a ton, which is equivalent to a weighted average of 25 500 340ml cans Market prices are paid for other metals

Collect-a-Can's national marketing manager Darryl McLeod says more than 50% of the 2,5-billion beverage cans in circulation annually are in the PWV area, so the company is focusing on this region first

Iscor steel operations director and Collect-a-Can chairman Kevin Robertson says Iscor has recognised that although steel can manfacturers have run an active recycling scheme for some years, a greater effort has to be made from an environmental viewpoint

He says the company aims to increase SA's 20% recycling rate to 50% of all beverage cans by 1995

Collect-a-Can will contribute towards recycling the beverage can portion of litter, and once this problem has been addressed, "more intensive attention will be given to other steel cans that form part of the waste stream" (189 A)

Cash paid for the cans will have a spinoff in the informal sector, and provide an opportunity for schools, charities and churches to support their fundraising efforts

McLeod says the company has advertised on radio, provided a toll free number and erected about 84 billboards, largely in the PWV region One area where it is active is in the Kruger National Park, where about 10-million beverage cans are consumed each year There is a Collect-a-Can depot in Skukuza and another mobile unit in the park, and cans will be railed directly to the Reef

Being committed to addressing environmental issues, the company is not driven by profit There are currently about 800 organisations supplying cans, and about 170 schools involved. In the two months it has been operating, members who are collecting have increased by 50 A major member is the Northern Transvaal Association for the Physically Disabled, which raises money by collecting

Collect-a-Can has also set up recycling exhibitions, one of which is at the Cape Town Waterfront, and is looking at other opportunities to create increased awareness

BDay 22.7.93

Unions unite in Iscor strike threat

ERICA JANKOWITZ

LARGE-scale industrial action at Iscor was threatened yesterday by the National Union of Metal Workers of SA, the Mine Workers' Union and the SA Iron, Steel and Allied Workers' Union (189)

In what was possibly the first joint statement from unions traditionally at political loggerheads — Numsa is a Cosatu affiliate, while the MWU and Saisaw are aligned to the right wing — it was confirmed that a meeting was held yesterday "to consider what action should be taken regarding a dispute to be declared with Iscor"

The unions are protesting against a 6% wage offer tabled by Iscor which was described as "half the current inflation rate, which would inevitably result in further impoverishment" They said the company could afford "a much higher offer due to the depreciation of the rand/dollar exchange rate of 15% in the last year, with a further 10% being a distinct possibility".

Describing the company's attitude as "inflexible and insensitive", the unions rejected its proposed implementation date and "other conditions of employment"

The unions accused Iscor of distributing "intimidatory and divisive" circulars which they "rejected with contempt"

They said Iscor had been ranked the third most profitable steel producer in the recent Fortune 500 world listing

Turning point for Iscor, say analysts

(189A)
ARG 24/7/93

But further profit corrosion is expected in next month's year-end results

MARC HASENFUSS
Business Staff

ISCOR'S year-end results — due out near the end of August — will show further profit corrosion, market watchers say.

However, in canvassing several prominent stock market analysts on Iscor's prospects, Weekend Argus discovered a glimmer of hope in the rusty shards.

All three analysts agreed that Iscor's results for the year to end June would represent a turning point in the steel giant's fortunes.

E W Balderson research analyst Mr Louis Venter is most bullish for the full year, predicting that Iscor will post earnings of 15,3c (previously 18,5c) and cut the dividend payout to 5c (previously 6c) a share in the year to end June.

This, the third consecutive earnings and dividend drop, could still rock Iscor's multitude of small and unsophisticated shareholders

Mr Venter stresses that small shareholders should "stay in" because prospects for the new year appear far less brittle Willing to put his neck on the line, he predicted that the share could recover to its all time high of 280c near the end of 1994.

Other analysts adopted a more cautionary stance, reasoning that the muted uptick in international steel markets would preclude any gains past the 200c listing price in the next 12 months

This week the share — after responding positively to the appointment of new managing director Mr Hans Smith (ex Samancor) and the weakening exchange rate — slid under 130c.

Mr Venter attributes this slump to investors "sobering up" to the fact that the local and international demand for steel will remain flat in the short term

Edey Rogers analyst Mr Keith Bright forecasts earnings in the 12c to 14c range, with a total payout for the full year of 4c a share.

He says that although the weak rand has helped Iscor's exports in the second half, profit margins from overseas sales would still be thin

He says Iscor's enormous debt will limit the final dividend to about 2c Another reason for cash conservation is that the group has also reached a tentative point in its recovery cycle

However, he notes that Iscor did much of its plant upgrading in the years before privatisation This means that capital expenditure requirements for upgrading in the next few years will not strain the balance sheet further

Mr Bright concedes that Iscor is close to a low point but emphasises that steel is not an industry that can suddenly jack up business levels "The steel industry is dependent on large capital intensive projects which lag behind the economy"

The share's downside potential is relatively limited and should not drop beloe 100c, he says "A lot of small shareholders — especially those who were given shares or bought them at a reduced price at listing — have now been flushed out of the system"

A cursory glance at the JSE's trading gazette for June seems to confirm this, with sizeable volume trade hinting that institutions are taking a longer term view on the undervalued share

The major stumbling block for Iscor in the short to medium term is a damaging interest bill Iscor's debt needs a chronic overhaul to allow the slight improvement in business conditions to trickle through to bottom line

It's still too early to gauge the influence of the new managing director, but his track record suggests that debt can be pinned down to reasonable levels in the medium term

Star 29/7/93

Steel signals West's recovery

189A

By Derek Tommey

Those backroom bureaucrats who run the International Iron and Steel Institute deserve the world's gratitude

The institute's latest crude steel production figures give the world what it has been waiting several years for — signs that the West is at last starting to pull out of its worst recession in 60 years

The institute reports total June steel production in what it terms the "industrialised countries" was 32,8 million tons — an increase of 4,3 percent on last year — and this in spite of several closures

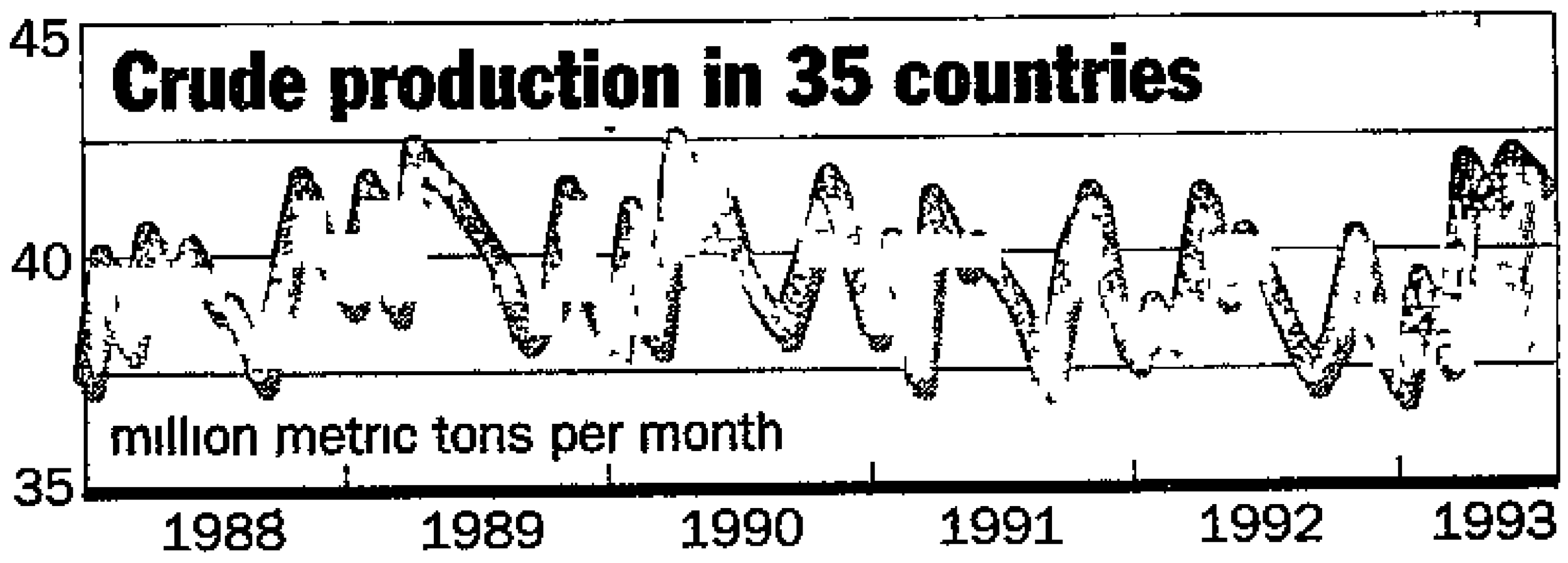
Steel production these days is no longer the only measure of industrial output But it is still a most important indicator of what is happening to a country's economy Any country that is expanding its steel production must also be expanding its economy

The figures show that the recovery is not universal Steel production is still well down on a year ago in several countries including South Africa.

As a result total production in the industrial countries in the first six months of this year increased by only 0,8 percent to 189 9 million tons But there are a number of important countries where output in rising strongly

Japan, the world's largest steel-maker, produced 8,9 million tons of steel in June, an 8,7 percent increase on last year Total steel production in the first half of this year reached 51,3 million tons, up some 5,6 percent on last year.

Another Far Eastern country, China, is also stacking up records Crude steel output in June reached 7,15 million tons, an increase of 9,2 percent on June last year Production in the first half of this year is estimated at 43,3 million tons — an increase of 11,4 percent.



China is now producing slightly more steel than the United States, where production rose 3,8 percent in June to 7,14 million tons, and by 2,2 percent in the first six months of the year to 43,27 million tons

Production in the world's other giant steel producer, the Confederation of Independent States (the ex-USSR) dropped 14,6 percent in the first half of this year to 50,6 million tons — but it still remained the world's second biggest steel producer

Here in South Africa June production was 704 000 tons — 9,6 percent lower than a year ago Production for the first six months was 6 percent lower at 4,26 million tons South African industry is still having a difficult time

Meanwhile the local industry still has the United States on its neck. The Americans are investigating South African steel producers to see whether exports to the US are subsidised

They are looking for soft loans, preferential rail rates and tax allowances which Iscor's managing director, Willem van Wyk, says do not apply to Iscor's exports

Highveld mothballs vanadium operations

B/Day 3/8/93

ANDY DUFFY

HIGHVELD Steel and Vanadium has indefinitely suspended its main vanadium operations, after the market's failure to show any signs of recovery

The Amic-owned company, the world's largest vanadium producer, said there was no prospect of making money from vanadium at current prices, and could not see when prices would recover to viable levels

Highveld had closed its Vantra vanadium pentoxide plant in May, in the face of world oversupply, but had been expected to reopen the plant last month

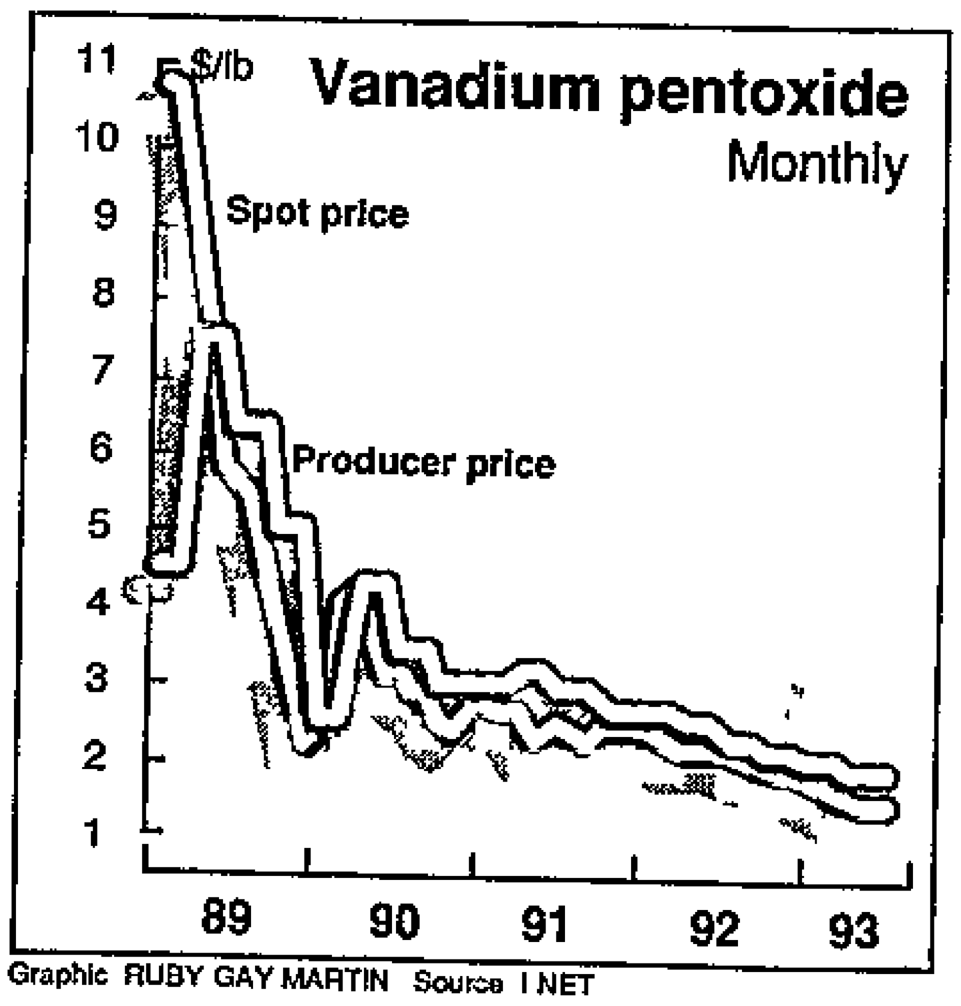
But MD Trevor Jones said yesterday the plant would remain mothballed The company had also stopped publishing its quarterly producer prices. "Until prices pick up we don't see any point in participating"

Highveld's vanadium business would now be restricted to the sale of vanadium slag, a by-product of its steel operations

Vanadium, used mainly for hardened steels, has been in free fall since the second quarter of 1991, as steel industry consumption collapsed and cheap supplies from China and the former Soviet Union swamped remaining demand

Highveld had cut its producer price for the second quarter of this year to $1,80/lb, down 8% on the first quarter, and just more than half the level two years ago

Jones said prices were now running at historically low levels, and that prices would not lift "as people are pouring the stuff out"



Graphic RUBY GAY MARTIN Source I NET

Though Highveld would return to vanadium when prices did recover, he was unable to say at what price its return would be viable nor at what level of capacity production would resume (189A)

Highveld is expected to display the damage inflicted by its depressed main markets when it posts its results for the half-year to June later this month In the year to December 1992, its earnings a share were 80c, 38% down on 1991

Analysts said Highveld's decision was sound, given market conditions But given that Highveld was one of the lowest cost vanadium producers, the move underlined that its peers would be "bleeding badly"

They said the vanadium price had "probably bottomed out," as supplies had fallen

Hiveld profit rises 21 percent

Star 4/8/93

Improved international steel prices and an improvement in domestic steel sales lifted the Highveld Steel and Vanadium Corporation's (Hiveld) attributable profit 21 percent to R37,6 million in the six months to June 1993

The interim dividend has been maintained at 20c a share Earnings a share increased to 42,5c a share from 35,1c previously

However, chairman Leslie Boyd cautioned yesterday the growth in local steel sales would be partially offset by the weak market conditions for other products

The start of Rheem's delivery of steel cans to Amalgamated Beverage Industries in August would help to improve sales, after the can plant was successfuly commissioned in the period under review

(189A)

Boyd expected firmer dollar prices for export steel products and ferro-alloys, combined with a weaker rand, would result in a moderate increase in earnings for the second half

The higher global steel prices resulted in all Highveld's iron-making furnaces being brought back into production

But steel prices did decline in June as a result of slowdown in Chinese business

With regard to vanadium, production at the Vantra division was only expected to resume in the fourth quarter of the year as a result of poor global prices

The Rand Carbide and Transalloys divisions continued to operate below full capacity, but they were expected to benefit from higher export prices and capacity utilisation during the second half of the year — Sapa

Falling demand expected to hurt steel prices

B/Day 4/8/93

EDWARD WEST

SLIDING world steel demand was expected to dampen the improvement in international prices over the past seven months, Iscor MD Willem van Wyk said yesterday

The improvement in steel prices represented the first noticeable upward trend since surplus production capacity and declining world economies sent prices sliding in 1989

Van Wyk said international steel demand from China had fallen sharply Chinese purchases had been a leading fundamental to the 10%-15% improvement in world steel prices.

Iscor would not be affected directly by falling demand in China as it exported only a small amount of steel compared with its iron ore exports to the country However, sliding demand was likely to have a bottoming-out effect on the improvement in world prices (189A)

Van Wyk said Iscor's Hong Kong office said an estimated 100 000 tons of surplus steel imports were piled up in China This was a two-week supply of the country's annual 5-million tons of steel imports

A JSE analyst said China's fast growing economy had soaked up much surplus world steel capacity and lower demand would affect international prices, either by curbing upward growth potential or by putting downward pressure on prices

☐ Sapa-Reuter reported yesterday insatiable demand in China for steel in the first six months of the year dried up overnight after vice-premier Zhu Rongi took control of the central bank in July

See Page 11

Growing local demand boosts Highveld Steel

B/Day 4/8/93

HIGHVELD Steel and Vanadium lifted earnings 21% to 42,5c (35,1c) a share in the six months to-end June 1993 after a beneficial deferred tax adjustment

The interim dividend was maintained at 20c a share The improvement in operating conditions appeared to have been anticipated on the JSE, and the share price rose 10c to a new high of 1360c yesterday from a low of 825c in December

Highveld attributed the improved earnings to a 10% increase in local steel sales during the six months compared with the same period last year and continuing improvement of international steel prices, particularly from the Pacific Rim where demand had been driven by China

Turnover for the Amic subsidiary during the interim period increased 5,9% to R737,4m (R696,2m), of which more than half comprised exports However, margins fell and operating profit dropped 5,2% to R34,1m (R35,9m)

Tax came to R6,5m A R10m deferred tax credit boosted taxed attributable profit 21% to R37,6m (R31m) Chairman Leslie Boyd said

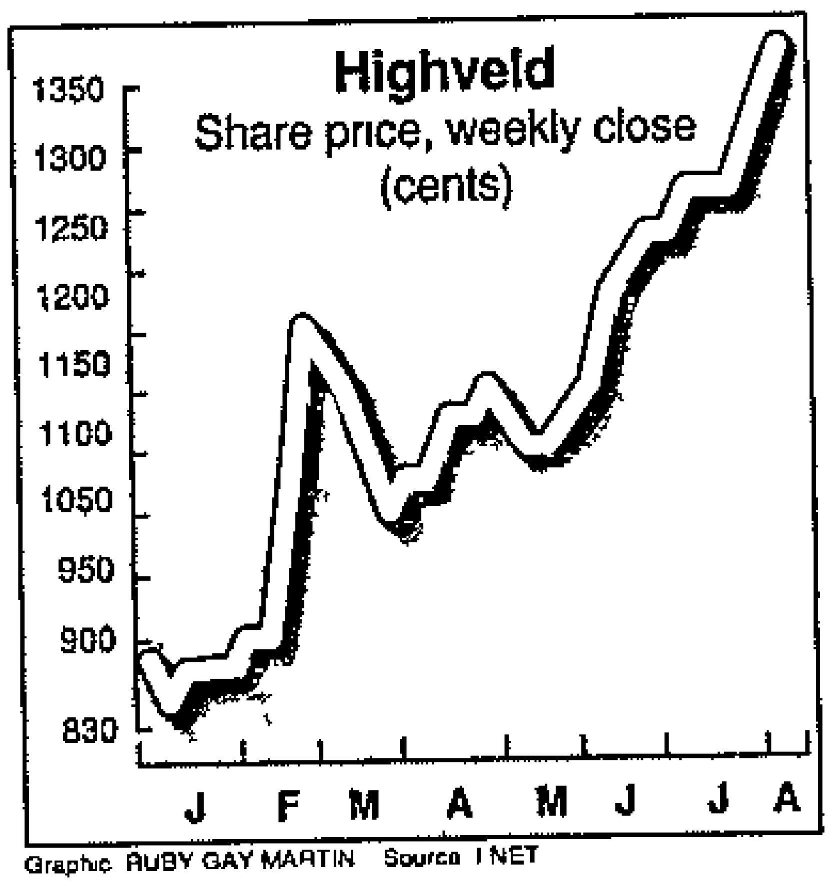
EDWARD WEST

only a portion of deferred tax was brought to account

The R120m sale of a one-sixth share of Columbus Joint Venture to the Industrial Development Corporation resulted in a R34,5m extraordinary profit Net profit after the extraordinary item more than doubled to R72m (R31m)

Boyd said there were indications that SA's economy was bottoming out and that a weak recovery appeared to be under way in the US and the UK

He expected earnings to increase



Graphic RUBY GAY MARTIN Source I NET

moderately in the second half

Local steel sales growth and the initial contribution from Rheem's aluminium can sales would be offset to some extent by weak markets for other products Firmer prices for export steel and ferro-alloys together with the weaker rand was forecast to contribute to earnings growth in the second half (189A)

Highveld's iron-making furnaces were all brought back into production as a result of improved steel prices, but a slow-down in Chinese business occurred in June as a result of port congestion and a shortage of foreign currency Boyd believed this decline would be shortlived

Vanadium prices had fallen to levels last seen in the 1982/83 recession and directors expected prices to remain close to historical lows for the remainder of 1993 at which level most producers would incur losses

The Vantra division — closed in April — was not expected to resume production until the fourth quarter Trial shipments of vanadium trioxide were made to Europe and Japan after the plant was commissioned in the period under review

FM 6/8/93

HIGHVELD STEEL

Steel demand rising (189A)

The reality of being faced with a cheerful, confident and optimistic businessman is almost akin to contemplating life without inflation. It is certainly sufficiently rare to be

FM. 6/8/93.

worthy of note.

This week, Highveld Steel chairman Leslie Boyd was just such a man. Buoyed by good results which reflect a substantial turnaround in world and local steel demand, Hiveld has returned a 21% increase in attributable profit to R37,6m and has maintained its interim dividend at 20c a share.

Turnover rose nearly 6% to R737m and the bottom line was enhanced by the one-off

Boyd ... *life without inflation*

sale of 17% of Columbus Joint Venture to the Industrial Development Corp. (189A)

That yielded a cash inflow of R120m, of which the profit element was a comfortable R34,5m. The deal benefited Hiveld's cash position, which stood at R238m despite heavy demands for capital expenditure both from Highveld itself (R34m) and for Columbus.

FULL CAPACITY

Six months to	Jun 30 '92	Dec 31 '92	Jun 30 '93
Turnover (Rm)	696,2	792,6	737,4
Operating income (Rm)	35,9	38,5	34,1
Attributable (Rm)	31,0	39,8	37,6
Earnings (c)	35,1	45,0	42,5
Dividends (c)	20,0	25,0	20,0

It wasn't all plain sailing, however. Highveld's Vantra division, responsible for the company's pre-eminent position as the world's major single supplier of vanadium pentoxide, is being mothballed. Boyd is philosophical about it. "In the 23 years I've been associated with Hiveld, we must have closed Vantra at least five times, sometimes for long periods."

The key lies in Hiveld's approach to the

FM 6/8/93

problem of persistently falling vanadium prices in recent months: the stage has been reached where the more that's sold, the greater the loss. What's more, continuing production leads to ever growing stockpiles and to working capital tied up in unproductive assets. The Vantra division has six roasting units; its inherent advantage is that it can be turned on and off easily. That said, it seems probable the vanadium price has bottomed. Hiveld says it may be able to resume production at the end of the year. (189A)

Meanwhile, the vital area for Hiveld is, of course, steel demand. Boyd says it's the first time in four years that domestic demand has increased. "This heralds a bottoming in the SA economy," he says, "and that's supported by good new vehicle sales for the first six months, which took us by surprise."

On the world scene, the dollar prices of Hiveld's products have improved significantly, demand has improved (world production shows an increase of about 2% over the corresponding period last year) and the weaker rand has inflated returns in local currency. "Steel making is a business," says Boyd, "which is highly capital intensive. There's nothing worse in this business than running below capacity. It's a real relief to be operating once again at full capacities."

Boyd is equally sanguine about the prospects for ferroalloys, where he believes significantly greater demand will become apparent over the next six months. Hiveld's Rheem division will start supplying aluminium cans this month, says Boyd. "It's the most modern plant of its kind in the world." And he's confident most SA users will express a preference for the product in time.

Columbus Stainless operated at full capacity over the six months and Boyd says sales were at the record annualised level of 150 000 t. The half-year results are certainly a happy augury for the R3bn capital expansion project.

Prospects for the next six months are certainly a good deal better than the prognosis half a year ago. If the present trend is maintained, it seems likely Hiveld will return significantly higher earnings; shareholders may even have cause to hope for a little extra in their Christmas stockings.

David Gleason

CMI slides deeper into red in face of oversupply

BiDay 6/8/93

EDWARD WEST

INTEGRATED ferrochrome producer Consolidated Metallurgical Industries (CMI) sank further into the red in the year to end-June as oversupplied world markets continued to shake profits

(189A)

The ferrochrome industry has been negatively affected by Western overproduction, which has been exacerbated by an increase in the availability of cheaper ferrochrome from the Commonwealth of Independent States (CIS), former Eastern bloc countries and China

Sales dropped just more than a quarter to R226,2m (R306,4), R100,4m of which was made in the second half. Operating margins plunged from last year's CMI recorded an operating loss of R24,4m against R14,9m profit in the 1992 financial year.

However, the JCI subsidiary's operating loss in the second half was less than the first half's operating loss of R16,8m

Interest paid fell to R6m (R10,6m). The taxed loss was R30,3m compared with a R4,3m profit in 1992 Preference dividends of R10,3m were paid, bringing the attributable loss to R41m (R5,3m).

The earnings loss a share was 97c (12c) The ordinary dividend was passed while a preference dividend of 29,75c (30,25c) was declared

CMI reduced production by more than 30% from the previous year's already restricted output in the interests of cash and stock control It was currently operating at 50% of its rated production capacity, said CE Sandy Wood

The low level of capacity utilisation exerted severe cost pressures This led to the retrenchment of about 200 employees, he said

Worldwide, supply and demand were in balance

The weakening rand exchange rate was expected to continue providing relief for exports, but a recovery in world ferrochrome prices was essential to restore profitability.

Cost-containment measures were expected to improve results this year

World demand for ferrochrome improved in 1992 in line with higher stainless steel production and lower availability of stainless steel scrap World stainless steel production continued growing in 1993 after rising 2,4% in 1992 compared to 1991. It had grown at a compound rate of 5,9% since 1950.

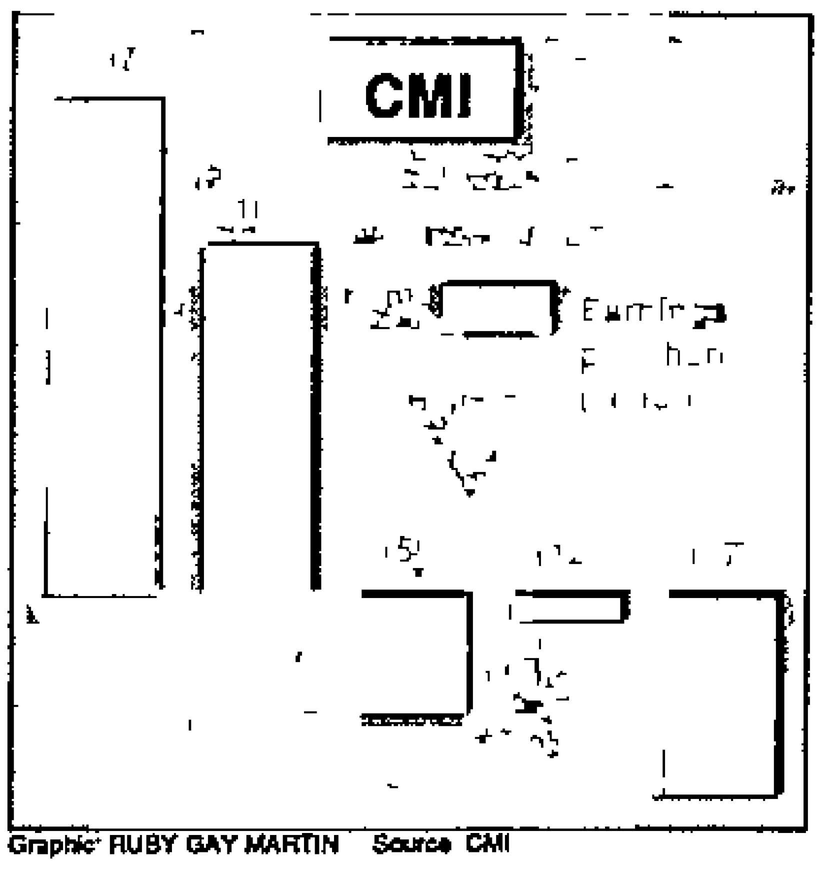
However, because of surplus capacity and greater availability of scrap, spot ferrochrome prices were eroded to a low of $0,70/kg in the first quarter of 1993, nearly a third less than in July 1992

Spot prices have since firmed to about $0,86/kg because of SA producers' curtailing production — CMI stopped production for four months last year — and a switch by buyers to traditional European producers in the second half from producers in the CIS and Eastern bloc countries, said Wood.

The switch occurred after CIS and Eastern bloc producers experienced transport problems, said Wood

Demand for virgin chrome units was expected to continue to grow in the US, Japan and Europe Europe was producing at record levels to service Chinese markets

However, faltering demand for stainless steel from China was expected to stress European producers, which could be detrimental to market stability



Graphic RUBY GAY MARTIN Source CMI

Ferroalloy plea rejected by govt

ANDY DUFFY

GOVERNMENT has rejected pleas from ferroalloy producers for subsidies to help cushion the impact of a battered global market

BIDay

Leading producers including Samancor, Highveld Steel & Vanadium, and Consolidated Metallurgical Industries (CMI) had been pushing for subsidies worth at least R50m a year under the controversial R1,6bn-a-year general export incentive scheme (GEIS) 11/8/93

The call, forwarded by the industry's trade body, the Ferro Alloy Producers' Association, came at a time when sluggish market conditions forced producers to halve their capacity (189A)

The producers claimed they were previously entitled to GEIS, but had relinquished the right in 1991 because government was already struggling to pay the average R150m annual payment under the 1977 electricity rebate scheme.

But the association's attempts to regain the GEIS subsidies since the electricity rebate was withdrawn in December have been stymied by government officials

Trade and Industry director-general Stef Naude wrote to the association late last month saying there was no chance of GEIS being re-applied to the industry The Trade and Industry Department has not yet given its reasons for the decision

The rebuff is a blow to the sector, effectively wiping R50m off its bottom-line earnings. Cheap Russian and East Bloc supplies have cut into SA companies' capacities, market share and earnings

JCI-owned CMI last week reported losses of 97c a share for the year against

To Page 2

Ferroalloy

BIDay 11/8/93

From Page 1

last year's 12c loss, and with sales down more than a quarter, the company was forced to operate at half capacity

Gencor-owned Samancor, which reports later this month, is expected to post at least a 30% fall in earnings for the year against 151c a share last time (189A)

Analysts said production cuts had led to price stability, but at barely breakeven levels Recovery was at least a year away

"The industry is in crisis," association secretary Michael McDonald said "The incentives have helped us get through the bad times and keep our market share Now the industry has no export incentives"

But analysts said Trade and Industry's decision came as little surprise, given the criticism GEIS had attracted since it was set up in April 1990

GEIS offers payouts of up to 19% of the export value of processed products The scheme, which is expected to cost R1,8bn this year, is designed to promote the manufacture of export goods

But it has been slated as ineffective, expensive and open to abuse. The department conceded this year that it was investigating more than 50 separate frauds

GEIS contravenes the General Agreement on Trade and Tariffs (GATT) and government has committed itself to scrapping GEIS by March 1995

Aluminium can factory starts up

Star 13/8/93

■ BY THABO LESHILO

SA's first aluminium softdrink can factory opens in Wadeville, Germiston, today. (189A)

The plant is the brainchild of the Aluminium Can Recycling Association (Acra), formed by Hulett Aluminium, Alusaf, Rheem South Africa and Australia's Comalco Aluminium and Alcoa.

Acra general manager Dawie Krugel told reporters in Sandton yesterday the plant would have an initial annual capacity of 500 million cans.

A five-year contract had been signed to supply Coca Cola.

However, Coke does not have exclusive rights to the plant.

Acra, he said, aimed at promoting the benefits of recycling aluminium cans, providing a convenient infrastructure for the collection of used cans and achieving a recycling rate of 50 percent.

He said the intrinsic value of the new can would provide a source of revenue to collectors, who would be paid R1 for each kilogram collected.

More than 100 registered dealers had been recruited to take part, many of whom are secondary metal dealers.

Aluminium cans oust steel

By JULIE WALKER

SHELVED at inception in 1989 and resurrected by 1991, the R150-million Rheem Aluminium Can plant was opened at Wadeville outside Johannesburg this week by Anglo American Corporation chairman Julian Ogilvie Thompson

Rheem is a subsidiary of Highveld Steel & Vanadium It has made steel drums and pails for 20 years

Highveld chairman Leslie Boyd proposed a diversification into aluminium cans and an investigating team went to seven operations around the world Initial findings were not encouraging and the project was shelved until Denver's Packaging & Containers (PAC) process was accepted in April 1991

It was in the nick of time Rheem's Stuart Park says that as his company walked out of PAC after signing a deal, another SA firm arrived with similar intentions

S/Times (Buss)

Rheem signed a supply agreement (after 17 lengthy legal drafts) with National Beverages and lobbied the SA Government to cut the duty on aluminium imports from 25% to 5%

Aluminium cans dominate the beverage industry worldwide, having taken over from steel because they can be recycled They are also lighter, do not affect content flavour and can be chilled faster

16/8/93

Mr Ogilvie Thompson says aluminium recycling is cheap and energy efficient

(189A)

Rheem's target is to obtain half the plant feed from recycled cans Anglo has benefited from Mondi's experience in paper recycling

Mr Ogilvie Thompson estimates it has led to 3 000 formal-sector jobs and at least twice as many informal ones in five years

Huletts, Alusaf, Rheem and its international partners have formed the Aluminium Can Recycling Association to collect cans and to educate the public about recycling

Mr Ogilvie Thompson says the project has had a multiplier effect on the economy Aluminium will be imported initially But Hulett Aluminium is upgrading its production facilities and when Alusaf is operational, the need for imported metal should fall away

The tariff reduction on aluminium had an important influence on the Rheem go-ahead

Mr Ogilvie Thompson says "The tariff reduction is part of the measured, phased approach to tariff reform we need if South Africa is to become more internationally competitive

"In this way, existing industries can be given time to make the necessary adjustments while new ventures like this one by Rheem are not needlessly frustrated by outmoded trade policies"

Rheem's plant has a capacity of 500-million cans a year Branded soft-drinks will be available in aluminium cans throughout the Transvaal by the end of the month

Tariff deal paves way for new aluminium plant

B/Day 16/8/93

EDWARD WEST

THE lowering of import tariffs has enabled Anglo American's Rheem aluminium plant to make soft drink cans available to the market at the same price as the usual steel cans, says Australian-based Comalcor Aluminium sales manager Rick Ralph

Government's agreement to reduce aluminium tariffs to 5% from 25% was an important factor in the decision to go ahead with the plant, Anglo chairman Julian Ogilvie Thompson said at the opening of the Rheem Can factory in Springs on Friday

Aluminium is generally more expensive than steel products (189A)

Local manufacturers, including Alusaf, supported the lower tariff as a means of securing growth in the local market

They hoped to compete in the domestic market eventually by expanding their production lines, he said

Alusaf could not supply rolled aluminium plate to Rheem However, Hulett Aluminium was considering an investment of about R500m to convert Alusaf ingots to canning plate, Ralph said Hulett directors were not available for comment at the weekend

Aluminium Can Recycling Association GM Dawie Krugel said the value of the all-aluminium can was that about 95% less energy was needed to recycle aluminium from a used can than to produce aluminium from the ore bauxite

The Rheem plant has the capacity to manufacture 500-million aluminium cans a year

Existing contracts, including that for Coca-Cola cans for the Transvaal, have already tied up a major part of this capacity

Banking consortium to finance Alusaf project

B/Day 19/8/93

EDWARD WEST

A BANK consortium comprising Absa, First National, Nedcor and Standard Bank is to provide a R3,28bn finance package for the R7,2bn Alusaf Hillside aluminium smelter expansion project, it was announced yesterday

At the signing of the loan agreement, Alusaf chairman Fred Roux said new ground had been broken in funding in SA

The package was the largest single-term lending facility ever to be advanced to private enterprise by SA's banking industry

Although the consortium had required a complete and fully operational project, the loan facility had been provided on a limited recourse basis After completion, the consortium's only recourse was to Alusaf

The project's total funding requirements after tax allowances were about R6,5bn

An amount of R3bn had been provided by way of equity while a further R500m had been secured through a shareholders' loan

The remaining R2,7bn would be provided by the R3,28bn bank consortium facility, which would also cater for R500m contingency cost overruns, said Roux

Finance director Paul Snyman said the finance package had taken eight months of negotiations between seven parties — Alusaf, the four banks, and Gencor and the Industrial Development Corporation, the project's two main shareholders

The package provided for the issue of guarantees for export credit finance and offshore loans for imported components for the project, to be repaid over eight-and-a-half years after commissioning It also provided for direct long-term loans to finance local content, which would be repaid over 10 years after commissioning

Roux said good progress on the project had been made since it had been given the go-ahead in November 1992

(189A)

Nearly 50% of the project's capital cost had already been committed and construction was well under way at the Richards Bay site

Commitments to date indicated the capital cost budget would not be exceeded

The targeted completion date had been moved forward by three months to August 1995 from the previously anticipated November 1995

Production build-up would take a year Full production of 466 000 tons of aluminium a year was targeted for August 1996 Current capacity was 170 000 tons a year

Roux said investors' and bankers' commitment to funding the project had been an act of faith considering the depressed state of the aluminium market and the political uncertainty in the country

IMPALA PLATINUM
Fm 20/8/93

Ruined by rhodium

The annual results are sparkling at operating level, only to be severely reduced by the vagaries of the marketplace Impala returned record production of platinum group metals Platinum sales volumes rose 17% to a record 1,101m oz Similarly, palladium sales reached a record 500 000 oz Rhodium, the key metal in previous years, was held at 1992's 95 000 oz (189A)

Despite this considerable increase in sales

FOX Fm 20/8/93 (189A)

and, therefore, production, operating costs were held to a modest increase of 10% More remarkably, unit costs of production fell 9% — a significant and pleasing achievement

Nearly all the blame for less than satisfactory results can be laid at the door of rhodium Over the year, the metal fetched 34% less in dollar terms than in 1992 Overall, therefore, Impala's turnover declined 2%, income from metals mined was down 37% and the bottom line fell 22% to R201m The dividend is cut to 140c a share (1992 170c)

Faced with declining income, management reassessed the capital expenditure programme, and cut ongoing capex by R36m or 31% by planning for fewer shafts and making better use of alternatives Expansion capex was also curtailed the plan to expand production to 1,29m oz was shelved temporarily and efforts directed instead on increasing production from more efficient use of the mine's metallurgical operations

For example, it seems that rigid separation of ores from the two reefs — Merensky and UG2 — will bring significantly higher recovery Total capex was cut by 62% to R157m

Net cash is positive but debt rose by R40m to R120m — though, for a company this size, that isn't especially meaningful Some R54m of the extra debt was to pay Impala's 27% share of debt reduction at Eastplats

It is known that Lonrho wants to trim further the debt related to its two platinum operations (Eastplats and Westplats), estimated to be about R800m, perhaps allied with a rights issue Impala's share of that will be about R160m, though it may choose to finance it in partnership with Gencor

Also of interest is that, for the first time, ground has been exchanged between Impala and JCI's Rustenburg Platinum Rustenburg ground immediately north of Impala's Deep area, Welbekend, has been exchanged for Impala ground east of Rustenburg's operations This raises the interesting possibility of a further exchange of important ground at a later stage Curiously, the exchange was studiously avoided during the recent presentation of Rustenburg's results

Comparisons are odious, nevertheless, investors need to make them, certainly in the case of two giants who, between them, supply more than 60% of the world's platinum group metals In operational terms, despite Impala's good results, Rustenburg probably did rather better over the year And the royalty payment (13%) Impala has to make has the effect of making Impala's tax rate about 6% greater than Rustenburg's

Both have strong balance sheets though Rustenburg is holding high cash while Impala has modest debt On balance, Rustenburg probably deserves its marginally higher rating, though there's little to choose between them

Immediate prospects for both centre on the market The evidence suggests prices of PGMs have bottomed, against that, the rand will continue to depreciate, good for exporters, and that leads to the conclusion that the earnings cycle has bottomed too However, the shares are not cheap and the dividend yields of both are demanding These certainly are not counters staring investors in the face and yelling "Buy me!" *David Gleason*

Alusaf likes the look of cheap aluminium

S/Times (Buss). 22/8/93

By JEREMY WOODS

THE longer the price of aluminium remains depressed, the better the prospects for the R7,2-billion Alusaf Hillside smelter under construction at Richards Bay (189A)

That is the view of Alusaf managing director Rob Barbour in commenting on an agreement with a consortium of banks to provide R3,2-billion of the smelter's funding

Hillside will be the largest aluminium smelter to be built at one time

Mr Barbour says "There is no chance that the depressed price of aluminium will result in Alusaf becoming a white elephant like Mossgas, if that is the suggestion

"The banks that signed our funding agreements this week are run by pragmatists The ball that focused their eyes is not the London Metal Exchange price of today or yesterday, but funding the most competitive smelter plant in the world

"We will still be making a profit long after some of the high-cost smelters in the world have been mothballed — should that situation ever occur"

The signing of the loan agreement coincided with moves by Aluminium Company of America (Alcoa), the world's largest aluminium producer, to mothball several smelters

Alcoa's move was prompted by a depressed aluminium price on the London Metal Exchange (LME) and heavy selling by Russia at a time of low world economic activity

Aluminium traded at the equivalent of $1 250 a ton on the LME this week In 1995, when the Alusaf smelter comes on stream, its break-even price will be $800 a ton

Mr Barbour says "Obviously, we would not want the aluminium price to stay depressed for a long period But in the short to medium term, the more smelters that are mothballed or closed, the less production there will be That will favourably affect the supply-and-demand balance and will stimulate a rise in prices Once you close a smelter, you rarely open up again"

An important bonus for Alusaf's new smelter in this "anti-cyclical time" is the cost saving in building contracts

Mr Barbour says "This is almost the only game in town and the building contracts were highly competitive"

ALUSAF MD ROB BARBOUR

What will secure the smelter's future?

Mr Barbour says "First, we are a private-sector enterprise and more than 50% of our funding is equity based

"Second, we are using the most advanced technology in the world

"But perhaps the most important key to our future is that 65% of our costs — raw materials and electricity — are linked to production and the price of aluminium"

Alusaf has, for instance, a contract with Eskom to take 16% of its spare electricity capacity at a price tied to the LME cost of aluminium

Mr Barbour says "If the price of aluminium falls, so do our power costs That deal will keep us competitive."

But will not that cheap power eventually have to be paid for by other users?

Mr Barbour replies "Not at all Eskom has already spent the money building the power stations and has a very low cost structure It will make money out of us and we will use electricity that otherwise would not be used"

COMPANIES

Samancor 'may slash dividend'

SA's leading chrome and manganese alloys producer Samancor is expected to report a major fall in annual earnings today and a slashed dividend, analysts say B/Day

They said last week that despite rationalisation and production cutbacks announced at the halfway stage, the continued decline in dollar prices and volumes would dent second-half earnings

"Its plants are generally at 50-60% of capacity," Kevin Kartun of Frankel, Pollak, Vinderine said 23/8/93

Analysts forecast sharply lower earnings at 100-80c a share for the year to June 30 against 151c in 1991/92 They expected the full-year dividend to drop to 50-45c a share from 90c (189A)

The outlook for the current financial year to end-June 1994 was considered poor, but James Allan of Anderson Wilson Partners said it seemed spot prices, especially for ferrochrome, had turned the corner or levelled out He noted that Samancor's long-term contract prices took time to catch up to changes in market conditions

Earnings in rand terms would be cushioned by the weaker local currency versus the dollar, analysts said They added that rationalisation benefits were offset by higher unit and retrenchment costs

Samancor, like the rest of the industry, lost its export allowances from the end of 1992, but it was due to receive in the second-half period the last of its electricity rebates estimated at R30m-R50m

Anlaysts noted that the recent reduction of the corporate tax rate and deferred tax write-back would have boosted earnings, but the benefit would have been partially offset by the secondary tax on companies

They said the one bright spot for Samancor was the continued good performance of the Columbus stainless steel joint venture

Samancor said in June it had entered into an agreement with France's Société du Ferromanaganese de Paris-Outreau whereby 40 000-80 000 tons of medium carbon ferromanganese would be produced a year in Boulogne from Samancor-supplied ore — Reuter

GATT worry for manufacturers

B/Day 23/8/93

EDWARD WEST

MANUFACTURERS in secondary industry are worried that SA's new GATT offer will lead to extra protection for steel producers, says Independent Wire Converters' Association chairman Robin Bosomworth

He said the offer, aimed at reducing tariff protection in general and lifting import tariffs on basic steel from 5% to a proposed ceiling of 15%, flew in the face of SA's need for manufactured export-led growth

The offer benefited steel producers by maintaining a ceiling of only 5% on pig iron and billet, and leaned toward the primary industry sector, particularly as a 5% duty ad valorem had existed on basic steels for several years, he said (189A)

Representations to government by the association on the offer had proved fruitless as Trade and Industry Department officials had indicated SA had to achieve what flexibility it could in the offer on tariffs, he said

An Iscor spokesman said the offer to GATT had been generally well-received by the industry. Iscor had asked government to consider lifting tariffs to 20% because of global recession and surplus world steel capacity, it was reported

However, said Bosomworth, SA was recognised as having significant factors making for the cheaper production of steel, such as iron ore, coal, energy and other minerals The country also boasted modern technology

Local steel producers exported at prices much lower than domestic prices and, unlike Europe and the US, the cost of getting imported steel to the Reef was 20-30% above world prices, he said

There could be no future for manufacturing and the creation of employment without access to internationally competitive prices on basic raw materials such as steel

GATT should be seen as a protector of domestic competitiveness and an engine for growth

The biggest deterrent to economic growth was the protection of inflated domestic price structures which "administered" inflation in the primary sector, Bosomworth said

The ability to import was essential for competitiveness and the GATT bindings could be vital to the protection of economic rights and investor confidence during times of uncertainty, he said

Tax cut, associates rescue Samancor

Star 24/8/93

BY STEPHEN CRANSTON

Depressed chrome and manganese prices have led to a 62 percent reduction in Samancor's operating profit to R144 million

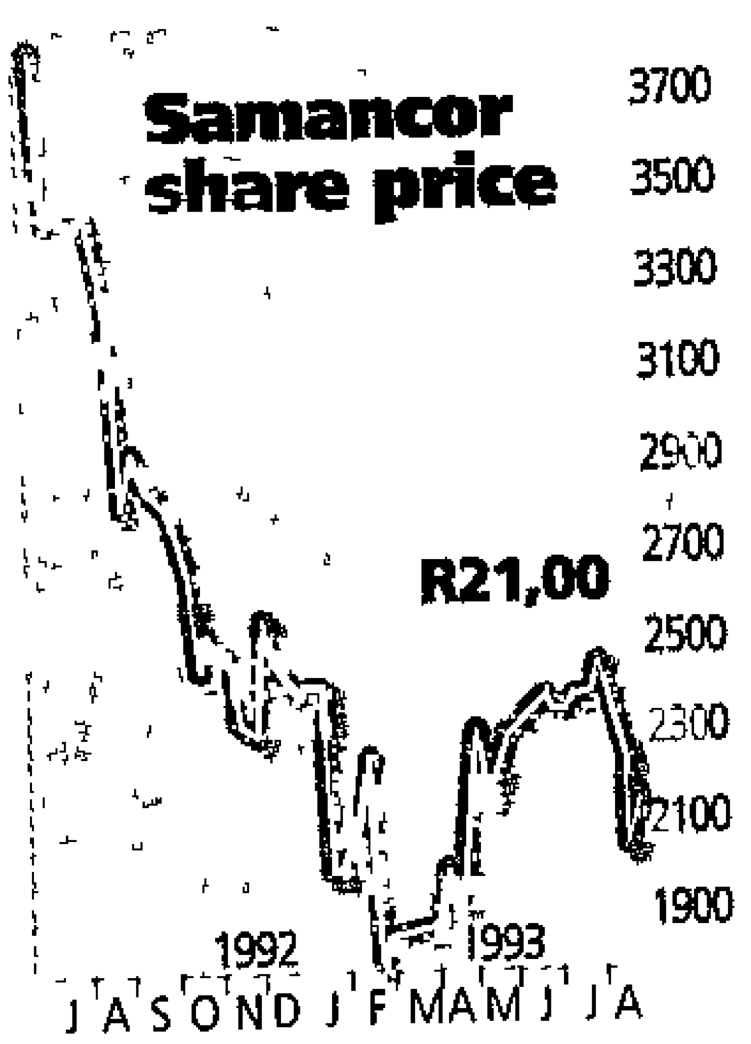
But lower tax and higher income from associates have enabled it to report a 37 percent reduction in attributable earnings to R175 million, with earnings per share down 39 percent to 93c

Second-half earnings fell by almost 50 percent to 34c a share

Managing director Mike Salamon says the depressed commodity cycle was exacerbated by low-priced exports from the Commonwealth of Independent States (CIS) and China Group turnover fell 13 percent to R1,79 billion

Manganese ore export volumes fell by 11 percent, with a 12 percent price reduction in the key Japanese contract price for the year to March 1993 ,and a further 24 percent reduction for the fiscal year starting in April

Manganese alloy sales volumes rose 10 percent, principally because makers of non-integrated alloys saw their



margins eliminated and certain operations were discontinued British Steel, for example, closed its manganese alloy operation

Ferrochrome prices came under pressure as the CIS halved its stainless steel output and made large volumes of ferrochrome available

Spot prices fell as low as US 33c a pound, but Samancor's average price for the year was 45c, compared with an average price received of 51c in the previous year

Samancor and other producers managed to stabilise prices by reducing output Samancor reduced its ferrochrome capacity to 500 000 tons, equivalent to 50 percent of installed capacity

This rationalisation led to the retrenchment of 2 100 staff in the chrome division and head office

As a result, not only overheads, but unit costs have been reduced

Unit costs of ferrochrome on average rose at six percentage points below the inflation rate and by June were lower than the costs prevailing in the previous financial year

(189A)

Income from associates was up from R23 million to R38 million, helped by the inclusion of Columbus Stainless for the full year

Samancor's share of the Columbus Expansion Project will be R800 million, of which R200 million will be provided through Section 37E tax allowances

Since Samancor has net cash resources of R528 million, up from R270 million in June 1992, it expects to fund Columbus without recourse to a rights issue

Tax, which was R113 million in the previous year, became a credit of R2,7 million There was a reduction in the normal tax charge of R53 million after the final approval of the rationalisation of the Samancor company structure in the 1991 financial year.

It did not include, however, a R16,9 million adjustment in the previous year's deferred tax balance resulting from the change in the tax rate from 48 percent to 40 percent

The manganese division is finalising a joint venture with the French ferromanganese producer, Societe du Ferromanganese de Paris-Outreau, to produce medium carbon ferromanganese

The chrome division is negotiating a joint venture with Nippon Denko of Japan by which the latter's customers will be serviced from a joint venture based at Samancor's Tubatse No 5 furnace

Samancor's share price has become more realistic since it fell from last year's peak of R37,50

Given that base metal prices are at the bottom of the cycle, and the potential of the Columbus Project, Samancor is a buy on a three-year view.

Samancor moves to reverse decline

B/Day 24/8/93.

ANDY DUFFY

LEADING chrome and manganese alloys producer Samancor has drawn up a twin-pronged response to the stubborn refusal of its main markets to recover

The company, which this morning reported a near 40% fall in earnings per share for the year to June, plans to spend at least R100m this year to cut costs, and to set up international agreements to secure demand for its products A central strand to the cost-cutting would be swinging production towards extracting alloys from slag, rather than developing ore

The strategy would lead to a reslanting of operations, MD Mike Salamon said, but it was unlikely further retrenchments would be necessary

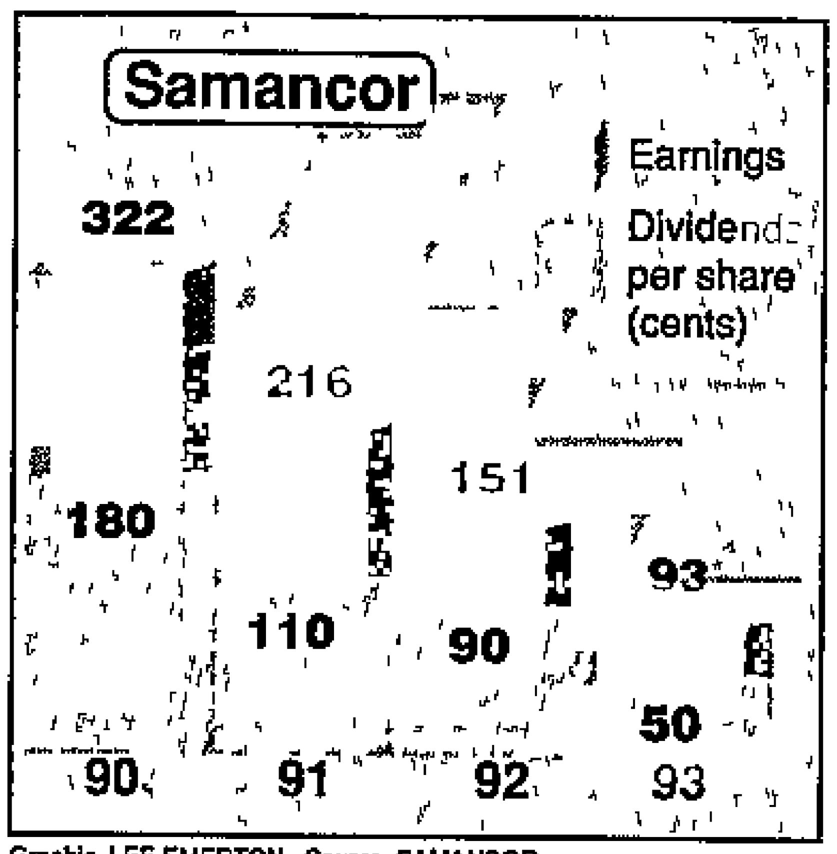
Samancor had targeted additional potential venture partners "We're definitely exercising our minds," Salamon added He refused to be drawn on the company's targets

The company had already struck a deal with French group Societe du Ferromanganese de Paris-Outreau, under which Samancor would buy 5% of its equity and supply between 80 000 tons and 160 000 tons a year of ore to the French company

Also, Samancor's chrome division was negotiating an agreement with Nippon Denko Corporation, through which NDC's customers in Japan would be serviced from a joint venture based at Samancor's Tubatse works

The efforts followed a difficult 12 months for the company, in which the impact of the depressed commodities market was exacerbated by the flood of cut-price material from the former Eastern Bloc

"All the businesses operated at a poorer performance level than last year," Salamon said



Graphic LEE EMERTON Source SAMANCOR

189A

Manganese prices remained under pressure, but ferrochrome prices had begun to stabilise earlier this year as the flow of cheap material slowed to a trickle, and buyers began pulling away from unreliable suppliers

Salamon said that on current volumes, prices and exchange levels, there could be a "modest improvement" in Samancor's performance

But recovery could be at least two years away In the meantime prices remained "delicately balanced it all depends on how stupid producers are," Salamon said "If we buy market share then we can push the prices down further"

The group said that its balance sheet remained strong and that it was unlikely that it would need to call on shareholders to help fund its share in the Columbus project

The venture had raised export credit loans of R1,2bn — R400m less than initially estimated — which meant Samancor would need to find R800m to fund its share of the scheme. Allowances under Section 37E would contribute a further R200m, while Samancor had net cash at the year-end of R528m (R269m)

Samancor earnings suffer serious fall

BDay 24/8/93

ANDY DUFFY

FALLING commodity prices and cut-throat competition sliced more than a third off chrome and alloys company Samancor's earnings for the year to June

The Gencor-owned company also set aside nearly R90m above and below the line to cover the cost of cutbacks in the face of deteriorating market conditions

MD Mike Salamon said a slight improvement was expected this year But the market was "very delicately balanced Prices are very sensitive It could go either way"

Turnover dropped to R1,8bn (R2,06bn), mainly under the pressure of lower export sales volumes for manganese, while ferrochrome sales remained stable A flood of stainless steel scrap and ferrochrome from the former East bloc drained 12% from Samancor's average ferrochrome prices and 50% from its capacity

Although Samancor was buttressed by an effective tax credit of R53m, slim margins and a R42m rationalisation charge brought net income back 45% to R147m

A stronger performance from associates, including the Columbus stainless steel project, added R38m (R22,9m) to the

(189A) ☐ To Page 2

Samancor

BDay 24/8/93 ☐ From Page 1

figures, leaving earnings a share at 93c (151c) and the dividend down at 50c (90c)

(189A)

The flow of cheap ferrochrome cut prices to \$0,33/lb during the first quarter. Although prices had recovered by about 15%, profit was likely only in the next financial year. Normal capacity was at least two years away and depended on supplying Columbus, Salamon said.

Prices for manganese ore and alloy remained under pressure Japanese contract prices for 1993/94 had fallen 24% in dollar terms, he said

Samancor was still reviewing activities It had spent R22m below the line to close its loss-making Langebaan phospate operations and the Batlhako plant Another R15m had been written off the value of MS & A assets, and smaller discontinued projects had cost a further R10,9m

● See Page 9

No surprise from Iscor

Star 26/8/93

■ BY STEPHEN CRANSTON

Company: Iscor	
Sector: Steel	

SHARE PRICE. 142c	MARKET VALUE: R2,65bn
YEAR HIGH. 156c	PE RATIO. 9,4
YEAR LOW: 61c	
Net asset value: 341c	Dividend yield: 3,5%

Year to	Turnover Rm	Operating Profit Rm	Attributable earnings per share (c)	Dividend per share (c)
1991	7392	874	33,4	11,0
1992	8616	748	18,0	6,0
1993	8825	606	15,1	5,0
% Change	2	-19	-16	-17

The was little surprise in the 16 percent fall in Iscor's earnings to 15,1c a share in the year to June, though it bettered market expectations

The dividend is down 17 percent to 5c.

Retiring MD Willem van Wyk, who is to be replaced by former Samancor MD Hans Smith — says the total tonnage of steel sold fell by 2,9 percent, mainly as a result of the relining of the blast furnace at the Newcastle works

Steel exports comprised 53 percent of sales

Considerable strides were made in iron ore exports, which increased 11 percent to a record 15 million tons.

Better asset management and reduced borrowings enabled it to reduce finance costs by 23 percent to R316 million (189A)

Capital expenditure was brought down to R551 million (R852 million previously)

Iscor wrote off R460 million from the balance sheet as extraordinary items.

Certain operations were discontinued at the Pretoria works after it became apparent that they could not be restored to profitability.

The holding costs of investments in Metkor, Usko, Tosa Seamless Tubes and Consolidated Wire Industries were reduced by R114 million.

Van Wyk says that the domestic steel market is not expected to show any significant improvement in the 1994 financial year, but that international steel prices have started to improve.

This, together with the expected high level of iron ore exports, the weakening of the rand and rationalisation at Pretoria will have a beneficial effect on results for the current year.

The main source of profitability remains the local market

Van Wyk says that although the mining sector may receive some stimulus from the improved gold price and the weakening rand, the manufacturing sector still looks weak

Iscor's share price has strengthened from a low of 61c to 142c, but it remains a recovery opportunity as it trades at less than half net asset value.

Other shares, notably Highveld Steel, have better prospects.

Iscor profits plunge knocks small investors

(189A)

ARG 26/8/93

MARC HASENFUSS
Business Staff

STEEL giant Iscor, on which the hopes of thousands of small investors ride, reported its third consecutive profit decline in the year to end June

Earnings fell 16 percent to R283 million (previously R336 million) or 15,1c (18c) a share The dividend payout was cut proportionately to 5c a share

Iscor's performance was in line with analysts expectations — but did not reflect the rise in the share price to over 140c this week

The current share price of 142c is still well off the group's latest net asset valuation of 341c (last year 355c) a share.

Turnover showed a slender 2,4 percent increase to R8,8 billion but a marked reduction in profit margins (from 8,7 percent to 6,8 percent) pushed operating profit down 19 percent to R606 million

More ominous was Iscor's write-off of R460 million — which pushed the group into the red after extraordinary items in the period under review.

The extraordinary write-offs — comprising of the discontinued work at certain operations at the group's Pretoria Works (R337 million) and reduced holdings in Metkor, Usko, Tosa Seamless Tubes and Consolidated Wire Industries ((R114 million) — resulted in a deficit of R177 million or loss in earnings a share of 9,5c

The write-offs were initiated because of poor economic prospects and the "litle chance" of re-establishing profitability in some operations at the Pretoria Works

Directors reported that total steel slid by almost 3 percent on the back of the planned reline of the blast furnace at Newcastle

They said exports made up a bulky 53 percent of total steel sold while iron ore exports jumped 11 percent to a record 15 million tons in the year under review

On the positive side, Iscor's financing costs were slashed by 23 percent to R316 million — thanks to a reduction in total borrowings to R2,28 billion

Gearing — reflecting a slight drop in shareholders' funds — stood at 32,3 percent (previously 30,7 percent)

In addition, capital expenditure was reduced to R551 million compared with R852 million in the previous year

The capex figure included the R62 million continious casting machine at Pretoria Works and R64 million in respect of the reline at the Newcastle blast furnace

Looking ahead, directors warned that the domestic steel market was not expected show any significant improvement during the 1993/94 financial year

International steel prices, however, have shown signs of improvement

"This, together with the expected high level of iron ore exports, the weakening inthe exchange rate and the rationalisation at the Pretoria Works, will have a beneficial effect on results for the current year"

Directors added that the programme to examine all aspects of the group's operations to optimise productivity and internal cash flow was continuing

Managing director Willem van Wyk said Iscor's profitability was also influenced by the performance of the local economy "Nearly all of Iscor's major market segments locally are expecting demand to remain flat or even to weaken inthe next six to nine months"

He said that although the mining sector could receive some stimulus from the improved gold price and the weakening dollar-/rand exchange rate, the manufacturing sector would continue to be affected by political uncertainty and social instability

Consumer spending was not expected to pick up as unemployment figures worsened and disposable income remained under pressure, Mr Van Wyk noted

"However, in the medium term, if the anticipated political settlement is achieved and South Africa is given the opportunity to develop its potential as a regional and international power, prospects for Iscor, with its ability to take advantage of changing market conditions, will improve"

■ Foreign shareholders held 3,95 million shares or a 0,21 percent stake in Iscor as at August 25. This is lightly higher than the 3,58 million or 0,19 percent interest held by offshore investors' last year

Market cautious on Alusaf's prospects

BIDay 26/8/93

ANDY DUFFY

THE prospect of a collapse in aluminium supply, which would provide a springboard for the R7,2bn Alusaf smelter project, has been overstated, market sources have warned

Though the price would recover over the next three years as market conditions cut global production, cheap supplies from the Commonwealth of Independent States could continue until the next decade

Such exports, which more than tripled last year to 850 000t, are produced at an average cost of $540/t, against an international average of $1 200/t (189A)

Previous research suggested Commonwealth costs would rise to $1 800/t as producers began paying real input prices

But sources close to Alusaf said new studies indicated Commonwealth costs would rise only to international levels

"Supply and demand fundamentals will have changed dramatically by the time Alusaf comes on stream (in 1995/96)," one source said. "But the Russians will remain competitive, which will mean there will be a more stable supply side"

Such caution was the first real doubt raised over Alusaf since Gencor gave it the green light last November

The market was trading yesterday on the 3-month London Metals Exchange at $1 170/t, against $1 321/t 12 months ago

Though Western producers have cut back, aluminium was not expected to average more than $1 250/t this year, against $1300/t in 1992 Analysts said there was still room for further production cuts before prices began to stabilise.

