MINING — GENERAL

1986

JAN. — ~~Dec~~ DEC.

Sharp increase in spending forecast

3/1/86 BUS DAY (210)

ADAM PAYNE

CAPITAL spending at three Gencor Mines — Kinross, Winkelhaak and Unisel — is expected to jump sharply in the year to September.

Spending at Kinross is forecast to rise to R51,8m from R7,7m in the year to last September.

That at Winkelhaak is expected to increase fourfold to R46,1m (R10,2m) and at Unisel the total is forecast at R25m compared with only R4,6m last year.

The main expenditure at Kinross, still to be approved by the board, will be on a sub vertical shaft costing R23,9m.

Executive director (mining) of Gencor and chairman of Kinross, Johan Fritz, says in the mine's annual report that the plan is to sink a shaft from 14 to 19 level in the central block.

The main purpose of this shaft will be to mine ground which is inaccessible from No 1 Shaft because of depth — below 15 level — and its distance from No 2 Shaft.

Current production

The sub vertical shaft will also eliminate the production limitations imposed by No 2 Shaft's hoisting capacity and will allow the mine to continue producing at a rate of 186 000 tons a month.

It is expected that the current production rate at the present yield — 6,6g/t — will be maintained.

To further improve yield from the recently achieved increased production it is planned to install at least one additional mill in the milling circuit at a cost of R7,5m.

Kinross increased its gold production by 1 863kg or 14,4% to 14 760kg in the year to last September

Tax increased by 102% to R134,9m and after-tax profit rose by 54% to R69,6m

Unit working costs rose by only 7,9%.

WINKELHAAK: Chairman Carl Netscher expects the mine to maintain present production levels and yield — 5,8g/t — in the year to September. Capital spending, estimated at R46,1m, includes R23,1m on the No 6 Shaft project announced in October.

The mine's gold production in the year to last September decreased by 688kg. Although tonnage was marginally raised, yield was lower at 5,8g/t (6,1g/t).

In the past year tax rose by 37% to R128,6m and after-tax income rose by 26% to R66,8m

Unit working costs increased by 16,9% from R39,83 to R46,57. Although this was 4,9% higher than the increase recorded in the previous year, 1,3% was attributable to an increase in development.

A system for the monitoring of the labour relations climate on the mine and the assessment of employee attitudes has been implemented.

UNISEL: Chairman Ted Pavitt says it is planned to maintain the present level of the mine's tonnage and grade — 6,7g/t — in the year to September.

However, the ratio of the tonnage mined from each of the three economic reefs is continually being reviewed so as to maximise the yield while ensuring balanced depletion of reserves.

The policy will inevitably result in a gradual reduction in yield in the future as the contribution from the lower-grade Leader Reef is increased.

The area below 10 level in the eastern section of the mine has been evaluated The sinking of a small sub vertical shaft is being investigated.

Prospecting of the Tarka and Jurgens Hof areas will continue.

Development in the Tarka area advanced 769m beyond the boundary in the past year and intersected reef.

Exploration of the Jurgens Hof area is being carried out by development and diamond drilling.

Extensive "thrust faulting" has necessitated additional development and drilling. Indications are that there may be a possibility of duplication of reef which will be advantageous to the mine's ore reserves.

Two boreholes from the surface have been completed on the farm Jurgens Hof Drilling is in progress on three additional boreholes which are on farms south of Unisel — two on Jurgens Hof and one on Tarka

Capital spending in the year to September, which is expected to amount to R25m, includes R10m on the sub vertical shaft which is being considered.

Biggest mass axing in labour history

7/1/86 BUS DAY 210

20 000 mineworkers sacked by Gencor

CLAIRE PICKARD-CAMBRIDGE

IMPALA platinum mines yesterday dismissed 20 000 strikers in Bophuthatswana in one the biggest mass sackings in recent labour history.

The sacked workers were from three Gencor-controlled Impala mines — Wildebeest North, Wildebeestfontein South and Bafokeng South

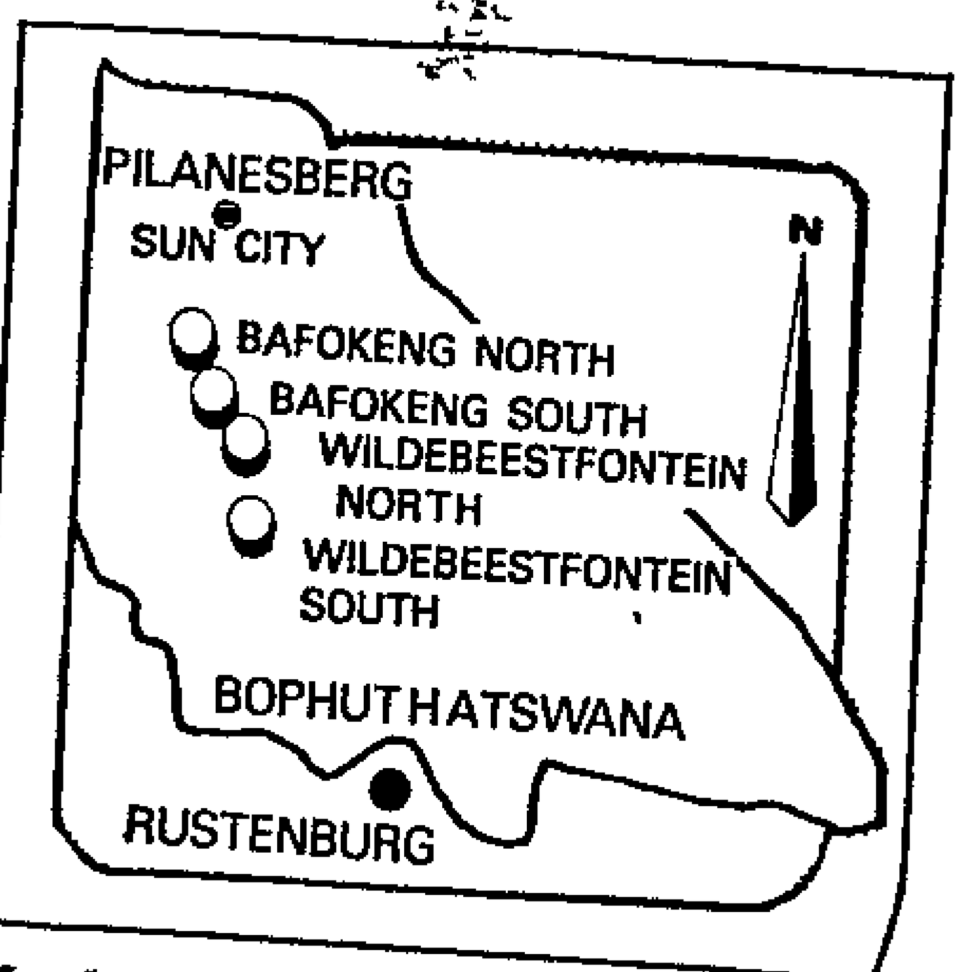
Ultimatums have been given to several thousand workers who have not returned to work at Bafokeng North mine and at Mineral Processes, a processing plant.

About 30 000 workers at the four mines and processing plant went on strike on New Year's Day over a variety of wage- and work-related issues About 50% of the workers were back at work on January 2 and 3 but there has been an almost total stayaway since then

A Gencor statement said the sackings came after a warning to workers that continued participation in an illegal strike would be in breach of their employment contracts and would result in dismissal.

Impala is the second-largest producer of platinum in the West.

Acting chief executive officer Gary



Maude denied at a Press conference in Johannesburg yesterday that management was planning to rehire the workers, 65% of whom were from Bophuthatswana

He said Impala could get a new labour force because there were many unemployed in Bophuthatswana who had been trained on mines. Teba, the Chamber of Mines' recruiting body, had 400 000 applications for employment.

Maude said questions and grievances put by worker representatives in meetings with management had covered pay-related issues and employer-employee relationships

Bophuthatswana manpower officials had assisted in talks with workers over grievances relating to death benefits, the Unemployment Insurance Fund and tax issues.

The National Union of Mineworkers (NUM), which claims a 50% membership at Impala, even though SA unions are barred from operating in Bophuthatswana, said last night the strike was over low wages, long working hours and management's refusal to give the NUM recruiting facilities

THE 450 000-strong Congress of SA Trade Unions (Cosatu) has condemned the mass sackings of strikers at Impala Platinum mines and says it will meet to consider mass action to get workers reinstated.

Management says the NUM has only about 200 members at Impala and denies that worker demands during the strike included NUM recognition.

Management has an access agreement with the Bophuthatswana National Union of Mine Employees (Bonume), but

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Biggest mass axing in SA labour history

this union was not involved in negotiations.

● From Page

The NUM said last night that the decision to dismiss the workers was characteristic of Gencor's "despicable manner of dealing with workers' legitimate grievances".

It said the fact that Impala was situated in Bophuthatswana had presented Gencor with a pretext for refusing to deal with the NUM.

The union would decide on action to have the workers reinstated.

Maude said the effect of the strike on production was not minor, but would not be more specific.

He had said on Sunday night he expected workers to be back yesterday, saying most disputed issues had been resolved

He admitted at the Press conference yesterday worker representatives had not said workers would be returning to work yesterday But he had expected them to after personal talks with various workers and because the atmosphere had seemed normal on Sunday night

He conceded that management was concerned about its communications with employees and wanted to improve them

He said Gencor had taken the possibility of international reaction into account before dismissing the workers.

Impala management has claimed employee representatives were not prepared to get down to solid discussions. The NUM says management has been refusing to deal properly with elected worker representatives

The mines are located in a 20km belt stretching from 10km south of Sun City to near Rustenburg on the Bophuthatswana side of the border.

(210)

dicated by gains over the past fortnight in the Kanhym and Tedelex share prices — and profits are flowing strongly in the mining sectors

Trans Natal and Impala have, one hopes, put currency losses behind them, while base metals vehicle Samancor is enjoying its best ever profits after merely breaking even a couple of years back. Gencor gold mines have year-ends varying from end-June (the profitable Buffels) to end-September and end-December, so their dividend growth since August will come into Gencor's 1986 year.

After the shocks that Gencor has dealt the market over the past two years, it would hardly be surprising if the share carries a discount until investors regain confidence in management Could last week's firings at Implats, which follow the hard-line attitude at Marievale, presage production-crippling labour unrest on group mines, for example? But it is difficult to accept that the share's present 24% discount to June 30 net worth is deserved. Even after its recovery from last year's low around 2 150c to the present 3 575c, where it yields 5,3% against the sector's 3,9%, there must be further appreciation potential

MINING HOUSE RATINGS

	Year end	Share Price (c)	Net worth (c)	% discount (Premium) to NW	Earnings Yield (%)	Dividends Yield (%)
Anglo	Mar 31	3 850	4 616	16,6	11,2	3,9
Anglovaal	Jun 30	14 000	16 838	16,7	10,6	2,7
Gencor	Dec 31	3 575	4 708*	24	9,6	5,3
GFSA	Jun 30	4 150	4 841	14,3	6,0	2,9
JCI	Jun 30	28 200	28 800	2,1	7,0	3,1
Randmin	Sep 30	10 600	5 637	(87,6)	9,3	3,3
Sector	—	—	—	—	6,7	3,9

* At June 30

Of all the houses, **GFSA**'s profits are most sensitive to gold, some 80% of total income coming from this source over the past two years Most remaining income came from other mining — coal interests were recently expanded with the acquisition of Clydesdale from Liberty — so there is virtually no vulnerability to domestic problems — other than labour Non-mining interests of note are a stake of about 2,2% in Stanbic and 15m Sasol shares.

GFSA has two of the richest mines in Driefontein Consolidated and Kloof, and on the share price of 4 150c is accorded a dividend yield of only 2,9%, second lowest in the sector Most group gold mines declared substantially higher dividends in December, but there should still be enough dividend growth in store for both the mines and GFSA to justify the present price

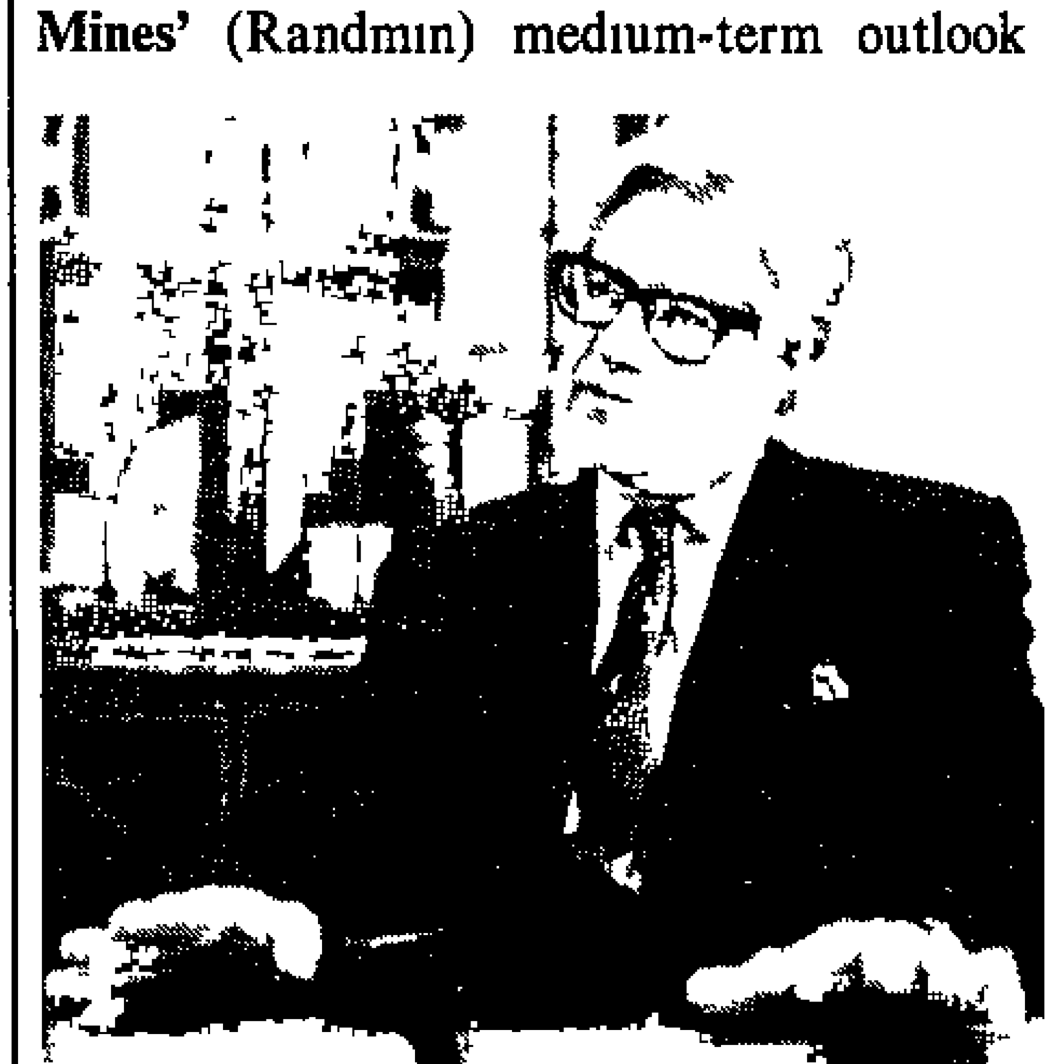
Johnnies (JCI) last year derived 23% of income from industry and property and has seen setbacks in some of these areas. Dividends were stagnant or reduced in such interests as Premier/SA Breweries and Toyota, but these, too, were more than offset by gains elsewhere In industry, ferrochromium producer Consolidated Metallurgical

Anglo's Relly ... rock-firm balance sheet

Industries turned profitable and engineering firm Lennings held its own In mining, Randfontein, Rusplats and Tavistock are cash-flush while the diamond interests will improve

In addition, JCI has a strong balance sheet, in excellent shape to fund several mining expansions expected to go ahead over the next year or so These include gold (Randfontein's expansion, the new Joel mine and three possible prospects in which mineral exploration company Freddies has interests), coal (two new mines are planned) and Rusplats It all adds up to enough new ventures to justify a premium on JCI's share, which at present yields only 3,1%

There are some uncertainties about **Rand Mines'** (Randmin) medium-term outlook



Ogilvie Thompson ... a De Beers rerating ahead

That is not to say it won't do well this year; at R106, which yields 3,3%, the market takes a favourable view But some 50% of earnings are derived from coal, which could face tougher times later this decade From 1987-1988 dividend growth could be restrained by the current R1 billion expansion of coal mining capacity The share stands at an 88% premium to official net worth, but there are very substantial assets held at book value; one analyst estimates true net worth is well above R100

As ever, tightly-held **Anglovaal**, yielding 2,6% on dividend, is best rated of the mining houses Not only are mining interests doing well — with a potential expansion of coal operations down the line — but the highly regarded industrial division produced a very sound performance last year There were no major setbacks some areas, particularly frozen foods, reported strong growth

Diamond share **De Beers** also deserves consideration here It holds large non-diamond investments, including 38% of Anglo, 24% of Amic and 21% of Minorco Some local analysts argue that a comparison of De Beers with other mining houses suggests that further rerating must lie ahead Historic earnings yield — after recently sedate growth — is 11,8%, but strong earnings growth is expected in 1986. Even at 1 670c, the share stands more than 20% below the December 1984 net worth — the current figure must be much higher

Mining house share prices have moved strongly But an analyst who specialises in the sector believes they are still good investments in view of the profits to come "The rand gold price averaged R705/oz in 1985 and now stands above R800/oz," he says "It would have to drop a long way before it comes back to last year's Even if that happens, the last six months' profits are assured for the mining houses "

It is one of the ironies of SA's present situation that the enormous and fortuitous fillip given to export earnings by the politically flaccid rand has made mining house managements look like geniuses, if the rand had not weakened, and commodity prices had done nothing in dollar or sterling terms, these groups might now be looking a sorry bunch Instead, their grip on the economy and ability to withstand sanctions, labour unrest and boycotts is stronger than ever.

The houses are not immune to the negative implications of a weak rand Relatively low unit production costs have historically given the South African mining industry a critical advantage in world markets In the long term, continued inflation around present levels can only mean that the country's competitive position in world markets will erode and its productive capacity will deteriorate as high-cost, low-grade mines become uneconomic.

For the present, though, shareholders are more likely to concentrate on the glitter· funds are available to expand productive capacity, earnings are soaring and dividends should leap this year. *Andrew McNulty*

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MINING HOUSES

Golden year ahead

Several mining houses have encountered adversity in their domestic interests recently, but all seem assured of excellent profits this year thanks to the boost given by the weak rand to export earnings.

The mining houses started diversifying into non-mining activities a long time ago Today most own a slice of the economy and cannot help being sensitive to the domestic economic climate. But that is not likely to prevent them from enjoying a golden year in 1986.

Bullish prospects have been evident in the shares' behaviour on the JSE over the past four months. Between February 1984 and July 1985 the mining houses lagged the All Gold index, but since August — roughly when the rand plunged after imposition of the State of Emergency — the indices have moved in line.

All the mining houses are sensitive to currencies as they own substantial stakes in gold, other precious metal, base metal and coal mines But many investors may not have been quick to recognise the potential, blurred as it often was by well-publicised forex losses, heavy going in the industrial divisions and general political uncertainty.

December quarterly gold mine reports published this week clearly revealed the torrent of profits flowing into the houses — largely thanks to the politically weak rand. First to report was Gold Fields of SA (GFSA), whose six gold mines collectively earned pre-tax profits of R1,1 billion for the second half of 1985 This is the highest half-year figure GFSA has ever achieved. In the December quarter GFSA mines' working profit soared by R142,5m to R545,2m from R402,7m in September, while working costs rose by only R9m, from R285,2m to R294m.

That the State is gaining too is shown by the R78,9m leap in taxation and the State's share, which leapt to R325,4m

Not all the profit surge is going into shareholders' pockets. Capital expenditure is generally at high levels, with most houses spending — or hoarding — cash for expansion or new gold or other mines. But on the whole investors are looking forward to further sizeable increases in dividends this year, particularly if export commodity prices in rand terms don't drop much The gold price received by GFSA last quarter averaged R27 170/kg compared with R22 201/kg in the September quarter Few seem to take a notably negative view on rand prices.

"I would not be surprised if the rand strengthens a bit now," GFSA GM, gold mining, Allan Munro told last Thursday's press conference "But nor would I be surprised if the dollar gold price goes up In fact, the only thing that would surprise me would be a significant drop in the rand price of gold"

The glow cast by these profits makes problems at home fade into insignificance Like other houses, **Anglo American** last year encountered abundant adversity in its industrial interests. Subsidiary Anglo American Industrial Corporation (Amic) made provisions for, or realised, forex losses of R55,1m, while its automotive interest Samcor accumulated more large losses Dividend income growth was muted elsewhere in industrial interests, which include such groups as Dorbyl, AECI, Safren, Mondi Paper and Highveld Steel

Anglo has been accused of owning an excessively large slice of SA, but its overall profits are not particularly sensitive to the domestic economy In the year to end-March 1985 industry and commerce contributed only 16% of earnings. The figure could shrink in 1986, although total profits should advance powerfully Mining products, mostly exports, accounted for about 66% of 1985 profits, while finance and insurance — a sector relatively immune from domestic recession — accounted for 12%.

In assessing the outlook for 1986, the year-end of each mining house is extremely important Profits are closely linked to dividends declared by operating investments; these can take six to nine months to flow through to shareholders

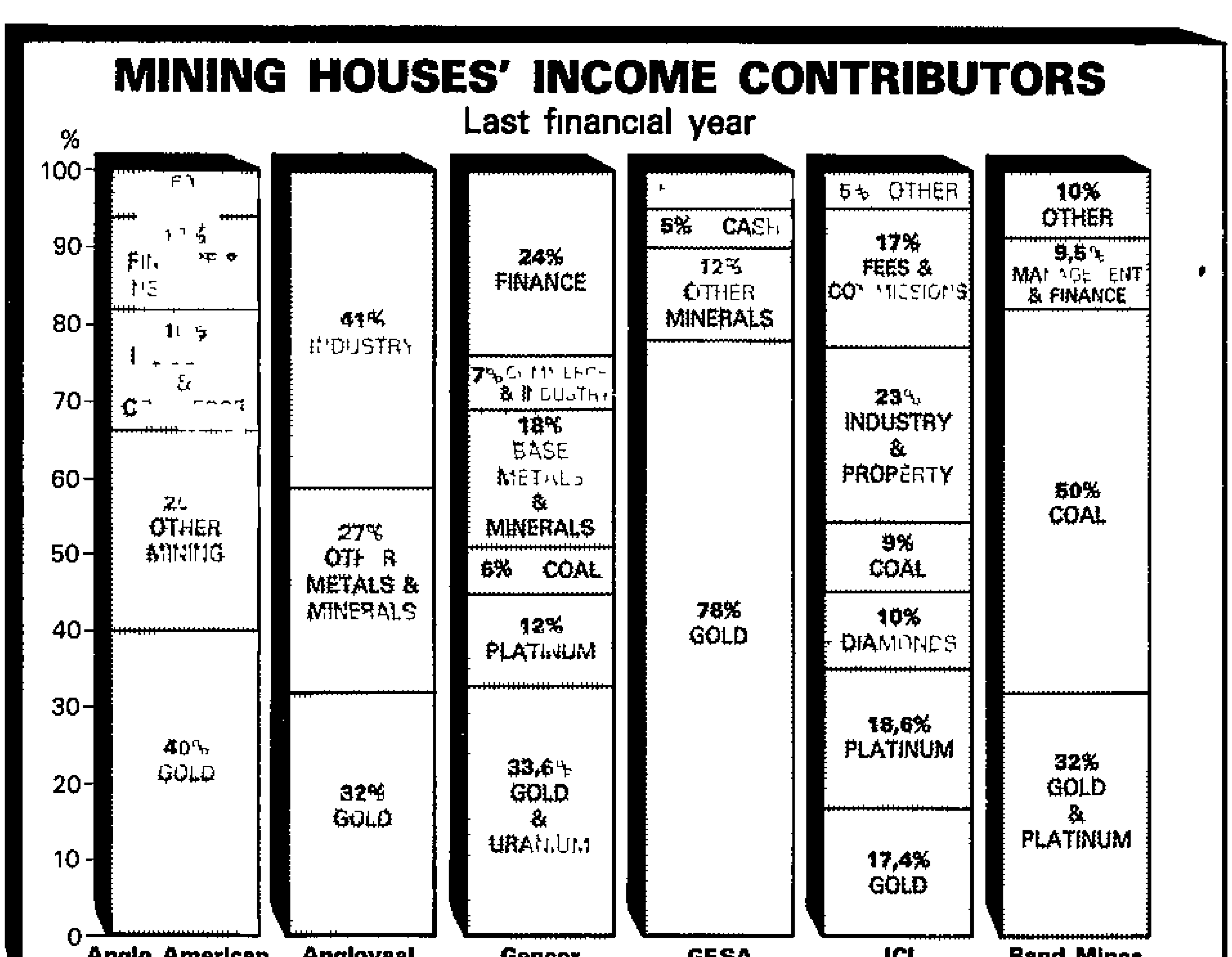
As Anglo's year ends on March 31, figures have yet to reflect fully the rand's effect on export earnings during 1985 Even so, at the end-September interim, attributable earnings rose 30% and the interim dividend was increased by 43% to 50c (though this included a reduction in the disparity between interim and final pay-out) The rock-firm balance sheet showed deposits and cash of R1,6 billion at end-September

Chairman Gavin Relly and deputy chairman Julian Ogilvie Thompson forecast on November 29 that "results for the year ending March 31 1986 are expected to show a similar increase." Notably, the rand's drop since the emergency would have had very little, if any, impact on the interim results; in fact, the below-US45c rand should keep bolstering profits into the 1987 year

Large international interests through Minorco add to currency gains In addition, even ignoring the rand, the prognosis for several export sectors is favourable. Coal should keep doing well for another year or so, platinum profits look assured of more growth, and a recovering diamond sector may also represent growth potential

Similar principles apply to the other houses Losses, both operating and forex, in much of **Gencor's** industrial division distracted attention from more solid performances elsewhere. In fact, in the year to end-December 1984 (the latest available figures), industry and commerce contributed only R21,5m or 7,2% of total attributable income of R299,3m, compared with the previous year's R124m of 38% of the total R322,8m.

There's no gainsaying the collapse in the industrial division was massive But forex losses have now been written off, it is likely that other problem areas in the industrial interests have at least bottomed out — as in-



* STANDARD BANK AVERAGE EXCHANGE RATE OCT — DEC 1985 $0,38, JULY — SEPT 1985 $0,45

17/1/86 BUS DAY (210)

Anglo mines up profit by 44%

ROY BENNETTS

ANGLO AMERICAN'S Transvaal gold mines increased their combined taxed profit by 44% to R376,7m in the December quarter This was largely as a result of higher rand gold price

Prices received for the metal in local currency averaged R27 500/kg compared with R23 000 in the previous quarter

Provisions for tax increased by 12%, from R209m in the previous quarter, to R235m

VAAL REEFS produced less gold in the quarter at 21 567kg (21 691)

Average gold price received by the mine increased by 17,4% to R27 378kg (R23 312), pushing gold revenue up by R103,9m to R580,8m

Costs were virtually unchanged at R202,8m, with gold profits increasing significantly from R274,7m to R378m

Dividend income of R27,3m was received from Southvaal whereas there was no dividend from this source in the previous quarter

Provision for royalties increased by 23% to R112,5m as a result of the improved gold price and gold production from the South lease area

Capital expenditure was also up at R61,3m (R35,3m), with the provision for tax jumping to R183,2m (R142,1m)

This left the mine with a taxed profit of R188,3m — a 68% improvement compared with the previous quarter

An increase in working costs in the Afrikander Lease area is attributable to a re-allocation of certain operating expenditure incurred over the year but only charged in the current quarter

WESTERN DEEP LEVELS' gold production increased by 350kg to 9 508kg at an improved selling price of R27 587/kg (R22 931), giving the mine a gold revenue of R265,6m (R210,4m)

Because of the relatively high rand gold price the company has accelerated its capital expenditure, with R111,6m being spent in the quarter compared with R64,5m in the previous quarter

This had the effect of dropping tax to R40,3m (R41,4m), leaving a sharply higher profit of R145,3m (R95m)

ELANDSRAND suffered a decrease in gold production of 197kg for a total of 2 823kg

This was more than offset by the higher gold price, ~~which rose~~ from R22 929/kg in the September quarter to R27 556/kg, to give the mine a gold revenue of R78,5m (R68,5m)

Working cost were slightly lower at R29,7m, with sundry income remaining at the same level

Profits were therefore 25% higher at R53,3m (R42,7m), with capex increased from R18,9m to R22,5m

SA LANDS' 7,1% drop in milling rate to 587 000 tons was offset by an improved grade of 0,72g/t (0,64g/t), resulting in an increased gold production at 424kg (406)

Pre-tax profits were R600 000 higher at R2,9m and taxed profits amounted to R1,2m

ERGO's slime treatment dropped 5,2m tons mainly as a result of rainstorms in the quarter

Total revenue increased 14,7% to R65,7m which, after the deduction of cost and the addition of sundry income, provided for a pre-tax profit of R29,4m (R22,5m)

Provision for taxation was R11,9m higher at R9,9m (there was a rebate in the previous quarter) leaving the company with a taxed profit of R19,5m (R24,5m)

Higher taxes reduce benefits for Anglo

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ANGLO AMERICAN was under some pressure to produce the delayed December quarterly results of its Free State gold mines, as it was hoped that they would take the form of a single entity covering the proposed Freegold megamine

The unresolved vote on Free State Geduld has therefore forced Anglo to revert to a individual result announcement

Chairman of the gold and uranium division, Peter Gush, says that, in the event of a dissention to the scheme by FSG shareholders, the remaining three mines could be merged.

As a whole the Anglo OFS gold mines gained substantially higher pre-tax profits of R391,7m, compared with R304,6m in the quarter to end-September

However, this was sharply reduced by higher taxes of R166,9m (R65,9m) to leave an amalgamated taxed profit of R224,7m (R238,7m)

This swing in fortunes was partly attributable to lower capital expenditure of R114,4m (R162,9m).

The loss of working days, due to Christmas holidays, resulted in lower production figures for the quarter.

Area mined dropped to 972 000m² (994 000m²) and tonnage milled declined by 146 000 tons to 5,2-million tons

Consequently gold production fell by 1 297kg to 27 157kg. This Anglo sold at the comparatively cheap average price of R27 119/kg while other mining companies were realising nearly R28 000/kg for the metal.

Revenue from gold sales brought in

ROY BENNETTS

R736,5m (R628,9), to be depleted by costs of R388,1m (R382m), leaving profits from gold of R348,4m (R246,9m).

Average cost in rand a ton milled rose 6,4 cents in the quarter to R77,71 a ton milled.

FREE STATE GEDULD produced the biggest increase in earnings a share, from 146c a share in the previous quarter, to 267c a share.

Net profits were infact lower at R38,5m (R47,9m) but capital expenditure was slashed to R10,6m (R32,7m), due to the near completion of the massive No 5 Shaft system.

This drop in capex led to a doubling of the provision for tax, from R21,4m to R45,1m, resulting in the R9,4m decline in taxed profits.

Pre-tax profits were 20,4% higher at R83,6m (R69,4m).

Gold production declined by 9,5% to 6 525kg, as a result of a fall in grade to 5,5 (5,9) grams a ton and a 3,6% decline in milling at 1,2-million tons.

PRESIDENT BRAND'S earnings a share were virtually unchanged at 125c a share, in spite of a fall in taxed profits, from R74,9m to R67,9m.

This was the result of a decline in capex at R50,4m (R57,1m).

Pre-tax profits rose by 16,2% as a result of the higher rand price of gold, however, this was depleted by a sharp rise in tax at R21,2m (R1,8m), producing a 9,1% decrease in taxed profits.

OFS Mines	Tons milled 000	Yield G/Ton	Cost R/Ton	Cost $/oz*	Rev $/oz*	Rev R/Kg	Cost R/Kg	Net profits R000	Net Profits after capex R000	EPS after capex cents
West Holds	2 165	4,41	65,09	174	323	27 264	14 748	78 250	36 993	258
Sept	2 201	4,56	63,70	195	321	22 127	13 962	81 662	26 715	186
Pres Brand	852	6,32	78,65	147	316	26 947	12 442	67 992	17 569	125
Sept	879	6,21	73,52	165	321	21 873	11 836	74 880	17 732	126
F. S. Geduld	1 176	5,55	86,84	185	316	26 856	15 652	38 492	27 867	267
Sept	1 221	5,91	82,76	195	323	22 205	14 012	47 979	15 238	146
Pres Steyn	973	5,85	80,29	162	325	27 412	13 730	40 003	27 824	191
Sept	1 011	5,68	75,35	186	321	22 338	13 270	34 167	16 040	110

* Standard Bank average exchange rate Oct-Dec 85 $0,38 July-Sept 85 $0,45

Results in the previous quarter included a R8m tax-free dividend from Welkom

Production results were generally lower in the quarter, with tons milled decreasing by 27 000 tons to 852 000 tons. This was partly offset by an increase in grade to 6,32 g/t (6,2 g/t).

Gold production at 5 386kg showed a 1,3% decline, due largely to the shorter production quarter. Unit cost rose by 7% at R78,65 (R73,52) a ton milled.

PRESIDENT STEYN increased its pre-tax profits by 37,1% to R88,4m, due to the higher rand gold price.

Earnings a share rose to 191c (110c) a share as a result of a higher taxed profit of R40m (R34,2m) and lower capex of R12,2m (R18,2m).

Provision for tax rose by 60% to R48,4m (R30,3m).

Production results showed a slight decline, with tons milled down by 3,7% to 973 000 tons.

There was a slight rise in grade to 5,85 g/t (5,6 g/t) which helped to maintain gold production at 5 690kg (5 741kg)

Unit costs rose by R4,95 to R80,29 a ton milled

WESTERN HOLDINGS' increased it pre-tax profits by a massive 38,8%, but a higher provision for tax of R52,1m (R12,1m) resulted in a 4,1% decline in taxed profits to R78,2m (R81,6m)

Earnings a share, however, where boosted by fall in capex to R41,3m (R54,9m), resulting in a 38% improvement at 258c (186c) a share.

There was a decline in production, largely due to the shorter quarter, to 2,16-million (2,2-million) tons milled.

Grade was also down at 4,41 g/t (4,56), which contributed to a 4,8% drop in gold production at 9 556kg (10 041)

Unit costs were contained at R65,09 (R63,7) a ton milled.

JOINT METALLURGICAL SCHEME'S profits decreased slightly at R20,9m (R21,3m) due to the shorter quarter.

Slime treatment was down 6,4% to 1,15-million (1,2-million) tons, resulting in a lower gold recovery of 785kg (835kg)

Uranium oxide production was reduced by 10,7% to 140 710kg (157 630kg), but with acid production increased to 88 726 (88 227) tons.

SOWETAN

THURSDAY, FEBRUARY 6, 1986 27c + 3c GST (PWV) Elsewhere 35c

6/2/86

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Miners refuse to work after death

ABOUT 4 000 black mineworkers refused to go underground yesterday after a colleague was killed and several others injured during a faction fight at the Western Deep Levels gold mine, near Carletonville on Tuesday night.

A spokesman for Anglo American, owners of the mine, said at least 56 miners were admitted to the Western Deep Levels mine hospital after the fight.

The situation was tense but calm at the mine late yesterday as Anglo American and the National Union of Mineworkers tried to resolve the differences between the tribesman — Basotho, Xhosas and Pondos.

A spokesman for Anglo American said the 4 000 workers at Western Deep were in their hostels and attempts to persuade them to resume duties were continuing

He denied claims that hundreds of miners were sent home after being dismissed. "As far as the mine was concerned nobody has been dismissed," he said.

According to our information Pondo and Basotho tribesmen started quarrelling over liquor two weeks ago.

"This quarrel was resolved, but it started again when a Mosotho quarrelled with a Pondo man on Tuesday night. This was followed by fierce fighting and several people were injured," the source said

He said Xhosa tribesmen joined the fight when they helped the Pondos.

An Anglo American spokesman said it was not known whether the nightshift workers would go underground last night, but added, they were trying to resolve the matter.

THERE was singing and ululation when friends and relatives joined eight Azapo members who were released on bail yesterday. The eight are Mr Vusi Nko, Mr Reuben Moliki, Mr David Sosibo, Mr Xolisile Mnyaka, Mr Tlhoriso Phake, Mr Steven Menoe, Mr Kenneth Mampondo and Mr Stan Sigotyana. They have been in custody since July last year. Pic Taps Mokoena

Debates, questions

House of Assembly

DISPATCH

Mine job race bar to go, says Steyn

(210)

12/2/86

Political Staff

CAPE TOWN — The government would introduce legislation during this session to remove the last vestiges of job reservation on mines, the Minister of Mineral and Energy Affairs, Mr Danie Steyn, said yesterday.

The likely target date for applying the legislative changes may, however, only be after December 31 this year

The remaining discriminatory provision concerns the definition of a "scheduled person", and precludes blacks from holding a blasting certificate. This effectively prevents blacks from freely moving off the bottom of the job ladder within the industry.

Replying to questions by the PFP MP for Edenvale, Mr Brian Goodall, the minister said draft legislation would be introduced as soon as the government decided how best effect may be given to the recommendations and conditions contained in the sixth report of the Wiehahn Commission

A statement would be made as soon as cirumstances permitted, he added

But Mr Steyn emphasised no amending legislation would be made until a compromise had been reached between mine employers and the unions concerned — and specifically the rightwing Mineworkers' Union — and safeguards had been introduced to protect the interests of minorities

At the same time he indicated government was losing patience over the protracted and unresolved negotiations between employers and unions on the issue

Mine stores 'outmoded'

210 BUS DAY 12/2/86

Industrial Staff

THE mining industry could save hundreds of millions of rands a year through improved materials management, the conference was told yesterday.

Consulting engineer Gary Benatar said most mining houses used outmoded and outdated stores systems.

He said a typical goldmine consumed R4m of equipment and stores each year.

"Turnover of a mine store system can vary from R10m a year for a small mine, to R300m for a large mine, and as high as R1bn for an entire mining house."

Despite the huge sums involved, not enough was done to improve management systems.

"In order for mining houses to remain profitable and competitive, it will be necessary for them to take a careful look at their materials management and logistics."

Benatar said major improvements were possible in the handling and management of stores at nearly every mine examined.

"Specifically it was found that the area that needed the most improvement was the total management concept used, rather than the physical materials handling equipment."

He said that, in general, there were three major stumbling blocks to improved productivity — quality of people used, too much bureaucracy, and computer systems and general administration.

Benatar said coalmines were generally ahead of goldmines in seeking improvements.

But he warned that there was still an urgent need to make senior management aware of the problems faced by the industry.

He added. "Within the current recession, South Africans must look at making savings in any area that can be found, and wastage must be eliminated. Productivity and efficiency are of prime importance.

"South Africa is relying more on its mineral exports, and with current exchange rates, drought and international disinvestment, it is especially important to maximise productivity and service," said Benatar.

Freguld joins megamine scheme

(218)

BUSDAY 12/2/86

ROY BENNETTS

FREE STATE GEDULD shareholders, yesterday voted to join Anglo American's Free State megamine structure

The scheme was passed by 78% of the shares represented at the meeting

Of the 4,2-million shares represented by the attendance of 51 shareholders, and the 1,9-million shares sent in under proxy by 547 shareholders, a total of 4,74-million shares were voted in agreement, with 1,33-million opposed.

Of the votes in favour of Freguld joining the scheme, just under 2,1-million of the total 10,4-million in issue were held by Amgold

With the removal of the Amgold holdings, only 2,7-million of the remaining 8,3-million shares in issue voted for the merger

The 45,4% of the total Freguld shares in issue in favour of the scheme was the lowest positive vote cast for the creation of the megamine

Of the other companies concerned in the merger, Western Holdings received a yes vote of 94,1% of the shares represented at the first meeting in January, equalling 71,1% of the equity

President Steyn gained 86,6% of the shares present, 64,5% of the equity, while President Brand involvement was approved by 90,7%, representing 48,7% of the equity

The narrow Freguld winning margin gives credence to the supposition that Anglo filibustered the first meeting — which ran out of the allotted time — for fear of losing the count

In contrast with the first meeting, questions were in short supply yesterday and were mainly concerned with the use of the No 10 Shaft in the event of Freguld remaining a single entity

The Supreme Court will consider the scheme of arrangement to effect the merger on Tuesday

CAPE TIMES 13/2/86

Youths claim assault

JOHANNESBURG. — Scores of Winterveld youths and men who were picked up by the Bophuthatswana police from their homes a few hours before the funeral of a youth last Thursday alleged they were stripped naked and assaulted before being released without being charged.

Sources in Winterveld, a squatter area near Mabopane tonwship about 35km north of Pretoria, said there was a heavy police presence before, during and after the funeral of Joseph Modipane who was allegedly shot dead by police.

The youths, mostly secondary school pupils, were allegedly collected in a police swoop about 7am and were detained at the Ga-Rankuwa police station. They were released on Sunday afternoon.

A liaison officer for the Bophuthatswana police, Colonel David George, said he could neither confirm nor deny the allegations.

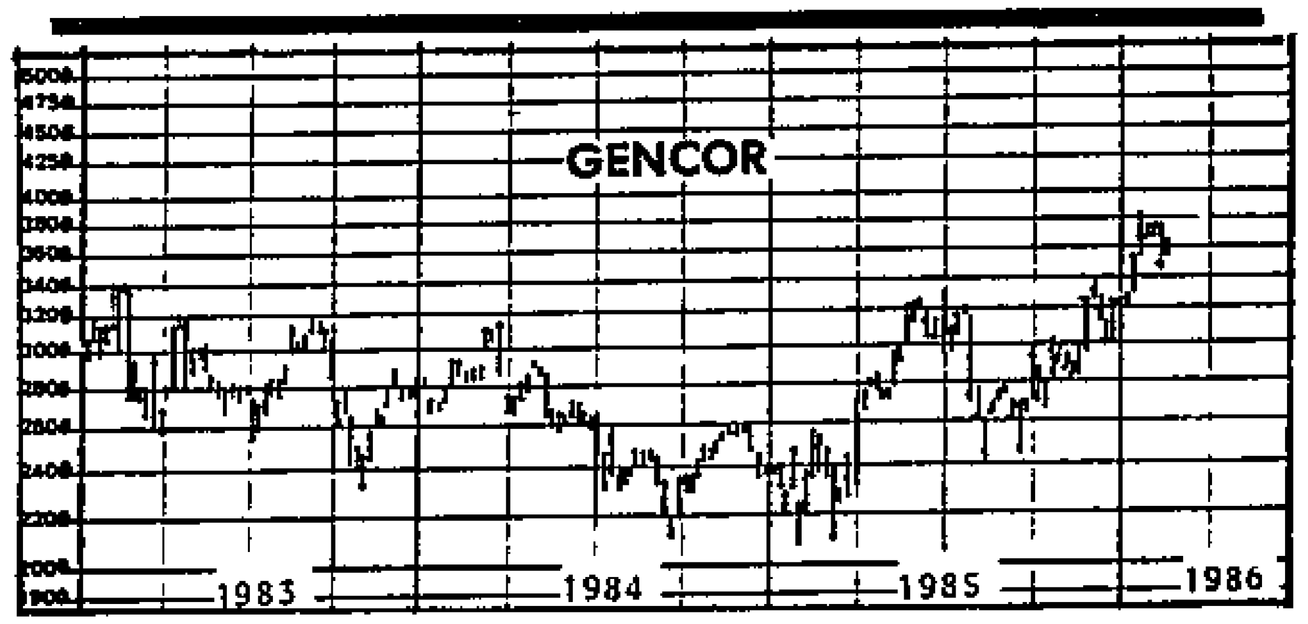
Meanwhile, the Bophuthatswana police have slapped restrictions on the funeral of Mr Ephraim Motsepe who was shot by police at Mmakau, near Ga-Rankuwa, earlier this month. The funeral may be conducted only by a recognized church minister and only family may attend. — Sapa

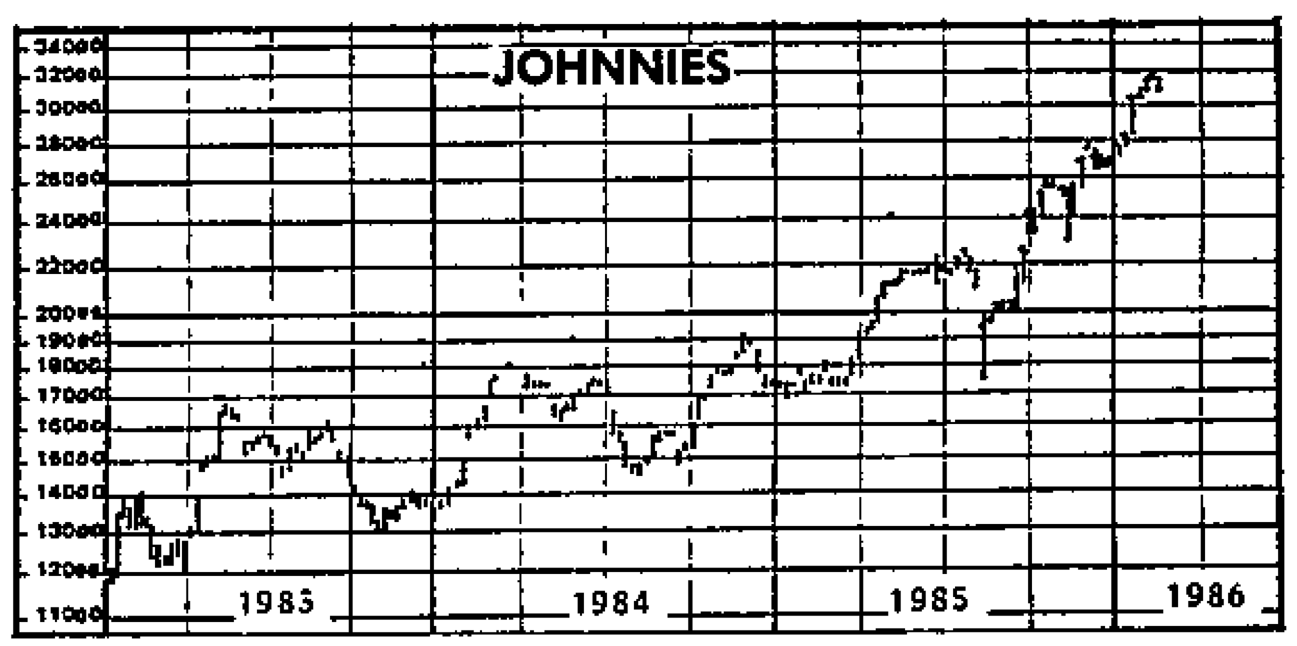
US consultants interview executives in intensive two-month probe

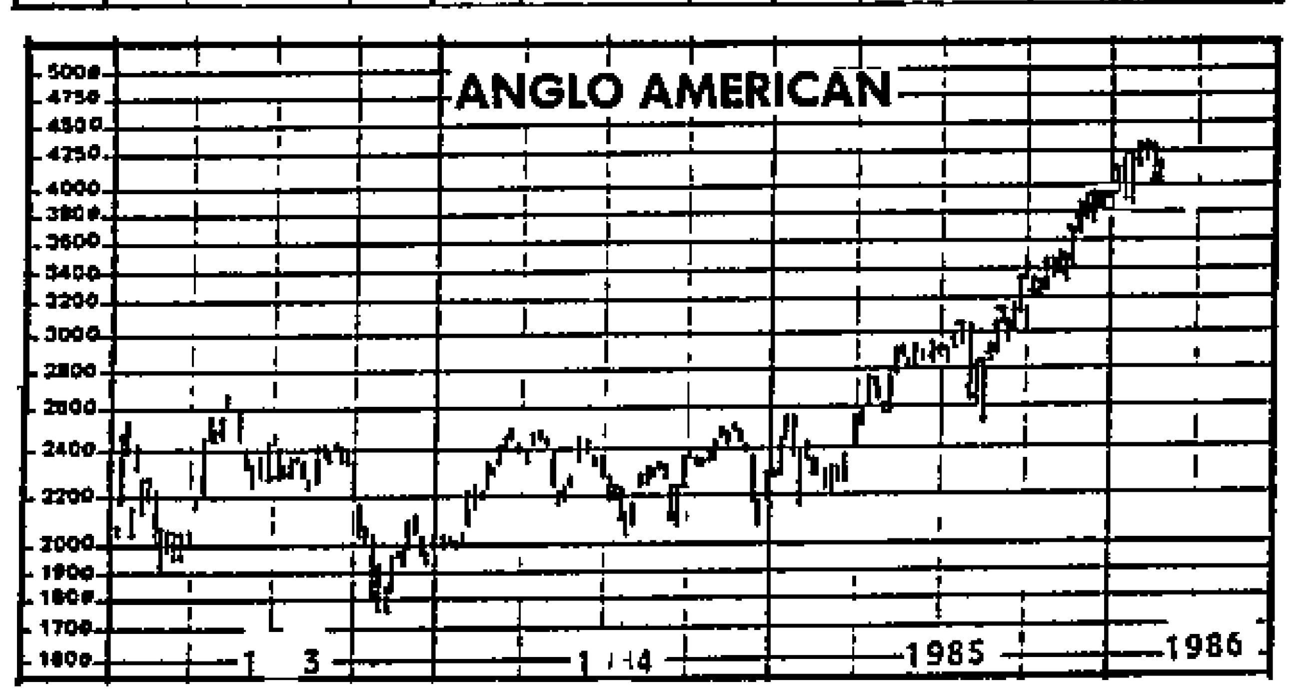
KOHLER: R19,5 million lost in six months.
KANHYM: R58 million lost in 18 months.
SAPPI: R20 million lost in six months.
TEDELEX: R113,5 million lost in 18 months.

TOTAL losses: R210 million in the past 18 months and more to come.

In addition, a total of almost R400 million has been raised by these companies from rights issues in the past year.







Secret report may lead to sweeping changes at Gencor

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17/2/86. STAR

Former Gencor chairman Dr Wim de Villiers the spectre still looms large.

By Peter Farley
Investment Editor

A wide-ranging report on the General Mining Union Corp (Gencor) group, which is on the point of completion by a leading firm of international management consultants, is expected to have far-reaching effects on both the group's management and structure

The study, by US-based Arthur D Little, was commissioned by the board of Sanlam-controlled Federale Mynbou — the Gencor group's listed parent company

However, the entire exercise — which started before Christmas — has been veiled in secrecy

Sanlam's Mr Marinus Daling initially replied "no comment" when asked about the report's existence, but later confirmed that the Fed Mynbou board had decided to go this route several months ago.

The Federale board has undergone some subtle changes in the past year which have seen Sanlam's Dr Fred du Plessis replace Dr Coetzer as chairman, Gencor's Mr George Clark and Mr Tom de Beer dropped as alternate directors and Mr Ted Pavitt left as the

that bad, the vast profits from the mining operations have disguised poor performances in other areas

The main criticism that has been levelled at Gencor — both from outside and within the group — is its lack of leadership at the highest level since the departure of former chairman Mr Wim de Villiers some three years ago

Investor disenchantment with Gencor has been consistently reflected in the group's share price over the past two years, despite it recently achieving record levels

The Gencor share price currently offers a 5,3 percent dividend yield This is more than 50 percent out on the rating accorded its major competitors, with Goldfields on 3,5 percent, Anglo 3,7 percent, Johnnies 3,2 percent and Rand Mines 4,1 percent

Investigators

It is understood that, with Mr Pavitt finally due for retirement later this year, Federale Mynbou — and ultimately Sanlam — wanted some ideas on how best to restructure the group's head office management

For the past two months a handful of investigators from the US

said that the task of examining the group's organisational structure was long overdue

But, while some suggest splitting the company along the lines of Anglo/Amic/Amcoal/Amgold, others say that a refinement of the present system, but with a strong executive chairman, would put the group back on track

Whichever route is chosen, there has been widespread criticism of the present executive structure, and it is clear that some changes will have to be made

Results of the group's subsidiaries for the 1985 financial year have started flowing and will culminate with the overall results published in four weeks' time, March 14

Once again the industrial portfolio is expected to produce little in the way of earnings and dividends And though there will be some recoveries — Tedelex certainly cannot do as badly as last year — they are expected to make for pretty sobering reading

The group's AGM will probably take place in May, which leaves a further three months before Mr Pavitt's scheduled retirement

With the ...

MINING HOUSES

Star could not be issued again until July 9

When World War 1 broke out in August 1914, the demand for ... from the front was so ... circula-

cause the miners were angry about the use of "scab" labour

On July 4 that year, the strikers called a mass meeting on Market S... ment banned ... in a scuffle ...

24, but the very next evening, the people of Johannesburg had a new evening paper — *The Comet*, which, except for its name, looked identical to *The Star*.

In the meantime, the Argus

flict with good morals or dangerous to the order and peace of the Republic

The then editor of *The Star*, Mr R J Pakeman, was not frightened by the Press law — he stiffened his tone in dealing

...lled Hotels ceased to supply ...a or coffee and well-to-do ...ung men washed in soda ...ater Fortunately, good rains ...t in November and the ...ought was broken

Before the Jameson Raid in ...cember 1895 ...

off the presses.

Reporters in the newsroom, writing up the day's news.

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STAR 18/2/86.

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NUM looks forward to more changes

The impact of the National Union of Mineworkers on the dynamics of industrial relations in the mining industry is likely to be far greater this year than in any previous year. The four-year-old union passed some important resolutions at its congress in Soweto at the weekend. SHERYL RAINE reports.

The National Union of Mineworkers yesterday warned that it had resolved not to accept any split pay offers from the various mining houses of the Chamber of Mines this year — and if different offers are tabled, the NUM has threatened a national strike

Last year mining houses presented the union with different offers during wage talks Mr Cyril Ramaphosa, general secretary of the NUM, said at a Press conference in Johannesburg yesterday that this divisive tactic would be unacceptable to the union this year The union would accept one pay deal for gold miners and one for coal miners

Exact wage demands would be decided at a central committee meeting in April

The conference was held to report back on resolutions passed at the NUM's fourth national congress held in Soweto at the weekend A total of 550 delegates representing 180 000 paid-up members and 250 000 signed-up members of the NUM attended. A union rally at Jabulani stadium was attended by 10 000

Since the formation of the union four years ago, industrial relations in the country's number one industry have undergone significant changes If the NUM has its way, there will be many more changes this year

The union is determined to entrench the right to strike among black mine workers Mr Ramaphosa said the union had resolved to call on mine management to desist from using mine police or the SA Police to harass striking miners The experience of striking black miners had been "traumatic"

"The right to strike is restricted by legislation in South Africa and also by brutal attacks by mine security, the Defence Force and police Each time we strike, our members are attacked Police and mine management deny these attacks"

He warned that if these attacks on black miners continued, "we will have to defend ourselves — and the way we do will depend on our members"

Despite the refusal by the Chamber of Mines to recognise May Day (May 1) as a paid holiday, members of the NUM would not work on that day Instead, they would attend rallies to celebrate this as a national event, he said

Although the NUM said it remained committed to talks with the Chamber of Mines on the issue of job reservation in the industry, Mr Ramaphosa said the executive had a mandate to take industrial action if the talks made little progress

"We want job reservation scrapped this year An ultimatum will be sent to the State President," he said

The Gencor group was to become a target for pressure by the NUM and all other Congress of SA Trade Union (Cosatu) affiliates Gencor had been declared "an enemy company" following repeated mass dismissals of mineworkers, including the firing of 23 000 Impala Platinum workers in Bophuthatswana

"We will launch a national and international campaign against Gencor, including possible action to prevent the shipping and movement of Gencor coal abroad," Mr Ramaphosa said

"Locally, the NUM is in a better position to apply pressure to Gencor this year than last year, when the union was recognised on only one Gencor gold mine, Marievale This year the union boasts recognition agreements on seven Gencor gold mines

The NUM has also announced closer links with overseas mining workers' organisations, including the newly formed International Miners Organisation comprising Mr Arthur Scargill's British National Union of Mineworkers and a French mining union The union would hold consultations with miners in Nigeria and Uganda and in neighbouring African states, Mr Ramaphosa said

Other resolutions included

- A decision to elect jailed African National Congress leader Nelson Mandela as an honorary life president of the NUM An NUM membership card would be delivered to him at Pollsmoor Prison, but the NUM was not planning to march on the prison, according to Mr Ramaphosa
- A decision to work towards the eventual nationalisation of the mines so that the wealth of the country could be shared among those who worked for it
- In line with Cosatu policy, the NUM has declined to affiliate directly to any political organisation However, the NUM has decided to ally itself with any democratic and progressive organisations during specific political campaigns

example, rental. Or they may have the choice of incurring a cost, for example repairs, either in this or the next tax year.

Clegg notes that if rental or insurance due in the next tax year is pre-paid or repairs are contracted for — and completed — prior to the end of a tax year, both are deductible expenses in the year in which the work is done or payment made. "Again, the taxpayer needs to evaluate the cost of making the payment sooner than strictly necessary against the saving — really only a deferral — in tax. However, the benefits can be substantial and should always be considered," he says. ■

(210) FIN · MAIL 21/2/86.

IN MY OPINION

AUBREY DICKMAN

Directions for the Budget

Aubrey Dickman is senior economic consultant to Anglo American Corporation.

As a major instrument of economic policy, a great deal is expected of the Budget. This year is no exception. However, it is as well to remember the limitations of fiscal policy in the broader economic and financial context.

In last year's Budget, Minister Du Plessis committed himself to reducing the public sector's share of spending below the 1981 level by the end of the decade and keep the deficit before borrowing to below 3% of gdp, barring highly unusual circumstances.

That conditions subsequent to last March forced a change in government spending is sadly obvious, but the wisdom of those commitments remains Indeed, if we examine the relationship between government spending and the deficit before borrowing to the change in real gdp over the past 10 calendar years, the inescapable conclusion is that higher spending and larger deficits are associated with lower growth.

At the same time, inflation, although diminishing at times in response to recession, has remained stubbornly high. Of course, there are times when growth can be "bought" — temporarily — through higher government spending The mini-boom of 1983-1984 was partly a reflection of this, but the accounts had to be settled later.

Similarly, a lower deficit before borrowing can be "bought" through a substantial depreciation of the rand and the consequent benefit to the Exchequer, but at the cost of much higher inflation. No doubt we shall see just this in the outcome for the past fiscal year, with expenditure up by around 20%, but revenue exhibiting an even bigger gain. Consequently, the deficit before borrowing will look relatively respectable. The Minister will surely remind us that these figures must be interpreted with great caution.

The fact is that real growth and development do not derive fundamentally from domestic spending: their origins lie in the exploitation of export opportunities and the flow of foreign capital to enable further advancement, and the widening of the domestic market through industrialisation.

To emphasise the broadly inverse relationship between public spending and growth, we may look at one measure of the public sector's share of resources: exchequer spending. This had begun to rise by the late Sixties from its early post-war level of 20% of gdp, and reached over 26% in 1975. It apparently declined thereafter to below 20% in 1980 as expansion in gold and other exports enabled the economy to experience a renewed upswing. Since then, however, its relative impact has increased inexorably, to around 27% in 1985.

At the same time, the composition of spending has shifted away from capital works to current payments (largely salaries and wages); and, within the current element, from actual spending to transfer payments, especially interest on the public debt

Although there have been welcome signs of a reduction in the rate of increase in State spending in recent months, the underlying problem remains Not surprisingly, considering the overall period, the tax burden (direct and indirect) has increased relentlessly. No wonder, then, that the role of the private sector as the real engine of growth has become the object of justifiable concern.

We must remember also that the influence of government spending and the size of the deficit before borrowing lie at the root of the monetary implications of fiscal policy. As noted by the De Kock Commission, the exchequer's requirements, coupled with the failure to accept the full interest rate consequences of its demands, were a major contributing factor to excessive money supply growth for many years There were of course periods when better control was achieved — for instance, in 1981-1982.

It must be noted, for example, that even when the exchequer managed to fund its deficit successfully, as in 1983-1984, the impact of public outlays, in an environment of inflationary expectations, was such that control over bank credit, and thus spending and concomitant growth in money supply, was impossible. It required a radical tightening of fiscal policy and punitive escalation in interest rates to rectify the situation.

Now the price has been paid in recession, unrest and all that has befallen us in terms of foreign confidence and the value of the rand Yet the short-term financial benefits are plain to see: a large current account surplus reflecting reduced spending, which has as its counterpart a lower rate of bank lending and monetary expansion The exchequer too, for the reasons mentioned earlier, has presumably not contributed much to banking liquidity and money supply. With the private sector languishing and the broader balance of payments picture looking healthier, does this "unusual circumstance" not call for a so-called expansionary Budget?

In my view three aspects must be kept in mind. First, fiscal policy has already shifted gear, and the Minister is committed to some tax alleviation for the 1986-1987 year. Second, the easier monetary policy, which preceded the change in fiscal stance, has been continued despite the still relatively low rand, worsening inflation (even if due to special factors) and uncertainty engendered by the standstill arrangements. Third, perceptions about the future monetary and fiscal policy mix will be of crucial importance to foreign creditors and potential investors, and to the fundamental problem of financing public sector capital spending and rebuilding the net reserves.

These considerations, among many others, seem to argue for a relatively conservative approach despite the present low level of activity.

Ideally, of course, the answer should lie in bold cuts in current spending, attention to capital priorities and significant reductions in taxation to create a new climate for enterprise and capital inflows. These issues, in particular the vexed question of public sector remuneration, simply must be addressed if long-term progress is to be achieved.

But to think that the problems can be resolved in March is not entirely realistic. If the Budget projections are to be credible, taking into account all known problems, there would seem to be only very limited room for net tax cuts beyond the removal of the 7% direct surcharge on individuals.

Ingredients for recovery are already present: there can be no quick fix. It will be too much to expect the Budget for 1986-1987 to reverse the misfortunes of 1985, which have led in any event to structural changes and a greater inflationary bias

The best way to steer a course to renewed prosperity, reduced inflation and interest rates is to engender a conviction that the right policy directions will be taken in respect of lower rates of spending and taxation within the broader context of promised action on the socio-political front (the real "supply-side" solution), and maximum flexibility in demand and exchange rate management to cope with unforeseen developments.

Three 'giants' control 75 percent of JSE

STAR 23/2/88

2.10

By Michael Chester

More than R100 000 million of the corporate clout of the entire Johannesburg Stock Exchange is now under the control of only three vast business empires

This was disclosed last night by Mr Robin McGregor, the controversial author of the Who owns Whom series of studies, when he renewed appeals to the Government to break the power blocs

He revealed that the huge Anglo American Corporation held control of 54,1 percent of the R151 billion value of all companies listed on the JSE

Sanlam, the insurance colossus which counts the General Mining Union Corporation among its business jewels, controls of 11,3 percent of the JSE.

Old Mutual, its keenest insurance rival, which holds big stakes in Barlow Rand and Nedbank apart from Mr Sol Kerzner's casino and entertainment chain, has control of companies worth more than R15 000 million — or 10,9 percent of all stock market shares.

Mr McGregor urged the introduction of legislation to force any shareholder with more than a 20 percent stake in a company to offer to buy all other shares — allowing minorities to cash in their shares.

Chamber asks for board to resolve May Day dispute

STAR 2/3/86

210

The Chamber of Mines has applied for the appointment of a conciliation board to resolve a looming confrontation with the National Union of Mineworkers (NUM) over demands that May Day be a paid holiday.

The Chamber has accused the NUM of an unfair labour practice and of deviating from established collective bargaining procedures over the issue. At the time of going to press, the union was not available for comment.

The Chamber's accusations follow indications by the NUM that it will encourage its members not to work on May 1. An ultimatum delivered by the union last week demanded May Day as a paid holiday, effectively giving the Chamber 36 hours to respond.

"The established practice in the mining industry, accepted by the unions, is that issues which have cost implications (wage increases, paid holidays and other changes in conditions of employment) may be negotiated at any time, but are only implemented at the time of the annual wage review," said a Chamber statement.

Because the May Day issue had cost implications for the Chamber's member mines, it could only be negotiated for implementation at the time when annual wage increases were implemented, which by agreement with the NUM was July 1.

"Even if the Chamber were to reach agreement with the union, it could not be implemented until May 1987."

The Chamber has accused the NUM of adopting an "inflexible and high-handed attitude".

The Minister has 30 days to appoint a conciliation board.

May Day mining dispute

BUS DAY 3/3/86

210

Business Day Reporter

THE Chamber of Mines has asked for a conciliation board to resolve what it regards as an unfair labour practice by the National Union of Mineworkers (NUM) over its campaign for a paid May Day holiday

The chamber says the NUM is deviating from established collective bargaining by indicating it will encourage its members not to work on May 1 and delivering an ultimatum last week demanding May Day as a paid holiday.

The chamber says that established practice in the mining industry, accepted by the unions, was that issues which had cost implications might be negotiated at any time but were only implemented at the time of the annual wage review

Because the holiday issue had cost implication it could only be negotiated for implementation when annual wage increases were implemented on July 1

Therefore, even if the chamber were to reach agreement with the union it could not be implemented until May next year. The chamber described the NUM's attitude as inflexible and high-handed.

New mine safety campaign

3/3/86 STAR 210

By Sven Lunsche

The Chamber of Mines launched a new safety campaign on coal mines at a function in Ermelo on Friday.

Introducing the COnCA (Concentration on critical areas) campaign, Mr Colin Fenton, chairman of the mines safety division, said that the intention is to concentrate on areas where the potential for loss of human life is the greatest

"COnCA is a move away from the more generalised programmes of the past, but the correct identification of those high risk areas provides us with the opportunity of reducing the hazards and minimising the risks", he said

The first critical area that has been identified, is transport within the collieries. A package has been made available, comprising videos and fact sheets for middle management, team-leaders and operators, which covers safety aspects of coal-cutting, loading, shuttle car and tip operations.

Another area the Chamber will focus on will be rock falls Campaigns on such critical areas as machinery, slipping and falling, electrical equipment, explosives and off-the-job safety will follow

Mr Mike Hawarden, chairman of the collieries division of the Chamber of Mines, said that in 1985 the fatality rate of 0,42 per thousand in 1985 was the lowest ever for Chamber associated collieries and is a 37 percent decrease on the 1984 figure of 0,67. This represents a decrease of 16 people killed in mine accidents from 56 in 1984 to 40 last year.

For the South African coal mining industry as a whole, however, the picture still looks gloomy with a fatality rate of 0,77 per thousand. This was mainly the result of a serious methane explosion at a SASOL colliery.

The reportable injury rate has also been reduced. The figure for 1985 for Chamber collieries was 7,06, down on the 1984 figure of 7,81

Both the fatality and injury rates have been reduced by about 66 percent over the past 10 years

STAR

4/3/86

210

Witbank unrest causes alarm

Whites on mines threaten to arm

By Sheryl Raine

White mineworkers at Witbank collieries are threatening to arm themselves for protection after weeks of black unrest and labour troubles.

The general secretary of the white Mineworkers' Union, Mr Arrie Paulus, said the situation round Witbank was extremely tense. Impatient white miners have accused certain mine managements of taking a "soft attitude" towards black labour and discipline

In the past three weeks events near Witbank have included

- A strike by 1 500 members of the National Union of Mineworkers (NUM) at Anglo American's Goedehoop Colliery over the dismissal of four shop stewards
- A week-long stayaway by black workers in protest at the arrest of more than 800 colleagues who were attending a rally for unemployed people
- An on-going strike by almost the entire black workforce at Rand Mines's Wolwekrans Colliery near Witbank

According to the deputy head of the Rand Mines coal division, Mr Allen Cook, this is the third illegal strike at Wolwekrans this year and follows weeks of what he called "near labour anarchy"

The NUM has demanded that a white hostel manager at Wolwekrans be suspended for carrying a gun

Mr Cook said the manager was authorised to carry a revolver because he handled money A disciplinary inquiry attended by representatives of the NUM cleared the manager of any irregularities

Feelings over the issue of firearms are nevertheless running high on both sides of the colour bar in Witbank

Mr Paulus revealed that white mine unions had held talks with Anglo American and Rand Mines in the past two weeks to discuss fears for their members' safety.

"Miners are threatening to arm themselves," he said "Often one white miner works with between 30 and 40 black workers White miners must protect themselves and I can't say I blame them for wanting to carry firearms

Ultimatum

"If there is intimidation of white miners, we will do one of two things We will carry firearms or demand to be given protection by management

"An ultimatum was issued to Rand Mines management last week stating that if the hostel manager was dismissed we would strike."

Mr Paulus said white miners were "sick and tired" of strikes by black workers where management took a "soft line"

Mr Cook defended his company's labour policy Rand Mines was not in favour of mass dismissals, but would discipline intimidators and lay charges against individuals where necessary It had been "extremely patient" with strikers in the past four days but there could come a time when a new workforce might have to be hired

Mr Cook said Rand Mines was concerned about the tension in the Witbank area

"We don't want to fan the flames of a black-white confrontation I sincerely hope it doesn't happen By and large, most of our employees are peaceful chaps "

4/3/86 BUS DAY

(210)

Mines pay R3,4bn tax

ROY BENNETTS

MEMBERS of the Chamber of Mines produced 648-tons of gold last year, compared with an estimated national total of 680-tons, and paid out R3,4bn in tax and State's Share of Profits.

According to a Chamber of Mines analysis of working results for 1985, the 33 members sold their produce for R14,1bn at an average price of R21 711kg.

In the six months to June, 325-tons of gold was produced at an average price of R19 272/kg compared with an average of R24 161 for the second half of the year.

Vaal Reef continued to hold the title of the largest individual producer, with 80,2 tons but must now hand over the crown to Anglo's Free State megamine

Combined results of the four recently-merged Welkom gold mines amounted to 109,3-tons

Total working costs rose an average of 13,2% in the six months to December, from R3,1bn in the first half of the year, to R3,5bn

Buffelsfontein proved to be the most expensive unit cost producer at an average of R89,47 a ton milled, followed by **Stilfontein** at R89,37 and **Kloof** at R89,06.

Kloof continues to be the world's richest mine, with grades of 14,4g/t, in front of second place **West Driefontein** at 12,5 g/t

Total working profits were a record R6,8bn for the year, with a 39% jump in the second half to R3,9bn compared with the first six months

Taxation rose from R1,5bn in the first half to R1,9bn, with overall yearly total amounting to R3,4bn or 50% of working profit

After the addition of sundry revenue and expenditure, total profits for the producers amounted to R7,8bn, with 55% of the total coming in the second half of the year.

Capital expenditure rose from R823,4m in the first half, to a total for the year of R1,9bn

Gold mining members of the Chamber declared dividends to the value of R2,3bn in the year, divided into quarterly amounts of R292m first quarter, R804m second, R328m third and a final of R898m.

or revenue accounts, if so, (i) to which Development Boards, (ii) what is the total amount of these loans and (iii) when does he anticipate that repayment will be made?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

(a) Bridging loans—Yes

(i) Development Board	(ii) Amount
Natalia	R16 497 000
East Rand	R15 372 000
Oranje-Vaal	R20 000 000

(iii) Repayment will be considered as soon as the new sources of revenue for the local authorities have been realised and will depend on the extent of the new sources of income

(b) Other loans—No.

HANSARD 6/3/86

Coal/minerals: exports

Q COL 375.

233. Mr L F STOFBERG asked the Minister of Mineral and Energy Affairs.†

Whether he exercises control over exports of coal and minerals, if so (a) in what way and (b) what procedure is followed in determining whether the yields in respect of such exports are correct for exchange and tax purposes?

The MINISTER OF MINERAL AND ENERGY AFFAIRS

Yes, apart from coal, also in respect of tiger's eye and emeralds.

(a) By means of permit control in terms of the relevant legislation and export control regulations

(b) This aspect does not rest with the department of Mineral and Energy Affairs

Imported meat

Q COL 376.

294. Mr R W HARDINGHAM asked the Minister of Finance:

HANSARD 6/3/86

(1) What was the (a) quantity and (b) value of the (i) tinned, (ii) processed, (iii) cured and (iv) spiced meat that was imported into the Republic in the latest specified year for which figures are available,

(2) what was the country of origin in each case?

The MINISTER OF FINANCE

The import statistics can unfortunately not be furnished in the format as requested. Import statistics of meat according to the classifications in the Customs and Excise Tariff are however furnished for the period 1 November 1984 to 31 October 1985

Description	Country of Origin	Quantity Kg	Value R
Meat and edible meat offals, salted, in brine, dried or smoked			
Ham	Belgium	258	1 061
	W Germany	954	9 438
	France	12 282	139 250

Description	Country of Origin	Quantity Kg	Value R
	Italy	1 174	23 886
	Other unspecified countries	7 894	27 798
Other meat of swine	Denmark	76 016	301 569
	UK	23 939	96 528
	France	12 219	44 625
	Austria	60	1 012
	Italy	445	2 197
	USA	318	2 797
	Other unspecified countries	463	2 119
Other	France	419	3 087
	Switzerland	216	4 925
	Italy	512	2 517
	Israel	274	2 146
	Australia	16 712	17 782
	Other unspecified countries	7 040	32 195
Sausages and the like of meat, meat offal or animal blood.			
Other in airtight metal containers	UK	1 584	3 412
	W Germany	3 574	17 261
	France	117	1 299
	Switzerland	936	7 871
	Spain	3 428	20 184
	Italy	25 497	98 349
	Hong Kong	731	6 490
	Other unspecified countries	78	265
Other	Denmark	1 301	6 558
	W Germany	2 779	22 244
	France	31 713	252 121
	Austria	980	7 058
	Italy	20 479	90 948
	Other unspecified countries	1 108	6 702
Other prepared or preserved meat or meat offal·			
Bacon and Ham	W Germany	242	2 108
	France	25 292	290 523
	Switzerland	78	1 517

Anglovaal 50% ahead at interim stage

CAPE TIMES 7/3/86

JOHANNESBURG — Anglovaal has produced very good interim results — the 50 percent increase mainly reflecting strong earnings growth by its mining investments

For the six months ended December 31, the mining and industrial group reported earnings of 1 100c a share compared with the 731c achieved a year ago.

But welcome as these results are, the chairman, Mr Basil Hersov, cautions shareholders not to expect earnings growth of this magnitude in the second half of the year

He comments that inherent in the good news are negatives for South Africa in general

"The group's investment in the mining sector contributed strongly to earnings growth mainly as a result of increased revenue, due largely to the weakness of the rand

"The rand's weakness reflects, of course, concern for the South African business environment and it implies serious inflationary pressures in the future"

Anglovaal's consolidated turnover for the six months increased by 14 percent from R1 050,5m to R1 196,2m

Operating profit was 10 percent ahead at R76,1m (1984 R69,1m) and the group's income from investments, at R27,5m (1984 R22,1m) reflected a 24 percent improvement

Pre-tax profit therefore rose to R103,6m, 14 percent ahead of the previous year's R91,2m

The group's tax rate remained unchanged at the 40 percent-mark, and, thanks to significantly improved earnings from associated companies — R18,4m as against R7,6m — taxed profit at R80,4m was 29 percent higher than the R62,1m earned in 1984

Profit attributable to ordinary shareholders increased by 50 percent from R31,2m to R47,0m This is equivalent to 1 100c a share (1984 731c)

The abridged balance sheet published with the interim results reveals that the group's long-term borrowings have almost doubled from R76,3m a year ago to R141,7m at December 31, 1985 — Sapa

7 000 stage go-slow at Vaal Reefs gold mine

SOWETAN 7/3/86 210

By Sheryl Raine

Anglo American's Vaal Reefs gold mine near Orkney was the scene of further industrial action yesterday when more than 7 000 workers staged a go-slow.

Last week between 12 500 and 19 000 black mineworkers went on strike for two days in protest at the arrest of nine co-workers. Four of those held appeared in court on charges of public violence relating to the death of four team leaders and five were released.

ATTEMPT

An Anglo statement yesterday said a work stoppage started at Vaal Reefs on Wednesday when the night shift at shafts one, five, six and seven returned to surface after only four hours underground. The normal shift is eight hours.

"The cause of the stoppage is not yet known and management is in contact with the National Union of Mineworkers in an attempt to bring about a return to work," said the statement.

"The disruption of normal work continued yesterday morning when workers at shafts, one, five, six and seven only worked the four-hour half shift. At number three shaft only workers at the 62 level returned to surface after half a shift"

The east and west gold plants, as well as the engineering workshops and office employees were also involved in the half-shift stoppage yesterday morning

"About 7 140 workers are involved in the go-slow. Of those, 1 105 are surface workers," said the company.

Four hurt near Warmbaths

Unrest breaks out again in Bela Bela

STAR 7/3/86

By McKeed Kotlolo and Sue Leeman, Pretoria Bureau

Unrest broke out again in Bela Bela near Warmbaths last night, leaving two travellers injured and two township residents wounded.

Bela Bela residents say the calm that had returned to the small township after last weekend's violence was shattered at about 3 pm yesterday when a youth began collecting money from residents "in the name of the comrades". He was apprehended by members of the township's disciplinary committee and taken to the local recreational hall, where he was questioned.

The police arrived and allegedly began firing teargas and live ammunition, according to residents. Two unidentified men were injured when police used R-1 and shotgun fire. The two were arrested.

Set up barricades

Residents then set up barricades around the township. Mr F B Smith (78) of Sandton and Mr D van der Merwe of Forbes Avenue, Randburg, were injured when their vehicle was stoned.

In a third incident, police arrested 10 men at an illegal gathering in the township. The home of a policeman in the township is also believed to have been petrol-bombed.

● Black workers are continuing with the stayaway which has hamstrung many white businesses in Warmbaths since Saturday.

D & H sinks heavily into the red

SOWETAN 7/3/86

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By Peter Farley

Gencor-controlled construction group Darling & Hodgson — which includes Group Five and 40 percent of Blue Circle — sunk heavily into the red in the year to end-December

The sharp deterioration, after just holding on to profitability in the first six months, comes as a major surprise — despite the respective share prices showing little strength since the interim figures

After a 1984 net profit of R18,9 million, D & H lost a shade under R17 million before extraordinary items and another R11 million after those are taken into consideration. Subsidiary Group Five fared little better, with losses of R8,2 million after 1984 profits of R13 million

The construction industry has been hit across the board, by both depressed demand and cutthroat pricing within the industry Nevertheless, Group Five still managed a small profit on its basic activities, but lost heavily in electronics — Servitek — and other diversifications.

In both companies — excluding Blue Circle — finance charges were major problems, with foreign exchange losses pushing payments up by 50 percent in D & H's case and almost doubling them at Group Five.

The losses in D & H were however, extended below the line after net losses of R11 million on the sale of subsidiaries. This mainly reflected a R26 million loss on the disposal of Pearce Shipping, reduced through net gains made on other sales.

Neither company has paid a dividend — after D & H paid an interim on the preferred ords issued at the time of the rights — and it appears unlikely the first half of this year will be any better

There is an outside chance of payment by the end of the year, but at this stage it must be considered pretty slim

Construction is, however, one of the sectors tipped to show an early revival, particularly based on plans to go ahead with Mossel Bay's development

D & H is now widely diversified and should reverse these losses quickly. The only problem in the holding company is the high levels of gearing, 125 percent, though with Group Five now definitely under-borrowed it should have more scope to bounce back quickly

Tthough the industry might show signs of a resurgence, it usually takes a while longer for profits to flow through to shareholders If you are prepared to wait the shares should be slowly accumulated now and on any further weakness.

Certainly D & H should be one of the star performers once the good times return.

Go-slow strike by 7 000 miners

7/3/86 Weekly M 210

By PHILLIP VAN NIEKERK

IN a fresh wave of unrest on Anglo American's giant Vaal Reefs gold mine near Klerksdorp, about 7 000 underground miners yesterday started a go-slow strike by demanding to be hoisted to the surface half-way through their eight-hour shift.

Workers at the mine said 30 000 miners from the entire west and east divisions of the world's largest gold mine were participating in the go-slow.

But a management source at the mine said a total of 7 140 workers were involved from numbers one, two and five shafts in the east division and numbers six and seven shifts in the west division.

He added that it was highly possible that the strike might spread.

By late yesterday no incidents of violence had been reported.

The three divisions of Vaal Reefs are regarded as a stronghold of the NUM and have been hit by several waves of industrial action in the past year.

Workers said the strike centred

● To PAGE 2

Go-slow at Vaal Reefs

Weekly M 210 7/3/86

● From PAGE 1

around the continued incarceration of five Vaal Reefs workers who were last week charged with public violence following an incident in which four team leaders were killed on the mine.

The arrest of the five and of another four who have since been released was the spark for strike action by 19 000 workers last week

The five were refused bail and remanded until March 20.

Workers are also protesting about the selective rehiring of some of the 14 000 miners fired at the mine in April last year for striking.

That was the last time workers at Vaal Reefs took "four hour" strike action, which cost the mine more than R25-million in lost production and prompted the mass dismissals.

A spokesman for the National Union of Mineworkers declined to comment on the strike as he said it was not yet a "head office matter".

A management source at the mine said 1105 surface workers had downed tools. There were 1 685 participating in the go-slow at number one and two shafts, 1 950 at number five shaft, and 2 500 at numbers six and seven shafts.

FIN MAIL 7/3/86

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MINES' JOB BARS

Behind the talks

There have been major developments in the talks aimed at changing the discriminatory definition of a "scheduled person" in the Mines and Works Act. The definition bars blacks from obtaining certificates of competency to perform 13 key mining jobs.

Progress towards altering it in talks between the Chamber of Mines and registered mining unions has been blocked for several years by the delaying tactics employed by the rightwing Mineworkers' Union (MWU) But hopes were raised last year that government would exercise its authority to settle the issue when Mineral and Energy Affairs Minister Danie Steyn set December 31 as the target date for the negotiations to be concluded.

Since the passing of that date, negotiations between the chamber and the unions on deracialising the "scheduled person" definition have continued. The prerequisites for this are agreement on establishing a mining industrial council and on security of employment for white workers

The Department of Mineral and Energy Affairs (DMEA) has recently stepped in, but its actions so far appear to have appeased only the rightwing. According to information received by the *FM*, a senior official in the DMEA has produced a draft Bill which proposes the establishment of a statutory selection board which would have complete say on which workers will be eligible to qualify for five of the 13 "scheduled person" certificates.

The catch is in the make-up of the proposed board which would comprise.

- ☐ The Government Mining Engineer as chairman;
- ☐ Two nominees from the Manpower Department;
- ☐ Two DMEA officials;
- ☐ Two representatives of mine owners;
- ☐ Five people in possession of blasting certificates who have at least ten years' blasting experience, nominated by unions; and
- ☐ Two additional union nominees with at least ten year's experience who must hold either a Winding-Engine Driver's, Locomotive-Engine Driver's, Lampman's or Onsetter's certificate of competency.

The point is that most miners with these qualifications are members of the MWU and its two allies — the SA Technical Officials' Association (SATOA) and the SA Engine Drivers', Firemen's and Operators' Association. They would therefore be likely to occupy all seven seats reserved for union representatives. MWU general secretary Arrie Paulus, observers say, is supremely confident that he would be able to control decisions made by a selection board, and thus block the advancement of black miners. SATOA general secretary Henry Mallet-Veale has, however, denied that he would use the selection board to block black job advancement.

Most mining unions were angered last month when they discovered that they had been overlooked when the DMEA sent copies of the Bill to Paulus and the chamber. DMEA Director General Louw Alberts says the Bill was sent to Paulus in his capacity as chairman of the Council of Mining Unions (CMU) on the assumption that he would distribute it.

The Bill is being opposed by the majority of the unions. Nevertheless, there is a school of thought in the mining industry which holds that it is not, in fact, a sop to the rightwing

One source sees the Bill as a catalyst designed to lead to a speedy conclusion of the negotiations. This is, indeed, the DMEA's own explanation.

Alberts tells the *FM* that the Bill was drawn up as a basis for discussion, and that it is wrong to elevate it to "the status of a proposed final draft Bill ready for Parliament... It is an endeavour to solve an impasse which neither the employers nor employees could solve over the past four years At no point in the discussions has the very concept of a selection board, as such, been finalised, and much less its constitution," he says.

Whatever the case, the appearance of the draft Bill has set the scene for a major clash. On one side there is the MWU and its allies. On the other are the majority of the unions and the chamber. For them it has now become urgent that they reach an agreement on an industrial council and security of employment (with, or most probably without, the support of the MWU, SATOA and the Engine Drivers', Firemen's and Operators' Association) and present it to Steyn. This would probably pre-empt any further developments on the draft Bill.

And it seems that agreement is close to being achieved. A source tells the *FM* that an industrial council will be established and that a security of employment clause will be built into its agreement. This should placate the unions, and the Minister of Manpower will be asked to extend the agreement to cover non-chamber mines. If the MWU decides against participation in the industrial council, the clause will, nevertheless, cover its members

One outstanding issue revolves around manning and training levels. The artisan unions fear a flooding of the market with skilled black labour, while employers strongly believe that manning levels remain their prerogative.

This will be a thorny issue to resolve. At the same time, though, there is an urgent desire on both sides to finally eliminate the last remaining bastion of job reservation in SA, and to show up Paulus as the cause of the interminable delays. These strong feelings may encourage both sides to compromise.

There is a final consideration — one which has been a major factor at the back of the minds of the actors in this ongoing drama. The powerful black National Union of Mineworkers (NUM) has made dire threats about the consequences should 1986 not see the end of job reservation. No-one, apart from the extreme right, is prepared to face large-scale industrial unrest over this indefensible issue

☐ Paulus was unavailable for comment. ■

LUNCH FOR ALL

FIN MAIL 7/3/86

The row over apartheid in a parliamentary dining room was resolved this week when it was opened to MPs of all races. The Speaker, Johan Greeff, announced the move after a meeting of Parliament's standing committee on rules and orders.

Last month coloured MPs protested against the "whites only" dining room. Some white MPs maintained the dining room was not racially segregated, but rather reserved for members of the House of Assembly.

The new ruling re-emphasises that the dining room can only be used by MPs. An adjacent dining room, where guests may be entertained, was opened to all MPs last year after a similar racial row.

PARLIAMENT

FIN MAIL 7/3/86

Another Rubicon

President P W Botha announced the lifting of the State of Emergency in a special address to Parliament this week However, he said new measures would be introduced which in effect will provide security forces with powers similar to those which they will surrender when the emergency is lifted.

Botha also announced a date for the conditional implementation of the independence programme for Namibia in terms of UN Resolution 435, but it seems unlikely that it

WEEKLY MAIL · 7/3/86.

FOCUS ON CONCENTRATION OF WEALTH

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Who owns South Africa

By PAT SIDLEY

IMAGINE four players around a Rand Club Bridge table and 1 300 other members of the club with a stake in the winnings

Outside the door are 25-million people, barred from the club

That describes how the Johannesburg Stock Exchange is controlled

The four players are the four big companies that control 80 percent of the JSE The 1 300-odd other members are the shareholders who own 82,6 percent of the market capitalisation of the Stock Exchange

The 25-million outside the door are the other South Africans who own only R26-billion of the JSE's total capitalisation of R151-billion

These extraordinary facts have been unearthed by Robin McGregor — editor, publisher, monopolies researcher, sometime mayor of the town of McGregor and would-be restaurateur — in the course of research for his new Investor's Handbook incorporating his annual publication, Who Owns Whom.

The book, the latest edition of which was published this week, gives details of who owns the wealth of the country through the Johannesburg Stock Exchange.

Even more extraordinary is the fact that it is the 25-million outside the door who pay most of the country's tax

The majority of the tax in the country comes from individuals McGregor quotes a study which shows that the mines contribute 14,23 percent of the tax paid in South Africa, other companies paid 29,24 percent and individuals paid 56,63 percent.

The four large companies who control the JSE are Anglo American, SA Mutual, Sanlam and Rembrandt

Anglo controls 54,2 percent of the stock exchange, while Sanlam and Old Mutual control 24 percent between them

The JSE itself represents 26 percent of the country's wealth

"The distribution of wealth in the country," says McGregor, "is zero There is no distribution of the wealth of the country at all"

The 1 336 shareholders who own more than 82,6 percent of the wealth of the JSE earn R5-billion in dividends annually — and there is only another R1-billion to share among the rest of the country

'We're living in a country controlled by cartels and lobbyists and a government only too keen to satisfy the lobbyists at the expense of 25-million people.'

– Publisher Robin McGregor, author of the annual guide to company ownership in South Africa, 'The Investor's Handbook'

McGregor's figures, many of which were compiled by Professor Jan Lombard of Pretoria University, exclude the so-called independent states

"The people who are pocketing the money are not putting it back into increasing the wealth of the country They're investing in their own ends," says McGregor

Where the companies are able to, they are moving their wealth off-shore, says McGregor, but he notes that this is very difficult with present exchange control restrictions

"The wealth is not being used to create employment and could even be creating unemployment," he says

The great concentration of ownership and wealth pushes up inflation both through the creation of cartels and the bureaucratic inefficiency that he believes to be inevitable in such huge monopolies

Says McGregor "The enormous influence by a small number of the private sector on the public sector leads to all manners of abuse.

"Who, after all, benefits mainly from the inflation and the low rand? Only the exporters And the exporters in this country are almost entirely the mines So what's going on? Who is kidding whom? Who is controlling whom?

"We're living in a country controlled by cartels and lobbyists and a government only too keen to satisfy the lobbyists at the expense of 25-million people"

McGregor believes the growth of monopolies could be challenged overnight with changes to the law

Some companies are controlled by as little as a 20 percent stake in the company Anglo American's control of companies is through investments of between 30 to 50 percent of the companies

If companies were forced by law to make an offer to buy minority shareholders out at an early stage of a "raid" on a company, it would cost a great deal more to buy control and discourage the monopolists

"If Anglo had had to make an offer to the minority shareholders, it would have had to sell half its investments to pay for the rest"

In England he says, if a company wants to take control of another on the stock exchange, it cannot buy more than 29,9 percent of the shares without offering to buy out the minority shareholders In Australia, the ceiling is even lower, at 19,9 percent.

Why then do "monopoly-watchers" in the United Kingdom — and the United States with its anti-trust laws — complain about the growth of monopolies there?

In other countries, taking the UK as an example, answers McGregor, the spread of shareholders is infinitely wider than in South Africa Millions of people own shares in the UK

"Every little old lady has a portfolio of shares there — not here The vast majority of the shares are owned by the 1 336 shareholders"

In South Africa, a representative of the listings department of the JSE told Weekly Mail, there is no law on when a company has to make an offer to the minority shareholders — but there is a rule of the stock exchange which requires a company to make a bid for the minorities "when the control of the company is changing"

Asked how this is gauged, the representative said "They know when a company is changing hands We don't use percentages as a basis here."

