BAKING AND/OR CONFECTIONERY INDUSTRY, DURBAN AND DISTRICTS

<u>Parties</u>	Employer Organisation: Durban and District Master Bakers' Association Trade Union: The Natal Baking Industry Employees' Union, Food Beverage Workers' Union of S.A.
<u>Area</u>	Magisterial Districts of Durban*, Inanda, Pinetown and Lower Tugela.

<u>Footnotes</u>

1. Additional Allowances - Bicycle allowance

1984 — 1985

MANUFACTURING — Non-Metallic mineral products

26/1/84

...anned

...vitz Mr David Danziger Mr Mark Hoffman and Mr Rael Steyn

Three of the vendors will remain with the group Mr Norvitz has been appointed general manager Mr Danziger merchandise controller and Mr Hoffman operations manager The deal revives a long association between Clicks' chairman and Mr Hoffman

Mr Hoffman was one of the key executives in Mr Jack Goldin s Pick 'n Pay — the fledgling chain was later sold by Mr Goldin to Mr Raymond Ackerman

Clicks itself is continuing with its strong expansion New stores this calendar year include Springs (about June), Bloemfontein, Vereeniging, and Main Street, Port Elizabeth

While January trading was off to a slow start Mrs Kritzinger says turn-overs since then ...ve been ahead of bud-...

...me sees ...worsening

...to normal and the most marked effects of the drought have not been felt yet

Prices of agricultural products have only just begun to rise and this will produce a ripple effect on a whole range of other commodity prices

Struggles are still being waged to bring the inflation rate more into line with South Africa's major trading partners

To counter inflation the equalization of money supply will still have to be the authorities' most urgent priority So far efforts have not had total success and continued high interest rates will be the price payed for reducing inflation to single figures

But this will discourage investment and further delay the upturn in the economy

Consumer demand

Furthermore, it is unlikely that consumer demand will improve significantly in the new year in view of the expected increases in taxation

"My view would be for government not to raise taxes at this stage as this will have a very negative influence on ...

Mr J C Hanson has been appointed director of finance of Burroughs South Africa

Gold closes steady after quiet day

LONDON — Gold prices made no significant break from the morning's narrow range and bullion closed the day at $366,50-$367,00 an ounce, unchanged from the opening but up from yesterday's close of $365,00/50, dealers said

The day's most notable move was a brief rally to a high of $367,00/50 an ounce following news of a 1,1 percent decline in December orders for durable goods in the United States, contrasting with expectations of a rise of at least 0,5 percent

Reaction

But neither the foreign exchange nor the bond markets showed a sustained reaction to the news and gold quickly settled back to earlier levels

Gold this morning registered little change from opening levels The day's low of $366 was posted in the fixing session, but after a protracted session, bullion was fixed at $366-$375 The afternoon fixing was $366,50

The firmer opening yesterday morning reflected small gains in New York overnight which were attributed to light covering interest in the light of gold's resilience in recent days around $365

In spite of yesterday's narrow price range, some dealers reported moderate two-way business throughout the day Effective support at lower levels may have caused a return of investor demand but this ...

Closing gold prices

(In $ an ounce)
LONDON.
366,50-367,00
Fixing am: 366,375
Fixing pm: 366,50
ZURICH:
365,00-368,00
— Reuter

The dollar, which staged a broad-scale advance on Tuesday and was hovering just below all-time records against a string of currencies, lost ground yesterday in quiet trading as investors sought to cash in

Dealers said new evidence that the United States recovery was faltering also depressed the market

Investors generally expect that a slippage in the recovery would lead to the United States Federal Reserve cutting back interest rates — which would reduce the dollar's value as an investment

● In London, share prices hit a new record on the London Stock Exchange yesterday, with a jump of more than 15 points in the Financial Times Index of 30 leading industrials

The Financial Times Index rose from 824,9 to 840,5, easily breaking last Friday's record of 826,9

The market's strong upward drive was propelled by sharply higher British trade figures a ...

Everite surprises with 53% earnings leap

Own Correspondent

JOHANNESBURG. Everite has surprised its own management with a 53 percent leap in attributable earnings for the six months to December to R10,6m

This compares with R6 9m earnings for the same period last year and the group has posted an interim dividend of 20c (previously 17c)

Earnings a share for the half rose from 42 1c to 64 2c

In the year to June, 1982, Everite posted bottom-line earnings of R15,4m (R13,3m) — a 15,6 percent improvement — but the chairman Mr Hans Thoeni looking at the economic downswing took a cautious stance on the current year and indicated that earnings would be static

Everite however appears to be one of the few companies that can claim to have benefited from the drought Many municipalities through South Africa found themselves replacing pipes which burst because of low pressure and the main reason for the strong group performance was a general increase in pipe demand in all four divisions

Good results

"We had an exceptionally good half and we did not budget for anywhere near such a good result," the financial director, Mr John Kennedy, said yesterday

'Pipe sales were particularly good '

Group sales increased 26 percent as a result, from R81,9m to R103,3m Another factor that enhanced the attributable earnings was a lower lifo stock adjustment The lifo reduction was a net R56 000 compared with R1,754m previously

Destocking of large asbestos inventories, bought some time ago for strategic use, took place last year and wiped out R12m in bank overdraughts and provided Everite with R10m in cash in the bank

Destocking

There was a further substantial destocking of stocks in the half and, in spite of paying R12m towards the purchase from the Robin group of its Vaal Potteries division, Everite still has R6m in cash

Everite has relatively little left to pay on the R13,5m purchase price and the group is still far off from having any debt

Income from investments — that is income from cash balances — in fact almost trebled to go from R363 000 to R992 000

Directors say profit for the full year should show a substantial improvement provided the building industry and pipe markets remain stable

No further stock reductions are planned so the lifo reduction will probably not be repeated

However, there is still a significant backlog in pipe demand and Everite's order books are full

Pipe demand

Mr Kennnedy says the group is hoping that rising pipe demand should more than compensate to make second half earnings roughly similar to the interim results

Comment The interim dividend has only risen by a fairly conservative 18 percent because the group is preparing for a possible jump in corporate taxation with the budget Interim dividend cover, usually higher than the full year's, thus rose from 2,5 to 3,2 times

Another reason is the new fibre-cement sheet factory in Bophuthatswana Everite expects that operation to go for market share although the build up in volumes will initially be slow

For the full year, the group is looking at a cover of between 1,8 and 1 9 times and assuming the second half earnings per share is roughly similar to the interim figure a dividend of between 65c and 70c is likely

Everite closed 20c up last night at 920c — 50c of its 12 month peak The forward yield at over 7 percent, way above the building and construction sector historic average suggests that the market has underrated the share, which has some upside potential

JSE golds firmer

Own Correspondent

JOHANNESBURG — Gold shares regained some of Tuesday's losses as investors on the stock exchange demonstrated relief that the bullion price did not continue to drop ... unchanged on the day

De Beers was the only diamond share to firm, adding 20c to R10.20 All the rest were unchanged

The surprise among platinums was the lack of investor response to ...

Ending weeks of speculation . . .

D & H gets 25,9% stake in Blue Circle

Cape Times 16/2/84 193

By JOHN MULCAHY

JOHANNESBURG. — Darling & Hodgson (D & H) has acquired a 25,9 percent interest in Blue Circle, ending several weeks of speculation on the identity of the aggressive buyer of Blue Circle shares on the Johannesburg Stock Exchange.

(D & H) paid a total of R33m for 3,9m shares bought on the market, or an average price of about 850c a share

Apart from the stake acquired through the market D & H will receive another 2m new Blue Circle shares and R4m in cash in exchange for a 30 percent interest in the D & H materials division

The 30 percent stake in the D & H materials division has been valued at R21m for the purposes of the deal, which is effective from last December 31

The deal has significant synergistic advantages for Blue Circle and for D & H

For Blue Circle, the stake in D & H materials division, which has already shown substantial growth and is involved in a major development programme, gives it strategic muscle to compete with the two other cement majors, Pretoria Portland Cement, and Anglo-Alpha

Mr John Hodgson, D & H's executive chairman, said yesterday the group had pinpointed an investment in a cement producer as part of its long-term strategy

He would not discuss the negotiations prior to the Blue Circle deal, but said "we have reviewed all possibilities"

It took D & H about a week to acquire the 3,9m shares on the market, a period of activity which had the market guessing as to the likely buyer, and which led to speculation that Blue Circle Industries of the UK might be selling control

After categorical denials from Blue Circle Industries several other options were mooted, but D & H was never mentioned as a likely buyer, which is a tribute to the security attached to the deal

Mr Hodgson stressed that the purchase of the Blue Circle shares had been done with the full knowledge and blessing of the boards of Blue Circle Industries and of Blue Circle

He said the deal was one the best D & H had done, as the materials division needed the cement relationship, while for Blue Circle, after being probably the weakest of the three major cement producers, was now at least equal to the other two

Standard Merchant Bank said in an announcement yesterday that the transaction would provide Blue Circle with an entry into the construction materials field, giving it a wider spread of related activities

"D & H will gain a stake in the cement industry which is closely allied to its construction and ready mixed concrete operations The association will enable both parties to rationalize and develop their existing interests"

Mr Hodgson and Mr Brian Malcomson will join the Blue Circle board, while Mr Trevor Coulson and Mr A P Albertyn have been invited to join the board of D & H Materials (Pty)

D & H's accounting policies will be changed to reflect Blue Circle as an associate

Earnings

While there is likely to be a drop in D & H's earnings a share for this year — to 125c a share from 135c — as a result of the Blue Circle transaction, Mr Hodgson said that a year from now the acquisition would have a major impact on D & H's earnings.

Comment: D & H has well and truly shrugged off the effects of the Amardah venture and of the ill-fated engineering division, and 1983 will be seen as one of the most constructive years in the group's development

It is with good reason that Mr Hodgson is excited with this deal, and while it is impossible to compare its effects with those of the Group Five acquisition, the two combined have put D & H into an extremely powerful position for the future

Benefits

For Blue Circle, the strategic benefits are probably greater than for D & H, as the latter's markets are closely linked to those of Blue Circle

D & H is confident of outperforming Anglo-Alpha's Hippo Quarries, and this is only one area of potential benefit to Blue Circle

Another major area of rationalization could be in the ready-mix concrete industry, where D & H is immensely powerful

All in all, a good deal, and D & H can be complimented for the advantage it has taken of the recession, both in rearranging the construction interests and in securing the Blue Circle stake.

Cape Times 19/4/84

193

Everite workers strike for 5 hours

By **RIAAN DE VILLIERS**
Labour Reporter

HUNDREDS of black and coloured workers struck for five hours at Everite's Brackenfell asbestos manufacturing plant yesterday morning in support of a demand that two men in charge of black hostels on the site be fired

Workers returned to work pending a meeting between union officials, shop stewards and management yesterday afternoon

But the dispute was not resolved and the union warned later that further industrial action was "imminent".

According to a statement by Everite, union officials also warned management yesterday that "violence could ensue" if the hostel supervisor was not removed from his accommodation.

Management had therefore "reserved the right" to use additional security measures, the statement said

Union officials were reporting back to workers last night.

Mr David Lewis, general secretary of the GWU, said the talks had deadlocked when management refused to fire the two men and also rejected a "union compromise" that one of them be suspended pending a disciplinary inquiry

Mr John Wayland, regional manager of Everite, said a worker delegation had demanded the dismissal of the hostel manager and supervisor on Monday

At yesterday's meeting, management insisted on a full investigation before suspensions or dismissals could be considered and proposed a full inquiry today

CAPE TIMES. 1/5/84

Hearing 'clears' Everite man

Labour Reporter

EVERITE announced yesterday that a super intendent at its black worker hostels had been "cleared of charges brought against him by fellow employees" at a disciplinary hearing

The hearing came after workers struck briefly at the company's Brackenfell asbestos manufacturing plant two weeks ago in support of a demand that the hostel superintendent and supervisor be fired

They claimed they had been ill-treated by the two men concerned Workers, the General Workers' Union — to which most of them belong — and management eventually agreed on a disciplinary hearing

Everite said yesterday the hearing had been presided over by a senior personnel executive of the company and had been attended by an employee representative who was also a GWU shop steward

The hearing had sat for nearly 20 hours and heard 22 witnesses

The statement quoted Everite's regional manager, Mr John Wayland, as saying there were "no grounds to justify disciplinary action against the supervisor"

The hearing to investigate allegations against the hostel manager — who has been on leave — would be held "shortly", it added

Union officials could not be reached for comment. At the time of the strike, they warned further industrial action could result if the issue were not resolved

Cabinet to revi[...] 100km/h speed

Political Staff

SOUTH AFRICA'S maximum speed limit of 100km/h is to be reviewed by the Cabinet and it is possible that an announcement will be made this week during the budget debate on the Department of Mineral and Energy Affairs

Several organizations, including the AA have appealed from time to time for an increase in the limit

The annual report of the department, which has been tabled in Parliament, said that fuel conservation measures such as the speed limit were constantly reviewed "in the light of prevailing circumstances"

The expected imbalance between petrol and diesel consumption did not materialize last year because of a reduction in diesel sales resulting from the drought and a slowdown in the economy There had also been a marked increase in the sale of petrol

"It may therefore not be necessary to stimulate petrol sales by, for instance, increasing speed limits to rectify a possible imbalance — to balance the barrel should trend [...] tinue,"

"Rep[...] garding the pr[...] have [...] ceived [...] dation will be Cabinet said

The debate [...] to be d[...] cussion [...] tions [...] ca's oil is sch[...] place Friday, limit [...] cussed.

Too late for classification

BIRTHS

HANEKOM — To Chrismar and Petrus a girl born on April 30 at the Jan Marais Clinic Thanks to doctor and staff

DEATHS

FREEMAN — Victoria May R R C passed away peacefully on Saturday April 28 Fondly remembered by Margaret No flowers by request, donations if so desired to Animal Welfare Society P O Box 5395 Walmer Port Elizabeth 6065

BUTCHER. — Alfred Gordon passed away peacefully on Sunday April 29 1984 aged 74 years Deeply mourned by his loving wife and family Memorial service at the Human and Pitt Chapel Church Street, Wynberg today May 1 at 2pm Cremation private Donations in lieu of flowers may be sent to charity of own choice Arrangements Human & Pitt Wynberg Phone 77 1101

BRIGGS — Reg Sadly missed but always remembered To the Briggs family your loss is greater than ours Thoughts are with you all Richard Jeremy and Neil

GUTHRIE. — Alexander passed away peacefully April 29 Deeply mourned by his wife Jean and family Service at Maitland Crematorium Chapel on Wednesday at 9 20am Arrangements Goodall & Co Phone 24 3357

HARRISON — Michael William passed away peacefully April 30 Deeply mourned by his loving wife Aimee children Robert Adrian Odette and Sonja Service at Maitland Crematorium Wednesday 2nd at 1 20pm Arrangements Goodall & Williams Wasserfall & Hardick Phone 47 1150

LAMPRECHT — Oom Bill passed away suddenly on April 30 Deeply mourned and sadly missed by Raymond Iris and children

HUSKISSON — Victor Joseph passed away suddenly on April 30 Deeply mourned by his mother brothers sisters and families Service at the DR Church Kommetjie Road Fish Hoek, on Wednesday May 2 at 2pm thence to Noordhoek Cemetery Arrangements Human & Pitt Phone 77 1101

LAMPRECHT — Elias Albertus (Bill) aged 75 years passed away suddenly on Monday April 30 Deeply mourned by his wife Sadie and son Adrian Service at Huis Luckhoff Alma Road Rosebank on Wednesday May 2 at 11am Private cremation Arrangements Goodall & Williams Wasserfall & Hardick Phone 47 1150

LAMPRECHT — Bill my beloved husband suddenly passed away on April 30 Deeply mourned by his beloved wife Sadie

LAMPRECHT — Pappie and Oupa passed away suddenly Deeply mourned by his daughter Petro son in law Dennis grandchildren Monique and Mark

LAMPRECHT — Bill Pappie and Oupa passed away suddenly Deeply mourned by his son Adrian daughter Hazel grandchildren Dirk Estelle

24 provis[...] seats nan[...]

Staff Reporter

THE Delimitation Commission yesterday announced the 20 provisional constituencies for the Cape Peninsula and four for the Port Elizabeth-Uitenhage complex in terms of the new dispensation for the "coloured" House of Representatives

They are Tafelberg (including Walvis Bay), South Cape, Retreat, Grassy Park, Ottery, Liesbeek, Rietvlei, Hanover Park, Silver Town, Elsie's River, Bonteheuwel, Heideveld, Manenberg, Strandfontein, Bishop Lavis Matroosfontein, Pinedene, Mitchells Plain, Belhar and Kasselsvlei

The PE-Uitenhage constituencies are Chatty (including Uitenhage), Bethelsdorp, Gelvandale and Schauderville

Under the now de[...] funct C[...] senat[...] the P[...] and th[...] comple[...] cies o[...] sion h[...] the ru[...] loading percent[...] mum [...] gible v[...] stituen[...] the ab[...] const[...]

Walv[...] prev[...] South [...] fall un[...]

Thir[...] consti[...] Cape F[...] ready [...] and [...] ized

This [...] mission [...] tions [...] parties newly [...] stituen[...] in the Tower [...] Centre.

Chopper used to fight fire

Staff Reporter

THE Department of Forestry yesterday used a helicopter to dump water on a runaway fire on the slopes of the Twelve Apostles range of Table Mountain

The Assistant Deputy

'Missing' [...] safe at hc[...]

Staff Reporter

MEMBERS of the Mountain Club of South Africa and Metro Rescue personnel combed the slopes of Table Mountain yesterday in search of four "missing" hikers who had already made their way down after spending the night huddled together above Skeleton Gorge.

"After planne[...] the K[...] but at con, I to take eventua[...] nearly

"We down vine [...] about [...] should

AL6453/5/84 (193)

'Affront to integrity'

Labour Reporter

THE clearing of an Everite hostel supervisor by the management of the company was "an affront to the integrity and honesty of witnesses in the inquiry and the 700 workers supporting them", according to the General Workers' Union.

The GWU claims majority support at Everite's asbestos-product plant and its transport division, Cape Hauliers

The GWU said the result of the inquiry, which the management initiated after hundreds of workers downed tools in support of a demand that the hostel supervisor be dismissed, reflected "prejudice on management's part".

Workers have alleged the supervisor, who lives with them in the company's Brackenfell hostels, was guilty of "severely ill-treating" them.

The union spokesman said workers planned to "take action in the hostel enviroment", but declined to spell out details

Workers threatened similar industrial action after the first stoppage if the supervisor was not dismissed.

After the stoppage Everite's regional general manager, Mr John Wayland, said the company would hold an inquiry to investigate workers' allegations

He announced this week that the inquiry had "cleared" the supervisor

The GWU spokesman said the issue had been mistakenly turned into "a dispute over management prerogative, whereas it is simply a case of workers demanding that they be free of undue management control in their free time."

Cape Times 8/5/84

193

Another signatory for GWU

Labour Reporter

PREBUILT Products, a subsidiary of the Murray and Roberts group, has signed a recognition agreement with the General Workers' Union

In a statement, the powerful Cape-based union said the agreement recognized the union's right to represent members at the firm over "any matter affecting their employment"

The agreement also gave it rights of negotiation over wages, conditions of employment, health and safety and other matters

The signing followed several months of negotiations which took place in a "spirit of co-operation"

The union added that the management's attitude was "commendable to other employers, particularly in the cement and concrete industry

ARGUS 11/6/84 (193)

CITY

Industrial dispute ends with union recognition

Labour Reporter

A FORMAL industrial dispute, lasting several months, has been resolved with the signing of a recognition agreement between a firm in Kuils River and the General Workers' Union (GWU)

Litigation which was pending between the GWU and African Spun Concrete Company in the Industrial Court will now be dropped.

A GWU spokesman said the agreement accorded the union "full rights of representation and negotiation"

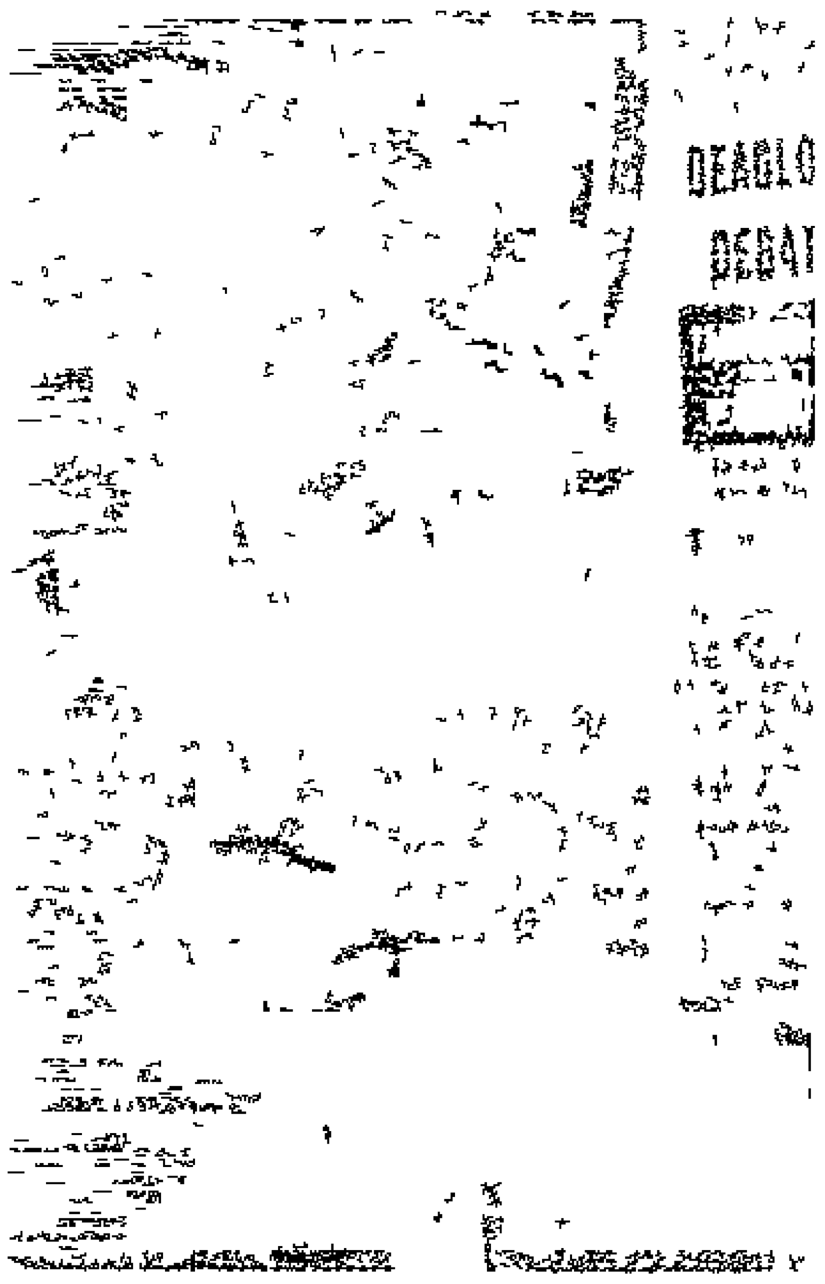
"We trust that other employers will take note of this agreement and recognise the futility of long, protracted battles over union recognition.

"The workers' right to join and be represented by a union of their choice is inalienable and will be fought for whenever obstructed," the spokesman said.

The dispute was due to come before the Industrial Court next month.

In January, a Conciliation Board hearing failed to resolve the dispute, which centred on the company's refusal to recognise the GWU, which had majority membership in the plant.

Mr P Hoeks, managing director of African Spun, confirmed the agreement and said the company was committed to "making the mechanisms that have been established work"



…king PG's "monopoly"

Demand to end glass monopoly

(193) ~~(22)~~

S-Times 24/6/84

A FORMER managing-director of Afcol, the listed furniture giant in the SAB group, Abe Berger, has taken a swipe at "monopolistic" practices of the Plate Glass group He has called for the immediate abolition of the 20% duty on imported glass.

By Alec Hogg

Mr Berger, now an executive director of flat glass merchant Independent Glass Industries (Pty), said "The latest actions by the PG group call for, at the very least, the abolition of the 20% protective duty on imported glass in terms of the Minister's powers under the Maintenance and Promotion of Competition Act.

"In this way, PG's manufacturing associate, South Africa's sole glass supplier, Pilkington, would face meaningful competition."

Mr Berger has also attacked statements made in Business Times last week by PG's joint executive chairman, Ronnie Lubner.

He said his company had been forced by PG associates Pilkington and Shatterprufe, to import all its stock

Unhappy

"Pilkington indicated that we would be required to sign a distributorship agreement Since we were not happy with some of the clauses in the agreement, nor would we know our true costs until after selling our goods for up to a year, we decided to import

"Our experience with Shatterprufe was similar We had to buy not less than 80% of our safety glass from them and to promote and distribute the entire range of the company's products

"We found these conditions restrictive. Price, therefore, is not the only consideration which led us to import It is important, however, when competing with a vertically integrated manufacturing monopoly."

Attacking Mr Lubner's assertion that glass importers were landing "dumped" products, Mr Berger said "It is easily ascertainable that the prices we pay are those generally offered in Europe to merchant customers

"We have bought from several manufacturers all at approximately the same price and all with lead times of about two months None had stock available for immediate shipment This is hardly a sign of a need to dump

"What is more questionable are the Pilkington and Shatterprufe prices, compared with glass prices in Europe Given the advantages of a manufacturing monopoly protected by a 20% duty, an excellent return on investment in both quantum and percentage, we are not surprised that Mr Lubner is 'taking a tough stand'"

Mr Berger noted that Mr Lubner said he would not increase Pilkington's prices to put pressure on merchants as this would lead them to import

"Why then did Pilkington's price increase coincide with a substantial price cut by PG's wholesale merchant subsidiaries, leaving Pilkington's customers almost no gross profit if they match?

"Perhaps the powers that be at Glass SA know the long lead time on imports, the wide range to be imported from a number of sources, a low rand and high interest rates will make it difficult for Pilkington customers to make a sufficiently rapid change"

Mr Lubner told Business Times from London "All this must be seen against the background that Mr Berger's company decided to import before the merger Had this company first bought locally and then, because of monopolistic pressure been forced to import, that would be a different matter

"We have tried our best to service Mr Berger's company locally He has been visited regularly by executives of our group asking for support Furthermore distributor contracts are common business practice.

"But he says we must give him our price list and he will decide how and where to support us. We simply cannot throw away our distribution system and change our business philosophy for him."

YOUR COMMENTS:

COURSE ELEMENT NUMBER

- EXPLAIN YOUR CRITICISM
- SUGGEST A SOLUTION

PART TI

FULL TI

ARE YOU

TICK TH

NAME: (Optional)

YES NO

URSE

THE EXECUTIVES

Mr Guy Luyt, managing director of Pretoria Portland Cement, says its production capacity in the Western Cape is sufficient to meet increased local demand when the upturn comes.

Cement giant expanding for next upturn

193

Argus 30/6/84

By AUDREY d'ANGELO

PRETORIA Portland Cement — which supplies about half the cement and nearly three quarters of the lime used in this country — is expanding its capacity in readiness for the next upturn.

But it is faced with a threat of possible "dumping" of cement from Far Eastern or Iron Curtain countries

Its managing director, Mr Guy Luyt, said in an interview in Cape Town "I have heard a price equal to R6 a ton ex-factory mentioned, which is roughly the cost of the bags in which a ton of cement is packed

"It is impossible to manufacture it at that price"

He was considering going overseas to investigate the situation

"I want to find out the strengths and weaknesses of possible exporters of cement to this country and how they operate, and what steps we can take to counter any threat"

His group had no fear of competition provided it was fair "We have one of the cheapest cements in the world in this country although transport charges can add as much as 45 percent to the price ex-factory

"Cement is a high bulk commodity and although it is R55 a ton in the Western Transvaal, in Durban rail charges bring this up to R90 a ton"

Dumping, however, was unfair competition and if it took place he hoped the Government would be sympathetic to a request for tariff protection

Since Mr Luyt became managing director of Pretoria Portland Cement in 1974 it has more than doubled its cement capacity, from 2-million tons a year to four and a half million

Nuclear power

It acquired both Cape Portland Cement and Northern Lime Company in 1977 and its capacity to produce 2-million tons of lime every year, for use in mines, for water purification and in industry is greater than demand

"The failure of the uranium market has caused a downturn in the demand for lime

"We expected nuclear power stations to proliferate but there has been a very strong lobby against nuclear power which has put it back 10 or 12 years"

Mr Luyt believes, however, that modern technology will overcome this by making nuclear power stations "virtually 100 percent safe

Profits higher

"I think it is a very short-sighted philosophy which allows the whole world to be held to ransom by the oil-producing countries"

In spite of the recession, which has postponed many major civil engineering projects, the continued demand for housing enabled group profits to grow

Consolidated net profit for the year to September, of R47,6-million, was 7 percent higher than the year before

The interim dividend for the current year has risen to 14c a share compared with 9c last year

"The housing sector, as opposed to the civil engineering sector, has substantially sustained our activity

"There is currently an easing in demand for higher priced houses but I don't think there is any surplus of middle-income housing and the demand for more coloured and black housing will keep the construction industry busy for many years"

Mr Luyt expects an upturn in civil engineering to come in 1986 "I think the upturn in the general economy will come before that but there is always a time lag before the construction industry feels the effect of either an upturn or a downturn

"Projects already begun have to be finished and plans for new ones to be approved"

In readiness for the upturn, the group is building a new cement plant at Dwaalboom in the North Western Transvaal, at a cost of R300-million, which will have a capacity of about 600 000 tons a year and is due to come on stream in 1986

"I am quite confident that there will be no problem whatever in supplying the needs of the Western Cape

"Our plant in the Western Cape is running at only 75 percent of capacity At full capacity it will produce 1,5-million tons a year"

Mr Luyt said the fact that his group had a monopoly of cement production in a large part of the country, including the Western Cape, was no cause for concern

"We take our responsibilities seriously We have accepted the responsibility for keeping the Western Cape supplied and there is no possibility of running short

"We have used a lot of discretion in price increases In the past year the ex-factory price of cement went up by only 9 percent and we intend to hold it at that level for another 12 months

"But we would not absorb any railway price increase

"I don't dispute that we have organised marketing, but you must look at that in the context of the South African economy, which is still a developing one"

NGWU men strike

Star 16/7/84

More than 270 members of the National General Workers' Union downed tools today in three strikes at companies in Pretoria and Witbank.

At the Gencor-owned pipe manufacturing company, Rocla, in Rosslyn, 200 workers went on strike after the unilateral introduction of wage increases by management.

The second strike occurred at Boltstone, makers of tombstones near Pretoria, where 70 workers downed tools over the firm's refusal to negotiate with a union representative

In the third strike, 12 NGWU members at Mike's Kitchen in Witbank downed tools after the retrenchment of three fellow workers — Labour Reporter

Dismissed factory workers reinstated

193

Mercury

16/7/83

Mercury Reporter

DISMISSED workers at the Estcourt glass tile factory Glamosa Producers will return to work on Monday morning as a result of negotiations which took place yesterday

A joint statement issued by the factory management and the South African Building and Allied Worker's Union said discussions had ended with an offer to all workers to return to work at their old wages with unchanged terms and conditions of employment

Wages were to be frozen until April next year when they would be reviewed

The Glamosa management were considering formal recognition of the union

Appreciation was expressed towards the union officials who helped to reach a friendly agreement

Workers at the factory went on strike on Monday and were dismissed after ignoring an ultimatum to return to work They refused however to accept their dismissal did not collect their pay, and gathered at the factory gates every morning

According to the factory director, Mr Robert Craig, the workers received a pay increase two months ago

The dispute had taken so long to settle because the managing director had been away only arriving back in Estcourt on Thursday evening

On his arrival union officials had been invited to negotiate After what Mr Craig called a 'very friendly discussion' the union men met with the workers, who accepted the terms, collected their pay for the previous week and went home

'We are very grateful to the union They handled the dispute like gentlemen,' Mr Craig said

RDM 17/7/84 (?) 193

Imports hit return on Simuma cement

By PRISCILLA WHYTE

CEMENT imports from Spain and Japan are jeopardising investment returns on the R178m Simuma clinker plant near Port Shepstone.

Until the plant was commissioned in May cement cost R53 a ton from Blue Circle's Lichtenburg works, in the Transvaal, and railage to Natal cost a further R40.

Mr Peter Kett, commercial director of Blue Circle Cement, says "The cost of sea-freighting cement to SA from Japan is $12-$15 a ton, whereas railing cement from Simuma to Durban is R12."

The average domestic cost per ton of cement in Japan is R94 The domestic base is supporting the export drive.

Mr Kett regards the 7 000 tons of cement coming in monthly from Zimbabwe as fair competition because it is the closest to the northern Transvaal market and is being sold at the full domestic price in Zimbabwe.

The Simuma project was a joint venture backed by the entire cement industry — Anglo Alpha, associated with the Swiss Group, Holderbank Financiere Glaris; Cape Lime, a member of Federale Volksbeleggings, Pretoria Portland Cement, a Barlow Rand Company; and Blue Circle

Mr Kett says railage constitutes 40% of total delivered cost of cement in South Africa

There is an enormous surplus of cement worldwide and some suppliers are willing to sell on a marginal cost basis for $25 a ton

The surplus has arisen because there has been a trend towards building cement plants throughout the world, particularly in the Third World, where Middle East oil countries which used to depend on imports have now established local plants

Mr Kett explains that the average capital cost per ton of cement produced in SA is R200.

The return on investment is 8%, calculated on the basis of earnings before interest, and tax of R16 a ton, divided by the average cost a ton of R200

However, new plants such as Simuma have an annual average capital cost per ton of R400 Its use of the latest technology can produce profit before interest and tax higher than R16 a ton.

The older cement plants, while not as efficient, have a lower capital cost per annual ton and, taking depreciation into account, the book value of older plant means earnings yield a double-digit return on investment

Due to the higher cost of investment in Simuma the rate of return is lower than the average

The Simuma plant was built at a time of high interest rates. The timing of the rate of return on investment becomes even gloomier when this is taken into account

Natal is the happy hunting ground for cement imports because of the punitive cost of railing cement from the coast inland Other ports do not consume enough cement to justify imports

Cape Town has an older cement plant and is not saddled with an interest burden

Mr Kett says the reason for the Simuma project was that "there was a 40% increase in demand from the middle of to the end of 1981 and a marginal shortage developed".

It takes three years to commission a cement plant from the time the decision is made to establish a plant.

By January 1982, the deliveries from producers were being met within a week of placing orders.

Cement is distributed by the Cement Distributors of SA for all local producers so that it is despatched from the cement producer nearest the consumer.

The cement industry is capital-intensive and returns are accrued on a protracted basis. It is not labour-intensive but for every new job created in the cement industry a further 1,5 jobs are created in associated industries

Mr Kett says that the newest cement plants compare favourably with their international counterparts.

Bearing in mind that coal, electricity and man-hours per ton are 66% of the total cost of producing the cement, the average fuel (coal) consumption at new plants is 4,5 megajoules a ton compared to an international average of 4,9 megajoules.

Electricity consumptions is 99,6kW hours a ton compared to an international 111,4kW and the man-hours a ton is 0,98 in SA with an international average of 1,11.

Owners of cement plants must rebrick the kiln on average every five months at a cost of R250 000 a time.

The combined effective capacity of the cement industry in SA is 9,573-million tons a year.

The Ulco plant of Anglo Alpha near Bloemfontein will fire a new kiln at the end of the year with an additional capacity of 1,2-million tons. The company plans to mothball the old, less-efficient plant (600 000 tons) so the net increase will be 600 000 tons a year.

Blue Circle will be uprating an exisiting kiln to produce an added 450 000 tons a year. This will be in operation by April.

RDM 21/7/84 193

600 walk out as 5 held at factory

CAPE TOWN — About 600 workers walked out of a Brackenfell plant manufacturing asbestos products yesterday in protest at the arrest of five shop stewards

The arrests followed an incident on Monday when workers at Everite Limited allegedly damaged an office at the company hostel

Mr David Lewis, general secretary of the General Workers' Union, which represents about 700 employees at the plant, said the workers had gone on strike to "express their contempt for what they see as collaboration between the police and management"

The dispute will be discussed at a union conference this weekend

"The union will decide what to do when a major multinational company flouts even nationally accepted standards of labour relations," he said

An Everite spokesman Mr Brian Gibson said the company had informed the police after "serious damage to company property" was caused

He denied there was any collaboration between management and police

The five will appear in court on Monday — Sapa

1984

21/7/84 (193) C. Times

Strikers halt Everite plant

By RIAAN DE VILLIERS
Labour Reporter

ALL BUT 10 of the more than 700 workers at Everite's asbestos products plant at Brackenfell went on strike yesterday in protest against the arrest of five union shop stewards by police earlier this week.

The dispute deepened later in the day when management representatives rejected all demands framed by workers at a mass meeting at their hostel. Workers then decided to continue their strike on Monday.

Demands

Among the demands were that management should withdraw charges against the shop stewards, who are being held at the Brackenfell police station.

While the full implications of the strike were not clear, a management spokesman acknowledged that all but 10 black workers were on strike and that the plant was at a standstill.

Striking Everite workers stream out of the factory gates in Brackenfell early yesterday morning

The strike follows increasing friction over the past few months between workers — most of whom belong to the General Workers' Union — and management at the large multi-national company.

After added friction between workers and the hostel management over the weekend, workers allegedly damaged the hostel supervisor's office on Monday night. Police arrested the five union shop stewards on Wednesday.

Union officials later accused Everite of "collaborating with the police in victimizing union leaders".

After a stormy meeting at their hostel on Thursday night, workers clocked in early yesterday morning but massed at Everite's gates. The strikers included workers at Everite's transport subsidiary, Cape Hauliers.

Later they streamed to their hostel, where workers and union officials addressed a mass meeting.

After being approached by the company's personnel manager, Mr Neil McLeland, workers agreed to elect a deputation to put their demands to management.

These were that criminal charges against the arrested men should be withdrawn and that all internal disciplinary hearings should be dropped. These demands were later rejected by management.

A management spokesman rejected charges that the company had victimized union leaders.

"There is no question of the disciplinary action or reports to the police bearing any ulterior motive towards the union," he said.

In a later statement, Mr Dave Lewis, the GWU general secretary, said the union "utterly rejected" management's denial of collaboration with the police.

He said all five shop stewards had been arrested in the company offices after being called in by management.

Mr Lewis said "A major multi-national company that is prepared to use the South African Police in this way can only expect the harshest possible response from the international trade union movement."

Mr Lewis said the strike would be discussed at the union's annual national conference being held this weekend. "We will also discuss how to take the matter up with the rest of the trade union movement," he added.

(145) (151) (193) (67)

GWU warns Everite of trade union action

23/7/84 C-Times

By RIAAN DE VILLIERS
Labour Reporter

THE General Workers' Union yesterday warned that it would seek national and international trade-union action against the Swiss multinational Everite company if it failed to accede to the demands of more than 700 workers striking at its Brackenfell plant

This was contained in a resolution adopted at the 12 000-member union's annual national conference held in Cape Town at the weekend

Everite workers downed tools on Friday in protest against the arrest of five union shop stewards and disciplinary action taken by the company against a sixth

Workers voted to continue striking after management had rejected demands that they withdraw criminal charges and all disciplinary hearings

The conference declared that Everite was engaging in a "systematic campaign of victimization of union shop stewards in co-operation with the police" and it therefore strongly endorsed the workers' decision to strike

It demanded that Everite reinstate the dismissed shop steward and withdraw charges against others

Failing this, it would inform the next meeting of the feasibility committee setting up a new federation of independent unions and the Building Workers' International that Everite was in "flagrant violation" of internationally-accepted principles of freedom of association.

It would urge the South African and international labour movements to "seek compliance with these standards," it added

Meanwhile, Everite yesterday rejected previous GWU accusations that it had collaborated with the police in victimizing union leaders

Mr Evert Claasen, its personnel director, confirmed that the company had laid a complaint of breaking and entering and of malicious damage to property following damage caused to the hostel manager's office on Monday

'Labelled'

Following a police investigation, management was instructed to call five shop stewards from their work places on Thursday These men were arrested and would appear in court today

"These logical consequences of a criminal action have now been labelled as sinister 'police collaboration' and 'victimization of shop stewards' by the GWU

"We suggest however that the union should look no further than the behaviour of its members to discover the reasons for police involvement and for internal disciplinary hearings that are the cause of the current work stoppage," he said

Union demands that disciplinary procedures should be withdrawn sought to give "privileged status" to the shop stewards concerned and were a "direct attack on management's inalienable right to discipline", he added

(193)

C-Times 24/7/84

Farm killings: Youth in court

Staff Reporter

A 16-YEAR-OLD youth pleaded not guilty in the Robertson Magistrate's Court yesterday to two charges of murder arising from the death of two labourers on a Robertson farm earlier this month.

The appearance of the youth is a sequel to the fatal shooting of two farm labourers, Mr Hans Luttig, 20, and Mr Piet Pietersen, 35, on the farm Groot Vlakte on July 14

The youth, who may not be identified, pleaded as follows

● Not guilty to murdering the two men but guilty to the alternative charges of culpable homicide

● Guilty to breaking into the house of Mr J S Cilliers and stealing a shotgun worth R200 and ammunition worth R8 (The magistrate noted a plea of not guilty after questioning)

● Not guilty to attempted murder — he denied that he had attempted to murder Mrs Chrystal Kuün by shooting at her He said he had aimed at a dog but the shot had gone high and he had not seen Mrs Kuün standing at a window

● Guilty to pointing the shotgun at both Mr Willem Marthinus Folcher and Mrs Alice van Rooyen

● Guilty to possession of a firearm without a valid licence

The hearing was adjourned to August 29 for a decision by the Attorney-General. The youth is to remain in custody

Mr M P H Stander was the magistrate Miss H S Lombaard appeared for the State The youth was not represented

Everite strike: New prospect of settlement

By RIAAN DE VILLIERS
Labour Reporter

PROSPECTS for a settlement of the Everite strike appeared to improve yesterday when officials of the General Workers' Union and worker representatives presented management with amended demands at talks held yesterday afternoon

The demands were tabled after five shop stewards, whose arrest triggered off the strike last week, rejoined their fellow workers

They were released on bail of R50 each after appearing in court yesterday morning. They were not asked to plead to charges of housebreaking and an alternative charge of public violence The hearing was adjourned to August 8

The five shop stewards later joined union officials and other worker representatives in talks with management.

Steward excluded

However, a sixth shop steward who has been suspended from work by the company pending an appeal against a decision taken at an internal disciplinary hearing last week that he should be dismissed, was excluded from the talks

Mr Dave Lewis, the GWU's general secretary, said later that workers had proposed that the sixth shop steward be permitted representation by shop stewards and a union official at his appeal — and that a mediator should be present

They had also proposed the rectification of a "major grievance" of hostel dwellers Management had then agreed to "wide-ranging talks" over conditions at the hostel.

He said workers had resolved to go back to work this morning until they heard from management at 11am.

'Extremely bitter'

Describing the demands as "very reasonable", he said workers were still "extremely bitter and resentful" over management's actions

"They are pleased that the arrested shop stewards are back, but they say management is not responsible for their return," he added

The Swiss multinational company's asbestos products plant at Brackenfell appeared to be at a complete standstill yesterday

However, a spokesman was quoted as saying that "limited production" was taking place

A management spokesman later confirmed that management had agreed to consider a "broad range of issues" raised and would respond to them today

● The union resolved at its annual national conference at the weekend to seek national and international trade union action against Everite if it failed to accede to worker demands

LWF delegates to see 'torture film'

From JOHN BATTERSBY

BUDAPEST — Delegates to the seventh annual assembly of the Lutheran World Federation will see a 30-minute film entitled "The Torture of a South African Pastor"

The film deals with the case of a Lutheran minister from the Venda homeland, Dean Simon Farisani, and includes his own testimony of alleged torture by the Venda security police

Dean Farisani, 36, who will be addressing the assembly tomorrow was recently paid a substantial sum in an out-of-court settlement for damages suffered as a result of alleged torture by the Venda security police

Dean Farisani's case has attracted widespread international attention and has rallied concerned Lutherans from more than 100 countries to his cause

The film will be shown on Friday before next Wednesday's crucial debate on the proposed suspension of the white Lutheran churches in South Africa and South West Africa because of their failure to condemn apartheid publicly and merge with the black churches

● An African motion to suspend two white South African churches from the LWF has thrown the seventh assembly into confusion.

The South African suspension bid has emerged as the major issue of the conference — the biggest gathering of Christians ever held in an Eastern Bloc country

Now the LWF executive committee has decided to hold an open hearing on Southern Africa later this week to allow free discussion on the subject before a proposal goes forward for debate next week.

SABC Olympic effort

Staff Reporter

THE SABC is still continuing its efforts to beat the Olympic blackout and to worm its way around the International Olympic Committee's denial of press accreditation to journalists and correspondents covering the Games for South African news services

Negotiations between the SABC and the giant American Broadcasting Corporation for a series of delayed transmissions on the Games events (which would highlight events one to two days ... Auckland Park said yesterday

Meanwhile, the SABC had bought tickets for all the important events and their reporters, Kim Shippey and Friedel Hansen, would be filing stories from Los Angeles on each day's events in their capacity as spectators

According to the spokesman, both reporters would not be entitled to make use of official Olympic press facilities, but using other facilities, would supply telephonic reports from Los Ange-...

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... carried 24 white ...tions sent by the ...aign for Nuclear ...mament's chair... Ms Joan Ruddock ...eral secretary, ...gnor Bruce Kent. ...c CND members ... outside with ban...ying "Thank You, ..." — Sapa-AP

Political comment by A H Heard, G E Shaw, J V Scott and M P Acott Cartoons by Tony Grogan Headlines and subediting by A J Moth, W C Odendaal and E I Zinn All of 77 Burg Street, Cape Town

Too late for classification

BIRTHS

Argus 24/7/84 (193)

New bid today to end strike at Everite plant

Labour Reporter

THE dispute at the Swiss multi-national asbestos product manufacturing plant, Everite Ltd, entered its fifth day today as 700 workers continued their stayaway

The workers downed tools last week in protest against the arrest of five shop stewards and the dismissal of a sixth

Manager of the Everite's Brackenfell plant, Mr John Wayland, confirmed today that the workers were still on strike

DEMANDS REJECTED

The workers' two main demands — that management withdraw charges against the five shop stewards and re-instate the sixth — have been rejected

Union representatives will meet management later today in another attempt to break the deadlock

Meanwhile, production in the factory, which is a major supplier of building materials, is seriously affected

The General Workers' Union has accused the company of victimising shop stewards and flouting "internationally accepted principles of freedom of association"

"STAGE MANAGED"

The company has denied the union's charge that it has "collaborated" with the police and has accused the union of "stage managing a confrontation"

A company spokesman said "The company has continually co-operated in the negotiations towards the successful achievement of a recognition agreement with the General Workers' Union.

"This co-operation includes a specific agreement with the GWU that the hostel issue would be a priority for discussion immediately after the signing of the recognition agreement"

Conditions in the company's hostel have also led to unrest at the plant recently

Brick price increases tomorrow

Star 25/7/84 193

Consumer Reporter

It will cost more to build a home from tomorrow when the price of bricks goes up by about 4,5 percent

The increase was one of the regular price adjustments made by Corobrik, said the acting managing director of the Transvaal division of the company, Mr Ray Andrews

The last price rise was in May

"The price adjustments vary from about R4 for 1 000 bricks to about R10 for 1 000 bricks — depending on the type of brick," he added

"But there is some good news for people who are having homes built Transport costs, which could increase the price of bricks by between 20 percent and 30 percent, will not rise"

The high rate of inflation and rising costs were responsible for the increase

"Major cost factors are the increase in GST, the price of coal and the cost of labour," said Mr Andrews

Another reason was that much of the equipment used by the company was bought overseas and costs had increased due to the falling rand

Argus 25/7/84

Strike at Everite ends: 700 return

Labour Reporter

THE five-day strike at Everite Limited's Brackenfell plant has been settled and about 700 workers returned to work today

Workers downed tools last week to protest against the arrest of five shop stewards and the dismissal of a sixth

The truce was reached after an all-day meeting between General Workers' Union officials, shop stewards and the company

But the union, which presented modified demands after its original demands were rejected, warned the company that the settlement would be of "short duration" unless it "radically changed its attitude to industrial relations"

"If it continues to treat every grievance of the workers as evidence of provocation and agitation by the union and its shop stewards and if it continues to involve the police in industrial relations it can expect further conflict," said Mr David Lewis, GWU general secretary

Mr Evert Claasen, personnel director, said "Everite can only repeat that it has not in the past behaved in this way, nor will it do so in future"

Everite strike ends after negotiations

C-Times 25/7/84

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Labour Reporter

THE strike of more than 700 black workers at Everite's Brackenfell plant has ended after lengthy negotiations between management, General Workers' Union officials and worker representatives yesterday

However, it appeared from statements from both parties that months of friction at the plant may continue

The union warned later that the settlement would be of "short duration" unless management "radically changes its attitude to industrial relations"

Mr David Lewis, the GWU's general secretary, added that management could expect further conflict if it continued to treat every worker grievance as "evidence of provocation and agitation" and continued to "involve the police in industrial relations".

Let out on bail

The strike was sparked off last week when police arrested five union shop stewards on charges of breaking and entering and malicious damage to the hostel manager's office

They have been let out on bail and their trial was adjourned to next week.

Mr Evert Claasen, Everite's personnel director, said in a statement that management had "consistently refused" a GWU demand that the charges should be withdrawn or that it cancel internal disciplinary hearings.

The parties had agreed that a "task force" of management representatives, hostel residents and the Western Cape Development Board investigate worker allegations about the hostel

He said he was "satisfied" with the agreement as the company was "not prepared to condone criminal actions or relinquish its inalienable right to exercise discipline".

Legal action by union

While the strike was "unfortunate and unnecessary", management was willing to continue negotiating a recognition agreement with the union in a "spirit of goodwill".

Mr Lewis said the union would take legal action against the company if an appeal against the dismissal of another shop steward tomorrow failed.

He added the company had further agreed to an "urgent investigation" into the "acute grievances" of workers living in the hostel by three shop stewards and three management representatives.

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The Natal Mercury, Thursday, August 9, 1984

Imported cement is here to stay

Property Editor

IMPORTS of cement from Spain will continue, in spite of R13,40 a ton price cut announced by Natal Portland Cement earlier this week. A spokesman for Cement Enterprises, which is importing the cement, said in Durban yesterday the 35 000 tons, which is being unloaded at A Shed, is only the first shipload of a year's programme for a 500 000 tons.

Cement Enterprises parent is Gearbulk, the international shipowners who own 50 percent of the world's specialist tonnage It is this motivation that led them to allocate ships to the Durban run.

They serve South Africa with huge movements of coal, paper and other bulk products and provide both exports and imports so the cement scheme fits in well for them

Natal Portland Cement said this week Natal needs about 1,3m tons a year, but its capacity falls far short of this, leaving them the options of imports or the high cost railage from Transvaal

This gap in supply was recognised by C E who planned to fill it and have spent a year preparing for the marketing operation which began this month

The C E spokesman claimed the imported cement has characteristics which offer distinct advantages for faster working to builders, contractors and precasters

They claim the imported cement is 2,5 times stronger than the local requirement and has a much faster drying time

'The fact the imported cement achieves high strength so much quicker means that form-work, flying forms and shuttering can be stripped as much as two days ahead of current schedules on some sophisticated high-rise projects,' said the spokesman

'This sort of advance is a material benefit to a building industry currently under siege, but getting ready for the inevitable boom at the end of the present economic difficulties'

(193) ~~230~~ E. Post 14/8/84

Elgin Glass will provide supplies to Hulett company

JOHANNESBURG — The Murray and Roberts group has extended its glass interests

In a statement released yesterday, M&R announced agreement had been reached regarding supplies by its subsidiary, Elgin Glass, to Hulett Glass and Aluminium

In terms of the agreement, Elgin Glass will supply flat glass to Hulett Glass and Aluminium

Hulett Glass and Aluminium fabricates products in glass and aluminium for both the domestic and industrial markets

Following the announcement of the deal in Johannesburg, Elgin Glass managing director Mr Shane Moore said his company would absorb all the glass stocks of Hulett Glass and Aluminium These are concentrated in the Johannesburg, Durban and Cape Town areas

Mr André van Niekerk, head of Hulett Glass and Aluminium, said "We have been keen to concentrate our full efforts on developing the aluminium fabrication and contracting side of our business, which is where our strength has traditionally been and where we see major growth opportunities

"Hulett Glass and Aluminium will, however, continue to operate as glazing contractors," he said "Furthermore Hulett will be able to supply Elgin with domestic aluminium products, of which they are merchants to the consumer market "

INTERBOU BUILDING AND CONSTRUCTION EXHIBITION

French join cheap import attack on SA building

(193)

S. Times 19/8/84

RAW-material suppliers are coming under pressure from low-cost imports and declining investment in building. Real investment is expected to fall by more than 5% this year.

Steel, cement and tile imports are threatening SA manufacturers who are calling for tariff protection

Sam van Coller, director of the Steel and Engineering Industries Federation of SA (Seifsa), says "A factor inhibiting any short- to medium-term improvement in domestic demand for structural and fabricated steel products is the continuing inflow of low-priced imports — in spite of tariff and quota barriers

"Imports are unacceptably high and cannot be absorbed without seriously damaging SA industry"

Transport

Similar complaints come from cement producers

Although demand for cement remained high in 1983 — rising to 8-million tons from 1982's 7,5-million tons — and continued to climb in the first quarter of this year, the threat of cheap imports has caused the industry to seek assistance from the Board of Trade and Industries

Another factor which militates against producers competing with imported cement, especially those based at the coast, is the cost of transport Cement can be imported from Japan for between $12 and $15 a ton. Railage costs from the Transvaal to Durban are about R40 a ton

More foreigners are considering competing in the SA market

French suppliers are also casting their net wider in Africa They are no longer content with exporting to their traditional markets — the oil producers and former French colonies They are now looking at South Africa for business

A spokesman for a group of French exporters says this drive is paying off "Like other French exports to SA, deliveries of building components and materials are increasing"

Third largest

Sales of building technology will not be ignored The French also plan to export their advanced method of industrial construction This explains why seven French companies will take part in this year's Interbou exibition at Milner Park, Johannesburg, from August 20 to 25

France is in a strong position to attack the SA market because it is the world's third-largest exporter of building materials The building industry is the biggest sector of the French economy and accounts for a third of gross national product

Among the seven French companies exhibiting will be Emaux de Briare, which specialises in ceramic tiles for floors and walls.

Sogeref Artilin supplies special paints and Solvay of Paris, high-resistance PVC sheeting Cofra of Chateau-Renault specialises in precast dwelling units.

Dear money

South Africa's building industry is being inhibited by high interest rates

This is not the only threat to an early recovery in the building sector The Stellenbosch Bureau for Economic Research says "With interest rates in the money markets still very high, it will either force building societies to cut back further on the granting of bonds or to increase their mortgage rates

"Both such developments, given the relatively low rate of increase in salaries and wages in the private sector, must have a negative impact on the abilty of individuals to afford housing The current low savings rate of individuals will not help"

Figures from the Central Statistical Services show that activity in the building sector is not as healthy as one would expect. Plans passed in May were valued at a little more than R528-million — only 2,1% more than for the comparable period last year

This should be viewed against the more promising performances of the two previous months when compared with last year's March and April figures.

Buoyant

Statistics show a 9,1% increase for March and 22,2% for April in the value of plans passed

With the number of plans passed for houses down from 16 813 to 14 494 the value fell 3,1% to R848,7-million in the first five months of this year However, total residential plans rose 7,2% mainly because of an increase in the number of flats and other dwellings that were passed from January to May

The number of houses completed rose from 10 087 to 12 236 The value of flats and other buildings completed dropped almost 7%

According to BER statistics, tenders for houses have maintained a 12,2% average monthly increase, reflecting buoyancy in the market

Mercury 23/8/84 (193)

Protection case planned

Spanish cement dumped in in S A

Financial Editor

SPANISH cement is being dumped in South Africa at prices just above the factory price Mr Dave Baker, managing director of Anglo Alpha, said in Durban yesterday.

A case was being prepared for protection — and the allegations of dumping would be submitted to Government, he said

Last month, Durban-based Cement Enterprises said it would erect a bagging plant at the harbour and import cement from Spain and Japan which would be available this month at about 5 percent less than local prices

A first shipment of 35 000 tons reached the port recently

Meanwhile, Natal uses about 1,3m tons of cement a year with a large volume coming from the new kilns at Simuma outside Port Shepstone

Mr Baker warned that cement absorbed moisture and its strength declined over time Cement in the dryer Transvaal lost about 20 percent of its strength over three months and 30 percent over six months

Estimates

The situation for cement shipped in bulk from abroad by sea and stored in Durban would be worse

He said the best estimates were that cement from Spain cost $14,41 a ton at the factory, Western Transvaal cement cost $10,30 and Simuma (produced outside Port Shepstone) cement $15,68 Transport costs would bring the Durban price to $27,41 for Spanish cement, $38,89 for Transvaal cement and $22,72 for Simuma cement.

Mr Baker said South Africa had surplus capacity of about 1 000 000 tons and the planned expansion of 2 000 000 tons a year (within two years) meant that there was no need for imports

Local cement plants could produce 9,5m tons of cement a year and this should rise, at about 3,75 percent a year, to 16,81m tons by 2 000 he said

Mr Baker, who was speaking for Natal Portland Cement (NPC), which is the bulk supplier for Natal, said 'While we do not want to stifle fair competiton we are amazed by importers who manage to transport cement 10 000 km and sell it in Durban for little more than the Spanish at-factory price of about R60 a ton

'This means that if the importers are buying at prices prevailing in the country of origin, then the transport cost is less than from Port Shepstone to Durban '

Claims that the imported cement was stronger were based on an 'apples and pears' comparison

The imported material appeared to be a rapid-hardening type and comparable with similar NPC products meanwhile, it was being compared with ordinary portland cement

Mr Baker said rapid-hardening cement made up a very small part (about six percent) of the market and was used by builders who wanted to move shuttering quickly

Locally-made cements exceeded the standards laid down by the S A Bureau of Standards and provided uniformity of strength from one delivery to the next, Mr Baker said

Hong Kong

HONG KONG—Gold in Hong Kong rose the equivalent of 0 43 U S dollar an ounce yesterday to close at 346 70 dollars compared with Tuesday s 346,27

Shanghai firms may now sell shares

PEKING—China's central bank, after allowing individual companies to dabble in stock issues for the first time in 35 years, now looks set to take the experiment further

The official New China News Agency quoted banking authorities in Shanghai as saying the bank has issued provisional regulations allowing Shanghai firms to sell shares

Shareholders are entitled to an annual dividend of between 3 and 5 per cent of the share value, depending on the economic performance of the company in which they have invested, NCNA added

It said State-owned banks in Shanghai, China's biggest port and a major industrial centre, are empowered to issue stocks on behalf of the firms

The central bank regulation divides those allowed to buy shares into two groups — State or collective-owned companies and rural production units, and individual urban residents and farmers

It did not say how the regulations for the two groups differed

The central bank has allowed several companies to issue shares for collectively-financed projects over the past few years and has also issued treasury bonds under strict controls which do not allow them to be traded

Last month it created a stir by authorising the first three share offerings to the Chinese public since the Shanghai stock exchange closed in 1949 when the communists took over

The issues by two Canton-based companies and Peking's Heavenly Bridge department store received a very favourable response and created a new and important instrument for tapping the growing wealth of China's one billion people — (Reuter)

Worker's dismissal: 70 out on strike

Labour Reporter

ABOUT 70 contract workers at a Blackheath concrete factory downed tools in the third strike in two weeks in protest against the dismissal of a fellow worker

They went on strike yesterday after an independent mediator failed to resolve the dispute between the company, P A Concrete, and the workers

The General Workers' Union, which represents the workers, said the mediator, Mr Johann Maree of the Department of Sociology at UCT, had recommended to the company that it reinstate the dismissed worker, but the company rejected this

The managing director of P A Concrete, Mr J Stone, said in a statement that the company was "convinced the dismissal was fair and justifiable, both in terms of the most recent judgments of the industrial courts and in terms of common law"

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60 lose jobs after striking

Times 25/8/84

By RIAAN DE VILLIERS
Labour Reporter

ABOUT 60 contract workers have lost their jobs after going on strike at a Blackheath concrete plant this week and are due to be sent back to the homelands at the weekend

Their dismissals became effective yesterday when workers rejected a management ultimatum to apply for re-employment and collected their pay packets instead They have refused to return to work — or apply for re-employment — without the reinstatement of a recently fired worker

'Contemptuous'

The General Workers' Union, to which most of the workers belong, said yesterday that the workers were "contemptuous" of management's attempts to divide them by selective re-employment and to "threaten" them with eviction and return to Transkei

"They say they have lived without food before and they can, if necessary, live on water for another 10 years rather than capitulate now," it said

Mr John Stone, managing director of PA Concrete Products, confirmed that workers had been "effectively dismissed" when they took their pay packets

RAM 27/8/84 193

Cement-dumping charge is denied

By PRISCILLA WHYTE

CEMENT Enterprises, a Norwegian importer, has denied claims it is dumping Spanish cement in South Africa.

A company spokesman, Mr Tony Cadman, says. "Cement Enterprises is not dumping; the local organised monopoly simply does not like the challenge"

However, he refuses to say at what price the firm is selling ordinary Portland cement

Mr Dave Baker, the managing director of Anglo-Alpha, speaking on behalf of Natal Portland Cement, said last week the domestic selling price a ton of cement in Spain was $41,69

In the Western Transvaal, the price is $33,55. It is $46,34 for cement from the Simuma plant at Port Shepstone.

Dumping involves selling cement on the export market at a price below the company's domestic price in order to generate a contribution to manufacturing overheads.

Mr Baker said in Durban that a submission on dumping of Spanish cement in Durban was being prepared for the Board of Trade and Industries by the local industry.

He said there was a surplus of cement capacity in South Africa of 1-million tons a year.

Plant under construction would boost national capacity to 2-million tons

Mr Cadman says there is no cement surplus in South Africa.

He expects a building boom next year.

The market for cement in Durban is about 550 000 tons annually.

It is about 1,3-million tons for the whole of Natal

Cement Enterprises has been off-loading cement from the ship, the Sun Kobe, in Durban since August 1

The ship has a 35 000-ton cargo

This is being transferred to a R1,4m bulk-packaging plant erected on the quayside adjacent to the Sun Kobe for just this purpose

A R50 000 ton weighbridge has also been installed.

Mr Cadman says that over the next year Cement Enterprises will be bringing 500 000 tons of cement to Durban on about 12 ships, depending on the level of demand.

Cement Enterprises is part of the Gearbulk shipping group, which owns 55 bulk transporter ships

Mr Cadman says these shipped 10-million tons of cement worldwide in 1983.

Total South African demand was 9-million tons in 1983.

It should reach 16,81-million tons by the year 2000.

The timing of the imports has been carefully designed to meet the peak of demand, which occurs every year from September to November.

Natal Portland Cement lowered cement prices from R83,40 to R70 a ton on August 6

Mr Baker was asked last week whether the company would drop the price any further.

He said marketing strategy was not to drop the price, but that an adjustment might be made in the price of rapid-hardening cement, which is the type Cement Enterprises is bringing into South Africa.

He said if more shipments of imported cement came in, "we might have to make life interesting".

A technical expert at Natal Portland Cement said the strength loss of cement was 20% in the first three months and 30% in the first six

Conditions in Durban were worse, but he could not be precise on the exact shelf life

Premature loss of strength could mean a failure in service, he said

Sowetan 30/8/84 193

Workers strike

ABOUT 600 workers at Consol Limited in Pretoria West downed tools yesterday over demands for better pay.

A spokesman for the South African Allied Workers Union (Saawu) said trouble at the glass containers manufacturing factory started after negotiations for about R1 across the board hourly increases had ended in a deadlock a few weeks ago Workers at the company, he said earned an average of R1,68 an hour

The public affairs manager at Consol, Mr Bruce Stewart, confirmed the strike yesterday He, however, would not reveal other details as his company and union officials were still engaged in negotiations to resolve the dispute

Demands

Said Saawu "Realising that management would not come to terms with our proposal for a R1 increase, we reduced the workers' demands to only 70c But still this did not help us win the battle because officials said they would not offer anything more than 24c "

The spokesman added that Saawu later declared a dispute with the company and even want to the extent of hiring a mediator from an independent organisation in a bid to solve the problem The services of this agent ended last week after an attempt to get the company to meet the demands had proved fruitless

A meeting of workers, according to a union spokesman, was called on Monday and there workers resolved to stage a work stoppage This was after they had been told of management's refusal to improve their wages

Corobrik cuts back production

193

Star 8/10/84

By Frank Jeans

The recession is biting into brick production, with the country's major producer, Corobrik, making big cutbacks in output at six Transvaal factories and 13 plants nationally, as well as retrenchment in the past two months of 750 workers

This was said by Mr Cedric Savage, managing director of Corobrik's holding company, Toncoro, at the commissioning of the first tunnel kiln at the group's new Rietvlei factory near Pretoria, which will eventually bring a further 80 million bricks a year to the market

"Unit sales in the Transvaal are about 13 percent lower than the same period last year and stockpiling is occurring at most of our factories," he said

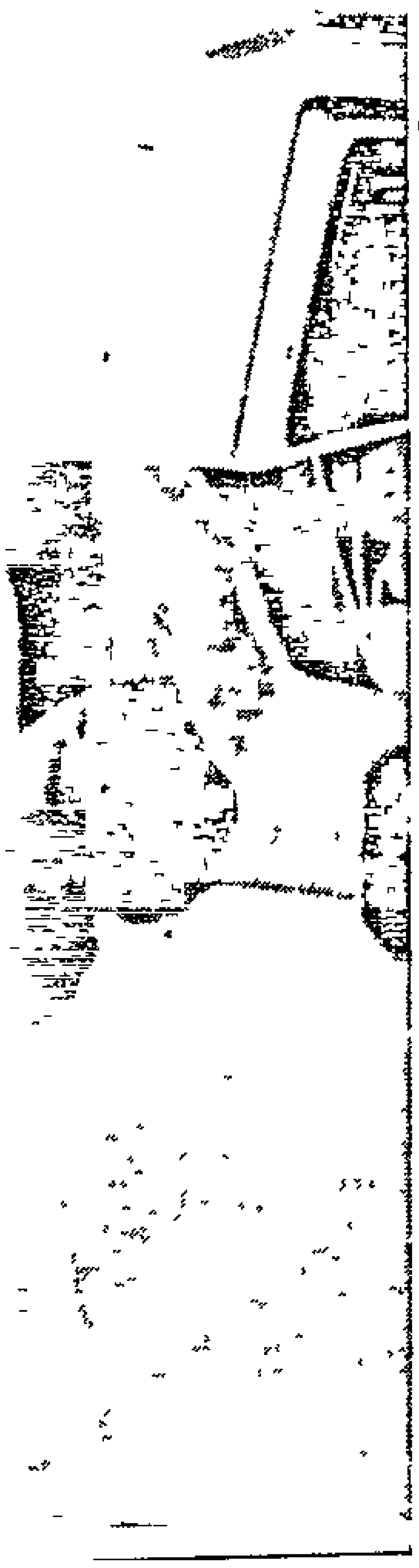
"With the cost of money at 25 percent, it is not possible to stockpile for any length of time and it has become necessary to either close or substantially reduce output of certain plants"

Given these conditions Corobrik is showing considerable faith in the future for, despite the slump and money freeze, it is proceeding with plans for a massive build-up in brick production

Apart from the R30 million spent on Rietvlei, the group is going ahead with new factories at Avoca in Durban and at Koelenhof near Stellenbosch in the Cape, representing a total development cost of about R42 million

The Corobrik expansion has been a boon for German brick-making plant company, Keller, which installed the Rietvlei production lines and electronic control equipment

Keller and Corobrik have signed-up for plant installation at Avoca and the German group is also tendering for the Cape project



Chest's carnival drive

Staff Reporter

THE acting mayor of Cape Town, Mr Leon Markovitz, officially opened the Community Chest's Carnival fund-raising drive at a function at the Civic Centre on Tuesday night

The carnival, which will take place next year on February 28 and March 1 and 2, forms a large part of the Chest's income towards the next target amount — R2,1-million

This year the carnival, always held at Maynardville, raised R325 000 for welfare care and services in the Western Cape

The foreign communities of Cape Town always make a substantial contribution to the target with last year's figures at R22 000 from the Scandinavian stand, R17 500 from the Dutch, R14 500 from the French, R11 600 from the Italian, R10 000 from the Belgian and R9 000 from the German stand

With the carnival drive now open, Mrs Sloera Hanna, the carnival

170 brickmen retrenched

25/10/87 C. Times (193)

Staff Reporter

THE brick industry, particularly in the Western Cape, has been hard hit by the economic recession resulting in the Cape's largest brick manufacturer making cutbacks at two of its plants and about 170 workers being retrenched

This was announced yesterday by Mr Graham Bounds, managing director of Corobrick, who said that production at a third plant may soon be cut back.

The cutbacks had been caused largely by the decline in the new residential housing market For the first time in several years the company was faced with a surplus of bricks rather than a shortage

While the year had begun with a full order book, many of these orders had been cancelled or duplicated with several other companies

The company's sales last year reached a record 235 million units as a result of the Western Cape's biggest building boom, but compared with its increased capacity, sales were now 17 percent below current production levels

This was worse than the national average which was currently about 13 percent below capacity, indicating that the Western Cape was one of the hardest hit areas in the country

"We are bitterly disappointed that after the efforts of so many of our staff to meet market demands, the situation has turned around dramatically, forcing us into a situation whereby cutbacks are necessary," Mr Bounds said

On the retrenchments, Mr Bounds said that the company had where possible relocated employees at other plants within the group, keeping the number that had to go at a minimum

The company had a seven-week stockpile in spite of current interest costs and intended to maintain this stock level as a cushion against a sudden upturn in demand

Corobrik expects to cut production

193 C Times 26/10/84

Own Correspondent

DURBAN — The giant brick manufacturer Corobrik expects to have to cut production in Natal further and possibly lay off more workers within the next few months because of the slump in the building industry

The company had already reduced production and laid off ""a number"" of workers at its plants in Northern Natal, according to Tongaat-Corobrik Group managing director Cedric Savage

Trend

"The trend is there and we can expect it to get worse over the next six months

"We"ve had to cut back at some of our upcountry plants like Vryheid from a two-shift to a one-shift operation

"We expect 1985 to be a tough year, and further reductions in production could happen," he said

"In Natal, the market is still relatively strong, compared to the rest of the country, and we think we will have relatively good demand until after the builders" Christmas holidays

"After that we expect a rapid reduction in demand"

Production was already greater than demand in Natal and "a limited quantity" of bricks were being stockpiled, Mr Savage said

"But up here the increase in the stockpile is comparatively slow compared to places like the Western Cape We are looking at closing a factory in Paarl we commissioned a year ago and putting it in mothballs"

On the unforeseen strength of the Natal market, he expanded "One of the development markets has been alterations and additions to private homes

"The residential market is still proportionately high in Natal"

Mr Savage"s outlook was not altogether bleak

"We expect the beginning of an upswing about August next year and interest rates to start dropping in February — by how much is anybody's guess — and a recovery should follow about six months later

650 workers dismissed from company in Rosslyn

STAR 21/11/84

By Andrew Beattie,
Pretoria Bureau

The entire workforce of 650 at the Continental China company in Rosslyn, Pretoria, was reported to have been dismissed yesterday after some had refused to work overtime and the rest downed tools

The report came from the South African Allied Workers Union

There had been an earlier stoppage by the workers when their wages were reduced from R2 an hour to R1,78 an hour while their daily working hours were also changed, resulting in an extra 2½ hours of work a week

A SAAWU spokesman said that workers in three departments last week received instructions to work overtime on Saturday but refused

On Monday an instruction to work overtime was repeated, and the workers again refused

When the workers arrived yesterday they were told they had all been dismissed and the other workers downed tools in support of their reinstatement, the spokesman said

The company's management stated it had been operating at a substantial loss during the past 18 months due to increased employment costs without an increase in productivity

The working hours had been reduced from 46 to 40 hours a week "without any reduction in the weekly take-home pay"

Staff were then asked to work a 45-hour week

Since then, production has frequently been disrupted due to stoppages and the company has been forced to cease operations until further notice, said a management spokesman

E.Post 21/12/84 (193)

Entire staff of 650 fired

Post Correspondent

JOHANNESBURG — A company in Pretoria yesterday fired its entire staff of 650 after some refused to work overtime and were dismissed and the rest downed tools in a show of suppport

A spokesman for the South African Allied Workers' Allied Workers' Union said the union had been informed by the management that Continental China was closing down the factory

An SAAWU spokesman said workers of three departments received orders to work overtime on Saturday and again on Monday, but they refused

When they arrived at work yesterday, they were told they had been dismissed All the other workers then downed tools

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Cement war may spread to Reef

Financial Reporter

IMPORTED cement will be railed to the Transvaal this week in a move that seems certain to set off another round in the 'cement war' hitherto confined to Natal

Making the announcement in Durban, Mr Tony Cadman, spokesman for Cement Enterprises, the importers of Ace Cement, said 'The move has virtually been forced upon us by the cement "cartel" who have continuously forced prices to drastically low levels in Natal to thwart our challenge, so that it is now more profitable to sell on the Reef

'We've always made it clear that our presence in South Africa has been to fill the cement shortage in Natal, but the cartel has used Transvaal for some time to subsidise their opposition against our presence in Natal to the extent that a pocket of cement on the Reef now costs R4,24 and R3,60 in Ladysmith'

Target

Coupled with numerous requests and inquiries that Cement Enterprises had received from the Witwatersrand and the more attractive prices available there, it was a logical step to promote their product on the Reef, he said

'Nonetheless, our basic target is still to extend our 20 percent share of the Natal market'

The first shipment of several hundred tons which leaves Durban by rail on Monday is for a large construction company

Since August, when Cement Enterprise's first shipment of 35 000 tons arrived in Durban, the scramble for markets has intensified between the local grouping, Natal Portland Cement, and the importers

'Dumping'

Natal Portland Cement general manager Mike Doyle recently likened the scramble to 'trench warfare' and said there was little chance of a truce

Cement Enterprises have kept a relatively low profile, apart from announcing price reductions and defending their quality of cement, but their challenge was underlined last month by the arrival of their third shipment of 30 000 tons of cement Previous consignments have been from Spain

Meanwhile, Mr Doyle, who has repeatedly claimed that Cement Enterprises are 'dumping' the cement in South Africa, said last week that Natal Portland Cement had applied to the Board of Trade for 'protection' on the grounds that imported cement was harming the local industry

NDAY TIMES, Business Times, January 13, 1985 3

Big Three face R20m cement war loss

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By Don Robertson

THE three major cement producers — Pretoria Portland Cement (PPC), Blue Circle and Anglo-Alpha — will lose about R20-million a year in the Natal market if the price war continues.

Erich Frolich, sales manager of Cement Enterprises (CE) which has taken on Natal Portland Cement (NPC) in a price battle in Natal, claims that the decline in prices since August — from about R85 a ton to R70 a ton — is costing the majors about R1,6-million a month.

Natal uses about 1,3-million tons of cement a year — 6% of SA's market of R620-million.

Reef move

To counteract price cutting by NPC, which is owned jointly by the majors, CE has railed its first load of cement to the Witwatersrand.

Mr Frolich says: "We have bettered the price which people on the Reef are paying and will continue to supply to this area while demand lasts and it is still profitable."

The intensity of the price war has prompted NPC to apply to the Board of Trade for a dumping charge to be laid against CE.

CE imports its cement from Spain, selling it under the name Ace Cement. To date it has imported more than 100 000 tons.

Quality

Explaining his decision to lay a dumping charge against CE, Mike Doyle, general manager of NPC, says it must be proved that the cement is being sold at below the Spanish selling price and that it is hurting the South African industry.

The Spanish price, he says, ranges between R80 and R120 a ton according to grade and that the imported product is in the upper-quality range. In addition, SA producers have been forced to reduce prices to R70 a ton, about the same as in 1975.

Since his first application to the Board of Trade, Mr Doyle has had to make an amended statement as the last CE shipment originated from Japan.

Hobby

"It is being considered by the Board of Trade, but I don't expect a reply for about four to six weeks," says Mr Doyle.

Mr Frolich says his decision to sell on the Reef was sparked by the ridiculously low prices being charged by NPC in the Natal area. The price a bag at PPC's Lichtenburg plant is R3,60, but it is being sold in Maritzburg for R3,56. Railage to Maritzburg costs R1,65 a bag, which is being absorbed by NPC.

Reacting to CE's attack on the Reef, Charles Hollmann, commercial director at PPC says: "They must be doing it as a hobby — they can't be making any money."

The price charged by the major producers on the Reef is R84 a ton, but shipment from Durban is R33 a ton and bagging costs R6, which would leave CE with a price of only R45 a ton in Durban.

"I can't see how they can do it, but I doubt that we will cut prices in Johannesburg."

Business Day RDM 17/1/85 (193)

Cement prices up 9% — despite surplus

By PRISCILLA WHYTE

CEMENT prices have risen by an average of 9% since January 1 despite a surplus and competitive imports.

Mr Peter Kett, commercial director of Blue Circle, said the combined production capacity of Pretoria Portland Cement, Anglo Alpha and Blue Circle was 11-million tons against consumption of 8-million.

He said local producers had held cement prices in Natal, while prices in the Transvaal had risen between 10% and 11% depending on destination.

Blue Circle would bring a further 500 000 tons on stream in April while PPC was scheduled to commission plant for another 500 000 tons early next year.

The last cyclical upturn in the demand was 1980/1981 when there was a need for 40% more cement and annual consumption rose to 8-million tons

Since then consumption has averaged about 8-million tons a year.

Mr Kett saw the next cyclical upturn from the end of the year

Cement Enterprises (CE), the Durban-based importer of Spanish cement, which started operating in the Natal market in August, is now railing cement to the Transvaal for the first time due to "customer demand"

Mr Kett said the importer had entered the Transvaal market because "of an inability to sell in Natal"

Mr Tony Cadman, of CE, alleged that Transvaal consumers of locally-produced cement were subsidising Natal users.

He added that CE was distributing cement to the Transvaal market because a single Natal customer had made a request for service in the Transvaal.

"CE has only entered the Transvaal market because it is profitable to do so"

Blue Circle is selling cement from the Western Transvaal's Lichtenburg works for R3,60 a pocket, with railage to the Witwatersrand at R4,24 a pocket

CE is matching this price

Mr Cadman said CE had more orders than it could handle and did not envisage making a major thrust in the Transvaal in the near future

He added that he expected demand for cement to pick up this year

RDM 17/1/85 (193)

De Villiers promises tough action

Industry warned on price-fixing

Financial Reporter

A SHARP warning about price-fixing was given to the tyre, cement and fertiliser industries yesterday by Dr Dawie de Villiers, Minister of Trade and Industry.

He said that the Competition Board was preparing to deal severely with this sort of arrangement

Dr De Villiers said in Cape Town. "Joint statements by competitors announcing uniform price increases have recently attracted wide attention.

"Conspicuous examples of such price increases were those in respect of tyres, fertilisers and cement.

"These announcements are often made by associations representing many, if not all, manufacturers of particular products

"Such joint price increases give rise to a good deal of justified objections

"The question is quite rightly asked how such an apparent elimination by competitors of price competition could be tolerated within the context of a policy of effective competition"

The big three producers in the fertiliser industry, apart from Sasol, are Fedmis, Triomf and Kynoch

They recently-announced identical 20% price rises with a similar pattern of rebates

The Consumer Council referred to an "unhealthy monopoly" in the industry and called for a major investigation

Price control in the industry was abolished in January 1984

The South African Tyre Manufacturers' Conference, an effective cartel, announced an 8,1% rise in the prices of tyres and tubes from December 27

The cement industry is facing major competition in Natal from imports but there have been allegations that the big three domestic producers, PPC, Blue Circle and Anglo Alpha, have been combining through Natal Portland Cement to combat imports by making price cuts aimed at eliminating competition

Dr De Villiers said. "The Government views this development in a very serious light

"I, therefore, deem it necessary to again invite attention to the Competition Board's announcement in the Government Gazette of November 30, 1984, that it was to embark upon a new and important investigation.

"Basically this investigation embraces agreements or arrangements establishing any form of

- Fixing prices (or other conditions of sale) horizontally (that is, between competitors) or vertically (for example, between manufacturers and retailers);
- Market sharing;
- Collusion on tender practices

Dr De Villiers said. "The purpose of this investigation is to determine whether these agreements or arrangements, with or without exceptions, should summarily be prohibited.

"Should such a prohibition be recommended by the board and be accepted by the government, any prohibited price-fixing, market sharing or tender practice collusion would constitute a serious offence.

"I have instructed the board to give very high priority to this investigation

"The board is currently awaiting comments from interested parties and I, therefore, urgently appeal to all concerned to give their full co-operation to the board

"When the board's report and recommendations have been received, appropriate action could be expected soon thereafter."

Brick production to be cut back?

193 D Dispatch 23/1/85

EAST LONDON — Border and Eastern Cape brick manufacturers said yesterday they would cut production if the slump in the building industry continued

The manufacturers, clinging to the hope the subdued market would improve, said they were trying to hold on to their semi-skilled employees

But, if activity did not pick up in the next three to six months, extensive lay offs would follow and one manufacturer even said he would consider closing down

One of the major manufacturing companies in the Eastern Cape, Corobrik, announced that it was cutting production at its Grahamstown and Port Elizabeth brickfields by 15 per cent

The Eastern Cape press relations officer for the company, Mr Geoff Bird, said the cutback in Grahamstown would be achieved by the retrenchment of 10 workers across board

They will be laid off on a last hired, first to go basis

The company would achieve cutback in production at the Port Elizabeth branch by stopping overtime

Mr Bird said Corobrik had been stockpiling in the hope that building activity would improve This had become neither feasible nor economically viable in the financial situation

One of the owners of a Stutterheim company James Brick Works, Mr Peter James, said they had been hard hit by the slump

"There are few projects on our programme and some of the contracts we had have been cancelled"

Mr James said that many semi-skilled workers, who were hard to come by, had been standing around idle for days

An aggravating factor was that the company did not receive any of the industrial incentive concessions that many other companies had in the area

The managing director of an East London-based, manufacturer, Kei Brick, Mr Mike Wilkins, said there had certainly been a noticeable quietening of the market in general terms

"But fortunately activity in Ciskei and Transkei has not been badly affected," he said

Mr Wilkins anticipated no cut in production for the next three to six months

"We have a long order for face bricks and there has been only a slight drop in the demand for plaster," he added

Commenting on the signs of a downward trend, the executive director of the Brick Development Association (BDA), Mr Brian Moorhead, said that it was unfortunate, but that the brick industry suffered like the other building supply manufacturers from the cyclical nature of the construction industry

"The brick industry was hard pressed 12 months ago to supply In the space of a year the trend has been totally reversed," Mr Moorhead said — DDR

ROM 24/1/85 (193)

Anglo-Alpha and CE hurl accusations

Knives out in the cement war

By PRISCILLA WHYTE

THE cement war has intensified with a local producer, Anglo-Alpha, accusing the importer, Cement Enterprises, of being linked to Norcem, the Norwegian international cement cartel.

CE denies the accusation and is planning to expand its packing capacity in Durban harbour through which it imports cement for sale on the Natal market.

The company complains that SA producers are trying to thwart its entry into the Natal market by cutting prices

"CE, the importer of Ace cement, is wholly-owned by Gearbulk of Norway. This company is probably used as a front for Norcem, the international cartel," claims Mr Dave Baker, the managing director of Anglo-Alpha

He says that for Norcem to complain about local pricing when it has dumped cement on the market is the height of arrogance

"Norcem has undoubtedly dumped cement on the South African market, but the Norwegians have a $23-a-ton dumping duty on cement supplied to their own country," says Mr Baker

"As there is no Government protection in the form of a dumping duty, the South African cement industry must protect its mammoth investments and maintain market share"

Mr Tony Cadman, a spokesman for CE, says Mr Baker is wrong to claim CE is wholly-owned by Gearbulk

The company is jointly owned by Gearbulk and a Spanish manufacturer, Compania Valenciana de Cementos Portland, he says

"I don't know of any connection with Norcem"

He says accusations of a world monopoly are rubbish when superior standard-specification cement is available at competitive prices from 30 factories worldwide

He denies CE is dumping cement and says "Spanish and Japanese cement is purchased at bulk prices, which is not dumping"

CE is loading the Toki Arrow with 35 000 tons of cement due to arrive in Durban on February 20

"We are just finishing an engineering study to increase the Durban packing capacity, which is currently 1 000 tons a day"

Mr Cadman believes the packing facility will probably be a floating factory barge rather than a silo on shore

Its storage capacity will be between 40 000 and 70 000 tons

Mr Cadman says that it is interesting to hear, "squeals of a monopoly when at long last local manufacturers are being challenged by free enterprise I don't believe the Government will fall for that act, the customers certainly won't"

This week the director of the Consumer Council, Mr Jan Cronje, said allegations of price manipulation and cartel-forming in the cement industry would be investigated as soon as possible

Mr Baker says Natal Portland Cement only recently commissioned a R150m clinker plant near Port Shepstone, Natal It has been built to meet local demand and, "this strategic investment should not be allowed to be jeopardised in any way by the dumping of cement"

Mr Baker says it is unfortunate that CE has been encouraged to import cement as a direct result of predictions by the Building Industries' Federation (Bifsa) of the biggest building boom ever

"Bifsa did not discuss their optimistic forecasts with South African cement producers. Bifsa has not accepted past invitations by cement companies to visit production units around the country and so be assured of the ability of producers to meet projected demand

"The growth of the building industry and demand pattern for cement are always carefully monitored by the local producers At present, the national demand is for 8-million tons a year Combined annual production capacity is about 11-million tons"

Also, further capacity of 600 000 tons will be available on the market during 1986 said Mr Baker

Nobody was available at Bifsa to comment yesterday

CE entered the Natal market at a time when Pretoria Portland Cement, Anglo-Alpha and Blue Circle were feeling the strain of hefty capital expenditures.

Cement, tyre majors admit price pacts

S. Times 3/1/85

By Don Robertson

INDUSTRIES threatened with legal action for alleged price fixing are not worried.

The warning, first given in November by the Competition Board, has been repeated by the Minister of Trade and Industry, Dawie de Villiers

The Competition Board is investigating alleged price agreements or arrangements, market sharing and collusion in tendering.

If the board's findings are accepted, company managers could be charged The penalties are a maximum fine of R100 000, or five years' imprisonment, or both.

Examples

Dr de Villiers singled out the tyres, fertilisers and cement as conspicuous examples of industries which have announced uniform price increases

The tyre industry concedes that it operates a price cartel, and the largest cement producers agree that they collude on prices. Fertiliser manufacturers deny the allegations.

Mike Waterson, executive director of the South African Tyre Manufacturers Conference, says "Dr de Villiers' statement that we are a price cartel is true — we do fix list prices."

Tyre and tube prices were increased by all manufacturers by 8,1% on December 27.

Mr Waterson says the tyre industry has for many years fixed a common list price, but the practice has been accepted by the Government.

Monopoly

He says that raw-material prices increase for all producers at the same time. "There's a monopoly on the supply of raw materials, from rubber to nylon.

"Retail price maintenance was abolished in 1978, but manufacturers' price maintenance was left alone"

The tyre industry will make representations to the Competition Board before March 29

Charles Hollmann, commercial director of Pretoria Portland Cement (PPC), concedes that the three major producers — PPC, Blue Circle and Anglo-Alpha — fix prices, but says they are usually announced individually.

The price of a pocket of cement on the Reef was increased by 12,6% this month to R4,24 from R3,74. Prices in other centres, however, differ because of varying transport costs from the factories

The majors have also conspired to cut prices in some Natal areas to beat the threat of imported cement.

Mr Hollman says "Our main motivation for price collusion is to provide a climate suitable for us to recover costs in what is a capital intensive industry"

It takes up to four years to establish a cement manufacturing plant, which can cost over R300-million.

Price war

The cement industry will also present its case to the Competitions Board soon.

The fertiliser industry denies that it gets together to fix prices Both Fedmis and AECI's Kynoch say that the accusation is unfair, with Kynoch pointing to a price war in the Cape.

On January 1 all the major producers, with the exception of Sasol, increased prices by an average of 20% and all offered a similar early delivery rebate system Sasol's prices are, however, expected to follow those of other producers

Johan van der Walt, chairman of Fedmis, says there is a "sameness" in SA's production of fertiliser, the price of raw materials increasing simultaneously for each producer In some cases, raw materials are imported collectively to save freight charges Each company uses similar plant, so price differences are minimal.

For about 40 years, the industry operated under a fixed pricing policy and was only freed in January last year

Mr van der Walt says "The rebate system is part of tradition and has always been offered to take into account the effects of interest rates."

John Skeen, managing director of Kynoch, says. "Obviously our sales representatives walk around with a price list which is used as a reference and is the same as all the others But what happens in the market place is a totally different story

Ridiculous

"Prices in the Cape are ridiculous. There is a bit of a price war there and competition is a little too much"

Another fertiliser producer says he welcomes an investigation by the Competition Board as the industry is undergoing a structural change.

He says "I question the need for the early delivery rebate system."

Cape Times 30/1/85 (193)

600 to lose jobs in glass industry

Staff Reporter

THE entire staff of an Epping glass components factory, about 150 employees, will be laid off on Friday following the nation-wide withdrawal of Murray and Roberts from the glass industry

Murray and Roberts, which owns Elgin Merchandising, announced on Monday that it was closing down the company and divesting itself of its interests in the glass industry The move will cost an estimated 600 people their jobs nation-wide

Speaking from Johannesburg yesterday, Mr Andrew Chapman, a Murray and Roberts executive, said his company would "obviously try and re-employ people, but when it comes to blacks it is very difficult"

The Epping branch of Elgin Glass (Cape) employs about 100 coloured labourers

Elgin Glass held a share of just over 20 percent of the glass market and their major competitor, Pilkington Glass, were "just too big to compete with — we were losing money", said Mr Chapman

A number of administrative staff would remain "as long as necessary" and the company would eventually shrink to a single credit controller collecting debts in about four months time, he said

Regional directors in Elgin Glass had all been offered jobs with Murray and Roberts, Mr Chapman added

The move is expected to provide a major boost for small glass component companies which will probably absorb much of the skilled labour from Elgin Glass

193

The Natal Mercury, Saturday, February 2, 1985

178 Corobrik workers are retrenched

Property Editor

THE South African brick-making giant, Corobrik, has retrenched 178 salaried staff — most of them white — throughout its 51 factories, it was announced yesterday

A statement said the redundancies represented a 15 percent cutback in the salaried staff and follows decreased production at 30 brick factories, the closure of six factories and the previous retrenchment of 1 200 weekly-paid workers

Mr Cedric Savage, managing director of Toncoro, said in the statement that the retrenchments had become necessary because of the decline in the demand for bricks, which had accelerated from September last year onwards

'Historically, the brick manufacturers in this country have been faced with a cyclical feast or famine situation, causing a very difficult and unstable operating environment,' he said

'Current weekly sales for the brick industry are estimated to be 40 percent down on the same period last year Brick stockpiles at Corobrik have increased to more than 240 million bricks'

Mr Savage added 'It is important that the staff complement relates to the size and needs of our business and we will use this difficult period for staff training and improved productivity which will be to the benefit of our customers'

Meanwhile, the civil engineering industry in Natal reports that it has been encouraged by reports that massive works on the province's freeways is to continue

Mr Keith Beard, secretary of the Natal region of the South African Federation of Civil Engineering, said work was expected on the route from Durban to Empangeni and on the N3

Sowetan 15/2/85

540 workers down tools

MORE THAN 540 employees of Pilkington Tiles in Meyerton yesterday went on strike over several issues, including wages and demanding an urgent meeting with the company's chairman who is visiting South Africa from overseas.

The workers said that they were promised two pay increases — one in June and one in December last year — and management has failed to fulfill its promises They have also been working shorter hours and this has affected their pay packets

They asserted that following the two day stay away from work their bosses have forced them to work shorter hours because they wanted to retrench them The company has refused them permission to meet Mr A N Smit who is the company's chairman from Great Britain

The workers' grievances are Management's delaying tactics to recognise the Building and Construction Workers' Union, threatening to dismiss workers who belong to the trade unions, no channel of communication and low wages

The company's manager, Mr D B Curran, said they were prepared to increase the workers' pay, but in the light of the economic situation they could not meet the workers' demands in full

Referring to the union rights, he said they were holding talks with the union on the possibility of recognition. He also said that there was misunderstanding on meeting and talking to Mr Smit He hoped to resolve the matter soon

Meanwhile more than 500 medical students who had refused to return to Durban's King Edward VIII hospital for training, went back yesterday, according to the hospital's superintendent, Dr Justin Morfopolous

He said the situation has returned to normal at the hospital and all workers who had been sacked following the strike, had been reinstated

Business Day RDM 22/2/85 (193)

Cement men reject price allegations

By PRISCILLA WHYTE

CEMENT producers have hit back at allegations that they raised prices excessively after price control was abolished in April 1982.

Mr Berry Pavey, general manager of Cement Distributors SA, said the charges were unfair. There was no way of knowing what the price increases would have been had control been maintained

Last week the president of the Master Builders' Association (Witwatersrand and Transvaal South), Mr Derek Meyer, questioned the marketing of cement manufacturers

He told the MBA in Johannesburg that they produced a quality product equal to anywhere in the world but, he added: "However, I have no such respect for their marketing strategy or principles."

Mr Meyer noted that after the lifting of price control in 1982 the cost of cement free on rail Johannesburg had immediately risen by 17% and to the present time the price a sack had soared "72,44% equalling 2,226% per month or 27% per annum straight line".

The CDSA said that after the abolition of price control the cement industry began operating in a free market

Mr Pavey said that he agreed with Mr Meyer's calculation that, on a straight-line basis, the cement price had increased 72% but added that if calculated "on a compound basis since April 1982 the price has increased 13,8%".

This was more realistic

The CDSA was established in 1971 by Pretoria Portland Cement, Anglo-Alpha and Blue Circle to minimise cement distribution costs, excluding the Western Cape and Durban, which represented 85% of product requirement.

The cement companies work on a quota system for the sales of cement but Mr Pavey declined to comment on the respective market shares of Pretoria Portland Cement, Anglo-Alpha and Blue Circle.

Mr Pavey said CDSA serviced 2 500 customers and sold cement to 15 000 destinations. Its existence had saved the consumer R9m in 1983 in distribution costs because the closest factory serviced a customer instead of each cement company competing for every order

Consumers paid CDSA which retained the amount necessary to offset costs.

Mr Meyer also questioned whether "there are any viable deposits of limestone in this country which do not have pre-emptive rights on them which would enable any manufacturer from overseas to manufacture this essential product"

"The cement industry does not own exclusive rights over limestone deposits and there are sufficient deposits to allow a new entrant to compete," said Mr Pavey

He noted that there has been no new entrant for 50 years although "Iscor and Anglo America have good limestone deposits but have refrained from entering"

The Minister of Trade and Industry, Dr Dawie de Villiers, publicly warned the cement, tyre and fertiliser industries in January that joint statements by competitors announcing uniform price increases was giving rise to a good deal of justified objections.

The Competition Board is investigating the possibility of price-fixing, market sharing and collusion on tenders.

Mr Meyer also alleged that the price of locally-produced cement in Natal "has reduced by 24% to compete with the imported product" from Cement Enterprises (CE) coming into Durban and the opening of a local clinker plant in Natal.

Mr Mike Doyle, general manager of Natal Portland Cement (a joint venture between Pretoria Portland Cement, Anglo-Alpha and Blue Circle) said there was a 16% reduction in price of local cement in August in the Durban area from R83,40 a ton for unpacked product.

He said before that there had not been a cement price hike since January 1983

He believed that, had the R178m Port Shepstone clinker plant not been commissioned last year, the price of cement in Durban from Lichtenburg in the Western Transvaal, including railage, would have been R99 a ton

Mr Pieter Rautenbach, director of the Natal Master Builders' Association, said that there has been a significant reduction in the price of cement in the past six months "but I am not going to debate with you if it has been 16% or 24%.

Consumers "large and small are buying imported cement where price is a consideration".

He said the cement price war in Natal had led to overreaction on the part of local producers with threats of the closing of cement plants.

193

Brick firm to retrench 239

Star 28/2/85

Corobrik is to retrench 239 workers by the end of March, when it shuts its Roodepoort factory

And the firm, faced with a drastic decline in the demand for bricks, is expecting more shutdowns in April and May

The closure was due to the slump in the building industry, said the managing director of Corobrik Transvaal, Mr Errol Rutherford

"We have tried to keep retrenchments to a minimum.

ARGUS 8/3/85

193

Strike closes down Blackheath china plant

Staff Reporter

A CHINA factory has closed its Blackheath plant because its entire workforce is on strike

About 470 workers downed tools on Tuesday when talks on workers' demands between Continental China's management and the SA Allied Workers' Union, of which about 80 percent of the workers are members, ended in deadlock

SAAWU organiser Mr Albert Whittles said today workers were demanding

- A minimum wage of R2 an hour
- That workers dismissed from Continental China's Rosslyn plant near Pretoria for "refusing to work overtime" be reinstated,
- That a worker transferred from the Blackheath plant to Rosslyn to train new workers be withdrawn immediately, and
- That management scrap its worker-liaison committee in favour of a workers' committee

Willingness

Mr Whittles said that during talks, management had indicated a willingness to negotiate a minimum wage, the withdrawal of the transferred worker and abolition of the liaison committee, but was not prepared to negotiate the reinstatement of the dismissed Rosslyn employees

Continental China's managing director, Mr Bill Paverd, said negotiations ended in deadlock when management "could not meet the workers' demand for a minimum wage of R2 an hour".

He said management was willing to negotiate on wage increases, however, and had already promised workers an April increase.

Although management had "consistently offered" to re-employ as many of the sacked Rosslyn plant workers as possible under current economic conditions, this offer had been "consistently rejected"

He confirmed management's willingness to scrap the liaison committee and replace it with a SAAWU workers' committee

"In view of the fact the Blackheath workforce has refused to work until union demands have been met and the union's refusal to negotiate the wage demand, I have no further option but to regretfully close the plant until further notice," he said.

Corobrik opens hi-tech factory

8/3/85 Star (193)

The economic downturn has not dampened the confidence of Corobrik, South Africa's leading brick manufacturer, in the country's building industry.

This week its R30 million Rietvlei factory, which will produce 81 million bricks a year, was officially opened.

It was built in 18 months using its own in-house design and project management and the expertise of local consultants and contractors

The material preparation and brickmaking equipment is electronically controlled, with the technology coming from the US and West Germany, and machinery from West Germany, US, UK and South Africa.

The computerised planned maintenance system, which uses British software, is so advanced that it is expected to cut maintenance problems and costs dramatically

Superior-quality face bricks and clay pavers will be produced for which, says Corobrik managing director Mr Errol Rutherford, there remains a strong demand despite the downturn.

Says Mr Rutherford. "As building standards become higher, the market for superior quality face bricks and clay pavers will increase. We decided to build a highly automated factory so that we could meet the demand for this category of facebricks."

450 strike at china factory

CAPE TIMES 4.3.85

Staff Reporter

THE Continental China plant in Blackheath was closed down yesterday following a deadlock over a wage demand between the management and the South African Allied Workers Union

According to a statement issued by the managing director of Continental China, Mr Bill Paverd, the plant was closed after the entire workforce of 450 employees had refused to work until the union demands were met

A spokesman for SAAWU could not be reached last night.

Mr Paverd said the deadlock was reached at a meeting on Wednesday when management could not meet SAAWU's demand for a minimum wage of R2 an hour

Management was willing to negotiate on wage increases and had already promised employees an increase with effect from April 1985

The union had also demanded that employees dismissed last year at the Rosslyn, Pretoria, plant be reinstated

New R30m plant as brick output is slashed

193

S-Times 10/3/85

By Don Robertson

COROBRIK Transvaal has slashed production by 30% and laid off more than 1 000 workers — but it commissioned a R30-million brick-making plant this week

The new factory at Rietvlei near Pretoria, provides jobs for 208 workers

Corobrik is reducing production at its Roodepoort plant and will close other brickfields in April and May So far it has closed three factories and reduced production at seven others

The Roodepoort cuts affect 238 people and bring Transvaal retrenchments to 1 031 since December

The company is trying to place workers at other factories which can expect higher output after a rationalisation programme

Secure

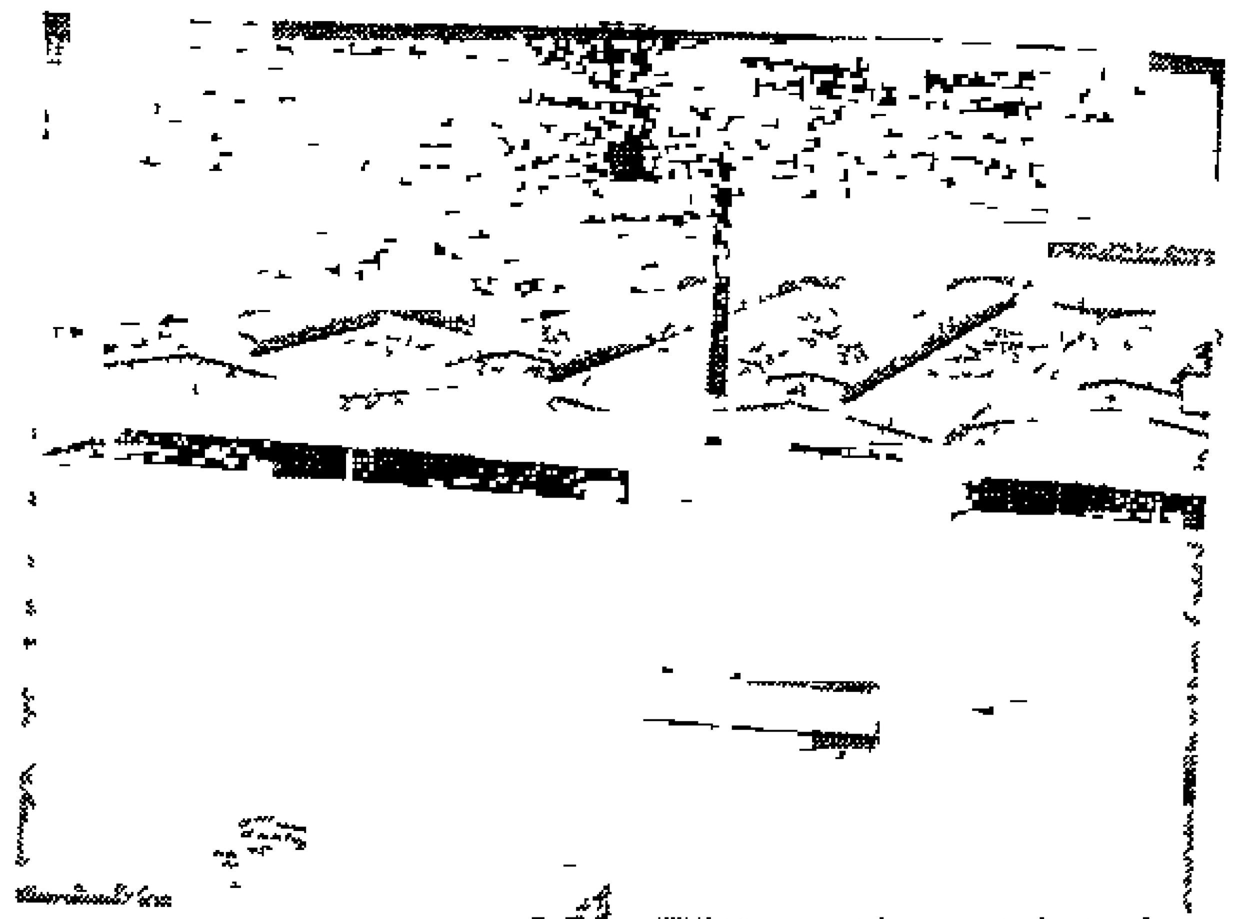
Construction of Corobrik's Avoco factory near Durban has been postponed, possibly for a year, and a development in the Western Cape has been delayed

Managing director Errol Rutherford says "Benefiting from hindsight, it probably would have been advisable to postpone commissioning of the Rietvlei plant But construction started 18 months ago and we have long-term commitments"

Rietvlei's can make 81-million bricks annually, but it will produce about 72-million in its first year

Corobrik's production in the Transvaal will be about 70% of capacity in 1985

Mr Rutherford says "Corobrik believes the long-term future of the building industry is secure and we will be ready to meet the upturn when it comes"



An aerial view of Corobrik's new R30m brick factory in Rietvlei, near Pretoria, which was opened last week, indicating the company's confidence in the future of the building industry.

RDM 13/3/85 193

Corobrik confident of future

By MERVYN HARRIS

THE official opening of the R30m Corobrik brick factory in Rietvlei, near Pretoria, last week is an indication of the confidence the company has in the future of the building industry.

As Mr Cedric Savage, chairman of Corobrik Transvaal, says: "It may seem a paradox that we are opening Rietvlei while in the grip of one of the country's worst recessions

"With hindsight, this factory is being commissioned possibly 12 months ahead of its time, certainly 12 months ahead of the economy But we cannot allow short-term booms or recessions to affect long-term planning"

For a brick factory such as Rietveli, it takes four to five years to prospect for the raw materials, to acquire the land and to plan and implement the factory.

Although the short-term outlook is bleak, the quality of assets at the factory is among the best available in the world. The life of the factory will be much longer than the 30 years of clay reserves on the site

The bleak outlook includes a 35% slump in current sales in the brick industry compared with the same time last year.

The effect of the recession on Corobrik has been to close nine factories and cutback production at 32 of the 51 factories in the group. More than 1 500 employees have been retrenched

Mr Savage notes that since price control on bricks was lifted in 1982, the brick industry has expanded at a rate faster than in any other three-year period

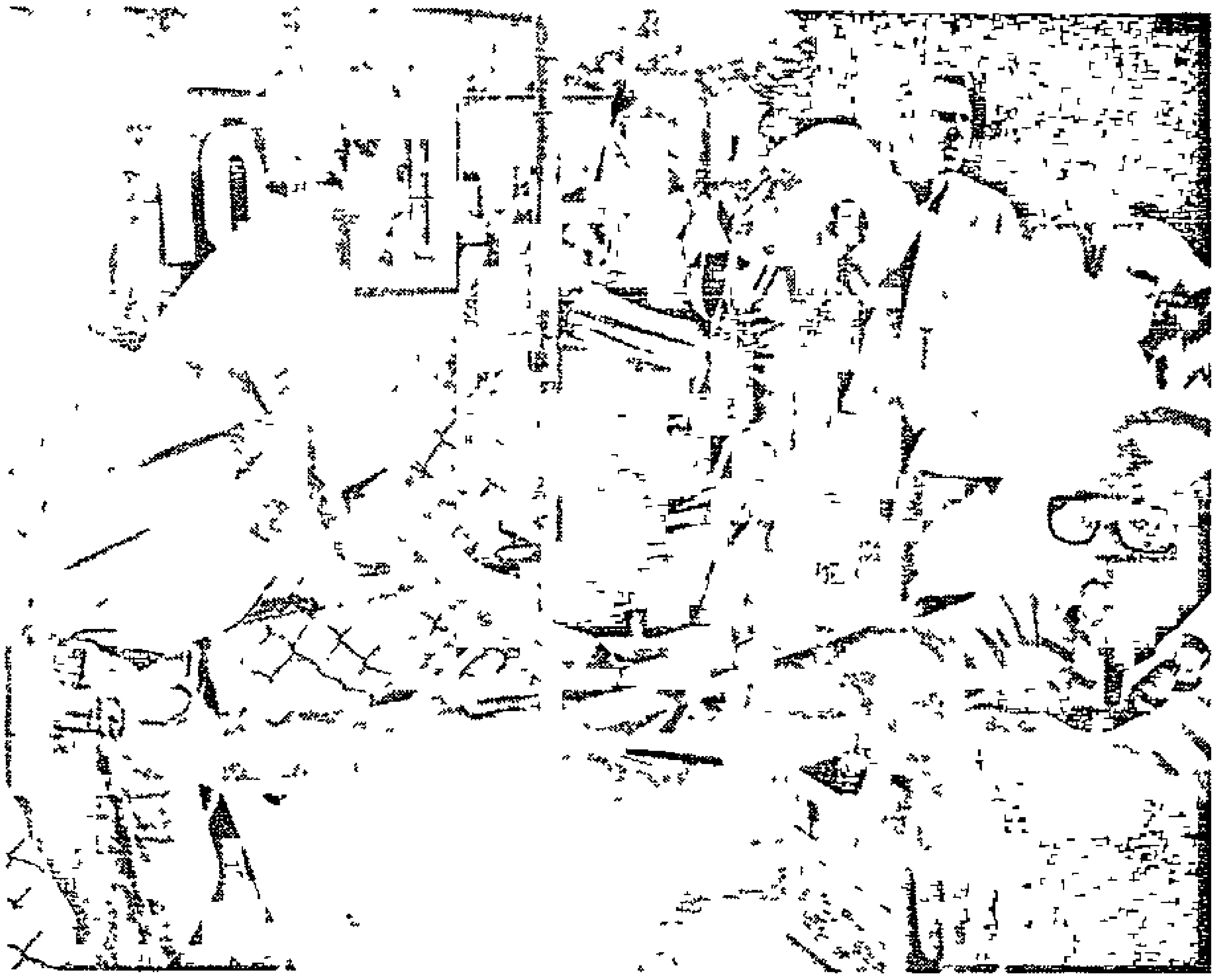
Within Corobrik alone, seven factories have been erected and two more bought and modernised. Total investment by Corobrik on improving production quality and output has been more than R90m.

Investment by other brick companies in the past three years is estimated at more than R75m, bringing total investment to more than R160m

This meant that there would in future be no shortage of bricks, Mr Savage says.

C Herald 16/3/85 193

Factory dispu[te] still deadlock[ed]



● (Above) THE first worker who came forward to collect his pay, this man replied to taunts that he was a "sellout" by saying: "It's okay, I've already got another job".

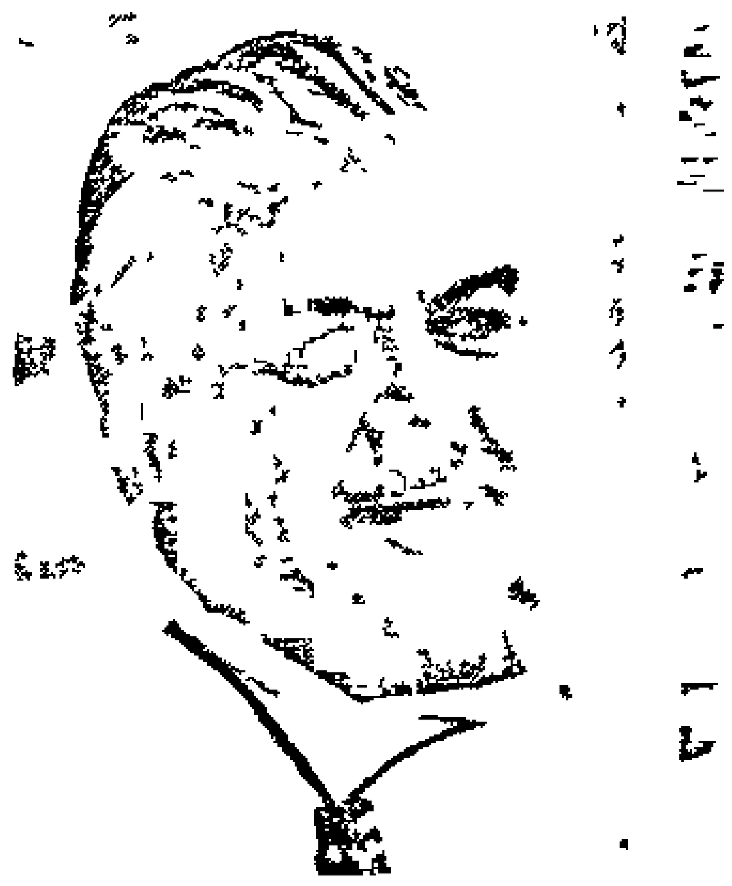
● (Below) CONTINENTAL China employees mill around outside the factory entrance on Friday, shortly before police were called in to ensure that workers who so wished, could be paid out.

WORKERS at the Continental China fact[ory] were paid off on Friday afternoon as polic[e] members of the South African Allied (Saawu) had tried to stop people collecti[ng]

The factory has been closed until further notice once union and worker representatives could not reach agreement on a minimum hourly wage of R2

The 450-strong workforce came out on strike on Tuesday afternoon

Managing director Mr Bill Paverd said the company had lost R12-m in the last two years and could not afford to pay the workforce a minimum of R2 an hour He said that an increase had been due in April, but could not say what it would have been



● ***MR Bill Paverd, managing director of Continental China ... "We've lost R2-million in two years. We can't afford to pay R2 an hour."***

INCREASE

Mr Absalom Balekile, chairman of the worker's committee, said that in 1984 the workers had gladly done without a "Government increase" and another company increase which were due to them, but were now demanding a minimum starting hourly wage of R2

Mr Paverd said he did not know what the Government increase" was

About 80 percent of the workers are members of Saawu

At present the starting wage is R1,44

Last Thursday afternoon employees of the factory were given letters stating that they would be paid off the following day at 3 pm

PERSUADE

On Friday as the time neared, workers gathered round the entrance gate, where payments were to be made

Mr Zuzile Hamcwane, a Saawu representative on the scene said union mem[bers] were tr[yi]ng to pers[uade] [illegible] non union [illegible] taking any money from the management because, in so doing, they would be losing their jobs

"The union would like to return the solidarity shown by non-union members, who also came out on strike," he said

When it became apparent that workers were going to receive two payslips, they retorted by saying "We want one payslip, not two One is enough"

DISPERSE

About half a dozen policemen arrived and warned those workers who were not there to collect payment, that they constituted an illegal gathering and would get hurt if they did not disperse

This had no effect on the 200-strong group, but when more policemen arrived, the workers split up and moved towards the nearby railway station

About 50 [w]orkers then stepped [forwa]rd to col-

C Herald 16/3/85

tory dispute l deadlocked

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WORKERS at the Continental China factory in Blackheath were paid off on Friday afternoon as police looked on, after members of the South African Allied Workers Union (Saawu) had tried to stop people collecting their wages.

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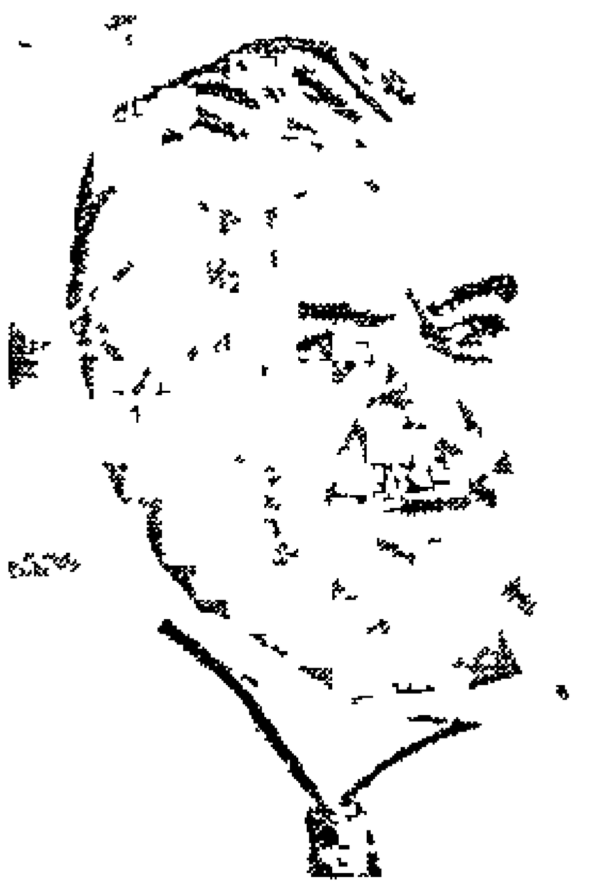
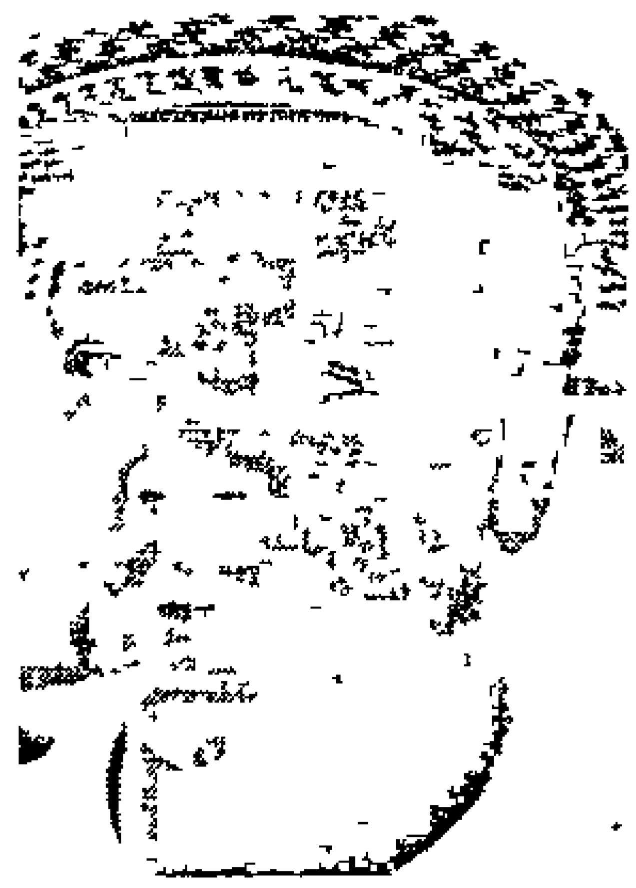


● MR Bill Paverd, managing director of Continental China ... "We've lost R2-million in two years. We can't afford to pay R2 an hour."