The vaunted scenario was that under such conditions any further new smelter projects would be ruled out, while Commonwealth supplies would dry up Alusaf would have a clear field to meet growing demand. Though Alusaf's peers and market analysts generally agreed that the timing of the scheme remained sound, there were still questions about the return the project was likely to glean

According to Frankel, Pollak, Vinderine analyst Kevin Kartun, on current average prices of around $1250/t Alusaf would show a return of 2%, which would move up to 5% on Alusaf's base price of $1 650/t

Income, profit cut by Iscor write-offs

B/Day 26/8/93

EDWARD WEST

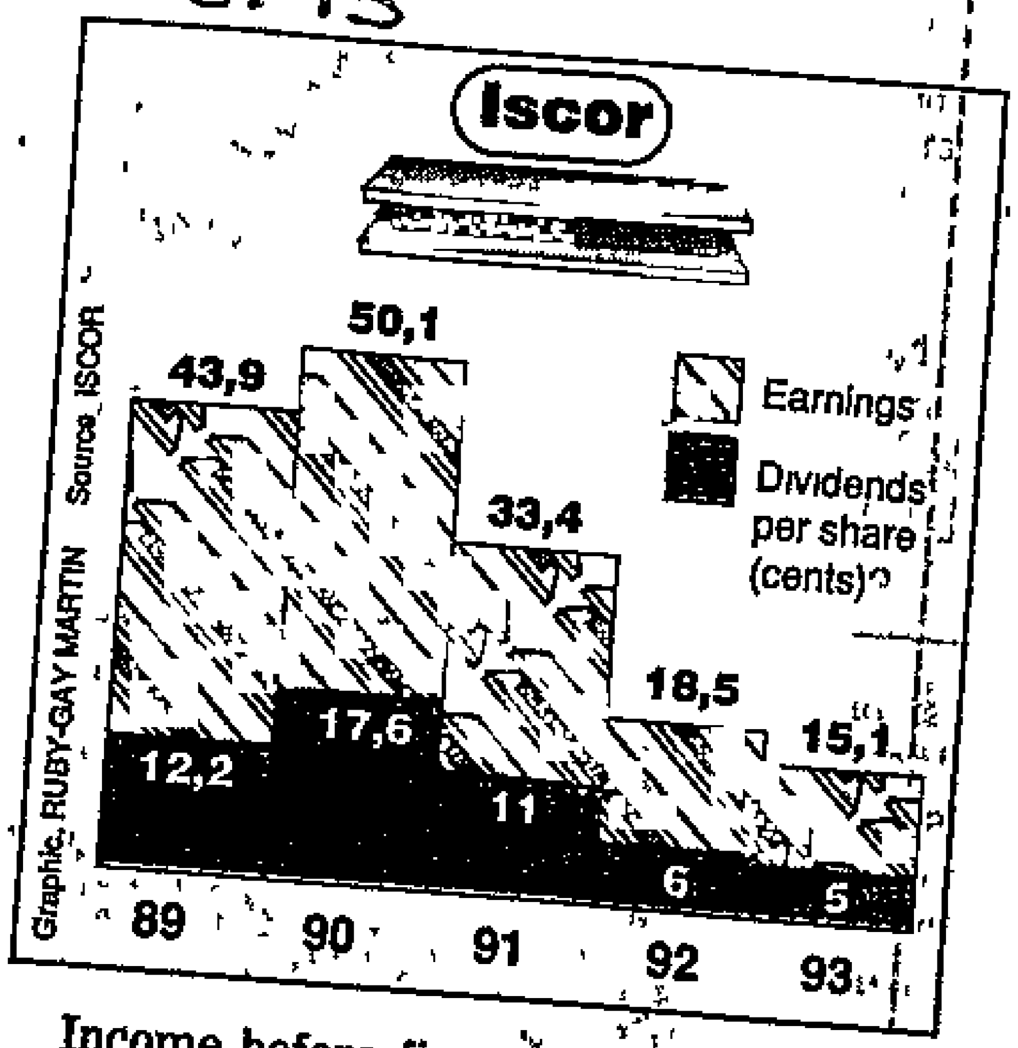
STEEL maker Iscor's profit continued falling in the year to end-June after heavy write-offs offset a slight improvement in sales (189A) (260)

Turnover climbed a slim 2% — a decline in real terms — to R8,8bn (R8,6bn) after steel sales fell 2,9%, chiefly as a result of relining the blast furnace at the Newcastle works Steel exports made up 53% of total steel tons sold. Iron ore exports climbed 11% to a record 15-million tons

The profit announcement showed that R460m was written off during the year as extraordinary items Certain operations at the Pretoria works were discontinued.

These closures would be implemented in the 1993/94 financial year, but full provision of R337m for the scrapping of the plant and closure was included in the results for the past year

It was also decided to reduce the holding cost of investments in Metkor, Usko, Tosa Seamless Tubes and Consolidated Wire Industries involving a further write-off of R114m, Iscor said.



Income before finance charges and tax fell 19% to R606m (748m). Attributable income before extraordinary items was 16% lower at R283m (R336m) which translated into earnings a share of 15,1c (18c), well down from 33c in 1991 and 50,1c in 1990 when it was listed.

☐ To Page 2

Iscor

B/Day 26/8/93

☐ From Page 1

Overall losses for the year amounted to the equivalent loss of 9,5c a share. The final dividend was unchanged at 3c

Outgoing MD Willem van Wyk said the domestic steel market was not expected to improve significantly in the 1993/94 financial year, but world steel prices had begun to show signs of recovery (189A)

This, together with the expected higher level of iron ore exports, a weakening of the exchange rate and the rationalisation of the Pretoria works would have a beneficial effect on results for the year, he said

Local short-term prospects were not encouraging. Most of Iscor's major market segments expected local demand to remain flat, or even decline, in the next six to nine months, Van Wyk said.

Capital expenditure was reduced to R551m (R852m) Finance costs fell 23% to R316m (R412m) Gearing rose to 32,3% (30,7%) (260)

Van Wyk said prospects for Iscor would improve if, in the medium term, the anticipated political settlement was reached

FM 27/8/93 (189A)

COLUMBUS PROJECT

FM 27/8/93

Looking bullish

(189A)

Timing is either the friend or foe of big projects and it seems as if the R3,5bn Columbus Stainless Joint Venture, held in equal shares by Samancor, Highveld Steel and the IDC, may just have fortune smiling on its commissioning from 1995 onwards

With full production of more than 550 000 t/year projected for 1997/1998 (about 85% of which will be exported to earn about R16bn, at 1993 values, over the first 25 years), the worldwide slump in stainless steel prices should by then be over

With global oversupply and slackening demand, stainless steel prices are slumping on both European and Far Eastern markets and are now at about US$1 600/t, while nickel prices have fallen to six-year lows The short-term market outlook is bleak but analysts expect global demand to continue growing at 3%-4% by 2001

Mintek president Aidan Edwards says. "Apart from ongoing growth in projected global demand, there is a strong swing in production from developed to developing countries Once Columbus is on stream, SA's contribution to global output will jump from 1% to about 5%"

Record profit

Columbus is already coming it even with a depressed global market The expansion project began this year, and contracts worth billions have been allocated, while production at the old Middelburg Stainless Steel plant, taken over by Columbus for R500m in 1991, is proceeding at an expanded rate of 150 000 t/year

Mike Wuth, head of mining research at stockbroker Rice Rinaldi, says "Our estimates show that Columbus returned record profits for the past 12 months at R70m and that this will grow to R95m and R113m for the following two 12-month periods"

Rice Rinaldi also estimates that distributable profits (after interest, loan repayments and depreciation) for Columbus will be R283m, R336m and R393m during the 1998, 1999 and 2000 financial years Wuth and colleague Philip Murphy add that the internal rate of return (return on total investment) is estimated at 11,7% in real terms

Kevin Kartun, mining analyst at stockbroker Frankels, says "With net export credit financing of R950m for the expansion project already 90% signed up, the capital contribution of each of the three partners has now been reduced from R700m each to only R575m each With R150m also to be contributed out of cash flow by the existing plant, there is no need for Samancor or Hiveld to go to shareholders for any future rights issues to help fund the project"

Samancor confirmed this week, (in its results for the year ended June 30), that, with net cash resources of R528m at year-end, it "expects to be able to fund Columbus without recourse to shareholders" The IDC is so cash-flush that it is struggling to find borrowers Apart from these bullish financing indicators, the three Columbus partners will also benefit from negotiable tax credits of about R215m each in terms of Section 37E of the Income Tax Act's accelerated tax write-off provision

Philip du Toit, project manager of the Columbus expansion project, says "This will be a highly successful venture, also from an operating point of view With our major cost savings, high productivity and leading-edge production technologies from Austria and the UK, we expect to put our product on the market at prices that could be up to 15% more competitive than those of about 75% of all global producers"

Du Toit says Columbus's production cost advantages include

- Its proximity to a ferrochrome production plant saves on transport costs and means that this metal can be obtained "in liquid form" for stainless steel production, leading to substantial cost savings on electricity (one of the major costs in stainless steel production),
- State-of-the-art equipment and leading-edge technologies keep labour costs to the minimum — while forex earnings are maximised through improved profitabilities,
- Most raw materials (ferrochrome, nickel, stainless and iron scrap) can be obtained at cheaper rates in the local market,
- Transport costs are only 2% of end costs,
- Cheap electricity compared to overseas competitors, and
- Export credit and "inhouse" financing, which mean reduced interest burdens ■

Incentives cut but Iscor expects to keep rolling

B/Day 27/8/93

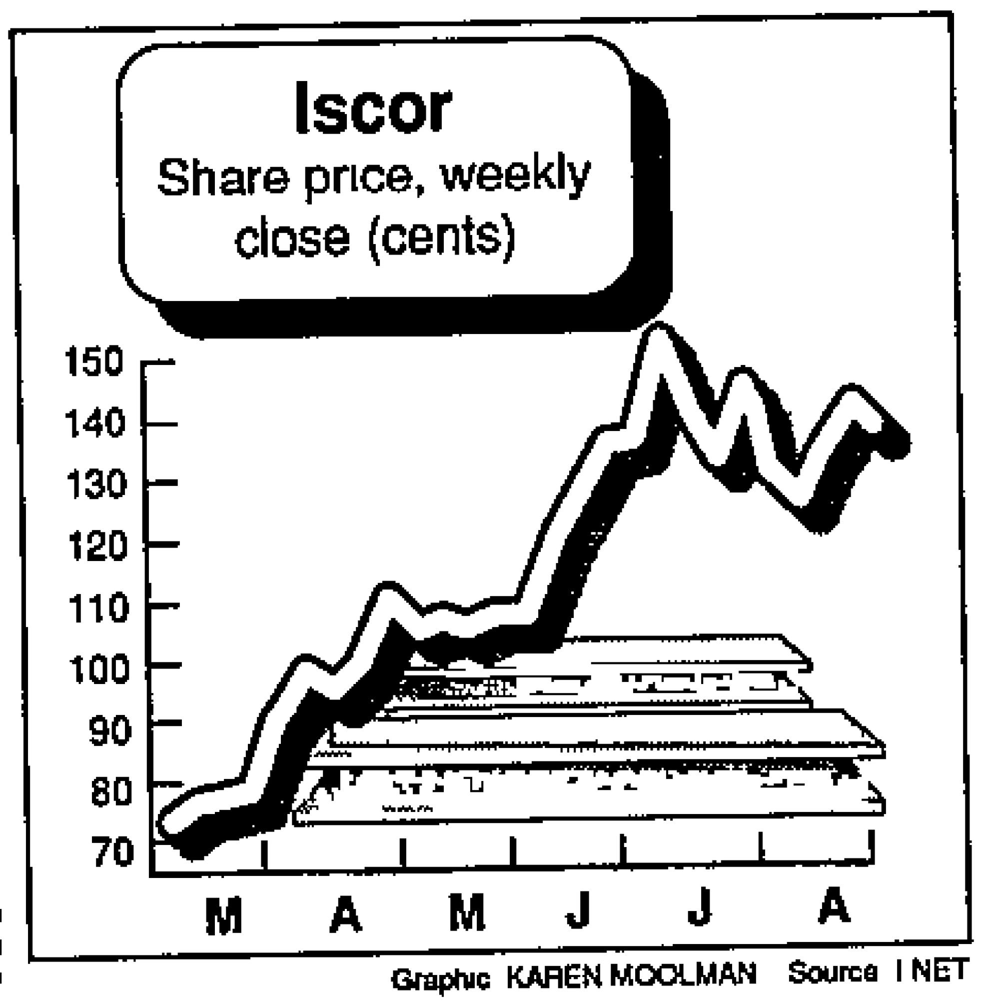
LINDA ENSOR

CAPE TOWN — Iscor expected an earnings improvement in the current year to end-June 1994 despite the phasing out of some elements of GEIS incentives which contributed R100m to the steel producer's 1993 results, Deputy MD Nols Olivier said

Iscor turned in a 9,5c a share attributable loss after incurring R460m in exceptional write-offs in the year (189A)

In a presentation yesterday to the Investment Analysts Society on the group's latest results, Olivier said GEIS played a major role in Iscor's profitability

While GEIS incentives would have to be discontinued in terms of GATT, he was convinced it would be replaced by other government-assistance programmes permissible under GATT



Graphic KAREN MOOLMAN Source I NET

Olivier said Iscor was not concerned about the effects of GATT and was confident it would be able to compete internationally provided the rand was valued on the parity principle However, steps would have to be taken to prevent dumping as present measures were not effective

Outgoing MD Willem van Wyk — to be succeeded by former Samancor MD Hans Smith — said Iscor would not have to make any major write-offs for four to five years With an assessed loss of about R700m, its tax rate for the next two years was expected to remain unchanged at about 6%

Van Wyk cited a number of positive factors which would bolster the 1993/94 results, including higher world steel prices, the expected high level of iron ore exports, the weakening in the exchange rate and restructuring at the Pretoria works

Dollar export prices for steel were expected to firm as further rationalisation took place internationally and world economies began to emerge from the recession.

He said domestic short term economic growth prospects were not encouraging and nearly all Iscor's major local market segments were expecting demand to remain flat or weaken in the next six to nine months

SAMANCOR FM 27/8/93

A desperate market

Preliminary results for the 1993 financial year from manganese and ferroalloy producer Samancor reveal just how desperate the market has been The Gencor-controlled company's bottom line fell R101m, or 37%, to R176m That's reflected in EPS of just 93c (1992 151c) (189A)

Turnover fell rather more modestly down only 13% to R1,8bn For a fall of only 13% in turnover to translate into this kind of bottom line disaster indicates just how sensitive Samancor's cost structure really is

MD Mike Salamon is quick to emphasise the attributable income is declared only after

Cont →

COMMODITY CRUNCH

Year to June 30	1992	1993
Turnover (Rm)	2 064	1 791
Operating income (Rm)	381	144
Attributable (Rm)	277	176
Earnings (c)	151	93
Dividends (c)	90	50

FM 27/8/93

taking full account of rationalisation costs of R42m, if that is added back, the situation improves to R217m However, that's a notional calculation what affects shareholders is what's left after everyone else has been paid For Samancor investors, 1993 wasn't a good year, with their dividends hacked to 50c (1992 90c) (189A)

Sales of manganese ore were lower than in 1992, and Salamon says prices remained under pressure Steel production by former Soviet Union states fell significantly over the year, that meant the CIS became a strong competitor in manganese markets

The same reasoning applies to chrome Confirming marketing information from JCI's Consolidated Metallurgical Industries, Salamon says Kazakhstan has captured the world market for metallurgical chrome ores The result of a surge in supply late last year was that prices collapsed dramatically and are only now showing signs of revival

Below the line, Samancor spent R22m in closing its phosphate producer Langebaan and reducing its ferrochrome operating capacity at Bathlako In addition, the company wrote R15m off chrome assets it acquired when Middelburg Steel (now Columbus) was bought and another R11m from discontinued projects

Nevertheless, the balance sheet is strong Samancor is sitting on cash reserves of R528m and is effectively ungeared It faces the prospect of having to fork out nearly R600m for its share of the Columbus stainless steel venture but its cash hoard should see it through that without recourse to shareholders

Immediate prospects depend largely on the scale and depth of a world economic recovery It's not surprising Salamon should be hesitant about committing himself to predictions With the share price near its 12-month low of R17, it's clear the market is as uncertain as Salamon, on the other hand, that may mean it's a good time to buy

David Gleason

Gamsberg a non-starter till zinc price improves

B/Day 27/8/93

ANDY DUFFY

GOLD Fields of SA's R1,5bn Gamsberg zinc project was technically feasible but financially impossible at current prices, the company said yesterday

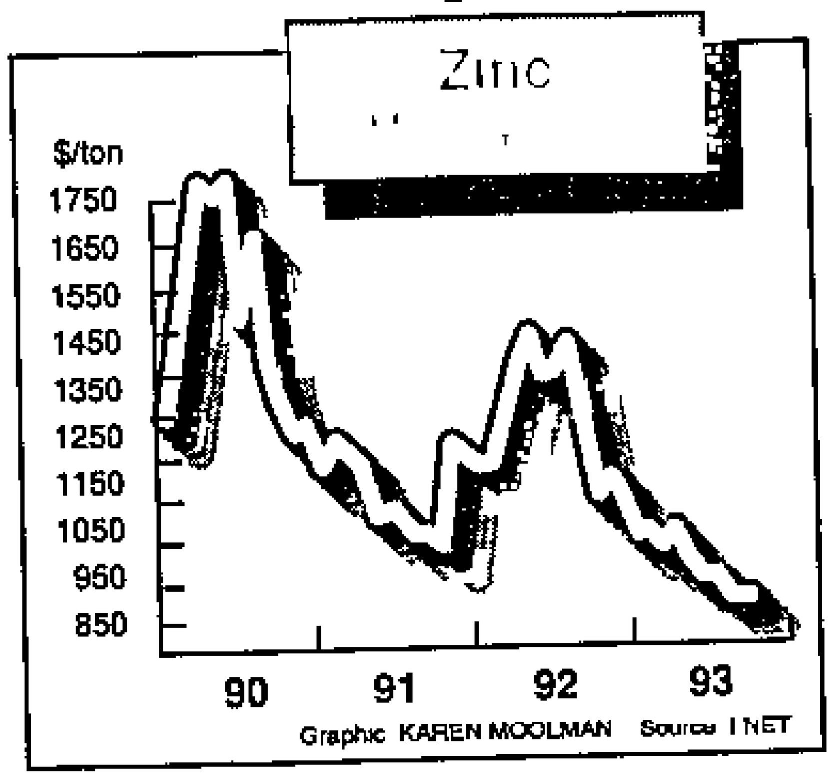
Though production difficulties could be overcome, Gold Fields said the zinc price, now at a six-year low, had to rise by at least 50% before it would consider giving the mine the all clear

Gold Fields was unable to say when a decision on Gamsberg would be taken, but Anglo American said it could be five years before the mine could find a market.

The caution comes amid a sharp fall in zinc prices, prompted by falling demand and oversupply Output this year is expected to be 200 000t more than the estimated 5,3m/t consumption

The Gamsberg mine, 20km from Gold Fields' Black Mountain lead mine in the north west Cape, has reserves of around 150m/t, grading 7% for zinc and 0,5% lead

Developing the ore has been ruled out in the past because it has a high manganese content, which would have prevented normal recovery techniques



(189A)

New business executive director Peter Janisch said yesterday that it had developed a cost effective method to process the ore But the company had still to be convinced that the mine could provide an acceptable return, and was reviewing the project

"What we need to do is to go back and study from the point of view of financing, and in the context of the current market," he added

Though Gamsberg would have a 30-year life, prices would have to hit at least $1300/t, he added It was difficult to see when that would come

A senior Anglo source said that "in another five years there could be a place for something like Gamsberg But like everyone else we're looking at the zinc price, and that doesn't make any project look attractive"

Analysts remain sceptical that Gamsberg would go ahead even if zinc staged a recovery There were undeveloped zinc ore reserves in Australia and South America with grades far in excess of those at Gamsberg

Zinc has suffered a stuttering decline since 1988 Its fall gained momentum last September, under the burden of depressed construction and transport sectors, which together account for around 70% of demand, and the failure of main markets in Europe and North America to soak up increased supply

The metal stood at $868 a ton on the three-month London Metals Exchange yesterday, against a price of $1 431 a ton 12 months ago and $1 059 a ton at the start of the year

The average price this year is expected to be no more than $1 000 a ton, against $1 718 a ton in 1989, while stocks are expected to rise from 4,6 weeks to 10,3 weeks

Higher export demand good news for Columbus

B/Day 1/9/93 (189A)

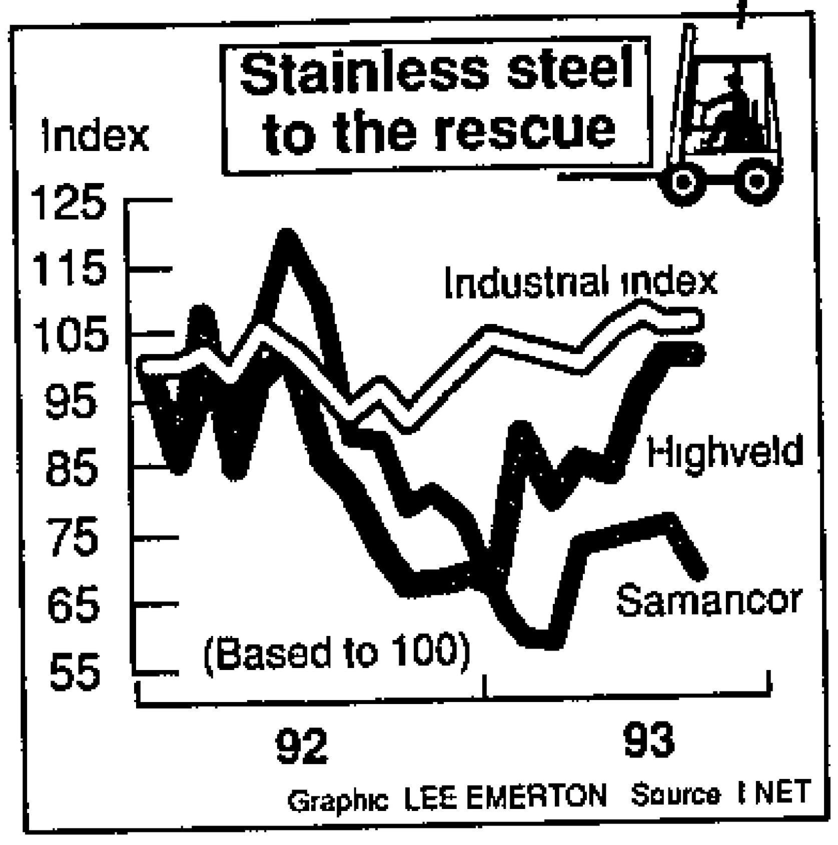
MATTHEW CURTIN

COLUMBUS Stainless, the unquoted stainless steel producer owned by Highveld Steel & Vanadium, Samancor and the IDC, is operating about 15% in excess of its design capacity to meet improved export orders

Industry sources said record profits and the increase in output were explained by the strong export market for semi-finished stainless steel products and sharp improvements in productivity since Samancor took over management after Barlow Rand sold the plant to the joint venture partners in late 1991.

An analyst said. "By stripping out the ferrochrome profits from Middelburg Steel & Alloy's results, it is clear the stainless steel plant has turned around from years of negligible profitability to net income of nearly R75m in the year to end-June"

A Columbus spokesman said yesterday the plant, the base for the



R3bn Columbus expansion project, was producing 13 000 tons of stainless steel a month, 2 000 more than usual

"The increase in production is a result of higher demand for semi-finished products on the international market," he said

The plant's performance was good news for Highveld and Samancor, the profits of which had been savaged by the weakness of local and international carbon steel and ferro-alloy markets

Davis Borkum Hare analyst Jacques Pickard said Columbus was "operating well and should sell 146 000 tons of stainless steel in fiscal 1993", the result of improved sales of hot-rolled coil, diversification, plus "considerable improvements in productivity"

Columbus MD Keith Luyt said yesterday the company was selling stainless steel slab for the first time, a move "in line with our policy to produce and to market intermediate, value-added, high-quality stainless steel products"

The analyst said the flattening of Columbus's management structures since the take-over and strict management focus on stainless steel production and marketing had yielded impressive productivity gains

Luyt said the redesign of the plant's meltshop led to slab output rising by more than a fifth to 16 000 tons a month

ISCOR

Fm 3/9/93

Stage being set for recovery

(189A) ([illegible])

Iscor's results for the 1993 financial year offer much comfort for investors Debt is shrinking, asset management has patently improved, product prices have turned upwards in international markets and the long deterioration in profitability appears to have ended

It all offers grounds to look for better earnings in 1994 Indeed, there must be recovery ahead, unless the market has got the share badly wrong (again) At 144c, the price is 136% up on the 61c low set on December 31 last year — though it was evident at the time that it was greatly oversold (*Fox* January 8)

But, while the stage has certainly been set for an earnings recovery (just after the retirement of MD Willem van Wyk), it will be hobbled by what remains a fundamentally depressed domestic market Resumption of growth in local steel consumption is what Iscor really needs and management sees no sign of this happening

AT THE BOTTOM?

Year to June 30	1992	1993
Turnover (Rbn)	8,62	8,83
Operating income (Rm)	748	606
Attributable (Rm)	336	283
Earnings (c)	18,0	15,1
Dividends (c)	6,0	5,0

Given the extent of the slump in the world steel industry, shareholders may be thankful that Iscor has apparently reached the bottom of the cycle without reporting a loss This escape is partly thanks to SA's accounting practices which are distinctly liberal by the standards of the UK and the US

Accompanying the 1993 year-end figures was news of write-offs totalling R460m, treated as an extraordinary item This must rank among the largest such write-offs in SA's recent corporate history Had it been taken above the line, as would happen now in the UK, attributable earnings would have been a negative R177m instead of a positive R283m, EPS would have been a negative 9,5c instead of the positive 15,1c

Most of the write-off, some R337m, related to the discontinuation of unprofitable operations at the old Pretoria works This includes the closure of the soaking pits, blooming mill and associated plant as part of a rationalisation programme, as well as the decommissioning of the outdated finishing mills, capacity being switched to newer plant at Newcastle

This work is being done largely during the six months to December 1993, but full provision has already been made Deputy MD Nols Olivier says the assets concerned will probably be scrapped, except the heavy mill which is to be mothballed He adds that no further rationalisation is planned now

Another R114m was written off the carrying value of investments because their profitability or, in the case of listed companies such as Metkor, their market values, had deteriorated materially There could be a write-back if valuations appreciate

The relining of the blast furnace at Newcastle, as well as further weakness in international product prices during the first half, was the main reason for the sharp drop in last year's operating margin, from 8,7% to 6,9% It's down from 10,8% in 1991 and 16,1% in 1990

With capacity restrained at Newcastle, steel sales tonnage fell 3% over the year Stocks at the five works were drawn down by 147 000 t and scrap stock by 286 000 t or 27% This, with generally tighter asset management, contributed to the R77m reduction in year-end borrowings Benefits are clear in the R96m or 23,3% drop in the interest bill However, the cash balance, a hefty R470m at the 1992 year-end, has yet to be disclosed

Interest cover narrowed sharply during the downturn Iscor's pre-tax profits are highly geared to further paring of borrowing costs Olivier says debt reduction will remain the priority this year, he is confident that process stock will be cut by another R100m-R150m, for example, and capex is not expected to increase materially from 1993's R551m (1992 R852m)

Several factors should bolster the operating margin this year These include recommissioning of the Newcastle blast furnace, benefits from the Pretoria rationalisation, firmer control of operating costs, a weaker rand (exports now account for 53% of sales), and firming dollar prices for exports — Olivier estimates dollar prices could be 7,5%-10% better over the year

No domestic recovery

These developments, Olivier feels, could see the margin returning this year to around the 1992 level On maintained turnover, that alone would add some R162m (55%) to pre-tax profit

But domestic offtake would have to recover before the margin could reach the levels of three or four years ago And Olivier says Iscor sees no evidence of fundamental recovery of consumption at home

Anyway, the effective tax rate, now only about 5%, will remain low There is a tax benefit of some R600m

Provided international demand does not weaken again, profits could recover steadily over the next couple of years The share looks high enough for now, but the recovery could continue once the market has absorbed these results

Andrew McNulty

Magic Link to bolster brewers

B/Day 3/9/93

MATTHEW CURTIN

AN IMPORT replacement project led by SA Breweries and involving Columbus Stainless and a local engineering company, may save the brewing industry R50m a year in foreign exchange with further savings likely in the multibillion-rand bottling, canning and packaging sector.

The Magic Link project is aimed at enabling SAB and other bottlers and packagers to use locally produced stainless steel chain instead of importing a less long-lasting product.

The slat chain, made of stainless steel links, is used for transporting cans, bottles or packages through a brewery or bottling plant.

Columbus MD Keith Luyt said yesterday the scheme would lead to multimillion-rand foreign exchange savings. He said "SA not only has the skills but also the natural resources to become a major manufacturer of industrial components." (189A)

The scheme was an indication of the downstream benefits for the economy of the R3,5bn Columbus stainless steel and R7,2bn Alusaf aluminium smelter expansion projects.

As part of its import replacement programme, SAB approached Columbus to manufacture suitable stainless steel and local businessman Guiseppe Latilla set up Magic Link to produce the chain. Luyt said it was only with the establishment of the SAB programme that Columbus was able to identify a chain manufacturer to make the finished product, a niche it had identified some time ago.

Magic Link had produced only trial material, but Latilla said the testing programme, due to end later this month, had so far shown the local chain to be of at least the same standard as its imported competitors. SAB had undertaken to use the chain if it satisfied that test.

Latilla said Magic Link had about 5% of the market, but a contract with SAB would give it more than 50%. SAB replaced 100 000 metres of chain at about R50 a metre every year.

SAB beer division consulting engineer Geoff Ings said the Magic Link chain could save a brewery packaging operation about R80 000 a year.

Julie Walker

Consol puts its money on bottled beverages

ST Times (Buss)

5/9/93

CONSOL dropped an aluminium can project at the last minute, but not because it lost out to Highveld Steel & Vanadium's Rheem

Consol managing director Piet Neethling says "We were ready to go into aluminium cans The site was bought, the technology partner chosen, but we decided against the project."

Rheem, SA's first aluminium can maker, was opened a month ago

Consol is a diversified packager One of its cores is glass beverage bottles The affluent world prefers cans for beer and carbonated soft drinks Aluminium cans are the advanced containers

Mr Neethling says Consol decided there was no room for two aluminium can plants in SA in addition to the steel ones But it does not fear that aluminium will take its market. Two-thirds of Rheem's production is contracted for carbonated soft drinks, competing with steel cans

(189A)

Returnable glass bottles are still the most cost-effective way of delivering drinks, says Mr Neethling

"To knock glass bottles off their perch will require a rise in affluence among consumers, which won't happen overnight, if ever"

Beer and milk bottles are sturdy and can survive many trips before looking shabby The finish on soft-drink bottles tends to be fancier and they suffer faster from prolonged use

The pool of returnable bottles is in equilibrium and Consol has had to mothball several furnaces.

Mr Neethling says 80% of beer is sold in returnable glass bottles, and about a third of the balance in dumpies

That said, he notes that there was no growth in the consumption of beer and

PIET NEETHLING

soft drinks during Consol's year to June. Demand for other forms of glass packaging also fell.

Group turnover climbed 3% to R2,2-billion and operating profit fell 4% to R281-million. Packaging's profit contribution slipped 13%, but the rubber businesses of new and retreaded tyres notched a 7% rise. The divisions chip in almost equal amounts to profit.

Consol suffered from a "disappointing" market performance of the refillable 1,5-litre PET carbonated soft-drink bottle. This went into a "relatively large decline" in the plastics sector of the packaging division.

The paper sector — corrugated cardboard — improved from a low base

Consol's rubber businesses comprise Tycon — manufacturer of Goodyear, Kelly and other tyres and conveyor belting — and Tredcor, retreader of many kinds of tyres under the names Mastertreads, Safe-T-Tyre and Trentyre.

Consol paid R210-million for Trencor's quarter-share in Contred, holding company of Tycon and Tredcor, to become sole shareholder

This lifted financing costs from R558 000 to R8,4-million and meant a reduction in the amount attributable to outside shareholders of R13,1-million.

Consol benefited from the reduced rate of company tax and redeemed preference shares and profit rose 13% to R157-million attributable to ordinary shareholders

Imports continue to take market share, probably having about a 10th.

Mr Neethling says unit sales by SA's four tyre manufacturers have grown by less than 1% in the past five years whereas imports have jumped 68%

Mr Neethling suggests that SA manufacturers which cannot become globally competitive will have to rationalise

Consol is not afraid to invest. Capital expenditure hit R87-million in the 12 months to June 1993, largely at Tycon. He expects it to be about R125-million this year, mainly for Tycon and glass

Consol sees small growth in volume this year in spite of 60 months of recession and no clear sign of its end.

Mr Neethling says that this, together with greater efficiency, the full profit from Contred and lower tax resulting from rising capex, should enable earnings to grow in the current year.

He would also be surprised not to report something in the way of acquisition at results time next year, although there is nothing specific yet

Consol was bid at R36 after the results, a price almost 15 times historic earnings and yielding 2% in dividend.

Alusaf awards two major contracts to SA firms

Star 15/9/93

Two major contracts for the Alusaf Hillside smelter worth R225 million have been awarded to South African companies.

Dorbyl Structural Engineering will undertake erection of the structural steel in the potrooms.

The 19000 tons of steel will be supplied by Iscor and erection will start in January 1994

A consortium of Grinaker, Murray and Roberts and Spie Batignolies was awarded the contract for the structural concrete in the potlines

This involves the laying of 60000 cubic metres of concrete for the potroom foundations, the supports for the pots and the busbar and the elevated working platforms.

(189A)

"Almost R2,3 billion has been committed to date on purchase orders and contracts for the project," states Rob Barbour, Alusaf's managing director.

"We stated from the very beginning that we would show no favouritism to local companies. Our priority is to make good business decisions that will further promote our competitiveness on an international scale

"It is most heartening to see that South African industry has risen to this challenge — Sapa.

Steel plant one step closer

B/Day 24/9/93

MATTHEW CURTIN

THE Industrial Development Corporation (IDC) and Iscor have given the green light to a R20m final feasibility study which could see the construction of a R4bn mini-mill steel plant at Saldanha Bay

The study will include contributions from Dutch steel group Hoogovens and Austrian steel maker and engineering group Voest-Alpine Iscor and Voest-Alpine have collaborated in developing the new low-cost Corex steel-making process which may be used at the new mill (189A)

IDC senior GM Ian Macdonald said yesterday the study was "the final hurdle" for the project after which the parties would either proceed in November next year, or delay plans

He said the project's capital cost was "smallish in dollar terms" and the plant would have modest annual output of 1-million tons of steel "It's a low-cost expansion opportunity for Iscor," he said Iscor is the world's 15th largest steel maker

Iscor spokesman Neels Howatt said the study represented a serious commitment to the project The main aim was to finalise the design of the plant and metallurgical processes, look into tenders, and conduct an environmental impact assessment

Iscor had plumped for mini-mill technology as it was the basis for the success of new steel makers in the US and Far East However, these mills used steel scrap whereas Iscor would use virgin metal

The plant was aimed at serving the niche hot rolled coil market which had shown significant growth despite sluggish worldwide demand for carbon steels during the global recession The project would be entirely export oriented

Macdonald said the go-ahead for the mill would not depend on tax or export incentives unlike the recent Alusaf, Columbus and Namakwa Sands projects which had IDC backing "We are down to the situation where we don't want to give incentives but build on our existing competitive advantages," he said

Putting steel in advertising

ARG 25/9/93 (189A)

COLUMBUS Stainless, South Africa's only stainless steel supplier, has embarked on an outdoor advertising campaign to back its successful television ice hockey campaign The six-month campaign consists of 4m by 1m Rent-a-Sign posters at 40 shopping centres in Pretoria and Johannesburg The primary aim of the campaign was to bring stainless steel advertising to the point of purchase

Iscor draws up strategy to increase value-added exports

EDWARD WEST

ISCOR would increase its involvement in the manufacturing and construction sectors because economic progress depended on increased export of value-added products, chairman Marius de Waal said in the steel group's 1992 report B/Day

For this reason Iscor was compelled to become a full partner in secondary industry The group's mining interests would also be expanded, De Waal said 27/9/93

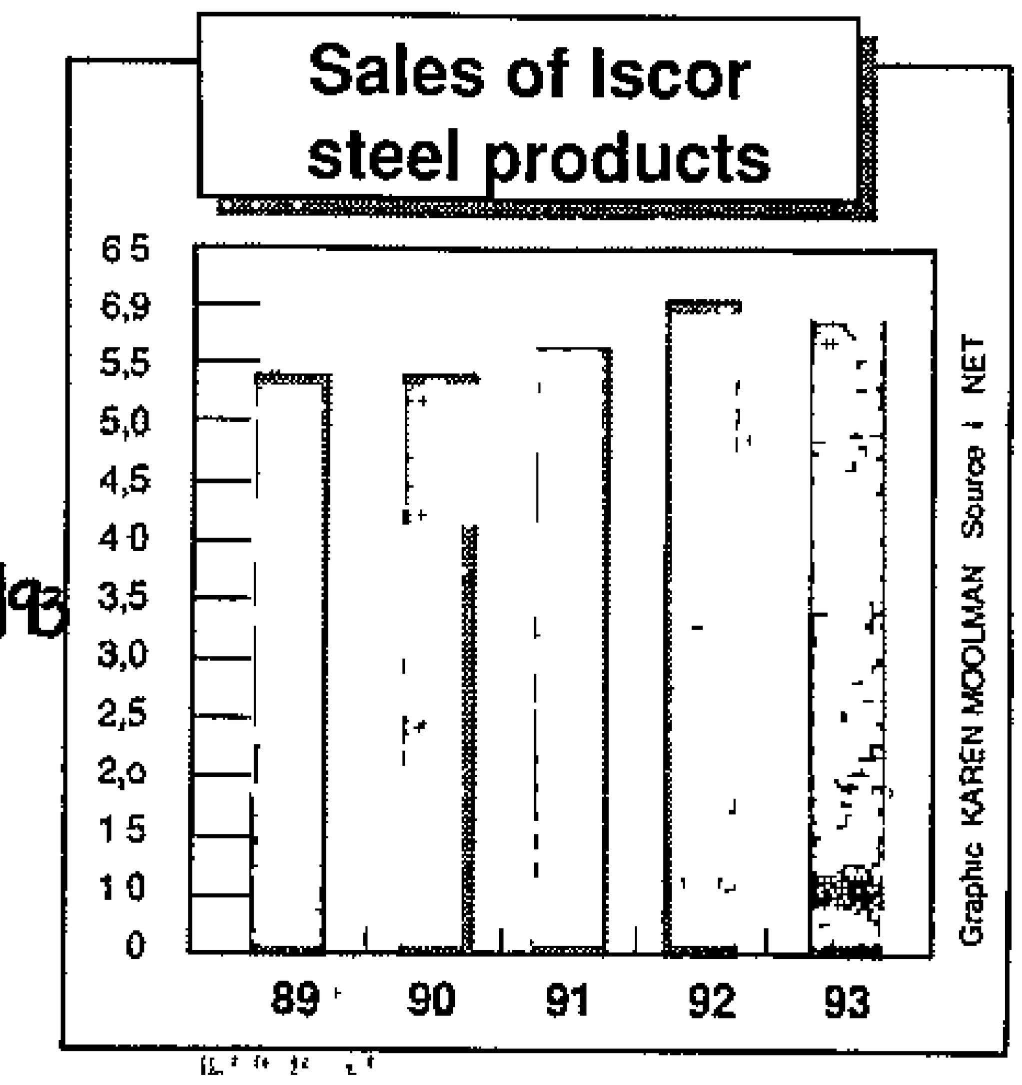
Earnings were forecast to improve this year Local demand would continue to be affected by political and economic factors but export prospects for both steel and mining products had improved considerably, De Waal said (189A)

Management had used the downswing in the economic cycle as an opportunity to improve products and processes, streamline the organisation, lower production costs, upgrade technology and strengthen its export effort

Former MD Willem van Wyk said Iscor was well placed to take advantage of improvements in the local and international economies in the coming year

The stronger gold price, a more realistic rand/dollar exchange rate, lower inflation and relatively lower interest rates were encouraging developments.

Dollar export prices of steel were expected to firm this year as further rationalisation took place on international markets These factors would benefit Iscor's primary steel exports and also the local manufacturing sector



Mining exports continued to hold up well and new markets were being explored China looked particularly promising and steps, including opening an office in Beijing, were being taken to ensure further development in this market

Local short-term growth prospects were not encouraging and nearly all Iscor's major local market segments expected demand to remain flat or weaken in the next six to nine months, Van Wyk said.

In the year to end-December 1992 Iscor sold 5,86-million tons of steel compared with 6,04-million tons the year before Liquid-steel production totalled 7,38-million tons compared with 7,66-million in 1991

Iscor to reduce its workforce

B/Day 28/9/93

EDWARD WEST

STEEL producer Iscor would reduce its 55 000-strong workforce by offering retirement packages to 4 000 employees 50 years and older, newly appointed MD Hans Smith said yesterday.

Smith said retirement packages would be funded by the Iscor Pension Fund which was currently overfunded.

He said it had become necessary to reduce the number of employees to ensure Iscor's long-term existence.

Certain key employees qualifying for the package would be retained to maintain Iscor's effectiveness. Qualifying employees had to exercise their option before December 3 1993 and could retire between January 1 and March 31 next year, said Smith. 28/9/93

National Union of Metalworkers of SA (Numsa) spokesman Bafana Ndebele said he was unsure whether the issue had been taken up with union organisers. (189A)

However, he said Numsa would oppose the retirement package as it represented a unilateral move by Iscor.

Fate of Leplat hinges on healthy price of platinum

Star 30/9/93

■ BY JOHN SODERLUND

Troubled JCI-owned Lebowa platinum mine (Leplat) appears to have a good chance of surviving if the platinum price holds up

Speaking on Tuesday at an investment analysts' visit to the mine, manager Piet Coetzer said it had come through its labour problems of the past three years Matters came to a head in December 1990 when almost the entire workforce was dismissed.

Following the deaths of four contractors and prolonged discussions with dismissed labourers, the majority of them were re-employed in groups of 100 or more a month from June last year at 1990 wages

Because of attributable losses of R28,9 million last year, production was cut from 100 000 ounces a month to 70 000

(189A)

Since then, however, things have begun to look up and management says labour relations are healthier

How tenuous those relations are at wage rates below the JCI norm might yet be tested

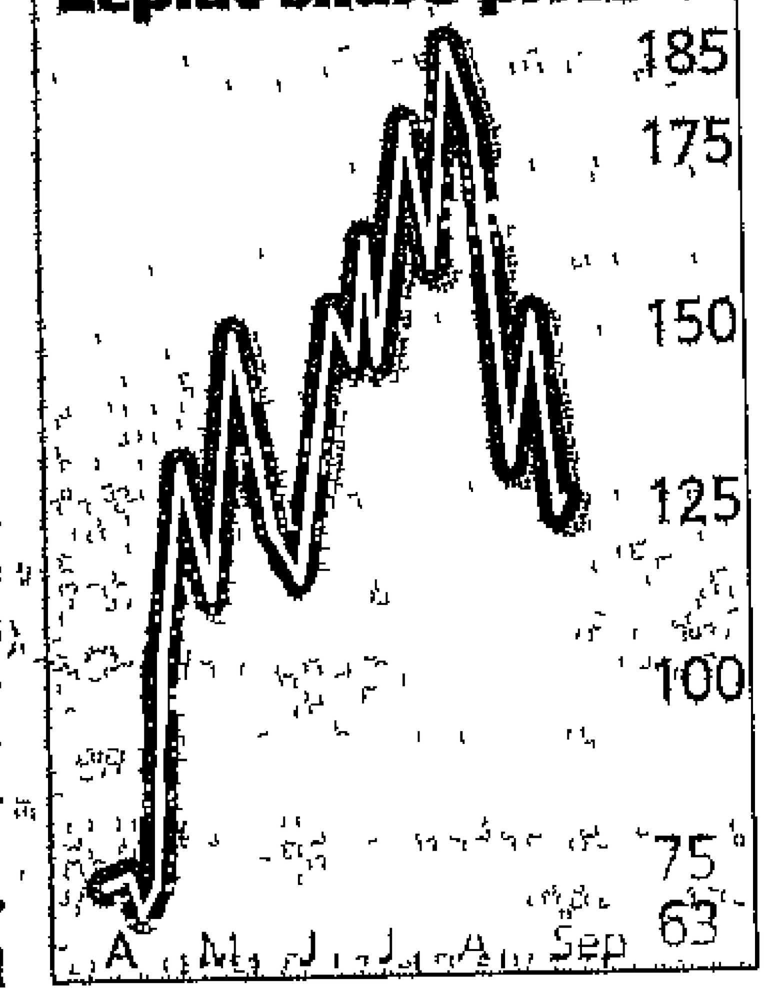
Coetzer refused to disclose grades from the mine's Merensky Reef, but said they were lower than those of other JCI mines, although they had improved by eight to ten percent

Leplat is highly geared to the platinum price, which has been seesawing on the back of the gold price for the past six months

One of the primary reasons for optimism about a return to profits this year lies in efficiency improvements at the plant The current cost per ton milled has dropped by around 30 percent since 1991 and the cost per ounce of platinum by 40 percent

"A year ago we were at the end of the line compared with the unit costs of the other JCI mines," he said "Now we are doing as well as or better than they are"

Leplat share price



ISCOR

Make or break year ahead

FM 1/10/93

Activities: *Vertically integrated steel producer*
Chairman: *M T de Waal, MD H J Smith*
Capital structure: *1 869m ords Market capitalisation R2,2bn*
Share market: *Price 119c Yields 4,2% on dividend, 12,8% on earnings, p e ratio, 7,8, cover, 3,0 12-month high, 156c, low, 61c Trading volume last quarter, 53,5m shares*

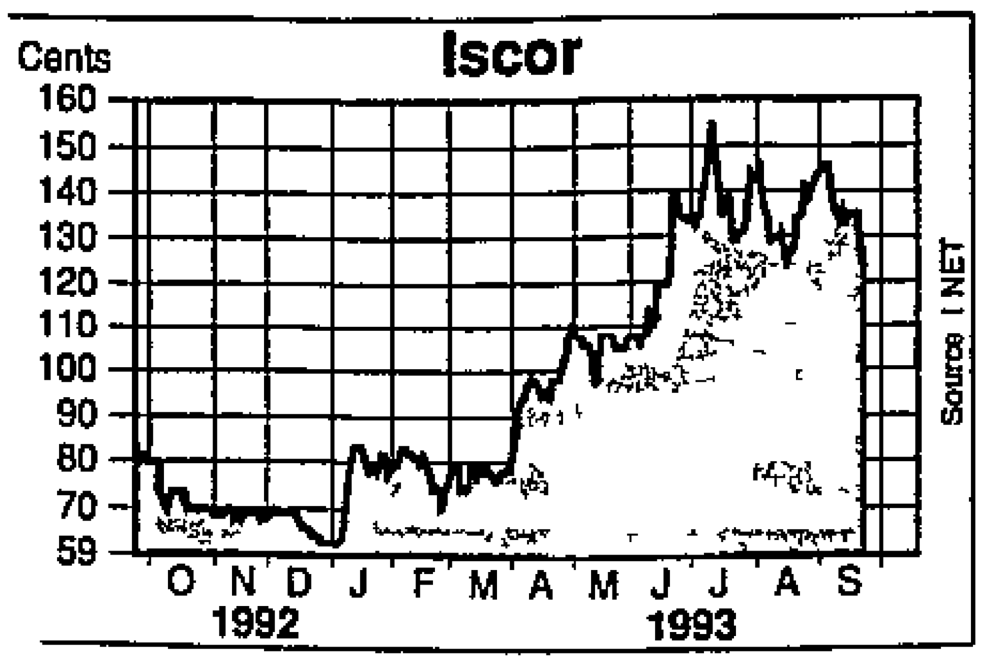
Year to June 30	'90	'91	'92	'93
ST debt (Rm)	18,9	718,2	651 8	513,9
LT debt (Rbn)	0,88	1,10	1,70	1,76
Debt equity ratio	0,12	0,26	0,28	0,32
Shareholders interest	0,72	0,67	0,63	0,63
Int & leasing cover	n/a	4,92	1,91	2,00
Return on cap (%)	13,4	8,3	6,6	5,7
Turnover (Rbn)	6,92	7 39	8,62	8,83
Pre-int profit (Rbn)	1 14	0,80	0,71	0 58
Pre-int margin (%)	16,1	10,8	7,9	6,2
Earnings (c)	50,1	33,4	18,0	15,2
Dividends (c)	17,6	11,0	6,0	5,0
Tangible NAV (c)	326	348	356	345

This is the year many will regard as presenting Iscor with its sternest test it could well be the steelmaker's watershed

First, seen from an investment perspective, 1994 is widely perceived by analysts — and, indeed, the company itself — as the year the group will start pulling out of its nosedive Factors such as higher dollar prices for steel products on world markets, a weaker rand and better supply/demand equilibrium after years of over-supply are expected to provide a boost to earnings, despite the probability that domestic offtake will remain sluggish This would provide welcome relief for shareholders who have suffered consistent underperformance by the group ever since its listing in November 1989

At the same time, however, it may be necessary to temper short-term optimism with longer-term pragmatism The reasons for this is that, in less than a year, Iscor (like the rest of SA) will be living under a new government — and quite possibly one less sympathetic towards pricing policies that favour local producers than has been the norm

If the current fracas over the petrol price is anything to go by, the whole question of local steel pricing could prove at least as contentious It is common cause the profitability of Iscor's steel exports (53% of total steel sales)



Smith *watershed year*

(1898)

is, at best, marginal, and most of the profits earned come from domestic sales — for the simple reason local steel prices are substantially higher than those overseas

By extension, it could be argued (and is in some quarters) that local steel users have for years been prejudiced by this pricing differential, just as motorists are said to be prejudiced by the support for the two local synfuel producers through the petrol pricing structure

The difference, of course, is that SA petrol, by most international standards, is still cheap just what will happen when attention is turned to products like steel, where the reverse is true, is anybody's guess — and, fortunately, beyond the scope of this review except to say an indefinite continuation of present pricing policies should not be taken as a foregone conclusion

The question that needs to be asked, therefore, is whether Iscor is ready and able to cope with an upset of this nature Objectively, and notwithstanding the prospect of improved export profits, the answer must be "not really " This does nor deny that, in the context of international steel producers, Iscor is a strong performer.— as ex-MD Willem van Wyk (he retired at end-August) notes with some pride, Fortune 500's 1992 ratings of the world's 32 largest metals companies ranked Iscor third in terms of profits as a percentage of sales

But in absolute terms, a 6,2% trading margin in a capital-intensive industry utilising about R1,16 in assets for every R1 of turnover is simply inadequate So is a gross return on total assets of 5,7% and a net return on equity of 4,4%

All these ratios (and others) were still tilted in the wrong direction in Iscor's latest financial year and while 1994 may see some relief on this front, the enormous task confronting the group is underscored by the fact that pre-interest profits, currently R582m, need at least to double if Iscor is to escape its present financial constraints These include negative profit gearing and continued operation on a cash-negative basis despite severe curbs on capex

To summarise it is probable that in the short term Iscor will show improved results If, as deputy MD Nols Olivier expects, overall group margins recover to around their 1992 level (*Fox* September 3), EPS could improve by between 5c (33%) and 7,5c (50%) as tax should remain minimal

Looking beyond 1994, if present steel pricing policies remain in place, the recovery would probably continue under its own momentum — cash flow might improve sufficiently to allow for a reduction in borrowings and the consequent interest savings would provide further impetus to the upturn — quite an important consideration given that finance charges currently absorb half the group's operating profit

But if politics get in the way, just about anything could happen And this realisation may well explain the gyrations in the share price From a low of 61c at end-December, the price recovered to 156c in July — a few weeks after the June financial year-end More recently, despite favourable reaction to the 1993 results, Iscor has been a noticeably weak counter in a soft market It is almost 24% off the top and, on a PE of 7,8 and a 4,2% dividend yield (both historic), it is clear the market is less sanguine about the future than was the case a few weeks ago

Brian Thompson

B/Day 5/10/93

Samancor future fragile

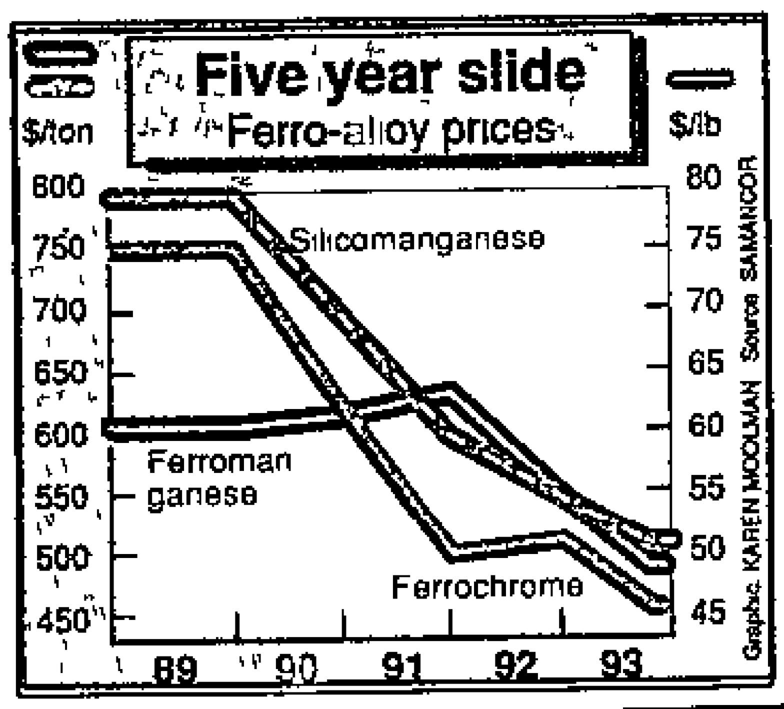
ANDY DUFFY

CHROME and alloys producer Samancor expected slightly better earnings this year, but its markets hung in the balance, chairman Brian Gilbertson said in his final annual review

The Gencor-owned company, which in the year to June saw poor commodity prices and tough competition slice earnings, said a "modest improvement" was likely, based on current price, volume and exchange rate levels

But several of its markets remained fragile, and the group remained heavily dependent on exports where markets were under pressure from new suppliers in the former eastern bloc and China

Gilbertson, who relinquishes his chairmanship at the end of this month, said several measures had been taken to protect the bottom line Restructuring in the chrome



division had reduced working costs, and the company was pursuing several alliances (1894)

The company had also struck a deal with French group Société du Ferromanganese de Paris-Outreau, by which Samancor would buy 5% of its equity and supply between 80 000 tons and 160 000 tons of ore a year to the company

MD Mike Salamon said manganese and chrome alloys were expected to improve earnings this year, though fortunes for manganese ore were expected to continue declining Manganese and silicon metal would be unchanged

In the past year, lower export sales volumes for manganese cut sharply into sales, pushing turnover back to R1,8bn (R2,06bn) Though ferrochrome sales remained stable, cheap stainless steel scrap and ferrochrome from the eastern bloc forced Samanacor to cut its capacity in half and retrench 2 100 staff

Although ferrochrome prices had begun to stabilise over the last past nine months, "the position remains finely balanced and a fundamental improvement can only be expected once there was a sustained increase in stainless steel production", Gilbertson added

Gilbertson added that he would recommend to shareholders that Salamon took over as executive chairman at the next AGM

Alusaf, Columbus tie up foreign funds

B/Day 7/10/93

MATTHEW CURTIN

ALUSAF, the Gencor-owned aluminium producer building a R7,2bn smelter in Richards Bay, is three weeks away from finalising a R2,7bn offshore loan package including Canadian export credits brought into play with the lifting of sanctions

At the same time, Columbus Stainless has announced that it has secured more than 90% of R1,2bn international loan finance for its R3,5bn stainless steel expansion project, with the remaining tranche likely to be settled by end-November.

Alusaf finance GM Frank Ruvers said yesterday the lifting of Canadian sanctions had given fresh impetus to Alusaf's search for export credits from the countries from which it was sourcing the smelter's capital goods and technology requirements Alusaf appointed Alptrom, jointly owned by Murray & Roberts subsidiary EMS and Canada's SNC-Lavallin, as the project's engineering and construction management contractor in April

(189A)

Ruvers said representatives from the Canadian Export Development Corporation had recently visited SA and much of the "spade work" had been done in tying up a multimillion-dollar package of export credits The credits, which would be backdated, would cover 85% of finance relating to imports from Canada

He said the lifting of sanctions turned out to be "pretty good timing" in giving Alusaf extra flexibility in raising offshore funds Seven out of eight agreements regarding export credits and finance from Europe, in the hands of a consortium of French and other European merchant banks, had been signed, with the full R2bn package likely to be completed by the end of this month

Columbus said it had drawn down R500m worth of international loans since the project was given the go-ahead last December Interest payments would be capitalised so it would use project finance to pay back borrowings only six months after the plant was commissioned in 1995.

Export credit loans, making up 85% of the foreign borrowings, would be repaid over eight-and-a-half years, with the remaining offshore borrowings repaid "over periods of two to seven-and-a-half years, beginning in March 1996"

Iscor lays off staff over 50

JOHANNESBURG — The giant steel company, Iscor, is to lay-off employees aged 50 and over, managing director Mr Hans Smith said yesterday

He said the company was offering attractive retirement packages, but refused to disclose details, adding that those affected were mostly members of Iscor's pension fund

CT 8/10/93

"For Iscor, it has become necessary to reduce the number of employees and also to fill their positions with suitable, younger employees"

189A

Those who qualify for the package should exercise this option before December 31, he said — Sapa

ST Times C Buss

Iscor's tight-fisted grip

10/10/93 (189A)

By CIARAN RYAN

THE gap between South African and world steel prices has widened in many cases over the past two years, indicating the extent to which domestic users are subsidising Iscor's exports.

According to figures from the Metals Bulletin, Iscor's domestic prices were an average of 60% above those in Europe and 20% higher than for US-Mexican Gulf coast in July. Iscor's price for heavy sections was 17% above America's two years ago — now it is 39,5% higher.

The price difference between Iscor and European hot-rolled coil widened from 48% two years ago to 54,7% and for cold-rolled sheets from 40,7% to 48,9%. The difference between SA and Europe for galvanised sheet rose from 62% to 70,5%.

Iscor's prices for merchant bars are double those in Europe and 20% more than in America.

Robin Bosomworth, executive director of the Independent Wire Converters' Association, says: "When you look at how Iscor charges its domestic users, is it any wonder that the economy doesn't work?

"I estimate that volumes are as much as 50% down on some of Iscor's domestic markets. This means it is under tremendous pressure to increase domestic prices to maintain profitability.

"What is happening in the steel market is no different to what is happening in fuel. Is it right that the entire domestic consumer base is discriminated against to keep a few shareholders rolling in profits?"

SA is one of the world's cheapest steel producers, the result of Iscor's vertical integration. It owns the mines which feed its mills and controls the merchandising of steel.

Yet its domestic prices are well above those of high-cost producers such as the US, which has attacked cheap imports by launching a wave of anti-dumping investigations.

Iscor was investigated by the US for alleged dumping in terms of the general export incentive scheme (Geis). It could still be vulnerable to anti-dumping actions in terms of its two-tier pricing.

Iscor is the largest recipient of support from Geis, worth up to R250-million a year, says one estimate.

Mr Bosomworth says: "Iscor is very much involved in the determination of the country's industrial policy.

"It managed to get steel products, one notch below fully built-up cars, classified as Category 3 in terms of Geis which gives it a 7% subsidy on exports. It is almost as if Geis was made for Iscor."

Mr Bosomworth says Iscor responded to declining domestic demand for steel by removing discounts. Although price lists reflect increases in line with inflation, the removal of discounts has sent some prices up 40% in a year.

SA customers pay up to R1 485 a ton for wire rod compared with R1 000 a year ago.

Users have asked the Government to investigate Iscor's two-tier pricing which discriminates against them.

Iscor says two-tier pricing is common among steel producers and that it is forced to export at below the domestic price to recover fixed overheads.

Export steel is generally 3% to 5% more expensive than the European price compared with 60% in SA. The price of wire rod in Germany is $300/ton compared with an export price of $290/ton, a difference of 3,3%.

In 1989, 68,7% of Iscor's production was sold in SA. Earnings a share for the year were 43,9c.

In the year to June 1993, exports accounted for 53% of sales. Earnings a share fell to 15,1c, the result of the declining domestic market.

In an attempt to break the steel cartel, manufacturers have started to import wire rod from Europe at 20% below the SA price. They are challenging the two suppliers of wire rod, Iscor and Davsteel, to launch an anti-dumping investigation against them.

Mr Bosomworth says if Iscor and Davsteel bring an anti-dumping investigation against importers, it will expose the fact that the two SA suppliers are dumping on the world markets at 40% below the SA price.

Bridging finance for Northam

Star 20/10/93

■ BY DEREK TOMMEY

The Northam platinum mine is making arrangements with bankers to receive bridging finance to fund operations for the foreseeable future, Robin Plumbridge, chairman of GFSA, said at the AGM yesterday.

He said the mine was having a tough time, but he was confident the technical team would get the mine to full production

However, it was taking longer than expected and therefore was costing more

No final number has been put on the cost of bringing the mine to self-sufficiency

"We want to see it operating at full production before we make a more accurate assessment"

(189A)

He expressed regret that a member of the rescue team at the Kloof Number Three Shaft had died during the recent rescue operation

The engineers were trying to assess the damage caused by the accident and clear the shaft

He did not know how long this would take as it would be a complex and a difficult operation

Plumbridge said the situation inside the shaft had been likened to the old game of pick-up-sticks where, when you touched one stick, all the others were dislodged

He said that GFSA had been building up its shareholding in Driefontein Cons for a number of years because it believed the shares were undervalued

The operation had been completed before the upturn in the share market earlier this year

Iscor disputes claims on prices

BDay 9/11/93

EDWARD WEST

SA's largest steel-maker, Iscor, has disputed claims that its local steel prices were up to 60% higher than those of major Western economies.

A survey of world steel prices published in Metal Bulletin Research and a survey of Iscor's domestic prices in July 1993 by the Independent Wire Converters' Association showed local consumers were at a disadvantage compared with the main industrial countries in Europe and the US.

The comparison indicated Iscor's local steel prices were on average 20%-60% above rand steel prices in the UK, US, France and Germany — in spite of Iscor ranking as one of the world's lowest cost poducers.