This evidently is not always as simple to gauge as the JSE thinks, as is evidenced in its recent dispute with Natie Kirsh about whether one of his companies had changed control Kirsh (who is listed in McGregor's book as having seven directorships of JSE companies) said the company had not changed control and would not make an offer to the minority shareholders

The JSE said control had changed and insisted an offer be made In the end, the matter was dropped, no offer was made and the JSE still maintains it "knows when a company changes hands"

McGregor is "a free enterprise person" as he puts it He doesn't believe in a centrally controlled economy

"The only regulation I would support is one which prevented centralised control"

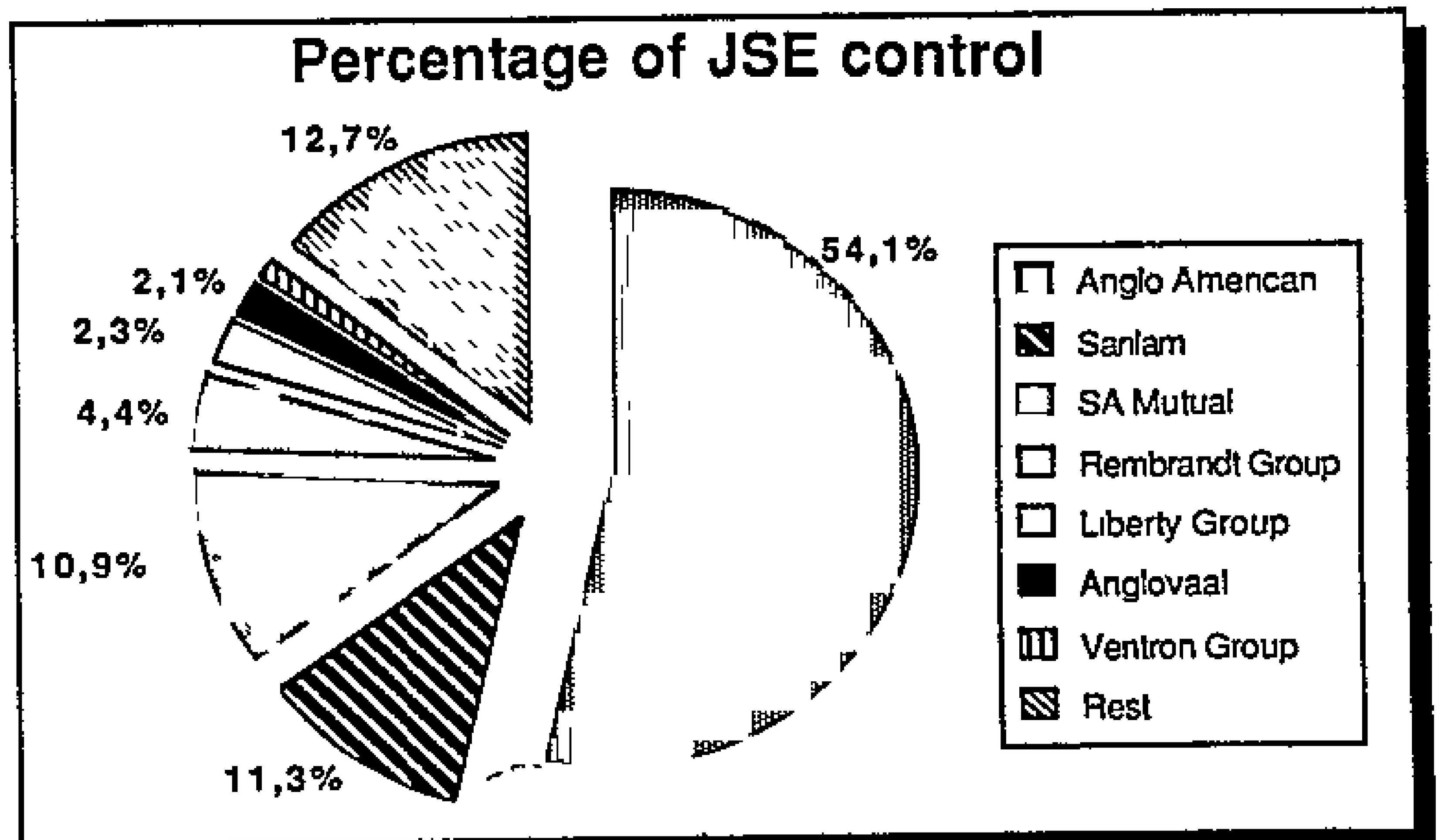
And if the vast monopolies like the mines, were to be nationalised this would make him "incredibly unhappy"

But he adds "The only good thing nationalisation would do would be to redistribute the wealth" He fears however for all the bureaucratic inefficiencies it would promote and the resulting inflationary costs

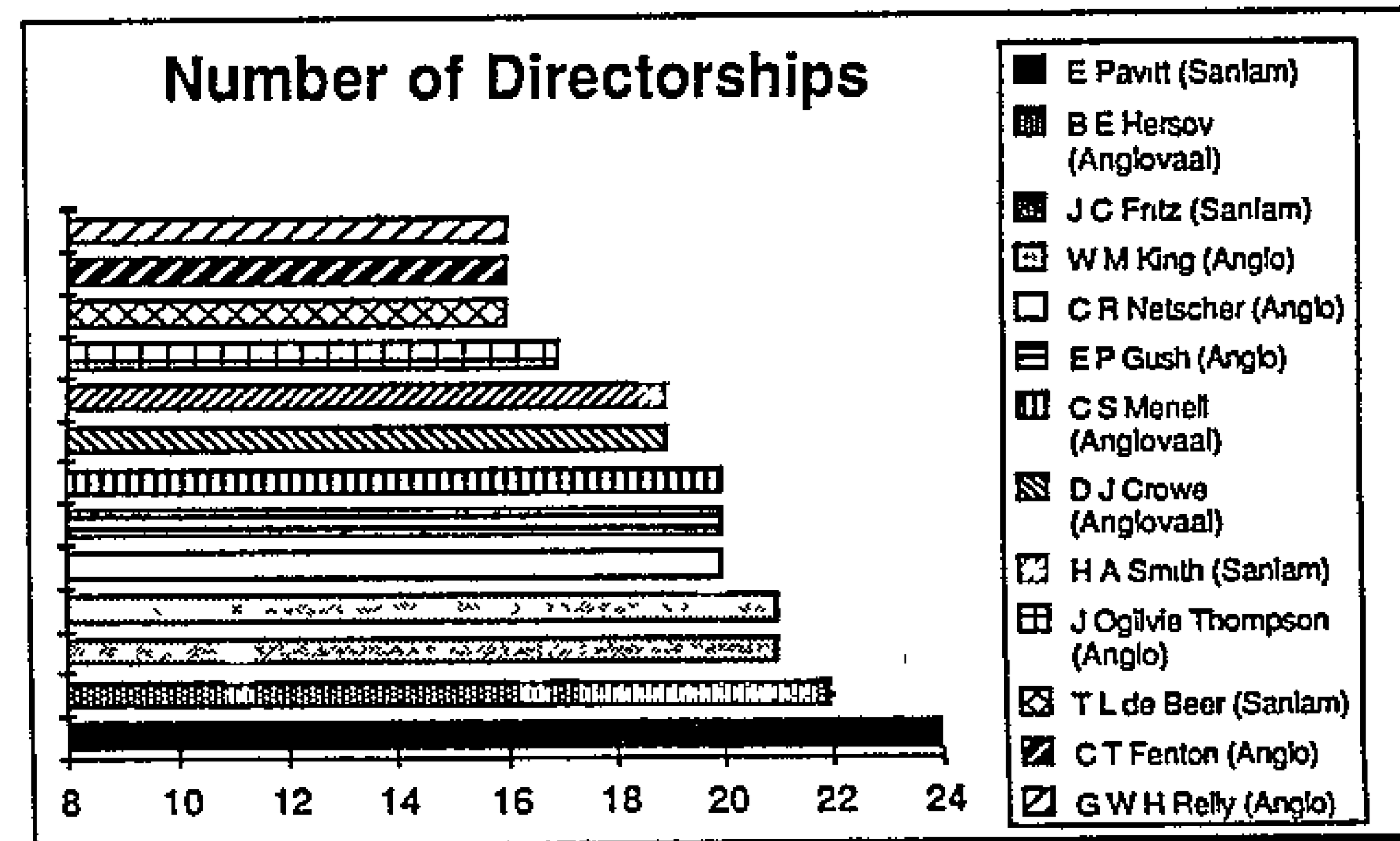
If McGregor's facts about monopolies are not enough of a cause of concern to the populace, then the tax they pay (or do not pay) is likely to be He has calculated that only 8,6 percent of all the companies listed on the JSE paid tax of 50 percent during the period under review The tax rate for companies in South Africa is 50 percent

This he contrasts with his research which shows that 81 percent of the companies made a profit, and 50 percent of them paid less than 30 percent in tax They are using legal loopholes which enable them, quite lawfully, to pay so little.

This is one reason why individuals carry such a large burden of the country's tax — paying 56,63 percent of the total tax bill, as opposed to the 14,23 percent paid by mines and 29,24 percent paid by other companies



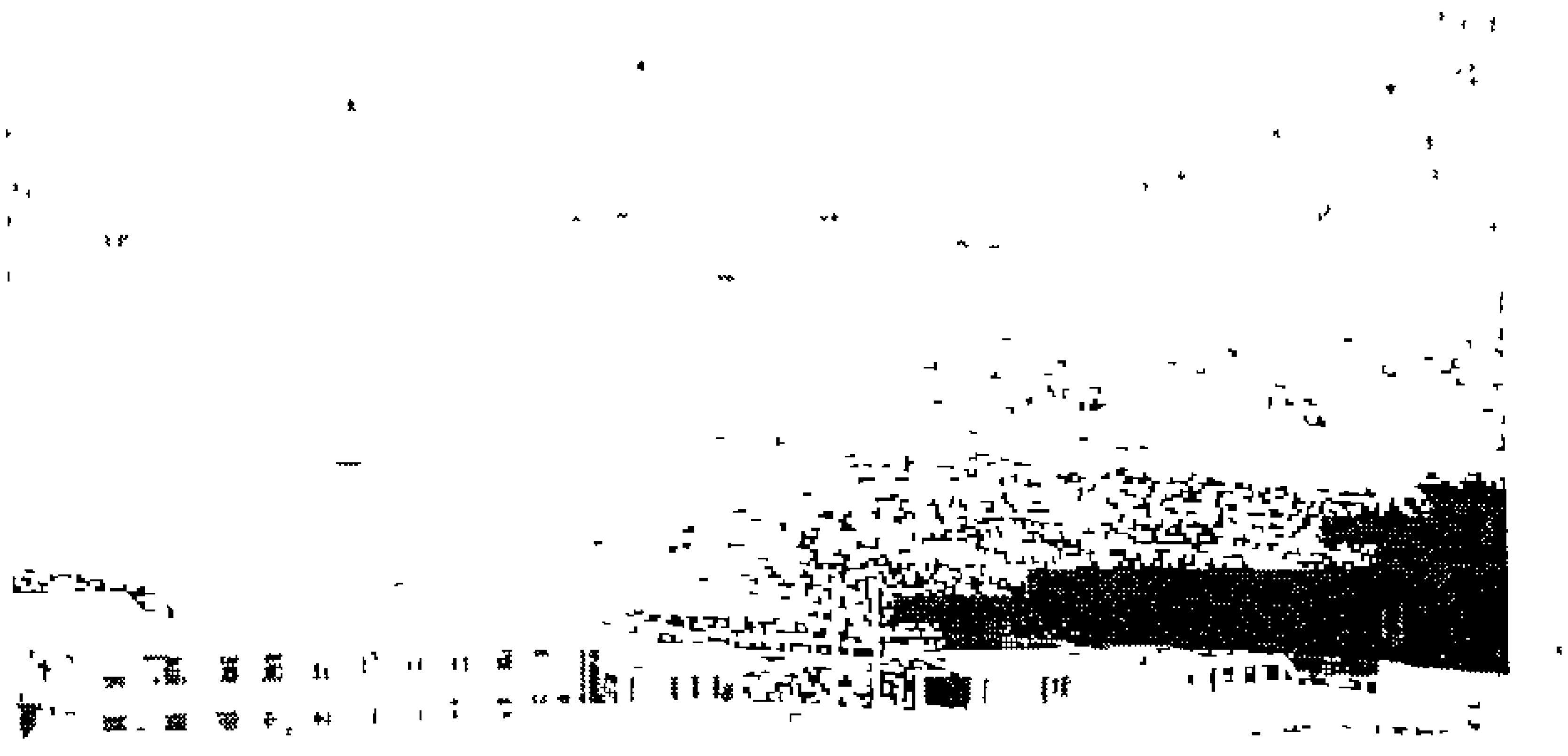
The big companies and their slice of the JSE pie

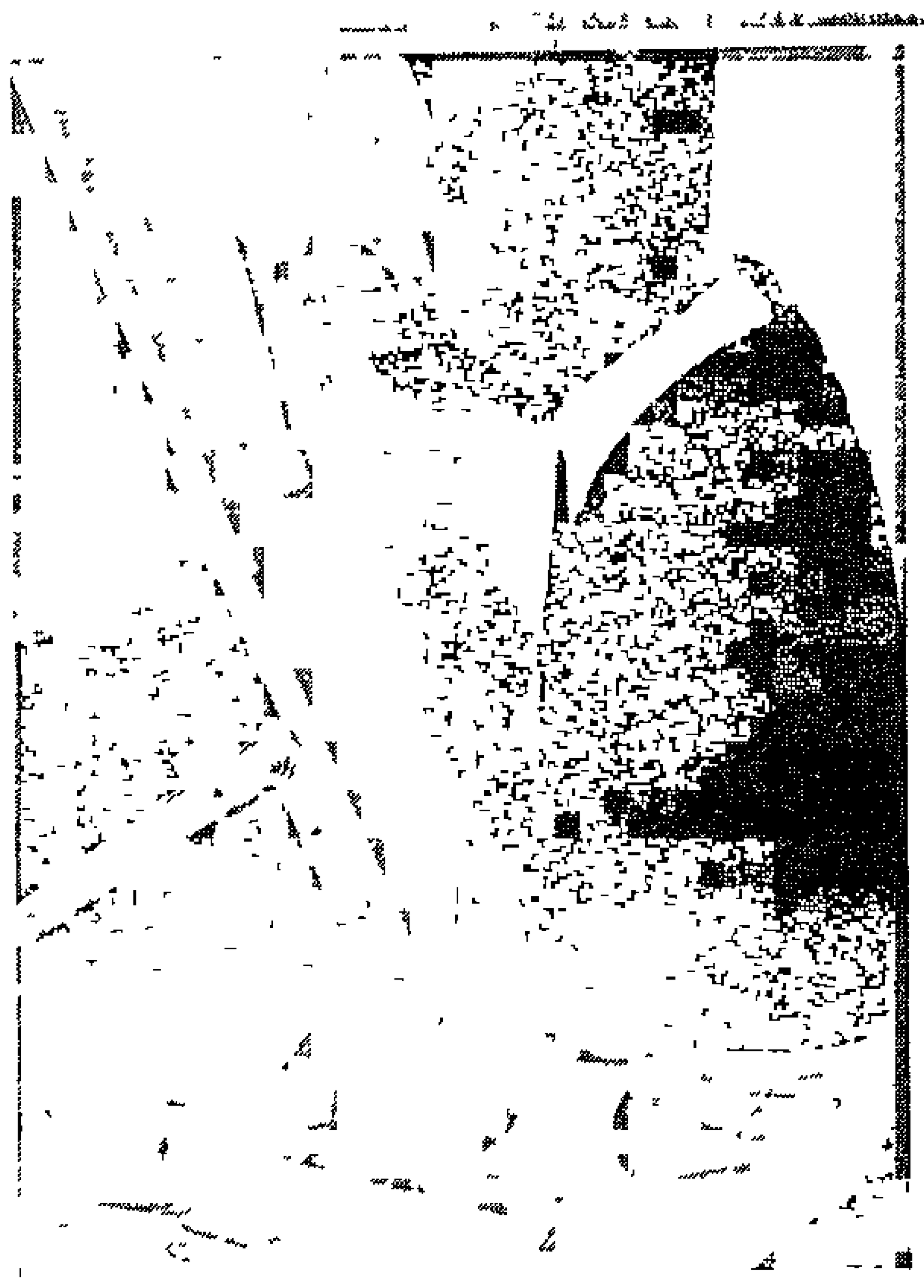


The men with the most directorships· Ted Pavitt tops the list

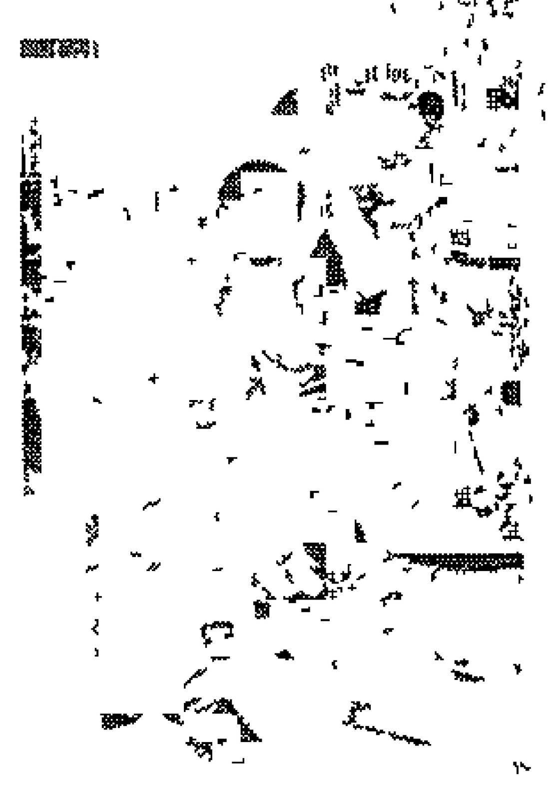
● The Investor's Handbook is available from Purdey Publishing, Box 47 McGregor 6708

The fund cares ...





Some of the Chairman's Fund projects: Phandulwazi Agricultural College in the Ciskei – the first black agriculutral college in South Africa – Mangosuthu College in KwaZulu (left) and Isidingo Training College on the East Rand (below)



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How the Chairman's fund works

Part 3 in the series on the work performed by The Anglo American and De Beers Chairman's Fund.

THE fund is divided into "Number One" and "Number Two" funds, with the total available revenue usually split fairly evenly between them

The Number One fund covers the spectrum of activities mentioned in the last issue of PROSEPECTS – but unlike the Number Two fund, it merely responds to requests for financial help and does not initiate assistance projects

In 1981, aside from almost 300 payments by way of bursaries and grants to rural black schools or organisations holding charity premieres, it made over 600 grants

In deciding which requests the Number One fund should meet, the committee – which meets 10 or so times a year – or its chairman or the fund manager (employing discretionary powers vested in them by the committee) use two main criteria

- The project should promise practical and long-lasting social value in its field – medicine, education, social organisation, economic progress, labour organisation, or similar
- The people running or proposing projects should be capable of managing them without further help from the fund

In 1981, the committee considered 279 appeals, of which 225 were immediately successful

While it naturally hopes to achieve as much social benefit as possible from any support it authorises, the committee recognises that excessive caution could lead it to support only long-established and well-recognised organisations

The criteria, therefore, are interpreted liberally. Futhermore, the fund seeks to be flexible in its evaluation of individual projects

"You don't always get what you set out to achieve in the form initially proposed," says spokesman Michael O'Dowd "But if what you want is sensible, and you are sensible and flexible, you can almost always come up with a worthwhile result "

Although almost as many "social and cultural development" projects or organisations are financed as education and research ones, the total expenditure on the latter category is far greater

In 1981 the first received R2,5-million and the second R11,3-million

Some R9-million of the education and research expenditure went on building projects financed by the Number Two fund.

The creation of this fund resulted directly from a shift in Anglo American's and De Beers' view of corporate social responsibility

Rather than merely react to requests – as the Number One fund does – its purpose is to initiate projects in developmentally critical areas

The fund recognises that providing money alone is not enough – substantial time must also be devoted to indentifying and planning for society's needs

When launching a Number Two fund project, the beneficary helps to define the requirement and evolve and apply the solution

In the end the management committee does not consider it of paramount importance that the most cost-efficient building, say, should be constructed as quickly as possible.

Rather, the project should be fully accepted by the community it is intended to serve

Arriving at that point is not always easy Local authorities are often at a loss to know who they can discuss needs with – and how best to meet them

By tactful mediation they try to create the means for such communication This has been an important part of many Number Two fund projects

At the same time, however, the fund cannot allow itself to be extravagant with time or money

A cardinal rule is not to become involved in the management – or even partly meet the running costs – of any organisation that benefits from the Number Two fund

To do so would run the risk of over-committing its manpower resources, which must be widely spread

Chamber in firm stand on weapons

SOAL 210 13/3/86

By Sheryl Raine

The Chamber of Mines says disciplinary action will be taken against any employee, whether white or black, found carrying unauthorised weapons of any nature on mine property.

In a statement released yesterday the Chamber responded to a resolution adopted by the National Union of Mineworkers (NUM), which called on the Chamber to clarify its position regarding threats by white mineworkers in Witbank to arm themselves.

The union also adopted a resolution giving the mining houses 14 days in which to force Mr Arrie Paulus, General Secretary of the Mineworkers' Union, to retract statements he allegedly made regarding white miners in Witbank being forced to arm themselves after black unrest.

"The Chamber expects the NUM to take immediate steps to discourage violence. Mine managements will not permit employees to carry weapons of any nature at work unless specifically authorised to do so," the statement said.

The statement said the Chamber deplored comments allegedly made by Mr Paulus and asked him to retract the statement attributed to him. Mr Paulus could not be contacted for comment.

Detained sisters still being questioned

Sisters Marion and Debbie Sparg, arrested this week in connection with limpet mine attacks on three police stations, are still being questioned.

Police have not excluded the possibility of further arrests.

It is not known when the sisters will appear in court. Both are being held under section 29 of the Internal Security Act and they do not have to appear in court within any stipulated time.

In addition to questions about the alleged attacks on Cambridge police station in East London, John Vorster Square police headquarters and the Hillbrow police station, Miss Marion Sparg is also being interrogated about the 1981 bombings of PFP offices in Johannesburg.

Deadlock on De Jonge, say Dutch sources

The Star's Foreign News Service

THE HAGUE — Negotiations over the future of Mr Klaas de Jonge, still in the sanctuary of the Dutch Embassy in Pretoria, have reached deadlock, according to sources close to the Dutch Foreign Ministry.

This was due to South Africa's decision to charge Mr de Jonge under the Terrorism Act, said sources.

The Dutch ministry had hoped Mr de Jonge would be charged with illegal possession of arms, which would have resulted in an acceptably light sentence.

The charge under the Terrorism Act had ruled out this solution, said the sources.

Return-to-work order is lifted

STAR 13/3/86

By Mike Siluma

Three strikes involving about 3 000 metalworkers in Pretoria and the East Rand continued yesterday with one of the affected companies suspending a return-to-work ultimatum.

The electric division of Asea Electric Ltd said yesterday it had shelved the ultimatum to about 580 workers pending urgent negotiations today.

About 900 workers at Asea's electric and cable divisions in Pretoria have been on strike since February 10. The union wants plant-level bargaining.

On the East Rand, the strike by 2 000 workers at two Haggie Rand plants entered its sixth day yesterday. Workers want wages talks and the recognition of May 1 as a paid holiday.

At G B Engineering and Pan African Shopfitters, also on the East Rand, 300 workers are still occupying two factories despite a weekend Supreme Court order. The workers oppose plans to retrench 150 men.

MINE LABOUR 14/3/86

FIN MAIL

More strikes

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The past week has seen industrial action involving more than 20 000 workers on two of SA's gold mines — a second action at Anglo American's Vaal Reefs and a fresh dispute at Rand Mines' Blyvooruitzicht.

According to an Anglo American spokesman, about 15 500 black workers at the Vaal Reefs mine returned to work on Tuesday, following a "go-slow" strike in which workers began working only half shifts.

The stoppages began last Wednesday. On Friday, the mine closed the affected four shafts as well as the gold and uranium plants and workshops on its east and west divisions. And over the weekend, it was granted an urgent court interdict restraining workers from "promoting or participating in disruptive work practices "

According to National Union of Mineworkers (NUM) spokesman Marcel Golding, several grievances precipitated the action. They include unhappiness that seven people arrested in connection with the deaths of four team leaders three weeks ago are still being held in custody.

A further demand was that several hundred workers not taken back after a strike last year should be rehired. The union spokesman says there are also a number of longstanding grievances relating to hostel conditions, the induna system and discriminatory work practices, which the company has failed to address.

An Anglo spokesman says the only demand management received was for the release of those in custody. The company's response was that "it could not influence the normal course of justice."

The Blyvooruitzicht mine near Carletonville was hit by strike action on Monday, apparently because of dissatisfaction over an experimental production bonus system currently being applied on two sections of the mine.

A management statement says that 8 800 workers are involved. Paul Forbes, deputy head of Rand Mines' gold division, says he had talks with three NUM officials who denied having anything to do with the strike and said that they did not approve of it. At the time of going to press, the strike was continuing. Forbes concludes that the NUM "does not wield the authority and control that it claims."

More than 100 000 miners have, in fact, participated in "wildcat" strikes so far this year. Golding says NUM policy is that grievance and conciliation procedures should be exhausted before strike action is taken. Officials can, and have, counselled members on these issues. However, he adds, the union is a democratic organisation and members decisions are final. ■

Gencor turns in record profits

14/3/86 STAR

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Financial Staff

Gencor was carried through to record profits in the year to end December by vast increases in earnings from its minerals divisions which overshadowed continuing problems in its industrial subsidiaries

With a weak rand providing the main boost, group earnings for the year were raised by 56 percent to 481c a share

The industrial division's contribution to group profits dropped, however, from 9,1 percent in 1984 to 2,3 percent last year

Gold and uranium income also dropped from 34,5 percent to 26,4 percent in spite of the weak rand, but were up in terms of monetary value

The biggest increases came from Samancor, Trans-Natal and the non-ferrous metals operations Net income from these sources leapt to a shade under R200 million from just over R70 million in 1984

Higher retentions

A final dividend of 140c, up from 135c, was declared making a total for the year of 195c The group retained R243,7 million of the R458 million, markedly up from the R87,3 million kept in 1984, consequently cover has been raised from 1,51 to 2,25 and gearing reduced from 75,8 percent to 62,2 percent

Chairman Mr Ted Pavitt said, however, that a major factor behind the higher retentions was as a hedge against any future difficulty in obtaining foreign loans

Only R10,3 m in foreign loans remain uncovered, well down from the 1984 amount of R366 million Foreign loans total R1,313 billion, marginally lower than the R1,328 billion of 1984

But, despite the industrial division showing a positive contribution to the group's bottom line in the second six months, question marks remain over that division's overall direction

Some clarity has been offered with the areas under Mr Basil Landau's control now being split into three distinct sections These are Sappi, under Mr Eugene van As, Paper and Packaging — Kohler, Carlton and Haddons — under newcomer Mr Richard Newby and the consumer side under Mr Dirk Jacobs, who joined Gencor from Tiger Oats last year

Nevertheless, they will have to prove that the recoveries shown in most of those companies towards the end of last year were not just a flash in the pan

Whether any more major changes are on the cards this year, in the wake of the research recently carried out by management consultants Arthur Little, remains to be seen

The invesmtments division also performed strongly last year, lifting its contribution to the group's bottom line to R107 million from R58 million

Some will argue that the diversified nature of the group was intended for one sector to be able to carry another during a period of difficulty The only danger is that with so much profit being generated from mining that not enough effort and attention is being accorded the weaker areas

Weak rand boosts Gencor earnings

14/3/86 3. DAY (210)

ROY BENNETTS

GENCOR's record results for the year to December were again boosted by the weak rand with the group's export-orientated subsidiaries increasing contributions to the total income.

Earnings a share jumped by 56% to reached a new peak of 481c (308c), based on an attributable income that rose by 66% to R458m (R275,5)

In the light of these results, the final dividend of 140c (135c) a share for a total for the year of 195c (190) will not find favour with some shareholders, but matches market expectation

The mining side raised its contribution to 75% of the pre-tax profit of R480,9m, compared with 71% of 291,6m in 1984

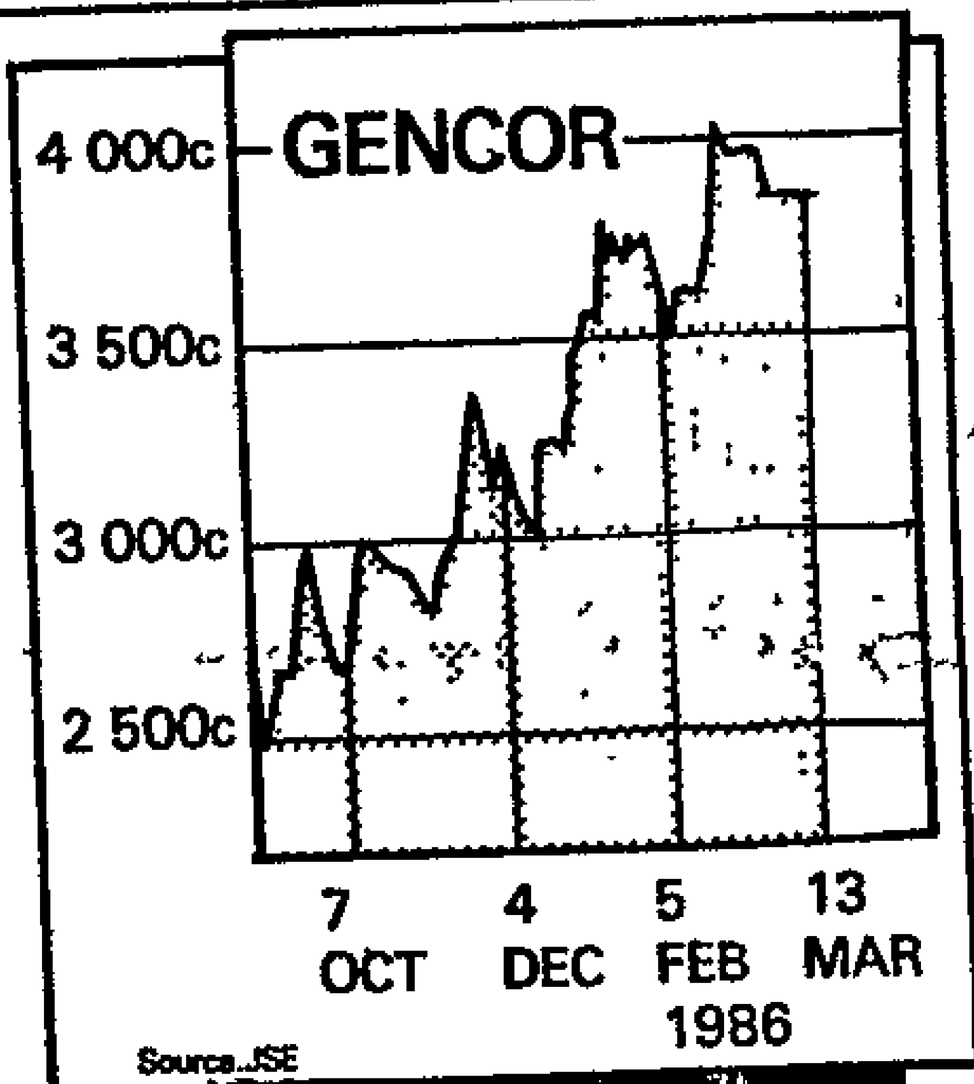
However, the commercial and industrial side continued to slide, from a contribution of R26,4m in 1984 to R10,8m — 2,3% of income compared with 9,1% the previous year.

Biggest gains were made by the mineral sector, which includes Samancor and the ferro-alloys companies, with a leap in contributions to R151,2m (R54,1m), nearly a third of total group income Gencor's financial activities also improved to R107,4m (R58m)

Chairman Ted Pavett said the higher retention of income was advisable in view of current difficulties in raising foreign loans and the high cost of borrowing It also allowed Gencor to further raise its distribution cover, which rose from 1,5 times in 1984 to 2,2

Pavett said all foreign loan liabilities had now been covered against exchange rate fluctuations, with the exception of R10,3m (R366m) equivalent to $3,8m

The group's interest in the equity accounted retained income of associated companies jumped by a spectacular 173% to R102,9m (R37,7m), reflecting excellent performances by Samancor and Trans-Natal



Total assets increased by 20,7% to R10,5bn (R8,7bn)

Federale Mynbou, which controls Gencor with a 53,7% interest, has declared a final dividend of 123c (122c) to total 170c (169c) placing the share priced at R34,50 on a yield of 4,9%, reports ADAM PAYNE Attributable income after extraordinary items rose 72% to R235,2m (R136,8m)

	Rand		Rand
Noordwester	1 680	Northern Times	1 656
Noord-Transvaler	1 850	Northcliff Times	3 439
Namib Times	24	Northern Tribune	3 439
Nigel/Heidelberg News	228	Nuwe Afrikaner	73
Noordkaap	1 736	Nigel Herald	1 367
Observer	34	Ons Stad	1 474
Oosterlig	10 298	Overkruin	1 869
Oranjenuus	300		
Pigeon Post	2 293	Paarl Post	1 948
Pretoria News	25 390		
Rand Daily Mail	7 260	Rapport	779 922
Roodepoort Record	3 439	Rustenburg Herald	1 801
Randburg Sun	3 439	Record	80
Rosebank/Killarney Gasette	3 439	Republikein	416
Secunda Ridge	3 439	South Coast Sun	943
Southern Courier	3 439	Sowetan	120
Sowetan Sunday Mirror	44 097	Star	279 929
Sunday Star	8 173	Stellalander	1 763
Sunday Times	841 814	Sunday Tribune	62 634
Swartland Monitor	1 446	South Coast Herald	2 228
Sandton Chronicle	3 439	Sowetan News	16 141
Suidwester	248	Springs Advertiser	3 921
Tempo	882	The Friend	918
Transvaler	9 109	Travellog	1 000
Travel Times	1 715	Tygerburger	6 628
The Representative	1 257		
U.D. News	197	Upington Gasette	330
Vaalweekblad	2 402	Vaderland	28 752
Viva	2 852	Volksblad	118 478
Verwoerdburg-News	2 620	Vryheid Gasette	180
Vaal Ster	4 095	Vista	1 740
Vrystaat	1 600		
Worcester Sun	1 746	Western Tvl /OFS Herald	2 080
W Tvl-Record	1 936	Weekend Burger	6 073
Worcester Standard	250	Windhoek Advertiser	275
Witbank News	2 284		
Zoeloeland Observer	911		

5/3/86

National states: mineral production

HANSARD GCWL 339 210

171 Mr P R C ROGERS asked the Minister of Education and Development Aid:

What was the value of the mineral production in each of the national states in 1984 and 1985, respectively?

The MINISTER OF EDUCATION AND DEVELOPMENT AID:

National State	Value of mineral production 1984	1985
Lebowa	R79 234 165	R128 229 099
KwaZulu	R50 074 738	R110 282 585
KaNgwane	R21 733 712	R 34 158 542
Gazankulu	R 4 157 353	R 1 876 118
KwaNdebele	None	None
QwaQwa	None	None

The values shown are in respect of minerals and metals, including platinum as supplied by the Minerals Bureau, Johannesburg.

Police: staff establishment

HANSARD GCWL 341 5/3/86

280. Mr D J N MALCOMESS asked the Minister of Transport Affairs:

(1) What is the (a) authorised establishment and (b) actual strength of the South African Railways Police in respect of (i) officers and (ii) other ranks;

(2) how many men were (a) recruited for and (b) discharged from the Force during the latest specified period of 12 months for which figures are available;

(3) whether any members of the Force purchased their discharge during the above-mentioned period, if so, how many in each rank?

The MINISTER OF TRANSPORT AFFAIRS:

(1) (a) (i) 288

(ii) 6 834

(b) (i) 247

(ii) 6 220

(2) 16 February 1985 to 15 February 1986

(a) 232

(b) The total staff losses amounted to 408

(3) Yes.

Captain	1
Lieutenants	3
Warrant Officers	3
Sergeants	11
Constables	176

Port Elizabeth: new post office

HANSARD GCWL 342

305 Mr A SAVAGE asked the Minister of Communications:

5/3/86

(1) With reference to his reply to Question No 33 on 5 March 1985 concerning the new post office complex in Main Street, Port Elizabeth, (a) when it is anticipated that it will be completed and (b) what is the current estimate of the total cost of constructing this complex;

(2) whether this amount is the original estimate for the construction of this complex, if not, (a) what was the original estimate of the cost of the project, (b) when construction of the project, (b) when was the (i) original and (ii) revised estimate made and (c) what was the reason for revising the estimate?

The MINISTER OF COMMUNICATIONS:

(1) (a) During February 1990, subject to the availability of capital funds,

(b) R31,2 million plus escalation cost,

(2) no;

(a) R12,5 million plus escalation cost,

(b) (i) March 1980,

(ii) December 1985; and

(c) to provide for escalation in building costs.

14/3/92

THIRION REPORT

FIN MAIL

State losing out

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The Namibian administration took a pounding in the eighth interim report of the Thirion Commission. It was criticised for its innocent attitude to the actions of the mining companies, as a result of which it had lost millions of rands in potential tax revenues.

The report contains a number of examples illustrating how mining companies have benefited at the expense of the Namibian government — not through illegal actions, but by exploiting the country's mining legislation which Judge Thirion finds inadequate.

While in any new development there must be a trade-off in benefits between the developer and the State, Judge Thirion believes Namibia is getting too much of the short end of the stick.

His recommendations to stop these practices hold major implications for the country's mining industry. They include the changes, affecting capital expenditure by mines, which were introduced in SA last year in the teeth of opposition by the mining houses.

A major difference between Namibia and SA is that in Namibia the State owns the country's mineral rights; in SA the bulk of the mineral rights are in private hands.

Dealing with the Rosh Pinah base metals mine, the report says."The State neglected its role as custodian of SWA's non-renewable resources by not negotiating the most beneficial deal for SWA. It allowed Moly Copper (ie the Kahan family) to skim the cream off the top of the profitable mine. Since the Kahans are not residents of SWA the royalty payments flow out of SWA and do not find their way into the local economy but are transferred to another economic entity."

Moly Copper had a prospecting grant on the area from the State costing R4 250 a year which it ceded to Imcor Zinc in 1969 — but with a clause entitling it to a royalty of 9% of the sales value of minerals produced from the area. Imcor Zinc mined the area and paid royalties to Moly Copper rising from R216 905 in 1971 to nearly R2m in 1982. However, the State received only the R4 250 a year rental on the prospecting grant and R410 a year on the mining grant until 1980, when Rosh Pinah started paying tax.

The report recommends that consideration be given to the imposition of a duty or royalty payable to the State on the sales value of all minerals mined in Namibia, and to prohibiting the leasing or tributing of mining areas or mining grants. Any cession or transfer of mining rights subject to the payment of a royalty in any form should be prohibited, it says.

The report cites probable "landlocking" for more than 10 years of limestone deposits by SWA Portland Cement, which is part of the Anglo Alpha group. This was denied vehemently by SWA Portland Cement in a letter to the commission.

Judge Thirion remains unconvinced."The facts of this matter raise a strong probability that landlocking had been practised: that is, that a prospecting grant had been obtained so as to exclude other prospective applicants from investigating the limestone deposits with a view to exploiting them and that this had been done to preserve for South African cement manufacturers a monopoly as far as the supply of cement to SWA is concerned."

The report recommends that government should be empowered to cancel prospecting grants before they are due to expire if the grantee is in default of obligations imposed on him regarding exploitation of the mineral rights.

Judge Thirion then tackles the question of prospecting expenditure being offset against mining income for tax purposes. He claims that by arranging the exploration and development work among its subsidiaries, De Beers seeks to reduce the liability of CDM for tax payments

De Beers replies that these negotiations on sea prospecting between the State and CDM are confidential and have yet to be finalised; but it had been agreed the deductibility against CDM's taxable earnings of expenditure on deep sea prospecting would be subject to certain limitations acceptable by the State.

The report is also critical of the accuracy of the information contained in monthly reports submitted to the Chief Inspector of Mines, citing numerous cases where this had not been done or had been done inaccurately and pointing to numerous inconsistencies and incompatabilities in the statistics received ■

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sunrise finance

Buoyant exports and active SA mines help Haggie shine

Despite a difficult 1985 two factors helped the Haggie Group achieve improved results sustained activity in the South African mining industry and a high contribution from exports (well in excess of R85 million and 60 percent up on 1984)

Michael Menof on the company beat

The results were impressive, with turnover materially up at R597,7 million (R463,5 million) while income before tax increased by 25 percent to R79 million (R63,1 million)

After the outside shareholders and preference dividends were taken care of earnings attributable to ordinary shareholders amounted to R38,8 million (R30,7 million) This resulted in earnings a share of 202c compared with 160c in 1984, shareholders benefited from the rise in income with dividends increasing to 85c (73,5c)

Chairman Mr Ian Haggie's report emphasised just how much exports had contributed to the group as domestic demand declined No doubt the declining rand in 1985 also helped boost exports, but apparently volumes also increased

Certain negative factors still have to be overcome if exports are to be maintained Firstly, the Bilateral Trade Agreement for steel products between the United States and South Africa has affected mild steel wire from major subsidiary Consolidated Wire Industries

In addition, the crippling inflation rate will soon wipe out the advantage gained from the low value rand as, despite every effort to improve productivity, the group is finding it impossible to achieve cost improvements in already efficient factories to compensate for an inflation rate of between 15 and 20 percent

The group's overall review was disappointing as the income contribution from each major division or subsidiary was omitted

The rope-making and high tensile wire business benefited from the strength of the mining industry

While gold mine order books have been well maintained, a decline recently in certain areas is following in sympathy with the current domestic trading conditions

Mild steel wire suffered from the depressed agricultural sector and cable manufacturers, neither of which showed any improvement in 1985

All major sections of the group augmented reduced domestic demand with their improved exports On the other side of the coin, import prices of raw materials were higher, causing problems

Management is faced with a demanding and difficult 1986 As international sales become an increasingly important part of the group's business so the influences of anti-South African pressures make life tough and unpredictable The windfall from export earnings helped by the dramatic fall in the value of the rand might never come Haggie's way again

Nonetheless, continuing profits from export sales are forecast, and on the domestic front Mr Haggie expects a year of changing circumstances If the present general conditions continue with no marked improvement in the domestic scene, earnings improvements may fall short of matching the inflation rate he warns

The ratio of current assets to current liabilities is almost unchanged between years at 2,27 to 1, while the acid test ratio of current assets less stocks to current liabilities shows an improved position of 1,28 to 1 (1,17 to 1) Total long term and current borrowings are also pleasantly unchanged at R38,7 million (R39,4 million), while cash at bankers shows a healthy R16,2 million (R13,4 million)

Shareholders' funds now amount to R220,4 million (R196,9 million), while total capital employed is impressive at R363,6 million (R344 million)

With foreign currency exposure minimal (due to forward cover taken out) the group has certainly earned its blue chip status

The 1985 annual report bears this out, while shareholders are fortunate to have at the helm a board of directors that is so highly experienced in their field yet conservative and able to handle a group operating in one of the most difficult fields in the country today

Zimbabwe mining scheme could be Namibia model

The Star's Africa News Service

WINDHOEK — The Zimbabwean Government's policy of aid for small-scale mining ventures could be used as a model for future assistance to minor mineral producers in Namibia.

The Thirion Commission of Inquiry, which has recently submitted its report on State involvment and control over mining in namibia, looked at the system in Zimbabwe when making recommendations for the future of the small-scale mining sector in the territory.

A letter from the Zimbabwean Geological Survey Department to its counterpart in Windhoek in 1983 outlined several ways in which the Harare government helped small miners. These included.

- Free geological consultancy services State geologists to help in mapping, sampling, mineral identification and other mining requirments
- Processing of samples for assay purposes
- Free reference library and the sale of official reports and maps to any interested parties.
- The granting of loans to small producers to get them on their feet financially

In his recommendations, Thirion Commission chairman Mr Justice Pieter Thirion said that the Namibian Department of Geological Survey should have its staff increased so that it could render a similar service to small-scale mines in Namibia

Judge Thirion also suggested that a loan scheme, similar to that in operation in Zimbabwe, be introduced in Namibia but with stricter conditions.

The Bosal hydraulic jack being installed in a gold mine.

14/3/86 . STAR . 210

Now a blast-proof mining jack

By Stan Kennedy

Bosal Afrika has launched a blast-proof hydraulic jack which, it claims, will save the mining industry millions of rands a year in timber and man-hours

In 1984, 22 million sq m were stoped in the country's gold mines, with the national timber bill for that year being more than R163 million

Before drilling and blasting can take place at the stopes, the hanging wall has to be shored up with temporary supports — a job that takes many hours

The traditional method uses timber poles, hand-wedged into position In blasting, about 90 percent of the poles are blown out of position and destroyed and the oncoming shift has to repeat the shoring process before going into the stope

"The Bosal hydraulic mine jack will change all this," said Mr Doug Renecle, managing director of Bosal's Jacks, Garage Equipment and Tools Division, during a tour of its Pretoria factory last week

GREATER PROTECTION

"As well as offering greater security for miners, it will drastically cut the timber bill The ease by which it can be installed will greatly reduce man-hours"

Using the new jack, two men can shore up a 25-m stope face in 30 minutes, compared with the traditional method which takes up to four hours

Tested by the Chamber of Mines and the Head Rock Mechanics Department, the jack is said to give greater protection than the hand-wedged props as it can withstand pressures of up to 20 tons both vertically and horizontally

Bosal is the sole manufacturer of hydraulic jacks in Africa and about 50 percent of all cars have its jacks as original equipment

Mr Renecle also said that the company had taken over Applied Power SA, a distributor and service centre for high-pressure hydraulic equipment and collision repair equipment for its American parent company Bosal had a licensing agreement which would enable it to manufacture a selected range of these products.

Vaal Reefs death toll rises to 12

Six more die in new mine faction fight

19/3/86 BUS-DAY

(213)

(218)

(210)

CLAIRE PICKARD-CAMBRIDGE

SIX more miners died yesterday in faction fights at Anglo American's Vaal Reefs gold mine, near Orkney, in the Western Transvaal.

About 1 750 workers have left the mine voluntarily because of the violence.

An Anglo American spokesman said the death toll at Vaal Reefs had risen to 12 since Saturday when a fight broke out between Xhosa and Sotho workers.

He said Saturday's fight had been at number 3 hostel. Yesterday's battle occurred at number 5 shaft hostel of the west division.

Yesterday's fight left eight men seriously injured and two in critical condition.

He could give no explanation for the fight except to say it was unrelated to a strike and go-slow at Vaal Reefs about two weeks ago over the arrest of some workers in connection with the deaths of four team leaders.

Explanations for the high rate of violence during strikes and tribal fights on SA mines over the past few weeks include political tension spilling over from nearby communities, tribal tension and the confined bachelor quarters in which mines live.

☐ The Chamber of Mines has applied to the Industrial Court for a *status quo* order to restore the labour practice prevailing before the date when the National Union of Mineworkers issued an ultimatum demanding May Day as a paid holiday.

The chamber said yesterday the decision had been taken in an attempt to re-establish collective bargaining procedures.

The NUM said earlier it would con-

● To Page 2 ⇨

Six die in faction fight

B DAY 19/3/86

(213) (210)

⇦ ● From Page 1

sider itself in dispute [illegible] the chamber's member mines where [illegible] recognised if the chamber had not acceded by February 28 to its demand for May Day as a paid holiday.

☐ The chamber's recruiting arm, Teba, said some NUM members, who had been discouraging workers from using the bar or canteen at its Johannesburg depot, were facing charges of contravening liquor laws.

This came after the launch of a boycott by 450 miners of bars and canteens at the depot in protest against alleged discriminatory practices, the quality of food and the hampering of union activities.

Teba management denied that the NUM's activities at the depot were being hampered or that union members had been victimised.

It said most workers were happy with the quality of the food and that a total boycott of the canteen was not in force because some st ff members were continuing to use the dining facility.

Talks forge ahead on end to 'scheduled person' clause

Job barrier to go soon in mining industry

SMR 20/3/86 210

By Sheryl Raine

There is every indication that quiet talks concerning the removal of job reservation in the mining industry are forging ahead and that the last remaining statutory laws preserving 13 jobs for whites will go during the current session of Parliament.

Mining sources believe the discriminatory "scheduled person" clause in the Mines and Works Act will soon become just a memory.

At present the definition of a scheduled person ensures that 13 key mining jobs are filled only by whites. The prized blasting certificate is reserved exclusively for white miners.

The effect of the law has been to deprive black miners of crucial stepping stones towards top posts on the mines even though, say black miners, they are already in many cases doing the work of white miners.

It has been proposed that the words "scheduled person" be replaced by "competent person".

But agreement on the exact definition of what constitutes a competent person has been elusive. Three main sets of proposals have been advanced by government and the Chamber of Mines and various unions have responded to the proposals. The most recent set of proposals came directly from the Department of Mineral and Energy Affairs

In a draft Bill the department proposed that a selection board be established to decide who qualifies for five of the 13 scheduled job categories. Furthermore, the board would be dominated by the white Mine Workers Union, and its close associates the SA Technical Officials Association and the SA Engine Drivers', Firemen's and Operators' Association.

The Bill is believed to have caused dismay among employers as well as dissatisfaction among other white mining unions. A flurry of meetings with government has ensued and the substance of the Bill, it is now hoped, will die a quiet death.

Black miners have become increasingly impatient in recent years to have the law changed, particularly since the advent of the National Union of Mineworkers. The NUM has not been directly involved in the job reservation talks with white unions — a cause of discontent within the NUM.

On the other side of the argument about job reservation, Mr Arrie Paulus for the MWU has vehemently opposed loss of job protection.

Several employers are believed to want to get "the thing over with". Some believe that the longer the delay the more polarised black and white labour on the mines will become.

It now seems inevitable there will be a confrontation between the MWU and the Government over the scrapping of job reservation and some mine managers are expecting and preparing for industrial action from white miners when the Government finally moves.

Get rid of it quickly, says mine chief

By Sheryl Raine

One of the country's prominent mining bosses has called for the swift removal of job reservation on the mines.

Mr Clive Knobbs, head of Rand Mines gold division and chairman of Durban Roodepoort Deep and East Rand Proprietary Mines (ERPM) said in his latest statement to shareholders that the Government should act to remove the scheduled person restriction from the statute book early in 1986.

It should be removed in a manner which enables blacks to compete immediately for jobs previously reserved for whites.

EQUAL OPPORTUNITY

Durban Deep and ERPM had devised an industrial relations strategy for the year which involved the promotion of trust between all employees and management, a goal-directed equal opportunity development programme, a review of conditions of service and training in industrial relations with emphasis on conflict management.

He said Durban Deep had made good progress in implementing the Rand Mines equal opportunity development programme.

"To date over 32 black employees have either been appointed to skilled positions or are in the process of being trained for such posts," he said.

STAR 20/3/86.

Striking unionists injured in police action

Labour Reporter

Four trade union members have been admitted to hospital following police action against about 300 strikers in Germiston yesterday

The workers had been on strike at two firms and had slept on company property in spite of a Supreme Court interdict ordering them to leave the premises

The Paper Wood and Allied Workers Union said police entered the premies of GB Engineering and Pan African Shopfitters yesterday and teargassed about 300 strikers who were assembled in a closed space

"Four people were seriously injured and are in hospital and a number of others were badly cut after going through plate glass to escape the gas," a union spokesman said

"Seventy-one members of our union and the Metal and Allied Workers Union were arrested and appeared in the Germiston Magistrate's Court yesterday. Bail was set at R500 each, which we could not afford. They were remanded in custody until March 25.

"Our lawyers were not informed of the court appearance They were under the impression that the workers would appear in court today

"We totally condemn the police action as the workers were engaged in a peaceful action in an attempt to get the employers to discuss alternatives to retrenchement. The company wants to retrench 150 people We do not see what role the police have to play in industrial relations

"We will raise the matter with the Congress of SA Trade Unions this weekend and are investigating the customers of Pan African Shopfitters"

The firm's administrative manager, Mr F Marucchi, said management called the police after workers intimidated other staff, including the managing director Both unions had been informed of the intimidation.

He said police fired teargas into the building and arrested the workers as they came out. Company property was damaged, he said.

Chamber of Mines agrees to recognise second union

STAR 20/3/86.

By Sheryl Raine

The Chamber of Mines has signed a recognition agreement with the African Miners' and Allied Workers' Union.

A joint statement, issued by the parties after a document signing ceremony in Johannesburg yesterday, said the recognition agreement concerned security employees at JCI's Western Areas Gold Mining Company.

The African Miners' and Allied Workers' Union is the second black union to sign a recognition agreement which will entitle it to represent its members in the collective bargaining process with the Chamber.

The general secretary of the union, Mr Vuyani Madolo, is a former member of the National Union of Mineworkers, the other black union recognised by the Chamber.

Mr Madolo said the recognition agreement applied to about 120 security personnel, but that the union's total membership at the mine was in the region of 3 800.

The union is not affiliated to any of the major emergent trade union federations. It organises not only on the mines but in related industries

"The union is active in and around Western Areas," he said. "The reason we have organised workers in related industries is to ensure that members on the mines have the support of the communities near which they live."

Aims of the union included:

- Involving the mining houses more directly in attempts to get influx control eased.
- Improving facilities for wives wishing to visit their husbands at work. At present wives were entitled to visit for 14 days but there were only six houses on Western Areas mine property to accommodate the wives of a workforce of about 13 000.
- Increased democratic control of the hostels.
- Decentralised control of the work process on the mines to give workers on the lowest step of the employment hierarchy more say in the organisation.
- The scrapping of job reservation on the mines.

Call to scrap racial underpinning

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20/3/86 BDAY

Relly queries RSC township credibility

REGIONAL Services Councils would not achieve credibility in black townships unless their racial underpinnings were removed, Anglo American chairman Gavin Relly told the Institute of Municipal Treasurers and Accountants conference in Johannesburg yesterday.

RELLY

He said that while RSCs would provide a forum for different race groups to debate issues, recent events had proved that most black communities had rejected all forms of separate representation based on colour.

"In terms of their socio-political implications the most important aspect of RSC's is that separate representation by different racial groups based on the Group Areas Act is fundamental to their structure. This, I believe, will be the RSCs' greatest stumbling block".

Relly said there could be no doubt that SA was moving towards more social and economic integration. "If our political institutions do not match these moves towards integration then we are creating systems that cannot possibly work".

He asked how one would explain to the black shopkeeper in Commissioner Street, or the Indian shopkeeper in Diagonal Street, who both paid rates and taxes, that their interests might be represented on different bodies, which were again different to those of white shopkeeper neighbours.

Relly also criticised the proposed turnover and payroll taxes that would fund the RSCs.

Relly said it appeared turnover tax would be levied at each stage of production. An obvious result of this system would be that firms which enjoyed a

PETER WALLINGTON

higher proportion of profit to turnover would pay a smaller proportionate tax than those whose profits to turnover ratio is lower.

Another result would be a natural tendency of firms to integrate vertically to shorten the chains of production to avoid being taxed at each stage, and the tax would be a strong disincentive on efficient production.

Payroll tax would be calculated as a percentage of the total wage bill of all employers. "Great concern has been expressed that the effects of this will be to create unemployment in areas served by RSCs.

He said the combined effect of these taxes would be to encourage development outside metropolitan areas. The taxes would do the work of implementing governments decentralisation policies to enhance rural growth points at the expense of the large cities.

"The development of our cities is so important in creating job opportunities and economic growth for the good of all whether in urban or rural areas".

Other points raised by Relly included:

- Government's decentralisation policy had only partially succeeded. People were prepared to risk falling foul of legislation to seek employment in towns because rural areas were not capable of providing the means of living;

"They vote for urbanisation with their feet whether the authorities like it or not" he said.

- The urbanisation process would provide challenges for private and public sector alike. Municipalities would have to cater for ever-growing demands of their existing constituents but would also have to lay on services for the new influx of people.

Mine output levelling off

BDAY 21/3/86 (210)

MINING production volumes appear to be levelling off, but the trend in mining sales revenues remains upwards, says the *Financial Mail's Blue Chip Forecast.*

It says non-gold mining production jumped sharply in October by 3,9%, but fell back again in November by 4,4%. October figures stood 1,3% higher than a year previously in total mining production volumes. November volumes were 2,8% lower

Total sales in October, at R2,5bn, stood 23,4% higher than in the previous year. November sales, at R2,3bn, rose by 31,7%.

Inflation is eroding the profitability of the mines

21/3/81 STAR (210)

By Stan Kennedy

With endemic inflation at more than four times that of its main trading partners, South Africa's mineral exporters are in danger of pricing themselves out of the market

Since the early Sixties, many Third World countries, with an abundance of cheap labour, had entered the export market. Consumers of minerals, finding the political situation in South Africa a handy excuse to diversify their purchases, were now buying from these countries

In addition, selective sanctions and threats of disinvestment were other factors they had to contend with

CURB INFLATION

Dr PJ Hugo, chief director, Minerals Bureau, told the Capex in Mining conference in Johannesburg yesterday that if trade unions persisted with their "exorbitant and even illogical demands", employers' resistance was sure to follow and capital intensive mining would come sooner than expected

To remain competitive, the eroding effect of South Africa's inflation must be curbed at all costs, he said, and he pinpointed the inflation elements as electricity, transport, stores and personnel

"The industry can contribute to lower electricity cost by applying more efficient mining methods and, hence, the lower price of coal used by Escom

"By increasing the added value component of mineral exports, the producer will be partly relieved of the costs of transporting unbeneficiated minerals over long distances.

DRAMATIC CHANGES

"The cost of labour has been soaring during the past 15 years Unfortunately, wage hikes have seldom been accompanied by increases in productivity"

To cut costs, many labour-saving practices had been introduced in the past 20 years and it was reasonable to ~~expect there~~ would be dramatic changes in the labour/capital ratio in the gold, coal and platinum industries in the near future

With the depth of the Witwatersrand gold mines going to more than 4 000 m, revolutionary mining methods would have to be introduced to limit the extremely high operatingcosts

He foresaw the day when labour-intensive conventional stoping would be replaced by remote-controlled continuous robot miners These would eliminate costly drilling and blasting and rockmoving procedures.

UNSKILLED

Strenuous physical labour would be phased out and a small team of highly skilled equipment operators would be responsible for the entire underground operation.

With their 34 percent share of total production dropping to 25 percent by the year 2000, and as mechanised underground mining increased, opencast coal mines would see a continuous reduction in demand for unskilled labour

On platinum mines, where costs of labour were on the increase, Mr Hugo said the industry would soon step up mechanisation in its underground operations

GENCOR 210 FINMAIL 21/3/86

On an upwicket

Gencor's 66% rise in attributable profit in 1985 is a welcome antidote to the falling earnings, foreign exchange losses and industrial division setbacks which pervaded the mining house in the last two years. Not that the figures surprise: the market had anticipated a strong profit upswing since Gencor's better-than-expected interim.

These results confirm that Gencor is well on the mend and is set to enjoy strong earnings growth in 1986. Since the interim, the share has been steadily re-rated, rising 50% from R26,50 to R40. With earnings likely to advance further in 1986, depending on the industrial division's recovery, the share should continue to gain.

Mining income has carried Gencor through this recession, contributing 75% of group net income in 1985. The weak rand was, of course, the main impetus behind a record profit, but mining director Johan Fritz notes that gold tonnage sales picked up too.

Growth in mining income will probably level off this year, although earnings may not differ greatly from 1985: the current rand gold price, despite the stronger rand, is much the same as last year's average gold price of R22 500/kg received. Beatrix will also chip in with more profit, but rising costs will make continued inroads into earnings, as could labour unrest. Mining earnings could receive a boost from Impala, if the platinum producer overcomes its labour problems.

GENCOR RECOVERS

Year to Dec 31:	1984	1985
Turnover (Rm)	4 415	5 069
Source income (Rm)	776,0	1 037,7
Finance costs (Rm)	412,8	461,0
Pre-tax profit (Rm)	412,3	485,2
Attributable profit (Rm)	275,5	458,0
Earnings (c)	308	481
Dividend (c)	190	195

So the profit spotlight in 1986 should focus on the industrial division. It did very poorly in 1985, earning a mere R10,8m or a 0,59% return on total shareholders' funds. As the engineering interests, Haggie excepted, are still in the doldrums and usually lag behind in an economic recovery, the sparkle will have to come from the consumer companies under the aegis of industries director Basil Landau.

Landau says the key to this year's profit growth lies in the non-recurrence of 1985's write-offs; a lower interest bill owing to falling rates and rights issues last year in Tedelex, Sappi and Kanhym; and an improvement in business conditions, now that the HP vice has been relaxed. Every 1% fall in rates adds R18m to the bottom line of the consumer industrial companies, Landau argues. His estimate for industries' net profit in 1986: "R100m is a good conservative figure for earnings, and we are budgeting for more than that."

Indeed, the major industrial problem now appears to be Darling & Hodgson (*FM* March 14). Chairman Ted Pavitt confirms that "we are going to look at the whole company and management is obviously something to look at."

Other features of the results: foreign exchange losses have been written off entirely, and only R10,3m of the total R1,3 billion of off-shore loans remains uncovered. Share dealing profits were abnormally high last year at about R40m instead of the more usual R10m, which finance director Tom de Beer attributes mostly to the sale of Trans-Natal shares to Genbel. Gencor also made a R68,4m profit on the sale of 25% of Beatrix when this mine was floated last April.

Together with profits on property sales, the Beatrix profit was offset against a R86m write-off on the Springbok Flats liquefaction project and other write-downs. (The result was a net loss of R8,5m on extraordinary items). Some of this may be written back, among other things, if the coal reserves are developed.

For its part, the balance sheet bears the signs of tight financial management: debt: equity is down from 0,76 to 0,62, while current liabilities rose just 8% to R1,8 billion.

Consolidation aim

Gencor is now emphasising consolidation and wants to reduce its gearing to below 0,50. In pursuit of this aim, dividend cover has been raised from 1,6 to 2,5 (and could go higher). That could still see dividends rise next year, but Pavitt, pessimistically, thinks earnings will only be held.

Still, R100m from industries alone would add 105c to earnings a share in 1986. Other benefits are more dividend growth from the minerals division (taken only until end-August), a low tax bill owing to assessed losses in the industries division, and an end to forex write-offs.

In the circumstances, earnings a share of 600c next year may seem lowly. Earnings at this level would enable a 200c to 240c (195c) dividend in 1986, the upper figure placing the share on a favourable 6% prospective yield on the R40 share price. But this scenario relies crucially on a good result from industries. Investors should buy, if they believe this division has overcome its problems.

Christopher Marchand

BDAY 24/3/86 (210)

COMPANIES

Minorco shows earnings growth

LIZ ROUSE

MINORCO, Anglo American's main overseas arm, is at last on an earnings growth track but, at the interim stage, the dividend remains static.

The Bermuda-based company's net earnings leapt by 194% to $64,7m in the six months to December from $22m in the 1984 half-year, equal to earnings of $0,38c ($0,13c) a share. The interim dividend is unchanged at $0,6c.

The long hoped-for advance in operational profits has materialised. Income from operations increased by 45% to $41,1m, not so far off the previous full year's $45,2m.

The directors say in the interim report that earnings from operations will be materially higher in the year to June 1986.

As expected, Minroco's share of undistributed profits of equity accounted investments fell sharply to $28m from $34,5m as Philbro-Salomon's results were no longer equity accounted, after the sale of 10-million shares.

However, Minorco is never without problems. This time the trouble spot is 59%-held Inspiration Resources Corporation (oil and gas interests). Inspiration reported significant losses, both from ongoing operations and from restructuring of its businesses, in the year to December 1985.

Although Minorco's write-down of its losses in Inspiration by $153m will more than cover the restructuring losses, its share of operational losses from continuing operations will depress equity acccounted earnings.

However, this will be more than offset by higher earnings from other operations. Hopefully, shareholders will receive a higher final dividend. Total distribution has stuck at $0,22 for years.

Minorco's latest acquisitions are Adobe (49% interest), a listed US oil and gas company; and Arcata (24% interest), a printing-and-forest products company, bought for $215m from Inspiration.

Minorco's financial positions remains strong with cash resources at $173m. Net asset value is $2,75bn, equal to $16,15 a share. The stock, which is thinly traded in Johannesburg, finished at R28,50 last week. It is a good currency hedge.

Mines urge union accountability

24/3/86 BDAY

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Business Day Reporter

THE National Union of Mineworkers will have to address the question of accountability for the action of its members if its credibility is not to be damaged, says Chamber of Mines president Clive Knobbs.

A chamber Press statement said a "disturbing trend" had emerged whereby the NUM was distancing itself from some types of industrial action taken by members. Knobbs described this trend as unacceptable to mine managements.

He said the high incidence of labour unrest in the mining industry since the beginning of the year — sometimes involving union shaft stewards — had served to focus on the question of the NUM's accountability for its members' actions.

Knobbs said the NUM was responsible for leading its members along the path of legality with laid-down procedures for resolving grievances and disputes.

The NUM could not be contacted yesterday.

Knobbs said there was also a responsibility on the union's part, through its shaft stewards and members "to desist from threatening or committing acts of violence on fellow workers".

Intimidation by union men of other employees who did not wish to take part in stoppages would not be tolerated by mine managements, he said.

Progress achieved in industrial relations was often overshadowed by irresponsible actions by some unionists. This tended to cast doubt on the union's commitment to orderly collective bargaining, Knobbs said.

Despite "teething problems" associated with emerging unions, there have also been promising signs of a proper and realistic relationship developing between employers and the NUM.

Knobbs said it was noteworthy that the union's commitment to the legal process had been reaffirmed by its application for registration — a step the NUM refused to take when it first emerged.

PRICE MOVES AT A GLANCE

REUTERS

KR premiums raised to dampen demand

BUSDAY 25/3/86

LIZ ROUSE

PREMIUMS on Krugerrands were raised sharply by the authorities yesterday — in consultation with the Chamber of Mines and Intergold — to dampen local demand

The quota for local sales of Krugerrands is R300 000 a year Unusually heavy demand in recent weeks indicates the quota would be exceeded at the current rate of buying.

Heavy local buying means SA earns less foreign exchange from overseas sales of Krugerrands, already under pressure from sanctions

The Krugerrand becomes a good investment for local investors as the rand declines

Official sources say buying has assumed a speculative nature, hence the surprise hike in premiums

Prices of all coins shot up yesterday in over-reaction to the higher premiums.

The premium on a one-ounce coin was raised from 3% to 12%, resulting in the price quoted on the JSE rising by R60 to R825.

Over 2 000 coins were traded on the JSE yesterday

The half-ounce coin's premium was increased to 14% from 5%, lifting the price by R45 to R430 The quarter-ounce coin's premium was lifted to 16% from 7% and it traded R30 higher at R225. The tenth-ounce coin's premium was raised to 18% from 9% It traded R10 higher at R90.

Deal likely on mine jobs

BUS DAY 26/3/86 (210)

A BREAKTHROUGH has been made in talks between the Chamber of Mines and the white mining unions on the scrapping of job reservation

Union and management sources say the parties are very close to agreement, although there are still some differences.

It is now up to Mineral and Energy Affairs Minister Danie Steyn to examine the parties' proposals and take action during the present parliamentary session

11A

BusDAY 27/3/90

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NEWS FOCUS

Piecemeal reforms cause mines conflict

CLAIRE PICKARD-CAMBRIDGE

● KENT McNAMARA, who is to receive a PhD for his thesis on conflict on the mines

THE mining industry provides a case study on the way conflict can be generated by delayed or piecemeal reforms, according to an authoritative doctoral thesis by Kent McNamara.

McNamara, a Chamber of Mines researcher, is to receive his Ph D at the Witwatersrand University next Thursday for his detailed thesis on conflict on the mines. The thesis covers a decade of conflict before unionisation in 1982.

He says heightened management-worker conflict was partly the result of labour reforms being delayed for 100 years.

He sees "over-heating" taking place in the industry because it has become a channel for political strategies when changes in society do not keep pace with labour reforms.

He also explains the causes of a decade of wage strikes which followed annual wage hikes of between 40%-60% from 1973 to 1975.

"An important factor was that wage increases were unevenly distributed Huge frustrations developed when a larger wage-gap developed between black workers performing tough, physical tasks and blacks with decision-making roles."

Inter-mine wage differences also became an explosive issue. In June 1974, workers at one OFS mine — which was surrounded by mines paying higher wages — burnt down the complex.

"The lesson SA has learnt from this is that reform was not distributed evenly and that considerable conflict was generated."

Other lessons are that more conflict is generated when substantial pay reforms are not sustained. Workers develop new standards and then feel a sense of relative deprivation when pay hikes cannot be sustained.

"Implications for SA are that if we do not increase the intensity of reform, we will fit the classic model which generates revolutionary conflict," he warns.

McNamara sees another form of conflict on the mines, factional violence, as being caused directly by the migrant-labour system.

He strongly rejects claims that faction fights can be ascribed to "primordial emotions" and an inability to settle differences

Instead, faction fighting must be viewed within the context of crowded and unsettled social conditions in hostels.

"The confined nature of single men's hostels increases the intensity of conflict. Incidents can simply erupt because someone is playing a radio too loudly. Fights have a ripple effect and friends are rapidly implicated."

McNamara cites the divisive impact of this high labour turnover as having a disruptive impact on hostel social life.

He says 1975 was the worst year of factional violence experienced in the industry. Significantly, this was the year after Malawian workers were repatriated from SA mines. Zimbabwean workers poured in, the number of SA workers increased and there was a temporary increase in Mozambican labourers

"Patterns of cross-cutting friendships were ripped apart with dislocation," McNamara says. "This had serious effects, for a migrant's only resource is his friendships, an important safety valve of social support."

He adds that factional violence is not abating yet

McNamara says conflicts of solidarity have emerged recently. Tensions have mounted between those who wish to participate in strikes and liquor-outlet boycotts and those who wish not to.

McNamara spent four months living in a mine hostel while compiling his research

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MINE JOB BARS

Time for Steyn to act

Minister of Mineral and Energy Affairs Danie Steyn faces what is probably the biggest challenge of his career — scrapping job reservation on the mines

Last Friday, Steyn received a letter from the Chamber of Mines and the 10 registered trade unions and officials' associations in the mining industry. It outlines the results of nearly five years of negotiations on changing the discriminatory definition of a "scheduled person" in the Mines and Works Act — the last vestige of legal job reservation in SA. Steyn has committed himself to abolishing it during this parliamentary session

The scheduled person definition bars blacks from obtaining 13 certificates of competency to perform skilled jobs. Moves to alter it have long been inhibited by white workers' fears of being undercut by cheaper black labour.

As a result, the talks have centred on creating job security guarantees for certificate-holders, and machinery to monitor and enforce labour agreements The chamber is willing to provide job security guarantees, but insists that they should be applied non-racially when job reservation is lifted. This would give both blacks and whites the opportunity to appeal against any dismissals they believe are racially inspired.

Progress has all along been blocked by the rightwing Mineworkers' Union (MWU) led by Arrie Paulus. But when, earlier this year, the Department of Mineral and Energy Affairs came up with a draft Bill, all parties except the MWU and its ally, the SA Technical Officials' Association (Satoa), vehemently opposed it Efforts to reach settlement have since intensified.

The basic objection to the Bill is its proposal to establish a statutory selection board which will have say over which workers qualify for certificates of competency. Apart from objecting to such a board in principle, most unions and the employers oppose the fact that the rightwing would be heavily represented on it.

The black National Union of Mineworkers (NUM), a relatively new, if powerful, force on the mines, is, of course, totally opposed to job reservation and wants it removed immediately.

There have been several important meetings between the chamber, the unions and the officials' associations recently The *FM* was unable to obtain comment from the chamber's industrial relations adviser, Johann Leibenberg. But informed sources say it has been decided that an industrial council for the mining industry should be established. A large degree of consensus has also been achieved on the terms for guaranteeing certificate-holders' job security when job bars are finally lifted. Several sticking points remain, however.

The most important relates to future manning levels. The unions' basic fear is that blacks will flood the market when the definition is changed, thus giving employers the whip hand in being able to choose from a large labour pool. It is understood that the unions have been pressing for the establishment of a Certificates of Competency Training Board (CCTB) to set labour complements for the industry and to lay down entry requirements for jobs Employers have been opposing this, arguing that manning is a management prerogative.

Minister Steyn ... committed to end job reservation

A breakthrough came last week Eight of the 10 registered unions agreed in principle to an employer proposal which would allow any union to lodge a complaint with the industrial council if it believes mines are overtraining. However, the unions want the chamber to strengthen the guarantee, they want mines to advise the industrial council of their training programmes in advance.

The demand for extra guarantees is part of the unions' attempt to satisfy the rightwing But their proposals are not acceptable to the MWU and Satoa These unions are in favour of the CCTB. If the chamber is not prepared to accept it, they will be going all out for the draft Bill's statutory selection board instead.

The future application of the closed shop in the mining industry, and payment for certificates are other points of contention between the chamber, the unions and officials' associations.

Minister Steyn now has to weigh up the merits of the chamber-union job security proposals against the MWU-Satoa insistence that these do not yet satisfy the Wiehahn Commission's requirements for allaying white fears Scrapping the "scheduled person" definition while differences between the chamber and the unions remain, calls for deft judgment.

If the Minister's strategy, using the draft Bill, was to galvanise the chamber and the unions into action, it has certainly succeeded. Progress *has* been made and the majority of the unions have gone out of their way to accommodate the MWU's fears This puts Steyn in a strong position. All he needs now is the courage to act. ■

28/3/86 FIN MAIL

NATAL OPTION

Indaba under fire

Forces apparently bent on derailing initiatives towards a joint government for Natal and KwaZulu have struck in advance of the region's first constitutional conference, or indaba

The fire bombings of the home and office of Natal University social scientist Professor Lawrence Schlemmer, who used to head the Inkatha research institute, reveal the depth of political tensions

Although no one has yet claimed responsibility, the attacks were clearly a political statement of opposition The words "no indaba" were scrawled on the walls outside Schlemmer's fire-blackened offices

Given the political passions aroused by the proposed indaba, the sabotage could have been motivated by elements on either the Left or the Right. Both extremes of the political spectrum view the mooted KwaNatal merger as a threat.

Schlemmer, a former secretary of the Buthelezi Commission, is one of the chief proponents of power-sharing in the region. He recently told an influential Durban audience that, as a strategy away from the basic premise of apartheid, the move "could not be faulted." He insisted, too, that research conducted both before and after the Buthelezi Commission report indicated that the proposals had the support of the majority of the people of the region

Invitations to the indaba, which gets under way in the Durban City Hall on April 3, have already been posted The response has been encouraging The New Republic Party, the Progressive Federal Party (PFP), official parties of both ethnic houses of Parliament and a number of other interest groups have indicated a willingness to attend

FIN MAIL 28/3/86 (210)

EXHIBITION CENTRES

Showdown in Soweto

Soweto's R7m Jabavu Community Centre, built largely with funds from the Anglo-backed Chairman's Fund, has run into trouble leaving a large number of contractors short on payment.

Summonses have been issued not only against the Soweto Chamber of Commerce and Industries Trust (SCC), which is running the centre, but against Adele Lucas Promotions (ALP) which masterminded the project.

Two companies are known to have already started legal proceedings. Central Plumbing Works has issued summons for R30 180 against ALP as first respondent and the SCC as the second. Another company, Abbeydale Construction, has sued for R22 000. The summonses are being defended.

Other companies are also waiting to be paid. The *FM* understands that none of the professional firms involved in the project has been paid in full yet and at least one of them is owed about R80 000.

Yet others delayed putting in bills in the hope of picking up additional business. Their claims, which could run to six figures, will also have to be faced.

A concerned David Elstone, MD of Abbeydale Construction, tells the *FM* his company provided R220 000 worth of work at cost, on a labour-only basis, as a gesture to the community of Soweto.

No contract was signed, nor did he demand one, because of the status of the organisations involved in the project. Abbeydale received a letter of intent from quantity surveyors Farrow Laing and Partners. But with names like the Chairman's Fund and ALP as backers, Elstone says he saw no need for a formal contract.

Sidney Isaacson, a director of Central Plumbing — another creditor — believes he is even worse off and claims that 50% of his contract price is still outstanding. Other contractors, he says, are upset because they have not been paid 5%-10% of their money.

ALP's Adele Lucas acknowledges that some firms have not yet been paid in full, but points out that her firm was never financially involved and acted purely as promotional adviser to the trust.

"My company remains the trust's largest creditor," she says. "And over 40 major contractors and suppliers were paid in full."

Lucas is confident that things will improve because the trust has recently secured two major exhibitions for Jabuvu during 1986.

Attorney Raymond Tucker, who acts for the SCC confirms that summonses have been served on it. But he is reluctant to make any statements which could compromise his clients' defence.

"What I *can* say," he says, "is that our clients will say they did not contract with anyone. ALP did that. They will say, too, that it was her responsibility as principal to submit late claims to the Chairman's Fund when she submitted a request for more funds."

He says litigation will be complicated because no one really knows who the land belongs to. But, he says: "No one will win if the SCC is forced into bankruptcy."

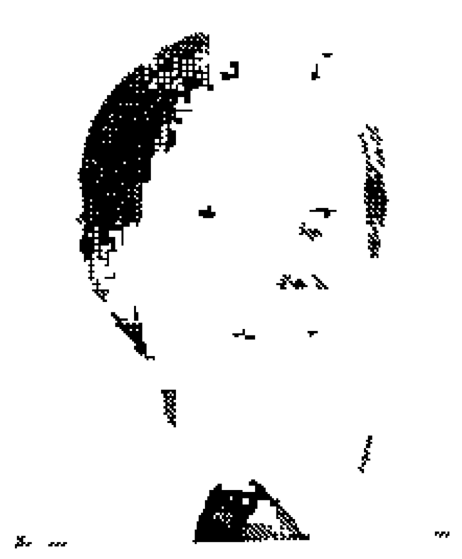
A fund spokesman (chairman Michael O'Dowd was not available) says that some R1,2m was donated to Jabavu, "but we haven't had contact with the organisers since October." He adds that a meeting with ALP is planned. ■

FIN MAIL (210) 28/3/86.

FACE TO FACE

BOBBY GODSELL

At the rockface



Bobby Godsell is industrial relations adviser to the Anglo American Corporation.

***FM*: Vaal Reefs has recently seen a strike, a go-slow and faction fighting. What is it about the mine that makes it particularly prone to labour problems?**

Godsell: I don't accept the premise of your question You have to realise that Vaal Reefs is the largest mining complex in the world, employing over 50 000 workers In the last year, we have had a fair measure of labour-management tension and, more recently, inter-employee violence This is certainly not unique in the mining industry, or in SA Turbulence in the workplace has to be seen against the turbulence in SA in general Black schools in the surrounding areas — Klerksdorp, Orkney and Stilfontein — have just been closed down

Vaal Reefs is in some respects still in the process of fully formalising its relationship with the National Union of Mineworkers (NUM) NUM-management relations have matured somewhat more slowly at the mine than at some of the other Anglo mines. I don't think there is any special significance in that — it has to do with the size of the mine Effectively, the mine has 10 shafts. By European standards each would be a mine in its own right. Some shafts have formalised their relationship with the NUM to a greater degree than others.

Faction fighting again appears to have emerged as a major problem on the mines. Can you explain this?

There are many sources of conflict on the mines I would single out the migrant labour system as the major one, and the fact that black miners live in single-sex hostels. But these are not adequate explanations of why ethnicity has raised its ugly head again.

In 1975, there was serious faction fighting on several mines belonging to different mining groups Anglo commissioned a major study into the problem and, acting on its recommendations, decided to de-ethnicise accommodation.

Anglo hostels are divided into blocks according to which mine captains the miners work for Within the blocks you do find rooms in which the workers all speak the same language I see nothing wrong with people electing to live in language-homogenous rooms Ethnicity is a factor in South African society But does that mean we have to manage our affairs in that way? I think not

Managements increasingly appear to be turning to the courts for answers to industrial disputes. What do you make of this?

Employers *are* making greater use of the courts I think they are doing this with reluctance because the best way to solve conflict is through direct negotiations.

However, the courts are by no means the worst way of solving conflicts The unions started using the courts to define and defend worker interests. Managements are now beginning to do the same.

In the short term, the benefit is that we will get greater clarity in our labour law. But, until the status of the Industrial Court is addressed and greater clarity is achieved about the definition of unfair labour practice, we are not going to see as much progress with labour law as we should.

In the longer term, both parties will realise that recourse to the law is time consuming, very costly, and doesn't build constructive relationships I think people will eventually turn back to collective bargaining and away form the courts

Political unrest is affecting shopfloor relationships. How are managements reacting to this?

Managements are reacting in the only way they can That is, to do their best to settle workplace conflict through industrial relations processes while they wait for the politicians to create adequate political machinery for all SA's people

Obviously, loading the workplace with community and political issues makes the lives of both management and union leaders much more difficult

However, there is a positive side to this spillover process because the influence works both ways If politics is affecting the workplace agenda and the issues that managers and workers have to address, then I think industrial relations processes are beginning to influence the strategies which citizens are beginning to employ to pursue their political agendas

To me, the emergence of bodies like parents' associations, education crisis committees and consumer committees, and the fact that these bodies are increasingly linking the use of power such as stayaways and boycotts to realistic demands, is an indication of the spread of negotiation in our society. Historians will view 1985 as the year in which negotiation strategies emerged prominently in the more generalised struggle of black groups for equality in society as a whole.

29/3/86 - 210

By Sheryl Raine

The Council of Mining Unions (CMU) has formally declared itself in dispute with the Chamber of Mines over the 1986 review of wages and other conditions of employment, the chamber said yesterday.

It said the dispute was declared at the second meeting held to negotiate wage increases for 24 000 members of eight unions, including the white Mine Workers Union, affiliated to the CMU.

It said: "At the first meeting on March 20, we offered to increase wages of mining industry employees by 11 percent with effect from May, but declined to consider a series of additional union demands on fringe benefits."

During negotiations on Thursday, the chamber said it had indicated that the wage increase offer was negotiable but it was "not prepared to improve other conditions of employment as well".

The CMU found that unacceptable.

In terms of the Labour Relations Act, the CMU may now request the Minister of Manpower, Mr P T C du Plessis, to appoint a conciliation board.

The chamber said: "If one (a conciliation board) is established the chamber and the unions will continue the negotiations in the more formal mode of the conciliation board."

Anglo mines want job bars scrapped

STAR 29/3/86 210

The opening of all jobs to suitably-qualified candidates of all races is a high priority throughout mines administered by Anglo American Corporation, says Mr E P Gush, chairman of Vaal Reefs, Western Deep Levels, Elandsrand, and Southvaal gold mines.

In his review for 1985, Mr Gush said only the "scheduled person" definition in the mines and works regulations prevented the possible implementation of merit-based manning in all disciplines in the industry.

For some years this had been the subject of discussion between the Chamber of Mines and the white miners' unions.

Unfortunately, he said, the Mine Workers' Union (MWU) had resisted attempts by the chamber to negotiate the security of employment undertakings with white employees and formation of an industrial council to allay doubts for white union men.

"In accordance with its oft-stated intention to permit full black employee participation in the mining industry, the Government is now obliged to legislate change of definition with or without full union backing.

"This legislation must unequivocably remove discrimination from the regulations and be adopted as a priority during the current parliamentary session."

● The Chamber of Mines has declined to comment on Press reports that there has been a "breakthrough" in talks between it and white unions about scrapping job reservation, and job security for white miners.

FIN MAIL 4/4/86

MINE LABOUR (210)

No fringe dispute

Negotiations on wages and working conditions between the Council of Mining Unions (CMU) and the Chamber of Mines have hit a stumbling block.

Last week the CMU declared a dispute over the chamber's refusal to negotiate improvements to fringe benefits over and above wage increases. The dispute has now been referred to the Minister of Manpower, who has been asked to appoint a conciliation board.

The negotiations first got under way on March 20 The chamber offered to increase wages by 11% from May, but refused to consider additional fringe benefit demands The dispute was declared after a second round of talks last Thursday in which the chamber indicated that its wage offer was negotiable, but that it was not prepared to improve fringe benefits as well this year

The original demand of the CMU, which represents 24 000 mine employees, was for a 20% wage rise. Its fringe benefit demands covered extra contributions by mine employers and employees to the Mine Employees' Pension Fund, annual leave, sick and mine accident leave, bonuses, the length of the working week, and various other allowances

According to CMU secretary Tom Neethling, the council dropped some of its demands last Thursday. It indicated a willingness to lower its wage demand if the chamber agreed to improve its remaining fringe benefit demands. But, says Neethling, "that was not enough for the chamber. It is refusing point blank to even discuss improvements to fringe benefits Surely the chamber can agree to discuss the issues?"

If the conciliation board fails to resolve the dispute, the CMU will have the option of staging a legal strike, provided its members vote for one in a ballot.

Mine employers, however, are not unduly disturbed by the dispute Says Johann Liebenberg, industrial relations adviser to the chamber. "We are not particularly perturbed by this development. It happens more often than not that wage negotiations with the CMU are completed at conciliation board level. We see it as the negotiations moving from an informal basis to a more formal basis at the conciliation board" ■

How the Chairman's Fund works

WHAT part should the private sector play to help achieve the formidable targets identified in the first article, when it comes to basic education?

The view of the Chairmans' Fund committee is that, rather than supplement Anglo American's and De Beers' taxation payments with more funds paid into the central government, it should exercise those resources of money and imagination it possesses by selecting and financing educational projects that can have a developmental impact far greater than the outlay might suggest

It is this reasoning that lies behind support for training and academic improvement schemes for teachers, for example

The biggest project undertaken in this field so far was the construction of the R2,4 million Soweto Teachers Training College

210 Part Four CITIPRESS 6/4/86

Helping to better the standard of teaching

BASIC EDUCATION

The college was the first institution where students could be trained on the Witwatersrand — rather than in their "homelands" — as teachers for secondary schools

In recognition of this improvement the status of the college was raised in 1982 from "teacher training college" to "college of education", enabling higher salaries to be offered and better qualified staff to be attracted

By 1982 600 full-time students were undergoing a three-year course to become either primary or secondary school teachers

One-third of those graduating in 1981 obtained high school teaching diplomas implying an annual production of about 150 secondary school diploma-holders

It cannot take students through to graduate level; instead, they are given two years of tuition at university standard in the hope that once they begin teaching, they will continue part-time study through the correspondence based University of SA

As well as aiming to increase the quality and number of trained black teachers in general, the college is attempting to boost the number of those competent to teach certain subjects now badly provided for in black schools

The Soweto college began offering commercial subjects to university level in 1982

Efforts to intensify its mathematics tuition, however, have been bedevilled by a shortage of qualified tutors

There are 36 lecturers at the college, half of them black, but some do not hold a degree and will have to be transferred to schools in Soweto when enough graduates can be recruited

Another teacher improvement program, in Bophuthatswana, is financed by the Chairman's Fund

Launched in 1975 by the SA Council for Higher Education and run by the government of Bophuthatswana since 1980, it is aimed at taking to matriculation standard those teachers who, though qualified to teach only at primary school level, are perforce teaching in secondary schools

Since the program began, at which point some 2 000 (60 %) of secondary school teachers in Bophuthatswana lacked the right qualification, 500 have matriculated

Tuition, lasting several hours a day for each teacher-student, goes on over six days of the week at six centres throughout the territory

Each has six tutors, who spend only two days a week there and otherwise continue with their normal school teaching

In view of the heavy demand on their energies, the teacher-students usually take three or four years to complete the matriculation course

In 1982 the Fund began providing bursaries of R2 500 to enable black, Indian or coloured graduate teachers to obtain further, or raise their existing, teaching qualifications by attending a one-year residential course at Rhodes University in Grahamstown for a teaching diploma at junior primary to secondary school level

The Fund is offering up to ten bursaries a year for the first five years of the scheme

Finally, the Fund is wholly financing the Schools English Language Research Project, one of the activities of the Centre for Continuing Education at the University of the Witwatersrand, undertaken in collaboration with the regional office of the Department of Education and Training

It is mainly concerned, not with research, but with improving Soweto teachers' knowledge of English and their ability to teach subjects covering the whole school curriculum in English

There are 12 tutors and weekly 'workshops' have been held in 20 schools in Soweto for 350 higher primary and 100 junior secondary teachers Tutors also follow up with advisory visits to teachers in their own schools

9/4/86 BUSDAY (210)

Gencor pays attention to its old lady and its baby

ROY BENNETTS

ST HELENA, Gencor's old lady of the Free State, is to spend R77m on capital expenditure this year.

More than half of this expenditure will go towards the sinking of the No 10 Shaft, which has to date absorbed R67m.

The shaft, which is being sunk to exploit the Ongegund area in the south of the present lease area, is close to its final depth of 1 370m, with four of the five planned stations having been excavated

Sinking and equipping is expected to be completed by the end of the year

By then, the mine will have spent nearly R13m on a refrigeration and bulk air plant, mainly for the No 8 Shaft

Early results indicate that there has been a significant improvement in underground conditions.

Depletion of the mine's higher grade areas at the No 2 Shaft, coupled with a marginal increase in Leader Reef mined, has resulted in a decrease in average yield from 5,4 grams a ton in 1984 to 5,2g/t last year.

About 70% of the tonnage mined is drawn from the Basel Reef and 30% from the Leader Reef.

This mix is under constant review to optimise yields while ensuring the balanced depletion of ore reserves.

Management has for some time been prospecting for viable reserves of B Reef, but now believe that only a marginal tonnage can be expected from this source.

Hopes that the Beisa mine would be reopened have been dashed by the news that the primary uranium producer has to be firmly placed on a caretaking basis and that assets worth R19m have already been sold

This leaves a further R33m in assets and equipment available for the auction block.

Gencor's Free State baby, Beatrix, is to spend R24m on capital expenditure in the current year (R38m in 1985) with R15,4m earmarked for a refrigeration plant.

Lateral expansion of mining has made installation of this plant necessary. The plant should be operational by the end of the year.

11/4/86

MINING RESEARCH (210)

FIN MAIL

Killing the goose

The country's brain drain is threatening the research foundation of the minerals industry and putting at risk some $10 billion a year in future mineral export earnings.

Council for Mineral Technology (Mintek) president Aidan Edwards says the loss of key staff to overseas countries has serious implications for the work Mintek is presently carrying out. If completed successfully, the exercise could double SA's mineral export earnings in the next 10 years from the current $10 billion a year

Explains Edwards. "While there has been much talk of the need to promote the industrialisation of SA, the harsh reality is that we are more dependent on the mining industry for our welfare than ever before. And that is not going to change for a long time

"Many Mintek researchers are internationally recognised experts in their fields If we were to lose our top 15 researchers we could be almost forced to close. This would be catastrophic for the economy when you look at the work we have done and how it has benefited the mining industry and the nation "

Mintek is also losing staff to local industry, because of better pay, and to universities, where they have the opportunity to boost earnings through private consultation work Edwards criticises the universities' approach, claiming it could lead to a deterioration in the quality of research work which could become orientated more towards personal gain than the needs of the nation

"Of the key staff we have lost over the last year," he says, "47% have gone overseas and are lost to the country while 13% have gone into private industry and 13% into universities The balance consists of staff retiring or leaving for reasons such as pregnancy

"The essential nature of our research is that we tackle projects which the private sector is not prepared to do in the initial stages because of the cost or risks involved We take it on because we see potential for developments in the national interest The rewards so far have been staggering compared with the costs of the research "

Taking just one example, the Carbon-in-pulp (CIP) process which Mintek pioneered in SA has cost about R6m in research over the last eight years But Edwards estimates the value of the additional gold which this process recovers at about R35m a year

In addition, the CIP process has made it economically feasible to recover gold from waste dumps at conventional gold plants He puts the additional revenue from this source at R75m a year

Mintek salaries, Edwards complains, are now trailing private sector levels by 10%-40% Attempts to narrow the pay differences have run into problems with the civil service pay structure

But he proposes a novel solution "A mining house may pay R2m to sink just one deep level exploratory borehole A similar sum would stabilise my work force and the resulting benefits are going to be infinitely greater "

Mintek's bottom line, he adds, is to transfer profit-making technology to industry and he believes "Mintek staff should be rewarded for their research which is making money for those private companies." ■

BUS DAY 14/3/85

(210)

Mineral sales earn R2,6bn

ROY BENNETTS

MINERAL sales in January, as recorded by the Minerals Bureau, were worth nearly R2,6bn — with R2,2bn being realised from exports.

Gold continued to lead the field, contributing 62,4% (R1,6bn) to the total from the sale of 52,4 tons, followed by coal with R417,1m, of which R258m (3,4m tons) came from overseas sales.

Ahead of the announcement of a price increase, diamond sales were worth R197,5m (R116,2m from exports). However, only exports of 1,3m carats are disclosed as local sales are classified.

Platinum and the group metals have for some time been classified, with no date available for general distribution.

Last year, SA mineral sales values jumped 40% to R20,3bn, boosted by the weak rand, with gold's contribution rising from R11,6bn in 1984 to R15,3bn last year.

It was coal, however, that claimed the 1985 success story — nearly doubling its sales value from R1,7bn to R3,1bn.

Mineral sales earn R2,6bn

BUS DAY 14/11/86 (210)

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Cooling costs for mines soars

210 SMA 12/4/86

The cost of environmental control in a modern deep-level mine may constitute as much as 20 percent of the total mine's working cost — and this proportion could rise to 30 percent in some very deep mines in the future

This was said in Pretoria by the director-general of the Department of Agricultural Economics and Marketing, Dr DW Immelman, when he opened the Frigair '86 conference in Pretoria

"It will thus be appreciated that there are great incentives to develop more cost-effective methods for controlling working thermal environments," he said

"The South African mining industry is actively conducting and promoting research and development into improved designs of mine refrigeration systems

"Mine cooling practices have been in a constant state of evolution throughout most of this century, due to the increasing depths and the increasing pressures on mining companies to not only improve working conditions but also to minimise working costs

"These pressures will persist and can be expected to result in the development of a new generation of mine cooling technology during the next few years," he said

Frigair '86 was the third such conference to be held in South Africa, Dr Immelman said

(1) (a) What total amount was spent in respect of combating unemployment in each of the latest specified three years for which figures are available and (b) how was each of these amounts divided per objective;

(2) in respect of each of these years, (a) how many persons were trained by the (i) State and (ii) private sector, (b) how much did the State pay to the private sector per person in training and (c) what was the average length of the training by the (i) State and (ii) private sector,

(3) how many persons so trained were employed by (a) the State, (b) the agencies which provided the training and (c) other agencies in each of these years?

The MINISTER OF MANPOWER:

	Financial Year 1983/84	1984/85	1985/86
(1) (a)	R124,36 mil	R126,60 mil	R259,30 mil
(b) Place in employment	R12,13 mil	R10,21 mil	R7,73 mil
Wage subsidy	R0,40 mil	R0,42 mil	R0,43 mil
Sheltered employment	R4,64 mil	R6,15 mil	R5,26 mil
Workshop for the Blind	R1,06 mil	R1,12 mil	R1,18 mil
Unemployment Insurance Benefits	R104,51 mil	R104,79 mil	R219,43 mil
Training of Unemployeds	—	—	R11,35 mil*
Training of workseekers	R1,62 mil†	R3,91 mil‡	R7,82 mil*
Special employment creation by the Private Sector	—	—	R6,10 mil
(2) (a) (i) Workseekers	None	None	None
Unemployeds	None	None	None
(ii) Workseekers	3 852†	9 250‡	12 748*
Unemployeds	None	None	44 560*

(b) Workseekers—Course fees vary between R90,00 and R200,00 per week depending on the type of course in which training is provided

Unemployeds—R22,00 per person per day

(c) (i) Falls away

(ii) Workseekers—6 weeks
Unemployeds—12 days

(3) (a) Workseekers—None
Unemployeds—None

	1983/84	1984/85	1985/86
(b) and (c) Workseekers	2 301†	3 973‡	2 918*
Unemployeds	None	None	±25 per cent

Footnote: † Calendar year 1983
‡ Calendar year 1984
* Calendar year 1985

HoA

Eastern Cape Development Board

HANSARD 17/4/86

172 Mr P R C RODGERS asked the Minister of Constitutional Development and Planning

What was the total amount received from each of the Black townships administered by the Eastern Cape Development Board within the corridor between the Republic of Ciskei and the Republic of Transkei in the form of (a) rates and (b) rentals during the latest specified period of 12 months for which figures are available?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

Figures in respect of service charges and house rent were not kept separate for the period 1 January to 30 June 1985 and the figures for this period therefore include both categories. No houses in Kei Mouth and Kei Road belong to the Development Board and no house rent was therefore collected.

	01/01/1985 to 30/06/1985 (a) Service charges and (b) House rent
Queenstown	R229 663,79
Cathcart	R37 875,08
Stutterheim	R51 206,99
Komga	R21 725,96
East London	R461 853,76
King William's Town	R94 138,60
Kei Mouth (Service charges only)	R3 501,00
Kei Road (Service charges only)	R1 741,26

	01/07/1985 to 31/12/1985 (a) Service charges	(b) House rent
Queenstown	R163 936,19	R23 240,01
Cathcart	R24 008,47	R761,03
Stutterheim	R31 470,55	R145,62
Komga	R22 440,58	R45,75
East London	R137 903,02	R26 485,92
King William's Town	R76 687,69	R6 697,86
Kei Mouth	R3 342,50	—
Kei Road	R1 523,47	—

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Mines

HANSARD 17/4/86 210

495 Mr L F STOFBERG asked the Minister of Mineral and Energy Affairs:†

(1) (a) How many mines were active in the Republic as at the latest specified date for which figures are available and (b) according to what criteria are these mines, regard being had to the main product being mined, subdivided into groups,

(2) (a) how many mines in each such group closed over the last 10 years, (b) what were the main reasons for the closure in each case and (c) how many persons were employed at each mine group in each of these years;

(3) what, in respect of each of these mine groups in each of the latest specified five years for which figures are available, was (a) the revenue of the State (i) in tax, (ii) from mining leases and (iii) from other specified sources and (b) the expenditure of the State in respect of the subsidization of marginal mines?