● CHAIRMAN of the workers' committee, Mr Absalom Balekile, said workers would not go back to work without at least R2 an hour.

INCREASE

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... workers th... ... d to ... lect their pay packets, and when quizzed by Cape Herald, at least six revealed that they had received two payslips, an unemployment card bearing the number 2 According to a key on the card, a two represents reduction in staff"

PREPARED TO

Also contained in the pay package was a self-addressed envelope and a letter from the management The letter was to be returned by those employees who were prepared to work under the prevailing (pay) conditions, if the factory reopened

In a statement released on Saturday, Saawu criticised the role of the police and called on the management not to involve them since this was a dispute between the workers and management

● Management were scheduled to have had a meeting with Saawu and the workers' committee on Monday mo...

ARGUS 19/3/85 (93)

450 workers to be re-hired as factory dispute is settled

Staff Reporter

AN industrial dispute which closed Continental China's Blackheath plant and resulted in hundreds of workers being dismissed has been settled

The 450 workers sacked will be re-employed from next Monday with no loss of pension and service benefits, in terms of an agreement concluded yesterday by company management and the SA Allied Workers' Union, which represents about 80 percent of the workers

A minimum wage increase of 15 percent has also been agreed to, raising the minimum hourly rate of R1,44 to R1,80, according to a statement issued by Continental China, Saawu and mediators in the dispute, the Western Cape Traders' Association (WCTA) Workers had demanded R2 an hour

NO OVERTIME

Management also agreed to discuss the issue concerning workers dismissed from the company's Rosslyn (Pretoria) plant for refusing to work overtime

The workers demanded that they be reinstated and that a worker transferred from Blackheath to train new recruits be withdrawn

Management has already agreed to a fourth demand, that the worker-liaison committee be scrapped in favour of a workers' committee

The workers went on strike when negotiations for these demands foundered

Saawu and Continental China expressed their apprection of the role played by Mr K Allie and Mr H Esack of the WCTA in ending the dispute

Mr Bill Paverd, managing director of Continental China, said he had not yet counted the cost of the plant's closure since the strike began on March 5 He estimated it would take between seven and 10 days for the factory to resume full production

Cement price steady but railage to rise

21/3/85 (193)
D. Dispatch

JOHANNESBURG — The cement industry is to hold most cement prices at current levels until January next year, although South African Transport Services (Sats) is increasing rail tariffs from April 1

Sats, however, has introduced a structural change to its costing system of charging a levy of R2 a ton or 10c a pocket on cement railed over branch lines

The cement industry intends passing this levy on in full to customers receiving cement from branch lines

A branch line has been declared by Sats to be any uneconomic service on a line which requires the return of empty trucks

Mr Berry Pavey, general manager of Cement Distributors of South Africa (CDSA) said there were four main areas of railage tariff increases

These were the branch lines, railage outwards on bulk and bagged cement, railage inwards of raw materials and railage to factories in metropolitan areas far away from limestone deposits, but from which road transport was the preferred mode of delivery

Over an average distance of 500 km conveyed outwards the current rail rate for bulk cement was R27,70 per ton, which would increase 7,6 per cent to R29,80 from April 1

The tariff for bagged cement railed a distance of 500 km would increase 3,4 per cent to R27,95 from R27,03

Railage to depots in the metropolitan areas would escalate 9,5 per cent from R14,60 a ton to R16,10 The distance was about 200 km

On average, rail rates would increase 8,9 per cent — DDC

Mercury 2/4/85 (193)

65 million bricks unsold but price up 12,5 pc today

Colin Vineall
Property Editor

AGAINST a background of a mountain of 65 million stockpiled bricks, a closed plant and retrenchments, Corobrik Natal yesterday announced an average 12,5 percent price increase on all types of bricks

It is the third rise within 12 months

Prices went up in April last year by 7,75 percent and in October by 9 percent, giving a compounded hike, with yesterday's lift, of 32 percent.

Plaster bricks, formerly known as commons, will now cost R169,02 for 1 000 delivered in Durban, or nearly 17 c a brick.

Corobrik managing director Mr Brian Waberski blamed increased costs, listing salary and wage adjustments, increased maintenance costs and the adverse effects of interest and exchange rates

Explaining the latter, Mr Waberski said his company imported brickmaking equipment and quantities of pigmentation for calcium bricks

He said the increase would come into immediate effect in Durban, Pietermaritzburg, Glencoe and Empangeni

It would add about R600 to the cost of the average house, which, he pointed out, was less than 1 percent of the total cost

The slump in the building industry has led to Corobrik closing factories in Natal and on the Reef, and hundreds of workmen and some white-collar staff have been retrenched

Yet because of the need to provide for future capacity a multi-million-rand factory was opened near Pretoria last month

Commenting on the increase, Mr Pieter Rautenbach, executive director of the Natal Master Builders' and Allied Trades' Association, said 'It is very sad . but what can we do? Sooner or later one would have expected it as a result of the increase in the fuel price

'The message is coming through clearly that there are alternatives to bricks, especially as far as commons are concerned Peo-

■ TURN TO PAGE 2

Brick prices up (193)

■ FROM PAGE 1

ple will increasingly turn to cement blocks'

Mr Reg van Rij, a member of the executive of the National Association of Home Builders, said discussions had recently been held between builders and it had been learned that firms marketing bricks in the Transvaal were far more flexible in prices than in Natal

'A brick company is capital intensive, which means its costs are fixed In bad times, profits take a hammering, but in good times there is plenty of money to be made It costs less to make bricks then because the costs have been largely amortised

'In the last surge of sales when builders suffered major delays in brick supplies, we did not see prices coming down

'However, we can understand that the brickmakers have to make profits in the good times to cover the bad times'

Mercury 4/4/85 (193)

Builders react over rise in price of bricks

Company asked to 'think again'

Colin Vineall
Property Editor

THE South African building industry has reacted with dismay to Corobrik Natal's decision this week to increase the price of bricks by an average of 12,5 percent

And yesterday, Mr Bent Hoffmann-Jensen, president of the Natal Master Builders' Association, called on the giant concern to think again

His plea was matched by concern expressed by leading builders and the powerful national body, Building Industries Federation (South Africa)

The price rise, the third in under a year, means bricks now cost 32 percent more than this time in 1983

Mr Hoffmann-Jensen said 'The building industry in Natal is extremely disappointed in the price increase of 12,5 percent imposed by Corobrik

Responsible

'In view of the severe recession and economic climate, we believe that in the national interest such an increase is counter-productive to the measures which the Government and the building industry in Natal have taken

'Recent negotiations between employers and the trade unions have resulted in freezing of wages and other benefits We believe such a step, although drastic, is a responsible attitude in our present economic climate

'It is therefore a bitter pill to swallow to accept a third price increase in bricks over a year in times like these, especially when it is alleged the main reason was an adjustment of wages and salaries

'We are concerned about the effect this will have on our members and the public

'Results of certain building companies have recently been advertised and were abysmal This additional burden will undoubtedly also have a profound effect in time to come on the public

'I appeal to Corobrik to have a close look at their prices again, especially in the circumstances'

Mr Lou Davis, executive director of Bifsa, said the building industry had been sympathetic to the brick manufacturers who have had to withstand and carry the financial burden of the enormous stockpiles building up around the country

(Latest estimates put them at some 290 million bricks nationally, including 65 million in Natal).

'But we contend that the building industry, the property developers and the man-in-the-street has the right to a secure supply of bricks in South Africa and that these raw material prices should, at all times, be kept at a reasonable level,' said Mr Davis

'The point the brick manufacturers seem to have missed is that the cyclical nature of the building industry means while they can expect good returns on investment in the bouyant economic circumstances, they must also accept lower returns when the industry is facing recession

'However, it would appear the manufacturers are determined to continue financing their profits by adjusting prices, at a time when the rest of the industry is trying to control all expenditure, resorting, even, to a salary freeze until November undertaken by the building industry in the Transvaal and Natal,' he said

Mr Davis pointed out that Corobrik — as the major supplier of bricks in South Africa — has made substantial capital investments aimed at ensuring a steady supply of bricks for the industry when building activity increases.

'But lifting the prices of this essential raw material tends to detract from the credibility of this investment,' said Mr Davis

Bob Stevenson, former president of Bifsa and managing director of Stevenson Construction of Pinetown, also voiced strong opposition to the Corobrik move and also appealed 'Think again, chaps'

He said the increase could not have come at a worse time for the embattled building industry

Mr Stevenson felt it would particularly hit the small contractor and home builder who were building at a fixed cost and were not able to pass on the increase to the customer

Stockpiled

'We are already tendering at suicidal rates for jobs,' he said

He accused Corobrik of ignoring moves made by the building industry to freeze wages

'Corobrik disregards this and puts up their prices not only for future production but for the cost of the bricks stockpiled in their yards and the interest thereon,' he said.

Mr Stevenson forecast more builders would look to alternative walling methods, including concrete

'We have just finished 200 houses at Marburg in concrete blocks which we made ourselves and the finish is good,' he said.

BUSINESS

4/4/85

Bifsa disappointed at brick price increase

193

D. Bosfatib

JOHANNESBURG — The Building Industries Federation of South Africa (Bifsa) has expressed its disappointment at the latest price increase announced by Corobrik.

It was reacting to the increase by Corobrick Natal of the price of its bricks by 12 per cent yesterday Corobrik Natal is the Natal regional operating company of Toncoro, the largest suppliers of bricks in the country The other Corobrik regional companies are currently reviewing prices and the executive chairman of Toncoro, Mr Cedric Savage, said in Durban that the prices of bricks in the Transvaal and Western Cape could increase this month by about 5 per cent

Mr Lou Davis, executive director of Bifsa, said that the building industry had been sympathetic to the brick manufacturers who had to withstand and carry the financial burden of the enormous brick stockpiles building up around the country

"But we contend that the building industry, the property developers and the man-in-the-street have the right to a secure supply of bricks in South Africa and that these raw material prices should, at all times, be kept at a reasonable level

"The point that the brick manufacturers seem to have missed is that the cyclical nature of the building industry means that while they can expect good returns on investment in buoyant economic circumstances, they must also accept lower returns when the industry is facing recession

"However it would appear that the manufacturers are determined to continue financing their profits by adjusting prices, at a time when the rest of the industry is trying to control all expenditure, resorting, even, to a salary freeze until November undertaken by the building industry in the Transvaal and Natal," Mr Davis said

He pointed out that Corobrik — as the major supplier of bricks in South Africa — has made substantial capital investments aimed at ensuring a steady supply of bricks for the industry when building activity increases

"But lifting the price of this essential raw material tends to detract from the credibility of this investment," said Mr Davis — SAPA

Mercury 6/4/85 (193)

Talks on discounts for bricks

Property Editor

NATAL's largest brickmakers have been holding talks on prices with the Master Builders' Association, it was confirmed yesterday And it appears that the 'big boys' among the builders may get handsome discounts on their bricks bill

This came to light when Corobrik Natal managing director Brian Waberski was asked in an interview whether the company would heed calls by builders to think again on the 12.5 percent average price increase on bricks announced earlier this week.

Mr Waberski said discussions had taken place with certain members of the Natal MBA over the possibility of 'introducing a strategy of price differential'

He said 'Members of the MBA would enjoy a better ex-works price, or reduced ex-works price compared to the man-in-the-street

'We say the MBA because they are the people we see as being in the industry to provide their livelihood and we are considering giving them the benefit of the price differential'

Mr Waberski would not mention any figures under consideration

But, he added, further thought would have to be given to the ramifications of such a move

'We have to consider whom we are going to please and whom we will displease Then there is the question of the tendering advantage to a member of the MBA who buys bricks at a lower price over a builder who is not an MBA member

'These are real problems'

He agreed that the time was probably suitable for the brickmakers and the MBA to reach a decision on the price differential strategy

Mr Waberski said however there would be no change to the announced increase which created a furore among builders who said it meant bricks had gone up more than 32 percent in just over a year compared with an inflation rate of around 16 percent

Defending the round of increases, Mr Waberski listed cost factors which had grown greatly over the past two years

70-million unsold bricks pile up in Cape

W/t Argus 6/4/85 (193)

By TOM HOOD
Property Editor

A SURPLUS of unsold bricks in the Western Cape has grown to a mountain of 70-million — enough to build about 1 400 houses

"This is the highest figure ever recorded here," says Mr Graham Bounds, local managing director of Corobrik, the country's largest brick producer

The company announced country-wide price increases related to costs this week which could add about 6 percent to Cape prices Corobrik is the trendsetter and in normal times other companies bring their prices into line

But builders in the Cape will not pay any more becauce of intense competition and price-cutting by brickmakers

"The list prices of bricks bear no resemblance to prices being charged Shopping around is the order of the day, from the smallest to the largest builders," says Mr Bounds

DISCOUNTS

Builders, accustomed to waiting months for deliveries of face bricks a short time ago, are promised immediate delivery almost everywhere and say prices have never been as competitive as now

They are also able to negotiate discounts — something unheard of in the past — of around 5 to 7,5 percent

Discounts of more than 40 percent have been given for certain types of face bricks, builders getting them for R150 a 1 000 against the list price of R260

"We have been offered ROKs (common bricks) at R94 a 1 000, the price ruling two years ago, says Mr Dave Horwitz, managing director of Condecor

"Prices of ROK's are generally around R112 against R130 at the end of last year, with face bricks costing R160 against R220 last year"

But he forecast the surplus is temporary and prices could shoot up again by the end of the year

BONANZA

Many Cape brickfields start to close down in June for the winter and this could halve production

An added bonanza for builders is a tremendous improvement in quality of bricks and breakages accounting for only 4 percent of deliveries compared with breakages of around 8 percent in the past

The Building Industries Federation is looking into conditions of sale by brick companies which say builders must accept up to 10 percent of breakages

"If you buy 100 loaves of bread you expect to get 100, not 90," said a builder "We want the brick firms also to give us what we pay for"

The present surplus is the result of a huge downturn in home building shortly after brick companies completed multi-million-rand extensions.

Corobrik has alrady closed three Cape factories, lowering production to 190-million bricks a year from its capacity of 260-million

Business Day/PROPERTY

193 ECON (193) 9/4/85

Corobrik rethink urged

Own Correspondent

DURBAN — The building industry has reacted with dismay to Corobrik Natal's decision to raise the brick prices by an average of 12,5%

Mr Bent Hoffmann-Jensen, the president of the Natal Master Builders' Association, has urged it to think again

Leading builders and the Building Industries Federation (Bifsa) share his view

The price rise — the third in a year — means bricks now cost 32% more than this time in 1983

Mr Hoffmann-Jensen says "The building industry in Natal is extremely disappointed in the price increase of 12,5% imposed by Corobrik

"In view of the severe recession and economic climate, we believe that in the national interest such an increase is counter-productive to the measures the Government and the building industry in Natal have taken

"Recent negotiations between employers and the trade unions have resulted in freezing of wages and other benefits We believe such a step, although drastic, is a responsible attitude in our present economic climate

"It is therefore a bitter pill to swallow and accept a third price increase in bricks over a year in times like these, especially when it is alleged the main reason is an adjustment of wages and salaries

"Results of certain building companies were recently advertised and were abysmal This additional burden will undoubtedly also have a profound effect in time to come on the general public

"I appeal to Corobrik to have a close look at their prices again, especially under the circumstances"

Mr Lou Davis, the executive director of Bifsa, says the building industry has been sympathetic to brick manufacturers who have had to withstand and carry the financial burden of the enormous stockpiles building up countrywide

(Latest estimates put them at some 290-million bricks nationally, including 65-million in Natal)

"But we contend that the building industry, the property developers and the man-in-the-street have the right to a secure supply of bricks and that these raw-material prices should, at all times, be kept at a reasonable level," says Mr Davis

ARGUS 10/4/85

241 held in protest over dismissals

193

Argus Correspondent

PRETORIA. — Police arrested 241 people today as they picketed a crockery factory

The arrests came at 6 30am when about 300 members of the South African Allied Workers' Union and former employees of Continental China picketed the company premises in Rosslyn.

A police spokesman said the 241 would appear in court to face charges of intimidation.

A Saawu spokesman said the former company workers were protesting about a labour dispute which left more than 500 employees jobless

The dispute started late last year when 650 workers walked out over wage cuts They were later dismissed

Bricks: crisis for 'commons'

Time for a rethink

... writes Anthony Cadman, who was Director-General of the Brick Development Association of Great Britain during the 1970s.

THE latest rise in common (plaster) brick prices in Natal means that in 13 months the basic unit for constructing a wall has risen by 32 percent, far beyond the inflation rate which is 16 percent

This draws attention to a basic fact South Africa is still using as its main wall construction element an old-fashioned and outdated product long since abandoned in more sophisticated markets such as Britain and replaced by a more efficient, modern and cheaper per square metre product which performs better

Surely this price rise means it is time to examine the appalling story of the common brick in South Africa?

First, it is simple to draw a comparison with what took place in the UK.

The brick industry there in the 1960s was roughly four times the size of the South African brick industry and produced 8 000 million bricks a year of which 80 percent were common bricks

Today the capacity of the British brick industry is 5 000 million but it is 100 percent devoted to face bricks as there are no common bricks purpose-made today What happened?

In the 20 year period between 1965 and 1985 the common brick disappeared because it was replaced by a superior product, a lightweight inner-skin walling made of better materials that performed more efficiently

People had long recognised that clay commons were too small, too heavy, too difficult to cut and were an extremely poor insulating element and when the oil crisis radically increased the cost of heating a house in winter or cooling it in summer, the demand became an absolute priority

The result was the invention of the thermalite block and used world-wide — except in South Africa These blocks were made to the formulation of the Swedish company Ytong

The thermalite concrete block which destroyed the common brick in the UK is bigger than the common brick and can be manufactured to specification to replace four or six common bricks with one block.

The enormous advantage in productivity is achieved because the single thermalite block weighs less than a common brick yet has a similar strength for walling and it also has a massively improved quality of insulation against loss of heat or cooling

Next, it is an excellent material with which builders can work

It can be nailed into it without the need of masonry drills and above all, it is a lighter element of total accuracy instead of the woolly generalities of the clay common in terms of length, height and thickness

These high insulation blocks are made in Britain mainly from pulverised fly-ash (PFA) which is generated by coal-burning power stations

To this finely crushed fly-ash is added a small quantity of high-grade pure cement powder and a quantity of aluminium powder mixed accurately and to known standards under automated control

The injected aluminium powder is mixed into the concrete and PFA mechanically, poured into moulds, cut accurately after drying and is available ready packed for despatch in less than 24 hours

Under the Ytong system used world-wide, except South Africa, all the elements at the factories right up to cranage and lorry systems are all standardised to metric form

In other countries than UK various raw materials are used

Pumice in volcanic areas, gypsum is used in others, but PFA is limited in its use where South African coal is involved because of the high sulphur content

However South Africa has at Richards Bay one of the world's largest supplies of gypsum, great quantities of which, it is threatened, will be pumped out to sea and wasted

Five sizeable Ytong factories utilising this gypsum could replace the entire common brick output of South Africa

It may well be that the latest rise in the price of common bricks will cause the building industry to to demand to know what is obstructing the use of modern lightweight high insulation blocks that the rest of the world has been using for 20 years

SAAWU THREATENS CONTINENTAL WITH A BOYCOTT

Sowetan 10/4/85 By ALINAH DUBE

A BOYCOTT campaign of crockery manufactured by a Pretoria company is on the cards unless the company improves its offer of reinstatement to the South African Allied Workers' Union announced yesterday.

Mrs Tshini Mlondo, branch organiser for Saawu, said the campaign against Continental China was postponed early this year after management had indicated willingness to negotiate for the reinstatement of the 650 workers who were dismissed by the Rosslyn plant five months ago. He added that a dispute has also been declared with the company

A spokesman for the company, Mr Bill Paverd, said they were aware of boycott plans but there was little they could do to stop the move "The only alternative we have is to talk to our customers, which is also not likely to work if Saawu's campaign is successful But I must warn that their refusal to believe that we are having financial problems could mean the end of jobs for about 2 000 people," he said.

"We decided to take steps when management announced at a meeting that only 12 of the 650 workers would be reinstated The offer was totally unacceptable and as a result workers said it was as good as nothing and called for the reinstatement for all," said Mr Mlondo.

He stressed that it is now up to the company to reopen negotiations as Saawu was only concerned about its programme to launch the boycott.

Cement orders flood company

193

Property Editor

BUILDERS and merchants have flooded Natal Portland Cement with orders in an attempt to beat the 20 percent price rise which comes into effect on Monday, the company said yesterday

But some quarters have criticised NPC for the new price and called for action by the Competitions Board

The price rise follows the removal of a special discount brought in when the cement price war started eight months ago Imported cement selling at a lower price than the local product was met head-on with price reductions

The latest move will return prices to the levels applicable before the price war started, effectively raising the cost 20 percent

Mr Mike Doyle, general manager of NPC, says unprecedented demand since Thursday has made it impossible to make all the deliveries requested because of the short working hours of customers on Fridays and Saturdays

The backlog should be cleared by Wednesday

All orders placed by 4 30 p m yesterday for delivery yesterday or today, will be charged at the old discounted price even if delivery is made only next week

Meanwhile contractor Mr Bob Stevenson, a past president of the Building Industries Federation (South Africa), said in a statement yesterday 'We have been served another blow

'You may recall that when I asked the brick companies to think again (over their price rise) it was because there were alternative systems one could use instead of bricks, such as precast concrete, concrete blocks and concrete bricks With the new cement increase, this is knocked on the head

'We all know that the cement price in Durban has been kept down for a considerable period because of the competition from ACE cement which is imported

'Now that the local Portland cement has increased in price, I wonder how long it will be before the imported cement will fall into line and then we will have another cartel, with all cement being at fixed prices again and going up simultaneously when they feel increases are warranted

'I trust that the Competitions Board will take note of these increases and not allow these rises to become a *fait accompli*, just accepted as were the increases in petrol, sales tax and other items '

Saawu picket over arrests

(193i) C. Press 14/4/85

By ZB MOLEFE

SEVERAL SA Allied Workers' Union members held an hour-long picket at Federale Bellegings in Johannesburg yesterday after the arrest of 241 of their colleagues in Pretoria on Wednesday.

The Saawu members carried placards at Federale Bellegings, a holding company of Continental China, which has been at loggerheads with the union since last year when 650 workers were dismissed by the Pretoria plant

Led by Saawu branch secretary Jackie Mosemola, the protestors delivered a memorandum calling for the release of those arrested

"Our picket is to publicise our plight Continental is prepared to employ only 12 of those dismissed last year," said a spokesperson of the dismissed Continental workers

Federale's manager of group manpower, AK Roodt, told the Press the company would meet Continental's management today in a bid to resolve the Rosslyn plant's problems

The 241 people arrested this week while allegedly picketing at Continental China factory in Rosslyn will appear in court today

A Pretoria police spokesman said they will be charged under Section 50 of the Criminal Procedure Act in the Pretoria North Magistrate's Court

They are part of the 650 workers dismissed last year by Continental China after a strike over a wage-cut and unpaid overtime

Saawu members to be charged

Sowetan

April 1985

THE 241 members of the South African Allied Workers' Union who were last week arrested after they had allegedly picketed a Rosslyn factory, will appear in the Pretoria North Magistrate's Court on May 6.

According to Mr Jack Masemola, a branch secretary, Saawu members were released after being warned and charges of illegal gathering and intimidation would be brought against them when they go to court He added that they were also given the alternative to pay R50 each as admission of guilt fine

Fired

Their case will be a sequel to a picketing incident outside a crockery manufacturing factory, Continental China, by about 300 placard-carrying members of Saawu and former employees of the company last Thursday

Demanding their immediate and unconditional reinstatement, they carried placards reading "Please give our jobs back" and "We the workers demand our unconditional reinstatement". This was after their trade union and management had failed to reach a solution in connection with the 650 people who were fired late last year "

Bricks versus blocks

NM 17/4/85 193

BRICK and cement prices are up in Natal by 12,5 percent and 20 percent respectively this month And when the brick price increase was announced leading builders said they would be looking at alternative walling materials This has put the focus on an smouldering argument — bricks v blocks — throughout the Province. Property Editor COLIN VINEALL reports.

IN contrast to the multi-million brick stockpile in Corobrik's yards throughout the country — almost 300 million at the latest count — at least one Durban brick manufacturer can hardly keep up with demand

Peter Kaletch, sales director of the New Germany-based Durban Brick Company, which makes concrete bricks, said yesterday his problem was giving the bricks enough time in the yard to mature

At present the factory is turning out 65 000 bricks a day but plans are in hand to work the plant by shifts for 18 hours a day and increase production to 80 000 a day

Mr Kaletch said the announcement of an effective 20 percent increase in the price of cement from Monday would have only a marginal effect on the cost of his bricks At present the price, delivered and including GST, is R145/1 000 compared with the clay brick price of R169,02/1 000 delivered in Durban

Mr Kaletch said 'To my mind concrete is the construction method of the future Clay bricks are a thing of the past in Britain and America Concrete bricks are easier to control in the production process'

Corobrik Natal is also heavily into concrete brick manufacturing as well as its long-established plaster-brick lines

Managing director Brian Waberski denied emphatically any suggestion of a 'war' going on 'There is room for us all,' he commented

'We feel our production of concrete bricks and concrete blocks combined gives us a bigger product mix,' he said

'I don't think it is fair to compare prices with those contractors who make their own concrete blocks on site for large housing developments or high rise buildings bearing in mind that we build to SABS specifications

But he gave details of a comparison of costing when using their own clay plaster bricks and concrete-based products.

'A double-skin wall in 90mm clay — the maxi-brick — costs R29,28/m² to build, or R14,68/m² per skin This is relative to the concrete Coroblok, which measures 290mm long x 90mm wide x 140mm high, which costs R29,38/m² So there is very little in it

'If we look at a single skin exterior walling, laid costs of our maxi plaster brick, 290mm long x 140mm wide x 114mm high works out at R25,35/m² A similar size concrete block, which is slightly higher costs R21,93/m²

'With the increase by 20 percent in the price of cement from Monday, that advantage may disappear,' he added No decision about new prices has yet been taken

Concrete rules supreme down the Lower South Coast, where, say Corobrik, just about every river from Port Shepstone to the Transkei border, has a block-making plant

Work starts on R33m Ladysmith factory

NM 20/4/85

193

Property Editor

LADYSMITH— Construction of a new R33-million factory here in times of worsening recessionary conditions was a sign of faith in the product and South Africa, deputy chairman of Gypsum Industries, Dr Rudolph Fockema said yesterday

He was speaking on the occasion of 'turning the sod' for work on the huge plant to begin

Dr Fockema said the plant had been sited in Ladysmith because of the encouragement given through attractive decentralisation incentives, the good location of Ladysmith relative to the Natal and north-eastern Orange Free State markets, and the positive attitude of the local authorities towards the industry

'These are among the many factors that led to our decision in spite of the great distance from our Gypsum deposits in Bushmanland,' said Dr Fockema.

The factory, which is scheduled for completion in 1987, will ultimately employ about 200 people and will make a wide range of products for the building industry

RDM INDICES

	19/04/85	PREVIOUS	LAST WEEK	LAST
COAL				
DIAMONDS	1660,3	1634,4	1601,5	
RAND & OTHERS	1876,8	1886,0	1904,4	
EVANDER	901,5	907,9	904,7	
KLERKSDORP	1105,3	1105,1	1138,0	
O F S.	2702,4	2714,2	2710,7	
WEST WITS	642,6	644,3	641,9	
GOLD	1842,4	1669,1	1649,6	
COPPER	1114,2	1123,5	1118,8	
MANGANESE	213,1	213,1	210,2	
PLATINUM	800,9	764,4	731,1	
TIN	1301,7	1305,7	1295,7	
OTHER	136,6	138,6	136,6	
METALS & MINERALS	189,5	189,9	180,7	
MINING HOUSES	507,2	501,0	491,3	
MINING HLDG	995,4	992,4	980,3	
BANKS & FIN SERV	648 4	645,7	656,0	
INSURANCE	1175,0	1168,9	1118,3	
INVESTMENT TRUSTS	553,1	551,1	546,6	
PROPERTY	454,1	452,7	438,0	
IND HOLDING	325,3	324,3	303,1	
BEVERAGES & HOTELS	1171,8	1164,4	1134 1	
BUILDING & CONSTR.	1543,5	1535,2	1474,9	
CHEMICALS & OIL	942,9	941,6	881,0	
CLOTH. FOOT., TEXT	353,4	354,5	353 1	
ELECTRONICS, ETC.	296,9	296,5	297,0	
ENGINEERING	507,5	505 0	487 7	
FISHING	404,1	405,4	388,0	
FOOD	242,7	242,7	238,7	
FURN. & HOUSEHOLD	1113 0	1113 0	1074,6	
MOTOR	219,2	219,2		
PAPER & PACKAGING	759,0	759,0		

DEVELOPMENT CAPITAL

6,8 14,7 7,9 CHANNEL 19 0 0 26,7 +
7,7 13,0 6,5 CFC 220 230 0,0 433,3 +
7,5 13,3 ROMANDA 13 15 15 0 0 7 1 +
3,9 25,8 7,9 T D H 35 40 38 0,0 5,0 −
14,7 6,5AVERAGE DAYS TRADE TOTALS

Concrete workers on strike

CAPE TIMES 24/4/85 193

Labour Reporter

ABOUT 150 workers have gone on strike at African Spun Concrete in Blackheath in support of demands for higher wages

Mr David Lewis, general secretary of the General Workers' Union, said yesterday the GWU had attempted over a seven-month period to negotiate a wage agreement with management

Several meetings had been held and the matter had eventually been referred to mediation with no settlement

The dispute had also gone through the mechanisms of the Labour Relations Act and a recent conciliation board hearing had also failed to resolve it.

"The wages at African Spun Concrete are extremely low by any standards, and management has made such persistently low offers that we do not believe them to be bargaining in good faith," Mr Lewis said

Accordingly, workers had stopped work on Monday morning in support of a demand for a "reasonable wage"

He added that the union believed the strike to be legal, according to advice it had received

A company spokesman confirmed yesterday afternoon that workers were on strike but would not comment further

CAPE TIMES 25/4/85

150 concrete workers still on strike over pay

193

Labour Reporter

THE African Spun Concrete plant in Blackheath remained idle yesterday as 150 workers stayed out on strike for the third day in support of pay demands

Mr Peter Hoeks, the firm's managing director, said no renewed negotiations had taken place with the workers or the General Workers' Union but the firm had no plans to lay off workers at this stage and hoped they would return

Earlier this week, a GWU spokesman said wages at the plant were "extremely low by any standards" and workers had gone on strike to demand a "reasonable wage"

Disputing this yesterday, Mr Hoeks said wages were 40 percent higher than the minimum laid down in the wage determination for the concrete products industry

Mr Hoeks said the dispute was no longer over rates of pay but rather over implementation of increases

The union had accepted an offer of R1,50 an hour during recent conciliation board hearings but wanted this backpaid until August last year, which management was not prepared to do

Corobrik hoping for rates reprieve

193 B. Day 2/5/85

By LESLEY LAMBERT

COROBRIK, the beleaguered brick manufacturing giant, is hoping that lower interest rates will put an end to its ruthless cutback and lay-off measures.

The firm has the dubious track record of laying-off 2 000 workers and closing nine factories

Reports last month indicated Corobrik had considered closing more brickfields in April and May, after the reduction of production at the Roodepoort plant — a move which affected the jobs of 238 workers

Corobrik's chairman, Mr Cedric Savage, said, however: "We hope to have seen the last of our drastic cutbacks and retrenchments. There have been encouraging signs that interest rates are about to drop. If they do, the upswing could begin in about six months."

May 1985

No indication of strike settlement

Labour Reporter

THE Corobrik workers' strike in Pietermaritzburg continued yesterday with still no indication of a settlement in sight

More than 700 workers at the Corobrik and Corocrete plants in the capital and a further 850 at five Corobrik plants in the Western Cape stopped work on Monday in support of their demand for a 31 percent increase in pay

A spokesman for the General Workers' Union said lengthy talks were held with the management yesterday but no decision was taken

Mr Ray Andrews managing director of Corobrik in Natal, said there had been no further developments towards ending the strike yesterday

'There were lots of discussions again yesterday, but we again pointed out that our final offer of 17 percent which we made at the Conciliation Board meeting still stands,' he said

The strikers were paid their last week's wages yesterday

ARGUS. 8/5/85

'Work or dismissal' warning to strikers

193

Labour Reporter

'WORKERS at African Spun Concrete in Blackheath who have been on strike for two weeks in support of wage demands have been told that if they do not return to work they will be dismissed

The strike, involving about 150 workers, started late last month after the General Workers' Union and management failed to agree on an effective date for payment of back wages

Management also told the workers, who have been on the premises since the strike started, that if they did not return to work they would be considered trespassers

Mr Peter Hoeks, the managing director, said the ultimatum was issued yesterday after shop stewards had been called in and the situation explained to them

Threat of wage strikes at 4 Cape brick plants

Labour Reporter

A LEGAL wage strike is threatening at all four Corobrik plants in the Western Cape

The General Workers Union — which is recognized by Corobrik — announced in a statement yesterday that a wage dispute with the company was in the "final stages" of the official dispute procedure

"Further meetings are scheduled for later this week If agreement is not reached, the dispute-settling procedures will have been exhausted," the statement said

The GWU said it would hold strike ballots at Corobrik's four Western Cape plants and its Maritzburg plant, employing approximately 2 000 workers

Corobrik confirmed in a statement yesterday that a wage dispute existed and that a conciliation board hearing would be held this week

It said the GWU was demanding an increase of over 40 percent on the minimum wage level while Corobrik's offer was 17 percent on the minimum and 14 percent on all levels

● The GWU also announced it had concluded a wage agreement with another brick manufacturing firm Cramix Ltd on behalf of the 250 members employed by the company

Prisoners escape from court

Threat of wage strikes at 4 Cape brick plants

Cape Times 8/5/88

Labour Reporter

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Prisoners escape from court

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(193) Star 10/5/85

Sacked 400 rehired

More than 400 workers fired by Pilkington Tiles at Meyerton late last month are to get their jobs back after a settlement between the firm and the Building, Construction and Allied Workers' Union.

Agreement came after three days of negotiations.

Strikers leave the African Spun Concrete premises yesterday after a police ultimatum that they leave by 2pm or be arrested for trespassing

CAPE TIMES 10/5/85

193

Strikers abandon concrete factory sit-in

Staff Reporter

STRIKING workers who this week occupied the premises of the African Spun Concrete factory in Blackheath left the factory voluntarily yesterday after a police ultimatum that they would be arrested for trespassing if they did not leave by 2pm

The strikers, who decided they would pursue the matter through their union's lawyers today, were informed yesterday morning that the factory management considered them to be trespassers with no legal right to be on the premises

Police remained on the premises until shortly before 2pm

Earlier this week the management said it had dismissed workers who ignored a deadline to return to work by Tuesday The strikers then occupied the premises for fear that management would begin recruiting replacements

The dispute at the factory centres on a demand by the workers for pay increases to be back-dated to August last year Management feels increases should be applicable to 1985

A conciliation board appointed to resolve the matter failed to do so

The managing director of the company, Mr Peter Hoeks, said his company had no dispute with the claim that workers were on legal strike

'Not allowed to be here'

"But the workers have not realized that there is a law saying we can fire them while they are on a strike

"At the moment the issue is simply that they are trespassing They know they are not allowed to be here They do not wish to work and they are stopping others from working," he said

Mr Hoeks said it was only when workers who wished to return to work had approached the management with complaints of intimidation that the company had issued an ultimatum to the strikers to resume work

The strikers, who have struck for two weeks, have denied any acts of intimidation have occurred

150 on strike

CAPE TOWN—All 150 workers at the African Spun Concrete factory, Blackheath, were dismissed yesterday but are refusing to leave the premises. The workers went on strike two weeks ago in a pay dispute — (Sapa)

NM 10/5/85

Brick industry strike expected as talks fail

Cape Times 20/5/85 193

Own Correspondent

JOHANNESBURG — Corobrik workers at five plants in the Western Cape and Natal are set to go on legal strike this week after the General Workers Union (GWU) and management reached deadlock over pay increases at conciliation board meetings last week.

Mr David Lewis, general secretary of the GWU, said the union was in the process of reporting the outcome of the negotiations to its members at the Maritzburg plant and the four Cape plants, and legal strikes were "imminent".

Strike ballots have already been held and it is probable that the strikes will begin today.

Corobrik is offering 17 percent increases on the minimum level, and 14 percent on the other grades, while the GWU is demanding a 40 percent minimum in Cape Town and 31 percent in Maritzburg.

Mr Lewis said management's offer would mean that between 1978 and 1985 the real wages of Corobrik workers in the Western Cape would have declined by 9 percent.

"By contrast in a similar period the company's fortunes increased steadily and in the financial year to March 1985 Toncoro — Corobrik's holding company — increased its profits by 220 percent," he said.

Spokesmen for the company said they were satisfied that the 17 percent offer was fair in view of the economic climate in the building industry.

Mr Graham Bounds, the managing director of Corobrik Western Cape, said the GWU's request for 40 percent on the minimum wage level was "totally unreasonable".

He said: "A wage increase of the magnitude requested by the GWU would not only result in substantial price increases but would seriously affect our ability to maintain our workforce at current numbers."

Corobrik workers are set for legal strike

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B Day 20/5/85

By PHILLIP VAN NIEKERK

COROBRIK workers at five plants in the Western Cape and Natal are set to go on legal strike this week after the General Workers' Union (GWU) and management reached deadlock over pay increases at Conciliation Board meetings last week

David Lewis, general secretary of the GWU, said the union was in the process of reporting the outcome of the negotiations to their members at the Maritzburg plant and the four Cape plants, and legal strikes were "imminent".

Strike ballots have already been held and it is probable that the strikes will begin today.

Corobrik is offering 17% increases on the minimum level, and 14% on the other grades, while the GWU is demanding a 40% minimum in Cape Town and 31% in Maritzburg.

Lewis said that after the management-offered increases, workers in Cape Town would earn a a minimum of R1,37½ cents.

He said this was below the Minimum Living Level and the lowest of all GWU members, and would mean that between 1978 and 1985 the real wages of Corobrik workers in the Western Cape would have declined by 9%.

"By contrast, in a similar period the company's fortunes increased steadily and in the financial year to March 1985 Toncoro — Corobrik's holding company — increased its profits by 220%," he said

"We believe these results confirm the evidence of the company's ability to afford wage increases that would start to close the gap between Corobrik workers and other industrial workers."

Lewis said that in the event of a strike the union's door would still be open to a negotiated settlement with the company

Spokesmen for the company said they were satisfied that the 17% offer was fair in view of the economic climate in the building industry

Graham Bounds, MD for Corobrik Western Cape, said that the GWU's request for 40% on the minimum wage level was "totally unreasonable".

He said "A wage increase of the magnitude requested by the GWU would not only result in substantial price increases but would seriously affect our ability to maintain our workforce at current numbers"

Corobrik Western Cape had stocks of about 45-million bricks (about 12 weeks' supply)

Ray Andrews, MD of Corobrik Natal, said the GWU's demand for a 31% wage increase on the minimum level was "impossible to meet"

700 workers down tools at brick factories

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NM 21/5/85

Labour Reporter

ABOUT 700 workers at two Corobrik plants in Pietermaritzburg downed tools yesterday in support of their demand for a 31 percent pay increase

The action comes after a strike ballot by the General Workers' Union at the Corobrik and Corocrete factories last week when the majority of the workers voted in favour of strike action after wage negotiations had reached deadlock.

A spokesman for the union said yesterday that the wages of most Corobrik workers were far below that of workers in other industries

'By contrast, the company's fortunes increased steadily in the past few years and in the financial year to March 1985 Toncoro — Corobrik's holding company — increased its profits by 220 percent.

'We believe these results are evidence of the company's ability to afford wage increases that would start to close the gap between Corobrik workers and other industrial workers,' he said

Negotiations

Mr Ray Andrews, managing director of Corobrik, Natal, yesterday confirmed that production had stopped at the two plants and said talks were continuing between representatives of the management and the union

'There were extensive negotiations between the union and the company, but the last meeting of the Conciliation Board on May 15 ended in deadlock.

'We offered workers an increase of 17 percent, with the average increase being 15 percent, but the union refused to accept this and last week held a strike ballot in which a majority of the workers voted in favour of striking

'The situation is peaceful and lines of communication between the company and the union are still open,' he said

CAPE TIMES 21/5/85

1 600 brick workers strike

Staff Reporter

A TOTAL of 1 600 workers from the four Corobrik factories in the Western Cape and one in Natal began a legal strike yesterday as their union accused Corobrik management of hiring scab labour to keep the factories open

A statement from the General Workers' Union said the 850 workers from Corobrik in the Cape and 750 from the Corobrik factory in Maritzburg had begun the strike in pursuit of their demands for a living wage after pay talks reached deadlock last week.

The managing director of Corobrik in the Western Cape, Mr Graham Bounds, said the company had responded to low attendance yesterday morning by using employees who held jobs on an "intermittent" basis These labourers were not "scabs", he said

The statement from the GWU claimed the company was employing women "to perform extremely arduous work and this action has served to provoke workers who have shown a willingness to use official dispute procedures".

A week ago the union had protested to management "at the extent of management intimidation of workers involved in a perfectly lawful action", said the GWU

Management in turn claimed yesterday that a "lot of intimidation" by strikers had taken place at the factories

He said while stoppages occurred at all plants, attendance at one had been "up to 40 per cent"

Corobrik management has offered to increase minimum wages from R1,17 an hour to R1,37 — an increase which the union argues will keep workers below the Minimum Living Level

The GWU has argued that the company increased its profits recently from R9-million to R29-million — figures which were "clear evidence of its ability to pay a living wage"

Strike at Corobrik

~~1502~~ ~~120~~ (193) B Day 21/5/85

By CLAIRE PICKARD-CAMBRIDGE

MORE than 1 500 Corobrik workers at five plants in the Western Cape and Natal came out on a legal strike yesterday, the biggest ever staged by the General Workers' Union

This follows eight weeks of negotiations between management and the union and resulted after deadlock was reached over pay increases at Conciliation Board meetings last week

David Lewis, GWU general secretary, said yesterday that management's offer to increase wages from R1,17c per hour to R1,37c would still leave workers below the Minimum Living Level and the strike was "evidence of their deep dissatisfaction"

He said the company's 220 % increase in profit from R9m to R29m over the 1983-84 financial year was clear evidence of its ability to pay a living wage

"We trust management will note the extent of dissatisfaction and will review its position We will be happy to re-open negotiations to arrive at a speedy settlement of the dispute," Lewis said

He said the union was also disturbed by management's having resorted to casual scab labour at the Western Cape plant He alleged the company was employing women to perform "extremely arduous work" and said its action would provoke workers who had used official procedures in going on strike

"We also protested to management at the extent of their intimidation of workers engaged in a perfectly legal action The use of scab labour and intimidation is under these circumstances particularly unacceptable"

ARGUS 22/5/85

Union puts new wage package to Corobrik

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Labour Reporter

TALKS between Corobrik management and the General Workers' Union continued today to seek resolution of the strike at five plants which started on Monday

The legal strike over wage demands has affected four Corobrik plants in the Western Cape and one in Maritzburg About 1 600 workers are affected

Mr David Lewis, general secretary of the union, said today the talks would be about fresh wage proposals from the union These were put to management in the Cape yesterday and will be put to management in Maritzburg today

FAILED

The strike began when a conciliation board set up to resolve the dispute failed

The managing director of Corobrik Western Cape, Mr Graham Bounds, has denied union allegations that the company is using scab labour during the strike

"What we have done is to effect several interdepartmental transfers from low to high priority services within the plants," said Mr Bounds

ENSURE JOBS

"This action should be welcomed, not criticised, by the union as it will ensure jobs for workers the moment the strike is over Should the kilns, for example, be shut off, production and jobs would cease for several weeks"

Mr Bounds said some women had been transferred between departments but denied they were being required to undertake tasks beyond their physical capabilities

CAPE TIMES 22/5/85 193

Demands altered in brick strike

Staff Reporter

OFFICIALS of the General Workers Union (GWU) yesterday presented revised pay demands to Corobrik management in the Western Cape and in Natal as the strike for wage increases at the company's five plants continued

The legal strike by 1 600 workers at four Cape plants and one in Natal started on Monday after a pay dispute deadlocked last week when a conciliation board set up to resolve the dispute failed to do so

A spokesman for the GWU said union officials who met management in both Cape Town and Martizburg yesterday would meet them again today to hear management's response to the revised demands

Mr Graham Bounds, managing director of the Cape plants, said stayaways continued at all plants yesterday but work "was continuing" at each of them

He declined to confirm that management was due to meet the union and said he did not wish to comment on the steps the company planned to take to end the strike

The GWU, which represents workers at the five plants, has accused management of hiring casual scab labour but management has denied this

Talks continue in bid to end brick dispute

NM 22/5/85

Labour Reporter

THERE has been no major disruption in the supply of bricks following the strike by about 700 workers at two Corobrik plants in Pietermaritzburg, Mr Ray Andrews, managing director of Corobrik in Natal, said yesterday

The strike in support of a 31 percent pay rise by more than 1 000 Corobrik workers in the Western Cape and Natal continued into its second day yesterday with still no settlement having been reached, in spite of further talks between shop stewards and officials of the General Workers' Union and the management

Mr Andrews said yesterday there was no change at the Corobrik and Corocrete plants in the Capital where production stopped on Monday

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Good faith

'The plant is basically not staffed, but essential services are being maintained by management Customers are calling to collect supplies,' he said

The strikers remained peacefully on the company premises, he said

Mr David Lewis, general secretary of the union, said yesterday that shop stewards and union officials met Corobrik management in the Western Cape yesterday and submitted revised wage demands Further talks would be held today

'The workers willingness to revise their demands is indicative of their good faith and desire to arrive at a negotiated settlement We hope that the management's response will be in similar spirit

'In Pietermaritzburg, the strike still has 100 percent support Shop stewards and union officials met management yesterday and a further meeting will be held today,' he added

Corobrik denies using scab labour

B. Day 22/5/85

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By CLAIRE PICKARD-CAMBRIDGE

COROBRIK Western Cape MD Graham Bounds has strongly denied using scab labour at the company's four strike-hit plants.

He said the slump in the building industry had reduced profits.

Bounds was responding to accusations by the General Workers' Union — which is staging a legal strike at the plants — that Corobrik was employing casual scab labour and women to perform "extremely arduous work".

Corobrik had not employed outsiders, but had made transfers within the company, Bounds said.

Some women had been transferred, he said, but denied they were given tasks beyond their physical capabilities.

Bounds said people were helping willingly to keep the plant operating, something the GWU should welcome because this would ensure jobs for workers when the strike was over.

He said union claims of management intimidation of strikers were untrue and alleged that strikers had intimidated workers to such an extent that one man had been admitted to hospital and threats had been directed at customers and transport contractors.

Bounds said reference by GWU general secretary David Lewis to the company's 220% increase in profit during the 1983-84 financial year was meaningless because the local building industry had slumped dramatically since then.

"I am unable to pre-empt the publication of our 1984-85 results but they will be substantially different to the previous year's performance."

He said production was continuing at every factory and that Corobrik Western Cape still had a 12-week supply of bricks.

Lewis claimed yesterday that the plants were practically at a standstill.

He said the union had submitted revised demands to Cape Town management yesterday and that it was prepared to negotiate.

He denied management's charge that strikers had been intimidating workers.

1 000 in legal strike

Sowetan 22/5/85

MORE than 1 000 Corobrick workers at five plants in the Western Cape and Natal yesterday entered their second day on a legal strike, in what has been seen as the biggest industrial action by the General Workers Union.

The strike comes eight weeks after negotiations between management and the union had deadlocked over wages.

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GWU's general secretary, Mr David Lewis, said management's offer to increase wages from R1,17c per hour to R1,37 was not satisfactory. It left workers' wages below the minimum living level.

He hoped that management will note the extent of their dissatisfaction and will review its position. The union was prepared to re-open negotiations to arrive at a speedy settlement of the dispute.

He claimed that management has resorted to employing scabs and intimidating workers who were on a legal strike. These practices were unacceptable to the union which was taking a serious view of them.

Corobrick management has confirmed the strike which has affected production in the Western Cape.

In another labour move, about 400 dismissed workers at Pilkington near Meyerton, returned home yesterday after they were promised their jobs back following a strike at the plant. The Building and Construction Workers Union intends holding an urgent meeting with management this week.

Meanwhile, Anglo American has begun re-employing about 14 000 miners dismissed from its Vaal Reefs gold mine last month after striking over claims and work practice dispute.

(193)

Gun drawn during Corobrik wage strike

ARGUS 23/5/85

Labour Reporter

STRIKERS and a Corobrik sub-contractor were involved in a confrontation in which a gun was drawn after a man was allegedly threatened with an axe

Four Corobrik plants in the Western Cape and one in Natal are affected by the strike over a wage dispute involving 1 600 workers

Mr David Lewis, general secretary of the General Workers' Union, said today that the union was concerned about the activities of certain sub-contractors at Corobrik plants

He said that in an incident this week a union member was threatened with a firearm by one of the sub-contractors The union would hold Corobrik responsible for "the consequences of this provocation"

"ACTING IN SELF-DEFENCE"

Mr Graham Bounds, managing director of Corobrik Western Cape, said the incident happened when the man was threatened with an axe by a striker

"As far as he was concerned he was acting purely in self-defence The man with the axe then went away," said Mr Bounds

Mr Lewis said the union had yesterday presented revised wage proposals for a R1,50 an hour minimum but management would not move from its offer of R1,37

Wage talks at the company's Maritzburg plant would continue today

GWU changes demands

REPRESENTATIVES of the General Workers Union (GWU) have revised pay demands to Corobrick management in the Western Cape and in Natal as the strike for wage increases at the company's five plants continued.

The legal strike by about 1 000 workers started on Monday after a pay dispute deadlocked last week when a conciliation board set up to resolve the dispute failed to do so

A spokesman for the GWU said union officials who met management in both Cape Town and Pietermaritzburg on Wednesday, met them again yesterday to hear management's response to the revised demands

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A statement from the union said the workers' willingness to revise their demand was indicative of their good faith and desire to arrive at a negotiated settlement of the dispute

Sowetan

"We hope management respond in a similar spirit," it said

Mr Graham Bounds, managing director of the Cape plants said stayaways continued at all plants yesterday but work was "continuing" at each of them

He declined to confirm management was due to meet the union and said he did not wish to comment on the steps the company planned to take to end the strike

The GWU, which represents workers at the five plants, has accused the company of hiring casual scab labour to keep the factories in operation but management has denied this

24/5/85

193

28/5/85

Brick workers trickle back

Labour Reporter

SOME Corobrik workers in Pietermaritzburg, who have been on strike since last week in support of their demand for a 31 percent increase in pay, started trickling back to work yesterday, Mr Ray Andrews, managing director of Corobrik in Natal, said yesterday

About 40 people reported for work yesterday morning and the number had increased to 61 later in the day But 680 workers were still out on strike, he said

Mr Msokoli Qotole, national organiser of the General Workers' Union, said the strike still had the majority support of workers 'Only the supervisors have gone back to work,' he said

The refusal by management to continue negotiating with the union went against assurances given by managment that it was prepared to negotiate a settlement, he said

The union met management on Friday and presented an amended wage demand which was substantially lower than the original demand of 31 percent 'But the company refused to talk to us,' he added

Mr Andrews said at the end of last week that management reaffirmed its final offer of a 17 percent pay increase They had also sent out notices to all employees at the two strike-hit plants that they would not be paid at the next pay day on Thursday unless they returned to work.

'We also undertook for those who returned to work by yesterday morning to make the increase back-dated to March 30 — which is equivalent to a week's pay.

2 000 down tools

Sowetan 28/5/85

MORE than 2 000 workers were yesterday reported to have downed tools at seven factories in the Transvaal, Natal and Cape over wages, dismissal of colleagues and working conditions

Trade unions, industrial relations consultants and labour lawyers have predicted more labour unrest in the country as the metal and mine industries have deadlocked with management for the same reasons

About 300 workers at Tedelex Electrical Company in Booysens, Johannesburg, went on strike yesterday after making pay demands and other working conditions

Tedelex's spokesman Mr Sydney Cowen confirmed the strike was over pay The company could not, because of the current economic climate, meet the workers' demands "We had a disastrous year last year and we cannot cope,' he said The company was negotiating with the workers' representatives

The workforce at Bret company in Benoni, recently sold to Dorbyl by Barlow Rand, yesterday downed tools and travelled in three buses to Barlow's headquarters in Sandton, where they presented their grievances

The workers' — members of the Metal and Allied Workers' Union (Mawu) — grievances include severance pay, pension fund, working conditions and other benefits The workers claim since the company was bought by Dorbyl, the situation has changed and they were not happy

Barlow's public affairs manager Mr R Chambers confirmed the incident He said the workers had presented their grievances and they were prepared to discuss them with the new management There were no "bad incidents" and the workers later left the scene in three buses

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More than 1 500 workers have stayed on strike at five plants of Corobrick in the Western Cape and Natal There have been several incidents of victimisation and intimidation reported at the plants, according to union sources

1 600 brick workers return as strike ends

~~145~~ ~~152~~ ~~355~~ 193 ~~355~~

NM 29/5/85

Labour Reporter

THE week-long strike over a wage dispute by more than 1 600 Corobrik workers in the Western Cape and Pietermaritzburg factories has ended following a decision by the strikers to return to work today

Production at the Corobrik factories has been severely disrupted since May 20 when workers at four Western Cape and the two Natal plants downed tools after rejecting a company offer of a 17 percent pay rise They demanded a 31 percent increase .

~~145~~

Mr David Lewis, general secretary of the General Workers' Union, said yesterday that the workers had decided reluctantly to return to work after it had become apparent that the management was not willing to negotiate in good faith

'It appears management wants to break the GWU strength in Corobrik factories and to replace it with the company union, established by management,' which is materially responsible for the low wage rate '

Mr Ray Andrews, managing director of Corobrik in Natal, said the dispute had been settled after the union had signed an agreement on the terms which management presented as a final offer after 'considerable negotiation through the normal channels'

The GWU was the only union involved in the negotiations, he said, adding that full production would be resumed today There was limited production yesterday

Original offer

According to a Sapa report, the managing director of Corobrik in the Western Cape, Mr Graham Bounds, said the situation was resolved at a meeting yesterday morning between the company's management and representatives of the GWU

He said the union had agreed to accept the company's original offer of R1,37 an hour as the minimum basic wage, which was a 17 percent increase, and a 14 percent increase on all other grades

Mr Bounds said the night-shift allowances had been increased from 5 percent to 10 percent on the basic wage

CAPE TIMES 29/5/85 193

Brickworkers to return to work

By MARTINE BARKER

ABOUT 1 600 Corobrik workers, who have been on strike in support of a demand for higher pay, have decided they will return to work this morning despite management's refusal to offer them an improved deal

In terms of an agreement signed by the management and the General Workers Union yesterday, Corobrik's lowest-paid workers will receive increases of 17 percent while all others will receive a 14 percent increase

The increases will bring minimum wages in the company to R1 37 an hour — a rate which the union has argued will keep workers below the Minimum Living Level

A GWU statement said the workers at the four Western Cape plants and at the Maritzburg plant had decided to end their strike "in order to defeat management's union-busting objective"

The union said it appeared that management wanted to break the union's strength in Corobrik to replace it with a union established by the management

Mr Graham Bounds, managing director of Corobrik in the Western Cape, denied that management had set up a rival union, and said it was prepared to deal with any union that had majority membership at its factories

FM 7/6/85

COROBRIK STRIKE

Heated aftermath 193

Although the legal strike over wages by 1 600 Corobrik employees is over, it has soured relationships between the company and the General Workers' Union (GWU) Workers returned to Corobrik's Maritzburg and four western Cape plants last week without any gains from their nine-day strike The company has implemented increases of between 14% and 17% which were on offer before the strike

GWU's Lewis ... "Corobrik is trying to drive us out."

According to GWU general secretary David Lewis, the events highlight the negative attitude of Corobik's holding company, Tongaat-Hulett, towards dealing with independent unions But his charge is denied by Corobrik The GWU's and management's accounts of the strike reveal a wide gap in perceptions

Lewis complains that the company refused to negotiate with his union during the strike Says Lewis "Corobrik told us that when the strike begins, the talking ends" He condemns this approach, arguing that the strike weapon is a legitimate factor in the collective bargaining process "During a strike, both sides lose — the company loses production and our members lose wages — and negotiations should continue"

The GWU argues that the company can pay more, pointing out that the latest audited accounts for Toncoro — the umbrella company for the different Corobrik regions — show profits have increased from R9m to R29m The GWU also claims that the company's main competitor in the western Cape recently granted 30% wage increases and that its absolute wages are higher than Corobrik's western Cape division, where the minimum wage goes up to R1,38/hour after the 17% increase

Toncoro MD Errol Rutherford disputes the GWU allegations, but says he is appreciative that the union complied with processes required by the recognition agreement and the law Rutherford agrees that the strike weapon is a legitimate part of the collective bargaining process "Management and union officials met frequently during the strike No ultimatums were given and no employees were fired But our companies were not prepared to increase their offer during these meetings because they considered their final offer was fair and reasonable in the circumstances," he adds

Rutherford says that growth in Toncoro has created greater employment opportunities and the acquisition of minority interests and new ventures has increased the profit base "Our payroll has increased from R29m in 1980 to over R100m now," he says

But Lewis is not mollified He believes that the company is trying to drive out the GWU "Tongaat-Hulett has established company unions in both its sugar and brick divisions — the National Union of Brick and Allied Workers (Nubaw) and the National Sugar and Refining and Allied Industries Employees' Union (NSRAIEU)," he says

Both unions were established in 1979, Nubaw by a former Corobrik personnel manager and NSRAIEU with the assistance of a R10 000 donation from Hulett This was before Tongaat and Hulett merged and before Corobrik's takeover by Tongaat-Hulett At the time, both Corobrik and Hulett strenuously denied that the two were "company unions" NSRAIEU is now affiliated to Inkatha and has extended its operations to other industries, while Nubaw continues to operate only at Corobrik

Again Rutherford disagrees "The allegations are not supported by the GWU's own experience with the company Corobrik companies have signed recognition agreements with the union for establishments in the western Cape and in Maritzburg and withdrawn recognition of unions which no longer have majority support And despite the strike action, Corobrik Natal is continuing to negotiate a recognition agreement for the company's Empangeni establishment with the GWU," he says

Lewis says the decision to return to work was taken to ensure that the union survives and continues to build its strength at Corobrik "It seems the company was prepared to weather short-term losses in order to rid itself of the GWU in future But this was our first wage negotiation with the company. We will be there in future and continue to fight for better wages and other needed improvements to working conditions," he says ■

Bulk cement price slashed by 24 percent

(193) NM 11/6/85

Property Editor

NATAL Portland Cement has slashed the price of bulk cement in Durban by 24 percent and bagged cement by 15 percent from today in a move that has rekindled the simmering price war after a brief lull

A statement by the company said a special discount of R20 a ton for bulk cement ex-factory has dropped the price to R63,40 It claims that in real terms, the price at R83,40 was lower than 25 years ago and the new price is said to be the lowest on record

Bagged cement is down by R13,40 to R76,40 a ton or R3,82 a pocket

In Pietermaritzburg, a pocket will now cost R4,41, a drop of 52 c Cuts have also been made in other centres

A spokesman for Cement Enterprises, (ACE), NPC's rival in the price war, had no comment

It was ACE's importation of Spanish cement last year that sparked a price-cutting fight for the Natal market

The move comes as something of a surprise as prices rose only in April when previous discounts, instigated because of the battle over prices, were withdrawn

Yesterday, Mr Mike Doyle, general manager of NPC, warned that the new special discounts were temporary and might be withdrawn at any time Customers have been advised not to enter into long-term contracts on the basis of the discounted price

He said the discounts will help maintain market share and safeguard the substantial investment and employment in the industry

'Sales of imported cement dropped substantially after the price rises in April and the importers have instituted price-cutting again,' he alleged

Argus 12/6/85

(193)

Union wants fired workers reinstated

Labour Reporter

THE General Workers' Union has applied to the Industrial Court for the temporary reinstatement of about 140 workers fired from African Spun Concrete after a two-week strike last month

A union spokesman said today papers had been filed with the registrar of the Industrial Court The union was waiting for a hearing date to be set.

The strike, which involved about 150 workers, began late in April when the GWU and the company failed to reach agreement on an effective date for payment of back wages

'Asbestos diseases killed 26'

By JOSHUA RABOROKO 193

A TOTAL of 26 workers have died of various diseases at Everite Limited — a major manufacturer of asbestos cement pipes and building products — 58 percent are asbestos-related deaths in the past 30 years.

In a report to The SOWETAN, the company says it has accepted a total of 103 cases of workers who are suspected to have contracted the "killer disease" at its three plants countrywide.

The report reveals that six people have died of asbestosis; nine of mosotholioma; three of lung cancer and eight of other diseases The company has ackownledged responsibility towards employees who contracted diseases while on duty

This report comes in the wake of an anti-asbestos campaign launched by the Black Allied Mining and Construction Workers' Union (Bamcwu) following claims that thousands of people may die of asbestos-related diseases in the mines, especially in the northern Transvaal region of Pongo.

At its anti-asbestos conference in Soweto recently, the union resolved to intensify its campaign until the asbestos mines are closed in the country, just like in other parts of the world

Referring to Everite's report, Bamcwu's president, Mr Letsatsi Mosala, said they were concerned about the rate of deaths caused by asbestos, although the company's rate seemed to be lower compared to the number of cases in the mines

"We have held meetings with Everite on the possibility of improving health and safety measures of their plants because many people may die as a result of asbestos-related diseases," he said.

The report says all employees who become disabled as a result of the disease continue to receive an income equal to their basic monthly salary, in addition to the money paid by the Workmen's Compensation

"By applying this policy and granting annual increments, the company ensures that the employee will be placed in the same financial position as if he had worked in his present position until the age of 65," the report says

This policy applies to all workers despite their race groups But, Mr Mosala said: "We are interested in seeing our people getting the same benefits as whites. There should be no disparity.

17/6/85 Sowetan

COMPANIES

193

Cement industry is facing a big mix

By PRISCILLA WHYTE

The cement industry is set for a shake up if the Competition Board forces producers to disband their cartel

The three listed cement companies — Pretoria Portland Cement (PPC), Anglo-Alpha (AA) and Blue Circle (BC) — are by far the major national producers To date shareholders have been assured of solid returns with cement-price increases a matter of a gentlemans's agreement among cartel members.

Leaders of the industry admit that market sharing is necessary for survival The recently published 1984 South African Cement Producers' Association annual review confirms their view, "the outcome of the investigation expected about mid-1985, is of vital importance to the cement producers".

Anglo Alpha MD Dave Baker says that there is currently a declared capacity utilisation in the industry of about 64% and there is no sign of an improvement in the construction industry this year.

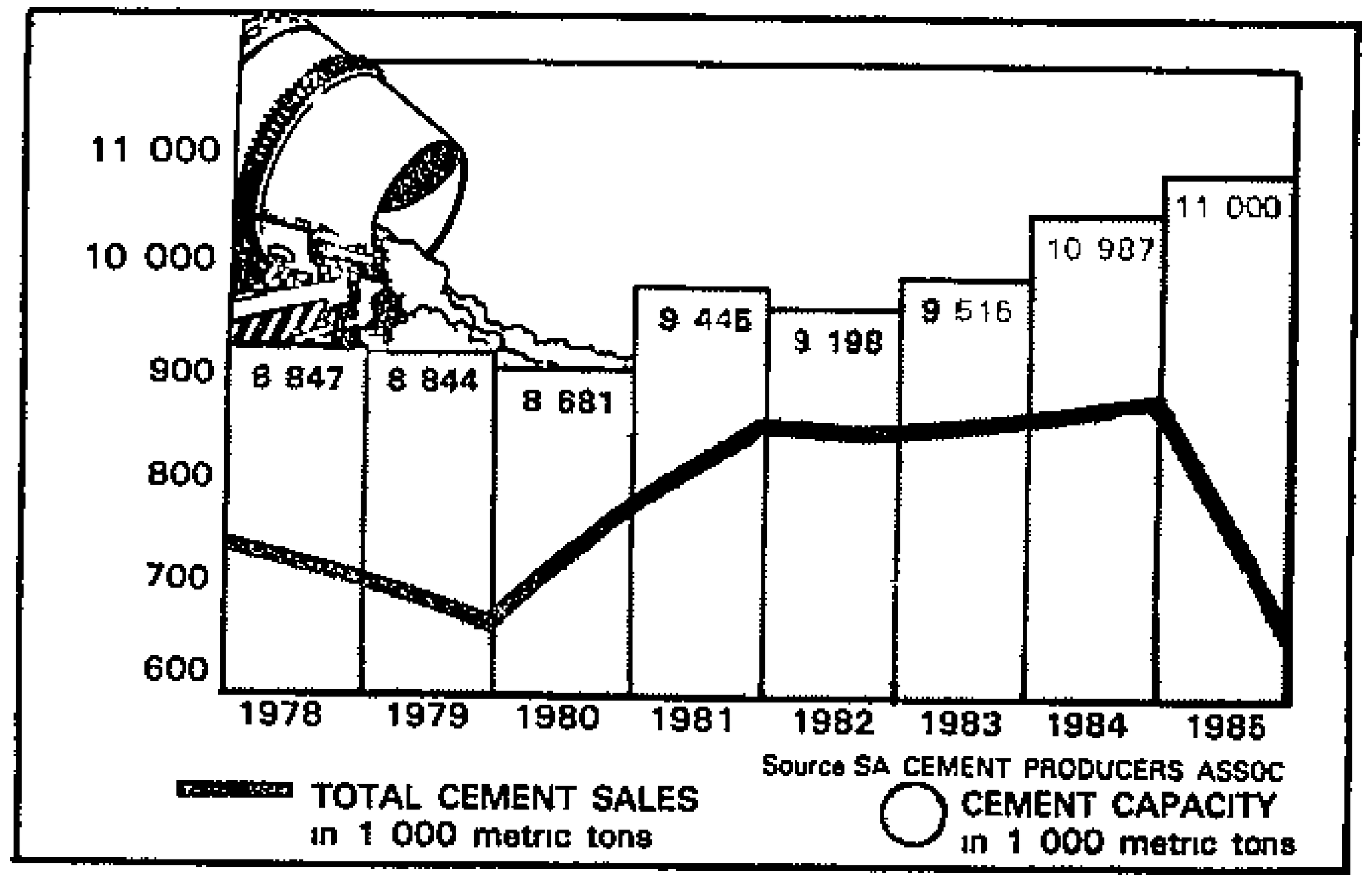
The association said that plant was running at 86% utilisation in 1984, but the cement giants fail to disclose individually their market share or capacity utilisation

"There is no other way the cement industry can maintain production costs other than by a cartel arrangement and, if the cartel is forced to disband, the ultimate consequence will be a substantial increase in the cost of cement," says Baker.

The Competition Board said that the outcome of the investigation into market sharing and price fixing will probably only be legislated towards the end of the year

About R1bn has been spent on establishing cement plants in recent years by the big three. Their profits are feeling the pinch of much higher interest charges on the cost of financing these new projects.

Cement sales are down 20% on last year's 8,4m tons offtake, confirms BC chairman Trevor Coulson.



The installed capacity of cement plant in SA is 11m tons, says the association.

An analysis of BC's 1984 income statement shows that more than half its profits of R33,7m were doled out in finance charges of R19,7m.

However, BC seems to be covering its shareholders in the long term by tying the knot with D&H.

Coulson says that BC will soon be marketing cement will contain a 15% fly- ash content, supplied by D&H Materials which has the sole contract for all fly ash from Escom.

In a recent deal D&H Materials became a wholly-owned subsidiary of BC and now Blue Circle PLC of the UK and D&H each have a 42% stake in BC.

Fly ash, a by-product from coal-fired power stations, is used as a cement extender and even a 90% fly-ash content has been successfully used for building dams in the US.

AA is investigating the use of cement extenders and is looking to use fly ash and slag — a granulated by-product from steelmaking. PPC is considering cement extenders.

JOHANNESBURG CBD

Anyone for Marshall Square?

Johannesburg council's Marshall Square site, in the city's prime financial area, is going out to tender again

The 3 000 m² city block, bounded by Main, Marshall, Sauer and MacLaren streets, was put out to tender as a result of a management committee decision in 1981 The requirement, at that stage, was that it be developed as an underground parking garage, with open space above The original lack of interest has prompted council to change the rules — but again private enterprise is unlikely to be tempted

Developers showed little interest the first time round because of the heavy costs of excavation and fairly soft parking rates Thus the few offers received were well below council's bottom line, and plans to redevelop were shelved

Last year, however, council decided to try again It asked chief director, technical services, John Mortimer to look at an office block, plus general parking of not less than 560 bays

Mortimer tells the *FM* there has been steady interest in the site over the years, and the council has received some offers

In an attempt to make the proposition more attractive, the management committee now proposes a floor area ratio (FAR) limit of 2,8, with a 40% coverage The height limitation has been set at seven floors

But council is continuing to demand an underground parking garage for 550 cars Additional bays needed by the developer for office tenants will have to be added to that

If council sticks to its guns on the parking element, however, it could well scuttle any redevelopment plans from the start

Any developer who built offices to full bulk would gain around 8 400 m² gross Even at the lowest parking ratio of 0,5 bays/100 m², that would mean providing at least 42 bays Added to the 550-bay council requirement, it would total nearly 600 bays

Allowing full site coverage underground, on the basis of 30 m²/bay (an industry average which includes access and ramps), it would require six levels of underground parking

The excavating cost alone would be prohibitive, points out Richard Ellis executive director Alastair Barclay

The alternative, of excavating three floors underground for only half the parking and going up for the balance, would also present a problem, he points out

Because any building above ground would be allowed only a 40% coverage, and with 9 000 m² required for the balance of the parking (for 300 cars), the entire seven permitted floors (and more) would be necessary for parking alone

So it seems council is going to have to rethink yet again if it wants to attract development Just one current problem is that parking rates are softening

Mortimer, however, points out that parking is at a premium in this area There is plenty of open parking to the west of the site, he says, but little, if any, under cover

Anyway, with general redevelopment in the area, he believes that open parking in the area may eventually disappear

Developers, however, are unlikely to be prepared to hang around that long ■

FM 5/7/85

BUILDING METHODS 193

Dropping bricks?

Hit by a 30% drop in sales since its halcyon days of 5 billion claybricks/year, the industry is gearing up to win back business on two fronts

First, it is planning to maximise the benefits of any turnaround in the economy and, second, it is preparing to fend off a growing threat from manufacturers of alternative building materials

The new national building regulations, due to be implemented in September, will do much to assist the opposition, including concrete blocks and timber

The SA Lumber Millers' Association (Salma) is extensively advertising the advantages of timber-framed homes And the Concrete Masonry Association is doing the same by creating a product showcase for architects

Brickmakers, meanwhile, are playing it cool But they can, and will, fight back to regain what has been lost, says Brick Development Association of SA executive director Brian Moorehead

To some extent the brick industry created its own problems by failing to satisfy demand during the last boom This left the door open to competitors, particularly concrete

Now, however, about 40% of the industry's capacity is unused Its total stockpile is "unsampled," says Moorehead, but he doesn't see the surfeit lasting more than two months when demand hots up

The weapons it intends to use in its fightback campaign are improved quality and service rather than price

"Everyone," Moorehead says, "is trying to gain market share from the brick industry on price"

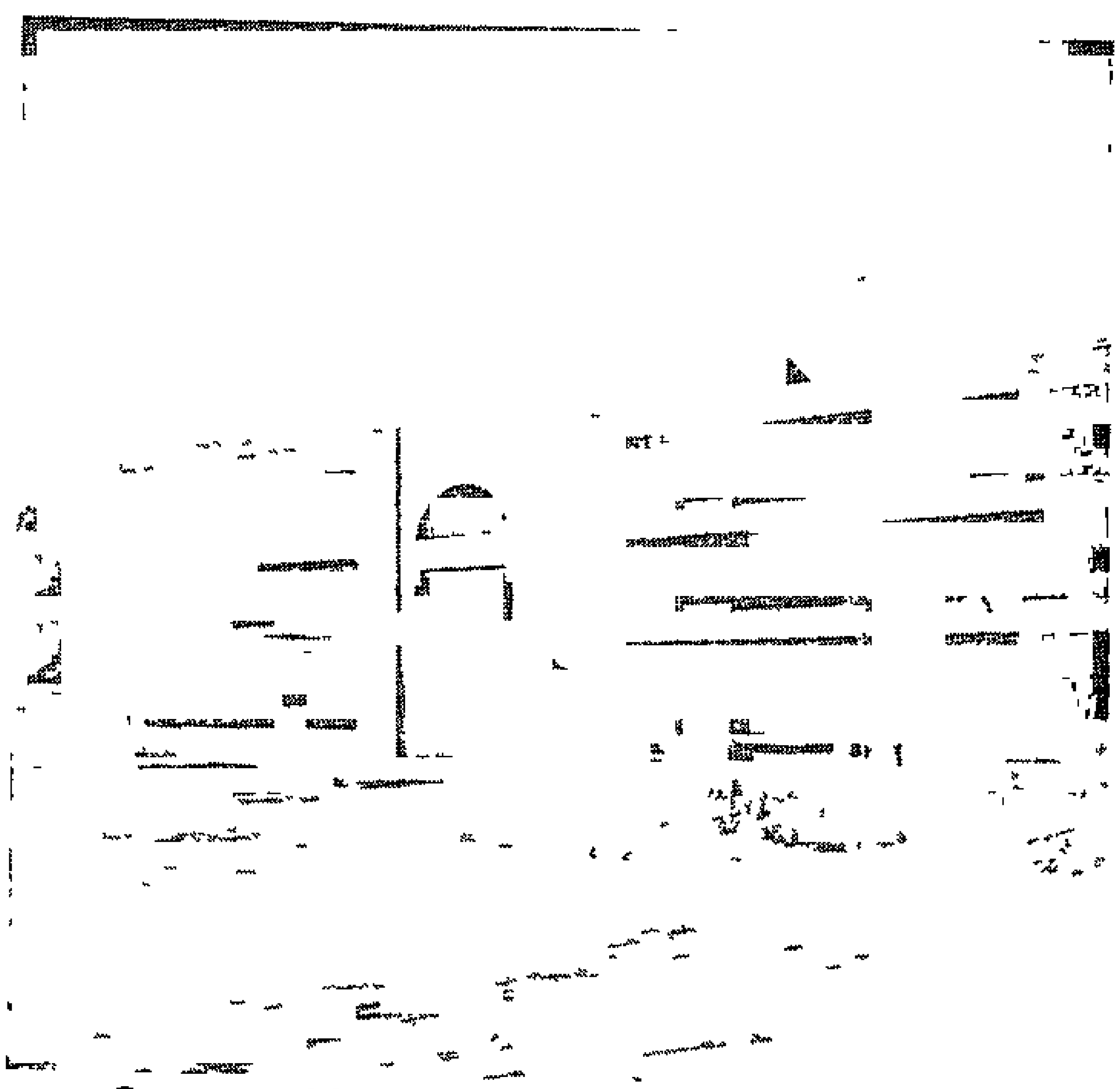
Although alternative building methods have the major market share abroad, Moorehead believes that, in SA, bricks will remain top of the pile "They are a traditional building material with a proven history that goes back thousands of years," he notes

Moorehead speaks for about 100 members who account for about 90% of the industry's sales by volume For him concrete blocks are "a second choice" and he says claims that timber-frame construction is cheaper are open to question

However, Salma executive director David Eloff says his association is not trying to knock any building method All the claybrick industry is trying to do, he claims, is protect its position

Timbermen, he says, are claiming only that there are advantages in the method of building And the message is getting through fast

"It's no longer a developing industry," asserts Eloff "Two years ago there were probably less than 10 timber-frame builders, today their names and addresses fill four or five foolscap pages



Concrete block . . . rising to new heights

Toncoro factories to retrench 350 workers

193 NM 13/7/85

Finance Editor

THREE hundred and fifty workers in Durban's Toncoro building material factories will be retrenched next week, executive chairman, Mr Cedric Savage said yesterday

'We have already had to lay off 3 000 workers and by the end, it could be 4 000,' he said

The cuts were due to the slump in the building industry, which Mr Savage said, had reached a 'depression' Sales of Toncoro products had fallen 35 percent in the past year

Asked whether the trade unions would accept pay cuts rather than unemployment Mr Savage said it was doubtful, especially in regard to their high demands at past wage negotiations

Competition

Yesterday Mr Chris Saunders, the chairman of Toncoro's parent company the Tongaat-Hulett conglomerate, said 'There will have to be further retrenchments at all levels in certain divisions'

He said demand for the goods they produced had been reduced and there was greater price competition in the depressed economic situation

A spokesman said that the retrenchments would be in those companies which were not doing well

Dealing with each division of the group, Mr Saunders said building material sales were 35 percent down on a year ago, and it may be necessary to 'further reduce production'

Food

Food trading remained difficult but performance should be improved

Aluminum had a satisfactory first quarter but was seeing a 'rapid fall-off in demand'

Textiles were unlikely to improve on last year's poor performance

Starch and sweeteners were expected to have earnings similar to last year

Engineering was feeling the effects of low profit margins while electronics and transport were performing satisfactorily

Welcome rains had fallen for sugar and the industry would again exceed output of two million tons

The world sugar price remained depressed There was little indication that the chronic overproduction would be alleviated or that an effective international agreement formulated in the short term

While the fall in short-term interest rates would help the group and further decreases were expected over the remainder of the year, 'the effect of the current economic situation on our markets and price margins made it impossible to predict with any certainty group earnings for the year'

Mr Saunders said they were expected to be lower than last year — 60,3 cents last year against 118,5 cents in the previous year

Mr Saunders hinted at difficulties in continuing their social programmes if profits were reduced

He said that while business could be innovative and explore new options it was limited in what it could do 'in terms of profitability'

'If a company fails or closes an operation because it becomes unprofitable, then all its contributions to society — as an employer, taxpayer and as a corporate citizen — are lost.'

Mr Saunders warned that many companies were not able to recommend to shareholders the re-investment of profits in the business to maintain its capital

Capital

This occurred partly because not enough after-tax profits were being generated and because the cost of capital was so high that 'one cannot earn adequate returns on the investment opportunities to justify it'

High real interest rates would prove equally destructive to the social responsibility of business

'Whether inflation can be brought under control without serious economic consequences and a dramatic change in our political philosophy is a dilemma which the authorities must now consider very seriously'

He called on the Government to give urgent attention to the removal of 'major obstacles' such as influx control and the Group Areas Act to 'permit the full participation of all in the free enterprise system'

Mr Saunders said the problems within our country were 'of our own making and must be solved by our own courage and determination to work together'

Cape Times 13/7/85

350 to lose jobs in Natal

Own Correspondent

DURBAN — Three hundred and fifty workers in Durban's Toncoro building material factories will be retrenched next week, executive chairman, Mr Cedric Savage said yesterday

"We have already had to lay off 3 000 workers and by the end it could be 4 000," he said

The cuts were due to the slump in the building industry, which Mr Savage said, had reached a "depression" Sales of Toncoro products had fallen 35 percent in the past year

Asked whether the trade unions would accept pay cuts rather than unemployment Mr Savage said it was doubtful especially regarding their high demands at past wage negotiations

Yesterday Mr Chris Saunders, the chairman of the parent company, the Tongaat-Hulett conglomerate, said there would have to be retrenchments at all levels in certain divisions

360 workers laid off as brick plant shuts

NM 16/7/85

Labour Reporter

MORE than 360 workers at one of Durban's oldest brick factories were paid off when Corobrik's Red Hill plant was mothballed yesterday because of the decline in demand for bricks

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The plant, which was first commissioned in 1897, was shut down during the 1977 recession but was started up again when the building industry boomed in the early 1980s

A Corobrik spokesman said 307 factory workers and 54 transport employees were paid off A skeleton staff would look after the plant which would be reeommissioned when necessary

When the Mercury visited the plant yesterday morning, it was almost deserted, with small groups of laid off workers milling around pondering their futures

The large overhead cranes used for hauling bricks from various parts of the factory to a central dispatching depot were lying idle for the first time

Most of the workers cleared their belongings from the hostel and were returned to the home lands by bus on Friday n/a — not available n c — not comparable n p — no api d

Hard times for cement cartel

(93) S-Times 28/7/85

By Kerry Clarke

SOUTH Africa's cement producers are using only 60% of their capacity and are unlikely to increase output before the end of next year

Berry Pavey, general manager of Cement Distributors of South Africa, the central selling organisation for SA's Big Three cement producers, Pretoria Portland Cement (PPC), Anglo-Alpha and Blue Circle, says the industry has an annual capacity of 11-million tons and will sell only 6,5-million tons this year

Sales are down by 16,3% this year, and there will be no increase for at least another 12 months, possibly longer

Profits fall

The poor state of the industry is shown in the interim results of two of the Big Three producers

Pretoria Portland Cement (PPC) and Blue Circle both suffered considerable profit declines for the six months to May and June respectively Anglo-Alpha's results for the six months to June are due soon, and will probably follow the pattern

PPC's pre-tax profit fell by 18%, and Blue Circle, the company in which Darling & Hodgson took a controlling interest only a month ago, suffered a pre-tax profit decline of 53%

However, the decline in the cement market might not hit Anglo-Alpha as hard as the other two Although cement is its main business, it makes up a smaller part of turnover and income than is the case with Blue Circle and PPC

Competition

In 1984, cement comprised 57% of Blue Circle's turnover and 84% of income before finance charges and tax PPC sourced 71% of its turnover and 64% of income before interest and tax from cement

Anglo-Alpha depends on cement for 49,5% of turnover, and 59,8% of income after tax and before finance costs

Competition Board investigations into the Big Three's market-sharing and price cartel could affect profitability if the board acts against it.

Such a move would undoubtedly result in higher costs for the Big Three, and would lead to price competition

They save large sums in transport costs as customers place orders through the CDSA, which routes them to the nearest Big Three factory Without this system, each company would have to transport cement long distances to reach customers

Imports

All three have also been hit by competition facing their joint interest, Natal Portland Cement. Mr Pavey says profitability of the controlling companies has been affected

Competition from imports cement has kept the cement price in Durban down to R70 a ton compared with R84,80 on the Reef

Blue Circle says this is one of the main reasons for the uncertain outlook in the current year

All three companies are also bearing the cost of considerable expansion programmes undertaken in the past few years

They all have extra capacity planned or recently commissioned, and begun long before the recession started.

Mr Pavey says "Three years ago people were anticipating a boom and said the cement industry was not prepared fo it. We felt a lot of pressure to expand and now the plans we made then are coming on stream at a bad time

Boom bust

"We believe we now have enough excess capacity to take us well into the 1990s"

PPC's R300-million Dwaalboom cement plant near Thabazimbi should be commissioned early next year Construction began in March 1983

Blue Circle has completed a five-year, R160-million project to increase capacity at its Lichtenburg plant, and Anglo-Alpha's R250-million Ulco cement factory was opened last December

PPC and Blue Circle both express pessimism about the current six months, PPC predicting a continuing decline in volumes and both companies forecasting poorer results compared with 1984

Dividends

It remains to be seen if Anglo-Alpha can live up to annual report predictions of achieving 1985 earnings "comparable with 1984" and dividends "in line with inflation"

In its previous six month earnings a share were 46c and the dividend was 22c Dividend cover was 2,1

PPC maintained its dividend for the six months to March at 14c, but cover dropped from 5,5 to 4,3 Blue Circle also maintained its payment for the six months to June at 11c, and cover fell from 2,3 to 1,9

Cement war ends as importers pull out

(193) Mercury 1/8/85

Property Editor

NATAL'S bitter cement war, which is thought to have cost an estimated R50 million, is over, and the surviving producer, Natal Portland Cement, made it clear yesterday that although discounts would continue until September 20, pre-discount prices would be quickly reinstated

A brief announcement yesterday by Mr Steinar Danielsen, managing director of Cement Enterprises in Durban, said its operations would shut down when the ship, Sun Rokko, had completed its discharge of cement in Durban, around the middle of August

Mr Danielsen said 'The present economic climate no longer justifies our operation which started one year ago

Unloaded

'Discussions have been held with Natal Portland Cement, which will ensure the continuity of cement supply once the discharge has been completed

'While we regret having come to this decision, we would like to thank our customers and friends for the support we have enjoyed during the period we have operated,' said Mr Danielsen's statement

During the past 12 months 200 000 tons of Spanish and Japanese cement — 2 percent of the annual national market — had been unloaded in South Africa in six shiploads

Staff would be retrenched but he declined to say how many would be affected, although it is es-

★ TURN TO PAGE 2

Cement war over

(193) 1/8/85 Mercury

★ FROM PAGE 1

timated that fewer than 100 would be involved

Mr Mike Doyle, general manager of NPC, promised that cement price discounts of R30 a ton introduced by the company in June, would continue until September 20

They had been introduced for a three-month period and customers had been cautioned against basing tender prices on the discounted price

Increases

Local producers and importers had sold cement for a year at levels well below basic input costs but there would be an early return to previous prices

'We will not attempt to recover our losses through price increases and the basic price, which has remained unchanged for three years will not increase this year,' he said

'We were able to stand up to the imports on both price and quality without changing our policy of investment in plant and people

'But the real reason for our success is the extreme loyalty of NPC customers which severely restricted the market share of the imports'

Of the estimated R50 million lost by parties involved, R18 million was of benefit to Natal-buyers through reduced prices

The balance was incurred in increased costs

PPC could mothball huge new cement plant

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STAR 9/8/85

CAPE TOWN — PPC (Pretoria Portland Cement) is considering the mothballing of its new 600 000 ton per annum cement factory under construction at Dwaalboom in the Northern Transvaal.

MD Mr Guy Luyt said that "because of the economic situation which has resulted in a drastic drop in cement demand, it is unlikely that the new capacity will be required before 1987 according to current projections."

Although the plant is, in line with normal policy, being commissioned in stages as sections are completed, the factory is due to come into full production only in 1986.

OPERATING STAFF

Although the carrying cost of non-operating plant will be high, this is a far less costly alternative than shutting down an already operational factory. The factory at Dwaalboom has not yet been fully staffed and arrangements regarding existing staff are in hand

"It is likely that we will be in a position to accommodate all the operating staff currently employed at Dwaalboom."

The cost of the Dwaalboom plant was well within the budget of R300 million, he said.

Very keen tender prices were obtained. In the longer term, PPC will be in a very favourable position with no major capex requirements over the next few years, while having sufficient capacity to cope with demand increases for a considerable period ahead. — Sapa.

beweging leader Eugene Terre'Blanche recently told the *FM* his vision is to reinstate the Boer republics of Transvaal and the Free State, while he is happy "if P W Botha and the coloureds in the Cape and the English, the Indians and the Zulus in Natal work out something they are prepared to live with."

In Natal itself, with the possible exception of parts of northern Natal, the idea of joint administration is likely to be supported by many Afrikaners The Afrikaanse Handelsinstituut, for instance, has expressed itself against independence of KwaZulu and for closer co-operation between the KwaZulu and Natal administrations

Surveys done in 1981 for the Buthelezi Commission indicated wide support among whites, coloureds and Indians for the commission's proposals Schlemmer, who was in charge of these surveys, says this support has increased significantly, especially since the white referendum and the implementation of the new constitution

Says Natal University vice-principal and Buthelezi Commission chairman Professor Deneys Schreiner "The urgency of the SA situation requires bold action by our politicians The public of Natal, of all race groups, cannot afford the passive acceptance by our present politicians of the subjection of local variation to a central policy totally unsuited to this area "

Indeed There will not easily be another chance like this to start the slow process of normalising SA society All that is needed is courage and a leap of faith by government Natal is waiting ■

VOX POPULI

"The Natal/KwaZulu Option" is the talk of Natal Seminars on the topic are being held, local newspapers write about it regularly, it is widely discussed by organised commerce and industry — and even the man on the street is talking about it This is what some Natalians say

☐ **Richard Castle,** chairman of the Pinetown branch of the National Party and prominent Durban stockbroker "The ordinary white in Natal will support it if he knows that the new government is not going to turn Greyville into a soccer stadium He does not want the old colonial lifestyle of Natal to be changed I will support it if law and order is underwritten by the central government and if the new administrator swears his loyalty to the SA State President "

☐ **Grant McCallum,** a Pietermaritzburg accounts clerk "If this is going to keep the kind of black violence we have seen on TV away from Natal, why not? Buthelezi seems to be a moderate and responsible leader I can follow him "

☐ **Tony Ardington,** chairman of the SA Cane Growers' Association "We in Natal still have a strong black leadership who can give credibility to new initiatives and who have the strength to look at political possibilities rather than totally uncompromising policies I believe this to be our single greatest political asset I believe we must act quickly to ensure the opportunity and the asset are not lost."

☐ **A young Durban architect:** "The atmosphere in Natal is far more laid-back than elsewhere in SA I grew up with the Zulus and I respect them as a nation I have no problem with Chief Buthelezi being my provincial leader It is in our mutual interest that we have peace and stability in Natal and that standards are not lowered "

(193) FM 9/8/85

PLATE GLASS

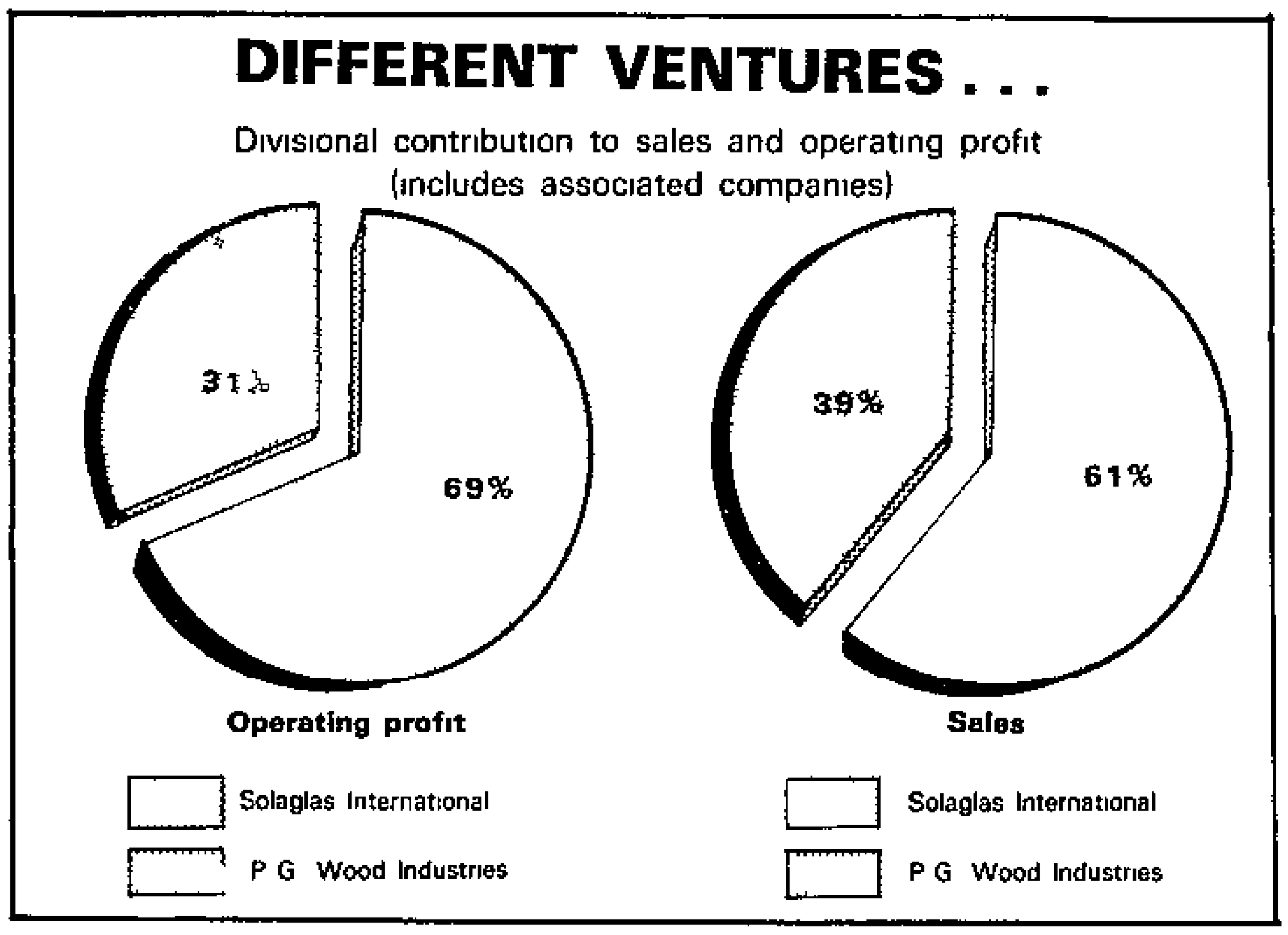
Global challenger

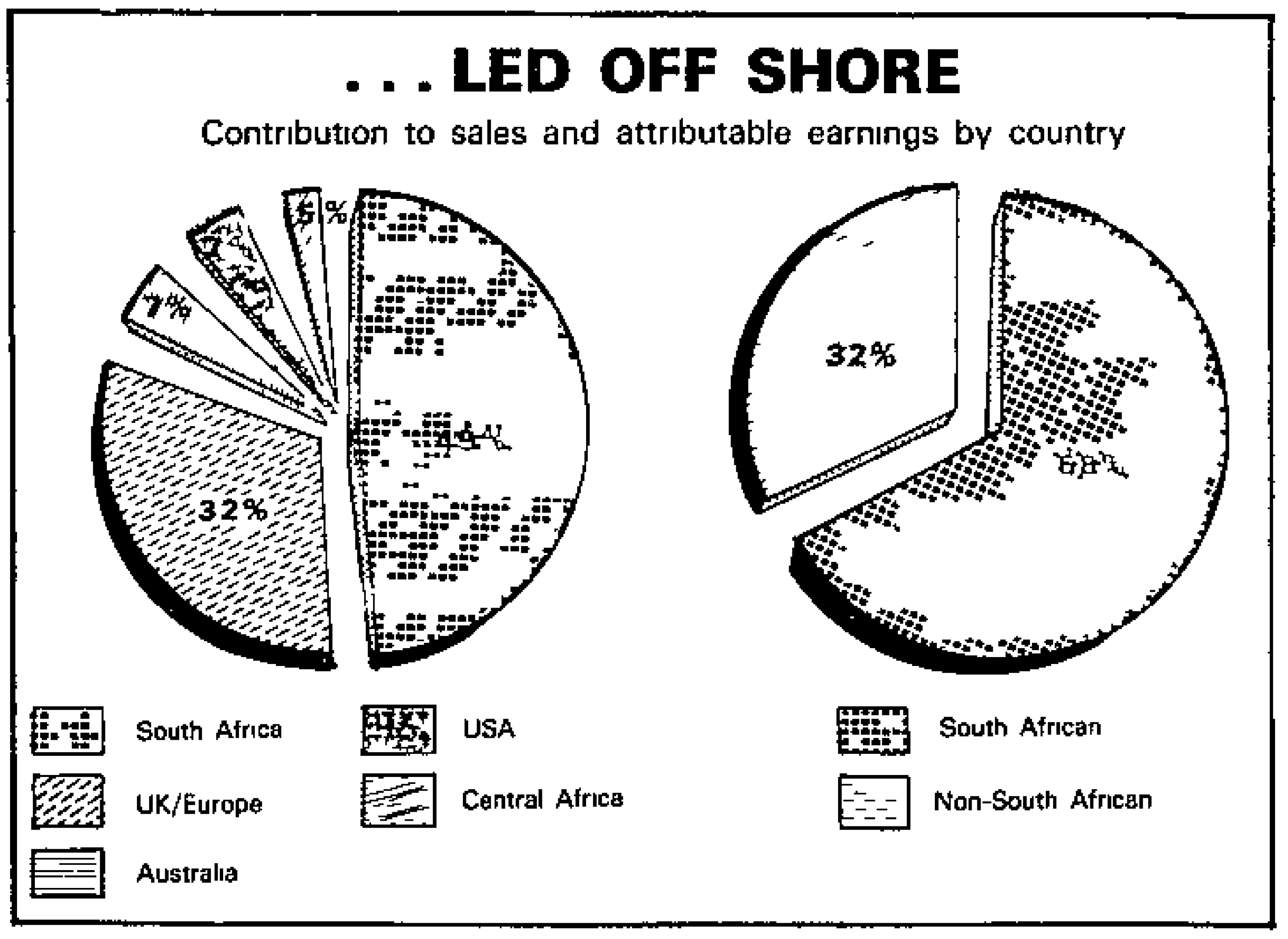
It's more than timber and glass now — the multinational operations of Plate Glass have reflected burgeoning growth in turnover, profits and share rating. Yet it's very much a tale of two brothers.

Plate Glass's joint executive chairman Bertie Lubner is regarded as a more conservative man than his brother Ronnie, with whom he shares the chairmanship of Plate Glass (PG) But there is no doubt that the brothers' complementary skills have expanded PG from a local family-run timber and glass business into SA's biggest industrial multinational

The market is impressed and has rerated upwards PG's share and that of its holding company, Placor, which is jointly controlled by the Lubner family and Liberty Life PG has risen from a R12,35 low in late-January to a R23,25 high in July and Placor from 500c to 800c These rises occurred on thin volumes — barely 2% of PG's total share capital was traded and both shares are tightly held. But PG is considered soundly run, holds dominant shares of its markets, has attractive international exposure and promises solid and sustained longer-term earnings growth

"Ronnie and I don't run the business," says Bertie, "we motivate it We are getting a better market share because our people are motivated There is a confidence in our executives, there's depth of management We employ top-rate people with leadership qualities We agree on philosophy, but the man-





companies' high gearing, as SA exchange controls have limited the export of adequate equity to fund these operations The rand's depreciation has also magnified the interest bill in rand terms

At home, the need to finance a longer-term debtors' book in recessionary times, and higher stockholding costs (owing to the weak rand and inflation), have further raised borrowings Lower interest rates will reduce the interest bill, although progress will be slow, but Lubner stresses that PG's low 0,38 debt equity ratio (0,33 in 1984) places group borrowings within a comfortable margin

Returns on capital

Of longer-term importance is the likelihood of reduced returns on capital employed compared with historic levels Returns before interest and tax on capital employed fell from 28,8% in 1982 to 18,7% in 1985 Much of this decline is, of course, the result of the recession, but Lubner indicates that the previous group target of a 25% return before interest and tax on capital employed may have to be revised

This would largely be the result of lower returns earned on non-SA investments Despite the economic upswing overseas, these last year contributed 51% of turnover but only 32% of attributable profit — and that at a time of a weak rand and SA economic recession Lubner argues that SA historically offered higher returns owing to its higher inflation rate and the group's entrenched position, while in the highly competitive but politically stable markets of the US, UK and Australia, a 25% return is impossible

"A strategy of quality and security of earnings," he says, "means lower returns, but we know what we are going to earn The more we go overseas, the more our return on gross assets is going to come down "

Yet overseas earnings certainly bolstered income in the year to end-March, and contributed to results which were better than the market expected Lubner says PG benefited also from the lag situation, in that most timber and glass sales come at the end-stage of construction which was not badly hit in 1984, as construction contracts awarded in earlier years were not yet complete

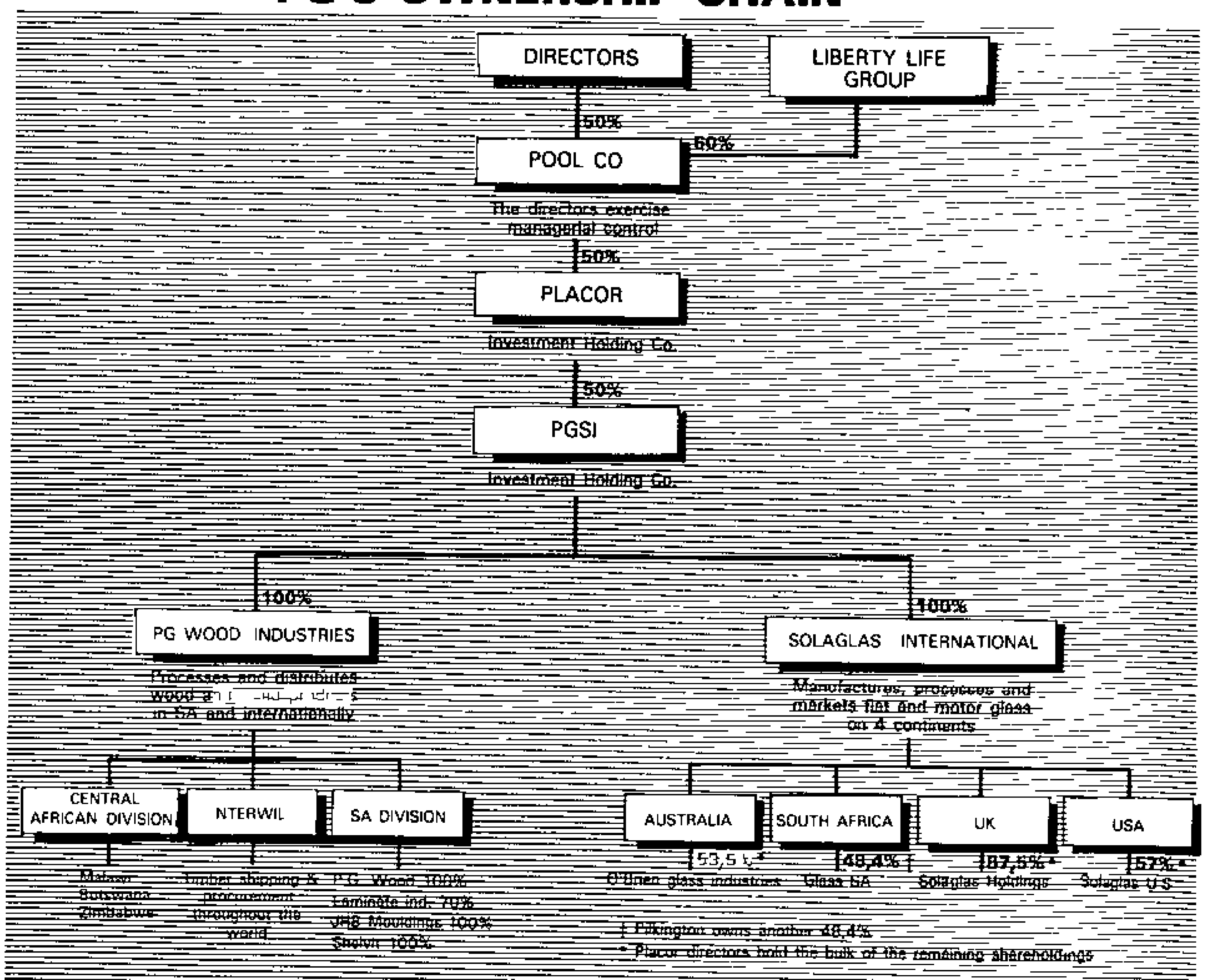
Earnings in the year to end-March 1986 will look a lot more grim and trading conditions will severely test managerial skill In SA, the sharp slide in demand for wood and glass, in PG's main furniture, motor and construction markets has placed margins under severe pressure Abroad, there are signs that the US economy is slowing down and Solaglas's foreign profit in absolute terms may not be as strong as last year

On the wood side, Interwil's margins are being squeezed as falling timber prices and the dollar's volatility have caused customer destocking, delayed purchases, and the need for write-downs to reflect the lower value of timber stocks (These are priced in dollars and Interwil makes its best profits when world timber prices are rising) The Central African division is recovering but Lubner does not expect increased profits this year

SA exports will provide compensation and Lubner forecasts that wood product exports could rise from R3m to R10m this year and glass exports from R18m to R40m However, shareholders would do well to brace themselves for an earnings slide

The dividend looks safer as PG's policy is to maintain consistent dividends and cover remains at a fairly comfortable 1,9 times Last year's unexpected rise in the total dividend from 100c to 105c, despite lower earnings a share, was in line with the aim to show at least some dividend improvement The dividend had shown minimal growth compared with 1982, and, unless earnings fall too drastically, this year's dividend should be held

PG'S OWNERSHIP CHAIN



Brother Ronnie ... complementary skills

Challenges of growth

Longer-term, the group faces the challenge of avoiding asset growth which outstrips a commensurate rise in profit But overseas-sourced profit will continue to grow and Lubner believes the UK offers exceptionally good prospects as heavy start-up costs are absorbed and Solaglas captures market share Growth in the US will have to come from new activities outside of motor replacement glass and PG recently took over a flat glass trading company in Texas Australia remains very cyclical

As for SA, Lubner sees tremendous profit potential once economic recovery comes "We can absorb another 30% of turnover and the fixed cost element would hardly change," he says "We could produce 15% on SA sales, far higher than any profit increase overseas, compared with a present 8% " Listings of either of the two operating divisions, or of some of the overseas companies, are possible, though not in the immediate future

Since mid-July, the PG and Placor shares have retreated as the market declined, Placor falling by a relatively sharp 20% PG's share now stands at R20, which yields 5,3% on dividend compared with the industrial holding sector average of 5,6% After the recent price surge, the shares would appear to represent more long-term value Placor, by virtue of its higher dividend yield, is perhaps marginally more attractive But there is no doubting their potential The problem with buying these stocks is that they are difficult to get

Christopher Marchand

COMPANIES (194) 12/8/85

BS Day

Disputes hit BTR hard

LIZ ROUSE

BTR SA's interim earnings were hammered by labour disputes Profits could continue to be affected in the second half

Chairman and MD Peter Fatharly says in the interim report that, while BTR welcomes constructive participation of unions, "it cannot accept disruptive, destructive and political actions which are totally incompatible with the successful running of a commercial operation"

Earnings slumped by 47,4% to 15c in the six months to June from 28,5c in the 1984 half-year The interim dividend has been cut to 12c from 19c Cover has been reduced to 1,25 from 1,5

The Sarmcol strike, sit-downs and go-slows resulted in a sales loss of R9,69m, reducing interim sales to R45,8 from R61,9m in the 1984 half-year

Attributable profits were reduced by R2,93m, resulting in a slump to R2,27m from R4,3m In addition, realised losses at Sarmcol and other costs make up extraordinary losses of R1,1m

However, BTR's liquidity improved Total borrowings were reduced to R16,46m, from R19,63 at the end of December, and the ratio of borrowings to shareholders' funds improved to 35% from 42%

Terms and conditions of the BTR SA-/Dunlop SA merger will be announced at the end of this month The merger will create a powerful group and BTR shares, currently trading at 460c, should be viewed in this light

Gencor's construction arm keeps out of the red

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STAR 15/8/85

By Peter Farley

Gencor-controlled construction companies Darling & Hodgson and Group Five hung on to profitability in the six months to end June, but both passed their interim dividends

In fact, had it not been for substantial tax benefits, both companies would have ended up heavily in the red

Although turnover levels remained pretty constant — in real terms, however, business was about 20 percent down — operating profit slumped heavily from the corresponding period last year

This time last year operating margins in D & H were a paltry 7,3 percent, but have subsequently fallen to a slim 4,3 percent

The prospects for the rest of the year are hardly exciting, with management expecting the position in Group Five, particularly, to deteriorate as margins shrink further

D & H looks slightly better placed, with an improvement in the road building industry expected to help the bottom line In addition, the group's coal interests, which have already done much better, are forecast to show even healthier returns in the second six months

D & H's net income slid to 6c a share from 45c in last year's first half, while that of Group Five dropped to 7,1c from 34,5c

During the period under review there were significant changes in the composition of D & H, with its stake in Blue Circle increased to 42 percent, 55 percent of its materials division sold to Blue Circle and the sale of its 50 percent shareholding in Pearce Shipping

The loss on the sale of this latter asset cost D & H almost $10 million, but this is considered satisfactory in light of possible future losses on the shipping side

Gearing in Group Five remains under control at about 30 percent, but in D & H the small rise in long term liabilities to R130 million and the fall in shareholders' funds to R147 million puts the gearing ratio at almost 90 percent

Finance charges in D & H did not, however, rise substantially But at R14,3 million they slightly exceeded the operating profit generated in the first half

Neither company is too comfortable at the moment, but when business activity does pick up both should be well placed, particularly D & H, to take advantage of the increased workload

D & H's share price closed yesterday at 730c, while Group Five stood at 240c

Both have eased back in recent weeks, from respective July peaks of 810c and 350c There may be slightly more downside potential, but it is likely to be on the back of pretty thin trading and a lack of buying interest — rather than any mad rush to sell the shares

FM 16/8/85

CEMENT INDUSTRY 193

Plastering cracks

The plan to mothball the newly-built R300m Pretoria Portland Cement (PPC) Dwaalboom plant in the northern Transvaal says it all — SA's cement industry is over a barrel until the economy picks up

The move also suggests that cement producers will think twice before again plunging headlong into rapid expansion on the scale of the last five years During this time more than R840m was ploughed into new facilities

The building industry, of course, is especially susceptible to economic leads and lags, but with the recent increase in capacity any danger of bottlenecking in the near future looks remote.

"Because PPC is currently operating at only 65% of capacity we opted to mothball Dwaalboom rather than close existing facilities," explains commercial director Charles Holman

One source of comfort is that Anglo Alpha's Ulco plant and Blue Circle's Lichtenburg wet kiln replacement also came on stream as the recession deepened The final decision to put Dwaalboom on hold for two years will be taken by PPC directors in September But this is widely seen as a formality.

And now, at this critical time, the Cement Distributors of SA (CDSA) — the industry's central selling organisation — is set to review its long-term pricing policy.

Already there is speculation that the cartel's sluggish performance could cause cracks in the market-sharing agreement Effectively this prevents pirating sales from other producers

And since the Competition Board (CB) will be keeping a keen eye on new price moves, the triumverate is unlikely to call attention to itself by disagreeing on the level of next year's increases

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At this stage the scope for a major hike is limited anyway, and will remain so until the building and construction sectors recover

The fact that cement sales on the Reef in the first six months of this year are 19% lower than last year's first-half is telling. Future demand, however, still looks promising Population growth, increased black housing, and infrastructure development are seen as healthy indicators for the longer term, although overseas markets appear to have reached a virtual plateau

But in the interim the volume-sensitive industry will continue to buckle under high fixed costs and the penalties of having planned for a rise in demand which still looks a long way off

There will thus be difficulty in reaching a price level which will allow producers the 15% return on capital allowed by the price controller To reach this level of return, it is said that prices would have to rise 20% next year This would add R12,49/t to the cement price — which the industry majors agree is unobtainable

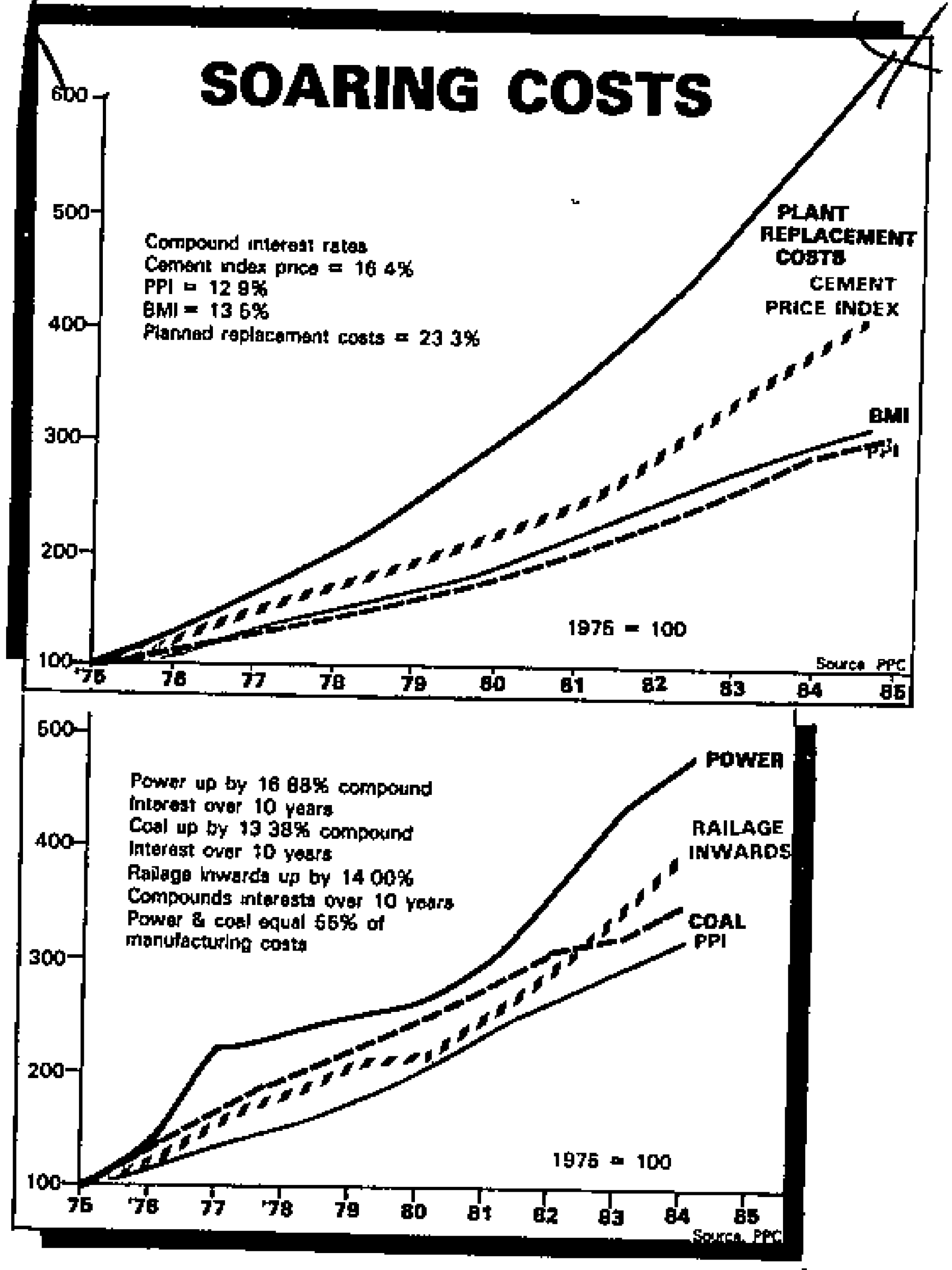
In January, a 12,6% price rise was slammed as too high because of the industry's capacity underutilisation and competition from imports Both problems have since fallen away (*Business* August 9)

PPC, which carries most clout in the industry, seems to favour a single-digit increase, but CSDA GM Berry Pavey believes the rise is more likely to be fixed around the inflation rate, suggesting a 15% hike

The cost of pumping R840m into new facilities is taking its toll, with the average cost/ton of capacity soaring from around R70/t in 1960 to the current R335/t And this is likely to rise further when Dwaalboom comes on stream

Indeed, even the JSE recognises the problems facing cement companies since the current price per share, as a proportion of net asset values, is well below the average for the building and construction sector (see table).

Dwaalboom, for example, is expected to yield a paltry 3,75% initial return on investment "Small wonder," says PPC financial director Charles Wrogemann, "that there have been no new entrants to the cement industry in 50 years" ■



HARD TIMES

PPC NEW PLANT PROFITABILITY

PPC Cement profit before interest and tax	R75m
Dwaalboom capacity as proportion of total	15%
15% of R75m	R11,25m
Cost of Dwaalboom	R300m
Return	3,75%

Source PPC

LOSING GROUND

CEMENT VERSUS OTHER JSE COMPANIES

	Average	1984	1983	1982	1981	1980
Cement (PPC, Anglo Alpha, Blue Circle)	95	1,07	1,00	74	94	99
Building & Construction	1,22	1,22	1,13	,90	1,18	1,16
Industrial Total	1,22	1,26	1,32	1,10	1,14	1,27

Source February 1985 JSE Handbook and annual reports of cement producers

SOWETAN, Thursday, August 29, 1985 Page 29

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Sowetan

Simplified building bricks for unskilled labour

FOR many countries one of the biggest headaches is to provide housing for a rising population which has insufficient funds to provide its own. The problem is compounded in South Africa because of the population migration to the cities.

Krubilt Multibrick have patented and developed the most amazing and exciting building concept in the last 100 years or more, an interlocking cellular concrete brick, designed to be laid dry without mortar and to be used by unskilled labour with minimal supervision

The first course is laid by a skilled artisan then each subsequent course is simply slotted in to the earlier one The same brick is used throughout the structure, half-bricks are made to ease the laying of bricks for single walls

Much of the design effort has gone into refining down the basic concept so that it is simple, low cost and effective The bricks themselves can be manufactured by machinery manufactured wholly in South Africa with certain modifications to the present machinery available

Easy

The bricks are also easy to handle and assembly, so simple that very high speeds can be achieved even by someone who has never laid a brick in his life.

29/8/85

Multibrick maintains that an unskilled worker after one hour's training in the system could lay 500 or more bricks an hour

Simple subframes in metal which are "wrap-around" enable doors and windows to be built without the need for cutting of bricks, or for the need to support the doors or windows in the conventional manner with wooden stays

The structure is tied at roof level with curled wire in spring form to form a ring beam. One of the major benefits of the system is that it is self-correcting and aligning

Once the brick walls are completed, and due to the accuracy and straightness of the walls they can either be coated with a textured coating or plastered in the conventional manner Before the brick was released to the public, stringent tests were done with the SABS These covered a range of vertical, horizontal and compression tests, a lot of work has gone into the system in regards to bonding of the walls, with the result that the system proves itself far superior to present methods

Big Three cut Reef cement price

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S. Times 22/9/85

By Don Robertson

THE Big Three cement producers have cut the price by R3 a ton on the Reef in an effort to stimulate sales

The industry is suffering from a sharp decline in demand which has reduced production to about 65% of nationwide capacity

Pretoria Portland Cement announced this week that its huge Dwaalboom factory in the North-Western Transvaal would be put on a care and maintenance basis for possibly as long as two years

Alpha's new Ulco plant near Barkly West has been closed for a month for modifications Loss of production will be about 100 000 tons of cement

Increase ahead

Although Reef customers will benefit from the price reduction, they will be hit by a nationwide price increase of up to 15% which is in the pipeline

The price reduction will save the construction and building industries on the Witwatersrand about R6-million in a year

The decision to reduce prices follows a switch in Reef customers' ordering patterns, which resulted in a decline in offtake from cement factories in the area They are working at only 35% of capacity

The factories belong to Anglo-Alpha, Pretoria Portland Cement (PPC) and Blue Circle.