Iscor said the survey did not compare its list prices with those of top international steel producers. In the case of hot rolled steel, Iscor's local price was 45c a ton lower in April than that quoted by British Steel

The survey did not consider quality and volumes which affected price

Iscor said it was common practice worldwide to follow a multitiered pricing system and for export capacity to be exported to spread fixed costs, which in turn contributed to keep prices down (189A)

Iscor's export prices were lower than its domestic prices

Iscor supplied 17% of local steel sales in the year to June 1993 for the manufacture and export of secondary steel products; discounts were negotiated individually with each secondary manufacturer, the group said.

The association questioned SA producers' need for tariff protection given the perceived relatively high local prices and the natural geographic protection enjoyed by SA producers.

SA's offer to the General Agreement on Tariffs and Trade lifted the import tariff to a ceiling of 15% — the current tariff was 5%.

Iscor said although there was no protection on steel between countries in Europe, ad valorem duties ranging from 15% to 45% were applicable in many countries.

These included South American states, Korea, Taiwan, India and the Philippines.

Foskor gears up for renewed export drive

BIDAY 11/11/93

MATTHEW CURTIN

FREED of sanctions constraints, IDC-owned phosphates and copper producer Foskor is gearing up for a renewed export drive after the collapse in its export markets in 1993 led to several hundred retrenchments at its Phalaborwa mining complex.

Director Fred Clarke said yesterday job losses at the complex reduced the workforce by a third to 1 500, as its mining, refining and management structures were streamlined.

Foskor was eyeing the huge Indian fertiliser market which was open to SA for the first time with the lifting of sanctions this year. Phosphates are the main raw material for most fertilisers and India consumes 45% of world trade in phosphoric acid.

Clarke said Foskor had delivered trial shipments to Indian chemical companies which could lead to large orders in six to nine months.

(189A)

Progress with the R100m pilot study investigating the extraction of minerals from Foskor's waste products was encouraging. Should the green light be given to the scheme in mid-1995, a new R4bn refinery would supply a third of the expanded Alusaf aluminium smelter's alumina requirements and become an important magnesia and potash producer.

The IDC's 1993 report showed Foskor, which has stopped publishing its annual results, suffered a sharp fall in after-tax profit in the year ended June 30 to R18m (R70m). Plummeting demand for phosphate rock and weak copper prices hit turnover which fell to R429m (R517m).

Clarke said Foskor's markets had been blighted by several factors. Recession in the industrialised world had hit demand for fertilisers, made worse by a flood of supply from the former Soviet Union as domestic consumption declined.

This led to lower Foskor sales and lower fertiliser prices. Although phosphate rock prices had held up, prices for ammonia and sulphuric acid, the other main fertiliser ingredients, had crumbled.

Although fertiliser prices had firmed to about $150 a ton since June Foskor was hit by the slump in copper prices, at their lowest for many years. Clarke said sales revenue would be static in 1993/94 with improved after-tax profit expected.

'Iscor can live without import tariffs'

ANDY DUFFY

STEEL producer Iscor could live without tariff protection, provided government brought in tougher anti-dumping laws, the company said at the weekend B/Day

The R8,8bn-a-year company said it could accept proposals by Europe and the US in the Multilateral Steel Agreement that tariffs on steel and iron ore imports be lifted. But it said government had to protect the industry by introducing laws similar to those in other countries

It became apparent last week that SA's trade reform offer to GATT had been deemed unacceptable by its trading partners 15/11/93

The Department of Trade and Industry (DTI) also said SA would "almost certainly" have to join the Multilateral Steel Agreement, which specified import tariffs on certain products be lifted for 10 years

Iscor's hold on the 3,5-million ton SA market is protected by a 5% import tariff, which has helped limit the share taken by imports to just 2%.

The company also tried but failed to persuade government earlier this year to increase the tariff to 20%, claiming that world oversupply could lead to a flood of cheap imports

But a spokesman for Iscor said the company "would rather have anti-dumping legislation than tariffs".

Iscor still had to put the issue to government A DTI spokesman said the decision to join the agreement depended on how many other countries would join and what the conditions were (189A)

tries Federation economics head and National Economic Forum trade policy task group business convener Michael MacDonald said dumping could damage the industry if tariffs were dropped

"We don't have a problem," he said, "but it could come up very quickly" The forum wanted legislation similar to that operating in the US, he added

Iscor has come under fire for its domestic prices which are on average 40% higher than those in Europe and the US, leading to claims that the company uses its domestic dominance to underpin its exports

The company, which in the year to June had attributable earnings of R283m (R336m), also gained a bottom line bonus from the General Export Incentive Scheme, which added R100m to its 1993 results.

Despite forecasts that demand was unlikely to recover before next year, Iscor managed a 9% list price hike in the year. A further increase of 5,8% to 7% was expected in January

Star 18/11/93

Tongaat overcomes setbacks

BY DEREK TOMMEY

A sharp reduction in interest and tax payments helped Tongaat-Hulett offset a serious loss of income from its drought-hit sugar crop and report an 8,2 percent rise in attributable earnings in the six months to September.

Earnings rose from 87,4c to 94,6c and the interim dividend has been raised from 23c to 25c.

Chairman Chris Saunders and MD Cedric Savage say sugar production is likely to be only half that of a normal year.

Turnover rose 1,4 percent to R1,97 billion, reflecting difficult conditions. Operating profit dropped 18,7 percent to R115 million.

Net interest paid dropped from R38,9 million a year ago to R22,9 million, thanks to better cash generation and lower rates.

Tax payments were lower, partly because of the 10,2 percent cut in pre-tax profit, and partly because of agricultural tax allowances for the R100 million Heatonville irrigation scheme.

The building materials division (Corobrik) and the aluminium divisions (Huletts Aluminium) continued to feel the effects of the recession.

But the textiles division (formerly Whiteheads) and the starch and glucose divisions performed well.

The joint marketing, licensing and technology agreement with US food producer, CPC International, by Tongaat Consumer Foods will result in a sharper focus on branded foods.

CPC International has an option to acquire 50 percent of Tongaat Consumer Foods.

The directors say that despite estimated capital expenditure of R212 million for the year, net borrowings, amounting to R491 million at the end of September, should drop to R120 million by next March.

Provided trading activities are not affected by unrest ahead of the election, attributable earnings should improve

Columbus gets R1,2 billion in foreign funding

Star 3/12/93

BY DEREK TOMMEY

The Columbus joint venture, which is seeking to become the world's largest stainless steel producer, is to receive R1,2 billion ($385 million) in foreign financing — R400 million more than it was seeking

MD Fred Boshoff said last night it was a considerable achievement for the company because the financing had been negotiated before sanctions ended.

At the time there had also been considerable violence sweeping the country

Columbus is spending R3,5 billion on extending the capacity of the Middelburg stainless steel plant from around 140 000 tons a year to more than 500 000 tons a year

The new plant should go into production in 1995, and build up to full capacity over the following two years.

Boshoff said Columbus had reached an agreement with a company in Korea and with another in the US to supply them with semi-finished stainless steel slabs and coils

New man

Columbus is the new man in the stainless steel world and will have to fight hard to gain sales.

The agreements will give Columbus access to the major markets.

Finance executive Andrew Smith said Columbus had specified several conditions when it called for tenders from offshore suppliers

One was that the supplier had to provide 100 percent loan finance for the plant.

Others were that that the tender would be assessed on net present value, that the interest would have to be capitalised until production began, that the credit insurance premiums should also be capitalised and that the first payment would only be made six months after Columbus had started production, when earnings from exports would be available to repay the loans

He said that Columbus had been fortunate in its timing. The world had been in recession and every country had been keen to secure Columbus contracts

(189A)

Initially, the export credit loans were to be repaid within five years of commissioning the plant

But after negotiations, the repayment period was extended to eight-and-half years — a first for SA.

Columbus was expected to cost (including capitalised interest) R1,27 billion in 1993, R1,7 billion in 1994 and R514 million in 1995.

Funding

After taking into account net foreign funding and income from existing operations, the total amount of cash needed would be R469 million in 1993, R1,16 billion in 1994 and R451 million in 1995

After utilising the 37E tax provision, the three equal partners financing Columbus would each have to provide R139 million in 1993, R332 million in 1994 and R72 million in 1995

The partners are Highveld Steel & Vanadium, Samancor and the Industrial Development Corporation

Boshoff said the project was on budgetary target and on schedule for a quick start-up with a good quality product.

To build the new plant adjacent to the existing plant without losing any production was a major engineering feat

Concern

This had been made possible by the one-and-a-half years of planning at a cost of R40 million that had gone into the project.

Boshoff voiced concern that the upsurge in construction could result in competition for skilled workers next year

Contract labour on site at Columbus would rise from 870 this year to 6 000 next year, while total job creation, including on site, in the plant and elsewhere could reach 12 000

Columbus is expected to earn R16 billion in foreign exchange in its first 25 years of production.

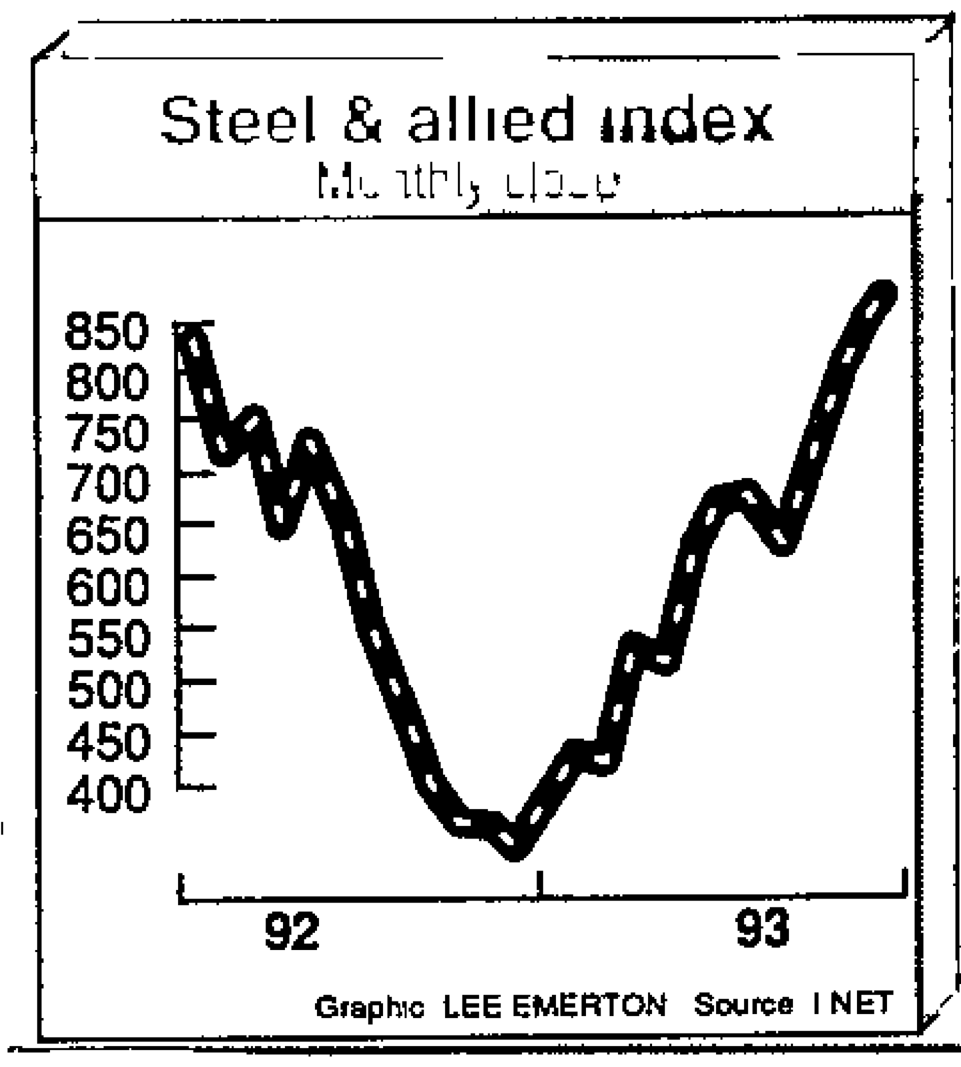
Steel producers look forward to better times

B/Day 10/12/93

EDWARD WEST

SA STEEL producers could see a "significant" recovery in earnings next year, industry sources said yesterday.

Steel and Engineering Industries Federation of SA economist Michael MacDonald said the firming of world export steel prices over the past six months would continue due to a forecast improvement in major Western economies.



Graphic LEE EMERTON Source I NET

Though analysts said the recovery would not be as dramatic as in previous cycles, they said it would be more sustained.

Dominant local producer Iscor was vulnerable to international price movements because 53% of its production was exported But market sources said that even a slight improvement in world prices could boost Iscor's earnings 70% next year taking into account its cost-cutting. In this context the current share price — trading at a year high — was still cheap, he said.

Iscor would shed about 4 500 jobs in the New Year, 2 500 through voluntary retrenchment. Savings from such cuts could total R200m next year, analysts said, which was significant when compared with R606m operating profit last year.

MacDonald said local steel demand was improving only slightly. Domestic fixed investment was unlikely to improve before the April elections.

Anglo cautious on ZCCM rescue

BDay 17/12/93

ANDY DUFFY

ANGLO American is taking a back seat in the fight to save Zambian Consolidated Copper Mines (ZCCM), the debt-burdened company in which it has an indirect stake.

The group, which has five directors on the ZCCM board, said on Wednesday that it had offered its own plans to restructure the company, but that the final decision lay with ZCCM's own management.

Anglo said it would also not pump money into ZCCM until the state-owned company showed some signs that it could turn the corner.

Anglo has an interest in ZCCM through its 50% stake in Zambia Copper Investments, which it gained through the recent $1,5bn asset swap with offshore arm Minorco. The group wants to bid for the soon-to-be-privatised ZCCM, as part of its strategy to broaden its African business.

But ZCCM warned last month that it faced collapse unless it cut capital expenditure and costs. The company could not service its $700m debt, and its income had been halved by a copper price 28% beneath the level for which it had budgeted, and a stronger foreign currency.

The cut in capex was likely to delay work on the vital $600m Konkola mine, which was scheduled to start next year. ZCCM had also cut 850 management jobs, more than a third of the workforce.

Anglo and ZCCM director Philip Baum said the Zambian government was reluctant to make further staff cuts, given that it faced an election next year.

(189A)

He said that if Anglo bought ZCCM in its current state, the company's recovery could take at least three years. In government hands, ZCCM's recovery could take far longer, Baum added.

Industry sources said Anglo's bid would stay on the shelf until ZCCM recovered or collapsed.

But Baum said Anglo would be prepared to table an offer and shoulder initial losses if this was justified by potential long-term returns.

The Zambian government had not made clear the timetable for privatising the company, which accounts for 90% of Zambia's foreign earnings. A report from a German consultant on privatisation had still to be tabled, the government said.

Hiveld shares rise on bullish industrial sector

BIDAY 17/12/93

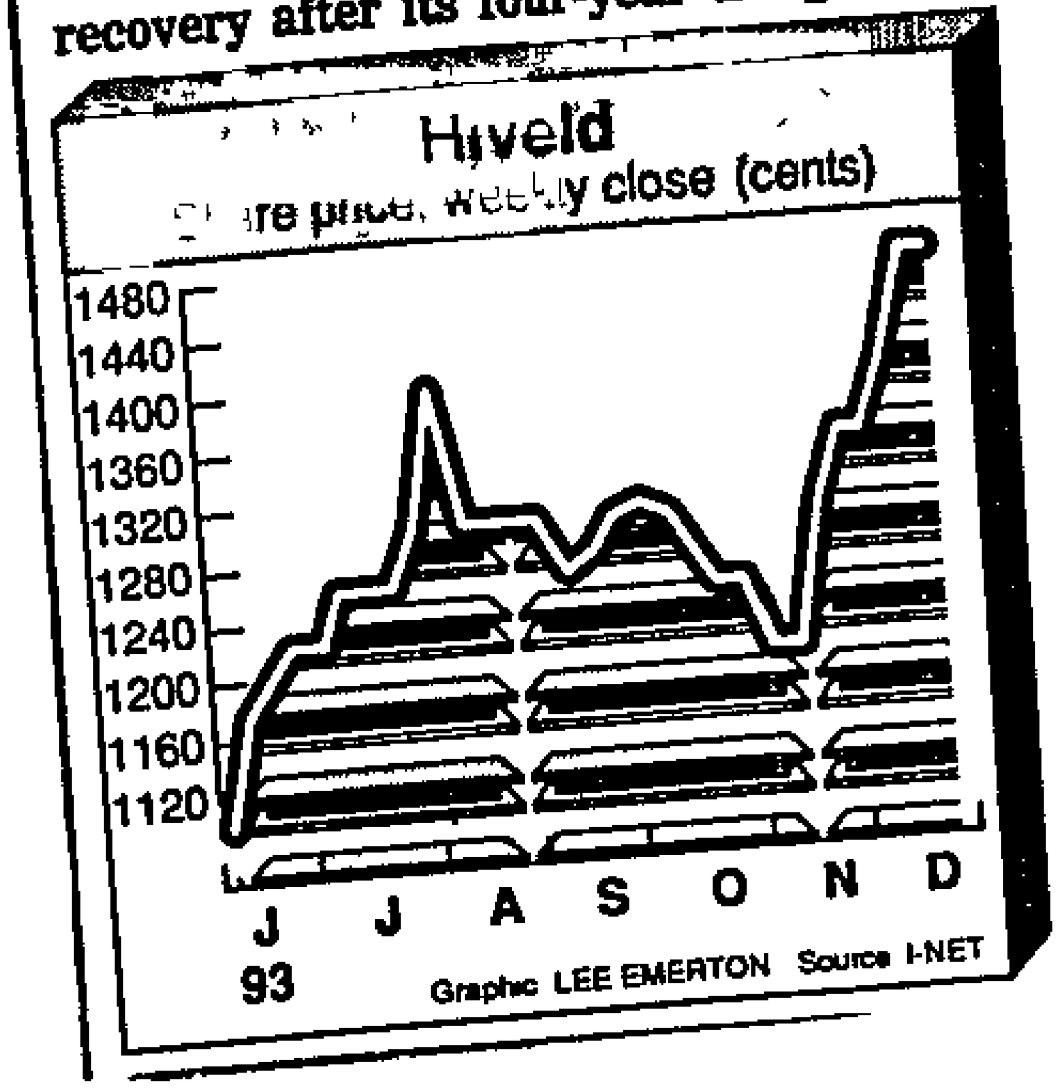
MATTHEW CURTIN

SHARES in Highveld Steel and Vanadium reached their highest level on the JSE since 1991 on Wednesday, and shares in rival steelmaker Iscor hit their 1990 issue price of 200c amid burgeoning bullish sentiment about world industrial recovery.

Hiveld stock closed 50c up at R14,75c in light trade.

Iscor climbed 6c to 200c as R1,4m worth of shares changed hands.

The recovery in these cyclical counters coincides with signs that the world commodities market is making a tentative recovery after its four-year trough.



Graphic LEE EMERTON Source I-NET

The London-based Economist magazine's industrial commodities index jumped to 130 points this week from 115 in October, with the base metals index, compiled by German metals group Metallgesellschaft, improving to 115 from a low of 105 in November. (189A)

Hiveld, the Anglo American Industrial Corporation-owned steel, ferro-alloy and vanadium producer, has proved particularly exposed to the years of decline in domestic and global industrial activity, during which demand for special steels and the alloys needed to manufacture them was slashed.

However, the group's market rating could be boosted by a number of recent developments.

These include the US government's dismissal of dumping allegations against Hiveld and Iscor, and Hiveld's plans to acquire rival local vanadium producer Transvaal Alloys.

Buying Transvaal Alloys for an estimated R15m from German owners Nordedeutsche Afinerie will entrench Hiveld's dominant position in the country's vanadium market.

The deal will also give it access to vanadium chemicals production.

Election strife threat to Impala

A STANDOFF in the battle for control of Bophuthatswana could threaten production at Impala Platinum Holdings.

"If there is strife, it will disrupt platinum production," said Kevin Kartun, mining analyst at brokers Frankel, Pollak, Vinderine. BIDay 2/12/93

All Impala's platinum mines are in Bophuthatswana and, under the interim constitution, homeland governments are supposed to give up power by January 1. But President Lucas Mangope has refused to recognise the decision, saying Bophuthatswana would go it alone if need be

Some ANC leaders have threatened military action if Mangope continues to cling to power. The ANC considers him a Pretoria government puppet while his opponents accuse him of crushing political opposition. (189A)

Alf Stadler, head of political studies at Wits University, said it was unlikely the confrontation would take the form of armed conflict

"There will be a lot of frustration if Mangope prevents people voting and that frustration would most probably result in widespread civil strife" he said

Kartun said the strife, which would probably take the form of general strikes and absenteeism, would affect Impala's platinum production

"It's a crying shame that the company has to face this situation," Kartun said.

However, Impala would probably persuade its employees to return to work sooner than other organisations. "Impala has done a remarkable job in improving relations with its workers," Kartun said

The National Union of Mineworkers, which claims to represent 70%-80% of Impala's 30 000 workers, said there would probably be an uprising at the mine if miners were prevented from voting.

The NUM, which has strong ANC links, staged a demonstration at Impala last month to back workers' demands for SA identity documents to enable them to vote.

Impala has reversed production losses caused by labour troubles in 1990 and announced in July it would restart an expansion programme postponed last year due to low platinum prices. However, the expansion will be more modest than first planned, with a production ceiling of 1,29-million ounces — AP-DJ.

Iscor shares lead upsurge in commodity counters

B/Day 23/12/93

MERVYN HARRIS

STEEL shares were in the forefront of an upturn in cyclical commodity counters on the JSE this week amid signs of a global and domestic economic recovery after a four year trough.

Iscor continued to set the pace with Highveld Steel and Vanadium hot on its heels as both shares rose to their highest levels in almost two and a half years.

Fuelled mainly by strong offshore demand because of the tradeability of the shares, Iscor touched a high of 227c yesterday, to lift its gains to 290% since plunging to a low of 61c at the end of last year.

The shares eased on profit-taking to close 2c down on the day at 223c and Highveld was well bid at its peak of R15,25, representing a gain of 85% from the low of 825c in January. Highveld's rise has helped pull up holding company Anglo American Industrial Corporation (Amic) which scaled a fresh peak of R111, more than double the February low of R55.

Iscor came to the market at an issue price of 200c in November 1989 as the global and local industrial cycle started to turn down. After rising to a peak of 273c in February 1990, the shares began to falter after failing to meet its prospectus forecast of earnings growth.

Stockbroker Meades de Klerk's David Meades said. "The market took Iscor shares down to ludicrously low levels. It is one of the Fortune 500 top global industrial companies and was grossly undervalued considering its enormous assets."

The assets included five steel plants with the capacity to produce 8-million tons of steel a year, two big iron ore mines producing 20-million tons of ore, and coal and coke mines.

As the biggest single industrial group in SA, the replacement value of the assets was estimated at R40bn.

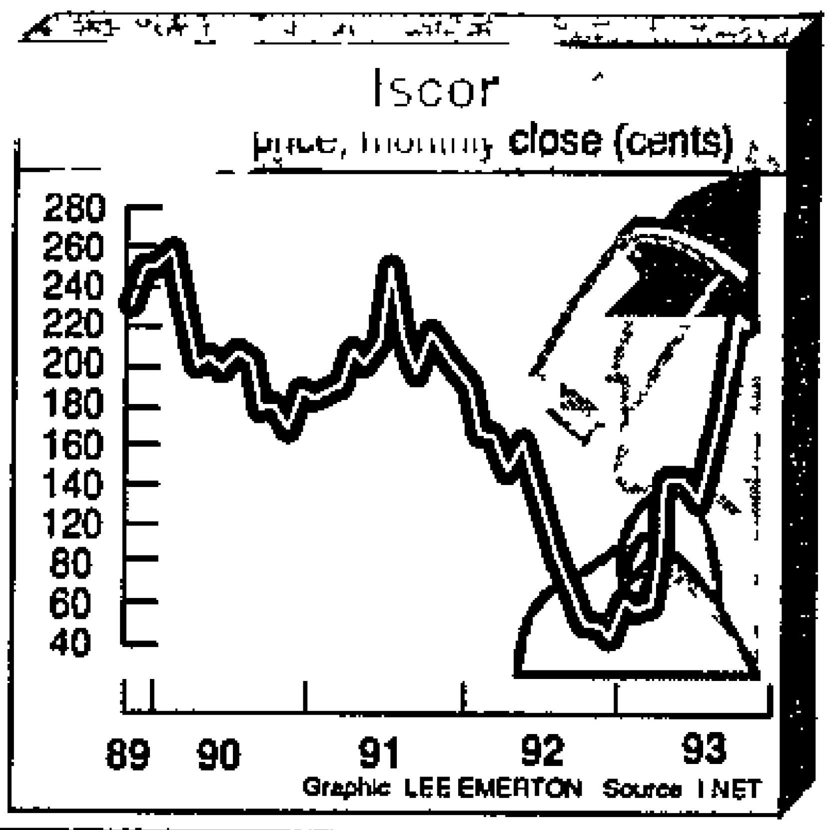
Meades said that at 61c a share, Iscor's market capitalisation (marketcap) declined to R1,1bn, which was equivalent to $300m. "Its current marketcap of R4,2bn, after the sharp rise of the shares, is still only one-tenth of its replacement value and 28% below the R5,4bn marketcap of ferrochrome and manganese producer Samancor. (189A)

"Iscor is still undervalued relative to its assets and potential. While earnings declined during the recession, Iscor remained in the black and was among the top companies profitwise in the international steel industry", Meades said.

Management was strengthened recently with the appointment of Hans Smith as MD, and the group was in the process of drastic cost-saving measures Under the previous management, Iscor embarked on a number of new projects which were now coming to fruition.

"The combination of these two factors should see a dramatic increase in profitability if the global and local economy is in better shape in 18 months time", Meades said.

Samancor has slid back from last Friday's peak of R29,75 to R28,50 yesterday but is still well above the February low of R17. On its back, Consolidated Metallurgical Instruments has risen from a recent low of 250c to 350c yesterday.



Graphic LEE EMERTON Source I-NET

FM 24/12/93 (189A)

is being funded by the capital put up by the three partners, Samancor, Highveld Steel and the Industrial Development Corp — R575m each

In the local market, stainless steel sales have remained steady at about 42 000 t/year The production of cutlery and other consumer products has declined in the recession but orders from catalytic converter and exhaust systems manufacturers have grown spectacularly

"Orders from local catalytic converter manufacturers have zoomed from 600 t in 1991 to 3 718 t this year, while orders from exhaust manufacturers have jumped from 1 260 t to 3 857 t over the same period," Rowe says "Tube makers and tank container manufacturers have also shown steady growth, from 3 300 t to 5 017 t and from 2 900 t to 3 600 t respectively"

In a few years, as SA switches to lead-free fuel, growing demand for catalytic converters should further boost local demand for stainless steel ■

COLUMBUS STAINLESS STEEL

Looking for customers

Faced with the prospect of trying to peddle an extra 400 000 t of stainless steel each year, top executives of the R3,5bn Columbus expansion project at Middelburg are gearing up for a hard-sell drive into global and local markets FM 24/12/93

The additional production won't begin to come on stream until 1995 and the current production of about 150 000 t a year is fully sold, with about 105 000 t exported But slack international demand in an oversupplied market has led to steep price falls over the past few years (189A)

"In the past four months alone, world prices fell by about 20%," says Columbus CEO Fred Boshoff "But, with global demand expected to grow by 3%-4% a year over the medium to longer term, we feel positive about the market outlook in 1995"

The picture has brightened because the US and the UK are again enjoying steady growth Also, prices in Europe have started to firm in the past few weeks All in all, world stainless steel demand is expected to grow from the current 11,3 Mt a year to about 13 Mt by 1997

"We are looking for volume re-rolling customers for our additional hot-rolled product," Boshoff says "Major chemical plant, oil refinery and mining projects overseas can be expected to boost demand for our product into the next century Potential markets in Asia, Europe and North America are being investigated Finding acceptable outlets for our product is now our priority, seeing that the construction and financing of the project are proceeding well Final export contracts should be signed by the fourth quarter of 1995" FM 24/12/93

Hot-rolled is the most basic form of stainless steel It then must be re-rolled in a cold-rolling mill to produce much thinner sheets, which are rolled into coils Processors use these coils to manufacture cutlery, exhaust systems, tank containers and other stainless steel products (189A)

Sales and marketing executive John Rowe says the idea is to sign up cold-rolling mills in new markets as customers These mills would then re-roll Columbus' hot-rolled product Columbus does produce some cold-rolled steel — which will increase as a result of the expansion — but most of the production is hot-rolled for export

Construction started last February and is on schedule As for the financing, Columbus obtained R1,2bn in offshore loans from the equipment suppliers (R400m above budget) with good repayment terms (eight-and-a-half years, starting six months after the project is finished, compared with the normal five years)

Another advantage for the plant over its overseas competitors is that it receives a steady flow of ferrochrome from a Samancor plant on the adjacent site The ferrochrome, the major ingredient in stainless steel, is sent over in liquid form because the two plants are so close together, so Columbus doesn't have the expense of melting down ingots

About 5 000 t/year of another key input, nickel, will have to be imported at full production after 1997, with the balance of the required 23 000 t purchased locally from JCI and Impala

The expansion project will make SA the sixth-largest stainless steel producer in the world And Columbus will be the largest single-location producer globally

Columbus' Achilles heel is transport Boshoff agrees that with 85% of the production earmarked for export, SA's distance from world markets will be a major cost factor

In addition to the foreign loans, Columbus

cont

Retrenched steel workers set up business at home

THEO RAWANA

THOUSANDS of retrenched steel workers had turned to backyard manufacturing and had found a home in the National Informal Steel Designers' Association, the organisation's chairman Jimmy Mabula said at the weekend.

The association, which has 1 500 members and a target of 20 000, had clinched deals with a number of city and town councils countrywide for its members to design steel traffic signs, Mabula said.

The Steel and Engineering Industries of SA (Seifsa) had also said it was willing to help with technical support and the setting up of an administrative structure.

Association members were mostly people retrenched from the steel industry who were now producing steel products such as burglar proofing, gates and furniture. (189A)

Operating from backyards, the entrepreneurs were often hamstrung by a lack of access to finance, proper training, equipment and materials, said Mabula.

Financial institutions wanted collateral for mini-loans and big business had shown no willingness to offer assistance. BIDay

"But we have managed to secure some assistance for our members, though SA business and the government need to do a lot more to help us," Mabula said.

"We are talking to hardware concerns countrywide, asking them to order window frames, steel gates and burglar proofing from us," he said. 27/12/93

Mabula said the organisation began in the Transvaal with about 200 members and later decided to go national.

MANUFACTURING - IRON, STEEL ---- etc

1993 (B)

Usko's short-term market growth looks grim

BIDAY 12/1/93. (189B)

RALPH LAZAR

PROSPECTS for short-term growth in Usko's market areas remain grim, according to chairman Floors Kotzee

However, in the company's annual report released yesterday, Kotzee said new local projects and Eskom's power pact with neighbouring states would stimulate medium-term demand for aluminium conductors

Usko's activities involve the manufacturing and marketing of aluminium conductors, copper wire, electric cable and stainless steel wire Investments in associated companies focus on securing raw materials and creating marketing channels for products

In the year to end-September, Usko's turnover fell from R554 007 to R215 467, reportedly attributable to drop-off in demand bringing about more competitive prices Eskom's decreased need for aluminium conductors has had a major negative impact on turnover

Drastic industry stockholding reductions and significant structural rationalisation in the mining industry contributed to lower profits

The report also mentioned the negative effect of the drought, a weak international economy and low levels of domestic investment as influences The demand for Usko's copper products shows a downward movement Similarly, the manufacture of electrical appliances and car sales show the same trends Eskom's power network expansions have also taken time Demand for insulated copper had been weakened by mining industry rationalisations, Kotzee said

Earnings attributable to shareholders fell from R238 796 to R6 674, and a dividend of R6,6m on the "A" cumulative preference shares was declared and paid to shareholders on 31 October 1992

BTT probe into alleged dumping 1896

EDWARD WEST

THE Board on Tariffs and Trade (BTT) was investigating alleged dumping of tube and pipe fittings from mainland China, Hong Kong and Thailand, the Government Gazette reported yesterday

The probe followed a complaint by the SA Rolled Steel Co-ordination Council on behalf of Dorbyl subsidiary Salcast, SA's only manufacturer of iron tube and pipe fittings BDAY

The Gazette said the imports were being sold at low prices, although this did not necessarily mean they were being dumped However, Brazilian imports and severe price undercutting which sharply decreased Salcast's 1992 market share needed to be taken into account

The alleged price undercutting was about R1 000 a ton on a free on board (fob) basis The value of imports from mainland China and Hong Kong had increased from 1991 to 1992, but the value of total imports had remained more or less the same Mainland China had increased its share from 2% in 1991 to 15% in 1992, while Hong Kong had increased its share from 23% to 26% Thailand's share had fallen from 13% to 6%, the Gazette said 13/1/93.

SA consumption had fallen 53% from 2 673 tons in 1990 to 1 262 tons in 1991

The Gazette said it was further alleged the imports had been sold at significantly lower prices, forcing the local manufacturer to reduce prices to levels that did not allow an adequate return

DINETTE INDUSTRIES

Not much luck

Beginners' luck eluded JSE newcomer Dinette, which, being a new business, was listed on the JSE's Venture Capital Market in 1991 It lost about 52,2c a share for the year to end-June

Three months after listing, a statement was issued advising shareholders that due to "unexpected trading conditions the directors expect the results ending June 30 to reflect a loss in excess of that forecast in the prospectus " The excess turned out to be large, as the loss was originally forecast at 1c a share

One of Dinette's major customers was apparently involved in labour disputes and consequently froze deliveries of existing and new orders In addition, start-up costs of the company had to be taken into account and a R600 000 over-expenditure on fixed assets did not help matters

Chairman Les Mankowitz says order levels are now satisfactory Production and sales for July and August showed a healthy increase, resulting in improved profitability And, as the second half of the year is traditionally the peak trading period, Mankowitz says shareholders can look forward to an improved profit picture, subject, of course, to the political situation

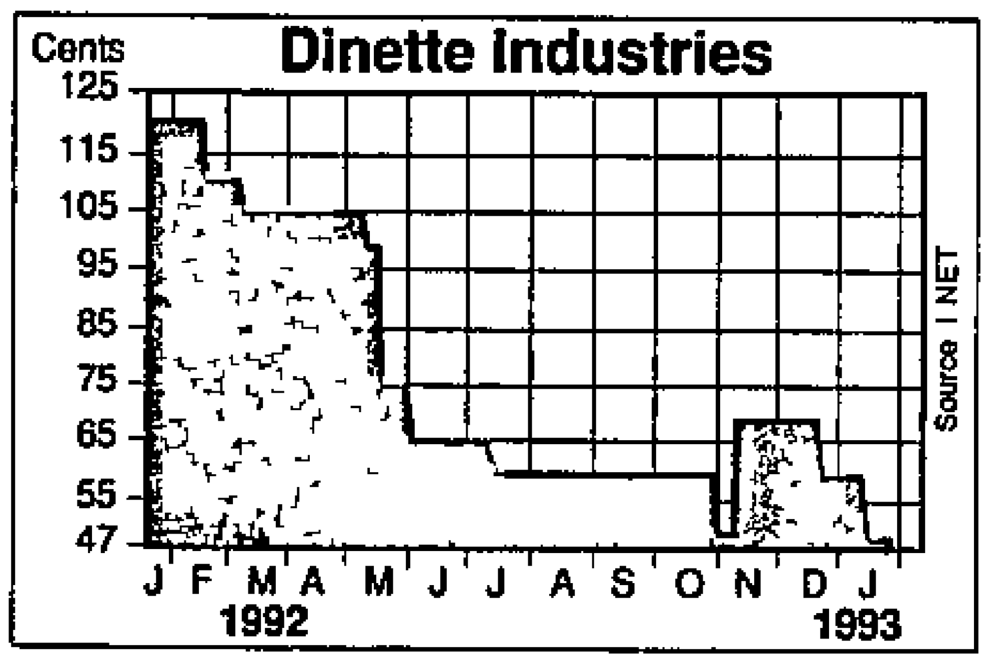
The share started the year at 130c, or 25c up on the listing price, and then weakened steadily after poor interim results were published last February It recovered slightly during November, but is again standing at the 50c low A profit recovery should result in price appreciation, but this is a counter (and a sector) strictly for punters

Kate Rushton

Activities: *Makes and distributes steel and other furniture*
Control: *Directors 36%*
Chairman: *L Mankowitz, MD J J van Niekerk*
Capital structure: *3m ords Market capitalisation R1,5m*
Share market: *Price 50c 12-month high, 130c, low, 50c Trading volume last quarter, nil shares*

Year to June 30	†'92	‡'92
ST debt (Rm)	2,0	2,8
Debt equity ratio	0,72	2,19
Shareholders' interest	0,38	0,19
Int & leasing cover	0,93	—
Return on capital (%)	4,7	—
Turnover (Rm)	17,6	10,3
Pre-int profit (Rm)	0,4	(1,3)
Pre-int margin (%)	2,0	—
Earnings (c)	(1,2)	(52,2)
Net worth (c)	95	43

† Projected figures at June 30 as in prospectus
‡ Trading period 15 June 1991 to 30 June 1992



FM 5/2/93

CITYHOLD FM 5/2/93.

Long way to go

(189B)

Activities: *Subsidiaries make copper, electroplated, stainless steel and resistance wire, blow-moulded containers for the packaging industry, injection-moulded components for the engineering and electronic industries, and has financial and management services*
Control: *Diensvennote (Pty) 64%*
MD: *F C Eloff*
Capital structure: *8m ords Market capitalisation R4m*
Share market: *Price 50c Yields 2,5% on dividend, 5,1% on earnings, p e ratio, 19,8, cover, 2,5 12-month high, 100c, low, 35c Trading volume last quarter, nil shares*

Year to Sep 30	**'89**	**'90**	**'91**	**'92**
ST debt (Rm)	0,4	0,4	0,2	0,02
LT debt (Rm)	2,3	1,3	—	0,3
Debt equity ratio	0,70	0,41	0,05	0,10
Shareholders' interest	0,40	0,37	0,85	0,88
Int & leasing cover	1,3	0,5	64	18
Return on cap (%)	9,7	1,8	18,6	5,2
Turnover (Rm)	13	18	20	31
Pre-int profit (Rm)	0,9	0,1	0,8	0,2
Pre-int margin (%)	1	0,8	3,8	0,7
Earnings (c)	[illegible]	(11,2)	12,6	2,5
Dividends (c)	0,5	—	5	1
Net worth (c)	32	23	44	45

The market needs to change its attitude towards DCM-listed companies, according to City Investment Holdings (Cityhold) MD Frits Eloff He says he has been disillusioned by lack of attention from investors

His lament seems hollow considering that the share appreciated by about two-thirds since the beginning of last year and its historical earnings multiple of 40 is the highest on the DCM.

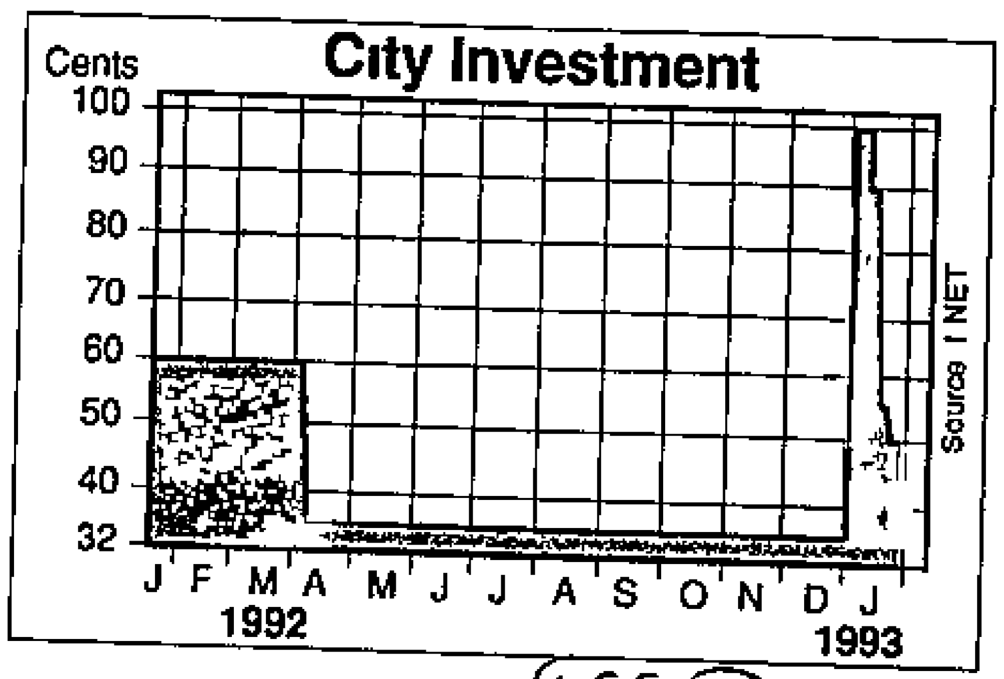
An extraordinary boost

However, Cityhold will have to consider acquisitions or a merger before thoughts of moving to the main board will be turned to reality In its present form it has a long way to go before qualifying for transfer

Pre-tax profit of R202 000 is only a fifth of the required R1m Management does deserve some credit for trying to improve profits In 1990 Cityhold underwent a rationalisation which involved conversion of trading subsidiaries into associates and a reduction in gearing while improving turnover and earnings

Eloff says it should be taken into account that 1991 had an extraordinary boost from the sale of subsidiaries to chief competitor Usko City Electronics sold its 50% holding in Lambada Cables to Usko for R908 000 This, he says, should be considered when comparing 1992's results with the previous year's Perhaps that explains last year's 80% drop in EPS?

On a more positive note, Eloff says a major milestone in 1992 was the 60% increase in turnover at the Vereeniging-based



(189B)

aluminium extrusion company, Almar Extrusions He is also proud that few of employees participated in last August's Numsa strike Unfortunately, the strike affected customers and, consequently, some subsidiaries

All subsidiaries remain profitable Gearing is a conservative 10% Cash flow, however, needs attention Cash generated by operating activities dropped 85%, though Eloff contends the comparison is distorted by the extraordinary income of R2m in 1991

There are plans to expand into niche markets in 1993, including plastic containers for the cosmetic and pharmaceutical markets and aluminium profiles for the architectural markets Eloff expects to see group turnover (including associate companies) around R35m. He declines to forecast earnings but is optimistic there will be real growth in operating income

The share rarely trades, but the investor who bought at 35c last April has done well, so perhaps more attention *should* be paid to DCM companies Even so, there is little demand for the counter It is offered at 50c, the last sale was at 100c *Kate Rushton*

Market glut hits top SA ferrochrome exporter

Business Staff 189B

SOUTH Africa's ferrochrome exporters are suffering heavily from cut-throat and profitless competition in over-supplied world markets

This has led to Consolidated Metallurgical Industries, one of the country's "big two" exporters, posting a loss of R21 million for the six months ended December against a loss of R180 000 for the same period a year earlier.

ARG 8/2/93

CMI has again passed its dividends

These were last paid in 1990

Haggie achieves slight improvement in earnings

B/DAY 12/2/93 (189B)

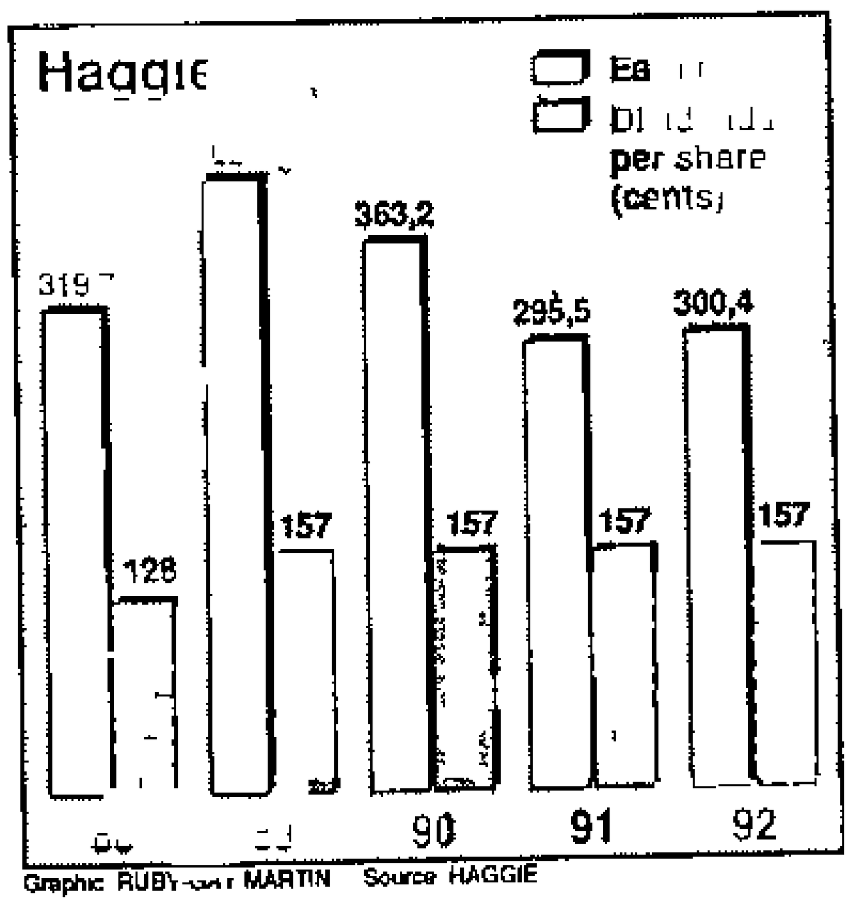
EDWARD WEST

HAGGIE ended 1992 with marginally improved earnings and an unchanged dividend in spite of the effects of a month-long Numsa national strike, falling demand and the delayed upswing, MD Chris Murray said yesterday

The steel wire, copper product and engineering consumables group's results for the year to end-December 1992 show earnings a share up 2% to 300c from 296c — a decline in real terms — with the dividend maintained at 157c

Murray said earnings growth was slight, but should be seen in the context of an industry battered by falling demand and stagnant gross domestic fixed investment

Plans to build the steel tyre chord plant in Boksburg — temporarily halted last year when Belgian firm NV Bekaert pulled out of the R96m deal because of SA's political instability — were on track Haggie's board yesterday approved the purchase of equipment from the Italian group GCR Spa



Graphic RUBY MARTIN Source HAGGIE

The cost of phase one of the new plant would fall to R82m from R96m because equipment bought was second-hand and there were no royalty costs

Haggie's turnover increased slightly to R1,19bn in 1992 from R1,18bn in 1991 and operating income to R107,3m from R105m Exports increased 16%

Interest paid climbed 13% to R21,5m from R19m. Tax was lower at R18,4m from R19,3m Attributable income was up 2% to R58,5m from R57,5m

The main profit generator of the group, the steel and wire rope division, improved operating profit by 13% with turnover up a meagre 2% The engineering consumables division improved operating profit by 24% with the turnover unchanged

The copper products division bore the major brunt of the Numsa strike in the group and also suffered from shrinking margins from one-off rationalisation costs The result was turnover falling 10% and a 64% drop in operating profit.

Murray said Haggie had budgeted for better results in 1993 provided there was no further shrinkage in domestic volumes.

Haggie also stood to benefit, over time, from capital expenditure projects under way.

Strike and falling demand hits Haggie

Star 12/2/93

By Stephen Cranston (189 B)

Haggie was hit by the Numsa strike in August, falling demand for its products and lack of fixed investment during the year to December

Its earnings per share increased by two percent to 300,4c The dividend was maintained at 157c

Group MD Chris Murray says that sales to the local market fell by six to eight percent in real terms but that exports increased by 16 percent and now account for a fifth of group sales

Exports tend to be in the high technology rope and wire products as low cost producers such as the Koreans and Malaysians do not compete in these areas

Haggie has a sizeable customer base in the Australian mining industry and in the offshore oil drilling sector

It is looking to improve sales to the surface mining industry in the US

Turnover increased by one percent to R1,194 billion and operating income by two percent to R107,3 million

This was achieved even though in August the normal R10 million operating profit was a R5 million loss because of the strike The effects of the strike were limited as the main Haggie Rand factory at Jupiter, Johannesburg continued working.

FM 19/2/93 (189B)

HAGGIE FM 19/2/93 (189B)

Flat earnings prospects

Haggie has done well to shore up eroding operating margins, by cutting costs and improving sales of mine winding rope, despite problems at the copper and yellow metals products division, Copalcor A small rise in turnover masks a 2% fall in domestic sales and a 16% gain in exports, a result of overcapacity in the domestic market Group capacity usage is only 65% MD Chris Murray says "We lack adequate domestic fixed investment to stimulate growth"

The operating margin declined steadily from 14,3% in 1987 to 8,8% in 1991 Declining volumes (down 7% in 1992), negative real price increases and high fixed costs are to blame

The rise in exports affected group margins because of intense competition But foreign sales compensate for slack offtake at home The recent rise in SA import tariffs on steel and iron wire products, from 5% to 15%, should boost domestic margins Exports account for 18% of turnover, Murray would like to see them increase to about 30%

For 1992, earnings rose slightly and the dividend was unchanged The only notable change was a 13% increase in net interest paid to R21m, due mainly to financing a R30m-R40m increase in working capital, which Murray describes as insurance to cover unforeseen events, such as strikes, that might jeopardise exports

Steel, wire and rope make up the largest, most profitable of the three divisions, with 55% of turnover and 75% of profit in 1992 Copalcor accounts for 35% of turnover and a disappointing 15% of profit the Numsa strike in August, moving operating facilities from Boksburg to the Wadeville factory and installing new equipment, cost R15m at operating level The 1993 results will benefit from reversal of this loss The engineering division, which contributes 10% of turnover and profits, remained stable

For Haggie, 1992 has been a year of stabilisation — an achievement considering the adverse conditions and pressure on margins The group is fundamentally sound with low gearing, strong cash flow and solid asset growth But there are fears of little opportunity for organic earnings growth until fixed investment improves in the areas of its focus construction, general engineering, mining, motor and agriculture

MARGINAL GAIN

Year to December 31	1991	1992
Turnover (Rm)	1 182	1 195
Operating inc (Rm)	105,0	107,3
Attributable (Rm)	57,5	58,5
Earnings (c)	295,5	300,4
Dividends (c)	157	157

Other, more "consumable" products such as copper pipes and fencing are also suffering due to a lack of demand and their low added value More investment in housing would help

Plans to build a steel tyre cord plant in Boksburg are in progress again after the Belgian firm Bekaert pulled out due to concerns about violence in SA The appointment last week of Italian group GCR Spa to provide turnkey plant, technical support and managers will cost about R80m Capex will be about R130m in 1993, including part of the R80m and capital replacement

In an effort to increase margins, Haggie aims to develop more downstream products with higher margins and to diversify into related products But, considering that the time lag for demand to react to an increase in fixed investment could be about six months, the share's capital growth prospects are limited There is more attraction in the 6,5% dividend yield, despite the rather slim cover of 1,9

The current NAV almost equates to the share price and the share is on a p e of about 8, which seems a fair valuation given the flat earnings prospects for 1993 *Louise Randell*

Haggie 'can fund cost of plant'

B/Day 26/2/93.

EDWARD WEST

HAGGIE could fund the cost of plant for its R83m steel tyre chord factory in Boksburg entirely on its own or make use of an IDC line of credit with Italy to fund part of the cost, Haggie MD Chris Murray said yesterday

He said the Italian group supplying the plant, GCR Spa, would leave some of Haggie's payment for the plant in SA, and once the plant was up and running profitably, could use the funds for a stake in the factory

The effect of funding the plant with its own resources would push Haggie's gearing up to 38%, well within manageable limits, he said

Haggie last week announced the go-ahead for the factory after its board approved the decision to buy plant from GCR (189 B)

The project was ~~halted temporar-~~ ily last year when Belgium-based Bekaert NV decided to pull out of the deal because of political instability and violence in SA

Murray said the project was motivated by the worldwide trend towards steel radial tyres instead of reinforced textile tyres He predicted that within a few years all tyres sold in SA would be steel radials Currently just above half were steel radials

HAGGIE STEELS ITSELF FOR A R40m GAMBLE

(1898)

S Times (BUSS) 28/2/93.

By DON ROBERTSON

THE Haggie group, world leaders in the production of steel rope for the mining industry, is taking a R40-million gamble to produce steel belting for the South African tyre industry

The company has signed a R83-milion deal with Italian-based GCR/Riva Steel to build a steel cord plant at its Boksburg factory, but tyre manufacturers say it could take up to three years before the product is approved by their licence holders overseas

The new plant will cost about R40-million, including working capital and import credits, with the balance representing the cost of the land and services

GCR stepped into the gap when the Belgium firm Bekaert, which was originally to have constructed the new plant, withdrew from the deal because of the political uncertainty in SA

The tyre industry, represented by Mike Selley, manager of strategic planning and communications at Tycon, says that in spite of accelerated laboratory testing, it could be at least three years before the product is accepted by local tyre manufacturers

Federico Oriani, president of GEC, says, however, that the new deal represents a major dream in his life

Standard

About 15 years ago his father-in-law visited SA and expressed an interest in establishing stronger ties with this country The new deal fulfills this ambition

About R4-million of the total cost will be utilised to participate in the project, which could earn SA substantial foreign exchange in years to come

At present, tyre manufacturers import about 6 000 tons of specialised steel cord each year, worth R60-million, for the manufacture of tyres

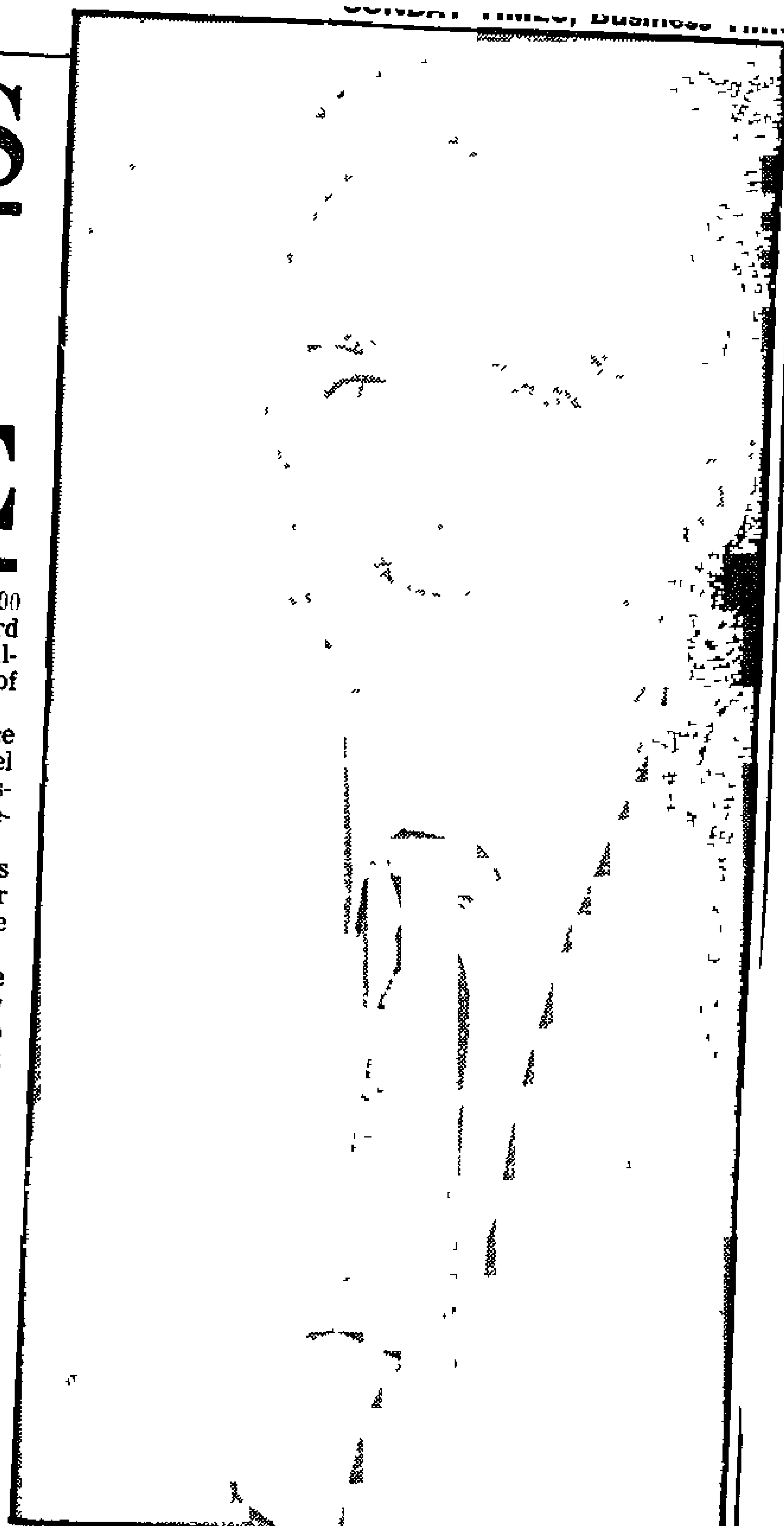
Iscor is unable to produce the required standard of steel belting and it will be necessary to import the raw material for about five years

Steel belting, however, is becoming more popular throughout the world and the export potential is growing

Imports of steel belt rose to about 2 000 tons a few years ago and could rise to about 10 000 tons in the next two years By the turn of the century, this figure could double

Construction at the site will begin in August and first production is expected in the second half of next year

It is planned to increase output to about 7 000 tons within a few years, working a four-shift day The plant has the ability to produce up to 10 000 tons annually, says Hagie managing director Chris Murray



CHRIS MURRAY .. plant will be on a four-shift day

Haggie MD critical of Board's merger ruling

By Stephen Cranston 189B

Haggie MD Chris Murray has criticised the Competition Board for stopping the merger between Haggie subsidiary Copalcor and its competitor Non-Ferrous Metals

Murray argues in the Haggie annual report to December that a merger or some form of rationalisation of these businesses is a prerequisite to the local non-ferrous industry becoming globally competitive

He quotes the American economist Tom Hazlett who notes that in contrast to the US anti-trust policy, the European and Asian economic models are based more on issues concerning international competitiveness

Star 9/3/93

In many developing countries a high concentration in domestic markets is accepted, or even encouraged, to assist in garnering greater market overseas

Competition Board chairman Pierre Brooks says that a merger might help Copalcor as a producer of basic products but would not necessarily help downstream fabricators

"The merger would create a monopoly, and we have received complaints from a number of Copalcor's customers This monopoly would enjoy tariff protection and it has the right to buy all scrap metals as long as it can offer to pay up to 15 percent less than exporters can fetch overseas"

He points out that competitiveness internationally is often achieved by exporting at a marginal price and charging a full price domestically

In the year to December, Copalcor's turnover was down by 10 percent and the operating margin slashed from 5,7 percent to 2,3 percent This was largely caused by vigorous domestic competition

Murray says this trend should be reversed in 1993 as the division will benefit from a new copper casting facility, the upgrading of the continuous cast bronze plant and the rationalisation programme

In contrast, the steel wire and rope division increased its operating margin from 11,5 percent to 12,8 percent The operating profit improved by 13 percent even though turnover increased by just two percent

Productivity gains, increased exports and improved demand for mine winding ropes were the main factors which contributed to this good performance

The engineering consumables division was unable to improve turnover but it increased operating profit by 24 percent

Murray says the division has the potential to improve on this further and make a more meaningful contribution to the group's performance

Haggie hits out at Competition Board

BDay 9/3/93. 1898

DUMA GQUBULE

HAGGIE has criticised the Competition Board for halting last year's proposed R600m merger between the group's copper-based products subsidiary, Copalcor, and its competitor Non Ferrous Metals (NFM)

MD Chris Murray said in the engineering group's 1992 annual review that Copalcor and NFM together converted about 600 000 tons of scrap a year producing R500m of semi-finished copper products of which over R100m was exported

The two companies were, regrettably, duplicating processes and overheads to achieve this output

A merger or some form of rationalisation of the businesses was therefore a prerequisite to the local non-ferrous industry becoming globally competitive with the potential to achieve significant additional exports

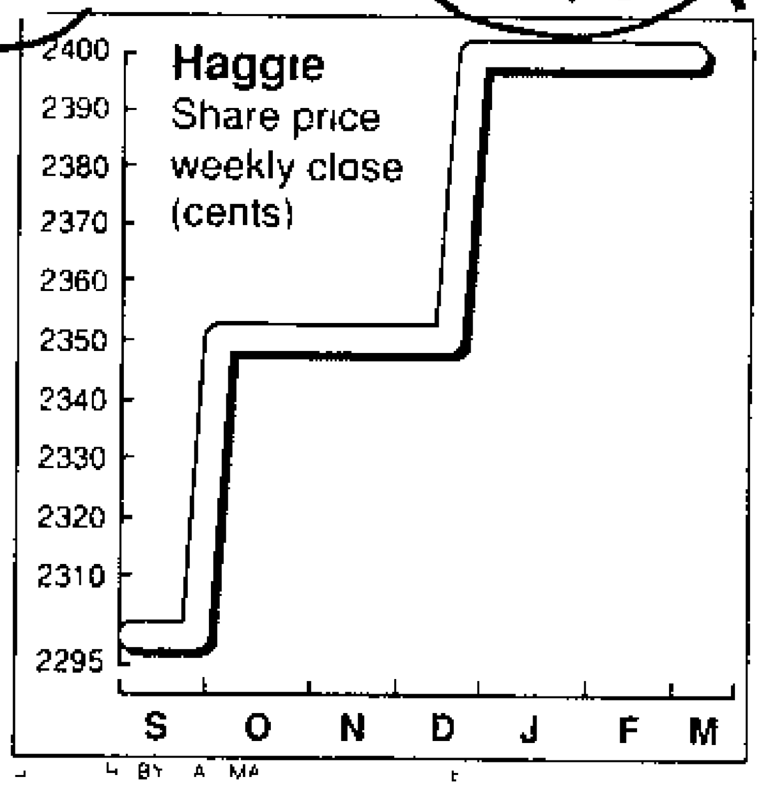
Quoting a US economist, he said European and Asian antitrust policies, unlike US policy, were based on issues concerning international competitiveness

Many developing countries accepted, and even encouraged, high concentration in domestic markets to help gain greater market share overseas

Economies of scale and the benefits of horizontal marketing co-operation were seen as necessary parts of a successful industrial policy and this was what the local non-ferrous metal industry needed to do if it were to survive

In the review, group chairman Grant Thomas said Haggie expected to mantain or slightly improve earnings this year, provided local markets did not shrink

The improvement would come from increased exports, cost efficiencies flowing from the rationalisation programmes of the past few years and real growth arising from the group's expansion projects



Haggie reported a 2% rise in earnings to R58,4m on a marginal increase in turnover to R1,19bn The dividend was mantained at 157c a share

The group's steel and wire rope division, the main profit generator, improved operating profit by 13%

The smaller engineering consumables division improved operating profit by 24%, but the copper-based products division, hit by the Numsa strike last year, reported a 64% plunge in operating profit

Murray said the group had budgetted for capital expenditure of R154m this yuear, more than double the previous year's R62m

The group's capital expenditure, which averged R60m over the past three years, had been limited to essential replacement items in order to preserve cash

About R45m was to be spent on machinery for a new steel cord plant in Boksburg following a recent agreement with Italian company GCR Spa/Riva Steel

The plant, scheduled to start output early next year, would mostly produce fine steel wire for use in tyre re-inforcement

Local consumption of the product, which was presently imported, had grown to about 5 500 tons last year, from 2 000 tons a year five years ago

It was expected to double by the end of the decade, he said

Shovelfuls of strife over 'monopoly' on SA spades

(189B) ST Times (Buss) 14/3/93.