HoA

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) (a) According to available figures approximately 870 mines (including 545 quarries and salt works) were active in the RSA, during 1985

(b) No criteria other than the main product (mineral) being mined is applied in the subdivision of mines into groups.

(2) (a) Particulars are not available but annexures A and B show the number of mines in each group as at the end of each year

(b) The main reasons for the closing of mines are depletion of ore reserves; reduction in the market price; reduced demand, especially on the foreign markets; and increased costs.

(c) Refer to Annexures A and B.

(3) (a) (i), (ii) and (iii) Refer to Annexure C

(b) The expenditure of the State in respect of assistance granted to gold mines in terms of the Gold Mines Assistance Act, 1968 (Act 82 of 1968), were as follows.

1980-81	1 665 967
1981-82	21 335 275
1982-83	50 278 540
1983-84	28 066 585
1984-85	47 264 656

ANNEXURE A

NUMBER OF WORKING MINES AND AVERAGE NUMBER OF PERSONS EMPLOYED 1976 TO 1985

	Gold						Diamonds					
Year	Number of mines	Whites	Asians	Coloureds	Blacks	Total	Number of mines	Whites	Asians	Coloureds	Blacks	Total
1976	71	38 697	16	578	362 616	401 907	21	3 289	10	2 390	11 726	17 415
1977	74	39 194	21	729	385 048	424 992	22	3 300	9	2 408	11 734	17 451
1978	71	39 172	20	793	400 236	440 221	26	3 304	8	3 154	12 459	18 925
1979	67	41 492	24	921	413 118	455 555	28	3 661	17	3 912	14 089	21 679
1980	71	43 610	28	962	431 394	475 994	51	3 571	6	3 700	12 751	20 028
1981	77	45 573	27	972	439 401	485 973	54	3 588	6	3 990	12 412	19 996
1982	77	48 382	27	959	434 702	484 070	54	3 384	7	3 689	10 984	18 064
1983	76	47 935	30	939	445 641	494 545	56	3 211	9	3 524	10 118	16 862
1984	81	48 580	41	979	460 572	510 172	61	3 177	11	3 600	10 210	16 998
1985	77	49 606	57	1 100	472 211	522 974	62	3 117	12	3 258	10 203	16 590

	Tin						Asbestos					
Year	Number of mines	Whites	Asians	Coloureds	Blacks	Total	Number of mines	Whites	Asians	Coloureds	Blacks	Total
1976	5	223	0	0	2 722	2 945	33	1 110	0	492	19 902	21 504
1977	5	235	0	1	2 954	3 190	31	1 168	0	569	19 928	21 665
1978	5	248	0	0	3 006	3 254	28	772	0	295	11 976	13 043
1979	5	266	0	0	3 166	3 432	23	695	0	237	11 143	12 075
1980	5	271	0	0	3 221	3 492	19	687	0	240	11 003	11 930
1981	4	262	0	0	3 089	3 351	17	652	0	239	18 017	11 708
1982	4	249	0	0	2 954	3 203	10	630	0	240	9 761	10 631
1983	3	257	0	0	2 960	3 217	9	589	0	203	8 625	9 417
1984	3	257	0	0	2 982	3 239	8	529	0	154	7 184	7 867
1985	3	278	0	0	3 034	3 312	8	492	0	126	6 185	6 803

HoA

ANNEXURE A (continue)

	Chrome						Manganese					
Year	Number of mines	Whites	Asians	Coloureds	Blacks	Total	Number of mines	Whites	Asians	Coloureds	Blacks	Total
1976	18	490	0	1	8 469	8 960	16	533	0	211	8 432	9 176
1977	20	667	0	3	11 886	12 556	16	740	0	304	8 551	9 595
1978	18	693	0	6	11 712	12 411	18	819	0	285	7 623	8 727
1979	18	650	0	2	10 868	11 520	23	862	2	302	7 109	8 275
1980	18	548	0	1	8 615	9 164	22	895	0	286	6 692	7 873
1981	19	506	0	3	7 694	8 203	19	875	0	217	5 309	6 401
1982	16	439	0	1	5 968	6 408	18	790	0	177	4 364	5 331
1983	16	398	0	1	5 081	5 480	14	599	1	109	2 455	3 164
1984	15	358	0	1	5 328	5 687	14	451	0	110	2 019	2 580
1985	15	385	0	0	6 390	6 775	15	446	0	117	2 182	2 745

	Coal						Copper					
Year	Number of mines	Whites	Asians	Coloureds	Blacks	Total	Number of mines	Whites	Asians	Coloureds	Blacks	Total
1976	54	6 809	65	327	71 112	78 313	5	2 357	0	1 889	8 983	13 229
1977	72	5 879	274	518	73 944	80 615	4	2 583	0	1 690	8 913	13 186
1978	63	8 528	489	194	81 789	91 000	5	2 207	1	2 182	8 569	12 959
1979	82	9 258	492	3 243	79 206	91 469	5	2 278	0	2 941	9 560	14 779
1980	103	18 713	804	4 132	99 198	122 847	5	2 077	0	2 808	8 666	13 551
1981	104	21 170	808	3 411	105 070	130 459	5	2 379	0	2 685	9 517	14 581
1982	105	14 791	574	934	94 746	111 045	5	2 439	2	2 523	9 129	14 093
1983	90	11 602	396	200	78 787	90 985	5	2 353	1	2 475	8 435	13 264
1984	92	12 045	391	172	83 430	96 038	5	1 901	1	2 026	7 050	10 978
1985	94	13 019	391	154	85 125	98 689	6	1 862	1	2 009	7 079	10 951

	Iron Ore						Other					
Year	Number of mines	Whites	Asians	Coloureds	Blacks	Total	Number of mines	Whites	Asians	Coloureds	Blacks	Total
1976	12	2 168	1	294	6 871	9 334	77	4 339	2	316	67 342	71 999
1977	9	2 421	1	196	6 753	9 371	73	5 717	1	327	69 587	75 632
1978	9	2 475	1	156	5 790	8 422	67	3 328	2	305	33 615	37 250
1979	9	2 554	0	155	6 112	8 821	66	3 700	3	336	41 533	45 572
1980	12	2 471	0	146	6 644	9 261	65	3 837	2	251	41 903	45 5993
1981	9	2 644	0	161	6 628	9 433	59	3 734	0	295	38 561	42 590
1982	10	2 779	0	181	6 348	9 308	49	3 393	0	260	20 149	33 802
1983	9	2 413	0	91	4 644	7 148	42	3 484	0	188	28 722	32 394
1984	10	2 206	0	97	4 435	6 738	38	3 561	0	166	31 495	35 222
1985	10	2 355	0	116	4 651	7 122	35	3 880	0	189	33 724	37 793

HoA

Black township. Duncan Village, East London		Financial year 1984-85 R
Agency Cost: Development Board		64 653
Insurance		29 711
Contributions—Employer		6 662
Consumables		1 902
Rent: Vehicles		27 276
Service charges		431 083
Replacement of furniture and office equipment		10 117
Tools and equipment		19 300
Cost of conveying		499
Cleaning materials		6 383
Medical services		4 005
Capital Development Fund	Interest	4 457
	Redemption	4 154
Community Development	Interest	13 878
	Redemption	26 956
Postal service		1 096
Subsistence allowances		443
Telephone		14 046
Allowances Community Council members		6 480
Entertainment fees		313
Bad debts		1 940
Contributions. Community Facilities Fund		500
Bursaries		3 000
Fuel		13 651
Maintenance: Buildings		78 143
Subscriptions		383
Election costs		122
Computer services		4 166
Plague combating		470
Music rights		134
Sundries		2 951
Gratuity		4 308
Licence fees		60
Security		6 379
Advertisements		118
Maintenance.	Furniture	361
	Street lights	45
	Cemetery	549
	Sport grounds	1 947
	Swimming pools	1 193
	Traffic signals	118
	Sanitation	9 867
Donations		18 000
Total		R1 487 422

(ii) Development schemes	15 955
(iii) Other expenditure:	Nil

HoA

Black township: Duncan Village, East London	Financial year 1984-85 R
(2) Amount spent on:	
(a) Housing	202 028
(b) The building and/or maintenance of roads and drains	72 679
(c) Provision of electricity, including street lights	Nil
(d) Refuse removal	Nil
(e) Other amenities and services:	
Buildings	9 489
Water	12 880
Total	R22 369
(3) Other development schemes:	Nil
(a) Not applicable.	
(b) Not applicable.	

Stutterheim

727. Mr E K MOORCROFT asked the Minister of Constitutional Development and Planning.

With reference to his reply to Question No 83 on 6 March 1986, what was the nature of the costs itemised as "Agency Costs: Development Board" for the Black township of Stutterheim?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

Agency Costs for the Black township of Stutterheim:

	Financial year 1984/85
Bank Charges	R 538
Audit fees	R 512
Personnel	R 1 130
Data	R 2 401
Audit	R 2 934
Costing	R 588
Income	R 1 065
Expenditure	R 1 031
Salaries	R 1 227
Capital Funds	R 476
Budgeting and Income Financial Statements	R 1 513
Inventories	R 177
Personnel Maintenance	R 1 191
Secretariate	R 4 003
TOTAL	R18 786

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HANSARD 17/4/86

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Mines

732. Mr B B GOODALL asked the ~~Minis-~~ ter of Mineral and Energy Affairs

(a) How many mines received financial assistance in terms of the Gold Mines Assistance Act, No 82 of 1968, (b) how many persons were employed by each of these mines, and (c) what was the amount of the assistance in respect of each such mine, in the latest specified period of 12 months for which figures are available?

HoA

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(a) During the 1984/85 financial year six mines received financial assistance in terms of the Gold Mines Assistance Act, No 82 of 1968 During 1985/86 only five mines received assistance.

(b) and (c) The number of people employed by each of these mines (in September 1984) and the amounts paid to the various mines are as follows

	People Employed Sept 1984	Amounts Paid 1984/85	Amounts Paid 1985/86
		R	R
Balmoral Gold Mining Co. Ltd	384	114 547	203 376
Durban Roodepoort Deep Ltd.	12 228	8 448 872	1 258 902
East Rand Proprietary Mines Ltd	20 043	36 965 322	21 430 793
Primrose Gold Mining Co Ltd	430	24 264	—
Stanhope Gold Mining Co Ltd	351	170 457	4 400
Witwatersrand Nigel Ltd	2 368	1 541 194	5 489 039
	35 804	47 264 656	28 386 510

Cradock: civil engineering company

HANSARD

736 Mr A SAVAGE asked the Minister of Manpower:

Gov 1195 17/4/86

(1) Whether his Department made any benefits available to a civil engineering company in Cradock, the name of which has been furnished to the Minister's Department for the purpose of his reply, to generate jobs for unemployed persons in terms of the unemployment relief scheme, if so, (a) when (i) was an agreement regarding this scheme first reached between this company and his Department and (ii) were benefits first paid to the company, (b) what were the terms of the agreement and (c) what is the name of this company;

(2) whether his Department provided this company with written approval for a proposed scheme to provide jobs for unemployed persons; if so, (a) when and (b) what was the nature of the proposed scheme;

(3) what was the nature of the project on which these unemployed persons were given employment;

(4) whether his Department had reached any agreement with this company prior to awarding the contract to it, if so, (a) why and (b) what were the terms of this agreement;

(5) what (a) was the nature of the employment provided to labourers employed under this scheme, (b) were the wages paid to the labourers and (c) was the amount due to be paid to this company by his Department in terms of this agreement;

(6) whether this company was required to submit a schedule of expenses; if not, why not, if so,

(7) whether any such schedule was submitted; if not, (a) why not and (b) what action was taken as a result of the failure to do so; if so, what (i) was the breakdown of expenses to this company in respect of this scheme and (ii) were the expenses of the company per labourer;

(8) whether any payments were made to this company in terms of these expenses, if so, (a) what amounts and (b) when,

(9) whether such benefits are still being paid to this company, if not, (a) when were they stopped and (b) why,

(10) whether any other private contractors (a) have reached any agreement with his Department in respect of this unemployment relief scheme and (b) have received any payments in this regard; if so, (i) what are the names of these contractors, and (ii) what amounts have they received, in each case,

(11) whether his Department took any steps to (a) terminate this scheme or (b) cancel the contracts with these companies; if so, (i) what steps, (ii) why, (iii) when and (iv) with what result;

(12) (a) what was the total cost to his Department of this scheme, (b) over what specified period was the scheme in operation and (c) how many persons were employed during this time,

(13) whether he will make a statement on the matter?

The MINISTER OF MANPOWER·

(1) Yes

(a) (i) 11 December 1985.

(ii) 28 February 1986.

(b) A specimen of the agreement form used for such contracts is appended.

(c) S Colarossi & Co (Pty) Ltd.

(2) Yes

(a) 11 December 1985.

(b) Digging trenches.

(3) Digging trenches for sewer and waterpipes at the new prison complex.

(4) No.

(a) and (b) Fall away.

(5) (a) Digging trenches

(b) An allowance of R4 per day was paid to unemployed persons engaged on the project.

(c) R144 000.

(6) Yes.

(7) Yes

(a) and (b) Fall away.

(i) R4,00 per capita per day allowances plus R4 per day overhead expenses per unemployed person engaged.

(ii) R8,00 per day

(8) Yes.

(a) R57 600.

(b) 28 February 1986.

(9) Yes.

(a) and (b) Fall away

(10) (a) Yes.

(b) Yes.

(i) Contracts were signed with 384 private contractors in various regions of South Africa Details can be made available if required.

(ii) The total amount to be paid to the contractors is R10,2 million

(11) (a) No

(b) No.

17/4/86 · BUSDAY (210)

Relly warns of economic obstacles

STEPHEN CRANSTON

SOUTH AFRICA will face considerable economic and political obstacles in the closing 15 years of this century, particularly in job creation for the 18-million-strong workforce in the year 2000, Anglo American chairman Gavin Relly said yesterday.

He told a conference on "The economic future of the East Rand region" in Springs that six million new jobs would have to be found by the year 2000 and "we already have a large backlog in terms of houses, schools, hospitals and roads.

"Our emphasis must now be directed to building houses and providing infrastructure in many of our poorer areas."

Relly also stressed that economic growth went hand-in-hand with political reform: "We must ask ourselves whether the entire reform process which is under way is sufficiently bold, flexible and imaginative to see us through to an improved economy."

Relly praised measures recently introduced which empower the State President to suspend laws which impede the workings of the informal sector.

"An environment must be created allowing freedom of economic activity for all."

He said the East Rand represented an important area in SA and included several townships in which emotions had run high in recent times.

By developing a strategy for the economic future of this region, it would be imperative to address many of the issues currently being debated in the townships.

FIN MAIL 18/4/86

210

MINING

Building up bulwarks

A bold new plan, designed to shore up SA's dominant position in world mineral markets, has been announced It proposes strong measures to encourage confidence among foreign buyers, maintain foreign investment and stimulate the beneficiation of local raw materials.

A new draft White Paper on the country's mineral policies, drawn up by the Department of Mineral and Energy Affairs (DMEA), emphasises the importance of the mining industry to the economy, the value of mineral beneficiation, and SA's dependence on foreign trade and investment participation both immediately and in the future.

Two main factors have contributed to the preparation of the paper Firstly, in a climate where disinvestment and sanctions are a constant threat, South African suppliers are feeling increasingly vulnerable. The fact is that although SA currently plays a dominant role in world mineral exports, none of its metals or mineral resources are exclusive to the country.

Secondly, the decision was strongly influenced by the Council for Mineral Technology (Mintek), says president Dr Aidan Edwards He says Mintek has been campaigning for the promotion of mineral beneficiation for some time. In fact, Mintek and the Minerals Bureau were largely responsible for drawing up the document "What government is trying to say," says Edwards, "is that it will provide every incentive possible to encourage the development of the beneficiation of the minerals industry."

Early this year State President P W Botha announced that a White Paper would be tabled on the refining of SA's minerals "in order to promote our economic development, export trade and the creation of employment"

Last year, according to the Minerals Bureau, mineral sales were worth R2,6 billion, with R2,2 billion coming from exports.

The draft has been distributed for comment, but the industry is reluctant to talk until it sees the final version, which is likely to go before parliament this session

The objective, says the paper, is to obtain: "The optimal utilisation of the country's mineral resources to the advantage of all its inhabitants"

Contributory objectives include the maintenance of sustained mineral search, sound mineral resource management, optimal utilisation of manpower, minimum environmental damage, optimum beneficiation of minerals and ensuring maximum benefit from the export of minerals

SA must also maintain an attractive mineral investment environment and it should co-operate on mineral matters with the other states of southern Africa. Strategies have been drawn up for each of the objectives.

Refining ... boosting the industry

The paper says SA is dependent not only on its exports, but also on foreign investors to keep its economy afloat The mineral industry is largely operated by only six mining houses, each of which enjoys substantial overseas investment. The sector employs more than 700 000 people.

The White Paper sees the most constraining factor on the expansion of the beneficiation industry as "the relatively small size of the domestic market for its products.

It warns that other inhibiting factors could be a shortage of skilled manpower and capital to establish new projects. Development, however, should take place, the paper urges, "with a view to both import substitution and increasing foreign exchange earnings."

One government source indicates the paper will be expected to assure both foreign customers and investors that South African supplies are still safe and reliable For this reason, the paper also lays great emphasis on manpower policy and states that all "discriminatory legislation" will be removed. ■

● See Page 5

BUS DAY 21/4/86 210

Mines paid 28% less tax

JOHN TILSTON

TAX paid by gold mines in the first quarter of the year declined by 28% to R812,1m from the previous quarter's R1,12bn, according to an analysis of the gold mine quarterly reports

The decline was a direct result of the stronger rand which significantly reduced the rand price of gold. The average value of the rand was 23% higher in the first quarter of this year, while the price of gold in dollars was on average only 6,2% higher at $343

The lower receipts suggest that, barring unforeseen developments, the prediction in last month's budget that State tax and leasing receipts from gold mines would decline by 7,7% to R2,82bn this year was realistic

Last year the gold mining industry paid just over R3bn in tax, but high inflation (generally expected to average about 17% for the year), relatively high capital expenditure by the mines and the generally stronger rand will all trim mine profitability.

Nevertheless, despite lower rand profits, the industry actually increased its dollar earnings from $1,53bn to $1,66bn.

The largest group of taxpayers was the Anglo American mines, which provided for tax and State's share of profits totalling R322,6m.

The newly-merged Free State Mines themselves paid R108m, 34% less than in the previous quarter. Gold Field's of SA mines paid R258,5m, Gencor gold mines R149,5m, and Anglovaal R86,6m. JCI saw a 64% reduction in its tax bill to R12,6m

walks Libyan tightrope

BUS DAY 21/4/86 (210) (~~320~~)

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Q col 1319

Vagrancy/drunkenness

HANSARD 23/4/86

354 Mr K M ANDREW asked the Minister of Law and Order

How many (a) males and (b) females of each race group were arrested in 1985 for (i) vagrancy and (ii) drunkenness in the Cape Town police station area?

The MINISTER OF LAW AND ORDER

	(a) (i)	(a) (ii)	(b) (i)	(b) (ii)
White	57	12	511	37
Coloured	662	255	2 738	855
Asian	—	—	—	—
Black	63	15	223	26

Q col 1319

Mineral products

HANSARD 23/4/86 210

438 Mr L F STOFBERG asked the Minister of Finance †

(1) Whether there were any fluctuations in the rand prices of mineral products recently, if so,

(2) whether his Department exercises control over the indicated (a) selling prices, (b) tonnage in relation to such selling prices and (c) yields in respect of mineral products, if not, why not, if so, what control in each case,

(3) whether the exchange receipts in respect of mineral products are realised in accordance with the actual selling prices abroad, if not,

(4) whether he intends taking steps to ensure that exchange and tax receipts in this connection are maximised, if so, what steps?

The MINISTER OF FINANCE

(1) Yes The value of the rand has also fluctuated against other currencies

(2) (a), (b) and (c) No The sales of minerals takes place on the free market As these are highly competitive markets the Government cannot prescribe selling prices or yields to any-one

(3) In terms of the Exchange Control Regulations 1961 no person may export goods at a price less than the value thereof

(4) Control over the receipt of export proceeds is exercised by the banks by way of a prescribed export declaration form, which must be completed by exporters at the time of shipment, and on which *inter alia* is stipulated the amount to be received and the date of receipt Any person failing to comply with the requirement to transfer to South Africa the full proceeds of exports within a period of seven days of payment is guilty of contravening the Exchange Control Regulations and liable on conviction to a fine of up to R250 000 Spot checks on the receipt of the proceeds of exports are undertaken by inspectors of the South African Reserve Bank

In terms of section 103 of the Income Tax Act losses arising from the sale of minerals (particularly precious stones) at less than their market value, can be disregarded in calculating taxable income

As is evident from the abovementioned information, the Government through the enforcement of section 103 of the Income Tax Act and the exchange control regulations, seeks to maximise exchange and tax receipts

Q col 1319

Bheki Zacharia Mvulani

HANSARD 23/4/86

448. Mr P G SOAL asked the Minister of Law and Order·

(1) Whether, with reference to his reply to Question No 14 on 11 June 1985, the inquest into the death of Bheki Zacharia Mvulani has been completed, if not, why not, if so, (a) when and (b) what were the findings,

(2) whether any action has been taken as a result of the findings, if not, why not, if so, what action,

(3) whether he will make a statement on the matter?

The MINISTER OF LAW AND ORDER

(1) Yes

(a) 11 February 1986.

(b) The presiding magistrate could make no finding as to whether the death was caused by an act or neglect which includes or constitutes a crime on the part of someone else

(2) No, the inquest docket has been referred to the Attorney-General for his decision

(3) No.

Q col 1321

Stock theft

HANSARD 23/4/86

450 Mr P R C ROGERS asked the Minister of Law and Order

(a) How many cases of theft of (i) small stock and (ii) large stock were reported in the police station area of Komga during 1985 or the latest specified period of 12 months for which figures are available and (b) how many persons in the said area were charged with theft of (i) small stock and (ii) large stock during that year or period?

The MINISTER OF LAW AND ORDER.

January to December 1985

(a) (i) 55

(ii) 6

(b) (i) 41

(ii) 3

Stock theft

451. Mr P R C ROGERS asked the Minister of Law and Order

(1) How many cases of theft of (a) small stock and (b) large stock were reported in the police station areas of (i) East London, (ii) King William's Town, (iii) Stutterheim, (iv) Cathcart and (v) Queenstown during 1985 or the latest specified period of 12 months for which figures are available,

(2) how many persons were charged with theft of (a) small stock and (b) large stock in each of these police station areas during the said year or period

The MINISTER OF LAW AND ORDER

January to December 1985:

	(1) (a)	(1) (b)	(2) (a)	(2) (b)
(i) East London	37	34	16	8
(ii) King William's Town	27	5	3	—
(iii) Stutterheim	124	29	77	2
(iv) Cathcart	28	5	11	2
(v) Queenstown	139	13	32	—

Q col 1322

Trespass

HANSARD 23/4/86

467. Mrs H SUZMAN asked the Minister of Law and Order

How many (a) Whites, (b) Coloured persons and (c) Indians were arrested for trespass by the South African Police in 1985?

The MINISTER OF LAW AND ORDER·

(a) 929

(b) 11 097.

(c) 723.

D

24/4/86 BUSDAY 210

SA minerals vital to US defence

CHARLES EBINGER

THE US imports more than 50% of its needs for more than two dozen minerals deemed of either "strategic" or "critical" importance to national defence

Three at the top of the list — chromium, manganese and platinum — are obtained in large part from SA, and much of a fourth (cobalt) is exported from landlocked countries in the region through SA's transport system and ports

Aside from the existence of a stockpile of minerals deemed vital to support US defence, industrial and essential civilian requirements during a prolonged military conflict or declared national emergency, the US has no unified strategic minerals policy

In May 1985, an interagency task force representing the US Department of Commerce and the Department of Defence (DOD) travelled to SA for "the purpose of gaining first-hand knowledge of the current status and outlook of the SA minerals industry"

The findings were then to be utilised to evolve "a more effective interagency approach for the monitoring and assessment of US minerals and materials dependency patterns and the potential impact of disruptions in the supply from primary foreign sources such as the Republic of SA"

The conclusions of the mission, published in July 1985, generated renewed debate over the importance of SA mineral dependency for US national security Some of the mission's major findings were

☐ The maintenance of free market access to manganese, vanadium, chromium, platinum metals, gold, feroalloys and cobalt produced in and/or shipped through SA is vital for the continuing US defence buildup and for industrial preparedness in the event of a national security emergency;

☐ The recent rapid decline of the US mining and mineral processing industry base, together with concurrent pressures to reduce the US stockpile of strategic and critical materials, has led to the reality of growing potential leverage for SA over the US economy; and

☐ In contrast to the Soviet Union, which is virtually self-sufficient in strategic and critical minerals and materials, the US and its allies must confront an increasingly complex and vulnerable system of production and distribution.

The implications of these new realities for assessing the strategic balance and for formulating national security strategic policies and programmes for the US and its allies are profound

While the Commerce/DOD study was viewed in some quarters as a defence for greater support of a beleaguered SA regime confronted by complex political problems, the study takes on a different light when the recommendations are examined in their totality

The study suggests consultation with the private sector on the economic dynamics of the demand side of the market for various strategic minerals It urges an examination of possible alternative world sources of strategic minerals and calls for greater interagency policy co-ordination led by the Commerce Department.

Finally, the study calls on the US, Western Europe, and Japan to co-ordinate their strategies and policies to maintain open access and free markets for essential critical and strategic minerals and materials

Meanwhile, the Congressional Office Of Technology Assessment (OTA) published a study of its own in May 1985

OTA's central conclusion was that there is no single generic approach to reducing materials import vulnerability; instead, different actions have to be taken for each key metal.

OTA argued that any overall strategy to reduce US reliance on undependable sources of strategic materials should be based on an amalgam of three technical approaches

1 Increasing the number of world sources of strategic metals by seeking and developing promising deposits outside of southern Africa and the Soviet bloc;

2 Decreasing the demand for strategic metals by implementing improved manufacturing processes and by recycling strategic materials from scrap and waste; and

3. Identifying and testing substitute materials for current applications and developing new materials with reduced strategic material content for future applications

OTA's conclusions were at sharp variance with those of still another independent report by John R Thomas Dr Thomas, a Soviet affairs specialist with the Department of State, argued that a central goal of Soviet foreign policy was to deny or disrupt Western and Japanese access to Third World natural resources.

Debate in the national security community was further polarised in July 1985 when President Reagan, acting on the advice of the National Security Council, but in opposition to three Cabinet departments (Defence, Interior, and Commerce), proposed a major reduction in the National Defence Stockpile

Taking the position that the Carter Administration had significantly overestimated the amount of materials that would be needed to fight a three-year conventional war, Reagan proposed trimming the stockpile's envisaged size from $16,3bn in materials to $6,6bn.

The White House press release stated that today's high-technology military hardware was less "material intensive" and so a smaller stockpile would suffice

Inquiries to the NSC (which has not released its report on strategic minerals to Congress) concerning whether or not the "economic" impact of potential mineral supply disruptions had been taken into consideration in the NSC analysis, received the response that all discussion of this issue was embargoed

It appears that the Press release on the proposed reduction of the stockpile generated such adverse reactions on Capitol Hill that the White House subsequently asked the Office of Management and Budget (OMB) to reaffirm that a minerals supply curtailment would not jeopardise the US economy

To the consternation of the administration, however, OMB's report disagreed with the NSC's conclusions and was itself "embargoed" In turn, Congress has added to the confusion by refusing to allow the GSA to follow through on the administration's proposal until appropriate congressional committees have had an opportunity to review the long-awaited NSC report.

While heated debate continues on the strategic minerals issue, several conclusions can be drawn.

1 The US needs a well co-ordinated and articulated minerals programme with clearly defined policy goals Today's *ad hoc* policymaking will not suffice.

2. The formulation of a coherent national minerals policy is hampered by the involvement of too many bureaucracies with diverse statutory responsibilities in the policymaking process.

3. A key source of the present confusion over strategic minerals is the fact that economic vulnerabilities and national security vulnerabilities (which often are not approached in an integrated way in minerals debates) may be different both qualitatively and quantitatively

4 Movement toward coherent minerals policymaking is also impeded by the undue influence of political ideology, with believers in a Soviet grand "strategic design" targeting southern Africa squaring off against those who view the West's minerals vulnerability in less apocalyptic terms.

5 The issue of US vulnerability to disruptions of the flow of minerals from SA cannot be addressed in the absence of broader US policy goals in the region and a clear perception of the potential conflict between short versus long-term US interests

6 While the OTA report has its faults, the issue it raises about US dependence on southern African resources deserve serious consideration by Congress and the administration

Charles Ebinger is director of the Georgetown University Centre for Strategic and International Studies' Energy and Strategic Resources Programme This article was extracted from a paper published by the African Studies Programme of the CSIS

Proven World Reserves of Selected Strategic Minerals

	Percent of Total World Reserves		Percent of Total World Reserves
Platinum		**Manganese**	
South Africa	80,8	South Africa	70,8
USSR	16,7	South Africa	20 8
United States	1 3	Australia	4,5
Canada	0 8	Gabon	3,7
Other	0,4	United States	0 0
		Other	0 2
Chromium		**Cobalt**	
South Africa	83,8	Zaire and Zambia	31 5
Zimbabwe	11,0	Cuba	21 7
USSR	1,9	New Caledonian	10,3
Turkey	1,1	United States	10 3
United States	0,0	USSR	2,7
Other	2 4	Other	23 3

Sources US Bureau of Mines and the US Department of Commerce

Seriousness of debt issue not grasped, say experts

STAR 24/4/86

210

It is now almost eight months since South Africa stunned bankers at home and abroad with the declaration of a freeze on the repayment of a multi-billion-rand mountain of debts owed to overseas creditors

Hard on the heels of the declaration of a State of Emergency, it came as yet another crisis to be added to a chain of woes

South Africa's faultless record in international financial markets was shattered and its global credit-rating went into a tail-spin

Yet most newspaper readers still look blank over accounts on how the financial wizards go into regular huddles in distant capitals and in turn issue terse statements — often obscured by economic jargon — on piecemeal agreements to renegotiate the terms of the loans and stretch out the timetable of settlements

By Michael Chester

Most of them are still in the dark about both the size and degree of seriousness of the debt issue

Merchant bankers at Mercabank have tried to dispel the fog and put the crisis into focus with a study undertaken by the Bureau for Economic Policy and Analysis at the University of Pretoria The main points are made in the accompanying graphics

But even among the gurus, opinions differs on the root causes of the crisis

Last straw

Most lay the blame on politics, and trace the chain of events triggered when Chase Manhattan Bank of New York, the first of a long list of banks in the United States, announced it was slashing its credit lines to South Africa as it came under increasing pressure from anti-apartheid lobbies

They are convinced the US banks considered it the last straw when the State of Emergency was clamped down in a vain attempt to calm the wave of black unrest

However, Mr Louis Geldenhuis, a prominent Johannesburg economist, argues it is far too simplistic to blame it all on politics

Overseas banks, he believes, turned off the credit taps because they had become fretful about South Africa's poor economic performance in recent years

There are also divisions about the seriousness of the standstill

Certainly South Africa is not alone in having severe international debt problems

Even Dr Fritz Leutwiler, the Swiss banker called in as mediator between SA and its creditors, has conceded that hardly a single country on earth could repay all its short-term loans in one go

The academics at Pretoria University take another angle They have worked out that to clear all foreign debts, every man, woman and child in South Africa would need to chip into the kitty about US$760 (around R1 500)

However, they found there were lots of other countries with even deeper debt problems if analysed on a per capita basis For instance, in South America, infamous for the debts, the comparable burden in Chile amounted to $1 230 and in Argentina is was $1 180

But even Australia, which stays well away from the debt headlines, would, need no less than $1 920 from everyone to settle with its creditors

Mr Geldenhuis prefers another perspective He estimates that the debt dilemma will strip at least 1,4 percent from South Africa's annual economic growth rate — causing the loss of a potential 90 000 new jobs being created every year

Cures for the problem?

"The more reform policies appear in positive headlines", says Dr Leutwiler, "the more banks will be prepared to do business again"

Says Mr Geldenhuis "Political progress will be vital to future strategies, but it will not be sufficient by itself

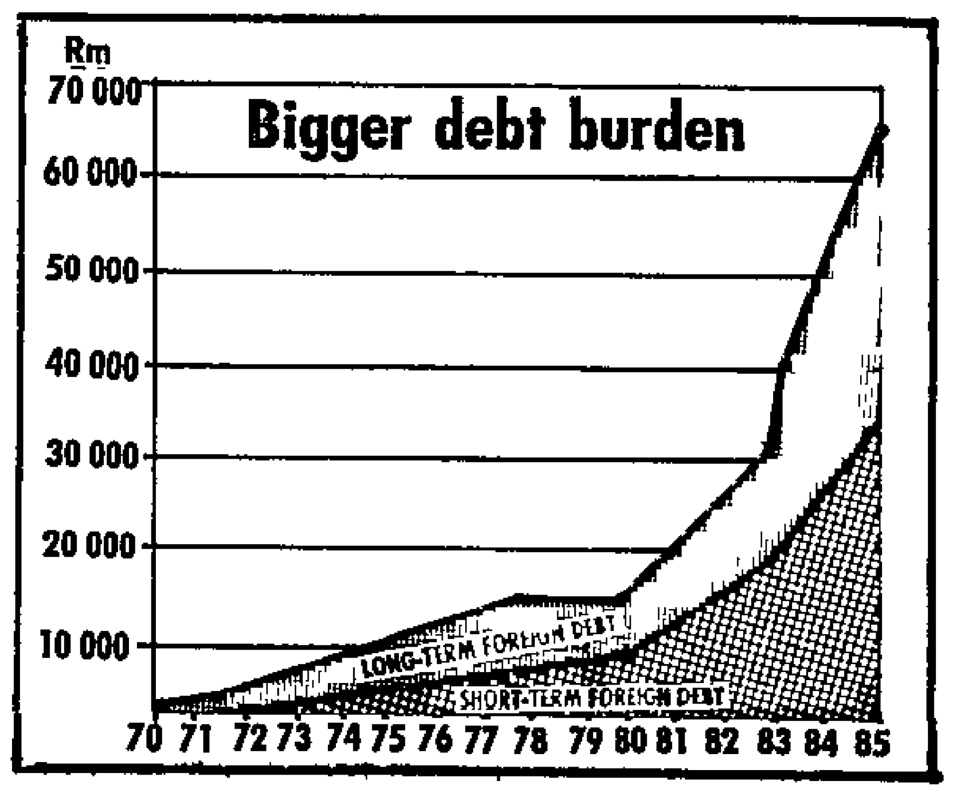
"The debt standard has forced South Africa into uncharted waters and what has become absolutely crucial is an entirely new masterplan to put much more muscle into the entire economy"

Bankers and politicians alike stress assurances that South Africa will honour all its foreign debts — if given time

But the costs of speeding up repayments under global pressures will add heavy new burdens to the economy

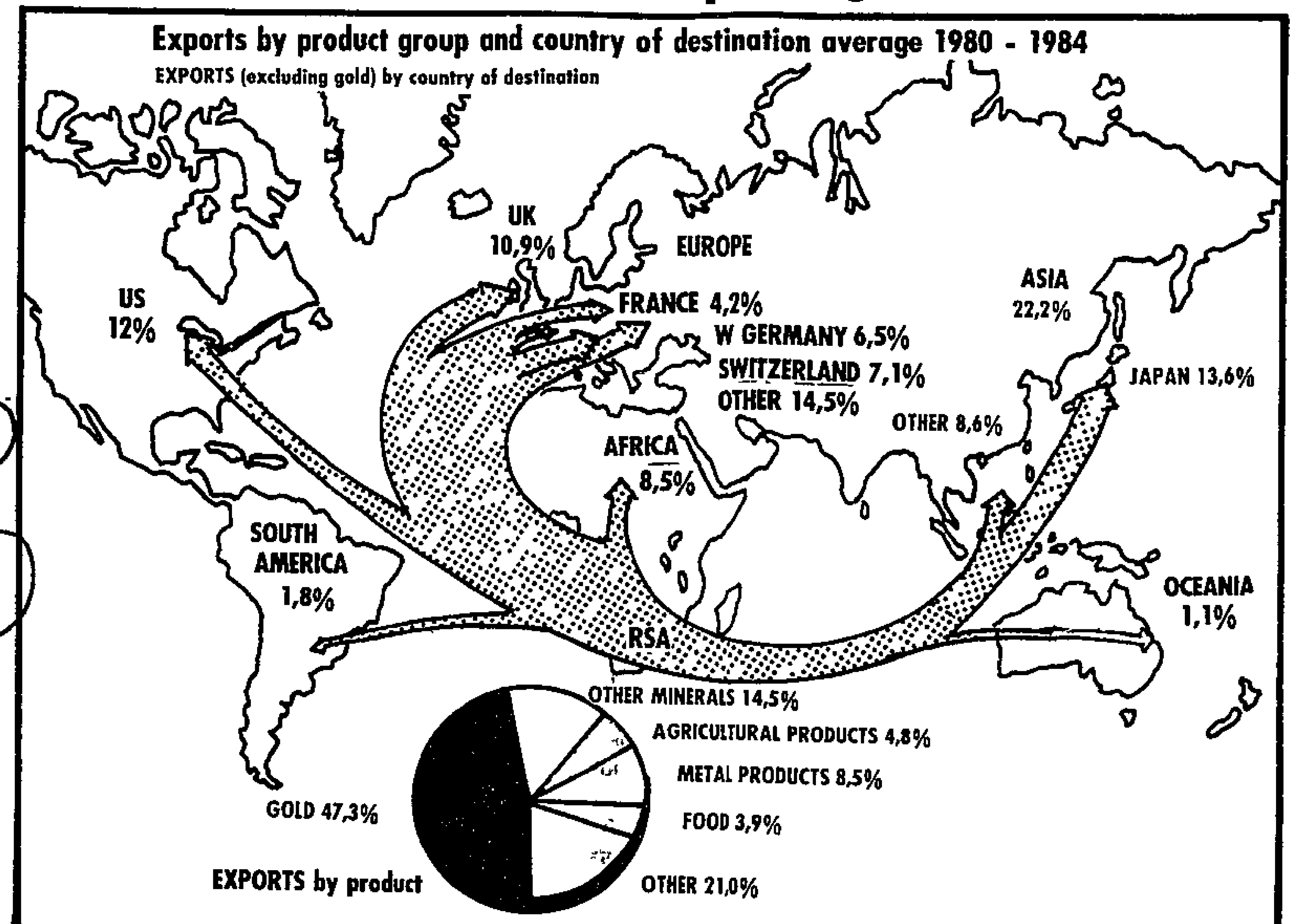
Among the costs listed by the Mercabank study higher inflation caused by a weaker rand exchange rate, slower domestic economic growth, more unemployment — and lower living standards all round

Now more than ever, says Mr Wim Holtes, head of the SA Foreign Trade Organisation, South Africa must concentrate on a far better export performance "We simply have to learn we must earn more than we spend"

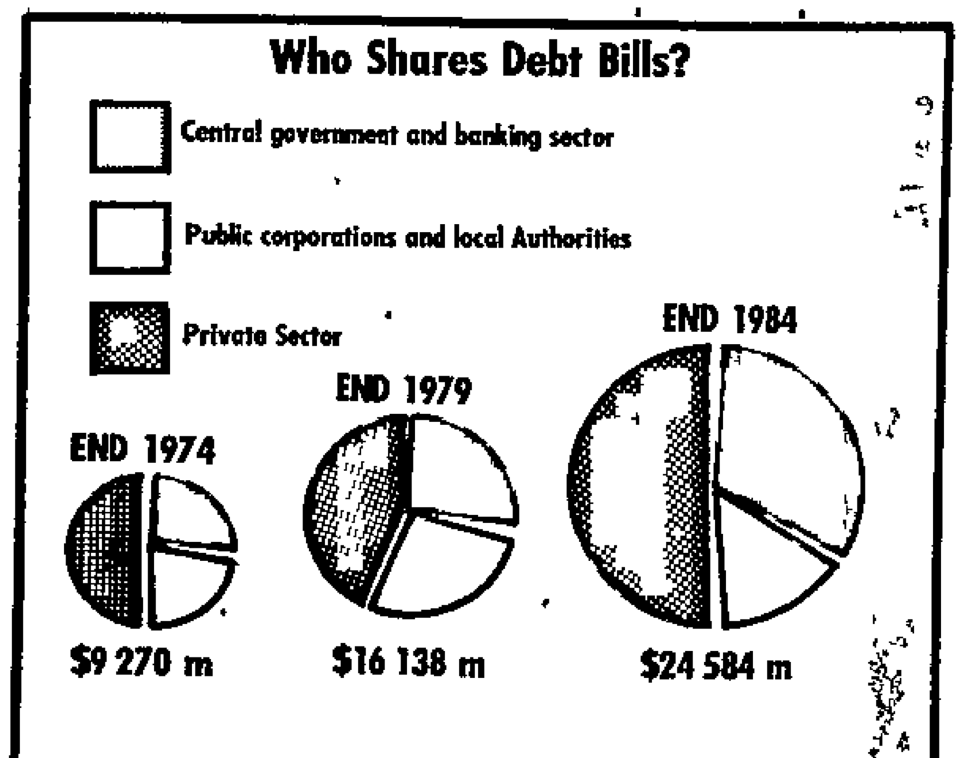


How South Africa's foreign debts have soared since 1970 — sixfold in US dollar terms and no less than 20 times over when counted in rands

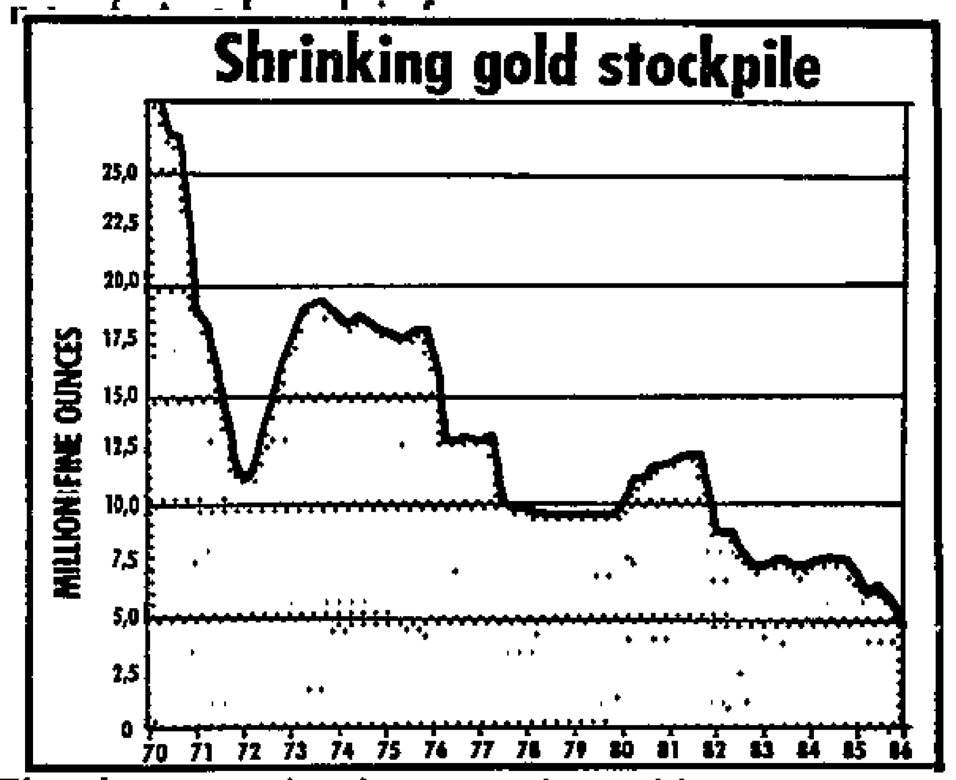
Where SA exports go



From 1980 to 1984, no less than 80 ercent of South African exports came from the mines — gold, platinum, uranium and other minerals — and basic metals. Mercabank argues it would be logical to put of r...

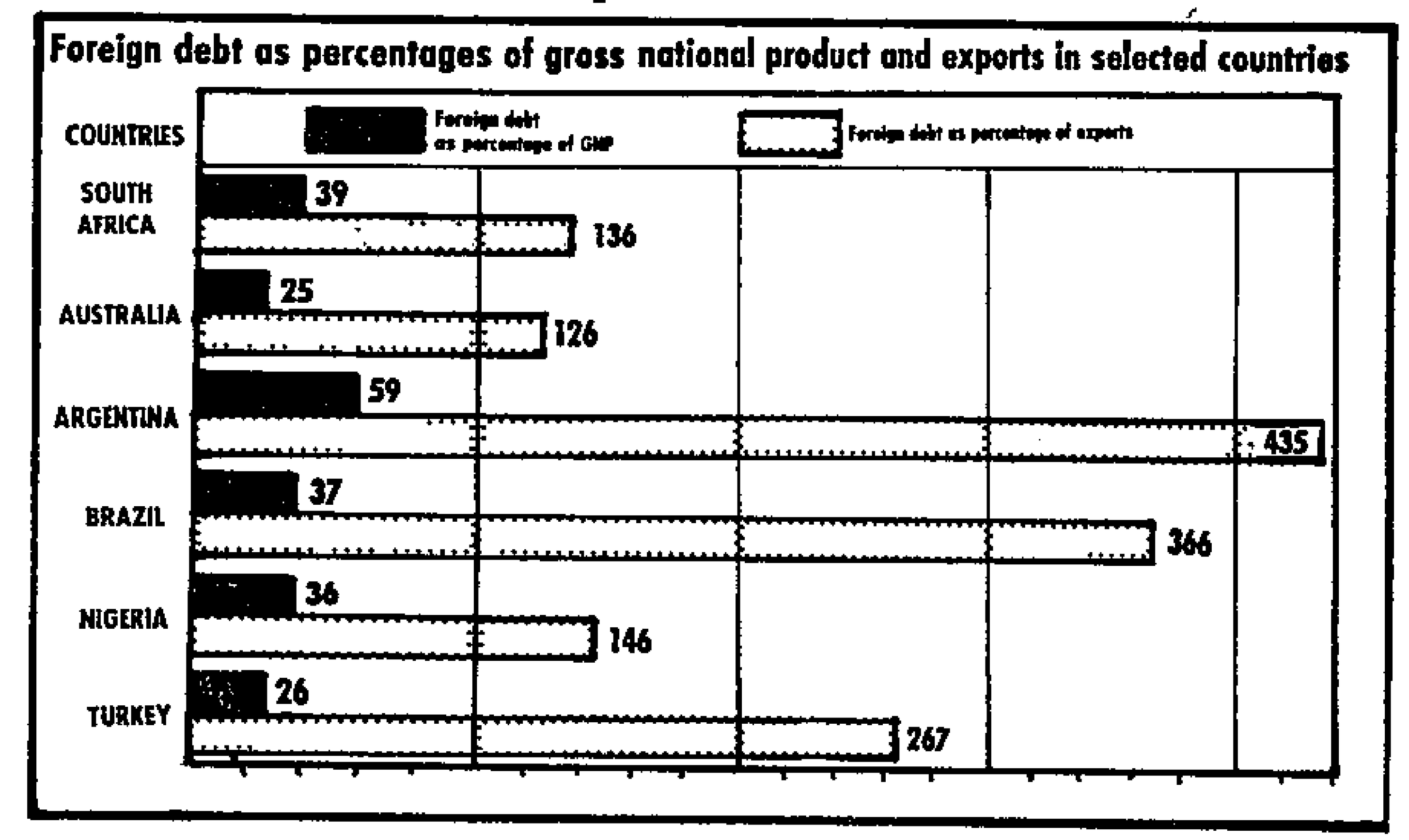


The pie charts show the run into deeper debt by the central government and banking sector, the private sector, public corporations and local authorities.



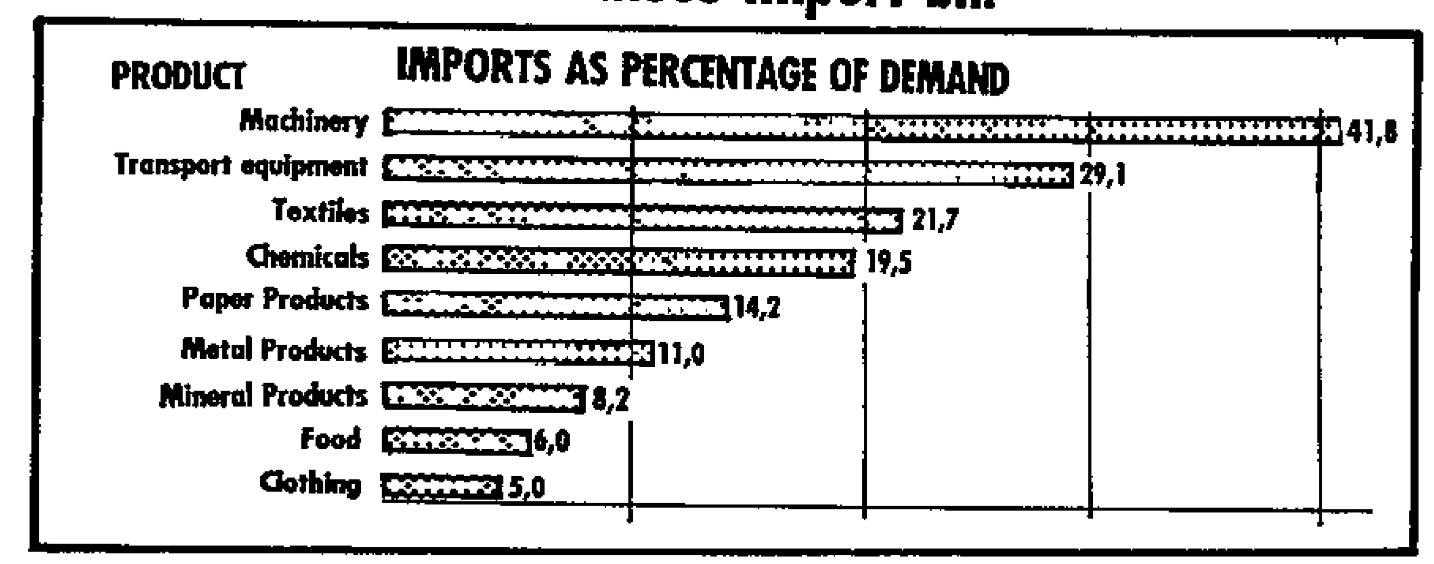
The dramatic shrinkage in the gold stockpile held by the SA Reserve Bank as bullion has had to be sold to try to ward off economic problems.

Can exports cover debts?



A bar chart gives a breakdown of the products that are typically imported and whose costs have added to the debt problem

What raises import bill



The Mercabank study sets out to show that "the long-term solvency of South Africa is above suspicion", with its total foreign debts equal to less than 140 percent of its annual exports

Foreign debt crisis diary

A diary of key political factors in the foreign debt crisis

1984

July Gold tumbles under 350 dollars an ounce

August Austerity economic package unveiled

September Serious unrest erupts in Vaal Triangle

1985

July State of Emergency declared

France prohibits new investments in South Africa

United Nations votes for voluntary sanctions

European Community countries recall envoys

August Chase Manhattan Bank cuts credit lines

President P W Botha's Rubicon speech

September Standstill on foreign debt payments

Stock Exchange and foreign exchange markets closed temporarily

December Foreign exchange controls tightened

1986

January State President opens Parliament

February First agreement with foreign bankers to delay repayments

April SA repays five percent of blocked loans

FIN MAIL 25/4/86

MINE JOB RESERVATION 210

August deadline

The decision to reconvene parliament in August has given the Department of Mineral and Energy Affairs (DMEA) breathing space in its attempts to get as broad agreement as possible on measures to replace the "scheduled person" definition in the Mines and Works Act (*Current affairs* March 28)

The definition bars blacks from obtaining certificates of competency to perform 13 key mining jobs Talks aimed at abolishing it, and replacing it with a non-racial definition of a "competent person," have dragged on between the Chamber of Mines and the established mining trade unions since 1981 Since December 31 last year, the DMEA has also been taking action to settle this highly sensitive issue — in line with Minister Danie Steyn's pledge that the definition will be changed during the current parliamentary session

As things stand, the chamber and the established unions have little hope of finding a solution that will satisfy the rightwing Mineworkers' Union (MWU) and its ally, the South African Technical Officials' Association (Satoa) Both would prefer the *status quo* to be maintained

But, according to a departmental source, the DMEA plans to use the extra time "to endeavour to reach a higher level of consensus." Government, he says, "is committed to ensuring that the interests of certain members of certain unions are protected" A failure to reach consensus will not, however, delay the introduction of amending legislation beyond August 18, when parliament reconvenes

Meanwhile, there remain some sticking points between the DMEA on the one hand, and the chamber and the moderate artisan and officials' unions on the other The department believes that legislation should permit the minister to lay down minimum requirements — which would be non-racial — for entry into positions requiring certificates of competency These could include, for example, educational and age requirements, "and any other that the minister may choose to impose" The chamber, on the other hand, is lobbying for a complete absence of government control

The chamber has also not been able to placate union fears of overmanning and overtraining once job bars fall away Both the chamber and the unions accept that the proposed mining industrial council should deal with the issue However, the unions feel mine-owners should be obliged to obtain permission before enrolling trainees, while the chamber has proposed that any specific grievance over training and manning levels be dealt with only when it arises ■

concede that South African blacks have achieved an acceptable level of political freedom and control over their country's affairs.

With some reason, the Americans argue that until all three objectives are achieved, the region will remain unstable and subject to Soviet adventuring. With equal reason, they argue that all three objectives must be achieved at roughly the same time The conclusion, thus, is that southern Africa is a special case — and will be treated as such no matter what else the US does around the world.

But what about America and the Soviets? Has Reagan thrown away the last chance to get Gorbachev to the conference table later this year? Two weeks ago, Moscow announced that Soviet Foreign Minister Eduard Shevranadze would meet in May with George Shultz to set the agenda for another summit, in Washington — probably in October. This new round of talks between the two superpower leaders would in turn agree on the list of nuclear weapons to be bargained over when Reagan goes to Moscow in 1987 At that meeting, it was hinted, a definitive treaty to reduce the number of strategic nuclear weapons would be signed and a new age of peaceful negotiation would begin.

Now those talks between Shevranadze and Shultz have been "delayed" while Moscow goes through a surprisingly stilted round of protests over the American bombings in Tripoli When taken by the equally surprising absence of the Soviet navy, which had been in Tripoli harbour until the week before the raid; when added to the hurried round of top-level negotiations between homeward bound Soviet Ambassador Anatoly Dobrynin in the week before the raid — then the muted criticism from Moscow raises another question.

In short: is there some kind of deal in the wings?

Have the Soviets done a deal with Ronald Reagan? Has Muammar Gaddafi been cut off by his Soviet masters — sink or swim on his own? While that is a tantalising notion, another question must be what did the Soviets get in return from Washington? Just how badly does Gorbachev want a nuclear weapons treaty? Just how worried are the Soviets about the American leap into the space satellite Star Wars defence system?

Several answers spring to mind

The Americans are probably not embarking on a round-up of the world's despots, or a reform of their rightwing friends in particular Nor is American foreign policy in southern Africa likely to undergo any change, although rumours of Chester Crocker's ouster from the State Department are as hardy as those surrounding Federal Reserve chairman Paul Volcker (who is not going anywhere either)

In so far as Libya and Nicaragua are concerned, the American analysis is that the regimes there have gone too far. The collapse of the Contradora peace conference led by moderate Central American governments was openly caused by the Nicaraguan delegates (who in turn were openly following directions from Cuban advisers) The post-bombing atrocities of Libyan hit squads has erased any sympathy that the attack may have engendered.

Equally important, the American people gave Reagan a nearly 80% approval rating in last week's opinion polls No modern president, including Dwight Eisenhower, has been so popular at *any* time in his presidency The strength of the American economic recovery, the Wall Street boom, the recovery of American pride in itself — all contribute to a freedom of action which the president is shrewd enough to exploit on as many fronts as he can handle

The test of all this lies in the weeks ahead Further confrontations with Libya and with Nicaragua are inevitable (notwithstanding the recent vote against funds for the Contra rebels, American aid to the anti-Sandinista forces will continue to flow)

And the most important focus should be kept on the signal flags from the Kremlin Reagan wants a nuclear treaty as a monument to his presidency, just as badly as he believes Gorbachev wants one The question on both sides appears to remain one of the price each side is willing to pay for lasting peace. ■

210 FIN.M. 25/4/86

GENCOR

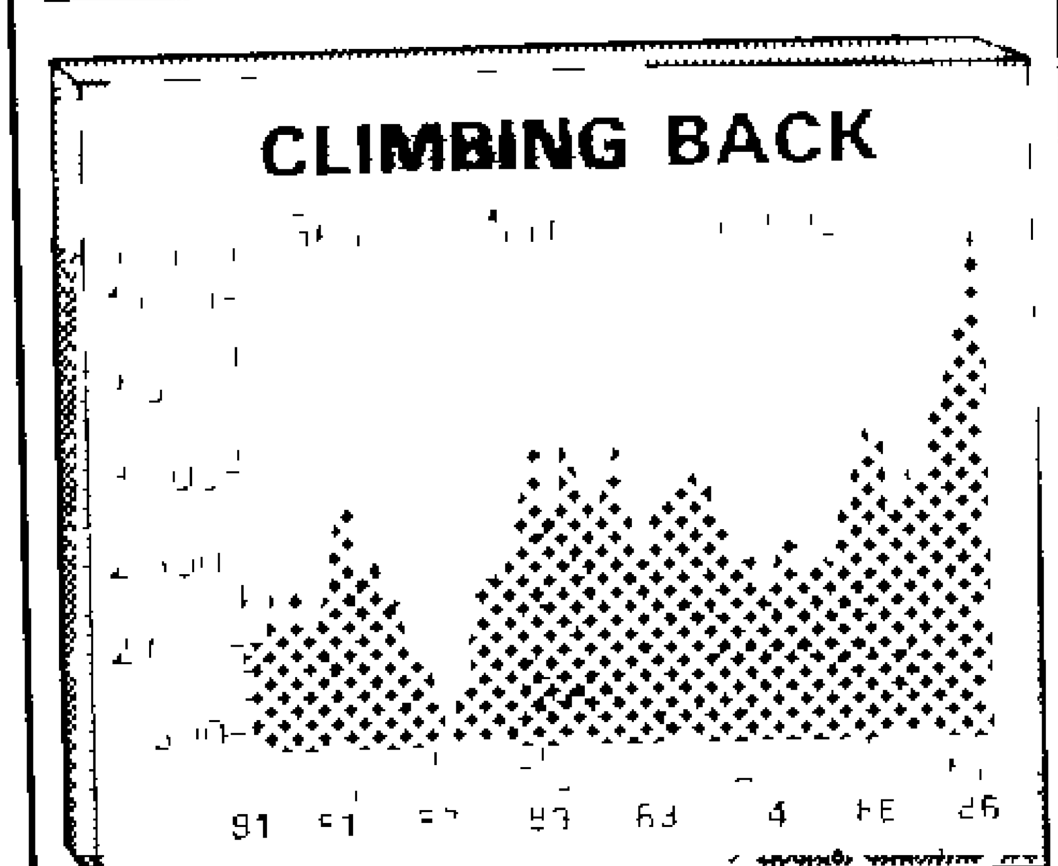
A new broom

Gencor, SA's second-largest mining house, is emerging from several years of travail. Many analysts believe that the share is still undervalued on fundamentals, but the appointment of a new executive chairman may lead to a further rerating.

Few predicted the choice of Derek Keys as Gencor's new chief executive However, the news of his appointment met with widespread approval This might sound surprising — as Keys is both an outsider and lacks a mining background (see *People*) But the market expects him to inject confidence into a management which looks moribund and a little fearful after the group's industrial setbacks of recent years.

Shareholders can only hope the appointment will be accepted as the last major step required to set Gencor firmly on the road to a better rating for the long-depressed share. For more than three years, ever since the controversial ousting of former chairman Wim de Villiers, in August 1982, Gencor has under-performed the rest of the mining house sector. Confidence in the stock, and shareholders' wealth, were progressively eroded by a series of shocks (see graph) A re-rating started earlier this year, but most analysts believe it still has some way to go

What should also help the share is that Sanlam is accepting that the present system needs changing. Keys's appointment marks a break with the ill-fated system of management by committee embarked on in 1983 The presence of a CE was a crucial proposal of the Arthur Little management study, commissioned last year by Fedmyn and which reported a few weeks ago Says Sankorp MD Marinus Daling: "We would be less than honest if we did not admit that we are disappointed with the outcome of the five-man executive committee It did not achieve the optimum performance for which we hoped We've decided that the right way to run a company is to have a CEO, and we've gone out to get the best man"



Still, the choice of Keys surprised the market "One's got to admit to being a bit taken aback," says a research head "He appeared on very few shortlists Yet he has a very strong corporate finance background, has industrial experience and showed lots of toughness in the Protea/Malbak merger He should improve morale and give the group positive direction"

Keys takes his job with a number of clear advantages he is the prime choice of the Fedmyn board, and of controlling shareholders, Sanlam and Sankorp Unlike predecessor Ted Pavitt, he does not take up his position at a time marred by unseemly personality clashes involving major shareholders and top management With Pavitt to retire in August, the timing is uncontroversial

Of course, the market and many shareholders — who saw the value of their holdings undermined by the industrial portfolio

Daling

— might have preferred tough, remedial action sooner

Keys has been vested with full authority to make changes which he thinks necessary As Daling notes· "Sankorp's philosophy is decentralised management. We're not going to prescribe from the centre. The initiative will be in Derek's office."

Apart from the more encouraging management position, Gencor's profit performance is on a recovery tack, with industrial earnings this year set to climb out of the abyss of 1984-1985. Here, too, Keys's appointment should help

His industrial background dovetails well with his main tasks of improving the asset management of Gencor's industrial interests, and giving the group a firm sense of direction Take the industries division: the mistakes which went with industrial growth have collectively cost millions It's true that group earnings rebounded by 56% to a record 481c a share in 1985, thanks largely to soaring mining income But this distracts attention from the low base of 1984 and the beating the balance sheet took before the recovery.

In the early Eighties, Gencor opted to expand in industry, a decision prompted by a tepid outlook for its mining interests and the belief that a greater industrial exposure was vital if the group was to enjoy above-average growth in the remainder of the decade But by end-1985, the industrial assets accounted for 33% of the shareholders' interest and only 2,3% of net profit The industrial interests' return on shareholders' funds was only 0,59% Comments one analyst "Keys accedes at a time when the group is improving its performance So he doesn't have to do a desperation rescue act. But the guys are so shell-shocked from bad industrial acquisitions that they are no longer entrepreneurs but just managers. There is a lack of purpose and Keys must give Gencor positive direction He must co-ordinate and motivate management, the top echelon in particular, and this revolves around people."

Says another. "Many of the problems relating to the industrial expansion arose out of decisions which were, with hindsight, hurried and ill-considered But the fact that Keys comes from an industrial background is interesting and hopeful This will encourage him to be a delegator, and Gencor now has the assets and basic management. The question is whether there will be any top management changes, and he will have to be hard on this issue "

Keys is not yet talking about plans — nor his attitude on key questions such as Gencor's labour practices and management policy. But he states his approach to management and decentralisation in general terms "You don't have to reinvent the wheel," he says "You form a team and get people to enjoy themselves. Management is the kind of process with which I have had most success But you can push decentralisation only if you have a super system of financial information and carefully structured authority levels The better your information, the further down you can go "

Keys also takes over the task of whether to implement the other recommendations of the Arther Little survey This report of 40 double-spaced typed pages represents a summary of thinking of the top 40 to 50 executives at Gencor, and the author will return to SA later this month to discuss the report with Keys

However, one arrangement that seems likely is that the Gencor's directorate will become more of an operational board, with the duty of ensuring that performance meets budget The Fedmyn board will concentrate on longer-term strategy

Keys

This is not dissimilar to the Malbak/Protea board arrangement But the analogy cannot be taken too far, because Gencor is not in need of a drastic restructuring of operations. Keys notes that his work at Malbak/Protea "taught me a lot You get hold of the best people and make sure they are all pointing in the same direction — and then get out of the way Things usually happen "

Getting out of the way will be a crucial part of Keys's style. "I'm going in with an open-ended commitment," he says. "If I stay a shorter time, it is because I have been spectacularly successful or spectacularly unsuccessful But the key is that Gencor does not have to go outside the organisation for their next CE. And, within a reasonably short time, all the answers should be in place "

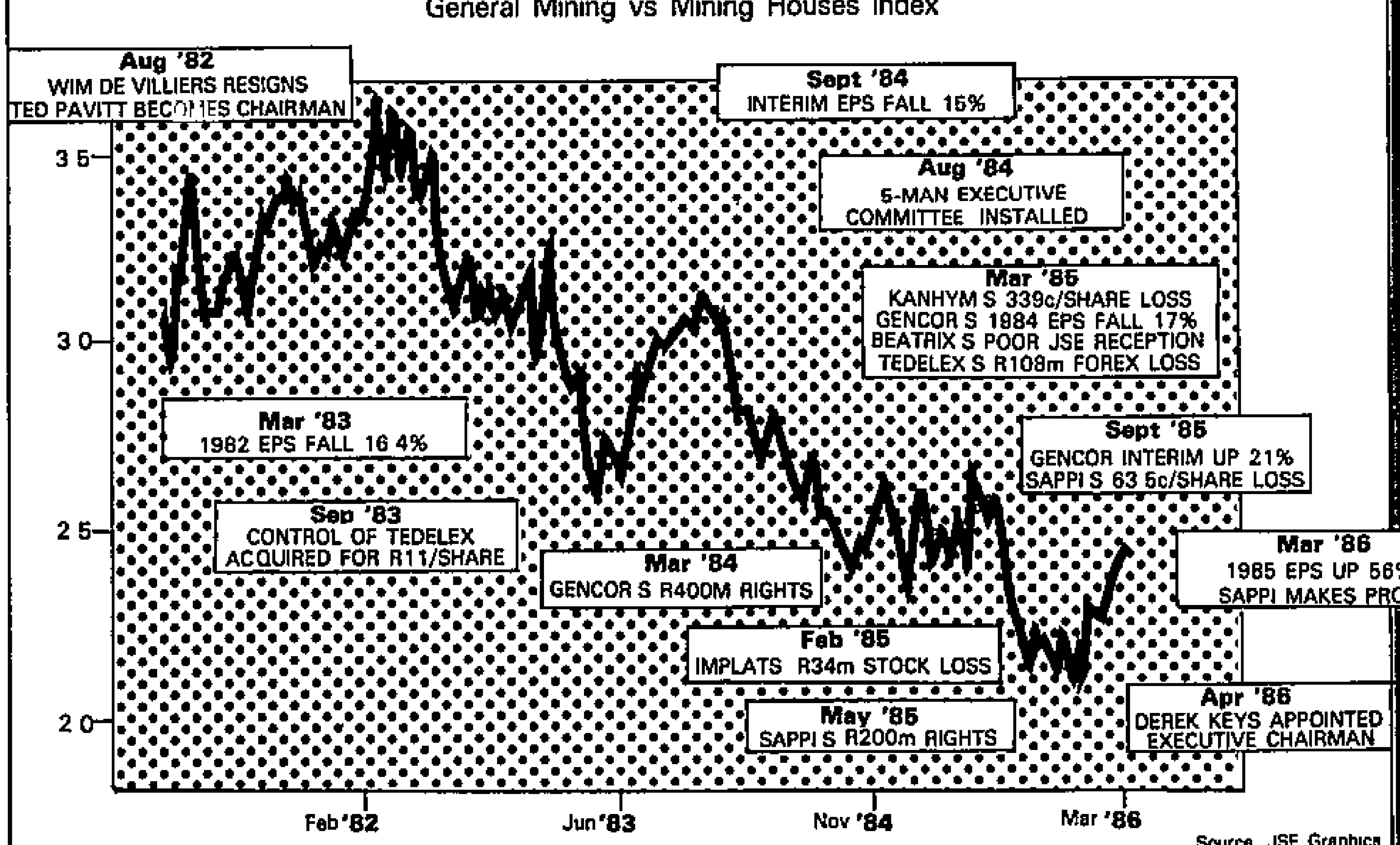
So there's not one bad word being heard on Keys's appointment, and many analysts are arguing that the share is still undervalued on fundamentals

So the way may be clear for a more forceful re-rating of the share Daling, too, thinks the stock deserves a better rating and feels the appointment of Keys should bring this about. At 3 950c, Gencor yields 4,9%: well above the sectoral average of 3,7% and Anglo American's 3,6% But in the short term any potential price advance will be circumscribed by the stodgy state of the market.

Christopher Marchand

GENCOR OFF THE BOTTOM

General Mining vs Mining Houses index



Dividend cover raised to 233%

Fed Mynbou earnings soar

CAPE TIMES 28/4/86 (210)

JOHANNESBURG — Income attributable to permanent Federale Mynbou capital holders was R239,8m in 1985 against R139,6m in 1984, an increase of 71,8% — mainly from Gencor.

This represents an increase in earnings a capital unit of 53,6% from 280c in 1984 to 430c in 1985

The considerable increase in 1985 should, however, be seen in perspective because Gencor's earnings in 1984 were severely affected by material exchange rate losses

Earnings

Though no additional exchange rate losses of importance occurred in 1985, in spite of a further decrease in the value of the rand, the 1985 results were also influenced by deferred exchange rate losses that were brought forward from 1984 and written off in total in 1985

If the effect of exchange rate losses in both 1984 and 1985 is discounted, the increase in earnings compared to those of 1984 is nevertheless approximately 31%

The slight increase in dividend distribution an ordinary share from 169c to 170c is as a result of the decision to plough back funds in order to strengthen the balance sheet

The dividend cover accordingly increased to 233% compared to 161% in 1984

Federale Mynbou and its wholly-owned subsidiaries' joint interest in Gencor increased from 51,6% to 53,7% in the year

A transaction was concluded with Genbel Investments (Genbel) — 1 988 336 ordinary shares in Gencor were obtained from Genbel in exchange for 2 286 586 new ordinary shares in Federale Mynbou

The Gencor group's turnover amounted to R5 069m in 1985, which represents an increase of 14,8% over the previous year

Revenue attributable to permanent capital holders amounted to R458m, an increase of 66,2% over the previous year

The results of the export orientated mining sector were favourably influenced by increases in volumes and prices, and especially by the beneficial effect of the decrease in the value of the rand against other currencies

Interest rates

The financial sector in turn benefited by the large increase in cash and high interest rates

On the other hand the industrial sector, which mainly operates domestically, was detrimentally affected by the adverse domestic economic conditions which were characterized by the following

- A negative growth rate in the gross domestic product for the third successive year,
- high interest and inflation rates;
- reduced consumer spending, and
- a devastating drought over the past number of years — Sapa

Right-wing mine union warns of white stayaway

28/4/86

Dispatch Correspondent

JOHANNESBURG — The leader of the right-wing Mine Workers Union (MWU) Mr Arrie Paulus has warned that over 15 000 white miners could stay away from work on January 1 if mine managements fail to act against black workers who take off May Day

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Most miners usually work on New Year's Day and Mr Paulus's threat comes in the light of growing predictions that the black National Union of Mineworkers (NUM) will strike on May Day which they are demanding as a paid holiday

DISPATCH

The Council of Mining Unions (CMU) — to which the MWU is affiliated — announced on Friday that its members had decided they would no longer fill in for black workers to keep mines running in the event of legal or illegal strikes by black miners

This step is regarded as a strategy to try to pressure mine managements to adopt a more hardline attitude in handling strikes by black workers

CMU secretary Mr Tom Neethling said white miners and artisans were taking this new stand because they believed managements had failed to discipline black workers properly

Mr Paulus said their decision not to help keep basic functions running on strike-hit mines would have a serious impact on the industry

Industrial Relations Advisor to the Chamber of Mines Mr Johan Liebenberg has said he "regretted" CMU's decision But he believed there were many CMU members who would still volunteer to help out in the event of strikes by blacks

Other management sources argue that operations are so low key on mines when blacks strike that extra help from white miners and artisans have a greater symbolic value than practical value

And the predominantly white officials' associations still adhere to a policy of taking on additional work if blacks embark on an illegal strike

But the refusal of white employees to do additional work will probably be felt to have greater effects on plants such as the refineries where a greater ratio of whites are employed

Mr Paulus said white miners and artisans were becoming increasingly militant on mines because they feared for their lives as a result of management's failure to discipline blacks

He alleged there had been an increasing number of injuries to white employees recently as a result of escalating black hostility to whites

● FRITZ

Gencor's Fritz failed to convince top brass

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28/4/86 Bus Day.

ROY BENNETTS

JOHAN FRITZ resigned his position as executive director, mining, at Gencor because he failed to convince the group's top management and Sanlam chairman Fred du Plessis of his ability to fill the chair vacated recently by Ted Pavitt.

This emerged in an exclusive weekend interview with *Business Day*.

"The mining portfolio is the major source of this company's income, and I believe that the person handling that responsibility should be regarded as a member of the first team as well as being thought capable of being the captain of the side," Fritz said.

"Gencor has been good to me for many years. I hold no resentment towards Derek Keys; my decision was purely a personal one.

"Mining has been my life for a long time now, but the time has come to put that particular book on the shelf and look around for other interests. It is too early to say whether there will be mining involvements in the future.

"I have four months before I leave Gencor, so there is more than sufficient time to look around."

Weekend farmer Fritz has, for a number of years, been regarded as the strongman of mining, and Gencor insiders claim that his methods have, at times, clashed strongly with the company's manpower-management section.

Gencor director of precious metals Carl Netscher and Samancor chairman Steve Ellis are in line to replace Fritz. As Keys is an ex-Samancor man, this could tip the odds in favour of Ellis.

Mining sector sensitive to rand

28/4/86 (210) BUS DAY

LIZ ROUSE

THE JSE'S mining sector will remain sensitive to rand movements this week, in the absence of any significant move in the gold price, say analysts.

Uncertainty about May Day labour unrest, plus excessive month-end demand for import dollars, put pressure on the rand last week.

The market's direction therefore depends on the extent of Reserve Bank support for the rand this week

If the Reserve Bank decides to exert more influence on the rand — which sank against a weaker dollar and all other major currencies last week — the gold board will slide

However, if the rand is allowed to drift, golds and other minings will firm as a weak rand provides protection against foreign selling.

The rand's fall accounted for the gold board recovering its losses earlier in the week and the all-gold index recording a week's gain of 5,7% at 1 175,9

The industrial share market remains bedevilled by the volatility of the rand.

Boundaries for business

28/4/86 BUSDAY (210)

STEPHEN CRANSTON

ANGLO AMERICAN head Gavin Relly, Standard Bank MD Conrad Strauss and *Financial Mail* editor Nigel Bruce will be among participants at an international business conference at the University of the Witwatersrand on July 10-11

Overseas speakers will include: *Economist* political editor Simon Jenkins; the research director at the Institute of Economic Affairs in London, John Burton; and black American economist Professor Walter Williams of George Mason University, Virginia.

Conference convenor Professor Duncan Reekie, of Wits Department of Business Economics, says the conference will be called: "What Boundaries for Business?"

He adds: "SA is an important part of the world economy generally, and a critical part of the sub-continent in particular. We depend on the world and the economic health of the subcontinent depends on us."

Reekie says the conference will highlight how this interdependence affets them and how politics does, but need not, impinge on managerial decisions."

Hard-hitting Namibian report blueprint for mining

The Star's Africa News Service

3/4/86

WINDHOEK — Work has begun on the preparation of a White Paper on the future of Namibia's mining industry following the startling revelations of the Thirion Commission of Inquiry

The commission concluded mining in the territory was virtually at the mercy of the multinational mining giants

Windhoek's Minister of Mines, Mr Andreas Shipanga, announced that a committee of top civil servants had been appointed to study the report and to draft a policy based on its findings

The commission found that Namibia could have been losing out in a number of ways through lax control by the State of mining in general and the multinationals in particular

Evasion of payment of full income tax, transfer pricing and over-exploitation were some of the charges laid at the doors of the mining houses

Mining company spokesmen were quick to warn the government that any tightening of State control over the industry could well scare away potential investors

'ANC won't nationalise mines'

STAR 2/5/86 210

The Star Bureau

LONDON — The ANC would be unlikely to nationalise South Africa's mines if it took over the Government, says the chairman of De Beers, Mr Julian Ogilvie Thompson.

However Mr Ogilvie Thompson, one of the businessmen who met ANC officials in Lusaka last year, said: "You will forgive me for believing that there is not likely to be a revolution."

Asked about black threats to nationalise mines if the present government was overthrown, he said he believed the ANC leadership had learnt the lessons of other African countries which had regretted their decisions to nationalise mines

With an imminent pay claim of more than 45 percent in the next few months from the powerful mineworkers' union, however, he said he was expecting "a tricky time" ahead.

FIN MAIL (210) 25/8/86

JOHAN FRITZ

The chairman who never was

The past few months have been trying for Gencor mining chief Johan Fritz First there was the dismissal of 20 000 Impala Platinum workers — the largest mass dismissal in South African labour history — then simmering unrest on a number of other mines Now he's had to face Derek Keys' appointment as Gencor top-dog over his head Last week Fritz resigned

"I don't regard Keys' appointment as a personal insult," he says "I'm just disappointed I haven't made the top job I like Keys and the kind of noises he's been making about Gencor, but I don't have to remain here for the rest of my life

"I'm only 57 and have time to embark on a new career Mining is great but now I'm going to pack it in. I'm not sad I made my decision with my eyes open and am looking forward to a second career. I'm happy within myself and have many interests which I'll pursue independently "

Investment interests and his Rustenburg cattle and nut farm should keep him busy enough at first. But he has four more months at Gencor to decide on his next move He's not prone to rash decisions, though "All good managers anticipate the future," he explains, "so I was subconsciously prepared for any eventuality. I knew what my decision would be on the Thursday Keys' appointment was announced " By the weekend, Ted Pavitt knew as well

"You can criticise the selectors of a Springbok side, but this doesn't remove the disappointment of not being chosen."

For many Gencor insiders, Fritz's reaction came as a complete surprise "I never rated Fritz in Pavitt's league," says one executive, "though he's highly intelligent I didn't think he was in the running or even aspired to the position I'm surprised that he resigned but even more surprised to discover his ambition."

Fritz apparently did not project the image of a front-runner and few, if any, realised his dreams.

"I never wanted to collect the flowers or push myself to the front," explains Fritz. "I've always believed you put your head down and do your best. Naturally, I didn't go round saying I wanted to be chairman I just got on with the job to the best of my ability "

He's certainly had a lot on his plate, including personal tragedy His eldest son, Johan, one of Colonel Mike Hoare's "froth-blowers," was killed during the abortive Seychelles coup in 1981.

The son of a Vrede (OFS) magistrate, Fritz is generally regarded as extremely conservative, even bloody-minded, particularly in his attitudes to industrial relations

"That's the way others see me, but not the way I see myself," Fritz says "I believe in being honest and fair, though realistic and definite in my approach "

He still holds that the dismissal of the Impala workers was the right decision Others, however, regarded it as ham-handed — particularly since most were later re-employed and Impala lost about R45m in profits and probably more than R100m in production

No doubt American management consultants Arthur D Little, in SA at the time studying Gencor's management structure, were also unimpressed But whether the Little report discussed individuals is a matter about which no one will comment.

Fritz considers Gencor's relations with employees "very good " "Through my farming activities, I've had close contacts with blacks I get on well with them and understand them," he says. "Gencor has a 50% higher return of old labour to its mines than the Chamber average — indicating our popularity If you listen to the National Union of Mineworkers (NUM) you'd think we're awful employers "

Nonetheless, the *FM* understands there has been conflict within Fritz's team over his handling of labour relations. Indeed, some say he's responsible for Gencor losing the first industrial court case in which legally striking workers were reinstated.

Fritz has been with Gencor for 29 years He studied mining engineering at Wits and during vacations worked on West Rand Consolidated Mines He spent six years at Anglovaal before returning to the fold to join Federale Mynbou, Gencor's controlling company He lived through the creation of Trans-Natal and the merger of General Mining and Union Corporation to form Gencor

Though NUM has designated Gencor an "enemy company," Fritz believes the union has a role to play — which "it isn't doing in the most responsible manner. This is a new ball game Obviously there'll be stresses and strains but we've got to handle them " ■

Picture by Robert Botha

Fritz ... embarking on a new career

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FIN MAIL 2/5/86

MINING INDUSTRY

210

Gencor raises wages

Gencor has implemented general wage increases for all black employees and the majority of officials on its gold, coal and platinum mines But it has done so without the agreement of the National Union of Mineworkers (NUM) — raising the prospect that old animosities from last year's legal mine strike will be rekindled.

The increases, backdated to April 1, flow from a Gencor decision to make "market adjustments" to wages However, implementation was delayed pending the outcome of negotiations at the Chamber of Mines on three disputes — at Marievale gold mine, Matla Colliery, and Transvaal Navigation Collieries — hanging over from last year The decision to implement the general increase came after the negotiations broke down last week.

Not adjusted

Gencor's wages have not been adjusted since July 1 last year when the group unilaterally implemented the offer the chamber had standing at the time in the annual industry wage negotiations On collieries, wages for lowest grade surface workers now rise by R4 a month (over and above the R25 implemented last July 1), while wages for the highest grade workers increase by R32 a month (R61). Hikes for underground workers range from R6 (R26) to R33 (R64) On Gencor's gold and platinum mines the wages of the lowest grade surface workers rise by R4 a month (R23) and by R32 (R64) for the highest grade workers. Underground workers receive increases ranging from R6 (R24) to R33 (R64)

Gencor pay has generally lagged behind that of most other mining houses. While the NUM has indicated that it finds the offers per se acceptable, the core of the dispute is that it wants them backdated to July 1 1985.

Says Gencor Mining manpower director Naas Steenkamp. "We were anxious to settle the lingering dispute in the best way possible — which is through negotiation — and anxious also to conduct them in good faith. Regrettably, they broke down It was not because of what we were prepared to offer, but because of a long-standing industry convention that negotiations take place once annually, that agreements are implemented in the month after they are clinched, and that management does not backdate. This convention is accepted by all the unions we deal with, including the Num, which last year accepted late offers from two mining houses without backdating However, the union is now disputing the convention."

Steenkamp also points out that in all but three categories, the increases exceed the NUM's demand. His comments reflect an obvious concern about the Industrial Court's adverse remarks about the group's industrial relations practices during the Marievale hearing.

Nevertheless, the NUM is standing firm. The union plans to discuss the dispute with its members, and the possibility of renewed strike action cannot be ruled out. ■

BusDAY.

MINING 9/5/86 210

A vision of new-look SA mines

● KNOBBS

ROY BENNETTS

CHAMBER of Mines president Clive Knobbs sees the landscape of a possible future South Africa without the towering mining headgears and residue dumps that silhouette the present skyline.

Instead, the only indication of underground activity might be the mining company's name on a building housing its administrative staff and, perhaps a small headgear of some sort.

Speaking at a seminar organised by *SA Mining* magazine, Knobbs says this could even apply to low grade base metal mines, where instead of today's enormous open pits, ways will have to be found to mine massive orebodies using low-cost underground techniques

For instance, energy-from-coal processes could involve in-situ gasification. By means of boreholes, whole coal seams could be converted into liquid fuels.

In gold mining, the hoisting of vast tonnages of rock will be history, and only gold-rich concentrates will be brought to the surface in a tube. The mined reef will be crushed and processed in-situ and the rich gold bearing extract piped to the surface or smelted into bars underground

This would ameliorate the scarcity of farming and recreation areas which are under population growth pressures.

Although this scenario means the mines will employ fewer people, the country is likely to offer plentiful work because SA will have joined the ranks of the countries rated as the world's workshops and factories. Herein lies the challenges of the immediate future, says Knobbs

Political developments in exporting countries like SA have further aggravated the uncertainty about the continuity of supplies felt by industrialised importing countries.

Boycotts of, and sanctions by, SA would harm us considerably more than the consumer countries buying our exports Alternative sources and stockpiles are available, perhaps at greater costs, but there is nothing that cannot be accommodated with some adjustment

Furthermore a fear of disruption of supplies serves to accelerate the drive towards substitution

Knobbs sees the situation as a clear message that it is in the interest of South Africa's mining industry, particularly minerals like coal, chrome, manganese and the platinum group metals, that we maintain our hard-won reputation as an important and reliable supplier of strategic minerals at relatively cheap costs

Many of the materials used in modern industry differ radically from those used in industries of yesteryear.

Fibre optics are expected to revolutionise communications, largely eliminating copper, while spacecraft will be wrapped to an increasing degree in ceramics, composite materials and high performance alloys of metals like titanium.

Was Gencor right to retire John Hodgson?

210

STAR. 12/5/86.

By Peter Farley

The departure of Mr John Hodgson from the chair of construction group Darling & Hodgson once again raises serious question marks over Gencor's ability to handle its major industrial subsidiaries

There is little doubt that D & H has hit one of its toughest patches ever, a situation made far worse by several poor business decisions by the group's management

But it does seem exceptionally short-sighted to force Mr Hodgson out at a time when every ounce of executive experience will be needed to get D & H back on the right track

Nobody is saying that chief executives should not be accountable — if anything in this country too few do carry the can for their actions

Nevertheless, Gencor's industrial division has hardly been a shining example of executive management and one therefore wonders what can be achieved by replacing Mr Hodgson with Gencor executive director Mr George Clark

Certainly Mr Hodgson carries the blame for the group's disastrous forrays into bulk shipping and oil rig construction

But both these diversifications had to have been sanctioned by the board — where Gencor has four representatives

There is a massive shortage of skills in this country and Gencor can ill-afford to throw such a valuable person on the scrap heap, in what seems to be a final, knee-jerk, response to the frustrations caused in prior years by Mr Hodgson's reknowned autocratic management style

12/5/86 Bus Day 210

No more mediating by Anglo men, says Relly

LONDON — Anglo American has abandoned its efforts to bring SA government and the African National Congress (ANC) together

This emerged in an interview with Anglo chairman Gavin Relly, published in London on Friday.

"I don't think that we have a role to get the government and the ANC together

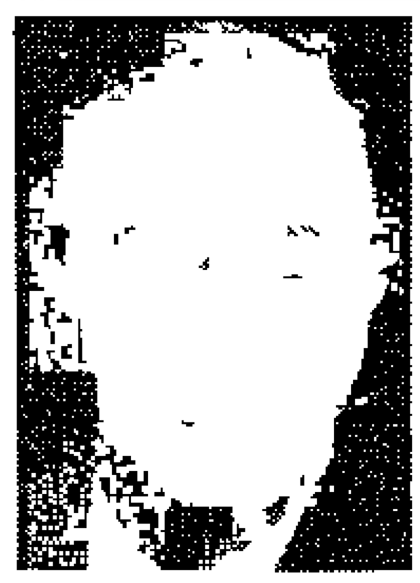
"That is for strictly political forces," he said

In an unusually candid interview in the current issue of the *Sampson Newsletter* (brought out by newsman Anthony Sampson), Relly admitted President P W Botha was "cross" about the historic business-ANC summit in Zambia last September

He also expressed support for KwaZulu leader Chief Mangosuthu Buthelezi, described SA as one of the most socialist countries in the world, praised Botha for his "dogged determination" and ruled out the breaking up of the Anglo American conglomerate.

"The government knows that they would fiddle with Anglo at their peril," Relly said.

In a rare insight into the repercussions of the ANC meeting last year, Relly admitted it had turned out to be far more of a watershed than he and his business colleagues



GAVIN RELLY, Anglo American chairman, speaks his mind

JOHN BATTERSBY

had intended

"I've been blamed ever since for opening the floodgates," he said

"What we did was to force the issue on to Pretoria. P W Botha was cross — but not very cross

"In fact, it was one of the nicest days I've ever spent — a picnic among South Africans talking in a friendly way about their future together," Relly told Anthony Sampson

"There are now so many initiatives, maturations on both sides It would be counter-productive to continue with ours," he said

Asked whether Anglo supported Buthelezi, Relly said, "You can't expect us to run away from the single black leader who says exactly what we think.

"I like Buthelezi and what he says Business has talked to him for a long time

"None of us believe in the simple blackism that the ANC puts forward. Life's not like that

"I've been told that Buthelezi plays a rough game in Natal. But SA is not for the faint-hearted," Relly said.

Asked whether it would not be better if the Anglo conglomerate was broken up, or at least moved away from the "kind of monopoly capitalism that Lenin described", Relly said

"But where would you start? We have got about a quarter of a million shareholders We don't deal in price-fixing business.

"Gold doesn't rape the public," Relly said.

"All our companies are very separate

He said he did not "stand by rigid paternalist capitalism"

"We need a change in the process of shareholding But free enterprise should mean above all a freedom of choice

"In fact, SA is one of the most socialist countries in the world, because the Afrikaners, like any strong tribal group, have built it up to distribute the wealth among themselves That's a major obstacle to growth

"But I'm impressed by P W Botha's dogged determination to get on with reform I know from trying to move our own people how difficult it can be," Relly said

14.04	14.40	16.55	18.20	20.00	21.85	24.05	26.50	28.50	30.90	35.00	38.00	42.00	44.00	48.00
25.43	24.53	26.23	25.38	23.45	23.20	24.29	24.79	25.27	25.27	28.62	27.18	28.42	28.41	28.74

Current Hours: 72 Hourly Change 1975 to date: Nominal +241.9% Real +7.5% Current Real Weekly Wage: R 27.35

ARGUS 12/5/86 210

COMPANIES

Gencor going from strength to strength

GENCOR, the huge mining house group, has been adding up its 1985 achievements and they make a formidable list

For the first time group turnover exceeded R5 billion while profits after tax increased by 66 percent to R458 million, it says in the Gencor 1985 review, published fro the group's employees

The mining divis. n was the main contributor to Group income, almost doubling its share to R363 million

While this to some extent reflects the weakness of the rand against the dollar,it is also attributable to the significantly increased export volumes achieved through productivity

"The weak rand was a mixed blessing for the group, for while it benefited mining, it hurt our industrial operations The combination of high inflation and low demand forced the industrial division's contribution down from R26,4 million to R10,8 million

"There was some improvement in the last quarter of 1985 when the easing of hire-purchase conditions and the drop in interest rates stimulated demand in the commercial and consumer goods sectors.

"This trend has continued into the first few months of 1986 and present indications are that this will help to improve the industrial division's results in the current year"

Other major developments and achievements in 1985 were

- Completing the Beatrix gold mine at a cost of R430 million and reaching full production in record time,
- Completing Sappi's Ngodwana project at a final cost of R1,6 billion which increased capacity by some 50 percent,
- Going ahead with the No 6 shaft at Winkelhaak gold mine at a cost of approximately R260 million,
- Receiving the full benefit of the expansion programmes at the Kinross and Winkelhaak gold mines, and
- Making good progress in the development of a small gold mine at Sao Bento, Brazil,

Because of foreign exchange losses in 1984 and the financing of capital projects, it was necessary to strengthen the capital structures of a number of the industrial companies.

This was done through rights issues of R200 million by Sappi, R120 million by Tedelex and R74 million by Kanhym Gencor's own capital structure was strengthened during 1984 with a rights issue of R410 million

No further rights issue is envisaged

Gencor is now entering a consolidation phase in which funds are being ploughed back to strengthen its balance sheet by gradually increasing the distribution cover

- **Channel Mining** made a profit of R83 013 in the six months ended December, 1985, but no dividend is being paid

In the same period of 1984 the company had a loss of R36 593,and by the end of June 1985, it had an accummulated loss of R1,024 million

Working income in the six months ended December was R49 716 (year ago, R40 495) while working revenue was R612 690 (R399 204)

The company mined 15 872 tons of ore and produced 10 092 carats (11 690 carats) Yield dropped to 0,64 from 0,93 a ton mined

- **Plascon-Evans Paints** has increased its interim dividend by 40 percent from 5c to 7c a share Attributable profit increased 26,5 percent to R5,3 million (R4,2 million)

Trading conditions had improved and if this situation continues, earnings and the ordinary dividend will be higher than last year, the directors say

Derek Tommey

the process of secularization of the last 100 years All we wanted

Within our present considerations we cannot deal with all this except tangentially. The question, though, that we will turn to next is what the process of secularization has meant for the traditional religious contents and for the institutions that embody them.

13/5/86 (210) STAR

R1,5-m Gencor lab opened as RAU celebrates its 20th year

Education Reporter

The private sector could help universities remain independent of the State by providing financial assistance, the rector of the Rand Afrikaans University, Professor J P de Lange, said at the opening of the university's Gencor Laboratory for Engineering.

Gencor donated R1,5 million to the R5 million laboratory complex and the building was officially opened by the Minister of Mineral and Energy Affairs, Mr Danie Steyn.

Professor de Lange said the laboratory had been erected for 85 percent of what it usually cost to build such a complex.

The money saved would go towards staff and equipment, he added.

Gencor chairman Mr Ted Pavitt said Gencor planned to donate R3 million each year to educational institutions He said the R1,5 million was given to RAU to mark Johannesburg's 100th anniversary and to celebrate the university's 20th birthday.

The DEPUTY MINISTER OF INFORMATION:

(1) The Bureau for Information was responsible for the compilation and distribution of the mentioned publication

(a) "Partners in Terror"

(b) 12 pages plus cover

(c) Bureau for Information

(d) Cape and Transvaal Printers, Cape Town, on behalf of the Government Printer, Pretoria

(e) (i) 70 000 English copies were printed

(ii) None

(f) Copies of the publication were sent to
Members of Parliament
The Bureau for Information's regional offices
Department of Foreign Affairs
Opinionformers in South Africa

(g) The publication was compiled and distributed as part of the bureau's task to make important policy statements of the Government public

(h) The total printing cost of the publication was R16 800 Cost of distribution is difficult to determine as railway cost incurred to transport copies to regional offices is not available as yet and since regional offices are still distributing copies

(2) No tenders were invited for the printing of this publication Printing was commissioned by the Government Printer in terms of Tender Board Exemption SDK77

14/5/86 Q col 1747
HANSARD

Gross domestic product

1029 Mr L F STOFBERG asked the Minister of Finance †

(1) Whether his Department (a) institutes investigations, (b) makes calculations and (c) monitors results on a regular basis with a view to determining the gross domestic product of (i) each independent Black state and (ii)(aa) Botswana, (bb) Lesotho and (cc) Swaziland, if not, why not, if so,

(2) (a) at what intervals and (b) what were the results of these investigations over the past five years?