For cost reasons, customers have been buying cement from plants in the Lichtenburg area of the Western Transvaal and have put pressure on their ability to meet demand. Using road transport, cement can be delivered from these factories to the Reef at a lower price than charged by factories on the Witwatersrand

Railage

Factories at Roodepoort, Witpoort near Brakpan, Jupiter, Hercules near Pretoria and Industria, Johannesburg, have been charging R78,40 for a ton of bulk cement. It is based on the selling price at the Lichtenburg Plants, plus the railage rate to the Reef An additional R6 a ton is charged for transport to the construction site, depending on distance

To counter this, Reef factories have cut their prices to R75,40 a ton from R78,40

Ronnie Searle, deputy managing director of Anglo-Alpha, said yesterday "The R3 reduction will probably not be enough to achieve what we want, and we might have to reduce prices further"

However, the R3 price cut

□ To Page 3

Cement cuts

□ From Page 1

is sufficient to counter an 8c rise in the price of bagged cement, also announced this week. Bagged cement on the Reef will now cost R4,17 compared with R4,24 previously

Anglo-Alpha has also announced the introduction of a cement product called PC15SL, which incorporates a slag extender It will sell for much less than ordinary cement at R71 a ton, or R3,95 a bag.

Swaziland bricks will be competitive

(C) (IC3) 9/10/85 Mercury

Property Editor

SWAZI-made bricks are coming to Natal — and the importers have promised that prices will be competitive compared with local products

Brian Abery managing director of Durban based Alumanation, promised in an interview that the firm would be able to talk prices, especially on large contracts

The bricks, which will be supplied from the Langa Brickworks in Swaziland, are expected to make an impression because of their light, 'champagne' colour which cannot be reproduced from clays in Natal

Mr Abery said a depot is being established in Phoenix Industrial Park, north of Durban, and about one million bricks would be kept in stock

At present, the imports will come by road and rail links were damaged by floods some time ago

In spite of the obvious extra cost of this transportation Mr Abery is sure the prices will be competitive because of the lower overheads involved compared with the opposition

He and fellow directors, brothers Tony and Richard Davis see nothing out of the ordinary in a waterproofing company moving into the brick-marketing field

On the contrary, after years of protecting roofs, they see walling — and the protection that provides — as a natural progression into total weatherproofing for buildings

Mr Abery said 'An architect commented "Waterproofing is protection for the roof and brickwork is protection for the interior" So we are now in the protective coatings business We wrap the whole building in a way

There are few waterproofing companies who can say they can reroof a building and now provide the walling

'We offer a whole weather protection packet — yes we do flooring as well'

Last year waterproofing contracts involved 100 000m² or so of roofing — something in the region of eight rugby fields — were undertaken

The company began operations in 1969 in Park Street Durban before moving to Clark Road It moved to Sydney Road a year ago because growth demanded more space for materials, which are mainly imported and trucks and because of a need to be situated in a major industrial area

CAPE TIMES
23/10/85 (30) 193

Soaring demand for glass

By ROGER WILLIAMS
Chief Reporter

THE growing unrest in the Peninsula is causing a soaring demand for replacement of windows and windscreens shattered by bricks, bullets, stones and other missiles

The manager of one City glass company said yesterday that his firm alone was handling 50 riot-damaged vehicles of all kinds a day — "and we're having to work from 7am to near midnight to keep up with demand".

Mr Rodney Schneeberger, managing director of the SA Special Risks Insurance Association (SASRIA), said from his Johannesburg office that the association had noted "a significant increase" in claims for riot damage in the Western Cape in the past three or four weeks The extent of the increase could not yet be assessed

Mr Schneeberger said claims totalling R19-million for riot damage in the waves of unrest that had swept through South Africa since August last year had already been met, and further claims countrywide worth at least R21-million were still outstanding

Not so comprehensive

SASRIA was established last year by the SA Insurance Association, specifically to handle claims arising from political unrest

A short-term insurance expert in Cape Town pointed out that a number of motorists whose cars had been damaged in the unrest were discovering that their comprehensive policies did not cover riot damage

Cape Town glass companies are being inundated with orders for the replacement of fittings shattered by missiles The average cost of a car windscreen relacement is about R250 and a full set of windows could cost more than R1 000

The manager of one firm said his windscreen-replacement turnover had trebled since the outbreak of rioting in the Peninsula and that his staff were "stretched to the limits to try and keep up with the orders"

The windscreen of one particular truck had had to be replaced on three successive days after it had come under fire from stone-throwers, he added

20 vehicles a day

Spokesmen for firms specializing in window-protective film also said they were working under pressure and that many companies were having their entire fleets fitted with the film, for the protection of the vehicles' occupants

One such firm, in central Cape Town, with a normal turnover of three or four vehicles a week, is now fitting protective film to about 20 vehicles of all kinds a day

● Orders for shop-window replacements in the Peninsula have also increased appreciably, and in terms of legislation introduced in September, all ground-floor shopwindows in public areas have to be replaced by safety glass, for the protection of passers-by

One glass-store manager said he was having to travel armed with a shotgun to examine window damage and give quotes

"We're not delivering glass into the unrest areas anymore," he said. "We're just sick and tired of having our staff and our vehicles injured and damaged by stone-throwing hooligans"

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Increase is 'below inflation rate'

13,5% cement price rise 'justified'

193

B. Day 22/11/85

ALAN PEAT

THE cement industry is adamant that its 13,5% price increase on December 1 is justified.

"The price increases across our range of cements are less than the increase in the consumer price index (CPI)," said David Brockhouse, distribution manager of Blue Circle.

"This reflects our absorption of cost increases and the fact that we are not passing on the effects of the excess capacity in the industry."

Brockhouse and deputy MD of Anglo Alpha, Ronnie Searle, agreed that the old price control formula would have rendered a higher return to the producers, and a higher price to consumers

Said Searle "Industry price increases have traditionally been based on the results of the previous year. The ground for determining price increases in the industry is the old price control formula.

"Applying this, the SA cement industry would have earned 4,5% before interest and tax on capital employed during 1985.

"The Price Controller permitted the industry a return of 15% during the era of price control "

The formula further indicated that an increase in the region of 20% would have been required to give the industry that 15%, according to Searle.

"Clearly this would have been unacceptable to customers and an increase less than the inflation rate is to be implemented," he said.

Both parties also stressed that the industry had absorbed a 10% rail tariff increase from April 1.

This, they said, constituted about 40% of the delivered price of the product.

"Increases well above the inflation rate for power, coal and other fuel have been absorbed. These are all expenditure items of significant impact on the manufacturing cost of cement," said Searle

"But," said Brockhouse, "railage rates, electricity tariffs and coal costs are expected to increase again during the first part of next year and it may be necessary to make some further adjustments to our prices when these occur."

Workers get wage boost

The Chemical Worker Industrial Union finalise wage agreements la week at Pilkington F.. Glass in Springs and S. Cyanamid in Witban

A spokesman for Pi kington said the mi mum wage had been in creased to R3 09 an hou. An extra week's leave bonus improved long-service allowance and two additional public ho idays had also been n gotiated

At SA Cyanamid the minimum wage in creased to R2 70 an hour an increase of 72c an hour. The workers shif allowance public holi days and service leave have also substantially improved

2/12/85 (193) BUS DAY

Hope for faster growth in future

Cement men push on in lean times

WINNIE GRAHAM

SA's cement producers were bringing new plants on stream when demand had dropped by 16%, capacity utilisation was down to between 60% and 65% and the industry was heavily borrowed, according to Blue Circle financial director Peter Kett.

But, he said, the industry expected to grow "even faster" once solutions to the country's problems had been found

Addressing the Construction Writers Club in Johannesburg, he said the industry had "just about bottomed out" but could not look for a recovery in 1986.

"A series of disastrous political developments this year has kept confidence down," he said. "But the cement industry still has total confidence in the country.

"We don't see the end of the world round the corner and I believe that whatever the political colour of the next government, the country's need for cement will grow."

He blamed the untimely development of additional cement production capacity on the industry's lack of foresight. To break even the industry had to operate at a capacity utilisation of 70% When the figure rose above that, producers showed profits. When it dropped below, the industry lost money.

SA had a cement production capacity of 11-million tons of cement, he said. Last year the country used 8-million tons.

The growth of the cement industry could be linked to the gross domestic fixed investment In 1981 it had grown by an unprecedented 40% and it had held steady for two or three years

Discussing the industry's recent battle with cement importers, he said SA producers were not afraid of competition, but what had alarmed them was the degree to which foreign exporters were prepared to undercut prices to buy a share of the market.

Japan, for instance, sold cement at $54,45 a ton domestically, yet it was prepared to cut the price to $20 a ton in its drive to capture the SA market.

He said: "Japan has a cement capacity of 140-million tons, and a domestic market for 70-million tons. Its 70-million ton surplus is for export."

Had SA not had a local cement industry, he added, the price of cement on the Reef would be R150 a ton instead of the R80 being paid now

Demand down, but cartel increases cement prices

193

STAR 3/12/85

Financial staff

The South African cement industry which is parcelled out, packaged and shared by the manufacturers' cartel, recently announced a 13,5 percent price increase from the first of this month

And as is often the norm in South Africa where there is no alternative for the purchaser, prices are increased with no compunction when demand falls Natal got a price cut only when cement imports actually upset this tranquility

PPC Chairman George Bulterman, commenting in the company's latest annual report, says cement demand in 1986 is expected to decline by a further 10 per cent compared with 1985 to reach levels last experienced in 1976, but the dividend of 43 cents is expected to be maintained

Discussing prospects for the coming year, he says "Certain important economic indicators suggest that the present recession in the construction and related industries will be both longer and deeper than generally thought

"With two short-lived exceptions the total real gross domestic fixed investment index has continued to decline since 1982

'This index is closely correlated with cement demand and indications are that this will decline further in 1986"

He says that the group s lime division, which sells to a more stable market, is budgeting for a small improvement in both volumes and profits, while no investment income from associate companies is expected

"Working costs such as the imported cost of replacement parts for equipment have escalated and administered prices are also expected to increase further," he says

S. Times 8/12/85

193

Another cement increase

By Don Robertson

SOUTH African Transport Services has taken the cement industry by surprise

The decision to increase freight tariffs by 15% from January 1 — four months ahead of the traditional review — will force cement producers to raise prices twice in two months

Two weeks ago the cement industry announced that prices would increase by an average 13,5% on December 1, but that it would have to pass on any dearer rail tariffs when they occurred

Cement producers have been forced to increase prices by an additional 2% from January 1

Ronnie Searle, deputy managing director of Anglo-Alpha, says producers will absorb all inward railage costs for the movement of raw material, such as coal, gypsum and limestone, and the transport of cement and clinker to distribution depots on the Witwatersrand.

However, the outward transport of cement to the consumer, which often costs more than the factory price of the cement, will have to be passed on

Prices to Reef consumers, which use about 40% of cement production, will not rise. Although the average increase will be 2%, it will be higher in destinations a long way from cement plants

Argus 18/12/85 (193)

Glassworkers down tools

Labour Reporter

WAGE negotiations between P G Glass and the Chemical Workers' Industrial Union continued today after a work-stoppage at the Epping plant

Mr Albert Peters, managing director of the company's Western Cape division, said the stoppage by about 200 workers was connected with the negotiations He said only the company's glass division was affected

Spokesmen for the CWIU, an affiliate of the new Congress of South African Trade Unions, were not available for comment

STAR 21/3/86

Cement price increase wasn't justified

193

Michael Menof on the company beat

It's questionable whether for Pretoria Portland Cement — which supplies 46% of South Africa's cement needs and produces 65% of its lime — the cement cartel's recent 10% price increase was justified

During the past year, building and construction were badly hit by the slump Despite this, PPC held up well Turnover was marginally down at R326,2-m (R348,7-m), while attributable income was R55,9-m (R57,7-m) Earnings a share were 155c (160c) while dividends remained unchanged at 43c

In the light of the eight previous years the group has little to complain about Annual net income before tax has averaged R70-m, while attributable income has averaged R40-m Over the past four years, net income expressed as a percentage of average shareholders interest was a high 19%

Chairman George Bulterman's report was sombre Results should be viewed against the cement market's downturn and tax benefits, he states

Cement sales declined 20% against 1984 volumes This, together with only R4,05-m investment income (R12,83-m) resulted in profits before tax declining R21,4-m to R93,7-m Use of the tax investment allowance of R20-m on the Dwaalboom factory reduced the tax charge by R10,2-m which cushioned the drop in profit attributable to shareholders to R55,9-m, only 3% down on 1984's amount.

During 1985, South Africa imported 200 000 tons of cement which triggered off an intensive price war resulting in the importers withdrawing According to Mr Bulterman, the industry suffered a considerable loss

Imported cement was evidently dumped, with hard-sought foreign currency used to pay for it. Mr Bulterman advances a sound argument that local material and local labour is prejudiced by such imports

The South African cement industry, like its counterparts elsewhere in the world has to contend with high capital intensity and inelasticity of demand

High cost of transport is a major problem, and the group is exploring the possibility of establishing its own road transport fleet As a first step, Cooper and De Beer, a cement distributing company, was acquired subsequent to year-end

Today, transport costs account for 40% of the consumer price Increasing cost of replacement of road transport equipment and spiralling fuel costs will play a major part in future prices

Mr Bulterman contests the validity of arguments that cartels can lead to inefficiency and lack of productivity and that product supply can be artificially limited to drive up prices and erect entry barriers against new entrants He cites the US where enforced competition has curtailed expansion, with the result that outdated, obsolete plant now constitutes a large proportion of the capacity, causing dependence on imports

PPC has been caught up by the recession, and had to mothball its new R200 m cement plant at Dwaalboom

Economic indicators suggest that the present recession in construction and related industries will be longer and deeper, warns Mr Bulterman

Cement demand will decline in 1986 with the decline in building plans The expected 10% cement demand decline will result in PPC back-tracking to its 1976 levels But the cement road-building programme might save the industry

The lime division is expecting a small improvement

No investment income from associate companies is expected

Interest on borrowings relating to the mothballed Dwaalboom plant will be charged against profits I believe it would be fairer to show this expense as an extraordinary item below the net income line

Depreciation on this plant will be shelved until production begins Earnings per share are expected to decline by more than a third to about 100c If this happens the 43c dividend will be maintained

Balance sheet numbers are suffering from a staggering R128-m increase in fixed assets, now standing at R698,75-m Total borrowings are materially up at R81,25-m (1984 - R56-m) The impressive bank balance of R35,3-m a year ago is now replaced by a R6,4-m overdraft

Working capital ratios are under attack The ratio of current assets to current liabilities is only 1,2 1 (1984 - 2,06 1) and acid test ratio of current assets less stocks to current liabilities labouring at 0,59 1 (1984 - 1,37 1)

After reading the 1985 annual report I believe the cartel was wrong to increase cement prices by 10% If demand declines, surely it is better to drop prices in the hope of maintaining sales and hence production?

If production can be increased, even if selling prices are lowered, this ensure the spreading of fixed overheads over a greater amount to maintain profit levels

Why increase prices and fuel inflation? Even if the cement cartel companies experience lower profits, while productivity of the construction and building industry is increased, surely this is better for the country? It would also mean greater employment and fewer retrenchments

Dwaalboom does not justify a cement price increase The cartel, with its routine price increases, is not making life easier for itself or the ailing building and construction industries

B. Day 28/8/85

May Day holiday won by Mawu

CLAIRE PICKARD, CAMBRIDGE

THE Metal and Allied Workers' Union (Mawu) has become one of two Fosatu unions to win a long battle to be given May Day as a paid holiday

Both Mawu, at the Van Leer factory in Durban, and the National Automobile and Allied Workers' Union (Naawu), at Wayne Rubber, also in Durban, recently won these concessions during annual wage negotiations. Both managements have confirmed that full wages will be paid except when May Day falls on weekends

Plate Glass and Pilkington Glass in Port Elizabeth are understood to have been the first SA companies to grant May Day as a paid holiday in agreements last year. Fosatu's Chemical Workers' Industrial Union (CWIU) organises at both factories.

Industrial relations consultant Gavin Brown says workers have been demanding May Day as a paid holiday in SA since the 1920s He believes the granting of Labour Day as a holiday will become an increasingly common trend in keeping with international practice.

"I don't believe many managements still see this as a non-negotiable issue, especially as unions have indicated they are prepared to make fairly major concessions to win May Day as a paid holiday."

Brown added there were now about a dozen companies — especially those whose workforce were on short time — who made ad-hoc arrangements to allow workers off on May Day, but usually without paying them

MANUFACTURING — NON-METALLIC MINERAL PRODUCTS

~~1886~~ 1986

A new design concept implemented for the first time in South Africa is this winged arch-beam bridge over the Jukskei River on the border of Pellmeadow and Senderwood in Johannesburg The construction is being carried out by Armco Superlite.

STAR 6/1/86. (193)

Growing demand for new cement-slag mix

By Frank Jeans

There is growing demand for Parktown-based PPC's new cement which, it is claimed, saves about five percent on the price of the ordinary product

Now on the Transvaal market, the mixture has 85 percent cement and 15 percent blast-furnace slag.

Mr Dick Mantel, technical manager of PPC, says the cement is superior to ordinary Portland cement (OPC) in many applications as it yielded higher strengths in the long run

"When tested in accordance with standard specifications, the new cement has the same strength development as OPC up to 28 days and thereafter strengths tend to exceed those of the traditional product," he says.

In properly supervised building contracts, Mr Mantel claims that concrete structures will be far more durable with the new cement as it makes a denser concrete and is less liable to attack by environmental change.

Arabie go-ahead

LTA has begun work on the R20,8 million Arabie Dam at Olifants River, 30 km north of Marble Hall — a project in which roller compacted concrete (rollcrete) is being used on a large scale.

Rollcrete construction is widely accepted elsewhere in the world and is seen as a major breakthrough in concrete technology

By using the technique, LTA Civil Engineering (North) has established a construction schedule of 22 months — 14 months less than if conventional methods had been used

The Arabie Dam will regulate the Olifants river flow for urban supply and irrigation in Lebowa

Export link

A 6 km rail deviation on the coal export line to Richards Bay is being completed by Grinaker Construction (Transvaal)

The improvement will be a boon to the massive coal haulage to Richards Bay — the trains are more than 2 km long — and is another project on the line in which Grinaker has been involved with contracts totalling R13 million

M&R Training

Companies in the Murray & Roberts group have launched a new scheme which will lead to the training of 11 000 workers in construction skills before the end of March 1986

The training school at Prospecton, Natal, under the M&R (Natal) banner has been under-utilised because of the economic situation. Now it is full house again with students eager to learn a trade

Indeed, demand has been so strong that M&R has opened a similar school at Richards Bay and plans others at Maritzburg and South Coast areas.

Group Five in PE

Group Five Building (East Cape) has won a R4,3 million contract for phase one development of a post office and regional headquarters in Port Elizabeth for the Department of Posts and Telecommunications

The project is said to be the largest building contract in PE at present

The contract calls for the demolition of buildings on the 7 800 sq m site in Main Street and the construction of a four-level underground parking garage.

Mossel Bay may be boon for cement producers

BUS DAY 6/1/86 (193)

LAWRENCE BEDFORD

CEMENT producers are hoping the Mossel Bay development will bring them a slice of new business.

Just how big a slice is not clear at this stage, although industry spokemen indicated they envisaged nothing on the scale of supply that built Koeberg nuclear power station or Sasol II.

Based on this, they did not expect any appreciation in the share price.

Anglo Alpha MD Ronnie Searle said that, while he was sure the development would help the industry, he believed the volumes required would be spread over three or four years.

Searle said Anglo Alpha's stone division was investigating the possibility of opening quarries in the vicinity of the development area for the supply of aggregate.

Pretoria Portland Cement (PPC) is tipped as a strong contender for involvement in the project, having plants strategically placed in Port Elizabeth, the Boland and at Pitketberg.

INDUSTRY/ECONOMY

Cement industry firmly in the red

BUS DAY 26/2/86 (193)

ALAN PEAT

THE cement industry is moving further into the red, says Blue Circle commercial director Peter Kett

"There has been no sign this year of any recovery in terms of an increase in orders," he adds.

With no upturn indicated, the industry continues to face massive investment in plant running at only 65% of potential capacity.

"This is not good," says Kett "This is an industry with a very low variable cost per ton of production But we have a very high fixed cost and getting a high-percentage throughput is critical to profitability The break-even point for the industry is estimated to be around the 70%-capacity-utilisation level"

Blue Circle, along with Pretoria Portland Cement (PPC) and Anglo-Alpha, all tell *Business Day* that major emphasis has been placed on trimming these fixed costs But because much of this takes the form of depreciation and interest on loans, all three feel they have already approached the limit.

Kett indicates that one answer will come as the recession eases

"When the brakes on capital investment are released, this will do a lot to help us"

The other problem revolves around political instability — something which business management has little control over

Certain moves are being made with the hope that they will have a beneficial effect on the industry's fortunes in the near future

The three producers are currently watching developments between road and rail for the better transport mode Rail's former precedence as the cheaper transport is now slipping

Great moves are also being made by all three companies into the use of *pozzolanic* materials — used as cement extenders These have the advantages of improving the product's "workability", increasing the amount of blended cement available and keeping user-costs down

In the five months since their initial launch as commercial products, these blends have already grabbed a 30% share of the Witwatersrand market

SPAR 2/3/86 (193)

BUSINESS

SA is leader in cement blends

By Frank Jeans

South Africa is a world leader in the cost-effective blending of cement with industrial by-products with the Iscor and Escom operations a major source.

Mr Graham Grieve, the Portland Cement Institute's (PCI) director of laboratory services, told a recent PCI Construction Writers' Club in Johannesburg "The use of ordinary portland cement, blended with blast furnace slag from Iscor plants or with fly ash from solids trapped in Escom power station chimneys, have several economic benefits for the construction industry

"As raw materials, both substances are relatively cheap to produce and require less energy in the manufacturing process than in the making of portland cement."

Hoechst venture

Hoechst South Africa has entered a joint venture with German-based SKW Trostberg and Johannesburg-based ENC Chemicals that will lead to the local manufacture of a special concrete additive for use in the construction and mining industries

The product, called Melment, was developed by SKW Trostberg 20 years ago and is regarded as a major advance in this field

Hoechst and SKW Trostberg have each acquired a 40 percent shareholding in ENC Chemicals, a company specialising in the marketing of construction and mining materials

Engineering award

The Federation of Societies of Professional Engineers' (FSPE) Award for Services to Engineering has been presented to Professor Dirk Wouter de Vos, a past president of FSPE

Professor De Vos, in receiving the award at a function in Johannesburg recently, said 'There are not enough black engineering and technikon students and this requires urgent attention

'I get the uncomfortable feeling, however, that we sometimes forget that we are for a large part, a third world country, and apply technology inappropriate to the problems in hand I have seen unjustifiably high and expensive standards applied in developing areas

"Are we not far too keen on first world standards?"

In 1956, following nearly 20 years with the South African Railways, Professor De Vos was appointed as first professor and head of the Department of Civil Engineering at the University of Pretoria

At a function in Sandton, the Anglo-Alpha Award for the Promotion of Concrete, was won by Dr James Robertson, a past student of the University of Witwatersrand

Grinaker's quickie

Grinaker came up with the right medicine for one of Johannesburg's long-established pharmacy businesses when it was forced to move in a hurry when the lease expired and was not renewed because of redevelopment of the site

Mr Ed Kok, managing director of Weltevreden Pharmacy in DF Malan Drive Blackheath, says "We were lucky to be able to buy land just down the road but we needed new premises quickly so as to prevent loss in trading"

Grinaker Projects started the three-storey building in November and is on schedule for completion this July — only a 32-week design and building contract

Twins going well

Group Five Building-Stevenson Construction is progressing with the R11,5 million Amawele contract at Umlazi for the kwaZulu Government

The contract involves the building of two separate buildings of three and four storeys and linked by a basement level

Site architect, Mr Dave Gillies, of Joubert, Owens, Van Niekerk and Partners, says "We believe the twin building (Amawele is Zulu for twins) will enhance the infrastructure of this part of Umlazi

BDAY 14/3/85 (93)

Masonite has hopes for sales

STEPHEN ROGERS

MASONITE (Africa), after a 223% increase in export sales last year, expects export sales to decline in the current year, though higher domestic sales should result in an overall increase in turnover, says chairman Raubie Raubenheimer

Raubenheimer believes the second half of the year will see an improvement on the local front as distributors restock

The annual report shows that export volumes more than doubled, but high delivery costs — ocean freight is paid in dollars — resulted in lower trading margins than on domestic sales.

In theory the strengthening of the rand since the year-end should improve margins on volumes through lower freight costs But Raubenheimer confirmed that freight rates have not been reduced yet and any advantage from this quarter depended on the shipping companies reacting to the exchange rate

The group basically exports what it cannot sell locally Between exports and domestic sales, the group is operating at full capacity, even after an increase in production capacity at the beginning of the past 16-month period.

The diverse market segments for hardboard products, in which the group operates, produced mixed blessing last year.

Most affected by the recession were sales to the motor and construction (doors) industries. However, demand for packaging components increased significantly as did mineral ceiling tiles and insulation board

Group liquidity has been reduced with the current ratio down to 1,9:1 (2,5:1) and working capital could be under strain through financing higher stock (R7,6m) and receivables (R10m), aggravated by the change of the accounting period which incorporated two traditionally low Christmas seasons.

The group remains debt-free with no interest charges to reduce profitability.

However, in spite of the balance sheet strength, the squeeze in pre-tax margins over the past four years from a healthy 28% to last year's 9% has been the main factor behind last year's earnings falling 8% on the 1981 figure.

The group will have to show a recovery at the operating level before earnings pass 1981 levels.

CAPE TIMES 193
15/3/86

Timber strike over

Staff Reporter

SEVENTY-FOUR workers at the Airton Timbers factory in Retreat returned to work yesterday after a two-day strike, while 250 workers at two PG Glass factories in Epping downed tools over the threatened retrenchment of 26 colleagues

A spokesperson for the Paper, Wood and Allied Workers' Union said the 75 returned to work after Airton management refused to negotiate with the union unless workers agreed not to go on strike again

The workers, in consultation with the union, had already decided to return to work yesterday "in the interests of further negotiations", the spokesperson said

The strike was called when management initially offered to raise the minimum hourly wage from R1,43 to R1,54 — later to R1,62 an hour The workers are demanding that it be increased to R1,93.

At PG Glass, 250 workers downed tools when negotiations over the retrenchment of 26 workers broke down

A spokesperson for the Chemical Workers' Industrial Union said workers had agreed to rather accept lower wages by working short-time than see the 26 retrenched

Negotiations on the retrenchments continue on Monday

BRICK SALES FIN MAIL 21/3/86 (193)

Off course

The better times forecast for the construction industry (see *Leaders*) could turn out to be nothing more than a mirage.

Late last year, all the leading indicators were pointing to a revival in the construction sector which was up against it after riding out several of the deepest recessionary years the industry has known. Customers, it was predicted, would finally be back in the market for new buildings.

But brick sales by the country's leading manufacturer, Toncoro, tell a different story Sales, which started with a spurt in January, have turned down sharply and are now running at below forecast levels.

Economists are asking why. After all, everything is pointing to an upturn Interest rates are down, liquidity in the banking sector is high and demand for building services has never been stronger. The short answer is that a vital factor of the equation is missing — the "confidence factor"

"What is lacking is confidence," says Toncoro MD Errol Rutherford. "There's a lot of pessimism around."

According to Rutherford, bricks sales, having hit target in January, were running at about 80% of forecast in February "There has been a slight improvement in March, but it's certainly no lift-off," he says.

Regionally, brick offtake is highest in the western Transvaal and the Free State, where gold mining investment has buoyed sales. In the rest of the PWV, demand is low The western Cape is benefiting from additional investment in coloured housing, but in the eastern Cape, Natal and the eastern Transvaal the market is flat

Rutherford says sales are running at around 60% of capacity and the brick stockpile has stabilised at around 300m With company brick plants either mothballed or working short time, productive capacity is down to around 58%. In August 1984, it hit a low point of 55%. Notes Rutherford. "We're trying to balance production against current sales"

Looking ahead, Rutherford sees no boom for the brick business in the short term. The improved economic climate and mild stimulatory effect of the Budget could help maintain sales at around 11% above last year, with a like increase in volumes in 1987

Long-term demand patterns are more uncertain Once again, brick suppliers are hoping that the backlog in infrastructural spending, mainly in black, coloured and Indian housing, will be their salvation ■

Glass merger threatens to split industry

STAR (193)
22/3/86

By Jackie Unwin

The R800 million a year South African flat glass industry is in turmoil, with independent merchants threatening to break away from the 40-year-old Flat Glass Association (FGA) and form their own

The industry is dominated by Glass SA, the holding company of a merger between Plate Glass and Pilkington Glass

FGA chairman Mr Jannie Loots and executive director Mr Brian Tanner are making desperate efforts to save the organisation, and have called a special general meeting for April 4

Mr Tanner said this week that the resignations of two members had been received, and most of the independents were thinking of resigning within the next few weeks

The situation was brought to a head when the main FGA sponsor said it could not continue contributing financially as much as it had in the past

"The effect of this is quite dramatic," said Mr Tanner "Even if all our members remained in the association, we would find ourselves in difficulty and not be able to run the association in the way we have for the past two years"

DIVISIONS

Mr Tanner said the association must be representative of the industry

"We have a situation where we have one large merchant company which merged with the only glass manufacturer in South Africa, Pilkington This is why the anti-feeling has come about

"The basic problem is that the independents believe they are being dictated to They feel the big merchant operation has a major say within the manufacturing side We are now starting to see a division in the ranks

"I find this very sad I believe this division bodes ill for the glass industry"

At the April meeting members will be asked to consider three resolutions

- Ways and means to fund the FGA to run it exactly as it is
- Keep the association solvent and run it on a very low profile
- Take the "third and drastic step" and place the association in liquidation

Mr Tanner said he hoped ways could be found to keep the FGA running He had high hopes yesterday that this could be achieved

He said the FGA had acted as a co-ordinating body it dealt with organisations such as the SABS to achieve standards, played a major role in the National Safety Glazing Council, and conducted training programmes

PRICE ANGER

Mr Loots said it was essential for the FGA continue "We we may have to scale down our activities We can't let an R800-million industry go to the dogs"

Mr Jeff Saville, of Africa Glass, a past chairman of the FGA, said he and a number of glass merchants were resigning from the association

He agreed that the FGA had done tremendous work for the glass industry

"The big problem is that under the present constitution, if we asked for the import duty on glass to be lifted, we could be outvoted by the Glass SA group

"Other glass merchants who refused to join the FGA because it was dominated by Glass SA have said they would join an independent association"

Mr Rod Fehrson, managing director of PG Glass, said it would not be appropriate to comment on FGA resolutions, but he was totally against the disbandment of the association

Independent merchants recently complained bitterly about the monopoly situation in the industry — and blamed this for the price rise of more than 46 percent in 13 months

193

Brick sales hit hard

MICK COLLINS

WIDESPREAD production cutbacks and consequent retrenchments have hit the brick manufacturing industry.

Despite the optimism shown in late 1985 that 1986 would be the "year of recovery", brick sales continue to plummet.

Concor Paving MD Joe Fink said January sales of paving bricks made some people believe that all was right in the industry.

"Unfortunately what they did not take account of was that the figures comprised a lot of December's backlog of orders which made the situation seem a lot better.

"What followed in February was an absolute disaster. The bottom just fell out of the market.

"Sales for March have shown a slight improvement, but our company has had to cut back to 50% of its production capacity.

"Two years ago the price for a metre of laid brick paving was R13,50. Today the same costs R11,50 from some contractors.

"You can see what is happening. Volumes are not what they used to be and any further price cuts by manufacturers or subcontractors will be suicide."

Brian Moorhead, executive director of the Brick Development Association of South Africa, said the situation was "extremely tough but there seems to be light at the end of the tunnel".

Quoting figures for building plans passed for January 1985 (dwelling houses 1 695) and January 1986 (dwelling houses 2 524) he said these were a ray of hope for the clay brick industry.

193

Cement industry wary of foreign shipments

MICK COLLINS

CEMENT producers are ready to block dumping by foreign manufacturers.

Fighting to contain costs and protect huge capital investments, producers say any offloading of surplus stocks will spell trouble for the industry.

With production already down to 60% of capacity, cement chiefs have made representation to the Board of Trade to stave off any recurrence of events in 1985 when bulk imports were landed at Durban.

Spain and Japan are singled out by local producers, who say they offloaded stocks at Durban at well below the price demanded in their own countries. By doing so, they were able to undercut local suppliers.

"We have had a number of discussions with the BoT and will continue to put our case," says Blue Circle distribution manager David Brockhouse.

"The reaction of the board so far has not been too favourable but we hope for better things to come. As far as we can ascertain, the issue is not closed. The door has been left open for further negotiation."

Brockhouse says total manufacturing capacity for the industry is 11,6-million tons a year.

"Dwaalboom, Pretoria Portland's new facility with a capacity of 600 000 tons, has been mothballed along with several other older kilns which had a total capacity of 2-million tons. Added to that some plants are under-utilising capacity to the extent of 1,5-million tons a year.

"This has led to redundancies and placed the industry in a parlous state."

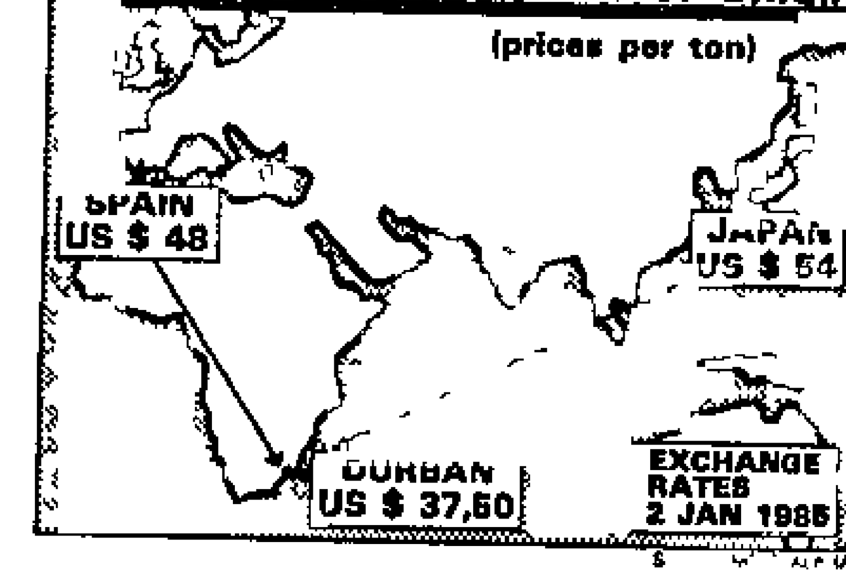
Berry Pavey, GM of Cement Distributors, says long lead times are needed in production planning, with the average cost of setting up a plant in the region of R300m.

"To give investors even a 15% gross return is proving impossible for us. Current averages are around 6%-8% and already sales for 1986 are down some 18% on 1984 figures.

"This year has been particularly chronic for us. April rail increases have not been passed on to the consumer and we will continue to try to absorb them. We have also deferred any further price hikes for the moment."

On the question of dumping, he says the industry has no tariff protection and, unless some form of protection is introduced, investors could shy away from the industry.

COMPARISON DUMPED PRICES IN DURBAN WITH OVERSEAS COUNTRIES OF ORIGIN



The price of foreign cement last year, says Pavey, was far higher in the countries of origin than when the commodity was landed in Durban (see map).

Officials at the Spanish commercial office in Johannesburg say they are unaware of plans to export Spanish cement to South Africa.

A spokesman said yesterday: "If plans to import cement are afoot, we are not aware of them."

CEMENT INDUSTRY 193

4/4/86 FIN MAIL

Paving the way

Rising rail rates are forcing rationalisations in the cement industry — one of which is a move towards increasing use of cement extenders

It is a field in which SA is rapidly becoming a world leader, particularly in the use of high magnesium content blast furnace slagment-cement blends.

The expansive properties of magnesium in blast furnace slagment generally causes cracking in cement. But producers have found that if the slag is granulated, the chemical composition of the magnesium changes and it actually improves the properties of the mixture.

One advantage of extenders is that it allows the industry to make use of what is essentially a waste product as a raw material for cement. Another is that it relieves the burden of high rail rates, which, the industry claims, are becoming punitive.

In 1976 the cost of railing a ton of clinker from Lichtenberg to cement processing plants in Durban was R11/t With the new rail increases coming into effect this month the rate moves to R54/t.

The tendency of Sats to rate cement higher than other bulk commodities and to escalate tariffs for long hauls while offering rate reductions on short runs to win back business lost to road transportation has exacerbated the problem

As a result, Natal Portland Cement (NPC) now sources all its clinker from the new Simuma plant at Port Shepstone — a distance of only 134 km as opposed to Lichtenberg's 900 km

The Simuma clinker plant cost the industry R175m to install. But with rail rates rising exponentially, the industry felt it would be in its long-term interest to exploit local lime deposits rather than rely on rail.

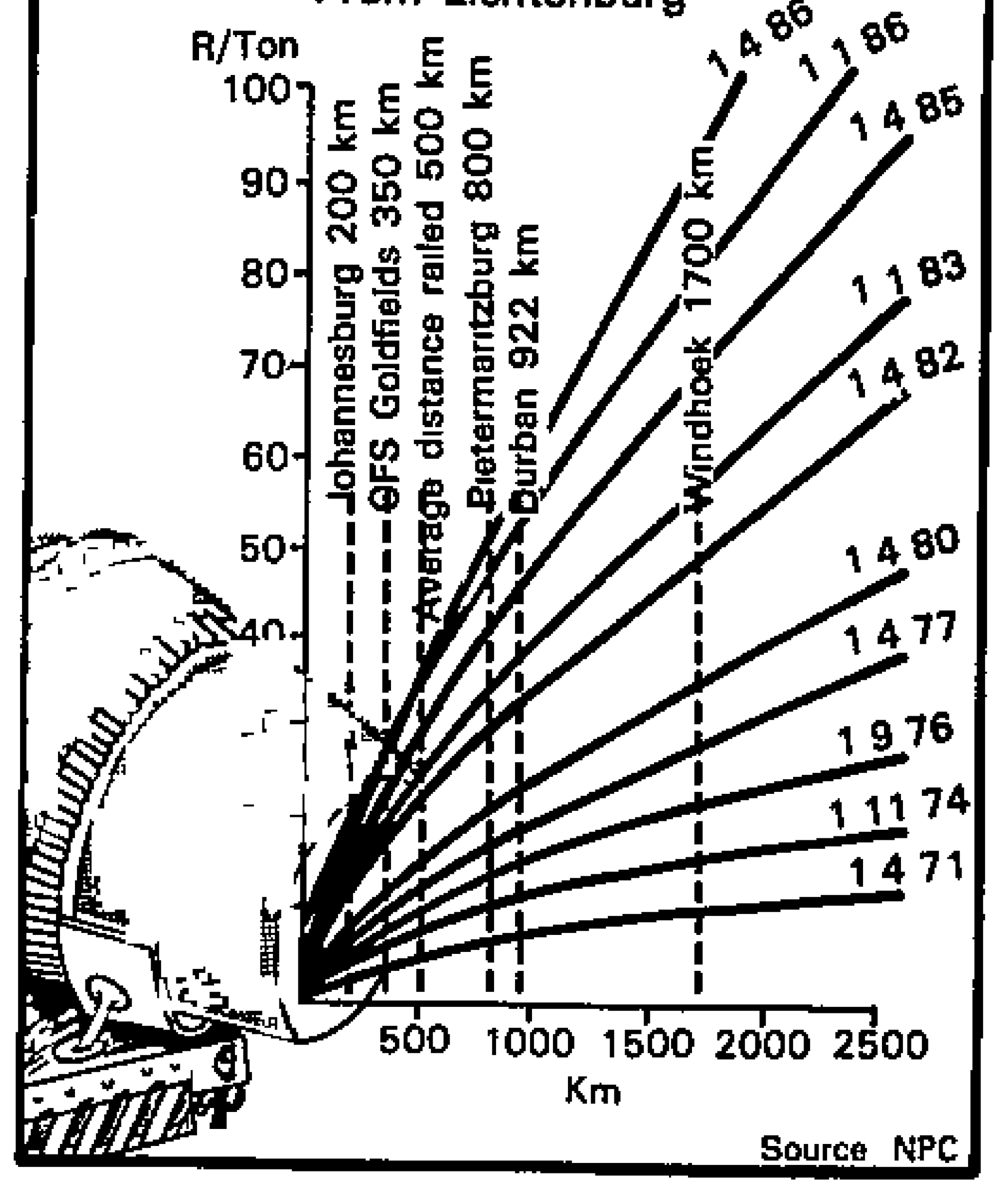
In addition, NPC has been blending cement with slag from Iscor at Newcastle since 1964 Its PC15, which has properties virtually equivalent to ordinary Portland, is a 15% blend of blast furnace slag and cement. Its Portland Blast Furnace Cement (PBFC) is a 50% slag blend

Cement producers recently spent R30m on a slagment plant at Newcastle to supply NPC's needs, blend cement and slag for the northern Natal market and supply slagment directly to bulk users.

In the Transvaal, Pretoria Portland Cement (PPC) has been using pulverised fly ash (PFA), a by-product from Escom power stations, as an extender in its PC15/FA. Recently Anglo-Alpha followed its lead by introducing 15% slag-cement blend with slag from Iscor at Vanderbijlpark. PPC now also offers a 15% cement-slagment blend in the Transvaal.

RUNNING HIGH

Cement railage rates –1971 to 1986
From Lichtenburg



NPC GM Mike Doyle says much will depend on Iscor's long-term plans, but he estimates the industry will be able to draw about 400 000 t a year of slagment from Newcastle Once the plant has reached full capacity it will consider using PFA from Escom's power stations at Volksrust as an alternative extender.

According to Doyle, the use of extenders in the Transvaal market has come at an unfortunate time — cement sales are depressed and there is spare clinker capacity. But he says the development should be beneficial in the long term because it will "obviate the need for further capital investment to develop clinker resources" ■

Glass SA gets safety glass monopoly with acquisition

9/4/86 · BUS DAY · 193

LINDA ENSOR

THE acquisition by Glass SA of Wesglas — approved by the Competition Board — will give Glass SA a monopoly of the supply of safety glass for the original equipment automotive industry.

Samcor MD Spencer Sterling said yesterday no disadvantage would accrue to the motor industry from the acquisition.

Competition Board chairman Dr Steph Naude said the acquisition was seen as a positive step that would preserve employment opportunities and create export potential.

Brian Young, joint CEO of Glass SA, said Wesglas' additional capacity for windshield production was good news for the export market.

Glass SA's export of safety glass last year brought in about R48m, he said. In a less hostile political climate, the addition of Wesglas' capacity could increase this by 20%.

Automotive companies would be able to export safety glass themselves and take advantage of the Phase Five local content export rebate concession, Young said.

He did not think the acquisition would have any effect on the market as Wesglas would continue to supply the original equipment needs of its three main customers, Toyota, Samcor and Nissan.

Wesglas was marginally involved in the replacement trade, so the effect there would be minimal, Young told *Business Day*.

Wesglas entered the over-supplied market for safety glass for the original equipment automotive industry in January last year — in competition with Glass SA. "It just was not a paying proposition," said Young.

11/4/86 BUS DAY 193

Plate Glass boosts exports

PLATE Glass Shatterprufe Industries, one of the truly multinational companies listed on the Johannesburg Stock Exchange, is accelerating the international development of its glass industries

"Because of our marketing operations in Australia, Europe and the US, we were able to raise exports steadily in the past decade," said Ronnie Lubner, joint executive chairman responsible for glass interests worldwide.

"In 1985, we boosted export revenues from R28m to R40m. By devoting more executive time to international operations, we expect to keep up that export growth, and possibly accelerate it."

The company is establishing an office in London to act as the prime resource for expansion in the glass industry outside Southern Africa.

The deputy chief executive of PGSI's glass interests, Mike Scott, will move to London in July, where he will be backed by executives such as Louis Shakinovsky (legal director) and Dennis Millard (finance director).

The home base for PGSI's glass group continues to be SA.

Worldwide, PGSI's glass interests employed 13 500 people at 30 factories and 420 outlets in March 1985. Sales totalled R890m and operating profit was R77m. — Sapa.

FIN MAIL 11/4/86.

GLASS INDUSTRY (193)

Picking up pieces

Glass SA (GSA) swept up more of the industry's broken pieces last week with the takeover of troubled Wesglas for an undisclosed sum from a consortium headed by Metair Investments

The Competition Board this week gave its blessing to the venture, giving industry heavyweight GSA complete control of SA's R100m a year safety glass market for locally made passenger and light commercial vehicles

Wesco sold its 40% stake in Wesglas in an assets reshuffle with Metair Investments two years ago, while Anglo American Industrial Corporation and Messina subsidiary Automakers held the balance of the shares

GSA has picked up market share from several glass company closures in the last few years, most notably the stock-and-equipment acquisition of Murray & Roberts' loss-making subsidiary Elgin Glass early last year GSA itself is the holding company of the merged interests of Plate Glass and Pilkington Glass

On paper, Wesglas's contracts to supply safety glass to carmakers Toyota, Samcor and Nissan could have given it a roughly 50% share of the original equipment (OE) market worth some R25m

But it fell a long way short of achieving its potential

Wesglas started safety glass production for the OE market late in 1984 when its Bophuthatswana-based Ga-Rankuwa factory was commissioned at a cost of R32m

At the time, press reports quoted Wesco chairman Albert Wessels as saying a "satisfactory return" on investment was expected by 1986

But profit hopes were shattered when new-vehicle sales nose-dived last year and plunged the company into huge losses

At the same time, the *FM* understands, production snarl-ups at Ga-Rankuwa pushed up costs for Wesglas which was already suffering the interest penalties of high gearing

The irony is that things have come full circle for GSA, which was forced to close its Rosslyn laminating plant at the time of Ga-Rankuwa's commissioning

Looking back, GSA chief executive Brian Young says "Wesglas generated additional capacity for a market already fully catered for by existing manufacturers"

Hardglass Safety Glass, for one, may re-enter the motor market after a three-year absence "There may be an opening," says MD Kees Cleton

Exactly how GSA intends to stem the Wesglas drain is by no means clear — Young does not expect to retrench any of Wesglas's 270 employees and there will be no capacity cutbacks at Ga-Rankuwa or GSA's Port Elizabeth plant at this stage

Prices in the flat glass trade rose some 15% at the end of January and there is strong speculation that safety-glass prices to the motor industry will shortly be hiked by around 16% ■

FIN MAIL

TIMBER 11/4/86 (199)

Knotty problems

Government's decentralisation incentive package is under attack again This time it is the treated timber industry that is accusing government of gross inequities in the application of incentives

According to the South African Wood Preservers Association (SAWPA), government decided to extend the incentives to locality-bound industries such as lumber millers and timber treaters a few years ago

A number applied and were granted the incentives before the Decentralisation Board (DB) began to have second thoughts Apparently, it felt the move could precipitate a rush for incentives from other area-bound industries in the agricultural sector, which could put a strain on resources

It put a stop to new applications and told those to whom the incentives had already been extended they would be phased out in August 1987

The problem is that those who missed the

13/4/86

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S. TIMES

Asbestos twins in search of a clean bill of health

By David Carte

FOR those who like a high-risk, high-return gamble, Gencor's asbestos twins, Msauli and Gefco could be an option.

The first reason one could be interested is that asbestos, like nuclear power, appears to be less dangerous than everyone fears, at least if it is handled properly.

Turnaround

There is a world oversupply of asbestos, but if fears were laid to rest and the US Environmental Protection Agency got off the industry's back, demand would quickly exceed supply and both counters would move decisively. This may take time.

A shorter-term prospect is that because of the health panic, large Canadian producers may close, so benefiting Msauli, which competes with them in white asbestos Gefco produces blue fibre.

Thanks largely to a rand that ended the year on $0,37, Msauli last year returned from a loss of R551 000 to a profit of R5,5-million, and Gefco's taxed profit leapt from R10,9-million to R16,8-million Both companies are extremely cautious because of lower dollar prices and a stronger rand since the last accounting period.

Earnings of Msauli were 85,5c a share and of Gefco 46,9c. Msauli failed to pay a dividend as it has to reduce debt. Gefco paid 25c.

The two have been neglected by disillusioned investors, Msauli in particular. At 140c, it is only 1,6 times earnings. Gefco has a PE of 3,4 and a historical dividend yield of 15,6%.

Sceptical

Msauli's bombed-out rating suggests value Only poor old Zimbabwean counter Coronation Syndicate is more lowly rated among mining stocks. Investors have taken their pessimistic cue from a less than sanguine management.

One shareholder is sceptical of all this pessimism and wonders if there may not be a bid for the minority before asbestos gets a clean bill of health. He has asked how Msauli could fail to pay a dividend, ostensibly because prospects are so bleak, and yet have the confidence to splash about R3-million on expanding capacity.

The answer is that the capex was necessary to reach a new orebody merely to stay in production. Capex was funded with debt, which must be repaid (to Gencor) before dividends can be forked out.

Lesser threat

The Msauli balance sheet is hardly a disaster. There is only R3,1-million of long-term debt compared with shareholders' funds of R23,1-million.

Stocks — useful in the event of a strike — have more than quintupled to R2,44-million and debtors have soared from R2,3-million to R4,1-million.

Another reason that Msauli looks more interesting is that although management insists there is no difference in health risk between white and blue asbestos, popular opinion reckons white is the lesser threat.

BUS DAY 25/4/86 193 88

New brick builds a better SA

BARRY BAXTER

A NEW and unusual manufacturing franchise to be offered in SA is a wholly local idea

Multibrick is looking for franchisees throughout the country and in neighbouring and national states to make its interlocking building brick, which was developed in SA by a SA company

Franchisees buy the know-how and equipment to convert traditional brickmaking machines to turn out Multibricks

They pay a royalty on each brick produced and get marketing help, leads and advertising and public relations back-up as part of the franchise package

The cost to the franchisee depends on the number of machines to be converted, his area of operation and his output

The brick cuts building costs by up to 25%, the company claims, and can be laid by unskilled workers.

It says savings of up to 35% have been recorded and the brick has been laid at the rate of 1 050 an hour.

Multibrick interlocks and is initially drystacked

No mortar is required A cement slurry mix is poured down vertical holes which run the full depth of the structure and are created by the perfect alignment of holes in the bricks

This alignment is easy to achieve because of locking nipples on the bricks and the exact engineering of Multibrick

The brick has been subjected to rigorous tests by the SA Bureau of Standards and has performed at least as well as conventional bricks

Introduction of the brick has given a tremendous boost to the development of low-cost dwelling units for self-help housing schemes.

Sample homes have been built in several municipal areas

All building societies approached have bonded homes that were to be built with Multibrick no municipality has refused permission to erect any Multibrick structure, the company says

Multibrick, a new company, is based in Johannesburg. For further information, telephone 011 836 6737.

Cement industry under fire for price collusion

STAR 28/4/86. (193/?)

By Sven Lunsche

The cement industry has been severely criticised for embarking on capital-intensive projects while the building and construction sectors are going through one of their worst slumps

The industry has also been panned for keeping the price artificially high through price collusion and market sharing tactics

Mrs Giselle Roux of brokers Frankel, Kruger says "The extraordinarily high profit margins in the cement industry have come down a bit over the last year Nevertheless they are still one of the highest in the South African building industry"

Another stockbroker argued that the cartel of the three major companies, Anglo-Alpha, Pretoria Portland Cement (PPC) and Blue Circle, will have to be broken if some measure of competition is to be restored and cement prices brought down.

The industry has increased prices in response to under-utilisation of plant So the public has to pay for massive overcapacity at various new factories at a time when total cement consumption has dropped by over one million tons from 1984 to 1985

Anglo-Alpha faces problems with its recent R 300 million plant expansion at Ulco, which is running only at 70 percent of total capacity PPC and Blue Circle have similar difficulties

PPC cut its capital expenditure on the recently commissioned Dwaalboom factory from R300 million to R220 million Nevertheless, as a result of the declining productivity most of the staff either had to be replaced or retrenched At Blue Circle's R200 million Lichtenburg factory only two out of six kilns are productive and a large part of the work force had to be retrenched

The Competition Board has recently published a notice highlighting practises of price collussion and market sharing as being in conflict with the provisions of the Maintenance and Promotion of Competitions Act, which will be introduced on May 2

Competitions Board chairman Dr Stef Naude said "This is applicable to arrangements in the cement industry, ye we have to be careful that we do nc destroy the industry by breaking up cartel, which has run the industry for long time and fairly succesfully."

Dr Naude indicated that some kind c extention will be granted to allow th industry to either adjust to the new reg ulations or make new representations t the board

But brokers suggest that even if th regulations are enforced "the industr would keep some kind of gentleman' agreement going, to maintain their cor trol over prices"

Industry sources have presented sub missions to the board, detailing the nee of continuing with the present structur and organisation

Says PPC MD Guy Luyt "I am sur there will be no summary withdrawal c the present arrangements, as the Boar recognises the problems that will b created"

Ronnie Searle, deputy MD of Anglc Alpha, believes arrangements betwee the major companies are still in the bes interest of the cement industry and i the long run the consumer "If we loo at other countries, namely the US where free competition exists, we don see that they are much better off," h said

Spokesmen for all three companie dismissed suggestions that their exten sive capital expenditure projects in th last couple of years were unjustified

"We are talking of a full three-year period between the decision to go aheac and the commission of a cement indus try, and there is no way in which the present recession could have been pre dicted in 1981/82," said Mr Searle

He also indicated that two years ago building industry sources suggested tha South Africa would experience a build ing boom as never before.

"We were then criticised for not mal ing sufficient provisions for expansio and were faced with cement impor which badly affected the local industry

All three companies also point o that their ventures are long-term inves ments and that they obviously will pa off once the economy picks up

28/4/86 BUS DAY (193)

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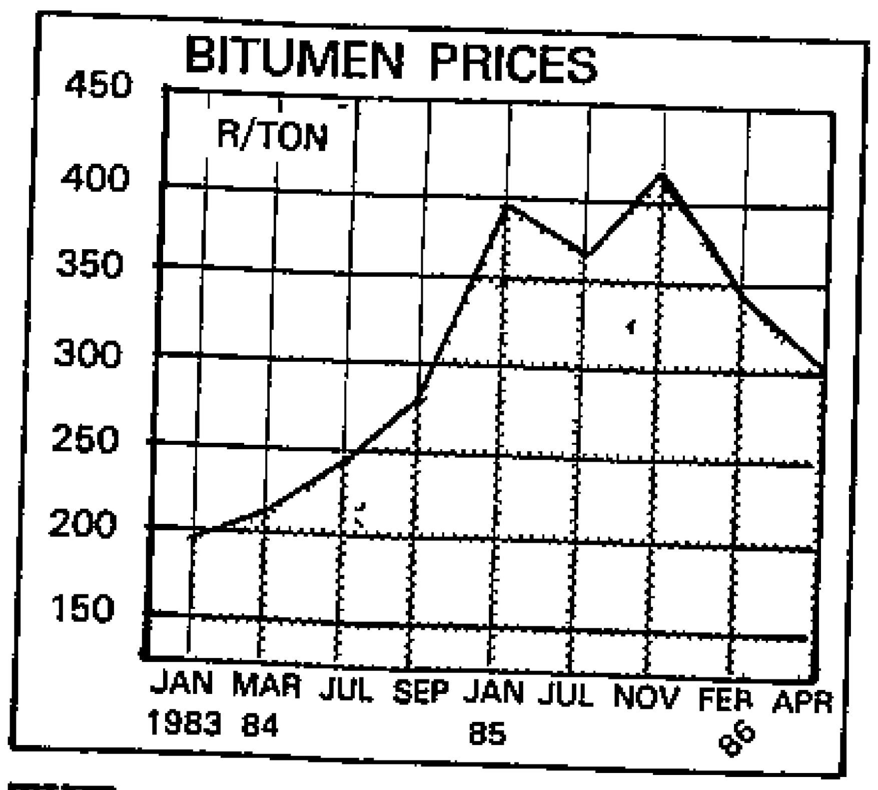


Bitumen prices fall 25%

ALAN PEAT

THE price of bitumen has fallen by more than 25% in the past five months, but industry sources say tariffs are still way above 1984 levels

The SA Bitumen and Tar Association (Sabta) said the bitumen price had been reduced by R40/ton to R306. This was the year's second decrease, the previous being a drop of R70,10 in February, making a total reduction of 25% since last November

"But, while this is welcome, we cannot get too excited about it," said a Department of Trade (DoT) spokesman. "It only goes part of the way towards getting the price down from the extremely high level it reached in November last year."

The 1985 increase of that over 1984 was more than 76% from the R236,10/ton of July 1984 to the R416,10/ton of November 1985.

"We will be able to stretch our planned maintenance and reseal work a bit further," the spokesman said. "But our estimate of the reduction in cost on asphaltic concrete overlay work is only 1%, and of resealing, using the spray-and-chip method, only 2%."

But Sabta executive director, Piet Myburgh, said premix contractors would especially benefit

"In fact, they are forecasting a 25% increase in turnover Both fuel and bitumen price reductions have meant up to 12% saving in the laid cost of premix."

Myburgh promised further price reductions "as soon as the oil price decrease has an effect and as long as the exchange rate keeps improving"

The reduction was welcome, said DoT director of planning Ed Petzer.

"We are now entering a phase where resealing is becoming an urgent need. All methods use bitumen, and it is the major part of the material cost"

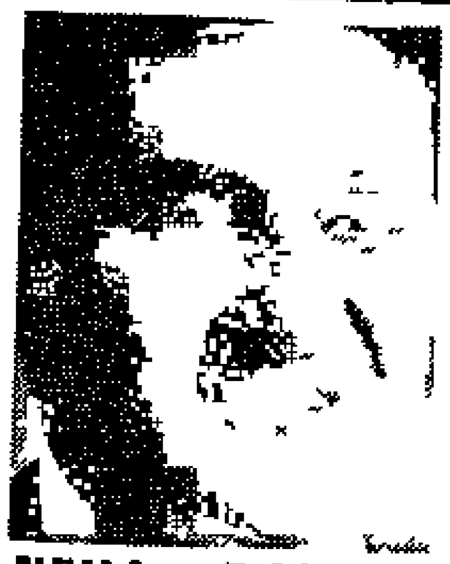
Lenders curb fancy pricing

WASHINGTON — The two major federally-linked secondary mortgage market corporations in the US have changed their definition of market value on property appraisals.

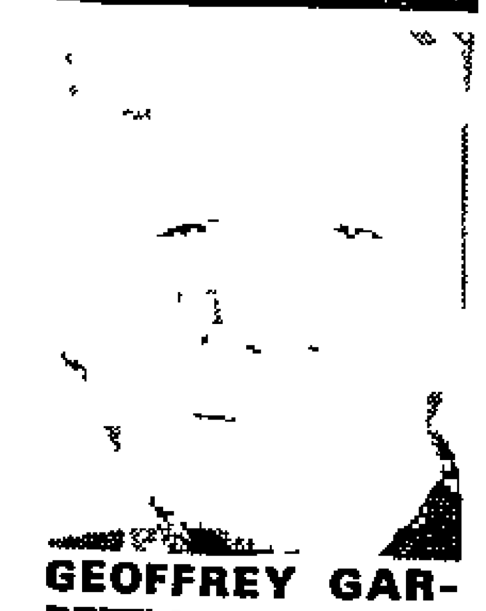
The new definition, by Federal Home Loan Mortgage Corp and the Federal National Mortgage Association, becomes effective from July for mortgages they provide

The guidelines call for appraisers to define market value as the most probable — rather than the highest — price a property will bring

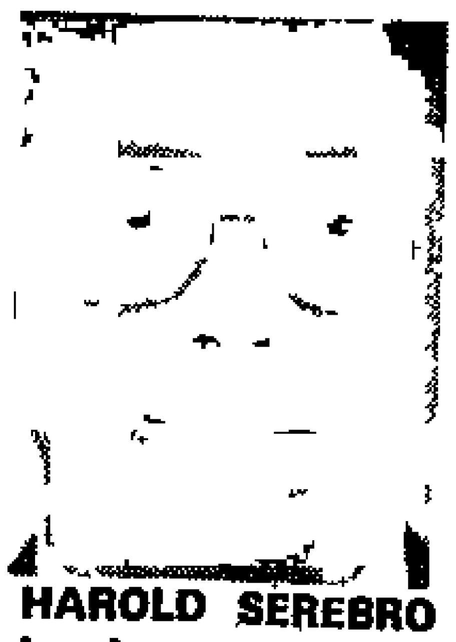
ON THE MOVE



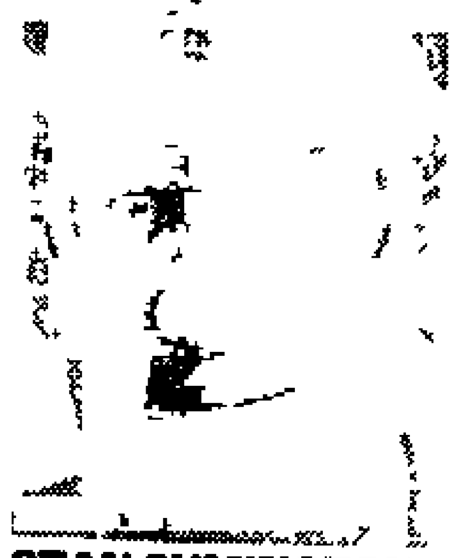
NEILL DAVIES, executive director of Altech, Powertech and Altron, has become alternate director of Anglo American Industrial Corporation (Amic).



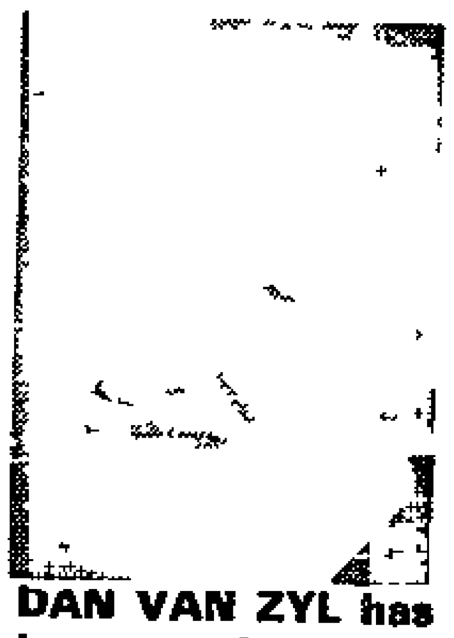
GEOFFREY GARBETT has been appointed MD and CE of Parker Pen (Southern Africa) He replaces Charles Breetzke, who becomes MD of Parker in the UK.



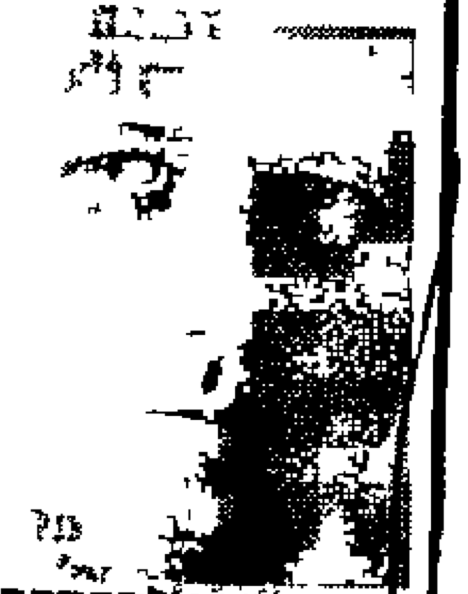
HAROLD SEREBRO has been appointed chairman of new JSE listing company Punch Line Holdings.



STAN SYMINGTON, a senior partner of Arthur Young & Co, is the new president of the SA Institute of Chartered Accountants.



DAN VAN ZYL has been appointed MD of Mitchell Cotts Engineering.



PETER JOUBERT, MD of Afrox, has joined the board of Cullinan Holdings.

INDUSTRY

ARGUS 29/4/86 (193)

Cement companies attacked over giant new projects

From PETER FARLEY,

JOHANNESBURG. — The cement industry has been severely criticised for embarking on capital-intensive projects while the building and construction sectors are going through one of their worst slumps.

The industry has also been panned for keeping the price artificially high through price collusion and market sharing tactics

Mrs Giselle Roux of brokers Frankel, Kruger says "The extraordinarily high profit margins in the cement industry have come down a bit over the last year Nevertheless they are still one of the highest in the South African building industry"

Another stockbroker argued that the cartel of the three major companies, Anglo-Alpha, Pretoria Portland Cement (PPC) and Blue Circle, will have to be broken if some measure of competition is to be restored and cement prices brought down

The industry has increased prices in response to under-utilisation of plant So the public has to pay for massive over-capacity at various new factories at a time when total cement consumption has dropped by over one million tons from 1984 to 1985

Anglo-Alpha faces problems with its recent R300 million plant expansion at Ulco, which is running only at 70 percent of total capacity PPC and Blue Circle have similar difficulties

PPC cut its capital expenditure on the recently commissioned Dwaalboom factory from R300 million to R220 million Nevertheless, as a result of the declining productivity most of the staff either had to be replaced or retrenched

At Blue Circle's R200 million Lichtenburg factory only two out of six kilns are productive and a large part of the work force had to be retrenched

The Competition Board has recently published a notice highlighting practices of price collusion and market sharing as being in conflict with the provisions of the Maintenance and Promotion of Competitions Act, which will be introduced on May 2

Competition Board's chairman Dr Stef Naude said "This is applicable to arrangements in the cement industry, yet we have to be careful that we do not destroy the industry by breaking up a cartel which has run the industry for a long time and fairly succesfully"

Dr Naude indicated that some kind of extention will be granted to allow the industry to either adjust to the new regulations or make new representations to the board

But brokers suggest that even if the regulations are enforced "the industry would keep some kind of gentleman's agreement going, to maintain their control over prices"

Industry sources have presented submissions to the board, detailing the need of continuing with the present structure and organisation

Says PPC MD Guy Luyt "I am sure there will be no summary withdrawal of the present arrangements, as the Board recognises the problems that will be created"

Ronnie Searle, deputy MD of Anglo-Alpha, believes arrangements between the major companies are still in the best interest of the cement industry and in the long run the consumer "If we look at other countries, namely the US, where free competition exists, we don't see that they are much better off," he said

Spokesmen for all three companies dismissed suggestions that their extensive capital expenditure projects in the last couple of years were unjustified

"We are talking of a full three-year period between the decision to go ahead and the commission of a cement industry, and there is no way in which the present recession could have been predicted in 1981/82," said Mr Searle

He also indicated that two years ago building industry sources suggested that South Africa would experience a building boom as never before

"We were then criticised for not making sufficient provisions for expansions and were faced with cement imports which badly affected the local industry"

All three companies also point out that their ventures are long-term investments and that they obviously will pay off once the economy picks up

Cartel exemptions while talks go on

BUS DAY 6/5/86

193

Cement and timber set-ups being probed

Industrial Staff

FURTHER discussions and investigations into organisation of the cement and timber industries will have to take place before the Competition Board can decide on what changes — if any — are necessary.

The cement industry has been given a two-year exemption from the anti-cartel legislation promulgated last week so ways and means of increasing competition in the industry can be discussed with the board

A decision on whether or not the Timber Marketing Agreement (TMA) should be exempt will depend on the outcome of the board's investigations into concentration in the sawmilling industry

Cement Producers' Association (CPA) chairman Peter Kett, said he did not believe the temporary exemption meant present pricing and distribution arrangements in the industry had to be phased out

The CPA represents the four major manufacturers — Anglo Alpha, Blue Circle, Pretoria Portland Cement and Natal Portland Cement — and decides on minimum prices

Andries Swart, executive director of the SA Lumber Millers' Association (Salma), said the board would finalise the application for the exemption of the TMA from the anti-cartel legislation once it had completed its investigation into concentration in the sawmilling industry

The advertising industry has been granted an exemption until September from the Competition Board's ban on horizontal price-fixing

The board has asked the industry's Joint Accreditation Committee for more information concerning its application for exemption

DAVID BATH

FIN MAIL 2/5/86 (193)

Against the wall

David Bath becomes MD of Blue Circle Cement after a terrifying 1985 group profits fell 77% Of course, as Bath points out, this drastic drop is not peculiar to Blue Circle alone It is part of the general convulsion of cement makers following the construction industry's nose-dive

A man stepping into the top slot, in such circumstances, could be expected to exhibit at least a touch of gloom But Bath (43) accentuates the positive "In a way it's exciting — SA managers learned their jobs in a growth phase, and a really severe downturn demands different techniques and a steady hand"

Such skills will be tested Bath believes that the cement industry can look forward to at least three more years of shrinkage Blue

Picture by Raymond Preston

Bath . . . the battle-lines are clear

Circle Cement's volumes will be down about 10% on last year, he projects, which already showed a drop of 20%

"The name of the game is reducing break-evens," he says The first step in that process required the retrenchment of 15% of the staff

"And we've been rationalising production throughout our business Cement production now comes from one kiln at Lichtenburg, while another five stand idle We took a long look at quarrying activities, and closed a number of downstream ready-mixed concrete plants Of 11 Cape Town plants, seven are active, in Durban, where the market contracted rather later, we've closed down three," he enumerates

Blue Circle Cement is the baby of the industry, Bath admits, with market share of about 23% Competitors Pretoria Portland Cement and Anglo-Alpha have more muscle Could there be a merger?

"Whatever the pressure in the coming three years, I suspect it won't be enough to force a merger The worst patch was during the second half of last year, and we've lowered break-even points and returned to a modicum of profitability The battle lines are fairly clear," he responds

What of black housing, which the construction industry sees as a future source of demand? "People tend to clutch at straws, however small We are seeing growth there, but it's from a low base and a small segment of the total market" The more massive, traditional building and industrial projects which use high proportions of cement will remain at a premium, Bath adds

One bright spot, though, is that the war against importers is a thing of the past "They packed up and went home The drop in the rand had something to do with it, but producers put up a hard competitive fight as well," Bath reflects

Bath's career in construction supply began with training at the Portland Cement Institute, where he became a lab technician He moved on to Darling & Hodgson's Ready Mixed Concrete (RMC), and gained the City & Guilds diploma in advanced concrete technology

Then he was transferred to RMC Natal as a technical manager, "and from there found my way into management, becoming Natal GM of D & H Construction Materials in 1977 I started various quarrying operations, and built an integrated unit"

In 1979 Bath spent a year at London Business School, gaining a Sloan fellowship He then briefly managed a waste disposal business in London for D & H In 1981 he was back in SA as MD of its Materials Division

Two years ago, Blue Circle took the division over Bath stayed in that job until his move to Blue Circle Cement, Blue Circle's largest and most important component

In spite of the uphill climb Blue Circle faces, "it's not accurate to say I'm on a rescue mission," says Bath He adds "Nor am I a crisis manager The group is fundamentally healthy and ready to weather a downturn" ■

BOB GREENWOOD

Assessing risk

"When I started out," says Bob Greenwood, new MD of the local offshoot of Cigna, a giant US composite insurer, "insurance was a profession and an underwriter a respected part of it Then there came a time when people started talking about 'the insurance game' — the producer took over and the underwriter and underwriting assumed a secondary role as companies raced to acquire market share"

The result of this approach has been a series of years in which the market has paid out more in claims than it received in premium income Companies survived on investment incomes and, when these fell short and reinsurers applied pressure in the market-place, "direct insurers had to take stock of their position"

Like everyone else, Greenwood is talking about a return to fundamentals — a "de-emphasis on production and re-emphasis on

FIN MAIL (193) 9/5/86.

CEMENT CARTEL

Plastering the cracks

Government's apparent determination to crack the cement cartel has come at a bad time for the hard-hit industry

The three major producers behind Cement Distributors of SA (CDSA) had hoped to be excluded entirely from the Trade and Industry Minister Dawie de Villiers' crackdown on collusive practices

Instead they have been granted a two-year breather, but this is cold comfort to an industry badly hurt by a sharp drop in sales and the cost of massive capital development for a building boom that never materialised

De Villiers has told the industry that it must work with the Competition Board (CB) to "purposefully strive to increase the degree of competition in the industry"

Trade heavyweights — Pretoria Portland Cement (PPC), Blue Circle and Anglo-Alpha — fear that opening the industry up to competition will erode industry profits even further and hike cement prices

They admit prices have been fixed since at least 1954 and a market-sharing agreement has been in existence since the formation of the CDSA

But they contend that this has given the industry confidence to expand its infrastructure and that this, in fact, benefits the consumer

The industry's submission to the CB attempted to show that cement prices would soar if the producers could no longer share marketing and distribution facilities

The *FM* understands the CB gave the producers "unofficial notification" that it would need more time to sound out ways of opening the industry to competition a few weeks before government's clamp on business collusion

New regulations outlawing a range of collusive practices were gazetted on May 2 under the Maintenance and Promotion of Competition Act

On the same day the Cement Producers' Association (CPA) received a letter from De Villiers allowing the industry to "continue operating in its present form for the next two years"

But, as Blue Circle marketing director Peter Kett, says "We have not been told to break the cartel, but to loosen up on our pricing and market-sharing arrangements instead"

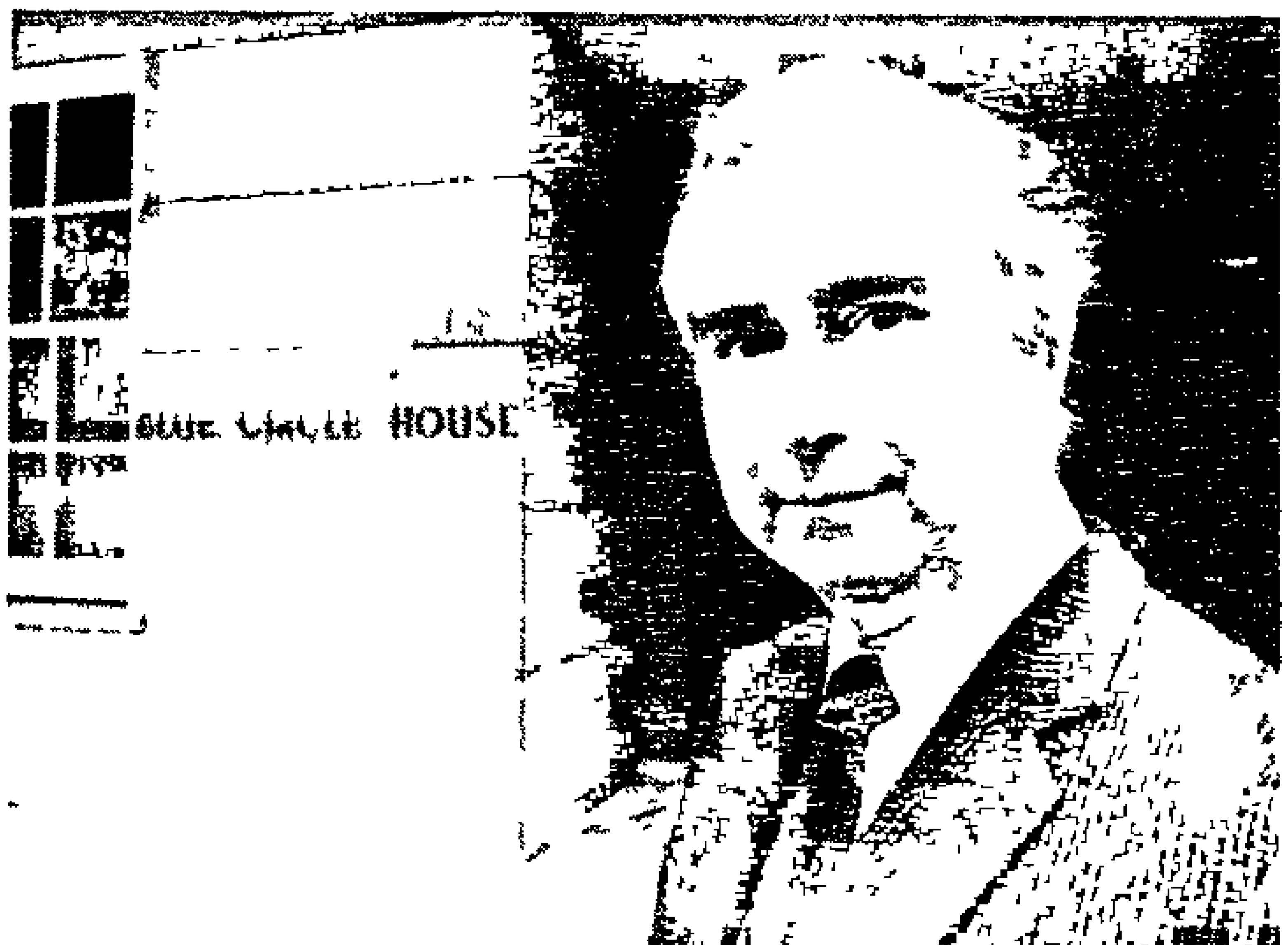
While four exemptions to the anti-cartel legislation have been made — the Spar retail chain, advocates and two retail pharmacy operations — cement producers are still dismayed that they were not included on the exemption list

But, Kett adds, the "doomsday scenario" of the cartel being outlawed was "never seriously on the cards"

The CDSA is pencilling in a 5% drop in this year's cement sales to 5,4 Mt from 1985's 5,7 Mt, on a turnover of R460m

Already first quarter sales have fallen by 5,43% against the same period in 1985 The fall occurred in spite of undisclosed exports of clinker shipped from Maputo last month for the first time in several years and the recovery of some 75 000 t a month in sales lost during last year's price war with importer Cement Enterprises The imports stopped in August because of the poor rand/dollar exchange rate

Adding to the pain of the recession is the industry's penalty for ploughing some R840m into new production facilities in the last five years in expectation of a construction boom



Blue Circle's Kett ... no break yet

Witness PPC's mothballing of its new R300m Dwaalboom plant in the northern Transvaal last August

Exactly how the CB intends to prise open one of SA's toughest cartels is by no means clear But the CPA will fight any change to its present distribution arrangements whereby buyers have to source from the nearest producer to keep transport overheads — 40% of the consumer price — at a minimum

"Profit margins are tighter than ever," says PPC financial director Chris Wrogemann "It would to be nonsensical to have producers undercutting each other as a result of dismantling the pool system"

Latest industry figures show cement sales falling by 21% over the last 18 months, largely as a result of the sharp downturn in building activity

The long-term effect of competing on prices, suggests CDSA GM Berry Pavey, "could trigger higher cement prices because producers require higher returns on their investment in an uncertain climate" ■

FIN MAIL 9/5/86 (193)

MOTOR SPARES

Sum of the parts

(39)

Behind last week's *Did You Hear* about a popular car selling in SA for around R25 000 — which would cost R270 000 if assembled entirely from spare parts — lies a serious problem The concern among buyers is that car-makers are trying to make up for plummeting car sales with huge hikes in the price of spares

Avis Rent-A-Car, for example, found after analysing its 1985 new vehicle fleet that the cost of parts had surged nearly 70%, while across-the-board car prices had increased by only 37% BMW and Volkswagen franchise parts were below average, with increases over a year of 58% and 61%

"The excess we paid on accident damage last year forced our insurance payments up by 40% this year," says Avis GM Tony Langley

Avis is fighting back and has warned manufacturers that unless prices of certain body parts stop rising at the present clip, "future orders are likely to go to more competitively-priced car makers"

The results of a recent Automobile Association (AA) check has added to the brouhaha

The study showed up erratic pricing policies and mark-ups of nearly 800% on the landed cost of many common spares at the retail level

In a separate survey completed last week, the AA compared prices for a basket of mechanical and body-part spares for the Ford Escort, Mazda 323, VW Citi Golf and Toyota Corolla Conquest — all cars in a similar price range

Expressing the results as a percentage of the car's purchase price, the AA found a 27,5% price gulf in the parts costs of the Corolla Conquest, which came in cheapest at 43,6%, and the Ford Escort at 55,6%

In effect, says AA GM (Technical Services) Fred Bothma, "the buyer gets

ARGUS 16/5/86

Two fresh blows rock Eastern Cape economy

The Argus Bureau

TWO fresh blows have rocked the hard-pressed Eastern Cape economy — Corobrik is closing its Port Elizabeth operation and Steelmobile in Uitenhage is shutting down

Corobrik's closure is expected within days and Steelmobile's at the end of the month About 200 people are expected to lose their jobs

The closure of Corobrik would probably be a mothballing exercise, according to a spokesman

Its shutdown represents one of the most dramatic reversals in the Eastern Cape's recent catalogue of misfortunes

WAITING LIST

Four years ago, Corobrik had a three-month waiting list on deliveries Last year Corobrik nationally reduced production by 40 percent and cut salaried staff by 15 percent

A recent report issued by the University of Port Elizabeth showed private home building in the Eastern Cape had experienced one of the most serious declines in the country

According to an industry source, between 15 and 20 whites and between 40 and 50 blacks are employed there

At Steelmobile, 147 people will lose their jobs About 12 of these are salaried employees while the rest are hourly-paid

OTHER JOBS

The plant, site and the machinery are being sold, the plant manager of Steelmobile, Mr Richard Roper, said today

He said the workers had been told in January that the plant would close at the end of May to give them time to look for other jobs They had been given severance pay

Most of the hourly-paid operators and labourers had been unable to find alternative work in the area

ENTERPRISE

W Cape bricks hit the Far East export trail

193

By TOM HOOD
Property Editor

ARGUS 16/5/86

BRICKS made at Stellenbosch are being exported to Hong Kong

The first order, won against strong competition from Australia, has been successfully delivered by Corobrick Western Cape, the region's largest brickmaker

"Although in South African terms the order is relatively small, it represents an important breakthrough, especially considering the current depressed local market conditions," says Mr Mike Ingram, sales manager

The first consignment of 20 000 special paving bricks has just reached Hong Kong and is reported to have arrived in excellent condition, he said today

The balance of the shipment, 110 000 bricks, will be completed shortly

The company was asked by a Hong Kong agent to submit samples of Tokai red paving bricks

"They liked the quality and the price and we got the order"

While it was not Corobrik's intention to mount a major export promotion, the revenue from overseas sales was appreciated in the current depressed times, he added

"The order might seem small compared with South Africa's brick production of 5 billion a year But having made a breakthrough and satisfying a customer is the best guarantee for getting future orders.

"Our first responsibility is to the local construction industry — we can guarantee product to cater for the demand"

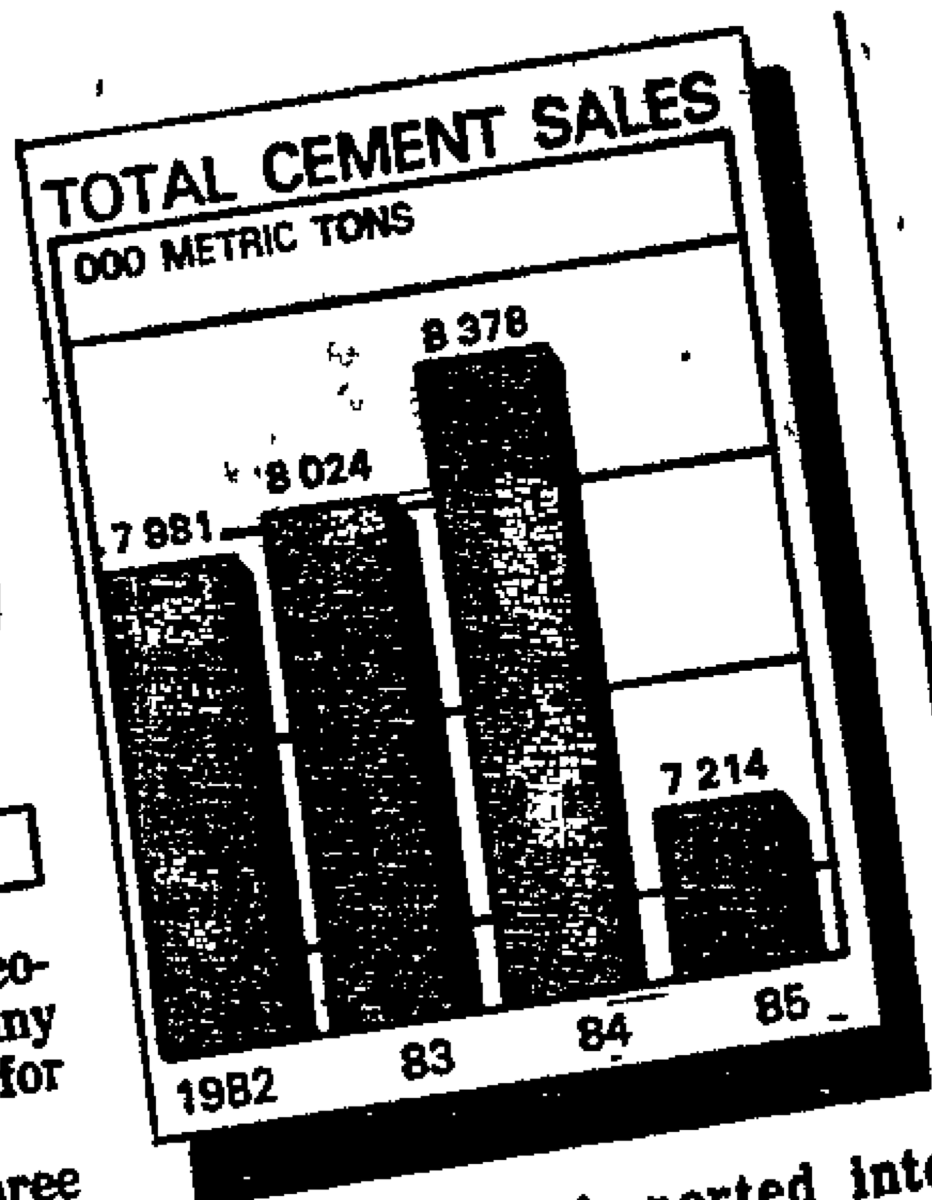
2 BUSINESS DAY, Friday, May 16 1986

Industry reels under losses

Gloomy 1986 for cement

193

MICK COLLINS



WITH domestic demand falling 14%, cement producers had a grim 1985 with little relief in sight this year.

National capacity during the year averaged 64% after a sharp decline in the activities of the building and construction industries.

The decline began in the last quarter of 1984 and continued at a substantial rate throughout 1985.

According to the annual review of the SA Cement Producers' Association, the industry sees little hope of recovery for the remainder of this year, saying that the economy has not yet bottomed out of its slump.

"The construction industry traditionally lags in excess of 12 months behind the general economy and we do not see any prospect of increased sales for 1986."

As a result of low sales three dry kilns and seven wet kilns, which account for 21% of available capacity, have been mothballed.

This includes the new plant at Dwaalboom, Transvaal, which was commissioned in June 1985. The plant is expected to come back on stream only in the latter half of 1987.

The review said imported cement also caused the industry further loss.

"During the year to August 1985, some 200 000 tons of cement were imported into Natal, mostly from Japan. This was resisted by local producers and a price war resulted which culminated in the withdrawal of the importers. Although this threat was eliminated, the industry suffered a considerable loss."

The review says that a substantial oversupply of cement existed worldwide and the low prices at which cement imported from Japan was sold clearly evidenced dumping.

South African now has the delicate

16/5/86 STAR (193)

Two E Cape firms to close

CHRIS CAIRNCROSS

TWO companies in the Eastern Cape announced they were closing yesterday as government decided to appoint another committee to investigate serious problems of the region.

Corobrik and Steelmobile are to shut their Eastern Cape plants this month

In a statement released in Parliament, Constitutional Development and Planning Minister Chris Heunis said it had been decided that a special task team was to be appointed under the leadership of his department to give urgent attention to a variety of chronic problem areas in the Eastern Cape

To be known as the Eastern Cape Strategic Development Team, it will be chaired by Frans Scheepers, chief executive director of the Department of Constitutional Development and Planning

On Friday Corobrik in Port Elizabeth is to mothball its plant because of the decline in demand for bricks, causing more than 100 workers to be laid off Four years ago the same company had a three-month waiting list on deliveries

Steelmobile, built in 1982 to supply Ford, will close at the end of the month A total of 147 workers are to lose their jobs

Sats construction work halves

By Frank Jeans

The chronic downturn in the construction industry is underlined by the activities of one of the largest public sectors in the field — SA Transport Services

In the 1985-86 period, Sats construction projects totalled about R526 million in value, while the current allocation has slumped to R226 million and this work volume is expected to level off further over the next two years to about R200 million

Commenting on the construction recession at a lunch of the Portland Cement Institute's Construction Writers' Club, Mr Mike Myburg, chief civil engineer of Sats said "Construction has one of the poorest productivity records because the economy varies so tremendously

"Workers in the industry are virtually forced to be unproductive because of the uncertainty of work loads"

In such a tight environment, the rail construction teams are constantly involved in cost-pruning exercises, particularly in track costs and maintenance

"Our goal in the maintenance area, which at present takes up about 14 percent of all rail expenditure, is a reduction to 10 percent — and in 1986 money terms this represents a saving of R253 million," Mr Myburg said

While there were big cost-savings, there appeared to be no loss of quality control in maintenance, for since 1978 when there were about 100 derailments, the figure had dropped to a current 32

Sats builders were also making innovations in a highly contentious area of the industry — residential property repair where the CSIR estimated that about R1 billion would be spent to stop cracking and subsidence in homes

"Housing is a substantial asset of Sats and we are repairing many of these properties with new methods," says Mr Myburg

Looking ahead, he said he believed that the challenge in Sats construction — and probably generally for the industry — lay not in the magnitude of the projects but in innovation aimed at reducing costs

Cementation earnings climb 29%

PRISCILLA WHYTE

CEMENTATION'S acquisition last year of a 50% share in Gold Fields Cementation (GFC) has done wonders for the bottom line.

Earnings climbed 29% to R1,5m for the six months to March and chairman Ron Shaw said yesterday this was largely because of the fine performance of GFC, which provides mining services in the form of underground water control, exploratory drilling, shaft sinking and raise boring.

Shaw said earnings for the second-half should increase at the same rate as in the first-half. The final dividend should better last year's 17c The interim dividend has been maintained at 8c.

Shaw is optimistic about future shaft-sinking prospects. He believes 30 new shafts could be sunk on various mines in the next four or five years

But the outlook for civil engineering is not promising. Development has been curtailed in the Transvaal and the Cape and structural engineering and railway contracts are generally few and far between

Hopes are better for Durban, however, traditionally a lucrative market.

To March, Cementation's capital commitments amounted to R5,7m (R828 000) Most of this relates to "a specialised engineering plant which should contribute to profits in 1987"

The group's uncovered foreign exchange loan of $6m at the September year-end has since been covered forward to December 1986 at a rate of $0,50c. Cementation has the option either to repay the $6m loan in December or to roll it forward for another year

Another offshore loan of R4m is fully covered and has to be repaid by November 1986.

Shaw is not happy with profit margins of 6% on turnover of R115m earned on a pre-interest, pre-tax profit of R6,9m (R2,3m)

Interest charges rose to R2,9m (R1,4m) and management would like to improve gearing from the present 108%

The tax bill rocketed 4,5 times to R4,0m (R877 000) Last year a tax loss in one of the civil engineering divisions was utilised.

Yesterday the share fell 5c to close at 425c and on this price it yields 5,9% on maintained dividends, compared to a sector average of 3,5%. With Shaw hinting at an increased final dividend, the share has upside potential.

... 2c was declared.

COMPANIES

ARGUS 5/5/86

International ties put a shine on PG

From PETER FARLEY

195 199

JOHANNESBURG — The Plate Glass group leant heavily on its international subsidiaries in the year to end-March, to produce full year figures fractionally up on the previous year.

With both its SA wood and glass operations hit badly by slumps in the building, motor and furniture industries, the group's decision to diversify internationally paid handsome dividends.

Nevertheless, margins remain better in South Africa and the increased contribution from the offshore interests meant that operating returns slipped to 6 percent from 7 percent.

Though almost 60 percent of turnover was generated by the overseas operations, only 34 percent of pre-interest profit was made outside SA. This was substantially up on the 20 percent from that source in the previous financial year

Group turnover is now nudging the R2 billion mark, with a 44 percent leap in sales to third parties slightly tempered by less growth in inter-group and indent business.

The dividend has been maintained at a total 105c for the year, costing a total of R17 million

Overseas subsidiaries charge to PG's aid

5/6/86 STAR (193)

By Peter Farley
Investment Editor

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Joint chairmen Mr Bertie Lubner and Mr Ronnie Lubner said yesterday that apart from a disappointment in the US and a slower contribution to profits from the recent DIY acquisition in the UK, all the offshore operations improved

The US profits were affected by the group's entry into the flat glass market — until now it has been wholesaling replacement windshields — a venture which it is now reconsidering

The profitability of the SA operations was substantially bolstered by the sharp increase in exports

The group's balance sheet also remains healthy, with gearing below 30 percent and interest cover a formidable 4,3 times

The weak rand was a major factor behind the stronger second half performance, after a more conservative evaluation at the halfway stage Mr Lubner said that almost R14 million of the R116 million operating profit was directly attributable to exchange rate fluctuations

In addition, a revaluation of offshore assets at the year-end exchange rate added more than R17 million to reserves

The dividend has been maintained at a total 105c for the year, costing a total of R17 million

These payments are all made out of cash earned in SA, with virtually all offshore earnings ploughed back into those business

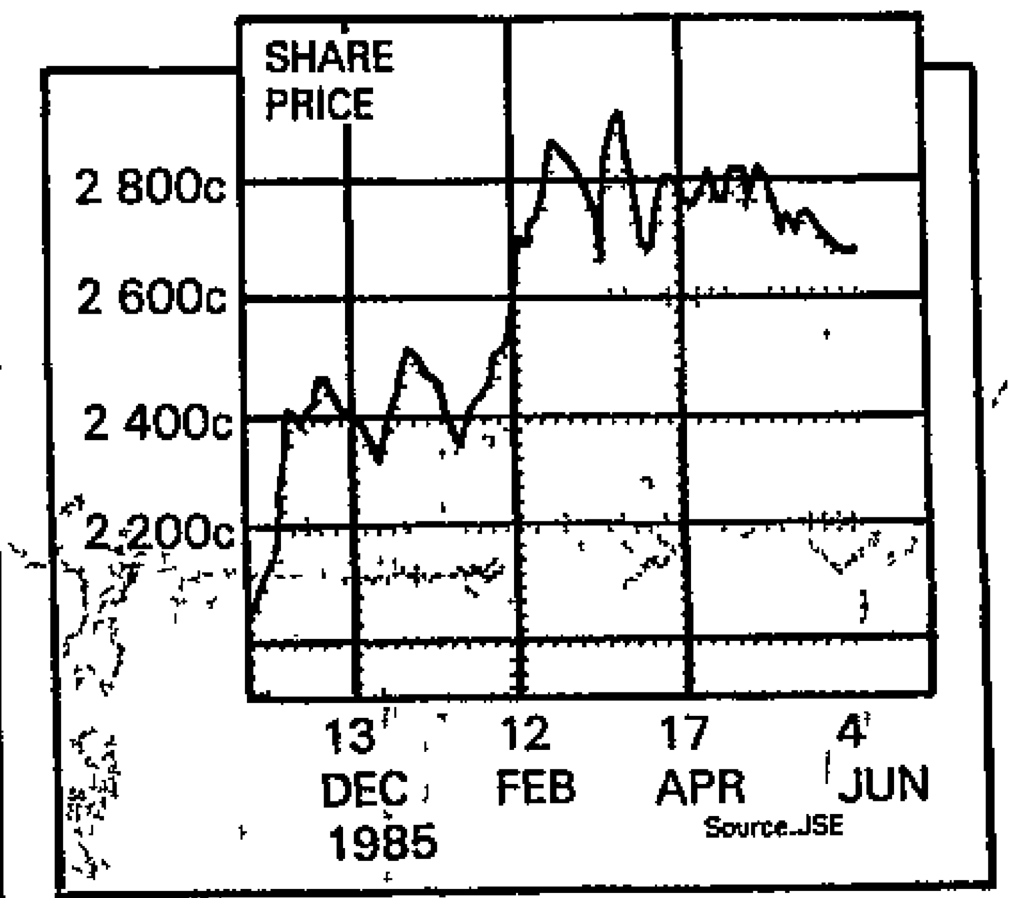
Nevertheless, Mr Lubner says that should SA profits falter to such an extent that dividend growth could be hampered, sufficient money will be remitted from overseas to pay SA shareholders

An important development during the year was the extension of the group's operations into the manufacturing field Both main developments came in SA, with the acquisition of Wesglas and the merger with Mondi and Afcol's Bisonboard operation

This vertical integration does not necessarily increase sales or market share, but will have a tremendous impact on profitability through stronger buying and reduced overheads

The shares remain an important investment for those seeking a rand hedge and PG is still — Rembrandt aside — the country's fastest growing multinational

P G GLASS



PG dividend maintained

Bus Day - 5/6/86

193

PLATE Glass & Shatterprufe Industries (PGSI) enjoyed a much improved second-half — thanks to a sharply higher profit contribution from overseas operations — with earnings little changed at 202,6c (200,7c) in the year to March

Dividends for the year are unchanged at 105c a share

Results exceeded directors' interim expectations but were generally in line with analysts' expectations

Group turnover advanced 29% to R1,89bn from R1,46bn with the sales mix shifting markedly away from SA sources

On the domestic front, sales volumes were down as the group, through timber and glass, serves the hard-hit construction, motor and furniture industries

However, non-SA sales increased market penetration and turnover from this source rose to 58% from 49% of total turnover, while SA's contribution fell to 42% from 49%.

PGSI's SA exports doubled to R60m and joint chairman Bertie Lubner says that the export order book, on the glass maunfacturing side, is presently good and margins are improving.

193 SMC 18/6/86

Shaft sinking sector has R600-million worth of work available over next five years

Cementation well placed to reap benefits

By Frank Jeans

One way or the other the industrial company that has well established mining connnections is comparatively better off than many others in the present economic slump

With mining s millions in circulation thanks to the low rand dollar exchange rate the continuing throughput of ancillary work from the mines has been welcome compensation for groups otherwise feeling the crunch of recession

And if the results of a survey by the Cementation group are on the mark and given more stable economic and political conditions the prosperous mining spin off appears to be assured for at least five years

During that time according to Cementation s assessment at least 40 new mining shafts will be sunk and at an estimated cost of about R15 million a shaft, this sector stands to benefit by a total of R600 million

The final figure of course must be far greater when shaft establishment costs and complementary projects are taken into consideration — altogether a promising outlook indeed in these depressed times

Certainly Cementation must be well pleased about the prospects because of its long time association with mining and in particular the Gold Fields (GF) organisation

Not that Cementation — it has long since branched out from founder Albert Francois s cement grouting process of the twenties — expects favours from big brother GF the policy of which is arms length dealing when it comes to contracting

We have to tender with the best of them says Cementation chairman Mr Ron Shaw and we win a few and lose a few

Mining houses carry out a lot of their own shaft sinking operations but there must be a lot of work left over in the field which goes hand in glove with prospect drilling — an area in which Cementation is a leader

BOUGHT OUT

Gold Fields Cementation was formed in 1969 with Gold Fields holding 50 percent and Cementation (Africa) the balance

Last year Cementation (Africa) bought out the GF stake with convertible preference shares which on conversion would give the latter a 24 percent share in Cementation (Africa)

Mr Shaw joined the company in 1945 as a fitter turner and was in charge of maintaining pumps in a tin shed on the existing property in Selby Johannesburg

Small as it was that shed was the base for growth into areas of engineering construction rail track laying and forging and today the company has a projected turnover for this year of R230 million and a current mining order book valued at R125 million

Its civil engineering section in line with the rest of the industry is highly problematic but this area of activity accounts for only 10 percent of turnover while mining and engineering each have a 45 percent involvement

Cementation has an added advantage too in the technological field through its connection with British industrial conglomerate Trafalgar House Investment

Trafalgar bought out the Cementation operation in UK in 1970 and thus secured a 61 percent stake in Cementation (Africa)

This has given us access to the specialised expertise in design and research available in the prominent engineering companies within the Trafalgar group says Mr Shaw

As one of South Africa s oldest companies then Cementation is faring well and apart from high expectations in the local market place has broadened its scope internationally through franchise agreements the most recent of which was with Japanese trading group Mitsui for the introduction to this country of a tape sealant for construction work developed by Sanyo Chemical Industries

There remains a dull patch on the industrial horizon however and Mr Shaw along with other business leaders sees the growing labour confrontation becoming a critical factor

Anybody who employs a large workforce must prepare himself immediately to cope with many difficulties in the industrial relations field he says

This is certainly not an area for the enthusiastic amateur for the unions have become more sophisticated in their dealings which means that management must consquently become more professional at the negotiating table

CRUCIAL DATE

While he concedes that a polarisation of views persists he has no doubt that a solution to the labour problem lies somewhere notwithstanding the fact that there must inevitably be wage demands on one hand and falling profit margins on the other

Indeed a crucial date is looming for the metal industries for on June 30 the annual agreement expires at a time of mounting political turmoil

Outside of mining these industries are the next biggest employers of labour in South Africa with 90 000 blacks and 110 000 whites in the unions and 150 000 more workers on the sidelines

One can understand therefore the threat that simmers and which could indeed lead to an uncontrolled free for all which together with the many current disputes in which companies find themselves today could become critical for the collective bargaining system

Mr Ron Shaw chairman of Cementation the prospects are bright for the mining shaft sinkers

Corobrik factories run at 57% capacity

BUS DAY 4/7/86.

300-m bricks pile up as sales level off

193

PETER WALLINGTON

A MAJOR brick manufacturer, Corobrik, has 300-million bricks stockpiled.

Cedric Savage, executive chairman of the industries and building materials division of the Tongaat-Hulett Group, said taht although Corobrik was selling 4-million bricks a day, its factories were running at only 57% capacity.

He said that was in line with industry figures

"We have closed 16 of our 51 factories and have had to lay off 4 500 workers out of 14 000"

He said it was paradoxical that, while SA had massive building material stockpiles, there was a severe housing shortage.

Corobrik had been scaling down production during the past two years and Savage hoped the bottom of the market had been reached

He said. "Sales appear to be levelling off and, for the first time in two years, we had two months of even sales"

Savage said the signs of a upswing were present — the building industry was waiting to see how government's recently announced R750m package would be spent, interest rates had dropped and building societies and banks had money to lend However, interest rates would have to drop further from 16%

Savage said "In the last mini-boom in 1983 mortgage bond rates were at 14%"

Continuing unrest in black townships had impeded development in those areas Savage said legislation, such as the Group Areas Act, had also impeded development there.

But there was an enormous demand for housing in black areas, and most of the R750m had been earmarked for low-cost housing.

PGSI to start a new plant

BUSDAY 8/7/86 193

MICK COLLINS

PLATE Glass & Shatterprufe Industries (PGSI) is to invest R7m in a new manufacturing facility at Springs in the Transvaal

Joint executive chairman Ronnie Lubner said yesterday PGSI's decision came in the wake of a significant increase in mirror exports which are running at about R5m a year.

"When fully operational, the new plant will not only enable us to supply the needs of the domestic market, but will also offer the potential to raise exports to R7,5m a year."

The investment will be made by Glass SA, through which PGSI holds all its glass interests in SA

Glass SA joint MD Rod Fehrsen said work on the plant was expected to begin within a few weeks

The Springs production line will replace the mirror-manufacturing facility at Germiston, Transvaal, which will be converted to a central storage depot

Expansion takes Plate Glass toll

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By Kerry Clarke

PLATE Glass & Shatterprufe Industries has more than tripled assets and quadrupled turnover in the past five years, but expansion has not come without its price.

The report for the year to March 1986 shows that lower returns on shareholders' funds, higher interest-bearing debt and now a legal suit have accompanied growth

Taxed return on shareholders' funds declined from 15% in the year to March 1985 to 12,7% as net interest rose 49% because of the increase in interest-bearing debt required to finance acquisitions and the enlarged asset base

Export outlet

Borrowings went from R101-million to R184-million, resulting in an increase of the ratio of net debt to equity from 34% to 46% Debt cover dropped from 1,3 to 1,1

PG's purchase of the Do-It-Yourself (DIY) activities of British group Fobel International for R15,5-million in July last year is now the subject of a legal suit as the business is alleged not to be as represented

At the time of purchase it was said that the business would not only contribute earnings from existing operations, but would offer an outlet for the PG exports PG was looking to significant benefits in the medium and long term from this interest

DIY incurred losses after July 1985, but PG management believes there is a strong chance that they will be recovered

The DIY results contributed to the decline in the return on net assets employed experienced by the PG Wood Industries group in the past year The fall was also caused by a higher than desirable level of debtors, mainly in SA, low demand and highly competitive conditions

PG earnings of 202,6c a share in the year to March 1986 are well off the 1982 peak of 231,4c, but the group is budgeting for an improvement in the current year

It appears that the improvement will exceed the 1% achieved in the past year

Depressed

Although international operations yield lower returns than from SA, PG's Lubner brothers are looking to the offshore business to protect the group from a depressed SA economy

In 1985, international operations contributed 51% of sales, or R749-million, and 32% of earnings — R10,5-million In the year to March 1986, offshore business contributed 58% of sales — R1,1-billion — and 49% of earnings — R15,7-million

Reviewing prospects for PG Wood Industries, management says "The year ahead should see group results at least equal to those produced this year, our international activities providing the security for this expectation"

Certain offshore operations of Solaglas are also expected to improve their contribution

Operating income of UK operations was below expectations in the past year, but the group is confident of better results in the current year

US operations did not come up to expectations because of squeezed margins and start-up costs in a new market But prospects are fine for vehicle use in the US and the focus will be on core business PG thus foresees improved profitability from US operations in the current year

Australia

Although the O' Brien glass operation in Australia made acquisitions in the past year and strengthened its market position, the business faces a weakening economy which could depress returns in the current year

Both Solaglass and PG Wood expect tough conditions in SA

Management says of Solaglass "The tardiness of the South African economy's response to the mild stimulation provided by the authorities is worrying, but we are nevertheless budgeting positively in the expectation of higher levels of demand in the second half of the year On this assumption, some increase in profits can be expected"

Politics put pressure on PG's prospects

14/7/86 BUS DAY 193

MERVYN HARRIS

MOUNTING political antagonism towards SA is of critical importance to the Plate Glass group as an SA-based multinational, joint executive chairmen Bertie Lubner and Ronnie Lubner say in the annual report

They say the debt moratorium will hinder the group's ability to fund the working and fixed capital needs of its growing non-SA interests These offshore interests and the distribution networks they comprise materially assist in the development of export markets for local products

These markets must be nurtured, for many are shrinking as a result of political pressure

They say "As in the past, capital is fundamentally a non-exportable commodity but, in any event, at current rates of exchange and interest, this method of financing would yield negative returns and give rise to currency exposure

"Accordingly, every alternative is being examined to establish viable independent offshore financial structures by the attraction of foreign capital into these businesses

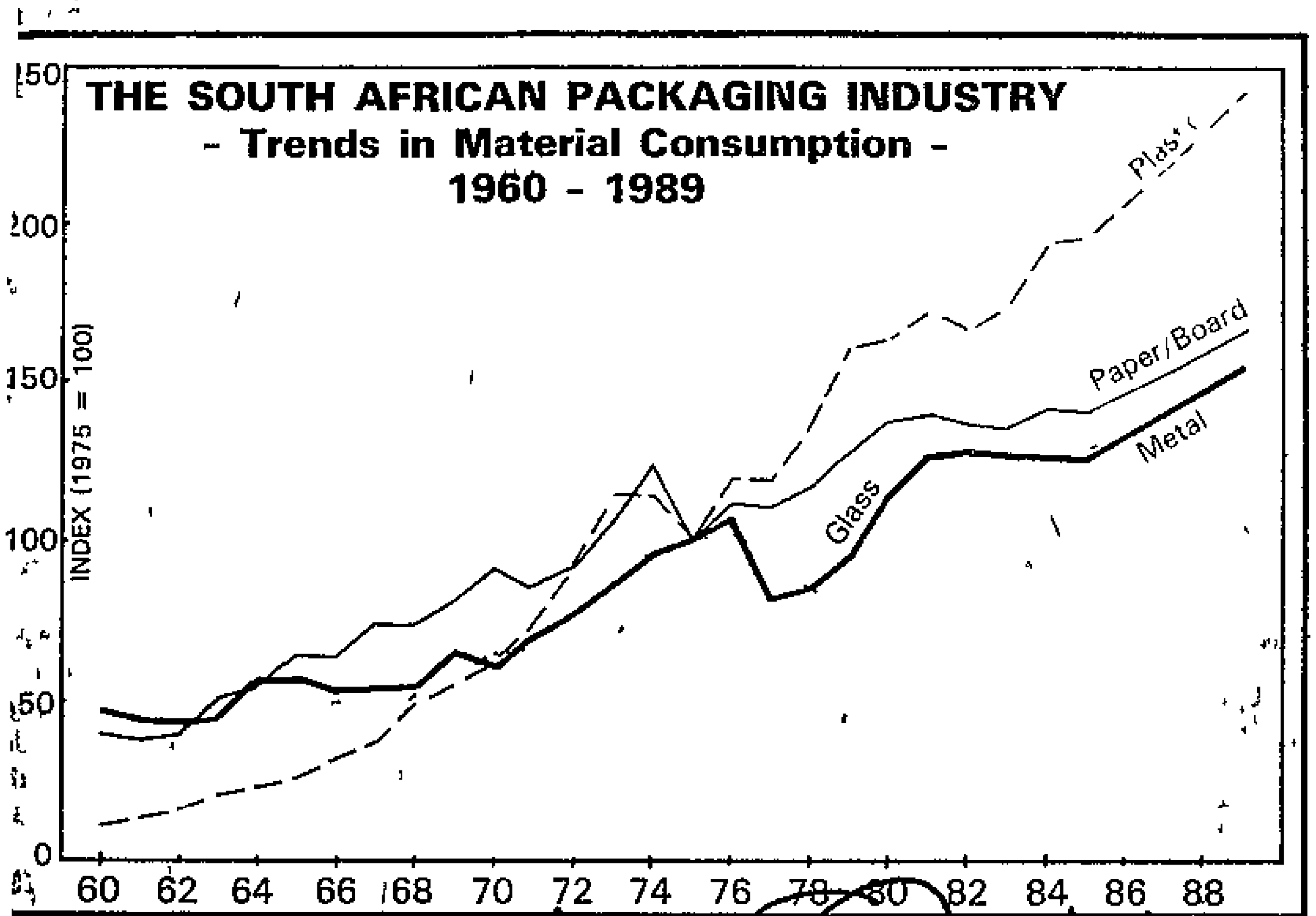
"Our position as a major SA group and one with vital interests abroad, demands that the problems evidenced by the internal conflicts be addressed We strongly support the acceleration of the pace at which government is dismantling apartheid

"There is a pressing need to be bolder and especially to recognise that the private sector must play its full part in endorsing the process of change by joint and individual action and by forceful but constructive dialogue with government

"Above all, we must ensure that the perception from outside does not become the reality and that our commitment is manifestly genuine and not merely conciliatory"

They note the many encouraging aspects emerging from the regional and industry standpoints, but say it would be naive to ignore the downside potential that exists this year

However, the decision has been taken to act and budget positively in the belief that progress on the political and economic fronts will be made



BUS DAY (193) 16/7/86

Swing from glass is imminent

PLASTIC packaging manufacturer Cinqplast has its fortune totally linked to the possibility of a swing from glass to plastic packaging

MD Howard Greenspan feels South African companies will wait for the green light from overseas colleagues

"Plastic offers more standard lines ex-stock than glass can — a great plus in today's market," he points out "In packaging soft drinks, new generation plastics will overcome barrier problems, such as leaking carbonation

"The swing to plastic has been most noticeable in pharmaceutical packaging Plastic offers lower transport costs, it is lighter than glass and provides filling flexibility — a broken glass bottle can hold up a production line for hours Plastic is a friendly product, it's easy to handle

"We have taken some work from our competitors, but most growth has come from inroads into the glass bottle market"

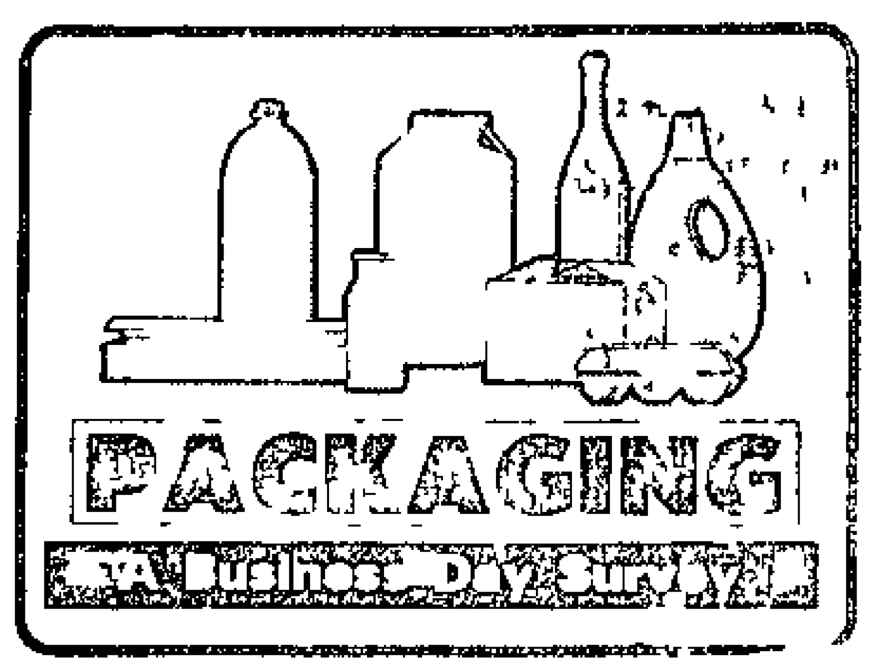
Greenspan also sees changes in labelling He believes the trend will be to gravure printed labels on plastic, shrunk on Cinqplast is looking at mould labelling, where the bottle is blown up against the preprinted label

Competition in the retail market place is forcing manufacturers to look for better consumer appeal — and spend more on packaging, Greenspan notes

"The trend was to cheap packaging, particularly where the product was considered to appeal only to the black market

"Now, in all markets, lots of packs cost more than the product, a trend which will continue is the swing to more sophisticated packaging continues

"Manufacturers are scrambling for more market share, or to maintain their share of the shrinking market Cheap' packaging, in price or image is on the way out Manufacturers will pay more to upgrade their products"



BUSINESS

193 SAAR 16/7/86

Cement industry on hold for 10-15 years

By Frank Jeans

The construction slump continues to have a serious effect on the cement and brick industries, with demand dropping to new lows because of the scarcity of building work and major civil engineering projects.

The cement producers certainly have a justifiable grievance about present conditions after having injected more than R1 billion in the past four years into new plant

This expansion has pushed the industry's total annual capacity up from the 8 million tons in 1980 to a potential 11,2 million tons this year

The effect of the recession, however, is seen by the fact that total sales volume in 1981 was 8,1 million tons — 100 percent capacity — while last year the figure had dropped to 7,2 million tons (64 percent capacity)

Mr David Bath, managing director of Blue Circle's cement division, says "Depending on starts and stops, I do not expect any new investment for at least 10 to 15 years"

While the step-up in low-cost housing and the Government's R750 million injection into this area might be a stimulant for building material suppliers, the cement output in relation to those millions is virtually a "drop in the bucket"

"Obviously, in addition to the housing programmes, the industry needs to be assisted by a resurgence of the 'heavy contracts' such as power station work and the possible water scheme project in Lesotho," says Mr Bath

Mr David Bath

There is little joy, too, for the brick manufacturers, although a sustained housing effort can only cut down on the industry's mounting stockpile

Mr Brian Waberski, Transvaal managing director of the country's biggest brick producer, Corobrik, which has a present surplus of about 300 million bricks, says "Times are indeed tough, with current levels of demand at the lowest since 1978"

An indication of the troubles facing builders is seen in the latest figures from the planning department of the Johannesburg Council

The value of new work begun in the area last month — the key barometer for the builders — amounted to only R9 million, an 85 percent plunge from the R60 million in June last year

Everite: Experts see no rise

21/7/86 · BUSDAY · (193)

STEPHEN ROGERS

AFTER Everite's earnings fell by almost two-thirds at the interim, stockbrokers Simpson, Frater, Stein & Strong expect the company's earnings for the year to June to show a similar decline

In a report on the Swiss-controlled asbestos, concrete, ceramics and pitch-fibre manufacturer, the analysts say they expect earnings of 30c (90,9c) a share for the 1986 financial year and a total dividend of 20c a share (60c)

Turnover is expected to remain static at R230m which, with inflation over the last year in the region of 17%, indicates a substantial volume reduction

Operating profits are forecast to slump to R15,3m from R33,5m as market resistance to price rises increases, and this will have the effect of reducing trading margins by more than half to 6,7% from 14,6%

However, the analysts anticipate a recovery in earnings in later years with earnings a share rising 33% in the 1987 financial year and 88% in the following year on a compound basis

Although in percentage terms this recovery looks dramatic, earnings in the 1988 financial year at 75c a share will still be 17% lower than the 1985 figure

Dividends are expected to grow at a slower rate as the analysts assume that Everite will revert back to its stated dividend cover of two times in the long term A 25% rise to 25c a share is forecast for 1987 and a 60% increase to 40c in the following year

On a divisional basis profitability in the piping division is expected to decline as the market comes under threat from rival products

Intense competition and thin margins will result in a small loss in the plastics division in 1986 and, after losing an important government tender, the concrete division is expected to remain in the red

Although group debt has increased, Everite's balance sheet remains basically sound with gearing still under 10%

The report considers Everite a sound long-term investment with compound growth in earnings exceeding the building and construction sector average over a five-year period to June 1985.