By CIARAN RYAN

A LEADING importer of hand tools has lashed out at duties awarded to Lasher Tools, which has SA's monopoly on spades

Stability Sales director Howard Rom says duties of between 60% and 140% on spades, shovels, rakes and picks have virtually wiped out competition from imports, creating a monopoly for Lasher Tools

The move has been slammed as "outrageous" by Mr Rom

The Board on Tariffs and Trade justified the duties to protect Lasher from "abnormally low-priced imports" from China

Customs duties of 480c were levied on shovels, 625c on forks and 700c on picks and 590c on rakes The local market for these is estimated at R40-million a year

"It is outrageous that the Board on Tariffs and Trade could provide this kind of protection to the country's sole producer of building tools," says Mr Rom

Lasher Tools managing director Alan Kendal says the company would be forced to close down at a loss of around 1 000 jobs if cheap imports from China continued to stream into the country.

"No one can compete with the Chinese The US imposed anti-dumping duties on Chinese-made hand tools because of the ridiculously low prices that they were charging We cannot compete with Chinese imports because of their state-run economy"

Mr Kendal says the cost of steel for a shovel is R9,42 from Iscor Lasher pays Iscor R2 000 a ton for shovel steel, compared with the international price of R1 200 a ton

Iscor has applied for an increase in ad valorem duties from 5% to 20% on steel imports

Lasher was bought from Metkor in 1989 by Ussher Inventions, owned by the Halsted family

Mr Rom says Stability Sales was forced to pay hundreds of thousands of rands in import duties on shipments en route to SA when duties were announced last year

Lasher originally applied for dumping duties

"The board could not find a single shred of evidence to suggest the implements were being dumped," says Mr Rom

Mr Kendal says Lasher has not applied for a second increase "We were asked to resubmit our application to the Board after the dumping laws were changed

"We are the sole producers in these products but there is nothing to stop someone else competing," says Mr Kendal "The barriers to entry are not very high in this industry"

Lasher Tools has a capital investment of R15-million

Chairman of the Board on Tariffs and Trade, Dr Nic Swart, says the interim duties are being reviewed and an announcement can be expected shortly

HAGGIE (1898) FM 19/3/93.

More stable profit pattern

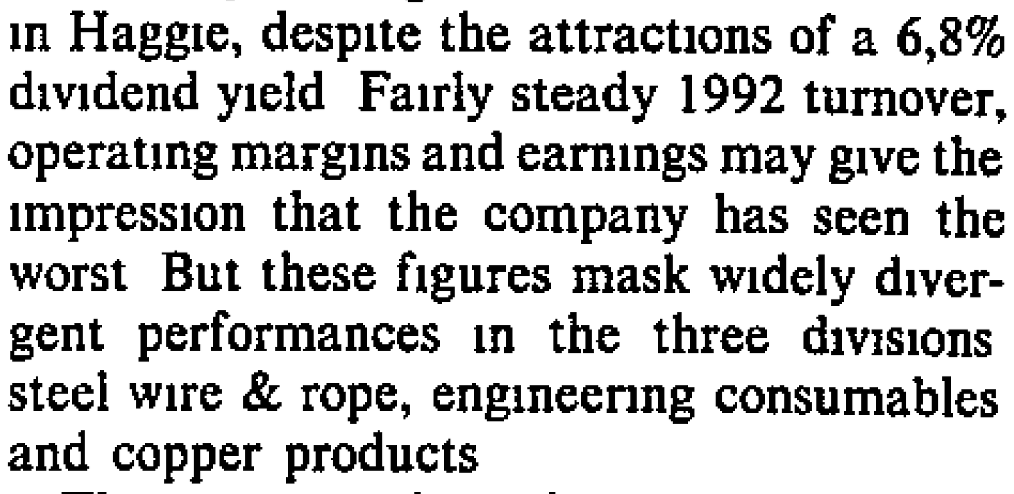
Activities: *Manufactures wire products and ropes, copper products and high speed cutting tools*
Control: *Amic 35%, Malbak 35%*
Chairman: *G S Thomas, MD C Murray*
Capital structure: *19,5m ords Market capitalisation R447,4m*
Share market: *Price 2 300c Yields 6,8% on dividend, 13,1% on earnings, p e ratio, 7,7, cover, 1,9 12-month high, 3 000c, low, 2 300c Trading volume last quarter, 209 650 shares*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	108,3	130,4	130,5	79 4
LT debt (Rm)	5,6	4,2	33,7	131,4
Debt equity ratio	0,27	0,28	0,28	0,3
Shareholders interest	0,7	0,69	0,69	0,61
Int & leasing cover	13,1	6,7	5,5	4,9
Return on cap (%)	24,3	20,9	14,9	12,6
Turnover (Rm)	1 180	1 254	1 182	1 195
Pre-int profit (Rm)	150,2	137,1	103,9	106,2
Pre-int margin (%)	12,6	10,9	8,7	8,9
Earnings (c)	406,2	363,3	295,6	300,4
Dividends (c)	157	157	157	157
Net worth (c)	1 938	2 067	2 203	2 344

The timing isn't right for investors interested in Haggie, despite the attractions of a 6,8% dividend yield Fairly steady 1992 turnover, operating margins and earnings may give the impression that the company has seen the worst But these figures mask widely divergent performances in the three divisions steel wire & rope, engineering consumables and copper products

The copper products division, contributing about a third of group turnover, was badly hit Shrinking demand, a national Numsa strike and one-off rationalisation costs reduced operating profits by two-thirds, operating margins also fell about two-thirds to 2,3% The low value added on most of the division's products make its profits vulnerable to volume falls The copper price has been static during the year at R6 700/t, Haggie has provisioned for it to drop as low as R3 500

The largest division, steel wire & rope, contributed just over half of group turnover in 1992 Margins strengthened by about a tenth to 12,8%, on a slight improvement in turnover because of gains in productivity There were higher exports and some improvement in demand for mine winding ropes



Haggie's Murray . *capex on upward trend*

Engineering consumables, the smallest division, makes a range of engineering tools The division was unable to improve turnover due to persistently difficult trading conditions but improved operating margins from 7,1% to 8,8% thanks to stricter cost controls

Haggie's main local markets (engineering, mining and construction) have been severely affected by recession domestic volumes and turnover fell 7% and 2% respectively in 1992 Exports are an increasingly vital outlet for excess capacity, jumping by a sixth in 1992 and accounting for a fifth of total sales Intense competition in overseas markets squeezes group margins but helps to buttress profits The slight improvement in Haggie's operating margin was encouraging, given difficult trading conditions and the changing mix towards exports

Weak domestic fixed investment has taken its toll Returns on equity and capital employed have fallen substantially over the last four years to 12,8% and 12,6% respectively

Cash flow has been an obvious casualty of tougher trading conditions, resulting in deteriorating debt cover (gross cash flow divided by debt), falling from 1,1 times in 1989 to 0,4 in 1992 But a large portion of the short-term debt was rescheduled last year into long-term debt, making the debt cover less of an issue

Cash generated by operations fell about two-fifths in 1992 to R70m A lower tax charge resulted from a significant deferred tax credit arising from sale and leaseback transactions entered into during the year According to finance director Bill Smart, the deferred tax credit is a one-off and the effective tax charge is expected to increase to about 35% during the next two years Over the past two years, the effective tax rate has been about 21%

Debt servicing charges are comfortably covered five times The balance sheet looks well reined-in, with total net gearing of only 0,30 Capex is projected to increase from R62m to R154m in 1993, the major project being the new steel cord manufacturing plant This is expected to increase gearing to a maximum 0,40 by the end of 1994

Better demand for Haggie's products depends on an improvement in gross domestic fixed investment However, the prospect of normal rains, which affect its agricultural products and the tailing off of the de-stocking cycle, should help to stabilise profitability But it is too early in the cycle to get excited about Haggie *Louise Randell*

HUDACO FM 19/3/93

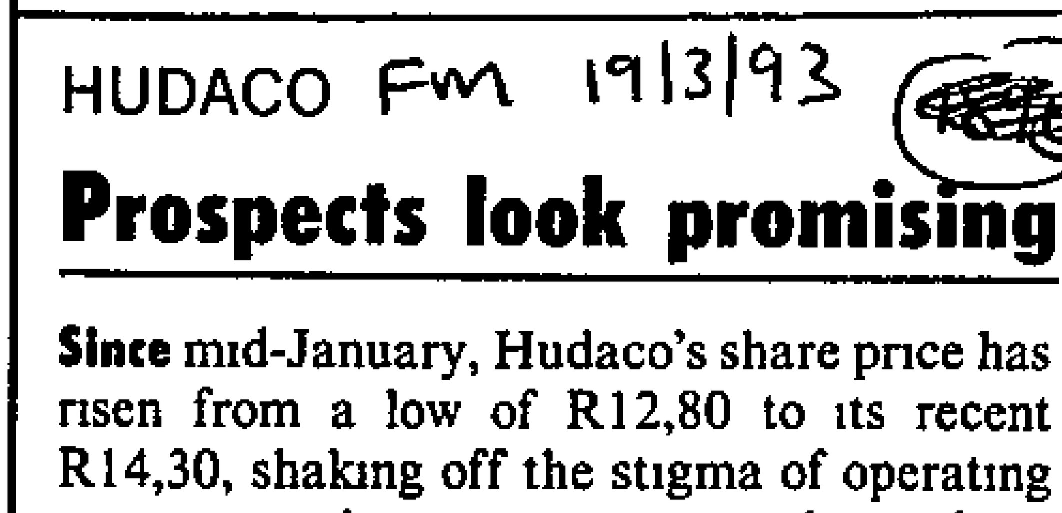
Prospects look promising

Since mid-January, Hudaco's share price has risen from a low of R12,80 to its recent R14,30, shaking off the stigma of operating in recession-hit engineering markets where recovery is not expected for 1993

The improvement in its p e rating to 13,4 was despite a 5% fall in 1992 earnings — a disappointing result, given the promising interim result showing earnings growth exceeding 8% In the light of the year-end figures, the acquisition of Valard in December 1991 will doubtless come under scrutiny

Turnover jumped more than 50% because of the consolidation of Valard for the full year But, according to Hudaco CE Stephen Connelly, product price increases of about 7% in both groups were offset by declining volumes, leaving turnover effectively static

While pre-interest profit increased by a fifth, margins fell from 13,8% to 11% According to Connelly, on a like-for-like basis,



Machine tool prices soar

SIDMY 14/4/93 (189B)

EDWARD WEST

SA MACHINE tool prices have increased 400% in the past decade because of the devaluation of the rand and import duties, says the latest issue of the publication American Machinist

The motor manufacturing industry had become the major user of machine tools — mostly imported — after purchases by the armaments and railway industries had virtually come to an end

However, with the fall in new car sales, imports last year fell to the lowest levels since early in the century, the report said

Machine tool consumption is an indicator of the health of the manufacturing sector

SA's machine tool consumption in 1992 was estimated to have dropped by 89,4% in 1992 to $48,4m, compared with $454,8m in 1991

The declining activity in SA was mirrored by the highest decline in world machine tool production statistics since 1963. The report said world production fell 19% last year The value of world machine tool production in the 34 countries surveyed dropped by $8bn to $34bn

In the US, production fell 4%, in Western Europe 12% and in the Pacific Rim countries 19% Japan remained the largest producer and was responsible for about one-fourth of total world production.

Japan consumed 16,4% of world production, slighly ahead of Germany's 14,5%. However, Japan's 36% drop in consumption in 1992 from 1991, measured in yen, was an indication of how serious its economic problems were, the report said

Restructured Usko moves back to black

189B

BIDAY 19/5/93.

MATTHEW CURTIN

THE benefits of Usko's recapitalisation in 1992, added to improved dividend income, enabled the cable and wire producer to move sharply back into the black in the half-year to March 31

However, the company's operating performance was severely dented by weak sales and falling prices associated with the depressed state of SA's industrial sector

Usko reported interim earnings a share of 0,29c compared with losses of 11,34c in 1992 Losses in the year ended September 1992 stood at 2,61c

Last July, major shareholders Iscor and Metkor negotiated a capital restructuring package with Usko's bankers This rescued the company, after ill-fated forays into steel and vanadium, from a crippling debt burden and accumulated losses Usko converted more than R100m in borrowings into a series of preference shares

In the interim period, the group paid a R6m dividend on its 'A' preference shares and R3,3m on the 'B' preference shares, which included dividends in arrears of R1,1m. The company passed its 'C' preference share and ordinary dividends

Turnover fell to R90,4m from R109,6m. Chairman Floors Kotzee said the aluminium conductor business remained the backbone of Usko's performance

Operating profit crumpled to R3,83m from R9,46m, as the group's operating profit margin fell to 4,2% (8,6%)

Investment income jumped to R5,16m (R1m) after the group received a R3,4m extraordinary dividend from associated company, Alustang — a joint venture with aluminium producer Alusaf

The elimination of the group's debt overhang led to interest charges of R14m being converted into income of R1,3m This offset the fall in pre-interest profit to R8,99m (R10,5m) Pre-tax income stood at R10,3m compared with a R3,5m loss last year

The group has considerable assessed tax losses, and paid no ordinary company tax After paying R876 000 in secondary tax on companies (STC) on its preference dividends, Usko reported after-tax and attributable profit of R9,44m against a R3,5m loss

Kotzee said earnings in the current trading period would match the interim performance Usko expected to pick up new aluminium conductor contracts from Eskom and Alusaf

USKO FM 28/5/93

Patience a virtue

(189B)

Good news: the new-look Usko, shorn of loss-making steel and vanadium interests, is holding its head above water Bad news share-

FM 28/5/93 (189B)

holders are in for a long wait before any profits start flowing through to dividends

Interim results to March show Usko turned around to attributable profits of R9,44m against a loss of R3,5m in the six months to March 1992 However, R9,34m of those profits were paid out in dividends on the "A" prefs held by the bankers who last year converted R105m loans and on the "B" prefs taken up by shareholders who followed last year's rights offer

Removing that interest burden has made all the difference at operating level, with net interest received of R1,3m (previous comparable six months — R14m paid out) That was sufficient to get the group back into the black despite grim business conditions that resulted in a 17,5% drop in turnover and 60% plunge in operating profits

One problem with the financial structure is that despite assessed losses of about R145m, Usko had to pay tax of R900 000 (nil) because of STC on its preference payout Chairman Floors Kotzee says management must re-examine the financial structure

Backbone of operations is the manufacture of aluminium conductors for Eskom Other operations include the manufacture and sale of copper wire and electrical cable

Business conditions remain tough but Kotzee expects a similar profit performance in the second half He points out first-half results include one-off retrenchment costs

Longer-term carrot is the revenue which will flow from increased sales of aluminium conductors once Eskom gets its southern Africa regional electrification scheme up and running Kotzee doesn't expect material benefits before year-end "at the earliest "

The "A" prefs have to be redeemed not later than March 1 1997 Ordinary dividends are unlikely ahead of this The need to refinance debt of R105m is a constant reminder of Usko's corporate melt-down.

BACK IN THE BLACK

Six months to	Mar '92	Sep '92	Mar '93
Turnover (Rm)	109,6	105,9	90,4
Operating income (Rm)	9,5	12,2	3,8
Attributable (Rm)	(3,5)	-3,1	9,4
Earnings (c)	(11,3)	8,7	0,3
Dividends (c)	—	—	—

The share price has recovered to 15c from last June's 12-month low of 10c That compares with a high of more than 600c in 1989 when the share took off on speculation on its vanadium prospects

Provided management can continue to generate operating profits and re-build resources to knock down the R105m owing on the prefs there seems scope for some modest recovery in the share price *Brendan Ryan*

Haggie gets set

By Stephen Cranston

Haggie's steel cord venture, under construction in Boksburg, has received order inquiries from China and Eastern Europe

Star

GM Brian Nelson says the new plant could also become a supplier to New Zealand and the Philippines.

4/8/93

He says Haggie Steel Cord intends to supply both local and international customers at competitive prices

(189B)

The first R2 million of equipment arrived this week

Commissioning is scheduled to start from the end of the year It will reach full capacity within five years

Buss. Day 4/6/93

Boart joins Polish group

MZIWAKHE HLANGANI

MINING equipment manufacturer Boart International had signed a joint venture agreement with Poland's state-owned copper mining company KGHM Polska Miedz SA, Boart chairman Hilton Davies said. (232)

The joint venture would trade as Boart Lena. Boart would contribute R11m to the venture in return for a 51% stake in the new company, which would manufacture and market mining equipment in Lena, Poland.

In terms of the agreement, Boart would provide equipment, technology and finance for the project, Davies said (220)

Davies said the venture signalled a strengthening of Boarts's presence in the eastern bloc. (189C)

Prospects for growth were good, and new products would be developed for Polish and other eastern European markets, he said.

The plant would start operating in October.

Management to buy Woodrow

Buss - Day 9/6/93

EDWARD WEST

THE management decision to buy out Woodrow Holdings had been prompted by an inability to realise any benefit from its listing, chairman Howard Sacks said yesterday

Woodrow Holdings, which distributes and manufactures fluid-handling equipment, yesterday announced that its businesses would be sold to management for R17,6m and de-listed The disposal would be effective from March 1 1993

Sacks said Woodrow had no intention of raising funds by issuing shares, which eliminated one of the main reasons for a listing There was little investor interest in the group because of its size and the fact that its shares were tightly held and thinly traded, he said (189C)

Management held 70% of the share capital A single shareholder held a 12% while individuals with personal contact in the group held the remaining minority interest, said Sacks

Funds realised from the disposal of Woodrow Holdings would be distributed in cash to shareholders at about 95c a share, a premium to the current share price of 70c The shares were bid 5c higher yesterday

Otis Elevator lifts dividend

B/Day 16/6/93

EDWARD WEST

OTIS Elevator company lifted earnings a share 28,7% to 31,4c a share in the six months to end-May 1993 from 24,4c a share at the same time a year ago, results published today show.

The interim dividend was raised to 17c from 12c.

Directors reported prior orders continued to contribute to profit, but that the domestic order book showed cause for concern

Some restructuring costs had been incurred because of this, directors said.

In the period under review, operating profit climbed 10,8% to R12,23m from R11,04m.

Operating profit in the first half was also 21,3% higher than the R10,08m achieved in the second half of 1992. A turnover figure was not disclosed.

Interest received came to R454 000, a turnaround from the R476 000 paid at the same time last year. Pre-tax profit was 20,1% higher at R12,69m from R10,56m.

(189C)

Taxation, which included the secondary tax on companies, climbed to R6,28m from R5,58m.

Attributable income amounted to R6,41m from R4,99m.

Shareholders' funds dropped 42,5% to R17,4m from R26,79m at the interim stage, but was slightly higher than the R14,43m at the end of November 1992.

Otis was untraded at 340c yesterday.

This was slightly below its recent annual high of 375c which it achieved on March 31 1993, and well up from the 12-month low of 230c a share which it reached in August 1992.

Star 30/6/93

Toco gets better and better

(189c)

By Stephen Cranston

Engineering group Toco has announced a 12,4 percent increase in earnings per share to 21,7c for the year to March, representing its sixth set of record results

Instead of a cash dividend, bonus shares of four for every 100 held will be offered

At the same time it has announced the acquisition of a controlling interest in the American parking systems company Park Plus for $8,85 million

Toco has acquired Space Maker Holdings, which owns 50 percent of Park Plus

Toco chairman Paul Todd says settlement of the acquisition does not require any remittance of funds from South Africa.

Toco will pay the vendors in ten instalments to be covered by dividends received from Park Plus's trading activities

Todd says the deal secures the long-term future of Toco's existing manufacturing contract and will allow other Toco products to be distributed anywhere in Park Plus's network of 26 centres in the Americas, Europe and the Pacific Rim

Toco's turnover increased by 25 percent to R191,2 million, with exports boosting share of sales from 20 percent to 30 percent

Both turnover and earnings increases were very much in line with those in the first half

All five divisions contributed to profits, with continued strong performances from the Lifting, Gaskets and Metal Pressing and the Automotive Refinishing divisions

The Special Steels division remained below budget, but continues to improve its internal efficiency and to outperform its major competitors

Operating profit increased by 16 percent to R23,9 million and margins improved somewhat in the second half.

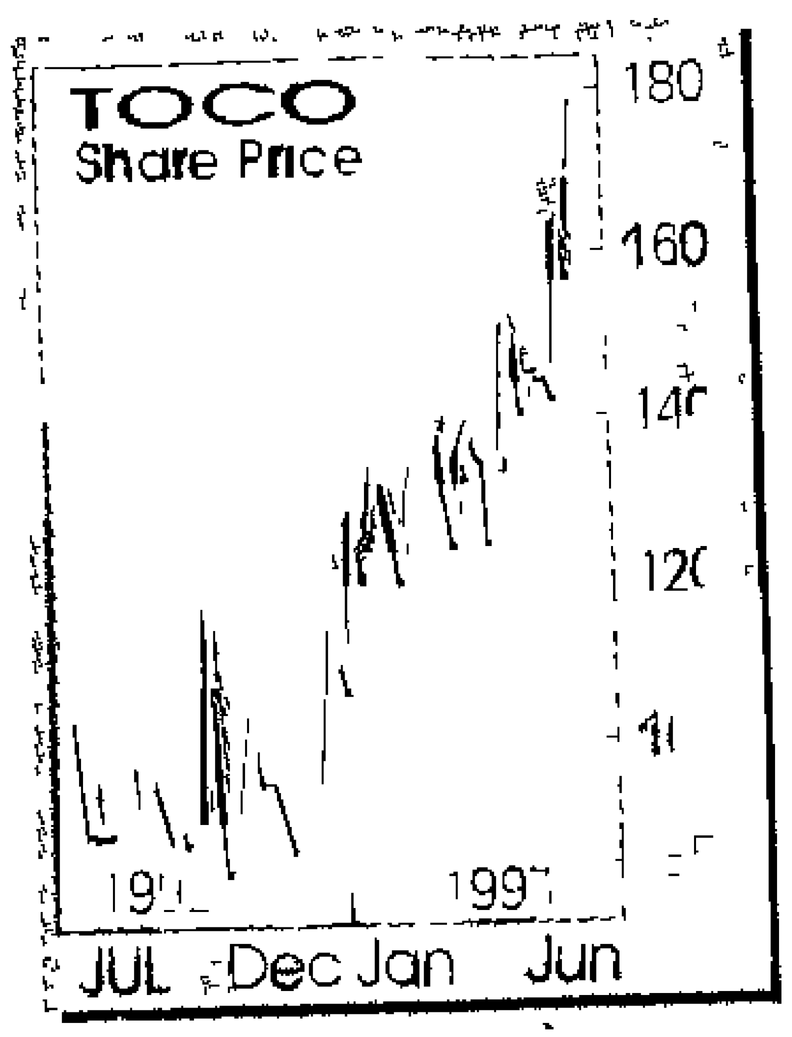
Interest paid was up 73 percent to R4,5 million, which reflects the build-up of stock in the building division to fulfil export orders

Year-end gearing increased from 39 percent to 56 percent, which is below the self-imposed ceiling of 60 percent The Park Plus acquisition is not expected to take gearing above 60 percent, but financing a growing volume of exports might well do so

The effective tax rate fell below 10 percent, reflecting increased exports. Todd says the effective tax rate is expected to remain below 20 percent in future years

Earnings per share have increased since listing in 1987 by a compound 13,5 percent ahead of inflation, which has averaged 11,5 percent over the period

At the present share price of 178c, Toco sits on a P/E of 8,2, giving good value, particularly after the offshore acquisition



Recession-hit Haggie sees earnings dive by 35 percent

Star 5/8/93

By Stephen Cranston

Rope, wire and copper products group Haggie has reported a 35 percent fall in earnings for the six months to June to 110,8c

The result has come as a sober reminder that the recession is far from over, just days after two other heavy industry groups, AECI and Highveld Steel, reported improved results.

Haggie's dividend has nevertheless been maintained at 47c, although the final dividend will almost certainly be cut

Turnover fell 4,5 percent to R579 million because although exports were maintained, volumes to the local market fell by 11 percent.

Haggie's high overhead structure meant that the lower volumes reduced operating income by almost half to R33,7 million

The effective tax rate fell to about five percent, which financial director Bill Harrison says is because of the lower corporate tax rate and the reversal of much of the deferred tax provision, as well as the increased proportion of sales accounted for by exports.

Sales were particularly hard hit at Consolidated Wire Industries (CWI) as there was a transfer of production from Pretoria to Vanderbijlpark during the period

Harrison says CWI was unable to fulfil export orders because of the disruption.

Haggie plants in Wadeville and Germiston have been hit by the violence in Thokoza and Katlehong, which has prevented workers from reporting regularly to work, and those who have reported have often been in no fit state to be productive.

The best performers in the group were Maksal Tubes, which is set to sustain its performance as it has commissioned an aluminium tubing mill for car radiators and air conditioners. (189B)

Chicks Scrap Metals benefited from the firming of international scrap metal prices

In the export market, rivet manufacturer Fascor now supplies more than 90 percent of the Mauritian market, and Haggie Rand is supplying prestressed concrete strand for the new Hong Kong airport.

Copalcor transferred its copper extrusion division from Wadeville to Springs and is expected to meet demand once again in the second half

Harrison says the group has embarked on an extensive drive to reduce working capital and sell surplus assets, though he is disappointed with results so far

Net current assets fell by just R4,3 million to R384,7 million

HAGGIE FM 13/8/93

Not giving up yet

Management of Haggie, the steel wire & rope engineering group, is not despondent about the June interim results Says MD Chris Murray "We are still young and we are not going to give up" Turnover fell a modest 4,5% to R579,4m, but operating profit took the strain, sliding nearly 50% to R33,7m, margins were nearly halved to 5,8% EPS, after a reduced tax charge, dropped 35% to 110,8c (189 B)

A striking feature of the income statement is the fall in the tax charge from R16,5m to R1,1m, giving an effective rate of 4,8% This was because of the reduction in the corporate rate, a R2m deferred tax adjustment (one could argue this is an extraordinary item and should be taken below the line) and increased exports

Borrowings increased by over a third to R186,8m, gearing of 36% is close to the self-imposed ceiling of 40%

Most of the bad news came from Haggie's domestic markets volumes weakened by some 11%, which translated to a 5,7% fall in turnover Exports managed a small gain of 0,7% in turnover, but margins are under intense pressure Haggie is pursuing opportunities in export markets, which is becoming an increasingly important overflow for excess capacity as local demand shrinks Says Murray "We do not expect increases in local demand in the coming six months, but export volumes should be higher"

There was some disruption at divisional level Consolidated Wire Industries (CWI) — undergoing a R35m modernisation — saw significantly lower volumes Production capacity was undermined during the site

Haggie's Murray *export volumes should be higher*

FM 13/8/93

transfer from Pretoria to Vanderbijlpark — part of the group extraordinary charge of R2,5m The modernisation, due to be finished in 1994, is expected to benefit CWI's export volumes Township violence played an inevitable part, across the board, in absenteeism and disruption of the labour force

Haggie Rand — wire, strand and rope making — is undergoing a major cost-cutting and efficiency drive Benefits should amount to "many millions of rands" Haggie Rand contributes about 52% of turnover and 71% of profit The R86m Boksburg tyre steel-cord project, slightly ahead of schedule, has attracted order inquiries from China and eastern Europe (189 B)

The copper-based products division — 39% of sales and 23% of profit — had good performances from Maksal Tubes and Chicks Scrap, which benefited from high scrap prices

Haggie has provided three sets of year-end forecasts optimistic, pessimistic and realistic The best- and worst-case scenarios are both down on the year but are very divergent Forecasts for operating profit are down between 22% and 40%, EPS between 12% and 32% Debt equity will be higher than now, but is expected to be contained below 40%

The share price, at R22,25, is well below the R30 of just over a year ago Despite diversification away from mining industries and growing export volumes, the recession has undermined sales of its low value-added products The balance sheet remains sound and investment in new plant should pay dividends On a p e of 7,9 and a discount to NAV of 7,6%, the share looks well valued given the depression in its markets But Haggie agrees there will be no respite this year

Louise Randell

Wire-makers challenge steel cartel

STimes [Buss]

(1898)

By CIARAN RYAN

WIRE manufacturers are threatening to break the steel cartel by importing shiploads of wire rod from Europe at 20% below the South African price. 12/9/93

They challenge the two producers of wire rod, Iscor and Davsteel, to initiate an anti-dumping inquiry involving them

Iscor is already being investigated for alleged dumping in the US and Europe.

Robin Bosomworth, chairman of the Independent Wire Converters' Association, says. "If they bring an anti-dumping investigation against us, we will expose the fact that Iscor and Davsteel are dumping on foreign markets while charging SA users 40% above world prices"

Steel users have also asked the Government to investigate two-tier pricing by Iscor and Davsteel

Iscor is the largest single recipient of the general export incentive scheme (Geis)

Steel users claim SA taxpayers are subsidising exports for the exclusive benefit of Iscor shareholders SA industries are forced to pay up to 40% above world prices for steel

Iscor exports 53% of its production. It employs a multi-tiered pricing system by which foreigners are charged less than domestic users. It claims the practice is common throughout the world.

Mr Bosomworth says the difference between export and domestic prices charged by foreign steel producers is seldom more than one or two percent, not 40% as is the case in SA.

A spokesman says Iscor supplied SA's secondary steel industry with 459 000 tons in the year to June 1993, which amounted to 17% of SA sales

"Iscor sells its full capacity with due consideration to its long-term client relationships, locally and abroad"

The recent refusal by Iscor and Davsteel to sell steel to SA users at the price of imported equivalents is a threat that can be countered only by imports, says Mr Bosomworth.

"The independent wire manufacturers are unwanted competition for Iscor and Davsteel and by charging them 40% above world prices, this threatens to close down the competition This means an extra R200-million a year in profits for primary steel producers"

Iscor and Davsteel simultaneously raised their steel prices by 40% in the past year, with another 9% increase due next January

Iscor exports wire rod for R1 000 a ton, but charges SA buyers R1 400

Mr Bosomworth says "This two-tier pricing system has disadvantaged the domestic economy for over a decade and corresponds with Iscor's huge capital spending programme in the 1970s. Then domestic prices rose 60% above the inflation rate."

Two-tier pricing favours subsidiaries and associated companies and leads to the formation of cartels, says Mr Bosomworth

It also costs jobs because "the whole economy becomes uncompetitive What we need is stronger consumer resistance to this kind of blackmail.

"The whole country is being held to ransom by big business If we could get steel at international prices, SA manufacturers could compete abroad and create thousands of jobs"

Iscor was rated the most profitable steel company in the world by Fortune 500 last year

Import tariffs on steel were set at a maximum of 5% to 15% in the Government's offer to the General Agreement on Tariffs and Trade (Gatt)

Mr Bosomworth says this is 300% higher than the tariff on wire rod

The offer to Gatt allows the Government to increase protection while imposing high anti-dumping duties on imports considered to be "disruptive".

Wire firms to cut costs with imports

BiDay

EDWARD WEST

WIRE-makers have placed orders to import wire rod from Europe after local steel producers Iscor and Davsteel refused to meet imported prices, said Independent Wire Converter Association director Robin Bosomworth. 15/9/93

Several wire rod converters were combining forces to import wire rod from Europe to prevent their closure and the loss of jobs because the prices set by Davsteel and Iscor were uncompetitive, he said.

Each shipment would cost R10m in foreign exchange. 189B

Prices for wire rod — which was converted into items such as bed springs and fencing — were 40% higher than a year ago with a further 8% increase looming in January 1994. The price at the coast, about R1 400 a ton, was 40% above world prices which was currently about R1 000 a ton, said Bosomworth.

The manufacturers have called for a government investigation into two-tier pricing by certain steel producers. The two-tiered pricing system allows steel to be exported much cheaper than is available to local users.

Iscor exports just over 50% of its steel production. An Iscor spokesman said its multitiered pricing system was common practice throughout the world steel industry. Bosomworth said steel was freely traded with little difference between mill prices.

The two-tiered pricing policy rendered secondary industry uncompetitive internationally on raw materials and favoured associates and subsidiaries of raw materials manufacturers, he said. Iscor converts wire rod through a 50% stake in CWI and Davsteel through Cape Gate.

Bosomworth said the wire converters would ask government to lift the General Export Incentive Sheme (GEIS) paid to steel producers because steel was not available to secondary industry to add value to it at competitive prices.

Toco's Todd attention to interest cover and cash flow

FM 24/9/93

Activities: *Makes and markets industrial products, including lifting equipment, special steels, gaskets and pressings and automotive refinishing parts*
Control: *Directors and associates 35%*
Chairman: *P M Todd, MD A L Goodman*
Capital structure: *76,2m ords Market capitalisation R107m*
Share market: *Price 140c Yields 2,1% on dividend, 15,0% on earnings, p e ratio, 6,7, cover, 7,2 12-month high, 180c, low, 85c Trading volume last quarter, 2,4m shares*

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	10,4	6,5	10,5	11,2
LT debt (Rm)	1,3	8,1	6,3	55,6
Debt equity ratio	0,49	0,72	0,62	0,60
Shareholders interest	0,43	0,39	0,44	0,56
Int & leasing cover	6,80	5,23	7,33	5,14
Return on cap (%)	23,8	19,8	20,8	10,4
Turnover (Rm)	102	131	154	191
Pre-int profit (Rm)	13,1	17,2	20,6	23,9
Pre-int margin (%)	12,1	11,9	13,4	12,5
Earnings (c)	15,8	18 8	19,3	21,6
Dividends (c)	6,0	7,5	7,75	3,0
Tangible NAV (c)	36	47	58	114

TOCO FM 24/9/93

Bullish picture

Toco's logo, a bull, must have been chosen with some foresight — or coincidence The stock has more than tripled in five years to trade at 140c

EPS have grown at a compound annual average of 13,5% since the 1987 listing MD Adrian Goodman says all divisions contributed positively to the sixth consecutive set of improved results (see table) Turnover increased in the 1993 year by 25% to R191,2m, with 30% from exports compared with the previous year's 20% and 1991's 10% Attributable profit was up 14% at R16,3m, it has grown at a compound average of 30% since the company's listing, average turnover growth was 27% The operating teams are keeping a tight control on costs as activities expand (1898)

The acquisition in March of a 50% stake in New York's Park Plus International — which patents and distributes raised-level car parking equipment — through the US$9m acquisition of Space Maker Holdings, will add value to the cash-generating activities

The Park Plus transaction was effective two weeks before year-end, so no earnings have been accrued in Toco's 1993 results The balance sheet does, however, incorporate Park Plus and explains, for instance, the drop in return on assets managed to 15% (1992 23%)

Start-up costs of export initiatives are fully written off as incurred and contributed to the dip in operating margin to 12,5% Interest paid at R4,5m (R2,6m) reflects the build-up of funding needed to fulfil the building division's exports, but the interest cover of 5,3 times remains comfortable Net cash flow improved to R14,8m (R8,9m in each of the two previous years) (1898)

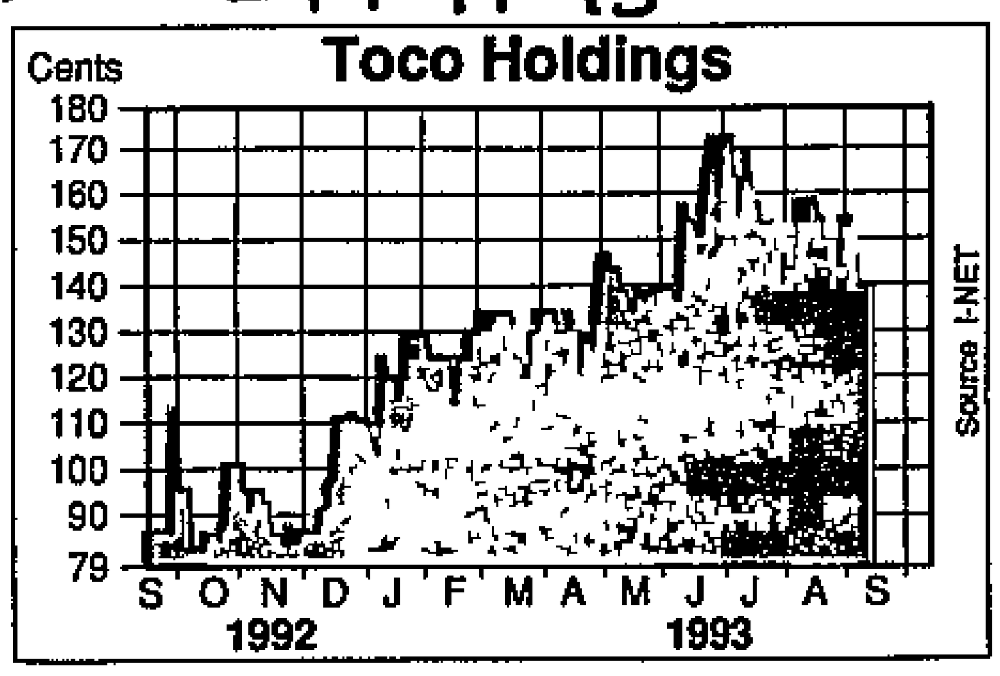
Year-end gearing, at 60%, was level with the self-imposed ceiling Sales to Park Plus

PROFIT SOURCES

Pre-tax income (%)

	1992	1993
Automotive refinishing	26	20
Building products	19	19
Gasket and metal pressings	17	17
Lifting	18	19
Steel	20	15
Vehicle parking systems	—	10
Total	100	100

FM 24/9/93



are due for settlement 180 days after dispatch, so financing export growth might push gearing above 60% When assessing the acceptable rate for expansion of export activities, chairman Paul Todd says attention will be given to interest cover and cash flow

The share stands on a p.e of 6,7 and is well worth the 140c price (1898) *Kate Rushton*

Samancor, Nippon tie the ferrochrome knot

(1893)

JOHANNESBURG — Nippon Denko Co and Samancor this week entered into a joint venture — NST Ferrochrome (Pty) Limited (NST) — in terms of an agreement signed in Japan

In terms of the agreement Samancor and NDC will subscribe R110m in equal proportions to the capital of NST who will acquire the Tubatse No 5 furnace from Samancor NDC's customer base in Japan will be serviced from this facility making use of Samancor chrome ore

The joint venture combines Samancor's chromium resources and production facilities with NDC's sales network. Production will commence on October 21 — Sapa-AP

CT 24/9/93

Annual pump sales to grow

EDWARD WEST

THE value of annual pump sales, spares and services — totalling R701m in 1992 — was expected to show consistent and solid growth until 1997, an AMS Market Intelligence study has forecast.

The favourable medium term outlook arose in spite of a 5% decline in sales in 1992 from 1991. Sales were expected to grow 2,5% to R718,1m in 1993. B/Day

AMS MD Christie Christelis said prospects in the mining sector — which accounted for about 30% of sales last year — were limited in the medium term as evidenced by a 8% real decline in slurry pump sales to the sector last year. 21/10/93

However, particularly strong annual sales growth was expected from the major industrial sectors over the medium term, primarily from the petrochemical sector, municipal and water services and the chemical industry.

Christelis said competition in the pump industry was intense and margins tight. Niche markets were increasingly being served by smaller operations and the growing proliferation of pump suppliers had added to competitive pressures. (189B)

An area of contention and continued litigation was rivalry between original equipment manufacturers and "pirate" suppliers.

Buying spree, imports help Toco lift its profit

BIDAY 17/11/93

CHARLOTTE MATHEWS

INDUSTRIAL products manufacturer Toco Holdings lifted attributable profit by nearly a third to R9,75m in the six months to September from R7,49m in the comparable period in 1992 on a combination of acquisitions and exports, according to figures released today.

Turnover increased to R181,16m from R81,39m, of which about half was derived from exports priced in US dollars. The figures also reflected the first contribution from Park Plus International, a company which patented and distributed raised-level car parking equipment, in which Toco bought a 50% stake in March.

Operating profit was 34% higher at R14,8m (R11,0m), but the interest bill also rose to R2,53m from R1,64m, reflecting an increase in interest-bearing debt. The effective tax rate fell to 7% from 13% owing to export incentives.

Earnings a share rose 24% to 12,4c (10,0c) on an increase in the number of shares in issue as a result of the 1992/93 bonus share offer in lieu of a final dividend. The interim dividend was passed. The directors said the retention of cash enabled the growth in turnover to be financed with a R6m rise in interest-bearing debt to R55m.

MD Adrian Goodman said gearing remained within the company's self-imposed ceiling of 60% — it was now 58%, against 56% at year-end. (1898)

Arrangements have been made to replace Toco's R10m of preference shares, redeemable at the end of November, with medium and long term finance at fixed rates.

Goodman said real growth in earnings a share was expected to be achieved in the year to March 1994.

Toco's shares were trading unchanged at 165c on the JSE yesterday, offering a dividend yield of 1,8% and an earnings yield of 13,2%. In the past twelve months the shares have risen by nearly 75%.

Toco lifts earnings for seventh time

Star 19/11/93

BY DEREK TOMMEY

Industrial marketing group Toco lifted earnings by 24 percent to 12,4c a share in the six months to September.

This is the seventh successive increase in results since its listing in 1987.

Chairman Paul Todd said yesterday all divisions had contributed to the increase But the major factor was the 50 percent stake acquired in the international operations of Park Plus

He said the transaction was already making an important contribution "We welcome the faith our international partners are showing in SA as a source of good-quality and well-priced products."

Being a supplier to Park Plus in America and its distributor in 16 countries worldwide would be of strategic importance to the long-term development of Toco, he said

But the company would only benefit fully from the opportunities when its international partners were convinced SA had entered an era of socio-political stability. (189 B)

"Then, and only then, will they feel able to source from this country a much greater percentage of their needs."

Exports, all of which are priced in dollars, made up half the total turnover of R180,2 million in the six months, said MD Adrian Goodman.

Operating margins continued to narrow, falling from 13,5 percent to 8,2 percent as exports to Park Plus grew in importance.

Export activities had led to the tax rate dropping to 7 percent from 13 percent and to the 30 percent rise in attributable income from R7,5 million to R9,8 million.

Earnings a share on the enlarged capital rose by 24 percent No cash dividends will be paid this year, but there will be an issue of bonus shares

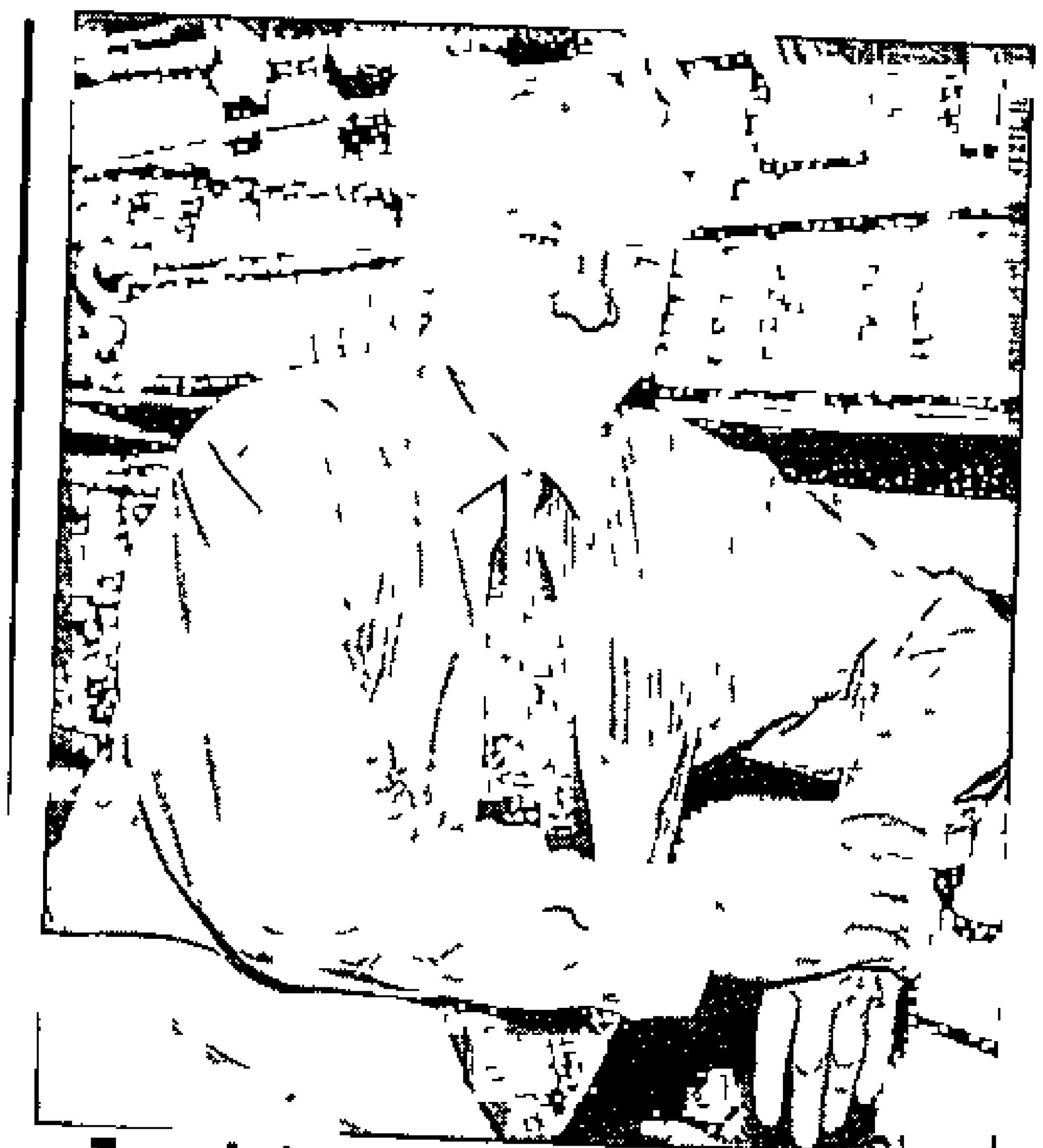
TOCO FM 26/11/93

Rising export base

After seven consecutive years of earnings growth, Toco has finally convinced investors this is one 1987 listing that can sustain its momentum A year ago the stock traded at 90c, now it fetches 170c, of which 20c was added this week after the announcement of interim results (189B)

The six months to end-September include the first contribution from the 50% stake in international Park Plus — which patents and distributes raised-level car parking equipment — acquired at the end of the 1993 financial year for US$8,85m EPS rose 24% to 12,4c, total assets 14% to R259m and gearing was marginally higher at 58%

MD Adrian Goodman says being a supplier to Park Plus in the US and its distributors in 16 countries will be of strategic significance in the long term Exports already play a large part in the results All exports are US dollar based and the weak rand provided an extra boost in the half-year Also, the Park Plus deal increased exports qualifying for General Export Incentive Scheme — so the effective tax rate fell from 13% to 6,5% This went straight to the bottom line, resulting in



Toco chairman Paul Todd *consistent earnings growth*

a 30% rise in attributable income.

Operating margins, which narrowed from 14% to 8,2%, are expected to improve over the next 12 months. Goodman contends the second half of the year is usually better than the first. FM 26/11/93

The five divisions — steel, lifting equipment, automotive, building and gaskets — all contributed to the interims Goodman says the six weeks since September were buoyant "Mines are buying cautiously, which should boost sales in the lifting and gasket divisions," he says "Even automotive paint sales are increasing" (189B)

But shareholders are not reaping the benefits in the form of cash dividends and will not do so until financial 1996 When embarking on the Park Plus investment, Toco warned that cash dividend payments would be suspended for two years to help finance the acquisition, scrip dividends are being issued

Toco has shown consistent earnings growth, developed its product base without straining its balance sheet and successfully exploited opportunities created by the easing of the international political climate This makes Goodman's forecast of real earnings growth at year-end plausible

Despite the recent appreciation, the share, on a 7,1 p e, looks inexpensive *Kate Rushton*

Haggie plant forges ahead

BiDay 9/12/93

HAGGIE Group's R80m steel cord plant in Boksburg is 30% complete and has already attracted order inquiries from Japan, Germany, England and Italy.

The infrastructure is all but done and about R40m of equipment has been received. Commissioning has started and the first spools of fine, 0,3mm wire have been produced. The plant, a joint technology agreement with Italian company GCR, will manufacture fine steel wire and strand for tyres and hose armouring, and galvanised conveyor belt cord. (189B)

Haggie Steel Cord general manager Brian Nelson said the project was on schedule and the first tyre cord samples should be ready by mid-1994. "We have been encouraged by the level of customer interest both locally and abroad. The intensity of overseas interest has already allowed us to start defining our export markets more clearly." — Sapa.

MANUFACTURING - IRON, STEEL

etc

1993 (c)

LABOUR

Numsa devises sophisticated strategy

W/Mail 19/3-25/3/93

189

The country's biggest trade union has unveiled a three-year bargaining strategy, including wide-ranging proposals, instead of the annual wage and working conditions demands.

By **FERIAL HAFFAJEE**

THE National Union of Metalworkers of South Africa's three-year bargaining strategy, unveiled this week, is an eloquent symbol of a changing trade union movement.

The country's largest union has placed itself at the cutting edge of the four sectors across which it organises and adopted ambitions usually reserved for the captains of industry

"The objective (of Numsa) is to modernise the industry, while protecting employment, developing skills and career paths and developing world-class manufacturing"

Instead of the annual bargaining round, the union has tabled a wide variety of proposals with deadlines staggered over the next three years It has also tabled a demand for inflation-based increases over the next three years and added the rider that real wages should have increased 15 percent by 1994

Numsa is looking to close wage differentials — the union believes that no worker should earn less than 60 percent of the artisan pay rates Some workers in the motor industry earn 16 percent of the artisan rate.

"We now see negotiations as a process, rather than as an annual event," says Numsa national bargaining secretary Les Kettledas "Every year we picked some targets and through a 'hit and miss' process tried to win some benefits for our members"

He also says many proposals were entrusted to "sub-committees which became dumping grounds"

Instead of reducing the union's capability for strike action, the staggered targets make it easier for the union to organise, believes Kettledas "We will be able to determine from time to time on which issues we will deadlock."

Key features of the new strategy are Numsa's efforts to streamline the grading system and link it to skills, career paths and remuneration, and to provide employment security

"It's an integrated package which in addition provides productivity, quality, and efficiency in the industry and is crucial for its development," believes Kettledas

Numsa proposed that there should be only five grades across all industries, that workers' skills be assessed according to these grades and that new wage rates be set in place.

This will enable workers to progress along a career path and will entail added responsibility — or multi-skilling — for workers. Training will also be linked to industry education and training boards

The union has also attempted to put almost identical benefit demands to employers in the motor, engineering, auto and tyre industries It plans to negotiate the following

- To unite all the pension funds in the different sectors into "single sector-wide schemes" and to do the same with racially based medical benefit schemes by this time next year
- To negotiate disability support equivalent to 60 percent of workers' wages
- To secure six months' maternity leave for women and to reduce working hours to 40 a week by 1996

The union has also proposed bilateral working groups to restructure the industry by investigating production, export incentive programmes, regional policy and industry co-operation initiatives

Bargaining committees have been cut down and mandate and report back procedures fine-tuned to ensure that fissures don't develop between the leadership and rank-and-file of the union because of its growing sophistication

The union also agreed that the house agreements in the engineering industry — separate agreements in specific companies — should become part of the main (wage and working) agreement by July this year and proposed that the auto, tyre and motor-component manufacturing sectors merge by 1996

Seifsa calls for faster affirmative action by industry

Star 11|5|93

189

By Paul Bell
Labour Correspondent

Steel and engineering companies have been put on notice by their industry-wide representantive organisation, Seifsa, to speed up the introduction of affirmative action and participative management programmes, or risk pressure from a future government.

According to the Steel and Engineering Industries Federation of South Africa's 1993 industrial survey of 500 associate companies, conducted by The Innes Labour Brief, Seifsa companies "seem not to be paying sufficient attention to affirmative action as a policy of preferential treatment for disadvantaged groups".

"Unless steps are taken voluntarily to correct this deficiency, companies may soon find themselves bound by law to do so This will naturally put them under tremendous pressure as they will have to compete for very scarce skilled black personnel," says the survey

Of the Seifsa companies surveyed for the report only 39%, most of them large companies, claimed to have an affirmative action policy Of these, 93% based such policies on equal opportunities.

Only 5% had based their policies on preferential treatment for disadvantaged groups — showing a serious discrepancy between the approach of the vast majority of Seifsa companies and that of the major black political organisations.

Regarding participative management, the survey disclosed that "only a small proportion" (19%) of Seifsa companies — again the big companies — had introduced such schemes. And of the small companies, a mere 1,5% had taken similar initiatives

"As in the case of affirmative action, Seifsa members seem to be lagging behind the expectations of a future government," says the survey.

The ANC's human resources development policy specifically stated that a participative management approach was necessary to improve productivity levels in future, and a future government would probably place great importance on this.

"Again, companies have an opportunity right now to formulate their own programmes . . in advance of any future government pressure. So far it seems very few . are taking advantage of it."

The report said 25% of Seifsa companies lost man-days due to strike action in the period covered by the report — mostly 1992. Wages were the most common cause of strike action (75% of companies experiencing strikes), followed by external issues such politics (28%) and retrenchments (12%)

Thirty-five percent of those surveyed had retrenched workers in the year to end-September 1992, and 34 000 jobs were cut, mostly in the PWV. Fourteen percent of respondents reported violence in the workplace.

The region which reported the most incidents was Natal, followed by the PWV.

A quarter of all those surveyed, mostly in the PWV, said they would be taking steps to deal with the violence including the provision of counselling services, safe transport and other forms of protection, facilitation/mediation services, calling in the police, involvement in Peace Accord Activities, and establishing in-house peace committees

The report also noted that centralised bargaining remained widely favoured in the industry (75%) but that there were sill wide disparities among retrenching companies in regard to the packages paid to axed workers "It would seem appropriate," said the report, "that employers should attempt to standardise their packages"

Numsa to settle

NUMSA has undertaken to pay employer body Seifsa R120 000 in an out of court settlement arising from events caused by the national metal industry strike last year (452) (4001)

During the course of the strike the Supreme Court, in an interim order, ruled the strike illegal The workers returned to work. Instead of pursuing further litigation concerning a final hearing on the legality of the strike, an out of court settlement was agreed (433) (189)

In a joint statement the parties said: "Numsa and Seifsa are of the view that the further pursuance of this litigation will not be constructive and would result in a further deterioration in the relationship between the parties It is also their view that this litigation would detrimentally impact on what will be crucial negotiations in 1993" S/Times (BUSS) 10/1/93

S Times (Buss) 16/5/93

Seifsa spots upturn

189

EMPLOYMENT levels in steel and engineering are a good measure of economic patterns The first survey by the industry suggests the four-year recession is bottoming out

The survey, conducted on behalf of the Steel and Engineering Industries Federation of SA (Seifsa), shows that retrenchments in January this year amounted to 1 930, the lowest monthly figure since February 1991 The figure dropped again in February to 1 893

An average of seven people were hired by each respondent company in 1992 Three of them came from the ranks of the retrenched

Some companies are hiring employees on temporary contracts

The survey says "It is not yet clear whether this is a short-term response to the recession or whether it represents the start of a longer-term trend"

In spite of the improvement in job prospects, the industry has suffered severely from recession.

Between January 1989 and December 1992, almost 110 000 jobs were lost.

In 1989, retrenchments doubled to about 27 000 from 13 000 the year before, but rocketed to 34 000 in 1991 The 1992 figure fell to 32 000

The survey, which covered 500 companies, says each firm making retrenchments was bound by severance packages which required workers to be paid a week's wages for every year's service, up to a maximum of four weeks But most companies put no ceiling on payments

Many groups favoured natural attrition to lower the payroll Others stopped rehiring, eliminated casual labour, put employees on short time and cut overtime

Mintek earning more from abroad

B/Day 28/1/93 (189)

JONO WATERS

AT LEAST one-third of all Mintek's contract income would come from foreign sources in the current financial year, Mintek president Aidan Edwards said in his annual review for the year ended March 31 1992

Mintek had been increasing its revenue from overseas by 80% a year since 1989 and, in the year ended March 31, 25% of all contract income was generated abroad

"Mintek has blossomed into an internationally respected leader in the wider field of metallurgical and chemical technology," he said

Edwards said SA was in a position to play a pivotal role in the "desparately" needed industrial development of the southern Afican region

Self-sufficiency was needed in steel and cement if the developing world was to progress into the modern world, he said.

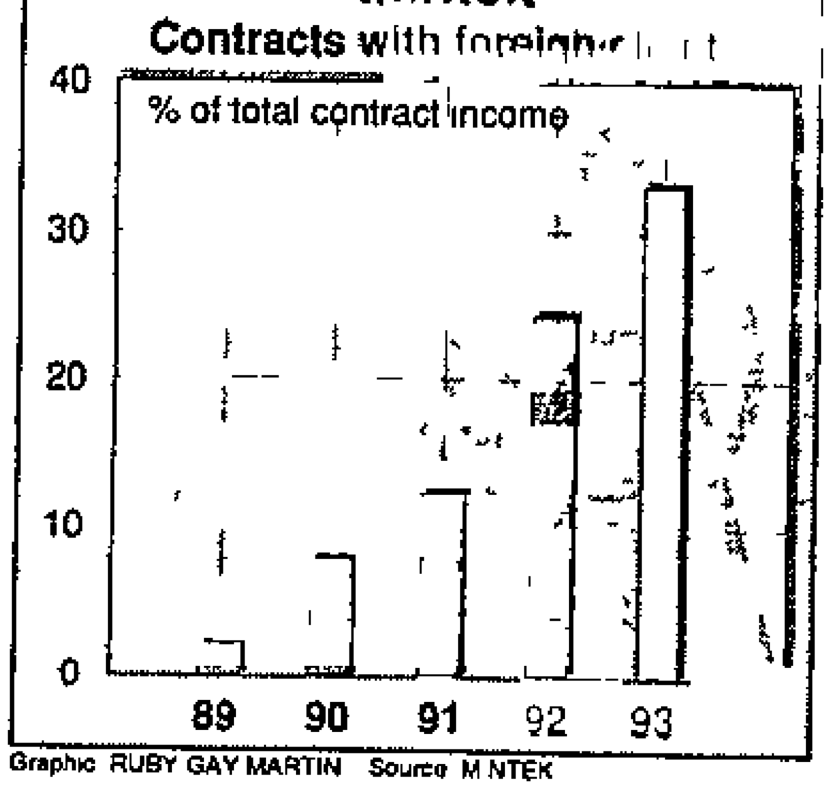
SA had a population of 40-million and produced about 9,5-million tons of steel a year, while the rest of southern Africa south of Zaire had a capacity of 600 000t but a population of 180-million

Edwards said the statistics were similiar to cement production and southern African countries were not in a position to progress if these materials needed to be imported.

"As metallurgical expertise is Mintek's special preserve, we look forward to ever-increasing technical participation in technical, advisory, and entrepreneurial roles in this underdeveloped, under-utilised part of the world."

In the year ended March 31 1992, Mintek's income amounted to R74,2m (R72,2m) with the state making the largest contribution of R54,1m, unchanged from the previous year

Expenditure fell to R66,1m (R66,7m) and, as a result, net income for the year rose to R8,06m (R5,53m).



Graphic RUBY GAY MARTIN Source MINTEK

Star 24/3/93

Scharrighuisen raises earnings

By Stephen Cranston

Mining and industrial group Scharrighuisen has lifted earnings per share by 19 percent to 83,9c in the year to December. (189)

The dividend has been increased by 20 percent to 30c

The final dividend was declared in February and is not liable to the 15 percent dividend tax.

The mining division, which has since been floated separately as Schamin, contributed 81c a share

Turnover increased by 17 percent to R116,5 million and the operating margin rose from 21 percent to 23 percent

Cash flow remained strong, enabling gearing to fall from 48 percent to 30 percent, despite taking over R10 million of debt from Norman Mining

MD Laurie Fisher says that Scharrighuisen increased its market share and has secured some interesting contracts

The group expects to earn an additional 11c a share from its recently acquired subsidiary New Joules and a further three cents from its other investments.

Numsa considers 'let's work it out' approach

(189)

8/DM 2/3/93.

DIRK HARTFORD

NUMSA's 230 000 members are discussing a new approach to collective bargaining in the metal, motor and vehicle manufacturing sectors that would mark a radical departure from its militant and confrontational style.

Essence of the new approach is that the union negotiates a broad three-year programme of wages and industrial restructuring where wages, skill development and grading would be planned and negotiated over three years

It is envisaged that the wage negotiations will be linked to a grade reduction process designed to lay the basis for developing world-class manufacturing in the industries Numsa has organised.

These proposals are contained in a document currently under discussion, but Numsa leaders refuse to comment on its contents, saying only it is part of series of union debates under way.

The document has the support of Numsa's collective bargaining and national executive committees and is being discussed in the union's regions and at general meetings before being referred to Numsa's central executive for a final decision.

It fits into Cosatu discussions around a "reconstruction pact", as well as being underpinned by similar ideas addressed in Cosatu's two other big affiliates — the NUM and Sactwu.

It follows last year's defeated three-week national strike in the metal and motor assembly industries. And it mirrors the other major turn in Numsa's history when the then Metal and Allied Workers' Union joined the metal industrial council in the early '80s after a series of plant level strikes

The document implicitly acknowledges that several major campaigns of the union — like for a living wage in the industry, for centralised bargaining and even for job security — will have to take a back seat, or at least be revisited in the context of the new approach.

The new approach boils down to accepting joint responsibility (with employers) for finding solutions to the crisis of the metal and motor assembly industries

Numsa would propose measures it believes necessary to turn the manufacturing sector into one capable of competing on the world market, while also delivering jobs, skills, education, social benefits and affordable consumer products to workers in SA.

At first sight, such an approach is one employers will no doubt welcome. Wages and industrial action would be unlikely to be as centre-stage as they have been.

In addition, a far more flexible attitude to centralised bargaining, with the possibility of introducing a two-tiered bargaining system, is being mooted

It is these the union will inevitably have to "offer" in order to obtain a key role in co-managing restructuring of industries on the lines the document suggests

But the challenge for employers in the new approach is not, as in the past, who will triumph at the barricades Rather it will be whether employers can accept the German-style co-determination approach that underlines the proposals

The proposals — ~~broadly~~ speaking — rest on the belief that a major contribution to rebuilding SA industry can be achieved by using education, training and work organisation to drive wages policy.

It wants more modern, flatter, management structures, a life-long career path for all workers and a more skilled and less supervised workforce.

It also involves putting in place at plant level new work systems that ensure all workers have the opportunity to exercise their skills

It specifically suggests a reduction to seven grades instead of the myriad of different grades that exist currently, especially in the metal industry. These grades should include flexible skills, rather than narrow task or craft definitions. It suggests negotiations, after three years, should focus on a percentage increase for the artisan grade with wages in other grades automatically adjusted in terms of the settlement reached at artisan level

The union, the document recommends, should continue fighting for a 40-hour week — possibly in exchange for ~~flexible~~ working arrangements — for training leave as a right for all workers and for a common "benefit package" for the industry including normal leave, bonus, retirement, medical, parental and other benefits.

The new grade system would provide for a career path for workers, recognition of prior learning of workers, multiskilling, measures to prevent workers being de-skilled through the introduction of new technology and safeguards for women workers.

Issues of tariffs, export incentive schemes, sector industry authorities, and industry protection policies are also addressed in in the proposals, all within the context of defending the industry while radically restructuring it to meet the challenges of a world market where protectionist strategies are falling away

Although not Numsa policy yet, chances are good it soon will be And given the central role Numsa has played in fashioning Cosatu policies, the majority of Cosatu unions are likely to pick up the new direction in their own industries under an overall Cosatu vision of a recontruction pact with the ANC for post-apartheid SA.