The MINISTER OF FINANCE:

(1) No All these States are independent and collect their own statistics The responsibility for collecting and processing national accounts statistics does not rest with this department

(2) Falls away

Own Affairs

14/5/86 Q col 1749
HANSARD

Unmarried mothers: allowances

76 Mr L F STOFBERG asked the Minister of Health Services and Welfare †

(a) What amounts were paid out in maintenance allowances for unmarried mothers, (b) how many mothers qualified for these allowances, (c) what total number of children were benefited by these allowances, and (d) what average amount was paid out per unmarried mother, in respect of the White population group in each of the latest specified five years for which figures are available?

The MINISTER OF HEALTH SERVICES AND WELFARE:

1982

(a) R1 586 940,00

(b) 804,00

(c) 1 157,00

(d) R1 973,80

1983

(a) R1 726 692,00

(b) 780,00

(c) 1 135,00

(d) R2 213,70

1984

(a) R2 144 712,00

(b) 873,00

(c) 1 209,00

(d) R2 456,71

1985

(a) R2 125 692,00

(b) 832,00

(c) 1 126,00

(d) R2 554,91

Statistics available for the last four years only

FRIDAY, 16 MAY 1986

Q col 1749
16/5/86
HANSARD

†Indicates translated version

For written reply

General Affairs

Daylight-saving time

892. Mr P G SOAL asked the Minister of Mineral and Energy Affairs:

(1) Whether he or any member of his Department has received any representations regarding daylight-saving time in the Republic, if so, (a) from whom, (b) when and (c) what was the (i) nature of the representations and (ii) response thereto,

(2) whether the Government has considered the usefulness of daylight-saving time in the Republic, if so, (a) when and (b) what decision was reached in this regard?

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) Yes

(a) Trade Union Council of South Africa and a Mr M Stranex.

(b) In March 1985 and March 1986, respectively

(c) (i) That the Government consider the introduction of daylight-saving

(ii) That the introduction of daylight-saving from the view point of energy conservation could not be recommended

(2) Yes

(a) 1981

(b) As in (1)(c)(ii) above

HANSARD 16/5/86 Q col 1750

Raw materials

894 Mr L F STOFBERG asked the Minister of Trade and Industry †

(1) According to what price formulae are (a) gold, (b) silver, (c) tin, (d) zinc, (e) copper and (f) diamonds made available to local processors,

(2) whether the principle that local users and processors acquire their raw materials at prices not exceeding net export parity prices, converted to the source of origin in Southern Africa, on a current basis, is applied throughout, if not, why not?

The MINISTER OF TRADE AND INDUSTRY

(1) and (2) The prices of the commodities are not fixed by the Department of Trade and Industry In general, the position is, however, that in the case of gold, silver, tin, zinc and copper the prices which are paid by domestic users and processors are based on prices achieved on well-developed international markets The average price achieved on the international market is converted to rand value and the purchaser pays accordingly However, in the case of South African copper foreign clients pay a premium above international prices because of the high degree of fineness of the local product This premium is not paid by domestic purchasers

The prices of diamonds are fixed by the Diamond Trading Company and diamonds are offered to the registered purchasers at the fixed price Domestic purchasers receive a discount of 7,5 per cent on diamond purchases while foreign purchasers have to pay the fixed price in full.

Owing to the decline in the value of the Rand in comparison with international currencies, the domestic prices of the commodities in question have risen accordingly

16/5/86 QCOL 1751

Total amount invested in development regions

HANSARD

946. Mr A SAVAGE asked the Minister of Trade and Industry·

As at the latest specified date for which figures are available, what was the total amount invested by (a) private investors and (b) statutory bodies in each of the eight specified development regions where decentralisation concessions or incentives are applicable?

The MINISTER OF TRADE AND INDUSTRY

(a) Up to 30 September 1985 a total amount of R1 171 million had been invested by industrialists whose applications for regional industrial development incentives were approved by the Board for the Decentralisation of Industry in terms of the present incentive scheme during the period 1 April 1982 tot 31 March 1985. A breakdown according to the respective development regions is as follows

	Region	R million
A	Western Cape Province	234,2
B	Northern Cape/Western Transvaal	34,0
C	Orange Free State/QwaQwa	78,6
D	Eastern Cape/Border	207,8
E.	Natal/KwaZulu	472,5
F.	Eastern Transvaal/KaNgwane	45,8
G	Northern Transvaal/Lebowa/Gazankulu	79,6
H.	Pretoria-Witwatersrand-Vaal Triangle/KwaNdebele	18,5
		R1 171,0

It should be noted that the data is based on information furnished by industrialists in their first claims for the payment of incentives and relate to those claims which had been received up to 30 September 1985 Industrialists can start claiming incentives only after they had been in operation for at least 3 months and many industrialists submit their first claims only at a much later stage when they have finalised their investment, although having commenced with production in the meantime Accordingly, and since it can reasonably be accepted that many industrialists have made further investments since 30 September 1985, the data should be treated with the necessary reserve, as explained

(b) The information which is available is contained in the Decentralisation Board's annual report for 1984/85 (pages 15 and 16) which was tabled on 10 April 1986

QCOL 1752

Independent ~~Black states: gross domestic product~~

HANSARD 16/5/86

1030 Mr L F STOFBERG asked the Minister of Trade and Industry·†

(1) Whether his Department (a) institutes investigations, (b) makes calculations and (c) monitors results on a regular basis with a view to determining the gross domestic product of (i) each independent Black state and (ii)(aa) Botswana, (bb) Lesotho and (cc) Swaziland; if not, why not, if so,

(2) (a) at what intervals and (b) what were the results of these investigations over the past five years?

The MINISTER OF TRADE AND INDUSTRY

(1) No, because information relating to the gross domestic product does not play a role in the trade and economic agreements which the Republic of South Africa has with the countries in question and which are administered by the Department of Trade and Industry.

(2) (a) and (b) Fall away

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R8,2 million earned in 1984/85, it eroded in the first six months.

Amcoal increases earnings after share price plunges

STAR 14/5/86 210

By Gareth Costa

Anglo American Coal increased earnings by almost a third to 834c a share for the year to end-March, while investors pulled the share price down from a peak of just over R60 a share in November 1985 to the present R40,25.

The improved result has been ascribed to increased coal sales to Escom for power generation, higher rand proceeds from coal exports due to the low rand/dollar exchange rate and increased interest income

However, analysts have been warning that the slump in coal prices will affect profits, and the outlook for the next year is uncertain. Profits from exports will depend on the strength of the rand, but these should be maintained if the rand does not climb much above the 50 US cent level they say.

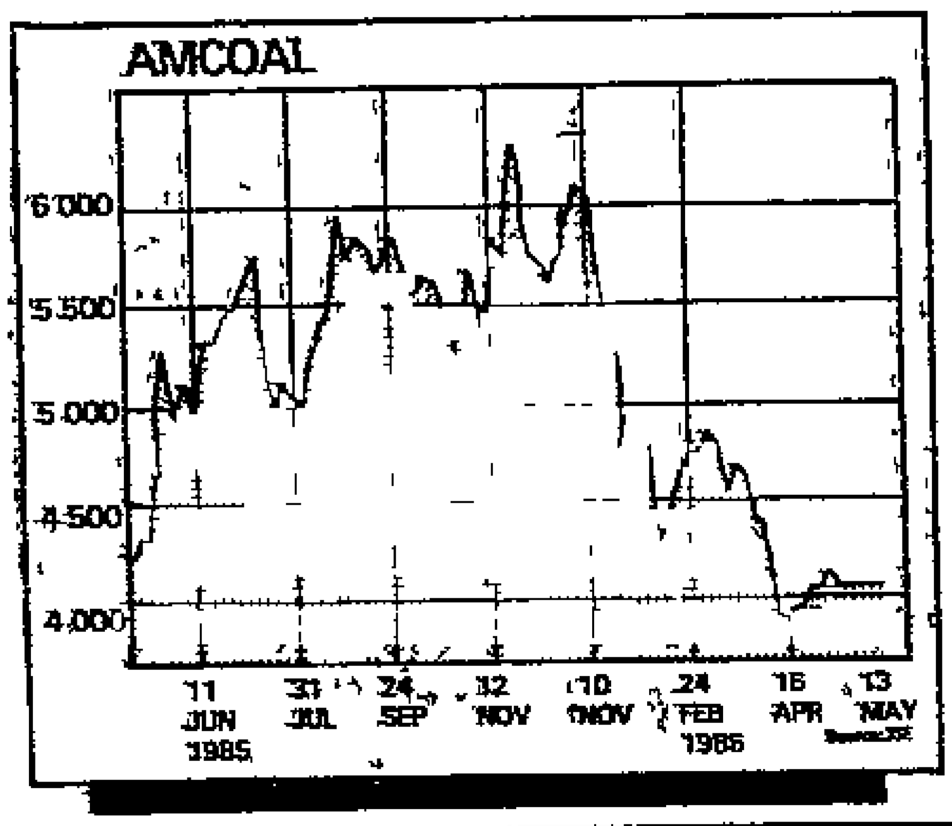
Amcoal's turnover increased from R841 million to R1075 million, with operating profit of R491 million from R336 million, and after tax-profit was R206 million compared to R163 million

A final dividend of 160c has been declared, making a total of 240c for the year.

Amortisation of mining assets and depreciation of refractory assets absorbed R35,3 million (R26,4 million) leaving a pre-tax profit of R455,8 million (R310,4 million). Normal and deferred taxation totalled R249,0 million (R146,6 million) and the profit after taxation was R206,8 million (R163,8 million).

Dividends

Holding company



2. Sick leave

In both these instan
of Employment Act wil

3. Special Provisions

Amcoal earnings up, future clouded

14/5/86. BUS DAY. 210

ADAM PAYNE

ANGLO American Coal's (Amcoal) attributable earnings for the year to March were 31% higher than a year ago. But the increase masks an uncertain future because of the world coal price slump.

Attributable earnings increased to R203,4m (832,4c a share), compared with R155,23m (634,9c) a year ago, because of increased coal sales to Escom, higher rand proceeds from exports and increased interest income.

A final dividend of 160c (132,5c) a share has been declared, making a total of 240c (195c) and providing a yield of 6% on yesterday's share price of R40,25.

Amcoal is a subsidiary of Anglo American, which will receive about R20m from the earnings.

Turnover rose to R1 075,4m (R841,9m) and profit before amortisation, depreciation and tax was R491,1m (R336,8m).

Pre-tax profit was R455,8m (R310,4m). Normal and deferred tax totalled R249m (R146,6m) and taxed profit was R206,8m (R163,8m).

Cheerful though this picture may be, prospects of continued, significant increases in earnings are doubtful, although increased sales to Escom should raise local profit.

On the export side — according to analysts — if the rand does not appreciate above the present level, earnings should be maintained, but not increased strongly as in the past year.

Amcoal has the advantage that most of its exports in the next six months to a year will be on contracts which will, to a certain extent, protect the company from the world slump.

However, spot sales and re-negotiated contracts will be hit heavily. The Rich-

● To Page 2

Amcoal earnings 31% higher

210

● From Page BUS DAY 14/5/86.

ards Bay fob price has decreased about 15% to 20% in the past six months. Coupled with that, there has been a 25% to 30% appreciation in the rand.

A further negative factor is that railage costs to Richards Bay are expected to increase.

Amcoal sold 36.6-million tons of coal in the year to March 1985. Analysts are looking for sales to increase to 44,3-million tons for the year to March 1987 as a result of increased sales to Escom, which took 58% of sales last year. Exports accounted for 30%.

FIN MAIL 16/5/86

PLATINUM SHARES

Market strength

210

Barring the last six weeks, platinum shares have outperformed the gold sector for nearly a year The three counters all stand at dividend yields considerably lower than the top quality gold shares and carry ratings bettered only by diamond shares.

The reason is simple enough. gold, coal and base metal shares have all seen profits soar largely on the strength of exchange rates All these sectors are now flattening out or declining However, both platinum and diamond markets are showing fundamental strength which only really began to take off late last year

Earlier in 1986, views were mixed as to the likely duration of the firmer platinum price, now above $400 One problem at that point was that the effect of Impala's labour unrest was unclear, and there was little in the way of firm forecasts of industrial and jewellery demand Publication of *Platinum 1986*, Johnson Matthey's annual study, should ease any lingering doubts that the fundamentals are indeed looking favourable for platinum

Among the main conclusions are that Western world demand for platinum increased by around 7% last year, but supply to the market — although reaching levels only exceeded in 1979 and 1980 — grew by less than 1%. This was the first time since 1981 that Western demand — more than 2,8m ounces in 1985 and up 180 000 ounces on 1984 — exceeded supply, which Johnson Matthey estimates at 2,74m ounces After taking account of Western sales to China and Comecon countries, there was a 100 000 ounce shortfall in available supplies measured against demand in 1985

One implication of the report's conclusions would appear to be that the likely Soviet sales during 1986 will be particularly important for the price If Soviet sales do not increase too greatly, and there must be considerable potential for these to rise given the Soviets' increased requirements for foreign exchange and their reduced income from oil exports, then the price outlook should be bullish.

Platinum 1986 says South African exports last year accounted for almost 85% of supply to the West, while sales by the Soviet Union — the world's second largest producer — fell The review also says the two major SA producers (Impala and Rustenburg) are almost certainly working close to capacity, and "are unlikely to be sitting on much above-ground stock " Rustenburg, the review adds, may succeed in raising the level of supply again this year "by squeezing every last ounce out of its facilities "

So unless the rand starts sliding again, the local producers' earnings are geared essentially to platinum metal prices in foreign currencies Here, as in the diamond market, non-industrial demand in such markets as Japan and Europe has been boosted by the weaker dollar As long as the yen and the DM remain high against the dollar, then jewellery and investment demand looks set for continued firmness Japan's jewellery industry was the largest single user of platinum last year, accounting for 24% of world demand However, US hoarding demand quadrupled in 1985, and sales to this sector in Japan doubled, with total hoarding demand rising 53% to 260 000 ounces

On historic performances, both Impala and platinum look expensive, with the respective dividend yields at 4,4% and 3,5% However, given the prospects for future growth in earnings and dividends, the shares are probably still worth accumulating, particularly Rustenburg. *Andrew McNulty*

Miners to vote on strike

● PAULUS

BUS DAY 19/5/86

ALAN RUDDOCK

WHITE miners are to hold a strike ballot on Friday after final negotiations between the Council of Mining Unions (CMU) and Chamber of Mines deadlocked over the weekend.

CMU chairman Arrie Paulus said yesterday that a conciliation board had failed to resolve the wage dispute and that two further meetings with the chamber had ended in deadlock.

"Our members will decide in the ballot on Friday whether we go on strike. We are adamant we will not go below our demand of 15,1%.

"However, the chamber has increased its offer to 14,6%, so there is only a difference of 0,5% and I believe we can bridge that gap. A one- or two-day strike would cost the chamber more than the 0,5% increase."

Paulus said the CMU represented about 25 000 white workers on the mines.

The chamber's industrial relations advisor, Johan Liebenberg, said the difference between the chamber and the union was "very small indeed. It would be silly for them to go on strike for 0,5%. A one- or two-day strike would cost their members more in lost wages than they would gain from the extra 0,5%".

He added: "We have made our mandated offer. I cannot say if more negotiations will be held this week, but if they still want to talk, it is possible."

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He added. "We have made our mandated offer. I cannot say if more negotiations will be held this week, but if they still want to talk, it is possible."

White miners' ballot shelved on new offer

By Sheryl Raine

A ballot to decide whether 24 000 white miners and other key white personnel in the mining industry should strike has been postponed indefinitely after an improved wage offer from the Chamber of Mines

The ballot, involving eight unions affiliated to the Council of Mining Unions (CMU), was to have been on Friday

CMU general secretary Mr Tom Neethling said today that the Chamber tabled an improved wage package on Tuesday "They have met our demand for a 15,1 percent package It includes a 14 percent wage increase, a 1 percent pension improvement, and a 0,1 percent improvement to injury leave benefits

"The Chamber has also agreed to our request that the implementation date of the package be backdated to May 1 The date has been a stumbling block in negotiations"

Though the CMU has not undertaken to recommend to members that they accept the latest offer, it is being referred back to them for discussion

"If members reject the package, we will have to set another date for the ballot," said Mr Neethling

NUM, chamber to start wage talks

The first round of wage talks between the National Union of Mineworkers and the Chamber of Mines is expected to take place this week, with the NUM demanding a 45 percent increase for workers on gold mines Other NUM demands include

- Reduced working hours from 90 hours a fortnight to 80 hours
- May 1 as a paid holiday
- Increased shift allowances and improved funeral and death benefits
- Increased annual leave to 44 days and a holiday leave allowance of 100 percent
- Six months' paid maternity leave for women workers plus a further six months' unpaid leave to accommodate illness before or after the birth of a child
- Paternity leave

NUM sets mine wage talks rolling with big demand

22/5/86 BUS DAY

210

CLAIRE PICKARD-CAMBRIDGE

THE National Union of Mineworkers (NUM) has made an opening demand for a 45% across-the-board wage increase for black gold mine employees it will represent during annual negotiations with the Chamber of Mines.

The NUM, which claims 180 000 paid-up members and 250 000 signed-up members on chamber gold and coal mines, is expected to table similar demands for workers on chamber collieries where it is recognised. However, these negotiations will be handled separately

NUM's opening demand in 1985 was a 40% increase and negotiations this year may well be as tough and prolonged as they were last year.

NUM's Marcel Golding said other demands this year included a reduction in working hours — which are more than 90 hours a fortnight — to 80 hours a fortnight, 44 days annual leave, a holiday leave allowance of 100%, May Day as a paid holiday, improved shift allowances and improved funeral and death benefit schemes

Minimum increases negotiated for black workers on chamber gold mines last year ranged between 14% and 22%, and there was strike action at some Gold Fields, Anglovaal and Gencor mines

NUM has also placed strong emphasis on improving the lot of women employees this year These demands include six months' paid maternity leave and up to six months' additional unpaid leave if a worker or child suffers from illness before or after childbirth.

NUM wants women workers to be guaranteed similar pay and benefits when they return from maternity leave, and are also demanding that fathers be given the right to time off when children are born

The chamber has not yet made an offer and the parties are expected to meet later this week The traditional implementation date for wage increases for black employees is July 1.

The monthly minimum for underground gold miners ranges between R193 and R600 and their average wage is R390,82c Additional benefits such as food, accommodation and medical attention amount to another R147 a month.

The Council of Mining Unions (CMU), representing about 24 000 white miners and other mining personnel, has called off its scheduled strike ballot on Friday after a new offer from the chamber.

The new offer has not yet been disclosed to the media, but it is likely that the chamber and the CMU are closer to reaching agreement now. There was previously a 0,5% margin between the CMU's demand of a 15,1% increase and the chamber's offer of 14,6% with no fringe benefits

The three official associations representing another 37 000 members met with the chamber on Tuesday to present their wage proposals. The Mine Surface Officials' Association and the Underground Officials' Association have presented joint demands, while the SA Technical Officials' Association has separate demands.

De Beers has also begun its annual wage negotiations with the CMU, but has not yet begun talks with NUM NUM met to negotiate wages and conditions of employment with De Beers Namaqualand mines division for the first time last year, after the conclusion of a recognition agreement between the parties

De Beers wage increases, with service increments, amounted to about 12% for employees represented by the CMU and NUM last year, resulting in a minimum starting rate of about R340 a month

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FIN MAIL 23/5/86

MINE PAY TALKS

Double trouble

The predominantly white Council of Mining Unions (CMU) was in an aggressive mood this week, preparing to ballot members' willingness to strike over a wage dispute with the Chamber of Mines. But the odds that industrial action will actually occur seem stacked against it

However, the week also marks the start of the chamber's wage negotiations with the three mine officials' associations, as well as gold mine wage talks with the black National Union of Mineworkers (NUM). And there is far greater chance of a strike resulting from the NUM talks than from the CMU dispute

The CMU represents 24 000 workers in eight unions Conciliation board negotiations last week broke down even though the difference between the union's demand for a 15,1% across-the-board increase, and the chamber's 14,6% offer, now amounts to a mere 0,5%. But even though official conciliation procedures have been exhausted, the history of CMU-chamber negotiations suggests that all is not necessarily lost Time and again settlement has come only after conciliation board meetings

Of course, this year could be different Feedback from members, says CMU secretary Tom Neethling, indicates that the possibility of strike action is much greater this year. But he does not rule out all chances of settlement

The chamber, for its part, is staying cool. Says its industrial relations adviser, Johann Liebenberg: "The difference is too small to contemplate striking over. They would lose more in wages than they would get if we gave in to their demand. Likewise, I don't think mineowners will be prepared to face a strike over 0,5%. It is still possible that further talks will resolve the differences."

Wage talks with the NUM, which will cover 27 gold mines, present the chamber with a far more difficult challenge. The union's militancy is well known and for the last two years its members have struck in support of its demands.

This year, the NUM is looking for a 45% across-the-board wage increase. It is also demanding May Day as a paid holiday, a reduction in work hours to 80 hours a fortnight, annual leave of 44 days for all workers; a 100% leave allowance for all workers, no loss of income for workers transferred from one occupation to another due to disability or illness, a guarantee that when workers return from leave they will receive the same rate of pay as before and similar benefits, paternity leave for prospective fathers; and improvements to shift allowances, maternity, death and funeral benefits.

One demand missing from the NUM's list, and a feature of past negotiations, is for the scrapping of the racially exclusive definition of "scheduled person" in the Mines and Works Act. This would end job reservation on the mines. For years the NUM has been excluded from talks on this highly sensitive issue between the chamber and the established mine unions. But government has given a firm undertaking that the definition will go this year, and the NUM says it will be discussing the matter with the chamber and the Department of Mineral and Energy Affairs However, the union is reserving its right to introduce the issue into the wage talks if it gets no satisfaction ■

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23/5/86 BUS DAY - 210

Jobs are mining's big contribution

GERALD REILLY

EMPLOYMENT is the most tangible benefit provided by the mining industry for South Africa and countries outside its borders, Chamber of Mines president Clive Knobbs said in Pretoria yesterday.

Speaking to the conference of the Federation of Societies of Professional Engineers, he said the mining industry provides a total of 720 000 jobs, which represents one in every seven persons working outside the agricultural sector.

Knobbs said more than R470m in deferred pay and remittances flowed to labour-supplying territories in Southern Africa from the earnings of migrant mine workers last year.

Regarding the mining industry's importance to the local market, Knobbs said it consumed stores valued at R6,7bn in 1984, most of it bought locallly.

The industry's contribution to gross national product rose to an average of 16% in the past five years.

The multiplier effect of the mining industry also operated in the field of taxation, he added. Mining taxation accounted for about 9,5% of government revenue in the year to March 1985. Knobbs added that mineral sales abroad provided the country with two-thirds of its foreign exchange.

NUM job proposal is unorthodox

(210) BUS DAY 26/5/86.

CLAIRE PICKARD-CAMBRIDGE

CHAMBER of Mines president Clive Knobbs said yesterday it would be highly unorthodox of the National Union of Mineworkers (NUM) to introduce the issue of job reservation into annual talks on wages and conditions of employment

Knobbs said job reservation was a separate issue and it would complicate wage talks if it was introduced after the union had already presented its package of demands

The NUM said it reserved the right to introduce the issue into wage talks for members if it was not satisfied with government's progress in scrapping job reservation

The NUM presented its demands, which included a 45% across-the-board increase, last week

However, NUM general secretary Cyril Ramaphosa said it had rejected some of the preconditions laid down by the chamber at the start of the wage talks

The chamber is also expected to hold separate talks with the NUM and the white mining unions over the third draft Bill for the scrapping of job reservation which Government has sent to the parties for discussion

The chamber and several unions are unhappy with the Bill

The chamber has not yet specified its objections to the Bill But white unions and NUM say they are unhappy with the concept of a statutory committee which will control the advancement of blacks on the mines

They reject the principle of government interference in future arrangements for the industry And they believe the removal of job reservation should not be replaced by another mechanism, a committee which could reinforce discrimination

Many white unions also opposed the Bill because it prevents them reaching agreement with the chamber on establishing an industrial council to monitor security of employment provisions

Relly stresses ideological reconciliation for lively economy

JOHN BATTERSBY

● RELLY

LONDON — There would have to be an important reconciliation between socialist and free enterprise positions to sustain a lively economy, says Anglo American head Gavin Relly

"Radical changes will have to be made," Relly says in the latest issue of the *Sampson Letter*, a newsletter published by author Anthony Sampson.

He believes the sense of understanding reached at a meeting between business and the ANC last year "can stand in good stead if needed in the future".

"If we are to sustain a lively economy and create enough wealth to fulfil any aspirations, which I — or the ANC — may have for the future of our people, there will obviously have to be important reconciliations between socialist, or Marxist, positions and free enterprise positions.

"None of us in business believe, or if we do we shouldn't, that economic affairs can simply go on in the future as a linear extension of the past and radical changes will have to be made

"In a world of limited resources and competitive nations-states you can make a simple list of winners and losers in the economic fight for survival

"The winners tend to practise private enterprise, the losers extreme socialism.

"Winners are able to meet the needs of their people — basic and not so basic — and losers cannot do either, except for a small and self-interested elite

"There must be a sensible mix of policy to meet the needs of the future, and discussion and debate ought to be encouraged."

The Anglo chairman stresses the important role of the KwaZulu leader Chief Mangosuthu Buthelezi to which he had referred two weeks earlier in an interview with Anthony Sampson

"My perspective on Chief Buthelezi is that no one, the ANC included, has done more to halt the ideological thrust of apartheid than Buthelezi

"Because he has rejected violence as an instrument to bring about national change he naturally stands in a better light for many than those who do not.

"It is easy today to forget that he was the only black leader with an authentic power base to have faced the heat, a long time ago, of a government still determined to enforce apartheid.

"I think history, if reasonably and objectively written, will endorse the fact that he was the anvil on which apartheid ultimately faltered

"However, who will write the history?" Relly asks.

In an interview two weeks earlier, Relly had said he did not see a further role for Anglo American in bringing government and the ANC together

Mine wage talks run into some early snags

218 1450 255

27/5/86

STAR

By Sheryl Raine

Annual wage talks between the Chamber of Mines and the National Union of Mineworkers (NUM) have got off to a sticky start with the Chamber demanding agreement on preconditions to negotiations

The NUM, demanding a range of improved conditions of service for black miners and a 45 percent pay increase, said the chamber had not yet tabled a wage offer

The chamber is demanding that the NUM accept certain preconditions before talks about wages get off the ground

Preconditions include

- NUM acceptance of a schedule indicating the mines it represents and agreement that negotiations apply only to these.
- Separation of negotiations for gold and coal mines if necessary
- Outstanding matters of 1985 wage negotiations should not be allowed to affect the present wage talks, since the NUM acquired the right to strike on those mines where a dispute still existed.
- Issues on which the parties could not agree or which fell away not be permitted to appear later as issues of dispute
- Any settlement reached be regarded as full and final
- No cost-related changes in conditions of employment be implemented before July 1
- Union acceptance of the various exceptions of the basic conditions of employment sought by the chamber

NUM Press officer Mr Marcel Golding said the union was not prepared to accept these preconditions, especially those which were designed to undermine the NUM's bargaining position

A spokesman for the chamber said NUM's response required further study and consideration. The chamber did not wish to delay negotiations and had undertaken to meet NUM shortly

The Chamber and NUM will talk today on the Government's latest proposals to scrap job reservation on the mines

City dealers expect a deal between Anglo and Lonrho

28/5/92 210 STAR

The Star Bureau

LONDON — Speculation is rife that Mr Tiny Rowland's international trading group Lonrho is close to selling off part of its South African interests in a multi-million rand deal

Dealers are convinced that Lonrho has been having secret talks with Mr Harry Oppenheimer's Anglo-American Corporation for some time, reports a City correspondent of *The Times*

However, Anglo refused to comment on the speculation, but sources close to the company said the story was nonsense

"If completed the deal could be worth $400-million (R874-million) to Lonrho and would certainly please the City which has only just started to warm to Lonrho shares," the correspondent adds

The renewed speculation Tuesday about Lonrho's intentions followed a visit by some of the Lonrho board to the offices of Chase Manhattan Securities, one of the bigger dealing houses to emerge from the recent spate of City mergers.

But Lonrho shares failed to reflect the underlying speculation, closing only 1p firmer at 254p Only a few weeks ago the price had traded as high as 274p amid growing bid speculation

Many fund managers believe that Lonrho shares may start to rise after the expiry of the May traded options Wednesday.

This will bring a sigh of relief to many jobbers who appear to have worked hard to keep the speculators under pressure Dealers are already talking the Lonrho share price up to 300p in the weeks ahead

Go-ahead for Joel mine

STAR 28/5/86 (210)

By Gareth Costa

JCI today announced that the Minister of Mineral and Energy Affairs has granted permission for the go-ahead of the Joel mine, as reported yesterday in *The Star*

No details of the price of the new shares or when they will be listed is given, but the amount of R570 million is to be raised This will be done through linked units consisting of shares plus the option to subscribe for shares in 1987 or 1988

"JCI and Anglo and their associates will participate directly in the offer and it is the intention that Randfontein's members will participate in Randfontein's full share of the offer The offer will be made in the ratio of 45 10 45 to JCI, Anglo and their associates and members of Randfontein respectively "

Miners and Chamber settle wage dispute

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By Sheryl Raine

The wage dispute between 24 000 white mine employees and the Chamber of Mines has been settled.

In a joint statement issued after a meeting yesterday afternoon, the Council of Mining Unions (CMU) and the Chamber said basic pay on gold and coal mines would be increased by 14 percent from the May pay month Agreement has also been reached on improved pension benefits and accident leave for white employees

Fifty percent of all bonuses and contract earnings will now be pensionable The period of paid mine accident leave has been increased from 42 days a year to 56 days The number of days which may be accumulated has been increased from 84 days to 112 days after two years.

In the case of Iscor's Hlobane and Durban Navigation Collieries, the agreed wage increase will only be 13,5 percent, but 75 percent of bonus and contract earnings will be pensionable

Commenting on the settlement, chairman of the CMU Mr Arrie Paulus said it would not satisfy all employees "However, I feel it is the best we could have done without a strike," he said

The CMU represents, among others, the white Mine Workers Union, the S A Boilermakers' Society and the Amalgamating Engineering Union of S A

Business Day

(45c + 5c tax) For other prices, see Back Page

29/5/86 BUS DAY 210

Lonrho denies rumours of R850m Anglo offer

JOHN BATTERSBY

LONDON — Lonrho, the international trading group, yesterday denied that it was considering an R850m (£250m) offer for its SA interests from the Anglo American Corporation.

Reacting to Press reports yesterday, Lonrho director Paul Spicer said:

"It's completely untrue. We deny the reports — there is not a shred of truth in them. There has been no offer."

He was reacting to reports that Lonrho was considering a £250m offer from Anglo which would have marked the biggest disinvestment by a foreign company in SA.

Charter Consolidated, Anglo American's operation in Britain, said the reports were "purely speculative".

"They are nothing more than rumours," a Charter spokesman said.

But the stock market was abuzz with speculation that a deal could still go ahead

News of the alleged negotiations leaked out from a lunch which stockbrokers Simon and Coates are reported to have had with Lonrho directors Paul Spicer and Robin Whitten on Tuesday.

Spicer would not comment on whether the lunch took place.

Simon and Coates analyst Mike Smith was reported as saying:

"Lonrho told us they were looking at the offer, although they thought it was on the low side.

"But if they are prepared to consider it, it would indicate they are prepared to be sellers," he said.

"The deal would make sense for Anglo American because they are already based in SA," Smith said.

Another leading broker said:

"A deal would let Lonrho off the hook internationally.

"With particularly heavy involvement in the Southern African Frontline states, Lonrho's SA involvement is very embarrassing," he said.

"From Anglo's point of view it would also make sense.

"It would rationalise Anglo's mining interests in gold, platinum and coal and broaden its international penetration in the commodity markets," he said.

29/5/86

Chamber and white miners in agreement

BUSDAY

CLAIRE PICKARD-CAMBRIDGE

AGREEMENT has been reached between the Chamber of Mines and the Council of Mining Unions (CMU) — on improved wages and employment conditions for 24 000 white employees on chamber gold mines and collieries.

The settlement, providing for a 14% increase in standard pay rates, increased paid accident leave and 50% of bonus and contract earnings being made pensionable, roughly matches the CMU's demand for a 15,1% pay increase.

In the case of Iscor's Hlobane and Durban Navigation collieries, the wage increase for CMU members will be 13,5%, with 75% of bonus and contract earnings being made pensionable.

CMU chairman Arrie Paulus said: "Although employees would have liked a larger percentage increase, the CMU has tried its best and I'm positive it is the best we would have got without a strike."

Paulus said the two Iscor collieries were chamber members and the total package for CMU members there also amounted to a 15,1%

The National Union of Mineworkers (NUM) will meet the chamber tomorrow to discuss wage talks The chamber has not yet made an offer, while the NUM's demands include a 45% across-the-board increase, an 80-hour working fortnight and 44 days of annual leave.

Countdown once more to the big mine wage talks

30/5/86 WEEKLY M.

By PHILLIP VAN NIEKERK

THE Chamber of Mines reached agreement this week with the white Council of Mining Unions, clearing the way for the annual battle with the black National Union of Mineworkers (Num) — possibly the most significant event on the labour calendar

In the past two years wage talks between the Chamber and Num have reached deadlock and limited strike action, though an all-out confrontation — a black miners' 1922 — has been avoided

So the question is being asked yet again whether this will be the year of the big bang, when black miners will close the country's gold and coal mines

The Chamber's industrial relations advisor, Johan Liebenberg, told Weekly Mail this week "I think we are in for a tough series of meetings, but I am hopeful that by discussion we will be able to reach settlement"

Clearly, Num — which claims to have signed up 300 000 miners — is stronger than in either of the two previous years, but analysing the prospects of strike action depends on the mood on the ground and how the negotiations proceed

There has been an extraordinary wave of industrial action on the mines since the beginning of the year (though it has slowed in recent weeks) and the political situation is acting as a further spur to worker militancy

Num's press officer, Marcel Golding, said workers were in an extremely militant mood and were demanding wage increases which would ensure that mine workers would be among the best paid workers as a result of the hazardous conditions in which they have to work.

Num is demanding a 45 percent across-the-board increase as well as job security, a shorter working fortnight, a paid holiday on May 1 and improvements to fringe benefits such as leave, vacation pay, death benefits and maternity leave.

"The mines made record profits last year and they are easily in a position to meet our demands," said Golding "High inflation has eroded workers' wages and we're not only trying to compensate for this, we're trying to improve the standard of living of workers

"This will pave the way for the struggle for a living wage among black miners"

This year the talks have hit a snag before they have even begun When they met with Num last week Friday, the Chamber set a number of preconditions to the talks, most of which have been rejected by Num.

These include that Num accept a schedule indicating the mines it represents, that talks for gold and coal mines be separated if necessary, that outstanding matters of the 1985 wage negotiations not be allowed to affect this year's talks, that any settlement reached be regarded as full and final, that no cost-related changes in conditions of employment be implemented before July 1, and that Num accept the various exemptions from the Basic Conditions of Employment Act sought by the Chamber.

Liebenberg said the Chamber was merely seeking an "affirmation of bargaining conventions" and did not see them as insuperable preconditions

Golding said Num could not agree to waive the outstanding matters from the 1985 negotiations as they had the right to a legal strike in terms of last year's dispute To forego this would be to undermine their bargaining power

He said they could not accept the schedule because certain mines and categories on mines which Num claimed representativity were excluded

These included two gold mines — Gold Fields' Venterspost and Rand Mines' Durban Roodepoort Deep — and a coal mine — Greenside colliery — where Num has recently applied for recognition

An attempt to resolve these matters and get the negotiations going will be made today when the Chamber is expected to unveil its offer

There is, however, agreement that Num will represent workers in various categories at a large number of gold mines This year the union is well-represented in every major gold mining area — the Free State, the Western Transvaal, the West Rand and the Eastern Transvaal — though its representation at one mining house, Gold Fields, is still limited and representativity on Anglo Vaal appears to have fallen away.

Liebenberg said that at last count Num had 135 000 paid-up members on Chamber gold and coal mines The discrepancy between this figure and Num's figure of 300 000 is explained by the number of Num members on platinum and diamond mines, on non-Chamber mines and the miners who are not paid-up yet

Mines represented include: Anglo American's Elandsrand, President Brand, the three divisions of Western Holdings, the three divisions of Vaal Reefs, two divisions of Western Deep Levels, President Steyn and Free State Geduld

The Gencor mines represented this year include Marievale, Stilfontein, Bracken, St Helena, Buffelsfontein, Beatrix, Grootvlei, Kinross and Leslie Gold Fields' gold mines represented include Deelkraal, Libanon and West Driefontein while Rand Mines has Blyvooruitzicht, and Johannesburg Consolidated Investments (JCI) — represented for the first time — has Randfontein Estates and Western Areas in this year's talks

One of the key questions around this year's talks is whether the mining houses, which represent vastly differing philosophies, will stand together or split as they did during the disputes of the past two years

The Num has warned they will not tolerate a split and are negotiating one deal for all their members. Liebenberg said the six major mining houses had managed to put together a unified offer to make to Num.

But, in the strain of negotiations further down the line, it is difficult to see Anglo American and Gold Fields putting up a common front This is so not only because of the differing labour relations and wage philosophies but because Anglo — where Num is much better represented — stands to lose more in the event of a strike.

Brokers shy away from gold

WEEKLY MAIL REPORTER

FOREIGN stockbrokers are advising clients to avoid South African gold shares for fear of major disruptions on the mines, says a share analyst who has asked not to be named.

With wage talks underway between the National Union of Mineworkers and the Chamber of Mines, and June 16 just over a fortnight away, local investors are also holding back.

Lower prices and volumes on the Johannesburg Stock Exchange indicate the extent of the damage. At the close of trading on Wednesday, the JSE all-gold index fell to 1 145,6 from a close the day before of 1 166,1, while the overall index slipped to 1 425,6 from 1 439,3.

If prices fall further, local institutions could change their minds. But overseas investors are expected to hold on to their money until July.

BUSDAY. 210 30/5/86.

Weaker rand disguises mineral export situation

ROY BENNETTS

ON THE surface, last year's mineral sales hit record heights climbing from just over R19bn in 1984 to nearly to R25,9bn, with mining companies being accorded accolades for producing sky-high profits Unfortunately, this was only true in local terms, due to the downward slide of the rand against the dollar

During 1984, exports accounted for 84% of the country's total mineral sale's revenue, injecting $11,1bn into the country's coffer against a rand valued at $0,69

Last year export sales rose to 87% of the total value of mineral sales, climbing by 40% to R22,5bn

However, this gained the lower amount of $10,4bn because of the rand's slide to an average of $0,46 for the year

Calculated against the dollar, the value of local and export mineral sales dropped by nearly 10%, from $13,2bn in 1984 to $11,9bn last year

Gold continued to lead the field inspite of a drop in production from 680 tons to 670 tons

Export revenue for the metal jumped by 32% from R11,6bn to R15,3bn but in dollar terms fell by 11% from $7,9bn to just over $7bn

In the context of the gold price there is little to suggest any significant change in the average levels for the current year.

During January, dollar gold prices improved and touched $380 at one point However, the upward trend was seen by some analysts as a covering of short positions rather than a net new phase of demand.

At the beginning of 1985, when the dollar was particularly strong, it appeared reasonable that dollar gold prices would improve as the dollar parity, against other major currencies, returned to more normal levels.

In practice, this did not happen, dollar gold prices remained substantially unchanged as prices in other currencies eased.

This leads analysts to reiterate that the dollar value of the metal remains the determining factor in the market, at least in periods of weak gold demand

□ Coal was the shooting star of the last year with an 83% gain in export values from R1,7bn to R3,1bn, and tonnage increased by 15,9% to 44,3-million tons. But, unlike gold, this resulted in an increase of foreign currency from nearly $1,2bn to $1,4bn.

Outlook

Local sales values were increased by 11,6% at R1,9bn, with a marginal rise in the amount sold at 124-million tons

However, the outlook for SA coal appears rather black, with first boycotts from several European countries followed by a crash in the price of crude oil.

The halting of SA coal shipments by France and Denmark is expected to release up to 6,5-million tons of steam coal onto the oversupplied international market

This in turn will help to further depress the price paid by consumers, which is believed to be at the already uncomfortable level of $30 a ton.

Brokers are already predicting exports in the current year will not rise above the previous year's 44-million tons which, at the lower sales price, could mean a drop of nearly R500m in exports values, provided the rand remains at its present levels.

Present world coal production is now sufficiently high to allow for the complete banning of SA coal exports, which would delight rival producers and exporters Australia and Columbia

□ SA diamonds sales last year gained nearly 49% in value at R773,6m ($355,9m) compared with R519,4m ($358,4m) in the previous year, with a marginal decrease in the amount of carats sold at 9,6-million

De Beers' Central Selling Organisation report total sales of rough diamonds in 1985 increased by 13% to $1,8bn, with world retail sales of diamond jewellery exceeding the 1984 figure by 3%

Production from the De Beers mines and Debswana, in which De Beers has an equal partnership with the Botswana government, fell by 85 000 carats to 23,2-million carats.

However, this drop was attributable to a lowering of recovery at Debswana, which suffered a shortfall of 279 000 carats at 12,6-million carats, as a result of a slightly lower grade at Orapa and the planned mining of the lower grade satellite pipe at Letlhakane

The SA mines produced an additional 214 000 carats, which was in the main due to a higher underground grade at Premier.

□ Total demand for platinum in the West increased by 5,6 tons to 87,4 tons, which brought 1985 close to the peak demand year of 1979, with hoarding and the autocatalyst and jewellery sector being mainly responsible for the growth pattern.

Hoarders

Japan remained the largest regional market, accounting for about 44% of total Western demand at nearly 40 tons.

The currency factor also helped demand from hoarders for investment items up to 100g to grow from under half a ton of the metal to nearly 1,1 tons.

In the US, the motor industry remained by far the largest outlet, accounting for over 60% of national demand which in turn represents over 36% of total non-Communist demand

Record car sales in the year pushed up the demand for the platinum autocatalyst, while hoarding rocketed by 3,1 tons to 4 tons

Soviet exports to the non-Communist countries fell in 1985 for the third year in succession, with shipments of 7,2 tons estimated to be 20 000oz lower than in the previous year

Sales by the Soviets have fallen to this level only once in the past 25 years.

While demand for platinum has continued on an upward trend, supplies have generally outpaced purchases since 1981. However, last year just over three tons had to be withdrawn from stockpiles to meet demand.

With the prospect that the shortfall could be increased in the current year, due to the loss of recovery at the Impala mine, broker Johnson Matthey is optimistic about the metal's immediate future.

□ Copper appears unlikely to break out of its current limited trading range despite a steady fall in stocks, say overseas analysts

At the beginning of May the London Metals Exchange (LME) recorded a high of £950 ton, with the metal currently trading between £940 and £930 ton.

There are signs of an increasing squeeze on grade A copper supplies, particularly for the final month of the forward contract and high grade cash metal has been commanding a slight premium over three months A grade material.

Copper stocks held at the LME warehouses have dwindled to a 10-month low of 132 600 tons with a steady outflow of material evident for the past five months

3/5/86 210 BUSDAY

● DE BEER

Anglo and ANC to air their views

JOHN BATTERSBY

LONDON — Anglo American and the African National Congress (ANC) will outline their views on current developments in SA from a Commonwealth platform in London next month

On June 9 Anglo's Zac De Beer will address the Royal Commonwealth Society (RCS) on the SA business leaders' view of the country.

Two weeks later exiled ANC president Oliver Tambo will speak from the same platform and is expected to outline the organisation's view on recent developments, including the Commonwealth peace mission, the SADF raids into neighbouring states and the rise of the extreme right-wing.

It will be Tambo's first public appearance in London since his successful visit in October last year before the Commonwealth peace mission was formed

The RCS programme will provide an opportunity for both Anglo and ANC leadership to review their historic meeting in Luangwa, Zambia, in September last year.

Since that meeting there has been a constant stream of delegations of student, union, church and other interest groups visiting Lusaka for talks with ANC leaders

In each case joint communiques have stressed the importance of the ANC in any solution to the country's problems in return for recognition from the ANC of the group concerned.

This week a delegation of the National African Chambers of Commerce (Nafcoc) visited Lusaka and met Tambo who said black businessmen had a major role to play in establishing a new SA.

In a recent correspondence with *The Sampson Letter*, a London-based newsletter produced by author Anthony Sampson, Anglo chairman Gavin Relly said he no longer saw a role for bringing the ANC and government together.

"However, a continued dialogue at various levels and in different places on SA's economic future is necessary," Relly said, adding he believed radical changes would have to be made in the economic field to sustain a lively economy.

30/5/86 BUS DAY

210

Rumours of Anglo offer to Lonrho persist

JOHN BATTERSBY

LONDON — Rumours of a R850m Anglo American offer for Lonrho's South African interests persisted on the market yesterday in spite of Lonrho denials.

Mike Smith, share analyst with London brokers Simon and Coates, yesterday stood by his story that two Lonrho directors had confirmed the Anglo offer at a lunch for brokers and fund managers on Tuesday.

But he added that the Lonrho directors had given the impression that they were not seriously interested in making a sale, but were prepared to use the talks to put a value on Lonrho's SA operations.

Smith said that Anglo's R850m offer was about R350m below a realistic market price — about R1,2bn.

Anglo's low-key response has confirmed market suspicions that it is trying to drive a hard bargain with Lonrho, playing on the conglomerate's political sensitivity about its substantial SA interests.

Clearly Anglo is in no hurry to strike a deal.

Smith's version of the discussion at lunch with Lonrho directors Paul Spicer and Robin Whitten was backed up by other participants who asked not to be named.

But Spicer yesterday vigorously denied reports that Lonrho was considering the offer.

"There is no deal. We do not intend to sell our SA interests. There is a rumour that has been circulating for some time. It is misleading and untrue."

Rumours of an Anglo offer for Lonrho's SA interests have been circulating in market circles for several weeks.

But it was not until reported discussions at Tuesday's Lonrho lunch were leaked to the Press that the rumours became public.

Lonrho's SA interests produced after-tax earnings of R130m last year.

A broker said yesterday that if an Anglo-Lonrho deal was on the cards, it would take some time to unfold.

"Anglo is known for its stealth on the market and is not likely to show its hand at this stage," he said.

Brokers were speculating yesterday as to how Anglo would raise the money for a deal.

"If they pay from SA in rands, it is sure to put further pressure on the rand," one broker said.

Alternatively, Anglo could swop overseas assets or pay from external funds, the broker suggested.

Premier Food, Anglo American lead in new

June 16, May 1 hol

concession holidays

31/5/86 210 STAR 31

By Sheryl Raine

Premier Food Industries, a wholly-owned subsidiary of the Premier Group, has become the first major employer to declare June 16 and May 1 paid company holidays for 24 000 employees of all races

At the same time Anglo American is to close its head office at midday on June 16

The move by Premier is likely to prompt other major employers, faced with growing demands from emergent trade unions, to recognise May Day and June 16

Up until now, only a handful of employers have recognised May Day Even fewer have recognised June 16, the date of the Soweto riots and a day regarded with hostility by many white employers

In a statement released by Premier's human resources director, Mr Rob Childs, the company said "These two days, together with New Year's Day, Good Friday Ascension Day, Republic Day, Day of The Vow and Christmas Day (the existing statutory paid holidays in terms of the Basic Conditions of Employment Act) will now constitute paid holidays for all factory employees

Not views of all

"It has become manifestly clear that the existing public holidays do not appropriately reflect the views of all sections of South African society"

The Premier decision is a dramatic departure from the Federated Chamber of Industries (FCI) guideline that employers adopt a policy of "no work, no pay, no disciplinary action," towards workers who did not report for work on May Day and for those who do not report on June 16

The Premier decision is also a breakthrough for major union federations, including the Council of Unions of SA (Cusa) and the Congress of SA Trade Unions (Cosatu) which this year made May 1 and June 16 priority demands

May 1 was celebrated with the biggest nationwide stayaway ever recorded in South Africa — between 70 and 100 percent absenteeism June 16, which falls on a Monday this year, and marks the 10th anniversary of the Soweto riots, is also expected to be a major event

Anglo American's decision was announced in a statement last night by Anglo chairman Mr Gavin Relly, who said it was becoming increasingly evident South Africa's calendar of public holidays no longer reflected "the full spectrum of national sentiment"

"Each year since 1976 groups of South Africans have wished to commemorate the tragic events which occurred on June 16 in that year Many now accept that this day has special significance," the statement said

The statement also urged the government to "continue on its path of change, and in particular to facilitate the emergence of national political leadership for black South Africans"

"This will require the unbanning of certain organisations, as well as the release from prison of key black leaders", it said

● See also Page 4.

A Wits student, believed to be a former SRC president, blasts policemen with a spray ... clash yesterday.

Students hail Mr Ronney Makgosi (left), released by police yesterday after being ...ed on Thursday and (right) a police officer draws his gun at the Jan Smuts ... entrance of the University of the Witwatersrand after a stone was thrown at ... vehicle.

● Photographs: Herbert ...

30 000 expected

5/6/86

STAR (210)

Anglo improves earnings 35 percent to year-end

By Duncan Collings

Attributable earnings of Anglo American rose 35 percent in the year to end-March and total dividend is increased to 180c from 135c

All aspects of the group's income were higher with investment income at R752 million versus R545 million, trading income at R446 million (R319 million) and other income at R103 million (R33 million)

At the attributable level, before retained earnings of associated companies, profits rose to R813 million from R601 million giving earnings a share of 356c (264c).

According to the balance sheet net asset value per share rose to 7 067c at March 31 from 4 691c the previous year

□□□

Shareholders in Kimet, Interhold and Kirsh Trading Group are to be offered 10,2 million shares in **Metro Group** at 500c each

Metro, which is presently 100 percent owned by KTG, is to be backed into the cash shell Coki Corporation which will change its name to Metro before being listed on the JSE

At 500c the shares offer a 5,0 percent earnings yield on the estimated 1986 results and forward earnings yield of 6,3 percent on the forecast 1987 results Dividend yield is 2,5 percent and 3,1 percent respectively

Earnings for 1986 are estimated at 24,9c a share and forecast for 1987 at 31,3c, while dividend for 1986 is a forecast 12,5c for 1986 and 15,7c for 1987

□□□

Three mines in the **Anglovaal** group have raised their dividends for the year ending June 30

ET Cons has declared a final of 150c versus 125c, making 250c (200c) for the year

Harties final is raised to 65c from 47,5c, making 110c (80c) and Village maintains its final at 10c making an increased 15c (10c) for the year

210 BUS DAY 4/6/86

Amcoal forecasting lower earnings

ROY BENNETTS

THE uncertainties facing the coal industry have probably never been greater, says Graham Boustred is his annual review as chairman of Anglo American's coal division (Amcoal).

Prices for export coal are under pressure in dollar terms, and a higher average rand/dollar exchange rate, together with working cost escalations, are expected to reduce earnings from exports

Lower interest rates will also depress earnings on Amcoal's substantial cash balances

However, Boustred says although these factors will be offset to some extent by higher sales to Escom from new collieries, overall, Amcoal is forecasting lower earnings for the current year.

The result, nevertheless, is expected to be satisfactory and the dividend should be maintained.

In the year to end-March, increased coal sales to Escom and higher rand proceeds from exports were the main factors contributing to the 31,1% improvement in attributable profit to shareholders at R203,4m

Amcoal sold 37,3-million tons of coal and coke during the year — 0,7-million tons more than in the previous year.

Purchases by Escom increased by 1,4-million to to 22,6-million tons, while Amcoal's own export sales were at the same level as last year.

At the same time, sales through the Transvaal Coal Owners' Association (TCOA) decreased by about 0,5-million tons, resulting in total group exports being reduced from 11,7-million to 11,2-million tons.

Domestic market sales, says Boustred, fell by 14% to 1,8-million tons

In spite of a 33,3% increase in turnover at R931,8m, Boustred says Amcoal did not fully benefit from the depreciation of the rand owing to its policy of arranging forward exchange contracts covering a proportion of its dollar receivables.

During the year, gross capital expenditure on mining assets amounted to R227,5m, of which R141,2m was funded by shareholders, compared with the R236,4m spent in the previous financial year when R164,1m was funded by customers.

At the group's Landau colliery, feasibility studies on extending production are nearing completion.

Boustred says that in view of the more difficult market conditions for internationally traded steam coal, the nature and scale of this project has been reviewed and, as a result, the estimated cost to completion has been reduced to about R170m, compared with the R400m reported last year.

The capital cost of Amcoal's current expansion programme, including escalation, amounts to just over R1bn, but this now excludes the cost of the eastablishment of South Cornelia colliery

In addition, no expenditure is included in respect of new mining capacity required to meet Amcoal's share of increased exports because the Richards Bay Phase 1V expenditure programme has not yet been final-ised.

5/6/86 BUS DAY

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Gencor's Landau to retire at the end of August

● LANDAU

CHERILYN IRETON

GENCOR executive director Basil Landau will retire at the end of August — relinquishing all 13 board appointments he holds.

No one has yet been appointed to replace him at Gencor, but chairman Ted Pavitt told *Business Day* last night that "this will receive attention in due course".

Landau, 56, who has been with Gencor since 1975, will go into "genuine retirement" and plans to remain in SA.

Explaining Landau's decision, Pavitt said he had wanted early retirement, but only after the completion of the Sappi Ngodwana project and the general improvement in the performance of all the Gencor companies under his responsibility "This is now the case," he said.

Two years after joining the group — then Union Corporation Landau became head of all industrial operations He was made executive director when Gencor was formed after the merger with General Mining

"Landau was instrumental in a number of key acquisitions and has seen the assets under his leadership grow to R4bn, generating an annual turnover of approximately the same amount," Pavitt added.

Landau's current commitments include the chairmanship of African Coasters Holdings, Carlton Paper Corporation, Kanhym Investments, Kohler, Sappi and Trek Beleggings. He is also vice-chairman of Tedelex, deputy chairman of Liquid Air and a board member of Ellerine Holdings, The French Bank of Southern Africa, Grindrod, Haddons, Impala Platinum Holdings.

He is deputy-chairman of the Corporate Forum and a director of Armscor's Naschem.

Chamber, union continue wage talks

Wage talks affecting thousands of black mineworkers will continue in Johannesburg today between the Chamber of Mines and the National Union of Mineworkers (NUM).

The chamber said the parties met for three hours yesterday in the second round of annual negotiations on wages and other conditions of employment for NUM's members in recognised bargaining units on certain mines.

This year's negotiations got off to a slow start with the chamber requesting certain preconditions

(210) FIN MAIL 6/6/86

MINERAL BENEFICIATION

A fortune for the taking

It's been a long time coming, but the final touches are now being given to a new and coherent export and industrialisation strategy that will have far-reaching effects on the future development of SA

Few details have yet emerged, but the chairman of the Committee of Inquiry into Export Incentives, Basie Kleu, is drawing up plans for an industrialisation programme based on selective promotion of exports The programme, the *FM* understands, will focus on SA's traditional strength in minerals but it will lean heavily towards the concept of added value

All Kleu will say is "We have obviously looked at the question of mineral beneficiation and added value in our investigation into a more efficient system of export promotion "

The investigations by the Board of Trade and Industries dovetail with moves by the Department of Mineral and Energy Affairs (DMEA) to boost the value of mineral exports The draft White Paper on the country's mineral policies published by the DMEA earlier this year (*Business* April 18) places heavy emphasis on the need to encourage the beneficiation of local raw materials.

Response from industry has largely been favourable "The government now seems prepared to provide every incentive to promote increased processing in the minerals industry," says one industrialist

In the past, government has been accused of paying mere lip-service to the need to change the country's heavy reliance on raw mineral exports But now it seems to have accepted the challenge that SA, with its vast range of mineral deposits, has the chance to become the world leader in minerals technology

"There has been little action on the minerals front in the last 10 years," says Mintek president Aidan Edwards, "but there's new urgency in efforts to develop our minerals industry."

Edwards sees SA's minerals going through four cycles The first is mining, then raw beneficiation, through refined beneficiation to manufacturing

Mintek is already carrying out research into improved technologies "If all our projects come through, even in a modest way, I reckon we can double the industry's foreign exchange earnings in the next decade Nothing comes easily, but we must look to the future "

By way of example Edwards says that SA supplies 20% of the world's titanium but it is only a minor producer of titanium pigment for paints and plastics "Why don't we have a major production facility in SA?"

Edwards says that, given SA's gold, platinum and diamond resources, it should be a major jewellery producer, but isn't "If the country could grab 10% of the world jewellery market this would be worth between R2,5 billion and R4 billion a year "

Adds CSIR deputy president Brian Clark "SA cannot afford to go just halfway through the materials cycle The engineering materials industry should be expanded as an aggressive export-orientated sector A vigorous export programme based on adding value would help the country enormously "

Clark says 1 000 t of chrome ore sells for R33 000 and creates three jobs By going up the value-added ladder through ferrochrome to stainless steel, a further R1,9m in value and 15 jobs are created Using the stainless steel in manufacturing would add another R7,8m and create 177 jobs

"These figures are based on real world experience As you go up the value-added spiral, the income and new jobs escalate rapidly."

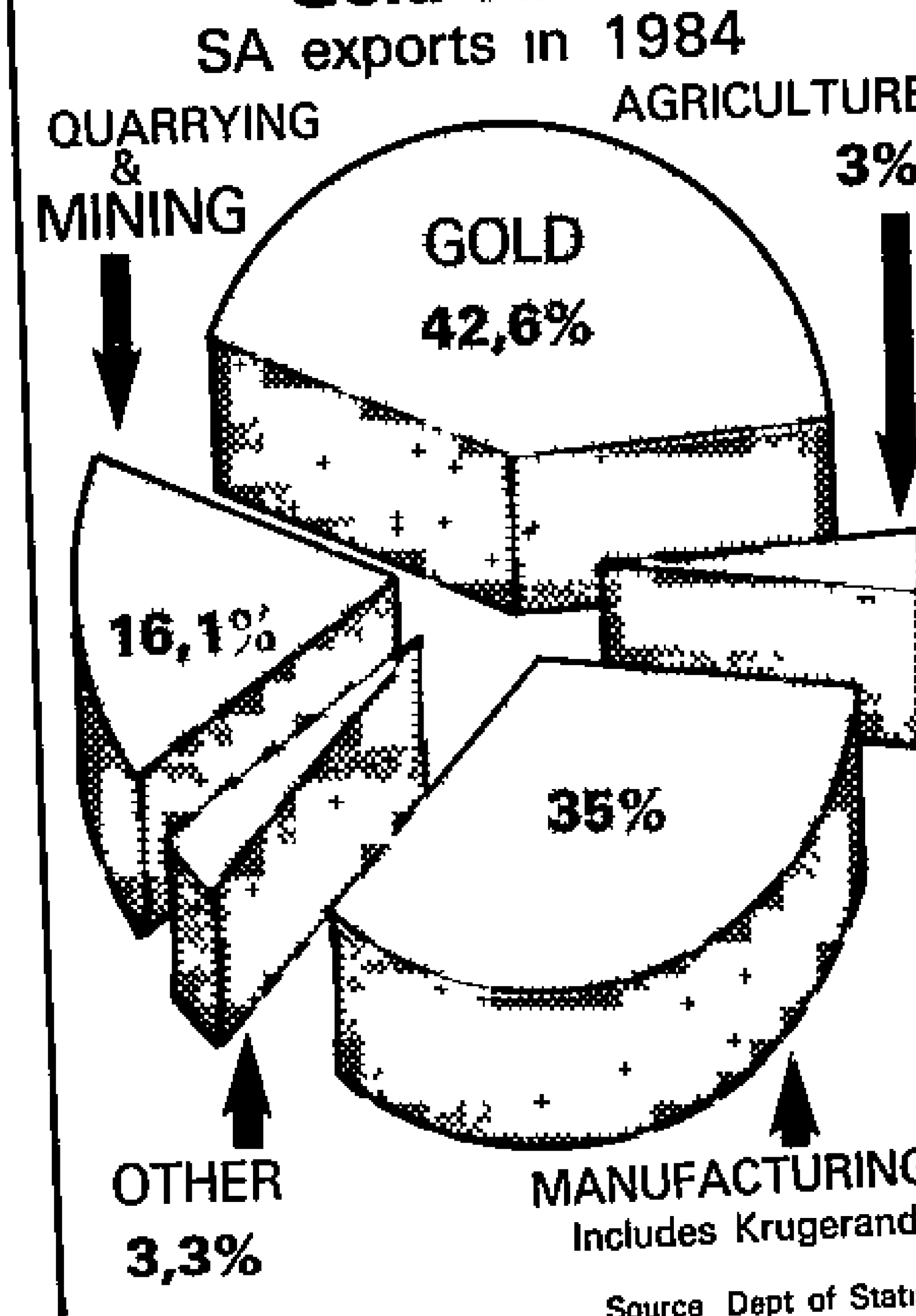
Although SA's exports have grown substantially in recent years, there has been little movement away from the heavy reliance on minerals, primarily gold.

Gold provides more than 72% of mineral export earnings and 47% (R11,68 billion in 1984) of total export earnings, according to Safto intelligence officer Ann Moore. Disturbingly, the dependence has grown. In 1950, gold's share of total export revenue was less than 30%, says Clark

Clearly, increased mineral beneficiation will be a major step towards decreasing that reliance But the next move must be to promote manufacturing which currently provides only 25% of total exports The hope is that government has finally got the message.

Gold rules

SA exports in 1984



Source Dept of Statistics

Gold mining industry in good position: report

9/6/86 BUS DAY (215)

ROY BENNETTS

THE South African gold mining industry is in a better position than it has been for many years, says Consolidated Gold Fields in *Gold 86* — its latest annual report on the world's gold markets.

Despite some fluctuations in the price of the metal, revenue still remains at a comparatively high level while a deceleration in the rate of escalation of working costs has been a welcome feature

Also there is the prospect of improved use of labour on the gold mines, with greater productivity as a result, and continuing achievements in the field of applied research.

Using three hypothetical price levels, the report estimates that at R21 000/kg, gold production should rise from just over 675 tons in the current year to a peak of 845 tons by the year 2000

From there it is expected to decrease to a paltry 15 tons by 2050

At R19 000/kg, South Africa is calculated to produce 724 tons in 2000 with an even faster drop to 15 tons covering the same period as the higher price

The lowest figure used in the report, R17 000/kg, shows production of 718 tons for 1987, climbing to 694 tons at the turn of the century

Bottom-line recovery at this price is estimated at 22 tons in 2040.

Over the next 15 years there are at least 15 to 20 mining propects which are likely to come into production, with each producing between five and 15 tons of gold a year.

On the other hand, says the report, there are many mines that will have to close down in the next decade or so, as a result of the exhaustion of payable ore reserves

The long-term projection remains on a downward trend due to the exhaustion of high grade ores on most mines

Political and economic uncertainty in the country has weakened the rand to such an extent that the rand price of the metal is 50% higher than the last dollar peak of January 1980, resulting in the mining of increased tonnages of previously unpayable and very low grade ore.

Reviewing the South African gold mining industry as a whole, the report notes that it accounts for 55% of free world gold production, employs 513 832 black and white workers, and maintains its position as a basis for much of the activity of the other sectors of the economy.

Gold 86 says that the decade ahead is unlikely to be marked by complete economic stability.

Fluctuations arising from the business cycle will continue, currency parities will react to differing rates of inflation or balance of payment positions in the trading nations of the world and inflation might be reduced but is unlikely to disappear

STAR 10/6/86

Chamber increases wage offer in latest NUM talks

By Sheryl Raine

The Chamber of Mines offered black miners pay increases from 12 to 17 percent in the fourth round of talks with the National Union of Mineworkers yesterday

This was an improvement on the initial offer tabled at their third meeting on Friday.

The offer includes an increase in chamber minimum rates — as well as the minimum rates of those mines which recognise the NUM in certain units

Pay would go up 17 percent for employees in the lowest job categories and 12 percent in the highest categories

The NUM originally demanded a 45 percent increase and a reduced working fortnight from 90 to 80 hours

The union is also seeking May 1 as a paid holiday, increased shift allowances and improved funeral and death benefits, increased annual leave to 44 days and a holiday leave allowance of 100 percent and six months' paid maternity leave for women

Other benefits offered by the chamber yesterday included

- A two-hour reduction in normal hours of work of employees working underground on gold mines
- An undertaking that employees who return from leave would be guaranteed the same jobs held previously with the same pay and conditions, subject to the employee reporting for duty on or before the date he was due back
- A number of improvements in the death benefit scheme, provided agreement can be reached on an increase in the employee share of contributions Employers have already increased their contributions
- The formalising of arrangements for paid or unpaid leave so employees may return home to assist wives when a baby is born.

In addition the chamber has undertaken to give further consideration to the union's maternity leave proposals.

It has also proposed the union and chamber make representations to Government for the appointment of a commission of inquiry to consider making May 1 Labour Day and a public holiday

If the commission is not appointed or does not make its findings known before next February the chamber would be prepared to re-open negotiations on this question

The NUM has requested time to consult members. Another meeting with the chamber will be held on June 17

Anglovaal group profits and dividends higher

Cape Times 10/6/86

JOHANNESBURG — The Anglovaal group's investment holding companies have all announced improved earnings and dividends for the year ending June 30

Anglovaal itself has declared a final dividend of 330c on its ordinary and "A" ordinary shares, which was 70c higher than last year's final of 260c

This makes the total for the year 450c, a 25% increase on 1985's total of 360c a share

The estimated consolidated profit (after tax, minority interests and preference dividends, but before extraordinary items) for the year is 35% higher at R89 632 000 (1985 R66 213 000).

The increase reflects sharply higher income from the group's mining investments — brought about mainly as a result of the lower rand/dollar exchange rate — and dividends from its investment in Prieska Copper Mines of 60c (30c) a share

The group's industrial companies are still operating under very difficult conditions and it is expected that their consolidated profits will be marginally higher, or similar to, those of the previous year.

The final dividend on Anglovaal's 5% participating preference shares amounts to 170c (135c), bringing the year's total to 235c (190c) a share.

Revenue

The group's controlling company, Anglovaal Holdings — whose main source of revenue is dividend income from its investments in Anglovaal — has also lifted its final dividend.

This has been raised to 33c from 26c a year ago, resulting in total dividends for the year of 44,5c (35,5c)

The company's estimated taxed profit rose by 26% to R4 144 000 from R3 297 000 in 1985

The results of the mining exploration, finance and investment company, Middle Witwatersrand (Western Areas), also reflect the better rand receipts for metals as well as dividend income stemming from the copper/zinc producer, Prieska

Mid Wits' final has been increased to 100c (60c), which gives shareholders a total of 155c (105c) for the year The company's estimated consolidated taxed profit for the period rose to R32 077 000 (R20 332 000), an increase of 58%.

Flowing from the higher dividend announced last week by the Hartebeestfontein gold mine, Zandpan — whose main investment is in this mine — has lifted its final to 11c (8 cents), making 18,5c (13,5c) for the year, while its estimated consolidated profit for the year amounts to R24 036 000, which is 36% above the previous year's figure of R17 705 000

All dividends declared yesterday are payable to members registered on June 27 and warrants will be posted on or about August 1

Baaskaap no longer feasible, says Zac

STAR 10/6/86

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The Star Bureau

LONDON — The continued white domination of South African politics is increasingly impractical and indefensible, businessman and former parliamentarian Dr Zac de Beer has warned

Addressing the Royal Commonwealth Society on Monday, he said white domination had, in the past, been "reprehensible but feasible", but increased black urbanisation and, particularly, the creation of black trade unions had "radically altered the power equation".

Dismissing the tricameral constitution as the "trigger factor for much of the present unrest," Dr de Beer, a director of Anglo American, added commerce and industry were convinced political stability could only be ensured through thorough constitutional reform

SEVERE

Business had urged increasing reform on the Government

But he warned severe sanctions might mean a "future South African Government would inherit an economic wasteland" and would weaken business's capability of urging change

He said that while the absence of change would be disastrous, the path towards it was dangerous in the forces it might unleash

Also, there were obstacles to change — the profound mistrust of blacks and the fear of many whites that sharing power would mean abandoning privilege and wealth

But, he added "In fact, the way to get rid of these obstacles is precisely to press ahead with the changes which lead to the open society"

Mine wage talks set to move into top gear

10/6/86
BUSDAY
210

CLAIRE PICKARD-CAMBRIDGE

ANNUAL wage talks between the National Union of Mineworkers' (NUM) and the Chamber of Mines are set to move into top gear after the chamber's offer yesterday

The chamber has offered to increase minimum rates of pay from 12% in the highest job category to 17% for employees in the lowest job category That follows talks with NUM on the 1986 review of wages and employment conditions of members employed on mines where the union is recognised.

The NUM, which claims 180 000 paid-up members and 250 000 signed-up members on chamber gold mines and collieries, is demanding a 45% wage increase, May Day as a paid holiday and other improvements in fringe benefits

The chamber's offer on other conditions includes·

- A two-hour reduction in normal working hours of underground gold mine workers;
- An undertaking that employees returning from leave will be guaranteed the same jobs, rate of pay and other conditions that they held previously;
- Improvements in the death benefit scheme, providing an agreement can be reached on an increase in the employees' share of contributions;
- The formalisation of arrangements for paid and unpaid leave for employees returning home to assist wives when a baby is born;
- A proposal that the NUM and the chamber make representations to government to appoint a commission of inquiry to investigate the possibility of providing for a Labour Day holiday in May.

If the commission is not appointed or does not make its findings known before February 1, 1987, the chamber will be prepared to re-open negotiations with the union on the granting of a Labour Day holiday in May 1987 and each year after that.

The NUM has requested an opportunity to consult its members on these proposals and the next meeting with the chamber will be on June 17

Unionist calls for socialist system

SOWN 10/6/86

By Mike Siluma

210

It was too late for free enterprise to save South Africa and workers now demanded a socialist system, Mr Cyril Ramaphosa, general secretary of the National Union of Mineworkers (NUM) said in Johannesburg last night

He was sharing a platform at the celebration of the first anniversary of *The Weekly Mail* with mining magnate Mr Harry Oppenheimer

Speaking on the role of the Press in a changing South Africa, Mr Ramaphosa castigated it for its coverage of the situation in the country

He attacked journalists for becoming agents of propaganda for apartheid and capitalism under the guise of objectivity

He said "The Press has done very little to question the captains of big industry about the low wages they pay

"Clearly in our society with its poverty and racial oppression there are two positions — one either supported the status quo or opposed it"

Mr Ramaphosa said journalists could not stand above the inherent contradictions in South Africa

LEGITIMISE

Alleging collaboration between the Government and big business in controlling the South African Press, Mr Ramaphosa said "The one passes ridiculous laws to restrict the Press and when this fails the other shuts newspapers down and replaces them with free tabloids

"The system cannot function without the support and help of the Press They need the Press to legitimise their actions"

He said "Experience has shown it is too late for free enterprise to save the country Workers want a socialist system because all they have experienced from free enterprise is poverty and low wages"

Mr Oppenheimer said he did not believe the fight against apartheid was "irrevocably tied" to the fight against the economic system

The belief that fair and strong expression of views was wrong and conducive to violence was not confined to the rightwing

He and Mr Ramaphosa were one in regarding a free, lively and brave Press as important in the life of a free country

Anglovaal earns more

210

SOWN 10/6/86

The Anglovaal group's investment holding companies have all announced improved earnings and dividends for the year ending June 30

Anglovaal itself has declared a final dividend of 330c — 70c higher than last year's final of 260c This makes the total for the year 450c, a 25 percent increase on 1985's total of 360c

The estimated consolidated profit (after tax, minority interests and preference dividends, but before extra-ordinary items) for the year is 35 percent higher at R89 632 000 (R66 213 000)

The increase reflects sharply higher income from the group's mining investments — brought about mainly as a result of the lower rand/dollar rate — and dividends from its investment in Prieska copper mines of 60c (30c)

The group's controlling company, Anglovaal Holdings, has also lifted its final dividend to 33c from 26c resulting in total dividends for the year of 44,5c (35,5c) The company's estimated taxed profit rose by 26 percent to R4 144 000 from R3 297 000 in 1985

The results of the mining exploration, finance and investment company, Middle Witwatersrand (Western Areas), also reflect the better rand receipts for metals as well as dividend income stemming from the copper/zinc producer, Prieska

Mid Wits' final has been increased to 100c (60c), which gives shareholders a total of 155c (105c) for the year The company's estimated consolidated taxed profit for the period rose to R32 077 000 (R20 332 000), an increase of 58 percent

Flowing from the higher dividend announced last week by the Hartebeestfontein gold mine, Zandpan — whose main investment is in this mine — has lifted its final to 11c (8c), making 18,5c (13,5c) for the year, while its estimated consolidated profit for the year amounts to R24 036 000. — Sapa

(xvii) South African Library,

(xviii) The State Library,

(xix) Grocott & Sherry,

(xx) Seymore & Van Biljon,

(xxi) F, T and R Printers,

(xxii) Heer Printers,

(xxiii) University of Stellenbosch

Post and Telecommunications

1085. Mr P G SOAL asked the Minister of Communications

(a) How many annual reports were produced by the Department of Posts and Telecommunications during the latest specified period of 12 months for which information is available, (b) in respect of what bodies were these reports produced, (c) what was the cost of producing each such report and (d) who did the printing of each report?

The MINISTER OF COMMUNICATIONS:

(a) One, during the 12 months that ended on 31 May 1986

(b) The Annual Report of the Department of Posts and Telecommunications

(c) R21 705

(d) The Department's own printing works

Annual reports

1087 Mr P G SOAL asked the Minister of Education and Development Aid

(a) How many annual reports were produced by the Department of Education and Training during the latest specified period of 12 months for which information is available, (b) in respect of what bodies were these reports produced, (c) what was the cost of producing each such report and (d) who did the printing of each report?

The MINISTER OF EDUCATION AND DEVELOPMENT AID

(a) One

(b) The Department of Education and Training

(c) A final statement has not yet been received from the Government Printer

(d) Cape and Transvaal Printers for the Government Printer, Pretoria

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TUESDAY, 10 JUNE 1986

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†Indicates translated version

For oral reply

General Affairs

†Mr SPEAKER It has come to my notice that Questions Nos 7, 21 and 22 for oral reply today, deal with Crossroads and the KTC squatter camp

As the matter became *sub judice* after the Supreme Court had granted an interdict in respect of the KTC squatter camp, these three questions cannot be put

Mr G B D McINTOSH: Mr Speaker, in view of the fact that the interdict has clearly been ignored, both yesterday and today, do you not believe that as a matter of urgent public importance these questions should be answered, particularly taking into account the non-observance of that interdict yesterday, and evidently this morning as well?

Mr SPEAKER Order! I want to tell the hon member for Pietermaritzburg-North that two wrongs do not make a right We have to abide by the interdict granted by the Supreme Court

Kabokweni magistrate's court

10/6/86 HANSARD

*1 Mr P G SOAL asked the Minister of Law and Order

2278 2281

(1) With reference to his reply to Question No 13 on 6 May 1986, (a) who (i) was the head and (ii) were the other members of the panel investigating the incident at the Kabokweni magistrate's court near White River in the Eastern Transvaal on or about 11 March 1986 and (b) what was the nature of the investigation,

(2) whether this investigation has been completed, if not, when is it anticipated that it will be completed, if so, when,

(3) whether the investigating panel has reported its findings, if not, when is it anticipated that a report will be available, if so, (a) when and (b) what were the (i) findings and (ii) recommendations,

(4) whether any action has been taken as a result of this investigation, if so, what action;

(5) whether he will make a statement on the matter?

†The MINISTER OF LAW AND ORDER:

(1) (a) (i) and (ii) Major General A J Wandrag, the Divisional Commissioner, other commissioned officers and members of the Force

(b) To investigate the events on 11 March 1986 at the Kabokweni magistrate's court and the circumstances leading thereto, with specific reference to the actions of the South African Police

(2) Yes, on 21 April 1986, after which a comprehensive report was prepared, which was submitted to me on 15 May 1986

(3) Yes

(a) 15 May 1986

(b) (i) and (ii) Since the inquest has not been completed yet, I do not deem it in the interest of the administration of justice to make known the findings and recommendations of the investigation

(4) I refer the hon member to my answer in paragraph (3)(b)(i) and (ii)

(5) No

Petrol prices

*2. Mr L F STOFBERG asked the Minister of Mineral and Energy Affairs †

Whether the revenue earned by the Republiek from exports of minerals, fuel, lubricants and related products to member countries of the Organisation for Economic Co-operation and Development was set off at the latest fixing of petrol prices, if so, (a) in what manner and (b) on what date were these petrol prices announced; if not, (i) what total amount did these exports come to over the latest specified period of 12 months for which figures are available and (ii) in what manner did his Department set off this amount?

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

No The rest of the question falls away

1832 210

Exports

HANSARD 2281

*3 Mr L F STOFBERG asked the Minister of Mineral and Energy Affairs †

2284

(1) Whether the Republic exported minerals, fuel lubricants and related products to the amount of approximately two milliard dollars to member countries of the Organisation for Economic Co-operation and Development over the past two years; if so,

(2) Whether he will furnish particulars of these exports, if not, why not; if so,

what products do these exports comprise,

(3) whether his Department exercises any control over the export prices of such products, if so, what is the nature of such control; if not, why not?

†The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) The export value of products to member countries of the Organisation for Economic Co-operation and Development over the past two years amounted to well in excess of two milliard dollars.

(2) No. At this stage the identification of these commodities is not in the national interest

(3) Prices are not controlled.

Code of conduct

*4 Mr L F STOFBERG asked the Minister of Trade and Industry †

(1) Whether he has been informed that member countries of the Organisation for Economic Co-operation and Development have prescribed a code of conduct for multinational undertakings, if so,

(2) whether he has the text of this code of conduct; if so, what is the purport of the main articles of the code of conduct;

(3) whether he will prescribe a similar code of conduct for multinational companies operating in the Republic; if not, why not,

(4) whether he will make a statement on the matter?

The MINISTER OF TRADE AND INDUSTRY·

(1) No The Republic of South Africa is not a member of the Organisation for Economic Co-operation and Development and information on the Organisation's activities is not furnished by it to the South African Government

(2) Falls away

(3) No. Multinational companies which operate in South Africa are subject to laws, rules and regulations of the country

(4) ~~No~~

~~Wynberg Senior Secondary School~~

*5 Mr R M BURROWS asked the Minister of Law and Order

(1) Whether any members of the South African Police took any action in or in the vicinity of the Wynberg Senior Secondary School on 22 May 1986, if so, (a) how many such members were deployed, (b) what was the nature of the operation in which they were involved, (c) what was the rank of the person who was in charge of such members and (d) what specified equipment did the police have on this occasion,

(2) whether any members of the South African Police were at any stage involved in the alleged whipping of pupils at this high school (a) outside and (b) on school property, if so, (i) why, (ii) what is the rank of the person who gave the order in this regard, (iii) how many pupils were injured as a result and (iv) what was the nature of their injuries,

(3) whether the pupils concerned were given warning to disperse before members of the South African police took action; if not why not, if so, (a) what warning were they given, (b) how was the warning broadcast and (c) what was the response of the pupils to this warning,

(4) Whether any educational personnel attempted to intercede between the

police and the pupils; if so, (a) in what manner, (b) what were the circumstances surrounding the intercession and (c) what was the reponse of the police to these attempts,

(5) whether any policemen (a) entered any houses near the school and (b) took any action against any persons present in these houses, if so, (i) what were the circumstances surrounding these incidents in each case, (ii) why, (iii) (aa) in terms of what statutory provision and (bb) on whose instructions did they enter these houses and (iv) (aa) what specified action did they take and (bb) with what result?

†The MINISTER OF LAW AND ORDER·

(1) Yes

(a) 65 members

(b) To maintain law and order

(c) A Colonel of the South African Police.

(d) A variety of weapons which were adequate to meet the given situation

(2) (a) No

(i) to (iv) Fall away.

(b) Yes

(i) To disperse pupils who were holding an illegal gathering and who acted riotously

(ii) A Lieutenant of the South African Police

(iii) and (iv) The South African Police is not aware of any injuries which the pupils sustained.

(3) Yes.

(a) To leave the schoolgrounds peacefully within 30 minutes, or else the police would act against them

(b) Orally by the headmaster

(c) As the police was at that stage not on the schoolgrounds, it is not known how the pupils reacted to the warning

(4) Yes

(a) The headmaster undertook to warn the pupils himself to disperse

(b) I refer the hon member to my answer in pargraph (3)(c)

(c) The police left the schoolgrounds in order to give the headmaster the opportunity to warn the pupils himself

(5) (a) and (b) No

(i) to (iv) Fall away

Mr R M BURROWS Mr Speaker, arising from the hon the Minister's reply can he inform us as to whether the Police entered the school grounds at the request of the principal?

The MINISTER· Mr Speaker, I do not know; I do not have the information readily available

~~Exports to Soviet Union~~

*6 Mr E K MOORCROFT asked the Minister of Agricultural Economics·

Whether any requests have been received for the export of any agricultural products from South Africa to the Soviet Union following the recent nuclear power plant disaster at Chernobyl, if so, (a) when, (b) from whom, (c) what products are involved and (d) what was the response thereto?

Pay-for-troops issue is bolt from blue for SA business

BUS DAY 2/10 11/6/86

DOMINIQUE GILBERT

MOST SA businessmen contacted yesterday had not considered withdrawing salary payments to national servicemen in accordance with a statement made this week by Anglo American's Zac de Beer

De Beer, in a statement to the Royal Commonwealth Society in London, hinted that SA businesses might have to reconsider the practice of paying the balance of national servicemen's salaries, now that troops had moved into the townships

The End Conscription Campaign (ECC) yesterday backed De Beer's statement.

"We support any call which would pressure troops out of the townships," EEC's Anne-marie Rademeyer told *Business Day*.

A spokesman for the Federated Chamber of Industries (FCI) said the FCI was likely to make a statement on the issue within the next few days.

Defence Minister General Magnus Malan was not available for comment yesterday

Until recently, certain employers have paid employees who were called up by the SA Defence Force (SADF) the balance of their civilian salaries after deducting what they were paid by the SADF.

In terms of the Defence Act employers are not obliged to do so and the issue, it is thought, will not be considered by the SADF as a "defence matter"

Associated Chambers of Commerce manpower executive Vincent Brett said the issue had not been raised with or considered by Assocom at all

"My personal veiw is that employers would penalise someone for what his superiors are doing by sending him into the townships," Brett said

Assocomm is not expected to look into the issue unless it is raised by one of its members, Brett said.

Others in business said yesterday nobody had given any thought to the issue

One businessman commented. "I don't know what prompted that statement by De Beer — possibly pressure while he was overseas"

An Anglo American spokesman said yesterday the group was uncertain whether De Beer's statement was official policy but "Mr de Beer is the spokesman in charge of public affairs. He is the executive director of Anglo and he is obviously not going to say anything which is not in line with Anglo policy".

AIRLINE MOVEMENTS

13/6/86 BUS DAY (210)

Mining shares crash in hectic trading

MERVYN HARRIS

MINING shares crashed on the JSE yesterday in the biggest-ever daily movement of prices.

After opening firmer, the all-gold index slumped 59,1 points to close at 1 237,4. It was one of the sharpest falls in what dealers described as a day of confused and strange trading.

Gold and mining shares showed movements of more than 10% when they slavishly followed the ups and downs of the financial rand.

"It was unbelievable," a broker said. "I have never seen such swings in my life."

Share prices rocketed at the opening of trading when the financial rand fell below $0,20.

But the bubble burst and prices collapsed as the financial rand firmed in the afternoon to close at $0,2165.

Amgold, for instance, climbed as high as R291 and fell to a low of R262 before closing R11 lower on the day at R263. De Beers went from a peak of R30,75 to a low of R27,50 before closing at R28.

All mining leaders shadowed this trend, with bellwether gold stock Vaal Reefs surging to a high of R254 before plunging to R233. It closed R11 down at R235.

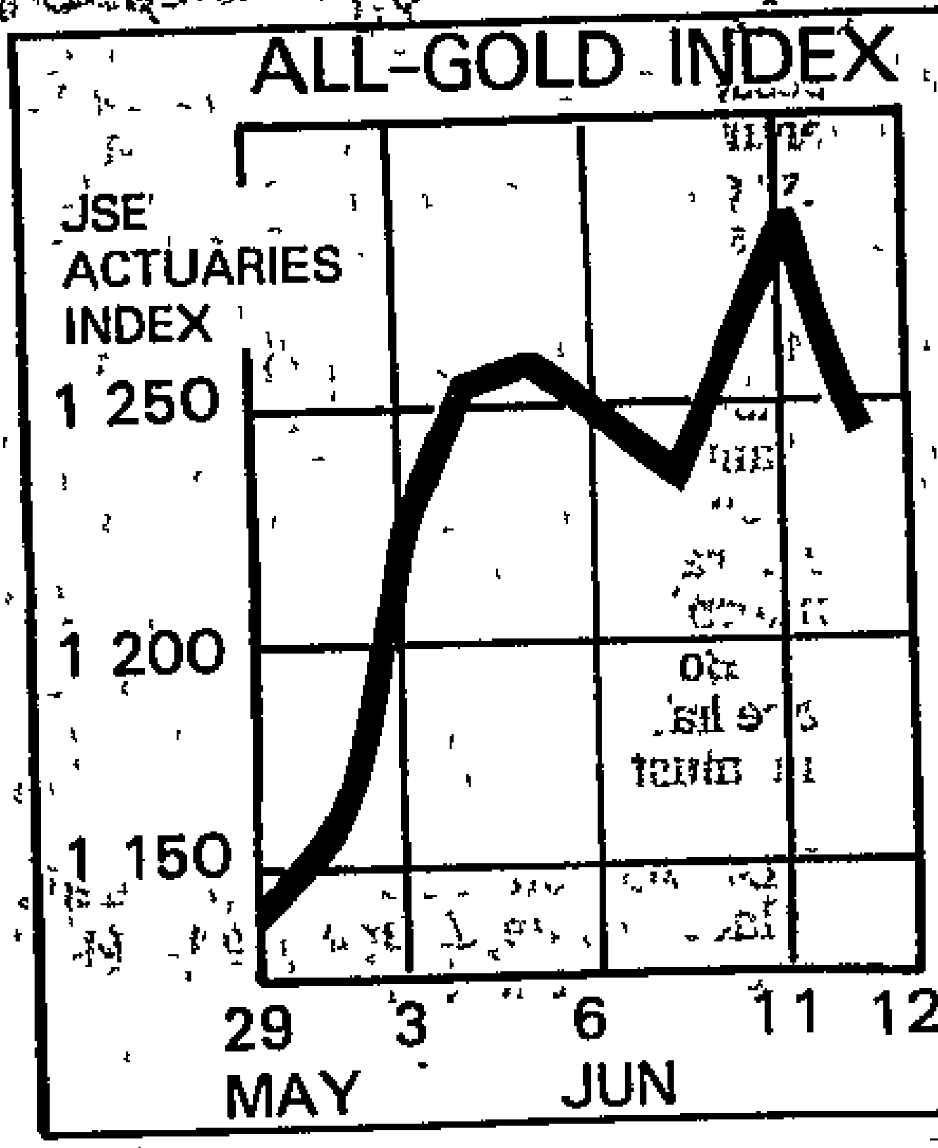
Rumours that the commercial rand might be pegged at $0,35 were later discounted when it rebounded to close at $0,3645.

Dealers said London was a strong buyer of mining stock — not as an investment — on perceptions that the financial rand would go higher. Selling was mainly on profit-taking by local institutions.

Prices later fell sharply because there were no buyers for stocks on offer.

"It was absolutely crazy. Everybody wanted to buy currency stocks in the morning, but the mood turned to gloom and despondency in the afternoon," said a broker.

● See Page 13



Face to Face

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WEEKLY MAIL, June 13 to June 19, 1986

Harry Oppenheimer and Cyril Ramaphosa

Two of the country's most influential men met for the first time on a Weekly Mail platform this week. Former Anglo American chairman Harry Oppenheimer and National Union of Mineworkers general secretary Cyril Ramaphosa spoke at the Market Theatre on how they viewed the South African press

CYRIL RAMAPHOSA

THE Weekly Mail has in its short and dynamic history certainly contributed to a creative journalism in our country Whilst saying this I need to add a word of caution, because occasions like these are not only to pat one another on the back I believe it is also an occasion to critically examine the conditions in our country and the role of the media It is a time when we reflect on whether the Weekly Mail, in its attempt to continue the traditions of its predecessor, the Rand Daily Mail, has extended the frontiers of our journalism, or whether it is no different from the rest of the commercial press in the country

It is well known that the censorship laws in our country curtail the free flow of information In addition, we also have self-censorship legislated by the newspaper barons and companies which control our media.

They (these two forms of censorship) are both designed to regulate what the public consumes and shape our perspectives They are there to ensure that the conditions of domination which presently exist in our society are maintained and enforced

If one puts it simply, repression alone cannot produce the relations of domination and subordination in our society Legitimacy and consent have to be generated The media in general play a crucial role in this regard Many journalists, I regret to say, have become active agents in this process

Under the guise of objectivity , they have been perpetrators of disinformation and blatant propaganda for the minority apartheid regime and the capitalist class in our country Under the guise of presenting both sides of the story they delude themselves that there is such a thing as total objectivity

It is important to remember what a distinguished liberal historian once said He said, "How much of the mountain you see depends on where you stand"

There are many people in this troubled country, some of whom are ordinary workers, some intellectuals, who believe the South African press has all along underestimated the brutality of the South African regime and its main allies, big business, and so ought to share the responsibility for what has happened in our country today.

To speak frankly, the system — I mean the regime and big business — cannot continue their crusade of brutality and exploitation without the help and support of the compromised press The regime and big business need the press to explain and legitimise their brutality against the oppressed and exploited

These two allies achieve this through a high degree of collaboration. The one passes ridiculous laws to restrict the press, and when that does not succeed, the other shuts down effective newspapers and replaces them with faceless ...nds

Bullets, Casspirs and purple rain aside, there are two ways to perpetuate a *status quo* The first is to refuse people information, the second is to give people information The oppressor knows that he who controls the image and the source of information, controls the mind And he who controls the mind has little to fear from the class he oppresses and exploits.

What I am concerned to emphasise here is that in our situation of violence, misinformation is a simple necessity of the system And whether the system affords information to people or refuses them information, the aim and effects are the same mystification and misinformation

Bearing these things in mind, we can readily see that the press in a situation of oppression necessarily reflects the interests and values of the oppressive society Press people who do not stand up to that fact by operating within a perspective which radically negates the system, find,themselves serving the established order And there are many of those today that we know.

A number of South Africans are today indebted to those journalists who serve on papers such as the Weekly Mail, the Namibian, the Indicator and the New Nation, for recognising that fact and for reporting within a new perspective

Our country is descending deeper and deeper into a hell of its own making and the press has helped a great deal to pave the way towards that hell by sins of omission and commission

It is true that the regime is up in arms against the media, through the various ridiculous laws that have been passed to restrict the freedom and effectiveness of the press It is also true that big business has muzzled the press and virtually destroyed the freedom of the press. One can go further and say the regime and capital are making attempts to reduce the South African media to pacifiers, mediators and interpretators of its policies

The South African press is able to admit responsiblity for noble acts, such as highlighting the plight of a stranded and abandoned cat belonging to Mrs Jones in the Johannesburg northern suburbs and starting a massive fundraising campaign to enable Mrs Jones to be operated on at a hospital near Groote Schuur.

However, the South African press must at the same time accept responsibility for the gross omission of not highlighting the plight of the downtrodden workers of this country The press has done very little to question the captains of big industry about the low wages they pay workers when they speak about how they are helping to abolish apartheid

The mining industry is left unchallenged by the press. The mining industry is least able to convince people of its support for social change It is the industry which provided the furnace in which race discrimination was baked and the press knows this Today it relies absolutely on the exploitative migrant labour system and on police oppression to operate It pays black workers the lowest wages of any major mining country in the world, with the exception of India Yet the press has never highlighted this fact and has never really analysed it

The mining industry employs public relations people, advertising agencies to try and whitewash the real facts. They make a big noise about the small amounts they spend from the Chairman's Fund on education and money they give to the Urban Foundation, in the hope that no-one will look closely at the wages they pay their black workers, which they keep secret of course

Businessmen and, least of all, the mining industry, do not want economic reform The mine owners have had the money, the resources and the opportunity to fight racial discrimination and to raise the wages of black workers substantially, but they have not done so.

All you ever hear the mining industry barons say is that they are hamstrung by the law Big business has been breaking innumerable laws to make big profits, but they have avoided breaking unjust laws that would help destroy the migrant labour system and allow workers to live with their families

Newspapers always write ... billions that Ango American has in profits But they write it up business section, which wor... not read The press does not ... those profits and interpret ... the workers who produce the ...

If they did, we would all kno... the mining industry's profits in were R7,7-billion, which repre... a whopping 78 percent ... profit In 1985 each ... contributed about R15 400 to mine profits and earned in ... average of R4 800, less than a ... the profits he produced The ... does not highlight these facts

Our union has demanded ... percent wage increase, but the ... which speaks for capital has ... that demand as ridiculous, ... analysing the facts

Businessmen and econo... crying out for the governme... reduce taxes to stimulate the ec... and to jerk South Africa ... recession What better way is ... than for the mines to act unila... and to slash their tax payme... increasing workers' wages But ... prefer not to do so, they prefer ... higher taxes than higher wages

Against this backdrop, the Cha... of Mines is today offering ... miners a 14,5 percent wage inc... when their profits have incre... since 1975 by 70 percent and ... profits for 1985 increased by ... percent

Will anyone be shocked if there ... strike? Yes, there will be a ... outcry from the press, which ... accuse the NUM of be... irresponsible and leading the co... to bankruptcy The forces ... repression — the mine police, SAP and the army — will crush ... strike with impunity and the press ... not even bother to find out what ... happened other than to give a ... that the forces of evil ... successfully crushed

Efforts such as Project F... Enterprise, announced today, have noble objectives, but ... experience of the working ... dictates that it is too late to save ... free enterprise system in this co... The alliance between big business ... the apartheid regime has gone on ... long and is soaked with the blo... workers who have reaped ... from the free enterprise system ... poverty, low wages, mass unemployment, lack of hous... inferior education, malnutrition ... inadequate medical care

The working class want... programme that will restructure ... economy and society as a wh... such a way that the wealth of mines, factories, farms and all means of production, a... democratically shared and cont... by all its people

Because of its skills and resou... the media is the key to t... transformation of South Afr... society. This does not imply that ... media is an elite group with an ... function A new level of commit... by the media is necessary.