RAP-UP

193

Cement price increase should help Blue Circle

Financial Staff

The continuation of depressed conditions in the construction industry is reflected in the interim results of Blue Circle for the six months to end-June.

Attributable earnings declined to R3,4 million from R4,9 million in the seven months to end-June 1985 Interim dividend is passed after 11c last time Turnover was R146 million versus R151 million

Capacity utilisation within the cement division was a low 52 percent, while cement sales were 7,5 percent down with a similar trend in the materials division Activity in the engineering division, however, remained at a satisfactory level The group's trading surplus declined by 6,6 percent to R28,1 million

The contribution from associated companies, which also supply the construction and building industry, was 16 percent below the 1985 figure at R2,3 million While net income for the half year was down 29 percent this result was a marked improvement on the final six months of 1985.

Although no optimism exists for an upturn in sales volumes for the second half of the year the group expects an improved result for this period This expectation is based on a combination of a cement price increase from August 1986, a continuation of prevailing lower interest rates and improved operating efficiencies

Group borrowings are forecast to fall during the remainder of the year as a result of positive operating cash flows While no interim dividend has been declared the board has indicated that it will give consideration to the payment of a final dividend based on the full year's result

27/7/86 Sun Times

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COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Pretax profit (Rm)	% change	Earnings (c)	% change	Div (c)	% change
Everite	229,5	-0,3	12,7	-52,6	24,8	-72,7	18	-70
INTERIMS								
Chemsve	74,7	+34,3	6 1	+32,6	68,4	+50,7	25	+25
AECI	1308	+21	104	+57,6	45	+36,4	25	+4,2
Blucirc	146	+13,2	4,2	-13,9	12,3	-40,9	0	—
Carlcor	92 2	+8,7	4,4	-43,9	15,2	-46,3	8	-43
Metal Clo	31,1	+19,9	4 3	+16,2	83,8	+0,2	36	+20

Plate Glass on target for higher profits

By Kerry Clarke

THE Plate Glass group is still on target for improved earnings in the year to March 1987, South African operations performing no worse than in the same time last year and foreign arms improving in their trading position.

Joint chairmen Ronnie and Bertie Lubner say in a statement after the group's annual meeting that trading in the three months since the year-end has been in accordance with budget

"When entering the international arena many years ago, the group was well aware that return criteria were at lower levels than those previously realised in South Africa under trading conditions

Balance

"However, the key element was to invest in a number of hard-currency areas which would over time improve the quality of group earnings by balancing regional variations in trading cycles

"Initially, lower but more secure earnings would pertain Longer term, as our international businesses developed their ability to move towards the higher returns of the South African operations, overall group returns would improve

"Returns in South Africa generally have declined dramatically, bringing them more in line with the lower internationally acceptable return rates"

Basic needs

Mr Bertie Lubner says that although some foreign operations are yielding better returns than SA, they are lower than those historically obtained by the group

He doubts whether SA operations will ever return to these historical levels

"Development that will take place in this country in the next few years will not be comparable to the sophisticated European type We need to cater for more basic infrastructural needs. Core housing and low-cost furniture and fittings are likely to be in demand rather than the more sophisticated products The emphasis will be on low-margin, large-volume commodities."

Reform

The PG Group has given certain staff members the task of evaluating markets in the low-income group and identifying opportunities where its products could be promoted, at the same time helping to develop black entrepreneurs

Mr Lubner says people must be encouraged to enter business through partnerships and joint ventures with the business community

PG intends to work closely with organisations like the Small Business Development Corporation and the African Bank, providing financial assistance and other expertise to emergent entrepreneurs

"Their full involvement in the economy will create employment opportunities, increase consumer spending and stimulate demand In this way it is hoped that an improved economy will pave the way for further meaningful political reform"

FM 1986

Interim is held at 22c by Anglo-Alpha

CEMENT group Anglo-Alpha has maintained its interim dividend at 22c in spite of a 33,9% fall in earnings to 28,3c a share (42,8c) in the six months to June.

The decision to hold the interim was taken on expectations of a significant increase in cash flow in the full year, with earnings higher in the second half

The fall in earnings partly reflects the group's policy to make large current cost adjustments in the accounts to reflect the real profit situation and partly a sharp rise in finance costs

The group increased turnover by 3,5% to R160,8m from the 1985 half-year's R155,3m, mainly due to an improved sales mix in the industrial division and selling-price increases in all divisions.

But a 37,4% rise in finance costs to R17,1m (R12,5m), and a 27,7% increase in the current cost adjustment to R10,4m (R7,6m), resulted in a near-40% dip in net attributable profits to R8,5m (R12,9m)

The decision to maintain the interim dividend was taken on an estimated increase of up to 20% in this year's cash flow on 1985's R74,5m Cash flow for the six months to June was in line with the R40m reported for the previous period, say directors

Net operating income rose by 2,2% to R37,5m (R36,7m), but net income before tax and the current cost adjustment was down 9,7% to R22,8m (R25,2m) This was a direct result of lower sales volumes, particularly in the stone division, and the increase in finance costs.

The sharp rise in finance costs was attributable to interest charges for the full six months on the R300m Ulco project being charged directly against income For the same period last year, a major portion was capitalised as part of the cost of the Ulco project

However, tax declined by 21,4% to R3,4m (R4,3m) as a

LIZ ROUSE

result of tax allowances on the project

Traditionally, Anglo-Alpha experiences better trading conditions in the second half of the year

MD Johan Pretorius says trading conditions for the remainder of 1986 will remain difficult, although an improvement in second-half earnings is expected.

Cement sales, unlike most other building materials, have held up surprisingly well — declining, in line with the industry's sales, by 3,8% over the first half of 1985.

The December 1985 price increase resulted in an 11,2% rise in the cement division's turnover, but this was insufficient to offset rises in production costs, finance charges, depreciation and the current cost adjustment

As a result, net taxed income of the cement division fell by 21%.

The stone division suffered a 20,8% deline in sales volumes of crushed stone and stone for gold processing

Selling-price increases and a 26,4% improvement in revenue from the sale of rock for gold processing helped reduce the drop in turnover to 12,9% But net operating profit showed a substantial drop

The industrial division's turnover rose 15,6% to R51,5m (R44,2m) as a result of an improved sales mix and price increases, but sales volumes showed a modest decline on low demand for most products

Nevertheless, the industrial division still managed to record a 37,3% improvement in net operating profit to R9,6m (R7m)

The dividend total should be maintained at 52c on Pretorius's prediction of unchanged profits

(p) *Rustenburg* (for the municipal areas of Brits and Rustenburg) —In the office of the Industrial Inspector, Department of Manpower, Old Magistrate's Building, Plein Street, at 10h00 on 6 November 1986,

(q) *Ladysmith* (for the municipal areas of Estcourt, Glencoe, Ladysmith, Newcastle and Vryheid) —In the office of the Industrial Inspector, Department of Manpower, 35 Keate Street, at 11h00 on 13 November 1986, and

(r) *Johannesburg* (for the Magisterial Districts of Alberton, Balfour, Benoni, Boksburg, Brakpan, Germiston, Heidelberg, Johannesburg, Kempton Park, Krugersdorp, Nigel, Oberholzer, Randburg, Randfontein, Roodepoort, Sasolburg, Springs, Vanderbijlpark, Vereeniging and Westonaria) —In the Boardroom, Room 1401, Conlyn Building, 156 President Street, at 14h00 on 19 November 1986

J P OOSTHUIZEN,
Secretary Wage Board
(15 August 1986)

NOTICE 560 OF 1986

15/8/86

DEPARTMENT OF MANPOWER

GOV 942

WAGE ACT, 1957

WAGE BOARD INVESTIGATION —REVISION OF WAGE DETERMINATION 410, CEMENT PRODUCTS INDUSTRY, CERTAIN AREAS

The Wage Board has decided, in terms of section 15 (3) (b) of the Wage Act, 1957, to allow persons who have an interest in the above-mentioned investigation, particulars of which were published in *Government Gazette* 10349 (under Government Notice 1498) of 18 July 1986 to submit oral representations to the Board For the purpose of hearing representations, the Board will hold meetings at the places, dates and times indicated below

(a) *Cape Town* —In the Boardroom, Room 330, Thomas Boydell Building, Parade Street, at 09h00 on 28 August 1986,

(b) *George* —In the Boardroom, Department of Manpower, Magistrate's Offices, York Street, at 11h00 on 3 September 1986,

(c) *Oudtshoorn* —In the Divisional Board Building, 94 St John Street, at 09h00 on 4 September 1986,

(d) *Bloemfontein* —In the Boardroom, Room 205, Civilia Building, 14 Elizabeth Street, at 11h00 on 8 September 1986,

(e) *Kimberley* —In the Boardroom, Department of Manpower, Markstead Building, corner of Market Square and Stead Street, at 10h30 on 9 September 1986

(f) *Pietermaritzburg* —In the Boardroom, Department of Manpower, Sanlam Building, Church Street, at 14h30 on 16 September 1986,

(g) *Durban* —In the Boardroom, Room 314, Masonic Grove Government Offices, at 14h00 on 17 September 1986,

(h) *Middelburg* —At the Technical College, corner of Coetzee and Wanderers Street, at 15h30 on 24 September 1986,

(i) *Klerksdorp* —In the Boardroom, Department of Manpower, P C Pelser Building, Voortrekker Street, at 15h15 on 2 October 1986,

(j) *East London* —In the Boardroom, Department of Manpower, 3 Hill Street, at 14h00 on 7 October 1986,

(k) *Port Elizabeth* —In the Boardroom, Room 184, Eben Donges Building, Hancock Street, at 15h30 on 8 October 1986,

(l) *Bethlehem* —In the Office of the Industrial Inspector, Department of Manpower, 32a Louw Street, at 15h30 on 21 October 1986,

(m) *Ladysmith* —In the office of the Industrial Inspector, Department of Manpower, 35 Keate Street, at 09h00 on 22 October 1986,

(n) *Kroonstad* —In the office of the Industrial Inspector, Department of Manpower, Fairweather Heights, Brand Street, at 14h00 on 27 October 1986,

(o) *Welkom* —In the Boardroom, Department of Manpower, Homes Trust Building, Mooi Street, at 14h00 on 28 October 1986,

(p) *Rustenburg* —In the office of the Industrial Inspector, Department of Manpower, Old Magistrate's Offices, Plein Street, at 14h00 on 30 October 1986,

(q) *Pietersburg* —In the office of the Industrial Inspector, Department of Manpower, Review Building, 16 Grobler Street, at 14h30 on 4 November 1986, and

(r) *Johannesburg* —In the Boardroom, Room 1401, Conlyn Building, 156 President Street, at 14h00 on 12 November 1986

J P OOSTHUIZEN
Secretary Wage Board
15 August 1986

(k) *Port Elizabeth* —In die Raadkamer, Kamer 184, Eben Dongesgebou, Hancockstraat, om 15h30 op 8 Oktober 1986,

(l) *Bethlehem* —In die kantoor van die Nywerheidsinspekteur, Departement van Mannekrag, Louwstraat 32a, om 15h30 op 21 Oktober 1986,

(m) *Ladysmith* —In die kantoor van die Nywerheidsinspekteur, Departement van Mannekrag, Keatestraat 35, om 09h00 op 22 Oktober 1986,

(n) *Kroonstad* —In die kantoor van die Nywerheidsinspekteur, Departement van Mannekrag, Fairweather Heights, Brandstraat, om 14h00 op 27 Oktober 1986,

(o) *Welkom* —In die Raadkamer, Departement van Mannekrag, Homes Trustgebou, Mooistraat, om 14h00 op 28 Oktober 1986,

(p) *Rustenburg* —In die kantoor van die Nywerheidsinspekteur, Departement van Mannekrag, Ou Landdrosgebou, Pleinstraat, om 14h00 op 30 Oktober 1986,

(q) *Pietersburg* —In die kantoor van die Nywerheidsinspekteur, Departement van Mannekrag, Reviewgebou, Groblerstraat 16, om 14h00 op 4 November 1986, en

(r) *Johannesburg* —In die Raadkamer, Kamer 1401, Conlyngebou, Presidentstraat 156, om 14h00 op 12 November 1986

J P OOSTHUIZEN
Sekretaris Loonraad
15 Augustus 1986

KENNISGEWING 561 VAN 1986

DEPARTEMENT VAN MANNEKRAG

LOONWET, 1957

LOONRAADONDERSOEK — HERSIENING VAN LOONVASSTELLING 417, KLIPVERGRUISINGSNYWERHEID, REPUBLIEK VAN SUID-AFRIKA

Die Loonraad het, kragtens artikel 15 (3) (b) van die Loonwet, 1957, besluit om persone wat belang het by bogemelde ondersoek waarvan besonderhede in *Staatskoerant* 10349 (by Goewermentskennisgewing 1499) van 18 Julie 1986 gepubliseer is, toe te laat om mondelinge vertoë tot die Raad te rig Vir dié doel sal die Raad vergaderings hou op die plekke, datums en tye hieronder aangedui

(a) *Kaapstad* —In die Raadkamer, Kamer 330, Thomas Boydellgebou, Paradestraat, om 14h30 op 27 Augustus 1986,

(b) *Oos Londen* —In die Raadkamer, Departement van Mannekrag, Hillstraat 3, om 14h00 op 29 September 1986,

(c) *Port Shepstone* —In die Nuwe Gedenksaal, Burgersentrum, Connorstraat, om 10h00 op 15 Oktober 1986,

(d) *Durban* —In die Raadkamer, Kamer 317, Masonic-laningstaatskantore, om 14h00 op 17 Oktober 1986,

(e) *Port Elizabeth* —In die Raadkamer, Kamer 184, Eben Dongesgebou, Hancockstraat, om 09h00 op 21 Oktober 1986,

(f) *Lichtenburg* —In die Burgersentrum, Mellvillestraat, om 14h30 op 5 November 1986 en

(g) *Johannesburg* —In die Raadkamer, Kamer 1401, Conlyngebou, Presidentstraat 156, om 14h00 op 18 November 1986

J P OOSTHUIZEN,
Sekretaris Loonraad
(15 Augustus 1986)

NOTICE 561 OF 1986

GOV 942

DEPARTMENT OF MANPOWER

15/8/86

WAGE ACT, 1957

WAGE BOARD INVESTIGATION —REVISION OF WAGE DETERMINATION 417, STONECRUSHING INDUSTRY, REPUBLIC OF SOUTH AFRICA

The Wage Board has decided, in terms of section 15 (3) (b) of the Wage Act, 1957, to allow persons who have an interest in the above-mentioned investigation, particulars of which were published in *Government Gazette* 10349 (under Government Notice 1499) of 18 July 1986 to submit oral representations to the Board For the purpose of hearing representations, the Board will hold meetings at the places, dates and times indicated below

(a) *Cape Town* —In the Boardroom, Room 330, Thomas Boydell Building, Parade Street, at 14h30 on 27 August 1986,

(b) *East London* —In the Boardroom, Department of Manpower, 3 Hill Street, at 14h00 on 29 September 1986,

(c) *Port Shepstone* —In the New Memorial Hall Civic Centre, Connor Street, at 10h00 on 15 October 1986,

(d) *Durban* —In the Boardroom, Room 317, Masonic Grove Government Offices, at 14h00 on 17 October 1986,

(e) *Port Elizabeth* —In the Boardroom, Room 184, Eben Donges Building, Hancock Street, at 09h00 on 21 October 1986,

(f) *Lichtenburg* —In the Civic Centre, Mellville Street, at 14h30 on 5 November 1986, and

(g) *Johannesburg* —In the Boardroom, Room 1401, Conlyn Building, 156 President Street, at 14h00 on 18 November 1986

J P OOSTHUIZEN,
Secretary Wage Board
(15 August 1986)

KENNISGEWING 562 VAN 1986

DEPARTEMENT VAN MANNEKRAG

LOONWET, 1957

LOONRAADONDERSOEK. — HERSIENING VAN LOONVASSTELLING 418, GLAS- EN GLASWARENYWERHEID, REPUBLIEK VAN SUID-AFRIKA

Die Loonraad het, kragtens artikel 15 (3) (b) van die Loonwet, 1957, besluit om persone wat belang het by bogemelde ondersoek waarvan besonderhede in *Staatskoerant* 10349 (by Goewermentskennisgewing 1500) van 18 Julie 1986 gepubliseer is, toe te laat om mondelinge vertoe tot die Raad te rig. Vir dié doel sal die Raad vergaderings hou op die plekke, datums en tye hieronder aangedui.

(a) *Kaapstad.*—In die Raadkamer, Kamer 213, Thomas Boydellgebou, Paradestraat, om 11h00 op 29 Augustus 1986;

(b) *Durban.*—In die Raadkamer, Kamer 314, Masoniclaningstaatskantore, om 14h00 op 18 September 1986, en

(c) *Johannesburg.*—In die Raadkamer, Kamer 1401, Conlyngebou, Presidentstraat 156, om 14h00 op 13 November 1986.

J. P. OOSTHUIZEN,
Sekretaris: Loonraad.

(15 Augustus 1986)

NOTICE 562 OF 1986

DEPARTMENT OF MANPOWER

WAGE ACT, 1957

WAGE BOARD INVESTIGATION —REVISION OF WAGE DETERMINATION 418, GLASS AND GLASSWARE MANUFACTURING INDUSTRY, REPUBLIC OF SOUTH AFRICA

The Wage Board has decided, in terms of section 15 (3) (b) of the Wage Act, 1957, to allow persons who have an interest in the above-mentioned investigation, particulars of which were published in *Government Gazette* 10349 (under Government Notice 1500) of 18 July 1986 to submit oral representations to the Board For the purpose of hearing representations, the Board will hold meetings at the places, dates and times indicated below.

(a) *Cape Town.*—In the Boardroom, Room 213, Thomas Boydell Building, Parade Street, at 11h00 on 29 August 1986,

(b) *Durban.*—In the Boardroom, Room 314, Masonic Grove Government Office, at 14h00 on 18 September 1986; and

(c) *Johannesburg* —In the Boardroom, Room 1401, Conlyn Building, 156 President Street, at 14h00 on 13 November 1986.

J. P. OOSTHUIZEN,
Secretary. Wage Board.

(15 August 1986)

KENNISGEWING 563 VAN 1986

KENNISGEWING VAN AANSOEK OM VERANDERINGS AAN 'N ABATTOIR KRAGTENS ARTIKEL 13 (1) VAN DIE WET OP DIE ABATTOIRBEDRYF, 1976 (WET 54 VAN 1976)

Kennis geskied hiermee ingevolge regulasie 12 (2) van die regulasies uitgevaardig kragtens die Wet op die Abattoirbedryf, 1976 (Wet 54 van 1976), dat mnre Sterklewies (Edms.) Bpk , Posbus 16, Wolwehoek, 9550, kragtens artikel 13 van genoemde Wet by die Minister van Landbou-ekonomie en van Waterwese aansoek gedoen het om goedkeuring vir veranderings aan die abattoir te Frankfort.

Indien die aansoek toegestaan word, sal die slagkapasiteit van die abattoir vanaf 20 na 99 slageenhede per dag verhoog word

Iemand wat vertoe of besware in verband met bogenoemde aansoek wil rig, moet sodanige vertoe of besware aan die Voorsitter, Abattoirkommissie, Privaatsak X250, Pretoria, 0001, rig binne 'n tydperk van 30 dae vanaf datum van publikasie van hierdie kennisgewing en op die wyse uiteengesit in die regulasies kragtens genoemde Wet uitgevaardig

Aandag word gevestig dat die Minister verlang dat iemand wat vertoe of besware teen 'n aansoek aan hom voorlê, terselfdertyd 'n afskrif van die stuk waarin sy besware uiteengesit is op die betrokke applikant moet bestel Hierdie besware moet onder eed bevestig word

A D MARITZ,
namens Voorsitter Abattoirkommissie.

(15 Augustus 1986)

NOTICE 563 OF 1986

NOTICE OF APPLICATION FOR APPROVAL FOR THE ALTERATION OF AN ABATTOIR IN TERMS OF SECTION 13 (1) OF THE ABATTOIR INDUSTRY ACT, 1976 (ACT 54 OF 1976)

It is hereby made known in terms of regulation 12 (2) of the regulations promulgated in terms of the Abattoir Industry Act, 1976 (Act 54 of 1976), that Messrs Sterklewies (Pty) Ltd, P O Box 16, Wolwehoek, 9550, has in terms of section 13 of the said Act applied to the Minister of Agricultural Economics and of Water Affairs for approval for the alteration of the abattoir at Frankfort

If the application is granted, the slaughter capacity of the abattoir will increase from 20 to 99 slaughter units per day.

Any person intending to submit representations or objections in regard to the above-mentioned application shall forward such representations or objections to the Chairman, Abattoir Commission, Private Bag X250, Pretoria, 0001, within a period of 30 days from the date of publication of this notice and in the manner set out in the regulations published under the said Act

Attention is invited to the fact that the Minister requires that any person who submits objections to an application to him, to serve on the applicant concerned a copy of the document in which his objections are set out Such objections must be affirmed under oath

A D. MARITZ,
for Chairman Abattoir Commission

(15 August 1986)

PPC: built on solid foundations

Bus Day 18/8/86

MICK COLLINS

193

BESET by tough conditions in the building and construction industries, Pretoria Portland Cement (PPC) did well to hold its interim dividend at 14c for the six months to July

But this company knows what tough times are all about Just four years short of being 100 years old, PPC started life under pressure

Founded in 1890 by German-born Edourd Lippert, the company made a loss for the first 16 years of its existence

It wasn't until the arrival of American manager Ezekiel Davidson, that PPC was turned around and began to show a modest profit

Davidson had the old kilns replaced with modern rotary kilns

When the builders of the largest project ever undertaken in SA — the Union Buildings — contracted PPC to supply all the cement needed, the company's future was assured

Today it remains one of the heavyweights of the cement industry Despite a drop in sales — down 10% to 1,4-million tons this year — and pressure from the Competion Board, PPC continues to go from strength to strength

PPC's first plant, Hercules, is still operating a few kilometres north of Pretoria, but the company has expanded enormously since its early days

From an initial staff of 50, the company now employs 4 000

In 1910, a third kiln was installed at Hercules Since then there has been continuous expansion Operations gradually extended and the farm Rietvallei, with its great deposits of lime, became home to the next factory

The company founded Cape Portland Cement in 1921 with a large factory at De Hoek, near Piketberg In the same year PPC bought a substantial holding in Zimbabwe's Premier Portland Four years later a site was acquired near Germiston to cater for the Johannesburg market

The 1940s saw the the West Wits Line open and a new goldfield laid out To meet demand from this, a factory was established at Orkney, Western Transvaal, starting operations in 1948

The Hercules and Port Elizabeth plants were expanded in 1951, followed in 1959 by the installation of the first large dry-process kilns at Slurry The most recent units brought into operation were the four-stage preheater kilns at Hercules (1974) and Slurry (1976)

In 1977, long-standing ties with Rand Mines were strengthened when the company became a subsidiary of the Barlow Rand group In the same year PPC diversified into the lime industry and acquired ownership of Northern Lime

PE poised to share in massive export drive by top glass group

Eve Post 20/8/86 (193)

By BOB KERNOHAN
Business Editor

PORT Elizabeth is poised to share in a multi-million export drive being undertaken by the country's largest glass manufacturer

Mr Ronnie Lubner, joint executive chairman of Plate Glass and Shatterprufe Industries, said last night the company was planning to expand its R50-million-a-year export market

Heading the drive will be PE executive Mr Cris Tinley, current managing director of Pilkington Shatterprufe, who next month takes up the new position of director in charge of the Glass South Africa group's export programme

He will continue to be based in PE

Mr Lubner said at a function to mark the 50th anniversary of Pilkington Shatterprufe beginning operations in PE, that exports were the "future lifeblood of South Africa"

Referring to the R50-million in export orders captured by the group last year — production of more than half of which took place in PE — Mr Lubner said this would "be nothing" compared to anticipated growth over the next 10 years

He announced that Mr Chris Murray would take over from Mr Tinley as managing director of Plateglass Shatterprufe, which employs 1 500 people at its Neave and Struandale plants in the city, and a further 650 in other parts of the country

An announcement by the company today said "As a result of the tremendous growth of Glass South Africa's exports, and the long-term importance of maintaining and developing this area of business, it has been decided to appoint Mr Tinley as director of exports, Glass South Africa, from September 1

"He will be responsible for developing and improving Glass SA's exports"

The group comprises the PE operations, plants in Springs and Garankuwa, and retail and wholesale sales and marketing

Fibre-cement industry takes knock

BUS DAY
26/11/86

MICK COLLINS

THE fibre-cement industry's immediate difficulties are reflected in the recent preliminary results announced for Everite

The Swiss-controlled company, which derives approximately half its turnover from the fibre-cement division, posted a 64% decline in net profit to R5,5m

Manufacturing plants for the whole industry, which were designed in the 70s to meet the mass housing market, are running at 40% capacity with 80 000 tons of pipe and 130 000 tons of building materials forecast for this year

And now the threat of sanctions may well curtail efforts to introduce a range of asbestos-free, fibre-cement products

Manufacturers stress that local asbestos and cement supplies are plentiful, but alternative fibres used in new technology products are all imported.

"Strict sanctions will obviously undermine our alternative fibre programme," says Everite's technical manager Hans Guettinger

"This will be a disappointment to us as we have already spent an estimated R13m on new technology over the past six years"

The weak rand and the high cost of imported fibres have already had an adverse effect on the development programme

Arides c

STAR 1/9/86 193

Low-cost housing a boost for bricks

By Frank Jeans

While the brick market continues to "bump along the bottom" in line with other sectors of building-related industries, there is little doubt that the increasing tempo in the provision of low-cost housing will pull the brick business back to recovery

Even now, the 166 million brick stockpile in the Transvaal of the country's major producer, Corobrik, is being continually reduced thanks to buoyant conditions in two areas of the market — the lower-income home and the first-time home which qualifies for the R40 000 Government subsidy.

Waberski

And if the millions allocated by the Government to give further momentum to housing programmes filter through to the homebuilders soon, it won't be long before Corobrik takes another look at its countrywide operations

Some of these have been mothballed because of the present downturn.

"We are continuing to reduce the size of our stock in relation to the size of market activity," says Mr Brian Waberski, managing director of Corobrik Transvaal

"The market remains very competitive in the Transvaal

"There is no doubt that the R750 million injection for housing can only help the brick industry "

It should be remembered, too, that a 166 million brick stockpile, although considered large, is about 60 million up compared with normal conditions

Even in a stable market Corobrik maintains a 100 million brick stockpile to ensure service and delivery times to customers

An indication of the good markets which are developing for the building industry is seen in an order for nine million Corobrik clay face and plaster bricks for a housing project in Eldorado Park

The Johannesburg Coloured Management Committee has ordered 1,8 million bricks a month for the building of 564 homes at Eldorado Park

"We believe the clay brick remains the best for our purposes," says Mr Donald Harry Mateman, MP for Eldorado Park and a member of the committee

CONSTRUCTION

BUSINESS

Argus 5/9/86 (193)

Building upturn boosts W Cape brick industry

By TOM HOOD
Property Editor

BUSINESS is picking up in the Western Cape's building industry and increased demand for bricks has encouraged Corobrik, the largest manufacturer, to start double-shift working at its Koelenhof factory

This will double capacity and incrase the company's total production in the Western Cape by about 10 percent

Three other mothballed factories at Somerset West, Killarney and Paarl will have to come back into production if demand continues, says Corobrik sales manager Mike Ingram.

Sales in August were 40 percent higher than June's, he says, and new projects such as major developments at Blue Downs could see demand outstripping production in the short term

"There is a significant improvement in demand, particularly for pavers and face bricks

"The upturn in sales began in the second half of July and compared to June represents a major imporovement

"Considering the heavy rains we had recently and the number of stoppages they caused on building sites, the increased level is particularly heartening"

Builders are also using Corobrik's new Maxibrik for quicker construction and demand is rising for its use in low-cost housing

The brick is larger than the conventional imperial brick and it is claimed to offer savings up to one-third in the cost of walling

"We are making great inroads with the Maxibrik in the low-income housing market and are optimistic about current prospects," added Mr Ingram

The State subsidy scheme for first-time home buyers has created a minor building boom in houses that cost less than R40 000 to build

Buyers save up to R188 a month on their bond repayments from the state subsidising a third of the interest on their home loans

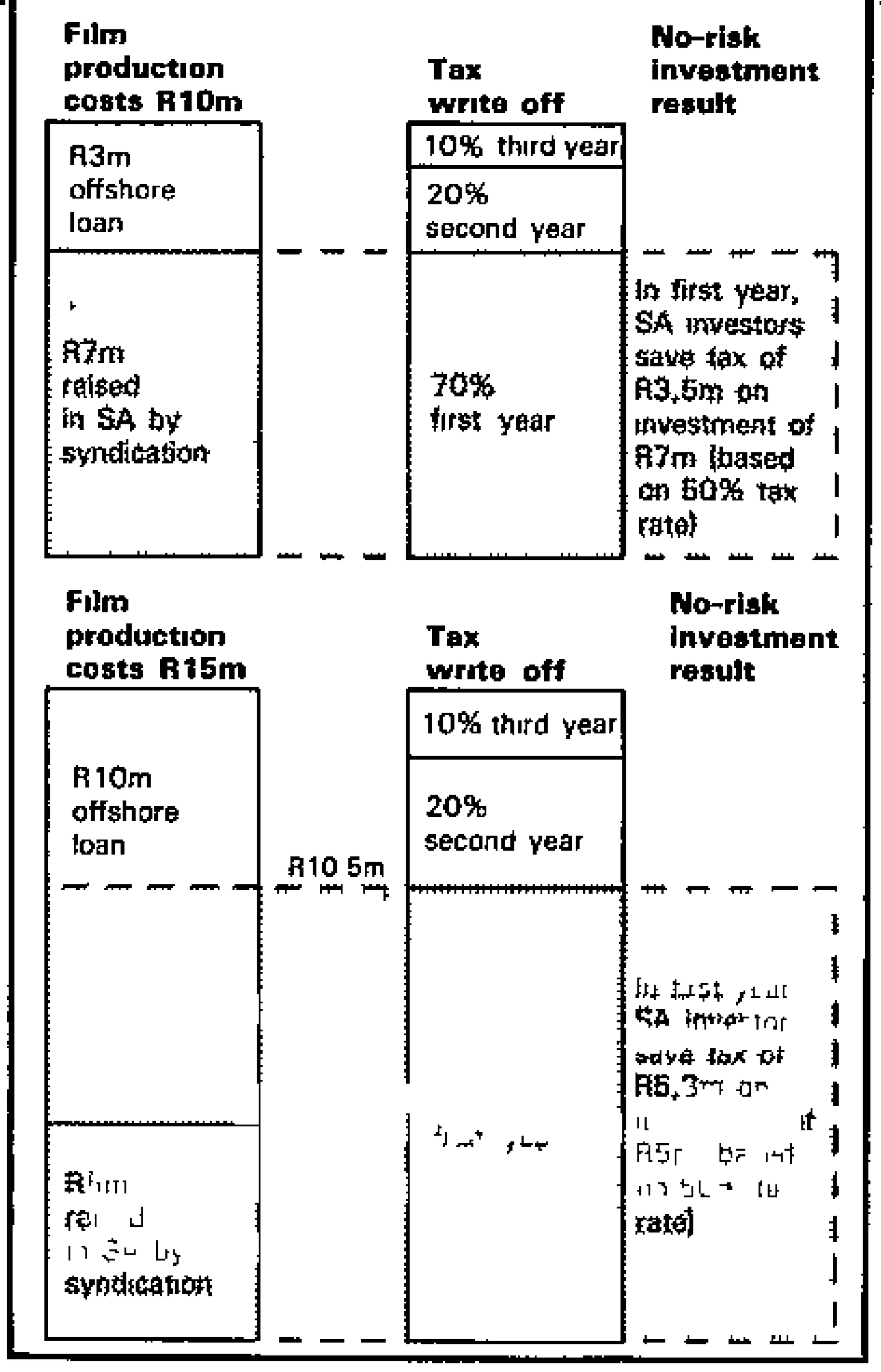
Another boost for the building industry is on the way at the R2-billion Blue Downs development outside Cape Town. The first phase of 6 000 houses is due to start later this year and the first houses are expected to be ready for occupation by mid-1987

All houses are to be built for sale and some 21 developers or contractors have submitted proposals

Tenders ranged from large national construction groups to small Cape companies and awards are likely to be announced near the end of next month, says Mr Carel du Preez, chief director of the Department of Local Governmant and Housing

Plans for the second stage of 7 500 houses are now ready and developers can obtain documents from Room 1002, Parliament Towers, Plein Street, Cape Town

Gearing for profit



use of the allowances, strange creatures called lessor trusts were created to permit third-party companies to benefit This abuse was stopped, but still tax life goes on

One characteristic common to taxbase trading and film finance is that both were, or are, good in law So who's to blame an individual or company for making use of a good thing?

But where to draw the line between legitimacy and abuse is the question The film industry, we believe, deserves some incentives but investors who stand to make big bucks also need to face the risks

This, Inland Revenue tells the *FM*, will be the basis of the new rules which government is now drawing up Unlike taxbase trading, concessions will continue, but risk-taking will be recognised as part of the deal

The rules will also ensure that a given percentage of the production costs are invoiced in SA This will not affect the legitimate domestic industry, but foreign studios will have to spend more locally than they did in the past

Movie maker Bold ... 'we need all the help we can get'

It should be no turn-off for overseas producers SA is said to provide twice the value that moviemakers get when shooting in the US ■

193 FIN MAIL 19/9/86.

CEMENT SHARES

After the slide

The cement industry has fared better in the recession than industry-related enterprises such as construction. Demand is down, but they have proved resilient, although a Competition Board investigation could deregulate distribution and hurt the Big Three's bottom line.

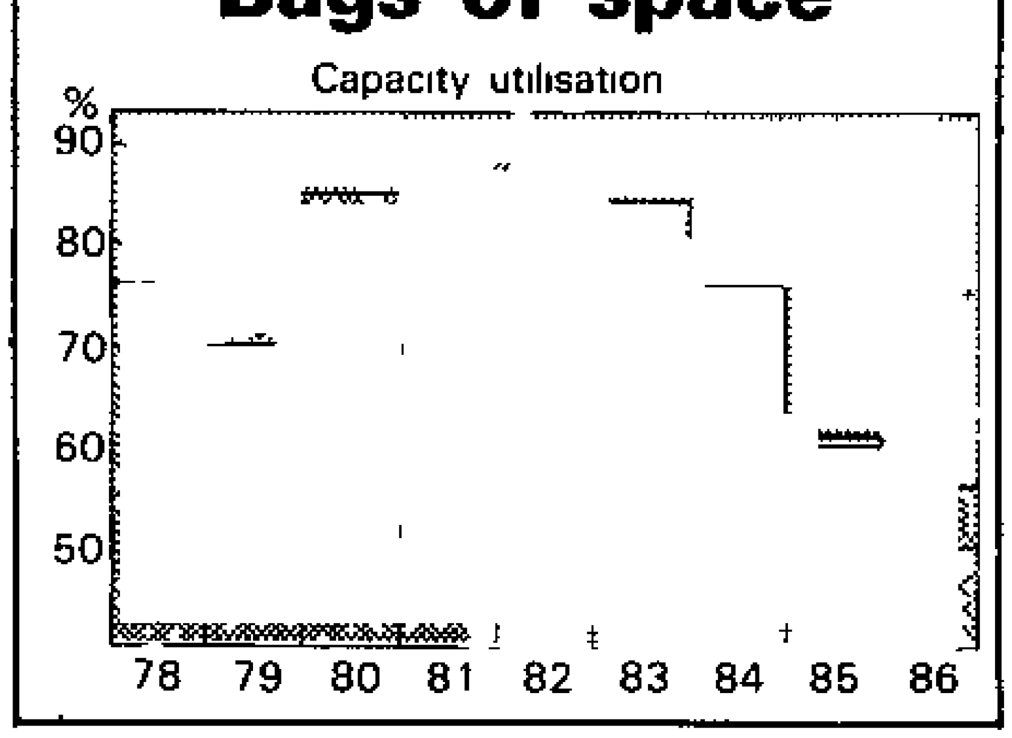
The locomotive that is gross domestic fixed investment (GDFI) has been rolling backwards since 1981 Accordingly, industries that depend on GDFI for their momentum have been shunted into retreat The cement industry is largely powered by GDFI, and the upshot is that demand for cement has plunged to its lowest level since 1979, dealing a severe blow to profitability Apart from that, there are concerns at present about the implications for longer-term earnings of the Competition Board's tilt towards a more free market and greater competition in the industry

The industry believes the market has bottomed and cites an improving level of contracts for roads and low-cost housing, as well as a levelling trend in demand statistics, as a basis for their optimism Some have high hopes for good demand from such potential projects as the Lesotho Highlands Water Scheme and the Mossel Bay gas project, but these are essentially long-term projects which would have only a limited impact over the next year or so A steady stream of structural work arising from a recovering economy is what is needed now

Given a few breakthroughs, the cement industry, which will turn over about R660m this year, has greater potential for recovery than most SA's three big producers — **PPC** (with 44% of the market), **Anglo-Alpha** (36%) and **Blue Circle** (20%) — have spare capacity totalling over 5 Mt following a collective R850m capital expansion programme undertaken over five years

Industry capacity is 11,9 Mt, compared with expected demand of about 6,6 Mt for the year, which means the industry is running at about 55% utilisation Some major expansions have come on stream with unfortunate timing PPC's R220m Dwaalboom plant remains mothballed, for example There has been some consolation in the form of lower interest payments to ease the burden on those producers who borrowed to expand, namely Blue Circle and Anglo-Alpha

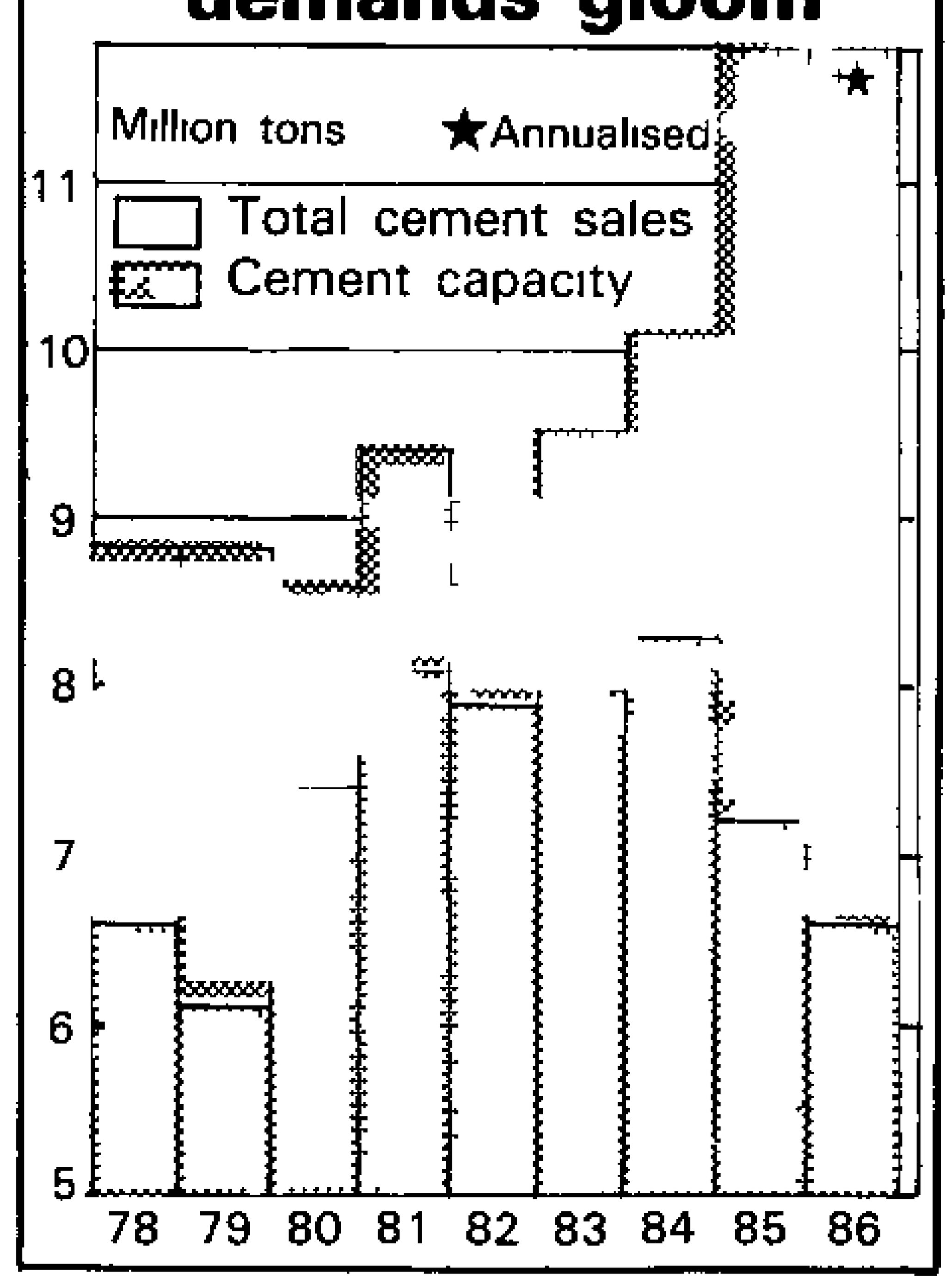
Bags of space

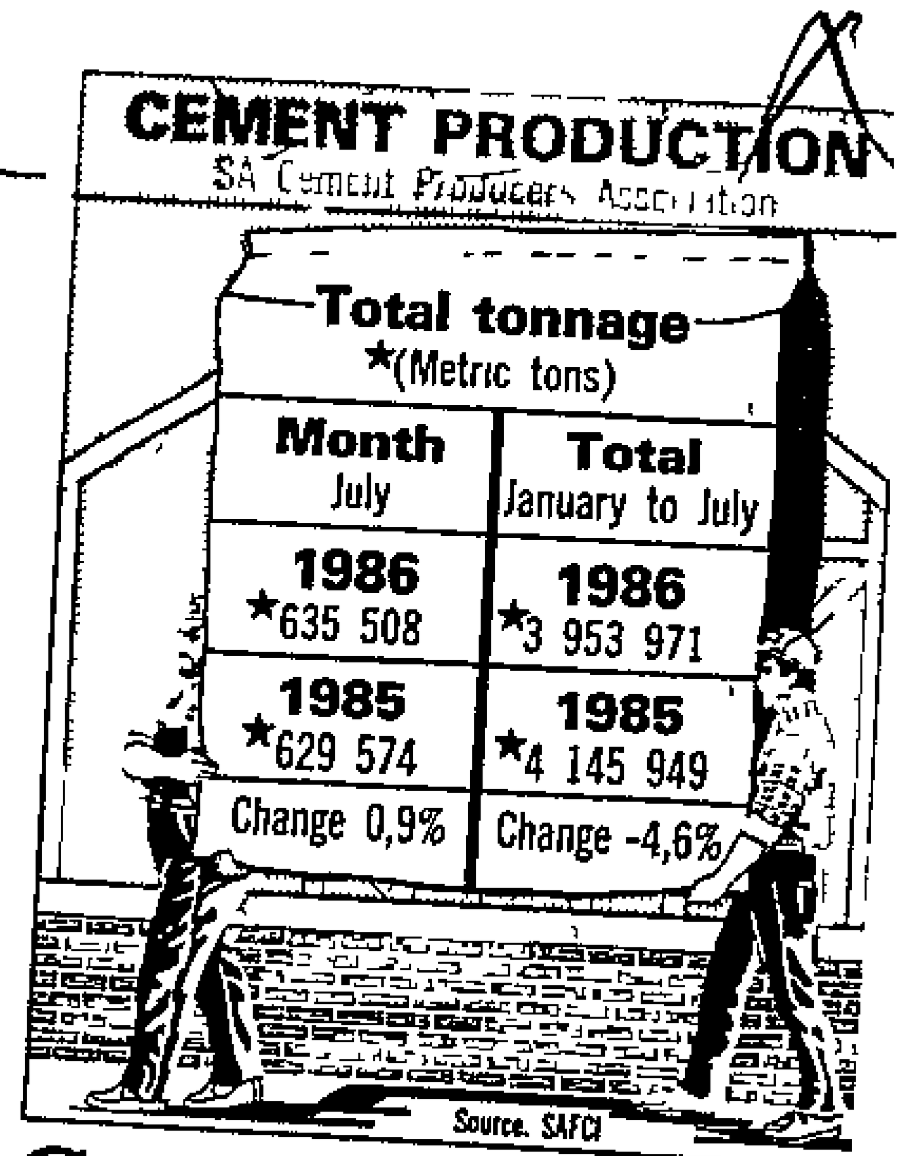


However, what really matters for a recovery in this capital-intensive industry is sales volumes With its infrastructure already in place, the benefits of any additional volumes will flow straight through to the bottom line

PPC's earnings fell by 4% in 1985, Anglo-Alpha's by 14% and Blue Circle's by 31% PPC's relatively small decline resulted from investment allowances which reduced the tax rate — the group's pre-tax profits fell by 19% For the current year, however, PPC — whose year-end is three months earlier than the others — expects earnings to decline by more than 30% to 100c a share, 24% lower than in 1984 Perhaps PPC is adopting a

Capacity booms, demands gloom





Cement traders predict an upturn in 1987

193

8/10/86

MICK COLLINS

THE August 1 increase in cement prices (8%) saw traders scrabbling to cover positions in July and resulted in false market returns for the month.

"There was a lot of stocking up prior to the increase As a result August was a bad month," an Anglo Alpha spokesman says.

Initial weekly figures for September indicate a healthier position and the industry now sees itself back on a modest return to previous levels.

"While there has been no increase in demand, the rate of decline has slowed. We are forecasting an upturn next year led by residential building (low-cost housing), power stations and road development," the spokesman said.

Sales levels for 1986 are still running 4,5% below those of 1985 with total sales for the year projected at 6,9-million tons, against last year's 7,2-million tons.

"All indications are that we are now bottoming out. Cement demand in the past has shown a close correlation with the Gross Domestic Fixed Interest rate (building), and the Bifsa forecast ties in with our own.

"This year has seen the lowest levels of sales since 1979, but considering our low base we forsee a mild upswing."

Figures released by the Federated Chamber of Industries reflect the July figures as being 0,9% higher than July 1985. Total milling for July this year was 635 508 tons (see table).

"This is the third monthly increase for 1986 after that of February (3,4%) and January (2,4%)."

FIN MAIL 10/10/86

193

CULLINAN

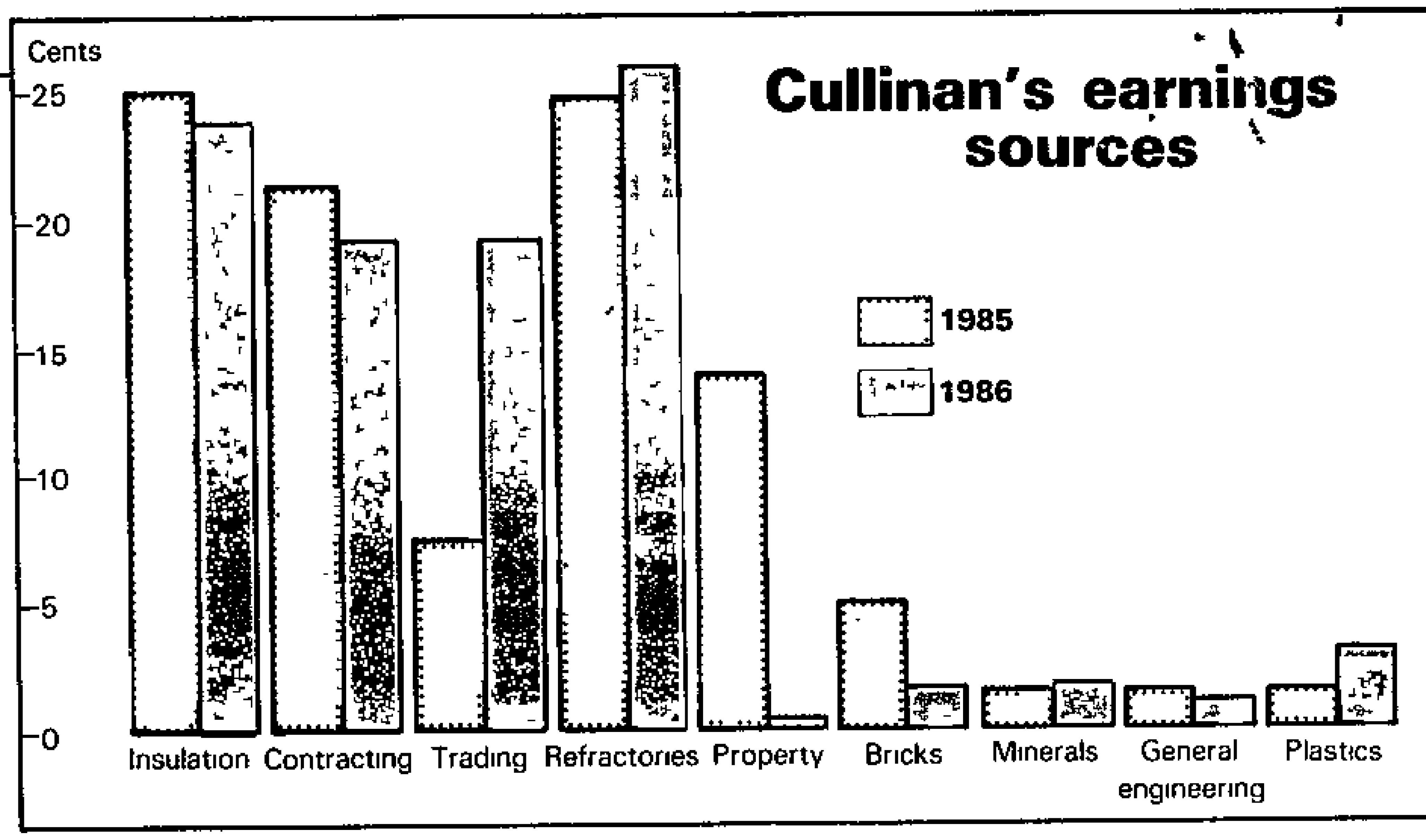
Electrical boost

Activities: *Manufacture and marketing of refractories, building bricks, porcelain electrical insulators and other industrial electrical products Other divisional activities include development and sale of property, mining and processing of base minerals, and heavy electrical construction and contracting*
Control: *Anglo American has about 33% of the equity and SA Mutual has 19%*
Chairman *N M Cullinan, deputy chairman E P H Bieber*
Capital structure *12,2m ords of 50c each and 500 000 5,5% cum prefs of R2 Market capitalisation R82,4m*
Share market: *Price 675c Yields 5,2% on dividend, 11,3% on earnings, PE ratio, 8,9, cover, 2,2 12-month high, 750c, low, 450c Trading volume last quarter, 141 000 shares*
Financial: *Year to June 30*

	'83	'84	'85	*'86
Debt				
Short-term (Rm)	16,4	9,7	7 1	2,2
Long-term (Rm)	24,5	14 8	19,6	12,2
Debt equity ratio	0,60	0,30	0 31	0,16
Shareholders interest	0,49	0,61	0,66	0 65
Int & leasing cover	1,5	3 6	2,6	3,8
Debt cover	0,12	0 94	0 4	1,21

Performance

	'83	'84	'85	'86
Return on cap (%)	8 2	9,6	10,7	9 6
Turnover (Rm)	172	138	143	175
Pre-int profit (Rm)	11,4	12,9	13 8	13,3
Pre-int margin (%)	6 6	9,4	9,6	7 4
Earnings (c)	29,9	56 5	62,7	76,1
Dividends (c)	27	27	30	35
Net worth (c)	490	696	730	731



The 1986 performance underlines the efficacy of the diversification embarked upon several years ago The 31% advance in earnings lifted EPS to 76,1c, in sight of the peak figure of 97,5c earned in 1982 — which was followed by the 69% collapse in 1983 — and enabled a 17% increase in the dividend

Chairman Neil Cullinan says three factors played an important part in the latest figures a good performance by divisions in the electricity-related fields, a satisfactory rise in contribution from associated partnerships, and considerably lower interest costs

There was a strong surge in profits from the electrical interests, whose total contribution to group earnings rose from 53,8c a share to 63,4c, however, the increase was concentrated entirely in the electrical trading division, whose contribution jumped from 7,4c to 20,4c

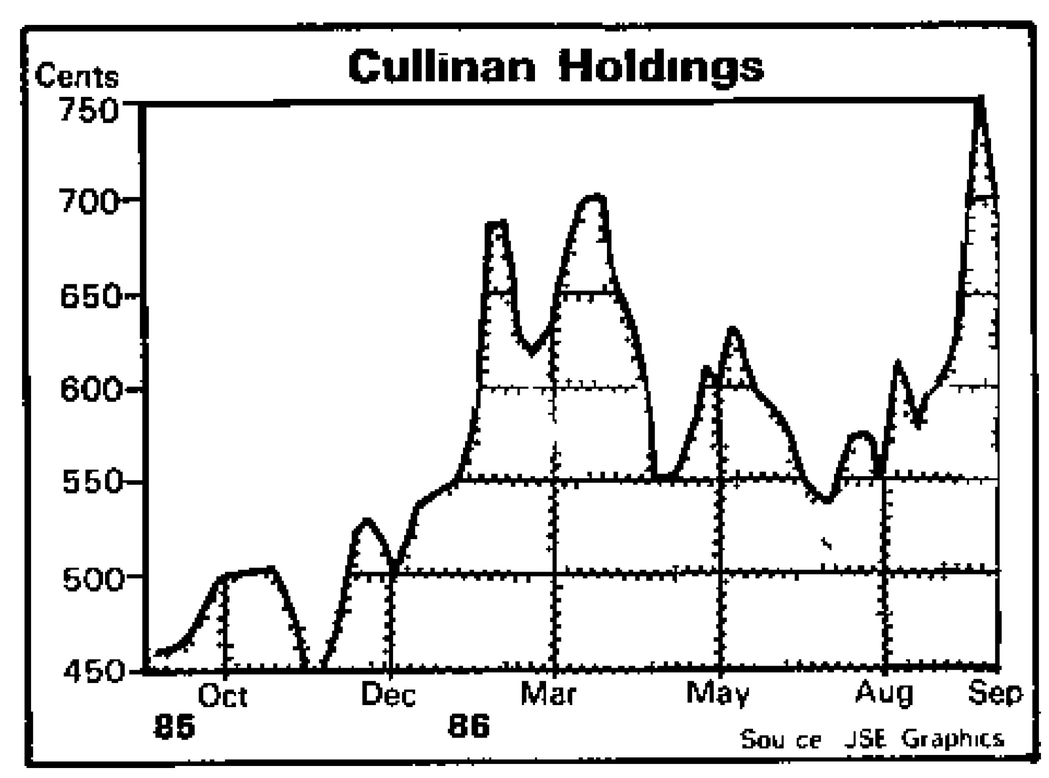
Ed Polkinghorne, divisional CE, says the trading division's results were derived from continued momentum in Escom's expansion of its distribution network, increased sales of electronic products and the introduction of new products with opening up of new markets

Other electrical activities — the electrical insulators and electrical contracting divisions — both posted small declines Cullinan says a cyclical downturn is being felt in the results of electrical contracting, and "this trend is expected to continue in the short term as the available pool of new capital construction projects begins to dry up"

Improvement was also seen in refractories and industrial plastics (which have been sold), but was outweighed by severe falls in property and building bricks Notably, while turnover was ahead by 22%, changes in the profit mix reduced margins and left group operating profit slightly lower

Profits of associated partnerships and companies, the most important being the 50-50 partnership with Iscor in Cullinan Refractories, climbed from R1,4m to R2,7m "High levels of plant output and sales revenues were attained," says Refractories CE Ed Harbuz "Local demand for refractories remained strong in the steel and other metallurgical industries but a significant decline was noted in certain other market sectors" He adds that while export shipments have increased, the weak rand adversely affects costs, as a significant proportion of raw materials used by the division are imported

However, the major boost to last year's



earnings came from the 42% decline in the interest bill, which resulted both from lower rates and repayment of borrowings By year-end, short-term loans had been substantially brought down and the R6,8m debentures converted to equity capital, the effect was that gearing nearly halved to a strong 0,16 This continues a steady strengthening of the balance sheet in recent years — in 1982, gearing was as high as 0,64

Looking at prospects, Cullinan notes that in the short to medium term, there is every likelihood sanctions will have the effect of boosting local industry as it moves in to take up the slack and replace previously imported products "If this scenario is valid," he says, "our group may well stand to gain in the

Cullinan's Cullinan ... could gain from sanctions

coming year along with those others which manufacture and supply basic infrastructural necessities"

At 675c, the share price is nearly R1 above the level of 580c ruling when the preliminary figures were announced But if Cullinan's short-term prognosis is realistic, there could be potential for further appreciation in both share price and dividend in the current year.

Andrew McNulty

I am told that measures are being taken to improve the operating performance and raise profitability in lossmakers In certain operating areas marketing has been stepped up, the spokesman says, and expenses are being cut back But, because Rentbel does not disclose the results of the individual subsidiaries and associates, precise details or substantiating information is not available

The rise in interest-bearing debt to R15,1m (R10,1m) and interest payments to R1,93m (R1,8m) further depressed earnings, despite benefits of lower rates The rise in debt, however, may stem partly from the first-time consolidation of James Sydney (Transport), which was reorganised during the year

James Sydney sold its transport companies to Explo and then sold 40% of the newly-constituted company to AECI James Sydney now has 60% of Explo Other changes to the investment portfolio include the purchase of 60% of CCR Woven Packaging and additional pref shares in President Insurance, which cost R540 000

The directors' controlling interest in Rentbel increased last year to 58,86% compared with 53,76% in 1985 and 32% in 1984 This could be seen as either a vote of confidence, or merely a strategy to ward off potential raids on the company

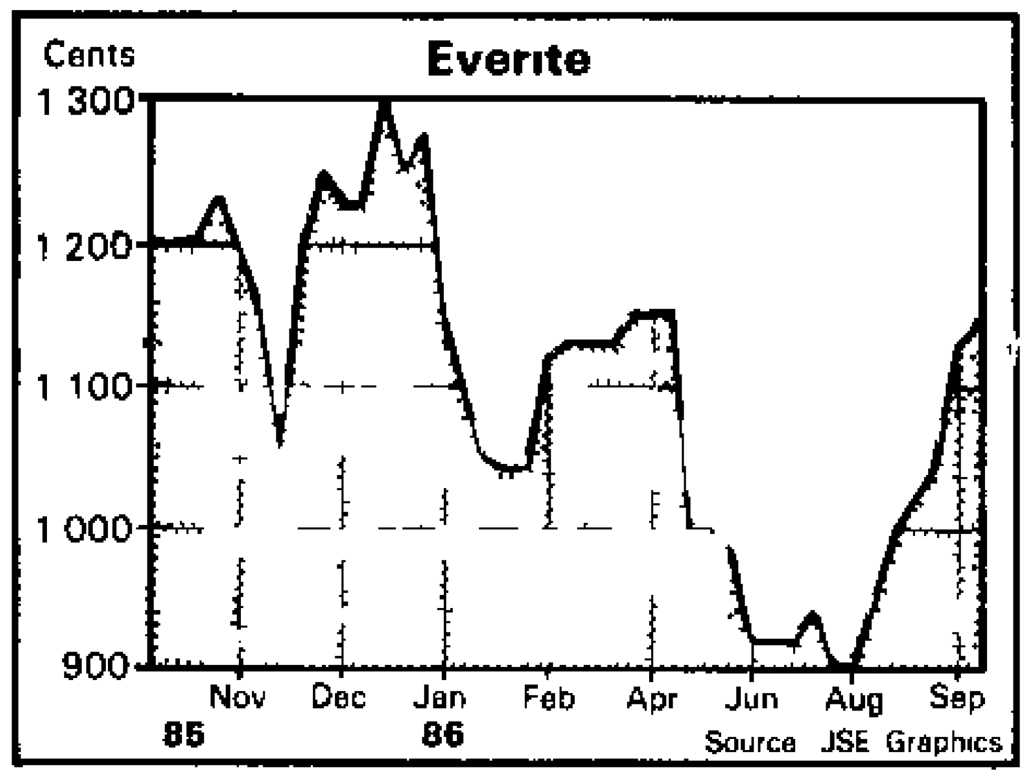
On an earnings yield of 5,4%, Rentbel compares favourably with the investment holding sector average of 8% and, since a year ago, has been sharply rerated against other investment holding stocks Although going through a rough patch with its engineering and metal subsidiaries, Rentbel could have sufficient strength in other areas to make it a longer-term proposition But the wide spread of interests and the poor level of disclosure will do little for investor confidence *Mark Ingham*

FIN MAIL 10/10/86 193

EVERITE

Feeling the pinch

Everite's exposure to hard-pressed building markets resulted in profits last year falling even more sharply than in 1985 Net profit



has dropped a whopping 70% to R4,5m (R15m), while turnover remained virtually static This indicates how tight margins have become, owing to the company's inability to recoup escalating input costs in its selling prices

Capex of R6,5m in the fibre-cement division was high in relation to that division's activities The group, in response to medical concerns about asbestos, is working to reduce the asbestos content of fibre-cement products, and is bringing new ones to the market, such as Beaver Shingles

Market share boost

The aquisition of Carltoncrete for R1,75m will boost the concrete division by increasing its share of the culvert and pipe market Carltoncrete should make a useful contribution during 1987, says management, after a year in which losses for the division amounted to R3,8m (R995 000) But with prices under pressure, no material turnaround should be expected

Use of investment allowances increased the tax equalisation provision to R5,3m (R4,1m) As these allowances are to be abolished at year-end, executive director John Kennedy says this provision should begin to diminish this year

Everite's Arni . . . struggling with margins

PTO.

Activities· *Manufactures and markets fibre cement, plastics, concrete, pitch-fibre, and ceramics*
Control. *The Swiss Eternit Group owns 36,1% of the equity*
Chairman: *H Thoeni, managing director E L Arni*
Capital structure: *16,6m ords of R1 Market capitalisation R191m*
Share market· *Price 1 150c Yields 1,6% on dividend, 2,4% on earnings, PE ratio, 42,3, cover, 1,5 12-month high, 1 300c, low, 900c Trading volume last quarter, 42 340 shares*
Financial *Year to June 30*

	'83	'84	'85	'86
Debt				
Short-term (Rm)	1 2	3 3	11,1	17,7
Long-term (Rm)	0,8	4,7	6 1	10,5
Debt equity ratio	0 01	0 04	0,09	0,08
Shareholders interest	0,80	0,73	0 74	0 75
Int & leasing cover	47 8	45,2	22,2	5,2
Debt cover	15,3	4 5	1,9	0,32
Performance				
	'83	'84	'85	'86
Return on cap (%)	19 4	20 3	13,6	5,0
Turnover (Rm)	176	235	230	230
Pre-int profit (Rm)	37 8	50	35,5	14,8
Pre-int margin (%)	21,5	21,3	15 4	5 2
Taxed profit (Rm)	17 6	21 9	15,5	4,5
Earnings (c)	106,7	127,6	90,9	27,2
Dividends (c)	50	60	60	18
Net worth (c)	955	1 078	1 159	1 328

FOREIGN BOURSES

	Oct 7 1985	Sep 29 1986	Oct 6 1986
Amsterdam Industrial Index	186	275	278
CAC Gen Index (Paris)	205	384	389
Commerzbank (Frankfurt)	1 605	1 953	2 016
Dow Jones Index (New York)	1 324	1 755	1 784
New Stock Exchange Index (Tokyo)	1 025	1 533	1 455
Swiss Bank Corp Index (Zurich)	476	544	552
Sydney & Melbourne Index	1 017	1 257	1 311
UK Industrials (FT)	1 012,4	1 212,6	1 251,2
UK Government Securities	84,2	81,8	82,7
UK Actuaries 750 shares	635,7	762,5	777,8
US Ind (Std & Poor)	203	254	260
TOKYO			
Toyota	1 100	2 110	1 880
ZURICH			
Credit Suisse	2 880	3 620	3 610
Swiss Bank	466	521	543
Union Bank	4 210	5 625	5 790

	Oct 7 1985	Sep 29 1986	Oct 6 1986
NEW YORK			
ASA	39	38	39
Bank of America	14	11	12
Exxon	52	66	67
General Motors	68	68	69
Homestake	25	28	29
IBM	124	134	134
UK			
British Telecom	195	180	178
Barclays	385	464	464
GEC	152	160	170
Marks & Spencer	166	187	195
Standard Chartered	438	684	699
Rio Tinto	547	632	667

CAPE Times 1/10/86

Glass workers get 55c/hr rise

1401 193

Labour Reporter

THE Chemical Workers' Industrial Union (CWIU) has negotiated a 55cent an hour increase to the minimum wage of workers at five Pilkington Glass factories around the country, a union statement says.

Workers returned yesterday after management increased minimum wage to R3,59 an hour.

COMPANY ROUND-UP

INTERIMS	Turnover (Rm)	% change	Pretax profit (Rm)	% change	Earnings (c)	% change	Div (c)	% change
Farm-ag	33 7	+38 8	2 64	+29 4	34	+30 7	12	+20
Score	330 6	+73	6 414	+54	23 2	+48	7 5	+50
Davgra	n/p	--	961	+92	8 9	+141	0	—
Moshold	n/p	-	1725	+10	8	+29	4	—
Anamint	n/p		24 7	+32	245	+33	240	+33 3

n/p — not applicable

12/10/86 SUN TIMES

Asbestos is still dirty word

193

Business Times Reporter

ACCORDING to a recent report, asbestos is still a dirty word in most of the Western world The fibre's market has fallen rapidly over the past seven years

Between 1979 and 1985 Canada's output has slumped 50% from around 1 400-million tons to 700 000

The main reason for this drop has been a 50% fall in US offtake, down to 100 000 tons in 1985

In January this year the US Environmental Protection Agency (EPA) proposed a ban on asbestos, saying "No level of asbestos is without risk"

Premysl Pelnar, a medical consultant at Canada's Asbestos Institute, says that the EPA is ignoring recent studies which show no increased incidence of disease at low levels of exposure

The producers further argue that the costs of a total ban outweigh the benefits

Counters

The EPA estimates that banning asbestos would save 1 900 lives over the next 15 years, but the producers say the cost of replacing asbestos would be $2-billion, and they suggest the price is too high.

Irving Selikiff, a professor of medicine at the Mount Sinai School of Medicine, counters that at many industrial sites such as shipyards and car plants where asbestos is still used there is no proper protection

As the market for asbestos collapses in the US, it is the developing countries which suffer, argues Gary Nash, president of the Asbestos Institute.

Mr Nash claims that the World Bank is refusing to fund construction in developing nations where asbestos has been specified as a building material

Producers view the EPA ban abroad as an example of environmental imperialism

The ban would hurt economic growth in many poor countries where asbestos cement is popular because it is a practical alternative to iron and PVC, which require a steelmaking capacity or petroleum industry to manufacture them

Nash says a United Nations report claims that 25 000 people die each day for lack of drinking water and that banning asbestos would do great harm to the Third World

Statistics for the worldwide production of asbestos indicate that Russia produced 2,30-million tons of asbestos in 1984, though this figure is unconfirmed

This compares with a figure of 0,84-million tons for Canada

Zimbabwe's production for 1985 is claimed to be 0,24-million tons, though this, too, cannot be verified

The most recent figure for South Africa is 0,2-million tons in 1984

1/11/90 STAR

PPC on a hard road to recovery

103

By Peter Farley

The debilitating effects of the recession in the building industry have once again come to the fore with the latest set of figures from Pretoria Portland Cement (PPC) which show a 25 percent drop in attributable income

Nevertheless shareholders have been rewarded because of both the strength of the group's balance sheet and cash flow with an increase in the total dividend payout to 47c a share from the previous year's 45c

However, group MD Guy Luyt says that the figures are satisfactory under the circumstances He points out that operating profit was virtually unchanged at R91 million on turnover up by 25 percent to R407,5 million

The two main factors contributing to the lower net profit was a massive leap in the interest bill to R4,8 million from less than R1 million and the acquisition of bulk cement distributor Cooper & De Beer

This latter move, though an important strategic decision, brought losses with it in the year under review Luyt says, however, that this operation is expected to make a positive contribution this year

Despite gearing remaining at around the 30 percent mark, interest charges leapt after the cost of mothballing the giant production facility at Dwaalboom

In the previous year interest charges on this facility were capitalised, but have now come off the income statement Luyt says that finance charges are expected to remain at around the same level this year

But, while Luyt will not be drawn on specific forecasts for the current trading period, he said that the building industry appears to "have bottomed out" and that the next set of figures should be no worse than the last 12 months

Guy Luyt

Referring to the increased dividend payment, Luyt says that after forecasting earnings for the year of 100c a share the group eventually managed to produce 116c Given the group's inherent strength the board felt that the surplus should be distributed, particularly with cash flow forecasts looking good

He also pointed out that PPC had been assisted during this difficult trading period by the benefits of efficiency exercises introduced in the past couple of years "Everything we have been working towards has now come together," he added

Nevertheless, he noted that with overall capacity in the country s cement industry standing at 11 million tonnes and demand projected to show little change from the current 7 million tonnes, there was still going to be enormous strain in the industry.

In line with these observations he said that there was no chance of the group bringing the Dwaalboom operation out of mothballs this year

The group's share price has stagnated around the R10 mark for some months, after a brief flirtation to R13 The increased dividend offers an historic yield of 4,4 percent which, though above the general industrial average, suggests that the shares are fully priced for the time being

PPC pays more

3603 | 2/11/86 (193)

SUNTIMES

PRETORIA Portland Cement has increased its final dividend to 33c — 29c last year — making a total of 47c (43c)

Attributable profits fell to R41,8-million from R55,9-million, equivalent to earnings a sharte of 116,1c (155,2c)

Dividend cover is 2,5 (3,6)

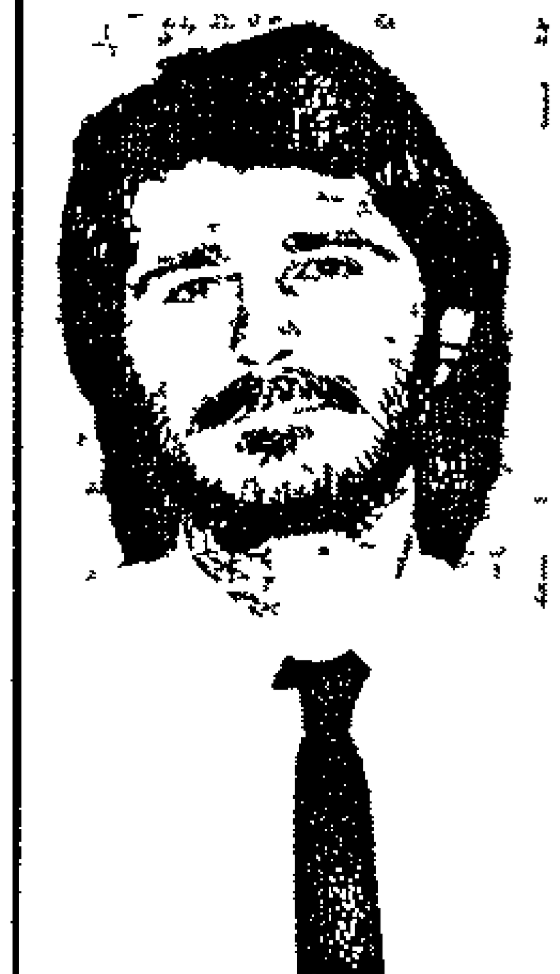
Results are ahead of annual report and interim forecasts of about 100c a share

The company benfited from sales of bulk cement distributor Cooper & De Beer, which was acquired at the start of the financial year Group turnover rose 25% from R326,2-million to R407,5-million.

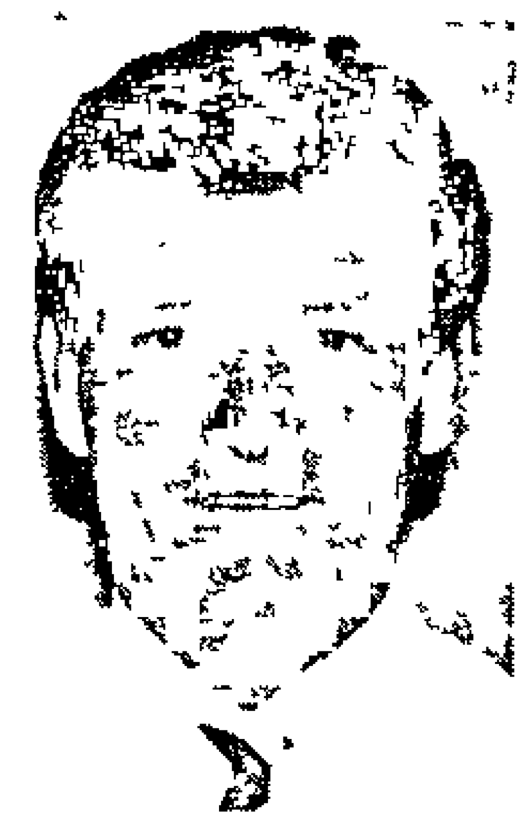
Operating profit before interest was 1% up at R91,1-million

The interest bill jumped from R765 000 to R4,8-million.

DIAGONAL STREET / by DAVID CARTE



Alan Schlesinger the customer's the boss



Rob Crockett right-hand man in revamp

THE dire straits in which the construction industry finds itself have been well chronicled

Blood, sweat and tears in concrete

p3

Civil-engineering activity is back to 1971 levels Bobby Zylstra told the Bifsa congress this week that 75000 jobs had been lost in the building industry and another 25000 were at risk He foresaw only blood, sweat and tears

Every major listed civil-engineering and construction company in SA has reported drastic reverses

The Big Three — Darling & Hodgson, Murray & Roberts and LTA — have together lost more than R100-million in the past 18 months The share price of M&R fell from R15 in March this year to R6 in May and has rallied recently to R7,10

D&H has plunged from R8 in August 1985 to R115c LTA has fallen from R6 in 1984 to R2 Grinaker went from a high of 500c to a low of 300c before moving up to 325c recently

Grinaker No 4 in construction, made most of its money recently in electronics and only peanuts in construction

In a strongly rising market, the Johannesburg Stock Exchange Actuaries building and construction index fell from 1 200 in February this year to 850 in June before moving to 1 071 this week Because M&R and D&H are not in this index and relatively good performer PPC is, the index understates the calamity

Disastrous results have come from big construction companies even though large profits are still flowing from projects started three years ago Soon the protection provided by the good times of yesteryear will fall away

It is interesting to note for instance that LTA's profits in South Africa before interest and disasters offshore and in Soweto were a record

What happens when this protection of days gone by falls away and today's narrower margins and reduced order books come home to roost?

The industry will not pick up until gross domestic fixed investment does It is clear that profits will not start to recover for about a year after a turn in that indicator Hence warnings of blood tears toil and sweat ahead

HOUSING

There is one consolation Companies appear to have seen trouble coming and have been extremely conservative with their accounting

In providing for losses already disclosed, indications are that D&H, M&R, Group Five and LTA have taken a genuine bath All appear to be clean now

New managements are in place in and it is customary for new managers to knock profits and assets hard This may not reflect well on departing management, but it makes recovery easier for the new regimes

So, failing further contractual disasters, the Big Three may not go downhill as far as industrial indicators might make one fear

Civil engineers and builders are not too enthusiastic about prospects even though Mossel Bay and the Lesotho Highlands water projects are going ahead They need activity across the economy more than enormous landmark projects There is a glut of office factory and shopping accommodation Mining continues to provide a basic workload, but does not compensate for cutbacks by Escom and other parastatals

Builders are also not excited by the prospect of mass housing schemes and township upliftment Finance Minister Barend du Plessis's R750-million earmarked for this purpose has still not started to flow and appears to be earmarked for self-help schemes The civil engineers will probably get only service work

GIANTS

Black housing would be a long-term growth area, but inability and unwillingness to pay are an unresolved stumbling block Once institutions can be sure of rent collection, mass housing will move — but not until then

It is possible that some of those ailing in construction are doing so partly because they have forgotten that civil engineering and building are people businesses

All the best performing construction groups have been led by giants of the industry — M&R by the Murrays and the Roberts, Grinaker by Ola, Savage & Lovemore (the core around which D&H grew up) by Savage, Lovemore and Hodgson, and Besters by Theunis and Willem Professional managers on salaries have fared poorly relative to entrepreneurs and owners.

The Bester brothers are still in place, but it remains to be seen whether they can cope with a sea change in their market. Mass housing schemes are out for the moment are out, particularly with parastatals cutting back heavily

In buying Tucker for twice the price offered by competitors, Bester has repeated the mistake it made in 1976 Once again it is sitting on large amounts of loan-funded, unserviced unproclaimed land The company is overgeared and interest is a heavy burden

ITCHING

Two or three companies in construction are performing — and they are relatively small and led by entrepreneurial people.

Schachat, wholly owned by Sage Holdings but itching for a listing in its own right, is one. SM Goldstein another Gary Zulberg's Ozz Construction has as much work as it can cope with at Bruma Lake Johannesburg

SM Goldstein has signed contracts totalling R123-million in the past month Its order book of R250-million has never been higher

It has a R70-million contract for construction of Armscor's Pretoria headquarters, a hostel worth R9 5-million for ERPM, a R6,1-milion sewage works at Botshabela OFS, a headquarters for the SA Police in Soweto worth R9,2-million and extensions to the Durban Technikon for R9,7-million

Goldstein chief executive Tony Jackson says the work was obtained on tight margins against stiff competition "but we have lived with tight margins for a long time and we are confident this is a potentially profitable order book

Schachat was providing half the taxed profits of Sage Holdings until it was delisted three years ago The proportion has declined since but is still material

But Schachat chief executive Alan Schlesinger and his right-hand man in township development and building, Rob Crockett report that the company is well poised after a major reconstruction Both are performers and appear to be keen to relist their reconstructed group

Schachat is doing well with a new market-driven philosophy Having researched needs in the upper-crust black and lower income white markets it has been hugely successful in the R40 000 to R60 000 bracket

Being non-racial in its marketing approach Schachat is geared for removal of the Group Areas Act. Its products and TV advertisements are aimed at all population groups

FINANCE

Schachat has access to finance through Sage It is a complete developer as opposed to a builder

"We found black buyers want precisely what white buyers want. We are building what people want offering more than 100 different designs to a complete spectrum of home buyers says Mr Schlesinger

He believes building is the easiest part of development. 'It is developing a piece of raw veld into a complete township that takes the skill That is why we are sceptical that self-help is the complete answer to the housing backlog

BusDay 6/11/86 (193)

Cement cartel said to be keeping prices down

WILLIE HARRIS

CEMENT — the foundation of SA's building and construction industries — is also one of the country's most important cartels which is periodically subjected to criticism.

The three companies involved, Anglo-Alpha, Blue Circle and Pretoria Portland Cement (PPC), say without the cartel's marketing and price agreements, the cement price would rocket by as much as 25% in a "free-for-all"

This would create a high-risk/high-return situation instead of the current low-risk/low-return profile the industry maintains.

Cement is considered a strategic material and, with the reality of disinvestment, a strong and self-sufficient industry is vital — provided the cartel acts responsibly and in the interests of the consumer and the country.

Pricing

PPC commercial director Charles Hollmann says "The pricing formula that has been accepted is one of 15% profit before interest and tax, but the industry is currently running at substantially below this figure

"That, together with the enormous capital investment required, probably explains why nobody else has been interested in entering this market since Anglo-Alpha came in more than 40 years ago"

The industry's annual turnover is touching R500m with a production capacity of about 11-million tons a year, of which about 4-million tons is spare capacity.

Hollmann says "This is necessary for us to be able to handle any sudden increase in demand, and is also part of the responsibility which the industry accepts."

Johannesburg-based PPC started the cement industry in SA in 1892 More recently, it took its turn with a planned R300m investment in Dwaalboom Cement Works in the north-western Transvaal

Dwaalboom is currently "mothballed" because of the recession, and stage two has been held in abeyance.

Nevertheless Hollmann is optimistic about market growth — particularly in view of the Lesotho Highlands Water Scheme — although he does not expect any really significant benefit to the industry until three to five years' time.

Anglo-Alpha has produced a slide and documentary presentation putting the cement industry — and the cartel — into perspective.

Spokesman Rowan Dent said "The marketing arrangements that the cartel introduced years ago have led to questions being asked about our respective and/or collective efficiency, profit margins and pricing

"We decided to paint the realistic picture for the benefit of the industry's consumers and anyone else who is prepared to look at the facts."

The SA cartel's marketing arrangements are the rule rather than the exception in other countries, but SA remains one of the world's cheapest producers

Australian production stands at around $60/ton

SA prices are about half that

The US, West Germany, France, Belgium, Italy, New Zealand, Mexico, Spain and Canada are all producing at more expensive levels than SA.

Anglo-Alpha and the other members of the cartel insist they are competitive despite the marketing arrangements

PPC's market share is about 45%, Anglo-Alpha's is 35% and Blue Circle's 20%.

Blue Circle's Peter Kett said there was freedom of entry to any new competitors — "and we are not opposed to fair competition from foreign producers"

But, he said "The capital cost of setting up a new plant at today's prices, coupled with the low return on investment, makes it most unlikely that anyone would consider it"

All three companies resented the import of 200 000-tons of cement by the Spanish and Japanese between August 1984 and August last year — inspired by faulty reports of an impending cement shortage.

Japanese

Dent says. "The Japanese were selling their cement domestically at $54/ton and the Spanish at $48/ton but landing it in Durban at $37/ton If that isn't dumping, then what is?"

Today cement producers face the same problems that were intrinsic from the beginning — the geographical location of the lime stone used as the principal raw material and the transport costs involved in moving the final product to distant markets.

Dent says "The railage content in the cost of cement is rationalised by the cartel, ensuring that the product is supplied by the nearest producer regardless of which one that may be

"If we did not have a cartel, that would not happen and it would be impossible for competition to exist in certain geographical areas because one or other of us would have the advantage of being closer to that particular market"

Corobrik sees return to clay brick

AN order for 9-million clay face and plaster bricks from Corobrik Transvaal for a housing project in Eldorado Park, may be the beginning of a major move back to the clay brick, Corobrik (Tvl) MD Brian Waberski says

"The contract proves that the best building materials are still within the reach of the ordinary homeowner and we believe that the clay face brick meets the aspirations of most South Africans who want to own their own homes," he said

The order was placed by the Johannesburg Coloured Management Committee to build 564 houses at Eldorado Park

Donald Mateman, MP for Eldorado Park and a member of the committee says "We have found that many of the materials traditionally used for such housing give us more headaches in the long run with cracks in the walls and high maintenance and repair costs"

Four different clay face bricks from the Corobrik range are being used in the project, scheduled for completion before the end of the year

New projects such as a high school, a primary school, a post office and 120 homes for the elderly are also already in the planning stages and new stands have been set aside for private builders

Corobrik Transvaal is also involved in the Alandale/Rabie Ridge project near Pretoria with 500 units and a housing scheme for coloureds in Ennerdale, near Johannesburg

A tough year is forecast by Cementation chief

11/11/86 BUS DAY 193

MERVYN HARRIS

EARNINGS of Cementation Company (Africa) for the year to end September were hammered by a sharply higher interest bill and depressed margins in the civil engineering sector

The 24% earnings fall to 44,6c (58,1c) a share has resulted in a 3c cut in the final dividend to 14c a share, reducing the total payout for the year from 25c to 22c a share

Chairman Ron Shaw does not see much improvement in the current financial year and is forecasting another difficult year. "We are not yet out of the woods in the civil engineering sector," he said

Turnover rose from R152,3m to R241,5m to lift net income before interest and tax from R7,6m to R13,4m The rise was reduced to R7,1m (R5,78m) after the interest bill soared from R1,86m to R6,28m

The big jump in the interest bill was attributed by Shaw to financing the other half of last year's purchase of Gold Fields Cementation Mining, as well as losses in the civil engineering business.

However, the foreign exchange loss was sharply lower at R355 000 (R1,6m) The group has carried forward a deferred foreign exchange loss of R424 000, the uncovered part of a $6m offshore loan

Pre-tax income of R6,7m (R4,1m) was reduced to R4,37m (R4,28m) after payment of R2,38m tax against a tax credit of R162 000 in the previous year

Bottom-line earnings were further trimmed by a hike in preference dividend payments to R1,3m (R662 000) arising from the issue of compulsory convertible preference shares in connection with the Gold Fields Cementation Mining deal.

This left attributable income of R3,04m against R3,97m in the previous year

Source BD

Sticky SA cement sales

(193)

BUSDAY 20/11/86

Industrial Staff

NATIONAL cement sales continued sliding last month in line with the decline over the previous nine months.

Sales for October 1986 fell 3,8% to 628 861 tons, compared with 653 748 tons for October last year.

Sales for the first 10 months of this year were down 4,5% at 5,992-million tons, compared with 6,202-million tons for the same period last year.

But Natal sales firmed 14,75% to 96 280 tons last month, compared with 80 677 tons in October last year.

Natal sales for the 10 months were down 2,2% at 893 891 tons, compared with 914 156 tons for the same period last year.

The only areas where cement sales increased this year were the Cape and Namibia.

Cape sales rose 3,3% for the 10 months of 1986 to 1,434-million tons, compared with 1,388-million tons for the same period last year.

Namibian sales increased 5,7% to 107 824 tons over the 10 months, compared with 101 999 tons for the same period last year.

BUSINESS

ECONOMY

MNews Jr 1/11/86 193

Building mini-boom good news for Western Cape brick industry

By TOM HOOD, Property Editor

A MINI-BOOM by the building industry has made the Western Cape's largest brickmaker, Corobrik, consider reopening four factories that closed in the recession of the past 18 months

The company is running at only half capacity but the three factories at Stellenbosch, Koelenhof and Phesantekraal are now working at maximum output and efficiency and stockpiles have also been reduced significantly, says sales manager Mr Mike Ingram

"Our order book is strong through to the builders' holidays and we expect it will pick up at the same level when they return in January

'As soon as we are sure the increased sales trend is sustained in the new year, we will look at opening factories that have been mothballed in the recession"

Opening a factory was an expensive business in terms of cash flow and the company did not want to employ a lot of workers and then lay them off again if demand for bricks fell away

However, prospects for 1987 looked promising, said Mr Ingram The upturn in demand for bricks began in August and had strengthened

The alterations and additions market was booming, although the home-building market was still relatively depressed

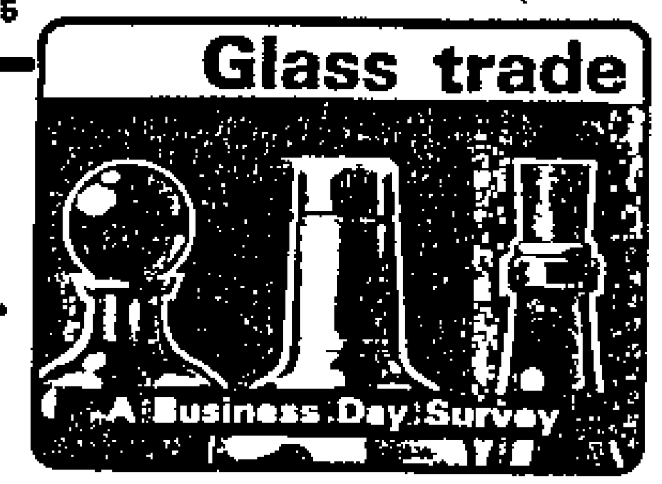
The new house market in the R40 000 price range was busy but the 120 m² housing market was dead, he added

Home owners not able to move up in the property market were improving their homes with extensions and paving

There as also a strong increase in business for the construction of public non-residential buildings such as schools, libraries and university extensions, nurses homes and magistrates courts where many of these projects specified clay bricks

For some kinds of popular paving bricks there was now "a slight delivery delay" in spite of Corobrik boosting its output to the maximum

A huge and unexpected demand for paving bricks came as the rest of the building industry was struggling to emerge from the depression



Raw product accounts for R100m turnover

ANDREW GILLINGHAM

PILKINGTON, part of Glass SA, is SA's sole manufacturer of raw glass

This side of the business accounts for R100m of its turnover Through Shatterprufe and Armourplate, which manufacture laminated and toughened safety glass respectively, Pilkington earns another R160m including exports

Exports of raw flat glass are seldom competitive It is in the value added glasses, toughened and laminated, that Pilkington does well on the world market.

Pilkington is concentrating on import replacement to a large degree these days broadening the spectrum of its products

In this regard Pilkington has recently ventured into tinted glass and has hopes of producing a range of high quality tinted glass with a particular view to the auto glass market.

High voltage glass insulators have been another success and this segment is worth R30m to the company

Exports of windscreens and solar control glass have fared well in total, Pilkington estimates the value of its exports at between R40m-R50m annually While raw glass is seldom a successful export product, Brian Young, Pilkington's chairman, recalls that in the late 1970s, Pilkington delivered 20 000 tons of raw flat glass to Iran Needless to say this bonanza was short-lived.

Young says that since Pilkington increased capacity by 25% last year, it should have sufficient for the next five years The value of glass imports to SA are continually dropping, as imports do little but fill cracks in the industry's requirements, where volumes are too small to justify local production

Areas here include rolled pattern glass where the range produced in SA is small and in the thicker glass, 12mm to 19mm where again, volumes are too small to make local manufacture economic

Young does not see another flat glass manufacturer entering the SA market Plant is expensive to purchase and to operate

He says Pilkington — through Glass SA's subsidiaries — has 95% of the SA glass export market. He has also had more problems with overseas banks than with export customers, but he says there is a growing sensitivity toward buying SA products

However, given the rand's value, prices are too attractive for the overseas buyers to resist. but the tide could turn if the rand rises against other major currencies

SA is self-sufficient in the raw materials required for glass manufacture except soda ash Soda ash represents 20% by volume and, currently 71% by value of the raw material cost in glass making The Industrial Development Corporation is investigating a project to produce soda ash in SA

However Young worries that if the product is not competitively priced by world standards then there might be some excise duty protection This would result in price rises on the local market, but, perhaps even more important, it might price SA exports of glass beyond competitiveness

Young believes SA Railways should reconsider its price structure, especially on routes to harbours such as Durban

He says "Taking exports to Hong Kong and South East Asia as an example, the cost of railage from Johannesburg to Durban, plus wharfage handling and other payments to SAR, is 28% of the total transport cost to the customer In other words, the SA leg (600km) is 39% of the other shipping costs over 8 000km. This is an unrealistic pricing situation, particularly if government wishes to encourage exports."

Makers set sights on export markets

GLASS manufacturers are all looking hard at the export market. There is currently a shortage of glass on world markets. This shortage does not lie in the area of raw glass as most countries have their own raw glass manufacturing.

Even Zimbabwe is moving into the manufacture of raw glass. It recently ordered a sheet glass plant from Rumania. The sheet glass from this plant will produce an inferior product and because of optical distortion will not be suitable for many applications.

The Zimbabwe market is estimated to be good for only 5 000 tons of glass annually This leads SA experts to surmise that Zimbabwe will be looking to exports to justify its investment.

SA glass manufacturer Pilkington says it is in the area of value-added glass, such as laminates and toughened glass, that its subsidiaries Armourplate and Shatterprufe are faring well.

Pilkington chairman Brian Young warns that other manufacturers entering the world market could be in for a rough ride. His organisation has been in the market a long time and, through its overseas links, is well-positioned to take advantage of current export demand. Others entering the world markets are going to find competition fierce. However, Young does hold out some hope.

"There was a glass surplus in the world market two years ago This has now hardened and there is a shortage. It has been caused by companies withdrawing from the market as a result of the oversupply.

"Having been hurt once, overseas manufacturers are reluctant to invest in new plant for fear that the oversupply situation might arise again. This augurs well for SA exports," he says

SA produces a range of high-quality, value-added glass products from glass for cars through to the laminated, solar-control glass used in construction.

Plastic inroads into packaging

PLASTIC has made inroads into the glass packaging market, but not to the degree once expected And, some plastics users are moving back to glass packaging

Glass like plastic can be moulded into any shape However, glass has the advantage that it is almost entirely inert and therefore unaffected by the contents being stored

Glass is also non-porous can be made totally sterile is pure and will not corrupt the contents It can also be made attractive and versatile It is also cost effective where the container is designed as returnable

The major drawback with glass is the fact that it is breakable There is a great deal of research into overcoming this shortcoming with the objective of making containers lighter and stronger

Chemical and heat treatments are used to this end. Various coatings can be put on the glass one is used to prevent abrasion during bottling another a polystyrene "jacket' which strengthens the container makes for a more attractive appearance and cuts down on the container s weight

Currently, the market in glass containers is up to the previous levels of 370 000-390 000 tons of glass annually after having dipped to 330 000 tons during the worst of the recession

There has been a gradual pickup in trade with a sharper upturn in the third quarter of this year

Consol Glass holds about 80% of the market and Hennie Roos MD of Consol's glass division, says the trend in the market is encouraging, with Consol's factories working to capacity to meet demand. Consol has no worries about increasing capacity to meet this demand The technology is available, from an overseas partner, to double output in the long term while still employing the same number of people

Quality in SA is high and at least on a par with the rest of the Western world Many glass container users are multinational and the specifications for their containers are the same locally as in the US or Europe

Roos says Consol is at the forefront of glass technology Bottle design is aided by a sophisticated computer-aided design system and many of the phases of production are controlled by computer process control equipment.

Highlighting the regard the world has for Consol's production technology is the fact it has been picked by a Japanese company to design its furnace.

Consol, says Roos, exports about 2% of its glass containers

There is a high percentage of returnable glass containers in SA, though this is dropping. It fell from 57% in 1980 to 42% in 1986

This pattern is in line with world trends towards disposable glass containers About 15% of non-returnable containers are recycled and used as part of the batch in the glass making process Consol is mounting a major drive to increase this to 25% over the next three to five years.

SA building slump could mean bad year for glaziers

GLAZIERS are facing another tough year, industry sources say

There is little new construction, and margins are being squeezed There has also been a fall-off in domestic glazing

Tom Hewitt, partner in Gleneagles Glass, said last year's turnover was R2,16m. In 1986 Gleneagles' turnover was R2,2m, but there had been an average 35% increase in glass prices during the course of the year

Hewitt said there had been no large-volume contracts similar to that for 11 Diagonal Street where Gleneagles installed 20 000m² of glass

Also profits on any available larger contracts had been minimal

Hewitt found cash flow a problem as well with some contractors slow to pay

He said there had been further problems with builders falling behind on construction

Laminated glass cost over R100/m² and would be ordered in line with the building program If the project fell behind the glazier used his own cash to pay suppliers

Hewitt said there was also a risk of builders going insolvent

Gleneagles obtains 85% of its glass from PG and Hewitt said he found no problems with supply and had a good business relationship with PG

Chief executive of PG Rod Ferhson said the market was small in relation to the number of traders operating in it In this overtraded environment margins were threatened and there was insufficient work to go around

"I believe 1987 is going to be a very bad year and those companies in the industry that don't have a spread of business are going to find it difficult to survive'

A better mirror out of 2 plants

WITH hopes pinned on an increase in consumer demand and exports two companies are commissioning new mirror plants in the new year

Africa Glass is installing a plant costing R2m in January 1987 and PG Glass s new plant will come into operation later in the year

Africa Glass's plant will have a capacity of 25 000m² a month in the first year It will produce a more durable product than was possible in the past, in that the silvering will receive two coats on the back as opposed to the more common single coat.

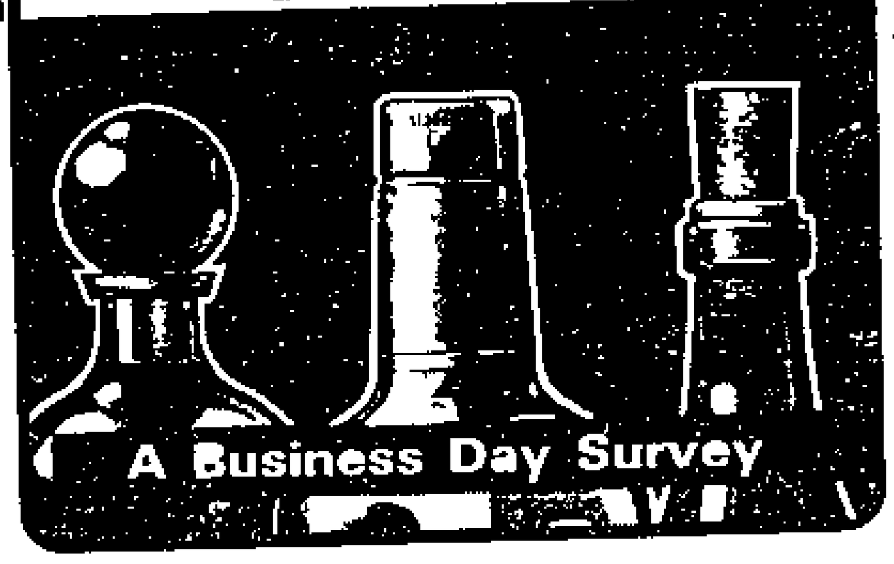
PG Glass's plant — costing R7,5m — will be larger, with capacity expected to be over 1-million square metres a year

PG's new plant will produce a better product manufactured in a controlled, dust-free environment. Pressure within the plant will be kept slightly higher than external pressure. Mirrors will also be twin-coated

There is no price rise likely as the market is competitive and imports are reasonably priced.

193

Glass trade



Most glaziers need a merchant to succeed

ANDREW GILLINGHAM

BEHIND most successful glaziers there is the glass merchant

The merchant provides the back-up which the glazier, because of the size of his operation, may not be able to afford Many facets of the glass industry are service-related A customer may call a glazier to replace a window While there, the customer might ask the glazier to quote on a large oval mirror for the lounge

Frequently, the glazier does not have the facilities to cut the mirror to the required shape and to bevel and finish the edges The glazier will quote, and if the order is confirmed, approach the glass merchant The merchant will cut the mirror and finish the edges. The glazier will then fit the mirror on the customer's premises Without this back-up, the glazier would have lost an order

Besides providing a range of services to glaziers, glass merchants also carry large stocks of glass. Stock values can be anything from R50 000 upwards, depending on the merchant's size

The merchant would carry a full range of clear flat glass and patterned glass in stock sizes and thicknesses Imported glass such as bronze and grey-tinted glass, patterned and wired glass, would also be in stock, but not at the same levels as a locally-produced product Usually, a merchant would also carry a full range of toughened and laminated safety glass as well as solar control glass

PG Glass ensures its smaller branches carry basic bread-and-butter ranges For additional requirements, the regional centres carry the full range and service the smaller branches on demand PG stores service not only their glazier customers, but also their own internal requirements for the area

The glass merchant also supplies the furniture industry. With the apparent pick-up in consumer spending, there is an ever-increasing demand for glass within the furniture industry, where it is used for table tops, cabinet doors and other applications

Glass furniture, products made entirely from glass, is likely to remain an expensive imported product as the demand for the particular glasses is small on the SA market making local manufacture impractical Such products are not only usually made from tinted glass, but are also of very thick glass

The value of the glass merchandising business is estimated to be R400m, but experts warn that this figure may include a degree of double counting

Africa Glass has found that demand has remained stable in the industry, but margins have been severely curtailed Like many SA companies, Africa Glass is hoping there will be a mini-boom next year

With sanctions, there are hopes that there will be increasing activity in import replacement and, consequently, more construction. The merchant is tied very closely to the contracting side of the glass industry and more construction will mean more business for him

Merchants say the increase in low-cost housing has created a demand in the last year

10 000 hurt by door, window glass a year

□ CLETON

EACH year 10 000 people are injured in SA in accidents involving ordinary glass in windows and doors

Over half these accidents involve children and frequently result in permanent disfigurement Ordinary glass is brittle and virtually all injuries could be avoided if safety glass was used instead of ordinary glass

The National Safety Glazing Council of SA has recommended to the SABS that only approved safety glass be used in defined hazard areas

Areas defined as hazards are

□ Any glass within 800mm of finished floor level, fitted in doors, whether sliding or hinged, glass installed within 1m of the side of any door; glass partitions or screens below a height of 800mm, any glass in bath or shower enclosures, glass ballustrades or balconies

Safety glass is available in two types Toughened glass has five to seven times the strength of ordinary glass and when it shatters, it does so in small pieces so it does not cause serious injury

Laminated glass is the other alternative and consists of a transparent vinyl inter-layer sandwiched between two sheets of glass Should a sheet of laminated glass be broken, the inter-layer holds the glass sheet in one piece thus preventing injury

Hardglass is one of the manufacturers of toughened safety glass and has a turnover of more than R6m/year Armourplate (part of Glass SA) is SA's other toughened glass manufacturer and each has the ability to make all SA's needs in toughened glass

The company has set an export target of R250 000/month in the next two to three years Toughening glass is an expensive business, but SA manufacturers seem able to produce competitively priced product for the world market

"Pilkington allows us a 30% discount on the raw flat glass price for toughened glass that we are exporting With the rand's value we can be very competitive on world markets," notes Kees Cleton, Hardglass's MD.

New products guide

Hardglass's double-glazing method Hardglass has been given the SA franchise for the Tremco double-glazing strip

Unlike traditional double-glazing frames the Tremco system is flexible, which means windows of any shape are easily double-glazed, says the company.

The butyl extrusion of a thermoplastic compound contains a blend of desiccant materials for removing moisture from the space between the two pieces of glass A fluted aluminium strip is also contained in the extruded tape and acts as the spacer

Consol's tinted glasswear Consol recently launched a range of tinted glass tea and dinner services The sets are in a range of colours such as pink, and are still transparent

PG Showermate PG is catering to the DIY market, with its range of easy-to-fit shower and bath enclosures

The Tri-matic bath enclosure enables the home-owner to convert his bath into a shower cubicle PG's shower cubicles are designed to deal with most spaces available and offer a range of doors

Anodised aluminium frames are available in either silver or bronze finishes Glazing is in either clear or bronze tint

Trans Natal logos Trans Natal will supply companies with glassware which has the particular company's logo on it

This is in addition to the hand-cut crystal, which the company makes locally

Crystal may be cut to a special design for corporate customers

ARGUS 28/11/89

2-day strike at PG Glass factory ends

Labour Reporter

PRODUCTION resumed at the PG Glass plant in Epping today when workers ended their two-day strike.

Negotiations between management and the Chemical Workers Industrial Union, representing the striking workers, will continue

Union spokesmen and Mr Bert Peters, managing director of PG Glass, coastal, said it had been agreed to reopen negotiations, which deadlocked last Friday on wages, if employees went back to work

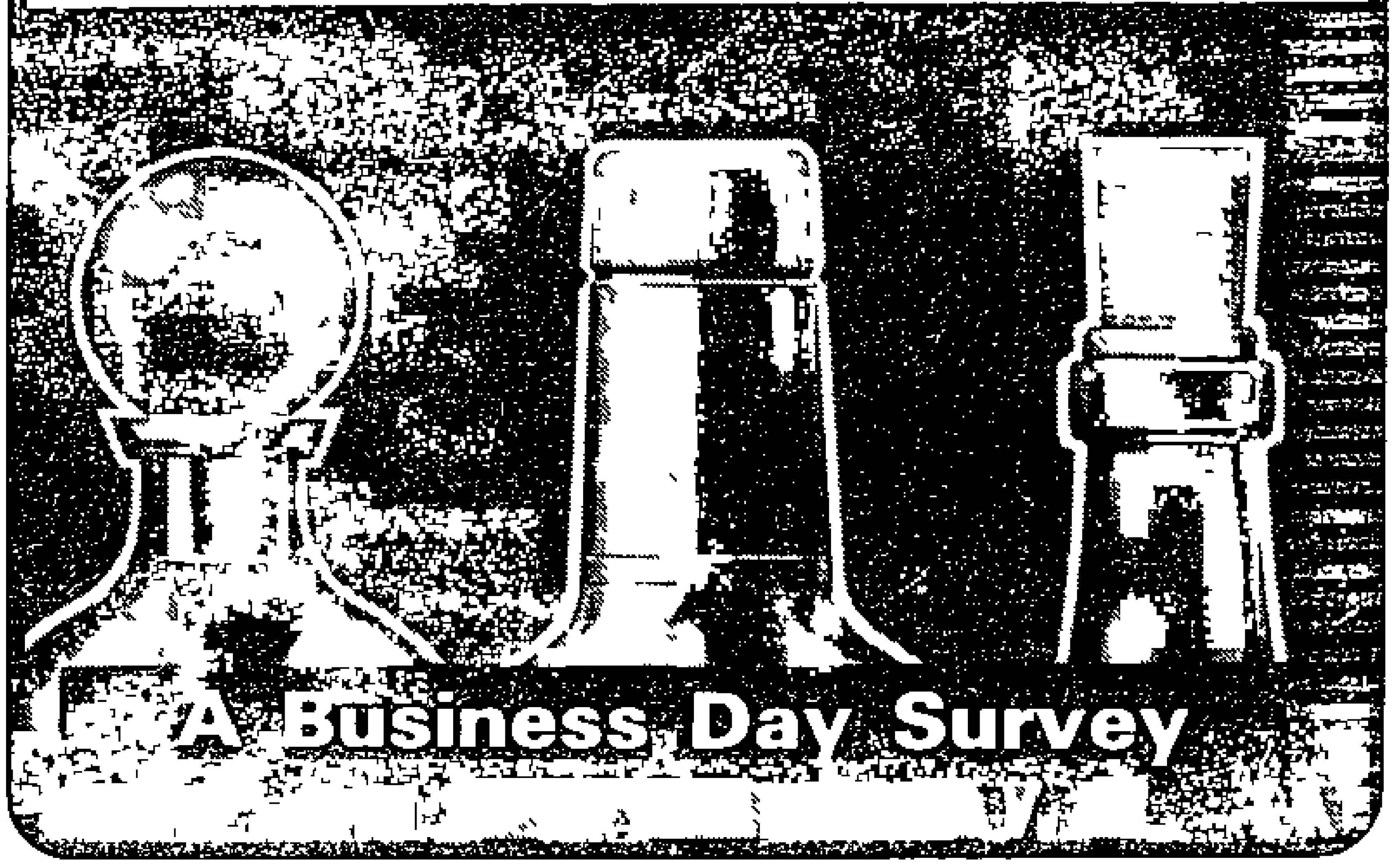
The union demands that the R2,36 an hour minimum for weekly paid workers be increased to about R3,50 Management's "final" offer was a 25-cent increase in January and a 15-cent increase in June

An offer to monthly paid employees was also rejected

Union spokesmen said the company had postponed negotiations in Durban and Port Elizabeth this week to concentrate on settling the Cape dispute

BUS DAY 26/11/86 (193)

Glass trade



Merger giant dominates R700m/year industry

THE merger between SA's sole flat glass manufacturer, Pilkington, and PG Glass has produced glass giant, Glass SA, which dominates the R700m glass industry.

This has created a situation where the supplier, Glass SA's Pilkington, is in direct competition with its customers via PG Glass Independents are continually questioning whether this is desirable

They ask whether they are quoted the same prices from Pilkington as PG Glass receives and they wonder whether they are getting the same level of service

At the same time, nobody within the industry is prepared to offer any hard facts to support these queries Industry sources seem more inclined to offer examples where they have done well out of the arrangement Tom Hewitt, a partner in Gleneagles Glass, tells of winning a contract with PG Glass's construction arm, against competition from PG's own construction glazing division

Pilkington's chairman Brian Young says "We deal with everyone, including PG Glass, on an arm's length basis Everyone is treated the same on price and supply I don't believe we have ever let anyone down We manufacture on the basis of a cycle, because of the wide range of product we offer As a result, we carry large stocks, but customers have to work within that cycle and most of them do "

Edited by
MELANIE SERGEANT

ANDREW GILLINGHAM

Young said the merger was originally undertaken as a defensive measure PG Glass was Pilkington's biggest customer and Pilkington was PG's sole source of local supply Both companies were worried about the possible effect of disruptions to the relationship which existed at the time The merger was approved by the Competition Board

As a result of the dominance of Glass SA in the market, Young believes the new company has to be even more careful to stick to its policy of dealing with everyone on the same footing

Representing the interests of the flat glass industry is the Flat Glass Association (FGA) The FGA is the umbrella association for five sectors within the glass industry Glass merchants buy glass in large quantities, predominantly from Pilkington, and then supply the glazing and furniture industry

There is also a semi-manufacturing sector which either toughens or laminates glass

The third category of member is the glazing contractor who deals with the installation of glass in new buildings, as well as glass replacement within existing homes and offices

The motor glass replacement industry is the fourth category and the last is the applied window film industry With the association representing so many interests, there has been some conflict and a diffusion of effort

Brian Tanner, executive director of the FGA, says in the near future the association will split into five separate entities and will then be able to provide better representation for members Tanner hopes that as a result more firms will be encouraged to join their respective associations and therefore they will wield more clout when talking to government about the industry's needs

A look into vehicle windscreens

Competition is fierce, and rapid service the key in the glass business. with a view to the future, the glass dealers always aim to please customers who no longer have a clear view of things Some even wind up their operations to the extent that they offer to fit windscreens to cars half a century old

THESE days, customers requiring a replacement windscreen or side window are in the fortunate position of calling the tune

Prices are very competitive, but it is on service that the auto glass replacement industry really competes

PG Glass is, not surprisingly, the biggest in the field with some 20 stores throughout SA PG also distributes auto glass to panel beaters, second-hand car dealers and smaller retailers

PG Glass chief executive Rod Fehrsen is proud of the service his company offers to customers PG boasts that it is able to supply glass for any vehicle, a claim which has in a few cases resulted in it having to perform some amazing feats to fit windows to models which have been out of production for half a century.

"The auto glass replacement business is often an emergency service Customers need glass replacement seven days a week, 365 days of the year

"It is not easy for people working in the industry, and finding the right managers who can cope with the demands of this very personal business is not easy

"We consider ourselves lucky with the standard of people who work for us, they really care about the service they offer the customers," Fehrsen says.

There is a high level of discounting in the industry, though there are signs that the market is really starting to feel the pinch of inadequate margins Fehrsen believes this will change now

Al Barnes Auto Glass MD Neill Rayne agrees that it is on service that orders are won or lost

Al Barnes has spent a significant amount on advertising its mobile service Vans fitted with the necessary equipment travel to a customer's home or office and fit the glass there

Rayne says that he has little problem with the PG/Pilkington merger

He says as an owner-run business he is able to offer even more service to his customers — a claim which PG would dispute

Rayne points to the company's results to back up his statement He argues that his company has increased real volumes by 15% from one shop

The reason, says Rayne, is competitive pricing coupled with high quality service

Al Barnes, turnover

1984 — R3,1m
1985 — R4,6m
1986 — R5,5m
1987 — R8,1m (estimated)

About 90% of auto glass workshop installation is fitted on a "while you wait" basis

The auto glass industry is reliant to a large degree on repeat business, and failure to satisfy a customer one day will result in lost business tomorrow

Nobody is more aware of this than members of the industry

Cape Times 27/11/86 193

End of PG Glass strike

A TWO-DAY strike at the Epping PG Glass plant ended yesterday when workers and management agreed that negotiations would be re-opened if the strikers returned to work. About 200 employees, all members of the Chemical Workers' Industrial Union — an affiliate of the Congress of South African Trade Unions (Cosatu), decided on Monday to down tools after wage negotiations ended in deadlock last Friday.

Plate Glass shines at half-year mark

STAR

By Peter Farley
Investment Editor

The Plate Glass group turned in a sparkling performance in the six months to end-September, with a 50 percent increase in earnings and a 20 percent rise in the interim dividend.

And, unlike many industrial groups which saw earnings plummet in the first half of last year, PG was only slightly down at the previous interim stage, meaning that a large part of this rise was real growth

Joint chairman Mr Ronnie Lubner told *The Star* there had been steady improvements across the board — both in the local operations and in the multitude of international investments within the group's portfolio

However, it is the group's offshore interests which now appear to be coming into their own Mr Lubner estimates that virtually half of the first six months' profits were derived from this source, compared with only 40 percent at this point last year

Currency distortions

And this time around there is not the massive currency distortion that has swollen foreign income in previous years, with the rand little changed at the half year against a basket of international currencies

The best improvement on the local front was in PG Wood Indus tries — run by the othe joint chairman Mr Bertie Lubner, where more buoyant market conditions combined with rationalisation measures to bolster the bottom line

As part of the strengthening of the wood side various divisions

Bertie and Ronnie Lubner

were merged with those of Afcol and Mondi to form PG Bison, in which PG now has a 50 percent stake

As a result, the accounts of these subsidiaries have been deconsolidated and the profits of the larger group incuded on an equity accounted basis This was one of the major factors behind the slower growth in turnover of eight percent and the sole reason behind the leap in associate company income to R4,4 million from R1,7 million

On the glass side, the group continues to derive benefits in SA from the consolidated Glass SA venture with Pilkington, with margins getting a particular boost after last year's takeover of the Wesglas windshield operations.

Of the half year's R835 million only some R350 million was derived from the local market. But, with a growing export component in that total — currently only about 10 percent — margins are constantly improving This should help keep a profit balance between the local and overseas operations in the short term, despite the latter's potentially larger volume growth

1/12/86 (193)

In the longer term, ~~however~~, the offshore growth looks likely to accelerate ahead of what can be achieved in South Africa

For the record the interim dividend has been lifted to 42c from 35c, on the back of earnings up to 133,5c from 88,4c

On the balance sheet side the group is still conservatively borrowed, with gearing down to around 46 percent, while lower finance charges and an improved performance at the operating level saw interest cover jump to more than six times from under four a year ago.

Mr Lubner said prospects were good for continued growth in earnings for the balance of the year, but pointed out that full-year growth was unlikely to match the first half after a strong run in the second half of last year

Share price

Nevertheless, investors should now be ready to push the share price solidly through the R30 mark — it has only crept up from R24 at the beginning of the year. The share is well above the R13 seen at the beginning of 1985, but the group's now proven ability to smooth earnings through its foreign portfolio, combined with the bounce-back potential in the local market should be the signal for a resurgence of solid growth.

Assuming the full year dividend is increased by 20 percent — and it could be more — the forward dividend yield moves out to 4,2 percent from the current 3,5 percent. This suggests the share price should at least advance by another 500c — or 16 percent — in the next couple of months

Brick industry troubled

13/12/86. STAR (193)

By Frank Jeans

The brick industry faces more factory closures and unemployment unless there is a speed-up in the amount of land made available to the building industry — particularly in the low-income housing area

This warning comes from the president of the Brick Development Association of South Africa, Dr Benoni van Graan, who urges the Government to act now to stimulate brick making

"Members of the BDA report that more than 1 000 houses in Natal, at least 600 on the West Rand and 400 in the Cape are being held up because of delay in land availability," he says

Dr Van Graan says the brick industry was operating on low margins while costs were escalating due to non use of production capacity

"Never before, have we had such an imbalance between the resources for building which are lying idle on the one hand and the urgent demand for housing on the other

"My plea to the Government is Cut the red tape and bureaucratic road blocks and provide the much needed land"

22/12/86 SMN 193

Cement industry operating well below capacity

Finance Staff

South Africa's longer-term economic malaise is well summed up in the state of the R500m ($157m) turnover cement industry

It is dominated by a cartel of producers, government is tinkering ineffectually with the industry's operating environment and regulations, confidence is affected by persistent rumours of divestment, large quantities of production capacity — some nearly new — are in mothballs, capital spending plans are non-existent and likely to remain that way for several years, and demand from the industry's principal customers is responding sluggishly to economic stimulation from Pretoria

Like many other industrial sectors, the South African cement industry is exclusive The three players — Pretoria Portland Cement (PPC), which is a subsidiary of the Barlow Rand group, Blue Circle, which is jointly controlled by Blue Circle Industries of the UK and Gencor, and Anglo Alpha — have openly operated as a tightly managed cartel since 1971

PPC has 45 percent of the market, Anglo-Alpha has 35 percent and Blue Circle 20 percent In addition, they jointly own Natal Portland Cement (NPC), which operates a small factory in Natal

The companies claim, with some justification, that the cartel has benefited customers Cement factories need to be located next to limestone deposits, and the most suitable ones lie in the northern Cape, the western and eastern Cape, the western Transvaal and south Natal — all remote from the country's main industrial areas

Within the constraints of market share, the cartel ensures that customers are supplied with cement from the nearest factory which, in turn, keeps transport costs at a minimum

On the other hand, the cartel has probably helped to exclude newcomers from the business The last company to enter the South African market was Holderbank, and it came into the country half a century ago

Controls lifted

Three years ago the Government lifted price controls on cement Now it is preparing to prohibit the producers' cartel That does not seem to worry the companies since formal agreements will inevitably turn into informal ones

Trevor Coulson, Blue Circle's managing director, believes that when the cartel is abolished one price leader will emerge, as is the case with many other South African industries, and that it will set prices which will be followed by the others

The cartel arrangement did help combat dumping of Japanese cement in Natal last year, yet it has been largely powerless to protect the producers from the worst recession in decades

At the start of 1986 the industry had an installed capacity capable of 11,9 million tons of cement a year, but it does not expect to operate at much more than 60 percent of full capacity for the year as a whole

All the wet process kilns are closed, and they will be the last to re-open as they are comparatively old and their operating costs are greater than those of dry process kilns The industry's capacity problems were thrown into relief in June 1985, when PPC commissioned its 600 000 tons a year Dwaalboom plant and immediately mothballed it

Blue Circle is the wort hit in terms of capacity utilisation It commissioned a 1,1 million tons extension to its Lichtenburg factory in June 1985 and immediately put parts of it and the old plant into mothballs

Mr Coulson tries to be philosophical about the market But his company's cement plants are producing at only half of their capacity Sales will be 5 percent lower this year than in 1985 He expects no increase in sales in 1987 and only expects a 3 percent increase in 1988 and 4 percent in 1989

Johan Pretorius, Anglo-Alpha's group managing director, is more optimistic He expects demand to rise by 4 percent in 1987 and by a further 5 percent in 1988 before levelling out in 1989 and declining in 1991

On the other hand, Charles Hollmann, PPC's commercial director, is budgeting for a sales drop to 2,75 million tons in 1987 from an expected 2,9 million tons in 1986

These comparatively dismal forecasts are supported by outside analysts Stellenbosch University's Bureau for Economic Research (BER) noted in its latest Building and Construction report that the building industry is in its worst recession since the Second World War and that demand for residential building work is hampered by an oversupply of white housing

White emigrants exceed white immigrants at present, while the general lack of confidence has persuaded white South Africans to steer clear of buying fixed assets

The mood will almost certainly change, but it is not clear when that will be Earlier this year the Government announced plans to push about R750 m into economic housing for black people

That sum does not particularly impress the cement producers According to industry figures, residential housing construction absorbs only about a quarter of the country's cement production, so the Government's house spending plans are probably too narrowly focused to have a great effect on the cement industry

Nor do the producers believe that all of the ambitious engineering projects announced by the government in recent months will necessarily have any appreciable early effect on cement sales

The Highlands Water Scheme, which will divert rivers rising in Lesotho through a series of dams and tunnels from Lesotho to South Africa's rivers, and the Mossel Bay off-shore gas project, will provide some demand for cement However, that demand will be spread over 10 years or longer

Moth-balled

As Mr Coulson sees it, a general economic recovery which revives construction on a broad front is needed to lift cement demand to a level at which the producers could return large parts of moth-balled capacity to production But that, he believes, will certainly not happen in the next 12 to 24 months

Mr Coulson's views are echoed by Mr Pretorius, who puts the R4 billion Highlands and the R4 billion Mossel Bay schemes into perspective Each of them is budgeted at less than a new thermal power station

The Highlands scheme will start only two or three years from now and first-phase construction will be spread over seven years

Industry executives agree that no further expansion of capacity will be planned until annual production reaches at least 9 million tons The industry has 27 kilns available for production of which 20, representing 90 percent of total capacity, are dry process and the remainder wet process The average age of the dry kilns is 11 years

The recession has made the industry far more cautious than before. It wants to see a real real recovery in the construction industry and certainly over long-term projects, such as road construction, before committing itself to new plant

The last round of expansion, which culminated with Dwaalboom's immediate mothballing, was planned back in 1980 when the industry was continually operating at more than 85 percent of production capacity and the building and construction industries persistently and ominously warned of cement shortages

Those were the days when gold was briefly touching $800 an ounce, economic forecasters were predicting that the world recession would pass South Africa by, the cement producers were exporting to pre-Khomeini Iran and the local construction industry was expecting a boom in house building for black South Africans

Gold's decline and the Government's ill-fated anti-inflationary austerity measures killed confidence Now attention is focused on Blue Circle

Its British parent has already put its Australian affiliate up for sale and seems likely to follow suit by divesting from South Africa Gencor and its subsidiaries have options over the British parent's South African shareholding

MANUFACTURING - NON-METALLIC MIN PRODUCTS

1987

JAN - NOVEMBER - DEC.