REVIEWS

Star 3/3/93

Iscor gives market a pleasant surprise

(189)

By Stephen Cranston

Stock market analysts have been pleasantly surprised at the recent results from Iscor, the country's major iron and steel producer

The interim earnings of 6,7c a share were in the upper part of analysts' predictions, which varied from 4c to 7,5c, and have brought the share price up to 80c

There had been uncertainty about the effect of the metalworkers' strike, which led to a sharp reduction in sales in August, but this was countered to some extent by buying ahead of price increases in January

Iscor has reached the bottom of the cycle and its margins at the peak of the cycle, expected in 1995, will be better than those at the last peak in 1988-89 as it has invested in continuous casting at its Pretoria mill and in tin-free steel and electric galvanising at Vanderbijlpark.

It is already exporting considerable quantities of cold-rolled coated products and has cut out exports of low-value pig irons and slabs

Iscor's high level of self-sufficiency has proved a major bonus in current trading. It has made it one of the lowest-cost integrated steel producers

By some calculations the Sishen iron ore operation is worth more than the market capitalisation of Iscor as a whole and it has remained profitable — which might not be true of all of Iscor's steel operations

Frankel Max Pollak Vinderine analyst Kevin Kartun says Iscor still produces too many products and exports to too many countries

This is a hangover from the sanctions era, when Iscor was keen to diversify its markets, but it has helped to maximise profitability

Iscor has managed its funds much more actively since Louis van Niekerk became general manager finance in 1991

In spite of an increase in borrowings, Van Niekerk helped reduce finance charges by R20 million by rolling over short-term loans and turning them to long-term loans

Without its debt-burden, Iscor is considered to be a very profitable undertaking, particularly in relation to the international steel industry, which is reporting losses in all parts of the world

Davis Borkum Hare's Jacques Pickard says he would have preferred to see Iscor passing its dividend instead of paying 2c, as it needs to conserve cash resources

Laingsdale buys Mice from Protea Chems

Business Editor

CAPE Town-based Laingsdale Engineering, in the Sankorp stable, has bought Mining and Industrial Chemical Equipment (Mice) from Protea Chemicals for an undisclosed sum

Announcing this yesterday MD Jan Botha said the acquisition had been made "in a drive for a greater share of the market for emergency life support systems in mining and other industries"

189 CT 4/3/93

A spokesman said Laingsdale was penetrating new markets following the loss of defence force business it had enjoyed in the past

"We used to do a lot of work for the government At one time we had 400 people working here Now it is down to 170 That is why we are branching out into the mining industry"

Botha said the acquisition of Mice "consolidates development, manufacture and marketing of the Siza Moya, a top-selling breathing apparatus in mining and industry, in the hands of Laingsdale"

Laingsdale has supplied the SA Air Force with pilots' oxygen masks since 1984 and has been manufacturing the Siza Moya self-rescuer since 1989

A statement yesterday explained that these were part of a range of precision parts and products the company develops and makes for military, industrial, automotive, mining and public sector markets

"As part of a further thrust into the mining market Laingsdale has been appointed by Plessey Tellumat SA to market its mine hoist monitor and other mining-related products"

Steel giant Amic planning move into consumer goods

Star 5/3/93

(189)

By Derek Tommey

The Anglo American Industrial Corporation (Amic), well known for its steel and heavy engineering interests, could soon be a leading producer of consumer goods as well, chairman Leslie Boyd indicated yesterday.

He was announcing that Amic's 1992 profits were "significantly worse" in the face of economic conditions than even the most cautious projections at the beginning of the year

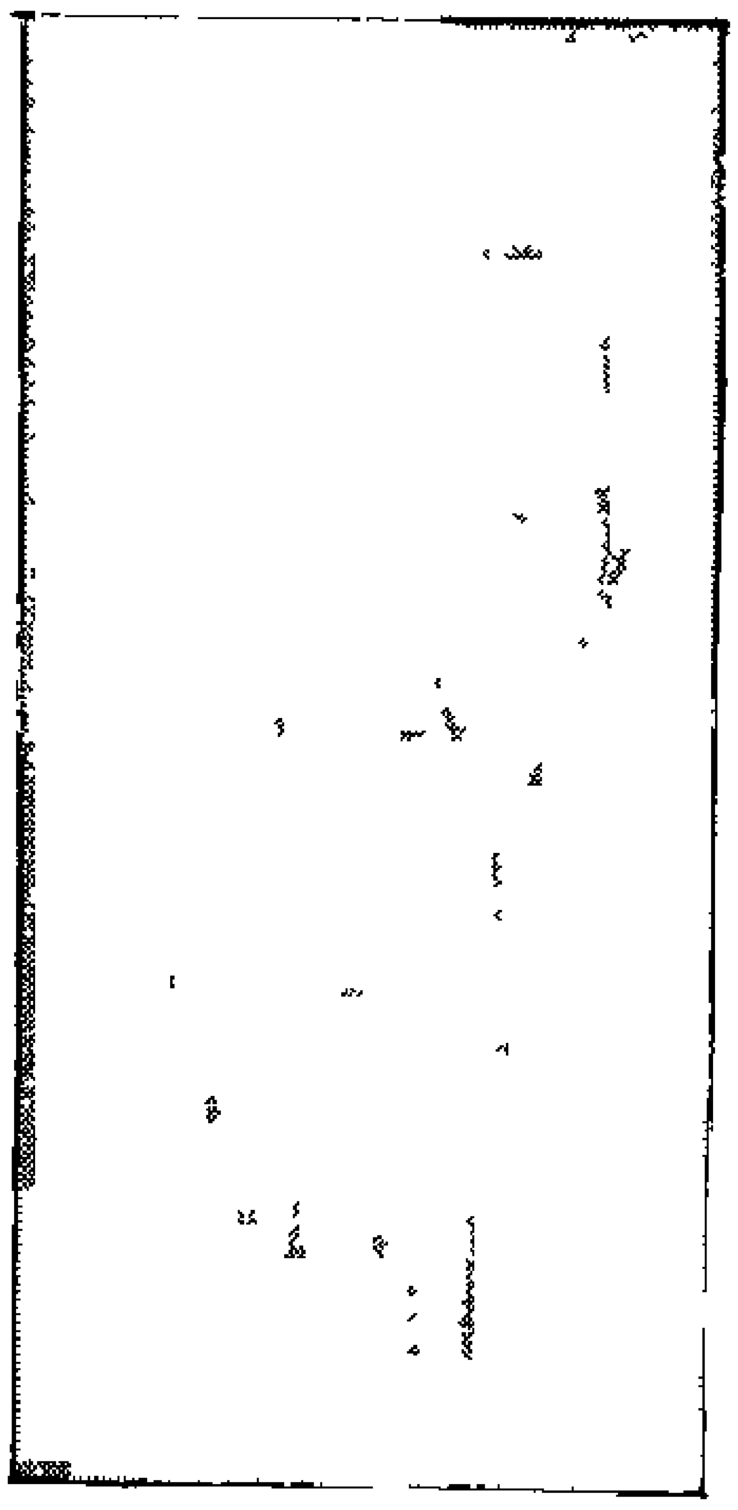
They declined by 12 percent from R401 million to R352 million, while earnings a share dropped 15,6 percent from 713c to to 617c

However, the company has declared an unchanged final dividend of 240c making an unchanged total of 350c for the year

Boyd disclosed that he was repositioning Amic in order to allow for a major expansion in its activities in the months and years' ahead, partly to lessen the effect of the commodity price cycle on the group's earnings

He said the directors had reviewed the structure of Amic and its businesses in order to make the group more financially efficient. This might result in the "divisionalisation" of some or all of Amic's wholly-owned subsidiaries

The intention is to show the



Les Boyd . Repositioning Amic to allow for major expansion

strength of Amic's financial situation and make it possible for it to raise loans in its own name The group was also looking to rationalise and consolidate into Amic those industrial interests jointly held with Anglo American — as happened with LTA

Boyd said the merger of McCarthy and Prefcor and the R150 million aluminium can factory were both aimed at balancing the group's earnings and reducing the impact of the commodity cycle on Amic's earnings

Questioned on the new activities which Amic could be involved in, he said the ending of sanctions had opened South Africa to new investment from overseas Amic was looking to the Far East, to Japanese and Korean companies in the consumer goods markets to establish joint ventures with them in South Africa

Some talks had taken place, but there was nothing to report at this stage

"The group debt/equity ratio remains low at 12 percent compared with 16 percent in 1991 and Amic is therefore comfortably placed to finance known commitments and new opportunities which may arise"

The continued deterioration in economic conditions worldwide as well as the depressed local markets affected several of Amic's subsidiaries and associates Some companies operated plants at below capacity and others closed certain operations permanently

Reviewing the operations of Amic's non-listed companies, he said that Scaw Metals last year had earned R76,5 million (R84 million) while Mondi's earnings had fallen from R110 million to R51 million

He said the price of pulp overseas had fallen from $800 a ton in 1989 to $400 a tons However, Mondi was still making profits, which a great many paper companies overseas were not.

Mondi was well placed to benefit from any upturn in its markets Boart maintained earnings at R48 million

He said the decision to proceed with the Columbus project, was significant for the Amic group and for South Africa The new plant is expected to increase stainless steel capacity from 125 000 tons a year to 500 000 tons a year from 1996

Job losses

Body said there had been 35 000 jobs losses among member companies of the Steel and Engineering Industries Federation member companies during the year

"The severe losses over the last three years should bring home to labour leaders the need to keep South African industry viable"

The current world economic scene, the depressed state of the local economy and the political uncertainties made forecasting difficult But Amic's 1993 earnings "will at least equal those of 1992"

He said this forecast did not take into account the effect of the fall in the rand against the dollar since the beginning of the year on the Amic group's export earnings Amic export earnings comprised about 42 percent of its total turnover

Edward Bateman increases income to R9,8m

(189) CT 8/3/93

From MA GQUBULE

JOHANNESBURG. — Engineering, contracting and equipment group Edward L Bateman has reported a marginal increase in attributable income to R9,8m (R9,6m) for the half-year ended December.

This was equivalent to earnings of 35,7c (35,2c) a share from which an unchanged dividend of 8,25c a share was declared.

Chairman Bill Bateman said the period was characterised by lower activity, particularly in engineering contracting. The group expected to benefit in the longer term from continued geographical and technological diversification.

But full year earnings were expected to be lower as these developments would not have an impact in the short term.

Turnover dropped 19% to R322,4m, but comparisons of year-on-year sales, or between sales and profit, were meaningless because of the nature of the contracts reflected in the figure, Bateman said.

Operating profit was up 14% to R15,2m (R13,3m), largely because of a drop in interest payments to R1,7m from R3,1m. The tax rate rose to 13,2% from 11%, and outside shareholders absorbed R3,4m (R2,1m).

Bateman said Bateman Industrial Holdings (BIH), the group's equipment supply arm, had made several important acquisitions in the computer industry, which contributed to the higher tax bill and the increase in outside shareholders' interest.

Net cash resources at the interim stage were lower than at the previous half because of the reduced level of contracting activity and the cost of the acquisitions.

Joint MD (equipment) Peter Brereton said traditional mining related markets had remained under severe pressure.

Batepro, the project management division, had wound down its involvement in Mossgas and Venetia. Local markets had deteriorated at the same time, resulting in a significant downsizing of the division.

Joint MD (engineering) John Herselman said the settlement of certain outstanding claims, including a significant one relating to Mossgas, could have a positive effect on the division's earnings, although the timing of these settlements remained uncertain

, March 9 1993

3

Metal sector fund troubled

BD 9/3/93

METAL industry employers might soon have to pay increased levies into their training and education fund.

"The fund is reviewing the levy/grant structure as the very high demand for grant payments for the training component has led to great pressure being exerted on the fund," said Steel and Engineering Industries Federation training and education head Janet Lopes yesterday

It had been proposed that employers' levy contributions be increased and grant payments reduced to return the fund to a sound footing, she said

Analysts feared such a move could depress the country's low apprentice intake even further. Cosatu representative Adrienne Bird said existing training for all workers needed to be overhauled — Sapa

Highveld financially well-placed

Star 16/3/93

By Derek Tommey

Highveld Steel & Vanadium finished 1992 in a strong financial position, despite the downturn in demand for its products and continuing major investment.

The annual report shows that income dropped from R72,1 million in 1991 to R19,8 million last year.

Nonetheless, the company ended the year with R436 million cash on hand or on deposit. This is only a small decline from 1991's R444,3 million.

(189)

The cash flow statement shows that Highveld squeezed R102,3 million out of working capital.

This, together with cash generated by operations and increased investment income, led to cash generated by operating activities rising from R174,1 million in 1991 to R371,6 million.

An amount of R280,7 million (R302,6 million) was spent on maintaining and expanding operations.

Chairman Leslie Boyd feels the cycle affecting group results will bottom this year.

Numsa asks for modest wage increases

ERICA JANKOWITZ

NUMSA, introducing a new wage negotiation strategy, has proposed a relatively modest real wage increase of 15% to be spread over the next three years

In recent years, the union has opened negotiations with huge wage hike demands, often exceeding 50%

The proposals, which also contain a call for the immediate establishment of an industry training board, have been presented to employers in the auto and engineering sectors

They will be tabled before the tyre and motor sectors by the end of the month

Also included are a reduction in existing job grades from 13 to nine, the creation of two new grades above that of artisan, a narrowing of the differential between the top and bottom rates of pay to 40%, and biannual "broad-banding" increases

The issue of training is a priority as Numsa's objective to "modernise the industry, while protecting employment, developing skills and career paths and developing world class manufacturing" may result in some workers being displaced

Therefore the proposed training board would develop skill-based definitions for the new pay levels and a framework for career progression

Numsa also proposed that all workers be entitled to two modules of industry-approved education and training a year and that a proper assessment and accreditation exercise be undertaken on existing skills

Other demands include schemes for an industry-wide human resource plan plant-level negotiation of all changes to work organisation, a reduction in working hours, and an agency shop policy

Numsa national organising secretary Les Ketteldas said the three-year plan allowed for long-term goals to be set and dealt with on a continuing basis

(189)

13/10/93

'Sin levy' increases on liquor and tobacco

Political Staff 182

CAPE TOWN — The price of partying has just gone up BDAY 18/3/93.

Finance Minister Derek Keys yesterday slapped additional "sin" taxes on a wide range of alcohol and tobacco products The adjustments take immediate effect

The Minister, who described the increased duties as "relatively modest", said they would generate additional income for the state coffers of R320m in 1993/94

The increases include

- Beer 4,8c a litre or about 2c a 340ml can or dumpy (increased revenue of R112m),
- Spirits 37,7c a 750ml bottle (increased revenue of R50m),
- Cigarettes 2,45c per 10 and 5c per 50g of cigarette tobacco (R99m),
- Pipe tobacco and cigars 5c per kg (R400 000),
- Wine (fortified, unfortified and sparkling) 4c per 750ml bottle (R18,8m),
- Other fermented drinks, eg, cider 10c a litre (R200 000),
- Sorghum beer and beer powder 1c a litre and 5c a kg (increased revenue of R6m), and
- Cold drinks and mineral water 2c a litre (R34m)

NEI AFRICA FM 19/3/93 (189)

Losses still mounting

NEI's losses (R51,7m) are even bigger this year The group's business has shrunk Shareholder wealth has diminished by 36% over 1991 Turnover has declined R215m or 27% And the share price at R3,50 looks as though it will never again scale the dizzy heights of R40 it reached in June 1989 How, indeed, has this once mighty blue chip fallen

CE Lawrence Hyslop, the man to whom it fell to release the news in June 1991 that the extent of the conspiracy to falsify NEI's accounts meant the company had to write R52m off net assets, says the experience "has been like hell I don't believe anyone here has enjoyed the past two years " Least of all, hapless shareholders

Results for 1992 reflect even more gloom NEI returned an operating loss of R18,1m for the year — not bad considering the huge fall in turnover However, that was worsened by extraordinary items of R33,6m

FM 19/3/93 (189) **FOX**

Hyslop says the operating losses arose principally because a number of group companies were unprofitable "Considering the heavy engineering sector in SA is severely depressed, the result was pretty inevitable " Included in those were particularly heavy losses incurred on NEI's participation in the Mossgas project "The company has little expertise in the petrochemical industry," explains Hyslop "In retrospect, these were contracts we should have stayed away from The lessons we've learnt have been large and expensive "

Extraordinary losses of nearly R34m were caused by the discontinuance of business units, the closure of a company, provisions against two joint ventures and a R3m loss on the executive share option scheme

Many of these losses arise, says Hyslop, from the directors' decision to institute extreme conservatism in applying accounting principles

Against this background, the balance sheet has deteriorated Shareholder interest has declined markedly, but so has interest-bearing debt which is now only 63% of last year's R174m Gearing is 117% — not a number which inspires confidence

There are some plusses, however Firstly, the new chairman is the redoubtable Peter Joubert of Afrox, a name which inspires confidence Secondly, the major shareholders are Northern Engineering of the UK and Old Mutual Between them, they hold 80% of NEI and that should give investors some comfort Thirdly, the company has been substantially slimmed and trimmed Hyslop says he's in no mood for any expansionary junkets "Last year we cleaned up our act to the fullest extent possible This year (1993) is one of consolidation "

Will this level of losses continue? Hyslop thinks the company will come very close to breaking even this year That may be small consolation to shareholders who have taken a bath over the last four years, but it will at least be a welcome reversal of past performance

David Gleason

Amic unlisted companies battle with conditions

189

BIDAY 23/3/93

MATTHEW CURTIN

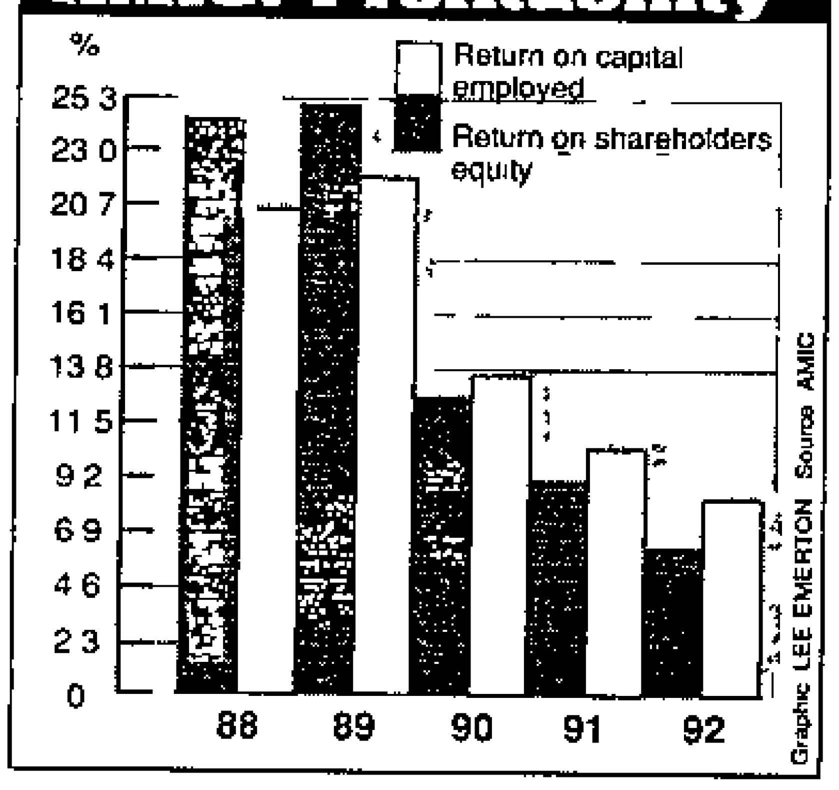
SHARPLY reduced earnings, restructuring and heavy job losses marked the performance of the main unlisted operating subsidiaries owned by Anglo American Industrial Corporation (Amic) in the year ended December 31 1992

Only Control Logic (Conlog), a supplier of electronic products for the motor, electricity pre-payment metering and process control instrumentation markets, showed improved profits

Amic directors said in the 1992 annual report that Conlog's earnings improved 87% on 77% higher turnover — no figures were supplied — because of improved sales of electricity metering equipment and products for the car industry, in spite of the depressed conditions Conlog was likely to improve earnings in 1993

Amic's engineering interests fared poorly Scaw Metals's workforce was reduced by 10% to 6 100 (6 800) as the year was characterised by "an abrupt and dramatic weakening in domestic demand" for rolled steel products in particular Attributable

AMIC: Profitability



earnings fell 10% to R76m (R84m) on pre-interest and pre-tax income of R86m (R98m), although Scaw remained the largest contributor to Amic's earnings

Greater emphasis was put on exports, but world prices fell to a four-year low for Scaw's products, in addition to the relative strength of the rand Scaw faced another year without significant earnings growth

Boart, primarily a supplier of drilling equipment to the mining industry, continued "extensive rationalisation and restructuring programmes begun in 1991" which sustained the profitability and contained losses in the group's main businesses. The depressed mining sector hit demand for its productions in SA, Canada and Europe, with attributable earnings falling to R47,6m (R48,2m).

Restructuring at Boart, which made a number of acquisitions during the year, including Netherlands-based hydraulic press maker BK-Hydromooi BV and former East German, but privatised, ceramics manufacturer Aumaer Oxidkeramik, "should enable (its operations) to operate more profitably at current levels of business", the directors said.

Earnings at Mondi Paper tumbled to R51m (R110m) on lower pre-interest and pre-tax profit of R118m (R188m) after a year of excess production capacity, high stocks, slack demand, turmoil caused by currency devaluations in Europe, and spiralling paper imports

With improved debt levels and improved working capital, Mondi was budgeting to maintain earnings

Amic, whose listed interests include stakes in Highveld Steel and Vanadium, Tongaat, McCarthy Group and LTA, reported attributable earnings of R352m (R401m)

Cash flow better, but CMI remains a gamble

BIDM 29/3/93. (189)

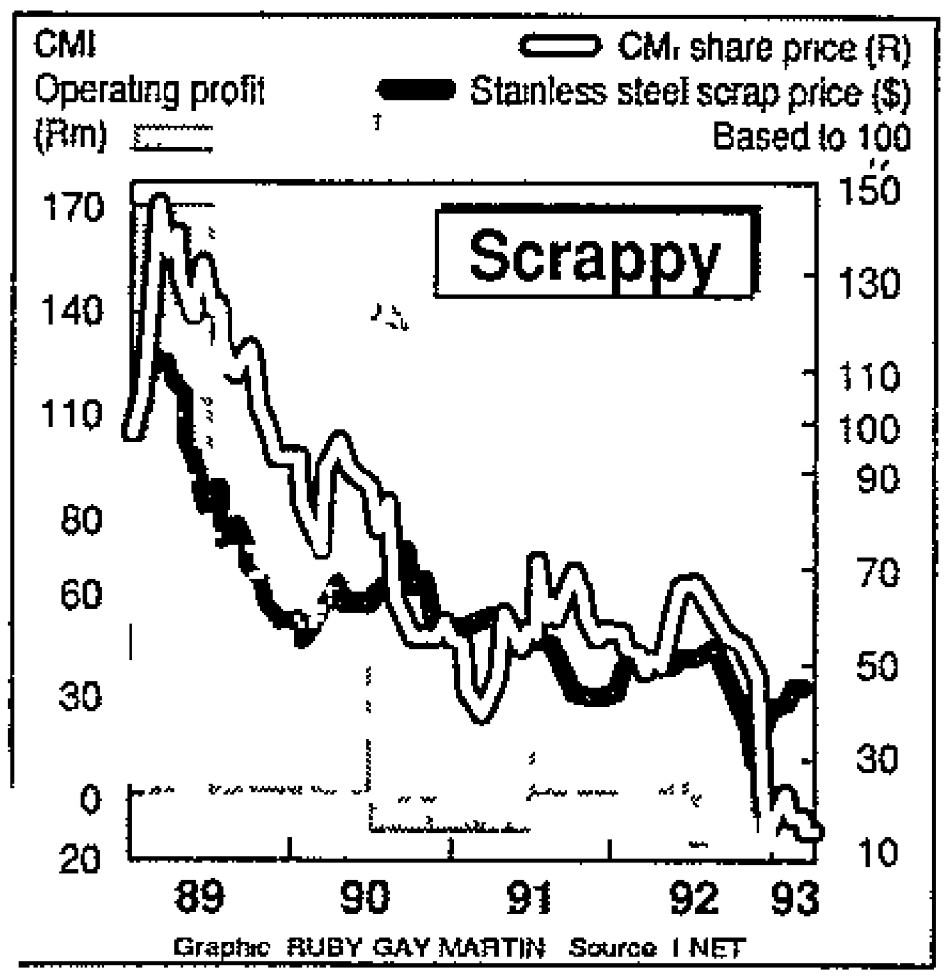
MATTHEW CURTIN

PLANT shutdowns are bolstering cash flow at recession-dented Consolidated Metallurgical Industries (CMI), but shares in SA's second largest ferrochrome producer remain a highly speculative buy

CMI shares have bottomed at 240c in relatively good trade this month, having crashed from more than 700c in November last year This might be of little comfort to shareholders who invested in the stock on the crest of the 1989 ferrochrome boom when the shares reached R21 The group turned in a R26m attributable loss (R0,2m) in the half-year to December 31

A recent Davis Borkum Hare report said CMI would continue to make losses "in the short term (and) any investment in the ordinary shares of the company is at best speculative pending an upturn in the world ferrochrome market" However, CMI's cash reserves, if not its cash flow, would be adequate for the group to meet second-half cumulative preference dividends

At the same time, the group is likely to improve on the first six-month performance by year-end in June Ferrochrome production has high variable costs as an energy intensive business, and CMI has reduced output to only 25% of its installed 330 000 tons-a-year capacity, saving considerably on overheads



Sustained improvement in CMI's fortunes depends on improvement in ferrochrome prices which have been depressed by a range of factors, outweighing growth in stainless steel consumption worldwide

Key among these is the availability of relatively cheap stainless steel scrap which stainless steel producers can substitute for raw ferrochrome and nickel, the key ingredients in stainless steel manufacture There is a good correlation between scrap and ferrochrome prices, with tight supply of scrap being reflected by higher prices which leads producers to switch to ferrochrome, raising demand and prices for the ferro-alloy in turn Cheap scrap helps drive ferrochrome prices lower

Ferrochrome producers detected firming scrap prices in the second half of 1991, but that turned out to be a false dawn, as a flood of secondary material emerged from the former Eastern bloc in particular The Commonwealth of Independent States, Eastern Europe and China have raised ferrochrome supply, while excess stainless steel capacity has kept steel prices weak, forcing cost cutting on producers

The Davis Borkhum Hare report said the world ferrochrome market had formed two tiers the spot market supplied by cheap but irregular supplies from the commonwealth, China and Turkey at prices of \$0,32 to \$0,34 a pound, and the contract market supplied by SA producers at a \$0,10 premium to spot because of the quality and consistency of their output

The SA producers — Samancor, CMI and Chromecorp Technology — have sought to keep prices as high as possible by reducing production, ironically the opposite approach to the one they took in the late '80s

Star 31/3/93

20% increase - steel union

(189) (2035)

The National Union of Steel and Allied Workers yesterday demanded a 20 percent wage increase across the board for their members. This is in line with the recent demand of the much larger National Union of Metalworkers of South Africa for inflation-based increases, as well as a 15 percent real increase in wages by 1994 (KOH)

DEPARTMENT OF MANPOWER

No. R. 534 **2 April 1993**

LABOUR RELATIONS ACT, 1956

FURNITURE MANUFACTURING INDUSTRY, WESTERN CAPE RENEWAL OF PROVIDENT FUND AGREEMENT

I, Dennis van der Walt, Director Labour Relations, duly authorised thereto by the Minister of Manpower, hereby, in terms of section 48 (4) (a) (ii) of the Labour Relations Act, 1956, declare the provisions of Government Notices, Nos R 2013 of 11 July 1969, R 421 of 15 March 1974, R 74 of 16 January 1976, R 2043 of 14 September 1979, R 838 of 30 April 1982, R. 2597 of 30 November 1984, R 1231 of 20 June 1986, R. 239 of 17 February 1989, R. 2119 of 29 September 1989, R 2411 of 4 October 1991, R. 2661 of 8 November 1991 and R 3389 of 24 December 1992, to be effective from the date of publication of this notice and for the period ending 31 December 1993.

D. VAN DER WALT,
Director: Labour Relations.

No. R. 549 **2 April 1993**

LABOUR RELATIONS ACT, 1956

CANCELLATION OF GOVERNMENT NOTICE

IRON, STEEL ENGINEERING AND METALLURGICAL INDUSTRY RE-ENACTMENT OF REGISTRATION AND ADMINISTRATION EXPENSES AGREEMENT

I, Leon Wessels, Minister of Manpower, hereby, in terms of section 48 (5) of the Labour Relations Act, 1956, cancel Government Notice No. R 2 of 3 January 1992, with effect from the first Monday after the date of publication of this notice.

L. WESSELS,
Minister of Manpower

No. R. 550 **2 April 1993**

LABOUR RELATIONS ACT, 1956

IRON, STEEL, ENGINEERING AND METALLURGICAL INDUSTRY RE-ENACTMENT OF REGISTRATION AND ADMINISTRATION EXPENSES AGREEMENT

189

I, Leon Wessels, Minister of Manpower, hereby—

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the first Monday after the date of publication of this notice and for the period ending 31 March 1995, upon the employers' organi-

DEPARTEMENT VAN MANNEKRAG

No. R. 534 **2 April 1993**

WET OP ARBEIDSVERHOUDINGE, 1956

MEUBELNYWERHEID, WES-KAAPLAND. HERNUWING VAN VOORSORGFONDSOOREENKOMS

Ek, Dennis van der Walt, Direkteur Arbeidsverhoudinge, behoorlik daartoe gemagtig deur die Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (4) (a) (ii) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van Goewermentskennisgewings Nos. R 2013 van 11 Julie 1969, R. 421 van 15 Maart 1974, R 74 van 16 Januarie 1976, R 2043 van 14 September 1979, R 838 van 30 April 1982, R 2597 van 30 November 1984, R 1231 van 20 Junie 1986, R. 239 van 17 Februarie 1989, R. 2119 van 29 September 1989, R 2411 van 4 Oktober 1991, R 2661 van 8 November 1991 en R 3389 van 24 Desember 1992 van krag is vanaf die datum van publikasie van hierdie kennisgewing vir die tydperk wat op 31 Desember 1993 eindig.

D. VAN DER WALT,
Direkteur· Arbeidsverhoudinge.

No. R. 549 **2 April 1993**

WET OP ARBEIDSVERHOUDINGE, 1956

INTREKKING VAN GOEWERMENTSKENNISGEWING

YSTER-, STAAL-, INGENIEURS- EN METALLURGIESE NYWERHEID HERBEKRAGTIGING VAN REGISTRASIE- EN ADMINISTRASIEFONDSOOREENKOMS

Ek, Leon Wessels, Minister van Mannekrag, trek hierby, kragtens artikel 48 (5) van die Wet op Arbeidsverhoudinge, 1956, Goewermenskennisgewing No R 2 van 3 Januarie 1992 in met ingang van die eerste Maandag na die datum van publikasie van hierdie kennisgewing.

L. WESSELS,
Minister van Mannekrag

No. R. 550 **2 April 1993**

WET OP ARBEIDSVERHOUDINGE, 1956

YSTER-, STAAL-, INGENIEURS- EN METALLURGIESE NYWERHEID HERBEKRAGTIGING VAN REGISTRASIE- EN ADMINISTRASIEFONDSOOREENKOMS

Ek, Leon Wessels, Minister van Mannekrag, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die eerste Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Maart 1995 eindig, bindend is vir die sations and the trade unions which entered into the said Agreement and upon the employers and employees who are members of the said organisations or unions, and

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the said Agreement, excluding those contained in clauses 1 (1) (b), 2 and 3, shall be binding, with effect from the first Monday after the date of publication of this notice and for the period ending 31 March 1995, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the said Agreement.

L. WESSELS,
Minister of Manpower

189

SCHEDULE

NATIONAL INDUSTRIAL COUNCIL FOR THE IRON, STEEL, ENGINEERING AND METALLURGICAL INDUSTRY

REGISTRATION AND ADMINISTRATION EXPENSES

AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

Association of Electric Cable Manufacturers of South Africa

Border Engineering Industries Association

Bright Bar Association

Cape Engineers' and Founders' Association

Constructional Engineering Association (South Africa)

Covered Conductor Manufacturers' Association

Domestic Appliance Manufacturers' Association of South Africa

Electrical Engineering and Allied Industries Association

Electronics and Telecommunications Industries Association

Ferror Alloy Producers' Association

Fire Protection Industries Association of South Africa

Gate and Fence Association

Hand Tool Manufacturers' Association

Iron and Streel Producers' Association of South Africa

Lift Engineering Association of South Africa

Light Engineering Industries Association of South Africa

Materials Handling Association

Natal Engineering Industries Association

Non-Ferrous Metal Industries Association of South Africa

Plastics Manufacturers' Association of South Africa

Plumbers and Engineers Brassware Manufacturers' Association

Port Elizabeth Engineers' Association

werkgewersorganisasies en die vakverenigings wat genoemde Ooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasies of verenigings is, en

(b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepalings van genoemde Ooreenkoms, uitgesonderd dié vervat in klousules 1 (1) (b), 2 en 3, met ingang van die eerste Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Maart 1995 eindig, bindend is vir alle ander werkgewers en werknemers as dié genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klousule 1 van genoemde Ooreenkoms gespesifiseer.

L. WESSELS,
Minister van Mannekrag.

BYLAE

NASIONALE NYWERHEIDSRAAD VIR DIE YSTER-, STAAL-, INGENIEURS- EN METALLURGIESE NYWERHEID

REGISTRASIE- EN ADMINISTRASIEFONDS

OOREENKOMS

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

Association of Electric Cable Manufacturers of South Africa

Border Engineering Industries Association

Bright Bar Association

Cape Engineers' and Founders' Association

Constructional Engineering Association (South Africa)

Covered Conductor Manufacturers' Association

Domestic Appliance Manufacturers' Association of South Africa

Electrical Engineering and Allied Industries Association

Electronics and Telecommunications Industries Association

Ferror Alloy Producers' Association

Fire Protection Industries Association of South Africa

Gate and Fence Association

Hand Tool Manufacturers' Association

Iron and Streel Producers' Association of South Africa

Lift Engineering Association of South Africa

Light Engineering Industries Association of South Africa

Materials Handling Association

Natal Engineering Industries Association

Non-Ferrous Metal Industries Association of South Africa

Plastics Manufacturers' Association of South Africa

Plumbers and Engineers Brassware Manufacturers' Association

Port Elizabeth Engineers' Association

Pressure Vessel Manufacturers' Association of South Africa

Radio, Appliance and Television Association of South Africa

Refrigeration and Air Conditioning Manufacturers' and Suppliers' Association

Sheetmetal Industries Association of South Africa

S.A. Association of Shipbuilders and Repairers

S.A. Electro-Plating Industries Association

S.A. Engineers' and Founders' Association

S.A. Fasteners Manufacturers' Association

S.A. Industrial Refrigeration and Air Conditioning Contractors' Association

S.A. Pump Manufacturers' Association

S.A. Radio and Television Manufacturers' Association

S.A. Reinforced Concrete Engineers' Association

S.A. Tube Makers' Association

S.A. Valve and Actuator Manufacturers' Association

S.A. Wire and Wire Rope Manufacturers' Association

(hereinafter referred to as the "employers" or the "employers' organisations"), of the one part, and the

Amalgamated Engineering Union of South Africa

Amalgamated Society of Woodworkers of South Africa

Engineering Industrial and Mining Workers' Union of South Africa

Iron Moulders' Society of South Africa

Metal and Electrical Workers' Union of S.A.

Mine Workers' Union

National Union of Metalworkers of South Africa

Radio, Television, Electronics and Allied Workers' Union

S.A. Boilermakers' Iron and Steel Workers', Shipbuilders' and Welders' Society

S.A. Electrical Workers' Association

S.A. Yster-, Staal- en Verwante Nywerhede-Unie

Steel, Engineering and Allied Workers' Union of S.A.

(hereinafter referred to as the "employees" or the "trade unions"), of the other part,

being the parties to the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry

(189)

PART 1

GENERAL

1. SCOPE OF APPLICATION OF AGREEMENT

(1) The terms of this Agreements shall be observed—

(a) throughout the Republic of South Africa, and

(b) by all the employers and employees in the Iron, Steel, Engineering and Metallurgical Industries who are members of the employers' organisations and the trade unions respectively

(2) Notwithstanding the provisions of subsection (1), the terms of this Agreement shall not apply to—

(a) the manufacture, for sale, of standard high-speed cutting tools made from high-speed steel by means of plant and/or equipment and/or methods specifically adapted and/or designed for production by repetitive processes, in the Magisterial Districts of Johannesburg, Boksburg, Vereeniging and Pietermaritzburg,

Pressure Vessel Manufacturers' Association of South Africa

Radio, Appliance and Television Association of South Africa

Refrigeration and Air Conditioning Manufacturers' and Suppliers' Association

Sheetmetal Industries Association of South Africa

S.A. Association of Shipbuilders and Repairers

S.A. Electro-Plating Industries Association

S.A. Engineers' and Founders' Association

S.A. Fasteners Manufacturers' Association

S.A. Industrial Refrigeration and Air Conditioning Contractors' Association

S.A. Pump Manufacturers' Association

S.A. Radio and Television Manufacturers' Association

S.A. Reinforced Concrete Engineers' Association

S.A. Tube Makers' Association

S.A. Valve and Actuator Manufacturers' Association

S.A. Wire and Wire Rope Manufacturers' Association

(hierna die "werkgewers" of die "werkgewersorganisasies" genoem), aan die een kant, en die

Amalgamated Engineering Union of South Africa

Amalgamated Society of Woodworkers of South Africa

Engineering Industrial and Mining Workers' Union of South Africa

Iron Moulders' Society of South Africa

Metal and Electrical Workers' Union of S.A.

Mine Workers' Union

National Union of Metalworkers of South Africa

Radio, Television, Electronics and Allied Workers' Union

S.A Boilermakers' Iron and Steel Workers', Shipbuilders' and Welders' Society

S.A. Electrical Workers' Association

S.A. Yster-, Staal- en Verwante Nywerhede-Unie

Steel, Engineering and Allied Workers' Union of S.A.

(hierna die "werknemers" of die "vakverenigings" genoem), aan die ander kant,

wat die partye is by die Nasionale Nywerheidsraad vir die Yster-, Staal-, Ingenieurs- en Metallurgiese Nywerheid

DEEL 1

ALGEMEEN

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Hierdie Ooreenkoms moet nagekom word—

(a) oral in die Republiek van Suid-Afrika; en

(b) deur alle werkgewers en werknemers in die Yster-, Staal-, Ingenieurs- en Metallurgiese Nywerhede wat lede is van onderskeidelik die werkgewersorganisasies en die vakverenigings

(2) Ondanks subklousule (1), is hierdie Ooreenkoms nie van toepassing nie op—

(a) die vervaardiging, vir verkoop, van standaard-snelsnygereedskap gemaak van sneldraaistaal deur middel van masjinerie en/of uitrusting en/of metodes wat spesiaal aangepas en/of ontwerp is vir produksie deur herhalingsprosesse, in die landdrosdistrikte Johannesburg, Boksburg, Vereeniging en Pietermaritzburg;

(b) the installation, maintenance and repair of electrical equipment referred to in paragraph (b) of the definition "Electrical Engineering Industry" in section 3 of Part 1 of the Agreement published under Government Notice No R 1329 of 27 June 1980, in the Provinces of the Cape of Good Hope and the Orange Free State,

(c) assembling, servicing, installation, maintenance and/or repair of appliances, equipment, machines, devices and apparatus, whether utilising manual, photographic, mechanical, electrical, electrostatic or electronic principles, or any combination of such principles, that are primarily intended for use in accounting and/or business and/or calculating and/or office and/or educational procedures,

189

(d) the Venetian Blind and Allied Products Manufacturing Industry in the Province of the Transvaal,

(e) the installation and/or repair of burglar and/or other similar alarm systems in the Provinces of the Cape of Good Hope and the Orange Free State,

(f) the Locksmithing Trade in the Magisterial Districts of Benoni, Boksburg, Durban, Germiston, Johannesburg, Krugersdorp, Lower Umfolozi, Pinetown, Port Elizabeth, Pretoria, Randburg, Roodepoort, Springs and The Cape,

(g) the production, for sale, of welding electrodes by means of plant and/or equipment and/or methods specifically adapted and/or designed for production by repetitive processes, in the Magisterial Districts of Brits, Germiston, Kempton Park and Pretoria,

(h) the installation and/or repair and/or servicing of radios and/or refrigerators and/or domestic electrical appliances in the Provinces of the Cape of Good Hope and the Orange Free State;

(i) (i) the manufacture by mass production methods from sheetmetal of a gauge not heavier than 2,108 mm of—

(aa) commercial, plain or lithographed containers for packaging of general merchandise, but excluding the manufacture of such containers by any person for the packaging of his own products,

(ab) bottle, jar and other container closures,

(ac) plain or lithographed metal toys,

(ad) plain or lithographed display tablets,

(ii) the manufacture of plain or lithographed rigid and/or collapsible tubes for non-ferrous metal slugs For the purposes of this subparagraph, "rigid tube" shall mean a container,

[For the purposes of subparagraphs (i) and (ii) a "container" shall mean a plain or lithographed article designed for the packaging, for transport or sale, of products and capable of being closed by means of a lid or cap or any other type of closure],

(j) the manufacture from tinplate of a gauge not exceeding 0,416 mm of trunks and other containers designed to hold personal effects, sporting kits, tools and documents, and other lines manufactured principally from such tinplate

(3) Notwithstanding the provisions of subsection (1), the terms of this Agreement shall apply to—

(a) apprentices only in so far as they are not inconsistent with the provisions of the Manpower Training Act, 1981, or any contract entered into or any conditions fixed thereunder, and

(b) die installering, onderhoud en herstel van elektriese uitrusting bedoel in paragraaf (b) van die omskrywing "Elektrotegniese Ingenieursnywerheid" in klousule 3 van Deel 1 van die Ooreenkoms gepubliseer by Goewermentskennisgewing No R. 1329 van 27 Junie 1980, in die provinsies die Kaap die Goeie Hoop en die Oranje-Vrystaat;

(c) die monteer, versiening, installering, onderhoud en/of herstel van toestelle, uitrusting, masjiene, werktuie en apparaat, hetsy dit van hand-, fotografiese, meganiese, elektriese, elektrostatiese of elektroniese beginsels of 'n kombinasie van sodanige beginsels gebruik maak, wat in die eerste plek bedoel is vir gebruik by rekeningkunde- en/of sake- en/of berekenings- en/of kantoor- en/of opvoedkundige prosedures,

(d) die Vervaardigingsnywerhede vir Hortjiesblinders en Verwante Produkte in die provinsie Transvaal;

(e) die installering en/of herstel van dief- en/of ander soortgelyke alarmstelsels in die provinsies die Kaap die Goeie Hoop en die Oranje-Vrystaat,

(d) die Slotmakerybedryf in die landdrosdistrikte Benoni, Boksburg, Die Kaap, Durban, Germiston, Johannesburg, Krugersdorp, Lower Umfolozi, Pinetown, Port Elizabeth, Pretoria, Randburg, Roodepoort en Springs,

(g) die produksie, vir verkoop, van sweiselektrodes deur middel van masjinerie en/of uitrusting en/of metodes wat spesiaal aangepas en/of ontwerp is vir produksie deur herhalingsprosesse, in die landdrosdistrikte Brits, Germiston, Kempton Park en Pretoria;

(h) die installering en/of herstel en/of versiening van radio's en/of koelkaste en/of huishoudelike elektriese toestelle in die provinsies die Kaap die Goeie Hoop en die Oranje-Vrystaat,

(i) (i) die vervaardiging deur middel van massaproduksiemetodes uit plaatmetaal met 'n dikte van hoogstens 2,108 mm van—

(aa) kommersiële, gewone of gelitografeerde houers vir die verpakking van algemene handelsware, maar nie die vervaardiging van sodanige houers deur iemand vir die verpakking van sy eie produkte nie;

(ab) deksels vir bottels, flesse en ander houers;

(ac) gewone of gelitografeerde metaalspeelgoed,

(ad) gewone of gelitografeerde vertoontablette;

(ii) die vervaardiging van gewone of gelitografeerde vaste en/of voubare buise uit nie-ysterhoudende metaalklompe. Vir die toepassing van hierdie subparagraaf beteken "vaste buis" 'n houer,

[Vir die toepassing van subparagrawe (i) en (ii) beteken 'n "houer" 'n gewone of gelitografeerde artikel wat ontwerp is vir die verpakking van produkte wat vervoer of verkoop moet word en wat met 'n deksel of doppie of ander soort prop toegemaak kan word],

(j) die vervaardiging uit tinplaat met 'n dikte van hoogstens 0,416 mm van koffers en ander houers wat ontwerp is om persoonlike besittings, sportuitrusting, gereedskap en dokumente te bevat, en van ander ware wat hoofsaaklik uit sodanige tinplaat vervaardig is

(3) Ondanks subklousule (1) is hierdie Ooreenkoms van toepassing op—

(a) vakleerlinge slegs vir sover dit nie onbestaanbaar is nie met die Wet op Mannekragopleiding, 1981, of met 'n kontrak daarkragtens aangegaan of voorwaardes daarkragtens vasgestel, en

(b) trainees under training in terms of section 30 of the Manpower Training Act, 1981, only in so far as they are not inconsistent with the provisions of that Act or any conditions fixed thereunder

2. PERIOD OF OPERATION OF AGREEMENT

This Agreement shall come into operation on such date as may be fixed by the Minister of Manpower in terms of section 48 of the Labour Relations Act, 1956, and shall remain in force until 31 March 1995 or for such period as the Minister may determine

189

3. SPECIAL PROVISIONS

The provisions contained in section 2 of Part IV of the Agreement published under Government Notice No R 1552 of 27 July 1984, as amended, extended and re-enacted by Government Notices Nos R 230 of 8 February 1985, R 1578 of 19 July 1985, R 1003 of 23 May 1986, R 1743 of 22 August 1986, R 1799 of 21 August 1987, R 1232 of 24 June 1988, R 248 of 17 February 1989, R 1916 of 1 September 1989, R 1829 of 3 August 1990, R 793 of 19 April 1991 and R 2 of 3 January 1992 (hereinafter referred to as the Former Agreement), and as amended, extended, renewed and re-enacted from time to time, shall apply to employers and employees

4. GENERAL PROVISIONS

The provisions contained in Parts I, II and III and sections 1 and 3 of Part IV of the former Agreement (as amended, extended and re-enacted from time to time) shall apply to employers and employees

PART II

5. SECTION 1: CONTRIBUTIONS

(1) Substitute the following for the existing subsection (2) (a) (i)

"(i) 17 cents per week in respect of employees engaged on work classified below Rate DD in terms of the Main Agreement or, where such classification is not applicable, in receipt of an hourly rate of R6,69 or less,"

(2) Substitute the following for the existing subsection (2) (a) (ii)

"(ii) 32 cents per week in respect of employees engaged on work classified at Rate DD or above in terms of the Main Agreement or, where such classification is not applicable, in receipt of an hourly rate in excess of R6,69 "

(3) Substitute the following for subsection (3)

"(3) In any establishment in which the total amount payable to the Council in terms of subsection (2) (a) and (b) hereof amounts to less than R17 per month, the employer shall make up the amount to R17 and forward that amount to the Council each month "

(4) Re-number subsection (6) (a) (iv) to read (6) (a) (v)

(5) Insert the following new subsection (6) (a) (iv)

"(iv) In the event of the Council incurring any costs or becoming obliged to pay any collection commission by reason of the failure of the employer to make any payment on or before the due date, the employer shall then be liable to pay forthwith all such costs of whatever nature as between attorney and client and all such collection commission "

Signed at Johannesburg, for and on behalf of the parties this 4th day of February 1993

A. B. BENN,
Chairman

B. ANGUS,
Member

D. G. LEVY,
General Secretary

(b) kwekelinge wat opgelei word kragtens artikel 30 van die Wet op Mannekragopleiding, 1981, slegs vir sover dit nie onbestaanbaar is nie met daardie Wet of met voorwaardes daarkragtens vasgestel

2. GELDIGHEIDSDUUR VAN OOREENKOMS

Hierdie Ooreenkoms tree in werking op die datum wat deur die Minister van Mannekrag kragtens artikel 48 van die Wet op Arbeidsverhoudinge, 1956, vasgestel word en bly van krag tot 31 Maart 1995 of vir die tydperk wat die Minister bepaal

3. SPESIALE BEPALINGS

Klousule 2 van Deel IV van die Ooreenkoms gepubliseer by Goewermentskennisgewing No R 1552 van 27 Julie 1984, soos gewysig, verleng en herbekragtig by Goewermentskennisgewings Nos R 230 van 8 Februarie 1985, R 1578 van 19 Julie 1985, R 1003 van 23 Mei 1986, R 1743 van 22 Augustus 1986, R 1799 van 21 Augustus 1987, R 1232 van 24 Junie 1988, R 248 van 17 Februarie 1989, R 1916 van 1 September 1989, R 1829 van 3 Augustus 1990, R 793 van 19 April 1991 en R 2 van 3 Januarie 1992 (hierna die Vorige Ooreenkoms genoem), en soos van tyd tot tyd gewysig, verleng, hernieu en herbekragtig, is van toepassing op werkgewers en werknemers

4. ALGEMENE BEPALINGS

Dele I, II en III en klousules 1 en 3 van Deel IV van die vorige Ooreenkoms (soos van tyd tot tyd gewysig, verleng en herbekragtig) is van toepassing op werkgewers en werknemers

DEEL II

5 KLOUSULE 1: BYDRAES

(1) Vervang die bestaande subklousule (2) (a) (i) deur die volgende

"(i) 17 sent per week ten opsigte van werknemers wat werk verrig wat ingevolge die Hoofooreenkoms laer as Loon DD geklassifiseer is, of, waar sodanige klassifikasie nie van toepassing is nie, 'n uurloon van R6,69 of minder ontvang,"

(2) Vervang die bestaande subklousule (2) (a) (ii) deur die volgende

"(ii) 32 sent per week ten opsigte van werknemers wat werk verrig wat ingevolge die Hoofooreenkoms as Loon DD of hoer geklassifiseer is, of, waar sodanige klassifikasie nie van toepassing is nie, 'n uurloon van meer as R6,69 ontvang."

(3) Vervang subklousule (3) deur die volgende

"(3) In 'n bedryfsinrigting waarin die totale bedrag wat ingevolge subklousule (2) (a) en (b) hiervan aan die Raad betaalbaar is, minder is as R17 per maand, moet die werkgewer die bedrag aanvul tot R17 en daardie bedrag elke maand aan die Raad stuur "

(4) Hernommer subklousule (6) (a) (iv) tot (6) (a) (v)

(5) Voeg die volgende nuwe subklousule (6) (a) (iv) in

"(iv) In die geval waar die Raad enige koste aangaan of dit vir hom verpligtend word om enige invorderingskommissie te betaal weens die versuim van die werkgewer om enige betaling voor of op die betaaldatum te doen, is die werkgewer daarvoor aanspreeklik om onverwyld al sodanige koste van watter aard ook al soos tussen prokureur en klient en al sodanige invorderingskommissie te betaal "

Namens die partye op hede die 4de dag van Februarie 1993 te Johannesburg onderteken

A. B. BENN,
Voorsitter

B ANGUS,
Lid

D. G. LEVY,
Hoofsekretaris

(10) Notwithstanding the provisions of subclause (9), the Management Committee may decide to deposit all moneys received for the Fund to the account of the Council In that event, the moneys required shall be paid out by cheques signed by the same signatories as those who sign the cheques of the Council Separate accounts shall be kept in the Council's books for the Funds

(11) All administrative and liquidation expenses shall be a charge against the Fund

(12) A public accountant, who shall be appointed by the Council and whose remuneration shall be determined by the Council and paid by the Fund, shall audit the accounts of the Fund at least once annually and, not later than 30 June in each year, prepare a statement showing—

(a) all moneys received—

(i) in terms of subclause (3) hereof,

(ii) from any other sources, and

(b) expenditure incurred under all headings during the 12 months ended 30 June preceding, together with a balance sheet showing the assets and liabilities of the Fund as at that date True copies of the audited statement and balance sheet, countersigned by the Chairman of the Council, and the auditor's report thereon, shall thereafter lie for inspection at the office of the Council Certified copies of the statement, the balance sheet and the auditor's report shall as soon as possible, but not later than three months after the close of the period covered thereby, be transmitted by the Council to the Industrial Registrar

(13) Disbursements from the Fund shall cease whenever the amount to the credit of the Fund falls below R100 and shall not recommence until the amount in question increases above R200 "

Signed at Johannesburg, on behalf of the parties, this 1st day of July 1992

S. I. JAFFE,
Chairman of the Council

T. A. MABENA,
Member of the Council

H. D. BROOKSTEIN,
Deputy Secretary of the Council

No. R. 642 **23 April 1993**

LABOUR RELATIONS ACT, 1956

DEMARCATION DETERMINATION NATIONAL INDUSTRIAL COUNCIL FOR THE IRON, STEEL, ENGINEERING AND METALLURGICAL INDUSTRY

I, Leon Wessels, Minister of Manpower, hereby notified in terms of section 76 (7) of the Labour Relations Act, 1956, that the Industrial Court, under powers vested in it by section 76 (6) of the said Act, has made the Determination appearing in the Schedule hereto

SCHEDULE

189

DETERMINATION IN TERMS OF SECTION 76 OF THE LABOUR RELATIONS ACT IRON, STEEL, ENGINEERING AND METALLURGICAL INDUSTRY

The Industrial Court, having read the representations filed and having considered the evidence heard by it, determines the questions in respect of which

(10) Ondanks die bepalings van subklousule (9) kan die Bestuurskomitee besluit om alle geld wat vir die Fonds ontvang word, in die Raad se rekening te stort In daardie geval moet die geld wat nodig is, uitbetaal word per tjek onderteken deur dieselfde ondertekenaars as die wat die tjeks van die Raad onderteken Afsonderlike rekenings moet vir die Fonds in die Raad se boeke gehou word

(11) Alle administrasie- en likwidasiekoste kom ten laste van die Fonds

(12) 'n Openbare rekenmeester, wat deur die Raad aangestel word en wie se besoldiging deur die Raad vasgestel en deur die Fonds betaal word, moet die rekenings van die Fonds minstens een keer per jaar ouditeer en voor of op 30 Junie elke jaar 'n staat verstrek wat die volgende toon—

(a) Alle gelde ontvang

(i) kragtens subklousule (3) hiervan,

(ii) uit alle ander bronne, en

(b) uitgawes onder alle hoofde aangegaan gedurende die 12 maande geëindig die voorafgaande 30 Junie, tesame met 'n balansstaat wat die bates en laste van die Fonds op daardie datum toon Ware afskrifte van die geouditeerde staat en balansstaat, medeonderteken deur die Voorsitter van die Raad, en die ouditeur se verslag daaroor, moet daarna op die kantoor van die Raad ter insae lê Gewaarmerkte afskrifte van die staat, die balansstaat en die ouditeur se verslag moet so gou moontlik, maar uiterlik drie maande na die einde van die tydperk wat daardeur gedek word, deur die Raad aan die Nywerheidsregistrateur gestuur word

(13) Uitbetalings deur die Fonds word gestaak wanneer die bedrag in die krediet van die Fonds minder as R100 beloop en word nie hervat nie voordat die betrokke bedrag tot meer as R200 vermeerder het "

Namens die partye op hede die 1ste dag van Julie 1992 te Johannesburg onderteken

S. I. JAFFE,
Voorsitter van die Raad

T. A. MABENA,
Lid van die Raad

H. D BROOKSTEIN,
Ondersekretaris van die Raad

No. R. 642 **23 April 1993**

WET OP ARBEIDSVERHOUDINGE, 1956

AFBAKENINGVASSTELLING NASIONALE NYWERHEIDSRAAD VIR DIE YSTER-, STAAL-, INGENIEURS- EN METALLURGIESE NYWERHEID

Ek, Leon Wessels, Minister van Mannekrag, maak ingevolge artikel 76 (7) van die Wet op Arbeidsverhoudinge, 1956, bekend dat die Nywerheidshof, kragtens die bevoegdheid aan hom verleen by artikel 76 (6) van genoemde Wet, die Vasstelling gemaak het wat in die Bylae hiervan verskyn

BYLAE

VASSTELLING INGEVOLGE ARTIKEL 76 VAN DIE WET OP ARBEIDSVERHOUDINGE YSTER-, STAAL-, INGENIEURS- EN METALLURGIESE NYWERHEID

Die Nywerheidshof stel, nadat hy die vertoe wat ingedien is, gelees het en die getuienis wat hy aangehoor het, oorweeg het, die vrae ten opsigte application for determination was made in terms of section 76 (3) of the Act and in respect of which notice was given in Notice 371 of 1992, published in *Government Gazette* No 13935 of 24 April 1992, as follows

(a) The class of employers that is associated with its employees for the purpose of manufacturing, installing, maintaining, repairing and servicing television sets and monitors within the Republic of South Africa, excluding installing, maintaining, repairing and servicing in the Province of the Cape of Good Hope, and excluding in respect of the whole of the Republic of South Africa, the installation, maintenance, repair and servicing of monitors primarily intended for use in accounting and/or data processing and/or business procedures, is engaged in the Electrical Engineering Industry as defined in the certificate of registration of the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry

189

(b) The manufacture, installation, maintenance, repair and servicing of television sets and monitors within the Republic of South Africa, excluding installing, maintenance, repair and servicing in the Province of the Cape of Good Hope, and excluding in respect of the whole of the Republic of South Africa the installation, maintenance, repairing and servicing of monitors primarily intended for use in accounting and/or data processing and/or business procedures, fall within the Electrical Engineering Industry as defined in the certificate of registration of the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry

Dated on this 9th day of November 1992

A. DE KOCK,
Senior Member: Industrial Court

waarvan aansoek om vasstelling gedoen is kragtens artikel 76 (3) van die Wet en ten opsigte waarvan kennis gegee is by Kennisgewing 371 van 1992, gepubliseer in *Staatskoerant* No 13935 van 24 April 1992, soos volg vas:

(a) die werkgewersklas wat met sy werknemers geassosieer is vir die doel van die vervaardiging, installering, instandhouding, herstel en versiening van televisiestelle en -monitors in die Republiek van Suid-Afrika, uitgesonderd die installering, instandhouding, herstel en versiening in die provinsie die Kaap die Goeie Hoop, en uitgesonderd en opsigte van die hele Republiek van Suid-Afrika, die installering, instandhouding, herstel en versiening van monitors hoofsaaklik bedoel vir bebruik in boekhouding en/of dataverwerking en/of besigheidsprosedures, is betrokke by die Elektrotegniese Ingenieursnywerheid soos omskryf in die registrasiesertifikaat van die Nasionale Nywerheidsraad vir die Yster-, Staal-, Ingenieurs- en Metallurgiese Nywerheid

(b) Die vervaardiging, installering, instandhouding, herstel en versiening van televisiestelle en monitors in die Republiek van Suid-Afrika, uitgesonderd die installering, instandhouding, herstel en versiening in die provinsie die Kaap die Goeie Hoop, en uitgesonderd, ten opsigte van die hele Republiek van Suid-Afrika, die installering, instandhouding, herstel en versiening van monitors hoofsaaklik bedoel vir gebruik in boekhouding en/of dataverwerking en/of besigheidsprosedures, val binne die Elektrotegniese Ingenieursnywerheid soos omskryf in die registrasiesertifikaat van die Nasionale Nywerheidsraad vir die Yster-, Staal-, Ingenieurs- en Metallurgiese Nywerheid

Gedateer op hede die 9de dag van November 1992

A. DE KOCK,
Senior Lid Nywerheidshof

Taking a break ... the Afrikaner Volksunie's Chris de Jager
multiparty negotiations in Kempton Park yesterday.

Steel retrenchments ease

ERICA JANKOWITZ (189)

THE steel engineering sector reduced its workforce by almost 110 000 in the period January 1989 to December 1992, but retrenchment figures for the first two months of this year were the lowest since February 1991, possibly indicating that the recession was "bottoming out"

A Seifsa survey showed most of these occurred in large companies based in the PWV area BDM 27/4/93

About 82% of companies concentrated on decreasing unskilled workers employed Artisans, supervisors and middle and even senior managers were also retrenched

Most companies which retrenched consulted with representative unions to try to find alternatives, the most favoured being natural attrition Alternatives included restricted hirings, not using casual labour and short time

Companies which did hire workers during the survey period rehired retrenchees with the required skills

"An average of seven people per company have been taken on mostly among the larger employers On average, three of these people per company were rehired as previously retrenched employees," Seifsa said

THE NE

Seifsa starts wage talks

433 345 BDM 5/5/93 (189)

ERICA JANKOWITZ

THE first plenary session in the Seifsa 1993 wage round was scheduled for tomorrow with working groups set to meet on May 12 and 13, Seifsa industrial relations director Dave Carson said yesterday.

He said to date slow progress had been made as Seifsa had refused to make a wage offer pending the announcement of plans for the "rolling mass' action campaign" outlined by Cosatu in the wake of Chris Hani's assassination.

Numsa tabled proposals for a 15% real wage increase over three years, a narrowing of wage differentials, a reduction in the number of job grades, training and succession planning and fewer working hours.

Carson said these proposals would add in the region of 20% to wage costs for the three-year period in which Numsa envisaged the changes to be made. The union also proposed an agency shop arrangement and improved worker rights and benefits, including six months' paid maternity leave

BIDAY 7/5/93

Wage talks begin

SEIFSA employers yesterday began the 1993 wage negotiations and made "steady if unspectacular progress" in discussing the "more than 80" union demands

Seifsa said union demands ranged from increases of 14% to 51,5%. Employers had proposed changes to the main agreement

(189)

Seifsa offers 4,5% increase to workers

(153)(189) (151)

ERICA JANKOWITZ

SEIFSA yesterday offered a 4,5% annual wage increase to steel and engineering workers in response to union demands ranging between 14% and 51,5%. BIDAY 14/5/93

The offer was made at a meeting between a Seifsa work group and the 11 recognised trade unions.

Lesser offers were made for some regions — the Cape, Natal and Border — and in the Free State a wage freeze was proposed because of the industry's absolute reliance on the mining industry, which was undergoing difficult times.

Seifsa industrial relations director Dave Carson said after caucusing, the unions had indicated they could not accept the wage offer and appealed to Seifsa to reconsider its position.

On the regional wage issues, the unions said they had not been mandated to respond to this proposal and suggested a further meeting be held under the ambit of the collective bargaining group.

The parties agreed to do their best to reach finality at their next meeting scheduled for June 4 as the present agreement expired at the end of June.

Carson said a number of peripheral items had been removed from the agenda and employers had agreed to re-examine other issues such as occasional leave and employees injured on duty

One step forward ... (189) (1__)

NEGOTIATIONS in the metal industry this week made "steady, if unspectacular" progress, according to employer body, the Steel and Engineering Industries Federation of South Africa.

One can understand why: the negotiating teams have to wade through 80 union demands and have to deal with wage demands ranging between 14 and 51,5 percent. Employers have not yet tabled wage offers. W/Mail 14/5 – 20/5/93.

Agreement was reached on the regrading of certain drivers, an increase in 0,6 percent of employee and employer contributions to retirement funds — specifically to aid disabled workers.

Numsa proposals a blueprint for wage negotiations

189

BDAY 25/5/93.