THE WEEKLY MAIL'S PLATFORM ON THE PRESS

'It is unfortunate to link the battle against racial discrimination with that against free enterprise'

HARRY OPPENHEIMER

Seen at the Market: Ramaphosa and Oppenheimer flank Weekly Mail's Anton Harber

Picture GISELE WULFSOHN

MAY I thank you all at the Weekly Mail for having invited me to come and speak this evening It is a great pleasure, and it is rather typical of you, I think, because you are a lively organisation You have chosen to have your party in a lively place You have chosen to bring Mr Cyril Ramaphosa and me together and that is rather fun and that again is original

I differ a little bit from Mr Cyril Ramaphosa in thinking that this ought to be fun I think it should be rather a cheerful occasion

I know it is very difficult for anniversaries in South Africa nowadays to be looked upon as cheerful occasions, because we are unfortunately living in a time when anniversaries of things which have been really important and good to the country, like the 100th anniversary of Johannesburg's formation, have to be cast aside and condemned simply because times are bad And yet that (Johannesburg's centenary) was something very important just as much for the people Mr Ramaphosa represents as for the people I am supposed to represent, though I am not really sure that I do represent them

I think that the first anniversary of the Weekly Mail is something rather different This is a rather happy occasion Of course, it did grow out of a very unfortunate event indeed — the death of that great paper, the Rand Daily Mail That was a very sad event, something which I think affected all of us.

But at least because of the initiative that was taken by the founders of the Weekly Mail, we can look back to that time, not simply as the death of the Rand Daily Mail, but we can look to it as the formation of a new organisation which gives us a new sort of hope

Because, at that time, the founders of this newspaper showed determination and they showed courage And whereas others just looked at the figures and lamented because they were so very bad, these were people who looked at the situation in South Africa and they acted. And they deserve congratulations for what they have done.

Now, I was very pleased to be invited to speak here this evening, obviously not because the Weekly Mail continuously and regularly he has powerful potential allies in his battle against racial discrimination

And it is to my mind unfortunate to link that battle against discrimination with another battle against the free enterprise system, because I don't believe these two things are tied together as irrevocably or as firmly as some of us may be inclined to suppose

But whatever differences my friend and I may have, I think we are certainly as one in regarding a free and lively and brave press as an absolutely essential factor in the life of a free country

Now, of course, you can easily say that this is just something platitudinous. It is platitudinous in almost every country in the world except in South Africa But in South Africa it is not platitudinous to say that a free, a lively and a brave press is essential because we are ruled by a government that is inclined to think that any press which expresses any views strongly with which it disapproves must be a press that is unpatriotic and probably immoral

Of course, we are a divided country That is not the fault of any of us, or at least not the fault of any of us living now, not even of someone as old as me But we are a divided country and of course if you have a divided country it is particularly important if you can get it to have tolerance

But of course, in such a country, to get such tolerance is a thing which is particularly and regretfully difficult to succeed in

There are far too many people who think that firm expression of views with which they happen not to agree must be wrong, conducive to ill-will and probably conducive to violence

And let me say that this dislike of having views firmly expressed which are views which you don't think happen to be right is an attitude of mind which is by no means confined to rightwing people. It is just as clear in the behaviour of leftwing people who prefer to shout down anybody who expresses views which they happen to think are wrong

But my view, and I would suspect Mr Ramaphosa's — I don't want to put words into his mouth, but I would suspect that our views are the exact opposite I think both of us would feel that the strong expression of differing views is something immensely important and something which, in the long run, makes for consensus about essentials

I say particularly about essentials because you've got to fight about all sorts of things in any lively and free country But you cannot, on the other hand, with safety fight about the extreme essentials in the life of a country Democracy really is a system which calls for consensus about what is absolutely fundamental and extremely angry fighting about things which are not quite so essential

Of course, to start a new paper like this is a very brave and a very difficult thing to do And in starting a paper, goodwill, however good the will may be, is not enough It calls for great skills and it calls for judgment and these things were all present in the formation of this paper

It calls for an understanding of the practical possibilities and in making the plans for this paper these were taken into account and that is why — not the only reason, but a very important reason — why after one year, the paper is flourishing instead of having died after a fortnight, as so many of the critics were inclined to think it would

There has to be idealism, of course. Without idealism the paper would not succeed and if it did succeed, it just wouldn't be worthwhile

But idealism has to be on a realistic basis Perhaps I can take up my friend when he talked, I think rather scornfully, of a commercial press I think a press, if it is going to be powerful for good, as well as for evil, has got to know what it is doing from a commercial point of view

And this paper has known that and that is one of the reasons — perhaps not the most important reason, but an essential reason — why it has been a success

The Weekly Mail is bringing a point of view which, as I have said already, I don't always agree with But I certainly agree with this paper far more often than I disagree with it

I think this is a paper of real importance to South Africa as a paper which is going to help bring a new, democratic and more just society into being I want to congratulate the founders of this paper very much indeed I want to express to them my good wishes for many anniversaries.

I hope they will go from strength to strength I think they deserve support from all sections of South Africa, from those who represent the workers, particularly the black workers of South Africa, and I think it deserves strong support from the business community also

Seven top companies pay less than R1000 in tax

2/8 228

w/k news 14/6/85

By DAVID CUMMING

JOHANNESBURG — At least seven major JSE-listed companies have paid less than R1 000 in tax in the last five years, in spite of making profits in the period ranging from R87 million to R5 million

And many more have paid only nominal contributions to the fiscus in the period

These are the findings of an analysis by Johannesburg tax consultant Nic Nel of figures recorded for major listed companies in the JSE Handbook

The average rate of tax of the companies analysed was 28,25 percent

Mr Nel says they reflect good tax management and the companies' observance of their duty to shareholders But he is critical of the system which has allowed companies to exchange deductible interest against non-taxable dividends "for 24 years and longer"

Using a fictitious mining investment company, Mr Nel explains the implications of the system

The company borrows R100 million at 20 percent interest and deducts the interest for tax purposes The money is invested in the form of preference shares with the mining company itself or overseas and the dividends at 10 percent are received tax free

The loss to the fiscus is R10 million and the cost to the company is, initially R10 million — but it receives the dividends tax-free

Mr Nel then assumes the mining company comes into production and the first R100 million of its profits are tax-free It declares all profits out as dividend and in this way repays the mining investment company, which, in turn, repays its original loan

The result, says Mr Nel, is a new mine, fully operational, at no cost to the parent but at considerable cost to other taxpayers, particularly in present value terms

Big 'freeze' is stifling SA mining

W/k Argus 14/6/86

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Weekend Argus Correspondent

DURBAN — Dozens of new mining projects — generating substantial foreign exchange earnings and creating many mining and service jobs — would be spawned if the State insisted that all unexercised mining rights should be put up for public auction every five years

This is the view of David Marshall, Durban-based chairman of companies like ERC and Vansa, who says he cannot understand why the authorities allow the mining giants effectively to "freeze" so many mining rights

A man who says a number of his companies operate in classic "David and Goliath" market situations, Mr Marshall is concerned that many of the country's unused mineral rights — bought up by the mining giants over the years — are locked in safes of the mining giants

He points out it is difficult for one mining house to bring more than a single major project on stream at once, such as Gencor has just done with Beatrix and Gold Fields announced this week in regard to its Northam platinum mine

The large mining houses, he says, essentially have to phase their developments — and this sterilises many other mineral rights which they own In other cases it makes sense for the giants to buy up and merely sit on projects which, in other hands, would provide them with competition

A system of auctions of unused rights every five years would release these valuable national assets, giving the economy a much-needed boost

"One recalls that in the early mining days there were at least 20 mining houses locked in healthy competition Why should the Government think it better to have just a handful today?"

Mr Marshall, though better known in Durban as chairman of JSE quoted Marshalls Group, has substantial mining interests in South Africa and Zimbabwe

At present one of the projects uppermost in his mind is possible development of substantial platinum deposits identified at the Vansa vandadium mine which recently was listed on the stock exchange

The ERC (formerly ER Cons) group, of which he is chairman, adopted the philosophy of bringing the vanadium to production first

Now it is conducting feasibility studies on mining platinum and should take a development decision within a year

Mr Marshall says capital required probably will be between R225 million and R275 million, "not an easy sum to raise in a small market like South Africa's"

He sees a need to raise the capital from sources outside the mining giants Their participation, he believes, would be simply to put the project into mothballs in order to minimise competition

He describes the long involvement of ERC with mining rights on Farm Kennedy (site of the vanadium mine) as a "miracle story"

Bought for £100 in the 1960s, these rights have earned the group R2 million and yielded another R750 000 from the sale of some rights to JCI The value of the remainder is estimated at R35 million, taking the Vansa shares at market value

The Vansa project, he says, is going very well

At the outset vanadium was priced at a converted (from US dollars) price of R9 000 a ton Now it is fetching around R12 000 a ton

His family's involvement in ERC dates back 60 years to when a grandfather of one of David Marshall's cousins (then a mining entrepreneur in Ghana and Nigeria) bought East Rand mining rights

Some years back, Mr Marshall says, he saw a need to base assets in the various companies — Afex Corporation, ER Cons, etc, — in hard currencies

He says that such a policy makes sense for a company, just as it does for individual investors who have been looking to hard currency share investment "hedges" like the locally-quoted Copi, Oceana, Rembrandt, Consolidated Gold Fields, Afex and Consolidated Afex

A restructuring of the group is now virtually complete, with Afex Corporation and new holding company Consolidated Afex Corporation headquartered in Luxembourg Their listed investment portfolios are split approximately equally between Southern Africa and the US The properties include Buro Centre, and Old Well House in Durban, and Stromesa Centre, San Diego, and another in Phoenix In Zimbabwe the group has mining interests and farms tobacco, maize and cattle

The market value of Afex Corporation's listed investments last year was $6,69 million

Consolidated Afex Corporation, which now holds 50,1 percent of Afex, had investments with an aggregate market value of $8,54 million

ERC, which is no longer a holding company for the other two and stands "side-by-side," is sterling based The group has holdings in a number of promising companies and recently concluded a deal with Saatchi Brothers in which the latter took a strategic stake in NMC, a UK fibre board and packaging company

ERC has seen its capital in NMC diluted to 24,4 percent (previously 48,3 percent) but it remains within the umbrella of David Marshall's London City Group

One of Mr Marshall's favourite companies is Duratube and Wire which manufactures telecommunication cable and wire Held through ERC's 44,8 percent interest in Western Selection Plc, Duratube last year boosted net profit by 86 percent This year, he says, profit could reach £1 million

The involvement with Duratube exemplifies what Mr Marshall describes as a "David and Goliath" set-up

As with Vansa, where his mining operation is a midget next to those of the giant mining houses, Duratube locks horns with giants like GEC and BICC and Pirellis

One of the advantage of being a David, he says, is that one is not restricted by unions "I know virtually every one of the 160 staff at Duratube Their productivity is excellent," he says.

ERC's investment portfolio (in pounds) is divided roughly as a quarter in Duratube (through W Selections), a quarter in Vansa, a quarter in NMC and the other quarter given to smaller investments

The Zimbabwe interests, held through Afex and Cons Afex, are now coming into their own — with full remission of dividends being allowed this year

He says he is confident about the future of Zimbabwe — the group's brickworks is working at full demand and farming activities are doing well But both the Zimbabwe dollar and South African rand have declined sharply against the dollar (the Zimdollar from 1,29 US dollars in 1982 to 61c last year and the rand from 86 US cents to 39c) and this impacts on the balance sheets

Although geographically far removed from the bases of these companies, David Marshall keeps an eye on the international portfolios of his companies from the Durban headquarters of the Marshalls Group

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EMERGENCY

Talks to continue despite emergency

CLAIRE PICKARD-CAMBRIDGE

THE Chamber of Mines is going ahead with plans to meet the National Union of Mineworkers (NUM) for wage talks tomorrow, despite the declaration of the State of Emergency.

Chamber of Mines industrial relations adviser Johann Liebenberg said at the weekend he was not aware of the detention of any members of the NUM negotiating team. "We are assuming the meeting will be held because we have not had any indication to the contrary."

Liebenberg declined to comment when asked whether the recent swoop by police on many trade union and community leaders could complicate the wage talks.

NUM officials could not be contacted for comment yesterday. It is not known whether union organisers have been able to complete consultations with their members regarding the chamber's offer. The union had requested a week in which to do so.

It is believed at least one NUM organiser in the Free State was detained last week.

The NUM's demand includes a 45% increase in minimum wages, while the chamber's initial offer includes increases of between 12% and 17% on minimum rates.

Anglo American chairman Gavin Relly said the corporation was particularly concerned at the incarceration of trade union and community leaders, "some of whom have played a responsible, moderating role in relation to the proposed actions on June 16".

"In these circumstances, neither civil nor industrial relations development can move forward. It is essential that these people be charged or released forthwith," Relly said.

BUSINESS DAY, Monday, 16 June 1986

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Britons jittery over SA's precious mineral future

LONDON — The State of Emergency has deepened uncertainty in Britain over the future of SA's vast mineral wealth, dealers say.

With the rand "bouncing around" on the eve of the June 16 anniversary of the 1976 Soweto riots, the outlook looks "very dodgy", one analyst says.

Another says analysts agree that precious metals and other minerals would appreciate "if the world thought supplies were going to be disrupted".

On Thursday platinum, vital for the car industry, surged to its highest price for three years, reaching $450,50, though one analyst saw it as likely to retreat.

Gold had been less volatile, but had gained strongly last week to $347,40 by midday on Friday from $341,65 a week before.

The SA Department of Energy and Mineral Affairs' 1984 figures show that SA produced more than 60 different minerals at 883 mines, of which 83 yielded gold, 89 coal and 62 diamonds.

Mineral commodities were exported to 87 countries, primarily in North America, Europe and the Far East.

Gold by far outshines all other minerals as an export commodity, representing 72% of SA's mineral exports in 1984. Mineral exports earned more than R16bn that year.

News of strikes or violence in the gold industry sends shivers through the consuming world because of the country's dominant position. It has reserves of 20 000 tons of the metal, more than half the world's deposits and 63,9% of non-communist countries' reserves.

Pretoria's gold production in 1984 was more than 681 tons and was projected to remain stable in 1985.

Even more impressive are platinum group metals, essential in the car and oil refining industries. SA holds 78,7% of total world reserves.

Chrome is also abundant, with 74% of known world reserves, and SA has a staggering 92% of the non-communist world's manganese.

SA and Namibia also claim to hold 25% of world diamond reserves — Sapa-Reuter.

Chamber's mines went up on capex

Bus Day 16/6/86

210

ROY BENNETTS

THE Chamber of Mines' gold-producing members spent nearly R471m in capital expenditure during the three months to March, against R373m in the comparable period of last year.

However, this increase helped to reduce taxation and the State's share of profits, which in total rose only 4% from R817m in the first quarter of last year to R850,3m.

The average tax paid by the 30 member-mines amounted to 48% of the working profits from gold and uranium, compared with 53,3% last year

Gold production, including Anglo's Joint Metallurgical Scheme, fell by just over 12 tons to 153,9 (166,3) tons, in spite of an increase in ore milled at 24,2m tons (23,6m tons).

This was due to a drop in recovery grade from 6,55 grams a ton to 5,96 g/t.

Boosted by the weak rand, the metal was sold for R3,55bn, an increase of nearly 20% compared with the R2,96bn in the first quarter of 1985.

Increased working costs partly offset this gain, rising by 26% to R1,84bn (R1,46bn).

Including gold, uranium and State assistance, the total profits for the Chamber members increased by 7% to R1,87bn (R1,74bn).

During the quarter only Rand Mines-managed ERPM claimed State assistance of R10,9m.

The total amount declared in dividends to shareholders increased by 11% to R323,2m (R290,6m).

In the next five years capital expenditure is projected to rise fairly steeply from R1,91bn in 1985 to R2,33bn in the current year, an increase of nearly 22%

In the next two years spending is expected to rise only marginally, and is projected to fall significantly in 1989 to R2,08bn — a decline of 14% compared with the 1988 expected figure.

This decrease is expected to continue, with capital expenditure in 1991 projected to be R1,78bn, a drop of 6% against the amount for 1985.

17/6/88 STAR (88) 210

Call for five-yearly auction of mining rights

Own Correspondent

DURBAN — Dozens of new mining projects — generating substantial foreign exchange earnings and creating many mining and service jobs — would be spawned if the state insisted that all unexercised mining rights should be put up for public auction every five years.

This is the view of David Marshall, Durban-based chairman of companies like ERC and Vansa, who says he cannot understand why the authorities allow the mining giants to effectively "freeze" so many mining rights.

A man who says a number of his companies operate in classic "David and Goliath" market situations, Mr Marshall is concerned that many of the country's unused mineral rights — bought up by the mining giants over the years — are locked in safes of the mining giants.

He points out it is difficult for one mining house to bring more than a single major project on stream at once, such as Gencor has just done with Beatrix and Gold Fields plans to do with its Northam platinum mine.

The large mining houses, he says, essentially have to phase their developments — and this sterilises many other mineral rights which they own. In other cases it makes sense for the giants to buy up and merely sit on projects which, in other hands, would provide them with competition.

A system of auctions of unused rights every five years would release these valuable national assets, giving the economy a much-needed boost.

PLATINUM DEPOSITS

"One recalls that in the early mining days there were at least 20 mining houses locked in healthy competition. Why should the government think it better to have just a handful today?"

Mr Marshall, though better-known in Durban as chairman of JSE-quoted Marshalls Group, has substantial mining interests in South Africa and Zimbabwe.

At present one of the projects uppermost in his mind is possible development of substantial platinum deposits identified at the Vansa Vandadium mine which recently was listed on the stock exchange.

The ERC (formerly ER Cons) group, of which he is chairman, adopted the philosophy of bringing the vanadium to production first.

Now it is conducting feasibility studies on mining platinum and should take a development decision within a year.

Mr Marshall says capital required probably will be between R225 million and R275 million. "Not an easy sum to raise in a small market like South Africa's."

He sees a need to raise the capital from sources outside the mining giants. Their participation, he believes, would be simply to put the project into mothballs in order to minimise competition.

He describes the long involvement of ERC with mining rights on Farm Kennedy (site of the vanadium mine) as a "miracle story."

Bought for £100 in the 1960s, these rights have earned the group R2 million and yielded another R750 000 from the sale of some rights to JCI. The value of the remainder is estimated at R35 million, taking the Vansa shares at market value.

The Vansa project, he says, is going very well.

At the outset vanadium was priced at a converted (from US dollars) price of R9 000 a ton. Now it is fetching around R12 000 a ton.

His family's involvement in ERC dates back 60 years to when a grandfather of one of David Marshall's cousins (then a mining entrepreneur in Ghana and Nigeria) bought East Rand mining rights.

Some years back, Mr Marshall says, he perceived a need to base assets in the various companies — Afex Corporation, ER Cons, — in hard currencies.

RESTRUCTURING

He says that such a policy makes sense for a company, just as it does for individual investors who have been looking to hard currency share investment hedges like the locally-quoted Copi, Oceana, Rembrandt, Consolidated Gold Fields, Afex and Consolidated Afex.

A restructuring of the group is now virtually complete, with Afex Corporation, and new holding company Consolidated Afex Corporation, headquartered in Luxembourg. Their listed investment portfolios are split approximately equally between Southern Africa and the US.

The properties include Buro Centre, Old Well House in Durban, Stromesa Centre, San Diego, and another in Phoenix.

In Zimbabwe the group has mining interests and farms tobacco, maize and cattle.

The market value of Afex Corporation's listed investments last year was $6,69 million.

HOLDING COMPANY

Consolidated Afex Corporation, which now holds 50,1 percent of Afex, had investments with an aggregate market value of $8,54 million.

ERC, which is no longer a holding company for the other two and stands "side-by-side," is sterling based. The group has holdings in a number of promising companies and recently concluded a deal with Saatchi Brothers in which the latter took a strategic stake in NMC (a UK fibre-board and packaging company).

ERC has seen its capital in NMC diluted to 24,4 percent (previously 48,3 percent) but it remains within the umbrella of David Marshall's London City Group.

The Zimbabwe interests, held through Afex and Cons Afex, are now coming into their own — with full remission of dividends being allowed this year.

However both the Zimbabwe dollar and South African rand have declined sharply against the dollar (the Zimdollar from $1,29 in 1982 to 61c last year and the rand from 86c to US0,39) and this affects the balance sheets.

Although geographically far removed from the bases of these companies, David Marshall keeps an eye on the international portfolios of his companies from the Durban headquarters of the Marshall Group.

project began, he said

NUM defers chamber talks

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Talks in which the National Union of Mineworkers (NUM) is expected to respond to the Chamber of Mines' annual wage offer will be held later this week after being cancelled yesterday at the union's request

The chamber's offer would have raised minimum pay in the lowest job catergories by 17 percent and at the top by 12.

The NUM had demanded a 45 percent wage increase.

210 SMR 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

Mr Ron Shaw, chairman of Cementation the prospects are bright for the mining shaft sinkers

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 per cent 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 consequently 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

Mine officials to get 15 percent pay hike

Agreement has been reached between the Chamber of Mines and three mine officials' unions on wages and working conditions on gold and coal mines for this year.

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In a joint statement the chamber, the Mine Surface Officials' Association, the South African Technical Officials' Association and the Underground Officials' Association said they had reached full and final settlement, guaranteeing actual salary increases averaging 15 percent, including merit and service increments

At the same time, the Chamber of Mines and the National Union of Mineworkers (NUM) held their fifth round of their 1986 wage talks yesterday.

FIN MAIL 20/6/86

ECONOMIC CLOCK 210

Ticking back

The "typical business cycle" clock of the *FM Blue Chip Forecast* ticked backwards last month, reflecting a stumbling economy characterised by general uncertainty and political dithering

Delays in the long-awaited economic package, finally announced on June 17, did much to put the clock back The crucial factor, of course, has been widespread lack of confidence Whether the R1,5 billion package will change sentiment boils down to what will happen to the money that filters through to the consumer through the multiplier effect.

In its latest consensus forecast, *Blue Chip* says that, sadly, indications are that the trough reached in the fourth quarter of 1985 appears "to have been merely a pause in th downward trend." Production is down, and even "the stalwart mining sector is levelling off" Sales figures are "alarming," especially in credit-sensitive sectors

Blue Chip notes that the first-quarter trade surplus was just over half the amount earned during the last quarter of 1985, at R2,45 billion After service payments the overall surplus on current account for the first quarter is estimated at R1 billion, compared to R2,9 billion the previous quarter *Blue Chip* says that, seasonally adjusted and annualised, the surplus narrowed from R11 billion in the fourth quarter to just R2 billion

However, Standard Bank says in its June *Review* that an improved outlook for world growth has opened the door for continued firmness or even improvement in the volumes and prices of many exports "If there is one lesson to be learned from a study of the business cycle in SA, it is that only those domestic expansions that flow from rising exports are sustainable

Temporary improvements

"Efforts to stimulate the economy, in the absence of a fundamental improvement in the international environment, have in the past led to very temporary improvements in production and employment and were responsible for creating balance of payments difficulties and exacerbating inflationary pressures"

Individual forecasters are increasingly gloomy, as indicated by their adjustments in the latest *Blue Chip Forecast*

In May, for example, Volkskas expects GDP of only 2,5%, down from its April projection of 3,5% Similarly, it now expects durable spending to be a *negative* 5%, as opposed to 1% growth estimated in April, while the inflation forecast is revised to 17,5% (17%) The current account surplus has also been revised down to R4 billion ■

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MINERALS FINMAIL (210)

Mining mecca

The level of demand for SA's minerals improved during 1985 for the third consecutive year, with larger volumes of many of the more important commodities sold locally and abroad, says Louw Alberts, Director General, Mineral and Energy Affairs

This encouraging statement emanates from the department's annual report The total value of mineral sales increased by 36% from R19 billion in 1984 to R26 billion Export revenue of R22,5 billion, an increase of 40%, made up 87% of total mineral sales Significantly, exports showed real growth in both price and earnings

Gold again led the way at 59% of mineral earnings and 68% of export revenue However, a healthy trend is evident from the non-gold sector The value of these exports rose by 61% to R7,2 billion, or 32% of total mineral export revenue Local sales amounted to R3,4 billion, 12% more than 1984

Notable achievements were

- ☐ Iron, manganese, nickel, tin, andalusite and fluorspar showed large rises thanks to export demand Others that shone were lead concentrate, titanium minerals, alumino-silicates and phosphate
- ☐ Revenue from coal exports was R3 billion as a result of increased tonnages and a 58% average rise in price
- ☐ Export tonnage of chrome ore rose by 27%, with an 81% price rise yielding earnings 133% higher than 1984
- ☐ Silver production receipts improved by 14% because of the weak rand
- ☐ Diamonds gained similarly, returning earnings of R774m, up 49%
- ☐ SA's strategic platinum supply continues to benefit from a buoyant US motor industry, European emission control regulations, jewellery demand and investor interest Although actual figures are classified, production rose 15% to a record level and export earnings rose 48%

There is no let-up in the search for oil by Soekor, financed by the Central Energy Fund since April 1 1985. In 1985, R121m was spent, against R97m in 1984

The objective of liquid fuel self-sufficiency was given impetus with the completion of two studies on synthetic fuel Mossel Bay was approved and an encouraging proposal from AECI and Amcoal, for coal-based fuel, led to a decision to embark on further study A third study proposed by Gencor, involving the retorting of torbanite, was approved ■

Chamber of Mines protests impediment on wages talks

STAR 23/6/88

The National Union of Mineworkers will meet the Chamber of Mines for the seventh round of annual wage negotiations tomorrow.

The Chamber's president, Mr Clive Knobbs, has complained to the Government about constraints being placed on some members of the NUM's negotiating team.

A Chamber statement said: "The Chamber of Mines has brought to the Government's notice that while negotiations with the National Union of Mineworkers have been progressing well, constraints have been imposed on some members of the union's negotiating team which could impact negatively on industrial relations in the mining industry and on the collective bargaining process."

NUM wage negotiation report-backs prevented

24/6/86 By Sheryl Raine

The National Union of Mineworkers (NUM) has been prevented from holding at least four report-back meetings with its members on progress made in annual wage negotiations.

And one of the NUM's key figures in the wage negotiations has been unable to attend the last two rounds of wage talks with the Chamber of Mines because he is lying low for fear of being detained under the state of emergency.

This has confirmed widespread fears expressed by industrial relations executives that the state of emergency is already disrupting healthy labour relations.

An investigation by *The Star* has shown that on the day the emergency was announced, the NUM had been prevented by a local magistrate from holding a mine manager-approved report-back on Anglo American's Vaal Reefs mine near Carletonville.

The NUM has considerable membership at Vaal Reefs.

At Gold Fields' Kloof and West Driefontein mines on the West Rand, the NUM was also given permission to hold meetings last week, but these meetings were banned by a local magistrate.

As a result an approach by the union to have a meeting at the Doornfontein mine was declined by the mine manager.

The NUM will meet the Chamber of Mines for the seventh round of wage negotiations today.

Chamber president, Mr Clive Knobbs, has told the Government that, while negotiations with the NUM have been progressing well, constraints imposed on some members of the union's negotiating team could have a negative impact on industrial relations in the mining industry and on the collective bargaining process

25/6/86 STAR (2101)

Miners to get 15-20 pc pay rises next week

By Sheryl Raine

The Chamber of Mines will implement pay increases ranging from 15 to 20 percent for black mineworkers on gold and coal mines on July 1

This means increases of between R32 and R90 a month depending on job category

In some cases the increases could be slightly higher

The union originally demanded a 45 percent increase, reduced working hours from 90 hours a fortnight to 80 hours, as w[illegible]s improved leave, maternity benefits, shift allowances and death benefits

The chamber said yesterday after the seventh round of wage talks that it had made its final offer regarding wages and conditions of employment for members of the union on certain gold and coal mines

"The union requested an opportunity to refer the offer to its members for consideration and arrangements have been made for a further meeting to be held between us on July 2," the statement said

The chamber said it accepted a suggestion from the union that the final offer be implemented on the traditional date of July 1, although the union's members had not yet accepted the offer

The package offered includes

- For surface daily-paid employees on gold and coal mines, increases ranging from 20 percent in job category one to 17 percent in job category eight
- For daily-paid underground employees on gold mines, increases ranging from 18 percent in job category one, to 15 per-2cent in job category eight, and for daily paid underground employees on collieries increases ranging from 19 percent in job category one to 16,4 percent in job category eight

The chamber has proposed that demands for May 1 and June 16 to be declared paid holidays be referred to a government commission of inquiry which should consider the scheduling of the country's public holidays

If a commission has not been appointed by February 1 the chamber has agreed that it will discuss the matter further with the union

Miners seen as saviours of economy

BUSDAY (44) (210) 25/6/86

CHERILYN IRETON

RECORD-BREAKING performance by the mining industry last year saved the country from political and economic disaster, according to outgoing Chamber of Mines president Clive Knobbs.

Delivering his presidential address in Johannesburg yesterday, Knobbs said the mining industry's earnings, assisted by the depreciating and "image-battered rand", had increased 36% to a record R26bn during 1985.

In the face of pressure from overseas financiers, these earnings had boosted the country's foreign exchange reserves and helped keep the economy afloat.

Investment in mining increased 11% last year while private-sector investment fell 6%.

Switching to political developments, Knobbs said he hoped the fateful events during 1985, including the toll of township violence, would press home the need for real, fast and acceptable change.

While applauding President P W Botha's reforms, Knobbs said government had not earned the respect of the outside world.

He warned pressures being exerted both internally and externally, threatened to encourage confrontation rather than conciliation

Knobbs said those pressing for punitive sanctions were overlooking the support to reform that a prosperous economy would give

On prospects, Knobbs said the decline in world oil prices meant better growth prospects for the industrial world

"High levels of demand in these economies was good news for SA However, the lower oil prices will have a disinflationary effect and this could mean immediate prospects for a sustained rise in the gold price are not especially favourable"

Knobbs predicted that the price of gold would remain fairly stable for the next year.

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M

Bumper year for mineral exports

CHERILYN IRETON

EARNINGS from mineral sales soared last year because of the falling rand, says outgoing Chamber of Mines president Clive Knobbs.

Last year was an excellent year for mineral sales — despite the drop in the average price of gold, Knobbs told the chamber's annual meeting in Johannesburg yesterday.

He said gold, with earnings at the unprecedented level of R15,292bn, remained the pivot of both the national economy and mining sector Earnings rose 32% on 1984.

The value of coal sales climbed 47% to reach a level of R5bn. Total production exceeded 173-million tons Despite discouraging export prospects, as a result of oversupplied markets, overseas coal sales increased by 6-million tons last year

Coal prices are expected to fall this year

Knobbs was pleased with the performance of the platinum-group metals, even though the dollar price of both platinum and palladium fell

"The decline in the rand was more than enough to give a substantial boost to revenues," he said

The rand value also led to a 35% boost in the value of sales of metals and minerals other than gold, silver, diamonds and coal.

"By far the most impressive performer was titanium with the value of sales increasing by nearly 129%. Chrome also did well with its sales valued at 90% more than in 1984.

ruled that evidence by the State — on the admissibility of tape and video recordings — was deficient According to legal sources, Milne's judgment on this issue is not only "the most important ever delivered in SA, but also in the Anglo-Saxon world."

The collapse of the State's case is a triumph for a frequently tested defence in South African jurisprudence that opposition to government policy does not necessarily constitute a subversive act, let alone a treasonable one, more so if such protest is overt.

The four acquitted men had all previously been detained — Gqweta at least eight times and Njikelena at least six. In every instance, nothing against them has been proved ■

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MINE PAY TALKS 210

Near settlement

The Chamber of Mines and the National Union ~~of Mineworkers (NUM) this week~~ appeared to be close to settlement in their wage negotiations

If this materialises, it will confound many who believed that a wage strike was inevitable

Following several rounds of talks in the past week, in which the NUM general secretary did not participate, the chamber made its final offer after meeting the union twice on Tuesday According to the chamber, the union suggested (for the first time) that the offer should be implemented on chamber mines on July 1 — the traditional date when wage increases come into effect

Chamber's Liebenberg ... generally a good offer

The NUM has undertaken to convey its members' response to the offer on July 2

The chamber has offered to increase the minimum wage rates of workers in the lowest job categories by 20%, and by 15% for the highest categories In monetary terms, the increases range from R32 to R90 a month on chamber minimum rates However, because the different mining houses pay different rates, the actual increases for some workers will be higher

Says the chamber's Johann Liebenberg "We have a very good offer on the table which we really believe the general membership will find acceptable " ■

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AMCOAL

Sombre outlook

Activities: *Mines coal and anthracite for domestic and export markets Holds property, mineral and coal rights and owns 67% of Vereeniging Refractories, a refractories producer*
Control: *Anglo American holds 51,21% of the equity*
Chairman: *W G Boustred, managing director D Rankin*
Capital structure· *24,4m ords of 50c Market capitalisation R951,6m*
Share market: *Price 3 900c Yields 6,2% on dividend, 21,3% on earnings, PE ratio, 4,7, cover, 3,5 12-month high, 6 250c, low, 3 700c Trading volume last quarter, 250 000 shares*
Financial: *Year to March 31*

	'83	'84	'85	'86
Debt				
Short-term (Rm)	12,5	81,8	178,0	260,4
Long-term (Rm)	19,3	19,3	21,6	19,6
Debt equity ratio	0,10	0,24	0,38	0,42
Shareholders' interest	0,48	0,44	0,40	0,40
Int & leasing cover	47,0	74,7	103,9	146,1
Debt cover	6,3	2,2	1,3	1,2

Performance·

	'83	'84	'85	'86
Coal sales (Mt)	34,0	34,2	36,6	37,3
Return on cap (%)	30 9	22,4	23,8	27,3
Turnover (Rm)	689	706	842	1 075
Pre-int profit (Rm)	214,7	214,1	313,2	458,7
Pre-int margin (%)	31,2	30,4	37 1	42,4
Taxed profit (Rm)	119,2	118,8	163,8	206,8
Earnings (c)	464	447	635	832
Dividends (c)	145	145	195	240
Net worth (c)	1 229	1 543	2 167	2 760

Amcoal's Boustred ... hard year for exports

A year can be a long time in business, as is amply illustrated by Amcoal The Anglo American-controlled coal group was riding the wave of stronger coal demand and a weaker rand 12 months ago Now, an over-supplied world coal market, weaker oil prices (which discourage coal demand), boycott fears, and a flat local market have sent coal shares into a downspin This is despite Amcoal's 31% rise in attributable profit in the year to end-March 1986

Exports will be crucial in determining the 1986-87 results of coal producers If prices fetched by Trans-Natal on sales to Japanese consumers are a guide, the slippage on 1985 has been less than 10% Even in politically-conscious Western Europe, where Amcoal is a heavily exposed SA exporter, contract prices do not appear to have eased more than 10% On the other hand, Denmark and France want to phase out SA coal purchases In 1984, these two countries accounted for 20% of SA's coal exports

Spot prices are also weak, and second half sales were lower than in the first half Amcoal's exports fell in volume by 4% The rate of profit growth slackened from 45% in the first half, to 24% in the second half Less sales and a high comparative base explain the slowdown, but chairman Graham Boustred writes of "the current year being a difficult one for coal exporters "

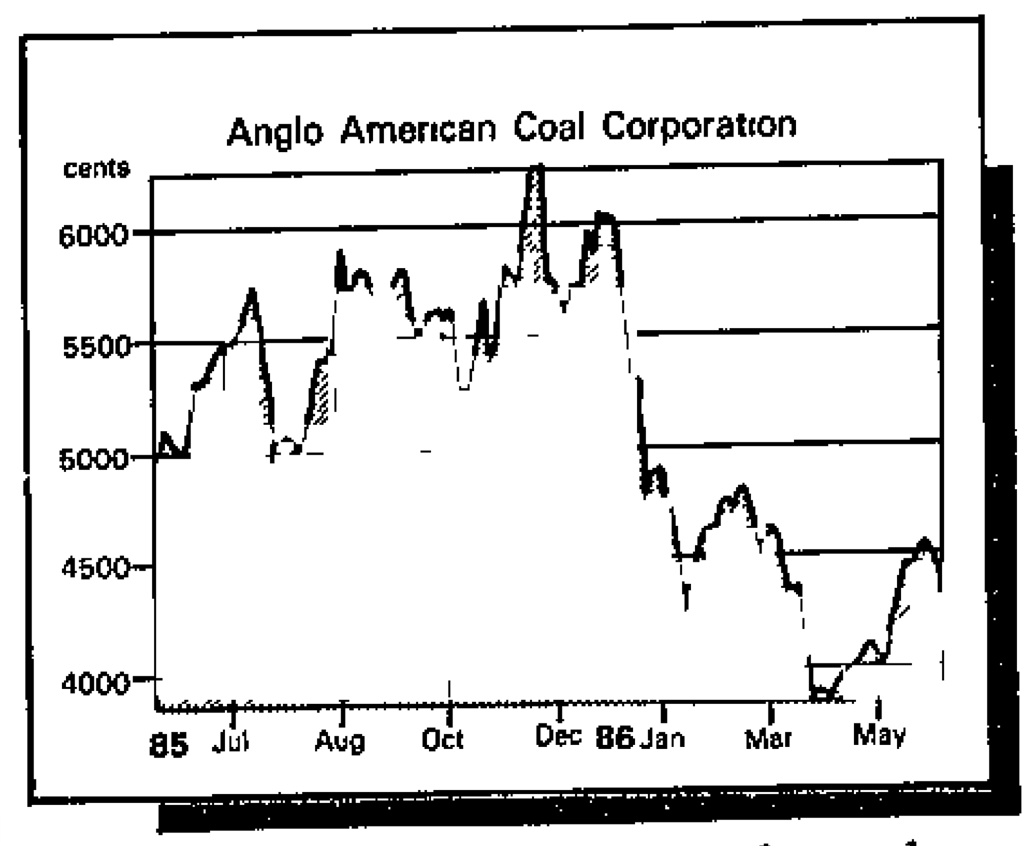
Uncertainty clouds export prices and volumes, the exchange rate and working costs. The JSE has re-rated coal shares to reflect lower growth potential Amcoal's share price climbed in 1985 from R39 to a R62,50 high, but has slid to a present R39, after touching a R37 low

The domestic market is also weak Amcoal's Escom sales rose in volume by 1,9%, and in April 1986 the industry was granted an average 19,9% increase in the controlled pithead price of domestically-traded coal Controlled price increases have, however, lagged behind inflation in the past few years More crucially, Escom faces a glut of installed electricity capacity This is reflected at the Lekwe power station, to be supplied from an Amcoal colliery at South Cornelia, where development is not expected to get under way in the next five years

As a result, capital plans now stand at R1,025 billion (R2,5 billion) Actual capital expenditure last year was R278m The new figure excludes any costs on South Cornelia (counted last year) It includes costs of completing New Vaal and New Denmark, and the revised R170m (previously R400m) for a more modest open cast export colliery at Landau Capital estimates do not include Amcoal's share of developing Phase IV export facilities at Richards Bay Phase IV expansion plans are being reappraised in the light of uncertainty on future export volumes Vereeniging Refractories, in which Amcoal raised its stake from 51% to 67% in the 1985 financial year, was also disappointing Dividends were held, but earnings slid by 27% due to a profit slump from building materials

Boustred forecasts lower earnings for Amcoal in the current year to end-March 1987, but says the dividend will be held He could be pessimistic, as the weakening rand could prop up export earnings However, the dividend looks safe cover is 3,5 times, and total liquid and cash assets at end-March were R533m

Amcoal is thus favourably placed to fund capital projects and hold dividends, although short-term debt rose sharply last year (Presumably a higher rate of interest is being



earned on the cash) Exports aside, medium-term profit growth should accrue as more sets are commissioned for Escom power stations Two were brought on stream last year at New Denmark for Tutuka, and one at New Vaal for Lethabo Deferred tax benefits rose last year from R334m to R420m, which must restrain the future tax bill Last year's effective tax rate was 55%

At R39, the share stands on a 6,2% dividend yield It appears to have discounted the bad news However, the unfolding impact of boycotts or sanctions is hard to assess at this stage Unprecedented uncertainty faces SA's coal industry, which makes it impossible to say if the share holds value

Christopher Marchand

ALTRON

Looking offshore

There could be some changes in Altron's earnings mix in the next year if some more long-awaited international acquisitions come off Altron is expected to be the group's vehicle for offshore investments Executive chairman Bill Venter has been cagey about these interests and it seems from the annual report that they are not reflected in the

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SANCTIONS

FEATURE

Mixed bag for minerals

Whatever the overall effects of sanctions on SA's economy, earnings from export of precious metals are likely to be boosted, at least in the short term That, at any rate, is the positive view of Aiden Edwards, president of the Council for Minerals Technology (Mintek), a government-private sector body investigating beneficiation

– He tells the *FM* that the platinum price could double, and the gold price increase by between 10% and 50%, depending on the strength of the international sanctions packages

"Subject to world perceptions of the seriousness of the South African situation, foreign exchange earnings from these two important commodity exports would appreciate considerably," says Edwards

SA is responsible for about 90% of annual world platinum production and supplies some 50%-60% of the West's gold Sales of gold accounted for 45% of the country's total exports of R33 billion in 1985 Given international demand and the many devious trade routes, particularly for gold, it would be virtually impossible to embargo exports of the two metals

But, adds Edwards, there is a danger that users of platinum as a chemical catalyst in the motor, petroleum, nitric acid and other chemical industries would look for cheaper alternatives if prices shoot through the roof

Conversely, investment in platinum as a precious metal — Japanese jewellery purchases make up roughly a quarter of all sales — could increase

"What we are looking at here is a short-term boom and thereafter, possible serious damage to the industry," says Edwards

He points to the sudden jump in the gold price in the days preceding June 16 to illustrate the effect political uncertainties can have on the price of SA's single most important foreign exchange earner Sanctions would increase this uncertainty, placing a solid platform beneath the international gold price

"Gold is also an excellent instrument for international barter deals It would be a major trade weapon in SA's arsenal," says Edwards

Diamonds provided some 3% of the country's foreign exchange earnings in 1985, and it is difficult to project the effect of sanctions while De Beers' Central Selling Organisation virtually controls the international market

Producers of other strategic minerals — chromium, manganese, vanadium and titanium — would probably not be as fortunate, as they are mostly easily identifiable bulk exports Alternative producers would be quick to fill any gap left by SA's absence from international markets

SA has about 75% of proven world chromium reserves and produces some 50% of the world's ferrochrome, which is essential for stainless steel manufacture

A short-term price boom could be followed by degeneration of this important industry, in spite of the fact that SA is the world's cheapest producer

"Zimbabwe, India, Brazil, Sweden, the Philippines and Turkey are all ready to step into the breach, and it could take the industry between 10 and 20 years to recover from imposition of sanctions," Edwards notes But chrome, although an important export, provided only 4% of SA's foreign exchange earnings last year and a collapse would not be catastrophic for the economy, he adds

Another option for SA is to increase local production of stainless steel "Although most stainless steel producers jealously protect their own industries, the alternative does exist," says Edwards

SA has the world's greatest reserves of vanadium, used in production of speciality steels and in the chemical industry The 1985 earnings of R300m made up about 1% of total export receipts, but producers could be forced to ride the same rough road as chrome producers

Alternative producers in Brazil, China and Russia are already waiting in the wings But again, beneficiation, already successfully done by Highveld Steel and Vanadium, could provide some relief

"The immediate effect of sanctions would therefore be an increase in foreign exchange earnings as world prices shoot up," Edwards sums up "But this would be followed by the gradual deterioration of several industries as substitutes are developed or other producers take over SA's markets"

The sobering thought must be where does this leave the workforce?

Raymond Preston

Mintek's Edwards ... fine for gold

MAKING NEW MARKETS

If sanctions force South African platinum out of world markets for catalysts, new hi-tech development, particularly in the use of platinum fuel cell electricity production, could yet save the industry

Although fuel cell development is still in an embryonic stage, its international application in an increasingly pollution-conscious world would provide a massive boost for the platinum industry, claims Mintek president Aiden Edwards.

"The use of the fuel cell would completely eradicate air pollution from electricity generation This would prevent acid rain and the so-called greenhouse effect and protect the environment," he says

Current fuel cell electricity generation costs are roughly double those of thermal power generation, but economies of scale would bring down the cost dramatically.

"New Mintek technology for exploiting the UG-2 reef in the next decade would ensure that extraction from SA's massive reserves could be doubled to meet increased demand from the rest of the world," says Edwards.

He says, however, that SA, as the world's premier producer, should become more active in fuel cell research A major research and development project for the advancement of a fuel cell pilot plant would cost some R40m.

"Historically, we have given too little attention to the beneficiation of our minerals," he adds "A modest application of fuel cell power generation worldwide could double the market for platinum and earn us an extra R2 billion a year. What a return on a R40m investment"

FIN MAIL 27/6/86 210

FRED COLLENDER

A geologist's triumphs

Beneath bushy grey brows the eyes of Fred Collender twinkle "It's been a nice lucky life," says the geologist who six years ago presented Goldfields of SA with a report which finally led to this month's opening of the R559m Northam platinum mine project

Collender (64) speaks without irony The India-born mining consultant's 39-year career is littered with triumphs and disappointments which span some of SA's biggest post-war mining developments Yet Northam, in terms of personal wealth, his biggest single success, is directly linked to a family tragedy

The congenital ailment which left both of Collender's sons deaf and blind may have been the result of his own father's work at the Chamber of Mines in developing mass miniature radiography K G (Kelsey) Collender's 1928 breakthrough won worldwide plaudits for eliminating the scourge of silicosis from the mines

Doctors suggested — in the absence of a family history of deafness or blindness — that malnutrition may also have been to blame Collender was captured near Tobruk in 1942 while serving with an anti-aircraft unit. He emerged from a PoW camp in Austria weighing 44 kg

"I believe it was being exposed to X-rays My father had an X-ray machine in the house and I helped him He also thought that was the cause," says Collender, whose father brought the family to South Africa in 1926 after leaving the Royal Army Medical Corps to become radiographer to the Chamber of Mines

The trail to Northam started in 1947 Back from the war, Collender completed his interrupted mining geology studies at Wits and married the year he graduated

His first break came while at Wits and working during vacation for JCI Collender spotted an error in a borehole core evaluation on the borders of Venterspost It suggested the main reef lay at 2 100 m — too deep then for economic exploitation However, on the basis of Collender's ideas, JCI drilled in new ground and hit main reef at 335 m which led it to develop Western Areas, Elsburg and the Cook section of Randfontein

JCI geologist Noel Sharpe recruited Collender, who led the subsequent exploration programme "It was a lucky start," he recalled in his London office last week.

Unfortunately, bad luck also followed JCI were about to celebrate the values of Collender's borehole MD1 for W Areas when the ground was discovered to be owned by the colourful Benny Struck What was worse, Struck knew just how good it was

JCI had to buy him out, to the fury of chairman D A B Watson "DAB disbanded the department, sacked Noel Sharpe and banished me to Consolidated Murchison

Collender . . . a passion for platinum

Those were the real rough days," Collender chuckles However, while he was with JCI, Collender started his love affair with platinum and the Bushveld Complex

Under government pressure to develop the mass of rights it had held since the 1920s or surrender half of them, JCI gave Collender the task of picking out the best areas The knowledge gained served him well

He also scored at Cons Murchison, proving the full extent of the Gravelotte lode, the biggest antimony mine in the world Two years later, in 1951, he joined the legendary Jack Scott and with Norman Wilson, headed the geological development of the Klerksdorp goldfields — which included Stilfontein and Buffelsfontein "It was a unique time and Scott was a wonderful person," says Collender

His only regret "I tried to get them to open the Video section in the Free State which we then held, but couldn't convince management Now it's part of President Steyn"

Then came a job with Rio Tinto Zinc in Rhodesia under his old JCI boss, Noel Sharpe Collender's work — he found one gold mine and helped restore the fortunes of another — was rewarded by promotion to consulting geologist to RTZ's Africa division in London RTZ's chairman felt the group's consulting geologist "really ought to be a doctor" — so Collender obliged by earning a PhD with a thesis on SA gold mining

One of the highlights of the four years in London was the uranium study Collender did for RTZ deputy chairman, Roy Wright, resulting in his recommendation that RTZ develop Rossing as an open-cast pit, rather than a deep mine Collender, however, never lost his passion for platinum He attempted to persuade RTZ to take up rights in the Rustenburg area, but was told the Johannesburg office didn't have the staff to do it

In 1964, a former JCI colleague Jim Wilson (of stockbrokers Anderson and Wilson) offered RTZ the Brakspruit sector RTZ's Wright agreed, but when its partners — Degussa of Germany — pulled out, Wilson took what became Impala to Union Corporation

Collender returned to Johannesburg in 1966 where a newspaper paragraph about diamonds sent him to Lesotho "I rushed down to find an African who had picked up his 600 carat stone at Letseng Letoria," he said RTZ started the diamond mine — and the big stone ended up adorning Elizabeth Taylor

He also played a part in the deal under which Lonrho took up Western Platinum — a rueful memory "The seller died and I never got my 10% commission," said Collender Leaving RTZ, Collender went to lead the team which sought and found, the Richards Bay titanium deposit for King Resources only to leave after a US scandal which led to the firm's collapse in 1972

A freelance period followed It produced Moordrift Platinum for JCI and the King Oscar Hill titanium deposit for GFSA Working for Hannah Mining, Collender put it into the Elandskuil platinum body with Amcor, owners of the ground (It was later

BUSINESS

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Anglo sells 23 pc of SA minerals

JOHANNESBURG — Sales by South African mines administered by Anglo American Corporation increased from 37,8-million tons to 38,1-million tons, about 23 percent of the national total, say the directors of Anglo American Corporation in their review for the year to March 31

During the year, the first two generating sets at Tutuka power station, which is supplied by New Denmark colliery, were commissioned

Production from the first longwall face began in March 1986 and total output is being increased in preparation for commissioning of the third set at the power station later this year

At New Vaal, development of the open pit is well advanced and coal deliveries to the Lethabo power station, where the first set was commissioned in December 1985, have built up to a rate of 250 000 tons a month

The market for internationally traded steam coal continued to grow in 1985 and prices under longer-term supply contracts were generally higher than in 1984.

However, increased availability from established suppliers such as Australia, South Africa and the US and more recently, from Colombia, has depressed spot prices

This fall in prices has continued into 1986 and has been accelerated by the sharp decline in oil prices

South African coal prices have been further affected by the decisions of certain countries to lessen, or even eliminate, their reliance on South African coal because of their unfavourable preceptions regarding the country's political situation — ironically at a time when the movement towards reform is gaining real momentum

Gold market

The gold market reflected a general lack of interest during 1985 when investor attention was absorbed by strong stock market performance in all major centres, continuing real returns in the bond markets and movements in the currency markets.

The investment sector of the market remained the determining influence on the price of gold in 1985 with gold supply continuing to exceed physical demand For the last nine months of 1985, the dollar price of gold traded within a narrow range between $308 and $335 an ounce.

Renewed market interest in 1986 has pushed the price to a new range of $330 to $360

This price range has been sustained by investor concern over a combination of issues, including the lower dollar, political tensions in Middle Eastern countries and Libya, labour unrest in South African mines, and the possibility of an international banking crisis in 1986 arising from a sharp reduction in world prices for crude oil

Oil prices have not yet established a firm floor level, and the full effects of these developments remains to be seen in the oil and bullion markets

Lean times

The directors say the decline of about one percent in real GNP in 1985 masked a far more serious deterioration in the business environment

During the second half of 1984 and the first quarter of 1985, progressively stricter monetary and fiscal measures were introduced to combat balance of payments and inflationary pressures, and these resulted in a severe downward correction in domestic spending

Recessionary conditions spread to many sectors of the economy, and declining real incomes and rising unemployment contributed to the rising tide of political unrest

"These developments disrupted the cyclical pattern which typically would have evolved over the past year Continued strong growth in export volumes and the emergence of a large current accounts surplus normally would have provided the basis for a gradual recovery in domestic activity.

"This would have spread from export-orientated operations, aided by a firmer currency, diminished inflation and renewed net inflows of foreign capital Instead, despite the stimulatory effects of currency depreciation and a shift to more expansionary monetary and fiscal policies, the tentative signs of improvement from exceptionally depressed levels of domestic demand which had emerged by late last year were not sustained into early 1986

"Judging from this year's Budget and subsequent official statements, fiscal measures are likely to have a modestly expansionary bias in the year ahead, appropriately supported by monetary policies. Unfortunately, only a moderate growth target can be countenanced under present circumstances — Sapa.

Cape Times 1/7/86

Mining exports boost for Anglo

JOHANNESBURG — In a year of considerable political and economic uncertainty, when many of the country's business operations experienced lean times, the Anglo American Corporation achieved most satisfactory results because of its substantial interests in the export-orientated mining sector, the directors said in their review for the year ended March 31, 1986

The gold market reflected a general lack of interest in 1985 when investor attention was absorbed by strong stock-market performance in all major centres, continuing real returns in the bond markets and movements in the currency markets

The directors said that the investment sector of the market remained the determining influence on the price of gold in 1985, with gold supply continuing to exceed physical demand

For the last nine months of 1985, the dollar price of gold traded within a narrow range between $308 and $335

Renewed market interest in 1986 has pushed the price to a new range of $330 to $360

This price range has been sustained by investor concern over a combination of issues, including the lower dollar, political tensions in Middle Eastern countries and Libya, labour unrest in SA mines, and the possibility of an international banking crisis in 1986 arising from a sharp reduction in world prices for crude oil

Developments

Oil prices have not yet established a firm floor level, and the full effects of these developments remains to be seen in the oil and bullion markets, the directors said

Sales by SA coal mines administered by Anglo American Corporation increased from 37,8m tons to 38,1m tons, about 23% of the national total, said the directors

The market for internationally traded steam coal continued to grow in 1985 and prices under longer-term supply contracts were generally higher than in 1984

However, increased availability from established suppliers such as Australia, SA and the USA and more recently, from Colombia, has depressed spot prices

This fall in prices has continued into 1986 and has been accelerated by the sharp decline in oil prices

SA coal prices have been further affected by the decisions of certain countries to lessen, or even eliminate, their reliance upon SA coal because of their unfavourable preceptions regarding the country's political situation — ironically at a time when the movement towards reform is gaining real momentum — Sapa

BUS DAY 1/7

Inquiry to check causes of conflict

DIANNA GAMES

A JOINT inquiry to examine causes of employee conflict and propose solutions for them has been set up by the Anglo American Corporation and the National Union of Mineworkers.

This comes after recent outbreaks of violence on some Anglo mines.

In its review for the year to March 31, the corporation welcomes the negotiations between the Chamber of Mines and the Council of Mining Unions on the removal of the discriminatory "scheduled persons" provision in the Mines and Works Act.

The review says the clause is the only remaining obstacle to merit-based selection and advancement on the mines.

It adds that SA's average per capita income, R6,225, is far behind its major trading partners' average of R27,650 — both 1983 figures — despite SA being one of Africa's most developed and wealthy states.

The review says "Although the country has one of the best educated and industrially experienced labour forces on the continent, restrictive and racially-based legislation and economic recession have prevented the best use being made of this resource."

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Coins ban won't sway gold market yet

MERVYN HARRIS

THE planned introduction of new gold coins by several countries — or the expansion of the production and marketing of existing coins — will not significantly affect gold consumption before 1987.

This is the view of Anglo American directors in their review for the year ended March.

They say the ban on the importation of Krugerrands into the US, Japan and other countries resulted in a severe reduction in the sale of these coins, and a significant drop in gold offtake by the coin sector of the market.

"A substantial surplus of gold thus remained to be absorbed in investment markets, in competition with more attractive investment alternatives. This determined the flat prices experienced during 1985," they add

With the exception of a brief rally to $341 in August, the dollar price of gold traded between $308 and $335 for the last nine months of 1985 — the narrowest price range seen in the gold market since 1977

This reflected lack of interest by the general investor when attention was absorbed by strong stock market performances in all major centres, continuing real returns in the bond markets and movements in the currency markets.

However, the sharp depreciation of the rand against all major currencies sent the rand gold price to R900 by December. The price eased to R730 at the end of March after the recovery of the rand

The investment sector of the market remained the determining influence on the price of gold in 1985, with gold supply continuing to exceed physical demand.

SA gold production declined slightly in 1985, though overall Western world production increased and Comecon gold sales grew by a small margin

Renewed market interest in 1986 has pushed the price to a new range of $330 to $360. This price range has been sustained by investor concern over a combination of issues, including the lower dollar, political tensions in Middle Eastern countries and Libya, labour unrest in SA mines, and the possibility of an international banking crisis arising from falling world crude oil prices.

The directors note that oil prices have not yet established a firm floor level and the full effects of these developments remains to be seen in the oil and bullion markets.

Coal sales by SA mines administered by Anglos increased from 37,8-million tons to 38,1-million last year This formed about 23% of the national total.

The market for internationally-traded steam coal continued to grow, and prices under longer-term supply contracts were generally higher than in 1985.

However, increased availability from established suppliers such as Australia, SA and the US, and, more recently, from Colombia, has depressed spot prices.

The price fall has been accelerated by the sharp decline in oil prices this year.

SA coal prices have been further hit by the decision of certain countries to lessen, or even eliminate, their reliance on SA coal because of unfavourable perceptions of the country's political situation.

While depressed domestic markets last year were partly offset by rising exports, fiscal measures, supported by monetary policies, are likely to have a modest expansionary bias in the year ahead.

"Unfortunately, only a moderate growth target can be countenanced under present circumstances," say the directors.

"Inflation is at an exceptionally high level, and domestic spending has to be kept within the limits imposed by debt-repayment commitments concluded with foreign banks.

"The emergence of a recovery, and its strength and durability, depend critically on the country being able to move towards normality in international and domestic relationships."

Get involved in talks, Anglo tells employers

STAR

1/7/86

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By Sheryl Raine

The Anglo American Corporation has urged employers to play an increasing role in negotiations to resolve political conflict which spills over into the work place.

In their annual report released today, Anglo's directors said several companies had taken the initiative in such conflicts, mediating directly between the police and local authorities on the one hand and company employees on the other.

The corporation was deeply concerned about the recent outbreaks of violence on several mines and the social unrest spilling over from nearby communities.

Referring to the traumatic economic year last year, Anglo said recessionary conditions spread to many sectors of the economy with disastrous effects.

Declining real incomes and rising unemployment contributed to the rising tide of political unrest. This had reinforced growing sentiment overseas in favour of disinvestment.

Looking at the country's socio-political needs, the corporation said that until fair access for all to employment opportunities, land, housing and capital were addressed, the major problems facing South Africa would prevent the achievement of sustained real economic growth and eventual political stability.

Anglo urged the Government to press on with a housing programme, with substantial private-sector involvement, and the proclamation of land close to places of work as a prerequisite for stability.

The corporation also urged the speedy removal of the last vestiges of racial discrimination from the Mines and Works Act.

"Removal of this provision is of great importance to the industry and it is hoped that the Minister of Mineral and Energy Affairs will act quickly to give it legislative support.

"It is essential that once the scheduled person clause is removed, remaining obstacles to the achievement of merit-based selection and advancement on the mines are removed."

In a topsy-turvy year Anglo just 'growed'

1/7/86 STAR

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By Peter Farley
Investment Editor

The strength of Anglo American's mining operations, combined with the benefits of a weak rand on both export earnings and foreign investments, formed the cornerstone of a 36 percent earnings growth last year

The annual report shows that income from mining investments increased to 70 percent of total earnings from 66 percent, despite the value of the investments in this sector declining to 70 percent from 74 percent the previous year

And despite a torrid year in many sectors of the economy — with LTA, Samcor and Computer Sciences all having problems — income from the non-mining operations only slipped to 30 percent of the group's total from 34 percent.

Moderate growth

Today, however, Anglo is a massive corporation, with investments in almost every sector of the South African economy and substantial holdings elsewhere in the world

Last year, international investments accounted for some 22 percent of the group's total R1,2 billion net earnings. At the end of March the value of the group's investments — heavily influenced by the depreciated rand — had soared to R16,7 billion from R10,7 billion at the end of financial 1985.

Chairman Mr Gavin Relly offers no specific forecasts for the current year in the annual report, apart from commenting on subsidiarie companies, but expects the Government's actions to have a modestly expansionary bias in the year ahead

However, he adds "Unfortunately, only a moderate growth target can be countenanced under present circumstances."

With Anglo a direct microcosm of the economy, the same should be true of the group

Nevertheless, Anglo will, perversely, stand to continue to benefit from South Africa's predicaments The weak rand has resulted in enormous profit increases across the sepctrum of mining interests, including gold, diamonds, coal, platinum and manganese, and has substantially boosted the value of the investments.

Gavin Relly

The only major changes in the group's investment portfolio have been the sale of its 8,8 percent stake in Middelburg Steel to Barlow Rand, the addition of a 20 percent stake in Tongaat Hulett, the acquisition of 20 percent of Barclays Bank and 50 percent of HLH Timber

Other major investment occurences during the year were the flotation of Southern Life (which gave Anglo a 37,5 percent stake after the merger into Southern of Anglo Life) and the controversial merger of the group's Free State gold mines

The diamond portfolio — principally De Beers, Anamint and the CSO — pushed its contribution to group earning up to 12 percent from 10 percent, after a 75 percent rise in the CSO's sales in rand terms.

But going through the annual report one gets an indelible impression of the formidable impact Anglo is having on the lives of most South Africans

Apart from employing some 280 000 people, the corporation's investments outside mining, include the country's biggest bank, the second biggest motor manufacturer, the second biggest paper producer, the third largest life insurance company, substantial holdings in the biggest motor dealer network and the biggest electronics and telecommunications companies, indirect holdings in one of the biggest food groups and through it effective control of the country's biggest retail/consumer group and a host of other investments in a wide spectrum of industries

In fact, if you drive a Mazda or a Ford (or bought any car through a McCarthy dealership), bank at Barclays or insure through Southern, have an STC switchboard, buy a Farmer Brown chicken, shop at OK Bazaars or drink Castle Lager, read either *The Star* or *The Sunday Times*, or buy a diamond engagement ring — Anglo is making a profit out of you

The question now is what else is there left for Anglo to take over? Think about it

Wits conference on business

By Stan Kennedy

The political editor of *The Economist*, Mr Simon Jenkins, will be one of the main speakers at a conference entitled "What Boundaries for Business" at the University of the Witwatersrand on July 10 and 11

Altogether, there will be 10 top-flight speakers from overseas

They include Dr John Burton research director, Institute of Economic Affairs, London, Mr Sam Peltzman, Professor of Business Economics, University of Chicago, Mr Ian Hirst, lecturer in finance, Edinburgh University, and Mr Morgan Reynolds, Economics Professor, Texas A & M University.

The keynote address will be delivered by KwaZulu Chief Minister Mangosuthu Buthelezi

Prominent local speakers will be Mr Gavin Relly, chairman of Anglo American Corporation; Dr Conrad Strauss, chairman, Standard Bank, Mr Peter Searle, chairman, Volkswagen SA, and Mr Nigel Bruce, editor, *Financial Mail*

The conference will also focus on the management issues of labour relations, marketing and financial co-operation

West Wits income leaps threefold to R4,8-m

STAR 1/7/86

By Gareth Costa

West Witwatersrand Gold Holdings' maiden results as a listed company showed a threefold increase in after-tax income to R4,8 million for the year to end-March 1986

The company, listed in November 1985, owns 80 percent of West Wits Gold Mine and 20 percent of Egoli

The gold mine is in production but is still being developed, while it recently doubled its ore reserves and acquired a fully equipped and operational shaft for R5,7 million.

Turnover shot-up from R4,9 million to R23 million and should do the same this financial year as the mine developments come into production

Working costs of R17,5 million resulted in an operating income of R5,4 million

Bottom line earnings of 7,6c a share were achieved, up from 4,5c, putting the company on a PE ratio of 19 on the current share price of 145c

Looking at the future, chairman Mr Joe Berardo says in the annual report that an increase of 180 percent in gold output is called for this year "The primary objective of West Wits Gold Mine is to utilise its large and shallow reserves to establish a large tonnage, low cost operation"

Joe Berardo

He adds that all has been going according to plan except that the recovered grades have been down, but the reasons for this have been identified.

No dividend payment will be made yet, but Mr Berardo says that once all the planned expansions are completed and all necessary contingencies and capital requirements provided for, shareholders could expect a dividend.

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Gencor steals a march on Anglo

BRIAN ZLOTNICK
and MERVYN HARRIS

SANLAM'S executives were undoubtedly chuffed when Gencor's share price spurted ahead to overtake Anglo American's price for the first time in several months.

No longer, it seems, does the market view Gencor through jaundiced eyes with its share price now stealing a clear lead and the gap between the two arch rivals' price widening fast

Indeed, both companies' share prices hit new highs last week.

However, while Anglo's retreated R1,50 from the high of R48,50 it touched on last Thursday, Gencor remained at its fresh peak of R50

More importantly, with the Sanlam-controlled mining house's share blazing a trail of new found glory this year — to advance by more than 25% measured against Anglo — there is at present little to choose between the two, judged purely on historic earnings and dividend yields

The re-rating, however, did not occur within a vacuum.

Sweeping management changes and healing time for its battered image following a string of disastrous forex, stock losses and poor trading performances within its industrial and mining interests have helped

Investor sentiment has now decidedly shifted more favourably towards the group in the wake of Derek Keys' appointment as new executive chairman and the ushering in of a new era of management style.

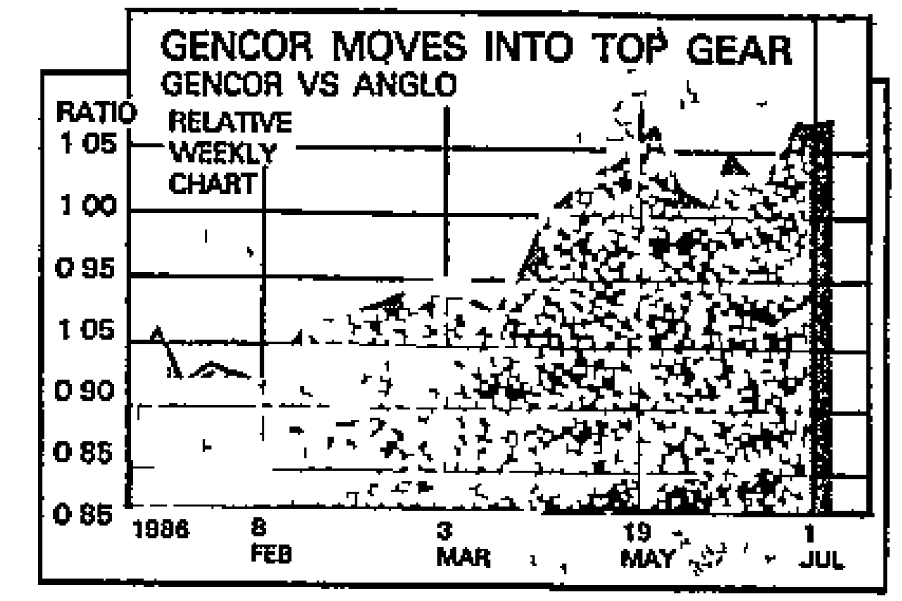
Furthermore, while memories of past disasters are fast fading into the murky past, the prevailing fashionable view is that they will not be repeated.

Certainly Gencor is more heavily weighted towards the industrial sector than Anglo, which has significant diamond and foreign interests that its rival does not have

Moreover, considering that Gencor's industrial interests have failed to make a meaningful profit contribution over the past two years — with, among others, Tedelex, Kanhymn and Sappi bombing out — their profits are coming off a low base and they are expected to enjoy a sharp turn-around in their fortunes.

So, on the balance of probabilities, while looking ahead to next year, Gencor's prospective earnings yield (dividend cover policies are expected to change) seems to be higher than Anglo's

This suggests that the market rerating of Gencor could be nearing an end.



NUM's move fuels mine strike fears

BUS DAY 3/7/86

CLAIRE PICKARD-CAMBRIDGE and SIPHO NGCOBO

FEARS of a widespread mineworkers' strike have been fuelled by the National Union of Mineworkers' (NUM) decision yesterday to declare a wage dispute with the Chamber of Mines

The NUM, which is demanding a 30% wage increase and improved conditions of employment, yesterday rejected the chamber's offer of increases ranging between 15% and 20% on minimum chamber rates

The NUM claims the support of nearly 300 000 signed-up members on gold mines and collieries. But according to the Chamber of Mines, considerably less than 150 000 are in bargaining units legally affected by the negotiations

A NUM spokesman said the union would apply to Manpower Minister Pietie du Plessis for the appointment of a conciliation board to resolve the dispute The minister has 30 days in which to appoint the board.

At a meeting with NUM yesterday, chamber representatives undertook to inform their principals in the industry of issues raised by NUM regarding the state of emergency and the detention of union leaders

There are several issues which could upset the negotiations before legal dispute resolution procedures have been exhausted

The union warns that workers are becoming increasingly militant about the detention of senior officials, the number having risen to 13 yesterday NUM said mineworkers were planning strong protest action against the detention of leaders. The plans cannot be reported because of media restrictions.

It is also feared that any move to detain NUM general secretary Cyril Ramaphosa and NUM president James Motlatsi on their return from Britain would spark widespread action on the mines

The two leaders made a dramatic

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Widespread mine strikes feared

● From Page 1

appearance at the British mineworkers' conference in South Wales on Tuesday, after spending two weeks in hiding in SA They allegedly told the conference they had slipped out of SA and were not sure if they would remain free on their return

A Ministry of Home Affairs spokesman has dismissed claims that Ramaphosa and Motlatsi slipped out of SA. He said the two had left SA legally on valid documents on June 27

MARGARET SMITH reports from London that Ramaphosa and Motlatsi met Labour Party leader Neil Kinnock and executive members of the Trades Union Congress (TUC) on Tuesday

Kinnock underlined the Labour Party's full backing for the NUM and praised the courage of the two visiting leaders

A Bureau for Information spokesman declined to comment on the two leaders' claims, adding that no-one had said they were wanted by the police

NUM 'no' to wage offer

3/7/86

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By LEN MASEKO

WAGE negotiations between the National Union of Mineworkers and the Chamber of Mines reached a deadlock yesterday.

NUM, demanding a 30 percent wage increase, has rejected the Chamber's offer of increases ranging from 15 to 20 percent.

NUM officials could not be reached for comment yesterday

Stalemate

At yesterday's meeting NUM had informed the employer body that it would follow dispute resolution procedure in the light of the two parties having reached a stalemate, the Chamber said.

Sapa reports that the 220 000-strong National Union of Mineworkers yesterday began protest actions at mines in response to the detentions of senior union leaders.

Union spokesman Marcel Golding said miners were refusing to patronise bars and concession stands at the mines.

Stoppage

- The Transport and Allied Workers' Union and the Lebowa Transport Limited yesterday deadlocked on alternatives to retrenchments at the company's depots in the Northern Transvaal.
- A work stoppage by black employees in some sections of the Morningside Clinic in Johannesburg was reported yesterday, but the *Sowetan* had not obtained further details by the time of going to press.

Mines hand taxman 47 percent more

By PHILLIP VAN NIEKERK

THE South African mining industry increased its earnings by 30 percent in 1985 to reach a total of R26 billion, Chamber of Mines president Clive Knobbs said in his presidential address this week

And, Knobbs said, the greatest beneficiary was the state — which increased its share of earnings from the mines by 47 percent last year

Black miners — who already receive less than the state from the revenue of the mines — received increases ranging from 16 percent to 20 percent last year, which were granted only after a long, drawn-out battle which ended in limited strike action

Knobbs was speaking on the same day that the chamber made its final wage offer to the National Union of Mineworkers (NUM) of increases for black miners ranging from 16,4 percent to 20 percent

The NUM has until July 2 to decide whether to accept the offer — one day after the increases will be implemented for South Africa's more than 600 000 black coal and gold miners

Knobbs said the "excellent performance" of the mining sector — aided by a 34 percent decline in the average exchange value of the rand against the dollar — had made a vital contribution to the country's foreign exchange earnings and helped keep the internal economy afloat

Mining investment increased by 11 percent at a time when investment by the private sector as a whole, including mining, fell by more than six percent

Knobbs said rand earnings for gold last year increased by 32 percent to more than R15 billion There were "enormous" increases in rand revenues for all sections of the metals and minerals industry

He said "The greatest beneficiary of the rising gold price and the increased profitability of the gold mining industry has been the state "

Knobbs said the "relationship between the employers and the National Union of Mineworkers has not fully matured However, the working relationship which has resulted in a number of agreements being reached and day to day problems being resolved is not fully appreciated

"Perceptions of the nature of the relationship are shaped instead by the considerable media coverage given to the annual wage negotiations between the Chamber and the NUM "

Knobbs said the overall effect of labour unrest in the goldmining industry had been exaggerated and that "not more than" five tons of gold production were lost because of industrial action during the year

While conceding that the State of Emergency had caused "certain difficulties" in this year's negotiations, Knobbs said President P W Botha deserved "support and encouragement for the lengthening roll call of reforms, either promised or already under way"

He said "It is difficult to escape the conclusion that had some meaningful acknowledgement been given President Botha's reforms, the effects would have been to encourage broader internal acceptance of the reforms and further liberalisation, which is the path to reconciliation

"But as other observers have noted, the South African government has earned neither the respect of the outside world nor the thanks of its political opponents

"Positive action is needed among Western nations to support those people of goodwill of all races in South Africa in ensuring that one of the few viable areas in an otherwise tragic continent becomes a success story and not an epitaph "

Knobbs spoke as a number of NUM officials and office bearers — including general secretary Cyril Ramaphosa — were in hiding because they feared being detained A total of eight NUM representatives are known to have been detained since the beginning of the State of Emergency

The detentions have delayed the negotiations, but the NUM has said it will go back to its members in the next week to sound out their feelings on declaring a dispute and fighting a battle over wages this year

The NUM is still demanding a 30 percent increase across the board for all workers

Increases for surface workers on gold mines will range from 17 percent for the most skilled category to 20 percent for the least skilled For underground workers the increases range from 15 percent to 18 percent

On the collieries the increases will be from 16,4 percent to 19 percent for less skilled workers

In addition, the chamber has improved a number of fringe benefits, including death benefits, a reduction in the working fortnight from 100 hours to 98 hours and a job security guarantee

One of the most significant parts of the chamber's offer to the NUM is an agreement to approach the commission of inquiry on public holidays with the recommendation that May 1 and June 16 be declared public holidays

If by February 1 the government has not declared these days public holidays, the chamber has agreed to negotiate them with the NUM

This offer marks a significant shift and the chamber has now fallen into line with other major employers

4/7/86.

FINMAIL

STATE OF EMERGENCY

Spate of bombings

The Johannesburg city centre was hit by another explosion on Tuesday afternoon — the third in the area within a week The latest blast was apparently caused by a device placed in a rubbish bin in Main Street, near the Carlton Centre According to early reports, eight people were injured — six women, an infant and a young child

The Bureau for Information reports that 34 people have died in political violence in the week to Tuesday, and the death toll since the State of Emergency was imposed on June 12 has risen to 93

Six other incidents — in which three people were injured — were reported by the Bureau in the past week

In Westville, Durban, two explosions ruptured the main water pipeline, cutting off supplies to the area and adjoining Pinetown for about an hour early on Monday. No one was injured

Two people were injured when a bomb blast rocked a busy shopping centre in Queenstown in the eastern Cape at noon on Saturday One person was wounded during an attack by men armed with an RPG-7 rocket launcher and AK 47 rifles on a supermarket in Tweefontein, KwaNdebele A truck detonated a landmine near the black township of Soshanguve The driver escaped injury Four suspected ANC guerrillas were killed during a skirmish with police near the Botswana border over the weekend

Arson is being investigated following a fire at Freeway House in Braamfontein, which houses a number of leftwing organisations including the Release Mandela Committee

Further action has been taken against the foreign and local press, and curfew restrictions have been widened.

The following has been decreed in terms of the emergency regulations·

- ☐ People have been prohibited from being in evacuated areas in Nyanga township, near Cape Town, where "structures used in connection with residential purposes have been burnt down"
- ☐ In the absence of official written permission, there is a blanket ban on people entering school property in Alexandra, near Johannesburg, and
- ☐ A 10 pm to 4 am curfew has been imposed on 11 northern Free State townships The order also bans the possession of "any device with which a stone or any other projectile can be cast "

The SA Police has offered cash rewards of R1 000 to people who supply information about "necklace" murders

The Department of Education and Training has postponed the reopening of black schools for the third term for two weeks from July 1 to 14, to allow it "to draw up and implement plans to ensure that no further disruptions occur "

The press came under the spotlight again during the week Deputy Information Minister Louis Nel warned newspaper editors at a meeting that the authorities would take decisive action against publications which failed to adhere strictly to emergency regulations This could, he said, include the suspension of offending newspapers

New Nation editor Zwelakhe Sisulu became the first newspaper editor to be detained, and West German television reporter, Dr Heinrich Buettgen, has been ordered to leave the country within days Buettgen is employed by the ARD German television network and is the fourth foreign journalist to receive his marching orders since June 12. ■

FIN MAIL 4/7/86.

E CAPE UPGRADE

Task force named

Constitutional Development and Planning Minister Chris Heunis's long-awaited "task force" to help rescue the economically-ailing eastern Cape, coupled with Trade and Industries Minister Dawie de Villiers's announcement of a lower delivered steel price to users in the region, could be the necessary boost to ease growing economic problems in the region — but few are holding their breath

The region has been particularly beset by

Heunis . . . trying to solve development problems

political "unrest " The task of Heunis's team is to "address, in a co-ordinated manner, the development problems experienced in the eastern Cape "

It is to be known as the Eastern Cape Strategic Development Team (ECSDT) and will be chaired by the chief executive director of Heunis's department, Frans Scheepers The full-time project co-ordinator will be the Dean of the faculty of economic sciences at the University of Port Elizabeth, Charles Waite The 17-member team will comprise representatives of State departments, the Cape provincial administration, the local regional advisory committee, the Development Bank of Southern Africa and the SA Police

Heunis denied that the appointment of the task team was a delaying strategy "I wish to confirm once again the seriousness of the government's intention to take the necessary steps to place the economy of the eastern Cape on a sounder footing," he said

To assist the team, he also appointed "private sector liaison committees" for the Port Elizabeth-Uitenhage and East London metropoles

In the PE-Uitenhage region, the private sector committee will comprise Tony Gillson of Assocom, Peter Searle, MD of Volkswagen, Ivan Krige, chairman of the Greater Algoa Development Committee, G C Albertyn, secretary of the PE Chamber of Commerce, and J H Pherson, MD of Dorbyl Automotive Products

The East London committee will comprise the city's chamber of commerce president, Nic Cloete; a local company director, Frans Meisenholl, and a local businessman, Max Phillips

Heunis appealed for support for the task force from "local community and interest groups," but cautioned them "not to foster unrealistic expectations of the task team's ability to solve the development problems of the eastern Cape "

De Villiers's decision on the steel price was a result of "serious problems being encountered in industries" in the area, which has led to "a crisis situation with serious economic and social consequences for the region as a whole "

The price of Iscor's delivered steel to industrial consumers in the region is to be cut by 4% from October 1 This will result in a saving of between R18 and R30/ t for consumers in the PE-Uitenhage and East London areas, and a saving of between R8 and R30/ t for buyers in the region as a whole. Iscor had agreed to a government request that it bear part of the transport costs involved in getting steel to the eastern Cape, De Villiers said ■

FIN MAIL 4/7/86.

MINE WAGE TALKS 210

Dispute lurking

The National Union of Mineworkers (NUM) this week appeared to be heading for conflict with the Chamber of Mines in its negotiations to set wages and working conditions The detention of several of NUM's leaders is likely to add to the tensions

The NUM was scheduled to meet the chamber on Wednesday to convey its members' response to the employers' offer But, given the history of these negotiations and the differences between the chamber's offer and NUM's demands, it seemed inevitable that NUM would declare a dispute

Last week, in what it termed its final offer, the chamber offered to increase the minimum wage rates of workers in the lowest job categories by 20%, and by 15% for the highest categories It also offered to reduce the number of hours worked each fortnight by two hours, gave guarantees about job security for union members, and offered to improve the present provisions for maternity leave and the death benefit scheme In response to NUM demands for paid holidays on May Day and June 16, the chamber proposed approaching government to appoint a commission of inquiry into the matter If this does not happen by next February, the chamber has undertaken to negotiate the issue directly with the union

These conditions were implemented on chamber mines on July 1 with the union's blessing But NUM has been at pains to stress that this in no way implies an acceptance of the offer

According to its press officer, Marcel Golding, NUM is prepared to accept the offer on working conditions and has dropped its demands relating to annual leave, shift allowances and paternity leave The critical consideration, however, is wages. Although NUM has dropped its original demand for a 45% wage increase to 30%, there is still a wide gap between that and the chamber's offer This week the union issued a seven-page document outlining the reasons why it believes the mining industry can easily afford 30% increases

NUM general secretary Cyril Ramaphosa, widely regarded as the best negotiator in the emerging union movement, has not been present at the talks since the declaration of the State of Emergency It is understood that Ramaphosa was in Europe this week Naturally, his absence has placed the union at a disadvantage, although there are signs that he has still been guiding the NUM's negotiating team from a distance

Talk in mining circles early this week was that if NUM does declare a dispute, and the chamber's offer is indeed final, there could be a repeat of the events of last year, when employer unity crumbled and some mining houses made higher offers than others Earlier this year NUM resolved not to accept a split offer But if this does occur it will be a difficult dilemma for the union to resolve ■

FIN MAIL 4/7/86

STRIKES

Emergency pressure

Strikes at about 100 retail outlets over the detention of leaders of the Commercial, Catering and Allied Workers' Union (Ccawusa) are over But they demonstrated how employers can get caught in the crossfire during times of civil strife, and the difficulties of trying to settle strikes without the participation of top union representatives

Although the retail sector has returned to normal, the chemical sector faces a rash of strikes over the same issue According to reports, eight plants are affected They involve members of both the Chemical Workers' Industrial Union, an affiliate of the Congress of SA Trade Unions (Cosatu), and the SA Chemical Workers' Union which is affiliated to the Council of Unions of SA

A number of unionists, including two Ccawusa officials, were released from detention last week after serving 14-day terms under the emergency regulations But in the last few days there have been further detentions of unionists, among them senior leaders of Cosatu, the National Union of Mineworkers and the Metal and Allied Workers' Union Employers fear industrial action may spread to other sectors

Rumours that Cosatu general secretary Jay Naidoo was among those detained proved false, but the detention of unionists (who may not be named) was the main item on the agenda of a special Central Executive Committee meeting to be held on Tuesday

The return to work in the retail sector followed three meetings between employer representatives and government, and three lengthy and stormy negotiating sessions between employers and 14 representatives of the strikers

The Ccawusa delegation was led by its president, Makhulu Ledwaba He, however, was not able to be present at all the meetings The other negotiators were mostly shop stewards inexperienced at dealing at top level Hence the protracted nature of the talks

The strike was clearly aimed at dumping the problem of the detentions in the lap of employers Says Ledwaba "Taxes from big business subsidise the State They are obviously closer to government than we are, as evidenced by the fact that meetings were set up with (Law and Order Minister) Le Grange at such short notice " He adds "The strike forced management to intervene with government, even though we didn't expect their meetings to achieve much "

Top retailers acknowledge that they may have some pull with government, but not as much as unions seem to believe In this case Le Grange responded to management approaches cordially But he was uncompromising on the question of law and order

One management man involved sees business as having attempted to act as a mediator between government and the union But, he says, "problems cannot always be resolved through mediation Government and organised labour will eventually have to meet face to face "

The question that intrigues many is why the retailing sector was hit earlier and harder than any other Employers give various explanations One suggested that the labour movement chose to make the point in retailing because of its high public profile Another believes it was a combination of two factors that retail workers are more urbanised, politicised and better educated than their counterparts in other industries; and that the strikes were a product of the continuing internal conflict in Ccawusa's Johannesburg branch These divisions, he argues, produced a less considered response to the emergency detentions than would otherwise have been the case

Ledwaba rejects these explanations. Indeed, he says, internal differences were set aside in order to deal with the detentions He also argues that if the question of public profile were the issue, the mining industry would have been the ideal arena Ledwaba's explanation is that the union's shop steward council structures allow for quick decision-making, in contrast to some other unions where consultations at various levels are required before final decisions can be taken.

Meanwhile, the Federated Chamber of Industries (FCI) met this week to consider its approach to union detentions The *FM* understands that the issue was hotly debated It appears that those in favour of a low-key approach won out in the end in contrast to the high profile stance the Premier Group and AECI have adopted ■

FIN MAIL 4/7/86

KWANDEBELE

Statelet of siege

A curfew plus an order that "no person may play, loiter or aimlessly remain on any public road" has been imposed on the residents of KwaNdebele, partially house-arresting them

The estimated 120 000 residents of Moutse, which was incorporated into KwaNdebele in January, are also governed by the new restrictions Lebowa's attempt to reverse the incorporation of Moutse into KwaNdebele failed in the Pretoria Supreme Court recently Lebowa argued that Pretoria failed (technically) to excise Moutse from Lebowa as it had amended the wrong proclamation Last week, however, Mr Justice van Dyk ruled that the Department of Constitutional Development and Planning *had* amended the correct proclamation so ending Lebowa's jurisdiction over Moutse, which is now officially part of KwaNdebele

The additional restrictions on KwaNdebele residents were imposed in terms of the State of Emergency by an order of the KwaNdebele police commissioner, Brigadier Christiaan van Nierkerk

The curfew confines residents to their homes between 9 pm and 5 am, unless they are en route to work, many residents commute to jobs in Pretoria and on the Reef and some begin their daily journey as early as 3 am

Among other restrictions, non-residents are prohibited from entering the homeland and only those with a job or home in KwaNdebele may stay in the area School pupils

Continued on page 38

5/7/86 STAR

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New financing urged for mining

By Sven Lunsche

Technical developments in the mining and mineral industry have made it essential to reconsider the methods of financing these new projects, which are tending towards larger production units and more capital rather than labour intensive production facilities

As part of a discusion on the latest developments in this area, a Trust Bank conference yesterday focused on finance and taxation in the minerals industry and the way banking institutions can contribute

From the outset of the conference it was clear that the mineral industry operated extremely conservatively in the way they funded operations

Nevertheless, most speakers agreed that, while it is essential to consider the different scenario of the minerals industry, new financing techniques developed in the industrial and commercial sector could be applied succesfully in the mining industry

In a key-note address Trust Bank GM Mr D Cohen said that mining companies did not make use of outside funding to finance capital expansions using accepted financing techniques

"The natural resources industries have continued to finance expansion utilising traditional forms of funding such as equity issues and only occasionally conventional bank borrowings," Mr Cohen said.

He suggested that the notion of project finance, which was developed originally for the US mining industry — and which centres around techniques such as the isolation and mitigation of risk areas and debt and off-balance sheet financing — should be utilized by the mining corporations

"In SA this approach has been adopted by industry and commerce, but the mining and mineral industries remain consistent in their traditional methods of finance," Mr Cohen said.

In his address, Davis Borkum Hare's mining analyst, Ms Gillian Findley outlined three basic methods employed in forecasting mineral prices, which she regards as a major risk in a mining venture

"Of the three methods — fundamental analysis, technical analysis and economic modelling — I believe that the most reliable is fundamental analysis, looking at the supply and demand fundamentals, in order to reach basic conclusions about the market and its underlying structures"

Mr Hennie Simonsen and Mr Svoboda, an information scientist at Mintek, applied some of these methods to determine the potential performance of the gold mining industry under various gold price and exchange rate scenarios.

Arguing that the costs of producing gold has escalated by more than 200 percent in the last decade, they claim that some mines would be more sensitive to changes in the gold price than others

The variance in the rand exchange rate has a more positive effect. "The variance in the rand has more than eliminated the effects of a changing gold price and rising production costs Thus a $50 decline in the average gold price from 1984 to 1985 has been compensated for by a change in the rand/dollar rate from 147,57 to 222,79."

SOWETAN, Tuesday, July 8, 1986

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Strike closes mine shaft

ANGLO American's Free State Geduld mine yesterday closed a shaft as more black workers protested against the detention of trade unionists.

Mine management put the number of black miners involved in the industrial action at 5 000 Production at Shaft No 7 at the mine, affected by a go-slow strike involving about 2 500 miners since last Thursday, was suspended yesterday morning.

Another 2 500 miners at Shaft No 4 joined the industrial action on Sunday night

The National Union of Mineworkers' (NUM) are demanding the release of 18 NUM officials who are said to be detained as well as that of other union members

Negotiations between NUM and management are continuing

Latest estimates show that 1 537 union officials and union members are in detention, according to the Labour Monitoring Group

Meanwhile there was a "partial return to work" by miners at four De Beers mines in Kimberley. About 1 950 miners have been involved in a work stoppage at these mines, protesting against the detention of NUM officials.

• Four metal unions meet in Johannesburg today to decide on ways to make employers agree to wage demands

Dispute

The meeting takes place a day before the scheduled meeting between the unions and the employer body, the Steel Engineering Industries Federation of SA. The four unions have declared a dispute with the employer body

Another metal union, the SA Boilermakers' Society, may accept Seifsa's wage proposals

A union official told the *Sowetan* that although "we are unhappy with Seifsa's offer, we feel we must sign the wage agreement"

• The situation at Gencor's St Helena gold mine near Welkom — the scene of faction fighting which resulted in the deaths of 15 miners and 13 others being injured at the weekend — returned to normal yesterday

A Gencor spokesman, Mr Harry Hill, told the *Sowetan* the 13 injured miners were being treated at the mine's hospital

Trouble at the mine's No 4 shaft hostel started after the fatal stabbing of a man on Saturday afternoon

The names of the dead were not available as their next of kin were still being notified, Mr Hill said

Foreign investment in SA mines has declined

Politics, labour play key role in investor attitudes

10/7/86

By Sven Lunsche

Politics and labour in South Africa — in addition to prospects for gold and other minerals — are playing an increasingly important role in shaping the attitudes of non-resident investors to South African mining shares.

The role of foreign investment in South African mines has declined over the last year, and brokers Davis Borkum Hare expect this trend to continue in the near future

In a publication entitled "Foreign Holdings in South African Mining Shares" the brokers say "Although there are not, apparently, any measures contemplated to block quotation of South African shares abroad, certain fund managers have been forced through political pressures to disinvest South African shares

They add, however, that against the back ground of turmoil in overseas investment markets — where stocks and bonds are booming but the underlying economies tend to look fragile — it increasingly makes sense to invest in gold shares as "insurance"

"Should the rationale for buying gold continue to gain in validity, then South African shares will offer a stronger case for consideration than gold shares in Canada, Australia or the US, where 'insurance money' was first invested," the brokers say

Davis Borkum Hare list the higher dividend yields, the better value of price earning ratios and the low price of South African gold shares in non-rand terms as the major reasons for possible future "insurance" investment in the country

"The relatively tightly held nature of the South African gold share market, plus the good value offered by such shares, could cause significant rises in share prices should foreign investors change their attitude."

Over the last year, however, these factors have not been present and there has been a progressive decline in the foreign ownership of South African mining shares

In 1984, and for the first quarter of 1985, foreigners were net purchasers of South African mining shares However, for the remainder of 1985, and to date in 1986, foreign investors have switched to become net sellers of local shares

The value of foreign holdings in the mines in May 1986 amounted to R20,3 billion, which in terms of the financial rand exchange rate amounts to $5,1 billion

"Although a higher gold dollar price and an improved rand helped generate some foreign buying of gold shares in late 1985 and early 1986, many foreign investors took advantage — particularly of the 40 percent improvement in the financial rand between November and February — to sell shares," Davis Borkum Hare say.

Between December 1985 and May 1986, the total number of mining shares held abroad fell from 28,45 percent to 26,60 percent of the total shares in issue, with foreigners lightening their holdings in mining shares virtually across the board

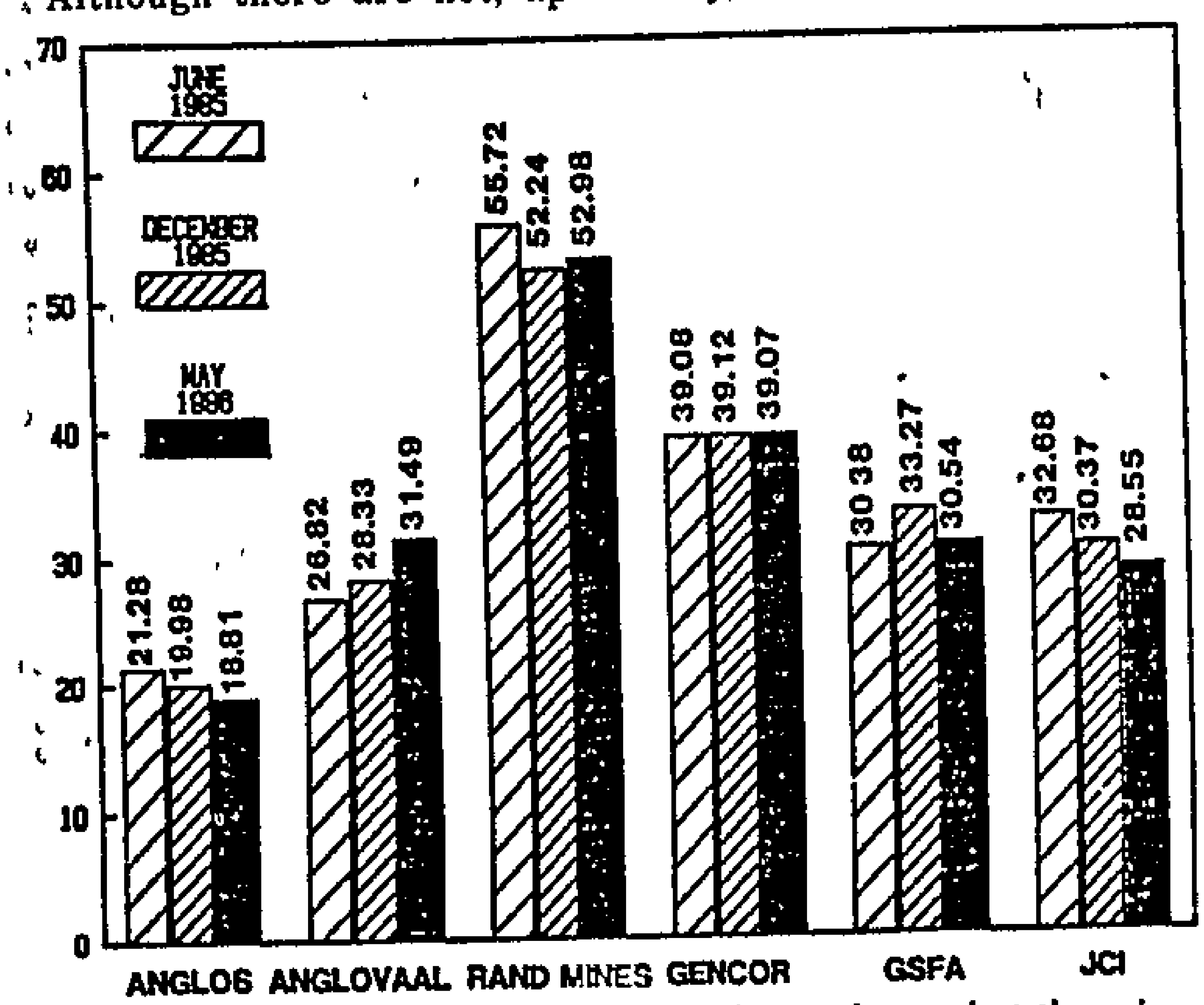
US companies were the major disinvestors in the country — their percentage holding declined from 14,73 to 13,39 percent during the period — while UK-registered companies decreased their holdings from December's 9,96 percent to May's 9,38 percent.