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(22) (193) SMK 6/11/87

Costly questions for the cement cartel

The building and construction industries are going through the deepest recession since World War 2 Unemployment is increasing and building plans have been shelved For many, home ownership is still too costly

Yet major cement producers have not suffered The cement cartel has obtained significant price increases, designed mainly to finance their vast infrastructure Local prices are so high that despite a weak rand and surplus plant capacity they cannot export

Have cement producers contributed to the building slump, and wouldn't they have done better to reduce prices and so increase sales volumes? This would have meant greater plant utilisation and a fairer spread of overheads — and averted such large prices increases

Pretoria Portland Cement's 1986 annual report supports my argument This group could produce 5,2 million tons of cement and 2,2 million tons of lime — respectively about 46 and 65 percent of SA requirements

During the last three years, the height of the recession, highest turnovers were achieved — R349 million in 1984, R326 million in 1985 and R407 million in 1986 Net income before tax was also the highest at R115 million in 1984, R94 million in 1985 and R89 million in 1986

Not once in this decade was net income after tax less than R35 million While 1986's R41,8 million after-tax income was the lowest since 1982, the retained income remaining after dividends in fact increased at R24,9 million (1985 R21,3 million)

While earnings per share in 1986 were R1,16, down on 1985's R1,55, dividends per share increased from 43 cents to 47 cents Dividends have doubled since 1980's 23,5 cents Admittedly dividend cover has declined to 2,5 times (1980 four times)

Chairman Mr G H Bulterman was satisfied with 1986's results He expects difficult conditions in 1987, with slightly reduced cement sales despite the forecast upturn

Cement roads, planned Escom power stations, low-cost housing, the Lesotho Highland water scheme and Mossel Bay offshore oil projects will help

Lime sales (25 percent of group turnover) have been adversely affected by the decline in the uranium market But 1987 will equal 1986's volumes

At end December 1986, the R31,7 million convertible debentures qualified for conversion to ordinary shares If all convert, shares in issue will increase by 4 million to 39,9 million Earnings per share and dividends for 1987 will equal 1986's based on the increased number of shares, forecasts Mr Bulterman

Plant utilisation is poor, suggesting that the R250 million expansion at the Dwaalboom cement factory was ill-advised In 1986 the cement division sold 2,92 tons (1985 3,1 tons), giving a plant utilisation of 56 percent (1985 60 percent)

Cost increases — coal 20 per cent, railage 25 per cent and electric power 17 per cent — were partially compensated with selling price increases

Management blamed the cement decline on Government austerity measures introduced in 1984 Volumes fell 20 percent in 1985 and six percent in 1986

High cost of transport from factories to the ports is given as the reason for the lack of exports, but isn't it that SA prices are simply too high

The lime divison sold only 1,19 million tons (1985, 1,24 million tons) — a 54 percent (1985 56 percent) plant utilisation In both divisions, capex cost R48 million and helped total borrowings increase to R97 million (1985 R81,3 million) Interest of R12,4 million (1985 R8,5 million) was paid, but with most capitalised to fixed assets the income statement had only to bear R4,8 million (1985 R765 000)

While shareholders' interest grew to R342 million (1985 R317 million), working capital improved substantially, with net assets totalling R41,6 million (1985 R14,8 million) This includes cash resources of R24 million replacing 1985's R6,4 million overdraft

Debenture holders who opted to convert to shares at an effective price of R8 per share against the current JSE price of R13,75 must be smiling along with other ordinary shareholders

Cement producers have priced themselves out of the market The price controller needs to look more closely at the next price increase application as there are other options open to improving profitability

If the building societies and banks can reduce home loans interest how about some gesture from the cement industry? It's long overdue

193 FINMAIL 9/1/87

BUILDING TRADE

Breakthrough for bricks

If the performance of leading brickmaker, Corobrik, is any guide, the building industry is definitely on the mend

This month the company will re-open three of its western Cape factories to cope with an increasing demand for pavers and face bricks

And, says Keith Nurcombe, national marketing manager of parent company, Toncoro, Corobrik is also currently looking at reopening factories in other regions

Justification for the factory re-openings, says Nurcombe, has been found in last year's sales figures Countrywide, sales by volume were up some 7%-8% on 1985.

Corobrik, says Nurcombe, is satisfied that the current level of demand is no "flash in the pan," but signals a reversal in the 18-month downtrend in the building industry nationwide

The company has been well prepared for better times because factories mothballed over the past few years have been well maintained to ensure a quick response to increased demand

Nurcombe believes that by the time final figures for the year are tallied, sales by volume could be as much as 10%-11% up on 1985

"And we expect 1987 to be quite a bit up on 1986," he adds, "so we are hopefully looking at two recovery years in succession

"The figures are similar all over the country, except in the eastern Cape where circumstances fairly unique to the region — such as above average unemployment and social unrest — have influenced the situation," he says

He sees one of the reasons for the upturn as a greater concentration throughout the country on low income housing and schools and technikons for all race groups

The private sector is playing the dominant role except in the eastern Cape, where the public sector is more active.

He says in the Transvaal an increase in the market is split between many more brickmakers than in other regions, so the benefits in sales per brickmaker will not be as marked.

"But the trend gives us a lot of hope We are certainly feeling a bit more optimistic than we have for some time," he says

Just before builders went on their Christmas holidays, some were reporting delays of six to eight weeks in the delivery of certain types of face bricks and pavers Nurcombe confirms there have been delays — although he points out that the shortages were for particular types of bricks And re-opening factories will not necessarily relieve those specific shortages.

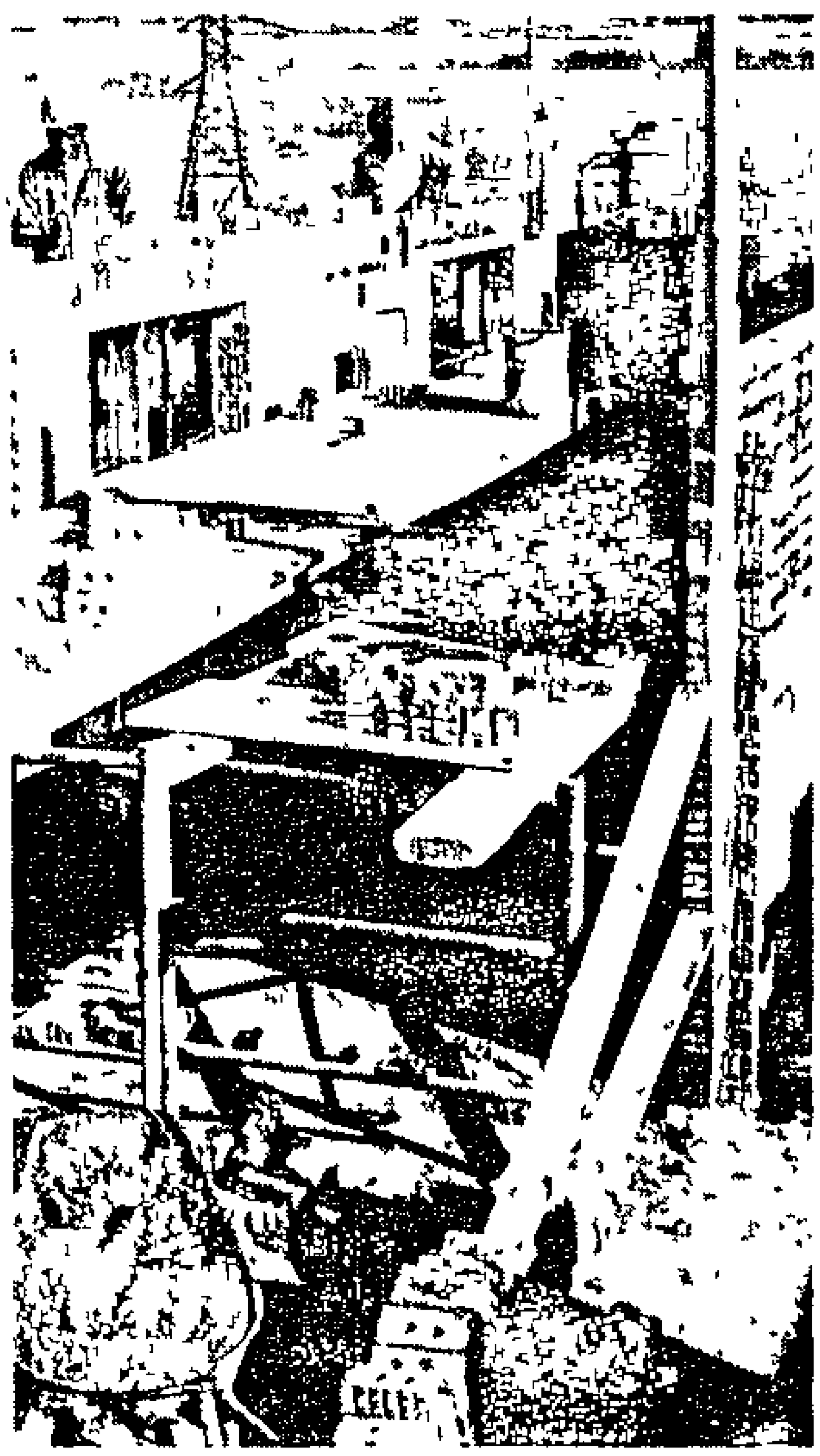
Of the factories to be re-opened, says Nurcombe, one was put back at the end of the year and the others are due to go back into production shortly.

The decision to re-open the factories, which have been closed for a year, followed careful research, he says

"We are satisfied that there is a steady and growing demand for bricks in the western Cape and that it indicates a general upturn in regional activity"

Nurcombe says the planned Blue Downs housing development near Kuils River is a particularly exciting stimulant for the industry There is also an increasing demand for bricks in the southern Cape, particularly in George and Mossel Bay

Overall "the prognosis for the western Cape is happier than it has been for some time"



Brick construction . . . building on solid foundations

And in another pointer to improving building industry fortunes in the western Cape, the Cape Metropolitan Planning Committee (Metplan) says in its latest review that buildings worth R544m were completed in the third quarter of 1986 — an inflation-beating increase of 25,6% on 1985

Building plans approved for the same quarter, however, are down by 7% on 1985 to R480m due mainly to a hefty 54,4% decline in plans in the non-residential category. Residential plans approved increased by 17,5% on the 1985 figure

Metplan's Kay Halliday says the reason for the sharp drop in non-residential plans is not clear, but is probably linked to general economic conditions including the over-supply of office space in Cape Town's CBD and Bellville ■

SHOPPING CENTRES

The show goes on

The first three priorities for successful income-producing properties may still be location, location and location But the story certainly does not end there

For example, as far as shopping centres are concerned, any developer will tell you that tenant mix, good management, dynamic promotion and good old fashioned "atmosphere" are essential back-up, whether the centre is well located or not Essentially, a centre is as good as the people who trade in it

A bit of razzle does no harm either and live entertainment is becoming as important to the success formula as parking and sales promotion Retail International cottoned on to that a long time ago At the new 33 000 m² centre it is developing in Pinetown for Sanlam Properties (*Property* December 19), for example, the "entertainment factor" will be a priority

It is all good for business, of course, because experience has shown that traders do not mind paying a premium, including higher basic escalations or turnover-related rentals, as long as there is a concomitant spin-off on the level of activity

And developers are keeping this growing need for sophistication in mind in the new generation of shopping centres which continue to open regularly despite the generally flaccid state of the retail sector

There are thus several new names on the *FM*'s list of largest shopping centres this year, including The Workshop in Durban (converted from the old railways workshops) and Alberton City Liberty Life, through Rapp & Maister, remains the biggest shopping centre developer in the country with four centres (owned and partly owned) in the first 15 These, of course, include Sandton City and Eastgate, which run neck-and-neck at the top of the heap

Tenants clearly have different priorities in their quest for profits To Van Niekerk Heyns, owner of two franchised Kardies op-

A step in a democratic direction

9/1/87

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ANTHONY ROBINSON of the London *Financial Times* talks to Albert Koopman about the role of black workers at one of South Africa's leading builders' suppliers

KOOPMAN democracy the chicken, profit the egg

BEFORE Connie Fazazile applied for a job as assistant manager with the South African builders' supply company Cashbuild, she did a bit of checking up through the bush telegraph

She even travelled from her home in the black township of Duduza, near Springs, a largely Afrikaans-speaking white mining and industrial town on the East Rand, to Gaborone, the capital of neighbouring Botswana

There she discussed the company, and especially its attitudes towards black employees, with a friend of hers who was employed at the Gaborone branch

Two years earlier she had left her job at the Institute of Race Relations in Johannesburg to join Corobrik, the country's largest brick maker The company advertised itself as a progressive, equal-opportunity employer

But, as the only black in her department, Connie — a lively, forthright Zulu speaker who is divorced with two children at school — felt uncomfortable with the attitudes of her co-workers and felt she had been discriminated against when she was passed over for promotion in favour of an Indian lady with less qualifications and experience

"I was unhappy and I felt cheated and oppressed. I decided I would try and get a job with a foreign-owned company They have a better reputation for real equal opportunity

"When I heard that Cashbuild was not only a South African company but controlled by Sanlam, the largest Afrikaner holding company, I nearly gave up on the spot "

Six months after starting work at Cashbuild's new depot at Springs, 60km east of Johannesburg, she is glad she ignored her preconceptions

For Cashbuild — under Albert Koopman, a 39-year-old Afrikaner who spent 10 years in Mozambique during the struggle for decolonisation — has combined fast growth in profits and turnover with a commitment to reform of worker democracy

As Koopman tells the story, democracy is the chicken, profit the egg In 1982, three years after he started Cashbuild as a subsidiary of the former Kirsh group, he realised that the company was going nowhere

Although the economy generally was benefiting from a gold-backed boom, Cashbuild's profits were falling Margins were down, sales were listless, staff were unmotivated.

Koopman, a restless, inquisitive character with an eclectic appetite for inspiration from sources as diverse as Marx and Sartre to Alvin Toffler's "Future Shock" and Schumacher's "Small is Beautiful," first set out to question his white managers about the company's poor state

"I went round all the branches and asked a thousand questions I found that most of my managers blamed their black labour force for being indolent, uninterested, unmotivated"

When he probed further into their perception of his own management style the response was "Pompous, egocentric, dictatorial and autocratic"

On reflection, Koopman recognised that these were precisely the kind of attributes inculcated by the system under which most whites are educated and brought up in SA

But what concerned Koopman after this sobering experience was the thought that, if his white lieutenants thought like that, what was the attitude of his black workers?

One of the questions he asked black workers on his systematic tour of the then 18 branches was "How are you paid?"

The standard reply went something like this "A green van comes round on Fridays Two men carry a box into the office and I get paid out of that box"

It was a perfect description of how it happened, but revealed total ignorance of the way in which that money was earned

"I realised that what we had to do was somehow restore pride in labour, build up self-esteem and make our employees feel worthy, both as people and workers

"This meant ending the separation between a worker's purpose and the purpose of work and a subservient, unquestioning mind, created by years of government control."

In 1983 Koopman held his first meeting with black employees

"We looked for the most radical guys and picked out two from each of our 22 branches Eventually, we came up with our first organisational chart, with elected branch 'presidents' representing our 400 staff in the 22 branches

"For the first year much of the time was spent on 'tea and coffee issues' — and demands for more time off for shopping, to attend funerals, and so on"

In the meantime Koopman was seeking through direct contacts to get across a "wholelistic" concept of the company — through diagrams, for example, which put the customers at the apex of a pyramidical structure and stressed the importance of co-operation and teamwork

"The idea was to define the purpose of the game and then draw up rules of the game"

While this was going on Koopman delved into Japanese-style "quality circles" and started learning Zulu and reading as much as he could about black culture

"Apart from witchcraft, I found to my amazement a great similarity between the Japanese and the Zulus, especially in respect of the importance that both attach to social concerns, co-operative labour and attendance, for example, at funerals and other family occasions"

Increasingly, Koopman got invited back to the homes of his black workers

"I have eaten donkey meat with golden cutlery brought out for the occasion and been to homes with 13 people sleeping on the floor It is important to know how your workers live."

He also recalls the day when one of the most militant union members in the company questioned his motivation

"After 300 years of white oppression why should we believe that you are any different?" he was asked

At that point Koopman recalls "I took off my jacket and tie, lay on the floor and told him to trample all over me I told him there was no way we could run a successful company if I was going to be held responsible for 300 years of history all the time"

The unionist, totally nonplussed, stepped back The man, Kaiser Sihlangu, is now one of the most loyal company members He has left the union and is now number two in a store which he is expected to take over as manager within the next six months Indeed, the union's influence is now radically diminished

This breakthrough on the personal level was matched on a company level 12 months into what Koopman calls the company's "empowerment" programme when the branch "presidents," reflecting the wishes of their branches, rejected the whole concept of representative democracy as embodied in the "presidents"

They also rejected the concept of shop stewards and decided that what they wanted was participative democracy

After further brainstorming sessions, workers and management came out with a concept which they called "venture communication" — "venturecom" for short

Perceived as a platform for participative shopfloor democracy, each branch set up its own venturecom responsible for five aspects of each branch's activity Introduced in January 1985, the system has an elected member responsible for quality of life safety, labour, merchandising and operations

With 91% of the labour force black, of which 60% is illiterate, the only limitation on choice is that workers responsible for the last two areas — merchandising and operations — be literate

"We did not set out with the aim of black advancement but of making this company profitable But we have actually created a culture which is conducive to advancement," Koopman claims, backing up his boast by pointing to the 34 black workers now preparing for management positions

Meanwhile the company, which is well placed to take advantage of the major growth expected in black urbanisation over the next decade, has clocked up an impressive profits record

Net profit before tax per employee has risen from R1 648 in 1983 to R6 631 in 1986, reflecting sharply higher productivity Last year the company was floated on the Johannesburg Stock Exchange and over recent months its shares have risen from R1,10 to almost R4 Some 31% of its employees hold shares

At present Cashbuild has only around 3,5% of a building materials market worth around R2bn annually, but aims to raise its share to 10% by the end of the decade

Bonus boom on Wall Street as top 100 split $1 200m rewards

RODERICK ORAM in New York

KEEPING SECRETS about other people's money may not look like Wall Street's strong suit at the moment. But in the season of seven-figure bonuses, the ability to keep mum about their own money remains firmly intact.

It takes a lot of digging to discover how well they are rewarding themselves for a past year of record profits Rigorous disclosure rules do not reach into so personal an area a stratospheric pay scales

Ferreting out the 100 best-paid people on Wall Street took four journalists at *Financial World* several months It was one of the toughest stories it has ever cracked, the New York magazine said

Collectively, the 100 earned $1 200m. Top was Ivan Boesky, the insider trading arbitraguer, with around $100m. Bottom was Guy Wyser-Pratte, chief of arbitrage at Prudential-Bache Securities with $3m, the magazine said

Rich were the deal-makers and those working for their own small firms — 43 of the 100 were investment bankers, 19 money managers, 12 leveraged buyout specialists and 11 arbitrageurs while the remainder represented a cross-section of Wall Street's other skills But the rewards, harvested at the end of the year in performance-related bonuses, spread far down the industry, since salaries typically account for only one-third to one-fifth, or even one-tenth, of total remuneration

Juicy pie

Wall Street has a juicy pie to divide up this year, with pre-tax profits totalling an estimated $5 700m against the previous record of $4 100m in 1985 The first quarter was the best as bond prices rallied spectacularly, while the second quarter was the worst as Wall Street paid the consequences of "negative convexity" This painfully expensive glitch in the yield curve occurred when mortgage-backed securities failed to join the rally Further red ink was spilled in the May Treasury refunding, when the Japanese cornered the long bonds

The fourth quarter was a mixed blessing Wall Street's reputation was damaged by Boesky and arbitrageurs lost an estimated $2 000m But mergers and acquisitions (M and As) rocketed to push the full year's value well above 1985's record $1 800m

In this great game money is the scorecard both for firms and — more privately — for individuals Morgan Stanley ran a three-page newspaper advertisement recently to tell of the $6 800m of M and A business it did worldwide this year But it was not so keen to talk about how it rewarded its M and A team.

Year-end bonuses of $10m were not uncommon for some of the industry's leading M and A individuals this Christmas, according to Perrin Long, who follows the industry for Lipper Analytical Services Counting all skills on Wall Street, perhaps 100 employees received $1m-plus bonuses

Win-win situation

Entrepreneurs, many of whom made the *Financial World* list, did even better At the other end of the scale, some neophytes earned a total of $100 000 in their first year, explaining in part why 25% of Harvard Business School's class of '86 ended up on Wall Street, compared with 10% eight years ago Bonuses are a win-win situation Success is rewarded while failure is not punished Most big firms find some money in the general pool for people like arbitrageurs who are down on their luck "We seek an integrated effort so people don't think in terms of profit centres," said one firm

A sharp distinction is apparent, however, between Wall Street professionals and their support staff Professionals' bonuses are individually calculated and a well-kept secret, while the staffs' are uniform and often made public

Curiously, professionals are said to be rather reticent among themselves about their individual gains "We discourage discussion," a chief bonus-fixer said

Perhaps this main sign of success is conveyed through nods and winks in lifts or enigmatic smiles in executive diningrooms Such a tacit approach is easier on at least the poker-faced among the under-rewarded As one analyst of Wall Street firms explained "While individuals will talk about who they're sleeping with, they won't normally talk about how much money they're making"

THE SHARP END/Peter Wilhelm

BUSDAY 22/1/87

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Everite boosts interim to 17c

MERVYN HARRIS

THE sharp rise in Everite's share price from 900c to this week's peak of R12,75 has been justified by its strong recovery in the half-year to December.

Earnings were 34c a share, compared with 14,5c at the previous interim stage, and 27,2c for the whole of the previous year

The interim dividend has been raised from 7c to 17c a share

Group financial manager Neil Carter says "We are in a recovery situation from a low base There was a noticeable pick-up in the building industry in terms of volume towards the end of November and, to date, the upturn has been maintained

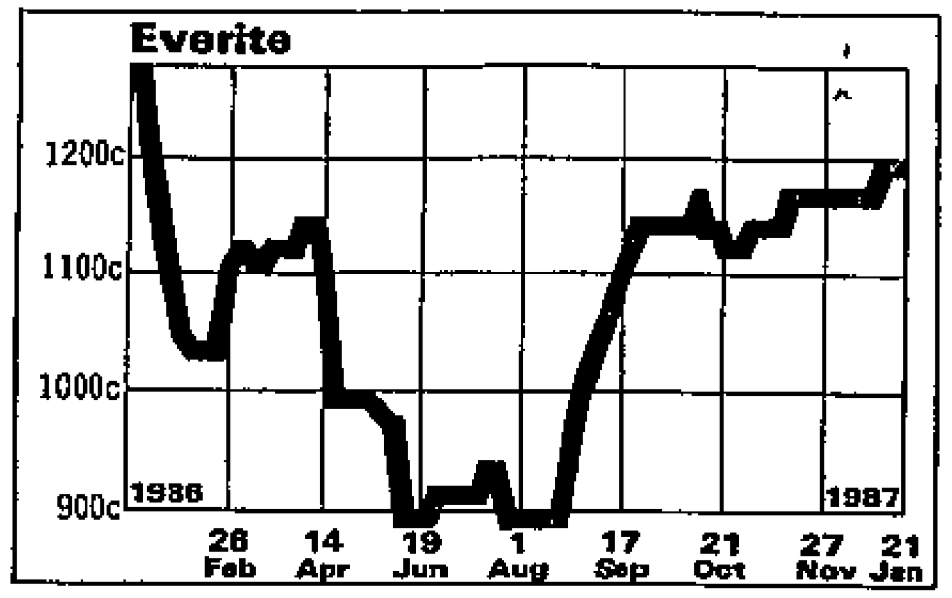
"The improvement came mainly from public sector expenditure, but prices are still low and prospects depend on getting adequate prices for our products"

However, he expects second-half results to match those of the first half

The 1% increase in group turnover from R111,4m to R112,9m reflected the low activity levels in the building industry. However, rationalisation and tight cost control boosted margins from a low level to lift operating income from R8,8m to R13m.

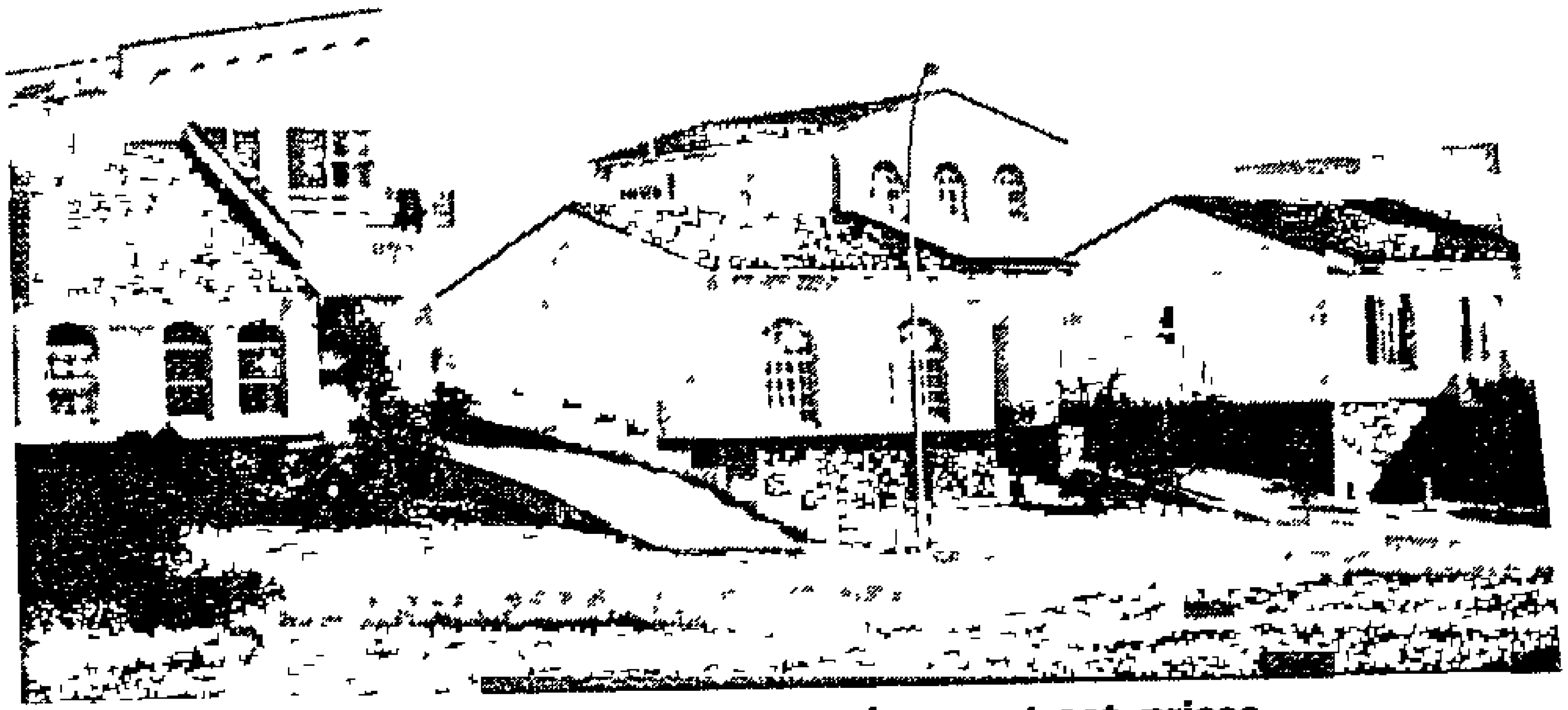
A slight rise in the interest bill to R1,16m (R1,1m) was offset by a rise in income from investments to R680 000 (R550 000) The tax bill rose by just under R1m to R6,6m, leaving attributable income of R5,6m (R2,4m).

The figures are once again conservatively estimated because they are arrived at after deducting depreciation based on replacement costs, which is significantly higher than on a historical cost basis.



There was a below-the-line extraordinary profit of R2,125m from the sale of surplus land in Bloemfontein. This helped boost non-distributable reserves to R124,7m, while the profit increase lifted distributable reserves to R84,9m

The sound balance sheet also shows a decline in long-term liabilities to R7,5m from R10,4m at the end of last June. Although there has been an increase in interest-bearing debt, gearing remains low.



New homes ... squeezing contract prices

30\1\87

BRICK PRICES (193)

FM

Coastal complaints

It's always been something of a mystery to builders why common clay bricks supplied by dominant South African brick manufacturer Corobrik should sell in Natal at a 34% premium on the Transvaal price

The company says the difference is owing to a range of factors, including varying production techniques and materials and differing input costs

Cynics, no doubt, would say that it probably has more to do with the widely divergent competitive circumstances in each region There are 156 manufacturers supplying clay bricks in competition with Corobrik in the Transvaal against only four in Natal

Corobrik national marketing manager Keith Nurcombe does not discount the fact that the fierce competition does have some bearing on the company's pricing policy in the Transvaal But he stresses emphatically that it is certainly not the sole underlying cause

That accepted, having to pay around R1 300 more for the 20 000 bricks that go into building a standard three-bedroomed bungalow does not make life easier for builders in Natal who are struggling to maintain reasonable margins

The latest 4,9% price increase means common bricks now retail at R189,13/1 000 within the factories' first delivery zone in Natal In the Transvaal, after the January 1 price increase, the identical bricks sell at R124,42/1 000 In addition, discounts are negotiable with Corobrik Transvaal depending on the size of the contract, whereas the best discount available from Corobrik Natal is pegged at 7,5%

Heightening the disparities is the fact that common clay bricks available from other reputable suppliers in the Transvall are known to retail for as little as R115/1 000 — R74,13 cheaper than in Natal Cement bricks can be sourced at R95/1 000 in the Transvaal against R177,60 in Natal — a difference of R82,60

While a few thousand rand on the total cost of a house might not seem all that untoward, builders maintain that it could be the critical factor between "staying in business and closing up shop"

The problem is that price differentials in building material supplies between the Transvaal and the coast do not only pertain to bricks Virtually every input in building a new home is affected One Natal home builder estimates that if site preparation in Natal's hilly countryside is taken into account, the cost differences could amount to as much as R6 000 a house

Where it becomes nettlesome to the builder, though, is in trying to squeeze the contract price for a first-time home owner below R40 000 to allow him to qualify for a government subsidy Operated through building societies, the scheme enables government to pick up one third of the client's bond repayments — provided he is a first-time owner and that the cost of his home is less than R40 000

By conservative estimate, builders reckon subsidised first-time buyers currently represent around 60% of their market But with cost escalations and the low qualifying ceiling they complain it is becoming increasingly difficult to "shoehorn" buyers into a deal — even one offering only basic accommodation

An additional complication is that the Bureau for Economic Research at Stellenbosch estimates that building costs will escalate around 18% this year — up from around 10% last year This serves only to make the R40 000 ceiling even more unrealistic, especially for the high-cost Natal builders

National Association of Home Builders executive director Johan Grootsius tells the *FM* he's aware of the problem and has already lobbied government on the issue He would like to see the subsidy limit raised to at least R55 000.

Another meeting is being planned with the newly formed National Housing Advisory Council Hopefully, he says, something positive will emerge ■

LETTER

(193) Star 30/1/87

The cement industry

As one of the country's cement producers we would like to answer the "Costly Questions for the Cement Cartel" that Mr Michael Menhof posed in his column in The Star (January 6)

In our view responsible journalism required Mr Menhof to have sought answers to his questions first before publishing them as a basis for a number of erroneous assumptions and conclusions, that suggest a less than complete understanding of the cement industry's operations

He has suggested that despite the recession in the building and construction industries, the major cement producers have not suffered Being a low risk industry we admit that cement producers have not suffered to the same extent as others but would like to point out that we do not reap excessive profits, or do as well as high risk industries, in the good times

Profit means nothing unless it is related to the amount of capital employed. Cement producers, like other industries, have experienced a steady decline in return on investment and our return before interest and tax is 9,5% which is less than the prime lending rate of 12%

Price increases have been described as significant In 1986 the cement price index increased by 16% which compares favourably with increases in the following materials

Production Price Index 18,7%,
Building and construction 17,9%,
Civil engineering 18,0%,
Coal 20,4%,
Electricity, gas and water 32,4%,

(Source Central Statistical Services — 11 months to November 30, 1986)

Our record is even more noteworthy when it is borne in mind that more than 50% of our variable costs of manufacture consist of power and coal, which have increased well in excess of the inflation rate

We would like to point out that Government price control was lifted in April 1982 Although the industry continues to use the old price control formula as a yardstick, price increases have fallen well short of this level The industry has recognised that its customers are presently operating under extremely adverse conditions and has tried to act responsibly by keeping price increases to a minimum.

It should be noted that cement is not a price elastic product It has a derived demand, which depends on conditions prevailing in the building and construction sector and indeed the whole economy It is therefore unlikely that a reduced cement price would result in increased sales volumes

Export prices have nothing whatever to do with local prices as a producer may export at whatever price he pleases While there is a worldwide surplus of capacity countries are presently dumping cement at an international price of approximately 30 US dollars per ton f o b The cost of moving cement alone from our Western Transvaal factory to Durban is 25 US dollars per ton, which obviously makes this business unattractive

Local cement prices are still competitive with prices prevailing overseas The following comparison (in US $/per ton) was made in April 1986
USA 46, Australia 76, Canada 58, Spain 59, South Africa 36

It might be argued that the weak exchange rate has benefited the above results but weak exchange rates are a consequence of high inflation rates In South Africa local producers have suffered from double digit inflation for 15 years whereas inflation has been brought under control in most of the countries mentioned above

Criticism is levelled because the industry has too much capacity We believe we are not the only industry with surplus capacity at the moment and not many people anticipated the extent of the present recession It must be borne in mind that it takes three years to build and commission new plant Our decision to bring capacity on stream in 1985 was therefore made in 1982 at a time when concern was being expressed that the industry was unlikely to cope with future demand

We trust we have answered the questions posed in your article in sufficient detail to allow a fairer assessment to be made of the cement industry

R F C SEARLE,
Deputy Managing Director,
Anglo-Alpha

Blue Circle records R16m earnings surge

CAPE TIMES 18/2/87

Financial Staff

ALTHOUGH the building and construction industry has not yet recovered from the recession, Blue Circle has lifted earnings for 1986 to R20m compared with R4m the previous year

A dividend of 38,5c a share has been declared, covered 1,9 times The last dividend to be paid was an interim of 11c a share in 1985

The directors explain that the improvement has been achieved as a result of increased efficiency and reduced borrowings and interest charges

There was only a marginal increase in turnover, sales volumes were lower than the previous year, selling price increases were below the inflation rate and were in any case implemented only in the second half of the year

But net borrowings were reduced from R162m to R144m Operating margins rose from 10,0% to 13,8% on turnover

The tax bill for the group continued to relate only to certain tax-paying subsidiaries Deferred allowances and assessed tax losses had the effect of eliminating tax charges for the holding company itself

Cement faces gloomy year

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By Don Robertson and Ruth Golembo

THE delay in the start of low-cost housing schemes has put a dampener on the 1987 prospects for the cement industry.

Major cement producers expect sales to rise by only 1% to 3% this year, the lack of volumes exerting increased pressure on costs

Cement sales last year dipped to 7,5-million tons from 7,8-million tons in 1985. Forecast sales are 8,6-million tons this year

Sales this year began at a lower rate than at the same time in 1986, says David Bath, managing director of Blue Circle Cement, but he expects a recovery in the second half

Price rises

The money for low-cost housing has not yet been spent, and when it does arrive it will not be the industry's salvation, he says.

"But the expected increase in the use of cement for roads, will boost the cement industry."

Mr Bath says coal prices increased by 20% last year, and electricity, gas and water rose by 30%

"We were able to absorb some costs last year and keep price rises below the inflation rate, but we will have a hard job repeating the performance this year."

He expects cement prices to rise between April and June this year and hopes they can be kept below the inflation rate

He forecasts sales increases of 3% next year and 5% in 1989.

Blue Circle

Blue Circle's results for the year to December 1986 show a remarkable recovery in profits

In the turnaround earnings a share soared from 14,7c in 1985 to 72,6c — the results of a sleeker operation trimmed through staff retrenchments and by mothballing certain operations

Blue Circle financial director Angus Morrison says only two of the six kilns at the Lichtenburg plant are operating Some other ready-mix and quarrying operations have also been mothballed until demand for cement improves

Mr Morrison says activity in the building industry is expected to remain low Although projects like the Highlands water scheme will increase demand for cement, they will have little impact on the industry in the present year.

He says earnings in 1987 should benefit from the trimmer operation.

Anglo-Alpha

Johan Pretorius, managing director of Anglo-Alpha, forcasts an industry increase in sales of about 3% this year

He says the delay in implementing low-cost housing schemes will dampen prospects of increased cement sales. Little demand is expected from the Mossel Bay gas project

"Even with greater acceptance of cement roads by the authorities, no large increase in demand can be expected

"We expect double-digit increases in price this year"

Anglo-Alpha's results for the year to December 1986 show turnover up by 8% at R345-million and earnings a share about 10% higher at 72c.

PP Cement

Chris Wroggemann, financial director of Pretoria Portland Cement, expects a sales rise of only 1% this year, but is looking for a lift of between 3% and 5% in 1988 as the modest improvement in the economy filters through to the construction sector

Mr Wroggemann says "Increased sales will probably mean that the multi-million rand Dwaalboom cement plant, which was mothballed before coming into production last year, will not be used for another two to three years."

He expects some improvement in demand as a result of housing schemes and the construction of cement roads, but believes it will be small

He forecasts price rises at below the inflation rate this year

PPC's results for the year to September 1986 showed reduced margins. Turnover was 24,8% up at R407-million, but pre-tax income fell from R93-million in 1985 to R89-million in 1986.

Brick plant reopens in PE

W/E Post 28/2/87

(193)

Business Editor

A COMPANY which closed its plant in Port Elizabeth almost a year ago has re-opened, providing job for most of the staff it retrenched

More than 100 jobs have been created as a result of the reopening of the Corobrik clay face brick plant

At the same time production at the company's Grahamstown plant has been increased by 25%

The re-commissioning of the Port Elizabeth plant has cost R250 000

The company's new Eastern Cape branch manager, Mr Dewey Schmidt, said the developments followed a "dramatic turnaround" in the fortunes of the building industry in the Eastern Cape, which until recently had been suffering its worst recession in decades.

"All our market intelligence points to a significant increase in the demand for clay bricks in the future," said Mr Schmidt

"We have just won an order for more than three million bricks for a project in Graaff-Reinet

"There is other work in the pipeline

"Corobrik is most confident about the future of the building industry in the Eastern Cape and we intend to take full advantage of the opportunities that are being offered

"Since our decision to re-open the Port Elizabeth plant, the go-ahead has also been given for the Mossel Bay oil from gas project This also presents exciting prospects for us"

Almost 100 weekly paid employees — mostly those who were retrenched when the Corobrik plant closed last year — have been re-hired during the past two weeks

Additional sales, administrative and technical staff have been appointed in the past month to bring the total number of new jobs created to more than 100

Mr Schmidt said the kiln, capable of manufacturing 12 million bricks a year, would be in full production soon

FM 6/3/87 (193)

ANGLO ALPHA

Strong cash flow

Activities: *Industrial company with interest in cement, stone aggregates, sand, lime and limestone products, industrial minerals, paper sacks and ready mixed concrete*

Control: *Holderbank Financiere Glaris holds 34% of the equity*

Chairman: *P Byland, managing director J G Pretorius*

Capital structure: *30,1m ords of 50c Market capitalisation R459m*

Share market: *Price 1525c Yields 9,2% on dividend, 3,9% on earnings, PE ratio, 10,9, cover, 2,3 12-month high, 1550c, low, 900c Trading volume last quarter, 288 014 shares*

Financial: *Year to December*

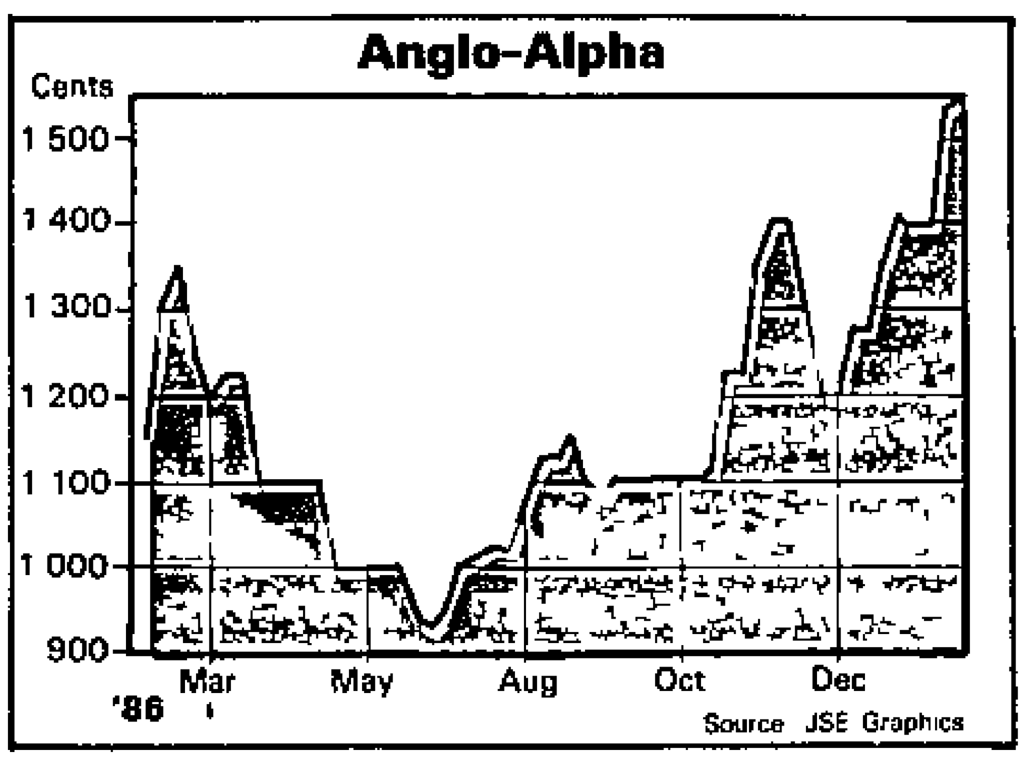
	'83	'84	'85	'86
Debt.				
Short-term (Rm)	20,8	22,3	77,6	68,1
Long-term (Rm)	183,3	280,5	277,5	203,4
Debt equity ratio	0,64	0,73	0,70	0,40
Shareholders' interest	0,52	0,45	0,48	0,58
Int & leasing cover	8 3	8,5	2 1	2,75
Debt cover	0,43	0,33	0,21	0,33

Performance

	'83	'84	'85	'86
Return on cap (%)	10,3	9,4	7,7	7,6
Turnover (Rm)	374,5	309 1	326 4	346,6
Pre-int profit (Rm)	78,6	88,5	84,1	90,5
Pre-int margin (%)	27 4	28 0	25 3	25,4
Taxed profit (Rm)	4	44,4	38,2	43,6
Current Cost				
Earnings (c)	91,3	93,1	71,4	72,0
Historical Cost				
Earnings (c)	135,0	144,5	123,8	142,3
Dividends (c)	47	52	52	60
Net worth (c)	1 323	1 423	1 741	2 290

Anglo-Alpha increased its turnover, earnings and dividends in the year to end-December despite continuing recession in the building and construction industry Now with recovery in sight — particularly on the low-cost housing front — the cement producer is forecasting that turnover and earnings will increase in line with the anticipated inflation rate of 16% this year

What is more, the company has changed its dividend policy to ensure that there is a better balance between payments to shareholders and funds needed to finance expected growth This means that shareholders, who last year received a total dividend of 60c a share, can expect dividends to increase by at least 16% — or 10c a share



Chairman Peter Byland says the group has reached a stage where there is ample production capacity — the cement division is currently running at about 60% utilisation — to meet market demand for several years In addition, no major expansion is planned and capital expenditure is budgeted at a relatively low R115m in current money terms for the next five years, against R25m last year

With this positive outlook, Anglo-Alpha looks a lot more solid than in the previous two years It has trimmed interest-bearing debt by R83,8m, thereby improving the debt equity ratio to 0,40, compared to 0,73 in 1984 and 0,70 in 1985 While the reduction was outside the group target, Byland says gearing will continue to decline The reduced borrowings on lower rates contributed to an improvement in interest cover

Anglo Alpha's share price has responded to the improved prospects and earlier this week was trading at a high of 1 550c, its highest level since 1984 Recent demand for the share has reduced the dividend yield to 3,9%, compared with 3,2% for PPC and 4,3% for Blue Circle

One question that remains to be answered is how the company will fare if the government disbands the cement producers' cartel next year The industry has been given until 1988 to improve the level of competition If this does not happen, the government has threatened to intervene Byland maintains that if free competition is enforced, Anglo-Alpha will at least retain its existing market share

MD Johan Pretorius says recovery forecasts are based on the belief that there will be a 3% increase in the country's demand for cement this year Marginal growth is expected in the construction sector, where the R750m set aside by government for low cost housing is expected to boost activity It remains unclear as to when benefits from this will be felt by industry

Byland's medium-term outlook is that product demand will be sustained and possibly improved by projects originating from public consortiums and corporations Such projects include the Matimba and Majuba power stations and increased fund allocations for road development

Marginal improvements are also expected from the group's other divisions However, here "economic sanctions, lack of foreign investment and the low level of business confidence" are expected to restrict capital investment by both public and private sectors, he says

Anglo Alpha's cash flow, which increased by more than 20% last year, is expected to rise by the same level this year and should continue to increase significantly over the next five years

Byland says the group is now well positioned to benefit from any improvements in the economy In future, he says, the group will seek investment opportunities which may arise as a result of disinvestment and santions

"Many of our plants have surplus capacity," he says "Efforts over the past years to streamline operations and improve efficiencies should all bear fruit when the business cycle turns "

Cherilyn Ireton

MASONITE

Smooth run

Activities: *Manufacturer of hardboard, insulation board cryogenic mineral wool, wood and mineral fibre ceiling panels, decorative wall panelling and forestry developers*

Control: *Masonite Corp of the USA has 67%*

Chairman: *F J Raubenheimer, managing director Alan Wilson*

Capital structure: *6,7m ords of 50c Market capitalisation R53,6m*

Share market: *Price 800c Yields 5% on dividend, 11,3% on earnings, PE ratio, 8,9, cover, 2,2 12-month high, 800c, low, 350c. Trading volume last quarter, 82 814 shares*

Financial. *Year to December*

	'83	'84	'85	'86
Debt				
Short-term (Rm)	—	—	0,2	0,2
Long-term (Rm)	—	—	0,7	0,5
Debt equity ratio	—	—	0,03	0,02
Shareholders interest	0,65	0,65	0,62	0,63
Int & leasing cover	—	—	—	—
Debt cover	—	—	8 63	14 5

Performance

	'83	'84	'85	'86
Return on cap (%)	25,1	22,3	13	18,3
Turnover (Rm)	38,4	40,4	67,6	68,9
Pre-int profit (Rm)	7,9	7,9	5 3	8,3
Pre-int margin (%)	20 6	19,6	7,8	12,04
Taxed profit (Rm)	5,2	4,8	4,5	6,0
Earnings (c)	82,4	71 3	67,9	90
Dividends (c)	37	37	31	40
Net worth (c)	310	344	381	430

Improving conditions in the local market, rising income from export sales and an ungeared balance sheet helped Masonite to notch up an annualised 51% increase in earnings in the year to end-December Management makes no specific forecast but expects to increase both domestic sales and earnings again this year if the economy achieves a targeted growth rate of 3%

That suggests that there could still be value in the share, even after its surge last week to R8, which is 86% above net worth. In

CEMENT CARTEL 193 FM

Ready to crack? 6/3/87

The Competition Board's crackdown has done much to root out collusion and cartels But this hasn't stopped many industries from pleading for exemption on the grounds that they are special cases

Prominent among them is the cement industry, which has been given until May 2 1988 to introduce an element of greater competition Producers reckon that by then they will be in a position to do so But they are nevertheless casting anxious glances at the US where a price war has closed plants and left the country increasingly reliant on imports

Competition Board director Nic Vermeulen says it's impossible to say what aspects of the cartel will be abandoned The marketing and distribution ring was allowed to continue, he says, because it produced some benefits "The total infrastructure of the industry was built around the cartel and it would have been impossible to pull down the marketing structure," he tells the *FM*

The industry is controlled by three companies, Pretoria Portland Cement (PPC) with a 45% share of the market, Anglo-Alpha with 35% and Blue Circle with 20% With all of them producing better financial results, speculation has turned to the future of the cartel

Surprisingly, members of the Free Market Foundation support the controls on distribution Explains administrative director Eustace Davie "There's no restriction on entry into the market and there's nothing to prevent imports If cement prices were being kept artificially high Anglo American and Iscor, which both have substantial limestone deposits, could enter the market"

SA currently sells cement at about US$40/t, which is a little more than half the price paid in Australia and considerably less than the price demanded by major producers in the US, Spain and Canada But critics argue that local production costs are a fraction of those of the rest of the world.

The industry says that as distribution is centralised through Cement Distributors SA (CDSA), customers can buy cement — although at fixed costs — from the nearest plant This saves on transport and allows better forecasting of building costs

The demise of the CDSA would mean that services carried out centrally, such as the computer system, credit management and invoicing, would have to be duplicated by individual companies

Some major cement consumers, surprisingly, also support the cartel A spokesman for Murray & Roberts says the cartel has ensured adequate capacity "We have avoided the position which has arisen in the brick industry, for example, where price control has led to shortages"

But, he says, the cartel is open to abuse and only the "good behaviour" of the manufacturers has prevented massive price manipulation

The critical state of the construction industry has left manufacturers largely unscathed Anglo-Alpha Deputy MD Ronnie Searle says there's been a substantial decline in sales of ready-mixed concrete and stone aggregates, but cement has been stable "We have a wide range of customers and it's unlikely that construction, public works and mining would all collapse at the same time"

He says the cement cartel has turned the industry into a low-risk, low-return enterprise. "This has made us acceptable to investors If we had a price war and went the route of the fertiliser industry then we wouldn't exactly woo the banks"

But, even so, the industry has been over-optimistic on forecasts of demand. It has a potential production of 11,9 Mt but it's now working at 60% capacity

Further, industry watchers point out that although Blue Circle's earnings per share increased from 14,7c in 1985 to 72,6c in 1986 this is still some way off the 1981 peak of 114,5c

PPC's 600 000 t Dwaalboom plant, commissioned in June 1985, has been mothballed since completion Blue Circle opened a 1,1 Mt extension to its Lichtenburg plant in the same month, but it has operated intermittently and four of the six kilns are not being used

Manufacturers thus argue that the position would be much worse without the cartel — but it seems they will have to come up with more convincing arguments if their cartel is to remain intact ■

Business Report

Blue Circle foresee higher earnings

Cape Times 12/3/87 193

JOHANNESBURG — Blue Circle's earnings increase from 14,7c a share in 1985 to 72,6c in 1986 is given added strength by chairman Trevor Coulson's forecast of earnings of at least 100c a share for the coming year, contained in the company's annual report released yesterday

The group declared an interim dividend in 1985 of 11 cents, passed its 1985 final and its 1986 interim In July 1986 an indication was given that a final dividend would be paid based on the full year's result

Low cover justified

A dividend of 38,5 cents has been declared returning dividend payments to the levels last seen in the years 1981 to 1984 Dividend cover however is a low 1,9 times The low cover can be justified in relation to the optimistic forecast of earnings for 1987 and the improved balance sheet structure

Coulson's forecast is based on similar sales volumes for 1987 and selling price increases again below the inflation rate Plant closure and staff reduction costs incurred during 1985 and 1986 will not recur during 1987 while the increased efficiencies achieved will flow through for the full year Strong cash flow will further reduce the group's borrowings and thereby its interest bill Tax losses and allowances will keep the tax charge low

With substantial surplus capacity available capital expenditure will again be low necessitating only prudent plant renewals and replacements There will be no requirement for major capital expenditure for many years

1985 price increase

The cement division which suffered a severe profit decline in 1985 almost returned to its 1984 profitability Cost increases experienced during 1985 were only partially passed on to customers in December 1985 This price increase which applied for the whole of 1986 together with the August 1986 price increase aided revenue while cost control and production efficiencies further helped the restoration of the division's profitability

Restructuring of the materials division has resulted in cost reductions which will flow through for the full year in 1987 — Sapa

FINANCE 193 Star 14/3/87

Two price increases helped De Beers to record earnings

By Sven Lunsche

De Beers improved earnings by 11,2 percent to a record R1,15 billion for the year to end-December, but the results were negatively affected by a weak average rand exchange rate over the period

Worldwide sales by the Central Selling Organisation (CSO) increased by 40 percent to $2,56 billion, but as a result of the recovery of the rand this reflected itself in only a 19 percent rise in the diamond account to R1 36 billion

Nevertheless, after a number of difficult years De Beers is once again in control of the diamond business and while the exchange rate has not aided the groups results it has certainly contributed to CSO's improved performance

Analysts said that the major impact on sales came from the two price increases during the year — 7,5% in April and 7% in November — and the fact that the second half saw De Beers sell its higher quality diamonds

It is generally regarded as De Beers policy to sell low-grade stock, which the group markets for countries like Botswana and the USSR, in the first six months of the financial year

The diamond stockpile was reduced by only $50 million, but the reduction came once again through the sale of its more profitable locally mined diamonds In rand terms the stocks were lower by R850 million of which R721 million was attributable to the hgiher exchange rate

A company spokesman confirmed that sales of retail diamond jewellery in general and better quality stones in particular showed reasonable growth and that this trend should continue in the year to come

Further proof of the groups confidence in the market is a record dividend declaration of 80c a share, compared with 55c last year

De Beers-watchers had predicted a dividend of 75c at the most, but are now optimistic that the diamond market is in for a prosperous 1987, as the group generally takes heed of sales prospect in the year ahead when it declares its final dividend.

Furthermore, De Beers announced that it is re-opening its Koffiefontein diamond mine in the Free State and that it expects the mine to be back in production early in 1988

"These developments follow the strong recovery in demand for the larger and better quality rough diamonds, for which the mine is renowned," the group said

Massive increase in Protea profits

Finance Staff

A dramatic cut in short-term underwriting losses for the 12 months to end-December — down to R4,9 million from 1985's R10,2 million — has enabled Protea Assurance to increase attributabe profits by 500 percent to R5,1 million

Commenting on the company's unaudited results, the managing director Tony Crank attributed the reduction in the underwriting loss largely to a good result in the fire account and a significant contribution from the marine division

The Life division has also achieved a substantially increased contribution of profits

Earnings per share are up from 10,8c to 64,5c and the directors have declared a final dividend of 17c per share, bringing the total payout to 23c, compared to 18c last year

Investment income, however, was down from R9,6 million to R9,3 million

R500m investment by SAB

CAPE TIMES 23/3/87 (6@) 232/193

Everite bids R65m

for T & N division

JOHANNESBURG. — Everite Limited is to acquire the building products division of Turner and Newall Holdings Ltd (T & N) for R65m.

T & N would be issued ordinary shares in lieu of cash, representing 25% of Everite's enlarged capital.

A holding company, Everite Holdings Limited (Evhold) is to be formed, which after the issue of shares to T & N, would hold 56,2% of Everite's ordinary issued share capital.

Everite would seek the approval of shareholders to form Evhold by way of a three-for-one capitalization issue of additional ordinary shares out of non-distributable reserves. The three additional shares would be exchanged for one Evhold share. Thus, 25% of ordinary shareholder's investment would be in Everite Ltd and 75% in Evhold. — Sapa

Bricks to cost more

29/3/87

SA 193

By Don Robertson

THE price of bricks will be increased on Wednesday

But there will be little effect on the cost of houses

Corobrick, the largest manufacturer, will lift the price of plaster bricks by 9,4% and face bricks by up to 10% But some face bricks will fall in price

Brian Moorehead executive director of the Brick Development Association (BDA), says other manufacturers will be forced to follow Corobrick

Oversupply

The increase comes when the industry is operating at about 62% of capacity and the market is suffering from lack of demand and oversupply

Brian Waberski, Transvaal managing director of Corobrick is optimistic about prospects for the year, forecasting a 12% to 13% increase in sales

He says the decline in sales bottomed out towards the end of last year and there were indications of an improvement in February

However, the election has caused uncertainty and the building and construction industry is "on hold" until the results are known

Mr Waberski is confident that the position will improve in June or July and that sales will be higher than in 1986

Mr Waberski says prices are now the same as in 1984 and 1985 'and this has put tremendous pressure on cash flow We have had to sharpen our pencils to reduce costs, but we cannot hold prices at present levels

In the past two years Corobrik has closed four high-cost factories and mothballed two Eight are operating at between 50% and 90% of capacity and only four are in full production

Build-up

Stocks have risen and Corobrik has 140-million bricks equivalent to three month's demand on hand

"Ideally, we like to have only two months stock We have reduced stocks since last year

Mr Moorehead says brick manufacturers are operating at no profit, but he expects sales this year to rise by between 10% and 15% The higher prices will increases house prices by only 1%, he says

Last year brick sales were about 5-billion and worth R500-million

Hard year for cement lies ahead

MICK COLLINS

THE beleaguered cement industry sees little improvement in its position for the remainder of 1987.

It says that with the building and construction industries traditionally lagging a year or more behind the general economy, no significant increase in demand for cement is expected

In its review of the industry issued yesterday, the SA Cement Producers' Association welcomed major developments, including Escom power stations, the Mossel Bay offshore gas project and the Highlands Water Scheme.

It said, however, that these developments needed to be bolstered by an improvement in the general level of capital investment.

"The building and construction industries continued to experience the effects of recessionary economic conditions.

"Benefits expected from the cash injected by government for housing had little impact on the activities of these industries by end 1986

"However, an improved intake of new work in the civil engineering contracting industry over the latter half of the year has given rise to a slightly better outlook in that industry for 1987"

Interest rates decreased throughout the year, but the low level of business confidence restricted their positive contribution to the industry.

Hard year for cement lies ahead

3/4/87

Bday

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GLASS INDUSTRY 193

Spreading wings

When it comes to breaking into new markets, both locally and internationally, SA's glass industry is way out in front

PG Silvering, part of Glass SA (the company through which PG Shatterprufe and Safety Industries holds all its glass interests) has just opened the most technically advanced mirror silvering plant in the world — and the biggest in the southern hemisphere — at Springs

The R8m plant will boost both the quality and quantity of mirror produced for the export market, which is to be swelled by 50% to R7,5m a year

Glass SA joint CE Rod Fehrson says the introduction of the double-coating process would make South African glass competitive with the Japanese product, widely regarded as the best in the world

"There is an enormous international demand for glass, which we currently export to 14 countries around the world in every continent except Australia We are competing with Japanese mirrors in the US, and this is where we see major improvements

"We are now pitching for the top end of the market rather than the 'cheap and nasty' sector"

Glass SA is the sole manufacturer of glass in this country Others entered the field, but could not stay the course

Says Fehrson "We realised we had to make a commitment to supply all of SA's mirror requirements as well as increasing

Continued on page 78

Continued from page 76

our export sales To date, our market — domestic and export — is sufficient to run the new plant on one 12-hour shift a day, five days a week About half of our output, which is more than 100 000 m² a month, is exported"

The only threat to the continued growth of the export market is full, formalised sanctions by major Western trading countries

"We had to make a long-term decision on this plant and we took the view that SA would make progress in dealing with its problems As a South African company we are here to stay We have no intention of sitting around while our business crumbles

"We have confidence in the future and we are sufficiently flexible on the export front to handle any sensitive areas we might encounter" ■

Strike continues as Mwasa lowers sights

Cape Times 16/7/87 193

Staff Reporter

ABOUT 300 workers at the Consol Glass factory in Bellville yesterday continued striking in support of higher wages as negotiations between their union, the Media Workers' Association of South Africa (Mwasa), and management faltered

Talks yesterday ended in Mwasa lowering their initial demand for an across-the-board increase from R2.50 an hour to R2 00 and management increasing their offer from 30c to 40c an hour

Mr Hennie Stroh, group personnel executive for Consol Glass, said management considered the strike illegal and was not prepared to negotiate till people returned to work.

No deadlines for a return to work had been set in spite of "repeated" appeals to labourers to do so

He denied a union claim that workers had been "locked out"

WAGE STRIKE . Some of the 300 striking workers at Consolidated Glass in Bellville outside the factory gates yesterday
Picture GLENN SHERRATT

"Those who want to work can enter the premises any time," he said

Mr Stroh confirmed that the striking workers (75% of the labour force), consisted of quality controllers, machine operators and fork-lift operators

The strike began about 3pm on Tuesday after a fortnight of talks

"No dispute exists at the moment We've agreed to meet again at a date to be mutually agreed upon," Mr Stroh said

Workers spoken to outside the factory said they would "hold out till we get a decent living wage"

New synthetic gypsum plant

MICK COLLINS

TWO SA companies have made a breakthrough in the manufacture of synthetic gypsum for use in cement production

The R5,2m plant situated at Heriotdale, near Johannesburg, has a capacity of 90 000 tons a year It is to be officially opened today by Deputy Economic Affairs Minister Theo Alant

A spokesman for joint developers Pretoria Portland Cement (PPC) and Simon Carves Africa says the industrial application is a world first The entire process, from conception to plant start-up, has taken about 27 months

PPC group technical manager Dick Mantel says gypsum had previously to be railed from the northern Cape at considerable expense

"It takes millions of years to form sizable deposits of gypsum At the Jupiter plant the process has been speeded up radically, and the synthetic product almost exactly duplicates that found in nature

"Advantages of the new process are that transport costs have been dramatically reduced and high-grade gypsum is being manufactured both efficiently and economically," Mantel says

BUSINESS

Cement industry firm while others crumble

MICK COLLINS

In the face of Competition Board investigation, the cement industry has been crying poverty, citing massive capital investments and low returns. But half-yearly results of Pretoria Portland Cement (PPC), Blue Circle and Anglo-Alpha (A-Al) have made critics ask: If the industry can perform as well as it does in bad times, what is its potential in good times? Why has it escaped the ravages of recession, while construction and building have been decimated?

WITH all the cement industry's Big Three half-yearly reports in hand, analysts say initial fears the sector is about to crash are largely unfounded.

Focus has again swung on the cartel aspect of the industry as result after result belies economists' fears

PPC's results to March 31 show that profits rose by 24% to R21,9m (R17,6m) and earnings a share went higher than expected, rising 19% from 48,9c a share to 58,4c

Blue Circle performed brilliantly in the first half of 1987, with earnings soaring by more than five times to 64c a share from a low base of 12,3c in the first six months of 1986

The reading of Anglo-Alpha's six-monthly results follows a similar pattern, with the company performing better than forecast.

And all of this was achieved against a background of low business activity with the sector's main contributors — building and construction — operating at an all-time low

A plea for exemption ~~to the Competition Board~~ brought a temporary respite in that the board gave the industry a time limit — May 2, 1988 — to introduce a greater element of competition to the sector

Admitting that the industry has not suffered to the same extent as others, its defence is the amount of huge capital employed and the return expected on it

The return before interest and tax for the industry has been averaging around 9,5%, but this, as most industrialists point out, must be seen in a sector which is considered low risk

However, analysts say the investment incurred in massive capital projects has given the industry enough surplus capacity to ensure its adequacy for the next 10 years

"The thing we could see is the ~~destruction of a nice little cartel.~~ They (the cement producers) will say it makes no difference, but a price war to everybody's advantage could well develop," says one analyst

A-Al commercial GM Rowan Dent says A-Al will only earn in 1987 what it earned in 1981 "Comparisons, therefore, are off a very low base.

"Since price control was lifted, cement prices have increased by 14,1% per annum, which is in line with the production price index of 13,8% per annum

"It should also be noted that a certain amount of competition already exists between the producers, with some factories accepting discounted prices in order to attract more business"

He says although cartels generally create negative impressions, they ~~can~~ offer advantages to consumers as well as producers

"What we are trying to achieve with the Competition Board is a situation where the positive features of our system are retained and at the same time the customer is given the flexibility he wants"

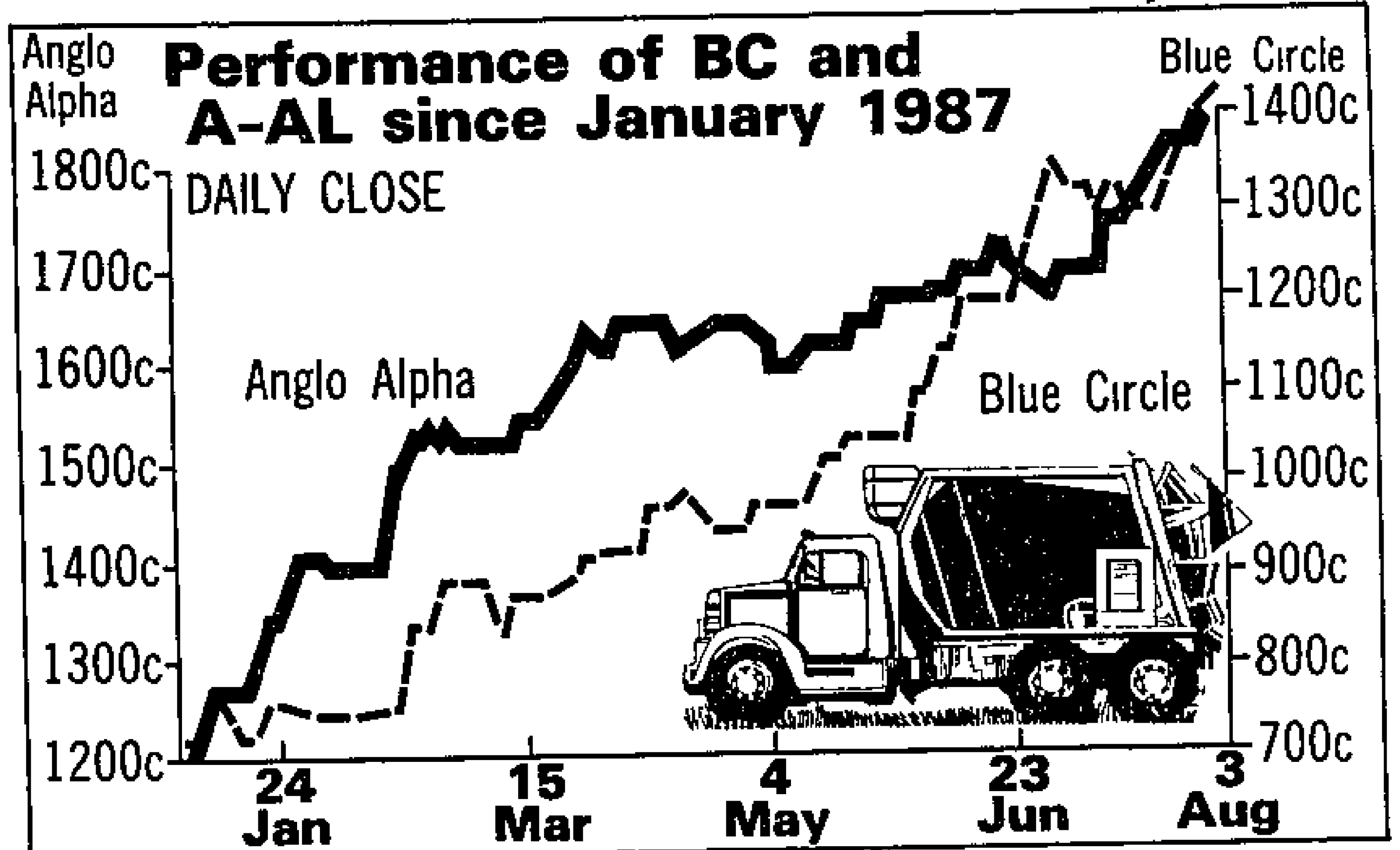
PPC's Chris Wrogeman says in 1984 PPC operated at 87% of capacity, which represented full utilisation, bearing in mind the 15% "surge factor"

"Capacity was subsequently increased by 16% From 1984 to 1986, cement volumes sold declined by 25,5%, resulting in capacity utilisation in 1986 of 56%.

"Had capacity not been increased, utilisation for 1986 would have been 65%, compared with 87% in 1984. Thus, it is not over-investment in capital projects but the decline in the market which has created the over-capacity situation"

Commenting on the PPC half-year results, Wrogeman says volumes of both cement and lime were slightly up on the previous half-year Sales value and operating profit were up by 17%

"With increased volumes, profit margins should in theory improve because of the high fixed-cost content of operating costs Since margins did not improve, this indicates that selling prices increased at a lower rate than that of cost inputs"



Graphic FIONA KRISCH Source JSE

(173)

PLATE GLASS

Maintaining momentum

Activities: *Engaged in processing and merchandising of glass, timber, board, and aluminium products and manufacture of glass*
Control *Placor has 49,68%*
Joint Executive Chairmen *B Lubner and R Lubner*
Capital structure *16,5m ords of 50c each, 50 000 B non-redeemable cum prefs of R1 each 5m 8,5% cum redeemable prefs of R1 each, 8m variable rate cum red prefs of 1c each, 6,4m B variable rate cum red prefs of 1c each Market capitalisation R718m*
Share market: *Price R43 50 Yields 3,3% on dividend, 7 0% on earnings, PE ratio, 14,3, cover, 2,1 12-month high, 4 075c, low, 2 700c Trading volume last quarter, 725 000 shares*
Financial: *Year to March 31*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	41,5	63,4	85,1	123,0
Long-term (Rm)	59,9	74,8	99,3	129,0
Debt equity ratio	0,40	0 44	0,50	0,60
Shareholders interest	0,46	0 47	0 43	0,41
Int & leasing cover	5,76	3,50	2 38	3,03
Debt cover	0,89	0 64	0 50	0,47

Performance

	'84	'85	'86	'87
Return on cap (%)	19,4	16,4	12,6	13,5
Turnover (Rm)	886	1 147	1 569	1 678
Pre-int profit (Rm)	129,8	127,0	120,2	147,5
Pre-int margin (%)	14,4	11,0	7,6	8,7
Taxed profit (Rm)	60,7	54,4	51,9	71,9
Earnings (c)	220,2	200,7	202,6	305,0
Dividends (c)	100	105	105	145
Net worth (c)	1 211	1 495	1 708	1 931

Plate Glass's Lubner ... real earnings increase

Plate Glass (PG) turned in an excellent performance last year Almost all sections of the business achieved significantly better returns, with the result that there has been little change since 1986 in the relative contributions of local and foreign operations, and the glass and wood divisions

Foreign sources account for 52% of earnings but the group is reserved about its foreign operations Wherever the earnings came from, EPS climbed 51%, helped by a lower tax rate, and the dividend was lifted 38% Earnings in the timber division improved with increased local beneficiation of timber All South African operations were integrated and a full range of products and services can now be provided

In the boards section, Bisonboard, Laminate Industries and the board activities of PG Wood were joined to form PG Bison, of which PG owns 50% Apart from rationalisation and increased efficiency, the merger means that more sophisticated products can be produced

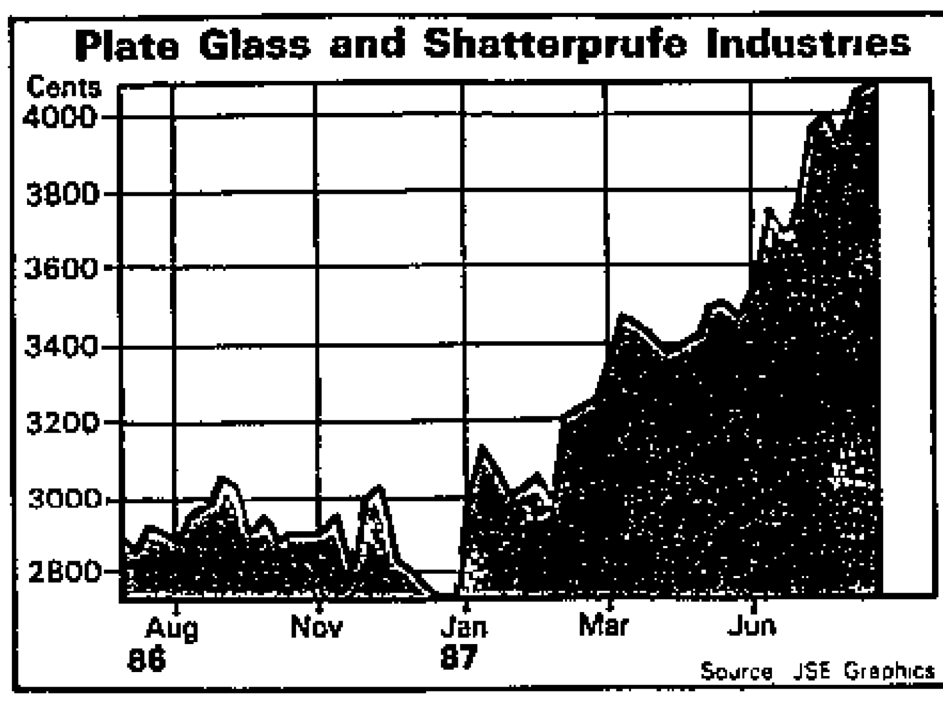
In the glass division, which accounts for 74% of earnings, improved margins have followed the elimination of surpluses in the industry The group now has 35 factories and 500 outlets on four continents, but the South African connection is a problem Nevertheless, there has been an aggressive export drive following the absorption of Wesglas

Pre-interest margins improved after two years of decline, but a disturbing trend is the rise in the ratio of debt to equity, and the deterioration of debt cover Joint executive chairman Bertie Lubner says this was due to a combination of rising turnover, financing of acquisitions and investment in additional plant and capacity He also suggests that the capital-intensive nature of the business means that a debt equity ratio of up to 0,75 is acceptable Return on capital had picked up, which Lubner attributes to reduced overseas expenditure

In the coming year, says Lubner, a real increase in earnings is expected, with international operations maintaining their upward trend On the local scene, there is a better mood, though in the present year no rise in major contracts is expected Furniture is reasonably buoyant — unusually so for this time of year — and the rise in new car sales should have an important impact Lubner expects a reduction in debt equity this year, as well as a higher return on assets

The share price has jumped from R27 to R44 since January, but there seems no reason why it should be given a lower rating than the average for the sector, especially in view of current wide expectations of a declining rand and the fact that the stock has a large rand hedge element I think there is further upside potential *Pat Kenney*

Plate Glass and Shatterprufe Industries



ANGLO-ALPHA (193)

Slow demand

Anglo-Alpha MD Johan Pretorius says that the group's cement sales bottomed in January-February, but as yet there has been no clear upturn Until a clear upturn is established, future prospects for the industry must, therefore, remain uncertain Nevertheless, results for the six months to end-June show that the group has increased earnings ahead of inflation and reduced its debt equity below 100%

Anticipation of these figures pushed the share price from R17 in mid-July to R18,50c this week on small trading volumes, with most shareholders holding on to what is regarded as a good defensive stock

Chairman Peter Byland, who in February forecast that (based on a 3% economic growth rate) turnover and earnings would increase in line with inflation, now expects

ing medium-term, some analysts expect that major new capex programmes will benefit cement producers in 1988, with a possible 6% rise in demand in 1989

Also important in the interim figures was the improved performance from the non-cement side of Anglo-Alpha's business The stone division gained from reduced labour costs and lifted net operating income substantially Income from the industrial division rose by 37% on a 24% increase in turnover

Rising cash flow has trimmed the debt equity down to 92%, and Pretorius expects this to be reduced to 75% by year end — midway between the broadly targeted 50%-100% range This could be significant for the group as large amounts of unencumbered cash — capex requirements are relatively low for the foreseeable future — will be looking for a home

Pretorius says the group could consider an appropriate investment, but "has nothing up its sleeve at present " But he adds that, "we are looking for something contra-cyclical, but related to our technical and marketing expertise " With cement production close to 60% of capacity, such an investment could be just as important to the medium-term outlook as the uncertain prospect of growth in cement demand

Dave Edwards

2/8/87 (193) Star

Everite to cut down on use of asbestos

By Teigue Payne

From 1992 Everite, South Africa's leading maker of asbestos cement products will replace asbestos with synthetic fibre in all building materials which formerly contained asbestos, except asbestos cement piping

Due to negative customer perceptions, Everite's Swiss parent company, Eternit, a leading world asbestos cement maker, imposed the 1992 deadline in "a message from Hosea" which in essence said that although asbestos is still the best material for the purpose, it must be replaced regardless of cost.

In making this decision for its 30 factories of subsidiaries and associated companies world wide, Eternity has tacitly conceded that the asbestos-related industry cannot win the debate over the health hazards of asbestos and resurrect the image of the "miracle mineral"

The decision will not immediately affect South Africa's main producers, Msauli and Gefco, since Everite obtains most of its supplies from Sawiland and Zimbabwe Msauli and Gefco export most of their production to other customers and can find other clients locally for the small amounts sold to Everite

Gefco and Msauli say that considerable substitution of asbestos by synthetic fibre has already taken place world wide, and they believe that the bottom of the market has been reached. They say production cutbacks have brought supply and demand into equilibrium and prices have stopped declining — and in some cases have even risen slightly

Since most of their production is used in piping, for which no synthetic fibre substitute is in sight, they feel they will be relatively inured if other companies follow Eternit's strategy

Nonetheless, moves like that of Eternit must unltimately create more competition and be a psychological blow to the South African companies In the long term they can only hope that the substition movement remains "in control"

The decision does not mean that Everite admits that asbestos is dangerous, as asbestos critics would have it Everite, like the rest of the asbestos industry, still asserts that, handled correctly, asbestos is safe

The ability of asbestos to transform brittle cement into a tough, elastic material which could be used for thin-walled modern buildings and pipes, was discovered at the turn of the century

The mineral's notoriety stems from the frantic activity associated with preparing ships for military service during the Second World War. Workers had no respiratory protecion when ship bulkheads were sprayed with asbestos insulation After the fibres had been lodged in their lungs for 20 or 30 years, however, there was an outbreak of asbestos related diseases (ARDs) — asbestosis, lung cancer and mesothelio ma

Initially, asbestos industry executives closed the door on the criticism, taking the attitude that the industry would clean itself up Since then, at great cost, fibre levels on mines, plants and factories have almost universally been reduced to levels deemed safe by Government regulation

But some further research indicated that high concentrations of fibre were not necessary, and that relatively low exposure might cause disease So concern about high fibre concentrations in the work place cascaded as far down as housewives worrying about using fibre-cement products

Public controversy about asbestos increased, and as the image of the mineral plunged, the industry had to make a supreme effort to defend the mineral's image

Today the industry can point to safe conditions in asbestos-related work places, and to research showing that the concentration of asbestos fibres in the atmosphere does not increase close to asbestos cement products

Authoritative British research shows that in a environment with the concentration of fibres there are Johannesburg — which are similar to concentrations in other centres in Europe and the United States — the risk of death from sharing an office with a smoker is 90 times greater than the risk of dying of an asbestos related disease

These conclusions are challenged by researchers critical of asbestos, and far from abating, the debate has become increasingly fierce in the 1980s

Everite will still be using asbestos in making its pipes, which make up 30 percent of its asbestos-related production To justify this, it points to research, including a review by the World Health Organisation, which found no evidence of any health hazard where fibres are ingested with water

Snoq
NJM

(2) whether there have been any further developments in this regard, if so, what developments?

†The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY

(1) Yes

(a) Documents dated 2 and 17 April 1987 respectively which contained particulars of proposed transactions affecting certain newspapers were submitted to the Competition Board. The documents were submitted for the purpose of consulting with the Competition Board at the request of the parties concerned with a view to obtaining the Board's advice on the likelihood of the existence of circumstances which do not justify the acquisition in the public interest. This procedure is provided for in section 6 (1) (d) of the Maintenance and Promotion of Competition Act 1979 and several consultations took place during April and May 1987. It may be added that such advice is not binding. If the advice is negative, it does not prevent the parties from proceeding with the transaction.

(b) (i) Particulars of the proposed arrangements are confidential, and in terms of section 17 of the Maintenance and Promotion of Competition Act, 1979 the Board is bound to preserve confidentiality. However, the parties concerned are at liberty to disclose the information.

(ii) The Competition Board may also not disclose the advice which it conveyed promptly to the parties after each consultation.

(c) The legal provision concerning confidentiality also applies in this instance.

(2) In terms of section 10 of the Maintenance and Promotion of Competition Act, 1979, the Competition Board may on its own initiative and shall on the directions of the Minister make an investigation contemplated in that section. To date I have not given such an instruction nor has the Board initiated an investigation affecting the industry concerned.

Pretoria Portland Cement

*10 Mr K D SWANEPOEL asked the Minister of National Health and Population Development †

(1) Whether any tests have been carried out to ascertain the extent of the deposit of cement dust in Capital Park and other surrounding residential areas from a certain cement factory, the name of which has been furnished to the Minister's Department for the purposes of his reply, if so, (a) what is the extent of the deposit (b) in what residential areas have these tests been carried out and (c) what is the name of the factory,

(2) whether the deposit presents any health hazards to the residents of the residential areas concerned if so, (a) what is the nature of the health hazards and (b) what steps have been taken and/or are envisaged in this connection?

Hansard 25/8/87 (193)

The DEPUTY MINISTER OF NATIONAL HEALTH

(1) Yes

(a) The average concentration of suspended dust in air measured in the area was less than 50 micrograms per cubic metre

(b) The tests were conducted in Pretoria Gardens

(c) Pretoria Portland Cement in Hercules

(2) As the results of the measurements proved that the dust concentration in the area was well below the standard of 150 micrograms per cubic metre for city environment, together with the fact that the dust originating from the cement factory does not contain cement as is generally believed but is very similar to ordinary agricultural lime dust the dust levels in the area are not considered to present any health hazard. Analysis of the dust collected during the sampling period 7 February 1986 to 7 March 1986 also showed that at no stage did the factory contribute more than 10% to the total dust burden in the environment. The rest was from other sources

(a) Falls away

(b) No steps are considered since the cement factory in question is equipped with the most sophisticated abatement equipment available and the management is committed to maintaining dust emissions to a minimum

Informers recruitment

*11 Mrs H SUZMAN asked the Minister of Law and Order

(1) Whether any branch of the South African Police approached and or recruited a certain person whose name has been furnished to the Police for the purpose of the Minister's reply in or about 1985 in connection with information on student organisations at the University of Cape Town, if so (a) when, (b) (i) for what purpose was this person approached and/or recruited and (ii) what is his name and (c) (i) what was the total amount spent in this regard and (ii) over what period was it spent,

(2) what is the policy of the South African Police regarding the recruitment of students for the purpose of supplying information on fellow-students,

(3) whether he has been approached by any person regarding this incident, if so, (a) by whom, (b) when and (c) what was the outcome in each case,

(4) whether he will make a statement on the matter?

†The MINISTER OF LAW AND ORDER

(1) Yes, like all police forces across the world the South African Police also use informers to gather information of security interest. I wish to emphasise that such persons are expected to gather information and not to act as agent provocateurs

The South African Police is not interested in monitoring lawful student activities

(a) to (c) I wish to refer the hon member to my press statement of 12 August 1987 which I attach for reasons of clarity and which I regard as sufficient

(2) I refer the hon member to my reply to paragraph 1 and 1 (a) to (c) above

(3) Yes

(a) to (c) I regard these discussions as confidential and am not prepared to comment on the matter beforehand

25/8/87

(4) No I refer the hon member to my reply to paragraph 1 and 1 (a) to (c) above

Hansard

PRESS RELEASE

MINISTER OF LAW AND ORDER MR ADRIAAN VLOK 12 AUGUST 1987

RE ALLEGED POLICE SPY AT THE UNIVERSITY OF CAPE TOWN

It would be naive to believe that the South African Police like all police forces does not make use of intelligence sources

In fact, police forces rely heavily on information of all kinds to assist them in the prevention and combating of crime, to curb violence and to obtain information on matters regarding the security of the State

While it is standard procedure not to divulge the identities of sources or to provide any comment on matters of this nature, I find it in this regard necessary to reveal that Mr Daniel Pretorius is attached to the South African Police

Hansard

He was posted at the University of Cape Town for specific reasons. The South Afri-

25/8/87

193

CONSOL

Payback coming

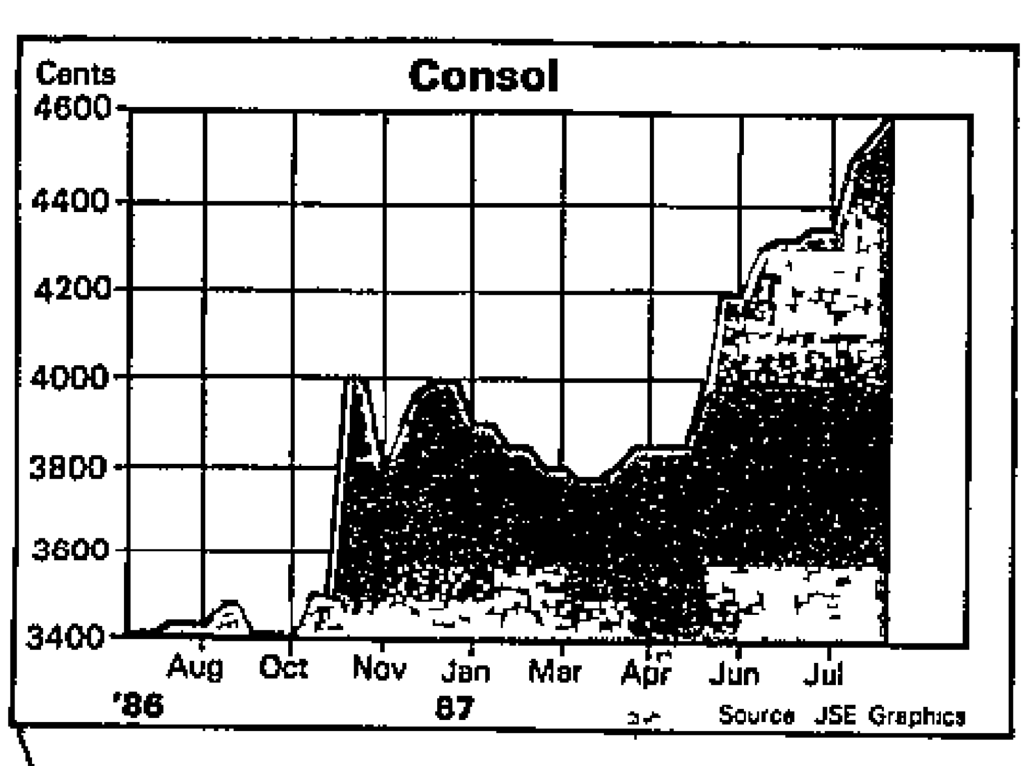
Activities *Manufactures glass, plastic and paper packaging, plastic sheeting, glass tableware and processes industrial silica sand*
Control. *Anglovaal Industries holds 55% of the equity Anglovaal Holdings is the ultimate holding company*
Chairman. *Clive Menell, managing director Piet Neethling*
Capital structure: *6,3m ords of 50c Market capitalisation R289,8m*
Share market: *Price R46 Yields 3,8% on dividend, 10,5% on earnings, PE ratio, 9,5, cover, 2,8 12-month high, R46, low, R34 Trading volume last quarter, 10 000 shares*
Financial *Year to June 30*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	1 0	9 5	11,7	8 3
Long-term (Rm)	1 2	48 7	39 3	22,8
Debt equity ratio	0 02	0,51	0 42	0,22
Shareholders interest	0,52	0 43	0,43	0,47
Int & leasing cover	17 6	7 1	5,0	8,0
Debt cover	18 3	0 83	0,95	1 70
Performance				
	'84	'85	'86	'87
Return on cap (%)	24,3	18 0	18,0	21 0
Turnover (Rm)	248	300	403	504
Pre-int profit (Rm)	45,8	47 0	51,6	64,0
Pre-int margin (%)	18,4	15,6	12 8	13,0
Taxed profit (Rm)	26,2	26,7	25,1	30 4
Earnings (c)	422	431	404	484
Dividends (c)	150	150	150	175
Net worth (c)	1 579	1 752	1 918	2 243

Consol's costly diversification out of glass is paying off After heavy investments in the last three years, capital expenditure last year was sharply curtailed, falling from R32,9m in 1986 to R17,9m, and earnings recovered from the previous year's 6% decline

Attributable earnings rose 20,8% to R30,4m (R25,1m), thanks largely to a R2,9m cut in the interest bill and a 25% turnover advance Trading margins narrowed slightly to 12,4% (12,6%), continuing a three-year trend that started when competition entered the glass market in 1984, but trading profit still rose by 22,8%

With cash now flowing into the group, debt.equity calculated on gross borrowings has fallen to a conservative 0,22, when the year-end deposits and cash of R11m are taken into account, gearing on net borrow-



Consol's Neethling . . . benefiting from investments

ings is only 0,14, making the balance sheet look impressively strong Evidence of asset management is shown by the mere 3,6% rise in stocks

Pre-tax earnings advanced 36% to R58m yet attributable earnings were eroded by a higher tax rate Government's decision to phase out investment allowances caused the effective tax rate to rise from the year-ago 41,1% to 47,6% There was little to alleviate this greater tax bill apart from assessed losses in separate operating companies In the plastics division, both Gundle plants have shown a loss since acquisition in 1985, an 18-month-old plant in the Ciskei is still showing losses relating to start up costs and the Ezakheni bags and sacks operation near Ladysmith incurred losses after severe labour unrest

The effective tax rate has almost doubled from 24,7% in 1982, thereby restraining earnings improvements despite sound performances at pre-tax level, it should, however, stabilise around 49%

MD Piet Neethling says the company has entered a consolidation phase, which should enable improved contribution from plastics and paper packaging as benefits are felt from the investments of the past few years However, after last year's breather, spending will accelerate soon Neethling says investments of R35m a year are budgeted over the next three years This will be financed from cash flow — at R54m for 1987 — as no major expansions or acquisitions are planned

Spending will be concentrated in the glass division, to absorb R25m a year, so as to maintain its leading technological edge, says Neethling Glass remains the core of the business, making up 60% of turnover

Neethling believes that group margins have reached competitive levels and should now stabilise

Consumer preference for returnable bottles in the beer and softdrink market should continue to be reflected in sales volume growth, despite pressure from Iscor-subsidised cans Medium- and longer-term prospects are encouraging, thanks to increasing spending power among lower income groups

Major restructuring in the Gundle plastic plants is expected to bring it back into the black in the current financial year The plants' monthly losses were sharply reduced by the year-end The bag and sack operations are expected to benefit from new contracts to supply the Maize Board with a non-slip synthetic bag to replace imported jute bags

Neethling believes the company is in a new growth curve Enhanced productivity and efficiency in all divisions is expected to flow through to the bottom line Given the company's steady record, the thinly traded share is probably one of the better buys in the sector now that the capital investments aimed at diversification are in place At R46, the shares offer a p e of 9,5, lower than that of competitors Nampak (14,3), Metalbox (14,7) and Kohler (10,3) *Kin Turvey*

Everite phasing out asbestos

Cape Times 12/9/87 (B) (A) 193

Financial Editor

FORMER journalist Brian Gibson now specializes in handling public relations for industries with an unpopular image. But at a presentation in a Sea Point hotel this week he admitted that asbestos was "a lost cause".

Fear of the three illnesses — asbestosis, lung cancer and mesothelioma — caused by breathing asbestos fibres is so great that its use has been forbidden in West Germany and it is being phased out everywhere else.

Now Everite, one of the major producers of asbestos cement in SA, is switching to the use of a cellulose fibre in building products.

But this will take time. It will not be until 1992 that a complete switch to the new product, Fibrecem, has been achieved.

Meanwhile, Gibson insists, use of asbestos cement is perfectly safe if the proper tools provided by the industry are used.

He warns against the use of an angle-grinder on asbestos cement by building workers, which produces harmful dust.

"We provide, at cost, tools that can safely be used."

Gibson said Everite was spending approximately R1,50m on acquiring "know-how" from an Australian firm, James Hardie, and its British research partner, Cape Industries, on producing cellulose fibres.

More than R30m had been spent on the local development of Fibrecem products.

(2 1) current ratio and has R5m in bank balances and cash.

Entrenched conservatism makes it unlikely that it will make major acquisitions (certainly not for paper), which means that a similar motor company, intent on taking advantage of the changing demand pattern in the industry, may show stronger appreciation Still, Curries' share price has doubled this year, which is certainly not a bad performance

Brodie expects the group will continue to reflect the recovering economy At 13,3, the p.e is considerably above that of McCarthy's 9,6. Investors seem to be expecting more from the expanded Curries this year. This seems possible.

Dave Edwards

EVERITE 193

Higher base

Activities: *Manufactures and markets fibre cement, plastics, concrete, pitch-fibre and ceramics*

Control: *Everite Holdings holds 56,21%*

Chairman· *H Thoeni, managing director E Arni*

Capital structure· *88,53m ords of R1 Market capitalisation R44,26m*

Share market: *Price 500c Yields 1,74% on dividend, 3,4% on earnings, PE ratio, 29,5, cover, 1,9 12-month high, 535c, low, 281c Trading volume last quarter, 1,92m shares*

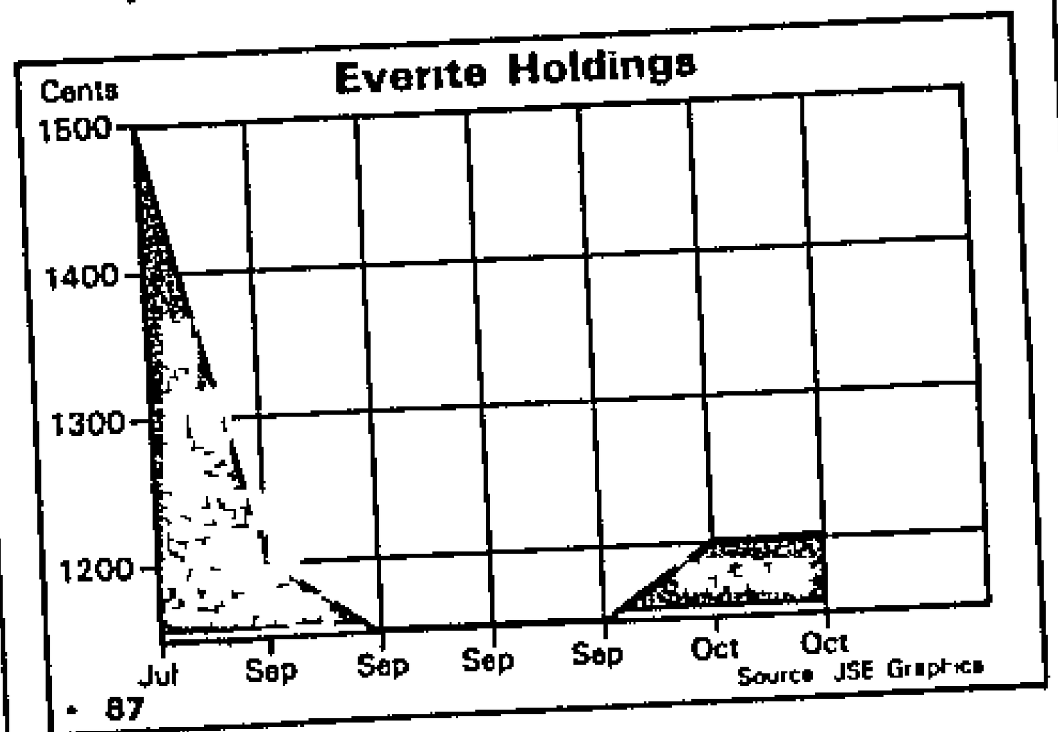
Financial· *Year to June 30*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	3,3	11,1	17,8	17,2
Long-term (Rm)	4 7	6 1	10,5	14,2
Debt equity ratio	0 04	0,09	0,08	0,11
Shareholders interest	0 73	0,74	0,76	0,73
Int & leasing cover	45 2	22,2	5,3	9,36
Debt cover	4,5	1,9	0,87	1,0

Performance	'84	'85	'86	'87
Return on cap (%)	20,3	13,6	5,1	7 3
Turnover (Rm)	235	230	230	292
Pre-int profit (Rm)	50	35,5	14,8	26,9
Pre-int margin (%)	21 3	15,4	6 4	9,2
Taxed profit (Rm)	21 9	15 1	4 9	13 1
Earnings (c)	127 6	90 9	27,2	*16,9
Dividends (c)	60	60	18	*8 7
Net worth (c)	1 078	1 159	1 328	*303

* Earnings, dividends and net worth for 1987 are not comparable, as a result of a 3 for 1 capitalisation issue

Everite, sensitive to volumes, benefited from higher sales in all divisions barring Pitch-fibre, and increased net income for the 1987 year by 167% to R13,1m Although the recovery is satisfactory, it comes off a low base,



after the group's exposure to the hard-pressed building markets caused profits to plummet in 1985 and 1986

Operating income, responding to greater throughput, increased 103% to R21,4m and eased pressure on margins However, chairman Hans Thoeni says profit levels are not yet sufficiently high to give a reasonable return on shareholders equity at 0,73 Intense competition for available business has held prices at levels where they are unable to compensate for cost increases which are aggravated by high inflation He believes this will continue until overall demand increases substantially or significant rationalisation is achieved

Surplus capacity in the building and construction industry restricted turnover growth, which has been virtually static for the past five years, to 27%

Interest-bearing debt less cash is a low 0,11 of shareholders' funds, leaving the group positioned to invest in new operations and processes Thoeni cites the now functioning Housing Trust, initiated by government, as encouraging, limited initial funds are being released for new housing, while in the private sector demand for lower cost, subsidised housing is good

The R65m share acquisition of the building products division of Turner & Newall — effective from January 1987 — is expected to contribute to profits in the current year The fibre-cement division, where divisional profits rose 109% to R8,3m in the past year, is expected to benefit particularly from the deal. The combined operation holds 75% of the fibre-cement piping market, where sales are buoyant owing to increased spending on infrastructural requirements However, streamlining costs are expected to limit profit growth

Issued share capital for the past year was increased to R88,527m through a capitalisation issue in the ratio of 3-for-1, and subsequently through the issue of R22,132m shares in consideration of the Turner & Newall acquisition

An expected modest recovery in the depressed construction industry, the group's sound management record and anticipated benefits from the deal with Turner & Newall could produce further growth in profits However, the share is already trading at a demanding p e of 29,5 times

Kay Turvey

FM 23/10/87

IRVIN & JOHNSON

Investor feast

Irvin & Johnson (I & J) has earned itself blue-chip status with a 26,1% average annual growth rate in earnings in the past 10 years The share now carries a heady 1,8% dividend yield following its run-up from a low of R8 a year ago to its current R21,50 level

In the past year sales volume growth was minimal, but price increases enabled the group to boost turnover by 20,4% Broader margins, doubled investment income and a

BUS TIMES 13/11/87

D & H closes R50m deal

JOHANNESBURG — Spending some of its cash resources, cash-rich Darling & Hodgson (D & H) is rapidly taking shape as the building and contracting company in the Malbak Group

Yesterday D & H announced that it has bought two businesses from wholly-owned Malbak subsidiaries — the Rocla pipe manufacturing business, and the locks and door furniture and insulation panel businesses of Solid Manufacturing

The consideration placed on the combined transaction is R50,2m which will be settled by way of a cash payment of R37,5m and the issue of R4,25m new D & H shares. The value placed on the shares is R3,00 per share

Rocla manufactures concrete, asbestos cement and high pressure pvc pipes at factories throughout South Africa The solid businesses consist of the solid hardware division, which is a major manufacturer of locks and door furniture, and thermacoust which manufactures laminated insulated boards.

Hugh Brown, the chairman of D & H, said that the acquisitions were effective from September 1 and will make a contribution to D & H's future earnings

He said "Had the transactions been effective from September 1 1986 D & H pro forma earnings for the 12 months to August 1987 would have been increased by 44% from 32c a share to 46c The transactions have the effect of reducing the net asset value per D & H share slightly, from 263c to 248c "

The new D & H shares will rank pari passu with the existing shares but will not participate in the final dividend for the eight months ended August 1987

The transactions will have no material effect on the earnings, dividends or net asset value of Malbak.

The transactions are subject to the approval of D & H shareholders — Sapa

Trading good in all divisions

Tongaat-Hulett doubles earnings

CAPE TIMES 19/11/87

From MICK COLLINS

JOHANNESBURG — Attributable earnings for the Tongaat-Hulett group increased by an impressive 101% to R51,2m, or 69,8c a share for the half-year ended September 30

As a result the interim dividend has been increased to 18c a share compared with the 10c paid last year, and 34c for the full year

This followed good trading in all divisions which saw turnover increase by 25% to R1 295m for the six months Operating profit rose 31% to R112m (R85,5m)

The directors are forecasting earnings for the current financial year to be "of the order of" 150c a share compared with last year's 85,3c

Reduced average borrowings and lower interest rates accounted for the reduction in interest paid which fell from R38,3m in the 1986 half-year to R27,2m for the six months

After-tax profit increased by 94% compared with an 80% increase at the pre-tax level as the tax rate fell from 48,8% to 36,3%

Group borrowings were R497m compared with the R594m at September 30, 1986, and were expected to be reduced to about R350m by March 31, 1988

The results of the textile division had improved significantly

"The sugar division is performing well and in spite of flood damage is forecasting improved production"

Directors said that while pre-tax profits would exceed those of last year, the sugar division's tax shield had now been fully utilized and its contributions to profits would be lower than last year

"Demand for bricks has shown an encouraging upturn in recent months and the contribution to group profits from the building materials division will reflect a significant improvement on last year

"The foods division is achieving improved results and will report higher earnings for the year"

An analyst at E D Rogers said the results were good but the debt level had not decreased as much as expected. However, interest cover had increased from 2,5 to 4,1 times which was favourable

"The company has previously forecast earnings of 150c a share and analysts are looking for 160c The share is down to 975c from 1 650c and has lots of recovery potential"

(193)

FM 11/12/87

PLATE GLASS

Stronger abroad

Plate Glass is enjoying increasing benefits from its geographically diversified interests In the six months to end-September, profitability was good in the group's local business — but the extensive overseas operations, coming off a low base, did even better Overall, turnover increased 26% to R1 billion (R835m) and taxed profit grew 34% to R41m (R31m)

With group assets now split about equally between local and overseas interests, Plate Glass is less dependent on the domestic economy than most other industrial companies In recent years — although probably not to the same extent in 1987 — the group's foreign income has been helped by the weakness of the rand These activities are at present showing fundamental, although gradual, improvement

"Earnings from our foreign investments, which are bedding down after a costly series of mergers and rationalisations, are bearing fruit," says joint executive chairman Bertie Lubner "Over the past six months foreign sales were about 60% of total group sales, and overseas earnings have likewise increased to 55% of our total earnings " Last year the figures were 58% and 52% respectively

In SA, the group's building, motor and furniture markets have been strong though not strong enough to require management to divert a significant proportion of production away from the export market However, all plants are currently running at full capacity

Plate Glass' Lubner . numerous opportunities abroad

"We have a provision to further increase our supply to the local market as demand materialises," says Lubner,"but we are committed to maintain a base level of exports " Profit margins are higher on secure local sales

Though some may doubt the sustainability of SA's current economic upswing, the group's focused market segments look more durable It should benefit from any acceleration in low cost housing projects, for example "Demand for timber and glass in low cost housing and the higher level of renovation activity were noticeable features in the first half," says Lubner Demand for vehicle windscreens has increased in line with improvement in the motor industry And the furniture industry remains an active market

Present currency fluctuations, and the possibility of a world economic downturn, suggest that the foreign interests might now be more vulnerable than the local operations "If world economies enter a more depressed phase then our worldwide business interests will not emerge unscathed," concedes Lubner

Still, he believes the overseas interests will do well in the short term though there are plans to strengthen the offshore businesses "Numerous opportunities are available internationally," says Lubner Potential for raising funds overseas to create a more flexible financial platform for offshore subsidiaries is being studied " Gearing in the overseas companies is close to the group's 75% debt ceiling, so further borrowing is unwarranted As Lubner says, "adding more debt to the balance sheets of those companies could inhibit growth "

At R32,50 the share has risen 8% since results were announced — not bad in a sagging market Management expect year-end EPS of 412c A dividend of 180c seems attainable What really matters is the performance thereafter But the group has shown remarkable resilience in recent years

Dave Edwards

PG'S REFLECTIONS

Six months to	Sept 30 '86	Mar 31 '87	Sept 30 '87
Turnover (Rm)	835	843	1 035
Pre-tax profit (Rm)	66 5	71 0	88,5
Attributable (Rm)	22 0	28 2	29,7
Earnings (c)	133 5	171 5	180,3
Dividends (c)	42	100	55

BRICKS (193) FM 11/12/87

Chipping away

An increase in building activity, particularly in the residential sector, has reduced Corobrik's stock mountain from a peak of 180m bricks to 110m

Central Statistical Service calculates that the total value of buildings completed in September fell 3,1% compared with September last year, but the value of residential buildings — the biggest market for bricks — increased by 19,5% And, says Chris Dickinson, Corobrik's Transvaal marketing manager, the bulk of the oversupply is now in geographic areas which have not yet experienced any upturn, or consists of products not used in residential building

Stocks of plaster brick, and bricks used for affordable housing, have shrunk to working levels — a one- to two-day stock holding, despite an increased monthly production of 5,5m bricks achieved by running double shifts and overtime

However, the company is cautious about bringing any plant out of mothballs Dickinson says the recovery of the property industry could be disrupted by unforeseen political or economic events As a result, it is appealing to customers to plan ahead and keep it informed of definite building commitments

Early orders could also help contain building costs The price of bricks is set to rise by a double-figure percentage in the new year, Dickinson says this is to compensate for a lag during the recession, and to take account of wage and fuel increases ■

20/12/87

Brick-makers caught short

(93)

A BRICK shortage looms, say industry sources

By Don Robertson

Corobrik, the largest supplier in the Transvaal, is increasing production

Delivery times have been stretched to between two and three weeks and in the case of some of the fast-moving bricks, stocks of only a day or two are available

To meet the expected increase in demand after the builders' Christmas break, Corobrik has introduced extra shifts at some plants It is also considering reopening one plant which was closed after the collapse of the building industry in 1984

It is likely that brick prices will rise "into double-digit figures" next year, says Chris Dickinson, marketing manager of Corobrik

Stocks have been reduced from about 180-million bricks at the beginning of the year to 100-million For the past few months production has been kept about 10% below requirements

Strong

This was done to reduce the capital tied up in stocks But because of the traditional pick-up in demand in October and November, builders who had not ordered have had to wait for delivery

Mr Dickinson says the stock position in certain bricks "is a bit tight, but those who ordered early have been supplied"

Additional shifts have been introduced at the Sasolburg concrete-brick factory and the number of kilns is being increased from two to four Production at the Springs and Lawley No 2 plants has been doubled and it is possible that the third shift will be introduced in Springs

It is also possible that the Henley factory will be brought out off mothballs in the first quarter of 1988

The result has been an increase in production of 10-million bricks a month since October

Mr Dickinson says builders are more bullish about prospects for 1988 and an increase in business of between 7,5% and 15% is expected

However, higher wages, the increased cost of imported spare parts and rising fuel prices will result in brick prices being lifted by more than 10% next year

The National Association of Home Builders (NAHB) says that since January national stocks have fallen from 400-million to 356-million bricks in August and since then to shortages and extended delivery times

The NAHB calls on the industry to improve the variety of bricks on offer

The industry can do more to increase production by reopening mothballed plants, but because of the capital involved, they need the assurance that demand will remain high

MANUFACTURING - NON-METALIC MINERALS

1988

Profit up at Anglo-Alpha

S Tel 11/2/88

193

Higher sales, better profit margins and a reduction in finance charges saw cement producer Anglo-Alpha return a 33,4 percent increase in earnings per share to 96,1c for the year to end-December A total dividend of 70c, 16,6 percent up on 1986, was declared

Turnover rose by 20,6 percent to R418 million, with most divisions enjoying the trend, but the costs involved in extending the employee shareholding scheme obscured margins and reduced the growth in net income from 24,1 percent to 16,8 percent

Lower interest rates, an improvement in the cash flow by 27,2 percent and a subsequent R54,7 million decline in borrowings to R225,7 million brought down finance charges by 29,3 percent and helped to boost prè-tax profits by 40,8 percent to R81,3 million

Cashbuild posts a 5% increase in earnings

Star 11/2/88 (193) ZA

Finance Staff

Cashbuild, Tradegro's cash-and-carry buildings materials wholesaling subsidiary, increased attributable earnings by five percent to R1,2 million in the half-year to December

Interim earnings per share declined fractionally to 5,7c (1986 5,8c) on an increased share issue of 21,4 million shares (20 million shares)

Turnover increased 60 percent to R97,4 million, according to the interim report

ACQUISITION

The directors say the acquisition of Buy 'n Build as part of the Tradegro acquisition of Frasers temporarily impacted adversely on the results.

If Buy 'n Build's results had not been consolidated with Cashbuild's, earnings attributable would have increased 56 percent to R1,8 million.

Managing director Mr Gerald Haumant says the Buy 'n Build deal will yield benefits in the longer term.

"Our network of outlets has been strengthened considerably, with inroads into many new areas

"As management control of the Buy 'n Build outlets begins to take effect, our previous overall profit-growth will be restored," he says

Total dividend for the year 50c

CAPE TIMES 19/2/88 193

Blue Circle doubles earnings

By LAWRENCE TOTHILL
Investment Editor

BLUE CIRCLE has shot out of the trough it has been in for a few years with earnings way ahead of forecast; more than double what they were in 1986 and more than 10 times what they were in 1985

At the half-way stage Blue Circle forecast earnings of 140c a share for the year to December, 1987, the figure now released is 151,2c, which is an incease of 108% on the previous year's 72,6c.

The final dividend is 30c, making a total of 50c for the year, covered three times.

Welcome change

This will be a welcome change for shareholders who have seen their dividend pegged at 38,5c since 1981 (except for 1985 when it was slashed to 11c).

Turnover at R378m is 25,6% higher than 1986 and the profit before tax and interest is 75,4% higher.

Both the cement and engineering divisions bettered their performances in the year, but the major improvement to profits came from the considerably enhanced results achieved by the materials division

With the strong cash flow from profits, borrowings are down by some R44m to R101m, and a combination of this reduction and the lower interest rates led to a saving of R5,6m in the group's interest bill.

Borrowings

The balance sheet shows considerable strengthening with borrowings to shareholders' funds having been reduced from 78,6% to a much more satisfactory 48,1%

The share trades on the JSE around 1 000c and the latest figures put it on an earnings yield of 15,1% and a dividend yield of 5%, which are both a little higher than the average for the building sector.

Blue Circle doubles profit

By Julie Walker

BLUE Circle doubled its earnings in the year to December 1987.

The diversified cement producer earned 151,2c a share, beating its mid-year forecast of 140c Efficiency in the materials division in particular contributed to the improvement The group reduced its borrowings by R44-million to R100-million

A 50c dividend was declared At 1 000c a share the dividend yield is 5% The net asset value a share is given as 759c

Platinum

Consol echoed the strong performance from Anglovaal's industrial companies Its turnover rose by 22% to R322-million, profitability by 60% and earnings a share by 70% to 390c in the half-year to December

Impala ran ahead of expectations The platinum producer increased its dividend by 33% to 60c on interim earnings of 139c after transfer to reserves for expenditure on mining assets Impala is providing funding for the new Karee mine until the most appropriate method is determined

Kersaf increased attributable earnings by 34% to R36-million in the half-year to December Occupancy levels in the group's international hotel division rose to 70%, and an improvement was shown by South African hotels. Kersaf declared a 29c interim, 32% higher than last year's

Time Holdings clocked in with a near-trebling of earnings to 14c a share in the year to December 1987

The group provides management and financial services and training programmes It was granted a licence for Time Life Insurance at the end of last year, and will being the business shortly It says prospects for 1988 are good.

The share price rose 20c to 150c on the results The dividend of 6c yields 4%

Margin up

Seardel shares did not move in spite of excellent interim results to December 1987 Turnover increased by 20% to R294-million, but the profit margin was 29% up at R22-million Increased finance charges and a higher tax bill could not depress a rise in earnings by 26% to 60c a share, and the dividend was raised 30% to 6,5c.

The company has acquired Bonwit, the manufacturing arm of Wooltru, for R9-million.

Jazz Stores' acquisition of 100 Frasers outlets from the second half of the year to December 1987 lifted its turnover by 169% to R168-million, but the earnings a share rose by 32% to 7c At the current price of 165c Jazz is on a PE ratio of 13,6 The management expects an improvement in performance

Transkei Sun recorded a 43% higher turnover to R53,4-million in the half-year to December 1987, and a 37% increase in attributable earnings. However, the rise in earnings a share to 12,5c was diluted to only 12% because of the increase in the number of shares issued. The 10c dividend was 1,2 times covered by earnings

The management says it is not possible to forecast the implications of the findings of the commission of inquiry now sitting in Umtata, Transkei

Interest up

Lion Match, reporting interim results covering a 12-month period, suffered a much higher interest bill of R2,09-million, compared with only R209 000 in the year to December 1986 Off-shore and medium-term borrowings and a bank overdraft were responsible for the R32-million owed

Lion Match is changing its yearend to coincide with that of SA Breweries which holds a major stake in it It does not expect to accrue much in earnings for the remaining three months of the current financial period

Duros returned its maiden interim figures after a change in the nature of business to corporate financial services last year Duros earned 27,5c a share, and also realised an extraordinary profit of R1,9-million on the sale of property to Grovewalk Property

It says that the adverse effects of the stock market crash last year are likely to affect corporate financial activities, especially new listings. On the other hand, merger and takeover activity may increase. The company aims to exceed earnings of 50c a share in the year to June 1988.

Cashbuild seems to be finding life hard with Frasers and without Albert Koopman Although turnover increased by 61% to R97,4-million, earnings a share dipped from 5,8c to 5,7c. Four of the 24 acquired Frasers stores have been closed.