PAT STONE

NUMSA's 1993 demands to the national bargaining forum of the motor manufacturers may well provide a blueprint for the future of wage negotiations in SA

The demands are not, as has been reported, either moderate or insignificant. They do not indicate an acknowledgement by the labour movement that it is now destined to play a secondary role in society given that the political arena is no longer exclusively its domain Nor do they reflect the structural economic weakness of the various industrial sectors in which Numsa seeks to improve working conditions

Numsa prefaces its proposals by stating that it believes fundamental change is required in a negotiating relationship between employers and unions in the industry

The union believes the basis of this relationship should be a set of broad objectives to restructure the industry for modernisation, world class manufacturing, job creation, employment security, human resource development and development of domestic and export markets

Numsa then goes on to submit proposals for an integrated package of change to all segments of the industry which it seeks to conclude by June 30 1996

The first set of proposals entitled "Wages, grading, skills and training, work organisation" holds few surprises The concept of flattening the pay curve within companies is articulated through demands for the current differential between minimum rates and artisan rates of pay to be reduced from 50% to 20% The whole issue of differentials within and between pay structures is the meat and drink of any industrial relations system In SA terms it has possibly taken second place to the campaign for a living wage However, with increasing emphasis on removal of discrimination, equal pay for work of equal value and redistribution of wealth, Numsa is highlighting a key ratio which will be used in future by many Cosatu unions

With artisans remaining a relatively scarce resource, the unions can be assured that this will remain a highly convenient benchmark on which to establish wage ratios for their unskilled and semi-skilled members, who, if it was left exclusively to market forces, would be experiencing severe cutbacks in real earnings The priority for the protection of real earnings is also demonstrated by Numsa's proposal for a 15% increase in real wages over the three year period to 1996

Finally, on the pay issue, Numsa proposes that within three years all motor manufacturers should be paying the same wages per grade To raise rates to the levels enjoyed by Mercedes-Benz workers would have differing implications from manufacturer to manufacturer However, the principle of equal pay for work of equal value throughout an industry appears to be a principal Cosatu objective and will present employers with severe difficulties

Employers will argue that to achieve world class manufacturing they must be free to control their own labour costs The unions, in turn, will argue that competitive advantage should not be at the expense of worker exploitation but rather in the realms of better designs, working methods and marketing

Numsa proposals do, in fact, recognise the need for changes to work organisation They also acknowledge that such changes need to be negotiated and agreed at plant level However, they believe that such changes should be negotiated only within the principles that all cost savings resulting from those changes should be applied collectively at plant level to all employees Also, says Numsa, all changes in work organisation should be based on the principle of worker empowerment linked to a recognition of skills and matched by a process of skill development and flattening of management and supervisory structures.

The flattening of organisation structures is good management practice provided the quality of personnel ensures that it does not result in a loss of co-ordination and control

A fairly novel approach on work organisation comes from Numsa with its proposal that work teams should elect on a rotational basis team leaders at agreed levels Whether this extreme of industrial democracy will lead to world class manufacturing performance may be debatable in those quarters where the principle of selecting the most suitable person for a post still holds some value.

With the principle that all employees should share in award systems resulting from cost savings, some employers may be dubious Whether employees should be rewarded for their co-operation in bringing about change or merely for the tasks they perform, is bound to be the nub of deep argument within any industrial relations system

In the quest for improved efficiency, Numsa quite rightly concentrates on the whole issue of training and development of the human resource Proposals for the industry training board to conduct a skills audit of the industry, the pooling of training resources and a clear definition of skills standards for each grade level, can only contribute to the planned development of human capital.

However, Numsa envisages that, once skills standards have been formulated by the training board, all workers will be entitled to a skills assessment based on the broad banded skills agreed and be accredited accordingly This is not an unreasonable proposal Numsa, not surprisingly, argues that workers should not be downgraded if skills assessments prove that they are lacking in the agreed skills, and proposes instead that they be given required training

Of more concern to employers is the proposal that workers who have skills in excess of their grade, and who meet the agreed standards for a higher grade, be automatically upgraded and paid accordingly This is linked to a proposal that workers be entitled to training — which would mean automatic improvement in their pay whether or not their new skills were being used

While employer outrage is predictable, some deep thinking needs to be done to ensure that financial motivation accompany a skills upliftment programme

Numsa and Cosatu philosophies on the procedural issues of bargaining units, bargaining structures and union membership are likely to strain relationships with employers the most The Numsa proposals include a demand for the widening of the national bargaining forum to incorporate the motor component, vehicle body building, bus building and tyre sectors Given the existing strains over national bargaining, such a proposal appears light years away from employer thinking

Numsa proposals also incorporate various methods in which to increase the union's sphere of influence

These are merely proposals Nevertheless, they are well thought out, cohesive and clearly identify the style and nature of the industrial society the trade union and movement wishes to create.

Employers would be well advised to consider such philosophies and thinking in developing their own strategies as they seek to develop an acceptable face of capitalism against the major political change in the society in which they operate.

☐ **Stone is senior partner at Andrew Levy and Associates. This is an edited version of an article in the latest edition of IR Data.**

☐ **Simon Barber is on leave until mid-June.**

Seifsa hails industrial councils verdict

ERICA JANKOWITZ 189

THE Cape division of the Supreme Court, in a decision handed down on May 14, had reaffirmed the obligation of non-members of industrial councils to adhere to council agreements extended by the Minister to cover non-members, Seifsa said yesterday

The case involved the National Industrial Council for the iron, steel, engineering and metallurgical industries and 12 employers who refused to contribute to pension, provident and education and training funds on behalf of their employees.

The 12 employers had claimed the council was not representative of employers

The court rejected all allegations made by the 12 employers and ordered costs to be paid by them It also received a written undertaking from the main respondent not to incite or encourage other employers to refuse to comply with industrial council agreements

Seifsa said this "confirmed the important role of councils in regulating industry collectively through agreements negotiated between employer organisations and trade unions party to the council"

BARLOWS FM 28/5/93

(189)

So it does rain in Spain

A 5% dip in half-time EPS at Barlow Rand, arguably SA's premier industrial conglomerate, is probably the most succinct current commentary on the state of the economy

Turnover rose 10% to R18,7bn but operating profit is down 5% at R1,02bn, reflecting sharply lower trading margins The result is in line with those from associates and subsidiaries, which all report tough trading conditions, increased and aggressive competition, and ample evidence of the savagery of the recession — eloquently expressed in turnover declines in the food companies

IN A SQUEEZE

Six months to	Mar 31 '92	Sep 30 '92	Mar 31 '93
Turnover (Rm)	17 066	18 099	18 728
Operating income (Rm)	1 374	1 333	1 301
Attributable (Rm)	400	449	384
Earnings (c)	207,3	230,2	196,0
Dividends (c)	54	119	54

Surprisingly, the income statement reflects comparatively high interest payments of R279m 9% less than last year but in a period when interest rates fell progressively and the full benefits of cash from the sale of Middelburg Steel were felt MD Derek Cooper says one reason is high borrowings at UK operation J Bibby, these quadrupled

Cooper confirms the group is now sitting on a free cash pile approaching R1bn Somewhat disarmingly, he says Barlow isn't allowing it "to burn a hole in our pockets" Perhaps not, but shareholders aren't seeing the benefit of it through dividends either

Working capital

Overall, the balance sheet continues to reflect inherent strength Fixed assets and investments are appreciably higher, working capital is tightly controlled at 45 days

The results feature two unusual occurrences As perception is often more important than reality, it is worth examining them

Last year, Barlow secured control of Finanzauto, the Spanish Caterpillar dealer, through Bibby The price was £82m — a lot of money in anyone's book Cooper was careful to say the purchase wouldn't generate "positive returns for Bibby or Barlow Rand in the short term"

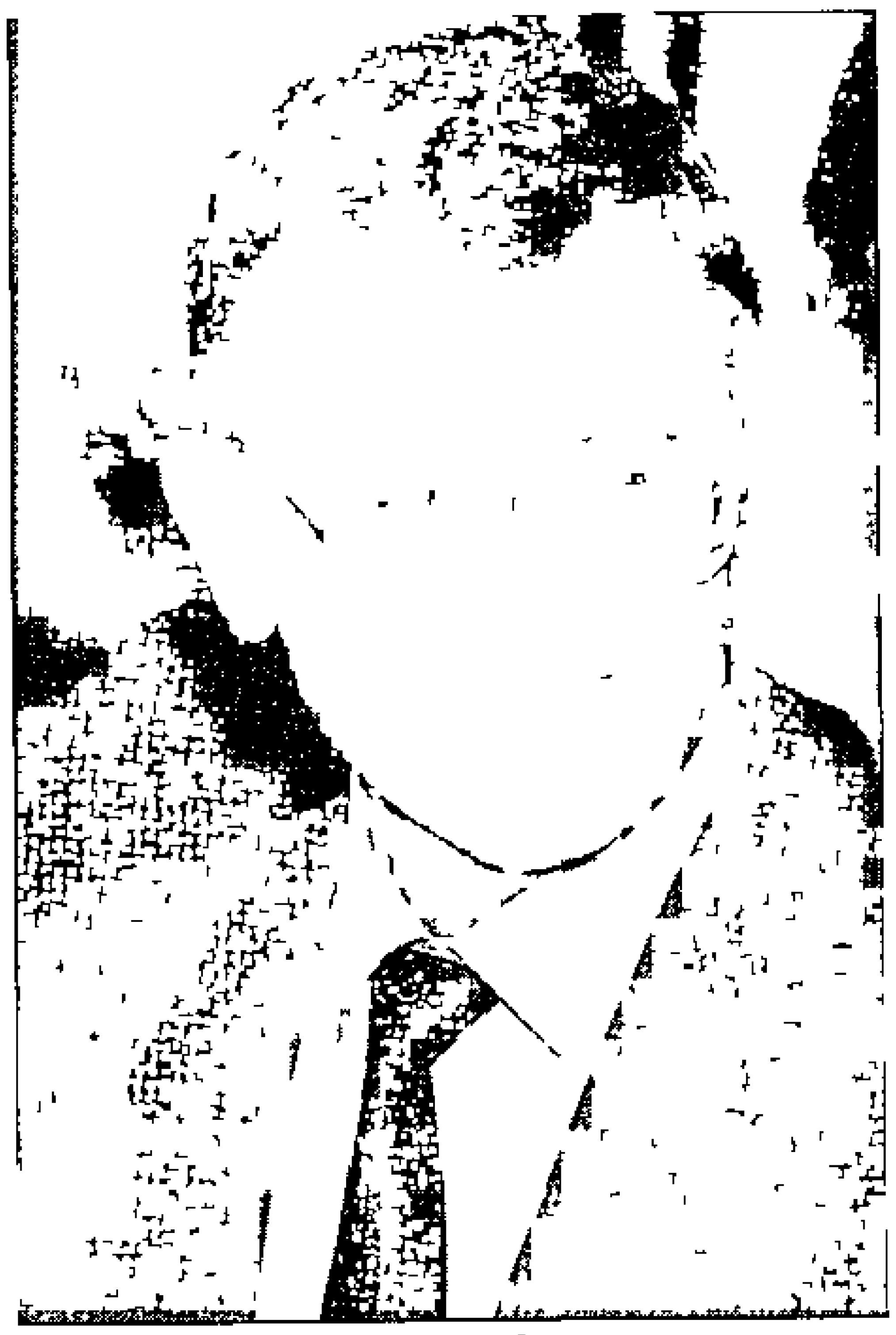
He must be pleased he was so prescient The interim statement says "the newly acquired Caterpillar dealership in Spain has been badly affected by a worse than expected decline in that country's economy" But Cooper says that Spain, now on the verge of a general election and with unemployment running at 21%, has been granted £6bn from the EC equalisation fund to be applied on infrastructural projects only — and that will be good for Caterpillar and Finanzauto Well, from his lips

The second event of note is the confession that what Randcoal thought was in the ground at Majuba colliery turned out not to be quite so Of course, it was that geological assessment which would have formed the basis of Eskom's award of the Majuba power station contract to Randcoal

It has been agreed that Majuba colliery will be closed and coal shipped in from nearby Khutala That will need construction of a 70 km rail link at a cost of about R300m (to be shared by Spoornet and Eskom) and a R560m expansion of Khutala (to be borne 60% by Randcoal and the rest by Eskom)

No wonder Cooper says the problem has been resolved "most satisfactorily We're pleased with the outcome" Eskom says that these costs won't add to electricity charges It is a solution to an unusual professional error which is almost too good to be true

Those matters aside, it's noteworthy that Barlow has made great progress in developing an earlier strategy by which attributable earnings are now derived 43% from consumer-related products and only 22% from commodities Cooper says Barlow has chosen to move closer to perceived areas of growth — in the group's view that is demographic change, particularly the accelerating move to rapid urbanisation One effect management welcomes is that it reduces the dependence on capricious commodity cycles



Cooper *welcoming demographic change*

While chairman Warren Clewlow and Cooper eschew any detailed prediction, they do concede attributable profit will decline more than the first half's 4% Despite that, the intention is to maintain the dividend at 173c On that basis, a yield of 3,9% and prospective p e of around 11 fairly reflect investor expectations *David Gleason*

NOTICE 464 OF 1993

CUSTOMS AND EXCISE TARIFF APPLICATIONS: LIST 20/93

The following application concerning the Customs and Excise Tariff has been received by the Board on Tariffs and Trade. Any objections to or comments on this representation must be submitted to the Chairman, Board on Tariffs and Trade, Private Bag X753, Pretoria, 0001, within six weeks of the date of this notice. Attention is drawn to the fact that the rate of duty mentioned in the application is that requested by the applicant and that the Board may, depending on its findings, recommend a lower or higher rate of duty.

Rebate of the duty (in Schedule 3) on:

Knitted or crocheted fabrics interlined with neoprene rubber (closed cell), classifiable under tariff heading 59.06, for the manufacture of limb and body supports.

[BTT Ref: T5/2/11/9/1 (930029)

(H. Claassens)]

Applicant:

National Converter Industries (Pty) Ltd, P.O. Box 97, East London, 5200.

List 19/93 was published under General Notice 433 of 21 May 1993.

(28 May 1993)

BOARD NOTICES

BOARD NOTICE 54 OF 1993

ENGINEERING COUNCIL OF SOUTH AFRICA

AMENDMENT OF TARIFF OF FEES· ENGINEERING PROFESSION OF SOUTH AFRICA ACT, 1990 (ACT No. 114 OF 1990) (189)

In terms of section 6 (4) of the Engineering Profession of South Africa Act, 1990 (Act No 114 of 1990), the Engineering Council of South Africa hereby makes known that it has in terms of section 6 (1) (k) of the said Act, made the provisions in the Schedule hereto, and that the Minister of Public Works has approved such provisions

The provisions contained in the Schedule, which specifically exclude Value-Added Tax from the amount on which fees are calculated but do provide for the addition of Value-Added Tax to the fee so calculated, shall come into effect on the date of publication hereof and shall further apply to all new projects as of that date.

Notice 1170 of 13 December 1991 and Board Notice 100 of 15 May 1992 are hereby withdrawn.

(28 May 1993)

KENNISGEWING 464 VAN 1993

DOEANE EN AKSYNSTARIEFAANSOEKE LYS 20/93

Onderstaande aansoek betreffende die Doeane- en Aksynstarief is deur die Raad op Tariewe en Handel ontvang. Enige beswaar teen of kommentaar op hierdie vertoë moet binne ses weke na die datum van hierdie kennisgewing aan die Voorsitter, Raad op Tariewe en Handel, Privaat Sak X753, Pretoria, 0001, gerig word. Die aandag word daarop gevestig dat die skale van reg wat in die aansoek genoem word, dié is wat deur die applikant aangevra is en dat die Raad, afhangende van sy bevindinge hoër of laer skale van reg mag aanbeveel.

Korting van die reg (in Bylae 3) op:

Brei- of hekelstowwe, met tussenvoerings van neopreenrubber (geslote sel), indeelbaar by tariefpos 59.06, vir die vervaardiging van ledemaat- en lyfstutte.

[RTH-verw: T5/2/11/9/1 (930029)

(H. Claassens)]

Applikant:

National Converter Industries (Pty) Ltd, Posbus 97, Oos-Londen, 5200.

Lys 19/93 is by Algemene Kennisgewing 433 van 21 Mei 1993 gepubliseer.

(28 Mei 1993)

RAADSKENNISGEWINGS

RAADSKENNISGEWING 54 VAN 1993

SUID-AFRIKAANSE RAAD VIR INGENIEURSWESE

WYSIGING VAN GELDETARIEF: DIE WET OP DIE INGENIEURSWESEPROFESSIE VAN SUID-AFRIKA, 1990 (WET No. 114 VAN 1990)

Kragtens artikel 6 (4) van die Wet op die Ingenieursweseprofessie van Suid-Afrika, 1990 (Wet No. 114 van 1990), maak die Suid-Afrikaanse Raad vir Ingenieurswese hiermee bekend dat hy kragtens artikel 6 (1) (k) van genoemde Wet die voorsiening in die Bylae hiervan gemaak het, en dat die Minister van Openbare Werke sodanige voorsiening goedgekeur het.

Die bepalings vervat in die Bylae wat Belasting op Toegevoegde Waarde spesifiek uitsluit van die bedrag waarop die gelde bereken word maar wel voorsiening maak vir die byvoeging van Belasting op Toegevoegde Waarde op die gelde aldus bepaal, tree in werking op datum van publikasie hiervan en is verder van toepassing op alle nuwe projekte vanaf daardie datum

Kennisgewing 1170 van 13 Desember 1991 en Raadskennisgewing 100 van 15 Mei 1992 word hierby ingetrek.

(28 Mei 1993)

SCHEDULE

189

1. In this Schedule "the Regulations" means the regulations promulgated under Government Notice No R. 1113 of 11 June 1982, as amended by Government Notices Nos R 1638 of 30 July 1982, R 1497 of 8 July 1983, R 2396 of 2 November 1984, R 1737 of 22 August 1986, R. 2590 of 23 December 1988, R 480 of 15 June 1990, R. 2057 of 31 August 1990 and R 2543 of 2 November 1990

2. The Index to the Regulations is hereby amended—
   (a) by the insertion, after "2.3.5", of the following heading·
   "2.3.6 Levying of VAT",
   (b) by the insertion, after "3.3 5", of the following heading·
   "3.3.6 Levying of VAT"; and
   (c) by the insertion, after "4.3.5", of the following heading·
   "4.3 6 Levying of VAT"

3. Regulation 2 of the Regulations is hereby amended—
   (a) by the substitution for regulations 2 3 1.1 of the following regulation·
   "2 3 1.1 CIVIL AND STRUCTURAL ENGINEERING SERVICES.
   The fee for the civil and structural engineering services shall be calculated as follows:";
   (b) by the substitution for the table contained in regulation 2.3 1 1 1 of the following table·
   "2.3 1.1 1 BASIC FEES

Where the cost of the works (VAT excluded)—		the fee shall be the sum of the primary fee stated in column 3 and the secondary fee calculated in terms of column 4	
exceeds— (Column 1)	but does not exceed— (Column 2)	Primary fee (Column 3)	Secondary fee: Calculated on the value in columns 1 and 2 at the following percentages (Column 4)
R	R	R	%
0	335 000	1 000	10,50
335 000	613 000	4 350	9,50
613 000	922 000	7 415	9,00
922 000	1 380 000	12 025	8,50
1 380 000	2 303 000	18 925	8,00
2 303 000	3 838 000	30 440	7,50
3 838 000	6 140 000	49 630	7,00
6 140 000	9 211 000	80 330	6,50
9 211 000	16 886 000	149 413	5,75
16 886 000	27 632 000	233 843	5,25
27 632 000	39 913 000	372 003	4,75
39 913 000	67 544 000	471 785	4,50
67 544 000		640 645	4,25",

   (c) by the substitution for the table contained in regulation 2 3.1 1 2 of the following table·

"Where the cost of the reinforced concrete portion of the works including the cost of the relevant proportion of the preliminary and general items (and excluding VAT)—		the additional fee shall be the sum of the primary fee stated in column 3 and the secondary fee calculated in terms of column 4	
exceeds— (Column 1)	but does not exceed— (Column 2)	Primary fee (Column 3)	Secondary fee: Calculated on the value in columns 1 and 2 at the following percentages (Column 4)
R	R	R	%
0	3 380 000	0	3,40
3 380 000	5 063 000	8 450	3,15
5 063 000	6 753 000	21 108	2,90
6 753 000	11 358 000	37 990	2,65
11 358 000	16 886 000	100 459	2,10
16 886 000		184 889	1,60",

(d) by the substitution for the table contained in regulation 2.3.1.2.1 2 of the following table.

189

"Where the length of track—		the fee shall be the sum of the primary fee stated in column 3 and the secondary fee calculated in terms of column 4	
exceeds— (Column 1)	but does not exceed— (Column 2)	Primary fee (Column 3)	Rate of secondary fee calculated on the total length of the track (Column 4)
m	m	R	R/m
0	500	450	8,87
500	1 000	2 215	5,34
1 000	2 000	3 055	4,50
2 000	3 000	4 095	3,98
3 000	5 000	5 385	3,55
5 000	10 000	7 735	3,08
10 000	20 000	11 835	2,67
20 000	50 000	20 435	2,24
50 000		44 435	1,76",

(e) by the substitution for regulation 2 3.1.3 of the following regulation:

"2.3.1.3 MECHANICAL AND ELECTRICAL ENGINEERING SERVICES.

The fees for mechanical engineering services shall be calculated as follows:

Where the cost of the works (VAT excluded)—		the fee shall be the sum of the primary fee stated in column 3 and the secondary fee calculated in terms of column 4	
exceeds— (Column 1)	but does not exceed— (Column 2)	Primary fee (Column 3)	Secondary fee: Calculated on the value in columns 1 and 2 at the following percentages (Column 4)
R	R	R	%
0	346 000	1 100	10,50
346 000	565 000	4 560	9,50
565 000	864 000	7 385	9,00
864 000	1 436 000	11 705	8,50
1 436 000	2 294 000	18 385	8,00
2 294 000	4 017 000	30 355	7,50
4 017 000	5 746 000	50 440	7,00
5 746 000	8 632 000	79 170	6,50
8 632 000	20 090 000	143 910	5,75
20 090 000		244 360	5,25

The fee for electrical engineering services shall be calculated as follows:

Where the cost of the works (VAT excluded)—		the fee shall be the sum of the primary fee stated in column 3 and the secondary fee calculated in terms of column 4	
exceeds— (Column 1)	but does not exceed— (Column 2)	Primary fee (Column 3)	Secondary fee. Calculated on the value in columns 1 and 2 at the following percentages (Column 4)
R	R	R	%
0	314 000	1 000	10,50
314 000	510 000	4 140	9,50
510 000	775 000	6 690	9,00
775 000	1 291 000	10 565	8,50
1 291 000	2 073 000	17 020	8,00
2 073 000	3 622 000	27 385	7,50
3 622 000	5 178 000	45 495	7,00
5 178 000	7 780 000	71 385	6,50
7 780 000	18 106 000	129 735	5,75
18 106 000		220 265	5,25", and

(f) by the insertion after regulation 2.3.5 of the following regulation:

"2.3.6 Levying of VAT

VAT must be added to the fee or remuneration calculated in terms of regulation 2 "

4. Regulation 3 of the Regulations is hereby amended—

(a) by the substitution for regulation 3 3 1.1 of the following regulation

"3 3 1 1 STRUCTURAL AND CIVIL ENGINEERING SERVICES PERTAINING TO BUILDING PROJECTS.

In respect of works making normal demands on the time of the professional engineer, the fee shall be

Where the cost of the works (VAT excluded)—		the fee shall be the sum of the primary fee stated in column 3 and the secondary fee calculated in terms of column 4	
exceeds— **(Column 1)**	but does not exceed— **(Column 2)**	Primary fee **(Column 3)**	Secondary fee Calculated on the value in columns 1 and 2 at the following percentages **(Column 4)**
R	R	R	%
0	335 000	1 000	10,50
335 000	677 000	4 350	9,50
677 000	1 690 000	11 120	8,50
1 690 000	3 380 000	19 570	8,00
3 380 000	6 753 000	36 470	7,50
6 753 000	16 886 000	70 235	7,00
16 886 000		154 665	6,50", and

(b) by the insertion after regulation 3.3 5 of the following regulation·

"3.3.6 Levying of VAT

VAT must be added to the fee or remuneration calculated in terms of regulation 3 "

5. Regulation 4 of the Regulations is hereby amended—

(a) by the substitution for the tables in regulation 4.3 1 1 of the following regulation·

"4 3.1.1 MECHANICAL AND ELECTRICAL ENGINEERING SERVICES

The fee for mechanical and electrical engineering work shall be calculated as follows ";

(b) by the substitution for regulation 4 3 1 1 1 of the following regulation

"BASIC FEE—MECHANICAL

Where the cost of the works (VAT excluded)—		the fee shall be the sum of the primary fee stated in column 3 and the secondary fee calculated in terms of column 4	
exceeds— **(Column 1)**	but does not exceed— **(Column 2)**	Primary fee **(Column 3)**	Secondary fee Calculated on the value in columns 1 and 2 at the following percentages **(Column 4)**
R	R	R	%
0	173 000	850	10,50
173 000	346 000	2 580	9,50
346 000	864 000	6 040	8,50
864 000	1 729 000	10 360	8,00
1 729 000	4 017 000	19 005	7,50
4 017 000	8 632 000	39 090	7,00
8 632 000		82 250	6,50

BASIC FEE—ELECTRICAL

Where the cost of the works (VAT excluded)—		the fee shall be the sum of the primary fee stated in column 3 and the secondary fee calculated in terms of column 4	
exceeds— **(Column 1)**	but does not exceed— **(Column 2)**	Primary fee **(Column 3)**	Secondary fee· Calculated on the value in columns 1 and 2 at the following percentages **(Column 4)**
R	R	R	%
0	154 000	800	10,50
154 000	314 000	2 340	9,50
314 000	775 000	5 480	8,50
775 000	1 556 000	9 355	8,00
1 556 000	3 622 000	17 135	7,50
3 622 000	7 780 000	35 245	7,00
7 780 000		74 145	6,50",

(c) by the substitution for the tables contained in regulation 4 3.3.3.1 of the following tables

189

"MECHANICAL—

Where the cost of the works in the schedules of quantities (VAT excluded)—		the fee shall be the sum of the primary fee stated in column 3 and the secondary fee calculated in terms of column 4	
exceeds— **(Column 1)**	but does not exceed— **(Column 2)**	Primary fee **(Column 3)**	Secondary fee Calculated on the value in columns 1 and 2 at the following percentages **(Column 4)**
R	R	R	%
0	346 000	0	3,15
346 000	1 729 000	865	2,90
1 729 000	4 582 000	5 188	2,65
4 582 000	9 164 000	12 060	2,50
9 164 000	13 812 000	25 806	2,35
13 812 000	20 681 000	39 619	2,25
20 681 000	—	70 640	2,10

"ELECTRICAL—

Where the cost of the works in the schedules of quantities (VAT excluded)—		the fee shall be the sum of the primary fee stated in column 3 and the secondary fee calculated in terms of column 4	
exceeds— **(Column 1)**	but does not exceed— **(Column 2)**	Primary fee **(Column 3)**	Secondary fee Calculated on the value in columns 1 and 2 at the following percentages **(Column 4)**
R	R	R	%
0	314 000	0	3,15
314 000	1 556 000	785	2,90
1 556 000	4 133 000	4 675	2,65
4 133 000	8 259 000	10 874	2,50
8 259 000	12 448 000	23 263	2,35
12 448 000	18 641 000	35 711	2,25
18 641 000		63 672	2,10", and

(d) by the insertion after regulation 4.3 5 of the following regulation:

"4.3.6 Levying of VAT

VAT must be added to the fee or remuneration calculated in terms of regulation 4."

BYLAE

1. In hierdie Bylae beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing No R 1113 van 11 Junie 1982, soos gewysig by Goewermentskennisgewings Nos. R 1638 van 30 Julie 1982, R 1497 van 8 Julie 1983, R 2396 van 2 November 1984, R. 1737 van 22 Augustus 1986, R 2590 van 23 Desember 1988, R 480 van 15 Junie 1990, R. 2057 van 31 Augustus 1990 en R 2543 van 2 November 1990.

2. Die Inhoudsopgawe van die Regulasies word hierby gewysig—

(a) deur die volgende opskrif ná "2.3 5" in te voeg·

"2.3.6 Heffing van BTW";

(b) deur die volgende opskrif ná "3.3.5" in te voeg:

"3 3.6 Heffing van BTW", en

(c) deur die volgende opskrif ná "4 3.5" in te voeg.

"4.3 6 Heffing van BTW".

189

BARLOWS

FM 28/5/93

So it does rain in Spain

A 5% dip in half-time EPS at Barlow Rand, arguably SA's premier industrial conglomerate, is probably the most succinct current commentary on the state of the economy

Turnover rose 10% to R18,7bn but operating profit is down 5% at R1,02bn, reflecting sharply lower trading margins The result is in line with those from associates and subsidiaries, which all report tough trading conditions, increased and aggressive competition, and ample evidence of the savagery of the recession — eloquently expressed in turnover declines in the food companies

IN A SQUEEZE

Six months to	Mar 31 '92	Sep 30 '92	Mar 31 '93
Turnover (Rm)	17 066	18 099	18 728
Operating income (Rm)	1 374	1 333	1 301
Attributable (Rm) ..	400	449	384
Earnings (c) . .	207,3	230,2	196,0
Dividends (c) . .	54	119	54

Surprisingly, the income statement reflects comparatively high interest payments of R279m 9% less than last year but in a period when interest rates fell progressively and the full benefits of cash from the sale of Middelburg Steel were felt MD Derek Cooper says one reason is high borrowings at UK operation J Bibby, these quadrupled

Cooper confirms the group is now sitting on a free cash pile approaching R1bn Somewhat disarmingly, he says Barlow isn't allowing it "to burn a hole in our pockets " Perhaps not, but shareholders aren't seeing the benefit of it through dividends either

Working capital

Overall, the balance sheet continues to reflect inherent strength Fixed assets and investments are appreciably higher, working capital is tightly controlled at 45 days

The results feature two unusual occurrences As perception is often more important than reality, it is worth examining them

Last year, Barlow secured control of Finanzauto, the Spanish Caterpillar dealer, through Bibby The price was £82m — a lot of money in anyone's book Cooper was careful to say the purchase wouldn't generate "positive returns for Bibby or Barlow Rand in the short term "

He must be pleased he was so prescient The interim statement says "the newly acquired Caterpillar dealership in Spain has been badly affected by a worse than expected decline in that country's economy " But Cooper says that Spain, now on the verge of a general election and with unemployment running at 21%, has been granted £6bn from the EC equalisation fund to be applied on infrastructural projects only — and that will be good for Caterpillar and Finanzauto Well, from his lips

The second event of note is the confession that what Randcoal thought was in the ground at Majuba colliery turned out not to be quite so Of course, it was that geological assessment which would have formed the basis of Eskom's award of the Majuba power station contract to Randcoal

It has been agreed that Majuba colliery will be closed and coal shipped in from nearby Khutala That will need construction of a 70 km rail link at a cost of about R300m (to be shared by Spoornet and Eskom) and a R560m expansion of Khutala (to be borne 60% by Randcoal and the rest by Eskom)

No wonder Cooper says the problem has been resolved "most satisfactorily We're pleased with the outcome " Eskom says that these costs won't add to electricity charges It is a solution to an unusual professional error which is almost too good to be true.

Those matters aside, it's noteworthy that Barlow has made great progress in developing an earlier strategy by which attributable earnings are now derived 43% from consumer-related products and only 22% from commodities Cooper says Barlow has chosen to move closer to perceived areas of growth — in the group's view that is demographic change, particularly the accelerating move to rapid urbanisation One effect management welcomes is that it reduces the dependence on capricious commodity cycles

Cooper *welcoming demographic change*

While chairman Warren Clewlow and Cooper eschew any detailed prediction, they do concede attributable profit will decline more than the first half's 4% Despite that, the intention is to maintain the dividend at 173c On that basis, a yield of 3,9% and prospective p e of around 11 fairly reflect investor expectations *David Gleason*

PORTFOLIO MANAGEMENT

FM 28/5/93

The price of success

Very nearly the entire top team at Syfrets Managed Assets (SMA) has now left Another two resignations as the *FM* went to press bring the total abandoning the luxurious Wale Street, Cape Town, offices to eight

It all revolves around the demands of a successful portfolio management team for recognition and — rather more importantly — a share in profits Syfrets, recognised as one of the more conservative financial institutions, clearly found it unpalatable to live with the requirements of a comparatively young and dynamic group A brief media release from Syfrets said the six were being allowed to leave immediately

SMA has a staff of 40 What Syfrets didn't reveal is that the six dissidents are crucial They include former MD Leon Campher, who was largely responsible for SMA's highly successful marketing campaign, and portfolio manager Tony Gibson, who masterminded the remarkable performance of its unit trusts Ironically, just a fortnight ago, SMA crowed about its success in attracting another R2,7bn pension fund business in the first seven months of the financial year, to swell the total managed to about R8bn

Campher and Gibson are joined by portfolio managers Matt Brenzel and Thys du Toit, research head Hugh Broadhurst and computer specialist Nick Walters On Tuesday news broke that administration manager John Snalam and acting research head Vanessa Carlow had joined the exodus

They're all marching off to listed Coronation Syndicate's subsidiary Coronation Managed Assets (CMA) Syndicate was bought recently by former UAL executive David Barnes and Gavin Ryan from Lonrho as a portfolio holding company Operations include trading in bonds, options and futures through subsidiary Securities Trading & Development Ryan says the next logical move was into asset management

Ryan confirms the arrangement is that

Malbak exercises Standard sell option

EDWARD WEST

MALBAK had exercised the option to sell its 38% stake in Standard Engineering to Murray & Roberts (M & R) in a R154,5m deal, Malbak CE Grant Thomas said yesterday

(189)

Malbak sold 13,5-million Standard shares to M & R for cash at R11,47 each This was the weighted average share price over the 60 days before May 27, the effective date of the deal M & R now holds 76% of Standard

(222)

The transaction was in line with Malbak's objective to focus its activities on consumer-related products and with M & R's objective to concentrate on gross domestic fixed investment-related businesses, a statement said

Standard Engineering's activities include the manufacture and distribution of vehicle components, metal pressings and steel pipes and the design and manufacture of rolling stock

(32)

Thomas said Malbak's decision was a logical step following management control of Standard passing to M & R on May 1

☐ To Page 2

Malbak

Buss. Day 4/6/93

☐ From Page 1

1993 in terms of the agreement of the sale of Standard and Darling & Hodgson to M & R in November 1991.

(32)

The deal increased Malbak's cash balance to about R850m.

Thomas said the cash pile was viewed as a good strategic asset in the volatile socio-economic environment, some of it would be invested in existing operations and possible acquisitions.

(189)

M & R financial director Lionel Bird said there was much commonality between M & R Engineering's and Standard's businesses

Had the transaction taken effect for the six months to end-February 1993, it would have lowered Malbak's earnings to 55c from 56c a share It would have increased net asset value to 839c from 816c a share.

M & R's earnings would have increased to 180c from 177c a share had the deal been effective for the six months to-end December 1992. Net asset value would have fallen 5% to 2 184c from 2 299c a share.

No offer would be made to Standard minorities as the Securities Regulation Panel ruled this was unnecessary

Seifsa tables its 'final' wage offer

Buss. Day 7/6/93

ERICA JANKOWITZ

SEIFSA tabled its "final" wage offer to the 11 trade unions representing workers in the steel/engineering sector on Friday The offer is a 4,8% increase for coastal regions and 6% for the rest of the country, except the Free State where a wage freeze has been proposed until the end of 1993

Seifsa industrial relations director Dave Carson said the unions had indicated the final offer was unacceptable, especially the coastal differential None of the unions had revised their initial demands, which ranged from 14% to 51% wage increases

Some proposals were withdrawn including those pertaining to leave arrangements and standby allowances, he said Both employers and unions would be reporting back to their principals and were scheduled to meet on June 15 (189)

Numsa said no statement would be issued until today as the union planned to caucus over the weekend

Numsa calls for ban on overtime

BDay 14/6/93

ERICA JANKOWITZ

NUMSA has called for an immediate overtime ban in an attempt to force a higher wage offer from employers when negotiations resume this week

Motor sector negotiations are scheduled for today and the next round of steel/-engineering talks for tomorrow

In the motor sector, employers have offered 5% to 9% increases on schedule and not actual rates of pay

Sapa reports a Volkswagen spokesman expressed concern at the company's ability to fill its R500m export order from China for 17 000 Jettas should the ban be implemented.

Numsa national negotiator Les Kettledas said the steel/engineering sector's differentiated pay offer, described by Seifsa as final, was unacceptably low

Seifsa's final offer was a 4,8% increase for coastal regions, a wage freeze in the Free State and northern Cape and 6% for the rest of the country

Seifsa executive director Brian Angus said at the weekend the overtime ban had come as a complete surprise. Employers had not been notified by Numsa of this move, he said, and clarification was needed on whether the ban would affect all sectors of the metal industry

Last year, Numsa called a four week strike against Seifsa employers before accepting Seifsa's final offer of 9,1% on actuals and suffering a humiliating and costly defeat in the process This year the union has apparently decided to "soften up" the federation by calling on members to heed its overtime ban call (189)

Numsa rejects Seifsa offer

BUSS. DAY 9/6/93

ERICA JANKOWITZ

NUMSA has rejected Seifsa's final wage offer for the industry's 280 000 workers, tabled when the federation met trade unions last week

Seifsa's offer, described as its "lowest ever", was for a 4,8% wage increase in coastal regions — Natal, Border, Midlands and the Cape — a wage freeze in the Free State and northern Cape, and 6% for all other areas of the country

Numsa national secretary Les Ketteldas said the offer was unacceptable as it was made on a "differentiated and regional basis"

Also it was well below inflation and made at a time when the industry "has R20bn worth of construction projects" on the cards

Numsa has asked Seifsa to reconsider its offer.

The parties are scheduled to meet again on June 15

Meanwhile, negotiations in the motor sector would appear to have reached stalemate with employers sticking to a 5%-9% wage offer on schedule rates.

Ketteldas said some workers would not receive increases on this proposal, as actual wages would not be affected.

The parties are to meet again on June 14

(189)

NEWS IN BRIEF

B|OPV| 16/6/93 (184) (4006)

Numsa overtime ban

NUMSA has called an overtime ban in the motor industry, but not in the steel and engineering sectors as reported this week. An editorial yesterday was based on the incorrect report. Business Day regrets the error.

Taxi violence

A SPECIAL police unit had been set up in Soweto to curb spiralling taxi violence in the area, Soweto SAP spokesman Maj Joseph Ngobeni said yesterday.

Police in Pretoria said the unit was the first set up specifically to combat taxi violence.

Two people died in AK-47 attacks in Soweto last month.

Aristide recognised

THE Haitian parliament yesterday recognised Jean-Bertrand Aristide as the constitutional president of Haiti and agreed to restore him to power under certain conditions.

A Bill also agreed to approve a prime minister of Aristide's choice, who would rule until Aristide could be restored to power.

Gag on 'rigged' results

MILLIONAIRE Arthur Nzeribe, backing a group seeking extended military rule in Nigeria, said yesterday it won a high court order barring the electoral commission from announcing the result of Saturday's presidential poll. His party, the Association for a Better Nigeria, alleged massive vote-rigging and called for fresh elections. Official results from 14 of Nigeria's 30 states and the Abuja federal capital territory had put the Social Democratic Party's Moshood Abiola in the lead.

REPORTS Business Day Reporters, Sapa-Reuter-AFP

NEI Africa to lose more managers

BDay 17/6/93

ANDY DUFFY

ENGINEERING group NEI Africa would sustain further management losses as part of its efforts to revive its flagging fortunes, chairman Peter Joubert said this week

Speaking after the surprise departure of CE and MD Laurence Hyslop, Joubert said the company was in a "state of flux", and that its restructuring would mean the departure of further management. The losses would be drawn from the company's divisions rather than at board level.

The company was still planning to sell two of its nine divisions, and rein back the operations of its remaining businesses.

Hyslop's resignation, which surprised NEI's major institutional shareholder Old Mutual and industrial analysts, is the second key departure at NEI in two months (189)

In May, the group said Terry McGowan, MD of former cash cow Ical, would leave after Ical's merger with John Thompson Africa.

Amicable

The shake-up follows a torrid three years for the UK-owned group. Falling earnings, high debt, accounting irregularities and sour contracts cut NEI's net asset value from 2 722c in 1989 to 1 488c last year.

In the year to December 1992 NEI made an R18,1m attributable loss on sales of R582m, and unveiled plans to refocus activities and cut borrowings

Hyslop refused to comment further on the reasons for his departure Joubert said that the resignation had been amicable

Joubert said Hyslop's replacement would be chosen by the end of July There had been no pressure for the change from NEI's UK parent, nor from Old Mutual, which holds 38% of NEI.

Old Mutual said NEI had underperformed over the past three years, but that Hyslop had inherited many of these difficulties when he was headhunted to run NEI in January 1990

Hyslop had done "quite well" in trying to revive NEI, Old Mutual assistant general manager (investments) Isak Mostert said

Numsa's national negotiations co-ordinator Les Ketteldas (right) and national organiser Chris Lloyd at yesterday's news conference in Johannesburg. Picture GARTH LUMLEY

Numsa irked by Seifsa offer

BDay 18/6/93

ERICA JANKOWITZ

SEIFSA had failed to see the importance of Numsa's proposed three-year plan and had reacted inappropriately by offering below-inflation increases, Numsa national bargaining co-ordinator Les Ketteldas said yesterday (189)

He said the union had put time and effort into persuading its almost 180 000 members in the sector that the plan was to their long-term benefit, but management had failed to recognise the scheme's benefits.

One positive concession was Seifsa's agreement to reduce job grades from the current 13 to five by July 1996, he said.

Another breakthrough was Seifsa's agreeing to look at a work security fund

Ketteldas described motor industry negotiations as "disastrous", saying the parties had yet to complete the 1992 wage round, let alone discuss the three-year plan.

Star 28/6/93

Richemont earns more

By Stephen Cranston

The international tobacco and luxury goods group Richemont has reported a 4,7 percent increase in earnings per unit to £35,98 and in attributable earnings to £206,6 million (about R1 billion). (198)

Operating profit from tobacco increased by 12,6 percent to £413,4 million, while operating profit from luxury products fell by 5,5 percent to £202,8 million

The two parts of the business will be divided into two new quoted groups.

The deal follows talks announced last week on reorganising the complex network of operations

The new tobacco group will keep the Rothmans name, but will include certain tobacco trade marks currently owned by Dunhill and Richemont.

Dunhill is 57 percent-owned by Rothmans

The new luxury goods operation will be called the Vendome Group and will own 100 percent of the Cartier and Dunhill luxury goods businesses and include the Piaget, Baume & Mercier, Montblanc, Chloe and Karl Lagerfeld brands.

Rothmans, 62 percent-owned by Richemont, remained the engine of the group after it announced a climb in full year pre-tax profit to £614 million from £565,2 million and raised the total dividend 12,2 percent to 11,5p

Rothmans turnover rose to £2,71 billion from £2,41 billion, with most of the increase in profits coming from tobacco operations

Richemont turnover increased from £3,108 billion to £3,431 billion

Because of increased liquidity in the group, interest received increased by 35,4 percent to £48,6 million

BDay 29/6/93

Seifsa pay talks

(189)

SEIFSA will meet trade unions tomorrow in a last-ditch attempt to reach a wage settlement before the expiry of the current agreement Neither party moved on proposals last week, with employers offering 0-6% and unions demanding increases of 14-51%.

REPORTS Business Day Reporters, Sapa, Reuter

Numsa to set policy for next few years

Bi Day 30/6/93

WILSON ZWANE

NUMSA's fourth national congress, which begins at the World Trade Centre this evening, will aim to set policies for the next three to five years

At a news briefing yesterday, Numsa general secretary Moses Mayekiso said the congress would consider resolutions on issues such as the restructuring of the metal industry, employment conditions and wage negotiations, modernisation of the metal industry, economic reconstruction, the reconstruction accord and the union's role in the elections

Numsa negotiator Bernie Fanaroff said "lively debates" were expected on the reconstruction accord and Numsa's role in the elections

The congress, at which ANC Midlands chairman and Numsa honorary president Harry Gwala would give an opening address, would also elect new office bearers

Fanaroff said before new office bearers were elected, the congress would be asked to confirm the decision by Numsa's central committee and executive committee to dismiss Maxwell Xulu from the presidency

According to Fanaroff, Xulu was dismissed last year after the union had received evidence that he had links with the security police

Mayekiso said the congress would discuss policies on restructuring the metal industry It would look into issues such as trade policy, incentives, the union's role in decision-making, training and grading, skills recognition and Numsa's proposal for statutory councils to oversee industrial strategies

"Congress will concentrate on the question of how these can be mandated by workers" (189)

On economic reconstruction, Mayekiso said the congress would discuss participation in forums such as the National Economic Forum

The congress would also be challenged to propose concrete steps to develop socialism

Sowetan 1/7/93

Wage deadlock

NUMSA and Seifsa failed failed to reach agreement on wages and conditions of employment yesterday. (189)

Numsa's Mr Les Kettledas said Seifsa's wage offer remained at six percent Further discussions have been scheduled for July 8

Nats slate ANC push for restructured police force

BIDay 1/7/93

STEPHEN COPLAN

THE NP has criticised ANC legal adviser Matthew Phosa's demand that the Law and Order Ministry be abolished and police headquarters general staff be replaced by a multiparty civilian-dominated police directorate

Speaking at a national peace secretariat and Police Board workshop in Johannesburg yesterday, Phosa repeated the ANC demand for Law and Order Minister Hernus Kriel to resign

He also called for the resignation of Deputy Minister Gert Myburgh and those officers with "bloody hands".

In a statement yesterday, the director of the NP's "anti-defamation campaign", MP Nick Koornhof, said Phosa's demands reflected the ANC's "communist/Nazi" characteristics. The ANC had no right to attack Kriel, under whose direction the SAP had undergone tremendous changes, or demand his resignation

The directorate, Phosa said, would deal with daily command, control and management of the police and report to the transitional executive council's law and order subcouncil

To solve the current crisis in police-community relations, the SAP should accept it was one of their own making, said Phosa Police should take responsibility for their actions and realise that communities would support the police only when they supported communities

The NP alleged that most intimidation could be linked to ANC members and supporters The ANC rarely helped the SAP combat crime in the areas it controlled.

● PHOSA

It said the ANC had now embarked on a campaign to "discredit a much-needed stabilising force in our country".

Inkatha central committee member Ben Ngubane told the workshop joint control of security forces should be depoliticised but he questioned whether politically trained soldiers could be impartial.

SAP community relations spokesman Brig Zirk Gous said police had dramatically changed over the past three years

ADRIAN HADLAND reports Myburgh told an RSA Technikon diploma ceremony in Paarl yesterday all police training courses were being revised to adopt community policing as the central theme.

He said a new technikon diploma, compulsory for all wishing to become commissioned officers, would be introduced from next year

BIDay 1/7/93

Numsa, Seifsa fail to agree on wage hikes

BIDay 1/7/93

LLOYD COUTTS

TRADE union and Seifsa representatives failed to reach agreement on wages yesterday, but Numsa said some progress had been made on its demands for restructuring the steel and engineering industry

The main agreement between employers and unions expired yesterday. (189)

"The total agreement expired today, June 30, but in not one of the industries are we even close to agreement," Numsa national bargaining co-ordinator Les Kettledas said after the meeting in Johannesburg

He said engineering sector employers had agreed to reduce their grading from 13 grades to five, with two additional grades for artisans and technicians, by 1996.

National organiser Bernie Fanaroff said the reduced grading was central to Numsa's demands.

Numsa negotiations co-ordinator Chris Lloyd said employers had indicated that Numsa's vision of restructuring the industry had merit. "The problem is other parties in the industry don't see the need to restructure."

No agreement was reached on wages in this sector after management had stuck to its 6% offer, while Numsa had dismissed proposals for regional exemptions.

Kettledas said the tyre industry had offered an 85c increase on actual wages or an increase to bring wages to a proposed new minimum

Management had also offered a 7% across-the-board increase for artisans Neither offer had been accepted.

Kettledas said management had "basically agreed" to a five-grade structure in this sector, but that neither party was "in a position for final agreement"

Motor sector employers had offered minimum rates to a par with actual rates, or a 58c increase, and a 6% across-the-board increase for skilled categories.

Demands for an agency shop had not been entirely accepted, but employers had proposed a bargaining fee for non-union employees.

Metalworkers' congress opens

Star 1/7/93

By Paul Bell
Labour Correspondent

The National Union of Metalworkers of SA opened its biennial national congress at the World Trade Centre last night, against a backdrop of slow progress in this year's wage talks with employers and rank-and-file frustration with the tripartite alliance

Substantive discussions begin today Key issues include the restructuring and modernisation of the metal industry, worker empowerment, and the union's alliance with political movements and the Government

Numsa will also present its own draft reconstruction accord, which will doubtless be examined in terms of Cosatu's own draft Also up for debate will be the desirability of entering an accord with the ANC as the likely majority partner in the next government

Numsa's Bernie Fanaroff said yesterday that, given the frustration of members about the negotiations process and the indirectness of Cosatu's involvement in it, the 1 000 delegates were expected to debate keenly the question of how much effort the union should put into the election process

189

Choices

Numsa, as Cosatu's second largest affiliate, has thrown its weight behind Cosatu's partnership with the ANC and SA Communist Party in the tripartite alliance. But it is determined that its members' individual political choices should not be prescribed by the union, for fear of weakening the union and the working class as whole

While — as Fanaroff put it — the union recognises that "a weak government would be disastrous", general secretary Moss Mayekiso will ask the congress for a clear directive on the way Numsa's relations with the political process should unfold

Meanwhile, the union's national negotiator Les Ketteldas reported slow progress in this year's wage talks with four industrial sectors, where the terms of annual wage agreements all expired yesterday without yielding new ones.

Numsa's talks with the iron, steel and engineering industry has brought marginal gains on the question of regional differentiation

Automobile manufacturers have offered new minimum rates, which ahve not yet been accepted.

Koppies boycott, town blockade over after talks

Star 1/7/93

Staff Reporters

Residents of Kwakwetsi township outside the northern Free State town of Koppies will march on the local Agricultural Showgrounds today with the full blessing of the townsfolk after the two sides settled their differences last night

Kwakwetsi residents have been boycotting town businesses and Koppies residents have in turn been barring them from entering the town since Monday

After two days of negotiations, the ANC Koppies branch, the Koppies Action Group and the council agreed to end all consumer boycotts, stay-aways and counter action immediately

In a joint statement, they also agreed to restructure the local peace committee which would, together with the Free State peace committee and the local groups, mediate in the event of any marches or boycotts

It was also agreed Kwakwetsi residents could march along a mutually agreed route to the Koppies Agricultural Showgrounds today — even though a local magistrate earlier refused permission for the march.

Township residents had said they would march whether or not permission was granted

Free State police spokesman Captain Johlene van der Merwe said after the agreement had been reached that the march was now legal

She said police did not expect any violence during the march

Bus fare boycott on cards

Star 1/7/93

Staff Reporter

Putco will meet the Soweto Daily Passengers Committee tomorrow to discuss the 13 percent increase in bus fares after a newspaper report that a boycott was looming because commuters were not consulted about the hike

The committee reportedly decided at the weekend to boycott the bus company if it did not reduce the hike, introduced this week

Putco managing director Dr Jack Visser said yesterday the increases were "imperative" every July to adjust to the inflation rate

He said the committee was informed about the increases beforehand but commuters were only "alerted" about the increases and not "consulted" in the sense of seeking permission

Gwala spits fire

Sowetan 2/7/93

THE only militancy at the World Trade Centre yesterday was not from the AWB as predicted but from firebrand Mr Harry Gwala, who addressed the congress of the National Union of Metalworkers of SA

While a large media contingent staked out the entrance to the democracy talks venue waiting for an AWB protest, an estimated 1 000 Numsa delegates held their national congress in a huge backroom at the World Trade Centre at Kempton Park

189

Criticised negotiators

Gwala, chairman of the ANC Natal Midlands region and SA Communist Party national executive member, drew laughter when he criticised those negotiators, who included Cabinet Ministers, ANC secretary-general Cyril Ramaphosa and SACP national chairman Joe Slovo, who "hid" from rightwingers during Friday's armed siege of the talks venue

"They hid instead of coming out to face them (the rightwingers)

"They should have confronted them, telling them 'What do you want, we are the government of tomorrow'," Gwala said

"Our main goal is nothing but a socialist South Africa," Gwala told delegates

Socialism would not come about through prayers—"you have to fight for it ideologically A constitution is no guarantee to democracy

It is the people's power which is a guarantee to democracy"

Gwala accused Inkatha Freedom Party leader Chief Mangosuthu Buthelezi of preaching violence

He said if Buthelezi carried out his alleged threat to conduct a civil war if the IFP and KwaZulu did not get federalism, "we must give it to him and let him have it" — *Sapa* to come out of the shadows. Picture: Gary Bernard.

Buthelezi 'used govt car in PE'

Star 14/7/93

PORT ELIZABETH — An official at the government garage in Port Elizabeth confirmed that Inkatha Freedom Party leader Chief Mangosuthu Buthelezi used a government car while attending an IFP meeting in the city on Monday

The official, Ms V Knoetze, said this was standard procedure for heads of state (IFP)

A spokesman for the Democratic Party, Bobby Stevenson, said if Chief Buthelezi had used the government transport this was wrong because taxpayers' money was used

"We believe if people are on purely party political business they should provide their own transport," Stevenson said

It raised the question of whether the political playing field was level when certain parties had access to state-funded facilities, he said

New steel wage offer gets a 'no'

Star 14/7/93

By Paul Bell
Labour Correspondent

Steel and engineering employers have made a final wage offer of seven percent — upping their previous offer by one percent (189)

The Steel and Engineering Industries Federation of SA put its position yesterday but applied a little pressure It told union negotiators it would back-date its offer to July 1 if agreement could be reached in principle by next Friday.

Labour's response was mixed The largest union, the National Union of Metalworkers (Numsa), rejected the offer. Those unions comprising mainly skilled artisans indicated a conditional acceptance Two others indicated they would refer to their members

Seifsa's offer is on condition that unions allow employers in the Natal Midlands and Cape regions to pay less than the agreed national level In the Free State and Northern Cape, employers should be able to implement the wage increases only from January 1 1994

Numsa's national negotiator, Les Ketteldas, recalled the union's congressional mandate to negotiators barely 10 days ago not to accept any wage increase less than inflation

"In view of this, acceptance on our part is unlikely," he said.

While Ketteldas would not be drawn on the principal implication — that Numsa will declare a dispute — other union officials felt this was quite likely. (IS29)

Seifsa also tabled its acceptance that employers would disclose information to unions on the need for retrenchment, and to help them find ways to avoid it.

Numsa firm on nationalisation

KDay 5/1/93

GAVIN DU VENAGE
and ERICA JANKOWITZ

THE National Union of Metalworkers of SA (Numsa) committed itself to nationalisation without compensation at its fourth national congress at the World Trade Centre over the weekend (189)

Numsa has also rejected all wage offers made in negotiations in the steel/engineering, auto assembly and tyre sectors.

Numsa general secretary Moses Mayekiso said after the conference the union remained committed to nationalisation as a means of equalising the economic imbalance between blacks and whites

Mayekiso said that as land had been taken from the people without compensation, it should be seized without compensation This would include land belonging to major industries, as well as property in state hands

Mayekiso said Numsa would try to persuade Cosatu to adopt this resolution However this was a Numsa decision only, and would not necessarily be adopted by Cosatu or any other organisation.

He said the union remained committed to socialism as a means of restoring democracy to SA

On the wages issue, congress delegates voted in favour of "initiating a programme of mobilisation to keep workers fully informed" This was in reaction to member-

☐ To Page 2

Numsa

KDay 5/1/93

☐ From Page 1

ship criticism of an apparent lack of feedback meetings on the status of negotiations (189)

No disputes had yet been declared in any of the negotiations and until this step is taken, the union could not initiate legal strike action

Numsa did, however, implement an overtime ban in the motor sector which was challenged in court and withdrawn

In the steel/engineering negotiations, Numsa indicated it would not settle for below inflation increases despite economic constraints in the sector

Seifsa's final offer stands at a maximum of a 6% increase with employers in the Free State and northern Cape offering 4,8% Natal and eastern Cape members have also applied for exemption from the 6% offer and have tabled 4,8% increases

Agreement has been reached on reducing the number of job grades and the establishment of an industry training board But Numsa's innovative three-year plan tabled in all its negotiations has not made much progress

In the motor sector, Numsa has accused employers of attempting to "smash the industrial council" Also, last year's wage negotiations have yet to be finalised

"Congress decided on a programme of action to fight for a settlement and for the retention of the industrial council," Mayekiso said

Numsa also agreed to back the ANC in the forthcoming election

However the trade union movement should not have a formal alliance with the ANC once elections had taken place Instead, the relationship should be conducted through bodies such as the National Economic Forum and National Manpower Commission, Mayekiso said

The congress also elected Mthuthuzeli Tom as its president

● Picture Page 3

NEWS Salary deductions over work stayaways enrage and frustrate Government workers

Union to support the ANC in elections

Sowetan 5/7/93

By Mzimasi Ngudle

189

THE National Union of Metalworkers (Numsa) resolved to field candidates on the ANC list for the election of the Constituent Assembly.

Passing this resolution at the union's fourth national congress at The World Trade Centre in Kempton Park at the weekend, Numsa also resolved to sever formal links with the tripartite alliance once the ANC comes into power

"Once the Interim Government of National Unity is established and the ANC is part of it, we should not have a formal alliance with the ANC," Numsa resolved

Mr Moses Mayekiso, who was re-elected as the general secretary, said the union hoped the ANC would win the elections and urged union members to vote for the ANC in the coming elections

Mr Mthuthuzeli Tom was elected president and Mr Danny Oliphant and Mr Phil Bokaba elected first and second vice-president respectively

The congress resolved that candidates from Numsa and Cosatu who were on the ANC list be seconded for the duration of the Constituent Assembly.

The congress also called for a workers' summit prior to the CA to adopt the Workers' Charter

The congress also endorsed the reconstruction accord of Cosatu

The price you have to pay to look pretty ... two-year-old Dinana of Zone 1 Meadowlands, Soweto, grimaces in pain as her mother, Mrs Nono Motlonye, braids her hair at their home at the weekend.
PIC VELI NHLAPO

Drop ANC, Numsa tells Cosatu

Star 5/7/93

By Paul Bell
Labour Correspondent

The National Union of Metalworkers of SA wants Cosatu to discontinue its alliance with the ANC after the establishment of an interim government, and has called for unity on the socialist left — including the possible establishment of a workers' party that might challenge the ANC

This is the import of two resolutions accepted by Numsa's fourth congress, which ended at the World Trade Centre in Kempton Park yesterday Numsa is Cosatu's second largest affiliate, representing nearly half a million metalworkers

The Numsa resolution on democracy provides another signpost to Cosatu's likely discontinuation in the Tripartite Alliance — the third member is the SA Communist Party — after the proposed election in April

Numsa believes Cosatu "should deal with the ANC as part of the government of the day", and engage it in such forums as the National Economic Forum and the National Manpower Commission.

Numsa's resolution on a reconstruction accord effectively set the price of its co-operation with the ANC, as well as the penalty should the ANC fail to deliver.

While saying an accord "should be used to mobilise people to support ANC", it went on to call for new forms of organisation that would "unify the working class" This, said the congress, "could take the form of a working-class party"

General secretary Moses Mayekiso, who is also a member of the SACP executive, said the SACP, as the most important party of socialism, would have a major role to play in establishing a workers' party The ANC, on the other hand, was not a socialist party as such, although parts of its membership were.

(1189)

Guidelines were laid down for the seconding of union leaders to politics. "Candidates from Numsa and Cosatu on the ANC (parliamentary) list must be seconded for the duration of the Constituent Assembly When that is finalised they should be given their right to choose whether they come back to the Union or not"

(189)

An undercurrent at the congress was rank-and-file dissatisfaction at the distance between them and union leadership in regard to the way their views were represented in both industry and political negotiations

Union president Mthuthuzeli Tom said the union would be paying greater heed to worker demands that the constitutional negotiators consult and obtain mandates

BDay 9/7/93

Seifsa, unions meet

THE Steel and Engineering Federations of SA (Seifsa) yesterday met unions in a bid to settle this year's wage negotiations. Seifsa did not amend its offer of 6% with the possibility of exemptions for companies in specific regions which could prove they were unable to afford the increase

However, the unions indicated their bottom line would be an increase equivalent to inflation The parties are scheduled to meet again on July 13 (189) (3-65)

Nationalisation's no laughing matter

W/Mail 9/7 – 15/7/93 (189)

By FERIAL HAFFAJEE

A GREAT deal of tee-hee and hah-hah greeted the National Union of Metalworkers of South Africa's weekend call for nationalisation of key industries without compensation

But it's no laughing matter when the biggest trade union in the country — Numsa has 273 000 members — makes such a call and says it supports the formation of a working class party

Contrary to public perception, these are not calls made out of ignorance or on the spur of the moment after stirring speeches by Numsa general secretary Moses Mayekiso

An insider points out that Numsa consists of artisans who are literate and articulate and who had been discussing the pre-congress resolutions for months before last weekend's national congress

Moreover, the resolution on nationalisation — passed with a substantial majority — was debated for over an hour and was well supported, particularly by regions where the union has the largest chunks of membership These are the Witwatersrand east, Wits central and south, the Border and western Cape regions

The resolutions point to a growing gulf between the union's national leadership and its rank and file membership

Insiders point out that national leaders left out the words "without compensation" in a press release on nationalisation

The union's leadership is clearly moving in the direction of tripartism Its leaders are key to structures like the National Economic Forum, the National Manpower Commission, the National Training Board and the Electricity Council.

For Numsa's leadership, shop-floor power lies in overhauling industries to secure training and career development for their members It is a union which has expressed a willingness (and the ability) to restructure the industries in which it works, through a labyrinth of restructuring forums.