Only continental companies, whose percentage holdings is very limited anyway, slightly increased their interest in mining shares over the period by 0,1 percent to 3,82 percent

Gold mines were hardest hit by the share disinvestment moves, coming largely from a decline of major US ownership in the marginal and shorter-life mines The value of foreign holdings in gold mines was however still valued at a massive R11 billion

Foreign ownership of South African gold mines by mining houses has declined overall Only gold mining shares, administered by Anglovaal, showed an increase in the percentage holding by foreign investors.

Other shares substantially affected include Platinum Group Metal and De Beers mining shares



An analysis of foreign holdings of gold shares shows that the mines administered by Rand Mines were the most popular with foreign investors followed by Gencor group mines. But only in the case of Anglovaal group mines has there been an increase in foreign holding in the period June 1985 to May 1986.

Pretoria reacted 'with savage glee'

Relly lashes out over 'welcome' for sanctions

BusDAY 11/7/86

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Economics Reporter

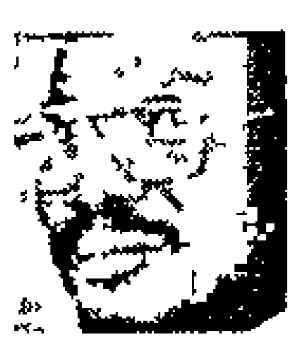
ANGLO American chairman Gavin Relly yesterday criticised Pretoria for reacting "with savage glee" to the threat of foreign trade sanctions.

RELLY

Opening the two-day "What Boundaries for Business?" conference sponsored by the University of the Witwatersrand, he called on business leaders to narrow "the gap between the achievement of what we're doing now towards change and what we should be doing"

Relly called for a new partnership between labour, management and shareholders "Unless we break down the schism between management and labour and create something new, we will not have a functional economic entity at the turn of the century."

He applauded industry's achievements in labour relations, accomplished "without parallel political developments", but said executives should work towards instituting more profit-sharing and participatory practices for workers



BUTHELEZI

KwaZulu Chief Minister Mangosuthu Buthelezi asked business leaders to step up efforts to pressure government for reform of apartheid laws

"Businessmen are important opinion-makers, and their attitude to change and the demands for change that they can articulate can have a profound effect on white society," he said

He called on executives specifically to "ensure that the National Council is given teeth and will be permitted to actually achieve the objectives set out in the Bill"

Buthelezi repeated his refusal to take part in the National Council "unless other black leaders are free to accept it or reject it" Specifically, Buthelezi said he required the release of Nelson Mandela, Zeph Mothopeng and other political prisoners

He condemned what he termed the ANC's strategy of violent change "Whites have lessons yet to learn, but they cannot be taught those lessons with AK rifles or bombs." SA's existing free market economy would be a critical element of any new government.

"We dare not destroy the economy in bringing about radical change

"We dare not make the country ungovernable now because it will remain ungovernable after change We dare not bring about change in such a way that the bridging of the gap between black and white in our polarised society is impossible"

At the conference dinner last night, Barlow Rand chairman A M Rosholt said "We must recast our total economic strategy — that is, if we have one — distinguishing very clearly between our First and Third World sectors"

Rosholt said the First World economy, by increasing exports and by import substitution, must finance itself and generate the wealth required to fund the Third World sector

The Third World economy, meanwhile, "must deal without the greatest single national problem, unemployment, by investing primarily in labour-intensive industries"

Rosholt called on executives to recognise that blacks would not accept either the present political system or the present economic system, that they were looking for a new society and not just a cosmetic alteration to the present one; and that planning and actions had better take these facts into account.

The economy, though based on free market principles, would move inevitably toward a process of income redistribution in favour of lower income groups.

A major challenge in determining the balance in the economy between free enterprise and state socialism after the advent of power-sharing, Rosholt said, lay in changing negative black perceptions of the current free enterprise system

Blacks increasingly viewed capitalism as anathema, "because they perceive the private sector as being in collusion with the government in the maintenance of the present political system, which they not unreasonably equate with racial oppression"

Amaprop to raise R50-m

SATRL 210 11/7/86

Anglo American Properties (Amaprop) is to raise about R50 million in the capital market by way of variable rate loan stock

Amaprop will proceed with a rights offer of unsecured variable rate subordinated loan stock to be used as long term finance for further Amaprop property investments

It is intended that the interest payable on each unit of the loan stock will be subject to an appropriate minimum. The interest will be varied in direct proportion to any increase in the dividend paid on ordinary Amaprop shares above 29c a share per year.

It is also proposed that the rights of the variable rate loan stockholders be subordinated to the claims of other Amaprop creditors

The salient terms of the rights offer and the variable loan stock will be disclosed shortly.

More Gencor board changes

SWK 210 11/7/86

Financial Staff

Several changes have been made to the Gencor board.

The changes are part of a mangement restructuring programme by Mr Derek Keys who will become executive chairman of Gencor on September 1 on the retirement of Mr Ted Pavitt.


Derek Keys

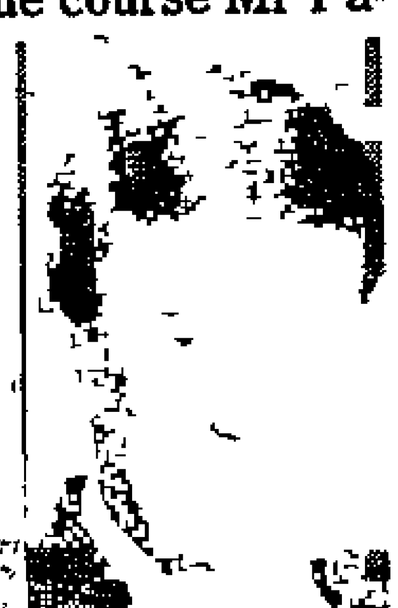
Mr Keys is presently chief executive officer and managing director.

Two new appointments to the board are Mr Bernard Smith, and Mr Naas Steenkamp.


Bernard Smith

The other executive members of the board are Messrs George Clark, Tom de Beer, Steve Ellis, Carl Netscher and Hugh Smith. Dr Fred du Plessis and Mr Marinus Daling will represent the public shareholders on the board.

The following directors retire from the board Messrs DWR Hertzog, PL la Grange, B Landau, Dr JGH Loubser, WS Pretorius, Dr PE Rousseau, G Steinmetz, Dr CHJ van Aswegen, AJ van Wyk, Dr AD Wassenaar and in due course Mr Pavitt.


Naas Steenkamp

The Gencor board is to become the ultimate forum for management rather than the general board it used to be, a statement from Gencor says.

The Federale Mynbou board will now assume a greater significance as the ultimate policy-making board for the group.

Rob Darby takes the helm at Sapco

By Frank Jeans

Former hotelier Nigel Matthews' entry into the industrial scene last year is already proving to be a profitable one with his Kempton Park group Sapco beating pretax profit budget by a hefty 64 percent

Again, this is a reflection of the healthy throughput of orders from mining which, along with general industry, accounts for 86 percent of the company's close to R12 million turnover

The remaining 14 percent represents operations in the plant hire and construction fields which have been particularly badly hit by recession

While Mr Matthews and his brother, merchant banker Rob, must be well pleased with their decision to acquire the Kempton Park-based Sapco group, through their public but unlisted company, Klipton, there is little doubt that they are also aware that one of the main assets on the takeover was in the ranks — the young Rob Darby, who has played no small part in the growth of the company over the past seven years

Rob Darby took the direct marketing route away from finance and administration — a strategy which certainly paid off both for himself and Sapco

Beginning as a trainee salesman with the company in Cape Town, Rob was on the Sapco board after only five years, at the age of 27, and now, at 33, he has been appointed managing director in succession to Sapco's co-founder, Mr Mick Wyly, who has retired

"I don't believe anyone is a complete all-rounder and I am convinced that if one wants to reach the top in a company, one either has to specialise in sales and marketing, or finance and administration," he says

He also saw the value in getting salesman into direct contact with their particular fields by splitting Sapco's tools division into two distinct avenues — mining and general industry

STAR 11/7/86

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Rob Darby . . . applying total responsibility at every level.

Much of increased business has resulted from this two-prong effort by the specialised sales teams

Rob Darby has seen the pneumatic tool division grow from 35 percent to 86 percent of group turnover, mining air hoists from five percent of market share to 80 percent and a three percent involvement in the pneumatic tool business related to the car industry soar to more than 60 percent

New products

It's all done by an ever-widening distribution network, it seems, and a breakout from the old set-up of three branches country-wide and sales through agents

Sapco has expanded its scope, too, as far as the lucrative and innovative Japanese market where it has signed up dealerships for new products and which will be introduced to the South African market soon

Among the new items are a full range of electric hoists, industrial maintenance air tools, tube maintenance equipment for power generation and boiler industries and electric and pneumatic percussion tools.

Pricing is very much a Darby concern and he has secured further reductions from overseas suppliers, thus minimising any Sapco price rises in the near future and giving the company the edge in the local scene

He is also giving a lot of thought to the sanctions threat and his company's vulnerability in that area, and is concentrating on local manufacture strategy and less dependence on imports

Rob Darby applies a simple philosophy to the job which he picked up during his travels to Japan It is summed up in one word — Giri

"A fair translation means a total sense of responsibility at every level of management to the job, family, colleagues and country," he says

BUSINESS

Gencor management shake-up continues

SHERILYN IRETON

GENCOR continued its management shake-up yesterday with the announcement of a new-look board of directors

Manpower manager Naas Steenkamp has been appointed director in charge of the group's corporate services, while former JCI executive director Bernard Smith will control all technical services

MD Derek Keys said yesterday the new streamlined board would handle Gencor's management and policy-making, while the Fedmyn board — under the chairmanship of Fred du Plessis — would assume greater importance as the shareholders' mouthpiece

The changes, which include the retirement of 10 board directors, are part of the realignment of management set in motion when "outsider" Keys was appointed MD and CEO in May

Two senior officals — mining manager Johan Fritz and director Basil Landau — retired soon after Keys took control.

On the new board, industrial matters will be handled by director George Clark, while Steve Ellis and Carl Netcher will continue to look after mining issues. Tom de Beer, tipped as the next Sappi chairman, will handle Gencor's financial matters

BusDay 11/7/86

(210)

Go all the way with reform, says Relly

STAR 11/7/86 (210)

By Michael Chester

The Government was urged today by Mr Gavin Relly, chairman of the Anglo American Corporation, to expunge all remaining apartheid laws from the statute book to clear the way for a new constitution guaranteeing the rights and freedoms of everyone

Detainees should be charged or released "with the utmost urgency" and restrictive laws used "with the utmost moderation"

Mr Relly, in an annual chairman's review with a world-wide circulation among international shareholders, also urged the West not to allow itself to be pressured into punitive measures that would undermine both the transitional phase and the success of South Africa's post-apartheid society

"Any action taken now (by the West), primarily as an emotional response to the gravity of the situation here, is bound to be at the expense of freedom and justice in South Africa

"If our nascent and fragile democratic institutions are denied a strong economic underpinning, they will certainly give way to tyranny"

Mr Relly said piecemeal reform had reached the limit of its usefulness The Government should now publicly commit itself — as it did with the pass laws — to repealing the Acts covering Group Areas, Separate Amenities and Population Registration and all other discriminatory statutes within a fixed time

"Once that goal is in sight, negotiations can begin on the framework of a new constitution which would establish and guarantee the rights and freedoms of all people, irrespective of colour"

Mr Relly said the process could not proceed in an environment clouded by the restrictions imposed by a state of emergency — "and measures which have resulted in the incarceration of people who would have to be included in future negotiations"

He added "No one should doubt, however, that the attempt to replace apartheid with a functioning democracy will be extraordinarily difficult, not least because some of those who now practise violence for their own political ends will not easily be persuaded to forsake violence"

Sanctions could lead to a revolution, says Relly

London Bureau

MILLIONS of Briton's yesterday heard Anglo American Corporation chairman Mr Gavin Relly warn that sanctions could lead to a revolution and tyranny in South Africa.

Mr Relly told BBC radio's main national newscast that the effect of sanctions on an already 'sloppy' economy would make the process of reform impossible

'I think that would lead inevitably to revolutionary circumstances which would no doubt end in a tyranny of some sort or another,' he said

Asked what tyranny he could foresee he said 'Presumably a tyranny of people, whether they were white or black, who were determined to come out on top of the dung heap, so to speak.

'It would not be a reform process It would be a revolutionary process'

Asked to comment on the effect sanctions could have on Anglo American's fortunes he said. 'Well, I don't know Presumably you can sell gold'

On Anglo's other mining activities, he said 'I would assume, in the nature of Europe, America and Japan's dependency on many of the mining products, that they would probably continue to be sold anyway.'

Asked what pressure, other than sanctions, could be placed on President Botha to accept major political reforms, Mr Relly said the President already had such changes in mind

'I think he has in mind major political reforms anyway

'I think the problem really is that the outside world doesn't know what it wants

'That may be our fault for not being specific enough on the goals towards which we should be moving

'Perhaps Mr Botha will find himself able to make those a bit clearer in the not too distant future'

Mr Relly agreed that apartheid had not been dismantled at the political level and emphasised 'that is what the process of reform is all about'

'I think getting rid of apartheid is wiping the slate clean.

'Reform is really what structure we give to a new non-racial society and that remains to be seen.

'I think it is a highly complex issue which I hope will be addressed in a practical way within the foreseeable future'

Told that this was impossible during a state of emergency, Mr Relly said he had explained in his annual Anglo chairman's statement that people involved in violence as a policy had to be drawn into the process of political negotiation

'That of course you can't do while there is great violence and unrest in the country'

N/M 12/7/86

2-10

Employers 'hostile' to yesterday's stayaway

SOAP 210 15/7/86

By Sheryl Raine

A significant number of employers have indicated that they intend to take disciplinary action against black workers who stayed away from work or staged other forms of industrial action yesterday

According to the independent Labour Monitoring Group (LMG) employers were more hostile to yesterday's protest action than on previous occasions

The Congress of SA Trade Unions (Cosatu) called for a nationwide day of action in protest against the continued emergency detention of union leaders Cosatu left it to individual unions in the various regions to decide on what type of action to take

The LMG said industrial action ranged from work stayaways and lunchtime protest meetings to symbolic sit-downs

"Most employers adopted a 'no work, no pay, no penalty' policy but a significant minority intend to take disciplinary action This will not help relations at all," said the LMG

- The National Union of Mineworkers claimed that at least four collieries were affected by protest strike action including Matla (2 500 workers), Arnot (2 000), Duvha (800) and Kriel (1 200)
- Gencor reported a strike by about 750 workers at its Matla colliery
- Rand Mines reported a strike by 800 people at its Duvha colliery and a partial stayaway from the Ritspruit colliery yesterday morning No other problems were reported.

GOLD MINES

- Anglo American reported only one strike — at the Erfdeel Gold Mine, near Welkom About 140 out of the 300 workforce at the mine's south division refused to work All other gold mines worked normally
- In Cosatu-organised factories in the manufacturing sector of the PWV, the LMG recorded a 24 percent stayaway among blacks There were some exceptions, such as the Kelloggs factory on the East Rand which recorded a 100 percent stayaway. In non-Cosatu factories the stayaway was negligible.

In the retail sector, Cosatu-organised units recorded an 11 percent stayaway and, in the transport and public sectors, absenteeism was minimal.

- In Port Elizabeth, 70 percent of workers reported for duty but, during the morning, youths told them to leave.
- In East London's black township, Duncan Village, there was an almost total stayaway. Nine out of 29 factories in the region closed
- In the Pinetown-Durban industrial belt, unions decided to report for work but to take protest strike action at their places of employment. Stayaways and protests were minimal
- Cosatu unions in the Western Cape withdrew from the day of action due to difficulty in organising during the state of emergency Northern Natal Cosatu unions were exempted from the day of action because all Cosatu leaders in that area were in detention

Foreign companies for R50m show

BUSDAY 15/7/86 (210)

MICK COLLINS

A GROUP of French companies is to join Austrian and German delegations as exhibitors at this year's R50m Electra Mining show in Johannesburg.

A spokesman for the organisers said yesterday it was apparent that foreign suppliers of mining and industrial equipment still regarded the SA market as offering a great deal of potential.

"The decision by the French follows the announcement recently that Austria would for the first time be taking part in the show."

Austrian trade delegate for Southern Africa Heinz Rampitsch said the Austrian group of companies would occupy 650m² of space at the show.

The show, which opens at Nasrec on September 15, will see 300 exhibitors spend more than R50m to reach buyers in the mining and electrical industries.

Exhibition manager Bill Bishop said Electra Mining was regarded as one of the big three in mining exhibitions worldwide. "The biggest single exhibitor will be Boart International, which will occupy the entire 2 400m² of Hall 10 at Nasrec.

"Two conferences, the International Gold 100, on the economics, marketing and mining of gold, and the SA Institute of Mechanical Engineers' conference on open cast mining, are scheduled to run concurrently with the show."

COMPANIES

JCI	Tons milled 000	Yield	Cost R/Ton	Cost $/oz*	Rev $/oz*	Rev R/Kg	Cost R/Kg	Net profits R000	Net Profits after capex R000	EPS after capex cents
Randfon Estates	1592	4,4	52,50	166	312	22 462	11 932	76 270	14 610	239,0
March	1614	4,0	47,87	175	302	21 048	11 968	51 361	14 355	234,8
Western Areas	988	4,2	89,48	296	346	24 895	21 303	35 729	782	1,9
March	959	4,2	89,04	292	349	23 861	20 008	20 563	3 815	9,5

* Standard Bank average exchange rates April-June 86 $0,4471 Jan-March 86 $0,4656

Two JCI mines show higher taxed profits

16/7/86 BUS DAY 210

MERVYN HARRIS

THE two mines in the JCI group — Randfontein and Western Areas — showed a substantial increase in taxed profits in the June quarter

However, chairman Kennedy Maxwell is looking for better results from Randfontein in the future while rising costs are a disturbing aspect of Western Areas results.

Randfontein increased profits after tax and State's share by 48,4% from R51,3m to R76,2m The rise was from a low base after the labour disruptions in January.

Production at the mine has not yet recovered to the levels before the disruption and mill throughput decreased by 22 000 tons to 1,592-million tons (1,614-million)

While tonnage produced is increasing satisfactorily, grade remains below expectations after a hiccup in the introduction of mechanised mining. This impacted on working costs which rose from R47,87 a ton milled to R52,50

Maxwell says the mine will only come out of the woods as the year progresses when, hopefully, grades will rise with increased tonnage while costs are maintained

Profit per ton milled nevertheless increased from R34,72 to R47,08 to lift revenue from gold to R158,5m (R133,3m) Profit from gold after deducting working costs jumped from R56m to almost R75m but profit from uranium slumped from R2,4m to R154 000

The sharp decline in tax from R9,4m to R10 000 was because of the big increase in capital expenditure from R37m to R61,6m

The gold price of R22 462/kg received by the mine during the quarter was below the average price of R23 881/kg based on the London gold price fix

Revenue from gold, and the mine's reported gold price and profit from uranium, take account of currency forward transactions.

The mine's net capex for the 12 months to June totalled R193,5m while capital commitments at the end of the period stood at R101,7m.

Randfontein has no open forward contracts

Western Areas improved tonnage, milled with gold recovery yields constant at 4,2 grams a ton, and a higher gold price enabled it to lift revenue from R100,22/ton milled to R105,79

However, working costs rose from R84,04/ton milled to what Maxwell described as an unacceptable level of R89,48/ton milled.

Gold and currency forward contracts came right for the mine in the quarter and was reflected in the gold price of R24 895/kg which the mine received against the average price of R23 861/kg in the previous quarter.

While profit before tax increased from R23,6m to R24,8m, taxed profit soared 73% from R20,5m to R35,7m because of a tax credit of nearly R11m (tax of R3,1m).

The tax figures make provision for an extra payment the revenue authorities may raise in connection with the interpretation of the method of calculating tax where the company has made a mining profit and a non-mining loss.

The matter relates to the 1983 financial year and is expected to be resolved soon

Net capex for the 12 months to end June was R77m while capital commitments at the end of the period totalled R21m

The company has entered into forward contracts for a significant part of its gold production to stabilise revenue and reduce its vulnerability to operating losses

18/7/86 210 BUS DAY

Western Deep profit up by 38%

Investment staff

WESTERN Deep Levels was the outstanding performer among Anglo American's Transvaal gold mines in the June quarter.

Its profit after tax and capex rose 38% to R41,9m (R30,2m), with increased tonnage, a lower yield but a higher gold price at R24 598/kg (R24 460)

Its results were aided by considerably lower tax at R27,3m (R50,9m) due to higher capex

Total profits earned by the Transvaal mines improved slightly The gold price received was 2% lower

Provision for tax fell 27% to R193,3m, because of the lower pre-tax profits and higher capex which increased by R13,2m to R157,9m

Tons milled increased by 2% to 4,7-million

Average grade fell by 0,14g/t to 6,7g/t, resulting in a small drop in gold output

Although total working costs increased by 4,6% because of the increased mining activity and escalation, costs in rands-a-ton milled increased by 2,4% to R75,20

Reports from the mines

Vaal Reefs A 31% drop in tax to R116,2m, and an expected doubling in capital spending to R61,9m, resulted in available profit increasing by 19,5% to R102,3m.

Included in profit is the dividend from Southvaal of R24,7m, and an increase of R20,1m in uranium profit to R41,9m

Total working costs increased by 4%

In the **South lease** area tons milled increased by 4% to 1,135-million tons, and gold production rose by 2% to 10 184kg

Total working costs were 15% higher at R94,3m, largely because of increased mining activity and additional, non-recurring costs arising from labour unrest reported in the March quarter

Gold production in the **Afrikander** lease area increased by 9% to 292kg, because of an increase in tons milled and a slightly improved yield

Although no capital expenditure was forecast for the year, an amount of R1,3m has been spent — mainly on exploration development — to take advantage of the higher than forecast gold price

Western Deep Levels The new No 1 Shaft and plant were commissioned with 114 000 tons of ore being hoisted Area mined increased by 16%

Recovered grade throughout the mine dropped by 9,6% because of lower grades of dump material treated at No 3 plant, and normal lock-up of gold in the new No 1 plant

This absorbtion is expected to continue at a diminishing rate

Gold production fell 3% to 9 203kg

Working costs were 4% higher mainly because of increased stoping activity and cost escalation

Elandsrand Available profit increased by 17% to R30,7m Operations were at the expected higher rate, with tons milled rising by 8% to 499 000t

Grade was higher resulting in increased gold production

Ergo Available profit increased 19% to R8,7m, mainly because of a drop in capex from R35,4m to R9,5m

Because of the swing in capex, tax increased by R12,3m from a credit balance of R6,8m to R5,5m debit

In spite of a 13% higher slimes treatment rate at 5,4-million tons, gold production at Ergo division dropped by 231kg to 1 595kg because of expected lower head grades and an increase in gold-in-process inventory.

Gold production at **Simmergo** division increased 17% to 494kg

Anglo American	Tons milled 000	Yield	Cost R/Ton	Cost $/oz*	Rev $/oz*	Rev R/Kg	Cost R/Kg	Net profits 000	Profits after capex 000	EPS after capex cents
Vaal Reefs	2 881	7,21	76,43	147,5	342	24 661	10 607	165 542	102 122	538
March	2 908	7,23	72,49	146	353	25 282	10 021	112 308	85 591	450
Western Deep	1 359	6,77	74,62	153	341	24 598	11 020	104 934	41 867	154
March	1 270	7,49	76,48	149	344	24 460	10 215	90 285	30 236	111
Elandsrand	499	6,18	69,29	156	344	24 687	11 213	42 975	30 693	32
March	462	5,9	70,65	175	346	24 790	11 970	38 607	26 180	27
SA Lands	632	0,71	8,61	167	341	24 073	12 042	1 238	1 378	15
March	646	0,68	8,8	189	341	24 179	12 896	419	1 388	15
Freegold	5 594	4,88	74,81	212,9	342	24 571	15 316	172 277	66 536	57
March	5 293	5,07	76,58	210	341	24 351	15 094	189 849	82 754	71

* Standard Bank average exchange rate April-June 86 $0,4471
Jan-March 86 $0,47

Freegold profit dip

CHERILYN IRETON

PROFITS of Anglo American's Free State gold mines, which merged to form Freegold in February, dropped by 10% to R172,3m (R189,8m) in the June quarter

Although the rand gold price received strengthened to R24 571/kg (R24 351), revenue from gold sales fell by R23,5m because of the timing of gold dispatches

Capex decreased marginally to R108,3m (R112,2m)

Gold production for the quarter was up 1,7% to 27 324kg because of a 5,8% increase in the area mined

Freegold's north region achieved an increase in gold production to 13 933kg (13 919kg) This resulted largely from an increase in the area mined which rose by 5,4% to 568 000m² (539 000m²) which more than compensated for a reduction in grade to 5,10g/t (5,23g/t)

The small increase in gold production failed to raise profit with revenue lower and costs higher Profit fell to R111,9m (R150,3m)

Capex decreased by 17% to R22,9m (R27,6m)

The south region achieved an increase in production of 3,5% to 13 391kg (12 937kg) This was the result of an increase in area mined of 6,2%

Grade, however, declined to 4,68g/t (4,91g/t) reflecting the increase in marginal ore being mined in the light of an improved gold price

The 4,7% fall in grade was also due to the lock-up of gold in the new President Brand gold plant This absorption of gold is expected to continue in the current quarter at a diminishing rate.

Although revenue was higher at R329,6m, costs rose by 5% leaving profit marginally up at R122,9m

Capex in the south was little changed and included R31,5m on Erfdeel

Orders placed and outstanding on the group's capital contracts at June 30 totalled R173,1m

The Joint Metallurgical Scheme reported increased revenue of R42,9m (R29,2m) with profit rising strongly to R12,9m (R7,3m)

The improvement resulted largely from the rescheduling of uranium sales referred to in the March quarterly report

Anglo mines' interims higher

LIZ ROUSE

ANGLO American's Transvaal mines have all declared higher interim dividends, in line with analysts' estimates.

Vaal Reefs' interim payment has been raised by 100c to 900c and Western Deep Levels' interim has been lifted to 255c from 220c

Elandsrand is paying an interim of 55c, up from 40c, with Sallies' interim up from 20c to 27,5c.

FIN MAIL 18/7/86 (210)

WITS CONFERENCE

Capitalism SA style

KwaZulu Chief Minister Mangosothu Buthelezi and Anglo American chairman Gavin Relly both suggested that "capitalism with a touch of African communalism" is most likely eventually in SA This added an unexpected dimension to last week's Wits

US economist Williams . . . blacks better off in free market

conference, *What boundaries for business?*

Prof Walter Williams, the conservative US economist, argued that the economy was over-regulated and that blacks would benefit from economic freedom However, in discussions, there appeared broad agreement among businessmen present that, in addition to free market principles enough, there was a need to find an African dimension

Simon Jenkins from *The Economist* said that preaching deregulation and free enterprise in SA was like converting the Chinese to Christianity — you could never expect total success

Barlow Rand chairman Mike Rosholt had his own definition of African communalism as "an eclectic combination of social democratic beliefs" and said he believed blacks would not necessarily swing to radical alternatives if capitalism were able to provide improved material benefits He called for a system of "concerned capitalism," quoting Jill Nattrass of the University of Natal, and said SA should seek to preserve a mixed economy

John Burton, of the (UK) Institute of Economic Affairs said that to deregulate and privatise an economy was not as simple as people thought

The two main philosophers of privatisation, Madsen Pirie of the Adam Smith Institute, and Sir Alfred Sherman, an adviser to the British PM, disagreed on the definition of privatisation

Burton said Sherman maintained that merely to transfer ownership of a monopoly from the public to the private sector means the "State disguised as private " This point of view was argued by Prof Joubert Botha, head of the Wits Economics Department

Only a small element of competition had been introduced after privatisation in the UK of companies such as the Mercury telephone company, Burton said One explanation was that the market was too small to support further competition

On these grounds, some argued that the much smaller South African market would be even less ripe for competition in areas such as telecommunications, power and water But, of course, that is not necessarily consistent with regional experience in other Western countries ■

FIN MAIL 18/7/86

PROJECT FINANCE 210

Money for mining

For a country heavily dependent on primary commodities, SA natural resource industries are old-fashioned when it comes to financing projects

"Project finance" is widely used in industry but, with few exceptions, natural resource industries are reluctant to follow this method Expansion is financed traditionally by equity issues or bank borrowing rather than "leverage" or "gearing" (outside funding)

Project finance entails a lender looking at cash flow and earnings of the economic unit being financed — the source of funds from which a loan will be repaid The assets of the unit are used as collateral for a loan

Project finance can be on a non-recourse basis (that is, limited to the above criteria) or limited recourse (involving some security from other parties)

Two notable industrial transactions involving such finance are Atlantis Diesel Engines and Sappi's Ngodwana project

The concept of project finance was developed for the mining industry in North America. This protected the sponsors against risks such as off-balance sheet and political aspects, and took advantage of benefits such as taxation and transfer of risk to the lender

Of course, risk plays a major part in determining whether a bank gets into bed with a mining venture. A study by Chemical Bank of New York examined 29 projects, of which only 17 could be evaluated on performance. The other 12 had not matured to the point where they could be evaluated Of the 17 reviewed, 14 experienced difficulties Risks included inefficiency, completion delays, budget overruns, and projected cash flows not being realised

Derek Cohen, GM Corporate Financial Services at Trust Bank, says that because of the significance of mining to SA and the increasingly complex environment, innovative forms of financial engineering must be considered Financial engineering skills include restructuring of debt, tax-driven proposals, incorporation of domestic and offshore facilities, and packages involving joint finance companies.

Tax legislation, which has become more onerous in the past few years, plays a significant part in this process Prior to the enactment of sections 36(7E) and 7F of the Income Tax Act 1985, capex could be written off against all income of the mining company (mining and non-mining)

Now only mining income is allowed for Thus, according to Henry Vorster, a tax partner with Hofmeyer van der Merwe, a company pays tax on non-mining income whilst accumulating redeemable capex This in effect ignores the fact that it is return on a company's total capital expenditure that determines whether expansion is undertaken

"Foreign banks and mining companies find it incomprehensible that SA mining companies do not make use of leverage," says Cohen He believes this approach needs modifying With project management lasting as long as 20 years and lead times of up to 5 years, he is certain that the services of financial institutions will be increasingly attractive to the natural resources sector ■

but, then, a unity of principle in a political sense, that's a dictum of Malan Bring together what belongs together in principle I have no unity of principle with (Eugene) Terre'Blanche, for instance, all we share is language "

He is adamant that "You will not change this constitution without white approval, you will not change this constitution without Afrikaner support Yet the President and I believe that no single group can govern the country I'm no racist, but where there are different races there is racism I have to live with that reality, groups compete for power That must show in what I am trying to do constitutionally If I were power-crazy, would I want to change the constitution? If I could run the country effectively by force, why bother to change?

"I genuinely believe that reform will succeed, but the people must understand it " ■

FIN MAIL

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18/7/86.

THE NEW RANDLORDS

The East Rand rush

Everyone else may be going broke, but the entrepreneurial spirits who have taken on the East Rand's gold potential (neglected by the large mining houses) are quietly making their fortunes.

While the Vaal Reefs, Randfonteins and Kloofs of the gold mining world push ahead with megarand expansions, a boom of different proportions is under way in one of the historic cradles of the industry — the East Rand

During the past few weeks independent mining entrepreneurs have announced that they intend listing a further two former East Rand gold producers which have been reopened. That brings to four the number of new mining developments on the East Rand brought to the JSE over the past year

Another two possible reopenings are on the cards — Sallies-Brakpan-Van Dyk, and Spaarwater, while on the Far East Rand considerable drilling and assessment of old mine workings is taking place around Balfour by several major mining houses — and also by Golden Dumps At least one small gold mine could eventually be re-established there.

The surge in small mining activity is a welcome development for many reasons From such beginnings should come some key mining personalities of the future, while the economies of East Rand towns such as Nigel, Springs, Heidelburg, Benoni and Brakpan must benefit

Resources largely ignored by major mining houses are being turned to account through the appearance, at last, of increasing numbers of the small entrepreneurs and businessmen who dominate the Canadian and Australian mining leagues

Large houses have controlled the local mining scene for 50 years, and, of course, their executives have a certain perspective Used to dealing with profits and capital expenditures running to hundreds of millions, a project offering a million or so in annual profits seems paltry and the house's attention is invariably directed elsewhere However, in many cases, houses still hang on to mineral rights they do nothing with

One example on the East Rand is Gold Fields of SA (GFSA), which mined there extensively before turning its attention to the West Wits line, where it set up the Driefonteins, Kloof, and others

GFSA still controls a number of old mines on the East Rand, one of which — Spaarwater — may be able to support a profitable small mining venture but is standing idle because the house can get a better return on money and effort from major gold mines and new projects such as Northam platinum

Another example on the East Rand is East Daggafontein, which Anglo closed and did nothing with except continue De Beers' chairman Julian Ogilvie Thompson's annual duck shoot on the mine property — which includes extensive wetlands near the Marievale Bird Sanctuary

In 1982 Anglo lost control of East Dagga to Swedish businessman Adolf Lundin Lundin wheeled and dealed with East Dagga's mining title and slimes dump reserves until, ironically, he concluded a deal for the slimes dams to be treated by Anglo's East Rand Gold and Uranium's (Ergo) new Daggafontein treatment plant With this operation providing cash flow from next year, and its exploration interests listed through Rand Extensions, East Dagga has been set up as a proper mini-mining house

The four new East Rand gold mines are Cyril Heever's Modder B, Loucas Pouroulis's Springs-Dagga, Glenn Laing and Roy Flowerday's Southgo, and Les Holmes' Sub Nigel

Not to be forgotten, just because he is on the West Rand, is Danish businessman Steen Severin, who wrested control of Rand Leases

Photographs courtesy Goldfields

East Rand mines (1897) . . . and now for some new life and wealth

World markets begin to reflect sanctions fear

21/7/86 STAR 210

By Neil Behrmann

LONDON — The threat of sanctions on South Africa is having a varied impact on world minerals markets

Prices of some metals, notably platinum and rhodium, have soared because mine strikes attracted speculators and created temporary shortages

But quotes of chromium, vanadium and manganese — other key metals mainly produced in South Africa — remain in the doldrums because world demand is weak

International coal and uranium prices slumped Dealers partly blame South Africa because it dumped material on a weak market Fearing sanctions and competition from Australia, Canada and other leading producers, South African coal producers are offering discounts of around 15 percent to reluctant buyers

But the most visible impact of the South African unrest is reflected in platinum futures traded in New York

In only a year, prices of platinum soared by 85 percent to around $449 an ounce

Platinum speculation spilt over to its volatile sister metal rhodium The price of this metal surged by 160 percent to present levels of around $1180 an ounce

Even the gold price, with an abundance of stocks, is relatively buoyant because of the South African factor

It is not surprising that the markets have focused their attention on South Africa It accounts for 59 percent of the world's gold reserves and 47 percent of its production

The bulk of the world reserves of the platinum group metals — platinum, palladium and rhodium, as well as chromium, manganese, and vanadium are situated either in Southern Africa or in the Soviet Union

South Africa accounts for more than two thirds of all platinum, the Soviet Union more than two thirds of the world's palladium So much so that heavy sales by the Soviet Union kept palladium prices from performing as well as platinum this year

About 80 percent of the world's chromium reserves are in Zimbabwe and South Africa The Soviet Union and Albania also have significant reserves

South Africa and the USSR are also dominant in manganese

Chrome and manganese are essential, not only for steel making, but also for the manufacture of military equipment and aircraft — hence the term strategic For most important uses, substitutes are not available

Vanadium is applied as an alloy to increase the strength of iron and steel products It is also combined with titanium-based alloys for jet engines and aircraft frames

With the exception of the platinum market, most dealers are sanguine about metal supplies from South Africa, especially since supplies are well in excess of demand

Analysts contend that labour unrest or other possible causes could disrupt supplies for a limited period It is unlikely, they say, that South African minerals exports will be inhibited for long

The best example of a strategic metal crisis was the invasion of Zaire's mineral rich Shaba Province in 1978 With about 50 percent of the world's cobalt reserves in Zaire and neighbouring Zambia, fears of a shortage of this tough metal used in the production of jet engines drove the price of cobalt from $6,85 a pound to $45 a pound When the panic was over and demand tumbled, cobalt slumped to around $5 a pound before recovering to $12,50 this year

Job figures show two bright areas

SAIRR 210 22/7/86

By Sheryl Raine

The mining and communication sectors were the only bright spots in an otherwise depressed job market in the four-month period from February to May this year.

Figures compiled by Central Statistical Services in Pretoria showed that the promised economic upturn had failed to appear by May.

In the four-month period under review there was a 5 886 increase in the number of jobs available but, of the six employment sectors surveyed, improvements occurred predominantly in the mining and quarrying sector, and to a limited extent in the communication sector.

HARDEST HIT

The transport industry was the hardest hit, losing 3 215 jobs. In this sector whites were the biggest losers when 1 668 jobs fell away, followed by blacks who lost 1 565 jobs.

The construction sector lost 2 600 jobs with blacks by far the worst affected Black jobs accounted for 1 600 of those lost; whites lost 400 jobs

The electricity sector recorded a loss of 1 000 jobs with whites and blacks being equally hard hit.

In the manufacturing sector 1 200 whites and 500 Coloureds lost their jobs, but there was some good news from this sector of the economy — Blacks gained 1 500 jobs and Indians 600

23/7/86

S TAR

3 500 stage mine sleep-in strike

About 3 500 black mineworkers are staging a "sleep-in" at Anglo American's Western Holdings gold mine near Welkom.

According to the National Union of Mineworkers (NUM), the strike began on Monday night

An Anglo American spokesman confirmed the strike at No 6 shaft All shifts were affected yesterday, he said

NUM general secretary Mr Cyril Ramaphosa said the strike centred on the dismissal of four shaft stewards

They were fired after the deaths of four team leaders about 10 days ago.

The NUM said an inquiry into the incident had not followed agreed procedures

STAR 5/7/86 (210)

KRUGERRANDS

Tarnished times

Intergold, the Chamber of Mines marketing division, triggered a flurry in banks' dealing rooms with last week's anouncement of restrictions on the local sale of Krugerrands (KRs)

KRs achieved a new-found investment cachet in recent months, due to political and economic uncertainty and the collapse of the currency. They are regarded as a hard asset hedge and a means of exporting wealth, legally or illegally — more often the latter.

US restriction

Competition from the Panda and Maple Leaf did not offset the drop in KR sales worldwide, which was sparked by US restriction on KR sales But demand for gold coins still outstrips supply SA investors take the view that the KR is still a marketable commodity abroad, a view which understandably does not find favour in Pretoria, where there has been discontent at the high level of local KR sales for some time Ostensibly the fear is that this diverts a valuable source of foreign exchange, but at the back of the authorities' minds is likely to be that KRs are seen as a way of circumventing exchange controls

Heavy local demand — up to R4m dealings per week on the JSE — necessitated limitations of new issues to dealers. That limit, which came into force on Monday, is 6 000 a week or 300 000 a year. This contrasts with trading volumes of around 10 000 a week in June and July. The coins will also be made available on a tender basis, instead of at a fixed premium to the underlying gold value

According to Intergold's Don Mackay-Coghill, *weekly* demand has been as high as the *monthly* supply of coins

The main players are institutions and pension funds in search of a hedge against inflation These buyers could offload coins

bought at lower prices and lower premiums to make a substantial profit on current prices — as was shown on Monday, when 2 667 1 oz coins were traded in 279 deals on the JSE.

But dealing sources feel there is little chance that the market could absorb a sudden splurge of selling by those looking for capital gain

Rob Wade, Barclays' chief forex dealer, says the market was "chaotic" on Monday He believes the speculative element will be dampened as the new system comes on stream

However, there is room for large holders of coins to corner the market Small traders are likely to be squeezed out if they have to hold large, expensive stocks

With coins traded as a commodity, consensus in dealing circles is that "an open outcry" is preferable to the tender system It is also more realistic — traders are not in favour of distortions in free market operations

Investec, Barclays and National Gold Exchange quote two-way prices at present

Sandro Burzacchi of Barclays' domestic money market section calls illegal KR trade "funk money," and believes the Reserve Bank was instrumental in suggesting that flows out of SA be stemmed

JSE prices topped R1 200 per 1 oz coin on Monday before dropping back into the R1 150-R1 170 region Half-ounce KRs were trading at R570, up R75 Quarters were selling for R285, up R35, and the tenth was going for R115, up R6

At R1 200, the premium on a 1 oz coin to intrinsic gold value is about 20%, including a 12% statutory premium Another rise in premiums following the fourfold rise to 12% in March would set off further speculative activity

Given that the financial rand discount is now about 50%, the KR is still a good bet if the object is to export money KRs' continued attractions are likely to depend on developments in forex markets, the price of gold, the rate of inflation, and whether further controls are introduced on buying and selling gold coins. ■

BusDay 25/7/86 (210)

CHERILYN IRETON

Western Deep at forefront of technology

THIS week's opening of Western Deep Levels' No 1 shaft has ensured that SA will remain at the forefront of deep-mining technology.

When fully operational, the Anglo American mine will be capable of working untested depths of 4kms

Stretching operations to these levels means overcoming conditions where rock temperatures reach 63C and seismic forces are totally unpredictable

Faced with these problems, Anglo engineers have had to find ways to minimise heat flow from the rocks and, at the same time, chill the air in the shaft so that working conditions become safe and bearable.

Initially the temperature underground will be regulated in two ways.

Downcast air will be cooled to about 7C by bulk air-cooling towers on the surface.

Underground air will be cooled by means of chilled water which will be piped to the working levels from the shaft's enormous refrigeration plant. An essential part of No 1 shaft, this plant has the capacity to chill water to 3C at a rate of 1 550*l*/second

But as operations move deeper more water will be needed to maintain tolerable working conditions, making that a costly method

Western Deep has started experimenting with ice as a possible alternative. If successful, ice slurry will be pumped underground, reducing the volumes needed to chill the air and thereby cut costs.

Western Deep has not only made advances on the temperature side.

The No 1 shaft is fully mechanised with cost reducing trackless mining equipment — including rubber-tyred load-haul-dump machines — being used extensively in the stoping operations.

Anglo engineers believe they have also overcome some of the seismic problems by using a system of wider stabilising rock pillars.

If operations run according to plan, Western Deep Levels No 1 shaft will be hoisting 60 000 ton of ore a month by the end of the year. By 1988 it should be mining 160 000 a month, however, until then the excess shaft capacity will be used to hoist rock from sub-shaft sinking and development.

The plan to tackle mining at these extreme depths was initiated by the late Sir Ernest Oppenheimer. It is a fitting tribute that 100 years after the discovery of gold on the Witwatersrand, Western Deep Levels has set his plans in motion.

27/7/86 8 SUN TIMES 210

Opencast mine giants now being made in SA

By Don Robertson

GIANT R2,5-million mining trucks are being made in South Africa for their first time

Austral Engineering is making the trucks, which are used in opencast mining, at its plant in Boksburg They have a local content of 40% and are made under licence of Unit Rig & Equipment Company

The rand's collapse has caused a huge increase in the price of imported trucks

Ken Mannen, general manager of Unit Rig SA, says "Five years ago it became economically reasonable to consider SA manufacture But our problem was quality

"The quality standards were fixed, but we could not find a firm which could assure us it could meet them Then we got together with Austral Engineering

"We are not talking about a firm doing a bit of tin bashing for us In the short term we expect Austral to take over the entire fabrication and construction work previously done by Unit Rig This includes precision turning and jig boring, procurement and machining of castings and forgings, instrumentation and electrical work

"Local content is increasing daily and we intend to import only the electrical drive systems and diesel engines eventually"

Tooling for the plant was imported from a Unit Rig factory, says Mr Mannen

The first five frames began production in September last year and the full production run got under way in January

The trucks, which have payloads of 154 tons and 172 tons, are fitted with electrical drive systems for economical use in opencast mines and are powered by overhead trolley lines Once out of the mine area, they are powered by their diesel electric drive system

The cost of the tyres alone is R19 000 each

By the end of the year, the company will have exported two dump bodies and 18 electrical control conversion units to African countries In addition, 13 trucks will have been delivered to Palabora Mining Company Three will be 172-ton units

Hi-tech now helps geologists explore 10 km into earth

28/7/86

Hopes for gold bonanza

SMK

210

By Michael Chester

Space-age technology has triggered a dramatic surge in exploration for gold and the Chamber of Mines expects it will result in the launch of at least 15 — perhaps as many as 20 — new mining projects across the Witwatersrand in the next 15 years.

Mr Tom Main, assistant general manager at the chamber, estimates that each of the new ventures will have the potential to produce between five and 15 tons of gold a year

He calculates that their combined production will hoist overall annual South African gold output from the 671-ton level to which it sank last year, to about 750 tons — even allowing for the exhaustion of several existing mines.

Costs of sinking the new mines may be formidable The chamber calculates that it now takes R800 million to R1 500 million to bring a new mine into production

But measured by current world gold price levels of about $350 an ounce, and an exchange rate of about R2,50 to the dollar, the boost to production promises to increase gold income by more than R2 200 million a year.

Wits theory

Anglo American Corporation confirms that new hi-tech methods of exploration now allow geologists to probe no less than 10 km below the ground — three times deeper than the deepest of the present generation of mines

The new gold searches begin with satellite picture surveys, which are interpreted by computer

The results are then pursued in detail by hi-tech diamond drilling rigs which use radical vibroseismic techniques to scan areas never yet explored.

Results are expected to test theories of the Department of Geology at the University of the Witwatersrand that there may be a totally new goldfield hidden deep below the Rand — underneath existing mines

● See Page 13

Cap-Times 4/8/86 (210)

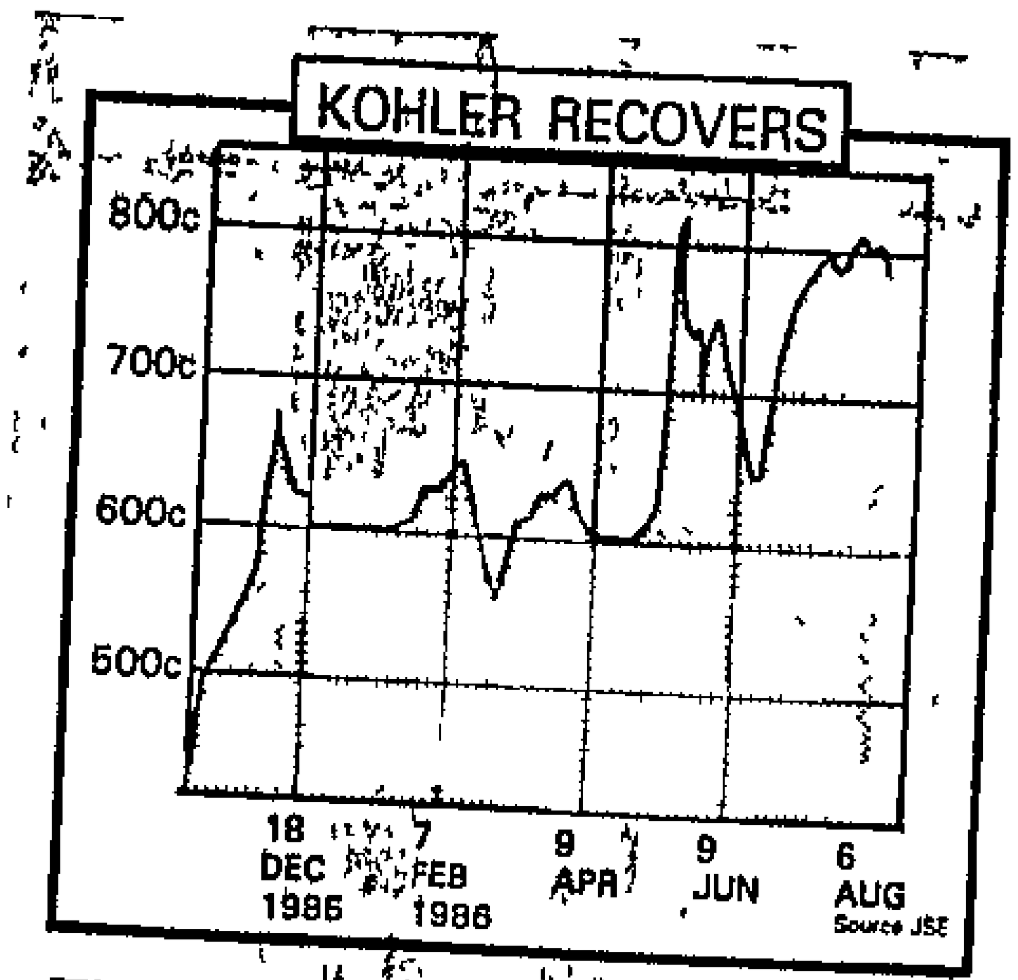
Mining house buys Casspirs

JOHANNESBURG — The Casspir armoured personnel carrier, which has been used with great success by the police in unrest and counter-insurgency operations in South Africa and SWA/Namibia, has been cleared for sale to commerce and industry, SABC radio news reported yesterday

The first of 11 units has been supplied to a well-known mining house The Casspir, which offers excellent protection and mobility, is ideally suited to carrying personnel in riot and unrest conditions

Those supplied to the mining house have been fitted with a pneumatically-operated steel roof which can be opened fully or partly — depending on external circumstances, front and rear floodlights and internally controlled searchlights

Various other specialized equipment options are also available — Sapa



Kohler back in the black

BUSDAY 210 7/8/86

PRISCILLA WHYTE

KOHLER, the Gencor-controlled packaging group, made a return to profitability with attributable earnings soaring to R4,7m (loss R19,5m) in the half-year to June.

The group returned to the dividend lists with the declaration of an interim of 10c a share

MD Ian Willis said traditionally the second-half was the better trading period and, provided there were no marked deterioration in market conditions, there should be a further improvement in

● To Page 2

Kohler earnings soar to R4,7m

BUS. DAY 7/8/86

● From Page 1

earnings for the full year

He was not too concerned about the possible impact of sanctions because at present imports account for only 10% of the raw materials' bill and import substitution was possible

For the half-year to June turnover grew to R217,1m against R176,2m the previous year Operating profit made an impressive 263% jump to R13,5m

The corrugated 'board sector performed particularly well with Kohler's niche in the agricultural sector benefiting from the recovery from drought conditions

The rigid plastics division was on target to break-even this year after running up losses of R6,5m in 1985.

Willis maintained the packaging market remained highly competitive, with 30% of the total market in the hands of independent competitors and the remaining 70% controlled by Nampak, Metal Box, Consol and Kohler

For the half-year, financing costs were halved to R5,7m (R11,7m) with R255 000 written-off in foreign exchange losses compared to R10,6m the previous year

Another R250 000 was scheduled to be amortised for the full year to December

The tax bill amounted to R1,1m (credit R563 000) despite R14,8m in assessed losses from the previous year. The tax charge relates to tax from subsidiary Kohler Sacks.

According to one analyst, Kohler would earn 90c a share for the full year compared to the 47,1c (loss 217,5c) a share produced in the first-half

With dividend cover traditionally at 2,1, the final dividend could be as much as 32c a share.

BF F IN MAIL (210) 8/8/86

TOM DE BEER

Key(s) appointment

Sappi's new chairman, Tom de Beer, holds the purse strings of SA's second largest mining house, Gencor, as well as being responsible for the group's property portfolio

However, in line with the management restructuring programme instituted by recently appointed executive chairman Derek Keys, De Beer (51) will not be tackling these responsibilities entirely alone — at least not until Hugh Smith, his "senator," retires Gencor's "senator" or mentor system — whereby an older man, due for retirement, provides back-up to his successor — is Keys's innovation. And De Beer believes there's a lot of merit in it.

"When you reach 60, your time perspective shortens. When top people take executive decisions with a time frame longer than three years, it puts them in a defensive position," he says. "Now, when a senior executive turns 60, he moves out of line responsibility, but his knowledge and experience are retained within the organisation There's absolutely no doubt who's boss; we are"

Keys puts it this way: "Leading members of management, over 60, fall out of the executive skeleton and become 'senators' They drop out of the musculature, but remain in the nervous system"

He uses the analogy of a sports team to describe his restructuring exercise. a professional sports team consists of coaches (the Gencor board), who assist the athletes and managers (members of the operational team, heads of departments), owners (the Fedmynbou board) and the fan club (customers, suppliers, authorities, shareholders and employees).

Keys's restructuring exercise has resulted in two service groups and four basic operating groups or councils — mining, industries, Sappi and finance. De Beer has taken over from Basil Landau as Sappi chairman, and also heads the finance board "The major recommendation of the Arthur D Little report was to flatten the Gencor hierachy," he says, "and that's been achieved."

A Hoopstad maize farmer's son, De Beer reckons that still more management changes are likely, although Keys's fundamental concept won't change. "We may expand the number of 'athletes'; new faces will appear, but the structure will remain the same

"For example, on my finance board not everybody could report to Keys Now he'll be exposed to the 'coaches' and all the 'athletes' on a monthly basis The previous committee structure comprised five executive directors reporting to the board under the non-executive chairmanship of Ted Pavitt Now the industrial division, except for Sappi, falls under George Clark In my finance division, there are separate profit centres — finance, investment, treasury and townships, as well as Sappi, which comprises about 50% of our total R4,8 billion investment in industry"

De Beer has been involved with Sappi since the Ngodwana project hit the drawing boards in 1981 Now completed at a cost of R1,6 billion, Ngodwana makes up about two-thirds of Sappi's assets Although Ngodwana is on stream, it hasn't yet reached design capacity and De Beer says his challenge is to take it there Outside of Ngodwana, Sappi is performing well, De Beer says, but he won't comment on the subject of exports

At one time, De Beer was mentioned as a possible Gencor chief It was said, however, that his lack of operational experience was a major impediment But does De Beer, a Wits

Raymond Preston

De Beer . . . supported by a 'senator'

B Comm CA who started his career as a learner official on GFSA's Robinson Deep mine, see himself as the 55-year-old present chairman's successor? "The future will take care of itself," he says "I haven't run a production plant, quite right, but in finance I've been involved with the whole spectrum of Gencor activities" De Beer has known Keys for some time as a co-director of Sappi and also as a director of Samancor

Since he joined General Mining 21 years ago as a financial accountant, he has seen it grow from a company with profits of around R8m to a group with profits of around R500m today

As for Gencor's rating on the JSE, "we were always aware that Gencor had suffered a heavy discount in the stock market," De Beer says, "but now the share price is where it belongs. When Keys joined, the shares were R39 with a dividend yield of 4,9%, now it's back to 3,7% in line with shares like Anglo"

However, with inflation playing havoc with the cost of starting and developing new mines, De Beer is going to have to stretch his imagination to the limit in developing innovative financing strategies The start up cost of Beatrix alone was more than R450m, he says, so planning has to be extremely thorough and meticulous

However, he holds that "talking with the taxman" will probably be the most important factor in determining the financing of new mines "If exploiting a known reserve is in the interest of SA, the taxman must also make his contribution But if one has a convincing case, I believe you can bring him to the table For example, the fact that he agreed to the merger of Anglo's OFS goldmines is sensible from SA's vantage point"

De Beer says he has little time for interests outside the office other than his six children, who take up most of his spare time But he does support PW Botha ■

RAUCH VAN REENEN

A lucky strike

If you've ever felt the desire to taste America, share the feeling or own the night, Rauch van Reenen, marketing director and GM of United Tobacco Company (UTC) is the man you can thank or blame Van Reenen, Sun International's (SI) latest lucky strike, is the hotel group's newly appointed marketing director

There's a certain poignancy attached to his appointment Just before the death last month of Jurgen Burmeister, SI's former marketing director, he is said to have compiled a list of names of worthy successors Van Reenen's name apparently topped that list

Tracked down by a headhunter and interviewed by Ken Rosevear and Ian Heron, Van Reenen (38) has yet to meet Sol Kerzner Van Reenen had worked closely with Burmeister and SI on numerous occasions — probably the most significant being the Sun City Million Dollar Golf Classic of which John Player Special was a major sponsor.

However, the two marketing maestros' styles are poles apart "Maybe opposite poles attract," Van Reenen says "We were friends I always admired Jurgen's skills and think he's going to be a hard act to follow"

During the six years Van Reenen has spent with UTC, he's been responsible for some spectacularly successful marketing drives and advertising campaigns Evidence

Kaunda meets Anglo men

BUSDAY (210) (320) 13/8/86

LINDA ENSOR
and Sapa-Reuter

ZAMBIAN president Kenneth Kaunda met Anglo-American executives, including chairman Gavin Relly, in Lusaka on Monday night to discuss the continued importation of vital mining equipment into his country.

Kaunda was reported to have said to Relly "Zambia and Anglo-American as partners in business should discuss matters relating to them and their industries"

Anglo, which used to control most of the Zambian copper mines, now has a minority, indirect interest, the major share being held by the Zambian government.

Kaunda has expressed concern at the measures taken recently by the SA government against his country's imports and exports

An Anglo spokesman would not comment yesterday on the content of the talks but said Anglo was concerned to keep supply lines of equipment open

Anglo chairman in talks with Kaunda

13/11/86 STAR

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The Star's Africa News Service

LUSAKA — The chairman of the Anglo-American Corporation, Mr Gavin Relly, held talks with President Kenneth Kaunda of Zambia on the situation in Southern Africa on Monday night, it was announced here.

No details of the talks were given, but it is understood that sanctions against South Africa and its effects on the Zambian mining industry were discussed.

It is also understood that the unexpected visit by Mr Relly was undertaken at the invitation of President Kaunda.

Last year Mr Relly visited Lusaka for talks with leaders of the African National Congress (ANC).

Speaking at a dinner hosted for the Anglo-American chairman, President Kaunda reiterated his support for sanctions against South Africa.

He said failure to impose sanctions would result in the loss of thousands of lives once the violent situation in Southern Africa exploded, the Zambian News Agency reported.

Meanwhile, the general manager of the Tanzania-Zambia Railway Authority, Mr Standwell Mapara, has said that the railway has the capacity to ferry the bulk of Zambia's exports and imports to Dar-Es-Salaam in the advent of a South African economic blockade

Masire opposes apartheid

GABORONE — Despite opposing sanctions, Botswana's President Masire has made clear his opposition to apartheid

He told Mr Benjamin Pogrund of the London-based daily *Today*, that apartheid was the sole cause of conflict in Southern Africa. — The Star's Africa News Service.

All job bars on mines set to be scrapped

Parliamentary Staff

CAPE TOWN — The remnants of job reservation in the mining industry is to be outlawed in terms of draft legislation tabled in Parliament yesterday.

The Mines and Works Amendment Bill excises all remaining regulations contained in the Mines and Works Act of 1956 which reserves certain work for whites only.

The bill eliminates the definition of a "scheduled person" from the legislation, which effectively prevented blacks from qualifying for a blasting certificate — a necessary prerequisite in order to move up the job ladder within the industry.

It is now being replaced with a regulatory prescription which extends the powers of the Minister of Mineral and Energy Affairs to set the conditions governing the issuing of certificates of competency on a non-discriminatory basis.

The bill emphasises that these preconditions will be set only after consultation with employers' and employee' organisations, with help provided by advisory committees appointed by the minister.

This is designed to allay any possible apprehension white workers may still have about their future job security within the industry.

It was such fears that for the most motivated the rightwing Mineworkers' Union, whose members will be directly affected by this amending legislation, to strenuously resist any attempts to scrap this last element of job reservation.

The bill also transfers all powers relating to conditions of employment and labour practices embodied in the Mines and Works Act from the Department of Mineral and Energy Affairs to the Department of Manpower not possible, but the budget is constituted as follows

	R
Staff	436 000
Administration	8 000
Printing	76 000
Equipment	20 000
Professional services	16 000
	556 000

Reference books/influx control

HANSARD

1161 Mrs H SUZMAN asked the Minister of Law and Order

19/8/86 59

(a) How many (i) males and (ii) females were arrested by the South African Police for offences relating to reference books and influx control in each of the main urban centres of the Republic from 1 January 1986 up to and including the date on which arrests for such offences were suspended, (b) what was the total number of such arrests in the Republic during this period and (c) on what date were arrests for such offences suspended?

The MINISTER OF LAW AND ORDER

(a) (i) and (ii)

East London	13
Bloemfontein	1 138
Johannesburg	223
Hillbrow	590
Sandton	44
Vereeniging	582
Krugersdorp	21
Roodepoort	211
Benoni	251
Brakpan	5
Germiston	650
Springs	19
Boksburg	44
Pretoria	7 555

(b) 13 481

(c) 23 April 1986

NOTE No statistics with regard to males and females separately are kept by the South African Police

HoA

Media: offences under emergency regulations

1169 Mr P G SOAL asked the Minister of Law and Order

(1) Wether the South African Police have investigated any alleged offences by the media under the emergency regulations, if so, (a) in respect of which newspapers or broadcasting companies and (b) what offences were investigated in each case,

(2) whether (a) journalists and/or (b) newspapers have been charged with any offences under the emergency regulations as a result, if so, (i) what are their names, and (ii) with what alleged offences were they charged, in each case?

The MINISTER OF LAW AND ORDER

(1) No

(a) and (b) Fall away

(2) (a) and (b) No

(i) and (ii) Fall away

L Mellet

HANSARD

1170 Mr P G SOAL asked the Minister of Law and Order

19/8

(1) Whether the incumbent of the post of director of information for internal media at the Bureau for Information, whose name has been furnished to the South African Police for the purpose of the Minister's reply, holds or held any rank in the South African Police Force, if so, (a) what rank, (b) when did he attain this rank and (c) what is his name,

(2) whether this person has been seconded to the Bureau for Information, if so, from what date, if not, when did he cease to be a member of the Police Force?

The MINISTER OF LAW AND ORDER

(1) Yes

(a) Brigadier

(b) 1 March 1986

(c) L Mellet

(2) Yes, with effect from 1 April ~~1986~~

Mines: taxable income

HANSARD

1172 Mr L F STOFBERG asked the Minister of Finance †

210

What (a)(i) was the total gross taxable income of the mines in the Republic, (ii) was the prescribed percentage of income tax on mining profits and (iii) were the total sales of the mines concerned, and (b) was the effective income tax percentage paid by the mines concerned, in each of the 1982-83, 1983-84 and 1984-85 financial years?

The MINISTER OF FINANCE:

(a) (i) It is not clear what is meant by "gross taxable income" Income tax is calculated on "taxable income" as defined in section 1 of the Income Tax Act, 1962

On the basis of assessments raised to date the total taxable income of the mines was as follows

1982-83. R4 012 352 445
1983-84 R3 450 494 096
1984-85 R2 910 025 714

(ii) The prescribed income tax rates are as follows

	Base Minerals			Diamonds		
Year	Basic	Surcharge	Total	Basic	Surcharge	Total
1982-83	42%	10%	46,2%	45%	15%	51,75%
1983-84	42%	10%	46,2%	45%	15%	51,75%
1984-85	50%	—	50%	45%	20%	54%

Gold mining companies are taxed at percentages determined in accordance with the following basic formulae

Pre-1966 gold mines $y = 60 - \frac{360}{x}$

Post-1966 gold mines· $y = 60 - \frac{}{x}$

In these formulae y represents the percentage and x the ratio expressed as a percentage which the taxable income bears to the income

To the percentages so determined the following surcharges are added

1982-83 15%
1983-84 15%
1984-85 20%

(iii) Statistics on which to base answers to these questions and (b) are not kept by the Department

HoA

State of emergency: reports submitted for approval

HANSARD

1173 Mr P G SOAL asked the Minister of Law and Order

(1) (a) What total number of news reports had been submitted to the South African Police by newspapers for approval for publication since the introduction of the state of emergency on 12 June 1986 and (b) how many such news reports had been approved by the police for publication as at the latest specified date for which information is available,

(2) what is the (a) rank of and (b) pos-

INTERNATIONAL FINANCE Bus Day 210 20/8/86

SA metals hold prices despite fear

MARTIN ABBOT

LONDON — The feverish rally in the platinum and gold markets has yet to make an impact on a range of other SA metals, which are much less glamorous but at least as important

In the markets for antimony, vanadium, manganese and ferro-chrome, SA occupies a key position In antimony, a metal used in batteries and ammunition and as a flame retardant, it accounts for approximately 25% of non-communist world (NCW) mine production

Its share of NCW mine production of vanadium, an essential ingredient in steel pipe-making and an additive to high-speed steels, stands at 73%, while its output of ferro-chrome, used in making stainless steel, accounts for 30% of the Western total

Despite their strategic importance, non-precious metals account for only 5% to 6% of SA's total export earnings — a fact which has led some traders to speculate that Pretoria might choose to restrict their sale as retaliation against the West.

However, so far at least, there has been precious little change in market behaviour in these four materials Why?

Analysts are of one mind. it is, they say, the glittering performance of the precious metals, and not the rather dull showing on the part of the ores and alloys, that is the oddity — at least for the time being

The rise in the platinum and gold markets has been fuelled by self-fulfilling technical factors, with a large input from private investors Many traders believe the rapid price movement has been premature

The potential for such frenetic activity in the ores and alloys markets is greatly reduced by the nature of the markets themselves. The absence of a terminal market such as the New York Mercantile Exchange, where platinum futures are traded, reduces the involvement of speculators

Price movements in the alloys and ores markets tend, therefore, to relate directly to the hard facts of industrial consumption and supply rather than to the more esoteric influence of chart trading and sentiment.

Merchants in the UK report that ferro-chrome and ferro-manganese (another essential additive in steel-making) have been trading in relatively healthy volumes over the past few weeks but prices have not risen unduly and remain broadly comparable with levels prevailing at the beginning of the year High-carbon ferro-chrome is priced at about £952 a ton and ferro-manganese is fetching about £260 a ton There is, as yet, little more than a passing mention of potential disruption in SA in most market assessments

There is no doubt, however, that some of the currently unmoved markets could move very fast if disruption were to become a reality

The questions of which markets would react and how far prices might rise depends largely on the timing of disruption because, in most cases, alternative sources of supply are being rapidly developed

In the case of ferro-chrome, for instance, Japan and West Germany both rely on SA for about 50% of their imports In addition both take almost half of its chrome ore The UK takes more than 90% of its ferro-chrome imports from SA.

However, those figures, based on customs cleared statistics 1982-84, are set to change quite drastically in the next two to three years Production is currently increasing in Turkey, Albania Brazil Finland and Greece, and new plants have already been commissioned in Sweden

None of these processing plants is reliant on SA for ore The Swedes, in particular, are keen to exploit their proximity to the European market and take a substantial market share in the medium term No one is pretending prices would not rise if South Africa did disappear from the market, particularly since Zimbabwe is also a major supplier and its shipments are heavily dependent on SA's transport system and ports

However, as each month passes without disruption, the rise potential is likely to become smaller Moreover, essential applications for the material would almost certainly be satisfied by the use of metal diverted from non-essential applications and government-controlled strategic stockpiles

Such stockpiles currently exist in the US the UK (which has this year halted a stockpile dismantling programme) and Japan For instance, some uses of chromium metal, in particular its decorative applications in the motor industry, could simply end if supplies tightened far enough, many traders believe

Ferro-manganese also is becoming less of a SA-oriented commodity, with ample supplies of ore elsewhere, notably in the Soviet Union, Brazil Gabon and China Facilities to process the ore are plentiful enough to offset a curtailment of SA shipments

The vanadium market is another case in point The industrial world may be reliant on SA for 73% of non-communist output, but aggregate Chinese and Soviet production is equal to 82% of the rest of the world figure and comfortably outstrips SA's total output.

It used to be standard practice in metal-market accounting to separate communist production from world figures and treat it as statistically unreliable But that view is changing rapidly

Both China and the Soviet Union are now seen as sophisticated players on the international metal markets Both countries are believed to be short of foreign exchange and well able to either increase production of metals affected by any SA sanctions, or to curtail domestic consumption to free more for export

A combination of both measures is expected by some traders to go a long way towards filling the gaps that may arise in the supply of platinum group metals antimony and vanadium Prices would be allowed to rise a little of course but not far enough to force substitution or significant cuts in consumption

Probably the least glamorous of metals which could be affected by the SA factor is copper Its price has slipped £150 to about £900 a ton on the LME this year and it faces a continuing oversupply problem

Much of Zambia's and Zaire's copper production is shipped via SA and would presumably be a prime target for counter-sanctions Such disruptions would affect about 10% to 15% of the world's copper produciton

New projects and major expansions are due to come on stream, however in Portugal, Chile, Australia and Papua New Guinea in the next two to three years Given the steady decline in Africa's copper output, these projects will go a long way towards offsetting delays, or even prolonged shutdowns, caused by SA actions

MINE PRODUCTION OF STRATEGIC METALS (tons)

	Antimony	Vanadium	Manganese Ore	Chrome Ore and concentrate
South Africa	7 440	12 518	2 8m	3 4m
Soviet Union	6 500	9 500	10m	2 5m
China	13 500	4 500	1 6m	—
World	51 600	31 100	23m	9 3m

Eurotunnel signs rail contract

ANDREW TAYLOR

LONDON — Eurotunnel, the Anglo-French consortium planning to build a 30-mile rail tunnel under the English Channel has signed the main construction contract for the project.

It hopes that this will open the way for loan agreements of more than £5bn with 38 international banks

The delay in the signing of the main construction agreement has held up the financing of the tunnel Last month the consortium postponed a planned £200m international share placing until autumn

The banks were concerned at the wording of the construction contract which they felt favoured the contractors and did not sufficiently identify financial responsibility if the project ran over budget.

The contract has been revised and the consortium after discussion with some of the leading financing banks, went ahead with the signing at a board meeting in Paris last week.

A series of corporate agreements were also signed, officially establishing the company which will start life with £14m in equity subscribed by the founding shareholders and another £9m promised in loans

The founding shareholders include the British and French contractors appointed to build the tunnel They are Wimpey Taylor Woodrow, Tarmac Costain and Balfour Beatty on the UK side and Bouygues Dumez, Societe Auxiliaire d Enterprises and Spie Batignolies from France

The dual role of the construction companies as founding shareholders and as main contractors has not helped speed up negotiations with the banks which have been concerned that the contract should cover every contingency

Details of the contract will be sent to all the funding banks with a request that they reconfirm their financial commitment to the project by the middle of next month

The £200m share placing would then be expected to go ahead in October Britain s share of the placing is planned to be about £70m with a similar amount to be raised in France The remainder would be raised in other European countries, Japan and the US

A recent *Financial Times* poll of 25 of Britain's largest pension funds and insurance groups showed that six were prepared to consider investing in the project Ten would not invest this autumn and nine were undecided

New tax Bill is a gamble

WASHINGTON — The new tax Bill represents a gamble that lowering taxes on consumers, while increasing them on industry, will reduce distortions in the economy and ultimately produce lower interest rates and stronger growth

"Dollars will flow to those areas of the economy that have real value in the marketplace" says Senator Bill Bradley (Democrat) in discussing the benefits of reducing tax-breaks and lowering tax-rates

Richard Stuckey, chief economist at Du Pont, says 'Tax reform should eventually prove beneficial to the economy in terms of efficiency, productivity and growth."

Some economists believe that one of the long-term benefits will be a lower international value for the dollar, helping US companies compete internationally

Others, however say the measure will hurt the trade balance by raising the cost of capital, which would hit the capital-intensive manufacturing industry that has been battered in recent years by import competition

Although nobody really knows whether the tax changes will produce more robust growth, the expected removal of incentives such as the investment tax credit and generous depreciation write-offs apparently has contributed already to a severe weakness in capital spending

But if the gamble pays off, some long-term benefits will be on the way Ending the non-mortgage interest deduction for consumers and cutting individual income-tax rates will reduce the attractiveness of borrowing This, in turn, should bring down the high level of household debt that threatens to slow consumer spending

Heavy corporate debt loads, which some fear could hasten the next recession, should ease as lower corporate tax rates reduce the incentive to borrow

Less borrowing will mean lower interest rates helping consumers and businesses alike

Lower rates should reduce the value of the dollar in foreign-exchange trading

Edward Guay, chief economist at Cigna Corp, says that as other countries' currencies appreciate against the dollar, they will seek to lower their own interest rates

Such a worldwide rate decline would greatly aid heavily indebted nations and help ease the global debt situation

But some economists are pessimistic

Saving could decline they say, because of the ending of the individual retirement accounts deduction for many people and the abolition of the tax benefit on long-term capital gains.

Productivity, too could decline as the ratio of capital to labour falls

The nation's trade deficit, which reflects lack of competitiveness among other things, is running at a record $170-billion annual rate, and has been a major factor in holding down economic growth this year — AP-DJ

Sagging profitability at Merrill Lynch is causing worries as the once-dominant

Wall Street giant

Cape Times 20/8/86 (210)

Mines income shrank

HOUSE OF ASSEMBLY — The total taxable income of South Africa's mines shrank by more than a quarter from 1982 to 1985, the Minister of Finance, Mr Barend du Plessis, told Mr Louis Stofberg (HNP Sasolburg) He said this income was R4 012 million in 1982/83, R3 451 million in 1983/84 and R2 910 million in 1984/85

20/8/86.

Stockpiles and barter mooted

BDAY

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Report urges more mineral beneficiation

MAX du PREEZ
Political Correspondent

IMPORT substitution of mineral-based commodities should be considered for strategic reasons.

This was stated in a White Paper on the *Mineral Policy of SA* tabled in Parliament yesterday.

It envisages establishment of a mineral advisory council to oversee the best use of minerals.

The report also states that other trading procedures, such as countertrade, should supplement conventional foreign trade.

An investigation of this matter was completed in co-operation with Safto and other parties.

It was decided to establish a secretariat for non-conventional trade in the Department of Trade and Industry.

The secretariat will assist the private sector and advise on trading activities.

It is reaffirmed that government does not subscribe to trade sanctions and that SA's minerals will be made available to all countries.

The White Paper states government endorses the principle that foreign sources of supply of mineral products should be diversified.

Government also acknowledges that it is responsible for implementing measures, such as stockpiling, to ensure continuity and stability in industry.

It is also aware the search for minerals of strategic importance should be pursued unabated.

The report says government "endorses and encourages all measures taken by the private sector to attract SA nationals to the mineral industry".

Larger numbers of South Africans would probably be attracted to the industry if it were made possible for them to have families living with them near their work.

According to the White Paper, government supports the view that imported mineral-based products must, as far as possible, be replaced by mineral commodities beneficiated in SA.

If the target of the expansion of domestic production through import replacement is to be achieved, entrepreneurs will have to aim at developing and improving competitive techniques in what may be as yet unexploited areas of intermediate and capital goods.

In view of the fact that SA's output of beneficiated mineral products will be destined largely for the export market, government reaffirms its commitment to stimulating the establishment of beneficiation plants and expansion of those already in operation.

Only economically viable enterprises will be considered.

Five 'fool's gold' miners killed, others trapped

Cape Times 22/1/86 (210)

Own Correspondent

DURBAN — Five people have been killed and an unknown number are trapped in a tunnel on the banks of the Insuse River near Kranskop in northern Natal, following a rush of Zulu prospectors mining "fool's gold".

Brigadier A J M Laas, Commissioner of Police for KwaZulu, said last night that KwaZulu police would work through the night to rescue the trapped miners.

Mining engineers had been called in to offer technical advice, but bulldozers and other heavy machinery were expected to reach the scene only early this morning because of the rugged terrain.

The brigadier, who flew to the scene by helicopter yesterday, said the site was highly dangerous for any more prospecting and those who went there under present circumstances were "asking for trouble".

Thousands of Zulus have flocked to the site in the past two weeks to seek their fortunes, but gemmologists and geologists have confirmed that what the prospectors are mining is only iron pyrites or "fool's gold".

Brigadier Laas said there was a deeply-held conviction among the people that the wealth at the site represented an ancestral fortune associated with the legendary King Shaka.

However, he said last night that the frenetic mood of the people had changed since the tragedy and many were now leaving the scene.

An ambulance and doctors were sent to the accident site yesterday by the authorities at Nkandla Hospital. Five bodies had been recovered by late last night and a seriously injured victim was taken to the hospital.

A spokesman for the hospital said many more people were feared either dead or seriously injured.

Before yesterday's accident, two were killed and four injured in their fruitless search for gold.

Hundreds of women and children have been sleeping in the veld while their husbands mine the bank.

FIN MAIL 22/8/86

MINERAL EXPORTS

210

High hopes, but . . .

The value of SA's mineral exports this year should reach R24,5 billion compared with last year's R22,2 billion, according to the lastest estimates from the Minerals Bureau of the Department of Mineral and Energy Affairs

In the report *South Africa's Mineral Industry — 1985* the bureau also estimates the export sales of processed mineral products — ferro-alloys, vanadium, aluminium, and silicon — will add another R2,2 billion to last year's foreign earnings of R1,8 billion

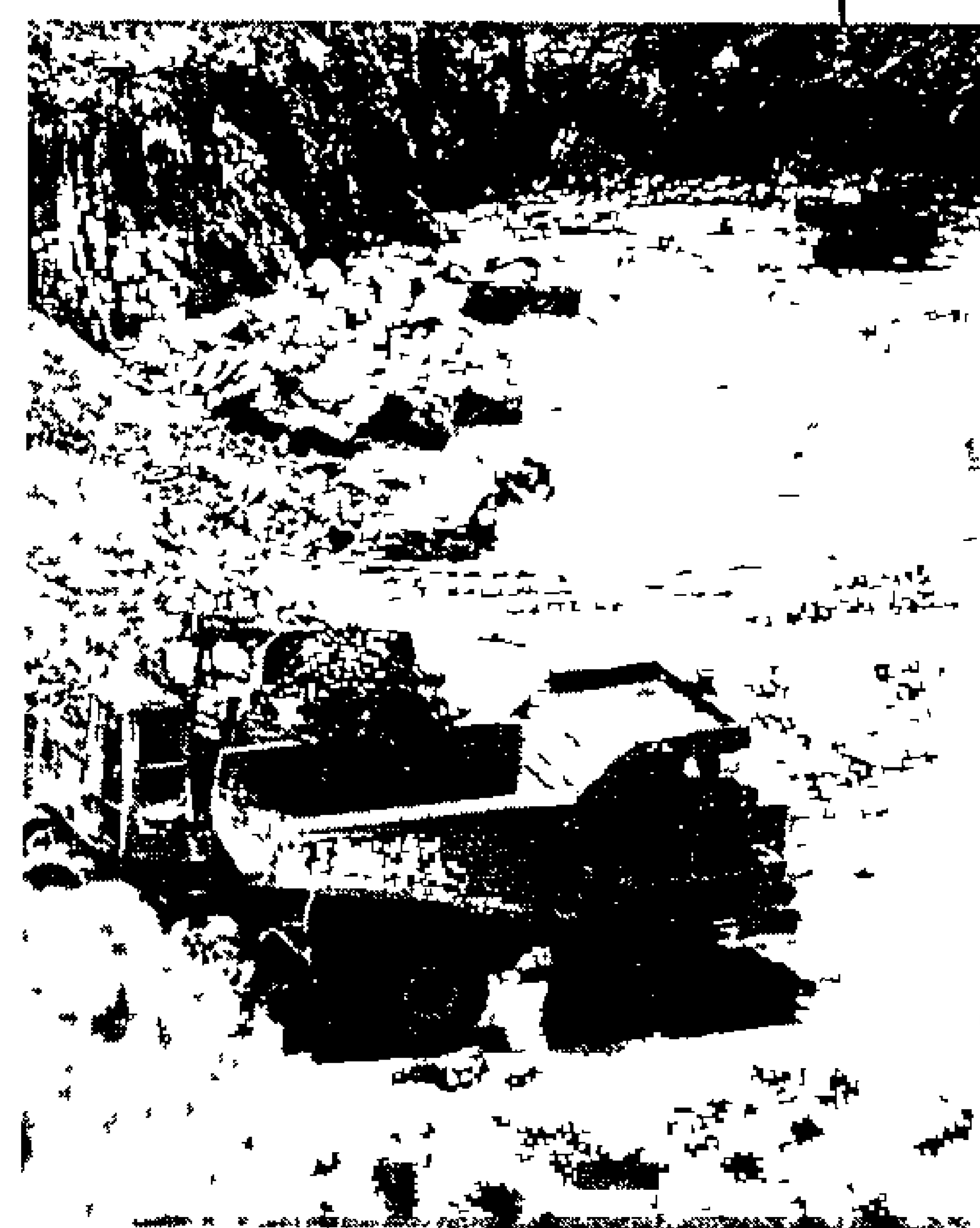
That's the good news The bad news is that the bureau believes the physical volume of mineral exports is expected to remain close to 1985 levels for most commodities, and it points out that in real terms, based on 1979 money values and using the CPI as the deflator, the value of SA's mineral exports has been largely static since that year in spite of the growth in nominal rand terms from about R9 billion

The Minerals Bureau figures also do not take into account the potential effect of sanctions on the country's minerals exports

The Bureau says that in 1985 more than 60 different minerals were produced from 890 mines and quarries, of which 77 were for gold, 97 for coal, and 62 for diamonds Mineral commodities were exported to 87 countries

It estimates South African gold production this year at 655 t which is 2,5% down on the 1985 figure of 672,7 t This year's gold sales are estimated to be worth R17,3 billion (1985 — R15,3 billion).

Exports of coal in 1986, at 43,6 Mt, are estimated to be worth R2,7 billion compared with the 1985 figures of 44,8 Mt worth R3,1 billion. This is, of course, the commodity currently under the greatest threat from sanctions and the bureau's estimates could be way out, depending on what happens in the course of the year



Mining . . . should boost export earning

The report forecasts that copper exports will be 4,2% up on 1985 at 125 000 t, iron ore exports to be 2,6% down at 10 Mt; manganese ore exports to be 0,3% up at 2,9 Mt, chrome ore and chrome sand exports to be 8,1% down at 1,3 Mt, silver exports to be 2% up at 222,5 t; and lead concentrate exports to be 8,7% down at 94 000 t

Exports of tin in concentrate form are expected to fall 8,9% to 1 050 t, but the Minerals Bureau expects exports of zinc in concentrate form to more than double to 30 000 t from 1985's 12 840 t

The reasons for this are increased production from the Rosh Pinah mine in Namibia, which has upped capacity from 29 000 t a year to 35 000 t. In addition, the new Pering zinc-lead mine near Vryburg is expected to start production in October this year.

On processed mineral exports, the Minerals Bureau is forecasting a 26,5% jump in vanadium sales to 27 844 t because of strong demand caused by plant closures outside SA

Chromium alloy exports are expected to rise 4,8% to 795 000 t; manganese alloy exports to rise 2,6% to 500 000 t; ferrosilicon exports to rise 8,2% to 59 000 t, silicon exports to rise 3,2% to 30 000 t — but aluminium exports are expected to fall 2,8% to 90 000 t.

The report does not give physical export figures for nickel, cobalt, titanium or the platinum group metals (PGM) saying such information is classified. It does, however, forecast a 10,7% increase in PGM production volumes this year from which a value increase of 67,8% in rand terms is expected ■

22/8/86 STAR

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Beneficiating minerals could earn country billions

Industry urged to take up challenge

By Stan Kennedy

South Africa could earn tens of billions of dollars in foreign exchange each year if industrialists took up Government's challenge to further beneficiate the country's minerals.

In addition, sanctions would not be so easily imposed if sophisticated products were to be produced from these minerals.

Research is currently under way at the Council for Mineral Technology in Randburg (Mintek) into, for example, the production of alumina and magnesium to make the country self-sufficient in these products, both of which have to be imported.

But there are many other areas which can be investigated, such as stainless steel, chromium chemicals, a wide range of titanium and vanadium products and gold jewellery, says Dr Aidan Edwards, president of Mintek.

White Paper

While being a major exporter of titanium concentrates, South Africa has to import all its titanium metal and ferro-titanium needs

"If we can produce just 10 percent of the world's stainless steel — we already supply half the world's needs for chromium to make stainless steel — we could earn half the value of our annual gold exports of more than R15 billion," Dr Edwards says

He was commenting on a White Paper on the Mineral Policy of SA tabled in Parliament on Tuesday. The report envisages the establishment of a mineral advisory council to oversee the best use of minerals. It also states that other trading procedures, such as countertrade, should be used to increase foreign trade.

Dr Edwards says: "Our mineral wealth makes us dominant in the fields of platinum, chromium, manganese and vanadium to name just a few.

Dr Edwards

"We are currently improving the value of these products and, at the same time, producing a larger number of them."

Although Mintek was established for that reason, the release of the report, which Dr Edwards says is not mere flag-waving but "for real", will bring about a greater involvement by Mintek.

"The report will certainly give a spur to adding value to our minerals but there will be restrictions on manpower.

"First, there is a dearth of people wishing to enter the professions associated with the minerals industry. We are working hard at it and are creating a public awareness through a series of television programmes.

"Secondly, we cannot rely too heavily on imported expertise. Not only are we suffering from political criticism but the rand is so weak and salaries are not high. There is not much incentive for a person in Europe to come to a country which, in his mind is blowing up and, at the same time, earn less money."

He says in the case of Krugerrands, coal and iron ore exports, these are soft targets and harm no-one overseas, because of the glut situation. Should sanctions be imposed on the sale of minerals, countries would have to buy from us if we were to increase their value.

"They could buy the minerals elsewhere but not the sophisticated products The alternative for them would be to do years of research, and commit themselves to expensive capital investment"

Mintek's brief has always been to ensure the welfare of the minerals industry and to develop it so that new industries spring from it

"Sanctions are obviously playing an important role in giving more impetus to beneficiation

"However, they are only incidental. Our mineral wealth has to be exploited to its maximum effect for the good of the country, irrespective of sanctions. Our projects are long-term and I believe sanctions, were they to come about, will be short-term"

On the question of countertrade, Dr Wim Holtes, executive director, SA Foreign Trade Organisation (Safto), says "The procedures and policies must be clearly spelt out by the government. If the government sets a clear example of how it is going to handle countertrade, the private sector will follow suit.

"Safto is prepared to assist in the process although, basically, it is a relationship between the large importers, which are normally the state corporations, and the buyers.

"The private sector should be represented on any standing committee so that the right exporters benefit from this type of transaction."

Diversifying

Diversifying the supply of mineral products will be more difficult as the current trade is geared to the major industrialised countries The smaller countries do not have the same industrial needs.

"However", says Dr Holtes, "we may have to look for non-traditional trading channels. Traders from new areas may be able to achieve a greater spread of our distribution worldwide.

"There must be many traders in Asia and the Far and Middle East who would grab the chance to get involved in this type of business, which has been denied them in the past.

"It was very much a closed shop but there could be the opportunity for them to act as principals, buying and selling our products"

26/8/86

Amic defies pessimists with 50% better profit

STAR (210)

By Sven Lünsche

Anglo American Industrial Corporation defied pessimistic forecasts to increase earnings a share by 50 percent to 193 cents for the the first six months of 1986

While the group continued its substantial borrowings, fears of losses on the impact of heavy capital expenditure on Highveld's second iron plant and Mondi's Richards Bay pulp mill have been proved groundless.

In their statement the directors said both Mondi and Highveld made increased contributions to group earnings, while Scaw and Boart continued to earn satisfactory profits

The corporation's major associate, AECI, also experienced a succesful first half, so that income from associated companies increased slightly from R40 million in the first six months of 1985 to R43,7 million this year

All foreign loans taken up by the corporation's subsidiary companies were fully covered by June 30 1986, but no facts are given on the total size of foreign exchange dealings on off-shore borrowings.

A question mark also hangs over the company's total borrowings, which, although down on last year's R1,33 billion, was recorded at a staggering R1,12 billion for the first six months of 1986

In view of the substantial borrowings of the group and the need to re-establish dividend cover, Amic decided to declare an interim dividend of 55 cents a share, unchanged from last year

The company's attributable profit increased by 50,3 percent to R96,2 million, after turnover rose by 24,2 percent to R1,47 billion and trading profit improved to R190,7 million (R115,6 million)

The directors said earnings for the whole year would show an improvement on 1985, given a stable rand, industrial peace and limited impact of sanctions.

The rate of improvement would, however, not be as great as that recorded for the first half, they added

Amic earnings jump by 50%

BUS DAY 26/8/86 (210)

LIZ ROUSE

ANGLO American Industrial Corporation (Amic), has broken through the barriers which have hindered growth over the past four years.

South Africa's second largest industrial conglomerate achieved excellent results in the six months to June, with earnings up almost 50% at 193c a share from 128,8c a share in the 1985 half-year.

The interim dividend has been pegged at 55c because of the group's substantial borrowings and the necessity to re-establish dividend cover, say directors.

Turnover rose by 32% to R1,46bn (R1,1bn), operating profits jumped 65% to R190,7m (R115,6m) and attributable earnings increased by nearly 51% to R96,2m (R64m).

Both Mondi and Highveld made significantly increased contributions to group earnings while Scaw and Boart continue to earn satisfactory profits. The major associate, AECI, also had a successful half-year, recovering its blue-chip status.

In addition, the reduction in Amic's holding in Samcor to 19% from 50% eliminated a heavy drain on profits. Write-down of investments and the group's share of extraordinary losses in subsidiaries were reduced to R27,9m (R37m).

Group borrowings have decreased, down at R1,1bn from R1,3m in the 1985 half-year and R1,2bn at the end of December. But the borrowing level remains too high and interest charges increased to R50,4m (R48,1m in the 1985 half-year and R100,9m in the previous full year).

This is a valid reason for pegging

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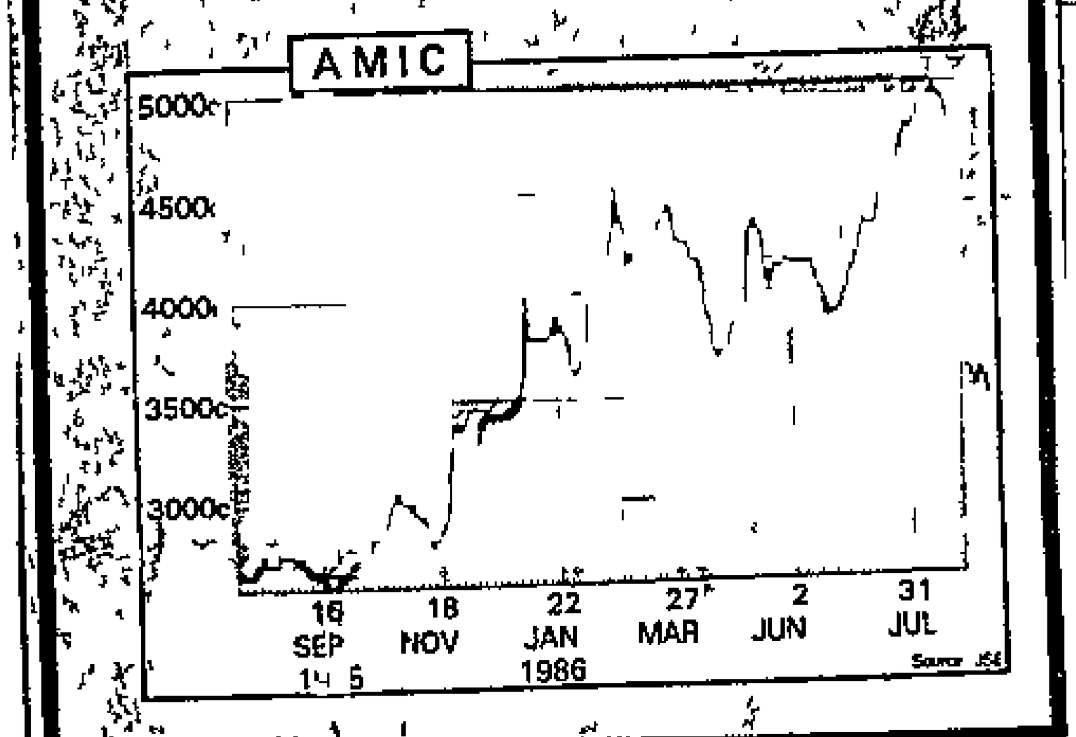

Barriers go as Amic earnings jump by 50%

(210) BUS DAY 26/8/86

From Page 1

the interim Amic's board would probably like to see the dividend total more than twice covered by earnings because of uncertain times ahead

Directors say that, given a stable rand, continued relative industrial peace and a limited impact of trade sanctions, earnings for the year will show an improvement, although not as great as in the first half.

Analysts have projected a higher dividend for 1986. Expectations are that earnings could be about 389c a share and a dividend total of 195c is projected. That leaves dividend cover at almost 2.

The dividend total has stuck at 180c for four years, but the share market has been anticipating a higher payment this year. The shares were heavily bought in July by institutions and at R48 are trading near the year's high.

Chamber of Mines puts the record straight on 'ILO shock' labour report

2b/11/86 STAR

By Sheryl Raine

The International Labour Organisation (ILO) has released a report on labour practices on South African mines which makes some shock claims about safety standards, assaults and continuing discrimination against black mineworkers.

The Chamber of Mines however slammed the report claiming it is factually inaccurate in most major respects, quotes data which is outdated and presents a distorted picture of the industry.