193

80 lose jobs: Court reserves judgment

Labour Reporter

JUDGMENT has been reserved by the Industrial Court in an application for reinstatement by 80 workers dismissed from Cape Lime at Robertson last year

The workers, members of the South African Chemical Workers Union (Sacwu), were dismissed in three groups in November

A stoppage on November 4 over police action against Sacwu strikers at Sasol was followed by further industrial action over proposed disciplinary action by the company

At sittings of a disciplinary committee on November 6, 9 and 11 the company implemented final disciplinary warnings issued against certain of the workers earlier in the year when they had stopped work in protest against the detention of Sacwu's national oganiser, Mr J Samela

Mr Joel Krige, appearing for the workers and Sacwu, said the dismissal procedures had been procedurally unfair and the company had failed to take into account the workers' service

This totalled 947 years and the longest serving employee had 40 years' service

Mr P Roux presided Mr Krige was instructed by Mr John Hendry of K G Druker Mr A Blignault, instructed by Mr Merwe Scholtz of Jan S de Villiers appeared for Cape Lime

BUSINESS

D/D 17/3/88

Eastern Cape brick production rises

(193)

Daily Dispatch Correspondent

PORT ELIZABETH — Brick production in the Eastern Cape will more than double this year and several new jobs will be created

Corobrik's Eastern Cape manager, Mr Dewey Schmidt, said this was in response to growing optimism in the Eastern Cape economy and the increased activity in the local building industry

This optimism is borne out by figures released by the Port Elizabeth City Council which show that building plans passed for the city's municipal area last month were 56 per cent up on the same month last year

The value of buildings started in the first two months of this year was R15,2 million — almost 26 per cent more than the first two months of 1987

Production at the company's Grahamstown plant has already been increased by 25 per cent and clay brick production in Port Elizabeth would be increased from 12 million to 28 million bricks a year, he said

As a result of this increased production at Swartkops, 40 new jobs would be created in Port Elizabeth, Mr Schmidt added

Announcing the expansion plans yesterday, Mr Schmidt said the number two plant at Swartkops, which has been closed since May 1984, was being refurbished and modernised

The plant will be converted into an oil-fired kiln and the start-up date was June 1, he said

The new kiln would produce high-quality clay face bricks as well as the cost effective Maxi Briks for single and double-walled construction, to be used in affordable housing

Mr Schmidt said alterations would also be made to the Grahamstown plant

He pointed out that both Eastern Cape plants would still have spare capacity despite the increased output from midyear

"The South African brick industry has been through an extremely severe downturn

"While there has been a rapid increase in the demand for clay brick products in the Eastern Cape, it must be remembered that this is occurring from a very low base

"Despite the increase in demand, we still have additional production capacity at both our Port Elizabeth and Grahamstown plants"

Mr Schmidt said the brick industry was operating at about 75 per cent capacity with present demand being nowhere near the boom of 1983—4

"However, we are most confident about the future of the Eastern Cape economy"

PLASTICS

(193)

Under pressure

Plastics supplies and prices are under pressure The local price of some plastics will have risen over 20% in less than four months, while sharply rising consumption is leading to more imports

High-density polyethylene (HDPE) prices

FINANCIAL MAIL MARCH 18 1988

though not to the same extent

Annual growth of 5%-7% in plastics demand during the early Eighties rose to 15% in 1986 and 1987 The need for imports has risen as local producers have struggled to keep pace with demand

The shortfall is some 2 000 t a year for polypropylene, but should be less when Sasol's new propylene plant is commissioned Polyethylene is a different story. Although there is demand for 95 000 t of HDPE and Safripol has capacity to produce 92 000 t, there is enough ethylene for no more than 85 000 t

AECI, producer of low-density polyethylene (LDPE) and linear LDPE, says the market demand will exceed local production by 25 000 t-30 000 t, as production is running at less than 50% of capacity. AECI exported 10 000 t of polyethylene in 1986 but imported 18 500 t the following year.

Consol Plastics MD David Spindler says the shortfall was exacerbated by the Sasolburg ethylene plant suffering start-up problems after its mid-year closure

AECI says any additional ethylene from Sasol will be welcome because it allows local production units to be loaded and encourages exports, for which there is undoubtedly a market as there is a worldwide shortage of polymers.

Sasolchem MD Hennie Badeker remains cautious. He says "It must be realised that to produce monomers such as ethylene, requires a vast capital expenditure which cannot be considered until the market growth ensures a reasonable plant loading Sasol cannot consider premature investment which might be uneconomical "

Worrying plastics converters is the fear that if plastics prices get too high, they may lose trade to the "mature" packaging products such as paper, metal and glass

DID 19/3/88

Blue Circle doubles

JOHANNESBURG — Following the increase in earnings a share from 72,6c to 151,2c cents last year compared with 1986, Blue Circle forecast further increase in earnings this year

The chairman, Mr Trevor Coulson, says in the annual report that it would be unrealistic to expect the same again But he nevertheless expects profits and dividends to rise faster than the inflation rate

The major increase in the group's profit has come from its materials division Income before interest and tax, here, rose from R5,3 million to R23,3 million — and now accounts for 32 per cent of group income

This 336 per cent increase came on turnover 38 per cent higher The turnover increase resulted from a combination of selling price increases and improved sales penetration

The cement devision also enjoyed better operating efficiencies Turnover rose by 17 per cent as a result of slightly higher cement demand, increased sales volume of pulverised fuel ash and diversification into the lime market

There was a 29 per cent increase in operating income

Mr Coulson notes that the cement industry has been granted a further exemption — until end-September — to complete consultations with the Competition Board

"I remain convinced," he says, " that the existing market sharing practice is reasonable, sensible and practical for the industry, customers and the country and should be left intact

"It is particularly inappropriate to propose any fundamental change while the cement industry has such considerable excess capacity"

Reduced borrowings and lower interest rates combined to drop the group's finance charges but tax charges absorbed more of profits — Sapa

Cement cartel gets stay of execution

20/3/88

193

By Ian Smith

THE cement industry, fighting to protect its market sharing scheme in the face of Competition Board opposition to any form of cartel, has won another temporary reprieve.

The industry's exemption from the board's ban was due to expire on May 31, but it has been extended until September 30

Blue Circle chairman Trevor Coulson says in his annual report "I remain convinced that the existing market sharing practice is reasonable, sensible and practical for the industry, customers and the country and should be left intact

"It is particularly inappropriate to propose any fundamental change while the cement industry has such considerable surplus capacity"

The long-standing agreement among the three major producers — Blue Circle, Anglo-Alpha and Pretoria Portland Cement — ensures that orders from certain areas can be filled only by specified companies

Transport costs

The producers claim that it avoids costly transport costs incurred by hauling cement over long distances and ensures more efficient working in the industry, which has been hit by over-capacity

But it does inhibit price competition

The industry's defence of the marketing scheme has been submitted to the Competition Board The final decision is expected before the exemption runs out.

Mr Coulson says the modest increase in cement demand in the second half of 1987 is encouraging for this year There should be growth in the profits of the cement division, which contributed 57% of the group's R72,6-million income before tax and interest

Last year Blue Circle increased its earnings from 72,6c a share to 151,2c, and Mr Coulson predicts another rise this year,

"It would be unrealistic to expect future profit increases of the magnitude achieved last year"

But he expects earnings and dividends to increase ahead of the rate of inflation.

"Substantial spare capacity still exists in most of our operations. This capacity is strategically well positioned and any upturn in the economy, particularly in the construction and building sectorts, will have a marked effect on the group's results"

The major improvement in last year's profit came from the materials division, which produces sand, stone, ready-mixed concrete and mortar

The division lifted income before tax and interest from R5,3-million to R23,3-million It now accounts for 32% of group income

Major restructuring of the division has paid off in cost efficiencies and the 336% income increase was achieved on a 38% turnover rise

The group's balance sheet was stronger at the end of last year with borrowings representing only 48,1% of shareholders' funds. Total dividends of 50c were covered three times

BLUE CIRCLE

More to come

(143)

Under-utilisation of capacity has for several years been a key problem in the highly capital-intensive cement ind.stry This has placed pressure on manage ent to improve

FINANCIAL MAIL APRIL 8 19

AREA B: Mosselbay, Ne

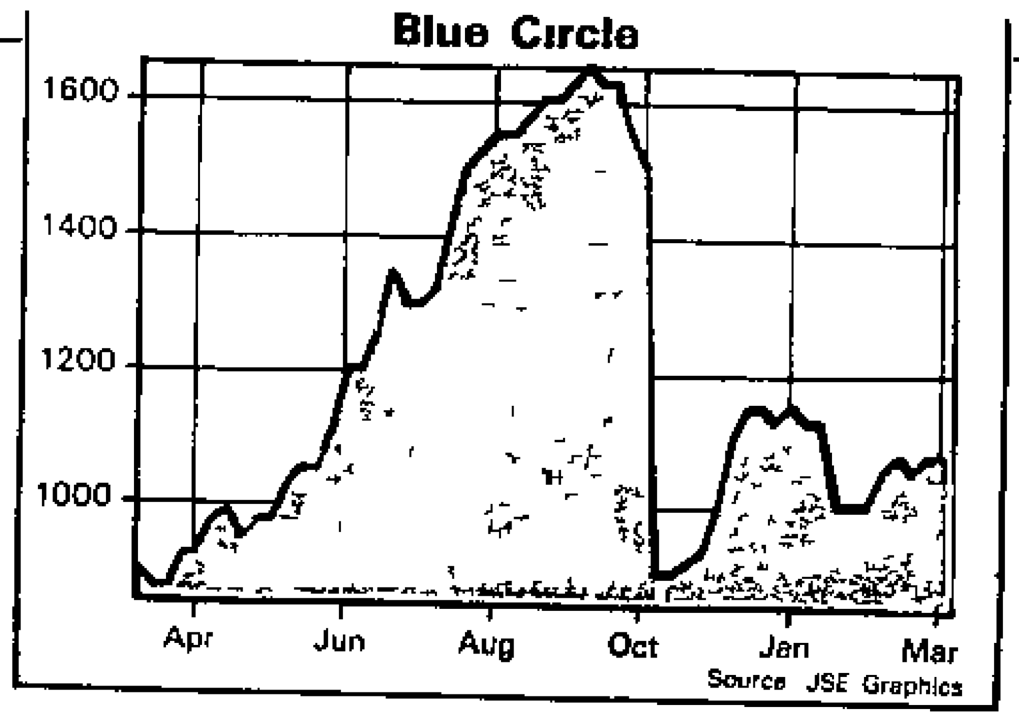
AREA C: Harrismith, K

AREA D: All other are

Activities *Manufacture and supply of basic materials to the construction and building industry Also manufactures and distributes engineering products*
Control. *Blue Circle, PLC and Darling & Hodgson each have 42%*
Chairman and MD. *T G Coulson*
Capital structure *27,6m ords of 50c each Market capitalisation R297m*
Share market. *Price 1 075c Yields 4,7% on dividend, 14,1% on earnings, PE ratio, 7,1, cover, 3,0 12-month high, 1 650c, low, 900c Trading volume last quarter, 47 000 shares*
Financial: *Year to December 31*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	45 1	59,7	60 5	39,1
Long-term (Rm)	121 2	126,9	97 7	74,7
Debt equity ratio	0,89	0 98	0,75	0,44
Shareholders interest	0,51	0,44	0 45	0,50
Int & leasing cover	1 4	1 1	1,7	3,9
Debt cover	0 15	0 15	0,28	0,68
Performance				
	'84	'85	'86	'87
Return on cap (%)	13,0	9,9	9,7	16,6
Turnover (Rm)	194	291	301	378
Pre-int profit (Rm)	47,8	42,9	41 4	72,6
Pre-int margin (%)	24,6	14,7	13,7	19,2
Taxed profit (Rm)	18,6	4,7	20,0	41 6
Earnings (c)	80,9	17,1	72,6	151,2
Dividends (c)	38,5	11,0	38,5	50,0
Net worth (c)	808	679	666	759

Blue Circle



efficiencies and seek rationalisation where possible Last year, Blue Circle enjoyed benefits arising both from measures taken in this area and from firmer sales volumes

Executive chairman Trevor Coulson says that while both the cement and engineering divisions bettered their performance during the year, the major improvement to the group's profit — which reached record levels — came from considerably enhanced results in the materials division

In the materials division, he says, the benefit of cost savings, greater efficiencies and reduced manning levels effected in 1986 flowed through "In addition, sales volumes were increased in all areas," he says "The combination of all these factors led to the improved operating profit "

The group has achieved a powerful turnaround in two years In 1985, there were earnings of only R4m at attributable level, in the following year these were lifted to R20m — the best since the R24m in 1981 — and jumped to a record R41,6m in 1987 The group margin last year rose from 13,8% to a respectable 19,2%, so that trading profit surged by 45% on a turnover advance of 25,6% Asset management is shown in the balance sheet, where stocks rose by only 2,5% while debtors were stretched to 23% and creditors rose 17%

Overall, markets remain depressed and substantial excess fixed plant capacity continues to exist, particularly in the inland operations "This capacity is strategically well positioned and any upturn in the economy, particularly in the construction and building sectors, will have a marked effect on the group's results," Coulson says

Part of the materials division's improved performance was rooted in the 1986 rationalisation, when break-even volumes were reduced dramatically Further improvements in cost efficiencies were achieved in 1987, especially in the aggregate operations, and better prices and volumes were also achieved — the latter by improving market shares in a number of areas

Prospects for the materials division are seen at essentially similar levels of activity as in the latter half of 1987, with infrastructural costs satisfactorily maintained

Coulson says that cement sales volumes increased moderately by 2% in the year and selling price increases were maintained below the inflation rate "However, continuing cost and production efficiencies, coupled with improved sales of other cementitious products, enabled the cement division to increase its operating profit," he adds

Rationalisation of certain activities and disposal of a loss-making subsidiary also led to improved operating profits from the engineering division

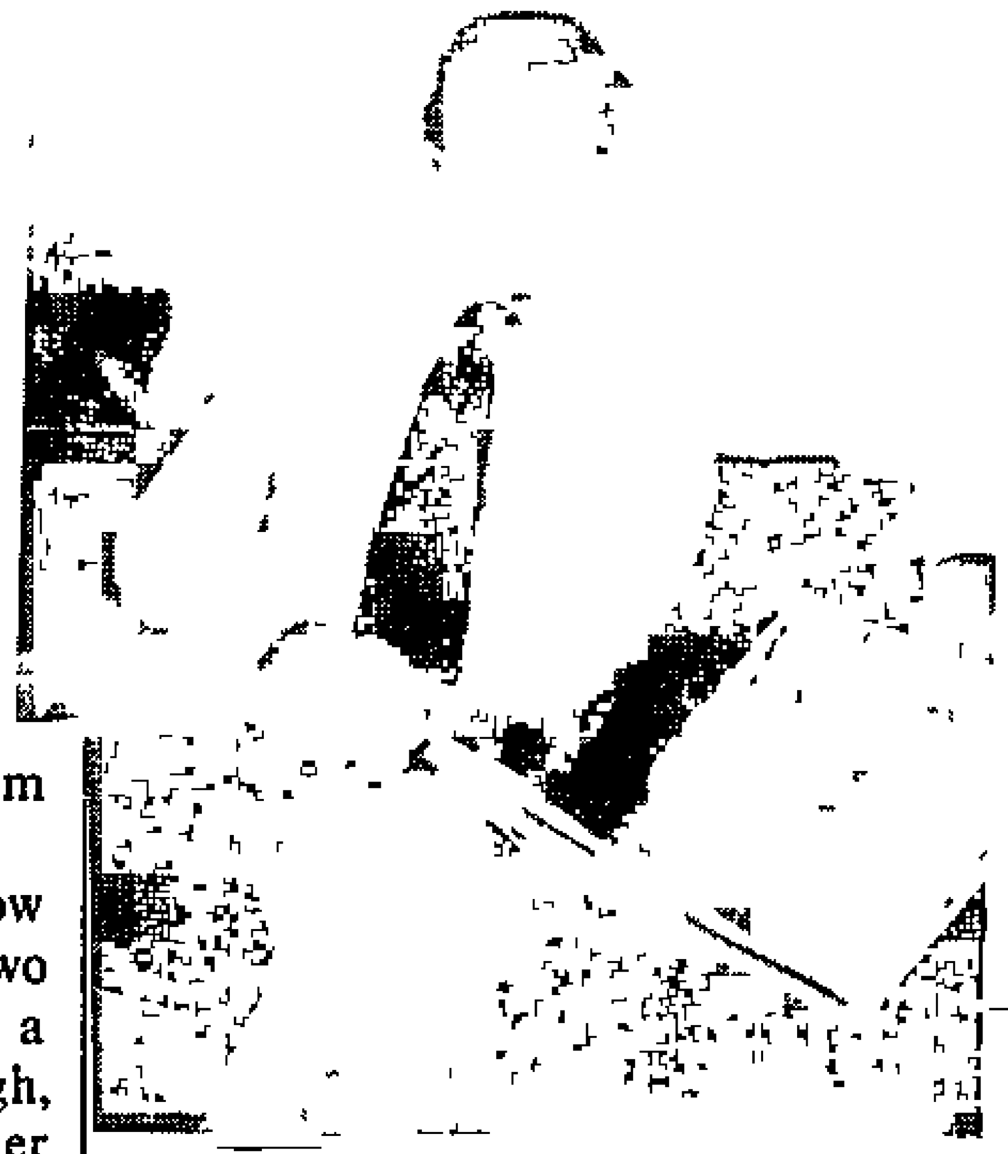
Coulson also notes that, by using part of the surplus cement production capacity at Lichtenburg, the group has achieved an ongoing additional contribution to profit by diversifying into production of lime Cement milling and handling facilities at Whites in the Free State are being upgraded to meet the full requirement of the expanding goldfields market There are also plans for erection of a fly ash extraction plant at Eskom's Lethabo power station which will later be extended to an ash/cement blending plant and depot

These capital requirements, with normal replacement of assets, will be funded out of depreciation provisions and retained earnings By year-end, debt equity had dropped to 0,44 from the 1985 peak of 0,90, net borrowings were down to R96,5m from R161,8m in 1985, and cash stood at R17,4m (R14,5m)

The earnings growth must be set to slow down from the fast pace of the past two years, but the group is now operating at a level where efficiencies and returns are high, and profits should respond well to further volume pickup Coulson forecasts that, given existing circumstances, profits this year should continue to increase faster than the expected inflation rate and that dividends should rise at a similar pace

Andrew McNulty

Blue Circle's Coulson
. . . more asset management



FILLING THE GAP

Cement industry fears that there would be a fall-off in the demand for cement in the western Cape have proved unfounded.

The concern was that there would be nothing to fill the demand gap after the completion of projects such as Du Toit's Kloof road tunnel, the Hex River rail tunnel and the Palmiet pumped storage scheme

These three projects between them required some 150 000 t of cement during the three to four years it took to complete them

However, new housing schemes in the area have boosted cement demand

So much so that consumption is running at its highest level for some years.

Guy Luyt, Pretoria Portland Cement MD, says Blue Downs, Highbury and private black residential development alone are accounting for some 55 000 t of cement — worth over R6m a year at present

"If you take into account ongoing schemes such as Mitchells Plain, Strandfontein Village, Kleinvlei (at Eersterivier), Atlantis, Table View and Khayelitsha, economic housing schemes are clearly a bull point for cement demand in the western Cape at the moment

"Our fears were ill-founded since economic housing has more than compensated for the fall-off in sales to those big civil projects."

He says a new trend in the western Cape — and one which cement producers are watching with interest — is the strong upturn in private coloured residential development.

"Assisted by financial institutions, more and more coloured people are building their own homes in the western Cape."

(193)

6/12/84

SHARE SPOT

193
Star 7/5/88

D&H gets it together

LYNNE PEACH

B&H has lived through a rough patch, cleaned itself up, and looks all set to follow-up on its recent recovery with strong earnings growth

Just before the October crash, the share peaked at a price of 455c before tumbling to 225c Since then it has gained some ground to 280c, albeit a far cry from its 1984 high of 950c.

The trend, yet to be established, depends upon the restoration of shareholder confidence

D&H is an industrial holding company with its major asset being a 42% holding in Blue Circle, which manufactures and distributes cement, engineering and construciton materials In addition, the group is involved in a joint venture with Murray & Roberts to develop property on Woodbridge Island, Cape Town During the current financial year the group expanded by aquiring Rocla and certain busnsses of Soli Manufacturing and Vianini

Blue Circle contributes more than 50% to group results This company is made up of three division — cement, materials and engineering. The former is most important, while the materials division is fast gaining lost ground (its pre-tax profit is not yet at the levels attained in the early 1980s).

Price wars were mostly responsible for the decline, while the current growth is being spurred on by better demand for ready-mixed products and sand

The townhouse development project in Woodbridge Island is expected to succeed, especially as it is eight minutes from Cape Town and has a spectacular view of the mountains

MD Richard Bruyns says the benefits from this will only be felt next year. He explains that only about 40 out of a total of 340 units have been completed The rest will be built during the year.

Mr Bryns says there is a definite upswing in the industry He says the improvement in the construction game has been material, but the central issue is how long it will be sustained The capital-intensive cement division of Blue Circle should do exceptionally well if the upswing continues This will reduce the 40% surplus capacity and benefits should run directly to the pre-tax level

Mr Bruyns says the Competition Board's decision on dismantling the cement industry cartel has been extended to September 1988 If dismantled, certain companies will have a geographic advantage because the cost of transport is so high Mr Bruyns believes the cartel is more likely to be phased out, than suddenly dismantled

D&H recently ran into trouble after unsuccessful decisions and high borrowings, which caused the net asset value to collapse New management took the reins and began a clean-up operation

This included D&H selling its 76% interest in the construction concern, Group Five Mr Bruyns says this was a strategic decision to move the group out of direct involvement in construction, which is more volatile and cyclical Instead, companies that supplied the construction industry were acquired One of these is pipe manufacturer, Rocla, which tends to move ahead of the industry Another is Solid, which manufactures, among other things, door locks It tends to move at the end of the cycle The ultimate effect on D&H will be a smoothing out of fluctuations in performance. The acquisitions are also providing greater diversification away from heavy dependence on the performance of Blue Circle

The capital restructure was the final step in the reorganisation programme In mid-1987 there was a rights issue aimed at reducing group borrowings from R67,6 million (1986 year-end)

Shareholders were allowed to subscribe for 15 ordinaries at 220c for every 100 shares they held The total number of new shares on offer was 32,4 million, underwritten by Gencor This raised R71,3 million and increased the number of ords in issue from 28,2 mllion to 60,6 million It also paved the way for growth and put the company back in a dividend-paying position

Preference shares were converted to ordinary shares These shareholders had not received anything since the 49c payment in 1984 and it would take a few years before D&H could pay the 84c needed to ensure conversion Consequently, they were approached with a proposal to convert their shares into ordinaries on a 1 to 1,5 basis.

Management changes included the placement of ex-Powertech MD Hugh Brown in the chair and the appointment of Richard Buyrn as MD. Ownership was altered after the sale of D&H by Gencor to Malbak The rights issue increased the holding to between 55% and 60% The remaining 40% to 45% is in the hands of the public

The two latest results of D&H confirm that the group has found its feet and is in a position to achieve strong growth Earnigs in the 14 months to February 1988 amounted to 57,8cm (a loss of 14,6c in the year to December 1986) Turnover, however, appears to have declined in this period

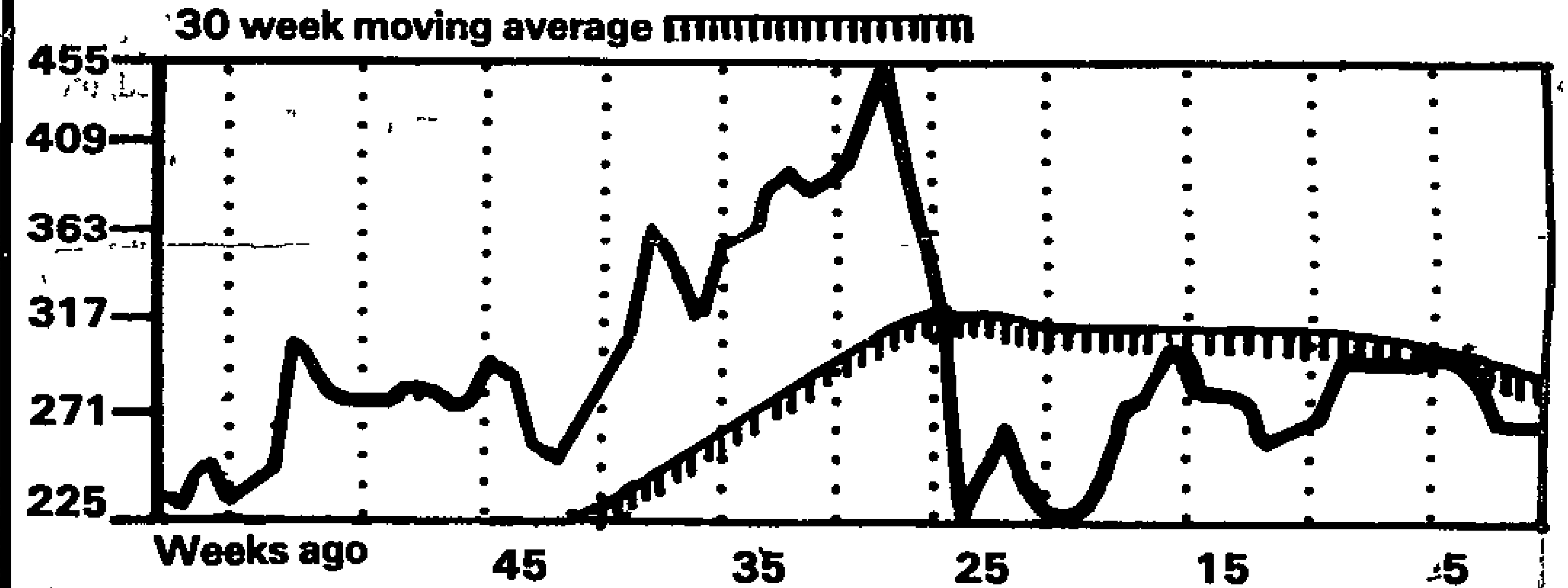
The balance sheet shows a strong financial position with gearingof under 10% at the end of February 1988

Mr Bruyns is optimistic about group prospects He expects solid growth in the current and next financial years

While D&H is in a position to make acquisitions, it is in no hurry Instead, it will look for attractive opportunities, perhaps when interest rates climb and squeeze cash flows In the meantime, the group will consolidate and try to restore shareholder confidence by building up an earnings track record.

The share price is currently 280c. On annualised earnings to February 1988, the P/E ratio is 5,6 This compares favourably with the industrial share average of 8,5 Brokers are expecting earnings for the year to be 55c to 60c This places the share on a forward P/E (August 1988) of less than 5 In view of this, and promising prospects, the share looks a good buy

D & H : WEEKLY CLOSING PRICE



The share price has tended to move sideways for the past four months, and has not as yet established a trend. On the basis of management's enthusiasm we must assume this will be upwards. Because it has been preceded by a period of consolidation, the price movement is likely to be relatively extensive. Another positive factor is that, for over a year, the share has tended to perform better than the JSE industrial index.

J.B. by Morris

PPC looks strong at half-way stage

Star 9/5/88

(193)

By Ann Crotty

Pretoria Portland Cement, the country's largest producer of cement and lime, has reported a 36 percent increased in earnings and a 56 percent surge in dividends for the 6 months to end-March. This puts it well on course to surpass management's annual report forecast for a "reasonable improvement" in earnings and dividends for financial 1988.

But management remains conservative for the full year performance and is looking to only a "satisfactory" earnings increase for financial 1988.

On a 17 percent increase in turnover to R261 million (R222 million) the group managed a 25 percent improvement in operating profit to R55,9 million (R44,8 million). This reflected an improvement in margins from 20 percent to 21,4 percent

This latest improvement in margins may be little comfort to a group that has seen them whittled down from 28 percent in financial 1985 to 22 percent in financial 1987. The weaker trend is attributed to the inability of the obtained price increases to absorb the rising costs of coal, railage and electric power.

But on the brighter side, at least margins are now moving in the right direction although the extent to which this is dependent on higher prices and not improved asset management will not please the building and construction industry.

The group's interest payments were down a sharp 53 percent to R2,6 million (R5,6 million). The balance sheet at end-March shows a substantial drop in long-term liabilities from R27 million at the end of financial 1987 to R16,8 million. Capital expenditure was also down sharply from R17,5 million at end-finacial 1987 to R5,8 million at end-March.

Increased activity in the construction industry helped to boost income from investments by 47 percent to R6,9 million

This contributed to the 37 percent increase in pre-tax profit from R43,9 million to R60 million. A slight reduction in the tax rate saw the taxed profit increase up 41 percent to R31,7 million (R22,5 million).

Attributable profit was up 42 percent to R31 million (R21,8 million), an improvement that was diluted slightly at the per share level by an increase in the number of shares in issue.

Earnings per share were up 36 percent to 79,6c (58,4c) from which a dividend of 25c was declared, 56 percent up on the previous year's 16c. Dividend cover has been reduced from 3,7 times to 3,2 times.

A divisional analysis shows that cement was the stronger performer, contributing R148,8 million (R121,8 million) to turnover and R34 million (R24,9 million) to operating profit.

The lime division saw turnover increase to R55,5 million (R50,4 million)

Business Report

PPC profits surge, div sharply higher

Gpt Tim ß 9/5/88 193

From LIZ ROUSE

JOHANNESBURG — Pretoria Portland Cement's (PPC) profits have surged with a sharp upturn in the construction industry in the six months to March.

PPC earnings are way ahead of market forecasts and the interim dividend has been raised by 56% to 25c from 16c — thanks to the higher profits and a decision to reduce the disparity between the interim and final dividends

Bottom-line profits are up 42% to R31m from R21,9m, equivalent to earnings of 79,6c a share compared with 58,4c previously — an increase of 36% after taking into account the dilution following the recent conversion of some of the outstanding debentures.

The strong interim results sprang mainly from a signficant improvement in the cement division's performance, a sharp drop in finance costs and an increase in investment income

The prognosis for the full year is a satisfactory increase in earnings over 1987.

Turnover for the six months rose by 17% to R261,2m from the previous comparable half-year's R222,4m — with the cement division accounting for most of the increase, thanks to higher volumes, prompted by increased economic activity

Group operating profit was 25% up from R44,8m to R55,9m.

It is clear from a divisional analysis in the interim report that cement margins were up in the half year, although Wrogemann points out that cement price increases were below the rate of inflation and, to a degree, offset by increased costs of administered services, such as railage

PPC's interest bill came down by R3m from R5,6m to R2,6m — a drop of 53%, reflecting the lower borrowings now that the bulk of the group's capex programme is behind it

Investment income rose to just under R7m from R4,7m, which Wrogemann ascribes to satisfactory improvements in the performances of associated companies.

Tax took R28,4m compared with R21,4m in the previous half year.

The balance sheet is even stronger than last year, showing that PPC is well poised to take advantage of any opportunities which may arise. Gearing is low, with the debt equity ratio down from 10,3% to 6,7%

Brick shortage rumours denied

Star 10/5/88

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There is no shortage of bricks to meet rising demand from the building industry.

This assurance comes from Mr L van Rhyn, president of the Brick Development Association, commenting on recent media reports suggesting that brick supply is being affected.

"Despite the fact the production has been lost because of severe weather conditions which have led to flooded clay pits, there is no shortage of bricks in South Africa," says Mr Van Rhyn.

"Out-of-stock situtions might occur in certain product lines in some areas but the overall picture indicates that we have in excess of 1,5 months reserve of bricks among association members."

The brick industry, which along with many other building industry-related suppliers, took a knock in the recession, still has more than 25 percent manufacturing capacity, which can be put into operation when the need arises.

Mr van Rhyn emphasises that with proper planning by construction men, brick shortages should not occur.

"Unfortunately, plans are frequently not passed on to the brick manufacturing industry in time to avert sudden delays when demand increases," he says.

"We are able to increase production facilities significantly, provided we are informed in good time.

"For example, there is often the builder in remote areas who might find there are suddenly no bricks and immediately he cries out about shortages.

"In fact, all he might well need to do is to go down the road to the next town and find there are adequate supplies.

"All people need to do is to work closer with brickmakers to ensure that there are no problems and that none will arise," says Mr van Rhyn.

An indication of the uninterrupted throughput of bricks by the member companies of the Brick Development Association is seen by in the fact that in January this year, there were more than 232 million produced, while in March, the figure was 233 million

Brick price rises lag others

STAR 17/5/88 (193)

Price increases of brick products in the Transvaal over the past five years have been well below the combined average increase of all other building materials, says LHA Management Consultants

The research organisation's comparative pricing analysis, undertaken on behalf of Corobrik, shows that from 1983 to 1988 the actual cost of bricks as a proportion of the total cost of a standard 120 sq m face-brick house declined from 13,5 percent to 11,8 percent For an economic house (60 sq m), it declined from 18,3 percent to 16 percent

In the same period, the cost of paint, exterior and interior, increased from 6,9 percent to 8,4 percent of the total cost of a 60 sq m house — an overall increase of 126 percent since 1983, against an average 70 percent increase for face bricks

The main objective of the analysis was to highlight the cost trend of brick products in relation to other building materials Key suppliers and users of timber, glass, sand, cement, bricks and other materials were also questioned.

bought up by Liberty Life

Boumat making a bid for Mewa

Star 14/6/88 (173)

By Ann Crotty

Boumat, which supplies materials to the building industry, looks set to take control of Mewa, one of the country's leading fabricators of stainless steel products

A cautionary statement has been made stating that negotiations are taking place, which if successful could result in the acquisition of Mewa by Boumat A further announcement is expected within two weeks.

If negotiations are successful then it may also result in the disappearance of Mewa from the building and construction sector of the JSE after just ten months of life in the public eye

Mewa went for a listing last September in order to raise money to fund the strong growth that management was forecasting. The group's results for the year to end-February showed earnings per share of 13,1c which were well ahead of the prospectus target of 11,5c. While actual turnover beat the prospectus forecast, operating profit was slightly lower because of the adverse impact that expanding production capacity had on margins

At the time that management announced its results, which was at end of May, there was little indication of a possible change of control. The directors were looking to further growth in financial 1989 on the back of buoyant conditions in the building industry as well as from increased expenditure on education and medical care facilities. In addition "With its upgraded production infrastructure, and strengthened sales and marketing resources in Johannesburg and Durban, the group is well positioned to increase turnover and earnings"

The initial reaction to the announcement has been favourable Since the time of the preparations for its listing last year, Mewa has made a favourable impression on most analysts who regard it as a very tightly run operation. However this impression was not reflected in the performance of the share price and after an initial surge to 125c from its issue price of 100c it eased back to trade below the issue level.

The only explanation that was put forward was investor concern about possible successors for Ernst and Eli Rabie who are joint MDs and are also major shareholders

A link-up with Boumat appears to make excellent sense. It will provide Mewa with whatever depth of management it may need and will enhance its growth potential. What remains to be seen is whether or not the Rabie family will be staying on.

Russia to market gold coins

Star 14/6/88

VIENNA — The Soviet Union has formed a joint venture firm to sell gold and other precious metal coins to the West celebrating events such as Russian Christianity's millennium, a senior Soviet official said on Monday

Eugene Uljanov, treasury division general manager at the Soviet Bank for Foreign Economic Affairs, told reporters that the firm would start selling gold, platinum, palladium and silver coins in October

The first coins to be issued would mark events such as the 1 000th anniversary of Christianity in Russia, as well the invention of the cyrillic alphabet and Russian architecture.

Uljanov, in Vienna for a world gold conference, said the firm, Mezhnumizmatica, was a joint venture of his own bank, the State Bank of the USSR and the Soviet-owned Ost-West Handelsbank AG which is based in Frankfurt. — Sapa-Reuter

Asset sale will reduce debt burden

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FSI-Waicor finally get restructuring under way

Star 24/6/88

By Ann Crotty and Magnus Heystek

An announcement on the restructuring of the FSI-Waicor group is imminent — some 10 months after the initial deal was conceived

Cause of the long delay is believed to be the R227 million debt raised by FSI to fund the acquisition of Waicor Originally the deal involved the purchase of Mannie Simchowitz's 47 percent stake in Waicor for R35 a share

This meant FSI had to fork out R105 million to Simchowitz At that stage although the offer was well ahead of the market price of R22,75, prospects for the enlarged group looked exciting enough to expect that most of the minorities would stay on board

But the collapse of the JSE just 10 days later ensured that the R35 per share offer to minorities would be snapped up This meant FSI was looking at a massive debt of R227 million

Jeff Liebesman

To Mr Jeff Liebesman, executive chief of FSI, this must have been a stroke of singularly bad luck as a booming equity market would have facilitated the deal much easier Any rights issues would have almost certainly been gobbled up by stock-hungry institutions and investors

There has been considerable disagreement between company sources and market analysts as to the annual cost of this debt The former have indicated, but not stated, that although it was used to buy shares, the debt has been made tax efficient which means an annual interest charge of around R13 million

However, analysts remain adamant that at this stage the group is looking at an annual interest bill for the Waicor acquisition of around R25 million

Against this, is an expected annual income from Waicor of about R10 million in the first full year

The difference between the two amounts has put most pressure on management to restructure the group and ensure that the debt is transferred from FSI to Waicor operating subsidiaries where, as one broker noted, it can more easily be offset against trading income

Sale of assets

This can be achieved by the sale of FSI assets to Waicor subsidiaries It would be pointless for FSI to undertake a restructuring without making asignificant reduction of around R125 million inits debt

What FSI assets are available for sale to W & A? — Form-Scaff and NatBolt If both were sold most of the debt problem would be resolved

But indications are that FSI management is keen that Form-Scaff remains as an unlisted 100 percent held company

Form-Scaff is rapidly on the way to becoming one of the world's top scaffholding companies A change in the nature of its ownership could attract unwelcome attention to its SA links and in addition any reduction in the 100 percent stake would dilute FSI's future income from this very lucrative operation

So, Form-Scaff is unlikely to be affected by the restructuring

This means the funds have to be raised through the sale of NatBolt And the feeling is that FSI could be looking for something in the region of R130 million for its 78 percent stake in NatBolt The obvious purchaser is Hunts, although the burden could be spread across Gentyre and Tarry

The R130 million is equivalent to about R26 per NatBolt share which is a 25 percent premium on the current market price and not far off its 12-month high of R33

The biggest problem facing FSI management must be how to persuade the shareholders of Hunts and its subsidiaries to pay the premium Part of this problem will be resolved through the purchase by W & A of AAF's 50 percent stake in Hunts at a price rumoured to be in the vicinity of R10 a share

This would leave London-based AAF, headed by Mr Simchowitz, with something in the region of £20 million available for the purchase of overseas assets and it would leave W & A with about 65 percent of Hunts and mean that there was less dilution of earnings and dividends to the pyramid company

Costly exercise

It will also eliminate the costly exercise of remitting dividends to AAF only to repatriate them back to SA, an almost futile exercise which last year cost close R500 000

Mr Simchowitz finds himself in the enviable position that, although he only has an indirect stake of 11 percent in AAF via an option, he can virtually dictate terms insofar as the deal relates to AAF and Hunts

According to rules on the London stock exchange minority shareholders can withold their blessing on any deal, thereby blocking it, unless they consider the terms sufficient This happened last month when the minority shareholders in AAF blocked the proposed deal whereby Mr Brian Joffe was to acquire control of locally-quoted property company Aurochs in which AAF has a stake

At the time of the deal Mr Simchowitz said he would agree to any deal on the basis of it being "financially viable"

This can mean only one thing A deal has been struck with the minority shareholders, and in particular Mr Simchowitz, of AAF

With regards to the minority shareholders, if FSI is looking for a significant premium on NatBolt then it is likely that most of the important minority shareholders have already been tested for their response

Conscious of the fact that there exists some concern about the quality of management in the Waicor-group, particularly after the departure of Mr Simchowitz initially and recently Mr Brian Joffe, FSI this week announced the names of the executive committee which will oversee the day-to-day running of the company

Brian Joffe

While the restructuring has almost certainly taken up most of the time of the various executives, much is expected from them once the restructuring is complete

Already there is some talk in the market of Gentyre acquiring Goodyear's SA operation

One significant, although at this stage not vital, detail worth looking out for will be whether the restructuring brings together NatBolt's subsidiaries, L Matus and Tarry It was with the intention of linking up these two operations that FSI first approached the W & A group some 10 months and R227 million ago

Liebesman gets the mix just right

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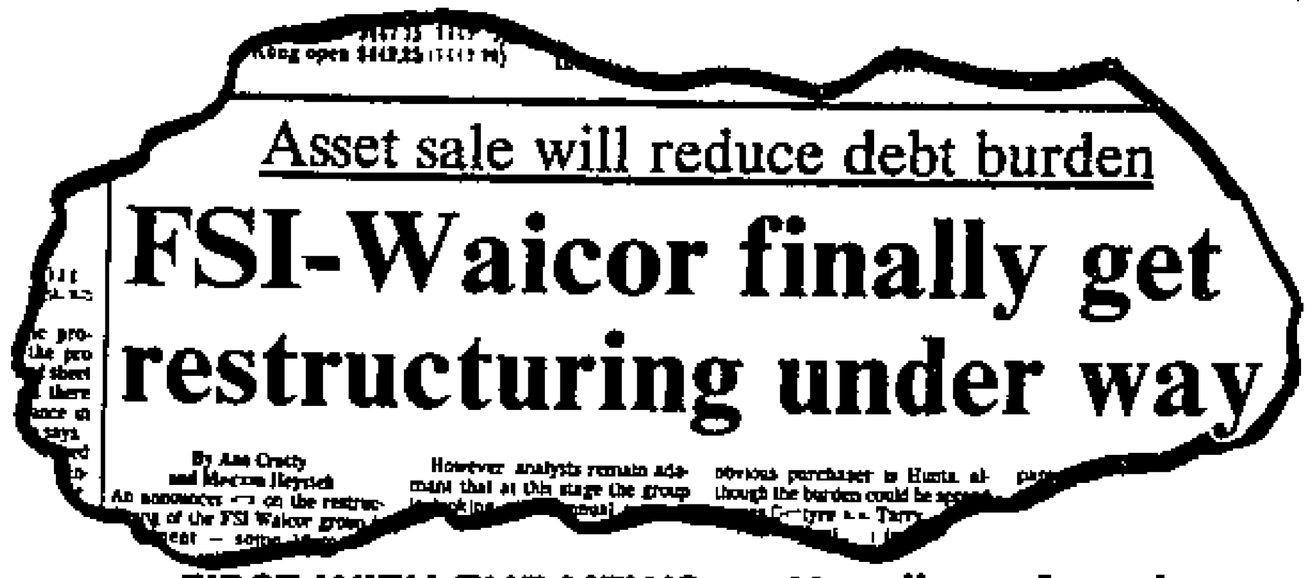


FIRST WITH THE NEWS — Headlines from last Friday's Star Business page

Magnus Heystek,
Finance Editor

Mr Jeff Liebesman, chief executive of the newly created FSI/Waicor conglomerate has achieved what he set out to do reduce the debt in the holding companies and spread it among the operating companies and refocused the trading entities into four clearly defined areas

Now its up to him and his chief executives, many of whom have their personal fortunes tied up in the various businesses, to make it work

The new grouping puts FSI among the top 20 industrial companies in the country — quite a jump from being a small, privately-owned scaffolding firm barely eight years ago

The reorganisation stems from the FSI acquisition of Waicor in September last year, barely weeks before the stock market crash The statutory offer to Waicor-minorities (which were snapped-up after the crash) resulted in FSI having to pay about R227 million for Waicor This increased FSI's gearing to unacceptably high levels and raised fears among analysts that FSI was experiencing a negative cash-flow

At the weekend FSI put this fear to rest All investment holding companies in the group are either cash neutral or have a cash surplus if the effects (and assumptions) of the reorganisation are taken into account, it said

Initial comment from analysts was favourable, although one or two drawbacks were pointed out The next few weeks will tell how the market, and particularly, the institutions will react

The details of the restructuring are very much in line with that forecast in The Star on Friday

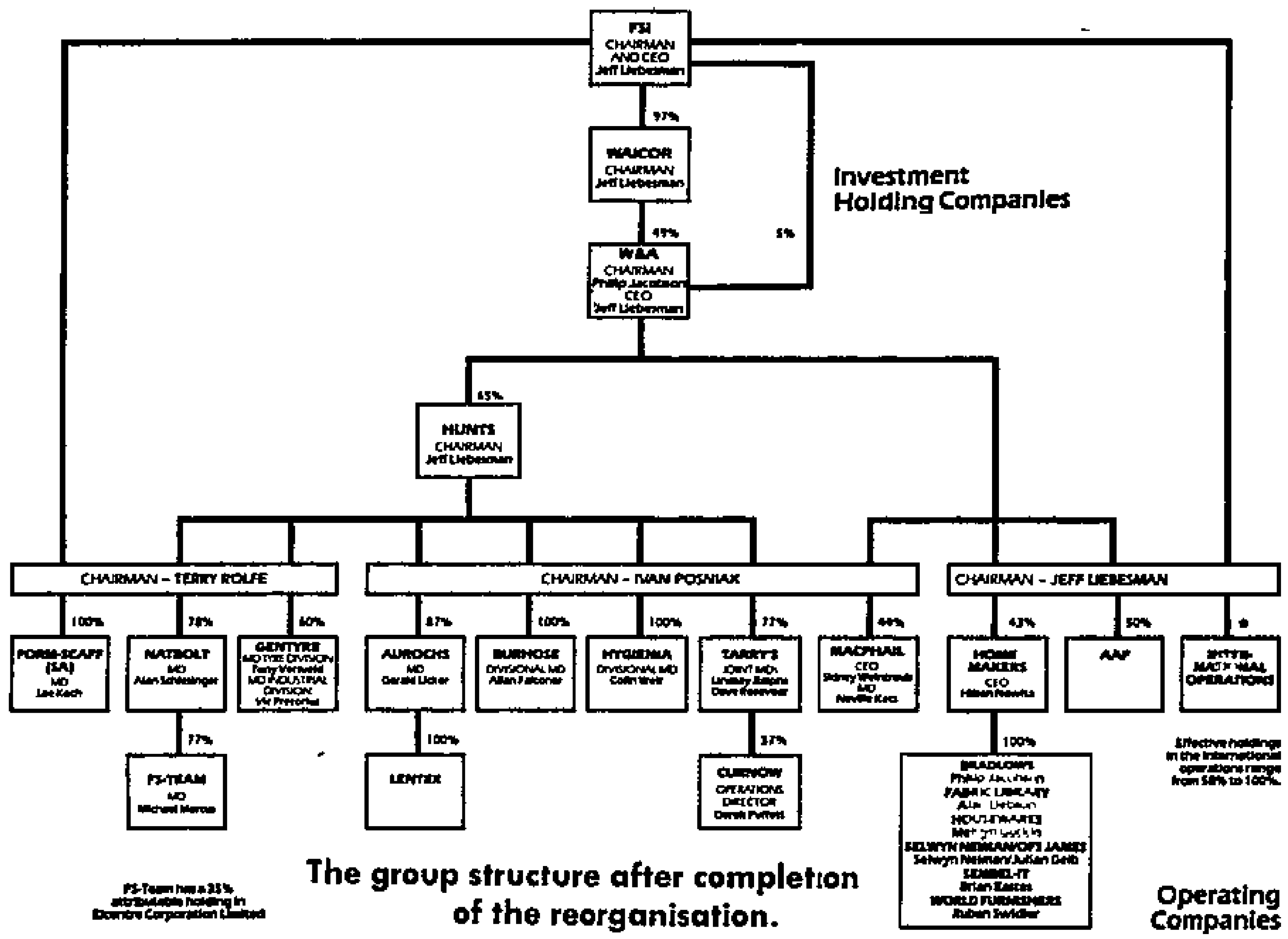
- Hunts becomes the major industrial holding company for most of FSI's South African interests (see chart)
- W&A becomes the immediate holding company of Hunts after the acquisition of an additional 50,01 percent from London-based subsidiary AAF at a price of £12 million
- Released from its South African interests, AAF becomes W&A's international arm with approximately £24 million in cash at its disposal This international link effectively makes W&A a currency hedged stock
- Several rights-issues are planned that will entail an injection of R121 million from minority shareholders

After nearly ten months of number crunching and deliberation FSI, in conjunction with two local and one overseas merchant bank and five stockbroking firms (one British), have concluded that were the reorganisation in place on January 1 1987 the earnings per share of the various companies in the financial year to end-December 1987 would have shown substantial increases

The net tangible asset value of the shares would also have undergone radical change FS Group increasing by 47 percent to 127c, FSI by the same margin to 254c, Waicor by 5 percent to 1762, W & A by 6 percent to 4311c while Aurochs' remains constant at 545c a share. The nav of Hunts drops by 26 percent to 553c but the directors have asserted that with the inclusion of Hunts' goodwill (on which a value of at least R105 million was placed before the write-off) the net intrinsic value of Hunts is at least 809c a share at December 31 1987

Crucial to FSI in particular is that gearing (consolidated interest-bearing debt as a ratio of shareholders' interest) drops from 61 percent to 42 percent while that of W&A rises from 14 to 24 percent, Hunts from 10 to 28 percent, both well within acceptable limits

Hunts which, after the reorganisation, has ordinary shareholders' interest of R226 million (before R121 million) and assets of R624 million, has been singled out as the vehicle for take-overs among disinvesting foreigners



The group structure after completion of the reorganisation.

SABS warning on bricks, blocks

Star 28/6/88

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False claims by some cement brick manufacturers about the quality of their products has led the South African Bureau of Standards to issue a warning

The bureau says that although some samples submitted by brick and block manufacturers have been approved by the SABS, it is only those samples which have been checked and this does not entitle producers to claim that the whole of their present and future production batches have the bureau's stamp of approval

According to the SABS, the best way to ensure that cement bricks and blocks are being manufactured to acceptable standards is to buy from a factory which has been awarded a permit to use the standardisation mark of the SABS on its products

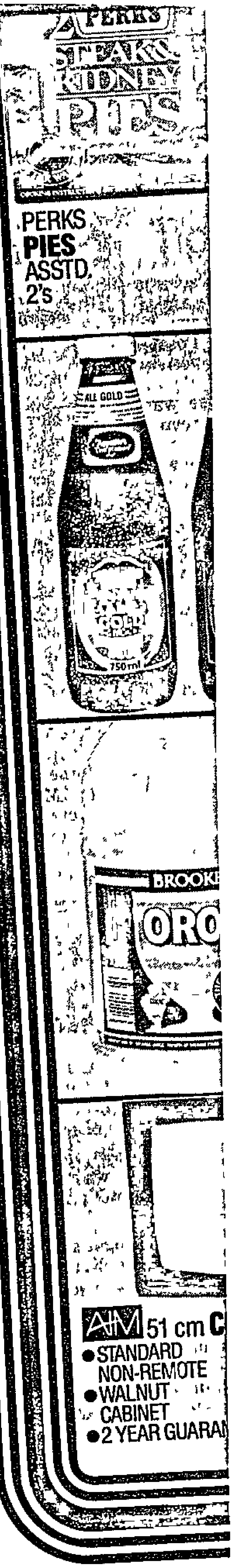
This mark means that routine daily and weekly tests in accordance with SABS specifications are being conducted on the products by the factory and monitored by bureau inspectors

These factories may display the SABS mark of approval on their invoices, delivery notes and advertising material

Prospective buyers from factories not operating under the SABS mark scheme can make use of the consignment testing service offered by the bureau

On lots of a certain size, samples are taken at the factory or building site and tested by the SABS

However it is illegal for anyone to use an SABS test report to promote the sale of cement bricks or blocks Test reports refer only to specific consignments of materials and not the general output of a manufacturer



Star 28/6/88

Liebesman gets thumbs-up from top market analysts

(193)

By Magnus Heystek

Stock market analysts came away from a meeting with FSI-chief executive Jeff Liebesman yesterday generally positive about the prospects of the newly reorganised FSI/Waicor grouping

The reaction of analysts and institutional investors are paramount to the success of the various rights issues in the pipeline The meeting also cleared up certain misconceptions regarding the cash-flow of the various holding groups which were seen to be negative prior to the restructuring

"Hunts is the immediate beneficiary in the whole restructuring and is grossly undervalued at present," one analyst said after the meeting While Hunts would have earned 149c a share (up 21 percent from the actual 123c) had the reorganisation been in place since January 1 last year, this particular analyst is now predicting earnings a share of at least 250c for the current financial year, which ends on December 31 1988

For a dividend he is forecasting at least 65c which at the current price of 800c makes the share very cheap

The market seems to have made a similar conclusion with more than 17 000 shares in Hunts trading yesterday, in contrasts with a paltry 750 in W & A

W & A will enhance its image by becoming more of a rand-hedged stock due to its 50 percent holding in London-listed AAF Although only approximately 15 percent of its earnings will come from AAF, this will provide it with sufficient off-shore income to qualify as a rand-hedge In a scenario of further rand-weakness this is bound to be eventually appreciated by investors

AAF, which now has more than £25 million in cash at its disposal, can be expected to be fairly vigourous on the international front It is the stated desire of Mr Liebesman to develop AAF into a major off-shore operation

But the main beneficiary in the long-run still seems to be FSI itself, what with a substantially lower gearing and more than sufficient cash-flow from its operating subsidiaries to trade away the remaining debt

FSI earns more than 40 percent of its income abroad, and although not much is known about the quality of these assets, they will provide FSI with a handsome cushion in times of currency weakness

FSI also attracted some interest with the price moving up 10c to 710c a share on fairly active volume This was more in reaction to the absence of a rights issue by FSI than anything else, one analyst indicated

SHARESPOT

STEV 2/7/88 (193) (88)

FSI offers value for money

LYNNE PEACH

Last September, FSI surprised all by announcing its acquisition of an effective 50% of W & A

At the same time, Brian Joffe (former CE of W & A) said a major challenge would be to tighten up W & A which was "a little unfocused" It took only eight months for FSI to come up with a new master structure which, as expected, largely focused on shuffling interests under the W & A umbrella The emergent, more sharply defined group, plans to change its name from FS Industries to FSI Corporation

The market reacted positively because the share price rose to 725c Two months ago the price started losing ground and fell from 740c to 675c At current levels, the historic P/E ratio is 10 Although somewhat above the industrial average of less than 8, FSI appears deserving of a premium rating A major reason is the rand hedge status it affords — about 40% of group attributable income comes from its international interests

FS Industries and its pyramid FS Group stand at the head of a group of companies that are focused on basic industries worldwide The primary concentration is on industrial organisations, consumer/retail businesses, international operations and the ownership of properties (the majority of which are occupied by group companies) It serves the full spectrum of the SA economy, from the mining industry to the family More specifically, FSI has 97% of Waicor, 5% of W & A, 100% of Form-Scaff (SA) and an effective interest of 58% to 100% in international operations A notable change is that the engineering concern, National Bolts, is no longer directly held by FSI (attributable holdings reduce from 78% to 27%)

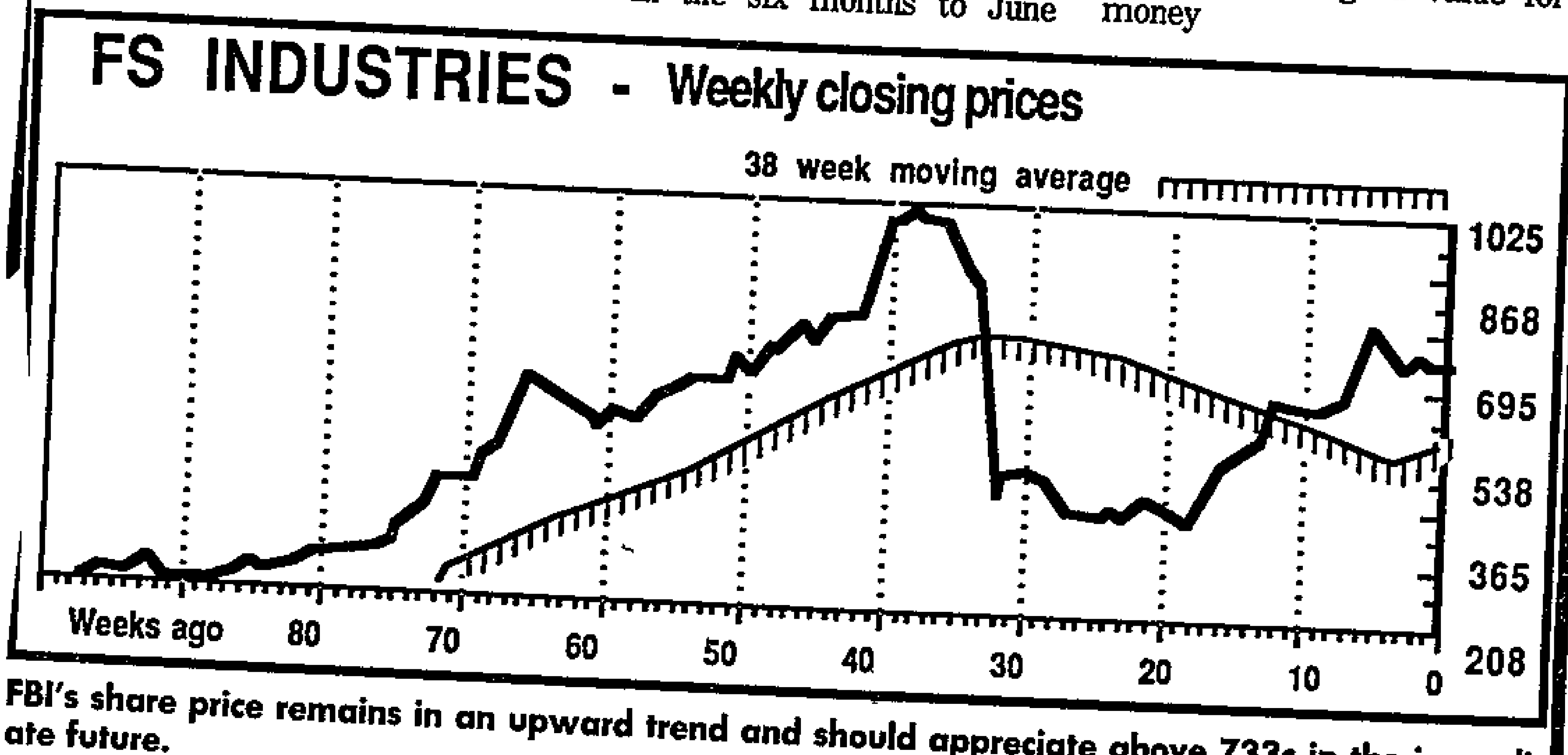
The reorganisation of W & A included its acquisition of a 50% shareholding in Hunts which will become a major industrial holding company in the FSI group It embraces JSE listed Natbolt, Gentyre, Aurochs and Tarrys (also listed in London), and unlisted Burhose and Hygenia Besides Hunts, W & A also has a direct interest in MacPhail, Homemakers and AAF Investment Corporation (listed on the London Stock Exchange)

In the six months to June 1988 (before the reorganisation takes effect), it is expected that W & A, National Bolts, Form-Scaff and international operations will each contribute roughly a third to group earnings Thereafter, W & A will probably account fora more substantial 50% of the total earnings of FSI

At the end of 1987, FSI had a debt.equity ratio of 61% After the reorganisation this reduces to 42% and, according to policy, will not rise above 60%

FSI will be changing its financial year-end from June to December Earnings for the 12 months to December 1987 amounted to 72c, a noteworthy rise on the previous year's 28c Stockbrokers are expecting interim earnings (June 1988) to approach 50c and the dividend to close in on 15c The total earned in the 1988 year is expected to be approximately 100c, with dividend cover of about 3 times

At a price of 725c, the forward P/E ratio (June 1988) is estimated at 7,9, and on expected earnings for the full 1988 year is calculated at around 7 Especially in view of its rand hedge quality, the share appears to offer good value for money



FBI's share price remains in an upward trend and should appreciate above 733c in the immediate future.

BUSINESSMAN OF THE WEEK

Seeing hard decisions pay off

By DICK USHER
Business Staff

TAKING on and turning round a company that's losing money requires courage and determination — and some luck

Bill Paverd, MD of Continental China, has had to display both attributes to go along with some luck since he took over Continental China in July 1984, taking hard short-term decisions for the long-term good

"We were losing badly when I arrived here and it was a matter of survival planning, not strategic planning It's only in the past year that we've been able to look ahead and start planning for growth and development," he said

As a wholly-owned subsidiary of Federale Volksbeleggings, financial figures are confidential, but in those years company turnover grew 3,4 percent in 1984/85, 32,7 percent in 1985/86, 20,7 percent the following year and he is anticipating about 28 percent for 1988/89

Badly hit

When he arrived, after 20 years "in lime" the industry overall had been badly hit by dumping of cheap Chinese imports Within the company, staffing levels were too high, lines were being produced that were costing the company money and for 27 months at a time when inflation was 18 percent and interest rates hovered round 25 percent there had been no price increases

At the same time he realised that two important elements — financial controls and quality control — were not working for Continental China

"They had gone out of the company and what I did was to fix them," he said "It was mostly a matter of letting the team get on with the job."

The turnaround also required some hard decisions to cut costs as a step towards returning Continental China to profitability

"We had to do a lot of traumatic things," said Mr Paverd, some of which led almost immediately to a confrontation with the South African Allied Workers' Union and an introduction, at a time when he needed it like a hole in the head, to modern industrial strife

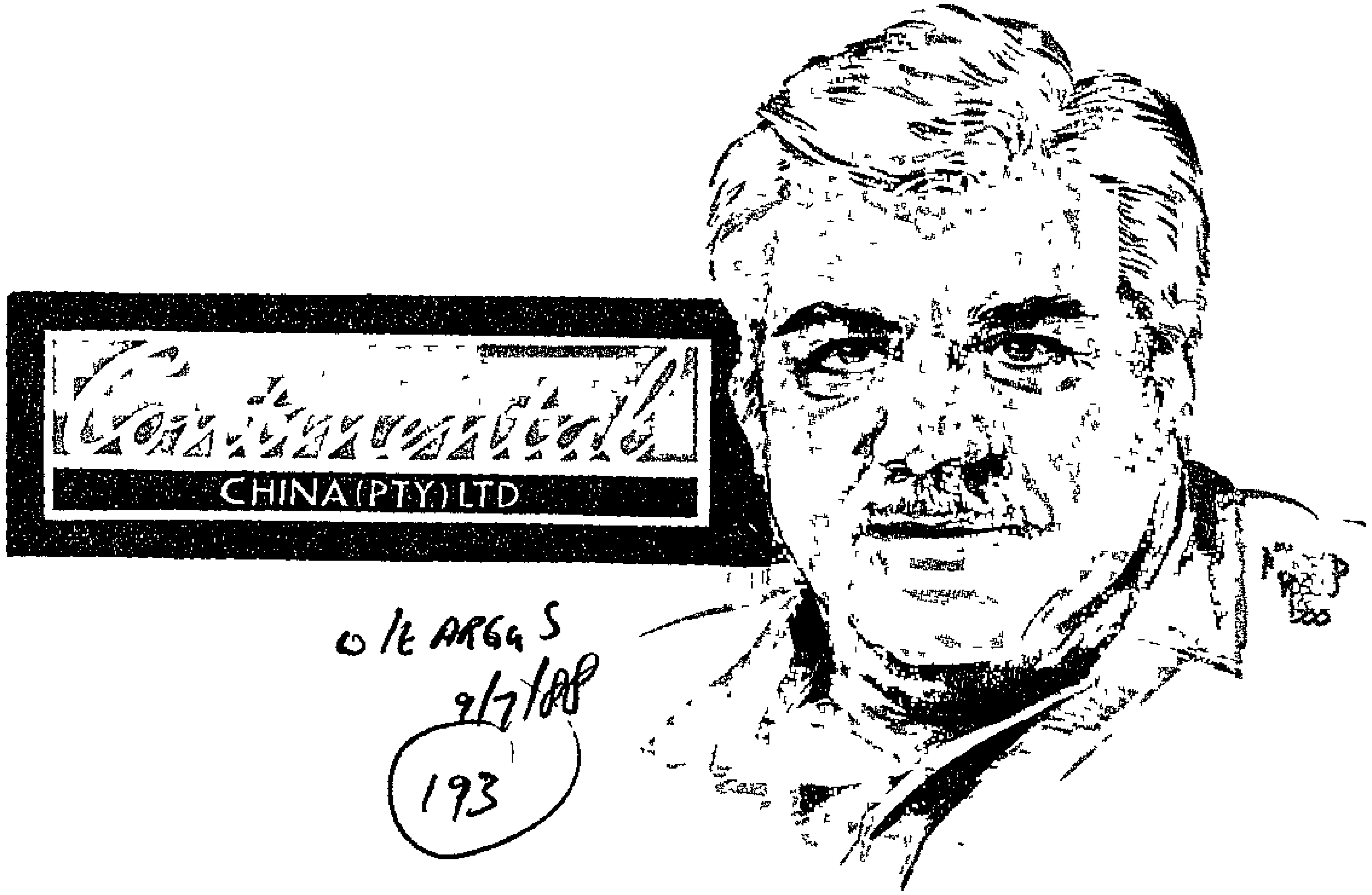
He had to go back on some existing commitments about wages and working conditions and, eventually, close one of Continental China's four plants.

Staffing levels were cut from a high of 1 960 to 1 057, but since matters have improved have climbed back to 1 492

"Those were tough decisions because we lost some very good people right across the board, from top to bottom," he said

"Standing up at the Grahamstown plant and telling people that it was closing was exceptionally hard knowing the level of unemployment in the Eastern Cape"

The turnaround was helped by the imposition of dumping duties on imports from China and around the same time the rand crashed, making imports more expensive and Continental China more competitive.



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9/7/88
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Bill Paverd . . .quality a way of life

"There's always an element of luck and for us those things happened at just the right time," said Paverd

At the same time the product range was streamlined, production was rationalised and in some cases moved to a different factory

In it all he sees himself as a catalyst rather than a reagent

"It's been a team effort and what I have is a facility for welding people together, for letting the people who know what needs to be done do it"

Traumas

The development of a working relationship with the union since the early traumas has also helped

"Business today is all about cash flow and industrial relations," said Mr Paverd

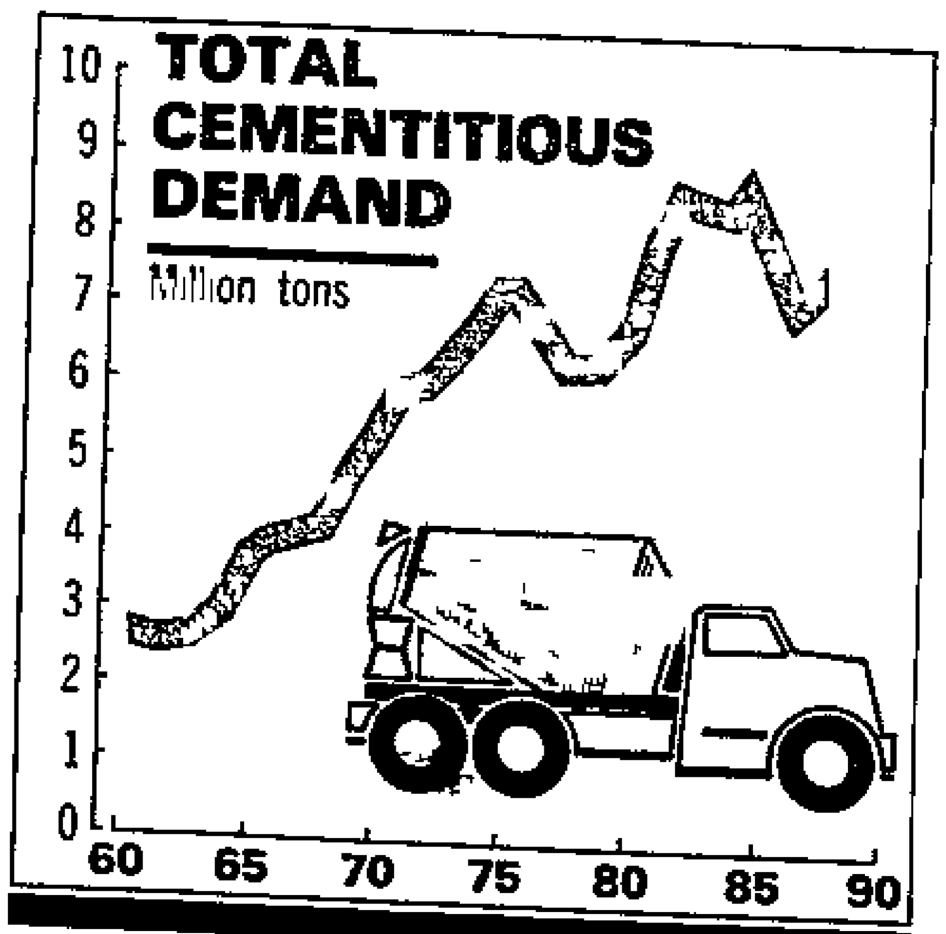
"People relations would be a better term We're an equal opportunity company in an equal opportunity group and we pay a lot of attention to training and treating people with dignity

"We handle everthing according to agreed procedures and have put management and middle management through extensive training in people relations," he said

Mr Paverd also reimplemented and revamped quality control systems to maintain customer faith in Continental China's products

"We had systems but some of them had fallen down and it was a matter of reimplementing them

"In a business like this quality must be a way of life We have to build pride of quality into our people so that we can provide customers with quality," he said



Cartel applies to board

HELOISE HENNING

(193)

THE cement industry has applied to the Competition Board to have its cartel legitimised after having been ordered to stop its collusive practices by September

The cartel, which consists of Pretoria Portland Cement (PPC), Anglo Alpha and Blue Circle, fixes prices and market share PPC has 45% of the cememt market, Anglo Alpha has 35% and Blue Circle 20% They meet regularly to discuss pricing and their shared Cement Distribution Association

PPC's financial director Chris Wrogemann said the industry had applied for complete exemption as a cartel He said if competition was introduced to the industry — which has been fixing prices since its inception — it would result in the fertiliser industry scenario where producers disappeared through price undercutting

The cartel is awaiting the board's decision, expected in August with the release of its findings after an overseas study tour The original findings were

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Cement industry applies to board

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part of a package of recommendations on businesses which practised price collusion, among them the liquor and pharmaceutical industries

Meanwhile, the construction industry has been awash with rumours that the three cement producers have been talking to each other about merging.

All three producers have denied the rumours and said chances of achieving a monopoly were minimal given the strict attitude of the board

PPC director Charles Hollmann said the rumours may have arisen because there had been a rationalisation in production That happened when one company reached its production quota limit and called on another producer in the area to meet its demand

The cement industry has not recovered the turnover it had in 1981 since the drastic drop in the market during 1984. Production levels at this point are comparable to those in 1979 with demand close to eight-million tons Production capacity is about 25% unused

Wrogemann said, however, there had been a 10% upturn in demand compared with last year

The PPC Dwaalboom plant near Rustenburg, completed in 1981, is still in mothballs until demand picks up

"This is one of the the benefits to the consumer of the cartel We have not built into the cartel's price our need to see a return on our Dwaalboom investment. In fact, ROI in the cement industry is low. Our company only has about a 13,6% ROI."

Blue Circle beats market expectation

STAR 22/7/88

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By Ann Crotty

Higher volumes helped boost operating margins at Blue Circle and were a major contributory factor in its being able to surpass profit expectations for the six months to June

On a 29 percent increase in turnover to R227 million (R176 million), Blue Circle boosted operating income by 76 percent to R48,4 million (R27,6 million) This represents a surge in margins from 15,6 percent to 21 percent Group financial director Angus Morrison says the increase in volume was achieved in all divisions and that this resulted in better utilisation of productive capacity

Given the important contribution cement makes to group profit (somewhere in the region of 50 percent), it is likely that the biggest boost to the improvement in margins came from this division where industry volumes are believed to be up by 10 percent This has led to a significant improvement in cement capacity utilisation, from around 60 percent in financial 1987 to 70 percent currently

Sales at the cement division have benefited from price increases in the order of 10 percent since June 1987

The directors say the major contribution to the profit improvement "flowed from materials and engineering divisions, while the cement division continued to operate efficiently and benefited from volume increases"

Finance charges were down 21 percent to R8,3 million (R10,5 million) If it had not been for a sharp increase in the tax rate, from 16 percent to 45 percent (including an allowance for deferred tax), which was equivalent to R18 million (R2,8 million), the group would have been able to report a twofold increase in earnings

Despite the heavier tax burden, Blue Circle managed an excellent 45 percent improvement at earnings level to R25,5 million (R17,6 million) This is equivalent to 92,8c a share (64c), from which a dividend of 30c (20c) has been declared

Management is forecasting earnings for the full year of 200c (151,2c), with market conditions expected to continue at current levels in the second half Given the strength of the first-half performance, earnings of at least 210c a share seem attainable

Farther down the line, volumes of cement sales are expected to hold up into the first half of 1989, with the consequent benefits to capacity utilisation and operating margins But the second half could suffer some weakness in demand

Cement cartel cries 'foul'

193 Sowetan 24/7/88

By Don Robertson

CEMENT industry fears are growing that its pricing and delivery cartel will be abolished in September.

It has applied to the Competition Board for exemption

The three major producers — Pretoria Portland Cement (PPC), Anglo-Alpha and Blue Circle — are worried that if they are forced to compete, cement prices will rise to cover the additional cost of setting up marketing and distribution divisions

Thereafter, however, prices could decline to the benefit of the consumer, but it could make additional investment in production facilities unprofitable As a result, if sales continue to rise, shortages which could hamper the construction industry might arise

In terms of a Competition Board agreement, the delivery and pricing cartel has been allowed to continue until September after claims that it is beneficial to the consumer The board is due to meet in August to reassess the position

With a total capacity of about 11-million tons, the industry is operating at about 65% of capacity and can meet an increase in demand

However, a factory could cost up to R500-million to construct and if any additional risk is involved, such as a decline in cement prices, finance could be difficult to raise

PPC's R200-million Dwaalboom plant in the Transvaal was mothballed before it produced a ton of cement because of the decline in the market two years ago The plant will not be reopened this year and probably not in 1989 either

However, in spite of the cartel, industry chiefs do not agree on prospects for the market

Charles Hollman, commercial director of PPC, says industry sales this year will probably rise to about 8,5-million tons from 7-million last year

Ronnie Searle, deputy managing director of Anglo-Alpha, says sales will be about 7,7-million tons this year

Mr Hollman says that cement prices will be raised by about 7% in October There was a 7% increase in May The increases reflect the rise in the cost of coal and rail tariffs

Mr Searle says sales volumes picked up in August last year and in the first six months of this year, sales have increased by between 11% and 12% However, he expects sales for the year to rise by about 10% and continue at this level until the end of next year

The programme to build sub-economic and affordable homes in various parts of SA is expected to boost sales The Lesotho Highlands water project and the Mossgas development are not likely to add to sales this year

Anglo-Alpha is operating at about 70% of capacity, excluding the production available from mothballed plants

The company has also increased the sale of blended cement, which is mixed with slag from Iscor or ash from Eskom

Mr Searle says that even if Government allows the cartel to continue, "we will never be the same again"

"We will always have to be on guard as the Government could change its mind on the cartel at any time"

There is also little chance of increasing exports as rail tariffs from most factories to the coast are about R30 a ton This compares with cement prices of about $25 a ton in Europe

Time-share sales rocket

MORE than R3-million of sales has been achieved in the July season by Durban-based developer Ovland Timesharing.

Top sales were at the new luxury beachfront resort Coconut Grove

Cape Town's Bantry Bay and St Michael's Sands on the Natal South Coast, contributed well above budgeted amounts.

Managing director Trevor Coppen says the industry is entering a new, more mature and competitive phase.

Total sales were nearly R100-million in 1987-88 — a boom year — but Mr Coppen believes rapidly increasing development and marketing costs will depress profit margins.

CEMENT CARTEL

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Is the end near?

29/7/88

Government sources believe the Competition Board (CB) will apply the brakes to the cement industry's cartel at the end of September

But CB chairman Pierre Brooks says the matter isn't as clearcut as that The board will meet on August 10 to discuss the issue and will report to Administration and Privatisation Minister Dawie de Villiers He will make its findings known

The CB's opposition to the cement cartel is well-known Brooks says "It isn't in dispute that the CB does not like the way the cement industry operates But the industry argues there are special circumstances that warrant complete or partial exemption from the provisions against horizontal collusion

"The cement industry will have to convince the board it should be allowed to operate as a cartel But the minister will have the final say"

The industry argues that putting an end to the cartel would lead to increased cement prices as producers would be forced to set up separate marketing and distribution operations

CB officials recently visited other countries to see how cement industries operate there Brooks says the CB is sensitive to the disruptions which could be caused by ending the cartel, so it allowed the cement industry

to use several "escape clauses" in the legislation to apply for exemptions

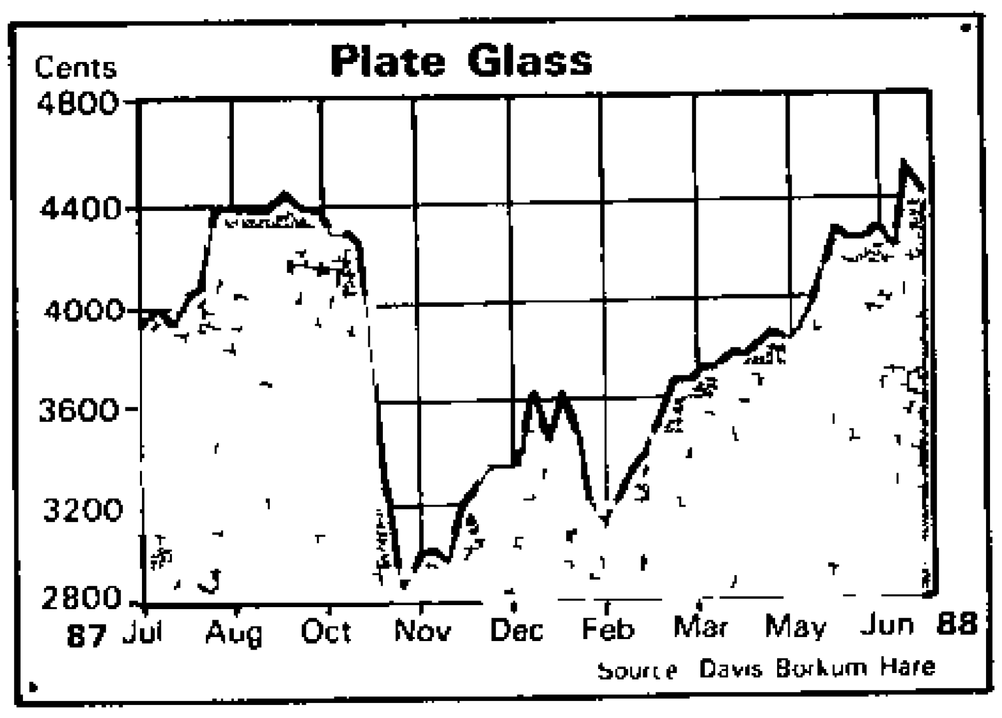
"We always intended to phase in the prohibition of monopolies and cartels smoothly That's why we allowed them to apply for extensions of six months and a year," says Brooks "The cement industry was given several" The current one expires at the end of September ■

must come *Andrew McNulty*

PLATE GLASS 193

Warning of snags

The Lubner brothers are concerned They forecast a further improvement in profits from last year's record high, but they warn of a host of possible snags They are not alone in this — practically every company reporting these days cautions that government's latest curbs on credit could slow turnover growth And outside the country there is a growing danger of political action against SA firms



Activities: *Glass manufacturing, processing and selling glass, timber, board and aluminium products*
Control *Placor has 49,7% of the equity Placor s largest shareholder is Liberty with 30,4% The directors own 24,4% of Placor*
Executive chairmen: *B Lubner and R Lubner*
Capital structure *6,5m ords of 50c each 0,5m "B" 6,5% non-red cum prefs of R1 3,75m 8,5% red cum prefs of R1, 6m variable rate red cum prefs of R1, 6,4m "B" variable rate red cum prefs of R1 Market capitalisation R733m*
Share market: *Price 4 450c Yields 4,2% on dividend, 9,0% on earnings, PE ratio, 11,1, cover, 2,2 12-month high, 4 600c, low, 2 700c Trading volume last quarter, 157 000 shares*
Financial: *Year to March 31*

	'85	'86	'87	'88
Debt				
Short-term (Rm)	63 4	85 1	123,0	159,1
Long-term (Rm)	74,8	99,3	129,0	129,7
Debt equity ratio	0,44	0,50	0,75	0,66
Shareholders interest	0 47	0 43	0,35	0,36
Int & leasing cover	3,50	2,38	5,17	5,31
Debt cover	0,64	0,50	0,45	0,51

Performance

	'85	'86	'87	'88
Return on cap (%)	16,4	12,6	13,9	16,5
Turnover (Rm)	1,15	1,57	1,68	2,32
Pre-int profit (Rm)	127,0	120,2	137,5	204,2
Pre-int margin (%)	11,0	7,6	8,2	8,6
Taxed profit (Rm)	54,4	51,9	71,9	96,7
Earnings (c)	201	203	305	401
Dividends (c)	105	105	145	185
Net worth (c)	15,0	17,1	19,4	24,5

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FM 29/7/88


Plate Glass's Lubner . . . low profile abroad

Last year, foreign operations provided 64% of Plate Glass's (PG) sales and 50% of its earnings That contribution is an irresistible rand hedge, which helps explain why the share price is currently only a touch below its 12-month high Though times are not normal and SA-owned firms face growing problems abroad, there is no pressing need to ignore PG's rand-hedge attraction

Several options are open to avoid the problems of being SA The most extreme would be for PG to follow the example of Rembrandt and hive off its off-shore interests South Africans would remain as shareholders, but growth through acquisition would gradually whittle away the proportion of the off-shore firm owned by investors here

The other obvious tactic is to maintain as low a profile as possible Competitors are generally SA firms' worst enemies PG realises this and will run its foreign businesses so as not to antagonise competitors That implies a fairly unaggressive approach to the market and acceptance of a comparatively low market share

At home and abroad, a repositioning is in progress The aim is to get as close as possible to the final consumer and to withdraw from major contracting businesses The Lubners expect PG eventually to become the largest company in the world specialising in motor glass replacement Again, though, that will need to be a low profile development

In SA, the glass division experienced strong demand in the latter part of the financial year and it is expected to continue well into this year Presumably this will swing the earnings mix back towards SA as current developments abroad are designed to generate long-term rather than immediate profits.

The timber products operations are in much the same position Abroad, politically motivated hassles are increasing and the chairmen are concerned that sanctions could cut earnings They appear more concerned about the timber division than the glass division Timber products provided only 41% of group sales last year and 30% of earnings, so the greatest effect of sanctions seems likely to be on the least important division. At home, on the other hand, better demand has led to improved plant utilisation and, for the present, the domestic market could make good any declines abroad.

The share's market rating owes more to its perceived rand hedge attractions than to immediate growth prospects SA consumer demand is uncertain, while foreign sales have not yet been affected by the expected international recession A less favourable rating is not out of the question *Jim Jones*

Gypsum industry being probed

SKr 24/7/88

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By Des Parker

DURBAN — The Competition Board is to put another major sector of the building materials industry under the microscope when it launches an investigation into the gypsum industry.

With the cement industry sweating under the threat that its pricing and distribution cartel could be abolished in September, the Government has ordered an inquiry in terms of the Maintenance and Promotion of Competition Act into Gypsum Industries, which mines gypsum to make moulded products and board.

A notice in the Government Gazette this month invited written representations with reference to any restrictive practices and monopolies in the gypsum industry to be sent to the Competition Board by August 7.

Pierre Brooks, chairman of the board, says the investigation differs from the cement study in that it is being conducted in terms of the Act, while the cement inquiry was instituted after the crackdown on collusion and price-fixing ordered by the Government a few years ago.

The cement cartel warned at the weekend that scrapping its inter-company arrangements would result in higher prices.

JSE-listed Gypsum Industries is the only manufacturer in the country of products made from gypsum. It holds an estimated 80 percent of the market for ceiling and plaster boards, out-selling its competitors manufacturing with wood, plastic and asbestos-cement.

Dr Brooks says: "We would be more concerned with any finding that there is an abuse-of-a-monopoly situation, rather than that there might be a monopoly, per se."

The Act allows for the board to recommend to the Minister of Trade and Industry that an industry be demonopolised

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...nded June 30 and the directors
..., profits and dividends further
...an Pietman Hugo, said in Paarl

...e past financial year there now
... and he expected this trend to

...AR 29/7/88

...erate improvement in econom-
...ich ended on March 31.

...oup increased it's income, after
...reserves, by 40 percent from

...ased from 40c to 42c. — Sapa.

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CEMENT CARTEL

Twisting government's arm

The cement cartel has struck a powerful blow for political lobbying by persuading the Competition Board (CB) — and ultimately government — to exempt it from anti-collusion legislation

This week's announcement by Administration and Privatisation Minister Dawie de Villiers that the cartel has won its two-year fight for exemption is seen in some quarters as a climb-down by Pretoria

The CB is known to have initially opposed exemption As recently as last month government sources said they expected the CB to rule against the cartel However, from the very beginning, senior CB officials admitted privately that intense behind-the-scenes lobbying could influence a decision

Anglo Alpha deputy MD Ronnie Searle says "We made sure our voice was heard at the highest government levels."

CB chairman Pierre Brooks confirms there was lobbying at senior government level but insists the decision to grant exemption was the CB's alone. "There has been no pressure on us from government to do anything "

The cartel — comprising Anglo Alpha, Pretoria Portland Cement (PPC) and Blue Circle — has won exemption on all counts. market sharing, horizontal price collusion and collusion on conditions of sale.

The CB says the exemption is not a licence to profiteer The board will continue to monitor producers' profitability and pricing structure Brooks says it will reconsider its decision if the cartel abuses its position. He argues. "It's much easier to revoke an exemption than to put a cartel back together again. To disband a cartel such as this is irreversible This way, we can rectify and correct "

The cartel has made some small concessions of its own Brooks says producers have promised to reduce the role of the Cement Distributors' Association so consumers can buy direct from the factory.

"We also asked them to look at an appropriate discount structure That was last year and they undertook to do so. In our official notification to the cartel of our decision, we will tell them to adhere to that "

Searle adds: "In consultation with the board, blended cements, such as those extended with ash and slagment, have been excluded from our market-sharing arrangements "

For the cement industry the CB decision is a triumph of vested interests. Searle says "Cement is a strategic industry, and is especially important when it comes to dealing with the backlog in low-cost housing

"We can't afford to be held to ransom by imports "

The CB adds it is convinced the end of the cartel would have no long-term impact on price Brooks says "In the short term, there might be a price war but this could lead to the demise of at least one company, leading to shortages in the long term " He adds that a dogfight might also lead to at least one, and possibly two, producers being forced out of the market or taken over. The end result would be a monopoly, rather than a controllable cartel

Such an outcome is unlikely, considering producers' financial health. The R3bn industry is in a very sound state, with all three producers reporting excellent results It has grown fat in spite of overcapacity PPC's 600 000 t Dwaalboom plant, commissioned in June 1985, has never been used.

An alternative outcome, says Brooks, would be the replacement of a formal cartel, with the informal variety "Often cartels are replaced by an informal collusion arrangement and we would be hypocritical to abolish the cartel and turn a blind eye to such arrangements."

So far, he says, the industry has acted responsibly and price increases have been lower than for other building materials Indeed, he adds that there have been cost savings because of the centralisation of distribution, services and marketing

None of which will convince those who believe that if you have a policy of open competition in a free market, you should stick to it — and not be sidetracked by special interests Government sources say that, whatever the cement cartel's arguments, the exemption of such a powerful group is seen as a watering down of government's commitment to competition

Whether or not the cartel's lobbying was what decided the issue — and it's hard to believe otherwise — Brooks is quite correct when he says "We always knew that whichever way we decided this, we would be criticised " ■

In the public interest, says Competition Board

Cement industry gets exemption as a cartel

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BDay 23/8/88

BRUCE ANDERSON

THE cement industry cartel was yesterday granted exemption as a cartel by Competition Board chairman Pierre Brooks.

He said, in his opinion, the termination of the cartel would not be in the public interest

Brooks said the exemption he granted to the cartel — consisting of Pretoria Portland Cement, Anglo Alpha and Blue Circle — came after the board unanimously recommended granting it

The board considered an application from the cartel on August 10, in which the board was asked to exempt the cartel from the prohibition regarding horizontal price collusion, horizontal collusion on conditions of sale and market sharing

Brooks said the board had investigated certain aspects of the cement industry on two previous occasions

"In September 1981 the board found no reason for government action against the cement industry and recommended that price control be abolished

"In March 1984 it was found that the restrictive practices were not, on balance, against the public interest at that stage," he said

Brooks said the cement industry had, over the past two years, taken concerted steps to increase the degree of competition in the industry

Any termination of the cement cartel could not be viewed in isolation from a number of aspects, he said

These aspects were "the existence of spatial monopolies, vertical integration, such as the producers' interests in cement distributors, joint ventures such as Natal Portland Cement, the production of slagment and the purchase of fly-ash, the location of raw materials and the most important markets, and the long distances cement has to be transported, together with the disadvantageous volume/value ratio of cement"

Cement industry cartel to stay

23/8/88

The competitions board has granted the request of the cement industry (Anglo Alpha, Blue Circle and Pretoria Portland Cement) for exemption from the prohibition regarding horizontal price collusion and horizontal collusion on conditions of sale and market sharing

The board's recommendation follows an extensive and prolonged investigation which included a comprehensive study abroad

Dr PE Brooks of the Ministery for Administration and Privatisation said the industry had, over the past two years, taken concerted steps in consultation with the board to increase the degree of competition in the industry "In view of this and other factors I am of the opinion that the termination of the cartel will, on balance, not be in the public interest"

In March 1984 the board found that the restrictive practices were not, on balance, against the public interest at that stage — Sapa

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Ready for use ... but brick production is changing

BRICK PRODUCTION FM

Lowering sights

Like their cement cousins (see **above**), brick producers are starting to lower their sights The difference is in the level of reduced expectation

Demand for bricks appears to have reached a plateau after growing steadily since last year. Production capacity utilisation at Corobrik, for example, has increased from 58% in June 1987 to 82% now. But the industry is cautious.

Corobrik is already committed to reopening facilities in the Free State and Natal but has no plans to open further plants, says Keith Nurcombe, national sales manager of holding company Toncoro

The Redhill plant in Durban, which has been closed since mid-1985, is scheduled to reopen this month and will produce 65m bricks a year The Odendaalsrus A plant in the Free State will open to increase capacity in the goldfields region from 8m to 25m.

Nurcombe says. "We don't get clear signals from the building industry on future demand so our crystal ball is very cloudy. It would be foolish to reopen a factory only to find we had overestimated demand and then have to dismiss the workforce "

The alternative has been to keep low stocks and risk shortages Stock cover has fallen from 65 days to 30 days.

Demand for bricks from the traditional upper and middle white residential and non-residential markets has declined, he says But this has been more than compensated by the upsurge in black, coloured and Indian housing and, in particular, the replacement market

"We've had to move our product range towards cheaper bricks. Demand for housing in black areas doesn't fluctuate with interest rates and economic confidence in the same way it does in the white community."

At the Sasolburg concrete plaster brick plant, production has been reduced from five machines to four. Corobrik Transvaal MD Brian Waberski expects further declines as the economy slows down but adds "There should be some overrun in the building industry as plans which have already been committed are carried out We may not see a significant fall-off before the middle of 1989 " ■

193 9/9/88

CEMENT INDUSTRY (193) FM

Back to business

Celebrations in the cement industry, since the Competition Board agreed to exempt the cartel from anti-collusion legislation (*Business* August 26), have been short-lived

The industry faces a slowdown in cement demand because of the latest government measures to curb the overheating economy

The demand for home building, especially in the white market, has diminished and high interest rates are expected to reduce capital projects.

Says Cement Producers' Association CE Vincent Bray: "Demand was growing by 10% for the first half of the year, compared to the first half of 1987, but we expect overall demand for the year to increase by only 6%."

This will bring cement sales up from 7,02 Mt in 1987 to 7,44 Mt this year — still a long way from total industry capacity of 12 Mt.

9/9/88

Of course, thanks to the cartel, poor demand doesn't mean lower prices Bray says prices aren't related to demand but to cost Higher transport tariffs from Sats, which account for 40% of final cost, and increased power costs have been the main reasons for price rises Labour costs are not very significant

SA Federation of Civil Engineering Contractors (Safcec) executive director Kees Lagaay says the cartel should take more notice of demand "We're told we should be grateful cement prices have risen slower than the inflation rate But why should all price increases be pegged to CPI? Cement producers make excellent profits even though times are tough for customers in the construction industry"

Meanwhile, reaction to exemptions from collusive practices is starting to surface The law is designed to prevent market sharing and price collusion, yet several offenders — such as pharmacists, advocates and now cement producers — have been let off the hook

The coal industry, which has seen the ending of the domestic marketing activities of the Transvaal Coal Owners' Association (TCOA), has written to government demanding an explanation.

Says a senior coal industry source "This can only be seen as an inconsistency What makes it worse is that the cement cartel is a monopoly, while non-TCOA coal producers account for more than 30% of the local market."

Cement industry spokesmen claim not to have any special lobbying power. Says Pretoria Portland Cement commercial director Charles Hollmann: "The *FM* implied that we have special access to government, yet it didn't consider that we had convinced them with sound commercial arguments.

"The end of the cartel could lead to price reductions in the short term but they wouldn't last if a company had to withdraw from the market. And we would have to delay modernisation and replacement of plant if there was no stability in the market. Moreover, we can lower our costs by sharing marketing and distribution networks.

"If we were competing against each other, transport costs would soar and it would not necessarily lead to lower prices. You can't expect textbook economics to work in all cases."

Lagaay says Safcec doesn't necessarily want a free-for-all, but there is a need for more price competitiveness "They seem to have got away scot-free"

That's certainly a feeling others share.■

PPC profit buoyed by cement division

Star 4/11/88

193

By Ann Crotty

A strong performance by the cement division made a major contribution to PPC's 49 percent increase in attributable profit for the 12 months to September

The figures for the full year show that the second six months were even stronger than the solid performance reported in the first half

The directors say "The company again showed its traditional upturn in the second half, in which R47,7 million — just over 60 percent — of the year's earnings came in"

At the interim stage the directors were not risking their credibility when they said they were looking for a "satisfactory" earnings increase for financial 1988 They regard the actual performance achieved as "most satisfactory"

On a 25 percent increase in turnover to R588,8 million (R470,9 million), the group lifted operating income 38 percent to R142,9 million (R103,9 million) This reflects a strong improvement in operating margins from 22 percent to 24,3 percent, which, in turn, reflects the higher capacity utilisation in the cement division

The group is making rapid progress in getting back to the 28 percent margin achieved in financial 1985

A reduced level of borrowings enabled the group to cut its interest bill by 30 percent to R6,3 million (R8,9 million), despite the higher interest rate environment This, combined with a doubling in investment income to RR14.8 million (R7,4 million) and an unchanged tax rate, left taxed profit showing a 48 percent surge to R80,3 million (R54,2 million)

Earnings per share, on an increase in the weighted number of shares in issue, were up 46 percent at 202c (138,3c), from which a dividend of 100c (60c) is being paid

Financial director Mr Chris Wrogemann says the increase in profits "reflects the combined benefits of a more active building and construction industry and a sharply focused programme to improve operating efficiencies"

The cement division increased sales by 30 percent and pre-tax profit contribution by 46 percent Sales in the lime division were up 15 percent (marginal in real terms) and profit contribution rose 21 percent

Diagonal Street column and more company and other financial news.
Pages 18 and 19.

Search for a cheaper brick is bearing fruit

Star 7/11/88

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HOPE

By Norman Chandler

The search for alternative methods of building walls to cut housing costs is beginning to pay dividends — and the cement and soil block business is now worth more than 15 percent of the R800 million brick-and-block business

The biggest brick-making concern in the country is now manufacturing what it calls an economical brick, a Zulu tribesman is making a soil and cement block in a remote part of Natal, and a soil brick manufacturer has just been given a standards certificate to go ahead with production.

Their innovative building inventions are all part of the campaign, launched by The Star, to House our People (HOPE)

Corobrik Transvaal has started to market what they term "an attractive, versatile and cost-effective", brick, known as a Jem A single brick replaces two plaster and face bricks normally required in conventional building

It is being used on five housing contracts involving the construction of 4 400 homes at Alexandra, Duduza, Soweto, Ennerdale and Welkom

The new brick is said to speed up the building process, and conforms to all national building regulations It has been given a certificate of strength by Botswana's Material Testing Services at the request of the Botswana Technology Centre, attached to the University of Botswana

Since information on the soil brick was first publicised in The Star as part of the HOPE project, enquiries about the product have been received from all over the country and from Swaziland, Lesotho, Lebowa and Gazankulu

A spokesman for soil brick manufacturer Uniform Systems Marketing says his company is to soon build 24 houses for the Botswana government at a new development near Gaborone.

Home building costs are also coming down in the "Table Mountain" Tribal Authority area near Maritzburg, in Natal, with the opening of a block-making business.

A Zulu builder, Mr Enoch Ngubo, and Mr Des Staniland, new developments procurement manager for the Urban Founation housing utility company, Azalea, are experimenting with cement and soil blocks

Mr Ngubo expects to produce about 2 000 blocks a day, employing about 40 people.

The sand material at the site is said by the two men to produce a most acceptable block with a smooth plaster finish.

Mr Ngubo said this week, "I expect there will be a major switch from wattle and daub homes to the more sturdy and longer-lasting block-built homes in this area"

Strong Saficon revises year's target upwards

Star 8/11/88

193

By Ann Crotty

Saficon, which operates primarily in motor retailing and has investments in the building materials industry, has reported a 50 percent increase in turnover and an 89 percent surge in operating profit for the six months to end-September

Earnings per share shot up 84 percent to 105c (57c) and the interim dividend was increased 54 percent to 17c (11c) a share

First half performance was strong enough to encourage management to revise its full year earnings' forecast from 169c to 187c a share, while the dividend forecast is revised from 49c to 54c This puts the share on a prospective price/earnings rating of 2,7 times and a a dividend yield of almost 10 percent

According to the directors the performance in the first six months should more than offset the effects of the expected slow down in the economy

On a turnover increase to R616,8 million (R422 million), the group lifted operating profit to R32,7 million (R17,3 million) at the interim stage, reflecting a sharp improvement in margins from 4 percent to 5,3 percent

A 58 percent increase in earnings from associates managed to compensate for much of the 89 percent surge in net interest (after tax and preference dividends) and left attributable earnings showing an 81 percent advance to R18,8 million (R10,4 million)

The directors note that the higher interest bill is a result of the group carrying R18 million fixed assets to finance vehicles under rental agreements of finance leases "Arrangements with the group's bankers exist to realise these assets when the funds are needed" This situation is reflected in the balance sheet as a massive surge in net loans from R17 million to R47 million And in turn in the increase in gearing from 20 percent to 43 percent (The 43 percent remains well within the group's target level of 75 percent)

Cementation slashes debt and increases dividend

Star 4/11/88

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By Magnus Heystek

A sharp drop in interest charges boosted the bottom-line of the Cementation Company, a holding company active in specialist construction and engineering, in the year to end-September 1988

Ultimate controlling company of the Cementation Company is Gold Fields of South Africa

Turnover increased by a pedestrian 15 percent to R314,2 million, net income before interest and tax increased by 28 percent to R17,7 million, suggesting improved margins

A substantial drop in long-term liabilities from R20,2 million to R13,4 million led to a reduction of 25 percent in net interest paid from R5,4 million to R4,1 million

Despite a sharp upturn in the tax charge from R3,9 million to R6,4 million (an increase of 62 percent), the net earnings still managed an excellent increase of 88 percent to R5,9 million (1987 R3,1 million)

Earnings per share rose by about the same margin (87 percent) from 46c to 86c a share while the dividend has been increased by no less than 91 percent from 22c to 42c a share.

The balance sheet looks particularly sound with shareholders' interest rising from R45,4 million to R48,3 million with long-term liabilities down to R13,45 million (R20,2 million)

esday November 15 1988

Brick bottleneck eliminated

Star 15/11/88

With the build-up of the informal building sector gathering tempo, the country's biggest brick producer, Corobrik has launched a new distribution strategy which will make supply easier

A change in the pricing structure, too — there will be no impact on the cost of bricks — will also be a boon in stocking back-up service

Under the new set-up the black builder will get bricks where he needs them and when he wants them

Corobrik is breaking away from two price lists — one for the trade and one for retail — and combining both under one price which will carry volume and trade discounts

"Our aim is to encourage distribution and stocking of bricks by distributors and merchants who are best placed to service the informal sector and small buyer of bricks," says Mr Brian Waberski, managing director of Corobrik's Transvaal operation

There will now be a time-and-cost saving for the small builder who will no longer need to go to the factory but will deal directly with a distributor, who in turn, will benefit through discounts

"The increase in home ownership in the black market has brought major changes to the building industry," says Mr Waberski.

"Large numbers of new contractors have entered the market, leading to a dramatic upsurge in the volume of small transaction brick purchases"

Corobrik has established a network of appointed stockists who will be encouraged to offer a wide range of its products and to ensure that the small builder gets top service

"We have also decided to base all future prices on the retail price schedules which have been in existence for a year," says Mr Waberski

"Off this price list all customers will be granted discounts based on the volume of their orders The recommended retail price list will come into effect on December 5

"The new pricing structure will not affect the price to our existing trade customers and consequently, there will be no impact on the cost of building"

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Building boom boosts cement

CapeTimes 1/12/88

Financial Staff

PRETORIA Portland Cement, SA's largest cement and lime producer forecasts higher profits helped by an active building and construction industry

PPC will show further earnings growth in 1989 but the projected growth will not match the 49% increase in earnings in 1988, which came from a low base in the previous year, according to PPC chairman John Hall

"On balance, we believe 1989 will show a satisfactory improvement," he tells shareholders in his first statement as chairman

"Assisted by continuing demand in the low cost housing and informal sectors of the market, we expect the building and construction industry again to be very active next year"

This is confirmed by large construction firms servicing several civil engineering projects, who report a high level of activity which will maintain growth in cement offtake, Hall notes

The lime division is also expected to show growth, and associate companies' forecasts look promising

Reviewing a year in which PPC increased its after-tax profits from R52,8m to R78.7m — and paid a best-ever total dividend of 100c, Hall says increased cement volumes, higher investment income and a reduced interest burden were the major contributors to the company's performance

Cement demand in South Africa in 1988 was 12% up on the previous year A further improvement of some 7% is seen for 1989

He says PPC's strong cash flow will permit the internal financing of capex of R72m in 1989'

13/12/88 B/Day

Penpin builds up Transvaal stake

193

RIDING high on its successful rights issue, Cape-based building materials chain Pennypinchers is consolidating its foothold in the Transvaal

By Ian Smith

The acquisition of the Craig Hardware Stores chain increases the number of Transvaal outlets to seven and it puts the enlarged group on target for turnover of more than R200-million in the year to December 1989 Turnover in 1987 was R64,3-million and this year it is expected to be R115-million after better-than-expected performances from existing stores

The group's expansion in a sector with high promise has not gone unnoticed by the market Penpin's 59,1% increase in the share value to 180c this year makes it the best performer in the JSE retail and wholesale sector

Liabilities

The 37,5% increase of 80%-held subsidiary Penboard since January to 105c makes it one of the top three performers in the Development Capital Market

Last week's simultaneous rights offers by Penpin and Penbord to raise R6-million were more than 90% subscribed, putting the group in a strong ungeared position to fund growth The rights offer also gave established PG Bison a 25,1% stake in Penpin

The Craig Hardware acquisition will give Penpin three outlets and responsibility for Craig's liabilities, says Penpin financial director Percy Bishop

Stores in Craighall Park and Ferndale are expected to be major cash outlets and the third, near Lanseria Airport, will serve Johannesburg and Pretoria and will become the group's main bulk boards and building materials distribution centre in the Transvaal

"It is ideally situated to serve our existing branches in the Transvaal," says chairman Fasie Malherbe

The new trading operations have a turnover of R35-million a year and three valuable properties, including 150 acres at Lanseria, are included in the deal

Projected turnover for the Transvaal alone next year is at least R48-million says Mr Malherbe

"By the end of this year Penpin shareholders interests will be over R14-million Net asset value will have risen from 51c a share at the end of last year to more than 80c," he says

19/12/88 (193)

Lubner brothers reshape their offshore interests

Bottom Line

MICHAEL MENOF

The Plate Glass Group trades on four continents without disclosing the extent of its international business Joint executive chairmen Ronnie and Bertie Lubner say that "the multi-national nature of the group continues to expand but our shareholders remain South African"

This is odd as in the latest annual report there is a company called Famco, where the joint executive chairman and two other directors hold 15,43 percent of Solaglas International NV, the company which holds all the group's non-SA glass interests Solarglas Int controls operating companies in Australia and the UK and previously the US

Now the non-SA glass interests are being rearranged and the agreement dated March 29, 1979 is being amended The majority of Famco's capital is personally controlled by the Lubners and two additional directors — Messrs B Brodie and PS Markiles The four hold an option until July 1, 1988 to increase their present stake of 15,3 percent to 25,7 percent in Solaglas Int.

Famco can ask Plate Glass to acquire its interest in Solaglas Int at ân auditor's valuation under certain terms and conditions. If Plate Glass sells its interest in Solaglas Int, then Famco has the option to follow suit This is hardly likely as the Lubner brothers and partners have a nest-egg outside the country.

Convenient

How convenient but how can they wear two hats and how do shareholders view this situation? No one is saying Just where are the investments held and why do four directors hold interests personally off shore which they are now busy rearranging A director's fiduciary duty is to seek shareholder approval where they are benefiting personally but even if they do get such approval, is this fair to all? It seems there is much cloak and dagger dealing and understandably so with sanctions sensitivity

However, with a net asset value of R20,63 per share and a current JSE market value price of R48, clearly investors appear to be enjoying the ride and are happy to be kept in the dark Below the line major adjustments reflect Plate Glass's policy decision to withdraw from major contracting activities both in and outside the country Record results were achieved in 1988 but debt has also risen

Turnover of R2,32 billion (1987: R1,68 billion) yielded operating profits of R204,2 million (R137,5 million) Net interest expense has increased to R30,24 million (R21,99 million)

After deducting SA and foreign tax R77,21 million (R43,63 million), share of asociated companies income R8,76 million (R8,73 million), outside shareholders' interest R37,88 million (R28,47 million) and the pref dividend of R1,64 million (R1,91 million) the bottom line totalled a record R65,99 million (R50,24 million)

Net non trading items below the line of R5,57 million (R12,29 million) seemed insignificant but closer examination revealed a R37,79 million surplus on realisation of investments including subsidiaries and associated companies less a R12,55 million deficit on discontinued operations and R31,37 million goodwill written off No details are furnished for these large write-offs Earnings per share were 400,6c (305c) and the dividends upped to 185c (145c)

The geographic and divisional contribution is essentially unaltered say the Lubner brothers In Europe and North America, the group is reaffirming its position in consumer glass markets It could become the world's biggest single business specialising in the automotive replacement glass business and its sectors

The joint chairmen warn that the long term developments in the foreign operations will not contribute to earnings in the immediate future but rather the reverse

In the wood division the PG-Bison merger experienced strong demand in both its domestic and export markets Mouldings and Frames International was successful In the non-SA arena the manufacturing and merchandising division reported substantially improved earnings

The legal claim relating to the acquisition of DIY was settled at R1,4 million

Partnership arrangements have been internationally developed for the board industry and are expected to bear fruit in 1989 with start-up costs already absorbed Political pressures are being innovatively overcome to keep imports open

Ordinary shareholders' interest has risen to R339,75 million (R282,83 million) at end-March 1988

With pref capital and outside shareholders' interest the capital position totals R509,9 million(R437,27 million) Total debt has risen to R288,78 million (R252,05 million) with all foreign loans fully insured

Loans containing restrictive covenants relating to borrowing and shareholders' funds have been complied with The net assets and earnings of certain foreign subsidiaries and associated companies are subject to foreign exchange control regulations No details were furnished for the covenants or forex regulations Working capital is virtually unchanged at R170,82 million (R182,79 million)

The joint chairmen forecast a positive domestic economic outlook for the glass and wood divisions that should enable similar SA earnings growth to last year

Outside SA, development costs will hinder earnings with a lesser improvement resulting Little is said about the so-called expanding international nature of the business which is understandably sensitive to currency fluctuations One can appreciate the need for secrecy but the Famco directors seem to be keeping their options open

Management has an obligation to shareholders and should not have the option of sitting on the fence, if anything happens to SA Directors emoluments were high at R4,24 million (R3,23 million).

MANUFACTURING — NON-METALLIC MATERIAL

1989

Concurrent Registration

FGDA8 The Senate may permit a candidate to register concurrently for the degree of Bachelor of Business Science or the degree of Bachelor of Commerce (Honours) and the Graduate Diploma in Accounting.

4.

S/Times 1/11/89

Cement producers in drive to cut truck overloading

By Ian Smith

193

THE cement industry has taken the lead in a drive to cut the high cost of road damage caused by overloaded vehicles

A study by the CSIR's Alex Visser has shown that overloaded heavy vehicles cost South Africa about R150-million a year in damage to the road network

A code adopted by the SA Cement Producers' Association to prevent overloading of cement trucks will come into effect at all plants and depots from today

It will remain in force until new legislation is promulgated, says a Sacpa spokesman

The code, which gives maximum loads and drawings of vehicle designs and axle configurations, will be displayed at all loading points

"In the past hauliers have just arrived and said 'fill it up'," says the official

Cement haulage has moved steadily to road transport Ten years ago 65% was moved by rail and the rest by road Today more than 65% is carried by road The problem has been compounded by "amateur" hauliers, including farmers, who carry cement as a return load

Sacpa says the industry has adopted the code in response to recommendations by a commission of inquiry convened by the National Transport Commission

The commission was set up three years ago to "investigate and report on the transport of cement by road from cement factories in the Western Transvaal"

It recommended intensification of legislation covering cement haulage by road and that approaches be made to provincial authorities to simplify regulations on overloading

"After the recommendations the Public Carriers Association appealed to Sacpa members to refuse requests to overload vehicles

"This was agreed to, provided an easily understandable code of practice to prevent gross overloading was drawn up by an independent body

"The code has been drafted by the CSIR's roads division and is being applied at all cement factories and depots"

Has Lucem a finger in too many pies?

Star 2/1/89

193

Bottom Line

MICHAEL MENOF

In Lucem's latest annual report, chairman Mr Solly Krok says the group has once again turned in a commendable performance, reaching a new record earnings level and completing three succesive years of growth in earnings per share.

Why then has the JSE market price continued to slide from R1,65 a share 20 months ago to only 38 cents at present? The new asset value per share has climbed to 53,6 cents at end March 1988 and for the second successive year dividends were paid

Does the group lack a well defined strategy or is it too involved in too many industries?

The group is heavily committed in mining through its engineering and allied interests but it also dabbles in brick manufacturing in the Transvaal, motor spares and accessories, manufactures and supplies gas produced from coal and coal by—products to domestic and industrial users in Cape Town and sells laboratory equipment.

Then there are the associated companies — a 20 percent stake in Bruma Lake Development now changed to a long-term property investment and 50 percent in metal abrasives manufacturing iron shot.

Clearly this mixed bag of investments is lacking single-minded focus by managament Some make profits and others hold back the group.

Now there's the tax man in the background With the hefty tax losses almost used up, future earnings will be reduced by the resumption of tax payments.

Sales climbed to R86,96 million (1987 R75,86 million) with operating income R12,48 million (R9,11 million). A net interest gain of R1,08 million (R492 000) meant income before tax of R13,55 million (R9,6 million) The associated companies produced a loss of R9 000 (1987· Profit R15 000) and pref dividends were R292 000 (R286 000)

Earnings for the year totalled R13,25 million (R9,33 million) giving earnings of 17,7 cents (12,5 cents) a share Despite the accumulated loss to date of R6,79 million (1987:loss R17,01 million) ordinary dividends (1988:4 cents — 1987:3,5 cents) were again paid. The 42 percent growth in ordinary earnings excluded any profit from the Bruma Lake Development, which is a mystery.

The first phase has been completed ahead of time and the undisclosed financial results met budget. The second phase. Fisherman's Village is set to start and there is talk of a third phase The investment is turning long term so the group is not accounting for profits at interim stages Could this mean losses ahead?

The engineering and allied companies produced operating income of R9,59 million (R7,04 million) Margins are under attack and the engineering operations will have difficulty achieving 1988's growth

Poor capex planning caused Brick Manufacturing to miss the unexpected and sudden upturn in demand. Operating profit was only R523 000 (R254 000) Provided demand is maintained brick operators should be a major profit contributor in 1988/88, says management

Motor spares and accessories produced operating income of R880 000 (R363 000) suffering from greater competition and pressure on margins

Capegas's profitability was severely eroded by severe, undisclosed cost escalations. The problems are serious and an operating loss budgeted for 1989 Unless a long term solution can be found, Capegas's future is in jeopardy.

The marketing and trading results of NT Lab Supplies were disappointing and management changed

Heavy capex of R9,58 million is planned for 1989 (1988 R2,78 million) to expand the iron and steel foundry.

Should the company not be concentrating on the money-spinning engineering and allied industries?

A revised management plan appears necessary and investors need to be given the reasons for the steady downward trend in market price as the annual report does not disclose any

CAPV Time 10/1/89

Blue Circle denies disposal of SA interests

From ROBERT GENTLE

LONDON — Blue Circle, the cement manufacturing giant which has just concluded a multi-million pound disposal of two Austrian and West German subsidiaries as part of a strategy to concentrate on its core business, yesterday denied that this heralded the imminent disposal of its SA interests

A spokesman said the rationale behind the £11,5m deal, aimed at concentrating Blue Circle's activities on its core business of building materials and home products, would not be extended to SA, where Blue Circle has interests on numerous companies operating in property, engineering, home products and cement.

It was strictly a local affair, he said, and cited as evidence the fact that the among the three companies sold in the deal was a British maufacturer of road tankers

The three companies, though profitable, had been diverting "too much of management's time and effort"

Observers here note that previous disinvestments from SA have often followed such foreign disposals

Late last year, the British pharmaceuticals multinational, Glaxo, sold off its SA interests as part of what was described as a world-wide strategy to concentrate on its core business of pharmaceuticals

movements

BDay 10/1/89

Blue Circle denies plans to sell off SA interests

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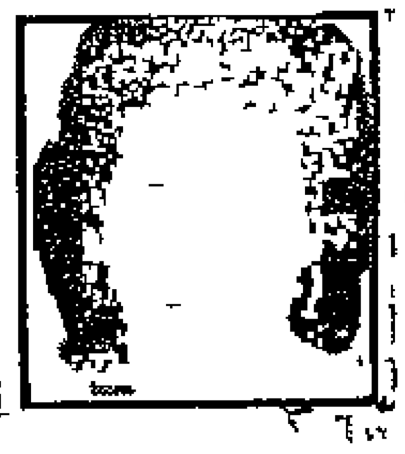
Outlook favours PPC

Star 18/11/89

Diagonal Street



ANN CROTTY

Pretoria Portland Cement (PPC) has shown a strong recovery from the levels to which it plunged after the 1987 crash

The share price picked up in the initial weeks of calendar 1988 and for much of the year held to the R15 level

In November, the release of sterling results set it off on another rise to its ~~current~~ level of R18,50

(193)

The price of ~~fellow~~ cement cartel member, Blue Circle, has followed a similar pattern. Blue Circle is currently offering a dividend yield of four percent and is on a P/E rating of 8,3 times. PPC's figures are 5,4 percent and 9,1 times respectively.

Also in the cartel is Anglo-Alpha, with a dividend yield of 4,7 percent and a P/E of 7,5 times

PPC's ratings relate to last September's results, while the other two relate to December 1987.

The price improvements reflect the favourable outlook for building in general, specifically for the cement sector

This means shareholders are looking to further improvement in the industry's return on equity (ROE).

In PPC's case, ROE showed a remarkable improvement in financial 1988 when it shot up to 18,9 percent (from the previous year's 14,3 percent).

Given the expected pick-up in utilisation of cement production facilities, the return this year should show a further increase.

Group return on equity took a knock in 1985 after the fall in demand for cement, which coincided with a massive investment in additional production capacity.

From a high of 20,7 percent in 1984, ROE dropped to 12,7 percent in 1986.

In financial 1988 capacity utilistion picked up from 52 percent to 59 percent Management is expecting this figure to rise to the mid-60s in the current financial year.

As with many other major industrial companies, the favourable outlook for calendar 1989, which is at odds with many forecasts of sluggish growth, is attributed chiefly to the strength of the informal sector.

The pick-up in low-cost housing projects, which made a significant contribution to last year's figures, is expected to bump up demand

Other areas showing promise include the use of concrete for road building, the Mossgas project and the Lesotho Highlands project. Management says it has already seen signs of take-off in both projects

Although a general cut-back in government spending is expected, increases in the area of infrastructural development have been forecast

The private sector looks like being the most fragile component of cement demand, although a certain spin-off from reasonable levels of investment spending is expected

One of PPC's major attractions is its comfortable cash situation At year-end the group had R60 million invested in the money market.

Interest received for the year was R5 million. The group has unused borrowing capacity of R400 million Given that there is no need in the foreseeable future to increase existing production capacity, management is on the look-out for acquisitions.

Nothing specific is on the cards, but it seems investigations on this front will cover a wide area Not only will businesses in the same industry be considered, but those in other industries, which use the same technology, could feature on the list of candidates

In addition, any activity which would help increase the use of cement would be considered.