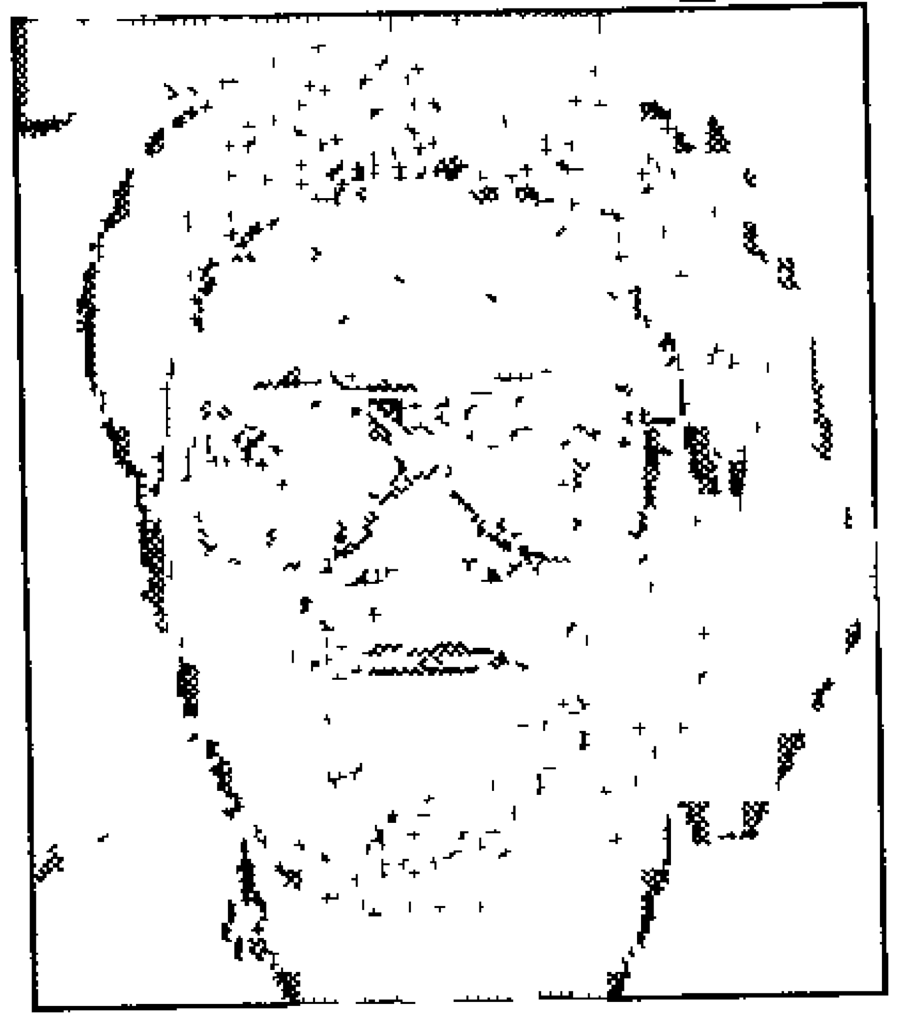
But it is leaving its membership behind by not reporting back and ensuring that they are kept up-to-date with what are complex negotiations and new concepts.

"There is growing dissatisfaction on what leadership is doing and on the co-ordination of the union They are becoming locked in forums and less time is being given to debating what is going on in forums," says Tony Kgobe, the regional secretary of the Wits central and south office

Members are feeling alienated from such industry issues and from long, drawn out political negotiations.

Bethuel Maserumule, the regional secretary of the Wits east region, says "Political negotiators are only talking about regionalism and federalism. Our vote for the African National Congress depends on a strong political and economic bottom line "

And for Numsa's members, that political bottom line is "agreement over a strong democratic state without minority vetos". The economic bottom line is "economic justice through the nationalisation of the leading heights of the economy", says Maserumule.



Moses Mayekiso .. Not surprised

Numsa has resolved to call on its members to vote for the ANC in next April's elections. But the union's congress also resolved to lobby for a conference on socialism before April next year

Mayekiso this week said the national leadership was not suprised by the resolutions "They have been discussed in the regions months ago."

He added that Numsa had adopted the Freedom Charter, along with the ANC and the Congress of South African Trade Unions and, "by adopting the Freedom Charter, we adopted the principles of nationalisation and a mixed economy"

He said it had always been Numsa's view that Iscor, the railways, water and electrification should be publicly owned and that "something should be done" about the monopolisation of the minerals industry

The director of the Steel and Engineering Industries Federation of South Africa (Seifsa), Brian Angus, said he was a "little suprised and disappointed" at the resolution on nationalisation

He warned that it courted economic disaster "The country is trying to encourage overseas investment and this will have a negative impact if this is the way one of the biggest unions is thinking."

SPEAKING DIFFERENT LANGUAGES: *The ANC has discovered – to its dismay – that it can no longer take its labour base for granted*

What about the workers?

189

SUNDAY last, at the World Trade Centre, in a con-ference room 50 m from the central auditorium where two days earlier ANC and Government negotiators had ratified the April 27 election date, metalworker shop steward Jeffrey Ndamase was haranguing his leaders The subject, though not specified as such, was sellout, and the mood, taking into account four arduous days and nights of "congressing", was — well, sullen

Ndamase, his stubby frame bobbing above a sea of red caps, fixed one eye on the platform where the leadership of the National Union of Metalworkers presided over the last day of its fourth congress His other eye fed on his 1 000-strong, suddenly enlivened audience

He was talking about language, and judging by their response, he was certainly using theirs Levelling his several charges in Sotho, he added a dash of humour for leavening

Numsa president Mthuthuzeli Tom and general secretary Moses Mayekiso indulged his excoriations with the frozen smiles of bomb disposal experts

Why, he wanted to know, was the leadership speaking English — "an international language" — to explain to workers difficult things like democracy? This was how the leaders came to speak for themselves and not their members

The leadership was too remote, said Nc mase . . . ıts and fin-

CALLED TO ACCOUNT NUMSA secretary general Moses Mayekiso, pictured with union president Mthuthuzeli Tom, had to explain a resolution on nationalisation without compensation· its tone ran completely counter to labour leaders' efforts to find agreements on economic reconstruction. ●Photograph: MYKEL NICOLOAU

The resentment over alienation is hard to disguise

CAN organised labour make sense of the negotiating process for its members? Last week, walking from a metalworkers' congress on the far side of the World Trade Centre to the central auditorium where the Negotiating Forum was in session, Labour Correspondent PAUL BELL considered how crucial that would be to the country's hopes for peace.

The leadership was too remote, said Ndamase, all fists and fingers Delegates would soon re-elect the leaders, then no one would see them for three years (Wry laughter) They were not consulting (Approving hubbub)

In the meantime, there was a problem with this democracy — the democracy, he recalled, for which Chris Hani had died the negotiators next door were drawing up a new constitution when they had no mandate And what was NUMSA's executive going to do about it? (Applause.)

The air was thick with resentment over alienation from the process under way literally down the corridor, and worse, with a helplessness that fighting talk was finding ever harder to disguise

To make themselves feel better, delegates threatened the power brokers with "consequences" if they tried to elbow workers out of the deal

THUS the ANC was served notice that it could no longer take its worker base for granted, that NUMSA wanted out of the tripartite alliance and would deal with the ANC as a government of the day, and would even consider a workers' party

The last, especially, will have sent a shudder through the ANC, navigating as it is between the Scylla of negotiations and the Charybdis of elections

At the Government and business delegates shook that hoary old-stick, nationalisation without compensation — a resolution for which, after the delegates had trooped out to their buses, Mayekiso was called to account.

While Mayekiso recalled, as had the delegates, the rapacity of apartheid, one had a sense of him mastering his embarrassment at having to defend the resolution.

It is a demand he is all too aware is impossible to achieve unless labour is intent on bringing the economic temple crashing down around South Africa's head

Moreover, its tone and thrust run completely counter to the efforts of labour leaders — headed by COSATU and endorsed by its major mine, metal and clothing/textile affiliates — to bind the Government and capital to agreements on economic reconstruction, such as those witnessed earlier this week at the close of the first major round of negotiations in the national economic forum

It can have been no coincidence that the statement issued by NUMSA at its post-congress briefing neglected to mention the "without compensation" provision The leadership's unease, knowing the likely reaction, was as palpable as union members' angry endorsement of the original resolution

Predictably, television snatched that "without compensation" soundbite from Mayekiso's lips and fed it to capital, without pausing to consider his predicament.

Spare a thought for Mayekiso, though, and for labour leaders in general, who are sworn to represent union members' aspirations, but possessed — by virtue of their intense engagement with capital, particularly during the past two years — of an acute appreciation of the timetable and resource trade-offs demanded by the prevailing balance of politico-economic forces, domestically and internationally

Trade-offs are inevitable — a ranking assumption among those that drive labour's current strategy But the ante must be kept high This demands that labour maintains a high level of rhetoric and shopfloor militancy

THUS the role of a Mayekiso, or the NUM's James Motlatsi, or SACTWU's John Copelyn, who told his union's congress last month "There are two things we must do Find out where the World Trade Centre is, and if our rights as workers are trampled on, go there and say 'No, we won't let you get away with it'"

And also the role of a Jay Naidoo, fronting the wedge that organised labour, on behalf of its workers and of civil society at large, is trying to drive between government — this or any other one — and its once-exclusive economic policy-making prerogatives

There lies labour's Grail.

With attentions so firmly fixed on the World Trade Centre, eye of the political power struggle, focus is often lost on that other, equally important site of struggle for economic power

These days Naidoo frequently finds himself under attack from rank-and-file trade unionists for having elected to keep labour out of direct political negotiations

But he is smiling he knows that despite concerns about the way worker rights are to be expressed constitutionally, and despite the frustration workers evince about the slowness of the process, as well as their fears about its outcome, labour was right to stay out

While the politicos toyi-toyi around majoritarianism, armed with a battery of substitute issues and a lexicon of avoidance terminology which only Joe Slovo manages periodically to penetrate, and the ANC and the Government — back-to-back in a negotiating alliance they themselves can barely stomach — ram through their sufficient-consensus decisions at the expense of radicalising left and right, labour has been quietly tunnelling its way towards the engine room.

A parting of the ways between COSATU and the ANC was always inevitable

The ANC needed only to consider the damage to successive British Labour governments caused by the overweening influence of the trade unions in their parliamentary caucuses

Labour could not risk co-option and the sacrifice of its members' interests for the sake of maintaining a political elite which, in the tradition of African politics, would not hesitate to turn against it when self-interest required Labour would have to retain its strength and independence in order to extract concessions

With that in mind, and based on the understanding that there is no substitute for substantive policy-making power, Cosatu has been making hay these past two years

A lame duck administration and economic uncertainty presented the opportunity for it to increase its hold over economic and industrial policy in advance of the change in power To this end, it has developed a three-cornered strategy

At one corner it is dealing with the ANC as a government-to-be. It has pledged its support in advance of the elections, but wants the ANC in return to commit itself to an economic reconstruction accord.

This would be incorporated into the ANC's election manifesto and developed by technocrats into detailed, timetabled programmes for the delivery of jobs, houses, improved education — projects spanning the developmental gamut.

Volcanic eruptions such as the NUMSA congress delegates' threat to consider the establishment of a workers' party in conjunction with the Communist Party indicate the price to the ANC of non-compliance.

IN THE second corner, COSATU is re-defining its constituency to include far wider backing than merely that of the labour aristocracy It wants the other institutions of civic society to be drawn into a broad front that will hold the next government accountable for delivering on the reconstruction accord, and intends to hold a conference to this end within the course of this year — doubtless after the accord has been agreed

At the third corner, COSATU achieved the establishment of a national economic forum, which on Monday, the day after metalworker Ndamase blew his stack at the NUMSA congress, proved its worth to labour as a mechanism building consensus supporting reconstruction.

The labour federation wants to see it granted statutory economic decision-making powers in the middle term

The forum, with the implicit support of Finance Minister Derek Keys, will be broaching this issue with the transitional executive council.

WHY, incidentally, would the Nationalist Government support that? Because it would be only too happy to see hands other than the ANC's on the policy wheel

The ANC has seen it coming and is not happy Economics chief Trevor Manuel has voiced his concerns on a number of occasions at SACTWU's conference in June, where he claimed there were a host of economic decisions which fell outside the narrow competency of labour; at the forum meeting last week where he wanted to know how the forum could hope to tie up the next government with trade and tariff measures it had set.

What the ANC can do about this is less obvious Constituencies outside the major partner in the government-to-be are re-arranging alliances to maximise their leverage

If consensus economic management were to become weak economic management, if the country were to get more policy-making democracy than its fragile economy could stand, where would Ndamase and his "local" be left?

NUMSA, for one, having changed the frequency of its congresses from biennial to triennial, has won a little breathing space while the good and great develop an answer

It will need the time to an angry shopfloor, this is one explanation that had better be good

Strike at Bosch in Brits

Star 13/7/93

By Paul Bell
Labour Correspondent

About 550 hourly-paid workers at the Robert Bosch motor parts manufacturing plant at Brits have downed tools after being told that 30 jobs would have to be cut because of the economic downturn. (152)

The strike began last Thursday. Managers and salaried staff are running the factory to maintain vital product lines, says human resources director Bert Badenhorst. Strikers have been reporting for work but sit peacefully in the canteen.

The company had advised shop stewards of the National Union of Metalworkers of SA a month ago that the demand of auto parts had had a "disastrous" effect on Bosch's and other manufacturers' turnovers, Badenhorst said yesterday. (189)

This had been done in terms of the union's recognition agreement with the plant but the union had "refused to continue the procedure" — which moves from disclosure of intent, to discussions on ways to minimise job losses, then the selection of employees for retrenchment.

It had demanded the company make cuts from top to bottom — if workers had to go, then salaried staff should not be exempt. When the company advised that this demand fell outside the terms of the agreement, presenting its own list, the workers went on strike.

A strikers' spokesman accused management of "unilateral restructuring", and said they had been told more retrenchments were planned.

Badenhorst said that if the action continued, the effect on the company's financial position might be such that further job cuts would be necessary.

Seifsa makes final 7% increase offer

BDay 14/7/93

ERICA JANKOWITZ

SEIFSA made a final offer of a 7% increase on actual wages at negotiations yesterday, one percentage point up on its last offer (189)

National Union of Metalworkers of SA (Numsa) negotiations co-ordinator Les Ketteldas said the union had resolved at its national congress last week not to settle below inflation — about 11% — this year

He said Seifsa had suggested the unions sign the agreement by July 23, or increases would not be backdated to July 1 Seifsa executive director Brian Angus confirmed this, saying if the unions failed to agree in principle to current offers by this date, the effective date of increases would be the one on which agreement was reached.

Ketteldas said employers in the northern Cape and Free State had applied for exemption until January 1994 Employers in the Border region had also applied for a blanket exemption Both applications were rejected by the unions

Angus said Border had offered a 4,8% increase, whereas the Free State and northern Cape had tabled a 7% offer, with the proviso that individual companies dependent on the mining industry could apply for exemption until January 1994

The same applied to companies in the Natal and Cape regions, he said

Ketteldas said many of the unions involved in the negotiations, including Numsa and its National Council of Trade Unions (Nactu) counterparts, had rejected the offer.

Angus said the Nactu affiliates would refer the offer to their constituents However, artisan unions in the Confederation of Mining Unions had said they would recommend acceptance of the offer if the Border region amended its position.

According to Angus, Numsa rejected any exemptions by individual companies or regions

Ketteldas said the wage issue remained unresolved as employers had "adopted a very hard line" On a positive note, however, all parties had agreed to reduce the number of job grades from 14 to five by July 1996

Angus said a first step was the parties agreeing to attempt to expand existing job definitions in the main agreement

If this was achieved by June 1994, the new expanded job definitions would be published in the 1994/95 main agreement and an average 2% scheduled wage increase would be implemented for those particular categories of workers

In addition, employers had agreed to provide unions with relevant information relating to planned retrenchments, Angus said

Smuts Airport.

The ground handling agreement covers baggage and cargo handling, ramp services, airline representation, technical assistance, communication, operations and full passenger handling

ANC to protest killings

Sowetan 14/7/93

THE ANC alliance has called a consumer boycott in Vanderbijlpark, Meyerton and Vereeniging to protest against continued massacres in Vaal townships (2HB)

The latest killings were in Sebokeng on Monday night The ANC further said the refusal by the Vanderbijlpark town council to be part of the Local Government Negotiations Forum made the town a particular target for a consumer boycott

Steel men back at work

Sowetan 14/7/93

HIGHVELD Steel and trade union representatives returned to work yesterday after a one-day work stoppage by the whites-only Mineworkers Union and the National Union of Metalworkers of SA

Both unions were dissatisfied with the way in which Highveld Steel management at Witbank handled the case of a white worker accused of assaulting a black employee The white worker was dismissed but was reinstated on Monday after a successful appeal (189) metro

Star 14/7/93

Plant hires whites to ride strike

189

By Paul Bell
Labour Correspondent

Motor components manufacturer Robert Bosch has told striking workers at its Brits plant it will begin its proposed programme of retrenchment tomorrow unless the workers agree to discuss whose jobs should be terminated.

The company has brought in up to 70 workers, most of them unemployed whites from the Sonop community, to help keep the factory going.

Bosch is anxious to maintain its reputation for timeous delivery to its motor manufacturing clients, a management source says.

"In this business, it's a capital sin for a supplier to stop the production line"

But the union involved, the National Union of Metalworkers of SA (Numsa), is relying on management's difficulty in maintaining product quality under pressure.

The workers went on strike last Thursday after refusing to enter into discussions with management on its proposal to eliminate up to 30 jobs

Numsa organiser Albert Wöcke said management had told him yesterday the retrenchment process would continue despite the strike, and workers would be told of their retrenchment tomorrow.

Human resources director Bert Badenhorst confirmed this, saying the union had been told it would move to stage 3 of the retrenchment process if the union would not participate in stage 2 by discussing management's proposed list of retrenchments.

Workers would be given a week to respond, then let go

The retrenchment package includes two weeks' pay, and two weeks extra for every completed year of service. The union estimates the saving to Bosch at R2 100 per month per job

According to Badenhorst, a management work study shows the plant to have a spare capacity of 30 jobs.

The company has presented the union with a list of 30 employees, based on the last-in first-out-principle, whom it suggests should be retrenched

This includes six early retirements and four others who have already left Bosch's employ through natural attrition.

The number of workers who would actually lose jobs would be no more than 20, claims Badenhorst.

Numsa's Wocke claims the recognition agreement containing the retrenchment procedure had been imposed on the union.

He also accused management of contravening a 1988 agreement between I G Metall, the powerful German metalworkers federation, and German companies with subsidiaries in South Africa, to negotiate at company level with the representative trade union regarding all internal company affairs

Badenhorst said this was a "red herring" because the agreement had never been signed at plant level between Numsa and Bosch

Wocke acknowledged this but said I G Metall was being kept informed of the situation at the plant.

The union wants to be able to negotiate the restructuring of the labour component of the factory's operations, but wants a twelve-month moratorium while its shop stewards are trained in work methods to enable them to negotiate effectively

Management has rejected these demands, saying it will not negotiate retrenchments, although it is prepared to consult

Factory strikers 'jab car tyres'

Star 13/7/93

By Paul Bell
Labour Correspondent

Striking workers at the Bosch auto parts manufacturing plant in Brits have been accused of slashing tyres in the company car park and intimidating casual labour.

Union officials, called in by the management yesterday to explain the incidents, distanced themselves from these actions.

National Union of Metalworkers local organiser Albert Wocké said shop stewards had cautioned workers against such behaviour.

The tyres of three cars were slashed on Tuesday, said human resources director Bert Badenhorst. The car park has since been blocked off with barbed wire.

Yesterday morning strikers blockaded the entrance to the plant and tried to prevent vehicles from entering. Black workers brought in to help keep the factory going were apparently threatened.

By mid-morning most of the strikers had gone home.

Meanwhile, five striking foremen have received written warnings that they risk disciplinary action.

The men have already received verbal warnings for having taken part in previous "stayaways and other unauthorised industrial action". They were instructed to report for duty on Tuesday but have thus far failed to do so.

(189)

Management has postponed for a day the implementation of its proposed programme of retrenchments. This will now begin tomorrow.

In the trenches . . . Moss Chikane (foreground) and Godfrey Motsepe join the road crew on the site of their scheme to upgrade Mamelodi township by training community residents. Picture: Peter Mogaki

Metal firms raise wage offer to end deadlock

SHARON SOROUR (189)
Labour Reporter

METAL and engineering industry employers, locked in wage talks which affect more than 300 000 workers and 9 000 companies, increased their wage offer from six to seven percent in a final attempt to secure an agreement with trade unions

According to the Steel and Engineering Industries Federation of SA (Seifsa) the offer was conditional, with possible exemption for employers to pay a lower increase or delay implementation

Employers in the Border region made a final wage offer of 4,8 percent on actual wages

Employers also agreed to reduce the existing grades in the main agreement from 13 to five by July 1996

They offered to set up a working group to develop new, more flexible work and skill definitions by June 30, 1994 to upgrade the work done by employees

"Provided agreement can be reached on these issues by this date, employers said they were prepared to narrow the gap between existing artisan wage rates and wage rates in these categories in the 1994 main agreement," said Seifsa ARG 16/7/93

Employers also tabled proposed wording relating to information disclosure to trade unions in the event of retrenchments.

The National Union of Metalworkers of SA (Numsa) was not prepared to accept the wage offer because it was below the inflation rate, and would not allow any exemptions

The Metal and Electical Workers Union of SA (Mewusa) and the Steel, Engineering and Allied Workers Union (Seawusa) neither accepted nor rejected the offer, indicating they would refer it back to their members

The Confederation of Metal and Building Unions and Iron and Steel indicated a provisional acceptance of the final offer subject to employers in the Border area being prepared to agree to the same exemption arrangements as the employers in Natal, Midland and Cape regions.

The Mineworkers' Union was not present at the meeting.

Unions confront Iscor

Star 28/7/93

In an unprecedented display of unity, left and right-wing unions have threatened Iscor's management with joint industrial action if the corporation does not improve its wage offer.

The National Union of Metalworkers of SA, the Mine Workers' Union and the SA Iron, Steel and Allied Workers' Union met yesterday to "consider what action should be taken regarding a dispute to be declared with Iscor".

189

Iscor's 6 percent wage offer was "totally inadequate". It was only half the current inflation rate. Iscor could afford a better offer because of the 15 percent depreciation in the rand/dollar exchange rate over the past year (boosting Iscor's export earnings).

Fortune 500 had just ranked Iscor the world's third most profitable steel producer. — Labour Correspondent.

Labour to split ANC?

CIPress 25/7/93

By SEKOLA SELLO

THE uneasy marriage between the labour movement and political organisations is beginning to show signs of strain Or is it?

What appears to be the first signs of discord surfaced early this month when the giant National Union of Metal Workers of SA (Numsa), proposed that its mother body Cosatu disaffiliate from the ANC-led tripartite alliance once an interim government had been established

Numsa further hinted at the possible establishment of a workers' party that could even challenge the ANC

Until a few months ago, supporters of such ideas would have been considered heretics and would at best have been marginalised within the tripartite alliance and at worst hounded out

The fact that these sentiments, expressed during Numsa's conference at the World Trade Centre, did not elicit any criticism from the ANC or the SACP, did not go unnoticed among political and labour observers

This week another important Cosatu member, the Southern African Clothing and Textile Workers Union, resolved at its national conference in Durban that it would also sever links with the ANC once a constituent assembly has been established

Numsa and Sactwu's widely publicised stances could well indicate tensions within the labour movement as the demise of apartheid nears and unions try to re-define their relations with a future government – widely expected to be dominated by the ANC

They also raise some interesting questions

How serious are these pro-ANC unions about going their separate ways once a constituent assembly or an interim government has been established?

Allied to this, if this notion of disaffiliation is gaining currency within the labour movement, what could its cause be? (~~150~~) (~~174~~)

It was expected that relations between the labour movement and an ANC-led government would not always be easy A conflict of interest between government and organised labour is not unusual

Potential conflict

The potential for conflict between organised labour and a new administration (even if it is ANC-led) has always been considered high given that such an incoming government would most likely face serious problems as a result of empty state coffers,

There are growing indications that organised labour will seek to be independent from a new SA government – even if it is ANC-led. Earlier this month Numsa proposed that its mother body Cosatu disaffiliate from the tripartite alliance once an interim government has been installed.

rising unemployment and a pressing need for social and economic reconstruction

However, the speed at which differences between the unions and what many consider "the government in waiting" has taken observers by surprise (~~132~~)

Equally surprising is that the labour movement seems to be initiating the split Traditionally in Africa it has been a former liberation movement-turned-government which has precipitated the split with its former ally in the trade union movement (189)

A classic example is Kenneth Kaunda – a close ally of the ANC – whose party came to power riding on the back of the labour federation But once in State House, Kaunda fell out with the workers' leadership and even jailed some of them

It is argued a similar scenario could well repeat itself in SA

Perhaps aware of such a possibility, organised labour has already begun to re-define its relations with the ANC They are taking precautions lest they go the same route as their counterparts in some African countries

In order to protect their gains from any future government interference, workers are pressing for the inclusion of trade union rights in the mooted fundamental bill of rights

Among the rights demanded by Sactwu in the bill of rights are the following the right to belong to trade unions, to organise, to bargain collectively and to strike without fear of dismissal

Fears by unionists that enshrining these in a bill of rights is not a guarantee that these rights will be respected, probably explains why Numsa is talking about the establishment of a workers' party

But the idea of a workers' party also raises questions Why would the workers want to establish their own party when they could join the SACP which is closer to their ideals?

Adding more confusion is that the idea of a new party seems to have the support of Numsa secretary-general Moses Mayekiso, who is also an executive member of the SACP

Mayekiso is also reported to have stated that the SACP could even help with the establishment of such a party It is inconceivable that the SACP would help in creating a potential rival

It is also unclear whether Numsa is serious about the issue, or whether this is pure rhetoric A scare tactic

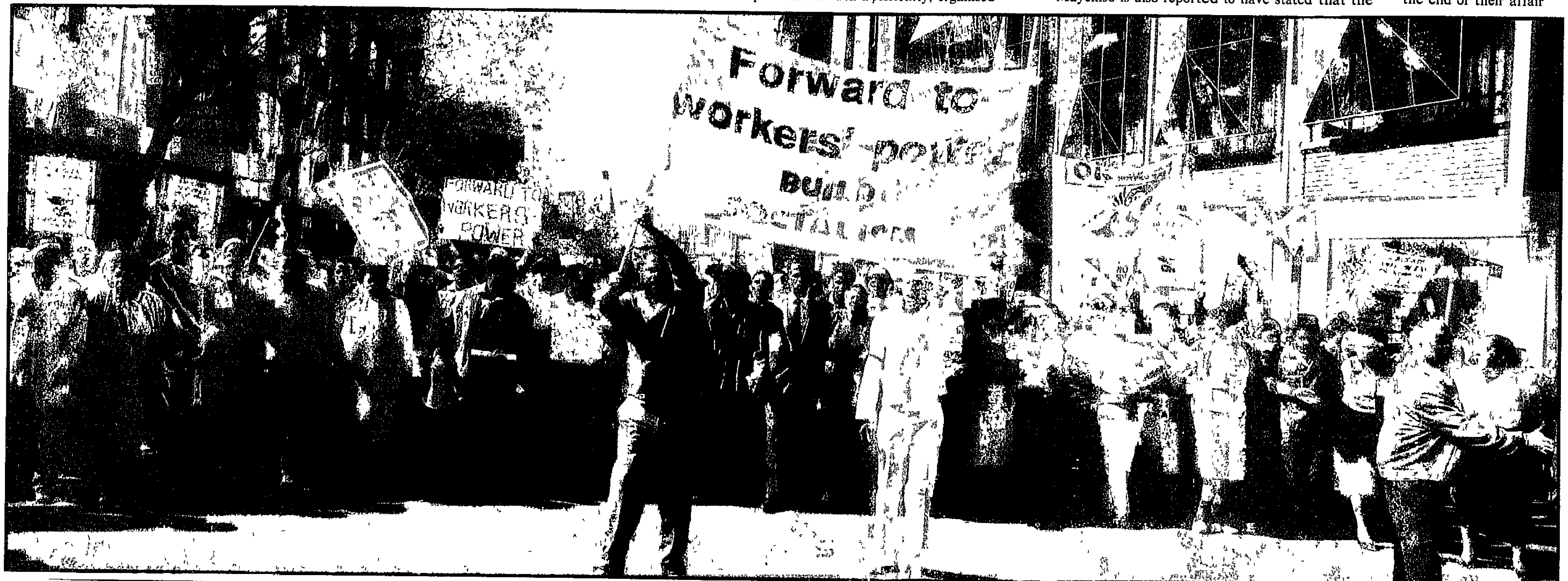
Whatever the emerging tensions between organised labour and the ANC, it would be wrong to say this will have any adverse effect on the ANC's election campaign

Cosatu has publicly stated it will help the ANC win forthcoming elections and will release its resources and personnel to achieve this. Some of its members will also be running for the ANC

Despite talk by Numsa, the South African Chemical and Textile Workers' Union (Sactwu) or even Cosatu of going it alone after elections, the symbiotic relationship of the tripartite alliance precludes the possibility of an early or complete split

The ANC/Cosatu marriage has been blissful for some time now But rocky signs lie ahead

The irony is that the dawn of Uhuru – which both have fought so hard for – could well bring about the end of their affair



MARCHING TO A DIFFERENT DRUM? . . . Will union workers carry out their threat to leave the ANC in the political wilderness. And will the SACP take up the slack and give workers the political voice they demand? Only time will give those answers.

■ Pic: EVANS MBOWENI

Star 27/7/93

Unions split on wage offer

Nine trade unions in the metal and engineering industries yesterday accepted an employers' wage offer but four others are pressing for further concessions. The Steel and Engineering Industries Federation, the employer umbrella group representing 9 000 companies, said last night the seven percent wage offer had been accepted by nine, mainly craft, unions. — Sapa

189

COMPANIES IN TRANSITION

Sowetan 29/7/93

MBSA workers give chunk to charity

By Joshua Raboroko

PROUD MOMENT Numsa members try to uplift East London community:

HOURLY-PAID EMPLOYEES of Mercedes-Benz SA in East London earned R3,3 million during 1992 and then set aside R771 000 as a donation to needy community programmes

It was not simply a charity handover from the company The money had been "earned by employees and they decided how to spend it"

Each year MBSA budgets for a special fund known as the Housing Education and Social Responsibility Fund, and each month money is paid into the fund depending on how employees reach present quality and quantity targets

At the end of the year, monthly paid and hourly-paid employees decide how to spend the money on housing and education benefits for themselves and on social responsibility projects of their choice

The chairman of the shop stewards committee, Mr Alfred Mtshi, said the gift to the community was a proud moment for employees and their representative union, the National Union of Metalworkers of SA (189)

He pointed out that for the workers, many of whom had little shelter themselves, such a gift was a major sacrifice

Mtshi said that when the fund was established in 1990, employees had not closed their eyes to the situation of how badly the people of the region were deprived

The organisations supported by the employees are Independent teachers' Enrichment Centre, Independent Business Enrichment Centre National Sport Congress, Border Cricket Board Development Foundation, Institute for Social and Individual Development in Africa and East London Mental Health Safety

NEWS Doctor challenges medical aic

Labour briefs

Municipal strike rally

Sowetan 30/7/93

THE South African Municipal Workers Union will hold rallies throughout the country today to get a fresh mandate from members regarding the intended strike action that starts on Monday.

In Soweto a rally will be held at the Jabulani Amphitheatre from 10am. Another rally will be held at the George Thabe Stadium from 10am.

Numsa march

Sowetan 30/7/93

THE National Union of Metalworkers of South Africa is expecting thousands of its members to attend a march on Monday to the offices of G Vincent Company, a subsidiary of Macsteel, to demand the reinstatement of workers dismissed in 1992. The march starts at 10am from Elandsfontein Railway Station.

Sowetan 30/7/93

Annual congress

THE Chemical Workers Industrial Union holds its fourth national congress in Johannesburg from today until Sunday.

About 250 delegates are expected to attend the congress at Nasrec in Crown Mines near Soweto.

Mossgas diesel leaks

(189)

Shadley Nash in Port Elizabeth

WM 30/7-5/8/93

MOSSGAS diesel caused fuel leaks in some bakkie and tractor engines, the company hs acknowledged. The company has paid compensation to some affected farmers and the diesel is now being blended with 30 percent crude oil diesel to prevent the problem, it said

It also confirmed that the fule provides less power than other diesel under some conditions

The controversial Mossgas project put its firt diesel on the market at the beginning of the year The diesel was marketed in the southern Cape under existing brand names

But farmers and other owners of diesel-powered engines soon begn experiencing leaks in the fuel pumps of soe makes of tractors and bakkies.

One farmer, John Robertson of the farm Rooiheuwel in the Mossel bay area, said all his diesel equipment began leaking overnight.

A tractor dealer in Oudtshoorn and a diesel engineering firm in George have also confirmed that fuel leaks were picked up on certain makes of tractors and bakkies after Mossgas diesel hit the streets in February

Mossgas spokesman Harry Hill said its diesel burned more cleanly than other fuel, and this caused seals to contract and leak "Tests have shown that seals swollen by conventional diesel wear to a snug fit, but contract with Mossgas diesel and then leak," Hill said. — Pen

Motor workers threaten nationwide protests

South 31/7-4/8/93

By Waghied Misbach

NATIONWIDE protests and pickets are planned by the 178 000-strong National Union of Metal Workers (Numsa) on August 2 as talks with employer bodies in the motor industry remain deadlocked.

Numsa regional organiser Mr Fred Petersen blamed the employer body, the South African Motor Industry Employers Association (Samiea) for trying to topple the National Industrial Council for the Motor Industry which provided for centralised bargaining. (189)

Petersen said that if the Industrial Council collapsed, Numsa would have to negotiate with many small employers instead of dealing with them as a group.

It also meant workers would lose social security benefits, including pension and medical aid, he said.

The Western Cape region will decide this week what form their protests take.

Talks around wages have remained in deadlock since 1992 when Samiea could not agree with Numsa, and two other largely-white unions, on the increase.

Samiea were not available for comment.

● The Paper, Printing, Wood and Allied Workers Union (Ppwawu) will hold a protest march on Saturday, July 31. They will march from District Six to the Old Mutual Head Office, the Cape Provincial Administration offices, Parliament and the Department of Manpower.

Ppwawu spokesperson Mr Shaheed Mohamed said the protest was in support of disabled workers, including workers of the National Council for the Blind over wages and other demands.

Deals p

FACE TO FA

By DAWN BARKHUIZEN and RAY HARTLEY

LAST-minute deals between private- and public-sector employees and unions have defused looming labour action around the country.

The National Union of Metalworkers of SA which had planned to start countrywide mass action tomorrow, will instead sign a deal with vehicle manufacturers

The National Union of Mineworkers called off a scheduled strike ballot on Friday after eleventh-hour talks with the Chamber of Mines

And in Johannesburg, a threatened strike by municipal workers who belong to the SA Municipal Workers Union has been called off after city and union officials agreed to try to settle the wage dispute before an arbitrator

Municipal workers will now join a planned march in Oxford Road instead of embarking on the planned strike — though workers in other cities will go ahead with the illegal strike (2250) (3354) (1527)

The Numsa deal, which comes after 30 sessions of tough bargaining between trade unionists and South Africa's nine vehicle manufacturers, sets new standards in industrial relations and marks a swing away from confrontational wage negotiations, unionists say (189)

The agreement paves the way for "multi-skilling" the 26 000-strong workforce — a policy that has already boosted the flagging Australian car industry and improved production in Japan

The agreement was "light years ahead of anything else", said Numsa negotiator Gavin Hartford, and aimed at raising production to world-class levels

Manufacturers hope the agreement will inject new life into the beleaguered car industry — now experiencing one of its bleakest patches after losing millions of rands through work stoppages after Chris Hani's death, earning warnings from overseas parent companies that factories would be relocated to countries such as Korea unless quotas improved

The agreement lays down principles for plotting career paths for all employees, cross-training and upgrading blue-collar skills, introducing industry-wide provident and medical-aid schemes, and creating the country's first-ever work-security fund for retrenched workers.

As part of the deal, hourly paid workers at BMW, Delta, Mercedes-Benz, Nissan, Samcor, Toyota, Volkswagen, Associated Automotive Distributors and Man Truck and Bus Company can expect a 10-percent wage increase

The Chamber of Mines agreed to take the NUM wage dispute to mediation in exchange for an undertaking from the NUM to suspend its strike ballot Mediation is expected to begin this week.

Deals put off strikes

ST Times 1/8/93

By DAWN BARKHUIZEN and RAY HARTLEY

FACE TO FACE William Mnisi and Johan Lemmer in a heated confrontation over whether the NP MP tried to bribe the DP official

LAST-minute deals between private- and public sector employees and unions have defused looming labour action around the country

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BiDay 4/8/93

Seifsa deal allows for 7% wage hikes

ERICA JANKOWITZ

SEIFSA concluded wage talks yesterday, granting about 284 000 metal and engineering workers increases of 7% on scheduled and actual pay backdated to July 1

Once again, two-tier bargaining arrangements have been precluded by the inclusion of a levels of bargaining clause

Individual companies in the Natal, Cape, Midland and Border regions may apply for exemptions to implement lower increases

Free State and northern Cape employers, dependent on the mining industry, may apply for permission to implement the increase from January 1

(189)

Parties agreed to reduce job grades from 13 to five by July 1996 as part of a skills upgrading drive. By June next year a working group would develop new skill definitions "to upgrade work undertaken by employees in the grades below artisan level" In addition, employers "indicated their preparedness to narrow the gap between existing artisan and redefined job category rates" next year, if agreement could be reached on multiskilling

Employers would also provide information "concerning the need for retrenchment to assist unions to consult meaningfully about ways of minimising" job losses

Seifsa said it would submit the industry training board's constitution to the Manpower Department for approval.

(SSS)

Sowetan 4/8/93

Accord on pay offer

ENGINEERING and metal industry pay talks ended in settlement yesterday, with 13 unions agreeing to a seven percent wage increase and non-wage advances, the Steel and Engineering Industries Federation of South Africa said (189)

Highlights included wage exemption measures in several regions, commitments on reducing the industry's 13 job grades and agreements on education, training and multi-skills — *Sowetan Reporters and Sapa*

Metal industry wage deal struck

189

CT 4/8/93

JOHANNESBURG. — Thirteen unions in the engineering and metal industries agreed yesterday to a seven percent wage increase and non-wage advances, the Steel and Engineering Industries Federation of South Africa (Seifsa) said.

The agreement includes wage exemption measures, commitments on reducing the industry's job grades and deals on training.

Seifsa executive director Mr Brian Angus said in a statement it was unclear whether the Metal and Electrical Workers' Union of South Africa had settled.

The minimum hourly wage would be increased by 37c to R5.50, while artisans in the top grade would get R12.19 an hour, an 80c rise.

National Union of Metalworkers of South Africa spokesman Mr Les Kettledas said he would comment after studying the Seifsa statement.

The industry's 13 job grades would be reduced to five by July, 1996. Also, the main agreement would be amended to allow employees to be downgraded as an alternative to retrenchment. — Sapa

News in brief

Sowetan 4/8/93

Re-register at Technikon

HUNDREDS of students yesterday gathered to re-register at Garankuwa's Setlogelo Technikon which has been closed for about four months because of student unrest

There was a strong police presence but no incidents were reported Technikon acting rector, Professor JM Phala, said nearly 1 000 students turned up for re-registration, but he declined to comment on criteria being used for re-admission

Sowetan 4/8/93

Back to work for workers

A MONTH-LONG strike by 530 workers at the German multinational Bosch plant at Brits, near Pretoria, will end today after agreement was reached to refer the dispute between the workers and the company to arbitration

The workers, all members of the National Union of Metalworkers of South Africa, went out on strike to protest against the retrenchment of 26 of their colleagues. Workers to be retrenched are on unpaid leave pending the outcome of arbitration (189)

Sowetan 4/8/93

Court ruling on reporter

A JOHANNESBURG magistrate yesterday ruled that *Beeld* newspaper reporter Andries Cornelissen has to answer questions on remarks allegedly made by the African National Congress youth leader Peter Mokaba

Cornelissen had refused to answer questions about a report that Mokaba had uttered the controversial slogan "Kill the Boer, kill the farmer" at a meeting at the University of the Witwatersrand in May Magistrate Mr R le Roux said Cornelissen's grounds were vague and speculative and based on what he and colleagues thought the consequences would be if he answered questions

Better steel prices boost Highveld earnings

(184) CT 9/8/93

JOHANNESBURG — Improved international steel prices and an local sales lifted the Highveld Steel and Vanadium Corporation's attributable profit 21% to R37,6m (R31m) for the six months to end June

However, chairman Leslie Boyd cautioned the growth in local steel sales would be partially offset by the weak market conditions for other products

Earnings rose 21% to 42,5c (35,1c) a share after a R10m beneficial deferred tax adjustment

The interim dividend was maintained at 20c a share The improvement in operating conditions appeared to have been anticipated on the JSE, and the share price rose 10c to a new high of 1360c yesterday from a low of 825c in December.

Turnover for the Amic subsidiary during the interim period increased 5,9% to R737,4m (R696,2m), of which more than half comprised exports However, margins fell and operating profit dropped 5,2% to R34,1m (R35,9m)

Tax came to R6,5m

The R120m sale of a one-sixth share of Columbus Joint Venture to the IDC resulted in a R34,5m extraordinary profit Net profit doubled to R72m (R31m)

Unionists agree to 7% wage settlement

Star 4/8/93

By Paul Bell
Labour Correspondent

A wage settlement of 7 percent, backdated to July 1, was yesterday agreed to between 13 unions and the 44 member-associations of the Steel and Engineering Industries Federation of SA (Seifsa)

Exemptions to the wage settlement may be sought by employers in Natal, the Cape, Midland and Border regions who can motivate paying less than the agreed national minimum increase. (189)

In addition, employers in the Free State and northern Cape whose businesses are dependent on the mining industry may apply for exemptions allowing them to postpone awarding the increase until January 1 1994.

According to Seifsa, the unions have also agreed to intervene if exempted companies are hit by industrial action as a result of the settlement.

Les Ketteldas, chief negotiator for the largest union, the National Union of Metalworkers (Numsa), said, however, that the union would not agree to anything without consulting workers and securing their agreement on applications for exemption

Seifsa's wage offer, said Ketteldas, while well below Numsa's demand for a cost-of-living increase, had been accepted after consultation throughout Numsa's regional and branch structures.

Regions had reported acceptance of the offer to Numsa's national executive committee on Sunday, and on this basis the committee had mandated its negotiators to sign the agreement.

Ketteldas added: "At the outset, certain employers were sceptical about our new approach Some opposed the reduction of job grades. But after further negotiations, there was a change in employer attitudes.

"We succeeded in getting agreement on reducing the grades (from 13 to five by July 1996).

"A second important agreement was the establishment of one industry training board, which is essential to addressing skills training and work reorganisation"

SAP gripe line is changing attitudes

Star 4/8/93

By Charmeela Bhagowat

Sergeant Triecia du Preez answers the telephone cheerfully, even as she expects the caller to be furious and to hurl a mouthful of abuse at her before listening to a possible solution to his or her problem.

She says most people yell and grouse before calming down when they call the four-month-old Police Community Service Line to complain about the SAP, specific officers or poor police service

But Du Preez, along with her colleagues, loves her job and says she enjoys helping people and, at the same time, improving the police force

She listens attentively to a caller who complains about the sloppy treatment she received from an officer

After getting the details, she politely tells the woman she will call her back in about half an hour Within minutes, Du Preez is on the phone to the commander, finding out what happened.

She asks him to call the unhappy woman and to resolve the problem as soon as possible. When she calls back, the woman confirms that a policeman has called her to discuss her problem.

Another problem, albeit a small one, solved with a bit of patience, understanding and diplomacy, she says.

Satisfied

Du Preez, Sergeant Antje van der Merwe, Sergeant Isaac Mokgalaka, Sergeant Hendelene Kleynhans and seven other trained police counsellors have dealt with about 530 complaints since the line opened in April.

Van der Merwe says they receive up to 18 calls a day Each one is dealt with immediately and then followed up by the counsellors until the complainant is satisfied

But helping members of the public who feel they were treated badly or unprofessionally by police is only part of what the service line is about, she says

"The idea is to sharpen every single policeman and create an efficient, professional police force."

To do that, the counsellors have the authority to call any police station in the country, without at first revealing who they are, and to determine the level of professionalism with which the police officers deal with their complaints.

Mokgalaka says he does this often and that there is already an improvement in the way officers who are aware of the service line handle telephone complaints.

Anyone with complaints about the SAP or a specific police officer, or with suggestions on how to improve the force is urged to call the 24-hour service line at (012) 322-5500 or to write to Box 9494, Pretoria 0001

Unionists agree to 7% wage settlement

Star 4/8/93

By Paul Bell
Labour Correspondent

A wage settlement of 7 percent, backdated to July 1, was yesterday agreed to between 13 unions and the 44 member-associations of the Steel and Engineering Industries Federation of SA (Seifsa)

Exemptions to the wage settlement may be sought by employers in Natal, the Cape, Midland and Border regions who can motivate paying less than the agreed national minimum increase (189)

In addition, employers in the Free State and northern Cape whose businesses are dependent on the mining industry may apply for exemptions allowing them to postpone awarding the increase until January 1 1994.

According to Seifsa, the unions have also agreed to intervene if exempted companies are hit by industrial action as a result of the settlement

Les Ketteldas, chief negotiator for the largest union, the National Union of Metalworkers (Numsa), said, however, that the union would not agree to anything without consulting workers and securing their agreement on applications for exemption.

Seifsa's wage offer, said Ketteldas, while well below Numsa's demand for a cost-of-living increase, had been accepted after consultation throughout Numsa's regional and branch structures

Regions had reported acceptance of the offer to Numsa's national executive committee on Sunday, and on this basis the committee had mandated its negotiators to sign the agreement

Ketteldas added "At the outset, certain employers were sceptical about our new approach. Some opposed the reduction of job grades. But after further negotiations, there was a change in employer attitudes.

"We succeeded in getting agreement on reducing the grades (from 13 to five by July 1996)

"A second important agreement was the establishment of one industry training board, which is essential to addressing skills training and work reorganisation"

LABOUR FM 6/8/93

Sudden brake

What price peace in the motor industry? The princely sum of R100 stood between vehicle assemblers and potential disruption this week

Employer and union representatives met in Port Elizabeth on Monday expecting to sign what they described as a "pioneering" industry agreement after months of negotiations (189)

Instead, objections by MAN Truck & Bus to two clauses in the agreement created an unexpected last-minute deadlock, leading to warnings of industrial action from the industry's biggest union, the National Union of Metalworkers of SA (Numsa)

MAN objected to rules governing worker training programmes and the so-called "agency" clause, under which employers deduct the equivalent of union fees from the wages of non-union employees

In the case of training, MAN feels that its

Cont →

workforce of less than 50 hourly-paid workers does not make it cost-effective to establish extensive programmes designed for bigger companies with thousands of employees

Indeed, the company says it has argued consistently that the cost of participation in the industry's national bargaining forum (NBF) is disproportionate to the size of the company It adds that the forum is not representative of the heavy commercial vehicle sector in which MAN operates

MAN says it has agreed to discuss alternative training programmes better suited to its size and it is understood there is room for compromise between the company and Numsa on this question FM 6/8/93

But not, apparently, on the agency clause Numsa argues that non-union workers benefit from union-negotiated settlements and should pay a nominal fee for the privilege The still unsigned industry agreement calls for employers to dock non-union workers' weekly wages the equivalent of the lowest-paid Numsa member's union fee — about R5 a week (189)

This money would be paid into a central fund, to be distributed every three months on a pro rata basis between Numsa and the assembly industry's other union, Yster en Staal

MAN won't countenance the idea Of the company's 49 hourly-paid workers, just 20 are non-union, so the sum involved is only R100 a week But it's not the money, MAN insists It won't, as a matter of principle, deduct union dues from non-union workers A spokesman says "The company questions the legality of such deductions without the consent of the employees concerned"

Other employers and the unions concede that the deductions depend on an amendment to, or exemption from, the Basic Conditions of Employment Act If that's not forthcoming, the two sides will meet again to seek

FM 6/8/93

other ways of making up the difference Representatives of other assembly industry employers were due to meet MAN on Wednesday Numsa chief negotiator Gavin Hartford warned that union members' frustrations could spill over throughout the assembly industry (189)

The new agreement, including wage increases believed to include an initial 7% followed by a further year-end rise, should have taken effect at the beginning of July Officials of both Numsa and Yster en Staal (which has no members at MAN) warn that their members will be "intensely disappointed" if their expected increases don't materialise ■

Star 6/8/93

Pay disputes declared

The National Union of Metalworkers of SA has declared pay-related disputes with six metal industry manufacturers The affected companies are Highveld Steel and Vanadium, Middelburg Ferrochrome, Metal and Manganese Company, Iscor, USCO and Hulett's Aluminium (189) 355

Vehicle assemblers, union to sign deal

Star 6/8/93

CAPE TOWN — All nine vehicle assemblers party to national pay talks will sign a watershed industry agreement with the National Union of Metalworkers of SA today. (189)

MAN Trucks and Buses had been persuaded to ratify the agreement, David Kirby, chairman of the employer grouping in the industry's national bargaining forum, said yesterday.

Numsa, representing about 19 000 workers in the 26 000-strong workforce, first refused to sign when MAN said it would not ratify two non-wage clauses.

According to Numsa oganiser Gavin Hartford, the company opposed clauses dealing with a new nationally accredited education and training dispensation and bargaining fees.

The new dispensation was meant to upgrade skills levels as a forerunner to changes in work organisation.

"All employees will have access to education and training and be encouraged to build a career with accredited and portable skills." — Sapa

Amic lifts earnings in tough conditions

(189) CT 6/8/93

Own Correspondent

JOHANNESBURG — One-off profits and a deferred tax credit lifted earnings at Anglo American Industrial Corporation by 16% to 327c (281c) a share in the half-year ended June 30, masking the impact of tough market conditions on some of its key subsidiaries

The industrial holding company — whose interests range from steel and drilling equipment to newsprint — held its interim dividend at 110c

Chairman Leslie Boyd was confident earnings would improve in the second half "There are clear indications the SA economy has bottomed," he said yesterday

In an unusually informative presentation, Boyd said the process of divisionalisation which the group began earlier this year would be completed by the start of 1994, improving Amic's ability to raise cash to finance capital spending and acquire new businesses

Turnover rose to R3,86bn (R3,27bn), but the increase mostly reflected the increased stakes in construction group LTA and industrial equipment company Amquip, which Amic bought earlier this year

Earnings from operations dipped to R153m (R170m) Although Highveld Steel and Vanadium improved interim profits, unlisted subsidiaries Boart and Mondi battled with torrid market conditions

Wholly owned Scaw Metals turned in stronger earnings of more than R50m, making up some ground lost after its poor performance in 1992

Amic's share of earnings from associate companies — including chemicals producer AECI, engineering groups Haggie and Dorbyl, LTA and consumer products group McCarthy — fell to R80m (R90m) Income was underpinned by the good interim performance by 39,5%-owned AECI

A lower interest bill helped offset this drop in income and lower investment receipts. Pre-tax profit fell to R227m (R230m) Amic paid more tax because of R8m levied in secondary tax on companies

After-tax profit declined to R196m (R213m) but attributable earnings were lifted by a number of one-off items

Amic realised R18m in the sale of a stake in the Columbus Stainless Steel joint venture to the Industrial Development Corporation, plus R17m in selling some of its interest in Powertech to the Anglo pension fund and a smaller surplus on buying Anglo's stake in LTA The group recorded a R43m abnormal credit — an adjustment to deferred tax after the cut in the company tax rate in the Budget

Consequently, attributable earnings climbed by nearly a fifth to R191m (R160m)

Although the group's interest-bearing debt rose steeply to R639m (R391m), its gearing remained a meagre 8,9%, with interest cover at 5,9 times Amic's cash reserves grew to R693m (R560m), again attributable to the group's increased interest in LTA plus improvements in Scaw's cash position

NEWS IN BRIEF

Disputes declared

THE National Union of Metalworkers of SA (Numsa) has declared pay-related disputes with six metal industry manufacturers, Numsa national collective bargaining secretary Les Kettledas said yesterday Elbay 6/8/93

The affected companies were Highveld Steel and Vanadium, Middelburg Ferrochrome, Metal and Manganese Company, Iscor, Usco and Hulett's aluminium plants in Epping and Maritzburg

Disputes were declared after in-house negotiations ended in the rejection by workers of final wage offers, Kettledas said (189)

CAPE

Seifsa and 284 000 workers get to grips with new wage packages

☐ Agreement reached on increases, retrenchment provisions and pension deals

ARG 9/8/93

(189)

SHARON SOROUR
Labour Reporter

AGREEMENT has been reached in metal and engineering industries' wage negotiations, affecting 284 000 workers nationwide.

Workers will get a seven percent wage increase, backpaid to July 1, according to the employers' federation Seifsa (Steel and Engineering Industries Federation of SA)

Employers in Natal, Cape, Midland and Border regions will be able to apply for exemptions to implement increases less than 7 percent

Free State and Northern Cape employers whose businesses depended on the mining industry could apply for exemption to implement the 7 percent increase from January 1 1994

The parties to the Industrial Council agreed to give sympathetic consideration to exemption applications, and unions undertook to provide assistance at national level to exempted companies which experienced industrial action relating to exemptions

The number of job grades would be reduced from 13 to five, without additional cost, by July 1996.

Seifsa said "This is part of a package of work organisation changes and skills upgrading.

"A technical work group will be established to develop new work and skill definitions to upgrade the work undertaken by employees in the grades below artisan level by June 30, 1994."

Providing agreement could be reached on the multi-skilling exercise by June 1994, employers indicated they were prepared to narrow the gap between existing artisan wage rates and rates in the redefined job categories in the 1994 main agreement

Other terms of the agreement included

● Annual leave bonus would be calculated on the basis of 8,33 percent of actual annual earnings, excluding allowances;

● The daily subsistence allowance would increase by between 9,1 and 15 percent,

● Employers would provide information concerning the need for retrenchment to help unions to enter into meaningful consultations with employers about ways of avoiding or minimising retrenchments;

● The main agreement would be amended to allow employees to be downgraded as an alternative to retrenchment.

Provision would be made for protection against possible abuses.

● Employer and employee contributions to the industry's pension and provident funds would be increased by 0,6 percent to fund a salary continuation scheme of 75 percent of wages in the event of permanent disability.

In addition, a programme of action would be implemented to allow members of the Engineering Industries Pension Fund to transfer to the provident fund, and for the merger of the two pension funds; and

● Employee absences on March 21 1994 would be treated on the basis of no work, no pay, no discipline

Star 10/8/93

Iscor faces united stand from unions

BY PAUL BELL
LABOUR CORRESPONDENT

Two major right-wing white unions, the Mineworkers' Union and SA Iron and Steel, have accused Iscor of ineptitude in the downscaling of its Pretoria works And, remarkably, they appear to have the support — and possible co-operation — of their arch-rivals, the National Union of Metalworkers of SA.

The MWU and Iron and Steel say Iscor's plans to scale down operations at its Pretoria plant have caused "stress and panic" among the up to 1 600 workers affected The unions will hold a joint meeting today to discuss "future action"

They ask why workers who have been told they are to be "rationalised" in December have been "ordered to produce at full steam to build enough stocks"

Iscor is accused of aimless management and the unions say they cannot be expected to go along with its "freakishness".

A Numsa source confirmed that it too was unhappy, and that there had been talk of possible co-operation with the MWU and Iron and Steel. There had even been a loose invitation to Numsa members to join a demonstration by the Afrikaner Weerstandsbeweging. [redacted]

An Iscor spokesman said the rationalisation of the Pretoria works had been under consideration for 10 years. (189)

Major expansions at Pretoria ould not be considered because the lack of space, and it had t been possible to accommo- e all workers

GEIS subsidy pleas rejected

CT 11/8/93 (189)

Own Correspondent

JOHANNESBURG — Government has rejected pleas from ferroalloy producers for subsidies to help cushion the impact of a battered global market.

Leading producers including Samancor, Highveld Steel & Vanadium, and Consolidated Metallurgical Industries (CMI) had been pushing for subsidies worth at least R50m a year under the controversial R1,6bn-a-year general export incentive scheme (GEIS)

The call, forwarded by the industry's trade body, the Ferro Alloy Producers' Association (FAPA), came at a time when sluggish market conditions forced producers to halve their capacity

The producers claimed they were previously entitled to GEIS, but had relinquished the right in 1991 because government was already struggling to pay the average R150m annual payment under the 1977 electricity rebate scheme

But FAPA's attempts to regain the GEIS subsidies since the electricity rebate was withdrawn in December have been stymied by government officials.

Trade and Industry director-general Stef Naude wrote to FAPA late last month saying there was no chance of GEIS being re-applied to the industry. The Trade and Industry Department has not yet given its reasons for the decision.

Dire rebuff

The rebuff is a blow to the sector, effectively wiping R50m off its bottom-line earnings. Cheap Russian and East Bloc supplies have cut into SA companies' capacities, market share and earnings

JCI-owned CMI last week reported losses of 97c a share for the year against last year's 12c loss, and with sales down more than a quarter, the company was forced to operate at half capacity.

Gencor-owned Samancor, which reports later this month, is expected to post at least a 30% fall in earnings for the year, against 151c a share last time

Analysts said production cuts had led to price stability, but at barely breakeven levels. Recovery was at least a year away

"The industry is in crisis," FAPA secretary Michael McDonald said. "The incentives have helped us get through the bad times and keep our market share Now the industry has no export incentives at all."

But analysts said Trade and Industry's decision came as little surprise, given the criticism GEIS has attracted since it was set up in April 1990

GEIS offers payouts of up to 19% of the export value of processed products. The scheme, which is expected to cost R1,8bn this year, is designed to promote the manufacture of export goods.

But it has been slated as ineffective, expensive and open to abuse The epartment conceded this year that it was investigating more than 50 separate frauds.

GEIS contravenes the General Agreement on Trade and Tariffs (GATT) and government has committed itself to scrapping GEIS by March 1995.

LABOUR Fm 13/8/93

Motoring maturity

Last-minute disputes behind them, vehicle manufacturers and unions hope their latest annual agreement will set the tone for long-term peace in the often strike-torn motor industry (189)

Formal signing of the agreement was delayed last week when MAN Truck and Bus refused to ratify two sections — one relating

cont →

Fm 13/8/93

to worker training and the other to an attempt to extract union dues from non-union members (*Current Affairs* August 6)

In the first instance, MAN argued that proposed training programmes, designed for mass manufacturers of cars, were not suitable for a limited-production truck-maker In the second, it dismissed as "unethical" the union view that non-members should be forced to fork out

MAN says deadlock was broken after the industry's biggest union, the National Union of Metalworkers (Numsa), agreed the company should be exempted to negotiate both issues at plant level (189)

MAN says it stopped participation in the motor industry's National Bargaining Forum (NBF) last September because the forum was "not representative" of the heavy truck sector Having taken no part in negotiating the agreement, it did not consider itself bound by it

Now, though, deputy MD Mike Kirby says the company is prepared to participate because Numsa "has recognised the differentiation between the interests of MAN . and those of the rest of the industry " However, this is believed to be dependent on the NBF coming up with a means of catering for the specific needs of small companies

The industry agreement — signed by employers, Numsa and the Yster en Staal union — falls well short of Numsa's original demand for a three-year pay package guaranteeing annual increases equal to inflation plus 5%. Equally, employers' "final" 6% offer has been far exceeded by a settlement that offers most workers an effective 10% in two phases between now and January.

Biggest beneficiaries are the lower-paid workers and Numsa claims the settlement will halve the gap between highest and lowest paid wage-earners.

More significant in the longer term, however, is the creation of a broad education and training programme for the vehicle assembly industry. The Automobile Manufacturing Industry Education & Training Board, to be funded by employers, is intended to remedy "past discrimination" by raising skills and education at all levels in the industry

Starting with basic literacy training, programmes will be designed to provide clearly defined career paths, "from sweeper to engineer " Existing employees have the option of taking part in programmes but new employees must do so "as a condition of service." Eventual new grading and skills classification systems are part of the package.

The long-term aim is to bring skills up to international standards and make the local industry more competitive worldwide. The agreement recognises the importance of other issues, such as productivity, in achieving this end.

One can only hope actions match ambitions There are already signs that government is preparing to reduce the massive protection the SA motor industry has enjoyed in the past and expose it to competition A divided industry won't last long ■

Little improvement in sale of iron and steel

B/Day

1/7/8/93

EDWARD WEST

THE value of local iron and steel sales has shown little improvement in the first five months of 1993 compared with the same period last year, Central Statistical Service figures show

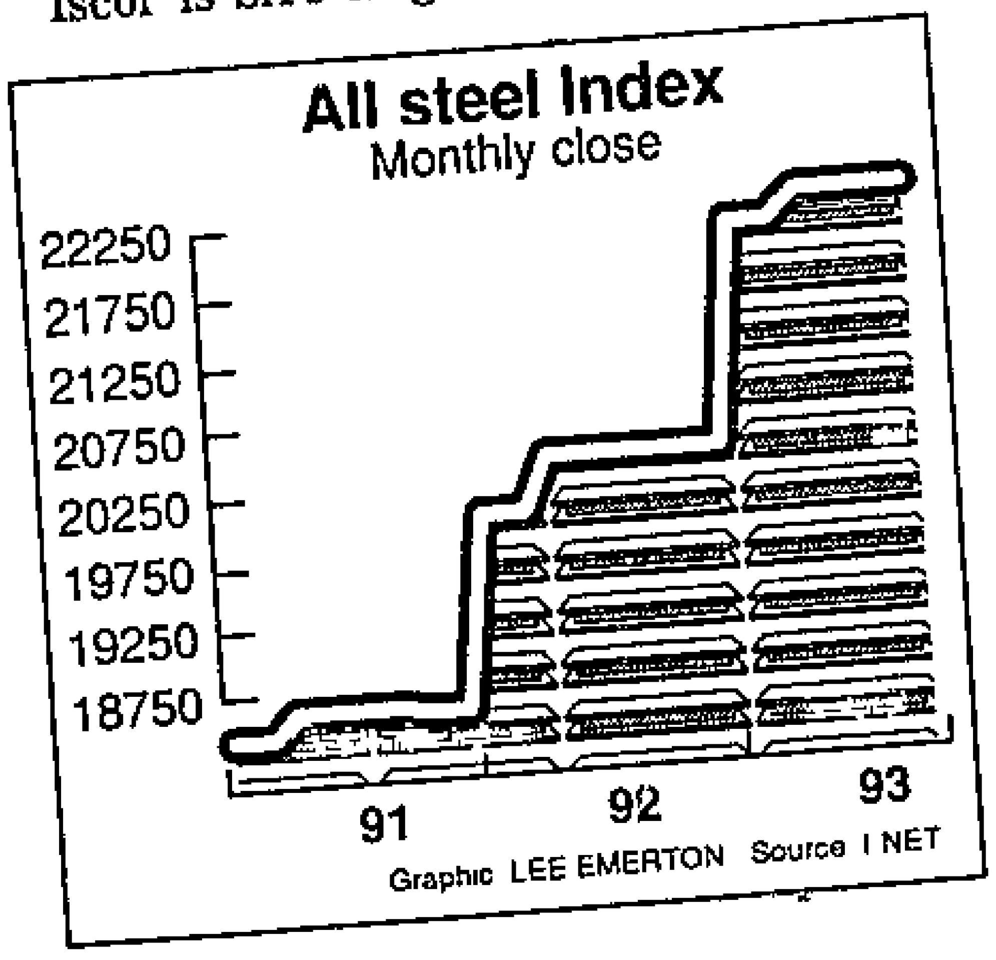
Basic iron and steel sales climbed slightly to R5,29bn from January 1993 to the end of May compared with R5,26bn over the same period in 1992

Average steel prices increased 9,2% at the beginning of the year

(189A)

An Iscor spokesman said the falling local steel demand which characterised the market last year appeared to have bottomed out this year, although there was no evidence yet of any real improvement

Iscor is SA's largest steel producer



Graphic LEE EMERTON Source I NET

In contrast, Highveld Steel & Vanadium chairman Leslie Boyd said the group's local steel sales improved 10% in the six months to end-June 1993 over the same period a year ago because destocking by steel merchants appeared to have run its course

Construction of large capital projects such as the Columbus stainless steel and the Alusaf aluminium smelter expansions would improve local demand this year Highveld had a firm order book for the next three months

The steel index on the JSE is moving contrary to the generally stagnant local demand The index, heavily weighted by Iscor, more than doubled to a 707,4 point high in July from 338,3 at the end of December 1992

It was lower at 616 points yesterday on an average dividend yield of 3,8

The rising index mainly reflected a rerating of Iscor's share price after new MD Hans Smith was appointed in September, analysts said The improvement in export markets — the result of higher world steel prices and the falling rand exchange rate — also pushed the index higher

Highveld's share price nearly doubled this year to a new high of 1400c this month from 712c in December 1992 The share was untraded yesterday at 1300c

Tyre men pumped up

Sowetan

ANNUAL negotiations in the tyre and rubber industry, which employs 8 000 people are on the brink of agreement

The National Union of Metalworkers of South Africa is reporting back to members on an employer offer of a 10,2 percent wage increase 19/8/93

Included in the discussions will be a moratorium on retrenchments for a year and an agreement that non-union members pay a bargaining fee of R4,75 a week to unions. A union spokesman

(189) ~~(355)~~ ~~(496)~~

Sowetan 19/8/93

said the chances were good that workers would accept the offer. (189)

Hostel attack bid to stir tension – union

Star 24/8/93

BY PAUL BELL
LABOUR CORRESPONDENT

The National Union of Metalworkers of South Africa (Numsa) believes that Sunday's attack on the Scaw Metals hostel in Germiston, which left 12 people dead and 20 injured, was an attempt to excite ethnic tensions among its residents, and had been coming for some time (189)

The union has conveyed this view to Scaw's management and will today begin further discussions with management on the security of workers

The hostel — which Numsa spokesman Bernie Fanaroff yesterday described as "fearful and very tense" in the aftermath of the killings — is home to at least 2 000 workers, mostly migrants, as well as several hundred refugees from the violence in nearby Katlehong

"We believe the shootings were intended as a provocation aimed at stirring up trouble in a hostel where workers of different political persuasions have co-existed peacefully," Fanaroff commented

Six of the nine named so far were Numsa members, as are four of the 15 who have been named as injured. Among the other dead named was a member of the United Workers' Union of South Africa, while another Uwusa member was injured.