In its report, which has been circulated worldwide, the ILO said black miners in South Africa were still discriminated against in wages, living conditions and compensation for occupational diseases. Despite moves to abolish job reservation, black career advancement was still hampered by the reservation of 13 key job categories exclusively for whites.

The Chamber has responded vigorously to ILO allegations and has put the case for the employers.

The ILO report noted that black workers received significantly lower amounts of compensation for disability compared with white workers.

The Chamber said compensation was related to earnings not race. Formulae for compensation gave workers in the lower earnings band proportionately higher percentage disability earnings (from 75 percent) than workers in the higher earnings band (60 percent). "These parameters exceed the standards laid down by the Employment Injury Benefits Convention 1964 of the ILO," said the Chamber spokesman.

Quoting figures from 1973, the ILO said white miners who contracted occupational diseases were paid more in compensation than coloured, Indian or black workers.

The Chamber conceded laws governing compensatable diseases were blatantly discriminatory and said it had been urging the Government for years to deracialise its legislation

According to the ILO, the average wage of a black mineworker was about R286 compared to R1 601 for a white doing the same work.

"While there has been some improvement in wages, the ratio of white to black wages is still five to one," said the ILO.

FRINGE BENEFITS

A Chamber spokesman said: "The average monthly earnings of the lower skilled black mineworkers last year ranged from R380 to R458 a month, and more, depending on the mining sector."

These earnings did not take into account recent wage rises of between 15 and 20 percent implemented on Chamber mines on July 1 this year nor fringe benefits such as food, accommodation, medical attention, sport and recreational facilities worth the equivalent of R147 in cash each month.

"The mining industry strictly adheres to a policy of equal pay for work of equal value, regardless of race. Where blacks have moved up the ladder and are now doing the same work as whites they receive the same pay."

The 5:1 wage gap referred to by the ILO was a gap based on skills, not race, the Chamber argued. Further, the gap had been reduced from 21:1 in the early 1970s to 5:1 today and compared favourably with figures in the rest of Africa where the wage gap based on skills varied between 6:1 and 11:1.

Despite a drop of 20 percent in fatality rates and a 50 percent decline in serious injury rates during 1973-1984, the ILO noted, more than 8 500 miners were killed in the mines over the same period.

The Chamber attacked the ILO for making no attempt to put the number of mineworkers killed into perspective by referring to the size of the South African mining industry, its labour intensiveness, the depth of the country's gold mines and difficult operational conditions.

The ILO reporrt said the urge to maximise productivity often leads to white supervisers pushing their crews to dangerous extremes

"The casualty rate, fatalities and serious injuries combined, has been reduced by 48 percent during 1977-1985, while for the same period production per man per month has increased by 15 percent on gold mines.".

On coal mines the casualty rate reduction was 70 percent while production per man per month had increased by 33 percent over the same period.

Assaults by white miners on blacks continued to occur frequently said the ILO, but there had been improvements. An increase in black-on- black assaults gave cause for concern.

"There are unfortunately, and rather surprisingly, no central records on assaults but there appears to be some evidence of a slight decline. White-black assaults were particularly high in the mid-1970s during a period of high labour turnover.

"A worrisome trend is the increasing number of black-black assaults often perpetrated by the team leader who is frequently under heavy pressure from white miners to maximise production to increase their bonus payments," the ILO said.

Sanctions would hurt 2 million — Relly

By Frank Jeans

In the event of total sanctions being imposed by America, Japan and the European Community (EC) on coal, steel and iron ore exports two million South Africans, mostly black, would be seriously affected.

This was said by Mr Gavin Relly, chairman of Anglo American Corporation, at the 21st anniversary dinner of the SA-Britain Trade Association in Johannesburg last night.

Referring to a sanctions scenario of gloom and hardship, Mr Relly said: "If there is a total ban on exports there will be a loss of 130 000 jobs of which more than 100 000 will be black.

"Whole towns will become industrial wastelands."

RIPPLE EFFECT

On the ripple effect and impact on Escom and SATS, he conservatively estimated the total loss of 300 000 jobs.

If dependants of breadwinners are taken into account then the figure for those who will be seriously affected by sanctions would be nearer two million.

Pointing out that next month would see key decisions being taken by the EC and the US, Mr Relly said these would have far-reaching effects on international trade with South Africa.

"We cannot allow economic sanctions to succeed for reasons that go beyond a self-interested defence of our markets," said the Anglo chairman.

"We must not abandon the fight against further sanctions and we must make certain that we dent the effect of those measures already introduced."

425 - CORDAGE AND MATTING INDUSTRY, CERTAIN AREAS.

Superseding w.d. no: 292

AREA A: Lower Tugela.

AREA B: Durban and Port Elizabeth.

AIDS: govt to repatriate 97 miners?

24/8/86

210

JOHANNESBURG — The government's announcement of likely steps to repatriate Aquired Immune Deficiency Syndrome (AIDS) virus carriers conflicts sharply with a plan by the Chamber of Mines to retain affected employees

This comes in the wake of test results the chamber released yesterday showing that 130 mineworkers, mostly Malawians, had been exposed to the Human Immunodeficiency Virus (HIV), which may cause AIDS

The Minister of National Health and Population Development, Dr Willie van Niekerk, said yesterday the Departments of Foreign Affairs, Mineral and Energy Affairs and Health, together with the Chamber of Mines, were giving "urgent attention to suitable steps to repatriate these identified workers"

He said 97 of the foreign workers with "positive blood-tests" had been identified

However, a Chamber of Mines industrial relations adviser, Mr Johann Liebenberg, stressed that there were no proven cases of AIDS in the mining industry

He said it had only been established that 130 employees have been infected with HIV They were all clinically well and were doing a full day's work, he said

The survey was carried out by the chamber and the SA Institute of Medical Research in an extensive programme involving the taking of 300 000 blood samples to establish the prevalence of the virus among all races in the South African mining industry

A statement by the chamber stressed that casual contact with an infected person could not spread the virus

Mr Liebenberg said he hoped the government would not make it difficult for the chamber to retain the services of affected employees

"For us it has become a difficult test of employer compassion and good judgement Having concluded that repatriation of infected miners is unlikely to have a significant impact on the spread of the disease in South Africa, we have chosen the compassionate route"

The survey showed that the prevalence of HIV in the mining industry was comparable to low risk areas internationally, excluding employees from one high risk country, Malawi

The Chamber has suggested that

- No known HIV carriers be engaged for work and that new recruits from AIDS prevalent areas be screened before being signed on
- Patients suffering from sexually transmitted diseases — a high risk group — be tested on a routine basis
- AIDS carriers be clinically assessed and counselled and those fit to work will not be discharged
- The services of clinically well HIV carriers who return home between contracts will not be terminated
- Only when HIV or AIDS infected employees are clinically unfit to continue working will their services be terminated and they will then be repatriated on medical grounds

29/8/86.

We CAN create 6-m jobs, says Relly

STAR

210

South Africa had the potential to meet its quota of new jobs for its ever-increasing work force by the end of the century, Anglo American chairman Mr Gavin Relly said last night.

But old habits had to be changed and minds radically transformed

He was introducing guest speaker Mr Parry Rogers, chairman of the Institute of Directors in the United Kingdom, at a company function.

The total potential work force in South Africa is expected to grow to about 18 million by the year 2000 and, on the basis of these projections, it is estimated that six million new jobs will have to be found in the next 14 years.

Mr Relly added "It is within our realm of possibility to reach that figure, but only if we change our old habits and radically transform our minds so as to have a clear idea of where our society could possibly be in the year 2001"

"Projecting the future laterally by extrapolating our historical experience will leave us woefully unprepared for a radically different post-apartheid South Africa.

"Each businessman and businesswoman in a position to exercise control over the deployment of assets must adopt a heightened perception of his or her responsibilities in guiding those assets"

He continued "Members of the business community must be aware of and have a view in politics and society in aspects of that enviroment in which they operate

"The State is keen, for obvious reasons, that we should optimise profits, for this promotes economic growth, job creation and stability But we cannot do this efficiently in a society which is unstable, fragmented and which does not present a confident view to the outside world.

"It is therefore, as directors, our duty to shareholders to assist in every way with the creation of a more conducive enviroment in which to operate"

He added that he was greatly encouraged by the work being done by the Wits Graduate Business School in this regard.

FIN MAIL 29/8/86.

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MINERAL POLICY

Digging deeper

Government's long-awaited final White Paper on Mineral Policy tabled in parliament last week reaffirms the commitment to the optimal development and utilisation of SA's mineral resources (*Business* April 18).

Mintek president Aiden Edwards stresses that the paper was drawn up with full co-operation from the industry and hopes that it marks the beginning of a new trend "There has been a 'them-and-us' situation between government and industry for too long."

New policy

In setting out the policy framework, the paper states inter alia

☐ Government's conviction that State intervention in the mineral industry is not in the national interest,

☐ That SA's mineral strategy, in addition to creating jobs, should be directed towards making "maximum use of South African nationals;"

☐ Government's opinion that attention should be given to obtaining greater co-operation on the part of the private sector with regard to the re-exploration of areas previously explored, and

☐ That government may, if necessary, restrict the export of commodities (such as coking coal) if they are needed for domestic use.

On manpower strategy, the White Paper states that government is mindful of the fact that more South African nationals would probably be attracted to the mining industry "if it were made possible for them to have their families living with them near the point of employment "

Edwards says that with high unemployment of its own, SA should not rely so heavily on neighbouring states in the future

A beneficiation strategy is set out which aims, as far as possible, to have imported minerals beneficiated in SA

"If the target of the expansion of domestic production through import replacement is to be achieved, entrepreneurs will have to aim at developing and improving competitive techniques in what may be as yet unexploited areas of intermediate and capital goods," the paper says.

The new policy reaffirms government's opposition to trade sanctions and says minerals will be sold to any country able to purchase them

On sanctions, the document says government recognises that alternative trading procedures, such as counter-trade, have become an integral part of modern business practice and that "these procedures should be applied, whenever appropriate, to supplement the country's existing foreign trade

"A thorough investigation of this matter was completed in co-operation with the South African Foreign Trade Organisation and other interested parties, and it has been decided to establish a secretariat for non-conventional trade in the Department of Trade and Industry The secretariat will assist the private sector and advise it on various trading activities."

The White Paper endorses the principle that foreign sources of supply of mineral products should be diversified and that, in view of SA's international political position, import substitution in respect of mineral commodities which have to be imported should be considered "for strategic reasons " ■

MINING FINANCE INDEX

The 1973 oil crisis put the coal sector of the Johannesburg Stock Exchange into a strong growth trend which is only now coming to an end. Growing oversupply and sanctions threats have resulted in the coal share index falling below the mining finance index for the first time since 1975, as this Simpson Frater graph shows. Mining financial shares suffered a serious setback in 1982, but since then have gone from strength to strength, particularly in the past few months when the higher gold and platinum prices have sharply increased their net asset values.

W/t News 30/8/86 210

Beneficiation could earn billions for SA

By STAN KENNEDY

JOHANNESBURG. — South Africa could earn tens of billions of dollars in foreign exchange each year if industrialists took up the Government's challenge to further beneficiate the country's minerals.

In addition, sanctions would not be so easily imposed if sophisticated products were to be produced from these minerals.

Research is currently under way at the Council for Mineral Technology in Randburg (Mintek) into, for example, the production of alumina and magnesium to make the country self-sufficient in these products, both of which have to be imported.

But there are many other products which can be investigated, such as stainless steel, chromium chemicals, a wide range of titanium and vanadium products and gold jewellery, says Dr Aidan Edwards, president of Mintek.

While being a major exporter of titanium concentrates, South Africa has to import all its titanium metal and ferro-titanium needs.

Stainless steel

Dr Edwards says "If we can produce just 10 percent of the world's stainless steel — we already supply half the world's needs for chromium to make stainless steel — we could earn half the value of our annual gold exports of more than R15-billion."

He was commenting on a White Paper on the Mineral Policy of SA tabled in Parliament.

The report envisages the establishment of a mineral advisory council to oversee the best use of minerals. It also states that other trading procedures, such as countertrade, should be used to increase foreign trade.

Dr Edwards says "Our mineral wealth makes us dominant in the fields of platinum, chromium, manganese and vanadium to name just a few.

"We are currently improving the value of these products and, at the same time, producing a larger number of them."

Give a spur

Although Mintek was established for that reason, the release of the report, which Dr Edwards says is not mere flag-waving but "for real", will bring about a greater involvement by Mintek.

"The report will certainly give a spur to adding value to our minerals but there will be restrictions on manpower.

"First, there is a dearth of people wishing to enter the professions associated with the minerals industry. We are working hard at it and are creating a public awareness through a series of television programmes.

"Secondly, we cannot rely too heavily on imported expertise. Not only are we suffering from political criticism but the rand is so weak and salaries are not high.

Soft targets

"There is not much incentive for a person in Europe to come to a country which, in his mind is blowing up and, at the same time, earn less money."

He says in the case of Kruger rands, coal and iron ore exports, these are soft targets and harm no-one overseas because of the glut situation. Should sanctions be imposed on the sale of minerals, countries would have to buy from us if we were to increase their value.

"They could buy the minerals elsewhere but not the sophisticated products. The alternative for them would be to do years of research, and commit themselves to expensive capital investment."

Mintek's brief has always been to ensure the welfare of the minerals industry and to develop it so that new industries spring from it.

"Sanctions are obviously playing an important role in giving more impetus to beneficiation.

"However, they are only incidental. Our mineral wealth has to be exploited to its maximum effect for the good of the country, irrespective of sanctions. Our projects are long-term and I believe sanctions, were they to come about, will be short-term."

Countertrade

On the question of countertrade Dr Wim Holtes, executive director, SA Foreign Trade Organisation (Safto), says "The procedures and policies must be clearly spelt out by the Government. If the Government sets a clear example of how it is going to handle countertrade, the private sector will follow suit.

"Safto is prepared to assist in the process although, basically, it is a relationship between the large importers, which are normally the state corporations, and the buyers.

"The private sector should be represented on any standing committee so that the right exporters benefit from this type of transaction."

Diversifying the supply of mineral products will be more difficult as the current trade is geared to the major industrialised countries. The smaller countries do not have the same industrial needs.

Greater spread

"However, we may have to look for non-traditional trading channels. Traders from new areas may be able to achieve a greater spread of our distribution worldwide.

"There must be many traders in Asia and the Far and Middle East who would grab the chance to get involved in this type of business, which has been denied them in the past.

"It was very much a closed shop but there could be the opportunity for them to act as principals, buying and selling our products."

NUM praises chamber for Aids stand

21/2/9/86 210

THELMA TUCH

THE National Union of Mineworkers has come out in support of the Chamber of Mines' stance on foreign mineworkers identified in a survey as carriers of the Aids virus.

NUM Press officer Marcel Golding said the chamber had dealt with the problem in a compassionate and humane way by retaining and counselling carriers

"The NUM slammed the government's threat, however, to repatriate 130 foreign workers carrying the virus.

It described it as "no departure from government's norm of exporting unemployment and diseases to rural areas".

The NUM added: "Is the government going to repatriate the 30 white Aids victims if they are holders of foreign passports?"

Golding said repatriation was not a solution to the problem.

He called for abolition of single-sex hostels which, he said, lent themselves prey to such diseases

Chamber Press officer D Forret said yesterday the survey had indicated that the mine environment had not contributed towards spreading the virus

The Department of Health has stated that it would hold talks with the chamber on the workers concerned.

SA minerals are still in demand

Sanctions no threat yet to mineral trade

BUSDAY 2/9/86

210

ALAN SENDZUL

A MONTHLY increase of 16,3% in the export of minerals for July indicates that sanctions have not yet affected strategic exports.

Trade figures released by the Customs and Excise Department show that SA's mineral exports, particularly coal, are still in demand even though they may not be headed for traditional markets

Mineral exports increased by R392m in July to a cumulative total of R2,802bn (R2,410bn)

There is a strong probability that the volume of mineral exports also rose because the exchange rate against the dollar were similar in June and July

But the surplus on the trade account narrowed in July to R994m (R1,21bn) because of exceptional increases in the big import categories.

Among these is a 28% increase for transport equipment, which contains vehicles and aircraft. These imports rose to R1,6781bn (R1,3022bn)

Big consumers of foreign exchange were importers of machinery, mechanical appliances and electrical equipment This import category had a 24% rise to R3,9707bn (R3,1991bn)

A possible explanation for the increase in machinery is that the SA mining sector is still buoyant.

In the chemical sector, imports from Europe rose by 24,3% to R1,6893bn (R1,3594bn)

Chemical exports showed a lesser increase of 17,3% to R654,1m (R557,8m) These exports are mainly bound for neighbouring states like Zaire and Zambia for use in copper mining

Imports of chemicals products like artificial resins, plastic materials and artificial rubber rose by 23% in July to R667,6m (R542,8m)

FIN MAIL 5/9/86 (210)

MINE LABOUR DISPUTES

Ergo, a strike?

The prospect of a legal strike at Anglo American's East Rand Gold and Uranium Company (Ergo) hung in the balance this week as members of the black National Union of Mineworkers (NUM) conducted a strike ballot

Negotiations between the union and Ergo — which recovers gold, uranium and sulphur from treating old mine dumps — began on May 26 NUM originally demanded a 45% wage increase and a host of improvements to other conditions of service In response, the company offered a 16% across-the-board wage increase Dissatisfied with this, the union declared a dispute on June 7

At subsequent conciliation board meetings on August 7 and 12, both sides moved NUM revised its wage demand and asked for a 30% increase, while the company offered to increase wages by between 16% and 19%. But deadlock arose when it became apparent that neither side was prepared to shift any further

The strike ballot, which as a registered union NUM is obliged to hold before its members can down tools, began on Monday. Union sources were expecting the results on Wednesday — after the *FM* went to press

According to Anglo, the union represents 616 of the 871 workers in the job categories in which NUM is recognised at Ergo So, if NUM's members do opt for a strike, it could deal a significant blow to production

But aside from that, the union still faces the prospect of court action arising out of the negotiations as a result of a series of work stoppages and sit-ins by Ergo workers during May 26 and June 23 These actions, which disrupted the negotiations, resulted in Ergo declaring a dispute with NUM over alleged unfair labour practices An Anglo spokesman says the company intends to pursue the dispute ■

Cape Times 6/9/86

210 229 (illegible)

Govt, Chamber meet over Aids on mines

By ANTHONY JOHNSON
Political Correspondent

THE government will meet with the Chamber of Mines soon to discuss repatriation of hundreds of foreign mineworkers who have contracted Aids.

The decision follows the meeting this week of the Advisory Group on Aids who were asked by the Minister of Health, Dr Willie van Niekerk, to consider the possibility that infected mine-workers might spread the infection to other people in the vicinity of the hostels in which they live"

Dr Van Niekerk said at a press conference yesterday that a decision would have to be made soon on the estimated 700 Malawian mineworkers who had Aids in South Africa since medical experts had established that they presented a "clear danger"

"We have already contacted the Malawian Government offering assistance but we know that these people constitute a danger and they cannot remain couped up in the hostels as they will move into the community and create an even greater problem," he said

"The public is worried because there is no treatment and a high mortality rate associated with Aids," he added

Dr Van Niekerk said that after a "full discussion" the Advisory Group on Aids

- Resolved that the infected mineworkers were a danger "through sexual contact" to the population surrounding the hostels in which they were housed
- Recommended the medical examination of contract labour should include a test for the presence of this infection "to control entry"
- Expressed reservations about the "feasibility of and medical ethics involved in the immediate removal of those infected mineworkers identified in the survey, as well as the impact of such a step on the rate of spread of the infection"

Equipment for the mines promised

7/9/86.

Minetec squares up for sanctions profit

SUN TIMES (210)

MINETEC, a mining-equipment manufacturer, importer and distributor, has applied for a listing on the Development Capital Market of the JSE.

By Ruth Golembo

It claims its strength is its ability to manufacture goods threatened by sanctions

Minetec is the holding company of the 40-year-old Licence Mining, which specialises in equipment for coal mines and is ready to expand into the gold-mining equipment industry

Licence Mining in its various guises has produced face drills, feeder breakers, water and hydraulic pumps as well as spare parts for coal mines

Private placing

The issue will raise R1,12-million through a private placing of 4,48-million shares at 25c each

This represents 40% of the issued share capital after the issue, the remainder being held by directors Allan Hodgson, Jimmy Martin and Bryan Roberts

The issue will provide funds for Minetec to buy the 49% ordinary shares and redeem the R1,005-million preference shares in Licence Mining previously held by Delta SA

Mr Hodgson, a mining engineer, and Mr Martin, a former stockbroker, worked for Delta which was listed recently

The directors took control of Delta last year in a buy-out with equity capital from Delta In return, Delta received 49% of the ordinary shares and the prefs

In the year to December 1984 sales were R4,75-million and pre-tax income R473 000 Turnover rose to R5,48-million and pre-tax income to R381 000 in 1985, 77% of the profit coming in the five months after the buy-out

In the six months to June 1986 turnover was R3,8-million and pre-tax income R306 000

Takeovers

The forecast is for earnings of 3,125c a share and a dividend of 1,25c for the year to December The prospective price earnings ratio is 8 and the dividend yield 6,4%

Mr Hodgson says the listing will wipe out Minetec's debts and leave it with sufficient working capital for takeovers and expansion.

"The banks regard the prefs as debt, so our ability to borrow is restricted. The company is in good shape and we intend to keep strict controls

"Many mining companies rely on imported equipment We have acquired licence rights from foreign principals to manufacture most of the imported equipment if the need be

"We foresee sanctions putting pressure on multinationals to quit SA and we are well set to take advantage of the situation

"A 60% reduction in exports would mean only a 10% drop in our business."

SA gems set to shine

Bus DAY 3/9/86

210

CHERILYN IRETON

A DRIVE to increase earnings from minerals looks set to lift the SA jewellery industry to international prominence

The government-supported development and promotion of the local jewellery industry is one priority earmarked by the Council for Mineral Technology (Mintek) in its plan to add value to mineral and metal sales

SA produces less than 0,1% of the world's needs and is a net importer of gold carat jewellery "Considering we are the top producer of diamonds, platinum and gold, this situation is ludicrous," says Mintek president Aiden Edwards

Last year SA used only 0,9t of its 673t of gold in the manufacture of carat jewellery However, Italy converted 231t of gold for this purpose and met 25% of the world market requirements.

The fact that Italy, a non-mining country, earns more from gold than SA does, merely highlights the industry's potential

However, government is likely to be pressurised into relaxing restrictive laws and taxes in order to stimulate jewellery manufacture.

The Margo Commission has already been urged by the Jewellery Council to remove a 35% excise duty on gold and diamond sales

It is this particular tax which has "shackled" and inhibited the domestic design and manufacture of jewellery, says Diamond Club chairman David Woolf

Both the diamond club and the jewellery council are supporting the development of raw materials to a processed state.

Says Woolf "It is highly unsatisfactory that we are not in a position of dominance in the world jewellery industry

Anglo tax avoidance scheme alleged by UK newspaper

STAR 9/9/86. (210)

The Star Bureau

LONDON — The *Guardian* newspaper alleges today that "Anglo American/De Beers, owned by the Oppenheimer family, has been running a complex tax avoidance scheme through a network of companies in Holland and Luxembourg"

David Pallister claims in his report that the scheme has saved the company at least £12 million (about R42 million) on United Kingdom tax alone over the past five years

The report says "Dozens of Anglo's internal documents show that the group has gone to great lengths to keep one step ahead of the tax authorities by creating artificial company structures to frustrate the intentions of international tax treaties

"Tax avoidance — as opposed to illegal tax evasion — is practised by ~~all~~ multi-national companies"

The *Guardian* quotes a spokesman for Charter Consolidated ("the London voice of the Anglo American group in Johannesburg") as saying that all multi-national companies engage in tax avoidance

"It's not very nice to have your papers stolen, but we have done nothing wrong It's not tax evasion," he said

But, reports Pallister, "when the Dutch tax authorities began investigating the system last year, Anglo spirited investments worth more than $1 billion out of Holland "

Dutch Opposition MPs are planning to raise the matter in Parliament as part of a proposal to include a sanctions tax on companies earning money from South Africa

BUS DAY 10/4/96 210

Anglo rejects allegation

ANGLO American yesterday dismissed a *Guardian* newspaper report that it had "spirited" investments worth more than $1bn out of Holland when the Dutch tax authorities began investigating its tax avoidance system.

The report said Anglo and De Beers had run a complex tax avoidance scheme through companies in Holland and Luxembourg.

An Anglo spokesman responded. "It is common practice for all companies to review the way in which the tax burden may be minimised." — Sapa.

10/9/86 BUS DAY 210

Mining supplier plans to stay

MICK COLLINS

A MAJOR supplier to the mining industry, Reed Mining Tools, says its operation will not be affected by impending sanctions. It has repeated its resolve to stay in SA.

The company, which has strong overseas connections, recently achieved — against fierce European competition — a 60% share of the Zambian copper mining supply market for raise-bore tools.

MD Kevin Englesman says the resources of Baker International, of which Reed is an affiliate, are firmly behind the local operation.

"Reed is totally committed and has 100% SA managers and staff. We are in the fortunate position where we have the best of both worlds — virtual self-sufficiency in SA and the benefits of top resources worldwide."

Among the company's achievements is a prototype head and cutter, developed for use in gold mines, for drilling lava It is currently being operated by Goldfields

This year Reed also developed a raise-boring cutter for use on large-diameter heads The cutter has reportedly resulted in penetration rates of 1,26m an hour.

e

JSE indices shoot to new peaks

17/9/86
BUS DAY
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GOLD and mining finance indices shot to new peaks on the JSE yesterday as the gold price soared momentarily above $420 in New York and sanctions fears were partly abated

LIZ ROUSE

Local investors, including institutions, were in the market for gold and mining house shares throughout the day Sentiment turned buoyant on the milder than expected EC sanctions, which excluded coal

The market ignored the stronger rand, which continued to strengthen to $0,4340 yesterday in quiet conditions The financial rand closed unchanged at $0,2250.

Brokers said the market perceived EC countries were divided about sanctions and the US was expected to show similar distaste for harsh measures

London came in as a buyer of all lead-

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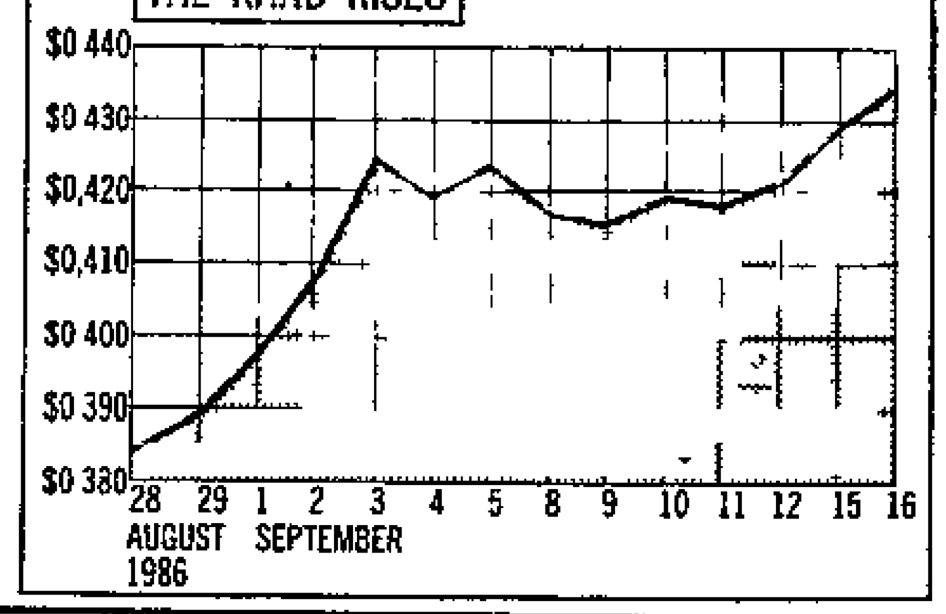
THE RAND RISES



JSE indices shoot to new peaks

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From Page 1

ing SA minings, including diamonds and platinums, when the gold price suddenly took off in New York to $419,50/$420,55 on wild rumours, later denied, about problems at Bank of America and a massive rise in US debts

Johannesburg brokers said no stock was available from London and local buying orders could not be met from that source.

The overall market index climbed 43 points to a new high of 2 010 mainly on a 56-point gain in the gold index to a new high of 1 942, a 74-point rise on the mining house index to a new peak of 2 657 and a 38-point advance in the mining holding index to a peak of 1 328

On the gold board, 35 stocks reached new highs and the mining finance board showed eight new highs

The diamond index firmed 252 points to 6 217. But the most spectacular gain was scored by the depressed coal sector, whose index shot up 156 points to 1 461

NUM, Chamber in wages deadlock

22/9/88 BUSDAY

BUSDAY 210

ALAN FINE

THE annual wage negotiations between the National Union of Mineworkers (NUM) and the Chamber of Mines have reached a deadlock.

This comes after a marginal improvement by the chamber over its previous offer at a meeting on Friday

At the meeting, the chamber rejected a NUM proposal that the dispute be referred to mediation or arbitration

NUM spokesman Marcel Golding said the union's executive would meet to consider the next step. Possible action could be a strike ballot

The negotiations affect NUM members on 29 gold mines and 18 collieries.

The chamber raised its offer for underground goldminers by 1%. The offer for those workers now ranges from 18% to 21%. The remainder of the wage proposal still stands at the levels tabled at a meeting last Monday 19%-22% for surface workers on gold mines, and 18%-21% and 19%-22% for underground and surface colliery workers respectively

At Friday's meeting, the NUM stuck to its 26% across-the-board demand which had dropped from 30% last Monday

Two other matters remain in dispute The first is the question of June 16 being considered a paid holiday. The second relates to income security for miners injured in accidents The chamber has offered to extend accident leave, but the NUM considers this to be inadequate

The chamber expressed regret "that the NUM has rejected this offer which the chamber regards as a significant concession towards obtaining a peaceful settlement to the dispute".

Argus 22/9/86 [redacted] 210 [redacted]

Chamber of Mines, union in sanctions clash

The Argus Correspondent

JOHANNESBURG — The Chamber of Mines and the National Union of Mineworkers (NUM) are locked in a war of words over calls for sanctions against the gold-mining industry

In a statement responding to an interview with NUM president Mr James Motlatsi on Thames Television in Britain last week, the chamber has called for clarification from NUM on its attitudes to sanctions and the disruption of the gold-mining industry

The chamber also accused NUM leadership of being more concerned with mobilising the union for political confrontation with the Government than industrial relations on the mines

On television, Mr Motlatsi called for sanctions which would directly affect the gold-mining industry, stating that limited sanctions which let the gold mines off the hook would be of no use

Responsibility

NUM, replying to chamber accusations, said it had a responsibility to defend the interests of its members on all levels, the economic and political For this reason the union had consistently called for international economic pressure to be applied against the Government

NUM accused the chamber of being a supporter of the Government on a number of issues and the Government's ally in maintaining key institutions of apartheid such as the hostels and migrant labour system

The chamber has voiced concern about Mr Motlatsi's calls for sanctions against the gold-mining industry and previous calls for sanctions made by NUM general secretary Mr Cyril Ramaphosa in Germany and Wales

"NUM leaders have made contradictory statements supporting sanctions while in the same breath threatening to strike if men are retrenched as a result of the implementation of sanctions

"In calling for sanctions and disruption of the mining industry, the union leadership must accept responsibility for the consequences that will inevitably flow from such action

"The industry employs 600 000 black workers with three-million dependants and supports a large service industry If even a small percentage of these workers lost their jobs, this would have a disastrous impact on black employment in Southern Africa and on the rural areas in particular which rely substantially on the flow of income from the mining sector

In reply, NUM Press officer Marcel Golding said the ultimate solution to the problem was the removal of apartheid

"The apartheid policies of the Government are the major source of unemployment in this country Instead of spending money on public sector projects like housing which provide employment, millions of rand are being spent on the army and police to maintain apartheid"

NUM and Chamber in battle over sanctions

22/9/86 STAR

210

The Chamber of Mines and the National Union of Mineworkers (NUM) are locked in a war of words over calls for sanctions against the gold-mining industry.

In a statement responding to a Thames Television interview with NUM president Mr James Motlatsi on Britain's Channel Four last week, the Chamber has called for clarification from NUM of its attitudes to sanctions and the disruption of the gold-mining industry

The Chamber also accused the NUM leadership of being more concerned with mobilising the union for political confrontation with the Government than industrial relations on the mines

On television Mr Motlatsi called for sanctions which would directly affect the gold-mining industry, stating that limited sanctions against South Africa which let the gold mines off the hook would be of no use

Mr Motlatsi said "If the international world won't impose more sanctions, we have got another remedy but I won't tell you what it is at the present moment"

The NUM, replying to Chamber accusations, said it had a responsibility to defend the interests of its members on all levels, the economic and political For this reason the union had consistently called for international economic pressure to be applied against the Government.

Secret plan denied

The union denied, however, that it had a secret plan to disrupt the gold-mining industry.

The NUM accused the Chamber of being a sympathetic supporter of the Government on a number of issues and of being the Government's ally in maintaining key institutions of apartheid such as the hostels and migrant labour system.

The Chamber has voiced concern about Mr Motlatsi's calls for sanctions against the gold mining industry and about previous calls for sanctions made by NUM general secretary Mr Cyril Ramaphosa in Germany and Wales

"The Chamber is, however, not aware that the union has canvassed its own membership on the subject," the statement said

"NUM leaders have made contradictory statements supporting sanctions while in the same breath threatening to strike if men are retrenched.

"The industry employs 600 000 black workers with three million dependants. If even a small percentage lost their jobs, this would have a disastrous impact on black employment"

In reply, NUM Press officer Marcel Golding said "The apartheid policies of the Government are the major source of unemployment in this country"

Chamber split over wage talks

23/9/86 ALAN FINE

210 BUS DAY

FOR the third successive year, the annual wage negotiations between the National Union of Mineworkers (NUM) and the Chamber of Mines have reached deadlock. The NUM has announced its intention to hold strike ballots among its members within two weeks.

Despite the apparent stalemate, neither the NUM nor the chamber have necessarily said their last word on the subject, and an industry-wide strike is by no means certain. Sources on both sides have indicated that further movement is a distinct possibility.

The deadlock was reached at last Friday's conciliation board meeting. The NUM is demanding 26% increases. The chamber is offering 18%-22%, with a small differential between surface and underground miners. The negotiations affect 29 gold mines and 18 collieries.

For the second successive year there has also been a split in chamber ranks. Gold Fields and Rand Mines collieries pulled out of the talks some weeks ago and implemented the 15%-20% offer then on the table.

Anglovaal is not part of the talks because the NUM is not recognised at any of its mines, but it is believed to be in agreement with this position.

In last year's split settlement, Anglo, JCI and Rand Mines agreed to higher increases than the other three houses. Their withdrawal leaves Anglo American, JCI, Gencor and Rand Mines gold division still at the negotiating table. Rand Mines refuses to explain why its gold and coal divisions have taken differing stands.

A more notable feature of the new line-up in the chamber between "hawks" and "doves" is the fact that Gencor has joined the latter camp. Earlier this year, it will be recalled, the NUM declared Gencor to be an "enemy company" because of the mass dismissals it carried out during the September 1985 wage strike and the Impala Platinum strike in January this year.

There are a number of factors which could explain Gencor's change.

□ The major reshuffle in Gencor's top management structures has, it seems, spawned a more liberal attitude towards industrial relations issues in general, and the NUM in particular;

□ Last year it lost a series of actions in the Industrial Court and had to reinstate, with substantial backpay, the 1 000-odd workers dismissed in September. And the Impala Platinum dismissals cost the company R40m; and

□ The NUM has substantially increased its membership at Gencor mines in the past year.

Similarly, the decision by Gold Fields (and, informally, Anglovaal) to take a firm stand is a clear reflection of the NUM's organisational weakness within those companies.

The chamber and the union are at loggerheads over precisely whom the union represents in these negotiations. The NUM has argued that it represents workers on all mines where it is represented, and that secondary strikes at mines where it is not are still legitimate and lawful. The chamber believes the dispute should be confined to those bargaining units (of which there are several on each mine) where the union has majority membership and is hence recognised.

BUSDAY 23/9/86 FACTA 355 210

'We'll deal directly with NUM'

Chamber rejects Cosatu request

ALAN FINE
and Sapa

THE Chamber of Mines yesterday rejected a Congress of South African Trade Unions (Cosatu) request in the wake of the Kinross mine disaster for a meeting to discuss safety conditions in the industry

The decision to propose a meeting was taken at a Cosatu central executive committee (CEC) meeting at the weekend

Cosatu had planned to back up calls made by the National Union of Mineworkers (NUM) for a commission of inquiry into safety standards, increased worker involvement in safety issues and a day of mourning on October 1 in memory of the Kinross victims

The chamber said it "will deal directly with the NUM regarding a commemoration for the Kinross victims, and is therefore not prepared to meet Cosatu".

The chamber is still to formulate a response to the call for a day of mourning on October 1

And in Evander yesterday thousands of black miners at the Kinross mine held a short service and meeting after refusing to take part in a company-organised memorial service for the 177 miners who died last week

At the start of the service, about 400 miners circled the area chanting and ululating

When the Rev J Nell started reading the lesson, all the miners in stands facing the makeshift pulpit left and joined the chanting crowd.

About 2 000 miners stood off to one side ululating and chanting that they would not "pray with whites" as they had never prayed with whites before

During the commotion, the service went on for the benefit of a handful of mostly white dignitaries

The miners then converged on two refreshment tents and ransacked them, despite entreaties by NUM officials

The mine's general manager, Kobus Olivier, would not comment on the disruption at the service

After the organised service, a few minor incidents of stone-throwing occurred and the miners, now joined by about 1 500 other workers, then regrouped at the memorial site.

The group was addressed by NUM officials and, after a short tribute to those who died in the country's worst gold mine accident, were told that a union-organised memorial service would take place in Secunda tomorrow.

The miners were told to ask management how the dead were going to be buried, and what transport arrangements had been made for the funerals.

They were also told all those who were involved in last week's fire should not think they were safe from danger and should report for medical examinations.

Before the meeting ended, NUM officials told the men to put what sticks they were carrying down and not to interfere with any mine pproperty as "the world is watching"

□ The United Democratic Front (UDF) yesterday pledged to support the NUM in whatever call is made to mourn the Kinross victims.

UDF slams 'special' police

STAR 23/9/86

Political Reporter

The United Democratic Front says the plan to send 1 000 "half-baked policemen" into the townships "deserves condemnation from all right-thinking South Africans."

"This is nothing more than an act of desperation on the part of a Government that has resolved that brute force is the only way out of its dilemma," said a statement released by the UDF.

"The Government must be warned that this highly provocative move can never contribute towards peace in this country Instead it will serve to convince more and more of our youth that the only way to defend themselves will be to arm themselves as well.

"In the end, the Government will have to carry full responsibility for any escalation in violence that this foolish move will encourage," the statement added

Mines to consider closure call

STAR 23/9/86

The Chamber of Mines is today expected to consider the call by the National Union of Mineworkers for a closure of the chamber's mines to mourn the Kinross mine disaster victims

The NUM, declaring October 1 a national day of mourning, has called on members not to go to work on that day and for the chamber to close its mines A chamber spokesman said it would probably discuss the NUM call today

NUM general secretary Mr Cyril Ramaphosa warned that should the chamber reject the union's request, workers would observe the day anyway

Yesterday, the UDF said it pledged is support to the NUM in whatever call it made "to mourn and pay homage to those gallant miners who died in Kinross"

The NUM is to hold a memorial service for the Kinross victims at Secunda tomorrow

US award for Jo'burg association

By Michael Chester

The radical moves launched several months ago by the Johannesburg Central Business District Association to make the city an open trade zone have won world acclaim

In the United States last night, honours were showered on the association for its efforts to remove apartheid from city trade when it was awarded a special citation by the International Downtown Association at its annual conference in Fort Worth, Texas

The citation was in recognition of its "sustained efforts to open trade, industry and commerce in Johannesburg's CBD to entrepreneurs of all races".

Its leadership role had in turn also benefited other CBDs and South Africa as a whole, the IDA added

The Johannesburg CBDA emerged as one of only eight organisations in the world to win special honours

Woman's skull found in Sandton

Crime Staff

A woman's skull was found in a Linbro Park, Sandton, tree plantation on June 10, close to the spot where the body of Airman Hendrik van Zyl, of the South African Air Force, was found last week

Police said the two discoveries were not linked.

The skull was discovered by a horse-rider. Government pathologists said it was that of a woman aged between 18 and 20 years She has not been identified

She died of a bullet wound in the head, after which she was apparently decapitated

A search of the area revealed no trace of the body, leading police to believe she was murdered elsewhere, probably about two years ago

Anyone who can help the police investigation should telephone Detective Warrant Officer Olivier of the Brixton Murder and Robbery Squad at (011) 839-3322

A huge crowd of singing, chanting miners disrupted yesterday's official Kinross memorial service ~~for the 177 men killed in last~~ week's mine disaster, before convening their own meeting.

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Miners disrupt service for Kinross dead

By Jo-Anne Richards

"We have never prayed with whites, and we don't intend to start today," a Kinross miner told workers

He spoke through a hand-held loudspeaker to a huge crowd of miners gathered some distance from the mine's snubbed memorial service

Yesterday's official service at shaft No 2 was intended to mourn the 177 killed in last week's disaster. Gencor and mine management attended, but no National Union of Mineworkers office-bearers were present

The NUM say they were not invited, but Mr Harry Hill, spokesman for Gencor, said the union "was verbally invited".

FANAKALO

The prayer service began in Afrikaans "Speak fanakalo", called one or two voices from the crowd

Shortly afterwards, a vast moving column of men waving branches and hard hats moved into the small arena The praying voice of the Rev DS Nell disappeared altogether as hundreds of stamping feet and singing male voices passed by

Various church ministers ignored the increasing commotion and continued the service The crowd continued several times around the arena Seated miners joined them on each round

Gathering finally at the foot of a sandy embankment, they held their own meeting

While the memorial service ground to a finish before rows of empty chairs — a thin line of management and small numbers of scattered miners remained — the thousands-strong chanting crowd was momentarily without direction

In the following lull, crowds of men broke away and swarmed over the refreshment tables, grabbing food and drink.

"Comrades, what are you doing? Please, comrades, you're not to do that," yelled a union shaft steward into his loudspeaker as the men moved away from the trampled sandwiches

Within minutes of the prayer meeting ending, mine management disappeared The crowd toppled the pulpit and its flower-covered backdrop as they filled the arena

The newly-arrived NUM Safety Officer, Mr Hazzy Sibanyoni, addressed them on matters affecting them following the tragedy and reprimanded them for their behaviour.

All shifts would work today, he said, but a union memorial service would be held tomorrow when no-one would go underground

He added· "Those were our brothers who died underground. You shouldn't do things as though you don't care "

Chamber of Mines knew of polyurethane foam danger

The Chamber of Mines has now admitted that several circulars warning of the dangers of using polyurethane foams underground were circulated from 1968 onwards

At first the Chamber told *The Star* polyurethane had — until the Kinross disaster — been regarded as safe

Immediately after the Kinross mining accident, *The Star* requested from the Chamber information on polyurethane foam and its uses underground

After 24 hours of investigation a Chamber spokesman replied

"The polyurethane and other products used in mines have until now been regarded by mines as safe But the Kinross tragedy clearly puts a huge question mark over this, which the Chamber of Mines research organisation will be investigating once their role in the events at Kinross is known"

Asked how widely the products were used on mines in South Africa the spokesman replied "It would be fair to say these substances are in general use in mines here and overseas"

Since then it has been established that the products have been banned in British coal mines since the early 60s and in the United States since 1980.

Asked whether in view of the disaster the Chamber would examine these products or check up on members who may have used the chemical sealers, he said "It is a matter of priority."

Asked whether the Chamber had ever carried out any tests on the substances in their laboratories the spokesman said "No" He also said the Chamber did not have the address of the local manufacturer of the product

Now the Chamber's technical adviser, Mr David Gaynor, says that for the past 18 years the Chamber repeatedly warned about the potential toxicity of polyurethane foam underground

Mr Gaynor said *The Star's* initial questions had not been put to him. He also said the Chamber had sufficient knowledge of the products to identify their hazards

He said the polyurethane substances were used by gold mines for sealing chilled water columns and also to seal ventilation systems in the event of fire.

Mr Gaynor revealed that information on polyurethane hazards was circulated in 1968, 1969, 1970 and 1982 and discussions about the substance, and dangers during fire, were held with the Chamber's safety, environmental and ventilation subcommittees

After a fire at Gencor's biggest gold mine Buffelsfontein, in May 1977, polystyrene and polyurethane were identified as inflammable materials

BUSDAY BRIAN ZLOTNICK
Investment Editor

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D & H division in huge buyout

26/9/86

THE shake-up in Gencor's ~~industrial~~ interests has moved another step forward after a massive financial reconstruction for embattled subsidiary Darling & Hodgson (D & H)

In what is believed to be the largest management buyout in SA, D & H has sold its services division for R65m, after recently disposing of its coal division for R30m.

Moreover, D & H has announced it is to hold a R40m rights offer, to be underwritten by Gencor, to beef up much-depleted shareholders' funds and wipe out most of its interest-bearing debt

These developments were unveiled simultaneously with D & H's delayed results for the six months to June, which show it made a loss of R11,9m (R1,5m profit) before taking into account extraordinary losses amounting to R38,4m (R4m loss)

Clearly, Gencor was not prepared to inject more than about R40m into D & H, so it was open to a management buyout, which was led by services division MD Phil Erasmus

The buyout team consists of six men drawn from the upper management echelons of the services division

The deal has been financed jointly by Standard Merchant Bank and Barclays National Merchant Bank.

Control of the division, which has SA's largest operating companies in long-range transport and waste disposal, will vest in management, as does equity control. However, the merchant bankers will also hold a significant chunk of the equity.

"The merchant banks have assisted in the negotiations They have structured

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D & H sells services division

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the transaction, and their respective commercial banks financed the buyout," Erasmus says.

His group, acquired with effect from July 1, is expected to have a turnover of about R140m in calendar year 1987. However, Erasmus refuses to divulge forecasted profits.

Heavily-overgeared D & H, which has borrowings of R159m, will receive a cash inflow amounting to R135m once the proceeds from the sale of the divisions and from the rights offer have been received.

D & H is to become a holding company, with a 65% stake in Group Five and a 42% interest in Blue Circle, both of which operate in the construction industry.

At this stage it seems the reconstructed D & H is not a suitable acquisition for Malcor, the industrial holding company Gencor acquired recently from Sanlam

Market talk has it that Gencor is looking for a suitor for Group Five

The extraordinary losses of R38,4m recorded in the interim results takes into account the anticipated closing costs of R12m for the recycling division and provision for the loss of R12,2m on sale of the services division

As far as prospects are concerned, the directors say an improvement in trading results in the second half of the year is anticipated.

FIN MAIL 26/9/86

MINE LABOUR

Thrust and parry

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The wage dispute between the National Union of Mineworkers (NUM) and the Chamber of Mines has intensified The NUM says it is to conduct a strike ballot among its members over the next fortnight, but there is a possibility that a strike can be averted.

The NUM's announcement came after a week which saw the union and the chamber meeting twice at conciliation board level. At the first meeting, the NUM moderated its demand for a 30% wage increase to 26%. In response, the four mining houses still participating in the negotiations — Anglo American, JCI, Gencor and the gold division of Rand Mines — improved their offer. They offered wage increases of between 19%-22% for gold mine and colliery surface workers, 17%-20% for underground gold miners, and 18%-21% for underground colliery workers

When the parties met again last Friday, the four houses raised their offer for underground gold workers by 1% point The union's demand for a paid holiday on June 16 was rejected, as well as its demand that workers who are transferred to different jobs due to disability or illness should be guaranteed the same income. The chamber did, however, offer to increase the number of days allocated for paid leave due to mine

accidents from 42 to 56 a year. The NUM, however, found the offers unacceptable, hence the decision to try to force the employers' hand by taking a strike ballot

Despite the deadlock, negotiations are continuing Chamber industrial relations adviser, Johann Liebenberg, tells the *FM* that the two sides are busy arranging a date to meet again That meeting will consider whether or not the dispute should be taken to mediation If this materialises, there is still a chance that the dispute could be settled — with some, if not all, the mining houses concerned

In the midst of these developments, the chamber last week launched a stinging attack on the union. This came in response to recent pro-sanctions speeches abroad by NUM general secretary, Cyril Ramaphosa, and to a Thames Television programme shown in the UK last week in which NUM president, James Motlatsi, called for an international boycott of South African gold

On the same day the programme was televised, a Johannesburg newspaper reported Motlatsi as saying during the programme that black miners have a "secret plan" to disrupt the gold mines. Thames says the report was based on an off-the-record briefing given to journalists at a preview of the programme by its producer, Julian Manyon, who is reportedly upset that the newspaper broke confidentiality, and by its claim that Motlatsi said there was a "secret plan" According to a transcript of the programme, Motlatsi said if the international community will not impose sanctions, "we have got another remedy But I won't tell you — it is too early at the present moment"

Calling on the NUM to clarify its pro-sanctions stand, the chamber says it was "not aware" that the union canvassed its members on the subject, and that the NUM will have to "accept responsibility" for the consequences that would flow from sanctions It says the Motlatsi interview leaves "little doubt that NUM's leadership is less concerned with industrial relations issues on the mines and the workers' interests, than with mobilising the union organisation for political confrontation with the government."

The union's reaction to the attack has been to deny that Motlatsi spoke of a "secret plan" to disrupt the gold mines, and to accuse Manyon of "sensationalism" The union's press officer Marcel Golding says: "There is no secret plan. NUM is a public organisation which operates on mandates from its members and conducts its activities openly"

On sanctions, Golding says the NUM has a "responsibility to defend the interests of its members on all levels, the economic as well as the political." For this reason, it has consistently called for international economic pressure And responding to the chamber's statement that the union would have to take responsibility for the effects of unemployment should sanctions be applied, Golding says the removal of apartheid will be the solution to the problem. ■

FINANCIAL MAIL SEPTEMBER 26 1986

600 000 to pay respects

BUS DAY 210 26/9/86

ALAN FINE

GENCOR, owners of the Kinross gold mine where 177 men died in last week's disaster, has decided to permit all employees who wish to do so to take a day's leave on October 1 to mourn their colleagues.

The Chamber of Mines has said that all 99 of its member mines will observe a five-minute silence from noon on the same day.

This comes after a call by the National Union of Mineworkers (NUM) for October 1 to be declared a day of mourning on which mining operations should cease

The chamber says that at noon on October 1 "more than 600 000 mining men and women will cease their activi-

● To Page 2

600 000 to pay their respects

26/9/86 210 BUS DAY

● From Page 1

ties for five minutes to pay their respects to their colleagues

"Chamber members support the call that the 177 men who died be mourned"

Gencor employees' leave will be taken from the leave standing to their credit.

The arrangements were conveyed to NUM representatives at a meeting yesterday. Union spokesman Marcel Golding said the matter would be discussed by the NUM's national executive committee today.

He said the NUM was disappointed the chamber had only partially met its call.

□ In an attempt to break the deadlock in their annual wage negotiations, the chamber and NUM have agreed to refer the dispute to mediation

They are to ask Independent Mediation Services of SA (Immsa) to supply a mediator.

Deadlock was reached last Friday with the chamber offering wage increases from 18% to 22% in response to the NUM's 26% across-the-board demand Also in dispute is the NUM's demand for a paid holiday on June 16 and details of income security for miners injured in accidents.

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Chamber replies to NUM's safety allegations

By Sheryl Raine

The Chamber of Mines says it is committed to the safety of the mining industry's employees and is prepared to collaborate with representative employee organisations in bringing about and maintaining the safest mining conditions possible

The Star invited the chamber to comment on a safety booklet issued by the National Union of Mineworkers (NUM) as part of a union national safety campaign

"The NUM reports in its newly published safety booklet that there have been some 46 000 deaths on South African gold mines since the beginning of the century," said the chamber

"This is clearly intended to evoke an emotional reaction of shock and outrage at perceived shortcomings in safety standards on South African mines and, indeed, it is a most regrettable statistic — as is every fatal accident

"It needs, however, to be placed in some perspective While comparisons of this nature are odious it is a fact that British mines have a worse historical record with some 56 000 deaths over the period since 1903

"On the face of it, therefore, it would appear simply that South African gold mines are safer than British coal mines but the truth is that no such conclusion can necessarily be made In fact, there can be no valid comparison between South African gold mines and British coal mines or, indeed, between them and other mines in the world"

Numerous factors had to be taken into account for a proper evaluation of safety standards in mining throughout the world

Unique conditions prevailed in South African gold mines including the vast size of the industry, its labour-intensive nature, the depths of mining which were unmatched anywhere in the world, the consequent pressure and heat conditions underground, the hard quartzite rock and narrow stopes

"Merely to quote the number of fatalities over 86 years is not particularly helpful in any genuine attempt to evaluate the safety standards on South African gold mines The statistics show simply that underground mining is hazardous"

The chamber was aware of the hazards and devoted enormous time, effort and millions of rands in trying to reduce the risks of accidents and fatalities

"That the South African mines are fitted with some of the most advanced safety equipment in the world is acknowledged by mining safety experts in Britain and the United States"

Mr Sam Stafford, an official of the US Government Mines Safety and Health Administration had said "We consider that South Africa has some of the most advanced safety-conscious equipment and safety training we have seen"

Another expert, in South Africa as guest of the NUM, Dr Herbert Eisner, said on arrival here that in visits to several mines during an earlier trip he had seen nothing to suggest that they were any less safe than their American and European counterparts

"The opinion of these experts would seem to contradict a literal interpretation of the NUM booklet which is propagandistic in tone and contains emotional generalisations, uninformed comment and numerous unsubstantiated allegations"

The chamber suggested that the NUM submit points raised in the booklet to the Prevention of Accidents Committee of which the NUM was a member, for proper consideration

"The committee, which was formed in 1913 with the purpose of creating safer working conditions, is the proper channel for the union to raise its concerns if it really wants to contribute in a positive manner towards the safety of its members on the mines

"Ironically the NUM has served on the committee for some 18 months and has raised only five issues regarding safety All these issues have been or are being addressed by the chamber"

'Statistics do not support union allegations'

The Chamber of Mines has taken the National Union of Mineworkers (NUM) to task over allegations in the union's mining safety booklet, "A Thousand Ways to Die"

Statistics did not support the booklet's allegations, a chamber spokesman said Allegations included

- Black team leaders are doing the work of white miners but are not adequately trained for the work
- Production bonuses paid to white miners induce them to maintain production at the expense of safety

But the chamber spokesman said "Statistical evidence shows that since 1976, when exemptions were introduced to allow team leaders to do certain aspects of white miners' work, the fatality rate has fallen by 36 percent and the injury rate by 58 percent

"Delegation of safety responsibilities to black team leaders may have contributed to steadily improving safety performance"

On production bonuses, the spokesman said "Accidents disrupt mining operations and therefore production, on which miners' contract earnings depend

"High productivity is more compatible with safe mining practice This is borne out in South Africa where gold mines attaining five-star status, the highest ISR (International Safety Rating), have recorded commensurate increases in productivity"

The chamber rejected NUM allegations that black workers were inadequately trained and challenged the union to produce evidence It also rejected NUM criticisms of the ISR

Responding to claims that the chamber refused to release 42 confidential reports to the NUM, the chamber said it had offered to share research findings "on joint projects" The NUM refused

The spokesman added "Following NUM participation in Prevention of Accidents Committee activities, the chamber, on March 14, made available a number of reports which NUM had requested and reiterates its wish for NUM involvement in safety in this forum"

However, the chamber said a statement by NUM general secretary Mr Cyril Ramaphosa that it was time to "take control of the mines to ensure no more miners fell victim to accidents", did not inspire confidence

It added that claims that 17 workers were sacked from West Driefontein for refusing to work in dangerous conditions but later reinstated by the Industrial Court were a "blatant distortion"

W/E ARGUS 27/9/86

Mining experience will come in handy

BUSINESSMAN OF THE WEEK

By DEREK TOMMEY

DAVE Brink, newly appointed chief executive of South Africa's biggest costruction company, Murray and Roberts, is an example of the saying "the times bringeth forth the man"

It would be hard to find anyone as well qualified as he is to run M & R in present circumstances

A fit, trim 49-year-old, he is a highly qualified mining engineer with an M Sc from Wits and a business administration qualification from the London School of Economics He also has had great experience since he was a young man in management and financial affairs

At 27 he was section manager of Western Deep, responsible for No 3 shaft and its complement of 6 000 black miners and 1 000 white miners — and was regularly breaking production records

His introduction to Murray and Roberts was in 1970, when at the age of 29 he was appointed manager of RUC, the mining contracting company formed by Union Corporation and M & R As a result he found himself in charge of operations in Greece and Australia as well as South Africa

In the next few years RUC took over a number of companies, becoming one of the mining construction groups

In 1983 he was appointed chief executive of Murray and Roberts Industrial Corporation and in 1985 chief operations officer

Dave Brink, chief executive of Murray and Roberts . . . highly qualified.

With M & R facing a major change in its objectives owing to the steep decline in civil engineering works, its mainstay in the past, it seems fairly obvious in view of the expected mining boom, that mining works will engage far more of its attention in the future

It is fortunate therefore that the man at the helm is particularly proficient in these areas

In an interview this week Mr Brink expressed his optimism about the company's prospects

"We're planning to operate in a tough environment and we're not looking for external factors to come to our rescue," he said

"We think we are now in good shape Even if the economy carries on the way it has for the next two to three years we will make reasonable returns"

One source of profits would be the exploration boom going on at present

"All of the mining houses want to drill deeper and deeper Until about five years ago a 4 000 m hole was a deep one Now the houses are wanting holes down to 5 000 and 6 000 m

"There are only three companies in the country capable of doing that and we have one of them"

The company was sinking four shafts and was still extremely active in the erection of surface installations for the mines

Mr Brink shares the view that there will be a decline in the amount of civil engineering work in the next few years

"Fundamentally, the infrastructure in South Africa is good and it is in place, and we are not going to see the demand for civil engineerings we saw in the 1960s and 1970s"

One result of the downturn in business was that M & R's balance sheet was "stronger than ever"

Gencor aware of foam danger

210 27/9/86 STAR

By Sheryl Raine

Gencor, owners of the Kinross mine where 177 men died last week, says it was aware of the potential dangers of polyurethane foam.

The Chamber of Mines technical adviser revealed this week that several circulars concerning the dangers of polyurethane foam materials had been circulated to chamber members over the past 18 years.

The chamber also said that in May 1977 information concerning a fire at Gencor's Buffelsfontein gold mine was distributed after the flammable materials underground were identified as polystyrene and polyurethane.

A Gencor spokesman confirmed that Genkor was aware these were potentially dangerous but said in all mines, a large number of potentially dangerous materials had to be used.

Asked if Gencor took any steps regarding the use of polyurethane and whether, after the Buffelsfontein fire in 1977, the company acted on the information circulated about polystyrene and polyurethane, the spokesman said

"Yes As with other potentially dangerous materials their use was restricted .. and precautions were taken to manage the risk. At Kinross, for reasons that still have to be established, these proved tragically inadequate and this has prompted Gencor to re-assess its safety practices and procedures with regard to flammable materials completely".

SUNTIMES 28/9/86 210

The deadly necklace ... an angry reminder to the mourning crowd

CHILLING WARNING THAT FACED GRIEVING KINROSS MINERS

By CAS St LEGER

THIS was the moment when the unpleasant face of township politics invaded a memorial service for the Kinross dead

The open-air service on Monday was disrupted by 400 chanting miners and ugly mob scenes as pulpit flowers and refreshment tents were destroyed and ransacked.

Meanwhile, open house is to be held tomorrow at the mine, scene of last week's underground tragedy in which 177 miners died All "interested parties" — but not the Press — have been invited to inspect the scene of the disaster

After a stormy week, with relationships between the owners of Kinross, Gencor and the Chamber of Mines on the one hand, and the National Union of Mineworkers (NUM) on the other, at their lowest ebb, the union regards the granting of an "open day" as a victory — albeit a belated one.

Expert

"We hope it is in response to the NUM's request but we're disappointed it has come late in the day," the NUM information officer, Mr Marcel Golding, said yesterday.

The NUM organised its own memorial service for the Kinross victims at Embalenhle near Secunda on Wednesday, attended by 5 000 and addressed by Mrs Winnie Mandela

On Thursday, the NUM general secretary, Mr Cyril Ramaphosa, said that a British expert, Dr Herbert Eisner, invited by the NUM to inspect Kinross in response to the Chamber of Mines' invitation to overseas experts to visit South Africa's deep-level mines, had been denied access by Gencor.

Now Dr Eisner, a former director of the British Explosion and Flame Laboratory, which is specifically involved in investigating mine fires, will join the NUM party of six, led by president Mr James Motlatsi and Mr Ramaphosa, due at Kinross's fatal No 2 shaft at 10am tomorrow

Chamber defends its use of polyurethane

BUS DAY 29/9/86

CHERILYN IRETON

POLYURETHANE foam was only one component leading to the Kinross mine disaster and the death of 177 miners, says the Chamber of Mines.

At a weekend Press conference, the chamber said heat and air were two other components which would have contributed to the tragedy.

The chamber confirmed that Kinross was the third SA mine fire in which the sealant foam was involved.

The mining industry has been slated for not following overseas examples by outlawing underground use of the foam.

Defending its continued use, chamber executive Kennedy Maxwell said polyurethane was one of more than 20 inflammable substances used underground.

☐ A large party of mine-safety experts is scheduled to visit Kinross today to investigate the location, reports ALAN FINE.

A Gencor spokesman said the group would include Chamber of Mines representatives as well as experts and officials of mining-industry unions, including the National Union of Mineworkers (NUM) and the Mineworkers' Union.

The NUM's national executive met yesterday to consider its attitude towards the chamber's proposed arrangements for October 1, the day the NUM has declared a day of mourning for the Kinross victims.

Mr Gavin Relly .. 'A developing South Africa will be a catalyst for growth on our sub-continent.'

SMK 1/10/86 210 2880

Sanctions will retard reform, says Relly

The imposition of sanctions would retard the process of political reform in South Africa, the chairman of the Anglo American Corporation, Mr Gavin Relly, said yesterday.

At the opening of the first phase of a hostel complex at the Moshoeshoe II High School at Matsieng, outside Maseru, Mr Relly said the South African Government and the business community would have to concentrate on alleviating the "hardships and miseries" which foreign pressures would "inflict on the poorer sections of our people".

"Reform is expensive," said Mr Relly, "and the policies of the international community in relation to sanctions will, I fear, contribute to revolution rather than assist evolution. It really is in the interests of all South Africa's neighbours that the South African economy remains healthy and does not atrophy to an economic wasteland."

South Africa should develop its "post-apartheid economy" as soon as possible, stressed Mr Relly.

"A developing South African economy will provide a catalyst for the growth of our subcontinent. This will have positive effects on economic relations between the countries of this region.

"It is in South Africa's own interests to know that its neighbours' economies are stable and growing and, with the hope of the demise of apartheid and the ushering in of a new society, I am certain that a new concord among all the states in this region can be achieved.

"I look forward to the day when Pretoria and Maseru exchange ambassadors, when it will be possible for us to share more in our respective countries' strengths and try to eliminate some of our weaknesses."

FINMAIL 3/10/86

FRASER ALEXANDER 210

Back to earth

Fraser Alexander (Alexander) group MD Peter Flack says any ambitions the group might have had to become an industrial conglomerate in the mould of Darling & Hodgson or Abercom, went out the door when former chairman Peter Gain left the group in October last year He says Alexander is now a more focused operation, with mining and mining-related activities the core of the business

Efforts in the past year to sharpen the focus will start yielding benefits in 1987. Discontinued operations drained net income by R1,5m in the year to June, reducing earnings from a potential 53,5c a share to 37,6c — a 41,9% increase over annualised earnings of 26,5c in 1985. Flack admits the group had slipped substantially in the past five years — earnings peaked in 1982 at 52,9c a share — but he claims the improvements which followed last year's "boardroom battle" are evident

Debt was at R29m in October 1985, giving a debt equity ratio of almost 1,0 Egoli purchased Alexander's granite division, Transvaal brick manufacturing plant and its investment in Simmer and Jack for R10m, and over as part of the sale, so debt fell to R16,3m The sale of the granite division, expected to reach turnover of about R14m in 1986, was the main cause of the 7,3% decline in turnover.

Flack says that a year ago the group's corporate structure was in "disarray" and adds· "The group didn't have an insurance company, our hardware was obsolete and our software — we have about 250 programmes — was not documented

"The group did no long-term planning, living from hand-to-mouth on an annual budget system that was at best a thumbsuck. We had to re-capitalise all divisions, and get rid of loss-makers We are budgeting for substantially increased profits this year A rights issue is being considered to fund certain developments and acquisitions and to reduce the gearing ratio"

Although gearing was reduced to about 0,53 by disposals, the decision to eliminate goodwill from the balance sheet, in line with conservative accounting policy, resulted in shareholders' funds falling by R10,4m at end-June to about R20,4m (R27,6m in 1985) As a result, gearing is now about 0,80.

The more conservative accounting policy, which reflects the views of the group's new minority shareholder, Rembrandt, is evident in the relatively high dividend cover of 2,1. This will be increased to about 2,5. Financial director Les Maxwell says the group's life style, including dividend cover policy, was previously "a little on the extravagant side."

With the exception of the stone quarry in the Cape, which made an operating loss of R832 000, all businesses contributed to the increased earnings of the past year, with the tailings and coal divisions contributing R4,7m of the R5,4m pre-tax profit. The quarry should be profitable in 1987

The tailings division has purchased the Ash-Mech group, which provides tailing disposal services to Escom It is expected to make a good contribution to this division's earnings Coal division earnings could also improve now the group has its own export allocation and will not depend on third parties for an export passage It exports 40% of its coal production, with supplies to the local market going mainly into the metallurgical industry. The group is not too concerned about the sanctions threat, as its exports are small in comparison with SA's total exports.

In reflection of the improving fortunes, the Alexander share price has appreciated from 120c in November last year to 390c this week, where it rates a p.e of 10,4 and a dividend yield of 4,6%, compared with the interest-bearing debt of R8,2m was taken

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17,6% of Cadswep's equity The premium, says Cadswep MD Peter Bester, is an indication of future prospects as viewed by AVI.

Products manufactured and marketed by Bromor include· Brookes squashes and cordials; Moir's desserts, baking aids and cake mixes; Moir's spices; Capri Sonne fruit nectars; Hulley and Rice currey powders, spices and soup mixes; and Pan Foods glacé cherries

"What attracted us to Bromor was the strong brand names among the product range, a number of which have brand leadership," says Bester "We saw the range as complementary to the existing Cadswep product range It strengthens our position in soft drinks and gives a much better balance to our earnings base"

Until a detailed announcement is made, no details are being given of Bromor's profitability However, Bester forecasts the acquisition will increase Cadswep's earnings in the year to January 3 1987 by 10%, and will add about 3% to net worth per share

Owing to the increased issued share capital, and the placing of the shares with AVI, Cadbury Schweppes Plc's shareholding in the local company will drop from 64,4% to 53,1% But Bester says no divestment is taking place. "Our overseas shareholder simply has a smaller share of a larger group. Their effective stake remains unchanged," he says. "They have consistently told us they have no intention of divesting."

The deal should be favourably received by investors, but at 1 725c the share already stands on a thin yield of 3,7%

Andrew McNulty

Miners want right to sit on safety bodies

21/10/3/10/86 Weekly Mail

By SEFAKO NYAKA

THE National Union of Mineworkers has demanded to sit on the two groups set up by the Chamber of Mines to investigate the Kinross Mine Disaster, which claimed 177 miners lives two weeks ago

Speaking at a memorial service held at the Congress of South African Trade Unions' Hall in Johannesburg on Wednesday, the NUM's Health and Safety Officer, Hazy Sibanyoni, said the commissions would otherwise just be "another talk-shop whose results won't see the light of day".

The Chamber recently announced that it would set up a Hazardous Material Unit to look into materials used underground and a Multi Disciplinary Task Force consisting of experts who will investigate and make recommendations for greater protection of miners in the event of accidents on the mines.

Sibanyoni also announced that the NUM would set up a commission to study he long term effects of the polyurethane chemical fumes which killed the miners

He said the objectives of the commission are to identify workers' respiratory impairment as a result of exposure to the chemicals (isocyanates), to get compensation for workers with diseases resulting from exposure, and a description of the long term effects of exposure

He called on Gencor to ensure alternative jobs, without loss of earnings, to those workers unfit to work underground as a result of the fire

He said Gencor and the Chamber of Mines should give the NUM access at all times to keep contact with workers exposed to the fire

The affected workers should be given proper medical care at the mine's expense he said

Sibanyoni also urged Gencor and the Chamber to give the NUM all information on substances used underground and to spend more money on safety They should also recognise safety stewards, "as they are the only alternative power

"We hope that the Chamber's pledge to compensate the miners will not be used as an excuse to dismiss workers

"The survivors of the inferno are not yet out of danger Isocyanates are known to be dangerous and have long term effects These workers could develop chronic lung diseases,"

The more than 500 people who crammed into the hall ululated and chanted freedom songs as several miners and NUM officials carried a black coffin onto the stage at the start of the service

Cosatu's general secretary, Jay Naidoo, said safety in the mines is the prerogative of the white miner

Racism was rampant on the mines he said. "During rescue operations separate ambulances were ferrying the dead and injured to different hospitals"

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Strategic metals prices surge on sanction fears

NEW YORK — Prices of strategic metals rose last week on fears that South Africa would retaliate against US economic sanctions by cutting off sales

However, many experts said a strategic-metals embargo might be more damaging to South Africa than to its intended victim, the United States, and that South Africa was therefore unlikely to declare one

The steep rise in metals prices — platinum, for example, has soared to near $600 an ounce on the spot market from $350 as recently as January — was mainly a product of fear and the mob psychology of the trading pits, some experts said

"Markets go up on fear and down on reality," said Mr Peter Cardillo, a metals analyst for Josephthal & Co

Prices are so high that if South Africa actually declared an embargo, he said, "Platinum might go down"

Platinum did fall slightly on Friday, down $7 an ounce to $589,60 on the New York Mercantile Exchange for contracts for delivery this month

Platinum had risen the daily limit of $2[illegible] an ounce on Thursday just before the Senate joined the House of Representatives in overriding President Ronald Reagan's veto of the sanction Bill

The threat of a metals embargo overshadowed the immediate impact on the US of the sanctions imposed by Congress Several analysts said the impact of those sanctions in the US should be slight

Among other things, the Bill sharply restricts new US investment in South Africa and bans exports to South Africa of militarily useful goods such as oil, munitions and nuclear technology

Also banned are computer shipments to the police and military

The Bill prohibits imports of South African iron, steel, arms, ammunition, military vehicles and farm products, and, after 90 days, uranium, coal and textiles

"We don't need any of the stuff," said Mrs Bette Raptopoulos, a senior metals analyst for Prudential-Bache Securities Inc

"The Congress made a point of banning things that we can get elsewhere" — AP

5/10/86 SUN TIMES 210

Mines clash looms over union threats

By CAS St LEGER

A HEAD-ON collision between the mining industry and its black union looms closer with threats this week that labour action will be used as an economic weapon

The Chamber of Mines questions not only the mandate held by the National Union of Mineworkers (NUM), but also the numbers involved in Wednesday's stayaway to mourn for those who died in the Kinross disaster.

The NUM bases its support on a stayaway of 325 000 mineworkers, the Chamber has computed the figure as 238 000, including 53 000 from Gencor's Kinross Gold Mine, who were given the day off.

Mr Cyril Ramaphosa, general secretary of the NUM, told the BBC's Radio 4 on Wednesday that the only weapon mineworkers could use was their labour

"We have lived through a state of emergency. In the townships we've been under attack, not only in the townships but also in the compounds (and) hostels," Mr Ramaphosa told BBC interviewer Mr Graham Leach during the programme "The World Tonight"

'Weapon'

"Mineworkers have also been under attack because they have been barred from even going into the towns because of the regulations of the state of emergency, and the only weapon that they can use is their labour, and their labour happens to be an economic weapon that we could use to fight against the State, to resist the State and to mount a struggle to achieve our liberation," the union leader said

Describing the miners' stayaway as a "coming of age", Mr Ramaphosa said the membership would in future respond to any call and would have to take more positive action than in the past

"The membership also expects calls on fairly important and sensitive issues such as sanctions and basic political rights"

Mine safety rating system defended

The Chamber of Mines has strongly defended the internationally devised safety rating system used on its member mines.

Last night, a British television company, Granada Television, showed a film to millions of viewers in Britain on the Kinross mine disaster, which claimed 177 lives last month.

The film alleged the International Safety Rating System (ISR) was bogus and used nowhere in the world except at a few mines in the United States.

A spokesman for the Chamber of Mines said today that since the ISR was introduced on member mines in the late 1970s, injury rates had more than halved and there had been a dramatic reduction in fatalities.

Asked why mines with a five-star ISR rating sometimes had a higher fatality rate than mines with fewer stars, the spokesman said that the system was devised to measure mine managements' safety efforts.

"A five-star mine with extremely difficult mining conditions may well have a higher fatality rate than a three-star mine, but the safety measures exercised at the five-star mine far exceed those at the three-star mine," the spokesman said.

● See Page 19.

Chamber of Mines rejects claim on safety measures

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DD 15/10/86

JOHANNESBURG — The Chamber of Mines has dismissed charges by a British television company that the safety rating system used in South African mines is "bogus" — and is not widely used elsewhere.

"Bogus is an ugly word to give to something which prevents people being killed," said the head of the chamber's mine safety division, Mr Anthony Gill.

Since the introduction of the safety system in the late 1970s, injuries on South African mines had halved — and there had been a "dramatic" drop in the number of fatalities, Mr Gill said.

He was reacting to the screening this week, by Britain's Granada television, of a programme blaming the Kinross mine disaster on management negligence — and describing the safety rating used by South African mines as "bogus".

The programme also said the system, introduced with the assistance of the United States Loss Control Institute, was not used in European mines and was employed by only a few mines in the US.

Mr Gill said the system, known as the International Safety Rating system (ISR), was used by the Canadian mining industry, which was the world's second largest.

The ISR was also used in Chile and in about 35 mines in Australia.

He said that in the first six months of 1986, South African collieries administered by the chamber had recorded 0,24 fatalities per 1 000 workers, compared with 0,62 for all South African collieries and 0,64 in the US, the world's largest coal producer.

On member gold mines, the fatality rate was 0,81 per 1 000 workers, "a more than significant reduction" on the figure before introduction of the system, according to Mr Gill. — Sapa

FIN MAIL 17/10/86

MINE WAGE TALKS

Closer, but still apart

There was some movement when the Chamber of Mines and the National Union of Mineworkers (NUM) met in the presence of a mediator last Thursday to try to thrash out their wage dispute But, although this has raised hopes that accommodation could be reached when they meet again on Thursday, settlement is by no means assured.

The main feature of last week's proceedings was the chamber's decision to raise its wage offer for the highest job categories by one percentage point. On behalf of the four mining houses still involved in the negotiations — Anglo American, JCI, Gencor and the gold division of Rand Mines — it is now offering increases ranging from 19% to 23% for the highest and lowest job categories respectively NUM, it is understood, has indicated a willingness to reduce its demand for a 26% wage increase, but by what amount is not known.

According to chamber industrial relations adviser Johann Liebenberg, the union's demand for a paid holiday on June 16 has been placed on the back burner and the other outstanding issue is the question of security

Chamber's Liebenberg ... warning that mediation could fail

of income for workers who are transferred from one job to another due to disability or illness.

NUM is demanding that these workers should be guaranteed the same rate as for their old job for a period of six months, irrespective of the reason for their incapacitation, and that this amount should thereafter be scaled down to the rate for the new job over a period to be negotiated. The chamber, on the other hand, is offering to increase the amount of paid accident leave from 42 to 56 days a year and to allow it to accumulate to 112 days over a two-year period. Says Leibenberg. "We have indicated we won't move any further than that. This may still cause a breakdown in the mediation "

It remains to be seen whether the mediator, Julian Riekert, director of the Independent Mediation Services of SA (IMSSA), will be able to bring the two sides together. ■

elcentre corporation limited

Incorporated in the Republic of South Africa
Registration No 68/11488/06 ("Elcentre")

INTERIM REPORT
FOR THE SIX MONTHS ENDED 31 AUGUST 1986

GROUP HIGHLIGHTS

- **Earnings up by 44%**
- **First interim dividend declared**
- **Improved operating return on assets**
- **Strengthened financial position**
- **Group poised for future growth**

RESULTS

	Unaudited Six months ended 31 August 1986	Unaudited Six months ended 31 August 1985	Audited Year ended 28 February 1986
	R 000	R 000	R 000
Sales	37 040	38 116	72 906
Operating income	3 116	2 792	5 461
Finance costs	755	1 293	2 825
Income before taxation and extraordinary items	2 361	1 499	2 636
Taxation	522	207	136
Net income before extraordinary items	1 839	1 292	2 500
Attributable to outside shareholders	314	234	301
Attributable to shareholders	1 525	1 058	2 199
Extraordinary items	81	161	617
Net income	1 444	897	1 582
Dividends Interim	880		
Final			715
Retained earnings	564	897	867
Weighted average number of shares in issue (000s)	22 000	22 000	22 000
Earnings per share (cents)	6,9	4,8	10,0
Dividends per share			
Interim (cents)	4,0		
Final (cents)			3,25
Operating income to sales (%)	8,4	7,3	7,5
Return on average operating assets (% p a)	41,2	34,1	37,4
Current ratio (1)	1,35	1,21	1,27
Liabilities ratio (1)	1,66	2,33	1,75
Gearing (1)	0,59	0,97	0,73

COMMENTS

- The substantial improvement in results achieved for the half year reflects
  - enhanced margins
  - improved cost controls,
  - rationalisation benefits
- Tight control over working capital, together with lower interest rates resulted in a 42% decrease in finance costs
- The group's balance sheet has strengthened, with lower borrowings and enhanced liquidity, in line with declared objectives
- Reflecting the group's progress the directors have declared an interim dividend of 4,0 cents per share which includes an extraordinary payment of 2,0 cents per share, being equivalent to the reduction in the 1985 dividend (due to abnormal foreign exchange losses in that year)
- Subject to no major adverse developments in general economic conditions, the directors envisage that profits for the second half should be similar to those of the first half, which will enable them to declare a final dividend of 3,5 cents per share, resulting in total dividends for the year of 5,5 cents per share (excluding the extraordinary portion of the interim dividend)
- Elcentre has completed its consolidation phase and is now poised for further growth, both by acquisition and internal expansion

NOTICE OF DECLARATION OF INTERIM DIVIDEND

Notice is hereby given that an interim dividend of 4 cents per share has been declared payable on or about 17 November 1986 to shareholders registered at the close of business on 7 November 1986

The share transfer register of members will not be closed for the purpose of the payment of the above dividend

Non-resident shareholders' tax at the rate of 15% will be deducted where applicable

By Order of the Board
ELCENTRE HOLDINGS (PTY) LTD
(Secretary)

14 October 1986

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PO Box 4403
Johannesburg
2000

Transfer Secretaries
Hill Samuel Registrars (SA) (Pty) Ltd
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Directors R L Mowszowski (Chairman and Managing Director), N P Mowszowski, C A Mowszowski, P C Aginsky Z Mowszowski H R Levin

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Volume 2, Number 41 FRIDAY OCTOBER 17 to THURSDAY OCTOBER 23, 1986

THE PAPER FOR A CHANGING SOUTH AFRICA

THE CHILDREN OF VIOLENCE
Are township kids becoming a second 'Khmer Rouge?'
PAGE 14

SHOCK EQUINUS BARE-LEGS PIN-UP
Horrifying visage of man behind the tarnished halo
PAGE 26

214 210 200 1004 180 Weekly Mail 17/10/86.

Mines face strike threat

By SEFAKO NYAKA

WAGE talks between the Chamber of Mines and the National Union of Mineworkers deadlocked at mediation level yesterday, opening the way for a legal strike

In the past two years wage talks between the two parties have reached deadlock resulting in limited strike action, but this year's deadlock might lead to an all-out confrontation

According to sources close to the National Union of Mineworkers, their members are in an extremely militant mood and judging by the present political climate in the country — the State of Emergency, detentions, the closure of black schools — the forthcoming strike could involve other sectors in sympathy strikes

Hours after the negotiating team returned from the abortive mediation meeting, workers were preparing strike ballot papers

On Monday NUM will conduct ballots on all Chamber-affiliated gold and coal mines, a union representative said

A mediator was appointed after the Conciliation Board failed to resolve a dispute between the two parties over wages and working conditions.

NUM had declared disputes with 29 gold mines and 18 coal mines affiliated to the Chamber

Initially the union demanded a 30 percent increase across the board, against the Chamber's offer of between 15 and 20 percent

At a mediation meeting last Friday the union dropped its demand to 26 percent and the Chamber agreed to increase its offer by one percent

At yesterday's meeting the Chamber demanded that the union drop its "income security" demand and "it would consider increasing wages", a NUM representative said

Income security, according to the NUM representative, means that if a worker is transferred to a lower job category because of

●To PAGE 3

SOME of the Mozambican mineworkers affected by last month's order to suspend recruitment have been reprieved.

About 750 Mozambican mineworkers who were affected by last month's government order to suspend the recruitment of Mozambican workers will now be permitted to enter South Africa, as a result of negotiations between the Chamber of Mines and the government.

This was announced yesterday by the president of the Chamber of Mines, Peter Gush, addressing a function at the East Rand Premier Mines in Boksburg.

No further details were available

Gush said Mozambicans had been a source of labour on the gold mines and Mozambique depended heavily on their income. It was a matter of great regret when relations between the mining industry and Mozambique were threatened.

Weekly Mail 17/10/86 210

Mine strike ballot next week

injury, he should be paid his original wages for six months

NUM's other demands included job security, a shorter working fortnight, a paid holiday on May 1 and improvements to fringe benefits such as leave, vacation pay, death benefits and maternity leave.

The talks between the Chamber and the NUM hit a snag when they began in May At the first meeting the Chamber set a number of preconditions to the talks, most of which were rejected by NUM

These included that NUM accept a schedule indicating the mines it represents, that talks for gold and coal mines be separated, if necessary, that outstanding matters of the 1985 wage negotiations not be allowed to affect this year's talks, that any settlement reached be regarded as full and final, that no cost-related changes in conditions of employment be implemented before July 1, and that NUM accepts various exemptions, sought by the Chamber, from the

●From PAGE 1

Basic Conditions of Employment Act

Last month a Chamber representative said "On July 1 the Chamber implemented the wage offers after an agreement with the union However they later came back and told us that after after consulting with their members they were now rejecting the Chamber's offer "

A new round of talks was started and several issues were resolved leaving wages and income security as the only unresolved issues

When the parties failed to reach an agreement on these issues, the matter was taken to the Conciliation Board

When the Conciliation Board failed, a mediator was then appointed

Confirming the deadlock of yesterday's negotiations, the Chamber's industrial relations advisor, Johan Liebenberg, said the Chamber regretted that its mediation attempts had foundered

"At the mediation sessions an additional three percent was offered to surface gold mine employees and underground colliery employees

"An additional four percent was offered to underground gold mine employees, both effective from October 1, 1986 '

Liebenberg confirmed that at the final stages of mediation only two issues remained

"On the question of wages both the Chamber and NUM indicated that they remain negotiable, but both parties were inflexible on the income security issue," he said

The Chamber had already offered to increase paid mine accident leave from 42 to 56 days per annum, cumulative to 112 days, and was not prepared to improve this offer further, Liebenberg added

He said NUM, on the other hand, was not prepared to negotiate further on wages if the Chamber's proposals did not include an improvement on the issue of income security offer

The Num said it would issue a statement later today

STAR 20/10/86

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Chamber, NUM in new bid to avert strike action

Mr Cyril Ramaphosa, general secretary of the National Union of Mineworkers (NUM), has accepted an invitation from the Chamber of Mines to meet today in a fresh bid to secure a wage agreement and avert a strike

Negotiations broke down last week when the second attempt at mediation in the wage dispute failed

Despite today's talks, the NUM is pressing ahead with a strike ballot at some gold and coal mines at which the union is recognised

Both management and the union are believed to be negotiable on wages, but a major stumbling block is income security for workers transferred to lower-paid jobs because of injury at work

Last week, when talks collapsed, the NUM was demanding an across-the-board 26 percent increase (down from its initial demand of 45 percent)

The chamber originally offered rises ranging between 11 and 16 percent

Increases ranging from 15 to 20 percent were implemented by chamber mines on the traditional date of July 1

During mediation, the Chamber of Mines improved its pay offer to between 19 to 23 percent

The chamber also offered to increase paid mine accident leave from 42 to 56 days a year, to a cumulative total of 112 days a year

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Fears of ban on American firms trading in SA shares

24/10/85 TMR

By Sven Lunsche

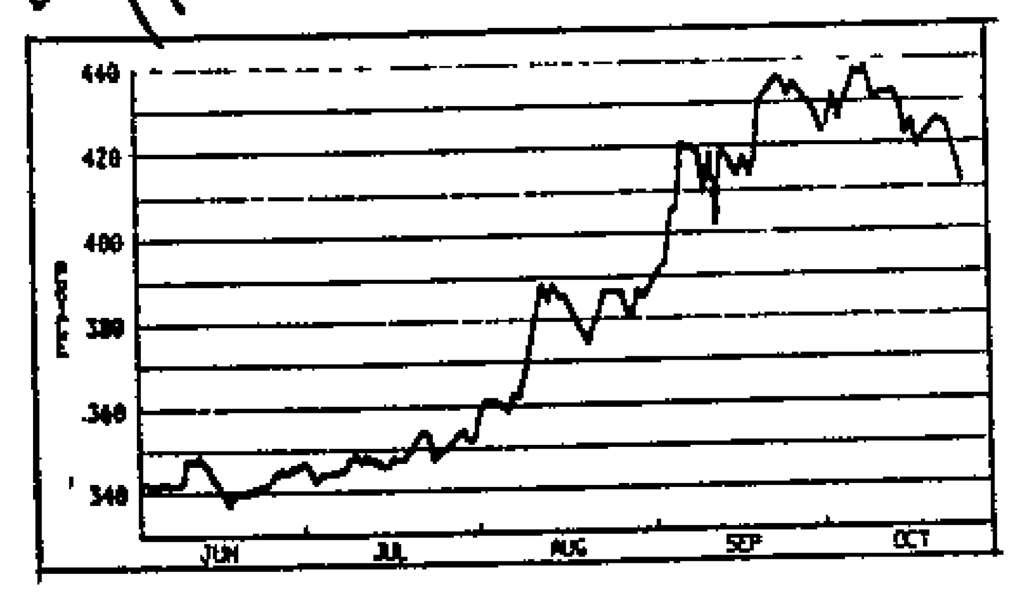
The Chamber of Mines has confirmed that its overseas gold promotional company, Intergold, would be taken over by the new World Gold Council.

"Intergold will, however, remain in existence as a South African company to manage the domestic and proprietorial interests of South African gold producers, members of the Chamber of Mines and will retain its Johannesburg office," a spokesman said yesterday.

"It will continue to sell gold in the form of Krugerrands, locally and overseas on behalf of South African producers.

"It will also continue to promote gold jewellery within South Africa and manage its other interests in this country.

"Some compensation may be paid by the World Gold Council for Intergold's relatively modest foreign assets — mainly office equipment — but no payment will be made for any goodwill which would in any case be difficult to quantify."



Gold price in dollars

There is some speculation on the Johannesburg Stock Exchange that American companies could be prohibited from trading in South African shares

In the wake of recent announcements of withdrawals from South Africa of US multinationals like IBM and GM, analysts said that an extension of the US legislation could include a ban on investments in local shares

This speculation has not been substantiated, but the rumour was enough to trigger off a flurry of US selling pressure yesterday afternoon

Over the last two to three weeks 'there has been major profit-taking, much of it from US investors on fears that the recent ban on US investments and the subsequent corporate pull-out could have repercussions on investments in the local stock market.'

The JSE All Gold index plummeted by almost 70 points yesterday to close at 1 863, and dealers expect more profit-taking in the next weeks.

South African gold shares are also expected to be hit by expectations that the gold price could be hard-put to maintain levels of over $400 after signs that the US dollar is set to strengthen in the next few weeks.

Gold opened at a two-month low of $412,90 in Hong Kong this morning, shedding more than $10 on yesterday's close, while in New York it dropped by $12 to a closing level of $414,80 last night

European metal markets are expected to follow suit this morning.

The dramatic drop came hard on the heels of yesterday's announcement that the US budget deficit for the financial year was about $10 billion less than anticipated, although it recorded a record $220 billion.

US orders for durable goods also jumped by almost five percent yesterday, the largest monthly gain in two year, suggesting that a rebound by US manufacturers is imminent.

These signs of strengthened US economic growth fuelled a powerful rally by the dollar, which hit a three-month high against the yen and rose substantially above the two Deutschmark level.

Within minutes of the announcements the gold price plummeted to its depressed levels, and dealers now suggest that bullion is set for a downward trend for some time to come.

Analysts added that "the lack of bad news" from South Africa's political and labour scenario had recently exerted downward pressure on the gold price, and today's wage agreement between the NUM and the Chamber of Mines is expected to put the lid firmly on any speculative buying on this account.

Bullion will also be negatively affected by a more stable oil price, and news emerging from the Opec summit talks suggest that an agreement on the allocation of quotas is highly likely.

A controlled oil price will have a deflationary impact in the industrialised countries and could reduce gold's importance as an inflationary hedge.

ECONOMY

Argus 24/10/86 210

Mines' earnings a chart-buster

By DEREK TOMMEY
Finance Editor

ALMOST every sector of the mining industry — South Africa's major income generator — is booming and enjoying a record income, latest Government figures show

In July the mining industry earned R2,86-billion, which was R652,7-million or 29 percent more than in July, last year

The boost in earnings is the result of the steady increase this year in the price of gold and platinum and the lower rand which helped boost export sales of other metals and minerals

The value of gold sales in July was R1,72-billion — an increase of 25,2 percent on July last year

MINERAL SALES

However, the increase in the value of all other mineral sales was almost a great Their sales jumped R306,0-million or 36.7 percent to R1,14-billion

A 115 percent jump to R132,3-million in diamonds sale and a 70,3 percent rise to R351,5-million in revenue from "other" minerals — mainly platinum — were major contributors to the increase But other metals also played a part

Coal sales were 16,1 percent highr at R466,2-million, chrome 19,4 percent higher at R21,5-million,copper 21,2 percent up at R53,7-million, managanese 53,2 percent up at R38,3-million, and asbestos 13,5 percent higher at R8,4-million

The only decrease was in iron ore sales At R37,4-million they were 8,1 percent lower than in July, last year

With mining income sharply higher other sectors of the economy can also be expected to benefit and this seems to be the case

Another release from Central Statistical Service shows that the two years contraction in manufacturing output has clearly ended, and the sector could be entering a new expansionary phase

The physical production index (1980 = 100), seasonally adjusted, after dropping to a seven-year low of 89,2 in March had recovered to 95,4 in June and to 94,6 in July, which was a slightly higher figure than in July, last year This was also the first time for two years that for two months running the index had been higher than a year earlier

However, actual production figures show that conditions in the manufacturing sector are still extremely patchy

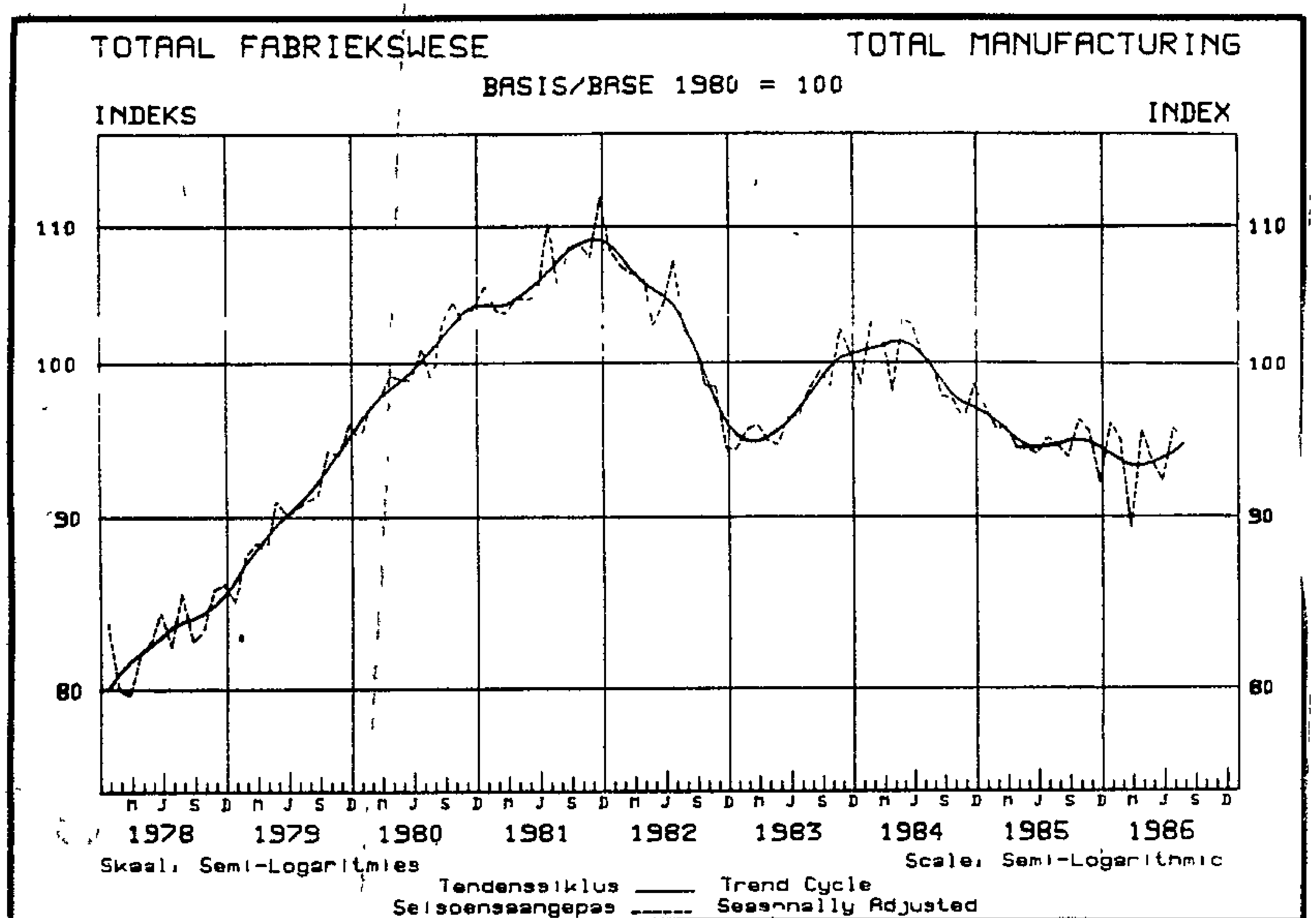
Manufacturing sectors showing big increases in output in August compared with a year ago were glass (18,3 percent), paper (13,9 percent), industrial chemicals (10,8 percent), non-ferrous metal products (9,0 percent), wood products (9,3 percent) and clothing 8,0 percent

TRANSPORT EQUIPMENT

Other production increases were iron and steel (5,8 percent), machinery (5,4 percent), tobacco (4,6 percent), other chemicals (4,2 percent), and scientific instruments (2,9 percent)

On the other side of the coin output of transport equipment was down 27,4 percent while output of cars was down 6,2 percent

Production of non-metallic minerals was 23,0 percent lower than a year ago Output of food and beverages was also down on last August, as was production of footwear, plastics, textiles and metal products



World 'might not appreciate it', but ...