B|Day 27/1/89

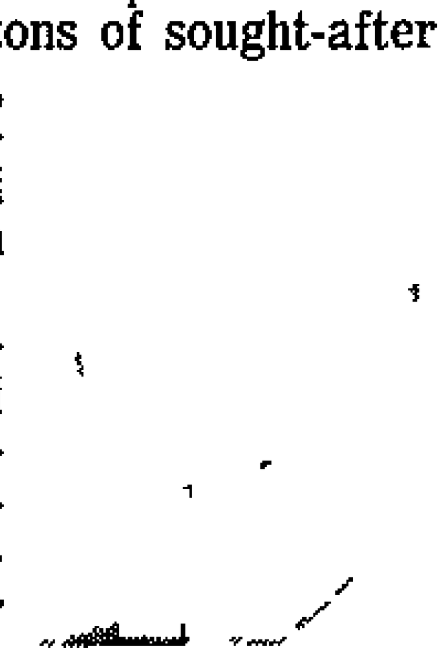
Keeley set for record tonnage

193

KEELEY Group Holdings, the world's largest producer of dimensional granite, is set to achieve a record output of 300 000 tons for the year to February

Combined production from all quarries within the group is expected to be 50% up on last year's 200 000 tons, says executive chairman Fred Keeley

He says the year's output will comprise about 54 000 tons of sought-after black granite, 220 000 tons of Rustenburg dark and the balance in coloured granite



● KEELEY

"Production levels have continued to expand in response to the increasing international demand for high quality SA granite and the group achieved a record production of 40 000 tons in November

"This figure includes more than 27 000 tons of Rustenburg granite as well as 5 400 tons of black granite from the Belfast area," says Keeley

"With new quarries coming on stream in 1989, coupled with expansion of existing quarries, we estimate that our production for the financial year ended February 1990 will be close to 400 000 tons More than 90% of this production will be exported

"Granite is only produced against specific orders from customers and major clients have already indicated their rquirements for the next two years," says Keeley — Sapa

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Golden in the Dumps

JOHANNESBURG — Both gold mining companies administered by the Golden Dumps group incurred losses for the December quarter after recording lower milling rates and yield which resulted in a drop in gold production

South Roodepoort Main Reef tonnage fell to 81 757t (87 171t) and combined with a lower yield of 2,41 g/t (3,22g/t), gold production was down at 197,4 kg (280,3 kg)

Although working costs/ton were reduced to R99,19 (R108,07), a loss of R22,49 per ton (R0,26) was incurred

The lower gold price received of R31 768/kg (R33 689/kg) abetted a net loss of R1,8m (R8 000), in spite of a decrease in capex to R503 000 (R1,3m)

Consolidated Modderfontein tonnage dropped to 171 780 (188 720) while yield fell to 3,07g/t (3,19g/t) Working costs were marginally lower at R108,53/ton and working loss per ton increased to R10,91 (R3,43)

Gold price received decreased to R31 784 (R33 294) and the loss rose to R2,9m (R960 000)

The mothballing of No 7 shaft will aid a decrease in unit working cost. — Sapa

Everite posts bumper profits boost of 111%

CPN Times 27/1/89

JOHANNESBURG — The buoyant building market and the restructuring programme undertaken during the last 18 months helped Everite achieve an increase of 111% in net profits to R13,0m (R6,19m) for the six months ended December

This prompted the directors to increase the interim dividend by 66% to 7,5c (4,5c), restoring dividend cover to two times Earnings per share for the period increased to 14,8c (7c)

Turnover increased by 11% to R180,78m (R162,46m), while operating margins improved to 13,3% compared with 9% for the corresponding period last year

However the directors regard the 18,8% annualized return on investment, based on replacement cost depreciation as still being insufficient to "maintain fully the capital of the business and to provide sufficient surplus funds for expansion"

Nevertheless they are confident of a strong second half and the results at the year end in June are expected to be higher than the R18,61m profit posted last year

Everite Holdings (Evhold) reported net income attributable to ordinary shareholders of R7,23m (R3,47m) and a dividend of 22c (13,5c) on replacement cost EPS of 43,4c (20,8c) — Sapa

Money market shortage climbs to weighty R3,5bn

From GRETA STEYN

JOHANNESBURG — The money market shortage — the banking sector's debt to the Reserve Bank — has climbed to a massive R3,5bn as the liquidity squeeze continues

The shortage of cash in the market arises largely from government's huge deposit with the Reserve Bank. The central bank, mindful of the abnormal situation, has kept a lid on interest rates by supplying extra cash

Trust Bank economist Nick Barnardt said "The artificially high exchequer surplus of over R5bn is the main factor driving the money market shortage toward an effective month-end level of R4bn"

Economists criticised the lop-sided nature of government's borrowing and spending This had caused "cash-flow problems" in the money market, creating a situation where the current liquidity crisis would be followed by a flood of cash when government starts spending

Nedbank's Edward Osborn said it was unfortunate that government had chosen to borrow from the market at a time when liquidity was tight in December This had aggravated the squeeze caused by tax payments and the holiday demand for notes

"Public debt management has been out of step with money market conditions," Osborn said

Barnardt added that the huge market shortage built up over December would take a long time to wind down. The market was already jittery about large end-February tax payments — a further drain on liquidity which could put upward pressure on rates

FS Group enjoys a better rating

(173) Star 27/1/89

Diagonal Street

SVEN FORSSMAN

The sharp rise of listed companies in the FS Group stable this month is an indication that the market is now satisfied that the group's restructuring has been a success.

Waicor, which is almost wholly owned by FS Industries (FSI), has not moved in line and there is growing speculation in the market that its listing may be used to house additional assets to be acquired by the group.

The market has been critical about the FS group because it felt the restructuring was simply financial gymnastics and institutions did not show much confidence in it

Good value

Also, the market felt the departure of Mr Brian Joffe was a negative factor and questioned the staying power of other top executives within the group

But since the end of December FSI has shot up from R5,90 to R8, W&A from R38 to R49, Hunts from R6,30 to R8,75 and FS Group from R3 to R3,80

Companies within the group are now attracting a great deal of attention from institutions and dealers say their respective share prices should move still higher

They say that W&A, for instance, still offers good value, despite its rapid rise over the past couple of weeks.

At R49 a share, it is on an historic P/E of 6, compared with the sector average of 8,4

The group's results over the past eight years are astonishing

In seven years, turnover has grown elevenfold to R1,3 billion and pre-tax profits 203 times to R122 million

In the five years since FSI was listed, earnings a share have risen at an average compound rate of 74 percent a year.

With rationalisation out of the way, the market is now waiting to see what the group is going to do with Waicor, whose only investment is a 49,1 percent stake in W&A.

It is not in the nature of the FS Group to have listed companies doing nothing, which is basically the story with Waicor

Because it is 97 percent-held by the FSI, it takes money from W&A with one hand and hands it over to FSI with the other.

An annual income of about R10 million is expected from Waicor in the first full year.

Nothing imminent

Company sources say although it is inevitable the group will do something with Waicor, nothing is imminent

An informed source said yesterday the group would almost certainly do something within the next year.

"If makes no sense for Waicor to lie around doing nothing The group will probably inject a big company into it as soon as it sees a situation," the source said

Anglo Alpha strides ahead

(193) 6 Day 1/2/89

CHERILYN IRETON

A STRONG second-half performance saw Anglo Alpha outpace management's forecasts for 1988 and underscored the group's ability to generate profit growth independently of its cement business

Although the contribution from cement operations dipped marginally in rand terms, group earnings increased by 38,8% to 257,4c a share on a historical cost basis and by 55,7% to 149,6c on a current cost basis

Net attributable income totalled R44,99m, 55,7% up on 1987's R28,9m

At the halfway mark last year the directors forecast profit growth of at least 20% for the 12 months to December

The final dividend of 65c boosts the year's total to 95c (1987 70c) The directors note that since 1979 the dividend growth has outstripped inflation, increasing by a compound 20,7%, but the decline in the rand has eroded the value of dividends paid to foreign investors

Higher sales volumes, favourable product mixes and sales price increases resulted in a 27% increase in turnover to R530,6m

After improving plant utilisation and

● To Page 2

Anglo Alpha outpaces forecasts for '88

6 Day 1/2/89 (193)

● From Page 1

operating efficiencies, management achieved a record operating margin of 28,2% This helped lift net income before adjustments by 71%

A key factor here was the reduction in long-term borrowings from R158,4m to R87m made possible by a 64% increase in cash flow to R158,9m

This almost halved the group's gearing to 38% (72%) — well below management's target of between 50% and 100%

While liquidity tightened marginally (the current ratio dropped from 1,1 to 1), other ratios showed impressive improvements The return on assets at 12% (9,5%) was the highest achieved since 1982 as was 23% (19%) return achieved on shareholders' funds

During the period, the percentage contribution to taxed profits from the cement division dropped from 66,4% to 47,5% However, in rand terms this was only a R1m decline to R26,7m Profits from stone accounted for 13,5% of total figures (9,3%) while the group's industrial interests were responsible for 20,8% of group profits (19,1%)

Anglo Alpha's share price is trading at a high of R17,75, just 75c off its 1987 peak At the current price the share yields 14,5% on earnings and 5,3% on dividends, offering better value than its competitors

On a historical basis the share is already trading at a 48% premium to net worth of R11,99 On an inflation-adjusted basis, the net worth is R32,14

Because Anglo Alpha's businesses are highly capital-intensive, it uses inflation accounting to ensure adequate funds are retained to replace productive assets at the end of their useful lives

Anglo-Alpha earnings surge

193 By Ann Crotty Star 1/2/89

Despite a dramatic increase in the cement division's tax bill, Anglo-Alpha has managed to charge past its own earnings forecast with a 55,7 percent increase in earnings from 96,1c (on a current cost basis) to 149,6c a share for the 12 months to end-December

At the half-way stage earnings had improved by 48,1 percent but management was expecting the rate of improvement to slacken to produce an overall increase for the year of 20 percent

While some of the difference can be attributed to management's conservatism, most of it reflects the unexpectedly strong demand that all divisions of the group enjoyed in the second half

The final dividend was increased to 65c bringing the total to 95c

The hefty increase in the tax bill allowances resulted in a drop in the cement division's taxed income The higher tax bill reflected the end of tax allowances enjoyed in the previous three financial years The effect was to reduce the cement division's contribution to group earnings, from 66,4 percent to 47,5 percent

The taxed figure hides a very strong performance from cement, with volume increases and productivity improvements resulting in a sharp increase in margins Executive director Ronnie Searle states that all divisions did very well, particularly the stone division

(193)

Building suppliers hammered

By Frank Jeans

What have been termed monopolistic manufacturers in the building field have come in for a blistering attack by the outgoing president of the Master Builders' Association of the Witwatersrand, Mr Robert Giuricich

Condemning the exorbitant increases in the price of materials, he told the MBA's annual general meeting yesterday "These manufacturers have taken advantage of the improvement in the building industry

"Why must we contend with rises in certain basic essential commodities such as clay bricks, which escalated 40 to 60 percent more than we were paying for the same product 18 months ago

"And, of course, the cement industry cartel — the least said the better

"Trading in the cement industry, now sanctioned by the Competition Board, cannot be accepted"

Mr Giuricich said that with the devalued rand, these manufacturers should export to the outside world so as to maintain their plants and justify their investments, rather than put the cost of their products onto the shoulders of the building industry and client bodies

"Although the Competition Board has been given muscle, it seems it cannot effectively use it to disband monopolies or cartels," he said

"What the board needs to do is to implement measures to counter these practices by creating more competition"

Mr Giuricich urged the board to recommend lower customs and import duties on those materials subject to "monopolistic conditions"

This would, he believed, help create the necessary healthy competition among local manufacturers operating in a "cartel or monopolistic system"

"These protected industries have invariably grown by leaps and bounds due solely to the lack of competition, while the rest of the building industry ambles along and operates at nil or very low profits," he said

"The MBA is setting up a price monitoring committee to take whatever action is necessary so as to contain material price rises"

Mr Phil Watters was elected president of the Master Builders Association (Witwatersrand) at the annual general meeting last night

Mr Watters has been running his contract plumbing business for 34 years and operates throughout the Witwatersrand.

He became a member of the MBA in 1956 and serves on the executive committee of the Building Industries Federation (Bifsa)

Development at Kudu's quarries pays off

B/Day 9/2/89

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REINIE BOOYSEN

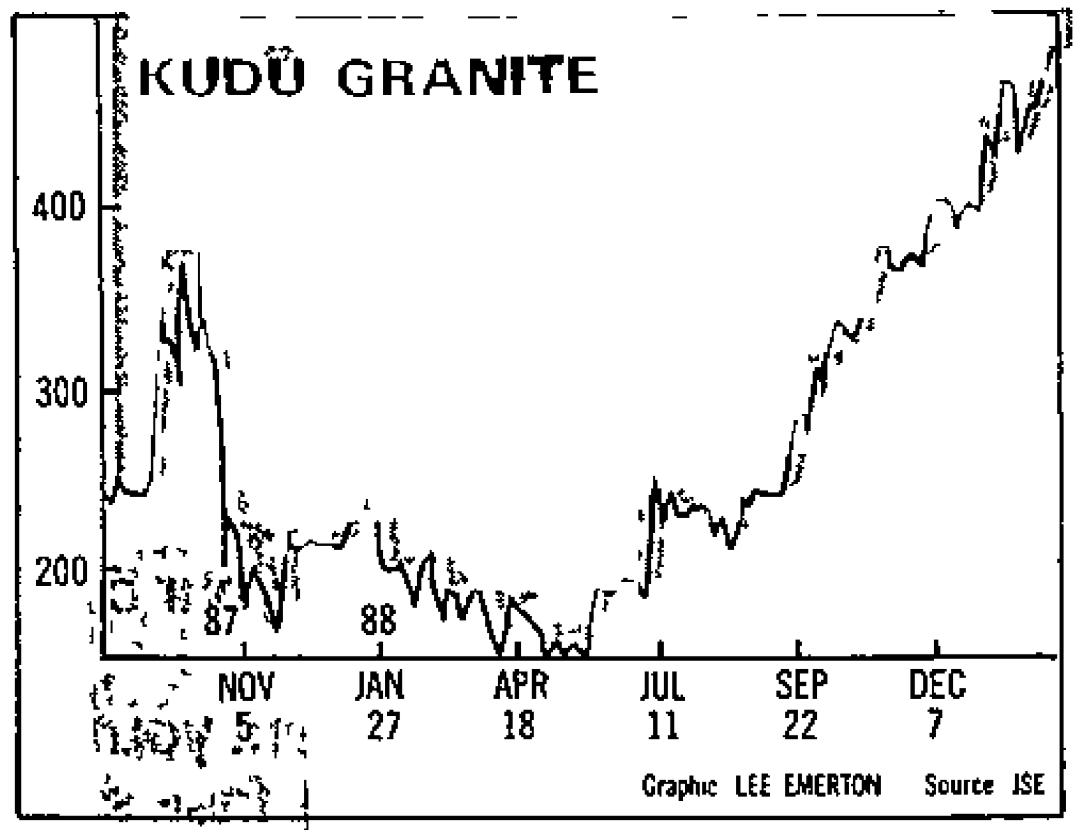
THE development of Kudu Granite's quarries is coming to fruition turnover for the six months to December increased by R7,4m (to R11,2m), earnings attributable to shareholders rose R2,6m (to R3,5m) and the interim dividend is double last year's 2,5c

Earnings a share rose from 6,1c to 22,5c — compared with the 24,2c achieved in the full year to June 1988 These results underline the strength of the granite sector, which is moving up with increasing vigour

Yesterday share prices in Kudu and Marlin rose well on the JSE, in high-volume trade Kudu moved 3%, or 15c, to 470c, just off its all-time high of 480c achieved two weeks ago, and Marlin moved 5%, or 40c, to a new high of 800c

Kudu's results, and the strength of its share price, are further vindication of the optimism which its management exuded a year ago

On the surface it appears as if margins at Kudu are declining turnover rose 36% in the second quarter (from R4,8m to R6,5m), but net income declined by 6% (from R1,8m to R1,7m)



But chairman and MD Peet du Toit ascribes this anomaly to the mix of sales contracts between cost & freight (c & f) and free alongside

Says Du Toit "We had more sales on a c & f basis in the second quarter, and as a result turnover rose in accordance with the increased freight charges which moved through our books Essentially this money comes straight in and goes straight out, but we make no profit"

He adds that Kudu is attempting to persuade more customers to buy on a c & f basis, as that would place Kudu in a better bargaining position with shippers

He ascribes the 6% decline in net income to the annual December holiday, which accounts for about 15 lost working days

The rise in dividend cover — from 2,4 times to 4,5 times — follows a decision to retain R2,7m in the company, part of which will fund two separate capex programmes about R1m will go towards the electrification of the Marikana operation, and about R300 000 to R400 000 will go towards upgrading the crane loading capacity, from a maximum of 20 tons to 40 tons, at Bleskop siding near Marikana

Du Toit estimates that the electrification of Marikana will result in savings of between R15 and R20/m³

☐ In April Kudu is sending its senior quarry management to Norway and Finland — two of the world's leading granite areas — to view recent developments in quarrying techniques

172% interim profit jump for Sondor

LESLEY LAMBERT

SONDOR, the Cape-based company which manufactures special materials for the building and motor industries and dabbles in the film industry, has exceeded both turnover and earnings expectations for the six months to December and expects a further huge increase in earnings for the year

An extraordinary item of R540 000 which relates to proceeds from the export of locally manufactured films, boosted Sondor's interim taxed profit by 172% to R1,76m This converted into earnings a share of 7,34c (2,7c)

Financial director George Copeland expects year end profits, after extraordinary items, to be about R4m

Turnover grew by 44% to R8,37m, prompted by economic buoyancy in the sectors Sondor supplies with its core product — a plastic closed cell material with a high polyester content

Debentures

The company cuts, moulds and tailors the material for a variety of applications in the commercial, motor and building sectors

Import replacement has contributed to the steady growth in business, says Copeland "Users used to import the product because it was light and fitted into a container Now the weight factor has been overtaken by value and it has become far cheaper to buy the locally produced material"

Sondor shareholders are benefitting from a provision that, as it was a close corporation before being converted into a public company in 1987, all dividends paid to private investors are tax free within a specified period

Directors have decided to convert dividends, using all the company's profits and reserves until December, into non-interest bearing debentures which will then be credited to the shareholders' loan account

Brick 'n Tile in demand

Sowetan 23/2/89

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BRICK 'n Tile, one of South Africa's leading distributors of bricks, is to open a brick centre in KwaThema, on the border of Springs and Brakpan early next month.

This was announced recently by Mr Clive Gargan, market development manager of Brick 'n Tile.

Mr Gargan said the decision to build the KwaThema brick centre was prompted by demand in the area for the comprehensive range of products and services offered by all Brick 'n Tile centres countrywide.

He said the centre, which was designed to cater for the needs of home-owners in the surrounding areas, would be a "a builder's paradise."

"We will stock and recommend tried-and-tested quality products. The centre is specifically designed for customer convenience and fast and easy selection.

"We will do our best to meet all needs. No quantity will be too large or too small for us to handle," said Mr Kallie van der Walt, the newly-appointed manager of the centre.

Conveniently located in Witpoortjie Road, next to Tony Johnson's golf driving range, the 6000 square metre brickyard is readily accessible to surrounding residential areas.

It will market a large range of products, including clay face bricks, matching special-shape bricks, clay pavers and roof and quarry tiles.

The extensive range will be complemented by a wide variety of building products such as window sills, air vents, grille blocks, sand, stone and cement.

HOME IMPROVEMENTS

Jem to be used for upmarket new black homes on Reef

Sowetan 23/2/89

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New brick is cheaper, better

COROBRIK Transvaal's attractive, versatile and cost-effective Jem brick is currently being used by building contractors Ribco (Pty) Ltd on no fewer than three upmarket black housing projects on the Reef.

The single-skin, through-the-wall tried-and tested Jem brick offers considerable savings on labour and mortar Just one Jem brick replaces the two plaster and face bricks normally required

The three developments — at Alexandra Eastbank, Duduza and Dhlamini — involve a total of 2 200 homes

The multi-phase development at Alexandra Eastbank is a joint project by Condev and Rabie Building on the first 500 homes started in June this year The two and three bedroom homes range from 80 square metres upwards and are priced at between R45 000 and R80 000

The project at Dhlamini near Soweto is being developed by Fox-Lake in three phases About 235 homes are currently under construction in the second phase, which is expected to be completed before the end of the year Another 200 homes are to be built next year

A wide variety of designs and face brick colours are a feature of the Dhlamini development The two and three bedroom homes vary between 50 square metres and 80 square metres and range in price from R40 000 to R80 000

The 30-home development at Duduza near Nigel — also a joint project by Condev North and Rabie — is still in its first phase Two showhouses have recently been completed and the first 10 homes are scheduled for completion by December this year

"This 'Jem' of a brick gives absolutely no hasstles on site and actually speeds up the building process, enabling homes to be completed faster than by using your conventional face brick

"At Alex, about 40 homes a month are currently being built However, demand is exceeding all expecations and the Jem is helping us to cope extremely well with the increased workload

Says Peter Vos, managing director of Wadeville-based Ribco "We had previously not used the Jem brick in our building operations Now we are most impressed with its versatility Its attractiveness and its cost-effectiveness

"Corobrik's economical Jem was selected by the various developers for these schemes because it gives a top-quality finish at a highly attractive price

"This considerable savings achieved by using the Jem brick enable the developers to spend extra on fittings and fixtures

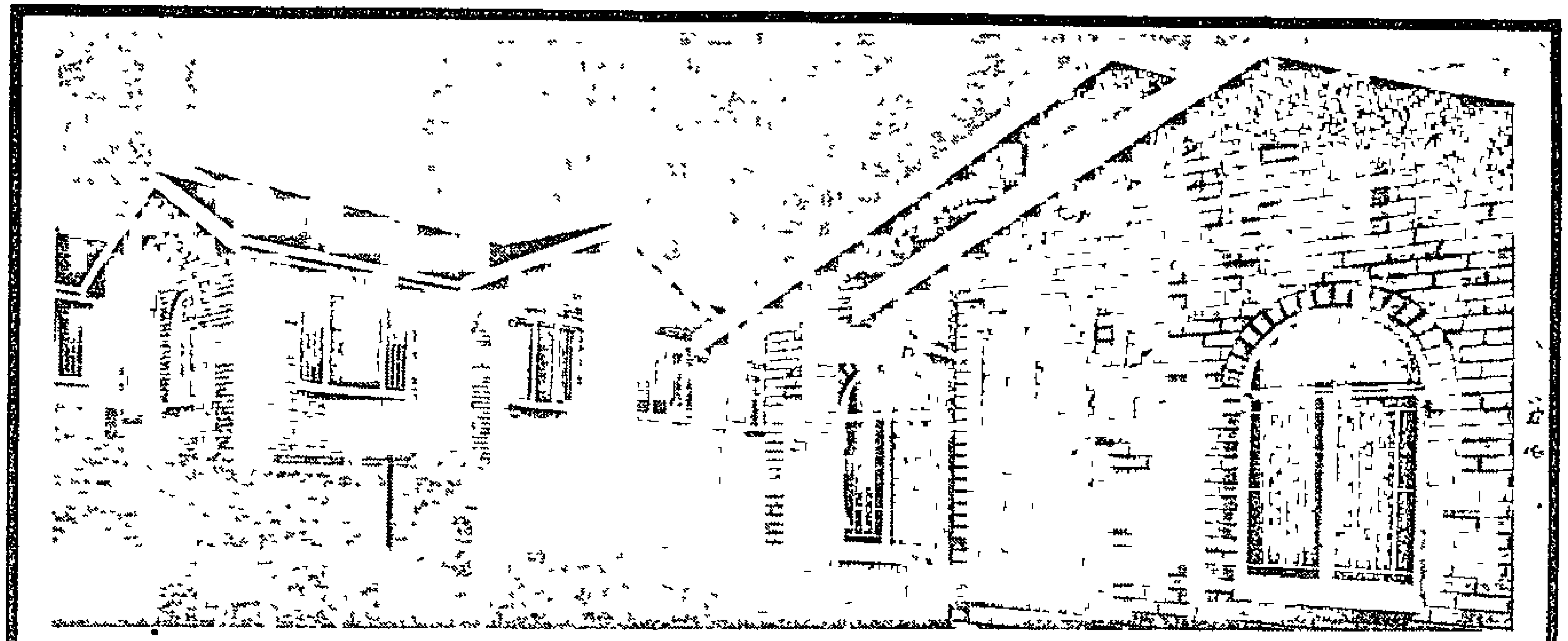
"We will certainly not hesitate to use the Jem on other upmarket developments in the future," says Mr Vos

Chris Dickinson, marketing manager of Corobrik Transvaal, says "The South African building industry has a reputation for being conservative when it comes to new building methods and materials The Jem brick, however, has gained wide acceptance among bricklayers and developers alike

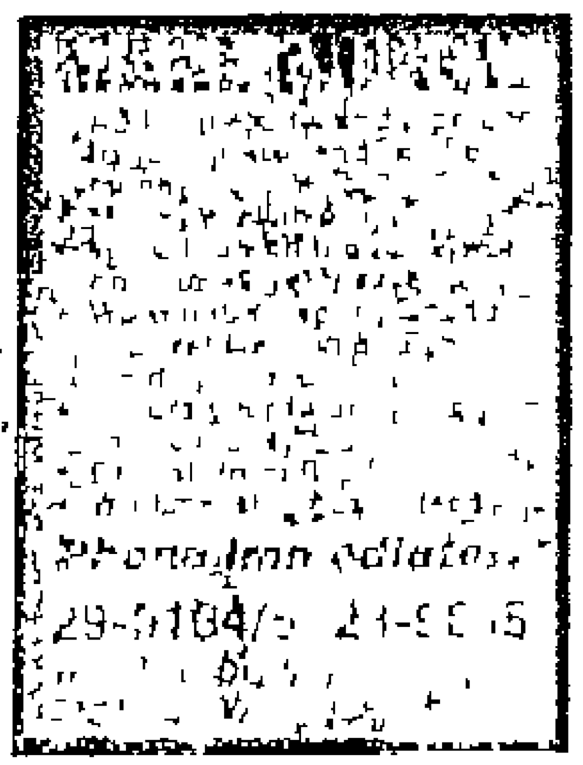
"The Jem conforms with all national building regulations Its dimensions are those of the standard Imperial brick but its 150 mm thickness makes single-skin construction possible — giving a face-brick finish for the exterior and a plaster finish for the interior of the home "

Manufactured at four Corobrik factories — Lawley II, Springs, Brits and Klerksdorp — the Jem comes in four distinctive colours Mustang, Magalies, Corngold and Cosmos

The Jem is also currently being used on a five-phase 1 000-home development at Ennerdale Extension 2, south olf Johannesburg and on a 1 200-home, three-phase project at Thabong near Welkom



COROBRIK Transvaal's attractive, versatile and cost-effective Jem brick is currently being used by building contractors Ribco (Pty) Ltd on no fewer than three upmarket black housing projects on the Reef



New trend in designing houses

A STRONG new trend towards individuality in home design has emerged among architects, designers and builders, says Karl Schroder, Transvaal regional manager of Brick 'n Tile

"Decorative brickwork is becoming increasingly popular and a variety of special-shape bricks is now available to achieve that special finish every home designer wants to achieve

"Design flexibility in brick detailing can be considerably enhanced by using these special-shape bricks, which put an end to staid conformity and monotony of design

"These specials inject a degree of dash and daring into building design, making the brickwork flow and adding most attractive features at very little cost

Brick 'n Tile's comprehensive range of special-shape bricks puts professionalism within the reach of every home designer or builder

The range compliments and matches most of the enormous variety of existing standard face brick colours and textures and offers a wide choice when it comes to creating contemporary brick detailing internally or externally

Says Mr Schröder "The specials can be considered an art form They come in many shapes — with curved tops, curved ends, simple angle joints, complex angle joints, arch-forming angles and 'cut-off' corners, to name but a few

"The higher unit cost per special compared with a standard Imperial brick is usually only a fraction of the total brick order, and will have very little effect on the total cost of a project.

"In most cases, relatively few special-shape bricks are required to add a distinctive feature or to give a stunning effect to an entrance

"There can be little doubt that the aesthetic appeal of specials enhances the value of any building or structure "

One of the most versatile specials around is the single bullnose stretcher on flat

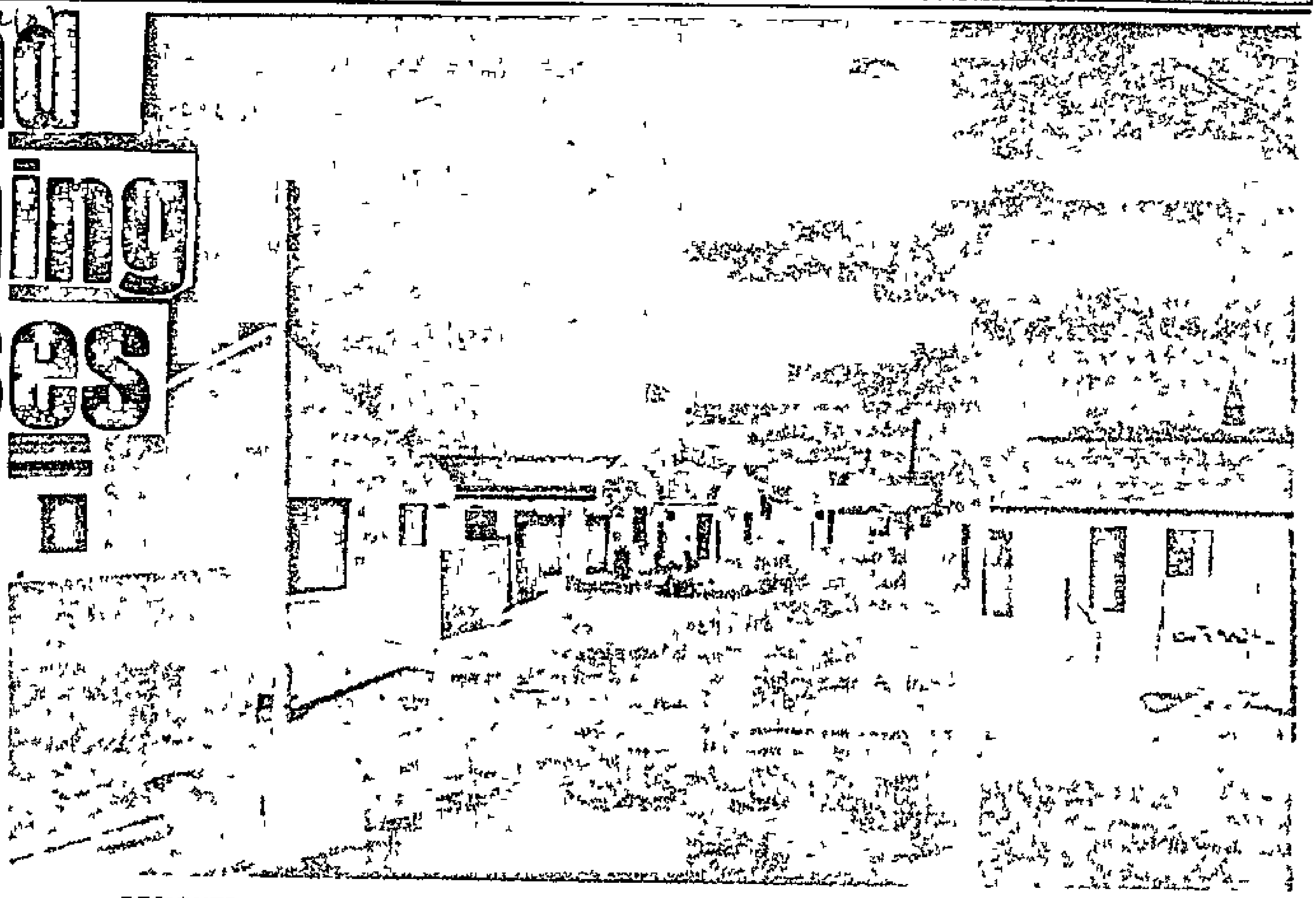
Its shape, rounded off along the side of the brick, makes it suitable for seat edging, flower boxes pool surrounds, garden-wall tops and for special brick features inside or outside the home

The single bullnose stretcher on flat comes in a wide choice of colours ranging from a light sandy shade to a deep-red cinnamon and with textures to match or contrast most of Brick 'n Tile's standard face brick range — the largest in the country

To help home designers all Brick 'n Tile centers have detail sheets wall charts, catalogues with useful design hints and miniature special shape blocks to assist in designs

Qualified staff are on hand to advise on quantities required for any project

Our staff offer professional advice to customers and artisans-on-site — to assist them in the practical and decorative features and usage of specials — enabling them to translate creative ideas into exciting realities " says Mr Schröder



DESIGNED as a "garden scheme", Time Housing's upmarket 50-home development in Guguletu has proved to be a runaway success. Street elevations are urban-designed and high PVA-painted walls and timber gates and doors give homeowners total privacy

DIAGONAL STREET

Basil Read starts to run on a granite base

S/Times 26/2/89

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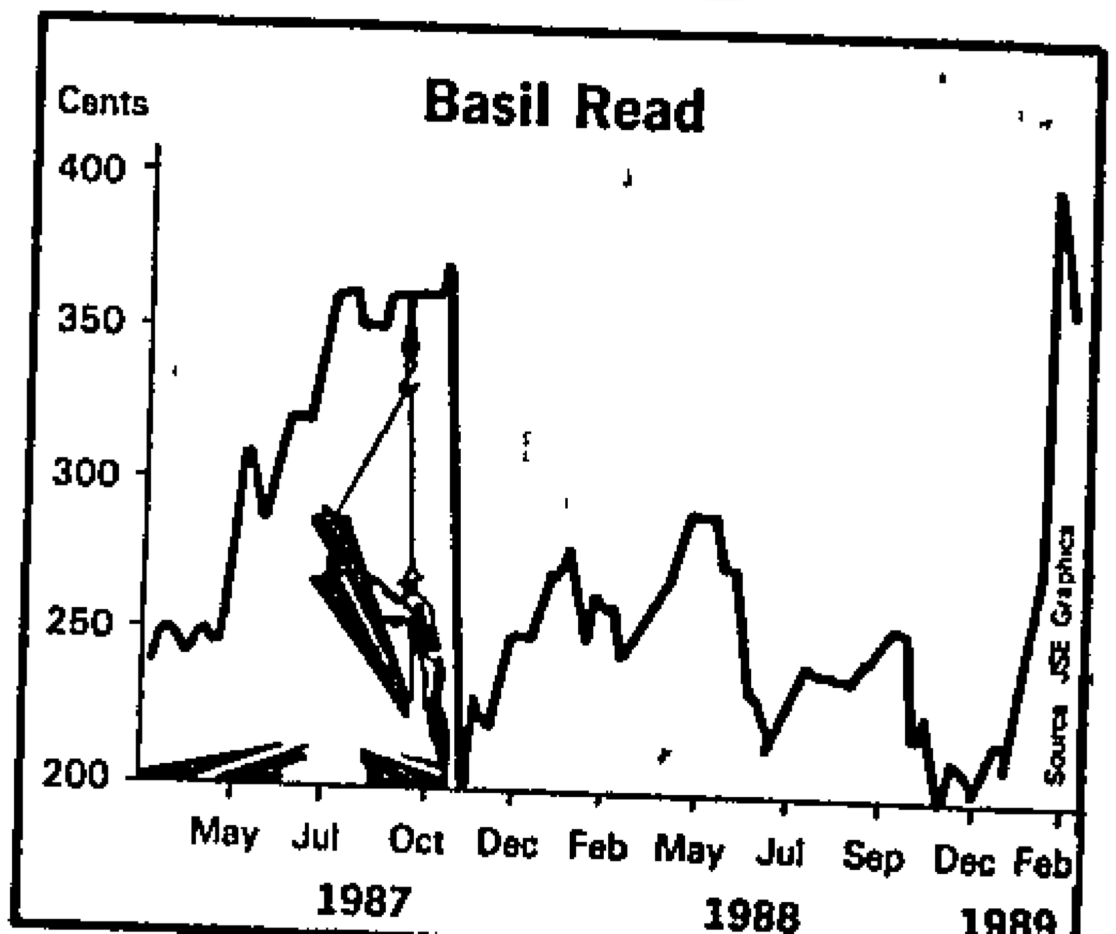
BASIL Read's annual report to June 1988 indicated that the building and construction group had begun to quarry black granite, but it was not until a warning announcement three weeks ago that the share price began to run

Granite has become the JSE's darling mineral The three listed producers are booming Almost all production is exported, making granite a good rand hedge Markets are firm — they can take everything produced.



ALLIED

Basil Read financial director David Wassung says his group's granite interest hardly contributed to the outstanding bottom-line figures published on Friday

"It is a capital-intensive business, and we have made a heavy investment We have been going for nearly a year, and the returns will start to come now"

Mr Wassung says his group sought to diversify from traditional civil engineering, and granite is a chosen one

"It is allied to our main business in that it is plant intensive Although quarrying differs from earthworks, there are common areas where we have skills"

Basil Read's granite interests have been pooled with those of Aurora Exploration, of which Ted Grobicki is managing director, in exchange for shares in new company Aurora Granite Highly regarded Mr Grobicki was the head of Randex until his surprise resignation late last year

Basil Read will initially hold about 26% of Aurora, but may raise its stake

"We intend to list Aurora to raise capital," says Mr Wassung

The other area into which the group has moved is property development. So far the limited number of projects have been successful They include a 55-unit townhouse development at Plettenberg Bay, a retirement village near Knysna, an industrial park in Cape Town and the R40-million Quaggasentrum shopping complex in Pretoria, which was sold to Lifegro

Property development involves identifying, proclaiming, servicing, building and marketing right from scratch Mr Wassung is enthusiastic about the group's future in this field

The housing division has been satisfactory, although it involves high risk

"We have stayed out of the black housing market to a large degree, especially in rural areas Most of our housing has been in coloured and Indian areas, where the markets are holding up well"

Profit margins on houses are not high — the cost of administration is proportionately higher on a low-priced house than it is on higher-priced ones In addition, increased bond rates make it more difficult for buyers to repay their instalments

Basil Read's building company is doing well, says Mr Wassung

FIERCE

"It is contributing well to profits, but we are being cautious not to expand where the margin is too low to be worthwhile The competition is fierce"

The construction arm's profit is not as high as Mr Wassung would like

"We picked up some repair work after the damage caused by the Natal floods, but generally speaking there are not many opportunities"

The mining and engineering division which stemmed from the Clifford Harris acquisition is also subject to intense competition It is one of the few independent operators — its major competitors are all associated with mining houses.

It has done work at Lefkochrysos, which was independently owned before being taken over by Rand Mines The new owner does not have one of the associated companies mentioned here

Clifford Harris itself continues to operate well in the Cape

Mr Wassung says Basil Read has been criticised for being highly geared "We have been short of cash since we did the management buyout But our debt has come down from 135% of shareholders' funds to 110% in the past six months, and we intend to reduce it further"

He adds that it is the bottom line that counts, and is not concerned with turnover figures

In the six months to December 1988, Basil Read raised turnover by 29% to R164-million, net income by 33% to R5,2-million, and earnings a share by 63% to 36,7c

The interest charge almost doubled to R2,3-million, but assessed tax losses meant that the Receiver got nothing

The dividend was raised by 30% to 6,5c, and shareholders have a choice of the cash or of two capitalisation shares for every 100 held

The dividend on 100 shares before tax is R6,50, whereas two shares are worth R7 60 at the current trading price of 380c Management will take the shares — 34% is owned by directors and another 20% is held by staff

Mr Wassung says two large institutions have been buying the shares recently "We are slowly being rerated," he says

The share price sank to 200c in December, but doubled to 400c after the granite announcement in February The 380c share price is only 4,0 times historic earnings and the dividend yields 4,9%

In the light of the hard facts about granite's prospects, competent management and reduced borrowings I believe Basil Read has plenty of upside potential

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Cullinan spends a record R34m

By Ian Smith

CULLINAN Holdings has given the green light to a R34-million capital expenditure programme, the biggest in its history, says executive chairman Neil Cullinan

The technology-based industrial group says it is intended to expand and modernise operations in both core and developing operations

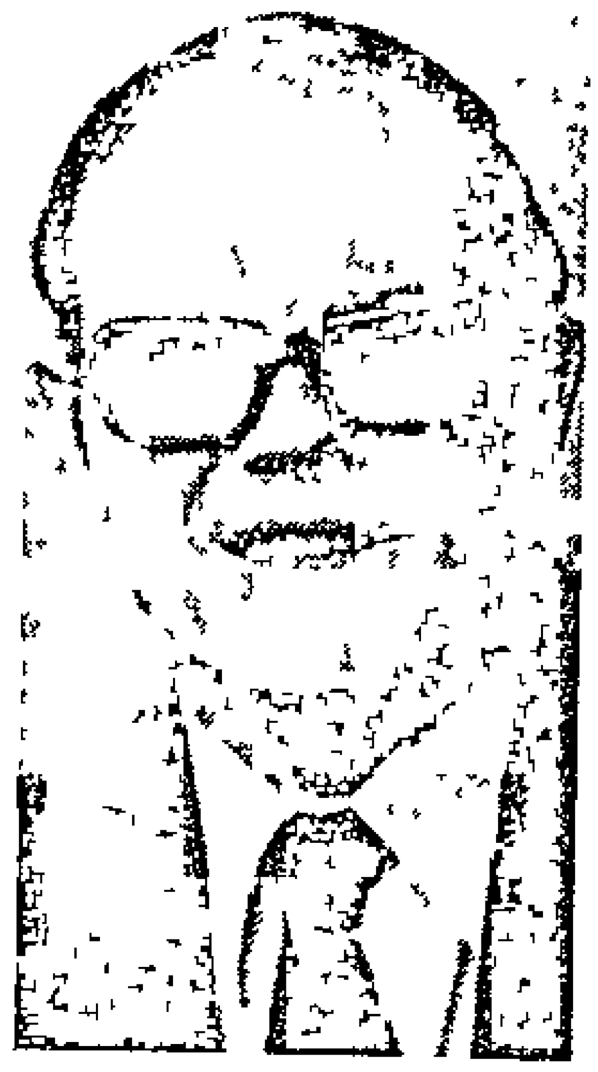
The biggest expenditure will be on a tunnel kiln for the building brick division The group's modern brickmaking plant at Midrand, which was built in 1984 but only began operations in 1987, was operating at capacity at the end of the financial year in June

Critical

"Timing is critical in the building industry, but we believe this is a good investment, given the long-term prospects for the sector," says Mr Cullinan

Expenditure at African Cables, which was incorporated as a subsidiary in September 1987, will not add to cable manufacturing capacity Afcable is the second-largest cable manufacturer in South Africa, and there is already concern about overcapacity in the industry

Mr Cullinan says the capital development at Afcable is aimed at product diversification, particularly for the mining industry



NEIL CULLINAN

The decision to go ahead with the capex programme comes on the back of a half-year to December in which taxed profits rose to R11,48-million — a 30% increase over the same time the previous year

Encouraging

Higher minority interests and loan servicing meant that earnings increased by 12,6% to 65,3c a share The group has declared an interim dividend of 17c, up from 15c in the first half of last year

All operating divisions have full order books, and prospects for the rest of the year are encouraging, says Mr Cullinan

"I expect the group earnings this year to rise by about 20%, which will give a compound growth rate over the past four years of 25%"

Capital expenditure and a reduction in amounts owed to suppliers led to higher borrowings, interest-bearing liabilities increasing from R31,8-million to R57,5-million

"However, the group's total liabilities are virtually unchanged and the balance sheet remains strong," says Mr Cullinan

Unusual

He is particularly pleased at the group's continued good performance in the electrical field Operations in this sector contributed 60% of earnings after a 16,7% increase to 46,9c a share

But the refractories division suffered a setback early in the half-year, and its contribution fell from 16,7c a share to 10,6c

The division was affected by industrial action, but Mr Cullinan believes the problems have been resolved

"Our employment conditions compare well in most areas," he says

Three of the refractory division's continuous process kilns were also temporarily out of service

Normally maintenance on this type of plant is required only every five to eight years "It is unusual for three of the division's 11 kilns to be out of service within one half-year," says Mr Cullinan

They are now back in commission and current production is running ahead of previous levels

The developing businesses have given Cullinan a base in the high-tech electronics and computer sectors

"We are expanding in this area, but it is important to grow these operations in a solid way," says Mr Cullinan

The share traded at 900c this week, down from its 975c high two weeks ago But it offers a comfortable premium over the 650c it reached last August

Window on retailing

A SHOP window for South African retailers, who will make sales of R53-billion this year, will be held at the National Exhibition Centre, Johannesburg, from July 19 to 23

The promoter of the Retailers Exhibition, Tim Reilly, says the aim is to show retailers a comprehensive range of stock

"This is the first general exhibition of its type to be held in SA," he says

"The increasing number of small retailers will appreciate an opportunity to see a wide range of consumer products in one place"

Big SA boost for wildlife in Zimbabwe

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Sowetan 6/3/89 (our living world no 36)

ANGLO-ALPHA, a leading South African cement company, has donated almost R300 000 to initiate a Zimbabwe project that is of immense importance to the conservation of Africa's wildlife and natural areas

The project promises to greatly improve food production for a starving continent It will do this without destroying the land — by pioneering new farming methods which will mix wildlife species with cattle

The donation, which has been made through the SA Nature Foundation, also demonstrates a valuable use of "blocked funds" for companies and individuals with funds and assets stuck in Zimbabwe due to currency restrictions

Overall, the project's aim is to achieve the best land management, protecting essential natural resources such as soil and fresh water, produce meat and other benefits, while maintaining natural areas and their wildlife populations

The Zimbabwe Multi-species Wildlife Utilisation Project is a World Wide Fund for Nature (WWF) initiative The SANF is the local branch of the WWF .

The funds donated by Anglo Alpha from blocked funds held in Zimbabwe will be used to purchase a headquarters building for the project, which has the blessing of the Zimbabwe government

"This shows that companies and individuals with blocked funds in Zimbabwe and other African countries can put these assets to really effective use, conserving Africa's wildlife and natural areas," said SANF president Dr Anton Rupert

"The Zimbabwe project promises to be one of Africa's most fundamentally important projects, benefiting wildlife and man," said WWF African projects director Dr John Hanks Dr Hanks, who is now based with WWF-International in Switzerland, was formerly director of Natal University's Institute of Natural Resources

With a population growth rate of almost four percent — one of the world s highest — increased human numbers will exert huge pressure on the capability of Africa's land to support them, leading to destruction and human misery

Existing systems cannot cope, said Dr Hanks, and huge areas of land are being turned into desert

By developing alternative, highly productive dryland farming methods which do not rely on cattle, disasters such as occured in Ethiopia can be avoided

Commercial and subsistence farmers will be shown how to make the best use of mixed farming techniques, using species of wildlife which have evolved to survive in Africa's harsh conditions

● Individuals and companies with blocked funds in Zimbabwe or other countries are invited to contact the SA Nature Foundation to learn how to use these funds for conservation Write to the Director, SA Nature Foundation, PO Box 456, Stellenbosch 7600

Floods and higher prices reduce Gypsum's profit rise

Star 7/3/89

Finance Staff

The recent floods and higher prices from major suppliers limited Gypsum Industries' earnings growth for the six months to end-December

While turnover was up by 27,7 percent to R74,4 million (R58,3 million) these two factors reduced the rise to 20,8 percent at the pre-tax level

Pre-tax profits were R13,76 million (R11,39 million), while attributable profits rose by R1,05 million to R6,57 million, translating to an earnings per share rise of 12c to 80c The interim dividend was 21 percent higher at 17c

The directors state that the balance sheet looks strong and future expansion to increase capacities should be self-financing The earnings growth should be maintained in the second half

Weaker rand benefits Gefco and Msauli

Star 8/3/89 193

Finance Staff

Asbestos producers Gefco and Msauli have announced improved results for financial 1988, with Gefco turning a loss of R3,7 million for 1987 into a net after-tax profit of R13,1 million and Msauli boosting its 1987 profit of R2 million to R11,4 million

Gefco has declared a dividend of 12,5c, its first since the 1986 interim, and Msauli is to pay 35c — its first dividend in five years

Arresting a seven-year downward trend, world demand for the crocidolite and amosite fibre types produced by Gefco improved slightly in 1988 The firming of demand led to an improvement in dollar prices as well as a marginal increase in sales volumes The weaker rand pushed up rand revenues, particularly during the second half of the year The combined effect of improved sales, higher rand revenues, interest income and savings in cost of finance produced a substantial increase in Gefco's net income

Msauli continued to experience the strong demand for its chrysotile fibre which became evident in 1987, and production and sales volumes were increased by 13 percent to an all-time record level Dollar prices improved and the weak rand amplified this Higher production volume largely neutralised the effect of inflation on unit production costs

Looking at the prospects for 1989, chairman Pat Hart said they should repeat the past year's performance provided there was no substantial change in external factors

As far as Gefco was concerned, he said, indications were that the market for crocidolite fibre could continue to firm but that the market for amosite fibre would remain virtually static

S Times 12/3/89

SA cashes in on coral beaches

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Business Times Reporter

MOVES to protect the coral beaches of Mauritius have opened up a huge export market for South African building materials.

Expansion in the island's textile industry, which has resulted in a boom in factory construction, has led to an increasing shortage of natural aggregates used by the building industry

Door

Delays in factory construction have opened the door to imported materials

Cashing in on the demand, Johannesburg-based Multi Construction Chemicals (MCC) has built up strong exports of concrete additives and mixers in the past 10 months

Its success has led to plans to use Mauritius as a launch pad for an export drive to Madagascar, the Seychelles and the east cost of Africa

MCC director Trevor Enerson, who is in charge of the project, says the volcanic nature of the island means that there are virtually no natural aggregates

A Government move to protect the environment banned the use of coral sands for building, forcing the construction industry to use crushed volcanic basalt rock lava — which produced a concrete that was difficult to work

The Government also clamped down on the manufacture of lime from coral, which led to more problems in plastering and rendering

"This opened up a market for us in mortar plasticisers and concrete additives," says Mr Enerson

Textiles

MCC initially exported a floor hardener to Mauritius It was used in what is believed to be one of the largest floors laid in on one operation — 22 000 square metres for one of the island's textile mills

The independent company, which specialises in chemical compounds for the mining and construction industries, believes that its export drive has been helped by the low cost of its admixtures

"A technology agreement with Sentrachem subsidiary Karbochem gives us access to SA materials, enabling MCC to deliver highly competitive products," says Mr Enerson

It also provides the company with greater access to SA technology and sophisticated research and development facilities

SA use of concrete admixtures has been limited, mainly because of the high cost of imported materials In the US and Japan up to 80% of all concrete poured contains admixtures, but in SA the total is barely 15% to 20%

MCC's development of SA materials has lowered the cost of admixtures for the construction industry

"Exports have become a reality," says Mr Enerson

D & H's results justify recent share price leap

B/Day 22/3/89 193

LESLEY LAMBERT

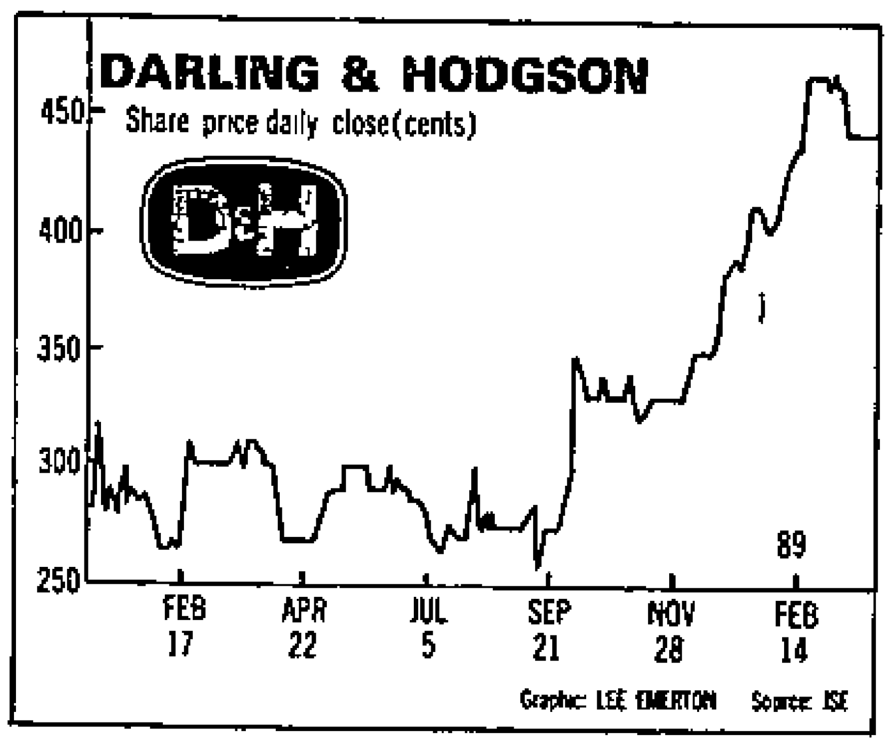
● BRUYNS

AN impressive 31% increase in the interim earnings of construction supplies group Darling & Hodgson and a further strengthening of its balance sheet has justified growth in the share price from 280c in September to the current 440c

Continued buoyancy in the building and construction industry boosted the group's turnover by 46% to R239m, lifting taxed profits from R14,9m to R19,6m during the six months to February An extraordinary item of R4,4m pushed attributable profits to R23,9m

The extraordinary item was related to profits from the sale of assets by Blue Circle in which D & H has a 42,2% stake Blue Circle recently announced record earnings for the year to December, contributing strongly to the results

The group has declared an interim dividend of 8c (6c) a share and shareholders will be pleased that a further dividend of 4,5c a share has been declared to commemorate Blue Circle's 75th anniversary



D & H MD Richard Bruyns said the results were also affected by record levels of profitability on increased volumes achieved by Rocla, the concrete and fibre cement manufacturer, bought in 1987 from Malbak

In one of two strategic acquisitions during the period under review, D & H bought a 70% interest in 100ha of undeveloped land in the Midrand which is zoned for industrial development

In the second, it bought the business of Laudon Locks, a manufacturer of locks and fittings which complements the group's existing interests

Development and start-up costs were written off in a number of grassroots ventures embarked on during the period under review, trimming operating margins slightly, Bruyns said

The balance sheet remains exceptionally strong Borrowings have been reduced and current assets have grown over the comparative period The ratio of borrowings to shareholder's funds has fallen to a healthy 2% (10%) and interest cover is up to 8 times (5,4)

With its healthy cash-flow, Bruyns said the group was continually looking for acquisitions in related markets but currently did not have anything specific in the pipeline

He predicted earnings in the second half will be ahead improved

D & H well on road to recovery

Star 22/3/89 193

By Ann Crotty

Malbak subsidiary, Darling & Hodgson, whose major activities involve supplying materials to the construction industry, has posted results which show that the group remains firmly on recovery course

For the six months to end-February earnings were up 31 percent to 30,2c (23,1c) from which a dividend of 8c (6c) has been declared A special dividend of 4,5c has also been declared which is the spin-off benefit from the special 25c dividend declared by 42 percent held Blue Circle to celebrate its anniversary

Group turnover was up 46 percent to R239 million (R163,3 million) while operating income advanced 29 percent to R36,8 million (R28,5 million) A drop in interest payments helped to counter the impact of a higher tax rate, leaving attributable earnings 31 percent ahead at R19,6 million (R14,9 million)

The results reflect the strong performance reported by D&H's most important profit contributor — Blue Circle

As MD Mr Richard Bruyns points out "Blue Circle's earnings per share before extraordinary items were 227,4c" for the 12 months to end-December

The review figures include earnings from Blue Circle for the six months to end-February which includes the traditional shutdown period in the building industry in December and January.

Rocla, the concrete and fibre cement manufacturer which D&H acquired in 1987, reported record levels of profitability on increased volumes during the six months to end-February

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D&H goes hunting after fine first half

DARLING & Hodgson, now 61% owned by Malbak, has changed more than its image

By Ian Smith

The group has consolidated its new operations firmly tied to the provision of materials for the construction industry, and is on the acquisition trail

The entrepreneurial management is looking for good buys Managing director Richard Bruyns says "We are Malbak's construction leg, but we will not go back into contracting We have the facilities to make a large acquisition, but it will be in a compatible area when the time and the price are right"

Much of the last year has been devoted to setting D&H in its new direction "We are a different group from the old D&H," says Mr Bruyns

Investors have already changed their view of the group The share price has risen from 240c six months ago to 435c, slightly off the peak early this month of 465c The stock is probably still under-rated

D&H has come out with the expected sparkling interim figures for the half-year to February 28 Better results are forecast for the rest of the year

Turnover increased in the six months by 46% to R239-million and earnings were up 31% at R19,6-million, or 30,2c a share The 12,5c dividend includes a 4,5c special anniversary payment from Blue Circle

Borrowings are down to a scant 2% of permanent capital and two of the group's major assets are big cash generators — its 42,2% stake in Blue Circle and wholly owned Rocla, a major pipe manufacturer

The third division, architectural hardware manufacturer Sold Manufacturing, is self-supporting, says Mr Bruyns

Spread

The group's spread across its chosen sector of the economy ensures some insulation from the cyclical nature of construction, says Mr Bruyns

Rocla benefits at the beginning of the cycle when the infrastructure is running fast

In the second phase, when building begins, Blue Circle benefits through the supply of cement Rocla supplies plastic piping for internal plumbing

Solid Manufacturing comes into play with its provision of door locks and other fittings

"We have found our niche in the market, and we will consolidate our position there," says Mr Bruyns

Several factors contribute to his confidence about an improved second half of the year Blue Circle's contribution was 50% up on the same time in the previous year The figures include the traditional December-January shutdown for the building industry

Rocla achieved record productivity, and development and start-up costs have been written off on several ventures

Mr Bruyns says Rocla can spin concrete posts up to 24 metres long

"This is new technology to SA, and we are working with Eskom towards a SABS standard"

Solid Manufacturing's operations have been strengthened by the acquisition of Laudon Locks

"The infrastructure to support exports to Europe has been established," says Mr Bruyns

Exports to the Far East have been helped by the low rand

D&H's property interests, which have been boosted by the success of the Woodbridge Island sectional title project in the Cape, have been strenghtened by the purchase of a 70% stake in 100 hectares of undeveloped land in Midrand

A builder's paradise

(193) Sowetan 30/3/89

BRICK 'n Tile, the country's largest merchant of quality clay brick products, this month opened three new centres as part of its expansion programme.

The centres — at KwaThema, near Springs, in Rivonia, Sandton, and at Mobeni, south of Durban — bring to 16 the number of Brick 'n Tile outlets nationwide.

Other centres are in Pretoria East, Pretoria West, Croesus, Alberton, Lenasia, Kempton Park, Roodepoort, Springs-City, Crown Mines, Bloemfontein, Pinetwon and Avoca.

The company is also currently upgrading its largest centre, in Germiston-Edenvale.

Mr Peter McGuire, the chain's national market development manager, said the company's aim was to have centres throughout the country by the end of next year.

"All our centres are strategically situated and conveniently accessible to their respective surrounding areas. We are also looking for well-positioned sites for new centres," Mr McGuire said.

Brick 'n Tile centres have been described as something akin to a builder's paradise, offering, as they do, a wide range of products, including clay face bricks, matching special-shape bricks, clay pavers and roof and quarry tiles.

For the address or telephone number of your nearest Brick 'n Tile centre, please contact Mr McGuire or Mr Karl Schröder, Transvaal regional manager, at (011) 53-8790.

Cement industry looks to lay firm foundation

193

B/Day 30/3/89

BRENT MELVILLE

BULLISH prospects for the cement industry are indicated by the rise in the share prices of the three leading producers to record highs this week.

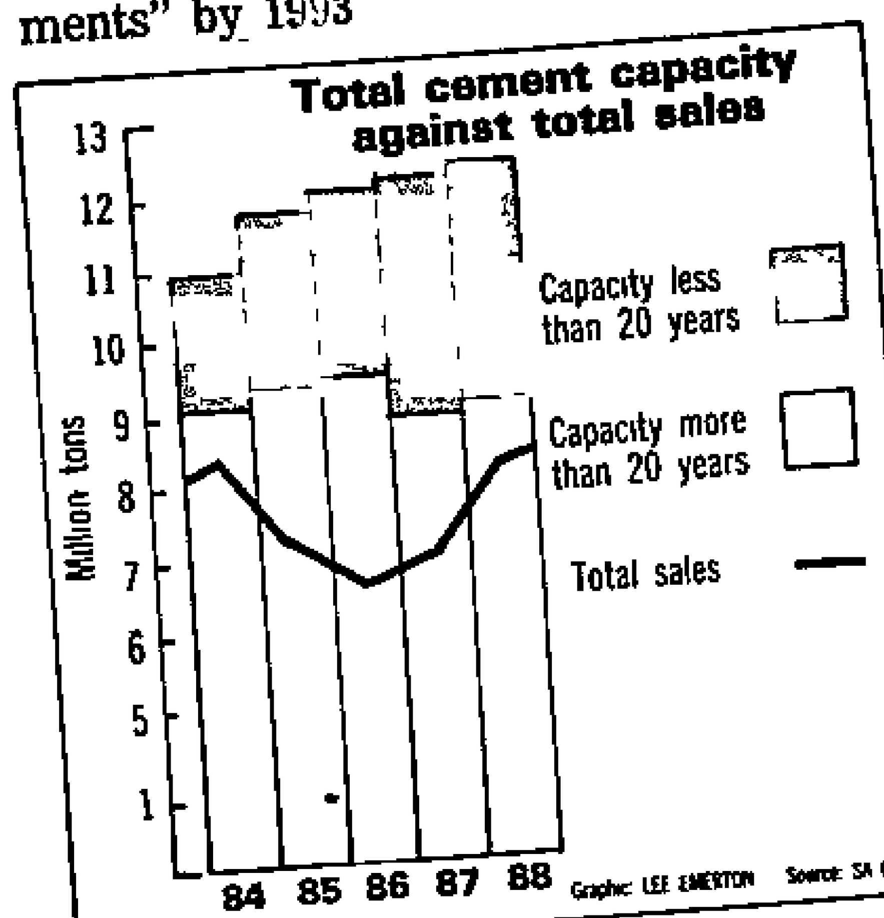
Pretoria Portland Cement (PPC) continued its march to new highs yesterday with a rise of 50c to R24 Anglo-Alpha and Blue Circle held to their peaks of R23 and R16,50 respectively

The shares gained strength in a market which was generally weak in the wake of the falling gold price

Anglo-Alpha and PPC, which between them control 80% of the market, are optimistic of continued growth, with Blue Circle expecting no demand increase and a cooling-off period during the latter part of this year

Helped by last year's reduced gearing, Anglo-Alpha is expecting earnings growth of "at least" 15% next year and is budgeting for capex of nearly R100m a year over the next four years, says group secretary Peter Buchner

Last year the company had a capex of R41,2m, and plans to increase it to R360m at present day costs with R151m allotted to expansion, R172m to plant and equipment replacement, and R37m to employee "quality of life improvements" by 1993



Anglo-Alpha traditionally predicts conservative growth Last year for example, the company exceeded its estimated 20% earnings growth with a 55,7% jump to a record R45m (R28,9m)

Despite the surge, Anglo-Alpha's chairman Peter Byland suggests that the industry may have seen its growth peak

Blue Circle's commercial director, Peter Kett, says that an increase in rail tariffs from April 1, on top of a January cement price increase of 10% and a further increase later this year, will add costs to the industry

Newly-inducted president of the Concrete Society of SA (CSSA) Ric Snowden voices further concern over government's ability to monitor the economy effectively

He further bemoans the fact that the cement cartel, 45% controlled by PPC, 35% by Anglo-Alpha and 20% by Blue Circle, curtails competition and further disrupts the industry — adversely affecting price and quality

Blue Circle is obligated by cartel agreement to stay under its 20% (1,6-million tons per annum) market share position and is looking to its materials division to bolster earnings

It has been making significant inroads into stone quarrying, says Kett

Penpin surpasses expectations

BDay 30/3/89

LIZ ROUSE

PENNYPINCHERS Holdings (Penpin) and Pennypinchers Boards (Penboard) have achieved dazzling results, outperforming expectations

Penpin's turnover broke the R100m barrier with a 71% increase to R110m (R64m) and taxed profit leapt by 89% to R2,6m (R1,4m) in the year to December 1988

A final dividend of 4c has been declared, raising total distribution to 7c from 1987's 4c Because of a bigger issued share capital, the advance in earnings was 48% to 16,2c a share (10,9c a share)

Fasie Malherbe, chairman of the fast growing hardware and building materials chain, says while the group's budgeted turnover for 1989 is R185m, it is aiming to break the R200m mark this year

Penboard, which is 83% held by Penpin, posted a 76% increase in turnover to R30,9m (R17,5m), while taxed profit rose by 66% to R1m (R600 000) Earnings a share increased by 59% to 9,67c a share (6,08c a share)

Penboard's MD Garnet Carr says the company performed well in the past year and its 11 new outlets are already contributing to profits More new outlets are planned for the present year and turnover of R45m is expected

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Enthusiastic

Malherbe attributes the group's success partly to the fact that the operation was separated into three specialised divisions — Penbuild, the building materials division, Penboard and Penprop, which holds the properties from which the group trades

Another reason for its success is that all new stores are manned by young and enthusiastic management teams and tight head office control is kept on all new operations

The dazzling results came on the back of a substantial national expansion in the building industry

Malherbe says Penbuild opened outlets in the eastern Cape in Jeffreys Bay and in the western Cape in Woodstock and Crossroads It also acquired the Craig Hardware group in the Transvaal with effect from November 1 1988, resulting in further outlets in Randburg, Lanseria and Ferndale

Penpin's financial director Percy Bishop says a feature of the past year was the group's acquisition of certain minority interests In the past, the group expanded through co-ownership of outlets, but it has now bought out several minority shareholders, enabling these directors to move to Penpin's head office to strengthen top management

Group properties have a book value of R5m, but carry a market value of R16m, which is not reflected on the balance sheet

Crushed stone prices up 30%

BDay 10/4/87

193

EDWARD WEST

RETAILERS of crushed stone in the PWV construction industry have reported a 30% increase in the price of stone in the past four months

Graphs of seven pricing indices for selected building materials such as cement and bricks show the price of stone rising far above that of other materials since 1980, CSS statistics show.

Crushed stone is currently selling at around R50/m³, though regionally this price is subject to change. It is used in concrete and in a variety of other applications in the industry, including road-building.

Two of SA's leading producers of stone are Hippo Quarries and Ready Mix Materials

Ready Mix Material MD Graham Hardy says the CSS indices are not indicative of the achieved price for stone, which is usually below the average 17,5% increase recommended by the Stone Association

He says the reported 30% increase in the actual ex-quarry price of stone is also incorrect

However, the added cost of transport, often not undertaken by the stone producer, could have increased the cost of stone by more than the association had recommended

Cement slumps

193

Day 10/4/89.

BRENT MELVILLE

A RECENT SA Cement Producers Association (SACPA) report shows cement demand on the decline with subdued February sales, significantly below expected volumes

Total cement sales were 17,3% down to 520 060 tons (628 659 tons), well shy of an anticipated 619 300 tons

PPC cement spokesman, Charles Holman, attributes the downturn to January's 10% price increase and hasty year-end buying, swelling sales for December but significantly reducing early year buying

Cement Distributors of SA (CDSA) sales were 15% short of anticipated sales at 451 600 tons, Cape cement dipped 10,9% to 86 400 and sales of Slagment-Portland Blast Furnace (PBF) cement dropped 40,6% to 11 400 tons (19 200 tons), 26,5% down on predicted sales of 15 500 tons

Natal cement, however, exceeded expectations by 69 900 tons, but sales were actually 3,6% down from the same period last year

'Cartels to blame for rising costs'

BDay 17/4/89

CARTEL conditions in the supply of major materials in the construction industry were continually pushing prices up while the weak rand had resulted in marked increases in prices of imported plant and spares, the SA Federation of Civil Engineering Contractors said yesterday

It said the rise in contract awards during the past 18 months had resulted in some easing of competition and improvement in margins, but prices in the construction industry remained competitive 22

Larger

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While conditions were generally satisfactory and order books were reasonably filled, the outlook for the next 12 months was uncertain, as there was concern about availability of new work later this year and the possibility of a downturn in 1990

Commenting on the upswing in roadworks and township infrastructure, the federation said although there had been a fair spread between larger and smaller contracts, not all industry sectors had benefited from the upturn

Concrete work and mining work on the other hand had lagged behind, tunnelling was quiet and a shortage of railway siding work continued to be experienced. — Sapa

Competition Board urged to probe rise in building costs

Star 24/4/89

By Tom Hood

CAPE TOWN — Housebuilders want the Competition Board to act against suppliers of building materials whose regular price hikes are blamed for a 60 percent jump in house prices in the last three years

"An additional 200 000 houses could have been built in the last decade if suppliers' price increases had been in line with those of other industries such as mining, which have been forced by difficult conditions to be more efficient year by year," the president of the South African Institute of Building, Mr Jannie Breed, said at the weekend

He said he was "dead against" price controls but he believed the Competition Board should exert pressure on certain suppliers

He quoted an 89 percent price hike for stock bricks in two years to R190 a thousand, while other bricks rose by from 50 to 60 percent

Cement increased 49 percent in two years to R8,85 a pocket, while ready-mixed cement in the Cape Town area rose 72 percent to R139,95 a cubic metre

Sanitary fittings for one bathroom soared by 83 percent in less than three years from R602 to R1 104

Wage increases had been "moderate and were hard earned and well deserved," with rates for bricklayers on housing work, for example, rising only 17 percent

"But there is absolutely no question any longer in the minds of most people in the construction industry that certain suppliers enjoy near monopolistic, cartel-type conditions and that they have been able to incrase prices year by year at inflationary rates"

Suppliers should consider that they are damaging the building industry, particularly the home-building industry

The figures suggested that manufacturers of building products were either "taking us all for a ride or operating extremely inefficiently", added Mr Breedt

"The dissatisfaction of the industry has been aggravated by price rises of goods continuing even in times when, to remain competitive, home builders and general contractors had to operate at very low mark-ups and do all they could to hold prices down, often absorbing losses on many aspects of the work," he said

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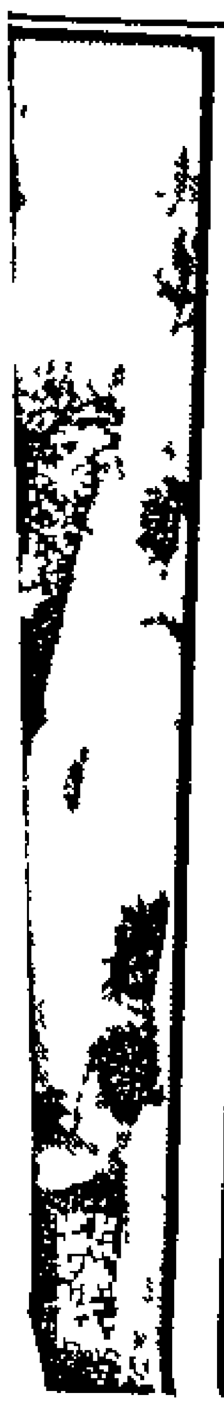

Queries on asbestos bags at water works

193

EDYTH BULBRING

ASBESTOS-coated filtration bags at a Johannesburg sewage purification works have been identified as a health hazard

City Council tenders and licensing committee minutes say the use of asbestos will be scrapped at Bushkoppies sewage purification plant

DP councillor Clive Gilbert has tabled questions for today's council meeting on the effects of asbestos on workers at water and sewage works

He said yesterday he would be surprised if the council adhered to Manpower Department regulations on industrial safety in places where asbestos was used

Gilbert said local government regulations were necessary also to protect people who worked or lived in buildings where asbestos was present

The US business magazine Fortune International reported about 90 000 Americans had in the past decade sued makers of products containing asbestos

The mineral was restricted as a building material in the US in the 1970s

Gilbert believed the health and safety departments did not inspect premises where there was asbestos

"My submission is that the monitoring of asbestos in Johannesburg has been very slack and the council is not keeping up with the times on the dangers and hazards of asbestos"

He is also concerned no safety measures were practised in the demolition or renovation of buildings

Asbestos from them was disposed of with general rubble and this, he claimed was a danger to the public

Gilbert said workers were not protected when they removed rubble

He advocated that asbestos waste sites should be provided and workers handling the material protected

"To a certain extent asbestos is just as dangerous as nuclear waste Once an asbestos fibre is in the lungs, it can never be removed," Gilbert said

He welcomed scrapping of asbestos-coated bags at Bushkoppies but asked what effect the system had had on workers at the plant and people who had consumed the filtered water

"It is a risk Particles could have been consumed in minute quantities," Gibert said

He also wants to know if asbestos is used in other purification works

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been consumed in minute quantities, Gibert said

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Everite to quit East London

EDWARD WEST

EVERITE has decided to close its East London factory in a R35m capex programme to convert its building materials from asbestos cement to non-asbestos fibre cement

Everite is planning to replace its asbestos fibre with cellulose fibres by 1992 This shift was in response to market demands monitored overseas

Everite executive director Mark Cvitanich said in a statement the size of the plant and the over-capacity of the fibre-cement manufacturing industry did not justify the R10m investment required to introduce the asbestos replacement programme in East London

The East London factory, with only one sheet manufacturing machine, was too small to carry the interest burden and cash flow requirements of the programme, he said

Of the 270 workers employed at the factory, 230 would be retrenched, with the remainder transferred to other plants, PR spokesman Brian Gibson said

Everite's R35m asbestos replacement programme, which to date has involved R30m research, will result in the replacement of asbestos fibres in asbestos cement by cellulose fibres

Cellulose fibres are made of hardy organic pulp fibres like hemp, wood or sisal fibres, Gibson said

Everite had given a public commitment to replace asbestos in its range of building materials by 1992

Despite the safety of asbestos building materials, there was a growing public perception that asbestos fibres were dangerous

Extent of housing crisis exaggerated, says PCI

193

Property & Construction

STAN KENNEDY

The housing crisis is not as hopeless as many have said it is, says Dean Norton, executive director, Portland Cement Institute (PCI)

"We should accept that it took centuries for European countries to acquire sufficient housing stock Shack towns, which are basically a form of affordable housing, are destined to be used in South Africa for a long time"

But there are encouraging developments on the local scene, which should be recognised, he says

The innovative and evolutionary nature of housing in SA is one example

Changes are taking place over a wide spectrum — provision of land with or without security of tenure, site and service, self-help core and shell housing, and subsidisation for upgrading or incremental housing

In general, there is a new realistic approach to minimum standards applicable to housing requirements

He says thousands of tons of cement are being used for incremental building development

"Drive along any road in the black cities or homelands and there is evidence of build-as-you-can-afford Stacks of concrete bricks and blocks can be seen everywhere

He says it is wrong to blame politics as a barrier to the provision of housing

Political action is universal and adequate housing is more strongly related to the rate of population growth which, in turn, is directly dependent on standards of education, urbanisation and prosperity

One of the biggest myths about the local housing situation is that a serious shortage exists

"What there is is a shortage of money to buy houses and food or to provide free or subsidised housing and food

"This statement must obviously be qualified in the local context where some regulatory restraints exist But, in general, people are homeless mainly because of the lack of money"

Material costs cause concern

PRESSURE is mounting for the Competition Board to re-examine the regular price hikes of certain suppliers to the construction industry

According to Jannie Breed, president of the SA Institute of Building, certain suppliers enjoy near monopolistic conditions which enable them to allegedly increase prices year-by-year at inflationary rates

"Price rises have continued even when, to remain competitive, some of the major receivers of the goods — such as home builders and general contractors — have had to operate at very low mark-ups, often absorbing losses," he adds

A 60% rise

Breed says figures released by the Haylett formula team, the National Association of House Builders, the Stellenbosch Bureau of Economic Affairs and a Pretoria-based house builder indicated that, on a typical Pretoria house, the total production cost had risen by more than 60% in less than four years

"This means there was a monthly escalation of 1,25%," he explains, adding that this was caused mainly by material price increases

In roughly the same period under review, says Breed, sub-contractor bricklayers on housing work in the Pretoria area had had only a R4/m² increase, from R24/m² to R28/m²; plasterers' wages had risen by only 35c/m², from R1,85/m² to R2,20/m², and tiling sub-contractors by only R2/m², from R12/m² to R14/m²

"On the other hand, the price of a certain widely used brick went up between 1987 and 1989 from R245 to R367/thousand, while certain stock bricks rose from R100 to R190/thousand Certain calcium silicate bricks increased from R82,30/thousand in 1986 to R131,10/thousand in 1989

"Cement, often said to be one of the better controlled building products, has increased in price between 1987 and 1989 from R6,22 to R8,85/pocket, while ready-mixed concrete (quoting figures from the Cape Town area) increased from R81,50/m³ in 1986 to R139,95/m³ at present"

The price of sanitary ware fittings for one bathroom have also increased from R602 to R1 104 in less than three years

"The manufacturers of these and other building products should reveal why they have had to increase their prices so regularly," says Breed

"The question is are their profits too large or have they failed to improve productivity in five years? The present figures suggest that they are either taking us all for a ride or operating extremely inefficiently"

Against controls

Breed stresses that he is "dead against" any further price controls, but believes the Competition Board could be exerting pressure to relieve the situation

"It has been estimated that an extra 200 000 houses could have been erected during the past decade if suppliers' price increases had been in line with those of other more efficient industries, such as mining," he adds

Everite to close E Cape factory

Cape Times 26/4/89

193

Own Correspondent

JOHANNESBURG — Everite has decided to close its East London factory in a R35m capex programme to convert its building materials from asbestos cement to non-asbestos fibre cement

Everite are planning to replace its asbestos fibre with cellulose fibres by 1992 This shift was in response to market demands monitored overseas, but preempting the SA market for non-asbestos building materials

Everite executive director, Mark Cvitanich said in a statement the size of the plant and the over-capacity of the fibre-cement manufacturing industry did not justify the R10 m investment required to introduce the asbestos replacement programme in East London

The East London factory, with only one sheet manufacturing machine, was too small to carry the interest burden and cash flow requirements of the programme, he said

Of the 270 workers employed at the factory, 230 would be retrenched with the remainder to be transferred to other plants, PR spokesman Brian Gibson said

Everite's R35 m asbestos replacement programme, which to date has involved R30 m research, will result in the replacement of asbestos fibres in asbestos cement by cellulose fibres

Cellulose fibres are made of hardy organic pulp fibres like hemp, wood or sisal fibres, Gibson said

Everite had given a public commitment to replace asbestos in its range of building materials by 1992

Despite the safety of asbestos building materials there was a growing public perception that asbestos fibres were dangerous

27/4/89

Paving the way!

BRICK 'n Tile, one of South Africa's leading brick merchants, has launched a new paver — the Country Cottage — for residential and commercial applications.

The attractive new paver has a biscuit colour with an orange flash and an ironspot. It is manufactured at Corobrik's modern Rietvlei factory near Pretoria. Corobrik's meticulous manufacturing methods and quality controls ensure that all pavers are uniform in size and shape.

The paver is a member of the Country Cottage family which includes premium-quality face bricks in three textures. These face bricks were recently awarded the coveted SABS mark of approval.

"Made from the finest clays and fortified with fired coal aggregates, the new Country Cottage paver embodies grace and strength," says Pete Smith, manager of Brick 'n Tile.

"Its colours make it a remarkable versatile and trouble-free product with an immense variety of applications.

"All Corobrik pavers are durable, need virtually no maintenance and mellow with age, acquiring a character of their own as years go by.

Warm

"Attractive angular and radial patterns such as herring-bone, basket-weave and stretcher-bond can be used to contrast with the warm colours of clay pavers and to give added visual interest to large areas of paving.

"For heavy duty areas we recommend the herring-bone interlocking bond because it best resists the lateral turning force of vehicles and wheels, specially on corners and slopes.

With the herring bone format these forces actually lock pavers tightly. In addition edges are suitably restrained, giving the paved landscape a design for life."

Brick 'n Tile stocks the country's largest range of quality clay pavers in numerous exciting colours to match or contrast existing brickwork and face brick homes.

Charm

Every paver is hand-selected. Each exudes its own charm and earthy personality. Beautiful hues of light and shade can be created doing away with sterile uniformity or coarse contrasts.

All 16 Brick 'n Tile centres countrywide stock the new Country Cottage paver and the matching face brick range. Trained and friendly staffers are on hand to advise customers on the right quantities for any type of residential or commercial project — driveways, forecourts, entrance areas, public plazas, parking lots, pool surrounds, courtyards, outdoor leisure areas or patios.

BRICK 'n TILE attractive new Country Cottage paver in a biscuit colour with an orange flash and an ironspot is suitable for residential and industrial applications

HOME IMPROVEMENTS

You can do it yourself

Sowetan 27/4/89

Stacking process saves cash

193

A SOUTH African company has developed a unique and cost effective construction system in an effort to solve the chronic shortage of housing in the country.

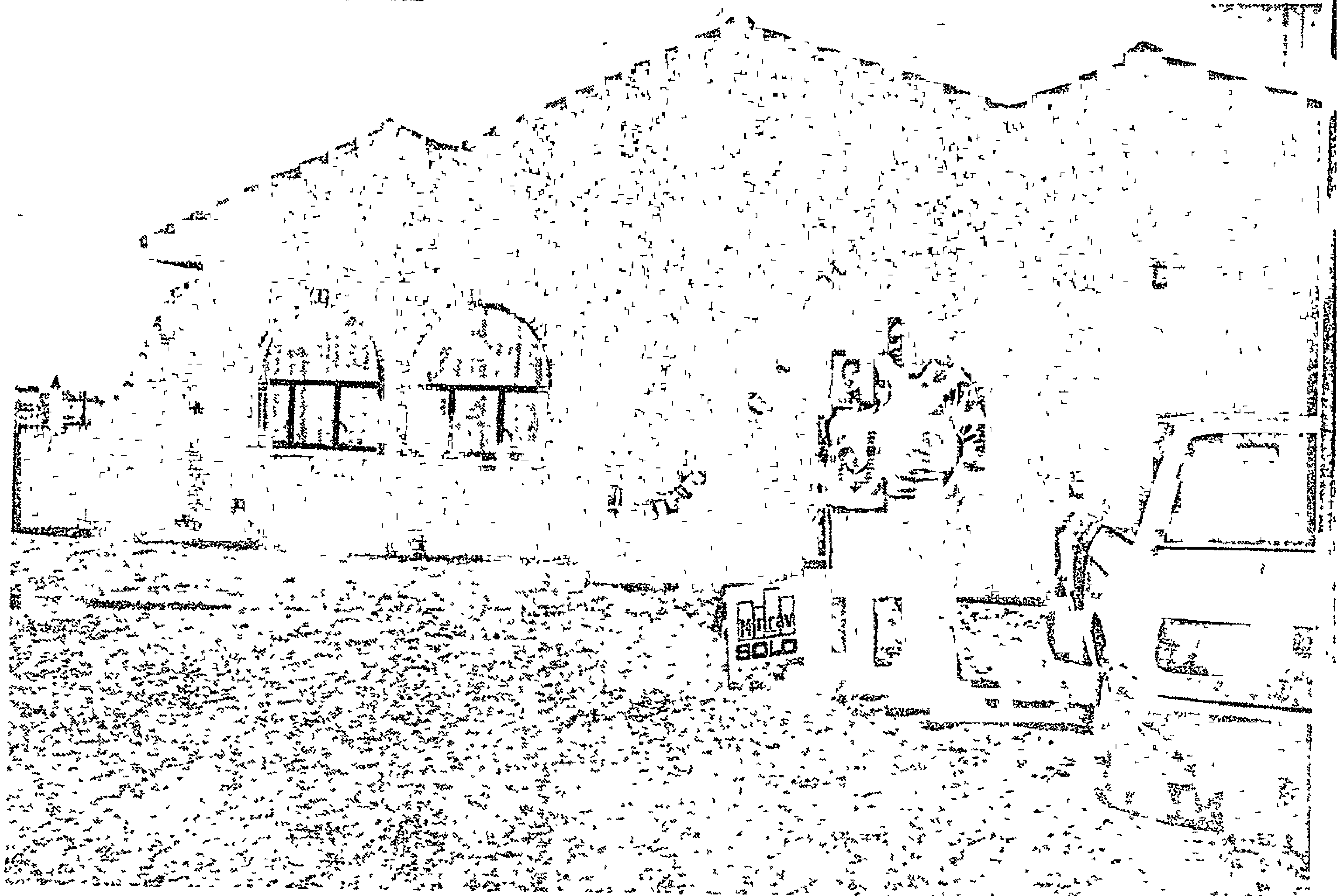
Mr T D Berbeyer, marketing manager of Ultraplan Systems Limited, said the newly invented system was based on a dry stacking interlocking system with numerous features, making it the most economical system available in the country to date

He said the system was designed in such a way that no cement was required for adhesion, thereby eliminating the need for a team of labourers to mix and supply dagha to the bricklayer

"The Ultraplan blocks are delivered on site as a package and put together as a kit By eliminating the mortar mixing team, costs of labour and materials are considerably reduced," Mr Berbeyer said.

He said blocks were designed in such a way that they fitted into one another This feature, Mr Berbeyer explained, eliminated the need for skilled labour Once the initial layer of blocks had been lain, the rest were stacked easily and quickly

"Since the size of the Ultrablock is the equivalent of about eight conventional bricks and is much lighter, the construction of a house requires much less time than a conventional brick house " he said



MINRAV International, an Israeli-based construction company, has over the years made an invaluable contribution in the provision of houses in the black townships. The company's houses are easily identifiable They are durable yet relatively inexpensive This is one of the houses the company built on the Reef.

Keeley: a hard act to keep up with

(173)

6/6/89 5/7/89.

REINIE BOOYSEN

ONCE again a dimension stone producer — this time Keeley Group Holdings — has outstripped the expectations of analysts, who are finding it hard to keep up with the voracious growth of this young, fast-moving industry

Keeley's attributable earnings for the year to February are R32,3m — 143% higher than last year's R13,3m Dividend distribution is five times higher, at 55c a share (1988 11c)

SA's four major producers of stone for polished architectural and monumental surfaces — Keeley, Kudu, Marlin and Impala (unlisted) — are finding it difficult to satisfy the increasing hunger in Europe and the Far East for their products

The development of modern stone-cutting techniques capable of handling hardier varieties of stone like gabbro-norite and granite has been attributed to the growth of the SA industry

These stones are making rapid inroads on the 4 000-year-old domination of marble, which is under pressure from high population levels and acid rain, particularly in Europe

Expanding

Marble wears much faster under the feet, and it decays if exposed to acid rain (caused by air pollution from industry and motor vehicles)

Therefore, SA producers are expanding as fast as they can and new companies are being formed to exploit this sector Keeley expanded its stone production by 50% to more than 300 000 tons in the year under review

Dimension stone enjoys one of the highest rates of return on the JSE at present Keeley's return on equity rose from 40% in 1988 to 69% in 1989

Returns are boosted by government export incentives, which lead to lower tax rates. Keeley's tax rate in the 1989 year was only 16%

Keeley's liquidity is good although long-term debt equity ratio has risen from 0,12 to 0,22, the company has R40,2m in the bank and total net current assets of R56,6m

□ In the six months to December 1988, Marlin's attributable earnings were R10,8m — compared with R4,4m the previous year

□ Kudu's interim results (also to December 1988) also show an outstanding improvement a rise in attributable earnings, from R907 000 to R3,5m

CEMENT'S FUTURE IS PROMISING

B/Day 9/5/87 (193

EDWARD WES

SA'S future growth will place increased demands on concrete as the premier building material, says Portland Cement Institute executive director Dean Norton

Rapid urbanisation in SA has resulted in an increased need for infrastructural development like highways, housing and better transportation systems, while the low energy consumption of concrete will enhance its continued demand

A 1m-high concrete column required half the energy needed by a similar column of claybrick, or about a third of the energy used for a similar steel column, Norton said yesterday

Damage to ecological systems caused by such as the greenhouse effect could change the use of surface terrain for urbanisation to subterranean systems

Experiments were being conducted to assess the feasibility of subterranean housing systems, Norton said

PPC to spend R53m on Riebeek West factory

Cpt Times 9/5/89

193

By BRUCE WILLAN

NEW limestone deposits discovered in the Riebeek West district will ensure a continious supply for the manufacture of cement for at least 15 years more than was estimated previously.

Work is now in progress on three capital intensive projects which forms part of a major R53m development and upgrading programme at Pretoria Portland Cement's (PPC) Riebeek West factory.

Explaining the rationale for the upgrading and development, MD Guy Luyt, said in 1980 it was identified that the Riebeek West plant, whose first Kiln was opened in 1959, required upgrading. This was necessary because peripheral equipment had become obsolete and because limestone quarrying operations were not optimized.

Plant modernization and the replacement of equipment to the value of R9,8m is already complete including the installation of computerized controlls for the two kilns and the various mills as well as state of the art quality control X-ray system and an X-ray spectrometer.

The upgrading will prolong the life of the existing plant and also extend the high-grade limestone reserves.

Previously only high-grade limestone was used for the manufacture of cement but with the installation of a preblending plant, the medium grade limestone can be used to supplement the high grade supply without reducing the quality.

Not only will the expansion programme upgrade the existing plant and make better use of materials but it will also ensure constant quality and control, reduce blending costs and improve productivity.

Italtile lifts earnings

(193)
Star 10/5/89

Finance Staff

Italtile has reported income attributable to ordinary shareholders of R13,075 million for the 11 months to the end of February

A pro forma comparison for 12 months to February 1989 show earnings at R14,556 million compared to R11,986 million previously

Earnings per share were 79c compared with the pro forma figure at 88,3c (75,7c)

A dividend of 15c has been declared No dividend was paid in the previous year

Italtile is to build two tile factories at a cost of R45 million over the next three years

Italtile improves on earnings forecasts

6 Jan 10/5/89 EDWARD WEST 193

CERAMIC group Italtile bettered forecasts of 54,8c a share, posting adjusted earnings of 67,9c a share Unadjusted earnings came to 79c

An operating profit increase of 64,8% to R16,85m for the 11 months to February was realised after a 66,3% increase in turnover This is based on comparative results of Betta Sanitaryware

A *pro forma* income statement and balance sheet are provided to reflect trading results as if Jabula Food's acquisition of Betta had taken place on March 1 1988

Pro forma adjusted earnings for the year to February 1988 came to 73,5c a share compared with *pro forma* 1988 earnings of 45,6c

ITALTILE

Earnings a share have been adjusted by applying a notional tax charge of 40% to eliminate the effect of assessed losses

Tax was R5,7m, sharply up on the *pro forma* total of R15 000 This reduced actual taxed profit to R13,1m compared with a *pro forma* total for 1989 of R14,9m

A dividend of 10c has been declared, bringing total distribution to 15c

Italtile is to build two tile factories at a cost of R45m in the next three years

New challenge to statistics

S Times 14/5/89

143

By Udo Rypstra

ANOTHER private sector report has contradicted figures from Central Statistical Service (CSS), which has come under attack for allegedly reflecting an inaccurate inflation rate.

This time the subject is building activity in SA, with particular reference to home improvements.

The first challenge to CSS came from Karl Posel, former professor of applied mathematics. He claims that SA's inflation rate is more than 30% a year instead of the 13,8% calculated by CSS.

The report on building activity by Business & Marketing Intelligence (BMI) says CSS reflects only home improvements for which municipal approval has been requested. It ignores the "tremendous" increase in home improvements for which no plans have been passed.

Potential

Jan Strauss, director of building studies at BMI says: "The potential of the home improvement market for building materials suppliers has been underestimated due to a severe underreading of the market by CSS."

BMI is a leader in business and industrial research. It is a member of the Information Transfer Group, SA's largest multi-disciplinary marketing research group.

Mr Strauss says that instead of conducting research on a "horizontal level" — for instance, on consumer response only — BMI carried out a "vertical" study of the home improvement market. It is based on a "comprehensive sample of 2 000 manufacturers, builders, merchants, contractors, specifiers and local authorities". It also covered 150 building products.

Misleading

His study, entitled Prospects for building materials and fittings in SA — 1988-1993, found that the home improvement market is worth about R3,5-billion a year.

It also found that South Africans spent more on extensions to their homes than on new houses in 1988. This, says the report, contradicts official figures which are misleading.

"Official statistics show that non-residential building activity has a much higher proportion of additions than residential activity. This is not true in the real situation because non-residential alterations are usually executed with approved plans and are therefore more likely to be reflected in the official statistics.

"Expenditure on alterations and extensions to residential buildings definitely exceeds expenditure on non-residential property."

Economic

Mr Strauss says that almost half of improvement expenditure is on economic housing and more than a quarter on luxury houses. The balance is spent on improving low-cost houses.

Official figures show that the building industry has suffered real negative growth in the past three years. The BMI, however, reports that in 1988 there was positive growth, although it was small.

It says SA spent R12,5-billion on all types of building in 1987. This represents a 30% increase compared with 1985, or 5% in real terms, allowing for cost increases.

Negative

It warns, however, that the industry faces real negative growth for the next two years and that recovery is likely only in 1991-1992.

The survey also found that the private sector's contribution to building activity grew by 37% between 1985 and 1987. This is 72% of all building activity. Public spending rose by 15% in the same time, but its share of the market fell from 32% to 28%.

(193)

Granite newcomer with a difference

By Ian Smith

THE entry of another counter to the JSE's granite-mining stocks will add a new element of excitement to a sector where shares have trebled their value in a year

The one time pedestrian paving stone is today's glamour export buyers lining up to place orders

Aurora Granite, backed by established construction group Basil Read and mineral exploration entrepreneur Ted Grobicki, comes to the mining board on June 1 after a private placing of 6-million shares at R2 each

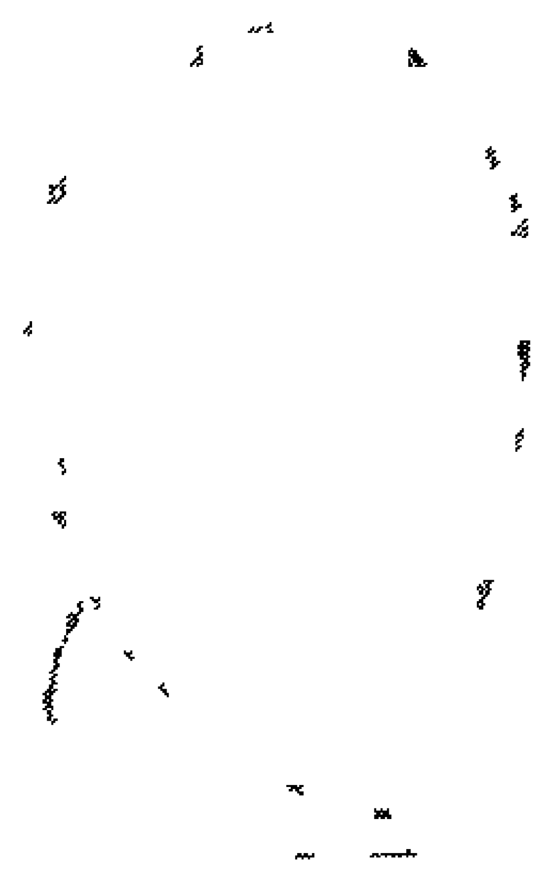
Profitable

World demand for top-quality South African granite is running high The promoters of the new company see no problem in shifting total production to foreign markets at highly profitable prices for the forseeable future

But Aurora is jumping ahead of the established producers — three listed and one foreign-controlled company — by moving into beneficiation

Most of the output of the two quarries at Belfast and Groblersdal in the Transvaal will initially go to foreign buyers as large blocks, and the group is committed to developing a cutting and polishing division which will mainly add value to exports Some will go to the SA market

TED GROBICKI



DAVE WASSUNG

The group forecasts revenue of R14,8-million in the year to June 1990 and an operating profit of R8,7-million No tax should be due in the foreseeable future because of exploration, development and pant alowances and export incentives Net profit of R7-million should provide earnings of 26,9c a share

Roots

A dividend policy of between 33,3% and 50% of taxed income should mean that 9c a share is paid in the first year

Aurora has its roots in an exploration company formed by 39-year-old geologist Mr Grobicki last year when he left the pioneer mining exploration group he helped take to the JSE, Rand Extension & Exploration (Randex)

The company he formed took an option on black granite deposits in the fashionable Belfast area, where all the other major producers operate, and then made contact with listed Basil Read It had started to develop a quarry at Rooikraal, 40km north of Belfast, in December 1987

The outcome is Aurora Granite, Basil Read holding 24%, Mr Grobicki and associates Aurora Exploration 21%, Charter with 18% and the public, including institutions, 37%

'It makes so much sense," says Mr Grobicki, who is chairman of Aurora Granite 'We have the exploration expertise and Basil Read, which was already involved in granite, has the plant and earthmoving expertise"

An agreement between the main partners says that Basil Read will make its plant and equipment facilties available to Aurora Granite at cost The private Aurora Exploration will make its other granite interests and services available to the new company at cost

Aurora Granite's managing director will be Dave Wassung, Basil Read's financial director who has been in charge of the construction group's diversification He remains a director of Basil Read and both comnpanies will operate out of the same head office "We will work closely," he tells Business Times

Reserves

Aurora's rights in Belfast, the source of much of the world's best black granite, is seen as a coup But it did not come easily

Other groups are quarrying granite outcrops in the area, but Aurora's Kwaggaskop deposits were covered by a mealie field

"We had to look at the cost of removing overburden in addition to the land-owner's high price," says Mr Grobicki "This is where Basil Read's plant and specialist expertise were particularly attractive"

In the end the partners delineated areas where the granite was covered by less than 4-metres of overburden and established reserves of 70 years at projected mining rate

Basil Read's original Rooikraal deposits are in a small zone of exceptionally high-quality black granite

Maturity

The degree of striping and faulting is one of main reasons that Aurora will develop its own cutting and polishing division This means it will be able to sell granite which would not normally be suitable for shipping abroad in large blocks

Aurora Granite is developing quarrying and handling methods, much of the equipment being made in Basil Read's workshops

Recovery percentages at Kwaggaskop are expected to be similar to those at Marlin's neighbouring operations

"We will employ new granite quarrying techniques which will result in higher capital costs but significantly lower operating costs which are not easily comparable with those of other operations"

Exports add weight to a solid stone sector outlook

B/Day 17/5/89

193

REINIE BOOYSEN

AURORA Granite — to be listed on the JSE on June 1 — will be followed soon after by Impala Granite, a West German-controlled company which vies with Marlin for second slot (after Keeley) among SA's four big dimension-stone producers

Analyst Keith Bright yesterday confirmed that Frankel Kruger Vinderine would be sponsoring brokers to the listing

● GROBICKI

The strength of the market for hardy varieties of stone, like the Transvaal's gabbro-norite, for architectural and monumental applications, has enabled the three dimension stone companies on the JSE — Keeley, Marlin and Kudu — to achieve great growth, particularly in exports

This has also sparked intense interest among other entrepreneurs keen on emulating these successes Other candidates for a possible listing on the JSE which have been mentioned in dimension-stone circles include names like Black Rock and African Swiss

Europe

Nevertheless, Impala will clearly be the largest among the 1989 listings, with about 14 000 tons a month

Observers say most of Impala's tonnage is derived from the Rustenburg region (about 10 000 tons), while it produces about 3 000 tons from Belfast and another 1 000 tons from quarries in the Cape and Zimbabwe

The company is owned by a German concern, Deutsche Stein, which is engaged in the processing and distribution of granite in Europe

☐ Aurora Granite represents the amalgamation of the dimension-stone interests of various concerns including Ted Grobicki's Aurora Exploration and Basil Read

The company is to raise R12m via a private placing on the JSE, 6-million shares have been placed at 200c a share It will exploit two deposits, one at Kwaggaskop in the Belfast district, and the other, Rooikraal, about 40km north The company aims to achieve a production rate of about 2 000 tons/month from Kwaggaskop by February and another 800 tons/month from Rooikraal by March

● WASSUNG

Directors expect net profits to June 1990 of more than R7m in total, or at least 26,9c a share With a dividend policy of distributing between 33,3% and 50% of after tax income annually, a dividend payment of 9c a share is forecast for the year to June 1990

The company will be managed by Basil Read financial director Dave Wassung Ted Grobicki will be chairman

Star 18/5/89. (193)

Improved margins pave way for higher interim at PPC

Pretoria Portland Cement (PPC) has raised its after-tax profits by 31 percent from R31 million to R40,5 million for the six months to March

Earnings per share for the half-year come out at 101,7 cents (79,6 cents), paving the way for an increase of 44 percent in the interim dividend from 25 cents to a 2,8-times-covered 36 cents

Financial director Chris Wrogemann points to improved cement margins brought about by higher volumes and thus better plant utilisation as one of the main reasons for the increase in earnings Another factor was a jump in net investment income from R4,3 million to R7,2 million

Growth in the second half will be at a slower rate but PPC expects to show an increase in earnings and dividends not less than 20 percent for the full year, says the interim report

"Higher interest rates will have a dampening effect on economic activity generally and on the building and construction industry in particular, with the pinch most notable in the housing construction sector," says Wrogemann

"The cement volume increases we saw in the first six months simply won't continue at the same rate Second half volumes will probally be at about the same level as the second half last year," he adds

The higher first-half margins rose by 33 percent in operating profit — from R55,9 million to R74,2 million — on a turnover increase of 20 percent, at R312,6 million (R261,2 million)

Cement sales volumes increased by 7,5 percent in the six months, generating a turnover of just under R180 million (R148,9 million) Cement operating profit was R48,4 million (R34,1 million)

Interest received is substantially up on the first half last year — from R2,3 million to R5,4 million According to Wrogemann this is because far bigger cash balances were invested than during the first half last year

"However, substantial tax payments on March 31 have since reduced those balances" The tax man took just under R40 million (R28,4 million)

Interest paid was marginally lower at R2,5 million, leaving pretax profits of R81,4 million (R60,2 million)

ANOTHER SOLID SHOWING FROM CEMENT GIANT

A.Day 25/5/89 193

EDWARD WEST

INVESTORS anticipated Pretoria Portland Cement's solid 28% EPS growth for the six months to March

PPC shares have jumped from a low in August of R14,50 to a peak of R25 last week. Shares closed unchanged at R24,75 yesterday

However, as expected in the chairman's review last year, the high 46% earnings growth rate achieved during 1988 was not maintained

Earnings a share of 101,7 (79,6c) were diluted by the issue of 961 452 new ordinary shares after the final conversion of the company's 11,5% convertible debentures in December.

The largest cement and lime producer raised taxed profits by 31% from R31,8m to R41,5m in the six months to March 1989.

Growth in EPS paved the way for a 44% hike in the interim dividend from 25c to a 2,8 times covered 36c. Cover at the interim period last year was 3,2

PPC financial director Chris Wrogeman said improved cement margins, through higher volumes and better plant utilisation, increased earnings.

Volumes

A 67% jump in investment income to R7,2m contributed to the improvement Operating profit increased 33% to R74,2m (R55,9m) on 20% growth in turnover to R312,6m.

Cement sales volumes increased by 7,5% to generate a turnover of just under R180m (R148,9m). The 10% cement price increase in January only partly offset the rise in power costs, railage and fuel, Wrogeman said.

Interest received increased from R2,3m in the first half of last year to R5,4m because of larger cash balances this year. Tax payments in March have since reduced those balances, he said.

Untaxed profits amounted to R81,4m (R60,2m) Tax was R39,9m (R28,4m) Gearing was reduced as the debt.equity ratio fell from 5,5 to 2,3

The group's capital commitment of R86,4m for the period under review was reduced from R127,9m at September 1988

While Wrogeman forecast slower growth in the second quarter, he said PPC should show an increase in earnings and dividends of not less than 20% for the full year.

B/Day 18/5/89. 193

Tongaat-Hulett breaks records all round

BRUCE ANDERSON

STRONG performances by Tongaat-Hulett's sugar, aluminium and building materials divisions have resulted in impressive results for the year to March with turnover, taxed profits and earnings a share all at record levels

Turnover rose 21% to R3,1bn (R2,6bn) but a widening of margins — from 9,2% to 10,36% — produced a 36% leap in operating profits to R327,5m (R240,9m) while attributable profits increased by 32% to R157,4m (R119,2m)

This advance was achieved in the face of a 35% rise in interest charges to R69 5m (51 4m)

Earnings a share rose by 32% to 214,3c (162 3c) A final dividend of 48c (36c) has been declared to bring total distribution for the year to 71c (54c)

Yesterday Tongaat's share price firmed 25c to R16,50 ahead of results

Financial directoı Ted Garner said yesterday the improved margins were mainly due to an improvement in the results of the group's aluminium division which benefited from a higher world price

In addition the building materials division enjoyed more buoyant conditions

Garner said the results had marginally exceeded directors' expectations

The group's land and buildings were revalued at April 1 last year with a consequential increase in non-distributable reserves of R488m This, with the strong cash flow resulting from improved profit performance and tight management of working capital, reduced borrowings to R254,5m (R304 5m)

The reduction in borrowings is impressive because it came after the group had financed capital expenditure of about R131m

Gearing improved as a result of the reduction of borrowings Interest-bearing debt now represents 15,7% (30,4%) of total shareholders' funds

Garner said the group expected to grow next year but probably not at the rate in the period under review

He added directors would be in a position to comment more fully on prospects in the annual report after scrutinising results for the first quarter

Keeley has high export market hopes

193

CHARLOTTE MATHEWS

KEELEY Granite is establishing a R5m processing plant in Ciskei, to become operational in July, for the production of granite tiles for the world market, group chairman Fred Keeley announced yesterday

"We have decided to take this step to add value to our product in SA which will result in the group achieving higher foreign exchange earnings from the export market," he added

"What makes the project even more viable is the fact that the raw material we will be using is worth only 25% of the value of the finished product and constitute less than 1% of our annual granite production

"Once on stream, the plant will have a capacity of 40 000m2 of tiles worth approximately R10m a year"

He said that in the foreseeable future the company would export its entire production against confirmed orders

BDay 23/2/89

Cemenco raises dividend by 150%

BI Day 23/5/89 · (193)

BRENT MELVILLE

THE Cementation Company (Cemenco) has shown disappointing growth for the six months to end-March with earnings virtually unchanged at 72,6c (72,2c) a share

However, the designer and manufacturer of steel products for the mining sector — controlled jointly by UK-based Trafalgar House and local engineering group, E L Bateman — has declared a dividend 150% up on last year's at 35c (14c) a share, covered 2,1 times

Operating profit rose by a marginal 13% to R11,4m (R10,1m), but a 21,5% rise in interest payments lopped off R2,7m (R2,2m) and a tax hike of 36% took an additional R3m (R2,2m) — resulting in an unchanged attributable income of R5m

Unfortunately, no turnover figure was given but chairman Ron Shaw estimates it at R160m, "significantly up on last year's figure"

He attributed the decrease in margins to problems with Cemenco's forging division but said the group would be concentrating on its mining division "which already accounts for over 50% of turnover"

● SHAW

Long-term borrowings were reduced by 30,6% to a healthier R12,7m (R18 3m), but short-term loans showed an inflationary rise of 18% to R22,7m (R19,2m)

Optimistic of improvement in the second half of the year, Shaw said the company should benefit further from the receipt of certain export incentive allowances

The group has already adjusted comparative figures to allow for last year's incentives

Shaw predicts an end-year dividend of "at least" 55c — bringing the year's total to 93c

Cemenco closed on a high of R7 yesterday on an historical dividend yield of 10,4% — well above the sector average of 4,6%

Bullish outlook in concrete industry

Star 23/5/87 193

South Africa's urbanisation growth will place increasing demand on concrete suppliers, says Mr Dean Norton, executive director of the Portland Cement Institute

"The country will have to cope with a backlog of demands as well as provision for the effects of social change," he says

"An example of this change is our urbanisation resulting in the need for more highways, surface and underground rail transport, housing, water, educational facilities and shopping centres"

Mr Norton also referred to the "greenhouse effect" — the result of increased pollution and accelerated by the damage to the earth's ozone layer — and maintains this could, in future, change the use of surface terrain for urbanisation to subterranean systems

"Concrete's relatively low energy consumption

Dean Norton

characteristics will also result in increased future demand for the material," he says

"A one metre high concrete column bearing a 1 000-ton load requires only about half of the energy required by a similar claybrick column or only about a third of the energy needed by a similar steel column

"This is an important consideration when, for an average building, about 58 percent of the total energy used goes into materials," he says

Kudu puts in another record quarter

B/Day 26/5/89

REINIE BOOYSEN

KUDU Granite has managed another good quarter in the three months to March, with attributable profit at a record R1,951m

Analysts say there is no reason why this should not continue to rise in the quarters ahead

In the previous financial year, to June 1988, Kudu's turnover was R10,3m

The current year's turnover will be at least double this figure, for the nine months to March it was R18,8m — which includes R7,6m in the March quarter alone

If Kudu manages the same attributable profit as in the March quarter, attributable profit will also be more than double last year's R3,6m (attributable profit for the nine months to March is already R5,5m)

So far earnings a share are standing at 34,8c — compared with 24,2c for the whole of last year (193)

The company's share price reflects this good news, although it has softened slightly, along with the two other granite shares (Keeley and Marlin), from its all-time high of 480c on February 9 The share yesterday traded at 435c

Keeley shares yesterday traded slightly lower than their high of 1 275c on April 28, at 1 200c, and Marlin shares traded at 740c, compared with their high of 810c on March 20

Room 193

Cape Times 30/5/89

800 locals join Everite strike

ABOUT 800 workers at the Everite plant in Brackenfell downed tools yesterday in support of a national wage strike affecting four plants and 2 200 workers.

The workers are demanding a R1,03 across-the-board increase on the hourly minimum of R2,85. The company is offering 50c, increasing to 75c for higher grades

Plate Glass makes renewed thrust into foreign markets

Star 7/6/89 (193)

By Derek Tommey

Plate Glass is as South African as melktert

But these days it is acquiring a strong international veneer, which is expected to result in a sharp rise in profit in the years ahead

Joint chairmen, Ronnie and Bertie Lubner, said last night the group had major expansion plans for its overseas operations, while seeking additional foreign capital for them

They said that in the year to March, Plate Glass had increased attributable earnings by 20 percent and raised the dividend from 185c to 22c a share

The expansion plans and the foreign capital injection were expected to lead to a major increase in profits in the years ahead

Plate Glass has started a campaign to be a major retailer of glass and timber board products in North America, Europe and Australia

This has led to the group opening 50 new outlets in the past year in the US and 35 in Europe It is starting a chain of wood-board outlets in Australia

It is already strong in glass retailing in Britain and Australia

However, the overseas expansion has not been without cost The group had to write off R26 million in establishment expenses, the brothers said

This was seen in the decision to cold-start new branches Established retailers had wanted too much goodwill

Plate Glass had decided, therefore, to start from scratch In doing so it had saved itself far more in goodwill payments than it had written off in setting up the operations

But owing to the restrictions on the transfer of capital from SA and the limit to the expansion that could be financed out of retained earnings, Plate Glass needed to find alternative ways of financing the operations, they said

Various scheme were being looked at, including share listings, mergers and joint partnerships

It was likely in some areas that Plate Glass might merge its operations and accept a smaller stake in much larger enterprises Merger would help cover up the SA connection

But for the heavy establishment expenses, earnings for the year would have been 31 percent higher at 636,7c a share, instead of the 482,7c the group reported Last year it earned 400,6c

The Lubners said that although 64 percent of turnover was done overseas, it generated only one-third of profit

However, despite continued heavy expenditure on overseas expansion, this should change this year and foreign operations should generate half group profits

Profits from the SA operations were expected to be at least maintained

This suggests earnings should be 33 percent higher, although the brothers forecast only a 20 percent increase

Exports made a significant contribution to profits, with glass products ("we are exporting added value, not just glass") making further penetration But this is not "tied" business Overseas associates were free to buy glass from anyone, they said

The European glass division had a good year The British operations were restructured and greater emphasis placed on distributing and fixing automotive glass

This was also being done in Europe and long-term benefits were expected, especially in the Benelux countries where Plate Glass operated the largest chain

The combined turnover of the European glass operation exceeded R1 billion and was forecast to grow at about 15 percent a year

The Argus, F

BUSINESS

COMPANIES ARGUS 9/6/89

Italtile profit up 70 pc

(193)

Business Staff

ITALTILE, which was listed in August, last year, should continue to show real growth in turnover and profitability in 1989, says the chairman, Mr G Ravazzotti.

Turnover in the year ended February rose 75 percent while profits rose 70 percent to more than R20-million

He reports that Italtile is expanding its manufacturing facilities and is building a new ceramic tile factory in Babelegi at a cost of R25-million. It is also opening additional retail stores

Mr Ravazzoti said that the high rate of inflation and the rapid growth of the company required a high profit-ploughback

As a result the dividend was restricted to 15c out of adjusted earnings of 73,5c

During the year it acquired National Ceramic Industries which will makes tiles for industry and which will considerably broaden Italtile's product range.

Italtile continues expansion

EDWARD WEST 193

IN SPITE of indications of an economic downswing in the new financial year, Italtile CE Gianni Ravazzotti says he is confident the group will continue to show real growth in turnover and profitability

The opening of additional retail stores, the construction of a new R25m ceramic tile factory in Babelegi and the continued expansion of manufacturing facilities are evidence of continued growth in the group, he says in the annual report

The excessively high rate of inflation has negative implications in terms of working capital and fixed asset requirements, particularly in fast-growing companies like Italtile BDay 12/6/89

He is, therefore, committed to make adequate re-investment of profits to ensure continued growth and long-term welfare of Italtile and therefore declared a conservative dividend policy

Italtile attributable earnings increased by 61,2% after increasing turnover by 75%, the annual report says

Buildco's performance upsets some shareholders

193

EDWARD WEST

BUILDING Material Manufacturers' shareholders believe dividends should have been retained after disappointing results for the year to February.

Business Day was inundated with phone calls from angry shareholders last week who complained about management of the company.

Buildco's earnings a share dropped 46%, from 6c to 3,2c, after net income fell from R6m in 1988 to R4,01m. Net income also fell R409 000 from the interim net income of R4,4m reported last August.

Turnover for the year to February increased 34% from R44,38m to R59,3m. Operating profit, indicating a drop in margins from 14,3% in 1988 to 8,7%, dropped from R6,09m to R4,01m.

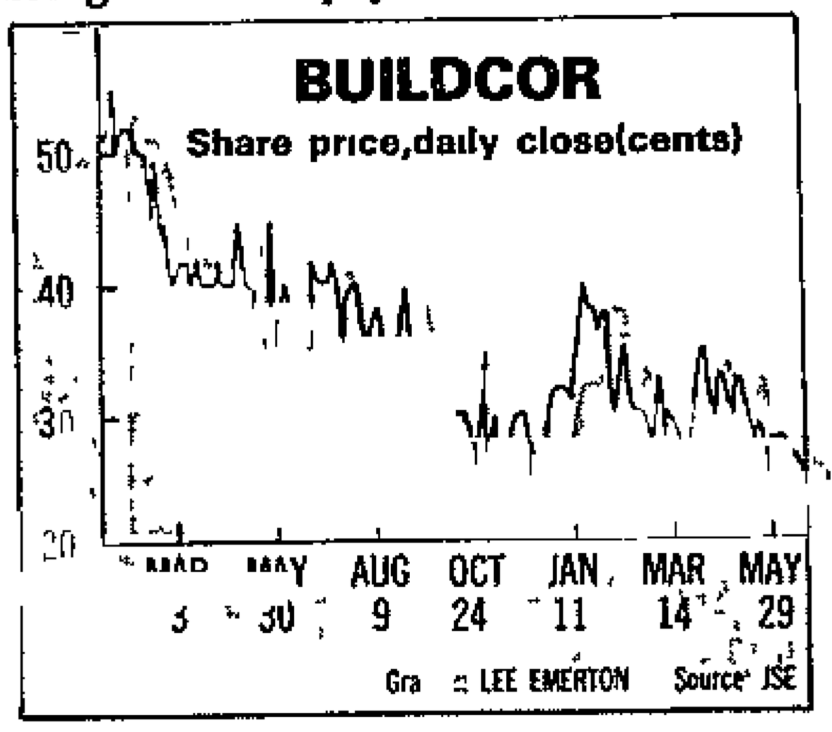
Earnings were further diluted by an increase in the number of shares in issue from 101,5-million to 122,6-million. Long-term liabilities increased from R1,5m to R5,6m.

Buildco director John Dutton said R305 000 of borrowings was for instalment sales and finance leases.

The balance on long-term liabilities was non-interest bearing debt arising from a loan provided by Buildco parent Interboard for the provision of new tile production facilities.

Interest payments increased from R257 000 to R1,17m.

A dividend of 1,25c was declared to bring the total payout to 2,85c.



Some shareholders said Buildco's dividend should have been capitalised becaue of falling margins and poor net earnings.

Dutton said the company originally planned to retain the dividend but, after consulting major shareholder Interboard, which has an 80% holding, it was decided to declare the dividend as an indication of the confidence Buildco had in the coming year.

He said Buildco's problem had been the Studio Ceramic tile division. Disruptions to the existing operation, with the installation of the second kiln, were under-estimated and the main contributor to losses.

Buildco's interim announcement says — referring to the new kiln — "the increased operation is beginning to bed down well with output volumes increasing by the week".

Dutton said the interim announcment was published in a period of five weeks when they thought they had eradicated tile production problems, but these continued with the plant producing a large percentage of reject tiles.

He added since then management in the division had been replaced. Gerrit Venter, formerly a production manager for SAB, was appointed GM and the production units had already broken divisional production records.

With Tileco fully operational, a high demand for tiles and all other divisions in Buildco showing profits last year, it was decided to show investors the company's confidence in the group performance next year by declaring the dividend, Dutton said.

Preliminary results were published seven days late because companies acquired by Interboard during the year were not run on the same accounting methods as the group.

(193) South LABOUR South 15-21/6/89

Factory battle

By CHIARA CARTER

STRIKING workers at Everite in Brackenfell were this week excluded from company premises following violent clashes with "scabs".

On Monday, about 100 strikers fought with about 300 casuals bussed in by the company.

The clash, which resulted in 17 workers being injured and two hospitalised, was the result of "extreme tensions" which had built up over the past fortnight, a spokesperson for the Construction and Allied Workers' Union (Cawu) said

Similar clashes occurred at the Everite factory in Kliprivier last week

Cawu has appealed to workers not to become involved in confrontations with the scabs. "

An Everite spokesperson said that following the clashes, management and shop stewards had met and negotiated for strikeers to remain in a demarcated area outside the factory.

This was not a lock-out situation but was to prevent further violence, he said.

The company was continuing to use casual labour to maintain production

About 700 Cawu members at the factory have been on strike for more than a fortnight.