The union met Scaw management yesterday and presented a list of up to eight incidents near the Scaw plant in the past two months

Numsa also believes the murder of seven Zulu-speaking men hauled out of a taxi several weeks ago is linked to whatever lies behind the weekend massacre

■ The National Party and the ANC have become embroiled in a slanging match over who should take responsibility for the massacre

ANC president Nelson Mandela said the Government had neither the will nor the desire to end the violence

NP spokesman Marthinus van Schalkwyk said Mandela should face the truth — that "the ANC is responsible for a good deal of the violence in South Africa"

Earnings sliced at Samancor

217

189

CT 24/8/93

Own Correspondent

JOHANNESBURG — Falling commodity prices and cutthroat competition sliced more than a third off chrome and alloys company Samancor's earnings for the year to June

The Gencor-owned company also set aside nearly R90m above and below the line to cover the cost of cutbacks in the face of deteriorating market conditions

MD Mike Salamon said a slight improvement was expected this year But the market was "very delicately balanced Prices are very sensitive It could go either way"

Turnover dropped to R1,8bn (R2,06bn), mainly under the pressure of lower export sales volumes for manganese, while ferrochrome sales remained stable A flood of stainless steel scrap and ferrochrome from the former East bloc drained 12% from Samancor's average ferrochrome prices and 50% from its capacity

Although Samancor was buttressed by an effective tax credit of R53m, slim margins and a R42m rationalisation charge brought net income back 45% to R147m

A stronger performance from associates, including the Columbus stainless steel project, added R38m (R22,9m) to the figures, leaving earnings a share at 93c (151c) and the dividend down at 50c (90c)

The flow of cheap ferrochrome cut prices to $0,33/lb during the first quarter Although prices had recovered by about 15%, profit was likely only in the next financial year Normal capacity was at least two years away and depended on supplying Columbus, Salamon said

Prices for manganese ore and alloy remained under pressure Japanese contract prices for 1993/94 had fallen 24% in dollar terms, he said

CAPE

Caltex seeks to alter its plea

189

ARGT 25/8/93

Supreme Court Reporter

CALTEX Oil, which is being sued by two French companies in the Supreme Court for damages arising from an explosion on board a ship in Cape Town, has applied to amend its plea.

Yesterday counsel for Caltex argued that the company wanted to allege as an additional defence that the French companies, Foramer and GIE Rigbail, did not have a right to sue under French law

Caltex contended that any claim should be brought only by the insurers of the barge Barracuda, which was damaged when a fuel tank exploded in dry dock in 1991. A worker, Lionel Jones, was killed in the blast

Foramer and GIE Rigbail allege that Caltex supplied the Barracuda with contaminated diesel oil containing petrol which blew up when contractors did welding work

Globe Engineering and Joint Bunkering Services have been named as third parties

Foramer, which chartered the barge, and GIE Rigbail, which owns it, are claiming damages from Caltex of about R7,5 million

They claimed lost revenue because oil drilling operations off Angola were delayed

It was found at the inquest on Mr Jones in May that he died as a result of negligence by Caltex employees

After hearing argument, Mr Justice Foxcroft said he would rule today whether the application was successful

Fears of more factory violence

(SA) (187) WM 27/8-2/9/93

Ferial Haffajee

THERE are fears that last weekend's attack on the Scaw Metals factory hostel in Germiston, in which 12 people died and 20 were injured, could revive organisational conflict at East Rand factories.

Fighting between workers of different political persuasions, in which many East Rand workers were killed in 1990 and 1991, has abated in the past year as trade unions and employers have made concerted attempts to put peace structures in place

But the weekend massacre and a series of incidents involving trade unionists suggests that the peace may be about to be broken.

Six members of the National Union of Metalworkers of South Africa (Numsa) were killed in the attack.

But this may not be a concerted attack on the union as those killed were of a mixed group, said a Numsa representative this week. Another of the people killed was a member of the Inkatha aligned United Workers Union of South Africa (Uwusa).

Numsa has put together a security proposal for the protection of its members which it will present to Scaw Metals management for negotiation.

Trade union and South African Communist Party leaders did a damage-control exercise when they addressed workers at Scaw Metals on Tuesday, asking them to keep the shopfloor free of political tension and violence.

The hostel is home to 2 000 Scaw Metals workers from different political homes and to hundreds of refugees from East Rand violence.

In what may be an unrelated set of incidents, Numsa last week charged that many of its members on the East and West Rand were being harassed.

In two separate incidents, shots were fired at the homes of Numsa members Abessai Nkoe and Solly Crouser in July and August, while the union charges that workers at Arlec Engineering were attacked on company premises by men armed with AK47s on August 11. Numsa said such incidents were part of a plan to weaken the tripartite alliance structures.

Sasol admits using undercover agents to infiltrate unions

(189) (55) ARG 28/8/93

JOHANNESBURG. — Sasol admitted it used covert activities to obtain information about possible bomb attacks, arson, sabotage and intimidation of workers at its collieries and its Sasol II chemical plant

This admission yesterday follows a report in the Weekly Mail & Guardian newspaper that Sasol Mining, a wholly owned coal-mining subsidiary of Sasol, recruited secret agents to infiltrate unions

It also used companies who were part of the government's covert operations promoting the latter's image among black communities.

The newspaper claimed Sasol admitted the actions in papers before the Pretoria Supreme Court in response to a R12-million breach of contract claim by a former employee involved in the operations.

According to the Weekly Mail & Guardian, Andries Bruyns recruited a corps of trained security officers to infiltrate trade unions to limit the possibility of strikes at Sasol's Secunda colliery complex

It was also claimed that Sasol set up several front organisations to mask its activities and that one of these had links to a R160-million operation mounted by military intelligence against the African National Congress

Mr Bruyns is said to have resigned from one such company to cover his tracks Yet he joined another and mounted an intelligence operation for Sasol to improve its image among political parties

Sasol spokesman Jan Krynauw yesterday confirmed Sasol's admission of covert information-collecting activities.

He said although bound by sub judice rules, Sasol had taken undisclosed actions to obtain information relating to alleged bomb attacks, arson, sabotage and intimidation of workers at its collieries and at the Sasol II chemical plant.

Sasol claimed that, as security at those plants improved, it had stopped all covert activity and that a "participative atmosphere" now existed between it and the unions.

In the Weekly Mail & Guardian report Mr Bruyns claimed the improved atmosphere was because his operations were so successful that all attempts by the unions to call strikes at the Secunda collieries failed.

However, in an unrelated interview National Union of Mineworkers secretary-general Marcel Golding said relations between Sasol Mining and the union were among the worst in the industry — Sapa.

Columbus operating 15% above expectations

(898)

CT 1/9/93

JOHANNESBURG. — Columbus Stainless, the unquoted stainless steel producer owned by Highveld Steel & Vanadium, Samancor and the IDC, is operating about 15% in excess of its design capacity to meet improved export orders.

Industry sources said record profits and the increase in output were explained by the strong export market for semi-finished stainless steel products and sharp improvements in productivity since Samancor took over management after Barlow Rand sold the plant to the joint venture partners in 1991.

A Columbus spokesman said yesterday the plant was producing 13 000 tons of stainless steel a month, 2 000 more than usual

189

ARG 4/9/93

Answers from Iscor

MARC HASENFUSS
Business Staff

INVESTORS might need nerves of steel to buy into Iscor at the moment — considering the group's brittle profit performances over the last three years

However, some punters believe the group reached a turning point with the publication of the year to end June results released last week This has been supported by moves in the share price to close to the 150c psychological barrier

Weekend Argus managed to catch new managing director Hans Smith for his first media interview since taking office this week

MH **Some analysts see Iscor's latest results (to the year ending June) as a turning point in group fortunes Do you agree?**

Smith As my predecessor, Willem van Wyk, pointed out in a recent presentation, the strengthening of the gold price, the higher steel export prices, the more realistic rand/dollar exchange rate, lower inflation and relatively lower interest rates are all encouraging developments for the current financial year

If these projected developments in the steel industry and market come to fruition, Iscor's results in this financial year should be an improvement on 1992/93

MH **What has trading been like since year-end?**

Smith It is in line with budget.

MH **Interest bearing debt — although significantly reduced — is still a burden for Iscor What do you expect to reduce debt to in the year ahead?**

Smith The reduction in borrowings remains a strategic objective and will continue to receive management's prime attention at all levels during the current financial year to bring it to a more manageable level

MH **Write-offs (Pretoria Works etc) put Iscor into a loss situation after extraordinary items in the year under review Will there be more write-offs?**

Smith No further decomissioning of facilities and thus write-offs are planned for this financial year

MH **Reduction in capital expenditure What will Iscor be spending in the year ahead?**

Smith Iscor's capex programme on new extensions has come to an end with the completion of the continuous casting machine at Pretoria Works No major new capital projects or planned shut-downs are envisaged in the current year

MH **Does reduced capex mean you are risking your technological edge?**

Smith The capex programme of the last few years has honed our plant to be at the leading edge of technological developments, with high productivity and improved product quality

MH **What operations will Iscor be spending money on this year?**

Smith Capex will, like in the previous year, be limited to essential maintenance, product and efficiency improvements and environmental management Capital expenditure in mining will be mainly for the replacement of mechanical shovels, trucks and auxilary mining equipment

MH **Do you expect another increase in exports this year?**

Smith As Iscor's performance on the local market is closely linked to the performance of the South African economy and our local major market segments do not expect an increase in their demand for steel, export of steel products will in all probability remain at a level of more than 50 percent of production

MH **Exports seem to be denting profit margins What is the strategy behind the export drive?**

Smith Due to the oversupply in the international steel market, international steel prices have been low with a resultant pressure on profits Iscor has never consciously sought to be an exporter of steel products at the current level being experienced, having the supply of the local market as a priority Weak local demand has forced us into exporting surplus production as the income earned from exports helps to spread the fixed costs of steel production over a large number of tons produced

MH **What are the dividend prospects in the year ahead?**

Smith I have as a priority to justify shareholders investment in Iscor by increasing dividends We will actively pursue this aim, but it is dependent on our markets and the factors mentioned in my answer to your first question

Mossgas nets decade of tariff protection

CT 7/9/93 (189)

From EDWARD WEST

JOHANNESBURG. — Cabinet has approved the continued operation of the R11bn Mossgas project in spite of last month's report damning it as unlikely to produce a real return on money already spent.

Ending speculation, Mineral and Energy Affairs Minister George Bartlett said yesterday the project would remain a Central Energy Fund (CEF) subsidiary and operate as an autonomous commercial state operation.

An independent board of directors, made up of representatives from the CEF, the private sector and the Finance and Mineral and Energy Affairs Departments, would be appointed. It would report to the Mineral and Energy Affairs Minister.

Cabinet also recommended that Mossgas receive import parity revenue, based on the in-bonded landed cost (IBLC) of fuel. It should also be compensated should it receive less than IBLC prices for its products, such as in the case of exports due to excess supply.

Tariff protection, similar to that for Sasol, was proposed for 10 years to help Mossgas position itself more favourably for privatisation, Bartlett said.

A monitoring committee consisting of private sector experts and CEF representatives would advise Cabinet on future capital expenditure on Mossgas.

Bartlett said these decisions would affect the equalisation fund. However, it was expected that short-term compensation and tariff protection would be funded without a levy increase.

Fuel price increases were announced yesterday because "of the draining of funds from the equalisation fund".

Bartlett said a joint committee on public accounts in August had taken into account the general conclusion of the Mossgas report that the project could be viable based on import parity prices for its products and excluding sunk costs.

The committee accepted the report as a basis for the continuing evaluation of Mossgas, but recommended that no further money be invested unless in terms of normal commercial considerations which were independently verified. The cost to motorists, taxpayers and government should also be taken into account.

Cabinet's proposals appear [illegible] in the face of Sasol's recent initiative to have its tariff protection — which is based on a $23 floor price of imported crude oil — replaced with a normal tariff system applied to industry and administered by the Trade and Industry Department.

However CEF spokesman [illegible] Vorster said Cabinet's recommendation was that the Mossgas's tariff proposals be similar to Sasol's, including future changes.

He said although Engen had rejected its option to take up a stake in Mossgas, Mossgas's economic viability could change in the long term, making some privatisation possible.

DP energy affairs spokesman Roger Hulley said the equalisation fund was under pressure because of the enormous costs and subsidies for Mossgas and Sasol. The motorist was having to pay a price 40% higher than world crude oil prices because of a misguided synfuel policy. He called for deregulation of the oil industry.

NEWS FEATURE *Took more than 30 sessions totalling about 300 hours from April to July*

■ COLLECTIVE BARGAINING *Numsa and bosses reach an agreement at last:*

Landmark accord

Sowetan 8/9/93

By Ike Motsapi

THE National Union of Metalworkers of South Africa (Numsa) and the Automobile Manufacturing Industry Bargaining Forum have ended negotiations which both parties described as a watershed for collective bargaining

The parties said that although the negotiation took more than 30 sessions, totalling about 300 hours from April to July this year, the agreement would be a benchmark for future negotiations in the industry

Mr Gavin Hartford, national organiser of the collective bargaining unit of Numsa, said the agreement paved the way for better industrial relations

The agreement is hailed for the following reasons The parties have agreed to

- A new nationally accredited education and training programme to massively upgrade skill levels in the industry as a forerunner to changes in work organisation
- Expedite the establishment of work security funds in the industry
- Establish funds for retirement, sickness and medical purposes and also form an industry-wide platform of worker rights, that is, for strikes, pickets, demonstrations, meetings and disclosure of information
- Start a process of negotiation to broaden the collective bargaining structures in the industry
- A new wage policy for the industry to correct historical differences in actual earnings across the industry The wage increase of 10 percent across the-board or ex-gratia will result in over 50 percent of the wage gap between the highest and lowest in the industry being closed over the next 12 months

Key elements

Industry, Education and Training The agreement has two key elements, namely a new grading structure and a new education and training dispensation

(a) Grading A seven skill level structure with five levels as the artisan/multi skilled operator

Each skill level will be defined and articulate with the levels above and below on a single national grid

Each skill level will have a certified exit for employees

(b) Module Development and Standardisation of Education and Skills Both parties agreed that standardised modules to defined competency levels for each skill level will be developed

All employees will have an education and skills assessment and be accredited through recognition of prior learning procedures

All employees will have access to education and training encouraged to build a career and move up the skills ladder

(c) Funding Employers will fund all skills training in company time at full pay

All facilities for education and training will be funded by the employer

(d) Work Organisation Parties will negotiate an industry framework for additional funding after the skills audit on employees has been finalised

No employees will be retrenched as a result of the implementation of the new education and training dispensation and changes to work organisation

(e) Bargaining Fee The parties agreed that the employers will apply for exemption from Clause 19 1 (e) of the Basic Conditions of Employment Act (BECA) to facilitate the implementation of a R4,75 deduction from non-union employees as a bargaining fee to be paid pro rata to the party unions based on their membership in the industry (189)

(f) Work Security The 1992/3 agreement on work security will be implemented on an expedited basis

(g) Industry Funds and Workers Rights The parties have agreed to establish industry funds for retirement, sick and medical benefits This will happen through the establishment of national committees to merge existing plant level funds into a single retirement fund by June 30 1994 and industry sick and medical funds by June 1996

FLASHBACK . Numsa members on strike in Witbank during 1987.

(g) Motor Industry Forum The parties have agreed to meet all motor industry collective bargaining representatives to discuss the possible formation of a broader collective bargaining forum, level of bargaining and relation of bargaining to other industry forums

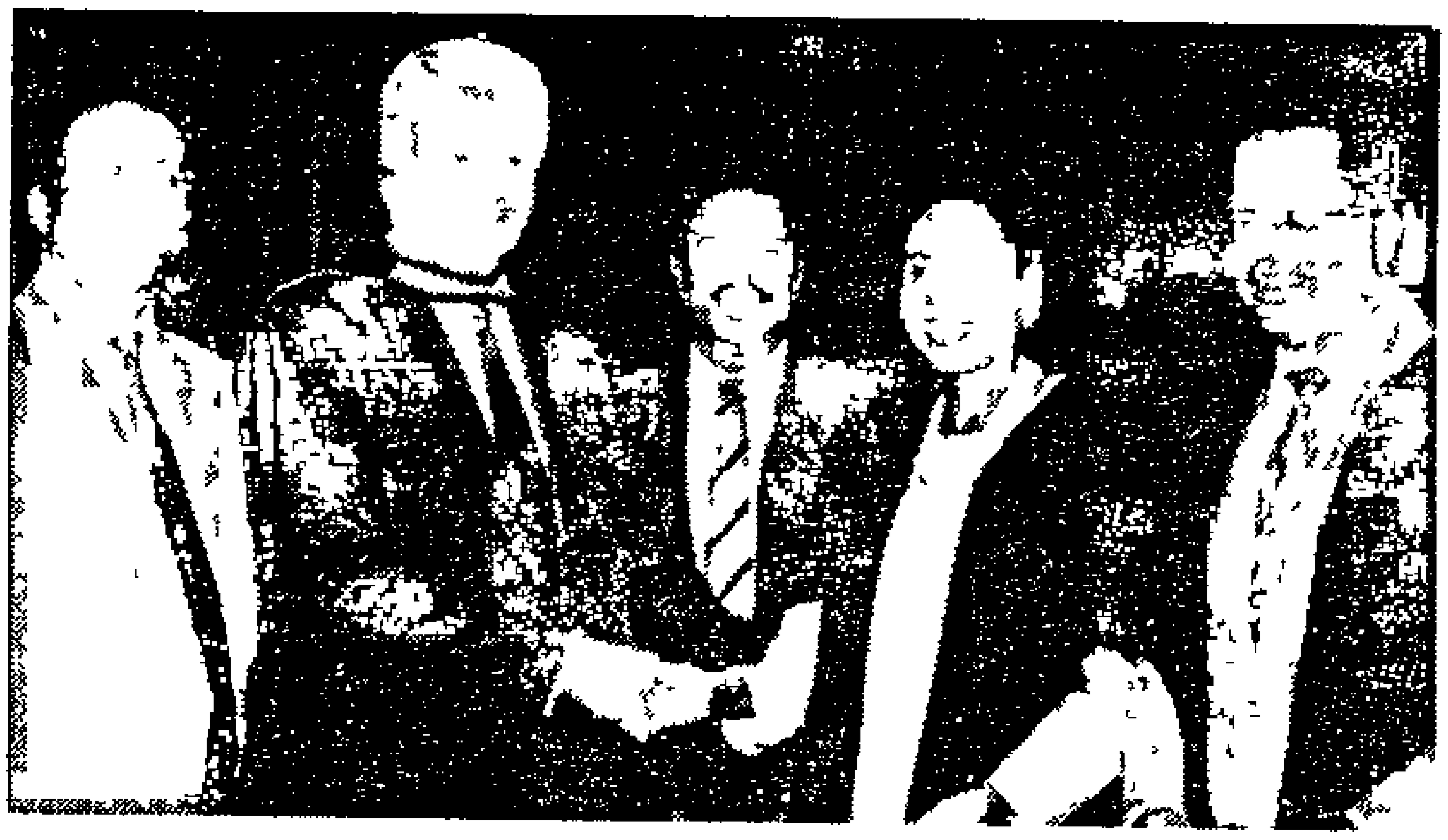
(h) Wages The parties agreed to new minimum rates and a 10 percent across-the-board increase over the 12-month contract period

Hartford said in respect of all the major demands submitted by Numsa for the 1993/4 contract, the parties had largely reached agreement.

Training managers for a post-apartheid SA

MANAGING WELL

Executive Education offers a variety of managerial courses in an attempt to address the critical shortage of management skills in the country.



Congratulations Executive Education MD Rex Drew wishes students of Executive Education College well on their graduation from the school

It is a truism that South Africa has a critical shortage of management, particularly middle management

It is equally clear that in the post-apartheid South Africa tremendous calls will be made on managerial skills

From this it follows that management has a vital role to play in the South Africa of today and tomorrow

It is in this context that the managerial courses offered by Executive Education (Pty) Ltd have become relevant

Executive Education, as the name implies concentrates on a specialised niche in the rapidly evolving education arena in South Africa and it has developed and refined a superb range of courses to meet the needs of that niche

Executive Education concentrates on Marketing Management, Financial Management, Project Management, Industrial Relations, Production Management, Sales Management and Quality Management

The courses are so comprehensive and applicable to so many fields that students are drawn from literally every walk of life and every conceivable commercial and industrial pursuit

The student profile at the college includes employees who want to complement their particular sphere of expertise

The implication of the socio-political changes in South Africa is that black South Africans will have to play an increasingly important role in the country's commercial/industrial management hierarchy and the student body profile at the college is already beginning to reflect this

Course content has been crafted with input from local and over seas educationists notably Newport University in California

Students who complete Executive Education courses automatically earn credits towards the university's Business Administration degree programme Students have a choice of correspondence, part-time or full-time courses

Of major importance are the in-house courses provided by the college whereby lecturers provide in situ instruction

Rex Drew, Managing Director of the College sees this aspect of activities as having the biggest potential for growth

There is also a growing preparedness among corporates to subsidise financially students participation in courses, to make an investment in their personnel

This is becoming particularly pertinent with the growing pressure for affirmative action, now seen as an inevitable consequence of a society in transition says Drew

It was Drew who, upon taking over the college at the beginning of 1990, injected new direction and drive into an entity which, at that stage, was pedestrian at best

Comments Drew I saw the true potential of the college and after an initial tough period of reorientation and consolidation, which happened to co-incide with social unrest and recession, we now have a smoothly functioning organisation with a very clear mission

College lecturers are drawn from the cream of South African educationist - the majority being holders of at least a masters degree in their respective fields, and invariably with real world experience

The college is attracting students from some of the country's major corporates - Afrox, AECI, JCI, Murray and Roberts Construction and De Beers among them The student body is about 10 000 and growing rapidly says Drew Future capacity needs are not a problem and additional lecture room space can be acquired

"We therefore foresee no problem in accommodating our growth in terms of physical facilities," says Drew

"The critical aspect of that growth is to ensure that standards are maintained and we are totally committed to achieving precisely that, says Drew

If you would like to know more about Executive Education's courses, phone (011) 880-2775

N2579

Taxi demos on fuel 'certain'

(189)

TAXI blockades and "out-of-control" taxi drivers may greet next week's petrol price hike

There would "definitely" be mass action, the chairman of the South African Black Taxi Association, Mr James Ngcoya, said yesterday

The fuel hike is almost certain to result in taxi fare increases. CT 4/9/93

The SA Communist Party linked the hike to the use of tax revenues on unviable projects such as Mossgas — Sapa

Tickets clipped at same price

NRC 13/9/93 (189)

FARES on Golden Arrow buses will not be increased after Wednesday's fuel price rise

A company spokeswoman said fares would be pegged at their present level for as long as possible in spite of the second increase in fuel prices this year

3(189)

The company was aware of the negative impact transport costs had on the poor and hoped that its decision not to increase fares would help all passengers, particularly the jobless, she said

Wage agreement signed in tyre industry

ERICA JANKOWITZ

TYRE employers, the National Union of Metalworkers of SA (Numsa) and SA Iron, Steel and Allied Industries Union signed a wage agreement yesterday granting unskilled workers a 10,5% increase backdated to July. B/Day

Firestone and Gentyre would implement a R1,10 an hour and Tycon a R1 an hour across-the-board increase in an attempt to close wage gaps between employers. Ex gratia payments to employees in higher-paying companies would ensure all workers received the same increase in percentage terms. (189)

Numsa negotiations co-ordinator Les Ketteldas said skilled workers would receive an across-the-board 8,25% increase, also from the first Monday in July.

The new minimum wage has been raised from R5,50 an hour to R9,50 an hour, he added. 14/9/93

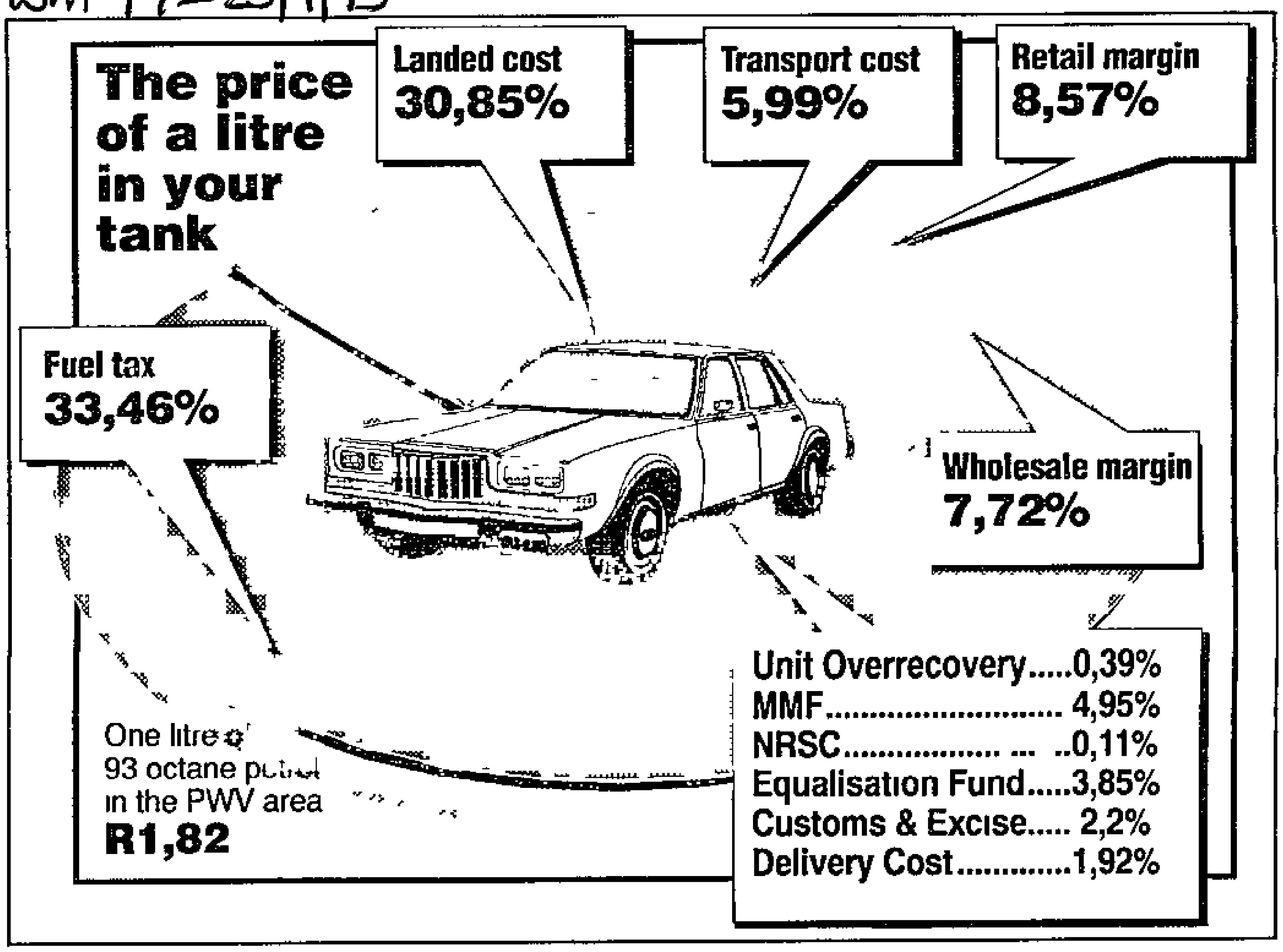
Employers agreed to an agency shop arrangement whereby non-union members would contribute R4,75 a week to a fund which would be distributed proportionately between the two unions.

They also agreed to reinstate the current retrenchment moratorium agreement until either a work security fund was established or the agreement expired at the end of June.

Step through the looking glass

(189) WM 17-23/9/93

Reg Rumney delves into the mysterious ways the state and oil companies arrive at the fuel price



Who gets the slices of the petrol pie .. One third goes to the state in tax

Drive over the border and petrol prices plunge — even though neighbouring states are part of the SA Customs Union and get their fuel from South Africa

Is it any wonder the consumer feels puzzled and abused?

The workings of the fuel industry are partly explained in the publication of the Department of Mineral and Energy Affairs *Report on Government Involvement in the Oil Industry* Mineral and Energy Affairs Minister George Bartlett referred to this publication recently in hinting at legal action against Pick 'n Pay's discount fuel offer

What do we really know about the way the pump price of petrol is arrived at?

First, take the bare facts.

Almost a third of the petrol price is accounted for by the fuel levy,which is simply a tax (see graph)

Hence it is not surprising that nearby Botswana, which is obliged to get its fuel from South Africa, sells petrol for around one Pula, or around R1,35 a litre

Then there are the fixed and immutable wholesale and retail margins, anathema to those who believe free markets should govern prices

If a retailer such as a supermarket decided to use it as a loss leader and make no profit at all on petrol, the price could drop by 15,6c a litre

Then there is the equalisation fund, originally created to counter the "sanctions premium" on South African oil Coincidentally it is 7c, equal to the recent rise in the petrol price

But what about the basic fuel price to which all the cents and percents are added?

That too is the subject of dispute, because it is based on free market prices elsewhere, but is a controlled price set by the government and the oil industry cartel that operates in South Africa The Department of Mineral and Energy Affairs uses a complex formula to calculate a putative international price of petrol

Why is the petrol price rising when world oil prices are falling?

The South African fuel price is not based on the prices of crude oil bandied about in the media overseas, such as Brent crude These spot prices, says the department, are not indicative of long-term oil contracts with built-in assurances on quality of the product and security of supply

So the department uses "In Bond Landed Cost (IBLC) postings", jargon for the prices of refined petrol produced at one refinery in Bahrain and three in Singapore. An average of the price of petrol at these refineries is the basis of the estimated landed cost, now 56,14c a litre, making up 30,85 percent of the petrol price in the accompanying chart

The department contends there is no comparison between spot and posted prices since they represent two different markets

However, a fall in spot prices means contract prices and so the Singapore and Bahrain postings are likely to fall in time, admits a department spokesman

The problem is that while oil prices are falling so is the rand against the dollar, the currency in which oil and petrol are priced internationally

The present petrol price is calculated using an exchange rate of $1 equals R3,3516 The dollar midweek bought more like R3,41

This could wipe out the gains of the recent rise in the petrol price

Already the tiny and artificial "overrecovery" or overpayment by the motorist has been eroded from the 0,39 percent or 0,702c to around 0,5c a litre by the weakening rand

The over and underpayment by motorists also causes confusion They are usually marked against a "slate" — a theoretical account between the government and oil companies — to avoid daily rises and falls in the price of petrol

However, the underpayment by the motorist, says the department spokesman, has been financed this time around by the "equalisation fund " into which is paid 7c a litre The equalisation fund has spent more than R1,4-billion since January propping up the petrol price "This is money that has been put back into the pockets of the motorist," contends the department spokesman

Motorists are often enraged by what they believe is subsidisation of Sasol and Mossgas through the petrol price

The pros and cons of whether and how this should happen is too complex for this article Sasol and Mossgas are subsidised according to a long and complicated formula The government calls this "protection".

That then, in brief, is the government's byzantine method of calculating the basic petrol price

Econometrix economist Tony Twine puts it in perspective Asked if the department's explanations for its calculations are acceptable he says "If you are prepared to step through the looking glass Their sums are internally consistent "

The problem is stepping through the looking glass in the first place

Resistance to fuel price hike grows

Weekly Mail Reporters (84)

WM 17-23/9/93

TAXI operators, caught between maintaining their own profit margins and keeping their cash-strapped commuters happy, pitched Cape Town into a day of chaos and threatened to bring the Border region to its knees.

They see no reason why petrol should cost more now when it costs less to land. Or why they should pay an extra 7c a litre and face losing passengers to cheaper buses when buses are subsidised by the government.

The Congress of South African Trade Unions sees no reason why the government should not suspend the price hike and negotiate on how the fuel price is regulated.

The price rise has been imposed for reasons which were neither clear nor convincing. The rand price of oil had declined even faster than the rand/dollar exchange rate. Cosatu also criticised government secrecy over its oil reserves and contingency fund, and said consumers were still subsidising "government patronage" for synthetic fuel projects such as Mossgas and Sasol.

Calling for urgent meetings with Energy and Mineral Affairs Minister George Bartlett and the National Economic Forum, Cosatu warned of a "social backlash" similar to that of the anti-VAT stayaway if the price rise was not suspended.

Little support for deregulation

WM 17-23/9/93

Mondli Makhanya

WHILE everyone huffs and puffs about the petrol price increase, few are prepared to support deregulation of the fuel industry, as proposed by Pick 'n Pay boss Raymond Ackerman and ardent free marketeers

The fuel industry in South Africa is heavily regulated, from the importation of crude oil through to the pump Ackerman and others claim regulation keeps costs high, and demand a gradual relaxation of controls

Ackerman says Pick 'n Pay's petrol outlets can sell petrol at a significant discount in an experiment under way in Durban, consumers get a 7c-a-litre discount coupon — half the retail margin of 15,6c a litre — for every R10 worth of petrol bought If successful, this could be taken to other major centres.

Ackerman scoffs at suggestions that this will be harmful to small garage owners "I don't buy those arguments If you can deregulate supermarket retail, why not petrol stations? In the retail sector, Spar has done excellently in challenging the big chains I don't see why small petrol station owners can't club together and form chains of the same kind "

Mineral and Energy Affairs Minister George Bartlett is unmoved by such arguments this week he said he would not tolerate discounts and that deregulation was not even up for discussion at this point.

Bartlett has some support from both the private sector and the unions, who agree small garage owners should be protected and deregulation would jeopardise jobs

Said one energy analyst "In the event of a price war between the large companies, small service station owners would lose great volumes and most would be put out of business Bigger firms would also be driven to mechanising and this would put a lot of pump attendants out of work In this climate of high unemployment it's the last thing we need "

Rand Afrikaans University Energy Studies Institute's David Kotze argues for some relaxation of the industry, but "we must not tinker with the good things in the system

"While regulation is not necessarily in line with the trend of freeing things up to market forces, it has brought about efficiency, order and stability South Africa has reasonable fuel prices by international standards," Kotze argues.

Whether prices would drop as a result of deregulation remains unclear. Free marketeers hold that prices will move according to market forces Movement, whether up or down, will at least send the right signals to consumers Sceptics, however, point to the world-wide trend towards fuel industry cartels

Government is adamant removing retail price maintenance would confuse consumers. Regulation is also the cornerstone of the agreement with the oil companies protecting the synthetic fuel industry

At least until the economy picks up, there appears to be an argument for limited regulation

But, as one observer puts it, the case for maintaining certain controls is severely undermined by "the unfortunate fact that Bartlett does a deplorable job of explaining"

Numsa fails to resolve fate of council

ERICA JANKOWITZ

ATTEMPTS by the National Union of Metalworkers of SA (Numsa) to prevent the collapse of the Motor Industries Federation industrial council met with limited success yesterday, according to union negotiations co-ordinator Les Ketteldas

Ketteldas added that the crucial issue of wage increases had not been discussed at yesterday's meeting between Numsa and the SA Motor Industries Employers' Association Employers had insisted the future of the council be resolved before the wage issue could be raised

The council administers workers' social security funds that total about R1bn B/Day 17/9/93

Association general secretary Vic Fourie said yesterday a technical committee had been established to discuss the administrative details of securing the social security funds The committee would consist of representatives of both parties and was scheduled to meet on October 1

However, Ketteldas said the parties had failed to reach agreement and the association had refused to negotiate any issues until the matter of the funds had been resolved 189

This was unacceptable to Numsa, which would report back to shop stewards this weekend to devise a plan of action Numsa would be raising its problems in the motor industry in a number of forums, including the National Economic Forum

Since January 1992 the almost 200 000 workers covered by the council agreement have not received pay increases as negotiations have continually deadlocked. The latest obstacle to reaching a settlement was an apparent attempt by a lobby within the employers' association to destroy the council, Ketteldas said.

A last-minute concession by employers to extend the administrative function of the main agreement for six months to the end of February meant the parties had a limited time to settle their differences, he added But as workers had not received increases for 20 months, it was critical that negotiations were not further delayed

Ampros strike over contractors

KATHY STRACHAN

NEARLY 1 800 workers at Anglo American Property Services (Ampros) in Johannesburg and Pretoria went on strike yesterday against management's new policy of contracting out services

NUM media officer Jerry Majatladi said the strike seemed set to spread to Durban today as talks ended in deadlock last night B/Day

He said Ampros had contracted private cleaning, security and maintenance services two weeks ago and workers feared this practice meant a loss of jobs. 17/9/93

Majatladi said agreement had been reached on the four other demands by the union working groups would investigate union complaints of discriminatory practices, maladministration of pension funds, lack of proper job evaluation and an unfair housing subsidy scheme

Ampros could not be reached for comment last night but Sapa reports that Ampros operations director Alex Gullan said earlier the company had not retrenched, and was not planning to retrench, any workers

He said Darragh House was the only Ampros-administered building in the Johannesburg central business district where outside contractors had been employed, a step taken after the owners had requested that costs be reduced

None of the Ampros staff working at Darragh House had been retrenched, but had instead been employed in other positions

Gullan said yesterday's stoppage had taken the company by surprise because workers had not previously expressed grievances

Poland wants to boost its SA trade

PRETORIA — Poland would like to invigorate its relations with SA, especially in trade and economics, Polish Foreign Minister Prof Krysztof Skubiszewski said yesterday

Skubiszewski, who is visiting SA, has met President FW de Klerk, ANC president Nelson Mandela and Foreign Minister Pik Botha

He said Poland would like to increase its trade with SA

His country could import food and technology from SA, a highly industrialised country which produced much of the machinery and equipment Poland needed but could not produce.

Poland had a negative trade balance and its industries needed to be re-equipped. There were "broad possibilities" in this area, Skubiszewski said — Sapa

TEC an act of betrayal, says union

Star 2/9/93

BY PAUL BELL
LABOUR CORRESPONDENT

The white Iron, Steel and Allied Industries Union — Yster en Staal — has warned that right-wing opposition to the introduction of a Transitional Executive Council could lead to "popular action", including work stay-aways, which the union would support.

Yster en Staal represents up to 46 000 mainly blue-collar workers.

(189)

Yster en Staal general manager L N Celliers said employers who wished to act against white workers should be careful and consider how they treated black workers under similar circumstances.

Legislation for a Transitional Executive Council was one of the final acts of betrayal.

Celliers said decisions were being taken at Kempton Park mainly by the National Party and the ANC/SACP alliance and being forced on whites.

Final study on for Saldanha steel plant

Own Correspondent

JOHANNESBURG — The Industrial Development Corporation (IDC) and Iscor have given the green light to a R20m final feasibility study which could see the construction of a R4bn mini-mill steel plant at Saldanha Bay

The study will include contributions from Dutch steel group Hoogovens and Austrian steel maker and engineering group Voest-Alpine Iscor and Voest-Alpine have collaborated in developing the new low-cost Corex steel-making process which would be used at the new mill

IDC senior GM Ian Macdonald said yesterday the study was "the final hurdle" for the project after which the parties would either proceed in November next year, or delay plans

He said the project's capital cost was "smallish in dollar terms" and the plant would have modest annual output of one million tons of steel "It's a low-cost expansion opportunity for Iscor ' he said Iscor is the world's 15th largest steel maker

(189) CT 21/9/93

Iscor spokesman Neels Howatt said the study represented a serious commitment to the project The main aim was to finalise the design of the plant and metallurgical processes look into tenders, and conduct an environmental impact assessment

Iscor looks at Saldanha

(89) CT 21/9/93

JOHANNESBURG — The Industrial Development Corporation (IDC) and Iscor have given the green light for a R20m final feasibility study for a R4bn mini-mill steel plant at Saldanha Bay.

IDC senior general manager Mr Ian Macdonald said yesterday that the study was "the final hurdle" before a decision was taken on whether the project should go ahead

JD Group tidying up acquisition Rusfurn

BiDay 27/9/93

MARCIA KLEIN

THERE had been no unpleasant surprises for furniture retailer JD Group after it took management control of its troubled competitor Rusfurn, executive chairman David Sussman said last week

In August, JD Group — which owns Joshua Doore, Price & Pride, Bradlows and Score — announced it would acquire the Rusfurn group in a R85m deal settled by the issue of shares

It would then "onsell" Rusfurn subsidiary Dion to Wooltru subsidiary Massmart for R90,1m cash, and raise R75m in a rights offer to recapitalise the business. The proceeds of the rights issue would be advanced to Rusfurn as a subordinated loan

Since JD Group gained control of Rusfurn, head office has been rationalised and Rusfurn has continued cleaning up its debtors' book, arrears and write-offs.

In every instance, arrears and bad debts were continuing to come down, Sussman said at a briefing for analysts.

He said Rusfurn's management had been positive towards the acquisition, as the group was once again being placed in the hands of furniture retailers Many of Rusfurn's top people had been retained

Sussman said the acquisition of Rusfurn — whose major stores are Russells, Rudicks, Giddy's, Das Haus, Harmony, Montana, Wanda Frasers and Style & Value — meant JD Group could obtain control of R900m of assets for just R85m

The deal more than doubled the size of JD Group, positioned it as market leader in furniture retailing, and provided significant reorganisation benefits Rusfurn also had a high turnaround potential. The new enlarged group had over 500 branches.

The acquisition moreover enabled JD Group to improve the geographic diversification of its branch network from its urban PWV bias

(188)

The enlarged JD Group had turnover of R1,6bn, and a total market share of 25%. At the December year-end prior to the acquisition, JD Group's turnover was R457,3m, including cash sales. The major contributor to the new group's turnover would be Russells, followed by JD companies Joshua Doore, Bradlows and Score.

The new group's immediate priorities would be to maintain the momentum of its business units, turn Wanda Frasers around, reduce overheads, manage the integration of its service departments, and "avoid the trap of bureaucracy"

Sussman said recently the group would also focus on improving stockturn and margins, and work more closely with suppliers. Synergies would result in enormous cost-saving benefits

Medium term, it aimed to position its business units to complement one another, and build strong brands. It also aimed to move into Africa north of the Limpopo

Commenting on the furniture industry, Sussman said the household durables market was set for a period of rapid growth.

Inhibiting factors were falling away, he said. The "punishing luxury item surcharge rates" had been dropped, and debtors' financing was being taken over by the banks.

Iscor offers 4 000 early retirement

CT 28/9/93 (189)

From EDWARD WEST

JOHANNESBURG — Steel producer Iscor would reduce its 55 000-strong workforce by offering retirement packages to 4 000 employees 50 years and older, newly appointed MD Hans Smith said yesterday

Smith said retirement packages would be funded by the Iscor Pension Fund which was currently overfunded.

He said it had become necessary to reduce the number of employees to ensure Iscor's long-term existence

Certain key employees qualifying for the package would be retained to maintain Iscor's effectiveness Qualifying employees had to exercise their option before December 3 1993 and could retire between January 1 and March 31 next year, said Smith.

National Union of Metalworkers of SA (Numsa) spokesman Bafana Ndebele said he was unsure whether the issue had been taken up with union organisers.

However, he said Numsa would oppose the retirement package as it represented a unilateral move by Iscor to change conditions of employment.

Iscor in early retirement deal

(189) CT 28/9/93

PRETORIA — Iscor has offered early retirement packages to 4 000 employees older than 50, managing director Mr Hans Smith announced yesterday.

He said the company needed to reduce its staff and fill positions with younger people, but certain key personnel would be retained.

Employees who reject the package may remain with the company until normal retirement age. — Sapa

Iscor 'will reduce debt'

PRETORIA — Iscor plans major changes within the next 18 months to reduce a crippling debt and streamline its company structure (189) CT 29/9/93

In a bid to repay its loans and relieve pressure of high finance charges, Iscor will consider a range of rescue measures over the next three months

Measures include cuts in working capital, currently over R3bn a year, and in labour costs, currently over R2bn a year

BUSINESS

Steel giant Iscor set for major revamp

(189)

ARGT 29/9/93

PRETORIA. — South Africa's largest steel producer, Iscor, plans major changes within 18 months to reduce a crippling debt and streamline its company structure

In a bid to repay its loans and relieve pressure of high finance charges, Iscor will consider a range of rescue measures over the next three months

"Any dreams about the future are just not possible until then," Hans Smith, new chief of the ailing company, said in an interview

Measures include cuts in working capital, currently more than R3 billion a year, and in labour costs, currently more than R2 billion a year

The first step was taken this week by offering early retirement for some 4 000 of its 55 000 employees Mr Smith did not rule out further cuts

Iscor, a major steel and iron ore exporter, has been battered by the global recession since privatisation in 1989 and owes more than R2 billion Despite remedial action taken by Mr Smith's predecessor, Willem van Wyk, the company's liquidity position has worsened.

Mr Smith, who initiated a takeover study of Iscor for his previous mining house employer Gencor, said the producer could face being bailed out by another corporation unless it dug itself out of current problems quickly.

Its shares on the Johannesburg Stock Exchange, which were issued at a price of 200c each, have reflected its misfortunes almost since the day of listing

Currently trading at 133c, the shares have risen from a low of 61c last December on improved market sentiment and in anticipation of Mr Smith's appointment

Mr Smith said Iscor would benefit from the weakening rand if it maintained volumes and contained costs as planned

"The potential is there — the challenge is how you apply that cash," he said

He noted that Iscor was capitalised at less than R3 billion while replacement cost of assets was R40-R50 billion

Despite the recession's severe impact on profits, Iscor generated a healthy cash flow of more than R1 billion last year from operations.

Annual turnover is nearly R9 billion a year

■ Japan's major steel makers are studying the possibility of having workers stay off the job one or two days a month, with pay, because of a serious slump in the market, officials said

Keiichi Nakano of Nippon Steel Corp., Japan's largest steel maker, said the nation's steel production fell by 6,9 million tons to 98,9 million tons in the fiscal year that ended March 31, and the market still is poor because of stagnation in other industries, including automobile making.

The 53 000-worker Nippon Steel Corp. accounts for about 25 percent of Japan's overall production.

Mr Nakano said the temporary idling of workers has yet to be negotiated with the labour union.

The government provides subsidies of up to 9 000 yen ($85) a day for each worker staying at home.

Kawasaki Steel Co. said it also is studying the possibility of extra days off jointly with other major steel makers, but "nothing has been decided." — Sapa-AP.

SA concerns finalise loan deals

JOHANNESBURG — Alusaf, the Gencor-owned aluminium producer building a R7,2bn smelter in Richards Bay, is three weeks away from finalising a R2,7bn offshore loan package including Canadian export credits brought into play with the lifting of sanctions (189)

At the same time, Columbus Stainless has announced that it has secured more than 90% of R1,2bn international loan finance for its R3,5bn stainless steel expansion project, with the remaining tranche likely to be settled by end-November

Alusaf finance GM Frank Ruvers said yesterday that much of "the spade work" had been done in tying up a multimillion-dollar package of export credits from Canada. The credits, which would be backdated, would cover 85% of finance relating to imports from Canada CT 7/10/93

Seven out of eight agreements regarding export credits and finance from Europe, in the hands of a consortium of French and other European merchant banks, had been signed, with the full R2bn package likely to be completed by the end of this month

Columbus said it had drawn down R500m worth of international loans since the project was given the go-ahead last December. Interest payments would be capitalised so it would use project finance to pay back borrowings only six months after the plant was commissioned in 1995

Export credit loans, making up 85% of the foreign borrowings, would be repaid over eight and a half years, with the remaining offshore borrowings repaid "over periods of two to seven and a half years, beginning in March 1996"

Hulett strike called off

189

ST 26/10/93

DURBAN — A four-day strike by aboutt 1 000 workers at Hulett Refineries, a subsidiary of the Tongaat-Hulett group ended yesterday, Tongaat-Hulett spokesman Ron Phillips said

The workers, all members of the Food and Allied Workers' Union, returned to work after management had agreed to give serious consideration to the proposals put forward by the union

The refinery was closed for three days for maintenance during the strike but re-opened yesterday, Phillips said

The workers were demanding a 15% wage increase and a 40-hour working week, while the company was offering eight percent and wanted the present 45-hour week to remain — Reuter

Acrem posts interim increase in income

CT 19/11/93 **Own Correspondent** (189)

JOHANNESBURG — Diversified retailer Acrem Holdings reports today an increase in attributable income to R376 000 in the six months to September from R338 000 in the same period in 1992, mainly because 1992 figures were hit by extraordinary legal charges

The directors warned a comparison of 1992 and 1993 figures would not be entirely meaningful because of the disposal of Powernet Computer Services with effect from July 1

Earnings a share were 9,7c (16,4c) and the dividend was passed, against 180c declared in the first half of 1992

FM 26/11/93

LABOUR FM 26/11/93

Back to basics

Motor industry employers are hoping a united front will give them more clout with unions in negotiations

Vehicle assemblers have until now all sent their own representatives to negotiate individually at the industry's National Bargaining Forum. Despite loose attempts to bargain as a team, they have often spent as much time negotiating among themselves as they have with union representatives (189)

The final straw occurred at the end of this year's annual bargaining round when, after the agreement was printed and everyone had gathered in Port Elizabeth to sign, MAN Truck & Bus announced it did not like parts of the agreement. The result: nothing was signed and everyone went home.

Stegmann

George Stegmann, new chairman of the employers' negotiating organisation, Ameo, concedes that this fragmentation has weakened the employers' bargaining position with the industry's two unions, the National Union of Metalworkers (Numsa) and Yster en Staal. The unions, while often benefiting from the lack of their opponents' consensus, have also expressed frustration.

That's all changing, says Stegmann, who is also human resources director at Delta Motor Corp. Employers have agreed that in future they will be represented by a streamlined negotiating team with a mandate to take decisions on their behalf.

Ameo represents nine companies: Toyota, Mercedes-Benz, Nissan, Delta, Samcor, BMW, VW, MAN and AAD (which distributes Leyland vehicles). "In future we will negotiate collectively as Ameo and not as individuals," says Stegmann. "Where there are disagreements, we will resolve them among ourselves before going to the negotiating table." To achieve this, Ameo is appointing a full-time chief negotiator to co-ordinate employers' actions in talks with unions. (189)

Whether nine competitors can reach consensus remains to be seen. Even Stegmann admits it won't be easy. "There's a hell of a lot of work employers will have to do, like mandating and better communication within Ameo ranks. And we certainly need better negotiating disciplines than we have seen in the past."

He adds that employers want to move away from the loose forum structure and into a formal industrial council for the car assembly industry. "We have had one or two false starts in the past, but now we want to pursue an industrial council structure."

In general, Stegmann believes employers and unions are increasingly finding common ground. On the union side "there is a recognition that as the industry strives to become world competitive and efficient, there will be a fallout of jobs." In return, employers accept the need for industry funds to support retrenched workers and train them with marketable skills.

He is optimistic that the antagonistic relationship of the past, which led to a string of disputes, is on the way out. He hopes that once the April general election is over and a new government in power unions will adopt less of a political role and more of a "workerist" one.

"Numsa won't ignore political issues but I believe its focus will change and it will concentrate more on human resources issues," says Stegmann. Of course there will be continued disagreements. "It's naive to suggest it's an easy process. We will stumble and fall along the way. But for the first time we seem to be getting to grips with key issues." ■

R1,2-bn boost for new steel giant

(189)

ARG 9/12/93

DEREK TOMMEY

JOHANNESBURG — The Columbus joint venture, which is seeking to become the world's largest stainless steel producer, is to receive R1,2 billion ($385 million) in foreign financing — R400 million more than it was seeking

MD Fred Boshoff said it was a considerable achievement for the company because the financing had been negotiated sanctions ended

At the time there had also been considerable violence sweeping the country

Columbus is spending R3,5 billion on extending the capacity of the Middelburg stainless steel plant from around 140 000 tons a year to more than 500 000 tons a year

The new plant should go into production in 1995, and build up to full capacity over the following two years

Boshoff said Columbus had reached an agreement with a company in Korea and with another in the US to supply them with semi-finished stainless steel slabs and coils

Columbus is the new man in the stainless steel world and will have to fight hard to gain sales

The agreements will give Columbus access to the major markets

Finance executive Andrew Smith said Columbus had specified several conditions when it called for tenders from offshore suppliers

One was that the supplier had to provide 100 percent loan finance for the plant

Others were that that the tender would be assessed on net present value, that the interest would have to be capitalised until production began, that the credit insurance premiums should also be capitalised and that the first payment would only be made six months after Columbus had started production, when earnings from exports would be available to repay the loans

He said that Columbus had been fortunate in its timing The world had been in recession and every country had been keen to secure Columbus contracts

Initially, the export credit loans were to be repaid within five years of commissioning the plant

But after negotiations, the repayment period was extended to eight-and-half years — a first for South Africa

Columbus is expected to cost (including capitalised interest) R1,27 billion in 1993, R1,7 billion in 1994 and R514 million in 1995

Funding After taking into account net foreign funding and income from existing operations, the total amount of cash needed was R469 million in 1993,, R1,16 billion in 1994 and R451 million in 1995

After utilising the 37E tax provision, the three equal partners financing Columbus would each have to provide R139 million in 1993, R332 million in 1994 and R72 million in 1995

The partners are Highveld Steel & Vanadium, Samancor and the Industrial Development Corporation

Mr Boshoff said the project was on budgetary target and on schedule for a quick start-up with a good quality product

To build the new plant adjacent to the existing plant without losing any production was a major engineering feat

This had been made possible by the one-and-a-half years of planning at a cost of R40 million that had gone into the project.

Boshoff voiced concern that the upsurge in construction could result in competition for skilled workers next year

Contract labour on site at Columbus would rise from 870 this year to 6 000 next year, while total job creation, including on site, in the plant and elsewhere could reach 12 000

Columbus is expected to earn R16 billion in foreign exchange in its first 25 years of production

R1,2-bn boost for new steel giant

189

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Talks over strikes at car plants

Star 9/12/93

BY PAUL BELL
LABOUR CORRESPONDENT

Motor manufacturers met the National Union of Metalworkers (Numsa) in Port Elizabeth yesterday in an effort to resolve a dispute that has brought Toyota and Samcor assembly lines to a virtual halt. (189) (192)

The strikes at Toyota in Durban and Samcor in Pretoria entered their third day yesterday. Toyota decided to shut its assembly line three days early; it was due to close on Friday until January 11. (161)

At Samcor, management and shop stewards issued a joint statement to workers this week that production should continue while the matter was being negotiated.

A spokesman said absenteeism yesterday morning had been unacceptably high, and there would be no production yesterday.

Other manufacturers have not been affected.

The issue — workers are objecting to tax deductions from an ex gratia payment — is a hangover from the main agreement between Numsa and the manufacturers on wages and conditions of service, reached in August.

Bid to solve car giants' tax problem

Star 10/12/93

■ BY PAUL BELL
LABOUR CORRESPONDENT

The National Bargaining Forum (NBF) for the motor manufacturing industry is to approach the Receiver of Revenue in an effort to seek a solution to the tax problem which caused workers to go on strike at both Toyota and Samcor this week.

A meeting of the NBF in Port Elizabeth failed to resolve the issue, which involves the deduction of tax from end-of-year ex gratia payments to workers. The payments are part of the wage deal agreed on earlier.

Workers accepted the deal — a 7 percent increase plus the 3 percent payment — but wanted the payment to be tax-free. Employers refused, saying they were bound to deduct tax.

Toyota's Durban assembly line and Samcor's Rosslyn plant were both shut for much of the week, and will not reopen now until January.

The National Union of Metalworkers of SA (Numsa) also accused Toyota of locking workers out, after the company decided that in view of the shortage on the assembly line, it would close the plant three days earlier

A Toyota spokesman denied the charge, saying it had been left with no alternative after Numsa had failed to persuade its members to abide by an agreement to return to work. (189)

Numsa, having not initiated the strike, is understood to have been mildly unhappy that members had resorted to the action.

Numsa negotiator Gavin Hartford was not prepared to comment on the union's attitude, however, saying only that it had advised managements of workers' dissatisfaction over the issue and that "we are responding to workers' feelings".

Hartford believes management has been shortsighted because it would have been cheaper for them to pay the tax — between R1,5 million and R2 million, according to his estimate — than sustain the lost production, worth about R9 million to Toyota and about R5 million to Samcor.

Investors take heart as Iscor share price posts solid gains

(187)

ARG 10/12/93

MARC HASENFUSS
Business Staff

RENEWED interest in Iscor has pushed the share price close to 200c — the price that the steel giant was listed at four years ago

The share firmed 4c on the Johannesburg Stock Exchange yesterday to settle at 196c Trade was typically heavy, with almost two million shares changing hands

The handful of "leftover original" investors will take heart at the recent bull run, after watching the share crumble to a 60c low during last year's "rust run"

The share, however, is still at a considerable discount to its net asset value of 341c a share

Although the Iscor has been pulled up by improving sentiment on the JSE, there are a number of fundementals supporting the recent share price gains

New managing director Hans Smith has already indicated that Iscor's half year results to end February would give investors an indication of a turnaround

This has been supported by analysts, some of whom are predicting substantial profit gains in the current financial year

Iscor has also embarked on a major strategic planning exercise — due for completion this month

According to reports, Iscor's negative cash flow position has been reversed since Mr Smith took over the reins

The group's hefty interest bill has been a major stumbling block Unless Iscor's debt gets a chronic overhaul, interest paid will ruin the profit gains squeezed from an expected uptick in the domestic and international steel markets

■ Meanwhile the investment community has reacted favourably to developments at ICS Holdings — which until recently was considered the weakest of the major food companies, reports Stephen Cranston from Johannesburg

The share is trading at a high of R20 and Guy Woolford, manager of the Syfrets Growth Fund recently described ICS as an excellent recovery share

That ICS has been restored to financial health is apparent In 1990, earnings per share slid from 147,4c to 96,2c.

But in the subsequent three years they have risen steadily to 164c

Return on shareholders' funds has gone from 9,9 to 13,9 percent and interest cover from 2,7 to 10,5 times

This has all been achieved when volumes in its main markets — milk, red meat and poultry — have been in decline

One reason for the success, says chairman Robbie Williams in the annual report for the year to September, has been that the group has addressed under-performing assets, while moving the focus of the business away from basic protein commodity products to higher-margin branded products

ICS acquired a further 12 percent of Sea Harvest, a leading fish processor.

The overcapacity in the milk market is being addressed in a merger of DairyBelle's Clayville operation and Nels-Bliss to form D&B Foods

The processed meat business will be rationalised with the merger of Renown and Foodcorp's Enterprise, to form Enterprise Foods

As part of the deal, Foodcorp has acquired 50 percent of the Cold Chain distribution network

Half of DairyMaid was sold to Nestle, which has already led to the launch of new products and will allow the company to benefit from Nestle's marketing, processing and technological expertise

Motor firms braced for more disruption

ERICA JANKOWITZ

MOTOR manufacturers are bracing for more production disruptions when they re-open their factories in January following a ruling by the Receiver of Revenue that year-end gratuities are liable for tax

Non-procedural strikes broke out at some plants earlier this month when workers found employers had deducted tax from ex gratia payments. The National Union of Metalworkers of SA (Numsa) and employers agreed to ask the Receiver for his opinion on the dispute. 8/bd94

An Automobile Manufacturers Employers' Organisations spokesman said yesterday the disputing parties had agreed that the Receiver's decision would be honoured, but Numsa had since indicated it would review its options if it was ruled that the payments were taxable. 21/12/93

Employers would try to resolve the issue before the January 10 reopening of plants after the Christmas recess While no meetings had been planned due to the unavailability of Numsa, employers were available for discussions with the union, he said.

Toyota and Nissan closed their plants earlier than their scheduled December 10 shutdown after workers downed tools.

The payments formed part of the wage agreement signed between Numsa, the SA Iron, Steel and Allied Industries' Union and employer representatives on the National Bargaining Forum. Only Numsa members participated in the strike, which brought production at two of Toyota's Durban plants and the Nissan facility in Rosslyn to a standstill for several days (189)

Another ex gratia payment is scheduled for early next year and this may lead to further strike action (193) (599)

Numsa was not available for comment

Rival unions to picket LH Marthinusen plant

B/Day 23/12/93

ERICA JANKOWITZ

THE National Union of Metalworkers of SA (Numsa) will picket LH Marthinusen's Denver plant in Johannesburg today alongside members of its four rival unions at the company including the Nactu-affiliated Metal and Electrical Workers' Union of SA and right wing-aligned SA Iron, Steel and Allied Industries Union. (189)

Earlier this year, a similar combination of union members staged a successful wage strike at Highveld Steel.

A Numsa spokesman said the union would protest against the company's decision to retrench workers despite proposals of alternative cost cutting measures.

Company financial manager Mike Chamberlain said all alternatives had been considered and during the consultation process the company reduced its proposed number of retrenchees from about 40 to 21

Numsa said it had suggested better packages were offered to attract those who may wish to opt for voluntary retrenchment. "After all, this would be the humane thing to do," the spokesman said.

The union spokesman emphasised the union believed the company was viable and if acceptable alternatives to the proposed retrenchments were found, all workers would band together to build up the company

"Cost cutting throughout the organisation not just on labour costs should be fully explored," she said.

Chamberlain said the parties were still exploring alternatives and the door had not been closed on discussions.

Seifsa to administer staff benefit funds

SEIFSA is to establish a Section 21 non-profit company to administer all employee benefit funds, head of the federation's employee benefits division Ken Morgan said (189) CT 28/12/93

Interviewed in Seifsa's jubilee commerative publication, Morgan said this would have a limited effect on his 550-strong division, except that the new company's board of directors would equally represent employers and workers

The decision was taken after it was calculated it would be cheaper for the industry itself to administer its various funds and their assets than it was to hand the task to insurance companies and medical aid administrators.

"Over the years Seifsa and the trade unions have built up an infrastructure of employee benefits which has not been equalled in any other SA industry," Morgan said.

The largest of the funds are the pension and provident funds which together control assets of almost R8bn The Metal Industries Provident Fund, established in 1991 as a result of trade union pressure, boasts 158 600 members and R1,3bn in assets.

Morgan said from March 1 next year, members of the Metal Industries Group Pension Fund would be given the option of joining the provident fund Thereafter, new recruits will be allowed to join whichever fund they prefer