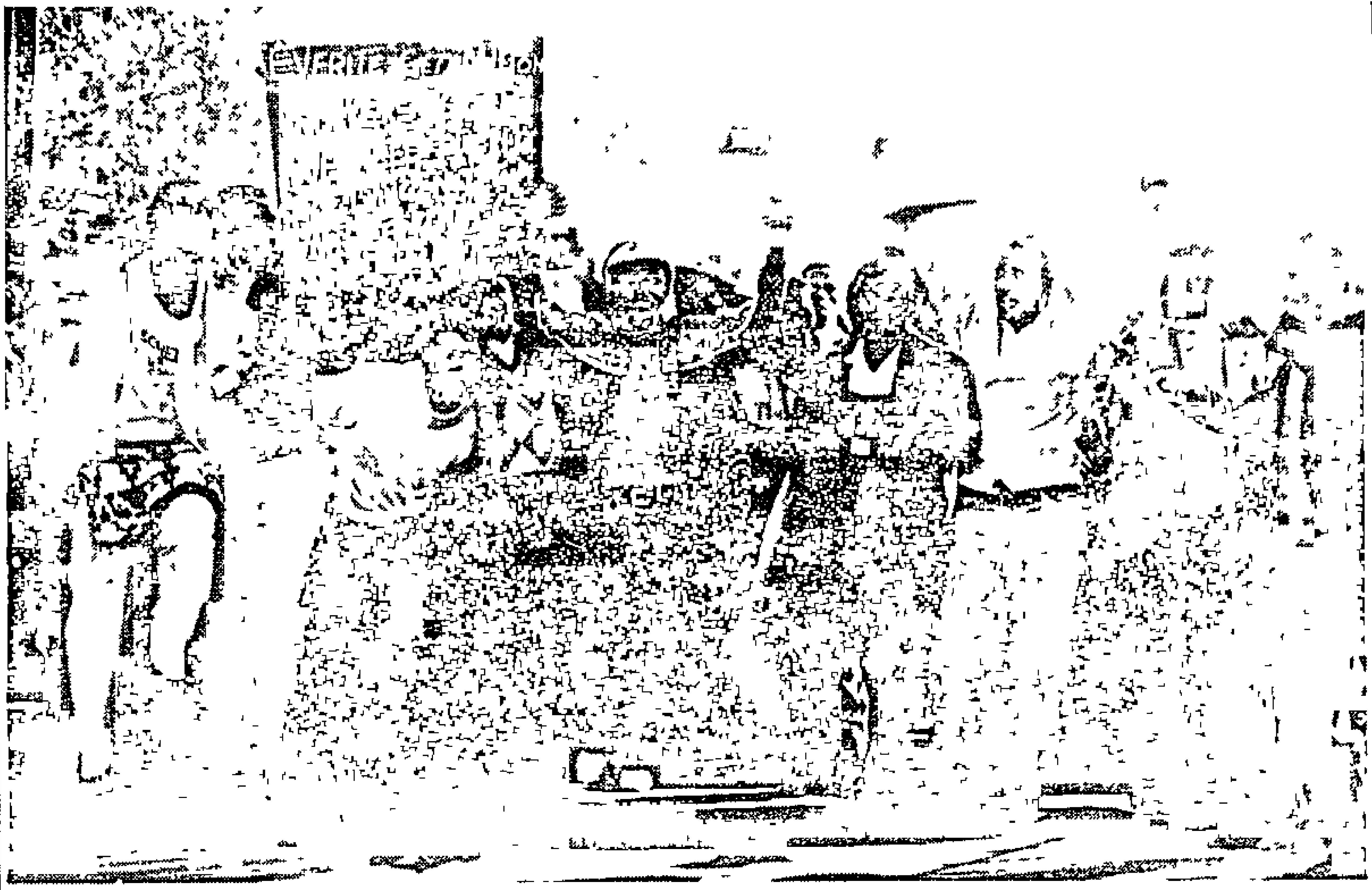
The strike is part of national industrial action by between 2 000 and 3 000 Cawu members at the Fibre and Cement Division of Everite Limited.

The workers are demanding a minimum wage increase of R1,03 an hour. Management has offered 50 cents

Meanwhile, a marathon strike by about 900 Worcester textile workers has entered its fourth week

The strike, which stems from annual wage negotiations, is over a service bonus dispute

The workers, members of the Amalgamated Clothing and Textile Workers' Union of South Africa, have rejected Hex Tex management's offer of 25 cents and are holding out for 50 cents for each week of service



Everite workers protest to highlight their strike

Cement sales to slow as the economy cools

S I Times 18/6/89. (193)

By Don Robertson

CEMENT sales are expected to rise by about 3% this year from the 8,38-million tons sold last year, says the SA Cement Producers Association

It says in its review for the year to December that because of the slowdwon in the economy and higher bond rates, a decline in building of houses by the public sector and corporations can be expected However, small growth can be expected in non-residential buildings

Contracts awarded in the second half of last year to civil engineers will cause a small increase in private and public sector work

Backlog

However, no major expansions are planned in the near future, although there will be large expenditure on replacement, modernisation and upgrading of plant

Cement sales last year rose by 16% to 8,48-million tons Installed capacity was 12,4-million tons at 28 plants and capacity use was 68%, so any increased demand can be met

Last year, the private residential market made a good recovery, but the backlog of affordable housing is increasing because insufficient land is being made available Private non-residential activity increased through alterations and refurbishments

There was a reduction in non-residential buildings which is expected to continue with the imminent privatisation of some public corporations

Work by civil engineers increased by 25% over 1987

SA is now exporting small quantities of cement to Zimbabwe However, the industry was unable to follow up other export inquiries because of the high cost of transport

More slag and fly ash is being blended by the industry and the amount rose from 10% of total production in 1987 to 37% last year It helped to keep costs down

The association says that SA is the fourth-lowest cost producer in the world

Prices were raised by 7% in May last year and by slightly more than 10% in January 1989

Brick industry hit by higher home finance

193

Star 15/6/89

By Fank Jeans

A clear indication of the adverse effects rising bond rates and tight conditions are having on homebuilding comes from a leader in the brick industry,

There has been a sharp fall in capacity utilisation in the past few months — a setback which, sources say, is directly related to the level of home finance

Errol Rutherford, MD of Corobrik, says last November was the turning point

"The industry's main outlet is the residential property market and up to last November it was running at 86 percent of capacity

"Then we noticed a steady slide and capacity utilisation is now 60 percent."

He says demand for homes is as strong as ever, but that affordability has "moved beyond the potential of the average home buyer"

Other sources are hesitant about price rises — they have just been increased — but say there is little doubt that the "freeze", along with a bond rate of 20 percent, must inevitably filter through by way of a further fall in output

"We are fighting costs," says Mr Rutherford

Anglo Alpha scores again

Star 19/6/89 (193)

Bottom Line

MICHAEL MENOF

In August 1988, the Competition Board allowed the cement industry to retain its cartel arrangements.

Anglo Alpha chairman Peter Byland said: "We welcome this decision which underpins our conviction that the cartel arrangements are in the best interest of the cement consumer."

The continuation of the arrangement would give the industry the stability it needed to encourage investment in the replacement of old, inefficient plant and new capacity required to meet the demands of the economy, he said.

I find it repungant that the cement cartel is allowed to go its merry way fuelling inflation, pushing up prices and playing havoc through its hefty annual price hikes.

Consider that Anglo Alpha had its best year ever with record sales and bottom line

These record profits were achieved despite tax increasing by 149 percent to R61,3 million, with the effective tax rate rising from 30,3 to 45,7 percent.

Mr Byland said the 48,2 percent increase in operating income was mainly due to the increase in income achieved by the stone and industrial divisions.

But did he forget about his cement division where sales increased from R207 million (2,308 million tons) to R269,2 million (2,645 million tons) in 1988, with net operating income from the division increasing from R67,5 million to R95,2 million.

The 30 percent increase in sales was due to higher volumes, price increases and greater throughput from Reef depots, management said

Price per ton rose from R292,60 in 1987 to R359,70 in 1988 on the ground that the rise was in line with the inflation rate.

The investment in kilns was made years ago, so why are profits so high and continuing to climb?

The truth is that capex was higher in 1988 — R41,2 million. R360 million (present-day costs) is estimated for the period 1989 to 1993

And of course the public is paying!

The cartel is so powerful it prevents cheaper imports and gets attractive investment tax allowances, thereby minimising tax

Sales rose to a record R530,6 million (1987: R418 million), yielding gross profit of R224,9 million (42,39 percent), compared with 1987's R166,6 million (39,83 percent).

Income from investments more than doubled to R8,78 million (1987: R3,72 million), with finance costs declining to R18,99 million (1987: R23,33 million)

Pre-tax profits were R139,2 million (1987. R81,28 million). Tax was sharply higher at R61,32 million (1987: R24,62 million) and the bottom line a staggering R77,41 million (1987: R55,79 Million) up.

Earnings per share were 257,4c (1987: 185,5c), with dividends up to 95c (1987· 70 c).

Below the line an amount of R32,42 million (1987: R26,89 million) referred to as the "current cost adjustment" — additional depreciation and a cost of sales adjustment representing the difference between the cement cost and historical cost of stock consumed — was transferred to non-distributable reserves in the balance sheet.

Ordinary shareholders' attributable earnings were a record R45 million (1987: R28,9 million)

Despite the spectacular results, Mr Byland still finds time to lament SA's poor political climate.

The joint coal venture with Anglovaal proved disappointing, incurring a loss of R8,1 million for the year But I could not find where it was buried.

The cement division's return on net assets was 12,1 percent, still below the group's target rate of return because of the under-utilisation of plant and below inflation-rate price increases, said MD Ron Searle.

The effective tax rate increased because of the full utilisation of the investment allowances on the Ulco project in 1987

Stone division sales rose to R108,5 million (1987. R86 million), with net operating income up 136,5 percent at R20,8 million (1987· R8,8 million) because of higher plant utilisation and a continuing drive to reduce operating costs.

The industrial division had sales of R170,6 million (1987: R138,6 million) and higher operating income of R33,7 million (1987: R27,7 million)

All three divisions are forecasting increased sales volumes in 1989

Overall, Mr Byland feeels earnings will increase 15 percent.

The balance sheet is superb.

Investments, investment properties and stocks previously valued at cost have now been revalued, adding a R53 million to non-distributable reserves, which stood at R679,5 million out of the R966,5 million ordinary shareholders' equity at end-December 1988 — a staggering 70 percent.

Through superb cash flow, debt has declined to R131 million (1987. R218 million) and working capital remains unchanged at R27 million.

With Government backing, the cartel just cannot look back.

Cement prices will continue to rise 15 to 20 percent annually and management will justify its massive capex investment in kilns as being in the best interests of the consumer

It won't talk about the under-utilisation of capacity or that the public is really funding the capex

The annual report cover says Anglo Alpha is committed to the customer.

However, 1988's record profits and the superb growth trend of the 80s surely show the group is committed to the shareholder, rather than to the consumer.

Boumat faces testing time

(193)

By Julie Walker

ST Times 25/6/89

BOUMAT chairman Irvine Brittan says the anticipated economic turndown will be a testing time for his building materials supplies company, but its financial strength will allow it to be aggressive, competitive and well placed to make acquisitions

In the 1989 annual report, Mr Brittan assumes that real building activity will fall by 4% and product prices will increase by 17% The result of these two assumptions will be an increase of 12% in the rand value of Boumat's sales for the year to March 1990

He estimates that operating costs will increase by 15%, the tax rate will be 50%, the average interest rate will be 20% and that 80% of the bonus share offer — instead of a cash dividend — will be taken up

On these assumptions the sales are forecast to approach R1-billion, profit before tax will grow by 13% to R52,9-million and earnings a share will increase by 4% to 114c — on the greater number of issued shares

However, the dividend will be boosted by 18% to 4c a share This puts the company on a forward dividend yield of 7,2% and the current share price of 625c around 5,5 times forward earnings

The net asset value of the shares will increase by 14% to 519c

The balance sheet will grow by 26% — fixed capital accounting for R146-million and debt for R6-million, half last year's tally Boumat aims for a return on capital employed of 56%

Boumat's objective of a 35% return on operating capital employed "on average and over time" remains intact, according to Mr Brittan

He makes constructive comments about SA's reform and the crumbling of apartheid, which occurs both informally and through statute

"All about us a new SA is being shaped as blacks and whites learn to know and respect one another

"There have been some hiccups such as the lunacy of Boksburg and Carletonville, but by and large this development of understanding is occurring with remarkable ease

"South Africans are learning to bargain together in a colour-blind industrial relations system that was unthinkable 10 years ago

"There is no good reason why successful political bargaining should not follow It is just not true that only violence and sanctions can end apartheid

"Business is to a large extent playing its proper and important role in the process Boumat operates countrywide in urban and rural locations, and we can perhaps thus be regarded as a microcosm of SA business

"I hope so," says Mr Brittan, "because there are some encouraging signs of increasing mutual respect at all levels in our group This may still be fragile and the cause may well often be self-interest rather than inner conviction, but that does not matter

"What does matter is the change in attitude and approach"

United States.

Cape Times 27/6/89 193

400 workers down tools

ABOUT 400 workers at Consol Glass in Bellville yesterday stopped work during countrywide negotiations with the company. Striking workers at the Bellville plant accused the company of "racially discriminatory" labour practices.

PO strike called off

Smith

A STRIKE by more than 100 Pretoria Post Office workers has ended

A spokesperson for the Post and Telecommunications Workers' Association (Potwa) said the strike ended last week because of a "technical problem"

The workers downed tools to protest the transfer of a Potwa official to another post office

29/6-5/7/89

No change in strikes

Smith

193

29/6-5/7

TWO marathon strikes involving more than 3 000 workers are continuing

A national strike by more than 2 000 workers at Everite Cement Division has entered its sixth week.

The strikers, who include about 700 workers at the company's factory in Brackenfell, have established support committees which include representatives from community organisations

The Hex Tex strike in Worcester involving about 1 000 members of the Amalgamated Clothing and Textile Workers' Union of South Africa began almost two months ago.

The workers are striking over a service bonus dispute

Union representatives met with managment this week but no settlement was reached.

B/Day 4/7/87

Blocktech in R3,5m cash restructuring

SYLVIA DU PLESSIS 193

BLOCKTECH — formerly Technihire (1986) — has disposed of its core business and acquired prefabricated concrete floor and ceiling slab manufacturer Constantia Echo for R3,5m in cash

The group announced yesterday that Technihire had been restructured and had disposed of its core business with effect from February 1 to Technihire (1986) for R2,3m, satisfied by the issue of 12,3-million shares in Technihire (1986)

In terms of the agreement of disposal, the company received one share in Technihire (1986) for each share held by it in the company Simultaneously, the company changed its name to Blocktech to distinguish it from Technihire (1986)

Constantia was acquired after an agreement between wholly owned Blocktech subsidiary Cina Investments and Constantia shareholders

As a result of the acquisition, effective from April 1 and subject to Blocktech shareholders' approval, Constantia has changed its name to Constantia Wilds, and Cina to Constantia Echo

The company also disposed of its major asset, a 100% investment in Ethical Medical Industries, to a consortium on behalf of a partnership or company to be formed for a cash consideration of R1,75m with effect from the same date

The disposal would result in the net tangible asset value of Blocktech amounting to R1,75m in cash, equivalent to 15,8c per Blocktech share

The acquisition was necessary to maintain Blocktech's listing on the JSE, since the company would not meet the requirements for continued listing after the disposal of its core business

Blocktech directors forecast that earnings for the current year after the disposal and the acquisition should not be less than R750 000 after tax, equivalent to 6,1c a share

Blocktech yesterday reported annualised turnover of R4,7m (R2,2m) for the 18 months to March and retained income of R485 000 (R244 000) Earnings a share rose slightly to 5,9c from 5,5c, but no dividends were declared due to the restructuring

Chairman Gordon Polovin said a dividend of 2,5c a share was forecast for this financial year

Promises, promises

The potential of the local jewellery industry to create jobs and earn foreign exchange by adding value to SA's exports of gold, platinum, diamonds and precious stones, still remains largely unrealised

And the blame rests chiefly with the Department of Finance (DoF), which has failed to implement measures that would reduce the industry's cost burden

Manufacturing jewellers claim government is still delaying implementation of the low interest gold loan scheme promised by Economic Affairs Minister Danie Steyn a year ago The 20% ad valorem tax on local sales, they say, is another major hurdle that must be removed before the industry can really take off

Government is clearly dragging its heels in implementing the gold loan scheme, which would make Reserve Bank (SARB) gold available at a nominal interest rate of 1% to the commercial banking sector Banks would then be able to offer gold to the jewellery manufacturing sector at low rates.

"We now pay the 20% prime rate on any gold we purchase, while jewellery is customarily sold on 90 days' credit How can we afford to expand or grow with these heavy charges Manufacturers must also allow for 20% ad valorem tax and 13% GST," says the SA Jewellery Council (JCSA) executive director Mike Goch

Over the past few years, the international jewellery market has expanded enormously, but SA's industry remains "infinitesimal" by world standards.

"We cannot compete against manufacturers in Italy and Germany, who only pay 3%-4% a year for their gold, and can afford to extend a year's credit, while we are kept back by these punitive rates," says manufacturing jeweller Alan Mair

The irony remains that SA is the major international producer of gold and platinum, and one of the world's top sources of gem diamonds It's an anomaly not lost on the State

"Government is committed to taking, where necessary, the initiative and creating the right climate for viable projects to add value to our precious metals and precious stones — and here I refer specifically to the jewellery industry," says Deputy Economic Affairs Minister George Bartlett.

But, while Bartlett lists recent amendments to the Mining Rights Act (removing restrictions which hampered the jewellery industry), reduction of ad valorem tax from 35% to 20%, and other measures as proof of the State's assistance, the gold loans issue remains unresolved

Reserve Bank

JCSA executive secretary Tim Davidson says a JCSA sub-committee is working with the Reserve Bank to try to finalise the matter

Reserve Bank assistant GM, gold and forex, Alan Buckland, says proposals for the gold loan scheme are with the Treasury for final approval They've already been considered by the Reserve Bank and the commercial banking sector He says the proposed interest rates on the loans would be "less than 4%"

A Treasury spokesman tells the *FM* that after the gold loan issue was announced by minister Steyn last year, a "thorough investigation" was made by DoF, in conjunction with the Department of Trade & Industry Their report has now been completed and is "being considered"

"With the Mining Rights Act being amended, other legal considerations also come into play before the scheme can be implemented The DoF and the Reserve Bank are now looking into the matter," he adds

But, the director of Mineral Laws Administration Willem Voigdt, says the Mining Rights Act had already been amended, and the proposed Minerals Bill has no relevance to the jewellery industry It therefore seems that the ball now lies firmly in the court of the DoF

"The local diamond cutting industry has really taken off and now employs about 3 000 people, compared with only 300 three years ago This has already had a positive impact on SA's Bop

"Imagine what could happen once the whole jewellery industry follows suit," says Goch ■

R500-million factory boost for George

Argus 6/7/87

.113

By DAVID YUTAR
Staff Reporter

GEORGE, in the south eastern Cape, is to benefit from a huge foreign investment of between R460 and R500-million in a new hi-tech factory.

The factory will be established by a company based in the Republic of China and Hong Kong, which plans to manufacture television tubes, and later produce computers and computer components

Town Clerk Mr Carel du Plessis said negotiations had reached an advanced stage and the company would start operating "as soon as posssible"

The only hitch is, apparently, the government surcharge of 15 percent on machinery and capital goods, but it is believed a final decision on this matter is imminent

Mr du Plessis said the company would provide employment for about 400 people, but this would eventually be increased to 2 600

Mr J de Jonge, chairman of the George Chamber of Commerce, said George was a national industrial growth point offering attractive incentives to manufacturers

Other large companies had invested capital there Table Top employed about 1 200 people, Interboard had invested about R80-million and planned to invest another R40-million and a diamond-cutting company had set up business there too

It is believed the newcomer will be the first large foreign company to establish itself in George

Mr de Jonge redicted that George "will attract more and more manufacturing companies of a highly technical nature".

However, Mr de Jonge, who is also chairman of the Southern Cape Technical Institute, warned "The city will have to do much more to educate prospective employees and train them to meet increasing demand for technical skills

"The municipality recently set aside a three-hectare site for a new technical training institute

"I am hoping the institute will be built within a year"

The institute will provide new and extended training facilities for a host of technical skills in areas such as electrical and mechanical engineering, he said.

Msauli recoups some of its loss

Bday 12/7/89

193

ANDREW BUDDEN

ASBESTOS producer Msauli's share price recovered some of its lost ground yesterday after shedding 75c to reach 700c the day before

Analysts believe the original fall was on technical rather than fundamental grounds, in spite of recent news of a US decision to ban all asbestos use in local products by 1996

SA asbestos producers have expressed little concern over the US decision, which probably represents a final death-knell for asbestos use in an already steadily declining US market

Over the past two decades, international demand has responded to medical evidence that asbestos fibres promoted a rare type of lung cancer called mesothelioma

In the US, imports of the fire-resistant mineral shrank from about 800 000 tons a year in 1981 to about 80 000 tons last year The same trend is evident in European markets, though local producers expect no high-profile banning at this stage

SA's biggest market by far, however, is the Far East Msauli does not deal with the US at all, and sister mine Gefco sells only 2% of its output to the US

Msauli executive chairman Pat Hart said he did not foresee a similar clampdown by Far Eastern markets The US decision was something of a public relations manoeuvre to satisfy environmentalists — something the more pragmatic Japanese would not resort to, he said

Japanese demand centred on the building industry Asbestos was used in the production of strong but light fire-resisting panels, especially suitable for areas prone to earthquakes, he said

The rest of the Far Eastern market was essentially a low-cost housing one, he said

Cement workers are evicted

CAPE TIMES 29/7/89 Labour Reporter (193)

HUNDREDS of striking Everite workers in Kliprivier, Vereeniging, have been evicted from the factory premises and restrained from intimidating employees by order of the Rand Supreme Court

The interim order against more than 800 workers was granted on Thursday, after the company alleged that strikers were intimidating or assaulting employees and disrupting the work operation

The legal strike, now in its 10th week, involves about 2 080 workers at four fibre-cement plants

Workers have rejected management's final offer of a 50c across-the-board-increase on the basic hourly wage of R2,85, tabled on June 22

ITALTILE 193 Finmail 11/8/89

Milestones passed

Chairman Gianni Ravazzotti is confident that Italtile will achieve real growth in both turnover and profitability this year The manufacturing facilities will be further enlarged with the construction of a new ceramic tile factory and additional retail stores will be opened

Italtile was listed last August following the reverse takeover of Jabula Foods by Betta Sanitaryware Jabula Foods' name was then changed to Italtile Another milestone in 1989 was Italtile's acquisition of the largest manufacturer of extruded tiles for heavy commercial applications, National Ceramic Industries (NCI) Benefits include the expansion of manufacturing facilities and broadening of the product range and markets Financial director Peter Swatton says the company is performing well

Activities *Manufactures and distributes ceramic tiles, vitreous china, sanitaryware and bathroom accessories*
Control *The directors effectively have 69% of the equity*
Chairman *G Ravazzotti*
Capital structure *17m ords of NPV Market capitalisation R81m*
Share market: *Price 475c Yields 3,4% on dividend, 18,1% on earnings, PE ratio, 5,5, cover, 5,3 12-month high, 475c, low, 350c Trading volume last quarter, 640 825 shares*
Financial *Year to February 28*

	'88	*'89
Debt		
Short-term (Rm)	—	—
Long-term (Rm)	4 9	0 92
Debt equity ratio	0,29	—
Shareholders interest	0,55	0,73
Int & leasing cover	3 3	—
Debt cover	0,43	22,3
Performance	'88	'89
Return on capital (%)	8,8	19,9
Turnover (% change)	61,6	78 9
Pre-int profit (Rm)	2,5	17,0
Taxed profit (Rm)	1,1	13,2
Earnings (c)	43,6	79,0
Dividends (c)	—	15,0

* 11 months to February

Other group businesses are The Italtile Centre, The Ceramic Tile Market (CTM), Betta Sanitaryware and Samcatiles

Swatton sees Samcatiles as a major growth area The new Samcatiles factory, costing R25m, is expected to enter production in financial 1991 and it will double existing capacity Another operation expected to do well is the chain of low-cost warehouses, CTM, which plans to increase its product range and benefit from growth in the DIY market Swatton says CTM intends opening three retail stores this year Full benefits of the NCI acquisition should be felt this year

In the 11 months to end-February, Italtile raised turnover by 66% and operating profit by 53% to R17m After a net interest inflow of R1,9m, an effective tax rate of 14,3% — against virtually nil the previous year — and issue of more shares, actual EPS rose 4,4% to 79c compared with the proforma 75,7c The pro forma 1989 income statement, which assumes the acquisition of Betta Sanitaryware by Jabula Foods was effective for the full year, shows a turnover increase of 75% and EPS of 88,3c

Adjustment of earnings after applying a tax charge of 40% gives 67,9c or an annualised 73,5c — well above the prospectus forecast of 55c or 58,5c annualised On adjusted earnings for the 11-month period, the dividend is conservatively covered 4,5 times The balance sheet is healthy, showing cash of R5,3m against total borrowings of R917 000

Brokers estimate that earnings will exceed 90c in the current year and that the dividend will be at least 20c If this is achieved, the 475c price places the share on a forward p e ratio of around 5,3 times and a prospective dividend yield of about 4,2% The share looks reasonably priced for now *Lynette Bowes*

FINTECH

Needs time

Activities *Subsidiaries in office automation, computer hardware and software and peripherals*
Control *Altron has 59,5%*
Chairman *W P Venter*
Capital structure *8,2m ords of 50c each Market capitalisation R137,4m*
Share market: *Price 1 675c Yields 2,9% on dividend, 11,0% on earnings, PE ratio, 9,1, cover, 3,8 12-month high, 3 100c, low, 1 675c Trading volume last quarter, 223 000 shares*
Financial *Year to February 28*

	'88	'89
Debt		
Short-term (Rm)	35,3	75,9
Long-term (Rm)	0,9	—
Debt equity ratio	0,68	1,24
Shareholders interest	0,31	0,26
Int & leasing cover	4,0	2,5
Debt cover	0,56	0,28
Performance	'88	'89
Return on capital (%)	11,6	12,3
Turnover (Rm)	257	542
Pre-int profit (Rm)	19,8	29,2
Pre-int margin (%)	7,7	5,4
Taxed profit (Rm)	15,2	14,3
Earnings (c)	201,2	184,0
Dividends (c)	48	48
Net worth (c)	669	737

The 1989 results of Fintech, the Altron group's information technology arm, were considerably affected by the loss recorded by its subsidiary, Punch Line Fintech's EPS fell, despite consolidation of a large number of acquisitions made the previous year — though earnings of the biggest acquisition, that of NCR made during the latest year, were included

We have dealt with the Punch Line problems in detail (*Leaders* April 28) The impact can be seen in Fintech's margins, which fell from 7,7% to 5,4% on a turnover rise of 111% to R542m Chairman Bill Venter points out that the Punch Line attributable loss was R1,5m against Fintech's earnings of R15,1m (R13m) There was also an extraordinary writeoff of R2m for "cost of restructuring computer interests" The offer to Punch Line shareholders of seven Fintech shares for every 100 Punch Line shares increased Fintech's holding in Punch Line from 72,7% to 81,4%

A major development was the group's purchase of 50,1% of NCR SA from December 1 NCR is to remain independent within Fintech and will not be integrated with Punch Line at this stage The price paid, the turnover and the profits of NCR SA have not been revealed, though market sources claim turnover of R200m this year It has been stated that revenue grew 95,5% during the past two years and is expected to be in the region of 40% this year New Fintech shares will be placed with institutions to finance the deal

The extent to which Fintech has diverged from the Altron norms can be seen in Fin-

and, by the financial year's end, short-term debt was negligible

Even so, long-term debt has to be repaid before dividends can be declared and, reading between the lines of Hall's statement, some comparatively heavy expenditure is needed The British parent has provided standby loan facilities repayable by 1992 and that seems to indicate the earliest possible date for dividends to resume

The share has precious few immediate attractions at its current level There is no pressing need for anyone to start accumulating the scrip *Jim Jones*

LTA (193) Fmail

Long wait

11/8/89.

Activities: *Civil, construction, process and design engineering*

Control. *Anglo American has control*

Chairman· *H K Davies, managing director C J M Wood*

Capital structure: *13,24m ords of R1 each, 13,17m 10% automatically conv cum prefs of R1 Market capitalisation R24m (ords only)*

Share market *Price 195c Yields nil on dividend, 24,6% on earnings, PE ratio, 4,1, cover, n/a 12-month high, 245c, low, 130c Trading volume last quarter, 263 282 shares*

Financial: *Year to March 31*

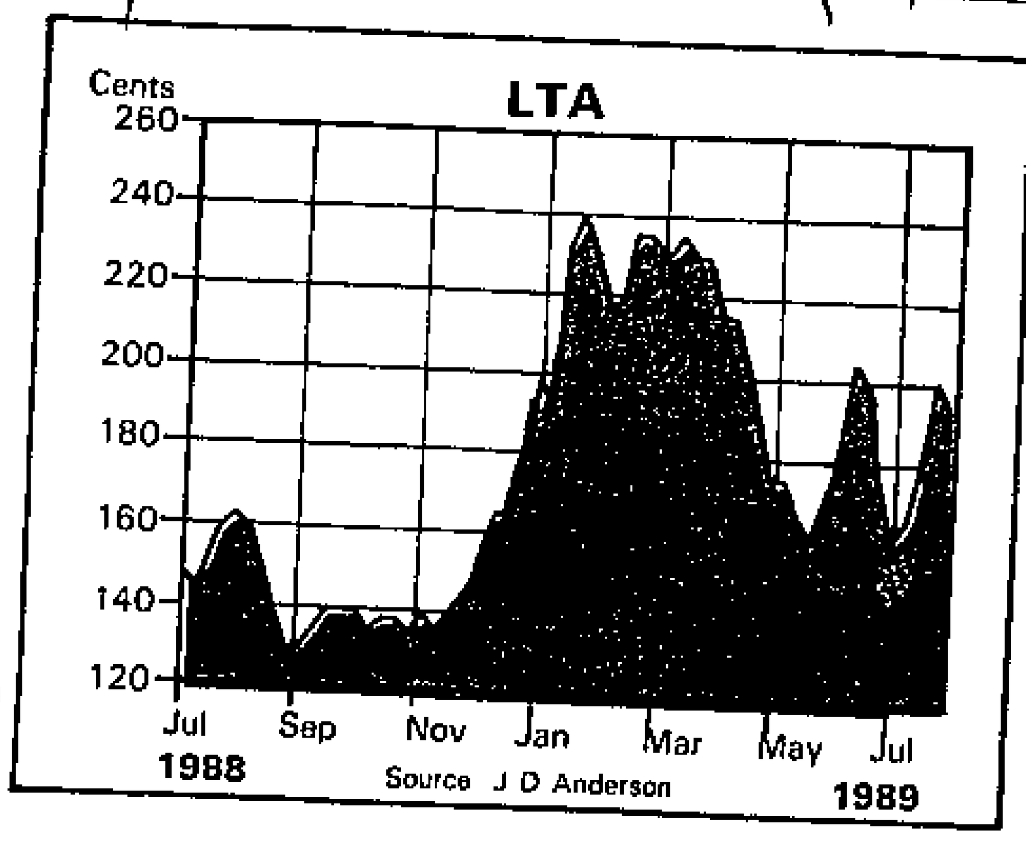
	'86	'87	'88	'89
Debt				
Short-term (Rm)	33 9	24,6	23,7	42,9
Long-term (Rm)	9,9	5,9	10,5	18 5
Debt equity ratio	1,09	0 62	0,26	0,55
Shareholders' interest	0,13	0,15	0,19	0 16
Int & leasing cover	1,25	3,5	3,6	3 1
Debt cover	0,52	0,82	0,83	0,64
Performance				
	'86	**'87**	**'88**	**'89**
Return on cap (%)	3,6	3,3	2 5	3,7
Turnover (Rbn)	0 99	1 07	1,24	1,66
Pre-int profit (Rm)	11 6	10,0	10,3	20,0
Pre-int margin (%)	1,2	0,9	0,8	1
Taxed profit (Rm)	1,0	5,5	6,1	10,6
Earnings (c)	2	22 1	23,7	48,2
Dividends (c)	nil	nil	nil	nil
Net worth (c)	290	319	474	539

Investors seem in no hurry to dismiss chairman Hilton Davies' caution even though he has hinted at a resumption of dividends this year The share is rated on a 3,8 earnings multiple, a rating which seems to discount a slow recovery to acceptable returns on assets and profit growth

Of course, it made sense for the group not to pay dividends this past year There remains the uncertainty of when amounts outstanding on disputed local and foreign contracts will be recovered The directors believe that outstanding amounts will be collected over the next few years and allow the group's debt burden to be cut Meanwhile, dividend payments will not take precedence over debt repayments

There are some bright signs Return on capital increased last year, reversing a four-year decline And the order book is satisfactory with margins of some divisions considerably higher than at the end of financial 1988

(193) Fmail 11/8/89.



Source J D Anderson

The very nature of LTA's business indicates a further trading profit increase this year, even if the domestic economy as a whole slows in response to government's latest austerity measures

Davies makes particular mention of the strong order books of the earthworks, civil, engineering and building divisions Last year, the building division was plagued by losses as tenders were won at prices which failed to cover costs and as management controls failed The problems are being addressed and Davies implies the division's strong order book and sound margins will help return it to profits this year

Emphasis this year will be on de-gearing the balance sheet Interest payments are cutting too deeply into trading profits for management's liking and, presumably, the interest burden has to be reduced before dividends can resume Much depends on the recovery of amounts outstanding on the disputed contracts

Management's hopes that rising profits would allow dividends to resume last year came to nothing and it might be wise to discount the chairman's latest optimism The share is likely to remain neglected even if the interim results show a sound improvement Anyone thinking of buying will need a great deal of patience

Jim Jones

New boss Jones sizes up Interboard woes

20/8/89 S/Times 193

By David Carte

INTERBOARD SA is fundamentally in good shape, says Barrie Jones, chosen by controller Interboard BV of the Netherlands to replace founder Ed Dutton

Mr Dutton, who built the particle board and audio group from nothing to sales of R188 million a year, resigned unexpectedly this week Mr Dutton holds an estimated 4% of the equity Interboard BV has 75% and Hosken and IGI 10%

Mr Dutton's colleagues say he is a brilliant entrepreneur, a unique establisher of companies and dealer in them — but Interboard reached the size where it needed a greyer, more professional manager

Police and Reserve Bank inquiries into the original funding of Interboard cast a pall over the company, even though Mr Dutton insists that all is well

Mr Jones, a Wits-trained electrical engineer turned investment and business consultant, believes it is too early to say much He is investigating what the company has and how to maximise returns for shareholders

BARRIE JONES .. making more for shareholders

Happy

He is happy with the basic shape of the company, although Tilecor and the Swazi board mill have problems Losses there caused group pre-tax profit to fall from R17-million in the first half of last year to R4-million in the second half

Mr Jones says "I believe we can get a decent return in Tilecor Former management has made changes and volumes and quality have been improved

"The Swazi board factory is meeting production targets

"The George board mill has improved, but needs to get into exports We have the right technology and people"

As far as he knows, there is no need to expect disastrous results Apart from its board and ceramic tile interests, Interboard owns door-maker Doorcor, kitchen unit manufacturer Robecor, and Audiocor, the only large-scale manufacturer of radios and music centres in SA Doorcor is feeling the building downturn, but is healthy So are the other companies

Mr Jones has known David Olsen, the SA chartered accountant based in London who has been appointed chairman of SA operations by Interboard BV, for 20 years

JULIE WALKER

20/8/89.

Solid slams the door on minorities by delisting

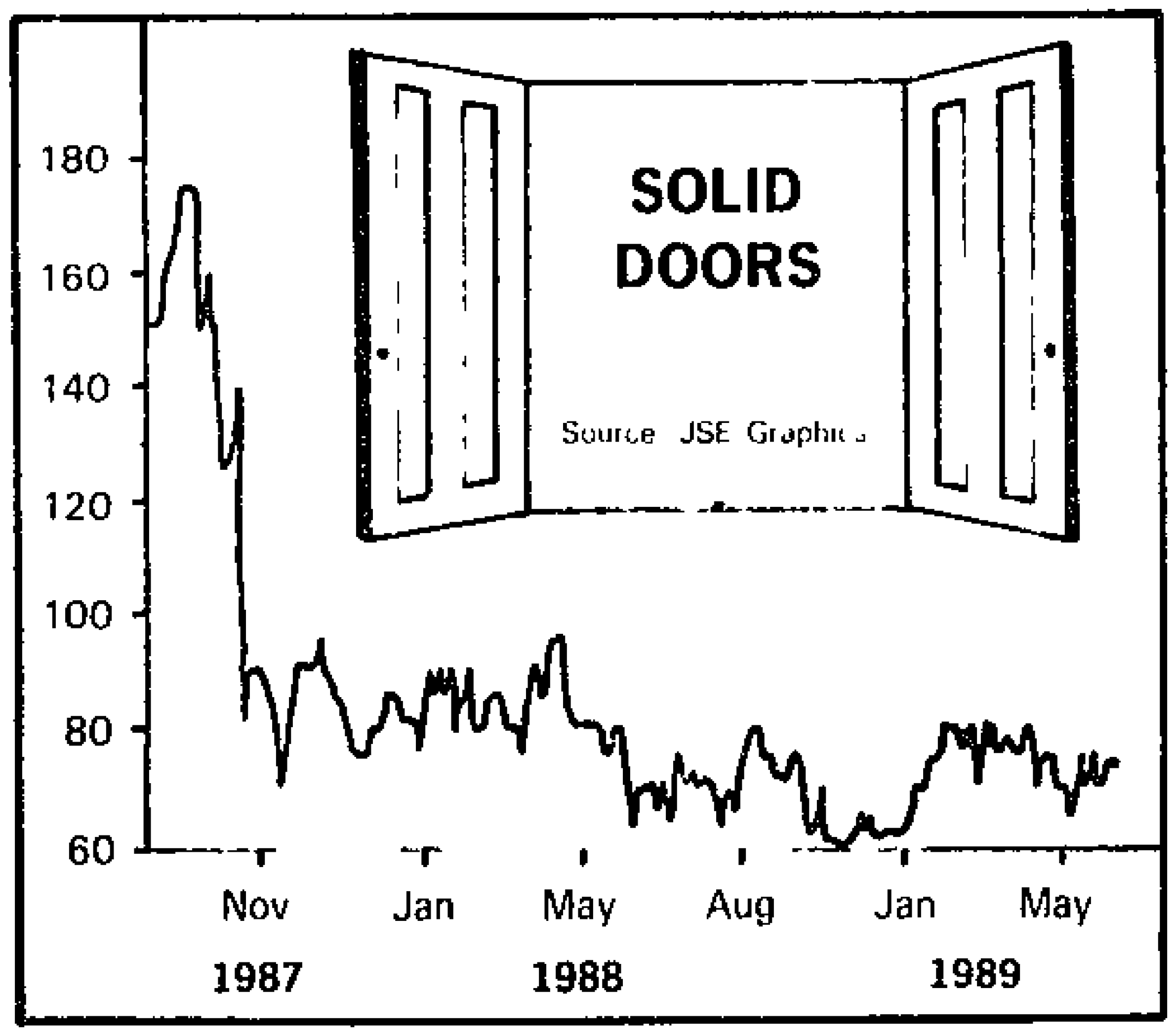
193

S/Times 20/8/89

MINORITIES comprising only 14% of the shareholders in Solid Doors have the ability to veto the delisting designs of the major stakeholders

The morality of a boom-listed company intending to delist on specious reasons comes into question with Solid's announcement of its intention to depart from the JSE

Solid Doors was listed on October 1 1987 after privately placing 4,1-million shares at 75c each and the allotment of 400 000 to an incentive trust It makes doors and allied products, and sells to distributors, builders and major construction companies



ROSY

Its prospects, outlined in the prospectus, looked rosy More factory space was being considered, the product range was to be expanded and a new manufacturing process introduced The shares hit 180c because of this fine outlook

In the year to February 1988, Solid beat its forecast earnings of 7,5c by making 8c a share Return on equity was 21%

Chairman Ian Senior's first review expressed great pleasure at Solid's growth The balance sheet was strong — more than R5,3-million cash was on call

"We are now even better placed to realise the inherent growth potential afforded by the increasing pressure to provide appropriate housing for all South Africans and the concomitant burgeoning of the mass housing market," said Mr Senior

He expected similar rates of growth for the year to February 1989

WAGES

The earnings were a touch higher at 8,3c The results were issued together with an announcement heralded by two warnings that the company planned to delist

The gist of the announcement was that the company had grown organically, but had been unable to make suitable acquisitions which would have expanded the range or bumped up earnings.

"Higher wage demands, increasing costs, soaring interest rates and the downturn in the building trade will impact adversely on the profits of the company and future prospects of substantial growth are unfavourable

"The inability of the company to grow by acquisition, coupled with the limited scope for organic growth, has made meaningless the rationale for its listing

"It is accordingly considered to be in the interests of the company and of the minority shareholders of the company to apply for the termination of its listing and for the company to repay to its minority shareholders their share capital of 1c and premium of 79c"

DISASTROUS

Why the noble majority shareholders should want 100% of this disastrous position instead of the 86% currently held is beyond me

Brian Brown, Solid's managing director, says he wants the company to delist with dignity By way of illustration he cites how Buildco — issued at 55c — is languishing about 25c now

Mr Brown believes that Solid's share price could go down to perhaps 50c, which would represent a cheaper buyout opportunity

"But that is not the way we work Minorities can get out now at a price 10 times historic earnings We are doing what we think is best"

He says a reverse takeover always ends up costing more, and the controlling shareholders do not want to sell out because they are too young to retire

"We can commiserate among ourselves if it's a bad year"

OPTION

But Issy Goldberg, chairman of the Shareholders' Association, finds this an unsatisfactory reason

Mr Goldberg says "The cash-shell route could cost the controlling shareholder a lot, but minorities should be given the option, instead of their being offered repayment in two-year-old 30%-depreciated money"

Should shareholders have the door slammed in their faces? They might prefer to retain their holdings — especially in cyclical industries such as building — in the event of a downturn, and see things through

Fortunately for minorities, the controlling shareholder will not vote at Wednesday's meeting, and only 25% of minorities, representing about a million shares, need vote against the proposal for it to be rejected Proxies must be lodged immediately

Since the shares were placed privately, this means that only one or two institutional members are needed to retain the listing

FEATHER

No minorities can reasonably be happy with the 80c offered Only 5c more than the pitched price two years ago, it represents a compound growth of 3% a year They could have done better saving with the Post Office

Mr Goldberg welcomes the JSE's insistence that minorities be allowed to choose their own destiny, indeed it has been the JSE's decree

"Shareholders would welcome an explanation why the cash-shell route was not adopted by Solid"

Mr Brown says the major shareholding is not voting in accordance with JSE requirements — "not that we would have had it any other way"

Nevertheless, other companies might

The JSE says it upholds the principle of shareholder democracy, and treats all shareholders equally Yet here, 14% can veto the wishes of 86% of the voting power

This is surely a feather in the JSE's battered cap

JSE fair to all parties

THE JSE has struck back at criticism from many of the correspondents who send me letters.

A Cape reader writes "Confidence of small shareholders on the JSE is at a low ebb, often ascribed to the effect of the October '87 crash, but abuse of minorities is also a factor

"One wonders how much longer it will be before the JSE becomes a club for the insurance companies, pension funds, unit trusts, etc

"There are frequently indications of insider trading, but seldom is any action taken to obtain recompense from offenders

LAST

"Small shareholders are last in line to receive information, which generally passes through the hands of company accounts staff, audit staff, annual report printers and the like Information about Johannesburg companies can take seven to 10 days to reach Cape Town

"There have been instances of company chairmen giving gloomy prospects One decides to sell and then suddenly there is a rapid rise in price as new information comes to light"

The writer mentions three instances which in his view show abuse of minorities — UME, Dundee-Houston-Trabild, and Duros-Tollgate-Drivetech-Gants

He says "In all these schemes documents include obligatory statements from accountants, auditors, merchant banks, etc (of the proposing company) that the terms are 'fair and reasonable'"

REPLY

I put these views to the JSE, which responded "The JSE is not competent to judge the commercial merits of transactions All it can do is seek disclosure so that shareholders can look after their own rights We cannot abrogate those rights"

The JSE says it upholds shareholder democracy

"This means we have to give fair treatment not only to small shareholders but to all shareholders, including the majority

"We have to guard against the tyranny of the minority as much as the tyranny of the majority Disclosure is the key Wherever deals are not at arm's length we require disclosure and a fair and reasonable certificate from an independent party of competence and standing"

UNFAIR

The JSE says it is unfair to saddle it with a role it cannot fulfil "Our efforts — with limited jurisdiction — to curb insider trading were a temporary situation until the new legal regime under the Companies Act

"The latter act regulates the rights and duties of shareholders, inter se, which we can only supplement on a disclosure basis"

The JSE challenges shareholders to attend general meetings and prosecute their own cases instead of expecting it or another party to do it

"The JSE is not a shareholder in public companies and can only effect disclosure through its listing contract

In many cases complaints relate to breaches of the Companies Act "The JSE is not the competent body to prosecute action here as these rights belong to the shareholders"

DABBLING

Perhaps part of the problems could be solved if heed were taken of another reader who suggests "entrepreneurs who involve the public in their concerns should once and for all be debarred from dabbling in their stakes directly or indirectly for at least eight years

"All managerial shareholder dealing should be clearly identifiable, so that by implication the public can be alerted to circumstances which otherwise it has no hope of assessing with respect to those who are in the know

'Those entrepreneurs whom glasnost does not suit, we can well get rid of"

Sandvik branches out in SA

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ST Times 6/8/89

SANDVIK Rock Tools is increasing its commitment to the SA market with the launch of its own sales and distribution network

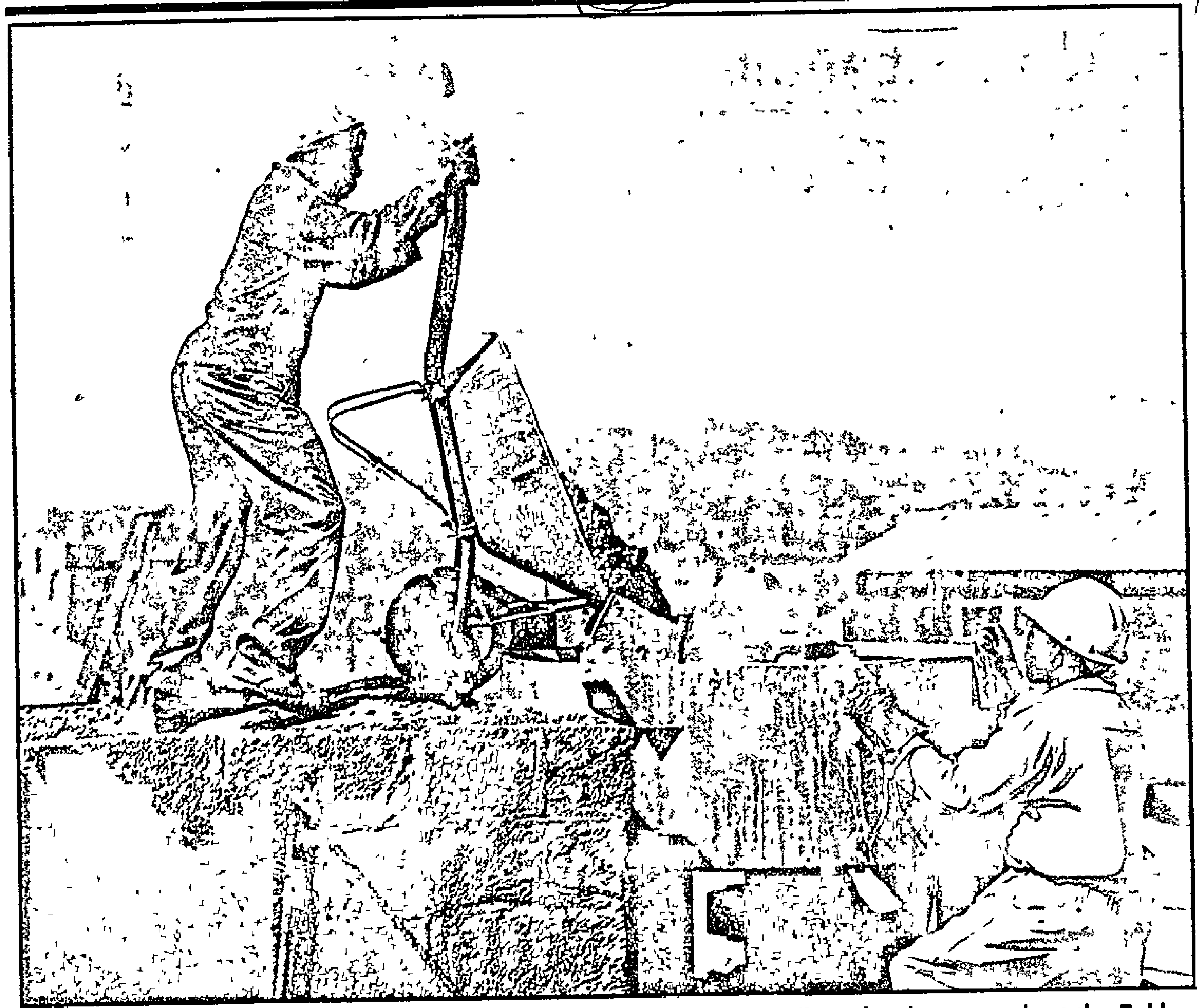
The Swedish company, which has been involved in mining, quarrying and exploration for the past 40 years, has in the past 10 months built up its nationwide network

Previously, Sandvik Rock Tools were distributed by Delfos-Atlas Copco, but after the Delfos parent bought a rival tool manufacturer, Sandvik decided to sever the link

Sandvik tools have 100% local content and SA is the company's biggest market for rock tools

Brick-making scheme for the blind to grow

Staff Reporter



Making a living and easing the housing shortage . . . blind and partially sighted men work at the Tabba brick-making factory in Orlando, Soweto. ● Picture by Herbert Mabuza.

The Transvaal Black Blind Adults (Tabba) organisation, which initiated a brick-making project for blind people in Soweto, plans to expand it projects to the rural areas, where unemployment is soaring

Tabba public relations officer Ms Eldah Oliphant says the project's aim is not to make profit but to help the blind

"We believe we can alleviate the chronic housing shortage in our areas and simultaneously develop the skills of our blind people At Tabba we look at the ability and not the disability of a person," she says

The project got off the ground when a number of companies rallied to Tabba's help and now thousands of bricks, which are snapped up by people anxious to build their own homes, are produced each month

So far 30 men have been trained by Portland Cement Industries at its Durban plant The operation employs 10 blind and partially sighted men who produce about 350 bricks a day

"The electrical cement mixer and brick-making machine are operated by partially sighted men while the blind men perform the manual tasks such as sifting and shovelling sand, and filling and pushing wheelbarrows," Ms Oliphant says

A sighted supervisor, Mr Moses Moleleki, oversees the workers

303 jobs lost as plant closes in Stellenbosch

By DICK USHER ARGUS
Labour Reporter 4/9/87

COROBRIK has closed its Stellenbosch plant with the loss of about 300 jobs

Mr Harry Voorma, managing director of the plant, said the closure had been planned as part of a rationalisation programme but had been accelerated because the economic downturn had reduced demand for bricks and other products

TWO WEEKS' PAY

He said 303 posts had been made redundant The company had tried to find jobs for those affected elsewhere in the organisation and 279 employees had been made redundant

Production stopped on August 31

Mr Voorma said production formerly handled at Stellenbosch would be transferred to Koelenhof

A spokesman for the Congress of South African Trade Unions (Cosatu) said it was a serious blow for Stellenbosch as Corobrik was one of the town's largest industrial employers

He said employees received a termination package of two weeks' pay for each year worked

"Some workers who had taken out home loans with the company have ended up owing money," he said

Mr Voorma said the Construction and Allied Workers' Union, a Cosatu affiliate, had been told about the closure at the beginning of August

"Negotiations are continuing with the union because it has declared a dispute with us over the retrenchment package," he said

Retrenchments: Boland workers seek court aid

CAM 7/4/03 5/1/3 Labour Reporter 193/85

NEARLY 300 workers at Corobrik's Stellenbosch brick-making plant have applied for an urgent Industrial Court order restraining the company from retrenching employees before an existing dispute is resolved

The plant was set to close down on August 31, affecting about 320 manual and more than 300 casual workers, according to papers before the court

A Stellenbosch attorney acting for the workers said the parties had agreed to postpone the matter till tomorrow, with management undertaking to join talks aimed at resolving the dispute

About 290 workers, all members of the Construction and Allied Workers' Union (Cawu), are affected by a dispute over the nature and effects of the plant's closure

Construction export opportunity

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B/Day 7/9/89

EDWARD WEST

ECONOMIC buoyancy in the Far East has created a building boom in Hong Kong, Taiwan and Singapore which is expected to create a unique export opportunity for building material manufacturers in SA

SA Foreign Trade Organisation (Safto) manager for Asian affairs Gary Mitchell said in a telephone interview yesterday that while some manufacturers had already penetrated the market, Safto was embarking on an aggressive campaign to encourage SA building material exports to the Far East

The favourable rand/dollar exchange rate, with increased demand for building materials in the Far East because of rapidly growing economies, made SA exports of building materials to these countries a profitable venture

Most Far Eastern countries, though rich in high-added-value products like computers and watches, lacked raw materials and consequent manufacturing infra-structure to manufacture building materials, said Mitchell

Urban Taipei consisted mainly of two to three storey buildings However, the urban lanscape was fast being transformed into one of skyscapers He said the building boom in Taipei was expected to last well into the next three years

Most building materials, especially luxury building items such as granite facades, decorative face brick stocks and ceramics, sinks and PVC piping materials were imported to the Far East from Germany, Italy and other European countries

Many SA building material manufacturers faced dropping demand for products because of the slump in building activity Building material manufacturers had as yet focused little marketing drive towards export opportunities in comparison to other SA industries, said Michell

Safto has launched a long-term project to promote these opportunities Fifty materials manufacturers have expressed interest, while a third of these have provided funds for the project

Glazer Trading at Uitenhage

Marlin to polish own granite

S/Times 10/9/89

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By Julie Walker

LEADING granite producer Marlin has taken a step towards beneficiating some of its production with the purchase of Marble Pentelic.

Pentelic is one of South Africa's foremost contractors in processing and application of dimension stone for use in construction

The announcement that 95% of Pentelic had been bought came with Marlin's results for the year to June 1989 during which earnings a share grew by 50% to 84c The dividend was raised by the same margin to 30c

Marlin chairman Peter Gain says that buying Pentelic is a natural extension to Marlin's operations Marlin is the world's largest producer of Belfast black granite, and a leading supplier of Rustenburg grey as well as various coloured material

Almost all production is exported as raw blocks to the world's cutting and polishing centres where it is processed into cladding for buildings and as monumental stones, among other applications

Booked

Situated in Germiston, Pentelic has been built up by the Kyriakos family, who will stay on to manage the operations The sum paid for Pentelic has not been disclosed, and its acquisition is not expected to make an immediate effect on Marlin's earnings

"We aim to expand Pentelic, and it puts us in a position where we are able for the first time to export beneficiated material from our own quarries," says Mr Gain

The world's dimension-stone sawing capacity is booked for many months in advance, and saw-makers have orders for a year ahead

Pentelic prepares SA and imported stone to customer requirements Blocks are delivered and sawn into thin slabs by a machine which resembles a giant breadslicer

Smartest

They are then either flame-polished to a rough finish or polished to a shiny one, then sawn into size for use in cladding buildings or for vanity tops and furniture

Pentelic has clad some of SA's smartest buildings, including JCI House in Johannesburg and Mobil House in Cape Town It hopes to be involved in First National Bank's Bank City project currently out to tender

There has been a large swing worldwide by architects to the use of granite, especially since new techniques have made the hard stone more workable

Pentelic and Marlin have done business for several years

Mr Gain says Marlin expects higher profits in the current year The shares are 770c, 9,2 times earnings and on a dividend yield of 3,9%

THE WEEK IN BRIEF

A summary of this week's corporate announcements

Monday — Fintech sells Office Automation to Punch Line for R46-million cash Fintech to get R2-million a year in fees It owns 81% of Punch Line, which is to buy Technologies Acceptances for R800 000 NCR to be 51% owned by Fintech Name of Punch Line might change

Ellerine to take over the furniture interests of Barnetts

Tuesday — Furntech sells Mr Cupboard to Young World Modulus for R7-million cash Vadek issues a warning — change of control possible

Last day to register for Funa shareholders for 57c stand-by offer from Rand Merchant Bank 15 September

Lefkochrysos to be renamed Barplats Mines The Brits mine itself to be known as Crocodile River, and the Steelpoort site as Kennedy's Vale Expansion at Crocodile River to be accelerated to 250 000 tons a month by the end of 1992, and at Kennedy's Vale to 180 000 tpm by 1996

Barplats Mines to raise R300-million, Barplats Investments to follow Vansa — which owns 18% of Barplats Investments — to renounce its rights to shareholders Rand Mines will follow its rights and will have its own rights offer

Minorities holding 3,2% of Multisource accept offer of 75,2c a share

Wednesday — Rale to raise R8,27-million at 30c a share, 40 for 100 Last day to register September 8

Thursday — Standard Engineering buys 67,6% of Astas from Malbak for R20-million cash plus 4,2-million ordinary shares

Spareco — last day to register for 40c dividend 29/9/89 Gough Cooper issues a warning

Rusplats workforce on illegal strike following a shooting incident Production not affected

Sinclair buys Industrial & Commercial Holdings motor division ICH to make offer to Sinclair shareholders at 180c Caution in share dealing urged

Friday — Noristan issues a warning Punch Line's rights offer 82% subscribed, balance underwritten Sunvest's rights offer 99,8% subscribed and Sunpak's 98%

Sure Group to issue A variable rate convertible debentures at 60c, 35 for 100 or debentures already held

Further to Tuesday's announcement, Funa's last day to register now September 22

Incorporated General Insurance to be known as IGI Insurance Co from Monday

Delswa shares to be split 10 for 1, Jade's 2 for 1 from October 30

Cortech issues 7 199 760 shares for 8 999 700 CRB

Primrose declares 4c dividend, or one bonus share for 25 LDR 22/9

Premier Group's rights offer 99,6% subscribed LDR for capitalisation issue of Bevcon shares to Premier shareholders 1 for 1 is September 29

Drivetech — LDR for Tollgate's offer of 75c a share is September 22

S/Times 10/9/89

R1m for the bright

THE Foundation for Research Development (FRD) will award R1-million next year as support grants for outstanding science and engineering students

FRD group executive Rein Arndt says that although the FRD funds the work of many experienced scientists and engineers at universities, technikons and museums, the importance of supporting up-and-coming scientists has become increasingly evident

The worldwide shortage of high-level manpower and the ageing of the scientific community are causes for concern, he says

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Suppliers hit back on building cost claims

S/Times 10/9/89.

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By Don Robertson

SEVERAL companies and trading organisations contest claims that the rising price of materials is the main reason for the increase in building costs

Business Times carried a report on August 27 quoting the Building Industries Federation of SA (Bifsa) and the SA Property Owners Association (Sapoa) which suggested that sales agreements and monopolistic practices had resulted in the price of some building materials rising by more than the inflation rate

Bifsa said that with an inflation rate of 12,9% in 1988, the price of stock bricks rose by 28,8%, face bricks by 27,5%, sand by 20,1%, crushed stone by 24,1%, ceramic and floor tiles by 22,6% and cement by 15,2%

Bifsa and Sapoa are to set up a committee to investigate increases in imported timber, cement, paint, glass and crushed-stone prices In the past five years, building costs have risen from about R400m² to about R1 000m²

However, the Timber & Allied Trades Association (Tata) and brick manufacturer Rosema say prices have not risen by the stated amount or are the result of factors outside their control

Tata says the price of imported timber depends on the cost of the timber from the source country and the rand's falling value

The base cost of timber abroad has generally kept pace with inflation in those countries except the Far East where rising demand has lifted prices in the past few years

In addition, many countries have imposed an export tax on timber for SA

The percentage mark-up on timber has not changed in the past 10 years in spite of rising interest rates, higher rents and increased fuel costs

Tata says the problems facing the buyer of imported timber are generally caused by difficulties with exporting countries or the falling rand

Shra Smeets, consulting engineer for Rosema Bricks in Pretoria, says the price of his company's bricks has risen by an average of 12,1% in the past 12 months

Face-brick prices have increased by 19,1% between July last year and the guaranteed price to January next year Plaster bricks rose in price by 11,9%

BDay 12/9/89

(193)

Gypsum reaps the rewards of high efficiency

EDWARD WEST

IMPROVED demand for company products, higher capacity utilisation and improved efficiencies have resulted in Gypsum Industries recording a healthy 32,7% for the year to June

Reflecting increased demand, turnover increased 26,4% from R116,4m to R147,2m, today's year-end announcement shows Improved efficiencies were reflected in higher operating margins which increased from 18,7% to 19,5%

Operating income increased 31,8% from R21,8m to R28,8m After R557 000 interest was paid and tax paid increased from R10,4m to R13,8m, taxed income showed a 32,4% increase from R10,9m to R14,4m

Income attributable to shareholders increased 32,7% from R10m to R13,3m, which translated into earnings a share of 163c (122,8c)

A final dividend of 34c a share was declared bringing the total dividend for the year to 51c (42c) The directors reported balance sheet ratios as strengthening with net borrowings totalling R1,5m

This placed the company in a strong position for expansion The government's measures to cool the economy, resulting in higher interest rates, was expected to have an adverse effect on sales in the coming year

In spite of this Gypsum will maintain profits by improved efficiencies To maintain adequate production capacity to meet market needs, Gypsum will increase production capacity by the construction of a third plasterboard plant

Gypsum shares remained untraded yesterday at 825c Net asset value increased from 481c in 1988 to 593c a share during the year to June 1989

Gypsum is the sole supplier of plasterboard in SA Earlier this year government prohibited Gypsum from refusing to supply products to Insulated Unlimited with whom Gypsum had a dispute over intellectual property rights

Gypsum has decided not to appeal against government's ruling The dispute would be settled out of court

Asbestos on the way out in US

S/Times 24/9/89

By Don Robertson

THE use of asbestos in America is to be banned

The Environmental Protection Agency (EPA) plans to phase out asbestos in the next seven years

However, mining and milling of the mineral has not been banned, says Asbestos Report, published by Gefco and Msauli

EPA administrator William Reilly says that the American decision does not mean that other nations, especially developing countries, should cease to use asbestos

The asbestos industry says the European Economic Community, the World Health Organisation and the International Labour Organisation still sanction the controlled use of asbestos

Asbestos producers says the American decision is based on political not health considerations

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Canadian Energy Minister Jake Epp says the decision is out of step with international opinion Canada is the world's largest producer of asbestos and the major supplier to the US"

Pat Hart, chairman of Msauli and Gefco, says America has never been a major market for SA fibre, but he is concerned about the long-term effects of the ban

B/Day 26/9/89 193

MINING

REINIE BOOYSEN

SA puts the finishing touches to its granite

THE STRENGTH of the international market for granite — or, more properly, dimension stone — has enabled SA producers to move increasingly into down-stream processing

Having made significant headway in recent years in their established business — extracting large, rectangular blocks of stone out of Highveld koppies and plains, and exporting them — they are now looking for new opportunities

Over the past few years they have used their huge cash reserves to expand their existing businesses as much as possible to exploit the current buoyancy of demand for stone from the construction sector

And they have been content with the handsome returns which the industry has offered, boosted by the significant tax allowances which exporters enjoy But now they are also using their strong cash-flows to test the market for growth areas

Stone producers have in the past been barred from down-stream processing for the export market, as this offended their major customers in Cararra, Italy, the traditional headquarters of the dimension stone industry

The Italians have always considered the slicing and polishing of stone their own preserve, to be guarded and secured at all costs In the past any quarrying concern which contemplated down-stream processing very soon found itself confronted with irate Italian customers, threatening to disrupt supply contracts

Various attempts to export processed slabs have met with scant success, due to the conflict of interests and incompetitive costs

Another difficulty was to acquire cutting and polishing machinery, which were only obtainable from Italy, where processors and manufacturers of processing machinery were very close

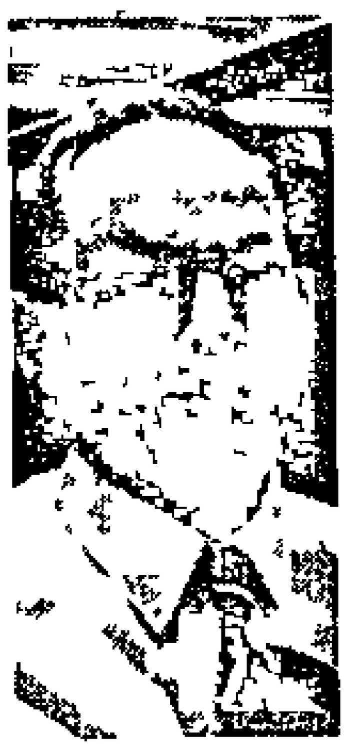
But the growth of the industry has overtaken the Italians, who are now unable to keep up with the voracious demand from the construction sector, where stone is increasingly being used as cladding and tiling

The industrialisation of the Far East has been partly responsible for the growth in demand, but, more importantly, it has spawned new producers of processing machinery to compete with the Italians

This may also ease the shortage of machinery "There is presently a waiting list of up to 12 months for new machinery," says Rob Brown, a director of Keeley, one of SA's big three producers (the others are Marlin and Impala)

So the Italian grip on the market is loosening — although SA producers are still treading carefully Both Keeley and Marlin recently announced hesitant moves

Keeley has built a R5m plant to produce granite tiles at Dimbaza in the Ciskei The plant has a capacity to produce about 40 000m² of



● TREAGUS

● GROBICKI

tiles annually, all of which are to be exported "for the foreseeable future"

Two weeks ago Marlin announced that it had bought a 95% stake in Marble Pentelic, a local processor of stone for use in the building industry, for an undisclosed sum

"It's a natural progression for us to move into processing," says MD Graham Treagus He says there is enormous potential for polished stone "right here on our doorstep", although Pentelic also "has one eye on the export market"

Keeley also told Business Day it intended establishing a sawing and polishing plant in Garankuwa, Bophuthatswana Total capital investment for this venture is R3,5m Its existing sawing facilities at Brits will also be moved to Garankuwa

The plant will be capable of processing 20 000 tons of stone a year, primarily for the local monumental and construction market

The main reason for the move to Garankuwa, says Brown, is that it is central to Keeley's quarries, which are focused near Rustenburg and Bophuthatswana

It is also well-known that Bophuthatswana, and other homelands, are keen to see the mineral resource companies that operate in their territories add value there as well Hence the decision by Rustenburg Platinum to establish its refinery in the homeland

Impala is a private stone company owned by Deutche Stein AG, a German-based stone-processing concern Its SA processing activities are restricted to the monumental market, local and export, while the parent company processes stone primarily for the German monumental market

Two other JSE-listed producers, Kudu and Aurora, are both conducting feasibility studies on processing and it is only a matter of time before their cash-flows permit them to start

But there is another reason for companies to add value to their stone a shift in government thinking from incentives-for-export to incentives-for-added-value (before exporting) This, it is hoped, will boost SA's foreign exchange reserves even more

The talk is that government is looking at a system whereby exporters will be rewarded through straight cash incentives for value-addition, rather than the existing tax-driven scheme

Aurora chairman Ted Grobicki says this is an important reason for granite companies to get into down-stream processing

Adds Brown "It's the only way to go It's quite rightly becoming a national priority We have a vast mineral wealth, and we're not making nearly as much profit out of it as we could"

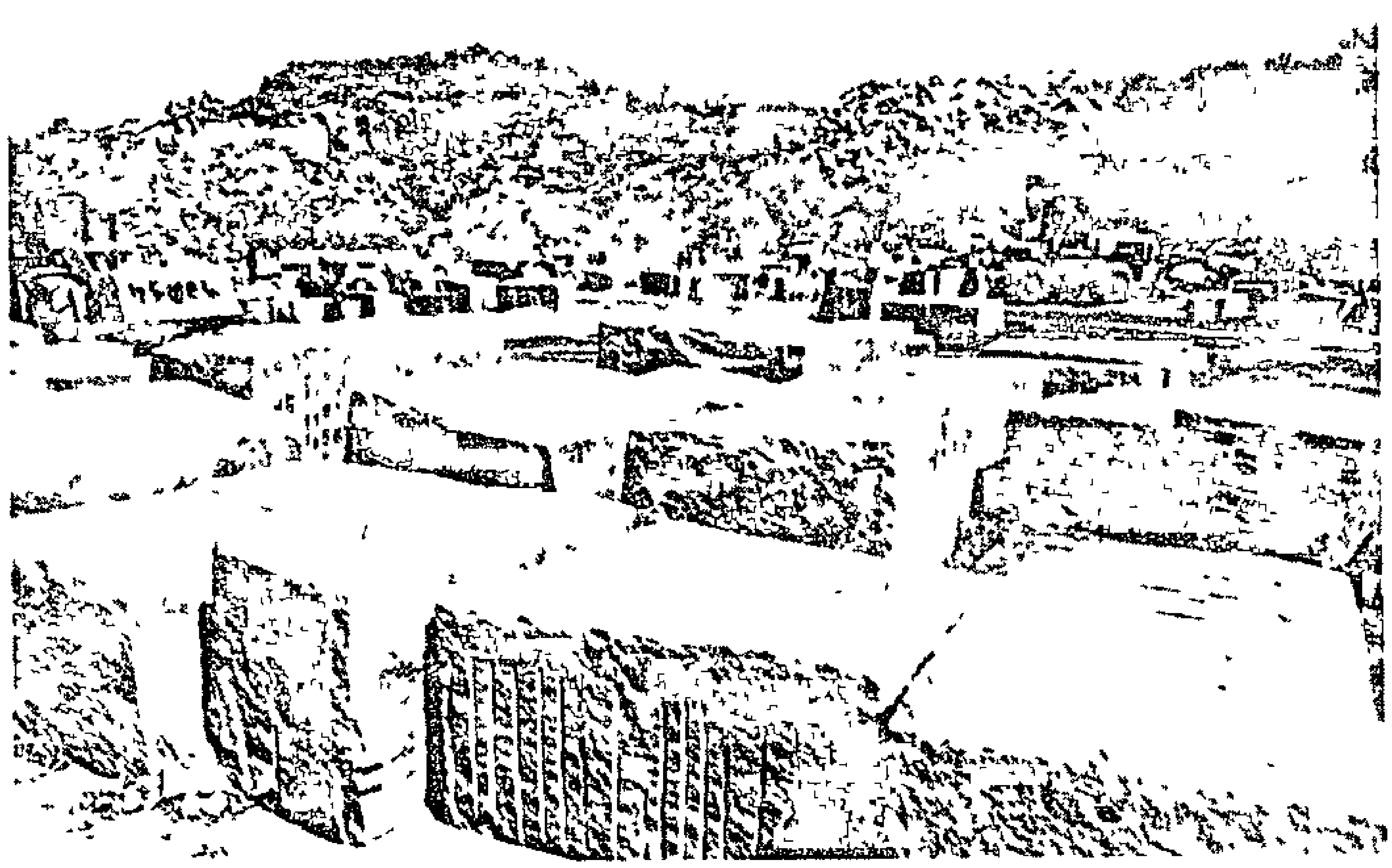
□ The latest figures from the Minerals Bureau show that SA dimension stone exports for June — 41 328 tons — were almost as much as the record set in June last year, at 41 823 tons

Exceeds

That compares with 28 794 tons for June 1987, 20 327 tons for June 1986, and 15 860 for June 1985

In value terms, however, June this year far exceeds any previous record, at R16m — compared to the previous high of R13,2m in April this year, when volume exports were 33 667 tons June last year was R12,2m

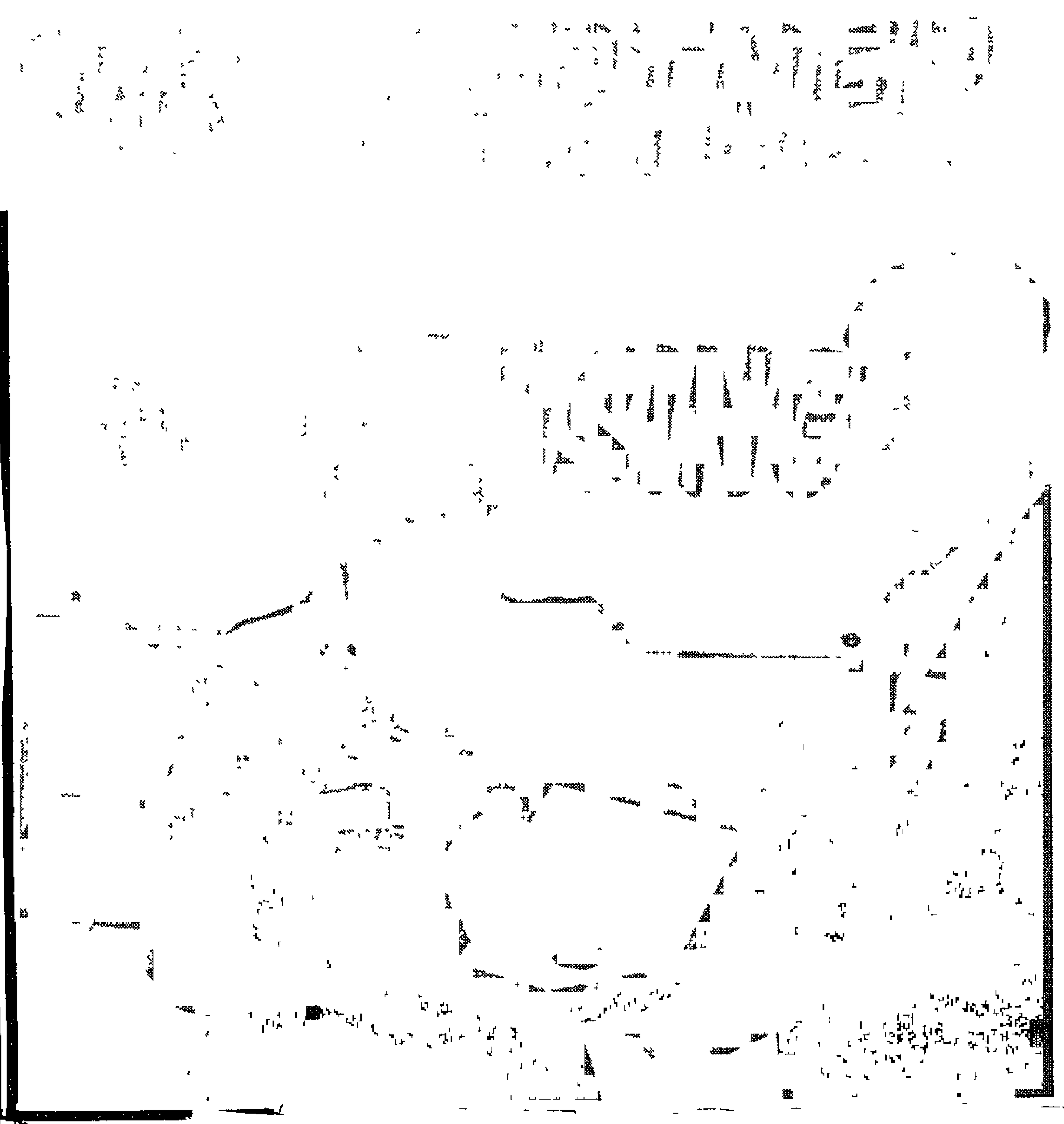
Unfortunately these figures exclude Bophuthatswana, where a large proportion of southern Africa's dimension stone production takes place



Cubes of stone cut from Highveld koppies will now be polished in SA

Building and home improvements

The mayor of KwaThema, Mrs Muntu Motlhaping, with Mr Brian Longley, chief executive of FHA Homes at the launch of a new housing project in KwaThema.



Curves, patterns or arches

193

DESIGNING and building a brick wall has never been so easy

Brick and Tile offers a package comprising superior clay or concrete products and a range of building materials and free professional advice

"Whether you are planning a prestige garden wall or an exciting feature wall inside the house, we have it," said Mr Pete Smith, manager of the company

He said exciting things could be done with a feature wall "You can introduce curves, provide interesting surface patterns, or build archways and other openings"

Smith said a properly-constructed face brick wall was less expensive than one might believe and that, in the long run, it was more cost-effective than a plaster-and-paint finish

For further information about Brick and Tile, write to P O Box 2269, Edenvale 1401, or phone Smith at (011) 53-9809

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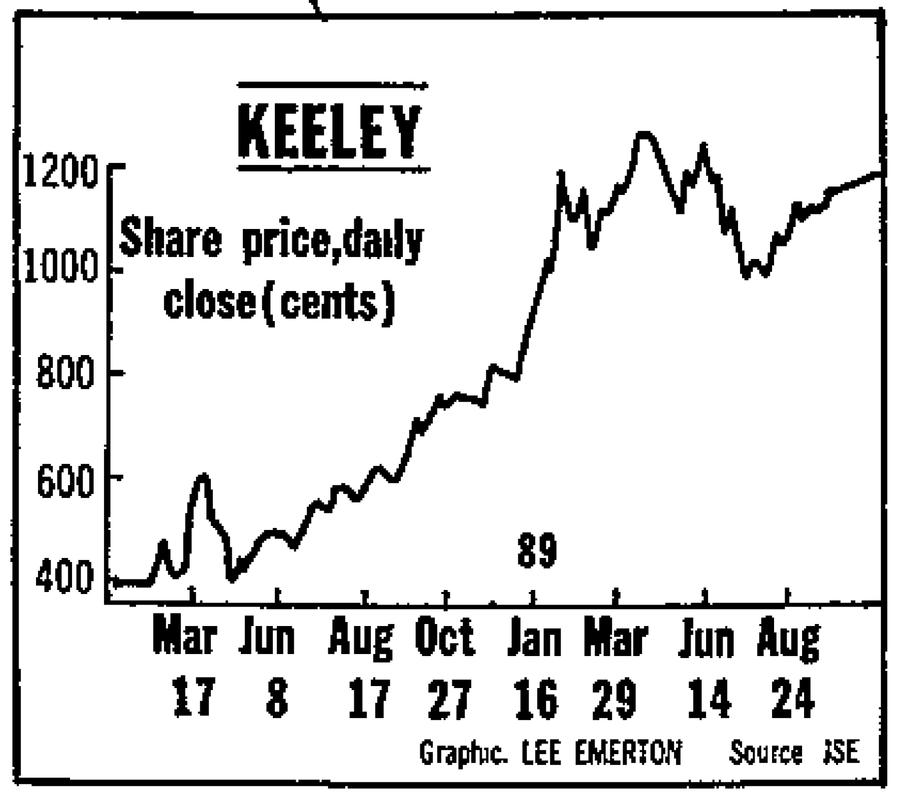
Keeley earnings growth as solid as its granite



ANDREW BUDDEN

KEELEY Granite's performance continues to bear out the strong fundamentals which have developed in the international granite market

In the six months to end-June the group posted attributable earnings of R21,2m — 43% up on the R14,8m earned in the comparable period last year

Turnover for the group's quarries was 26% up at R87,4m (R69,4m), reflecting the combined effects of a weaker rand and higher sales volumes

The group has declared an interim dividend of 35c a share — 75% up on the previous year's 20c

While black granite — for which SA quarries are famous — remains the group's prime earner, Keeley has also made substantial moves into the coloured stone market

Directors say a new green granite quarry has been established in Natal to tap a strong demand for the product in the Far East building market A first test-block was removed from the quarry recently

A spokesman yesterday said the deposit was ideal in certain respects Being near Durban, transport costs to the port would be kept to a minimum The large reserves also pointed to a relatively long-term project extracting from a large, solid formation

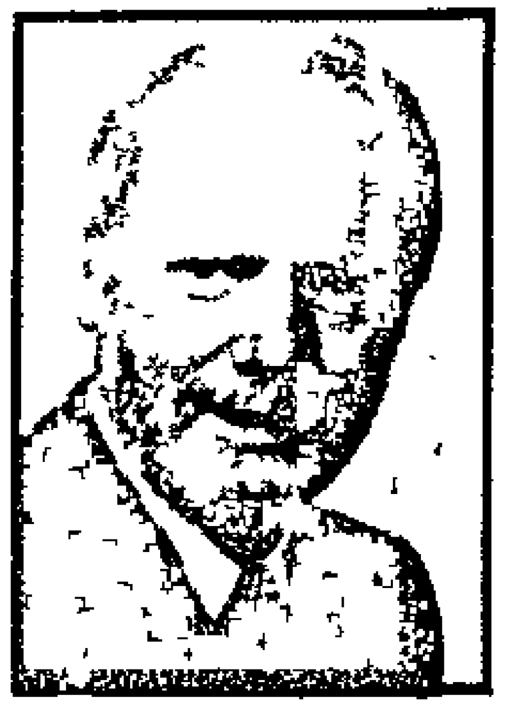
Keeley has also successfully negotiated with Sats for a lease at "A" Berth on the Durban harbour quayside and secured preferential berthing rights for ships loading its product

Spearheading the trend toward local beneficiation, Keeley recently commissioned a granite tile factory in Ciskei The operation is scheduled to reach its full production of 3 500m² a month by February next year

What a boom for the builders

STAR 7/10/89

193



NEIL FRASER Informal sector will benefit.

FRANK JEANS

A TREMENDOUS breakthrough. That was the reaction from all sectors of building and ancillary industries over this week's announcement of a multi-billion rand masterplan for black housing

And it's welcome news for the depressed building industry but a major worry is whether or not builders can cope with the surge in activity which must now come.

In the initial phase of the programme, announced by the Urban Foundation which involves financial assistance from Britain, West Germany and Switzerland, more than R1 billion is to poured into "starter homes" for blacks

Through a unique R20 million loan guarantee scheme, it enables local banks and building societies to extend home mortgage finance worth more than R1 billion, to an area of black housing which has been neglected.

Mr Neil Fraser, executive director of the Building Industries Federation (Bifsa), says. "There is little doubt that the greatest spin-off will be in the informal sector

"While the major sector of the industry can be expected to get the largest chunk of the business, the informal builders will undoubtedly be the ones to feel the greatest benefits."

While the masterplan clears the way for many more black families to secure homes for as low as R12 500, the question arises What can be built as a home in today's high-cost market place?

Builders believe such a "starter home" will be the basic of the core-house type.

"Not only is this great news for the building industry but it is good for the country as a whole," says Mr Fraser

"The big plan must also provide more and more employment and the supply industries and manufacturers will all feel the benefit in the long-term "

There is unlikely to be any supply problems from the materials side to meet the increasing demand

Mr Graham Hardy, chief executive of the cement division of Blue Circle Cement, says "I believe we will have no problems from a cement point of view, for at present the industry, generally, is working well below capacity

"The current output of cement is about 8 million tons a year and I have no doubt we could cope with an additional 25 percent demand "

Brick supplies

Mr Errol Rutherford, president of the Clay Brick Association, says "The clay brick industry is running at only 70 percent of its capacity Stocks currently exceed 360 million bricks and therefore the industry is well positioned to supply from stock and to gear up spare capacity "

"The association has devised some innovative concepts for using clay brick for walling in low-cost housing An application is now with the authorities for these concepts to be used in the provision of affordable housing "

The building societies are equally enthusiastic about the big housing plan

Mr Brian Short, general manager, public affairs of the Natal Building Society, says "As one of the financial institutions involved in this initiative, we welcome the announcement as it fills a gap in the home loans market which allows the lower end of the market to become involved in homeownership

"At the same time, there is also a limiting of the risk for the financial institutions "

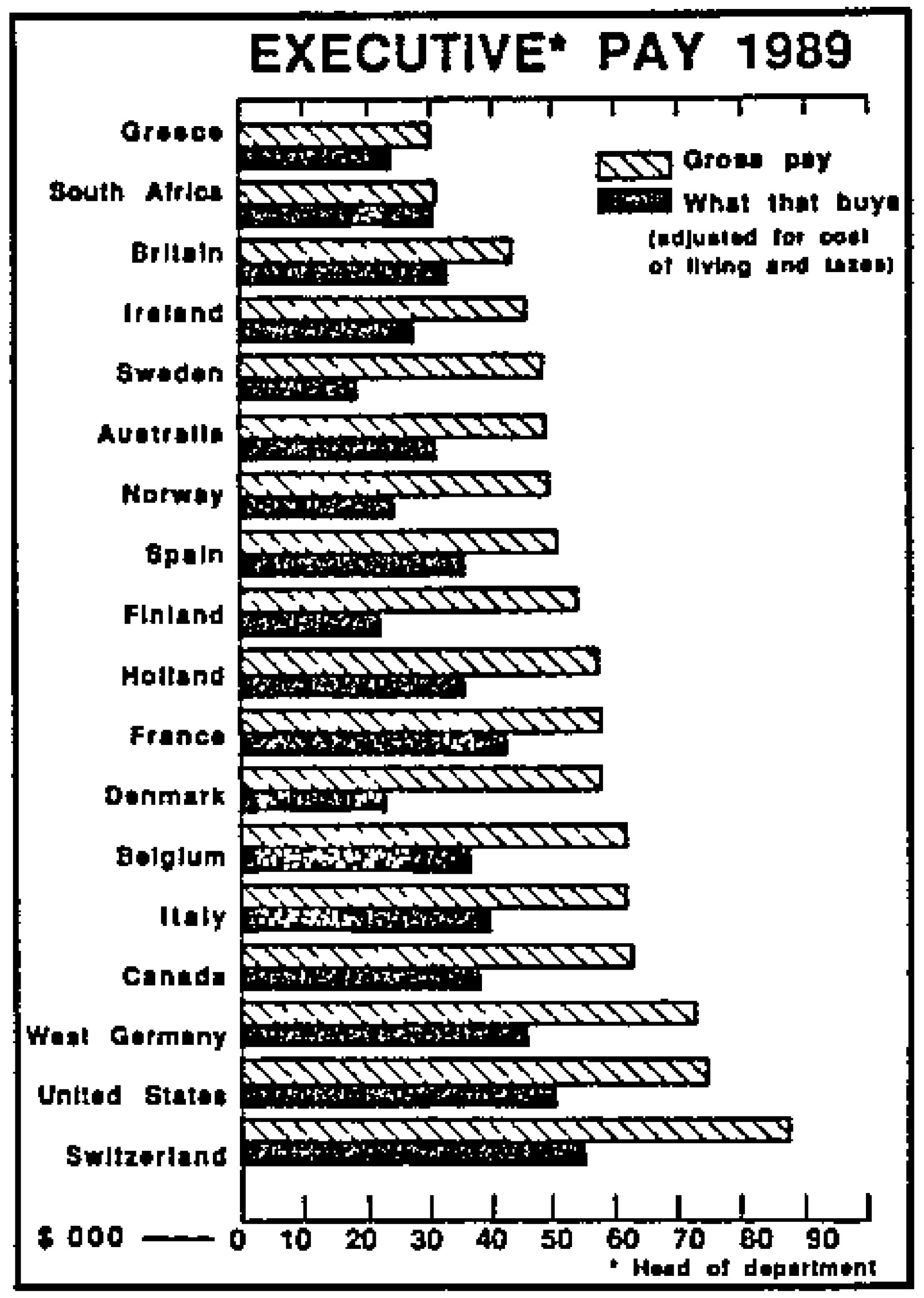
Mr Short has no doubt that South Africa has the required skills and ingenuity to develop homes within the price, bracket of the new scheme

"Without doubt, the big plan will allow tens of thousands of families who previously did not get assistance, to become homeowners," he says

● The Urban Foundation has pointed out that the overseas contribution to the R3 billion housing scheme is limited to the Loan Guarantee Fund

The Loan Guarantee Fund has raised R20 million both locally and from various overseas governments and companies to provide insurance cover to loans institutions for bonds of less than R35000

It's what you can buy that counts



SOUTH AFRICAN executives may feel underpaid when they see what their counterparts overseas earn When they take out their calculators and convert executive

FMail 18/10/89 (93)

GYPSUM INDUSTRIES

Expansion plans

Activities: *Produces gypsum and related products, wall and ceiling plasters and plaster board*

Control: *BPB Industries (UK) holds 49,9% and Blue Circle (SA) 32,4%*

Chairman: *D A Fairbairn, managing director G A P Fraser*

Capital structure: *8,2m ords of 20c Market capitalisation R66,8m*

Share market: *Price 815c Yields 6,3% on dividend, 20% on earnings, PE ratio, 5, cover, 3,2 12-month high, 900c, low, 640c Trading volume last quarter, 54 150 shares*

Financial: *Year to June 30*

	'88	'89
Debt		
Short-term (Rm)	8 2	3,1
Long-term (Rm)	2,2	1,1
Debt equity ratio	0,26	0,08
Shareholders interest	0,58	0,64
Int & leasing cover	44,0	49 9
Debt cover	1,5	4,6

Performance.

	'88	'89
Return on capital (%)	32,0	37,9
Turnover (Rm)	116,4	147 3
Pre-int profit (Rm)	21,8	28,8
Pre-int margin (%)	18,8	19,6
Taxed profit (Rm)	10,1	13,3
Earnings (c)	122,8	162,9
Dividends (c)	42	51
Net worth (c)	481	593

Gypsum Industries ended its 1989 year with record results, producing the highest turnover and bottom-line earnings since the group listed about 50 years ago Turnover rose by 26,5% to R147m and EPS rose 32,7% to 162,9c Since 1985, dividends have risen by 127% to 51c (22,5c)

Chairman Derek Fairbairn says that the payout is "most satisfactory" in view of the additional R1,7m cost incurred as a result of the northern Cape floods, which affected the group's gypsum mine Costs were increased as another source of gypsum had to be found The mine has since recovered fully

Improved sales volumes resulted in a high level of plant usage and the operating margin improved to 19,6% (18,8%) Productivity and cost reduction programmes also contributed to increased profits and a stronger balance sheet.

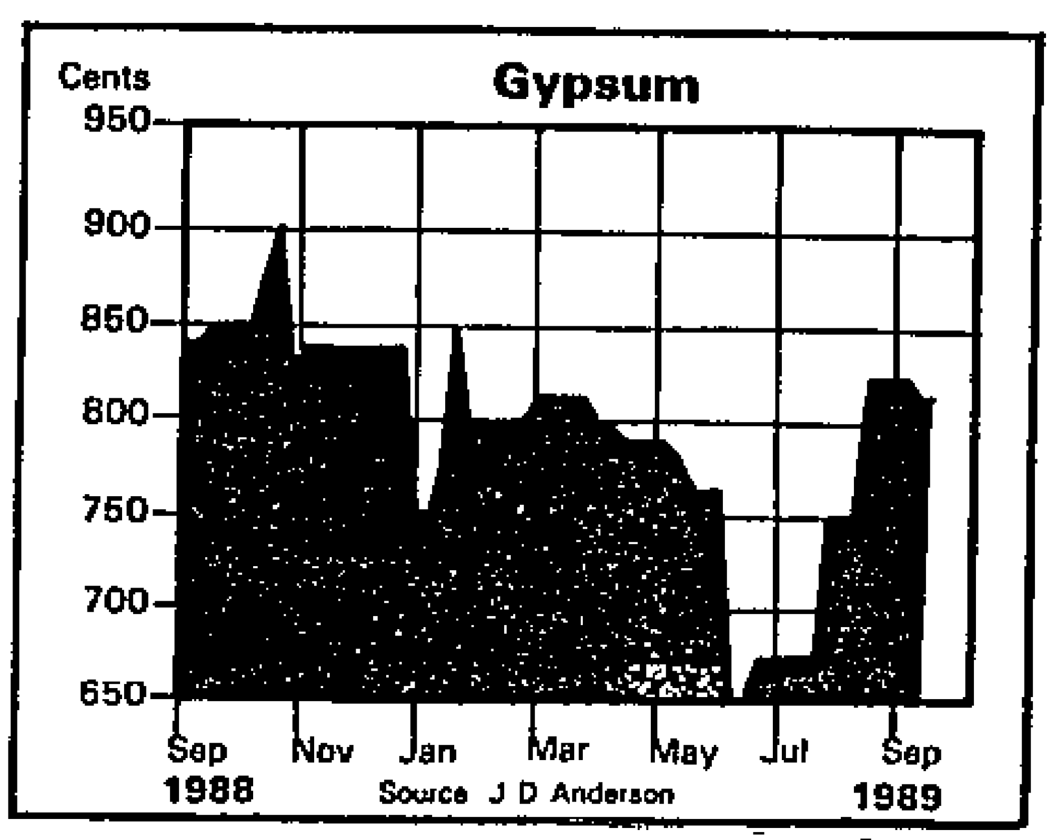
Long-term loans were reduced by R1,1m and the bank overdraft by R5,1m Net borrowings thus fell to R3,7m (R9,8m) and gearing to a negligible level The directors believe that this places Gypsum in a position to finance expansion internally this year

Though the subsidiary, Donn SA (Pty), managed to overcome increased competition — its pre-tax profit rose by 32% — competition is expected to cause a levelling off in the high rate of profit growth which the company has achieved in recent years

The directors take a sanguine view of the coming year Though they expect demand to taper, they believe that further improvements in efficiencies should buttress earnings growth Production capacity is to be expanded with construction of a third plasterboard plant Management declines to quantify the cost, but a negative impact on earnings is not foreseen

At 815c, the share stands on a p·e of 5 times and a dividend yield of 6,3%, which compares with the averages of 7,0 and 5,6% for the building and construction sector.

Jacques Magliolo



Concrete masonry: The changing face of construction

MAGGIE ROWLEY talks to **Mr David Joubert** of the South African Bureau of Standards, **Mr Bob Low**, president-elect of the Concrete Masonry Association of South Africa, **Mr Guenter Koch**, former MD of Colombia DCM who founded concrete masonry in South Africa, and **Mr Peter van Eck**, regional chairman of the National Association of Home Builders, about the growth of concrete masonry in South Africa and the problems facing the construction industry.

ROWLEY: When was concrete masonry first introduced in the Western Cape and what were the aims for the products?

KOCH In 1976 when Mitchell's Plain was developed it was realised that there was a great need for additional building material The Cape Concrete Group established the Columbia DCM (dense concrete masonry) plant and congrete masonry was used in several of the 5 000 house contracts in Mitchell's Plain

The product took on so well that we set the trend to quality concrete masonry in South Africa The aims at that stage were to reduce building costs

ROWLEY. I have heard that there is debate in the industry that if concrete block construction is done properly there is not much difference in the end costs Is there any truth to this?

KOCH It's a question of savings, the savings are real whether they are built to specification or not Concrete masonry can be systemised in a way that even semi-skilled labourers can build decent houses

ROWLEY. How many houses do you estimate have been built with concrete masonry since it was introduced in the Cape?

LOW It is difficult to give an exact figure but I would say in the region of 100 000 The industry has grown ten-fold in the past 10 years We estimate that of the 12 000 houses built in the Cape last year, 7 000 were of concrete masonry

ROWLEY: Where has been the main focus of development?

LOW Concrete masonry started off in government contract housing, which came to an end in about 1982/83 The building industry then had to move in to a new business In principle, it was the whites who actually took over concrete masonry It is now filtering back to the non-white population, the relatively poorer population The benefits of concrete masonry are now being realised and it has been used in all sectors concrete masonry

ROWLEY: You have mentioned the cost advantage of concrete masonry. What are the other advantages?

LOW Firstly, investment outlay is relatively small — about one-fifth of that of an equivalent clay brick field The equipment is all locally designed and built, thus avoiding costly foreign exchange On the other hand clay brick presses are nearly all imported and are extremely expensive

Secondly factories in this industry are very flexible and can adapt their output to the rapidly changing pace of the construction industry which you know is notorious for its fluctuations Material delivered on site is up to 20 percent cheaper than the equivalent clay brick and there is a similar saving in labour due to greater laying efficiency of the large hollow blocks

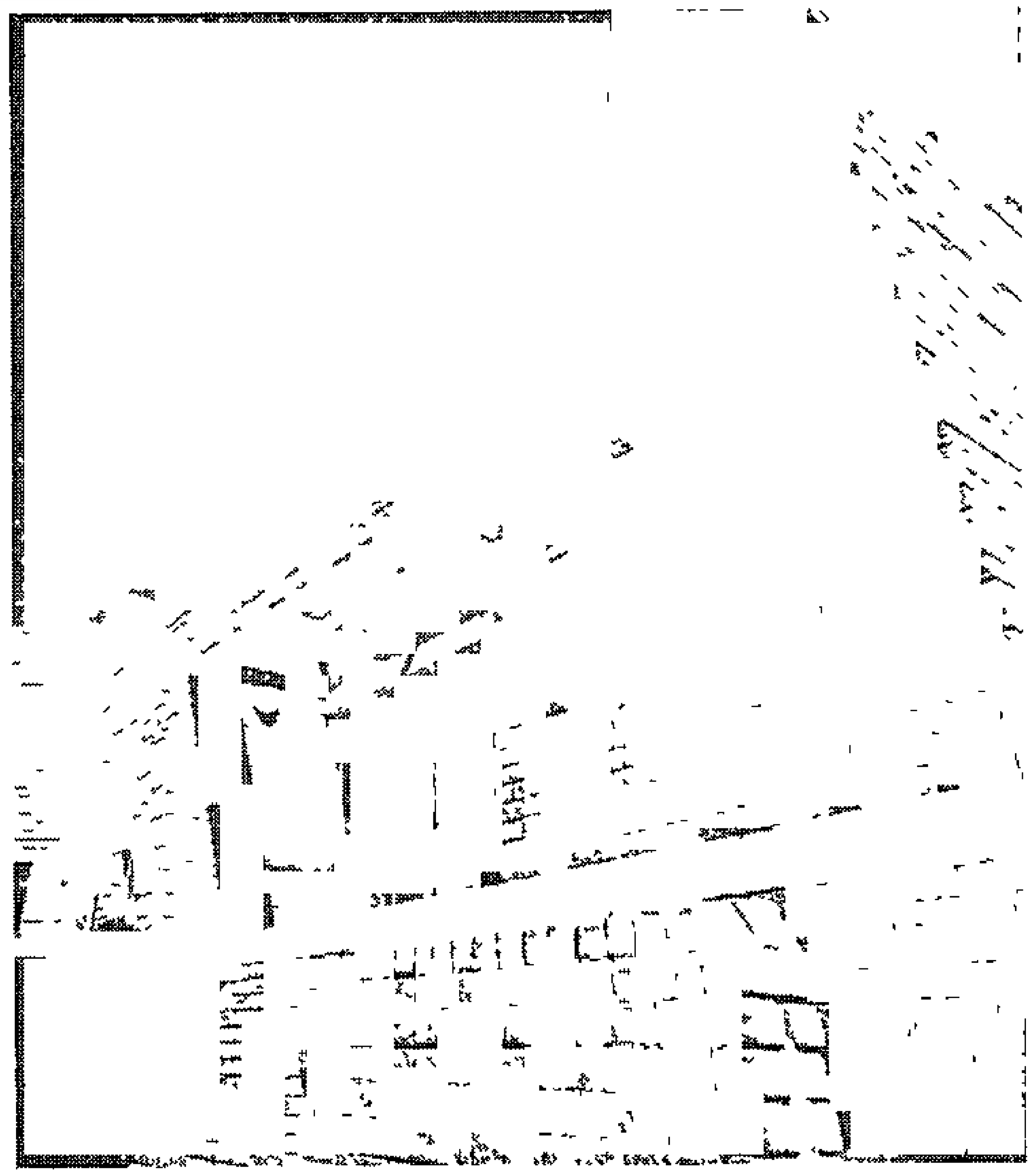
In addition the modular system, which is a method of coordinating the dimensions of buildings and building components to reduce the range of sizes required and to enable components to be built in on site without modificiation provides a further cost saving Concrete masonry is incredibly versatile Not only does it meet basic units that are cheap it can actually make sophisticated and attractive facings

Then there is there labour saving in the efficiency in the laying that you get because the product is bigger and the fact that youu can design units specifically for what you want to do This allows for enormous savings

KOCH· As far as labour efficiency is concerned in the Mitchell's Plain development we took specific measurements on 2 500 houses and the average output there are block layer was the equivalent of 1 440 bricks a day while a bricklayer 's highest per day would be about 600

been SABS tested All this means is that some selected samples were submitted to one of the SABS laboratories for testing These samples may not have been representative The fact that samples of masonry units have been tested does not imply SABS endorsement of the product

It is illegal to infer approval of a product unless it bears the SABS mark There are eight concrete masonry manufacturers in the Cape that have the SABS mark and only one clay brick manufacturer This mark is given to manufacturers that meet the requirements of the relevant stated specification Also, apart from his meeting the technical requirements of the standards specification, we expect the manufacturer to have a quality managing system operating in the manufacturing plant There are several codes of practice that go under the assembly of the product About 330 companies, whose quality management systems comply with SABS standards, are currently listed in accordance with our listing scheme



An example of concrete masonry face brick used in sophisticated building in the Cape.

products are assembled to a quality management process system and then you have a house that complies to the standards tests laid down

LOW To my knowledge there are about 12 concrete masonry producers in the Western Cape of which four are listed and have SAB marks but they produce about 70 or 80 percent of the volume In the clay brick industry there are also about 12 producers, only one of which has the SAB mark

KOCH While the government was building strict supervision was carried out on site but when private enterprise moved in they merely bought approved building material and put it together often without due regard to quality control Now there is nothing the manufacturing industry can do except talk to private builders

ROWLEY: Is there any training that is recommended by the manufacturers for the building industry. What training is provided for concrete masonry construction.

VAN ECK Training as BIFSA has indicated is a problem which has to be addressed because the industry is of such a volatile nature There are consequently very few people coming into the industry and new ways of dealing with this problem are being investigated It is an on-going problem

ROWLEY: Building experts have pointed out that because the industry is so volatile taking on and training the necessary staff to cope with boom-time demand is not financially viable in the long-run.

KOCH Yes, fluctuations in the industry do not make for a steady flow of skilled artisans into industry

has said that "if you think the standards are bad now just wait for five years and see then" So what can be done to improve and enhance standards.

KOCH. To counteract this, the housing and construction industry must not be an economic tool for the Treasury Housing is a basic demand Housing needs to be built whether we have money or not but bridging finance will have to be found by the millions to keep the investment in the housing industry stabilised The building society and the banks have not improved the sitation I have recommended to government that the average bond should remain fixed for a period At the moment more people lose their hosues for fiannical reasons than any other

VAN ECK. The problems that are in the industry are caused by fluctuating interest rates The NAHB has had recent discussion with government departments and one possible suggestion mooted has been the Housing Stabilisation Fund which is being looked into This would attempt to keep interest rates at a level where the industry can settle down and produce houses and attract skilled labour and keep them When boom times arrive you need people in a hurry so you get short term training programmes

The unemployed are told "come into industry we will teach you to lay bricks in three weeks" Through lack of any other labour to use one unfortunately has to use unskilled, untertrained labour

ROWLEY: Supervision, or the lack there of, is I understand another major problem facing the industry. Would you care to [illegible]?

VAN ECK· Quality has to be built in from the beginning You don't improve something merely with inspection, especially after the fact If the builder is checking those things you will cut down on having to check the builder

LOW. The answer is not inspection by an outer body The builder himself should know enough to control the quality

That is where the answer seems to lie In fact the builders should not be allowed to enter into the market that easily They should have some sort of qualification

VAN ECK But at the same time we are trying to encourage the informal sector How do you control that man who is supplying housing in his small way in his own community? Are you going to force on him certain parameters? This is a very broad field and there is no simple answer

LOW. The complaints that have been thrown around in the past three or so years are basically of a superficial nature and not ones that are going to cause harm or injury to anyone And I think therein lies the answer

People must be allowed to live in those conditions they can afford without harming themselves We are looking at five years from now, people building their own houses

People are doing it already and they are very happy with their homes even if they do have cracks, if the windows are crooked

They built them themselves and they are very satisfied with it There in lies the tale It is matter of perception

ROWLEY: Yes but they have not just bought a house which they paid R75 000 and are now having to spend great amounts maintaining because walls are cracked and windows won't close.

VAN ECK. But there comes a time when the homeowner has bought his home and the contractor has carried out necessary maintenance and the house is still under guarantee but the owner has actually got to do a certain amount of maintenance if he does not want the house to deteriorate

Building problems clarified

report on the building in-
in Weekend Argus on
ber 28 the headline "Block
Doomed" may have in-
ed that problems occurred
in concrete block houses

the report made clear,
ver bad building standards applied to houses built with other materials as well, including clay bricks The report did not criticise the materials used but the standards of some construction

The regional chairman of the Concrete Masonry Association in the Cape, Mr R I Low, has also rejected the claim in the report by building management graduate Mr Bjorn Barth that some block houses would fall down or have to be rebuilt within five years He said there could be no basis at all for such a claim

ROWLEY How successful
has its penetration been in
the upmarket housing sec-
tor?

KOCH In the last five years
few of the new uppermar-
developments have shied
from concrete masonry
dbridge Island is one of the
st developments being built
ely with concrete masonry
struction The majority of
the construction houses in
Northern suburbs are all in

ROWLEY: Concrete masonry is approved by the South African Bureau of Standards. There are standards set down by both manufacturers and by the SA Bureau of Standards, for constuction materials. There is some evidence that these standards are not always complied with. What can be done by manufacturers, by the industry, to ensure that these standards are adhered to?

JOUBERT: Advertisements in the Press often claim that masonry units have

Certainly there is evidence that these standards are not always complied with I think one of the biggest problems that we have is to stop people who are not manufacturing to the quality standard that mark holders are

What industry can do to improve problem areas is to look at quality management as well on construction sites There is no reason why we can't see quality management on, say, domestic building sites

KOCH: I think the industry should aim for a SABS marked house which would imply that SABS marked

In this way you can be quite sure that the supervision on site is up to standard I think too many 'bush builders' put up houses and put blocks together in a way that can obviously create problems Those problems are then standing out while 90 percent of the good houses are never mentioned

LOW: I think if contractor-s/useres were more selective and knowlegable about the products they were going to put into their house it would solve a lot of problems We in the Concrete Masonry Association have produced a manual covering all aspects of building with concrete masonry All our members are SABS mark holders

ROWLEY: How many concrete manufactures do not hold SAB permit?

ROWLEY: What role do you see the concrete masonry industry performing in fulfilling future housing needs in South Africa?

LOW We see concrete masonry becoming the majority building material in the next 10 years following the same patterns as in Europe, England, New Zealand, Australia and America where concrete represents as much as 70 percent of masonry work

ROWLEY: Mr Low you yourself are on record as saying that the standards of construction in the industry are the root of the problem and not the materials as such. What can you as manufacturers do to make sure that builders comply with the SAB's and your own standards?

ROWLEY What can be done about that?

KOCK: As Bifsa has done, large training schools that train bricklayers and other artisans on a very short basis, three-week, four-week basis and they are then let loose on the site

ROWLEY: Are they skilled enough for quality construction

KOCH They just understand the basics and that is where the problem starts Now, when the contract is finished they have no work and they move out of the industry So I think our major problem is that we have no continuity in the construction and building industry The turnover is so hectic that the total quality of building in housing is affected

ROWLEY: What can be done then?. Mr Low himself

VAN ECK Yes, when the industry hits a recession these people are also lost And it is possible that when a big major contractor suddenly has a lot of major contracts to handle that he does not have enough supervision or skilled labour to handle the contract at the outset which causes certain problems

KOCH The old time building inspector provided by building societies and municipalities was a good answer to quality assurance Now the building inspectors and building societies are not providing inspectors and building inspectors employed by industry do not have the the independence that would at all times assure good quality product

VAN ECK: One must bear in mind that before you can pour concrete you must have your foundations inspected

KOCH There is no ongoing inspection except for the builders' own inspection

ROWLEY. Would on-going inspection improve the standards in the industry and minimise problems?

ROWLEY: I could not agree with you more. But that is general maintenance What I am we are referring to are the cracks and problems some homeonewers are experiencing in new homes after only three months.

VAN ECK Those problems are catered for by all reputable contractors Any builder that is concerned about his reputation and wants to stay in business will go back and fix problems whether it is in the contract or not Unfortunately the expectation level of certain clients is higher than what is realistically possible

KOCH On the whole contractors on the whole are working with subcontractors The building industry has a big problem finding good subcontractors Subcontractors again employ people they train themselves and are not necessary properly training Training is the major problem in the industry

BDay 17/11/89 (193)

Cementation increases year's dividend 78,6%

BARRY SERGEANT

CEMENTATION, the 48% associate of Trafalgar House Plc, increased its final dividend to 40c (28c), which, along with an interim of 35c (14c), gave a 78,6% increase in full dividends to 75c (42c) a share

Also in the year to end-September, earnings were increased 28,6% from 120 5c to 155,0c a share The share traded yesterday with no price change and closed at 800c, below the 12-month high of 850c but well above the low of 420c

The increase in turnover was nominal — 6,5% to R334,7m (R314,2m) — but attributable earnings were increased 28,9% to R10,7m Financial director Tony Forster says the 1988 figures were restated to take account of export incentive allowances

These were taken in high up in the income statement, on the line of net income before interest and tax, which increased 14,1% to R22,1m Forster says the allowances involved sensitive negotiations with the relevant authorities

The negotiations were earlier referred to in the 1988 chairman's statement and the March 1989 interim report. While it may seem a case of semantics to some, Forster explains the dividend cover changed from the original 2,1 to 2,9 times for 1988.

● LOTTER

This, says Forster, is the "contributing factor to the 79% increase in ordinary dividends for the year" The dividend cover for 1989 is 2,1 times CE Graham Lotter says rationalisation of inefficient areas has accounted for the improvement in pre-tax profits and "it is the groups intention to continue to address such areas in the future"

The tax charged through the income statement fell 19,5% from R5,6m to R4,5m This is attributed to the group taking full advantage of tax incentive allowances in the export sector

Says Lotter "The possiblity of export opportunities was a major incentive in the recent acquisition of Railway Track Supplies, formerly Racec, which is engaged in the manufacture of railyway track, points and crossings and accessories Together with this, we intend to pursue a policy of maximising exports in different areas of our business in the coming financial year"

Lotter said Cementation's mining contracting division is holding its own and he feels the group is in a good position to take full advantage of SA's increased acceptability in world markets related to the engineering sector

On the balance sheet, ordinary shareholders' interest increased from R50,7m to R56,3m. Long-term liabilities were down to R10,8m from R13,5m, while current liabilities increased 20,7% to R126,3m

B/Day 28/11/89

Belfast adds to Kudu's profits

LIZ ROUSE (193)

PRODUCTION at Kudu Granite's Belfast quarry increased substantially the previous low base and Belfast is now making a satisfactory contribution to group profitability.

Kudu's turnover for the three months ended September amounted to R6,26m with taxed profit at R1,8m

The group's policy of diversification has been pursued by the acquisition of various rights for coloured granite. A quarry was opened last month and is expected to be fully operational by February.

Market reaction to the quality and colour of this material has been favourable and a positive contribution to earnings is expected Further expansions are planned for the third quarter, according to the delayed quarterly report.

The board of directors has been reconstituted Paul Ferguson has been appointed chairman and Peet du Toit remains MD.

PPC looks beyond border

B/Day 1/12/89 LIZ ROUSE (193)

PPC, SA's largest cement and ~~lime-group~~, is looking beyond its borders for expansion

Convinced that neighbouring states provide good opportunities for extending the group's areas of operation, PPC is considering investing in a company that will construct and operate a cement-producing facility in Botswana.

At the same time, chairman John Hall says in his annual review that PPC is to acquire a 50% interest in a company that designs residential structures which can be erected speedily and efficiently on problematic soils

Hall says PPC is focusing attention on increasing the consumption of cement — which accounted for almost 60% of 1989 earnings before interest and tax

Foreign revamp hits Plate Glass

(193)

S Times 3/12/84

PLATE Glass & Shatterprufe Industries has reported stagnant earnings in the six months to September, but joint executive chairmen Ronnie and Bertie Lubner hold their heads high

By David Carte

Ronnie Lubner says "We spent millions on revamping operations in several companies and countries — and because most of it happened abroad, we put the additional cost through the profit and loss account Ordinarily, we could have capitalised these items as goodwill

Scratch

"Two years ago, for instance, we decided to get out of the wholesale glass business in the United States because there wasn't enough value added there We made a large capital profit on the sale of our wholesale operations, then started looking to buy retail motor glass operations

"Well, PEs in the US for going concerns these days were simply too high We decided to build a retail chain from scratch It has gone well — we now have 100 stores in 13 states — but it has been expensive

"Because these new stores have to reach first, ordinary motorists, second, panel beaters and finally insurance companies, it generally takes 30 months for each to attain profitability Of the 100, 30 are not contributing to profits at store level"

Consolation

The brothers Lubner estimate that development costs knocked 97c a share — fully 46% — off bottom-line earnings in the half-year The process started last year when earnings were reduced by 60c in the half-year and 154c in the year

The consolation for shareholders is that there will be a geared recovery when the new operations attain profitability because assessed losses have been built up and they will pay no tax for some years

Bertie Lubner reports that the Australian wood subsidiaries have undergone a similar exercise

"The furniture industry in Australia is different from here There are about 10 000 small carpentry and joinery outlets there They are poorly served by existing wood suppliers, so we have built up a chain of outlets based mainly in the suburbs to serve these small contracting shops and the do-it-yourself market

"Our stores are also small They are stocked by trucks operating from bigger 'mother ships' Our customers can't believe they can get same-day delivery We want to be spread right across Australia"

Operations in Europe and SA did well PG has 156 auto and flat glass outlets commanding 40% of the replacement market in the UK It is so dominant that it has to obtain permission from the Office of Fair Trading to make acquisitions On the Continent, there are 65 outlets in eight EEC countries

Lobbies

Bertie Lubner reports a change in emphasis in the international wood division from trading to adding value at source The change reflects changed customer requirements, environmental lobbies and changing trade patterns

SA accounts for 60% of profits SA profit growth was 20% The Lubners say both the motor and building industries are slowing, but they seem confident earnings will hold Domestic sales are more lucrative than exports, but PG is committed to exporting

Glass SA, the main manufacturer, has come close to capacity Glass SA (owned 48% by Pilkington UK, 44% by Plate Glass and 8% by Old Mutual) will have to contemplate a new float glass plant in the next six years or so Cost today would be R160-million

The result in a nutshell PGSI lifted sales by 16% to R1 572-million, operating profit 29% to R145,3-million and taxed attributable profit less than 1% to R34,9-million That equated to earnings a share of 211,9c (1983 210c) The 65c interim dividend is unchanged Non-trading items this half-year were R14,1-million against R52,4-million last year

Comeback

PG is in a good strategic position in being able to manufacture windscreens here for a large variety of cars imported by the US — cars that are common currency in Europe as well

It will be interesting to see whether the market takes fright at the standstill reported today or whether it remains convinced that PG is a good rand hedge set for strong comeback in the next two years or so

Plate Glass finds the going tough overseas

Finance Staff

Plate Glass and Shatterprufe's earnings were depressed by some 97c a share in the six months ended September after costs of the group's international expansion rose substantially

The group's foray into the international market had already pushed down earnings by 154c a share in the 12 months ended March and the expansion to the US, the EC and Australia is going to cost the a great deal more in the near future (193)

In order to reduce the costs the company is reportedly believed to be negotiating with an overseas partner to fund its offshore wood operations and an announcement is expected within weeks

The rising expansion costs helps explain why attributable earnings for the six months to September rose only one percent from R34,6 million (210c a share) to R34,9 million (211,9c) and why the interim dividend is unchanged at 65c

Group turnover, however, reflecting the additional business being generated as new international operations came on stream, increased to R1,6 billion (R1,4 billion) Margins also improved, with pre-tax profit up by 29 percent to R145,3 million from R112,4 million

The joint chairmen, Ronnie and Bertie Lubner, say that as the group is starting from grass-roots level in the US, start-up expenses have been high

Of the group's current 100 US outlets, just on 30 are not making a profit and of these 20 are less than six months old

Looking ahead, the Lubner brothers say it appears likely that a similar picture will emerge in the second half indicating that full year results will be around the same level achieved in 1988/1989

Cemenco gets R1,4-m Kriel contract

(193)

Mr Moore (left) and Mr Richard Garrett, MD of Cemenco Foundry, with an inlet dome valve for Kriel power station.

A R1,4 million contract covering the casting and machining of pressure vessels and parts for the pneumatic conveying system to handle fly ash at Kriel power Station has gone to Cemenco Foundry Star 7/12/87

The contract, awarded by Simon Carves, is one of the biggest undertaken by Cemenco.

Mr David Moore, director, Simon Macawber, a division of Simon Carves, says. "Our local manufacturing programme has been running for four years and we now have the largest assembly plant outside our parent company in the UK.

"The quality of the components must be equal to, or better than, that expected in the UK Quality control is, therefore, an extremely important aspect in the casting and machining process"

Cemenco is casting the ash vessels from ductile iron, the valves and components from grey iron and the pipe bends from nihard.

1000 needed to fill jobs on Mossgas

16/12/89 113

Weekend Argus Correspondent

PORT ElIZABETH. — About 1 000 men are needed to fill jobs on a huge new Mossgas contract worth R170 million.

"I would like to think that we can fill most of these jobs with men from Port Elizabeth," said Mr Dave Stewart, construction dir ctor of Babcocks Engineering

The 87-week contract starts next month and will provide welcome jobs for new trained people in the city.

It is for the mechanical, electrical and instrumentation construction work for the synthol refinery plants at mossel Bay

Extensively involved

Babcoks is already extensively involved in Mossgas assembly work in Port Elizabeth, building four modules for the ofshore right in the city's harbour.

"I am sure there will be many from Port Elizabeth getting involved in the refinery work from now on," Mr Stewart said

"Our personnel people have just arrived in Port Elizabeth and started recruiting.

"We hope to find most of our labour there."

Mr Stewart said Babcocks was satisfied with the men taken on after training at the Eastcape Training Centre

"They have mastered the necessary skills and we give them further on-site training," he said

He said men employed on the modules in the harbour would most definitely be used on the refinery work as the module contracts came to an end.

R60-m expansion at Gypsum Industries

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BADR Star 19/12/89

Gypsum Industries is embarking on a R60 million expansion programme to meet demand for plasterboard products in the 1990s.

Growth plans, centred on a recently acquired factory and warehouse complex in Brakpan, will represent the company's biggest single investment in its 60 years in South Africa.

The expansion will boost Gypsum's capital expenditure to more than R120 million since 1980. — Sapa.