Bus Day 24/10/86

Relly calls on govt to stay on road to reform

STEPHEN ROGERS

THE possible imposition of total sanctions against SA will make it clear to South Africans they are being singled out for punishment as members of the world's leading pariah state, Anglo American chairman Gavin Relly said at the AGM of the SA-Israel Chamber of Commerce yesterday.

He urged government to continue on its road to reform However, he doubted if the international community would fully appreciate these reforms.

"We cannot be assured of the international community's support for these changes which might not — for a variety of reasons — satisfy the mob rule which pronounces judgment from afar on SA."

The chairman warned against SA adopting the attitude that nothing it could do would please the international community and, as a consequence, slowing down the reform programme.

Should this happen the countries which supported SA — those which saw that sanctions were a foolish and unwise policy — would come under increasing pressure to adopt a more hardline view.

"We must make every effort to convince the international community of the justice and credibility of the cause of reform," said Relly

The chairman went on to talk about the principles set out by the State President for a new society in SA — one citizenship, full participation by all people and equality of opportunity and education.

The development of a new constitution incorporating these principles should be a matter for South Africans and South Africans only

Negotiations necessary to produce a new constitution should not take place under duress, he said

Existing sanctions not only diminished SA's ability to create wealth but would also diminish its ability to pay for reform

CHERILYN IRETON reports that Anglovaal chairman Basil Hersov, in his annual report, said sanctions would drive SA into a siege position and negate the private sector's ability to influence change.

He called for conditional aid to boost SA's socio-economic growth.

Economic growth was too slow, said Hersov, who suggested that conditions be attached to the financing of schools, housing, teachers and jobs.

Turning to law and order, he called for responsible and disciplined enforcement, answerable to the courts

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State capex priorities need revising — Relly

By Stan Kennedy

South Africa had spent large sums on costly infrastructure projects, many of which should not have been high on the list of priorities, Mr Gavin Relly, chairman of Anglo American Corporation, told the the annual meeting of the South Africa Israel Chamber of Commerce.

He cited under-utilised dams, dual carriageways and state buildings and said the emphasis should now be on building houses and infrastructures in many of the poorer areas

Growth had been inadequate to provide employment for the increasing number of people coming on to the labour market Over the past five years, total employment of all races outside agriculture had increased by only 22 000 jobs a year against a requirement of more than 300 000 a year.

With South Africa becoming a net exporter of capital, much of the work of improving educational facilities, building houses and the necessary basic infrastructure might have to be shelved But it was possible if the country could reallocate its resources or achieve higher economic growth than that achieved in the last few years.

"We should have a business strategy for dealing with sanctions but, more important, we should have a political strategy to diminish sanctions and prevent their consolidation and growth."

Mr Joe Hallis, chairman of the SA Israel Chamber of Commerce, reported that South African exports to Israel in 1985 were R267,1 million compared with R192,5 million in 1984. Israel's exports to South Africa in 1985 were R116,2 milion compared to R123,6 million in 1984

29/10/86

(210)

STAR

Sanctions must not halt reform says Relly

A political strategy to diminish the effect of sanctions is more important than a business strategy for dealing with them, says Mr Gavin Relly, chairman of the Anglo American Corporation.

"I fear that, rather than speeding up the process of reform, the imposition of sanctions and the desire to beat them may take our eye off reform," Mr Relly told a meeting of the South Africa Israel Chamber of Commerce recently

It had become clear, he said, that one could not easily have political reform without economic growth — "although, no doubt, we could more easily have revolution

"But South Africa has now become a net exporter of capital which means that much of the work of improving educational facilities, developing housing and necessary basic infrastructure will have to be shelved unless we can reallocate resources or achieve higher economic growth than has been possible in the past few years," he said

Growth had been inadequate to provide sufficient employment for the "large and ever-increasing percentage of South Africans who are of working age" — and the situation had deteriorated in recent years, he said

The Government must continue as speedily as possible with reform and, while he believed it would, "the difficulty is that we cannot be assured of the international community's support for these changes which might not satisfy the mob rule which pronounces judgement from afar on South Africa and expects instant rectitude.

"In these circumstances we can easily fall into a state of mind which tells us nothing we do can possibly please the international community and therefore we might as well slow up the programme of reform . I think this would be a policy of despair and I want no part of it

"Sanctions, to the extent that they diminish South Africa's ability to create wealth, will also diminish its ability to pay for reform which, in the last resort, is not least a matter of finding the wherewithal to allow the bulk of the people to be drawn into a better way of life."

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D-Day for Chamber's wage offer

By SEFAKO NYAKA

THE Chamber of Mines will only know today whether members of the National Union of Mineworkers (NUM) accept the chamber's revised wage offers and "income security" proposals made at a meeting on Wednesday night.

When talks between the chamber and NUM deadlocked at mediation level last week, the union immediately prepared for a strike ballot on the mines.

But on Monday, the day on which the union was to have started balloting, the chamber summoned NUM to a fresh round of talks to resolve the wage review dispute in an apparent bid to stave off a legal strike.

After a lengthy meeting on Wednesday, NUM negotiators accepted the chamber's revised wage offer and its proposals on income security, a term referring to the practice of paying a mineworker his original wages for a period after his transfer to a lower-paid category because of job-related injury.

But the agreement has not completely ruled out the possibility of a strike, because the agreement does not cover all chamber-affiliated mining groups.

Agreement has been reached with Anglo American, Gencor, JCI and Rand Mines Gold Mining Division It excludes Goldfields and Rand Mines Coal Division

"We remain in dispute with Rand Mines (Coal Division) and Goldfields because they didn't make an offer on wages," said a NUM representative

According to NUM, the two houses said they would go along with its income security proposal "if it is going to constitute a full and final settlement for them, but when we indicated that we are still pushing ahead on the wage proposal, they opted out"

If the workers decide on strike action, it appears it will not be easy to confine it to Goldfields and Rand Mines (Coal) This might prompt the mining houses with which NUM had reached agreement to lean heavily on the two houses to reach settlement

At this week's meetings, the chamber agreed that if a worker is transferred to a lower job category because of injury, he should be paid his original wages for six months

The chamber also agreed that the six-month period should commence when the doctor has declared the employee fit to work again and the employee is placed in a lower-paid job.

The chamber agreed to include diseases such as tuberculosis, pneumoconiosis, chronic manganese poisoning, partial loss of sight and loss of hearing and various job-related respiratory diseases in the proposals on income security.

The chamber also increased its wage offer to between 19,5 and 22,5 percent for underground workers and between 20,5 and 23,5 percent for surface workers

Initially the union demanded a 30 percent increase across the board, against the chamber's offer of between 15 and 20 percent

At the abortive mediation meeting the union dropped its demand to 26 percent and the chamber agreed to increase its offer by one percent

A chamber representative confirmed that some affiliates had reached agreement with NUM a US-style publicity stunt dreamt up by

See Page 6.

Rand Mines lifts profits to a record

BUSDAY (210) (249)

31/10/86.

CHERILYN IRETON

RAND MINES, rejuvenated by an extensive capital expansion programme, has lifted profits to a new record for the year to September.

Earnings are up 21% to 1 197c a share (989c previous year) while the net worth of Rand Mines shares had increased to 8 728c (5 637c) at end September.

With earnings from gold, coal, base metal sales and investments higher than expected, the mining house has increased its final dividend by 55c to 320c, making a total of 425c (350c) for the year.

Although taxed profits rose a creditable 16% to R154m (R133m), chairman Dammy Watt says results would have been more impressive had the depressed property market not drained the contribution from the 76%-owned Rand Mines Properties.

Watt says: "All in all it was a most satisfactory year with better investment techniques and cash management resulting in a strong increase in interest received."

Turnover, assisted by the low value of the rand, rose 19% to R787,2m (R661,4m) while operating profit was up 27% from R221,4m to just under R282m. Taxation increased to R128m (R98m) of which R80m was deferred.

Cash holdings amounted to R266m at the year end while amost half of shareholders funds were tied up in long term loans. These include an amount of R249,1m owing to Escom for the development of the Majuba and Khutala power station collieries.

Rand Mines, through a proposed acquisition of 42% of Vansa Vanadium, is poised to enter the vanadium and possibly, platinum markets.

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Gencor shocker

● From Page 1

clusion of corporate strategy and policy issues, which are within its charter.

"The agenda is said frequently to include trivial subject matter. The executive committee does not give appropriate weight to personnel management and labour relations issues.

"Constructive debate on major divisional policy issues does not take place. Members dehave as though they live in 'glass houses' and avoid 'throwing stones' involving direct criticism of each other.

"Gencor staff are generally dismayed to see little happening in the executive committee to establish a clear direction for the group.

"Personnel relations tend to be dealt with in a mechanistic and bureaucratic way.

Poor results

"There is a sense that the time of senior Gencor management is absorbed by membership in to many boards of directors of operating companies.

"Gencor management is insufficiently demanding of operating unit heads in the presence of poor results. Command presentations to discusss unsatisfactory results should be required by the executive committee at its meetings, but are not

"The industrial companies report they have little to gain by associating themselves with the Gencor name.

"Senior management of the mining division is not spending adequate time on macro-issues (especially worldwide issues) with respect to gold, platinum, uranium and other issues

"A comprehensive, coherent minerals/mining strategy has not yet been developed and is needed

"There are too many levels of heirarchy in the mining division (14 in total — five at head office, nine at lower levels).

Risks

"A sense of lack of being respected by senior management is evident among heads (managing directors) of mining units over being excluded from the mining executive.

"Decision making in the mining division tends to be slow and to lack a full consideration of personnel issues

"There is little interaction between mining and industries .Sappi is too big and too important an investment to be reporting to Gencor through an industrial group. It should be directly represented at corporate level

Gencor's investment policies are damned as "opportunistic without thorough inquiry into risks and perils — Tedelex is an example"

Arthur D Little says Gencor lacks a broad corporate strategy which takes global issues into account On corporate strategy it recommends that domestic and global political scenarios should be taken into account.

"There is evidence of an unstructured opportunistic approach to acquisition analysis and often there is no clear link to perceived corporate interest or focus. The review of proposed acquisitions is viewed as not being tough minded. There is little will to challenge a division director's decision to proceed with an acquisition

"Some attribute Gencor's poor record in acquisitions to the failure of the executive committee structure to encourage constructive debate and substantive challenge to the arguments in favour of the acquisition

Stilted

Gencor's public relations are described as "weak", corporate communication as "stilted".

"Gencor is generally perceived as a SA mining finance and industrial house under Afrikaner control and influence Other similar SA houses are seen as being under an English influence.

"To the extent that Gencor is perceived as being under Afrikaner control, its recruiting of new technical and executive talent is somewhat limited In a market such as this, where there is a great demand for talent, this tends to put Gencor at a disadvantage.

"Gencor's tradition during the De Villiers tenure of 'taking care of its people' has altered in recent years to the point that it is now at the lower end of the scale in terms of compensation and perquisites. At the same time, there is little staff loyalty towards Gencor.

"Salary administration is rigid, internally inconsistent and not responsive to market conditions.

"The image of top mining division management among blacks is . both militaristic and paternalistic ... Labour relations in the mines are reported to be generally negative.

"The work forces are very different as between mining and most industrial holdings. The danger of secondary boycotts and work stoppages is real and may warrant the distancing of industrial interests from the mining interests."

Rent merger

MESSINA Heavy Vehicles and Super-Rent have formed truck-rental operation on the Witwatersrand. Nissan Truck Rental Nissan Truck Rental will have a fleet of 230 units, ranging from bakkies to 1 500kg trucks.

By Don Doherty

US consultants condemn autocratic management

2/11/86.

Gencor shocker

SUNTIMES ~~BUSINESS DAY~~ 210 ✓

GENCOR lacked purpose and direction under former chairman Ted Pavitt and tolerated neither criticism nor questioning, says a damning report by US consulting firm Arthur D Little.

By David Carte

The bombshell report follows an investigation of Gencor by the prestigious American consulting firm. The inquiry was commissioned by Fred du Plessis, chairman of Sanlam and Federale Mynbou, Gencor's holding company

The report preceded the appointment of Derek Keys as executive chairman and the retirement of Mr Pavitt, Johan Fritz, head of Gencor's mining division, and Basil Landau, head of the industrial division

Devastating

Arthur Little's investigation took two months and involved interviews with 43 executives

It names no names, but it passes devastating judgment on the regime of Mr Pavitt and his five-man executive committee. Mr Pavitt refuses to comment on the report

Mr Keys was abroad this week and not available for comment, but he has already acted on the report

Some quotes from the report

"As a business organisation, Gencor exhibits lack of purpose and direction. There is an absence of a forceful management spirit, which defines and pursues a clearly stated mission and corporate strategy.

"There is no evidence among key staff of a clear perception of the group's direction A sense of uncertainty and drifting on the part of the group is expressed and is widespread

Confidence lack

"Gencor has a negative and unfocused corporate image both within the company and among the public This relates to perceived lack of management leadership and or inept management performance

"Gencor needs to develop a sense of focus Some believe this can be achieved by strong leadership and a clear vision for the group, including a position on the major political/social issues of the day

"The JSE valuation of Gencor stock — and the stock of affiliates — reflects lack of public confidence in the group

"A sense of identity and loyalty toward Gencor on the part of its employees does not exist generally Employees tend to be loyal first to their individual company They tend not to value highly being a Gencor employee

"Gencor's lack of focus internally contributes to a troubled sense, verging on insecurity, among Gencor employees

"Old antagonisms deriving from the Union-General Mining merger persist broadly throughout the mining group

"Gencor needs a top management which understands the needs and characteristics of commercial and industrial businesses as well as mining

"Current Gencor management style tolerates neither cricitcm nor questioning

"Decision making affecting operations occurs at too high a level in the mining sector"

Ineffective

The report says "management by committee as practised by Gencor does not work"

"The present executive structure is ineffective There is a recurring sense of indecision or inaction on the part of top management in connection with unresolved issues.

"The present group of executive directors does not work well together The executive committee is reported to deal frequently with operational matters beneath its charter, to the ex-

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Winkelhaak's new shaft complex will up output

CHERILYN IRETON

GENCOR'S Winkelhaak gold mine could increase its production by about 10% when its new R256m No 6-shaft complex swings into operation.

Mining will begin from the ventilation shaft in the second half of 1988, with the main shaft becoming operational in 1991 At full production the new shaft complex will supply the mill with about 130 000 tons of ore a month.

However, this will not have a dramatic impact on overall production because the ore will be used to replace the diminishing reserves from the No 5 shaft, now nearing the end of its life The No 5 shaft at present contributes about 105 000 tons of ore a month

Meanwhile, Winkelhaak management has disclosed the efficiencies achieved by using mechanised mining techniques, particularly water jets, in its stopes

The high-powered jets, used to sweep broken ore from the footwall, can move about 40 tons of broken ore from the working panel in a two-hour period. Using conventional mining methods, only four tons of ore would be used during the same period.

At present Winkelhaak has 11 pumps, powering 44 jets, moving about 90 000 tons of ore a month. They are used extensively in the No 5-shaft system and have recently been introduced to the No 2 shaft.

To maximise efficiency, the jets are used only in panels of about 18m at a dip of about 25 degrees.

Winkelhaak's mining engineer says two thirds of the 1 750*l* of water used to move each ton mined is recirculated, while the balance goes through the reduction works

The water is chilled to help reduce heat.

To supply the water required for jetting, a dam is constructed underground.

Most of the cleaning is carried out during night shift to avoid draining water required for drilling

COMMODITIES

NBus 12/9/86 (217

'Platinum prices to remain steady with higher demand'

LONDON — The outlook for platinum prices is not easy to predict with market conditions unsettled, but with demand improving and speculative support stemming from the South African political situation, there is little prospect of prices falling to 1985 levels, Johnson Matthey says in its interim review of the market

Supply is seen falling short of demand for the second successive year, although the gap may be narrower than 1985, as output in South Africa will be slightly above last year

Higher prices have encouraged the two major producers there to maximise output, while Soviet shipments also appear higher

Total supply in 1986 is provisionally estimated between 2,63 million and 2,98 million ounces, or at a mean 2,81 million, compared with 2,74 million last year, and close to 1980's all-time highs

South African production is put between 2,23 and 2,48 million ounces, against 2,32 last year Both Rustenburg and Impala will have utilized existing capacity to the full, with the latter producer striving to make up production lost during the January labour dispute, Johnson Matthey said

Although it may never be confirmed, the reduction in Impala's output may be slight, Johnson Matthey added

Soviet exports are expected above last year's levels, mostly due to increased deliveries in Japan, which by the end of July were nearly 29 percent above the comparative 1985 level

This may reflect the need to recoup lost oil revenues, although for much of the year there was no sign of increased Soviet sales, nor a post-Chernobyl rush to secure hard currency to pay for possible increased Soviet Grain imports

Soviet sales this year are expected to rangebetween 240 000 and 300 000 ounces, up from 230 000 ounces during 1985, Johnson Matthey says

Total demand this year is expected to be some 2,82 million ounces, a 10 000 ounce increase over last year, as purchaes in the autocatalyst and investment sectors rise

INVESTMENT

Autocatalyst demand is put at around 935 000 ounces, compared with 875 000 last year, with a slight drop in US offtake outweighed by a sharp rise in Western European demand, notably in West Germany

Investment in platinum bars and coins has also risen sharply this year, and is expected to account for over 400 000 ounces, against 260 000 in 1985, and just 45 000 back in 1982

However, jewellery offtake could fall this year due to high prices, with demand possibly dropping to 670 000 ounces, against 810 000 At best, this sector may only show a 50 000 ounce increase

Palladium demand in 1986 is also seen exceeding supply, Johnson Matthey said elsewhere, with total production estimated at 2,88 million ounces, up from 2,73 million during 1985

But this is likely to be around 85 000 ounces below demand Electronic usage, notably in Japan, is expected significantly higher, and expected to range between 1,18 million and 1,39 million ounces, against 1,10 million last year, it added — Reuter

Anglo expert tells of workplace experiment

STAR 14/11/86 210

By Sheryl Raine

Employers and unions are engaged in a vital experiment in non-racial democracy in the workplace, says an industrial relations expert.

Mr Bobby Godsell, Anglo American's head of group industrial relations, told the *Financial Mail* investment conference in Johannesburg today that all evidence to date indicated the result could well be power sharing and responsible decision-making.

"In the community increasingly employers and unions are addressing jointly issues such as housing, rents, consumer boycotts, influx control and bus fares," Mr Godsell said. "A track record of successful negotiation is being created.

"In society, ever so tentatively, a debate is beginning about the process of political change.

"In the areas of civil liberties, education and law and order, employers and unions are at least debating their respective concerns.

"This year's joint statement by the Federated Chamber of Industries, the Association of Chambers of Commerce and the Council of Unions of SA (on common concerns following the declaration of the state of emergency) is an important indicator of areas of agreement.

"Much depends on whether this activity can be successfully extended.

"These two actors (employers and unions) can demonstrate to the politicians that the politics of negotiation can render mutually acceptable results.

"We live in turbulent times. An old feudal order is crumbling. Few here should be sorry to see it go. In its place a new modern society is emerging."

Mining on the decline

BUSDAY

18/11/86

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Industry Staff

THE physical volume of mining production, including gold, declined by 5,6% in August when compared with August 1985

This is a larger decline than the 3,1% for July and is also larger than the average decline of 2,7% reported for the first eight months of this year

Figures released by the Federated Chamber of Industries show that the total, excluding gold, declined by 3,5% in August 1986 This is larger than the 1,5% for July and is worse than the average increase of 0,6% for the first eight months of the year.

Gold production declined by 6,6% in August which also shows a declining trend since June and is a larger decline than the average of 4,3% for the eight-month period

Among other sections of mining, noticeable increases occurred in the production of copper (14,3%), manganese ore (7,4%), diamonds (5,7%) and building materials (5,4%).

Large declines occurred in the production of asbestos (18,6%) and iron ore (15,4%)

The value of mineral production in August amounted to R2 531,1m of which gold contributed R1 529m or 60,4%

The second-largest contribution came from coal production with R441,3m In third place was diamond production which contributed R51m followed by iron ore with R50,7m

months ended

Gencor hit by strikes

26/11/86 BUSDAY (210)

ALAN FINE

TWO Eastern Transvaal Gencor gold mines and one colliery were hit by strike action yesterday. The reasons for the stoppages are not clear, but they follow a pattern of unrest at the company's mines in the area in recent weeks.

The Bracken and Winkelhaak gold mines were only partially affected. Gencor's gold and uranium division CEO Bruce Evans said 120 of the 400 night-shift employees at Winkelhaak did not report for work on Monday, and 240 of the 6 000 day-shift workers were absent yesterday. At Bracken, 26 of the 105 night-shift employees were absent, and 627 of the 8 300 day-shift workers.

Evans said management had not been given reasons for the stoppages and had been unable to contact National Union of Mineworkers (NUM) officials

At the Matla colliery, the entire 2 000-strong black workforce failed to turn up for work yesterday. Gencor's coal division CEO Graham Thompson said employee representatives expressed dissatisfaction "with the relationship between the NUM and the management of the Kinross gold mine".

Evans said one of the workers injured during an incident at Kinross on Sunday died in hospital yesterday.

A NUM spokesman said last night the union was investigating the cause of the strike

Investment income up a third at Anglo

28/11/86 Star 210

By Peter Farley

Anglo American has increased both interim earnings and dividends by 25 percent, with higher dividends from gold, diamond, platinum and ferroalloy operations boosting investment income by a third to R400 million

The group's total pretax income produced slightly lower growth, with trading income in Anglo American income itself only five percent higher at R235 million, but was nevertheless up to R678 million.

The 62,5c dividend for the six months to end-September is again 2,8 times covered by attributable earnings of 176c a share.

Chairman Gavin Relly offers little in the way of a detailed analysis of group operations, but says that full year results are expected to match the increase seen at the halfway stage.

The vast increases in income from Anglo's mining investments have dwarfed the industrial operations. However, it is understood that the flow of blood at Samcan has been virtually staunched, while pulp and paper producer Mondi is expected to have benefited from improved exports.

The Anglo share price has been consolidating between R65 and R70 a share after nearly doubling this year and rising sharply from a low of around R22 at the beginning of 1985

Friday, November 28, 1986

Sowetan 28/11/86

Scathing attack on mining house

FOCUS

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SOWETAN Foreign Service

London — On the day Barclays Bank announced its withdrawal from South Africa, one of Britain's major television channels this week launched a scathing attack on the London-based Consolidated Gold Fields' investment in South Africa.

In a half-hour documentary, *The Midas Touch,* Consolidated Gold Fields were accused by Granada Television of running a secret military-style training camp on a deserted gold mine where men were trained to suppress disorders on their mines, and of developing special rubber bullets for use against their workers

Film was shown of recruits being drilled

A spokesman for Consolidated Gold Fields in Johannesburg this week said management would comment on the allegations only after seeing the video clipping concerned, which is expected to arrive from London any day now

But Consolidated Gold Fields in London has reacted vigorously to the documentary

The company described the film as "extremely misleading and distorted in content and comment"

Consolidated Gold Fields were also accused of collaborating with the South African army and police to support the apartheid system

Despite its attempts to distance itself from its South African operations, Consolidated Gold Fields is still relying on the apartheid system to promote its business interests, the documentary claimed

Migrant

While its directors in London profess to oppose apartheid, Gold Fields of South Africa's reliance on the migrant work system is strongly defended, it pays wages well under the recommendations of the European Economic Community code of conduct, and its living and working conditions on some mines are so grim that one former employee describes it as "an exploitative and aggressive company, determined to secure its profits at any cost"

Following Barclays' withdrawal from South Africa, Consolidated Gold Fields is now the largest British company in the country

It has already indicated that it will not relinquish its investments — amounting to 48 percent of the South African operations — which have brought nearly R2 000 million to Britain in the past 10 years alone

The documentary, part of Granada television's *World in Action* series, presents a picture far different from the modern, prosperous, forward-thinking company its shareholders visualise from London

Families

Viewers are told that almost all its 70 000 black migrant workers are separated from their families for most of the working year as the price for their jobs

Footage filmed secretly inside Kloof shows unappetising food, squalid, unhygienic eating conditions, cramped living quarters, with rough beds, group showers with no privacy, and sewers which pack up "about twice a week", flooding the compound with raw sewage

None of the company's officers, British or South African, would agree to being interviewed

So the documentary interviews key members in the mining scenario, including University of Cape Town, professor of economics and labour expert Francis Wilson, Cyril Ramaphosa, general secretary of the National Union of Mineworkers and Clive Thompson, the union's legal adviser

They see Gold Fields as the most problematical and least co-operative company, even by the conservative record of South Africa's mining industry

And Professor Wilson says the company has consistently refused to take the opportunity to restructure to provide "anywhere near human" conditions

But, perhaps the image British viewers will find most disturbing is of Gold Fields' 6 000-strong private army, filmed secretly during training sessions, armed with shotguns, teargas, rubber bullets and armoured cars.

They allegedly co-operate with the South African Defence Force and the police on matters of intelligence

"To Gold Fields' critics, the purpose of the security force is simple to keep the lid on the inevitable discontent with the compound system," the documentary claims.

Richard Spoor, the former Gold Fields industrial relations manager who was fired, reportedly for helping a black union, says

"Security can enter, search, do whatever they want, without any warrant, without any prior authorisation They have absolute control over everything that happens in the compounds and on mine property"

He claims the company uses undercover agents and paid informers to infiltrate union meetings and to make notes and recordings of everything that takes place there

Strike

These reports are then sent to head office to the industrial relations department, and when there is any suggestion of a strike, the security force is mobilised, as in last year's strikes

The documentary then shows policy documents which outline the role of the security force, including its military approach to weeding out dissent

Some of its functions are given as screening personnel, combatting labour unrest, combating subversion and sharing intelligence with the SADF and police

MR CYRIL Ramaphosa ... general secretary of the National Union of Mineworkers.

The Star Monday December 1 1986 3

Appeal Court rules NUM's May Day strike illegal

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By Sheryl Raine

The Appeal Court in Bloemfontein has declared illegal the National Union of Mineworkers' (NUM) May Day strike this year.

According to a statement by the Chamber of Mines, the ruling on Friday indicated that a union would lose its right to strike lawfully if it did not call a strike within a reasonable time.

The NUM has not yet commented on the ruling, which also indicated that a union could not merely allege that a dispute existed in order to place itself in a position to strike lawfully

"In order for a strike to be lawful a union must be able to show that a bona fide or genuine dispute does in fact exist," said the Chamber.

The ruling, a landmark in labour law, had effectively removed the protection granted to the NUM against potential civil claims for damages arising out of the May 1 strike on some mines

"The judgment represents a significant development in South African labour law and will impact on employer relationships with the trade unions throughout commerce and industry," said the Chamber

"Employers in the mining industry became concerned earlier this year when the NUM, which was not in a position to call a legal strike on May Day, announced at a national conference that its members would not work on May 1 However, on February 26 1986, the union took steps to try to place itself in a position to strike legally

"It called upon the Chamber to agree to its demand that May 1 be a paid holiday, stating that if the Chamber did not respond by February 28 it would regard itself as being in dispute with the Chamber.

"The union, however, jumped the gun on its own deadline by declaring a dispute on February 27 — a day before its time limit for the Chamber to respond had expired."

When the Chamber challenged the union's action in the Transvaal Supreme Court, Mr Justice D O Vermooten ruled that the existence of a dispute merely had to be alleged.

Nor did he accept the Chamber's submission that the right to strike lawfully, once acquired, could not continue indefinitely.

The Appeal Court ordered the NUM to pay the Chamber legal costs in both the Transvaal Supreme Court and the Appeal Court actions.

3/12/86 (210) BUSDAY

MINING

ADAM PAYNE

Beatrix star performer for Gencor

GENCOR'S St Helena has surprised the market with a final dividend of 260c to total 420c (450c), providing a yield of 7,56%.

Forecasts ranged between 170c and 190c. Earnings in the September quarter totalled 67c.

With the exception of Beatrix, which has been building up tonnage, all Gencor total dividends for the year to December were down compared with a year ago.

Profits were lower because of higher costs and lower grades mined owing to the higher gold price

Buffelsfontein, a June year-end company, has declared an interim of 420c (500c) Earnings per share (eps) in the past two quarters totalled 410c

Beatrix is paying a 50c final to total 65c (15c), yielding 3,7%. The dividend will please the market, which was expecting about 35c.

Marievale's final is 35c — totalling 60c (70c) — yielding 10,7%.

Stilfontein's final is 100c — totalling 215c (290c) — yielding 7%. In the three quarters to September, eps totalled 127c.

Grootvlei's final is a higher-than-expected 105c — totalling 165c (180c) — yielding 8,9%.

West Rand Cons' final is 30c — to total 60c (120c). In the three quarters to September, eps was 50c.

'No basis' for safety-profit link on mines

4/12/86 · ALAN FINE

THE Chamber of Mines has rejected attacks by the National Union of Mineworkers (NUM) on the industry's safety record and its International Safety Rating (ISR) system.

It was apparently reacting to allegations last week by NUM safety officer Hazy Sibanyoni, who linked accident rates to profits.

A chamber spokesman said yesterday there was "no scientific basis whatsoever" for this link. He said profitability was largely determined by the grade of ore mined.

Accidents "could be influenced by numerous factors including the geological strata of a mining area, the depth of mining and human error".

The spokesman accused the NUM of "consistently and deliberately" ignoring the improved safety performance on SA mines since the introduction of the ISR system.

He said the system was not an end in itself but an organised way of focusing on safety. He pointed to a 42% drop in the fatalities on chamber mines from 1978 to mid-1986.

"Regrettably, these achievements have been overshadowed by the Kinross disaster which would naturally distort the industry's safety figures for the second half of this year," the spokesman said.

THE ECONOMY

SA's awash with takeover money

By PHILLIP VAN NIEKERK

SOUTH AFRICA'S disinvestment run is likely to kill President PW Botha's initiative, unveiled two weeks ago at a summit meeting with business leaders, to restore business confidence

Analysts believe that business will be holding onto its investment capital as it waits for the assets of disinvesting companies selling out at bargain basement prices, to be thrown its way

This week's buy-out of Barclays PLC's holding in Barclays South Africa at a 23 percent discount has tightened Anglo American's grip on the South African economy

Robin McGregor, director of McGregor Research Services and the editor of Who Owns Whom, says Anglo's newly-acquired control over Barclays raises its share of the Johannesburg Stock Exchange from 54,1 percent to 54,63 percent

McGregor says that the total market worth of the JSE is R228-billion Barclays SA's market value of R1,25-billion is 0,53 percent of this total

According to McGregor, both Anglo's senior partners in the deal — De Beers and Southern Life — are themselves in the Anglo camp He says Anglo's share in Barclays SA has jumped from 25 to 55 percent

A little-recognised feature of the takeover is that it puts Anglo's control over Southern beyond doubt

Until the takeover deal, Barclays and Anglo each held 30 percent in Southern, but Anglo's stake has substantially increased because it has taken charge of Barclays

McGregor points out that Anglo has not been involved in a major takeover for two years They may have been sitting on a pile of money, chiefly from gold and other mining revenues, waiting for something good to come their way

In fact, for South African companies now is an ideal time to snap up firms selling out at way below the market prices because of political pressures

South Africa is awash with money due to revenues from the high gold price and a very favourable balance of payments resulting largely from the low rand

The governor of South Africa's reserve bank, Dr Gerhard de Kock, estimated last week that the country was headed for a 1986 surplus on the current account of the balance of payments of R5-billion to R6-billion

What De Kock refers to as the tightest exchange controls in the country's history have cemented in the surplus capital, preventing it — legally at any rate — from leaving South Africa

There is so much money around that banks are having difficulty finding people to lend to and interest rates continue to slide

But because of the uncertain political climate, business confidence remains low No one is putting money into new ventures

Little of the capital around is being turned into productive investment to build new factories or provide jobs for the country's unemployed, conservatively estimated at more than 3-million but perhaps as high as 6-million

Despite desperate attempts by the government to stimulate the economy, De Kock estimates that it will grow by only one percent this year

The reason for this is that investment capital is still chasing paper The Johannesburg Stock Exchange is booming and there have been a rash of take-overs of already established firms

It was with this fact in mind that Botha called businessmen around for Carlton III, trying to inspire a sense of a little adventure

However, despite attempts by the SABC and Beeld to buoy public spirits by portraying the Barclays PLC pullout as a victory, the current run of disinvestment is a cold wind for all but a few participants in the South African economy

The lucky handful are a group of *nouveau entrepreneurs* — senior managers now given the chance to own their own companies — and Anglo, who got a little bit bigger this week

5/12/86 FIN MAIL 210

ANGLO

Running hard

For a group of its immense size, Anglo American Corporation's performance over the past 18 months amounts to a sprint — the group has pleasantly surprised the market by almost maintaining the pace set in the 1985 year

Many analysts felt that the group would be hard-pressed to come close this year to the 35% earnings surge achieved in the year to end-March 1986 However, attributable earnings for the six months to end-September are ahead by 25,7%

Chairman Gavin Relly's prediction of a "similar" performance for the year to end-March puts an estimate of about 450c a share on total earnings Analysts are now looking for a final dividend of around 160c, which would push the full payout into the 220c - 225c ballpark These views are based largely on the higher dividends pouring in from Anglo's gold mine investments These accounted for 41% of investment income in the 1986 year

According to Anglo, the average rand gold price in the first six months of calendar 1986 was R758/oz, and the average so far for the second half is at least R100/oz higher Even so, with the gold price back around $400/oz, and the rand above US45c, the rand price of gold is well below the peak set a couple of months ago

With the diamond market now looking good, De Beers' contribution to Anglo's income is on a rising trend, while Rustenburg Platinum continues to move from strength to strength as does 40%-held mining house associate, JCI.

"It's difficult to find a blue-chip looking bluer than Anglo at the moment A 26% jump in earnings is the sort of performance which you currently expect to see mainly from bombed-out companies that have been turned around," comments a partner in a stockbroking firm.

"I was looking for a 17% improvement in interim earnings, so this is a very good performance by Anglo," says an analyst from another stockbroking company One negative factor is the poorer outlook for Anglo American Coal Corporation (Amcoal) But Amcoal is expected to maintain its dividends in its current financial year And, while it could be hit hard next year by poor export prices and loss of export markets in Europe, Amcoal is a relatively small contributor to Anglo's overall fortunes

ANGLO'S SPRINT

Six months to	Sep 30 '85	Mar 31 '86	Sep 30 '86
Investment income (Rm)	304	448	400
Pre-tax profit (Rm)	534	767	678
Attributable (Rm)	320	493	402
Earnings (c)	140	216	176
Dividends (c)	50	130	62,5

An analyst puts Amcoal's contribution to Anglo's equity-accounted earnings at 9% and its contribution to cash earnings at about 4% Poorer earnings from Amcoal should be offset by better performances from Amic and De Beers

At its current price of R69, Anglo stands at a 26% discount to net worth of R93,69 at September 30.

Brendan Ryan

De Beer deviates to mention Bonner plight

16/12/86. STAR

210 (B20) (3827)

By Pat Devereaux

Dr Zac de Beer, executive director of the Anglo American Corporation, last night deviated from his formal address at the University of the Witwatersrand graduation ceremony to mention the plight of Professor Phil Bonner and his wife.

Speaking on "The Challenges of Urbanisation" Dr de Beer said "There is one huge monopoly in our country about which it is entirely proper to be deeply concerned. I refer, of course to the Government."

The Government employed escalating numbers of expensive and largely incompetent people to administer policies disliked by 80 if not 90 percent of the people to whom they are applied, he said.

He stressed the need for scrapping the Group Areas Act.

Dr de Beer then digressed from his formal address to mention the recent drama surrounding the pending deportation of Professor Phil Bonner and his wife, Mrs Chris Bonner "I share with you immense relief at the reprieve given to Professor Bonner. He and his wife are extremely valuable to our community."

Concluding his address Dr de Beer said: "I do not believe that the policy of deliberate repression upon which our Government is at present engaged will succeed for long."

● See Page 4.

Listing sought through a reverse takeover

Anglo moves on interests in Australia

210

BUSDAY 17/12/86.

Investment Staff

ANGLO AMERICAN Corporation of SA (Anglo) is strengthening its interests in Australia by seeking a listing for its Australian operations.

This is a minor strategic move by the SA giant whose assets are worth $10bn in international terms.

Of this, 85% is locked into SA, and the group has $900m cash which also cannot leave SA.

However, the expansion in Australia is minute compared with Anglo's recent massive deals in SA, including the swallowing of Barclays Bank Plc's 40,4% stake in Barclays National Bank.

An Australian Anglo American (AAA) spokesman said AAA would seek a listing for its Australian operations through a reverse takeover of Boustead Promet Australia.

The spokesman had been asked to expand on a joint AAA-Boustead statement that Boustead had agreed to acquire five AAA units in exchange for cash and a share and options issue which would give AAA a controlling 49% stake in Boustead.

The agreement was subject to approval by Boustead shareholders, the Melbourne Stock Exchange and the Foreign Investment Review Board.

Melbourne Stock Exchange suspended trading in Boustead shares, after the announcement, in line with normal policy.

Boustead also requested the suspension, which applied to all exchanges.

Boustead will pay $A15m cash plus about 70-million shares to AAA, based on a formula of the net assets of the five AAA units less $A15m divided by 90c a share.

In addition, AAA will receive an option to acquire a further 10-million shares at 90c each within five years.

AAA has commissioned a valuation of the units' mining properties, which comprise about 70% of assets involved.

The result of the transaction is that Boustead will expand to a company with assets in excess of $A100m, mainly comprising gold operations and prospects plus AAA's metal trading unit (Commercial Minerals).

The restructure may require several phases, but it is intended the proposals will be completed within several months.

The AAA spokesman said the main gold operation was the Mount Morgan tailings project in Queensland, owned 40% by the AAA group and 60% by Peko-Wallsend.

The metal trading division may be merged with Commercial Minerals.

Control of Boustead changed last June when Bousteadco Singapore and Promet Singapore sold 84,4% of Boustead's then-issued capital to a private firm in Melbourne.

Gush warns on mining taxation

STAR 19/12/86

By Gareth Costa

The outcome of the Margo Commission with regard to mining taxation could well have a major effect on the reinvestment programme of Freegold, says company chairman Peter Gush in the 1986 annual report.

"Any change in the status quo must take into account the fact that huge mining projects are high risk and take time to bring to fruition. Without such new projects, our ability to maintain gold production at a constant level will be seriously affected."

Gush adds that gold production next year is planned to increase slightly despite a small drop in average grade.

"Unit costs, however, in square-metre terms, are expected to be contained well below the CPI, while capital expenditure for 1987 is forecast to increase by 3,1 percent to take advantage of the high gold price."

The exploration programmes to the east and south of the existing Freegold lease area will continue at a steady pace to ensure that efficient use is made of the current and future production capacities.

Capex for the past year was R502 million, which was up by 26 percent. Turnover of R3 billion was 25 percent up as a result of a 29,8 percent increase in the gold price received of R26 194/kg.

Gush says that he expects that rand receipts to Freegold will remain fairly volatile, as the rand continues to mirror the underlying political and economic difficulties.

"While forecasts continue to show an excess of physical gold supply over demand developing towards the late 1980's, stronger dollar prices are expected to be maintained into the current financial year."

BUS DAY 31/12/86

New US anti-apartheid regulations remain a mystery

Departing firms in dark

RICHARD BARTLETT

US COMPANIES quitting SA are still in the dark about the implementation of stringent US anti-apartheid regulations.

The regulations are intended to enforce the US congressional ban on investment in SA.

Copies of the regulations are not yet available and affected companies say they are not conversant with them.

"Until we see the regulations, it is very difficult to know what is and what is not illegal," says Leo Cecchini, the US consul for economic affairs.

"The law is designed to prevent expansion and new investment and not to stop payment of debts. The intention of the regulations is not for companies to go bankrupt.

"What will probably change is the buy-back option and the concept of share-selling to retain control of SA subsidiaries. This is at present a cloudy area," he says.

Outgoing MD of General Motors Bob White says that although he has not had an opportunity to see the regulations, he does not foresee any change in GM's plans to disinvest.

"The rulings have been in effect since the Senate veto and GM people in the US have worked with the Treasury concerning these regulations."

White does not believe GM would have gone this far if its actions were found to be illegal in US law.

"No funds will be transferred from the US to complete the change of ownership," he says.

A spokesman for Honeywell says the main transfer will be in technology and so no immediate impact is expected.

"There will be no import of funds and growth of the company is financed locally," says Honeywell's market development manager Duncan Todd.

Coca-Cola is not aware of the implications of the regulations, but a spokesman says he does not see any difficulties.

Other US multi-nationals, not dependent on US funds, do not expect repercussions. Many companies are waiting to see how stringent the regulations are and what they mean before reacting to them.

A spokesman for IBM had no comment to make.

But market sources say the company, despite a recent announcement of a buy-out by local employees, will not be affected.

Tax gaps for mining

31/12/86

(210)

CHERILYN IRETON

THE mining industry can save money by interpreting exemptions to the General Sales Tax act liberally.

So says Ernst & Whinney tax consultant Ken Walton in the latest tax bulletin of the Transvaal Chamber of Industries.

"Many mines are dealing with the tax question of GST on an ad-hoc basis. In consequence there is not the uniformity which one would wish. Some mines are unquestionably paying too much GST while others may not be paying enough," says Walton.

An example is the exemption for parts and materials used to repair and maintain certain plant. Walton says the tax authorities have agreed that the plant specified in the act can be interpreted more widely than the list suggests.

He says companies supplying plant to the mines should examine the laws and then review what items have been taxed in the past

Lyd Plat pushes earnings up 44%

CHRIS CAIRNCROSS

LYDENBURG PLATINUM (Lyd Plat), whose main income comes from dividends received from platinum producer Rustenburg Platinum, has benefited greatly from this investment in the year to October.

In its annual statement this investment company, in which SA Mutual has a 56% controlling interest, reports an earnings improvement of 44%, from 72,7c to 104,7c a share.

Pretax income amounted to R15,08m (R10,69m), reflecting growth of 42% as a result of the sustained strength of the platinum price/market over much of the year.

These results have enabled Lyd Plat to boost the total dividend pay-out to 104c (72c), the final dividend being lifted to 64c (44,5c).

Apart from its primary holding in Rusplat, Lyd Plat's other investments are in Genbel, Free State Consolidated Gold Mines, and Orange Free State Investments.

Market capitalisation of these investments at Lyd Plat's year-end amounted to R523,2m (R270,4m).

Troubles in Third World minerals industry affect SA

STAR 31/12/86

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Finance Staff

The minerals industry in the Third World is facing a crisis, and this has implications for South Africa.

This is despite developing countries having increased their share of world mine production in many commodity sectors in the past 20 years or so

Weak economic conditions in industrialised countries during the past decade have limited demand for minerals in general

This trend has been accentuated by technological developments curbing the need for minerals, as well as the growth of service industries which use relatively small amounts of minerals. Chronic over-supply for most minerals has meant prices have weakened considerably

Quite apart from low prices, the minerals industries in developing countries have also become dogged by high domestic inflation rates which in turn have boosted the cost of investment projects

The outcome has been low profit margins at best, and often operating losses

The ability and willingness of foreigners to invest in exploration and development of mines has been substantially curtailed

New investment projects have been dropped as the risks of political instability have added to the detractions.

Most large-scale mining projects which were developed in the 1970s have not fulfilled the financial expectations of governments, equity investors and bank lenders

Several projects such as the Selebi Phikwe undertaking in Botswana have incurred large losses, and necessitated continuous debt restructuring.

Companies which have traditionally been willing to invest their own risk capital in certain developing countries have turned to carrying out exploration on a service-contract basis, particularly in petroleum producer countries

Countries intent on having proven deposits developed are finding that companies ready to sell their services or equipment (management, technical assistance) abound, but that it is exceedingly difficult to get these suppliers to commit themselves by taking a substantial equity stake in mining projects

The financing of projects by banks, the practice in the late 70s, has similarly become much more difficult to arrange

The rising foreign debt burdens of Third World countries, and the frequency of debt rescheduling has made both banks as well as public sector institutions most wary of committing more funds to risky mining ventures, with ever less assurances of later sales of the minerals at prices necessary to repay loans.

Governments in developing countries face difficult policy choices in handling the repercussions for their hard pressed minerals industries

One option is to postpone further mineral developments, except for minerals needed for domestic consumption, until a more propitious situation emerges

This may take years to happen, and in the meantime many dormant, underused and run-down mining projects abound in these countries.

Rehabilitation efforts are under way, in some cases with help from foreign mining companies, but finance is scarce and the quality of labour and technical skills in some countries is questionable

Another option is to establish even more extensive state mining sectors financed by domestic public funds

Most developing countries have now established state enterprises that participate in, or even fully own and manage mining projects.

The wisdom of this policy, however, is dubious Some of these state investments have proved singularly unsuccessful

Some state companies have reacted to falling commodity prices by raising production, making matters worse by depressing prices even further, and forcing state treasuries to finance the losses of state mining companies

Alternatively, governments can energetically encourage new private foreign investment. Here financial measures which reverse the trend towards higher taxation in the 70s, could be useful

Yet in the light of prevailing poor commodity prices it is questionable whether financial incentives can attract significant new investments

South Africa's mining industries in general are weathering the difficult marketing conditions for better than those in developing countries

Fixed investment in mining has expanded in recent years, in contrast to the weakness in the manufacturing sector

There are, nevertheless, strong grounds for arguing that official policy should be geared towards encouraging greater investments in the South African mining industry

For one thing the onset of sanctions, which are favoured by some developing countries partly because of the difficulties they are facing in selling minerals, are going to render South Africa even more dependent upon mineral exports

Mineral products in general, and especially precious metals, are anonymous, and can largely circumvent sanctions, unlike manufactured products.

This alone suggests that any strengthening of the competitive position of the industry by such as fiscal incentives merits serious consideration.

Secondly, the South African mining industry is already facing increased competition in world markets from developing countries — especially gold

Limited developments in the minerals industries in developing countries are concentrated to some extent on gold as evidenced by the growth in gold output in Brazil, Colombia, Philippines and Papua/New Guinea.

This is supplementing the expansion in areas like the United States and Australia

South Africa's previously dominant position in the international gold market is being eroded

Its influence in the gold markets is diminishing, and this may only serve to strengthen the sanctions campaign in the outside world

So any steps which help to expand the South African gold mining industry should be viewed as beneficial, especially if new foreign investment is promoted in the process

MINING — GENERAL

1987

~~DEC. 1986 — SEPT. 1987~~

JAN. — DECEMBER

Anglo to probe mine violence

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5/1/87. BUS DAY

DIANNA GAMES

THE Anglo American Corporation (AAC) has announced that an independent inquiry into mine violence which claimed 62 lives on two of its mines in the past nine weeks, will begin this month

In an advertisement in today's *Business Day*, AAC's Gold and Uranium Division extends condolences to the families of the 62 workers It sayscauses of and factors sparking off the incidents are being fully investigated.

At Vaal Reefs mine near Klerksdorp, 33 workers have died in a series of worker clashes since October 24, and in similar clashes at President Steyn mine, Welkom, another 29 workers died during the last three weeks.

The advertisement says tension on the mines has been heightened in recent months by the state of emergency; general unrest; frustration from blocked career advancement of better-educated workers, and concern over reports of repatriation of foreign workers.

Illegal work stoppages and the ignoring of established procedures for conflict resolution by union elements at local branch level in many instances had also resulted in violence, it says.

It also says AAC has been involved with the National Union of Mineworkers in discussions on mine violence and causes of conflict, but that recent "disturbing behavioural trends" on NUM's part gave cause for concern, and needed to be addressed by management and NUM if sound industrial relations were to continue.

5/11/87 STAR

Anglo places adverts on recent mine violence

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By Sheryl Raine

The outbreak of serious mine violence for the first time in more than a decade on Anglo American-administered mines has prompted Anglo to place large advertisements in several newspapers today.

Anglo announced that 62 black mineworkers had died in a series of violent clashes in the last nine weeks and that it had launched a full investigation into the causes of the violence.

It said 33 workers had died at the Vaal Reefs mine near Klerksdorp since October 24, and 29 had died at the President Steyn mine in Welkom in the last three weeks.

Anglo has denied allegations by the National Union of Mineworkers (NUM) of management complicity in the unrest.

The last major incidents of tribal violence occurred on an Anglo mine in 1974.

After a thorough investigation, hostel residential arrangements were restructured on the mines to eliminate the emphasis on tribal groupings.

TENSIONS

However, many factors were at present increasing tensions on the mines, Anglo said

Although much of the tension was ascribed to single-sex hostels and migrant labour practices, the state of emergency and general unrest in the country had heightened tensions

Concern and anxiety over reports of repatriation of foreign workers had also contributed to the tension.

Other factors included frustration of better-educated workers, who were restricted by job reservation on the mines.

Anglo said it would continue to fight for the elimination of the basic causes of tension on the mines.

While Anglo had encouraged the growth of unions among mineworkers, it noted "recent disturbing trends of behaviour on the part of the NUM", which gave cause for concern.

Boy stable after being

NUM to challenge Anglo advertisement

14/4

210

9/11/87

BUSDAY

ALAN FINE

THE National Union of Mineworkers (NUM) is to place an advertisement in several newspapers stating its views on faction fighting on Anglo American mines.

This follows the appearance of an Anglo advertisement earlier this week in which the company notes "disturbing behavioural trends" on the part of the NUM which, it says, have led to violence. Sixty-three miners have died in fighting at the Vaal Reefs and President Steyn mines since October.

The NUM ad is due to appear in the *Weekly Mail* today and in other papers next week. It says allegations about the NUM's lack of commitment to peaceful industrial-relations practices cannot go unchallenged.

The statement says that, since its inception, Anglo has benefitted from the migrant labour, hostel and induna systems. While Anglo has now identified these as the source of conflict it is still not prepared to remove these "archaic structures".

Gold, platinum soar

12/11/87 Dispatch

JOHANNESBURG — Gold and platinum broke through current barriers at the weekend against a background of turmoil in European currencies and bearish sentiment on the dollar

Precious metals prices soared as European Community finance ministers scurried to set up a meeting to realign currencies within the European Monetary System (EMS), in disarray as the West German mark climbed and the French franc sank last week

The gold price went through the $405 mark in New York on Friday and in Hong Kong on Saturday

On the Commodity Exchange in New York, gold closed at $406, up from $402,30 late Thursday It opened at $405,79 in Hong Kong

Platinum futures surged on the New York Mercantile Exchange on Friday as speculators interpreted the metal's ability to breach the $500 level as a buy signal

Platinum began its assault on $500 an ounce on Thursday when the January contract closed at $494,90, up $12,50 — DDC

17/1/87 (210) SMN

sunrise finance

Du Plessis urges mining industry to curb costs as a national priority

CAPE TOWN — The urgent reassessment by the gold mining industry of its "beneficiation" and export of bullion was needed to boost foreign-exchange earnings, according to the Minister of Finance, Mr Barend du Plessis.

Speaking at the re-opening of Rand Leases' Vogelstruisfontein mine last night, he also noted that the rising trend in working costs in the industry was "disturbing" and along with the rise in capital equipment costs needed curbing as a matter of "national priority".

Although longer-term predictions were that South African mines would be able to maintain an annual production of 700 tons for the next 30 years, the projection beyond the year 2020 was for "a dramatic downward trend".

This would lead to the exhaustion of high grade ores on most mines "which cannot be halted by the existing mining law which requires gold producers to mine to the average payability of their proven ore reserves in order to prolong the life of the mines".

"Despite the fact that pessimistic projections about the imminent demise of the South African gold mining industry have proved to be wrong on so many occasions, I should like to stress that the gold mining industry must urgently reassess its position as far as the level of beneficiation and export of bullion is concerned.

"Ishould prefer that this initiative originate in the private sector," Mr Du Plessis said.

The average overall working costs of South African gold mines had risen rapidly from R21,54 an ounce in 1970 to R340,21 an ounce in 1985.

This trend was "unfortunately" still evident, since the production prices for the first three quarters of 1986 compared with the same periods of 1985 showed increases of 20,8; 19,6; and 20 percent respectively.

"The rise in working costs is disturbing since it naturally renders large volumes of otherwise payable ore reserves uneconomical" he said.

However it was highly commendable that the industry has been able to contain the rate of increase to below the South African rate of inflation over the last couple of years.

"The trends in capital costs too have been serious. It is estimated that by the turn of the century, the average depth of gold mines on the Witwatersrand will probably exceed 2 500 metres, with a considerable amount of mining taking place at below the 3000m level, which clearly will involve increased expenditure (and costs) on cooling and the support of workings.

"It must thus be manifest to all concerned that there will have to be a renewed effort to arrest the cost-push inflation spiral.

"This must surely be seen as a national priority, not least as it will extend the life of most of our mines," Mr Du Plessis said.

The re-opening of the mine would offer employment for 1 200 unskilled and 100 skilled workers when it reached full production during July or August this year.

This was "highly gratifying", he said, and would mean, with ultimate production of 1400kg of gold annually, foreign exchange revenues of between R26 million and R40 million.— Sapa.

NUM and mighty Anglo in a war of words

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City Press 18/1/87

Special report by REVELATION NTOULA

TRIBAL conflicts, which have led to the death of at least 70 mine workers and left hundreds injured at Transvaal and Free State gold mines over the last three months, have led to friction between Anglo American Corporation and the National Union of Mineworkers

A war of words between the two organisations has been raging since Anglo's decision at the beginning of the month to institute an independent commission of inquiry into the sporadic tribal clashes on the mines

Last weekend, eight miners were killed and 58 injured in faction fighting at Gencor's Beatrix Gold Mine near Theunissen in the Free State

About 29 others died in similar clashes at Anglo's President Steyn Gold Mine near Welkom last December

Shortly before the fighting at President Steyn late last year, 34 migrant workers were killed at Anglo's Vaal Reefs and Gold Fields' Kloof mines

According to available statistics, the escalating tribal clashes at AAC mines is the worst in 10 years and is the cause of grave concern among mining house and union executives

Reacting to Anglo's decision to appoint a commission, NUM spokesman Marcel Golding, told *City Press* that the union regarded the action as a futile exercise

"We are sick and tired of these commissions All we are interested in is for mine officials to address themselves to the obvious causes of the unfortunate occurrances," said Golding

He said as a first step the deregulating of laws governing the free movement and free choice of workers was of prime importance

Said Golding "The authorities must first and foremost examine the issues which gave rise to the present situation on the mines "

In announcing the appointment of the commission in a newspaper advertisement, AAC said it regretted the deaths which have occurred "in spite of a strong mine security presence in the hostels and strenuous efforts to restore order"

Anglo agreed in the advertisement that there was tension on the mines – "much of which exists by virtue of the single-sex hostels and migrant labour system"

The group added that the state of emergency and general unrest also contributed to the situation on the mines, adding that "concern and anxiety over reports of the repatriation of foreign workers" had also played a role in tribal clashes

"There was also an element of outside interference in the hostels before the incidents," AAC maintained in the advertisement

Furthermore, Anglo said "recent disturbing trends of behaviour on the part of NUM is cause for concern and needs to be addressed by management and the union if sound industrial relations are to persist"

In a counter-advertisement in newspapers this week, NUM said it would not be "fooled" by Anglo's advertisement when the lives of mine workers were at stake

"Let it be known once and for all that the source of violence is rooted in the institution of oppression and exploitation which exists in the mining industry

"The hostel, migrant labour and induna systems were pioneered at the turn of the century by the mining houses to ensure maximum exploitation and control over mineworkers' lives It is from this system that AAC has benefited. Over time these structures have been refined, but kept intact," said NUM

Meanwhile, a Gencor spokesman said that about half the 8 000 Beatrix workers have resigned as a result of the recent faction fighting

Hofmeyr to succeed Waddell as JCI chief

Cape Times 22/1/87

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MURRAY BERNARD HOFMEYR will succeed Gordon Waddell as chairman of JCI on June 30

And JCI executive director Patrick Frank Retief will be appointed MD of JCI and chairman of Rustenburg Platinum Holdings from July 1

These announcement followed Waddell's statement yesterday that he was resigning as JCI executive chairman with effect from June 30 for "personal reasons"

Waddell said his decision to leave after six years as chairman had been a "very painful and sad thing"

On the outlook for precious metals, Waddell said the platinum price could suffer from new mines coming into operation "I don't think the skies are going to be blue for ever," he said

But he said gold would rise rather than fall because of the US' problems with huge budget and trade deficits

Asked what he considered his major achievement at JCI, Waddell said "If you look at the track record in terms of profits and dividends, they've done better than any of their competitors I think they will continue to do so, certainly for the next year or two"

Hofmeyr's appointment to the board of JCI and as deputy chairman of the company is effective from January 20 and he will succeed Waddell as chairman on June 30

Hofmeyr is a member of the executive commit-

Patrick Retief, who has been appointed MD of JCI.

tee of the board of the Anglo American Corporation and chairman of its administrative committee

He started his career as a teacher but later joined an investment firm for which he worked until 1962 when he joined the Anglos' personnel department In 1970 he was appointed to the board and in 1970 went to London as MD of Charter Consolidated He succeeded Sidney Spiro as chairman in July 1976

In 1980 he returned to Johannesburg to take up his latest appointment

Hofmeyr is chairman of Amfarms and Computer Sciences and is on the boards of Amic, Mondi Paper and several gold mining companies, including the newly formed Free State Consolidated Mines

He is also a member of the board of SA Breweries, and represents Anglos on the Small Business Development Corporation board

Retief is chairman of Consolidated Murchison, South African Associated Newspapers and Tavistock Collieries He holds directorships in H J Joel Gold Mining Company, The Randfontein Estates Gold Mining Company, Witwatersrand, Rustenburg Platinum Holdings, Rustenburg Platinum Mines, Western Areas Gold Mining Company and The Standard Bank of SA, and is Executive Director of JCI — Sapa-Reuter

US minerals decision saves thousands of jobs

Star 22/1/87 (280) (216)

Finance Staff

The United States Government decision to exempt 10 minerals of vital strategic importance to the country's economy from its sanctions list means many thousands of South African workers in these sectors are no longer living under a cloud

The implementation of sanctions on the various minerals would have put many people out of work and, in turn, brought suffering to their families

For the country, it would have meant a loss of an estimated R4 billion in foreign exchange, not to mention the harmful effect it would have had on local manufacturers and equipment suppliers to the mining industry

The minerals exempted are andalusite, antimony, chrysotile asbestos, chromium and ferrochrome, cobalt, industrial diamonds, manganese, ferromanganese and ferrosilicomanganese, platinum group of metals, rutile and titanium-bearing slag and vanadium.

South Africa, which exported more than R26 billion of minerals last year supplies, on average, across 25 major minerals, including gold, 31,8 percent of the free world's requirements

In six instances it supplied more than 50 percent of the requirements of the free market economies

The country is ranked the biggest producer of 10 minerals, including manganese ore, platinum group metals, chrome ore and vanadium, four of the minerals exempted

According to the Minerals Bureau and the Department of Mineral and Energy Affairs, South Africa exported in 1985 R6 million of antimony, R147,5 million of chrome, R244 million of manganese ore, R25, million of titanium minerals, R25 million of andalusite and R98 million of asbestos

While there are no figures for the platinum group metals, South Africa's three producers supply more than 85 percent of the West's supplies

210 N/M 23/1/87

Zimbabwe explosives plant

HARARE—Zimbabwe is to build an R11 million plant to manufacture explosives for the mining industry in the central town of Kwekwe, it has been announced here.

The project will be a joint venture between Zi[illegible] Industrial Development Corporation and Swedish manufacturer Nitro Nobel

At present all explosives for Zimbabwe's min[illegible] are imported from South Africa — (Sapa-Reut[illegible]

Counsel heads probe into mine violence

27/11/8.1 Star

Anglo American has set up an inquiry into recent violence which broke out at the Anglo-administered Vaal Reefs Gold Mine, claiming the lives of 30 workers.

The company said in a statement yesterday it had appointed Mr D Bregman, SC, to head the inquiry into violence at the Orkney mine.

One miner was killed and 12 others slightly injured on Sunday night when fighting broke out at the company's President Steyn mine near Welkom.

A spokesman said workers reported for work yesterday.

An inquiry was investigating violence which broke out at the mine late last year, claiming 29 lives.

● About 2 000 members of the National Union of Mineworkers (NUM) were still on strike yesterday at Amcoal's Goedehoop colliery near Witbank.

F\M 30\1\87 2 10

DUIKER

Turning to gold

Activities: *Mining Holding Company deriving bulk of its income from sales of bituminous coal, anthracite and asbestos Holds a 36% participation in Eastern Gold Holdings which receives 85% of the profits of the Erfdeel section of Freegold Gold Mine Also holds a 25,8% participation in a new venture on ground adjoining the north-eastern section of Freegold*

Control: *Lonrho PLC has control through group companies WPH Investments, which holds 44,69% of Duiker, Tweefontein United Collieries, which holds 22,57% and Witbank Consolidated Coal Mines which holds 11,91%*

Chairman· *T A Wilkinson*

Capital structure: *14,2m ords of 35c Market capitalisation R390,5m*

Share market: *Price 2 750c Yields· 1,7% on dividend, 3,4% on earnings, PE ratio, 29,4, cover, 1,9 12 month high, 2 800c, low, 1 300c. Trading volume last quarter, 46 000 shares.*

Financial: *Year to September 30.*

Performance:

	'83	'84	'85	'86
Turnover (Rm)	57,2	68,1	97,7	110,3
Operating profit (Rm)	24,6	26,4	37,8	31,2
Earnings (c)	81,0	80,4	107,2	93,4
Dividends (c)	44	44	48	48

The shares have boomed over the past year from a low of R13, where some considered them overvalued, to the current R27,50. The rerating follows Duiker's transformation from a coal and asbestos producer, to a gold investment company.

This year sees the start of mining operations at the Erfdeel section of the world's largest gold mine, Freegold Duiker will benefit through its effective 30,6% interest in Erfdeel's profits, derived from a 36% stake in Eastern Gold Holdings (EGH), which in turn receives 85% of Erfdeel's profits.

Duiker's price began firming last year as the date of Erfdeel's start-up drew nearer, but what really set them off was news that it would participate, through an effective 25,8% stake, on development of some 3 000 ha adjoining the north-eastern sector of Freegold. A company similar to EGH will be set up to fund development of this area Its name has not yet been announced but, as the area is north of Freegold, Northern Gold Holdings may well be a logical choice.

Mining company chairmen are a conservative breed who tend to play down new developments, but Duiker chairman Terence Wilkinson, in his annual review, describes this latest project as: "an exciting new venture ... with the potential of becoming another major Free State gold producer."

More music to shareholders' ears is Wilkinson's statement that he does not believe Duiker will need to contribute "substantial loan funds" to the new venture

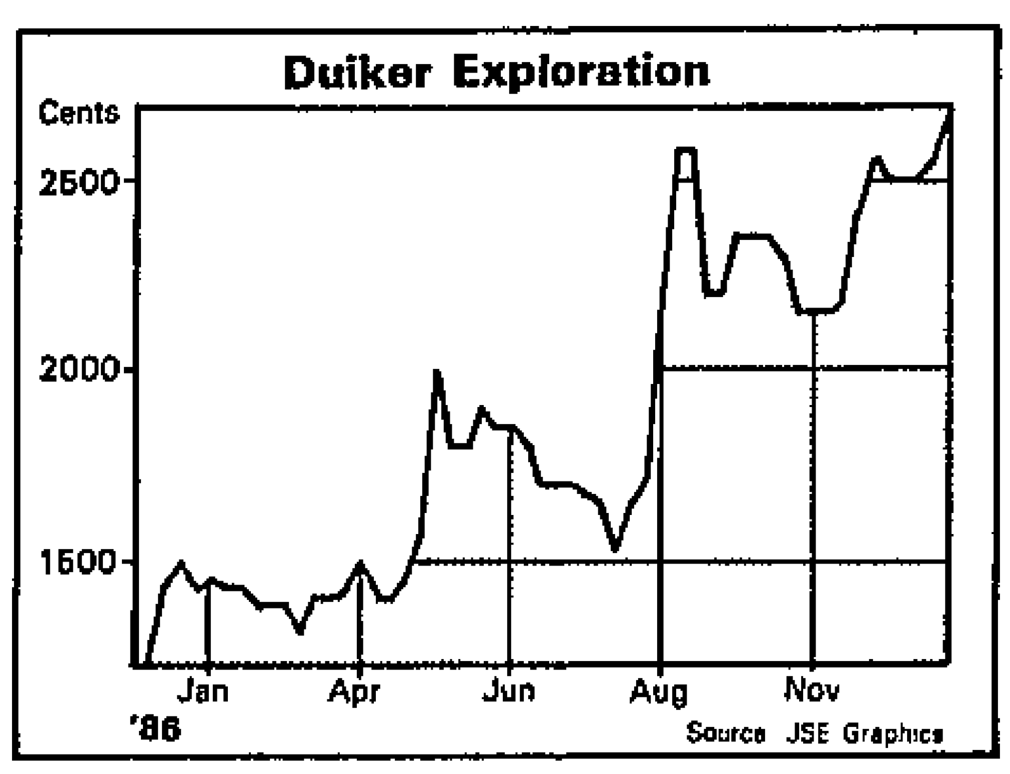
Wilkinson ... exciting venture

Since the initial announcement (*Fox* October 10 1986), which said R11m will be spent over the next three years on drilling the area, after which a mining lease over all or part of the area would be applied for, no further details have been released. Initial mining will take place from the new Freddies No 1 shaft (named the Free State Geduld No 10 shaft prior to the Freegold merger) at present being sunk close to the boundary of the venture area

The new venture company will not be required to contribute to the cost of No 1 shaft or pay any fee for its use, which limits Duiker's exposure to the initial costs of opening the area

Duiker's move into gold is well-timed, coming when the outlook seems bleak for its coal, anthracite and asbestos fronts, which together contributed 70% of operating income last year.

Although turnover in the year to September rose 13% to R110,3m, operating income was 18% down at R31,2m while taxed income fell 12,5% to R13,227m Wilkinson cites increasing pressure on operating margins in the coal and asbestos markets as the main reasons for the slowdown



The volume of bituminous coal sold last year remained unchanged at 2,6m tons. Working costs, however, were pushed sharply up as a result of buyers — who currently hold the upper hand — demanding improved grade of product Consequently, greater amounts of lower-grade duff coal have needed to be separated from the higher-grade sales product The duff cannot be sold at present and is being stockpiled

Apart from having to battle in oversupplied coal export markets, South African producers are under additional pressure from actual and threatened sanctions, which buyers are taking advantage of to secure better terms Duiker's offshore coal marketing effort, Wilkinson says, "has necessitated a substantial increase in working capital, particularly in debtors which increased from R11,9m to R27,6m."

It is too early to evaluate the new gold venture with Freegold but Wilkinson's comments are bullish.

Brendan Ryan

NCW

New mine?

F\M 30\1\87

Activities: *Investment holding company with portfolio of gold and mining finance shares and mineral rights in the Potchefstroom, Klerksdorp and Delmas Districts.*

Control: *Anglo American Corporation holds 45,7% of the equity*

Chairman: *M W King*

Capital structure: *1,8m ords of 50c Market capitalisation. R106m.*

Share market: *Price. R60 Yields· 2% on dividend; 2% on earnings; PE ratio, 50; cover, 1,0 12 month high, R77, low, R36 Trading volume last quarter, 10 000 shares.*

Financial: *Year to September 30*

	'83	'84	'85	*'86
Portfolio				
Book Value (Rm)	1,7	1,7	1,7	1,7
Market Value (Rm)	21,5	25,2	33,2	53,6

Performance:

	'83	'84	'85	'86
Investment income (Rm)	1,4	1,4	1,7	2,2
Earnings (c)	75,7	76,4	93,1	119,9
Dividends (c)	75	76	93	119
Net worth (c)	1 298	1 426	1 883	3 043

While New Central Witwatersrand Areas (NCW) benefited from its sound portfolio of investments in the year to September, as chairman Mike King points out at the beginning of his review, that performance is of academic interest in the valuation of an NCW share.

JCI AFTER WADDELL

More growth ahead

F/M 30/1/87 (210)

Incoming top management at Johnnies will inherit a legacy of a period of financial conservatism and concentration on efficiencies. New mining projects should help maintain the growth momentum.

Gordon Waddell became executive chairman of Johannesburg Consolidated Investments (Johnnies) in January 1981, just two years after the group celebrated its 90th anniversary and he his 42nd birthday.

The Seventies had not been the best years for Johnnies, and the stock market took some time to appreciate what energy, enthusiasm and skill its sometimes lugubrious young chairman was bringing to bear He was, after all, a scion of the Oppenheimer family and some would say of untested mettle.

During 1983, a year when the gold price performed miserably, Johnnies' share price more than tripled, rising from a low of R51,50 to R168. Since then, it has climbed to R545, outperforming the mining house sector for much of the remaining period.

So it was hardly surprising that the announcement of Waddell's resignation this week was received with some shock in the investment community.

When he hands over the chairmanship to Murray Hofmeyr on June 30 (see *People*), he will leave a mining house which enjoys a premium rating He will be aged 50, with his reputation flying high after 22 years in SA.

But few new major assets were acquired, or new projects embarked upon, during his tenure. The major new investment was the stake taken in 1983 in Premier Group, which in turn holds some 35% of SA Breweries; Johnnies also acquired 17,7% of South African Associated Newspapers

In mining, the outstanding ventures were the expansion into Randfontein's Doornkop section — effectively a new mine — and the go-ahead for the H J Joel gold mine. More recently, Rustenburg Platinum (Rusplats) started work on a R250m refinery

What may turn out to be Waddell's more enduring achievements are less overt. A large oversupply had developed in the platinum market in the early Seventies ushering in troubling times for Johnnies By 1977, new projects and disappointing metals markets were exerting pressures on group finances. As the then-chairman Sir Albert Robinson put it· "The bringing to production over three years of two mines, together with the establishment of a ferrochrome plant, has placed considerable strain on our resources."

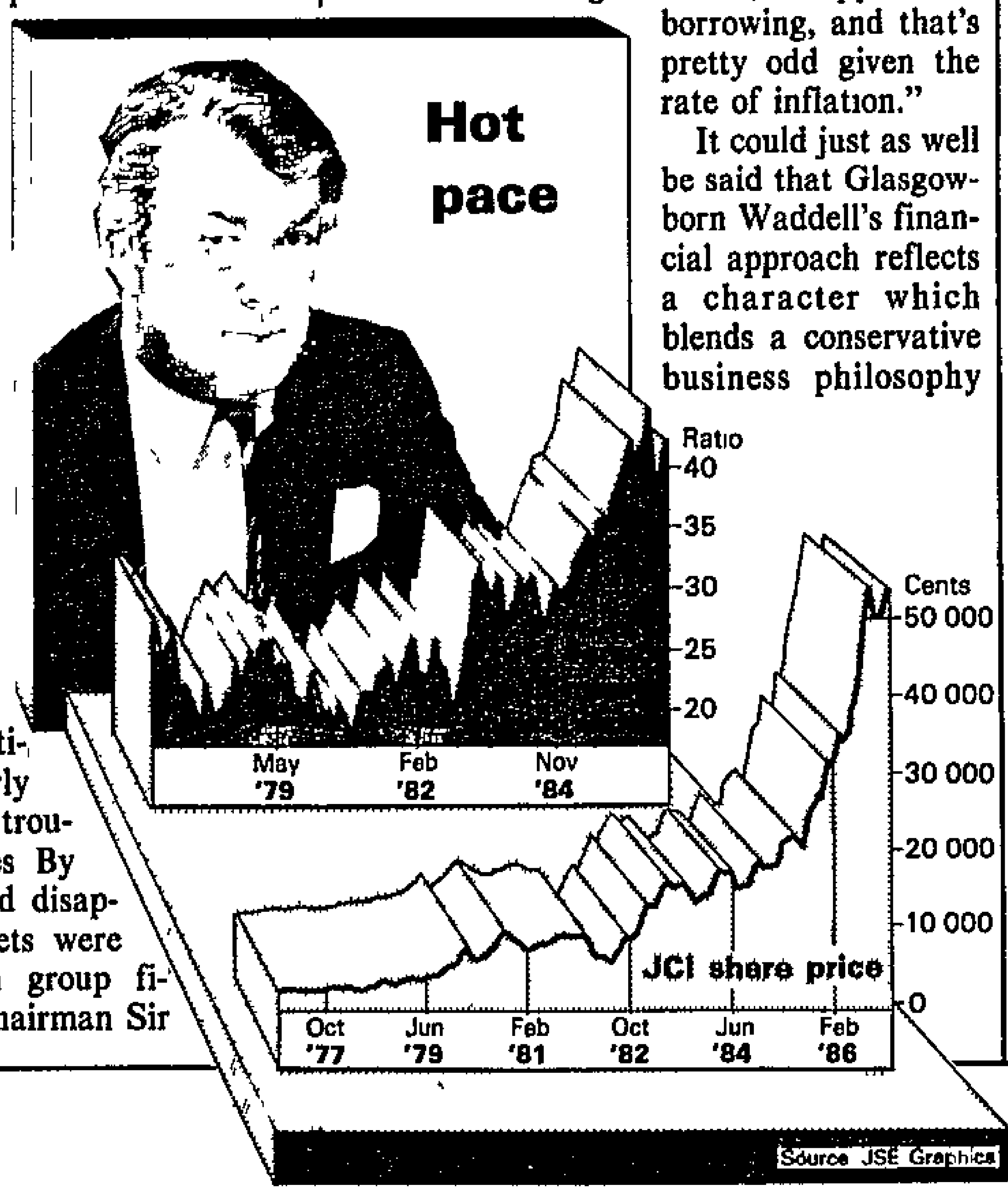
Sir Albert was announcing a R40m preference share issue to supplement cash flow. Borrowings then totalled some R96m, with liquid assets of R69m By the June 1986 year-end, borrowings stood at R138m, but liquid assets had soared to R461m; 32,6%-held Rusplats held some R383m in cash at June 30.

Rejuvenation of Johnnies' balance sheet was obviously helped along by cash flowing in from fortuitously more buoyant precious metal and ferrochrome markets since 1984 But Waddell adopts an unabashedly disciplined approach to finance. "I've always believed in having a very sound financial position," he says.

"I don't believe the sky remains indefinitely blue. Those who are in a strong financial position survive the storms. With very few exceptions, almost all of the Johnnies companies are very soundly financed The reverse of that coin is that I am better at getting them into that position than at launching forth. I sleep more easily at nights when I'm lending to banks, as opposed to borrowing, and that's pretty odd given the rate of inflation."

It could just as well be said that Glasgow-born Waddell's financial approach reflects a character which blends a conservative business philosophy with a sense of adventure and determination. The latter elements were evinced in the manner of his appearance on the South African scene in 1965, armed with a Cambridge BA and a Stanford MBA. Previously having visited the country three times as a member of international rugby teams, in that year, at 28, he announced his engagement to Harry Oppenheimer's daughter, Mary.

By 1971, he had divorced Mary and two years later married Kathy Gallagher, daughter of another senior executive at Anglo American. Waddell continued his rapid rise, becoming chairman of Anglo construction group, LTA. Already he was being mooted as a candidate for the Anglo chairmanship. In 1974, after only nine years in SA, he contested the Johannesburg North parliamentary seat and won, in a watershed general election which saw six Progressive Party MPs returned to parliament.



'Kennedy-style' campaign

Waddell's election campaign, described at the time as a "Kennedy-style machine," was managed by Premier chairman Tony Bloom, a close associate. As Bloom recalls, "People laughed at us He was up against Dave Marais, a former United Party (UP) mayor of Johannesburg, and in those days the UP was still quite strong

"It was his own decision to run, nobody pushed him into it I remember sitting at a dinner party one night with Harry Oppenheimer, who turned to me, cocked his head on one side and asked 'do you *really* think Gordon will win?' But he tackled the campaign with enormous energy He canvassed everybody in the constituency, visiting all the voters at least once and wrote to them twice."

In parliament he showed prescience. In an early speech, he emphasised the fundamental importance of a sound economy. He said: "Views over the whole spectrum are held about the future of SA, but none of these permutations will endure over time unless the economy has been put into a position to provide a rising standard of living for all those who live in this country While other countries might talk about cutting back on growth, we cannot do it, for without economic development we can never have good race relations "

Three months later, he expressed doubts about the viability of the R480m Sishen-Saldanha iron ore export scheme. It was reasonable to assume, he said, that the scheme was impracticable in a normal business sense That view has been largely vindicated; Sats took over the rail line from Iscor, and Iscor has had to cope with heavily oversupplied ore markets abroad

For an executive who thrives on getting things done, life as an opposition parliamentarian must have been impossibly frustrating. "All he could really do was sit there and carp about government," a stockbroker acquaintance has remarked.

Despite political aspirations, Waddell is essentially a private person, keenly interested in his family, which is probably why his political career didn't last. Still, there was considerable disappointment in Progressive Party ranks when he chose not to stand for a second term.

Yet the single term in parliament, when seen with his resignation last week from Johnnies after six years as chairman, poses an enigma. Is it a pattern which suggests a limited interest span? Or does his resignation — an unusual step for a South African executive at that level — indicate a need for broader horizons?

Waddell is emphatic that no approaches have been made to him by anybody — including UK-based Distillers. But he leaves little doubt that he is most unlikely to remain in SA. Notably, on his CVs he cites Toyota, Distillers and Tanaka as his favourite foreign companies.

"Nobody seems to understand the fun and the happiness and pride I've enjoyed at Johnnies. It simply isn't possible to have a similar job in SA. Of course, in the past it was certainly an ambition to have the top job at Anglo American. But, having been chairman of Johnnies, I can honestly say no thank you. That ambition has gone now."

What does seem apparent is that Waddell, who has called for a universal franchise, has become profoundly disillusioned with the South African scene; typically, he has a bold prescription

"My view is that what's wrong with SA is quite simply the present regime. It's been there for 39 years. I've said before that the only constructive thing that business corporations can do is to finance a change of government, or at least force them to make reforms. That would be a sound investment. It could have happened, and efforts were made under (Frederik) Van Zyl Slabbert. But with few exceptions the funds were not forthcoming "

Clearly, his experience in politics has left him profoundly disillusioned over business's ability to bring about timely political change.

New MD and deputy chairman Retief ... export uncertainties

Where does all this leave JCI? Interim results for the 1987 year released last week, showed attributable profits up by 21% and the dividend lifted by 54% (a rate increase which partly reflects a narrowing of the disparity between the interim and final). After being pegged for two years the annual dividend of 600c in 1982 had been doubled to 1 200c a share by 1986.

Waddell is confident earnings growth will continue As far as existing assets are concerned, he points out that key investments — SA Brews, Premier, Toyota, Argus, Saan and Lennings are all well managed.

All of these except Lennings are portfolio investments, where Johnnies has board representation and reserves a right to express an opinion on management. Lennings is an in-house engineering company, managed by David MacGillivray, whom Waddell describes as "simply the best runner in the business." Lennings has endured torrid markets, but the bad times are slightly better now, and it is hoped that it will eventually be listed

Johnnies' management believes in listing companies where possible. Last year, it listed ferrochrome producer Consolidated Metallurgical Industries, gold producer H J Joel and an innovative restructuring of Freddies was devised, largely by financial director Vaughn Bray. Freddies was split into an exploration company, listed as Freddies, and an investment holding company, Dabi

But major impetus is expected from new ventures. The house is known to have a number of new gold mining projects in the pipeline. In particular, these include a large area to the south of Western Areas, on the Far West Rand

It is unclear when this mine will go ahead (analysts believe it could be within 12-18 months), but it is expected to be very large — and this is where Johnnies' strong balance sheet will prove invaluable.

Says Waddell· "People forget that mining is a high risk business I believe that high risk business should be financed predominantly, if not wholly, with equity There are plenty of projects ahead. But if they're going to be properly financed then you are looking at huge sums of money. South Deep will cost very large amounts of money before the first revenues come in."

In-built momentum

In Waddell's view, an attractive aspect of the group at present is that it has in-built momentum which should carry it through to the period when H J Joel is expected to start paying dividends. That, in turn, will maintain the pace until two or three other mines come on stream. Freddies, for example, will be entitled to 45% of the profits from an expansion being managed by Freegold on the farms Jonkersrust 72 and Du Preeleger 324; it will also have to fund 45% of the net development cost.

Demand remains good in the platinum market, on which Waddell says he feels relaxed; but he cautions about the appearance of new producers The danger is in the fact that the price of platinum is determined by the last 5 000 oz offered for sale

"That explains why Rusplats has built up huge cash balances," he adds "So when it comes to dog eat dog we hope to be the better fed dog. The whole history of platinum is one of feast and famine. Things have improved since 1981 but famine will come again. What is going to be different this time is that we're not going to be seller of last resort. Rusplats provided an umbrella for Impala (owned by Gencor) for 10 years by sticking to the producer price We grew them. That mistake has been learnt."

A decisive point in his tenure was the decision to break with the producer price and become active marketers, as well as producers, of platinum.

Unlisted Tavistock Collieries, headed up by Pat Retief (also see *People*), Johnnies'

Robert Tshabalala

Chairman designate Hofmeyr ... inheriting a premium rating new MD and deputy chairman, has scope to expand but is constrained by uncertainties in export markets.

Retief notes that the Japanese have frozen imports of coal from SA at 1985 levels. Tavistock exports a significant proportion of output. But CMI, as a specialist ferrochrome producer, looks far less vulnerable to sanctions.

It has yet to be seen how the stockmarket will react to the management changes. After Gencor, any perceptions of management-by-committee could be bearish. Comments mining house analyst James Picton, of stockbroker Fergusson Brothers Hall, Stewart: "Although Johnnies is a mature group, it is a growing organisation It's a well-routed and established house whose principal companies are all pretty well self-motivating From a management point of view I have no worries. There is a good all-round team which is not dependent on any one man."

In the nature of their business, mining houses cannot quickly change direction or launch into new ventures without careful preparation The legacy of the past five years includes a focused portfolio of quality investments, an aggressive stance in platinum markets, a wealth of assets in mining exploration and financial muscle The ball has been passed to a team of effective executives. Waddell's advice is that nobody should take it away from them.

Andrew McNulty

MURRAY HOFMEYR AND PAT RETIEF

Musical hot seats

21D 30/1/87 FM

Like governments and royal families, SA's mining houses — especially those which trace their bloodlines to 44 Main Street — strive for continuity and smooth transitions of power. Top management appointments announced this week at Johannesburg Consolidated Investments (Johnnies) promise the departure of executive chairman Gordon Waddell may not be unduly disruptive.

Murray Hofmeyr (61), who from last week became deputy chairman and from July 1 will assume the chairmanship, will provide a link with controlling shareholder Anglo American Currently, a senior executive director of Anglo, he has extensive international experience and close relationships with Anglo's top echelons Pat Retief (54), who becomes MD from July 1, has worked closely with Waddell, he joined the group 25 years ago and is the longest-serving member of Johnnies' executive committee

Neither man has Waddell's colourful, high-profile background But each appears to have the qualities needed to perpetuate the conservative and sharply focused style established during Waddell's tenure Precisely how Hofmeyr and Retief will define their respective roles is uncertain, and will perhaps remain so until they assume their positions

Hofmeyr does not envisage a simply titular chairmanship. "I will be moving over to Johnnies lock, stock and barrel and will be the chairman of the executive committee," he says. "Pat and I will share executive responsibility in Johnnies — an arrangement which is quite common here and in the UK It's comparable to the position at SA Breweries, where Meyer Kahn is a strong CE, but there is also a chairman who clearly has a lot of executive responsibilities." Notably, Hofmeyr succeeds Waddell as chairman of Breweries.

In demeanour and background, Hofmeyr is in the classic Anglo mould. After taking a BA at Rhodes and earning a diploma in higher education, he won a Rhodes scholarship, graduating from Oxford with an MA in politics, philosophy and economics. At Oxford he was awarded a double blue for rugby and cricket, and played rugby for England After teaching for a while and working for an investment firm, he joined Anglo's personnel department in 1962, and became assistant manager of the coal division two years later

The following year, Hofmeyr embarked on 15 years of duty abroad For seven years he was in the Lusaka office, initially working closely with Gavin Relly, then chairman of Anglo's Zambian arm "I couldn't imagine a more exciting introduction to the Anglo group," he says

"From a technical viewpoint, the copper mines are uniquely interesting, so it was a great learning experience for people without a mining background. But the outstanding event was the Zambian government's nationalisation of the mines We had been involved for some time in programmes for black advancement, and learnt a great deal from our mistakes and successes — much of it of considerable relevance to the situation here

"It is clearly urgent that we take steps to have black people more prominently involved in business at senior levels I believe that affirmative action programmes are essential here as an interim step We are going to have to make a quantumn leap with this."

Robert Tshabalala

Hofmeyr . . . a classic line

Retief . . . keep it simple

Hofmeyr saw other dimensions of manpower issues during the Seventies, when he became MD — and subsequently chairman — of Charter Consolidated, Anglo's London arm He recalls difficult experiences with UK trade unions, notably in connection with the Cleveland Potash Mine, a joint venture with ICI Problems were settled in 1979, when Cleveland's operations were reduced and the labour force cut by 40% That situation, he says, was difficult, but ever since there has been maximum co-operation from a better structured and well motivated labour force

South African interests have since been moved out of Charter, which is now controlled by Bermuda-based Minorco Among other directorates, Hofmeyr remains on the board of Charter and Zambia Copper Investments At Anglo's head office he has responsibility for manpower resources and corporate administration

Johnnies has not had an MD before, but the logic of Retief's appointment seems clear enough As the most senior member of the six-man executive committee after the chairman, Retief acts for Waddell in his absence, and sits on the two-member manpower committee

He is director of eight companies in the Johnnies group, as well as of Standard Bank of SA; he is also executive chairman of the group's unlisted coal arm Tavistock Collieries, chairman of Saan, and succeeds Waddell as chairman of Rustenburg Platinum — a field where he has long experience, having been Rusplats' MD for some years in the Seventies

Retief's formative career years were hardly typical of the pattern followed by most mining house executives Educated in Johannesburg at St John's College, and later a graduate of a Harvard School of Business Development programme, he was commissioned in the British Army, where he served for a number of years After joining Metal Box as a management trainee, he returned to

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SA where he worked for Metal Box SA By 1962 he had become sales manager of Chloride Electrical, working with the then MD, Michael Edwardes. "We are good freinds and I greatly respect him," he adds

"I then joined JCI as personal asistant to the chairman, David 'DAB' Watson I dropped salary and all sorts of things, but I believed I saw an opportunity here"

Under Waddell's chairmanship, Retief has seen considerable changes in the group's management style, but he evidently approves of the results The organisation was made leaner, with head office staff reduced by 25%, and the interests were sharply focused

"Gordon and I are different personalities," he says, "but there are similarities of style. We are both hands-on managers, but we delegate responsibilities and we don't interfere in areas where other executive directors are responsible Certainly my style is informal and I like to keep things simple Too much is often made of how complex it is to run big corporations."

Retief believes that, despite Anglo's controlling shareholding, Johnnies will retain its independence He describes the relationship as relaxed, without interference from Anglo in Johnnies' management.

Apart from some co-operation in mineral exploration, nobody seems to have looked closely at rationalisation of interests "There could be scope somewhere but it would have to be negotiated and the approach from both sides would be competitive," says Retief.

In his annual review last August, Waddell called for acceptance of a universal franchise for all South Africans. Retief, clearly a man of strong ideas, takes the same view

"At this point, universal franchise might well be the most pragmatic and sensible choice possible I do not believe that we can solve our problems now by looking at protection for minority rights That was probably possible 15, 10 or even five years ago, but no longer If we are going to have a majority government, which I think many people, if they are honest with themselves, would concede is now inevitable, then it should happen soon, rather than later after further needless violence and deterioration of the economy."

Like many other businessmen, Retief is frustrated by the harm being done to the economy by the lack of political progress The higher gold price, he warns, is not enough to prevent further economic deterioration without the vital element of confidence — and that is unlikely to improve without action by government He regards sanctions as economically and politically disastrous

"If we are going to opt for a siege economy, then I guess we could hold the fort for some years — I don't know how many. Meanwhile, there are many things the outside world could do They could sieze our funds or stop all flights coming here Conditions would certainly get more difficult Remember that Rhodesia had SA to the south and we have the Atlantic Ocean If people think that living in a siege economy is going to be good for the country or for business then they must be absolutely nuts

"On balance I think a lot of people are pretty fed up . It would be nice if somebody in government would provide some encouragement," he says.

Given this, Retief regards the problems the mining industry has experienced with trade unions as understandable Learning curves, he feels, are to be expected; as long as blacks have no other way of expressing their political views, this has to be done through the unions But the atmosphere could be eased if blacks had a political voice. ■

WYNAND MALAN

Look back in sorrow

One wonders how a politician whose inner convictions are so clearly at odds with National Party (NP) policy could have served it for so long — in his younger days as national chairman of the junior Rapportryers and, since 1977, as MP For Wynand Malan, the Nat-no-longer, has rejected race as a basis for forging governmental structures; he says everyone has God-given individual rights, and believes in freedom of association

Part of the answer, no doubt, lies in his being simply an Afrikaner Malan feels this strongly, and it entails a strong loyalty to the *volk* The extreme difficulty of breaking with the party (to go leftwards, *nogal*) is well known, and it's probably what holds back the others who share Malan's misgivings It is clearly a traumatic experience, particularly so for Malan In addition, there are uncomfortable day-to-day realities· he is automatically thrown against former colleagues and friends — as it happens, one of his closest associates has been persuaded to fight Randburg for the NP

But part of the reason was that Malan felt he could change attitudes from within the fold In this he was, of course, disappointed, despite his enthusiasm for the kind of things (Christian love, charity and decency) P W Botha spoke of in those early speeches at Upington and Springbok

For Malan, a gentle giant of a man, matters came to a head last week when he resigned from the NP and announced he'd be contesting his Randburg seat as an independent in the forthcoming elections What precipitated his breakaway, he said, were the handling of the security situation and government's "immovability" on the Group Areas Act.

Still apparently recovering from the impact of his momentous and courageous decision, Malan came across the *FM* as honest and deeply religious Though he fully intends retaining his seat in what (despite his personal popularity in Randburg) promises to be a tough fight, one wonders whether his evident lack of the killer instinct will count against him. He has, after all, bucked a very powerful political machine

The crux of SA's political problem, as he sees it, is that a political solution cannot be prescribed — however just any constitution may appear to be Using an umbrella as an analogy, he explains

"It's not the umbrella itself that will keep people under it but, rather, the people who together have to design, construct and reinforce it and each other, that is the basis for legitimacy" He therefore won't say how he would engage SA's disparate forces in constitutional negotiations

Malan, who was a "New Nat" long before the term was coined, says this group is not so much a functional entity inside the ruling party as a new "spirit" or attitude Perhaps his defection will precipitate a break in the alliance he sees in the NP between those who share his views and the hardliners

In a more general vein, Malan says he believes in "an attitude of care as opposed to an attitude of cure" — it is the attitude of people which moves him, people he says are to be found in parties across the spectrum.

One suspects that it is really a deep sense of Afrikaner loyalty, rather than substantial policy differences with the Progressive Federal Party (PFP) (chiefly over the strategy of calling for a national convention), that has kept him from falling in under the Prog umbrella. To an outsider, his political views would seem to be hardly much different to the PFP's

It is therefore not surprising that they were reportedly planning to bow out of Randburg to give Malan a better chance of victory as an independent candidate. He won the seat in the 1981 election by notching up only 695 votes more than than the PFP's 5 445, and if the CP contests Randburg, thereby splitting the rightwing vote, he seems virtually assured of victory — if the PFP stay out ■

Malan ... taking stock

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Still no light on the growth of GFSA's stake in Con Gold

CHERILYN IRETON and JOHN CAVILL

MYSTERY still surrounds the motives behind the purchase by Gold Fields of SA (GFSA) of a major stake in its erstwhile parent Consolidated Gold Fields (Con Gold)

London share analysts are convinced GFSA was making a strategic defensive play in secretly building its stake in Con Gold to 7,8%.

They are intrigued at the anger shown by Minorco, with 28,3%, in demanding that the share purchases be referred to the UK Department of Trade and Industry inspectors investigating the acquisition of a 4,9% stake by Barrick Resources of Canada.

GFSA had increased its 4,9% holding for investment purposes, said GFSA deputy chairman Dru Gnodde. "We had held 4,9% of the issued capital since 1983 and this had proved to be a good, sound investment."

So, with Reserve Bank permission, GFSA and East Driefontein took out a £40m loan in London through Hill Samuel and started buying the shares.

But analysts yesterday questioned the soundness of the investment as GFSA will almost certainly have to dip into its UK dividend earnings to service the loan

This has fuelled speculation that there was more to the share purchase than GFSA is letting on. There is talk in the markets of a developing power struggle involving GFSA's chairman Robin Plumbridge and the Anglo American interests which hold the major share of Con Gold

Some market commentators are convinced GFSA was trying to block a takeover bid by Anglo which, through Minorco, already holds 28% of Con Gold's issued share capital

Con Gold, in turn, holds 48% of GFSA and if a takeover bid were to succeed, Anglo would strengthen its influence over the SA mining house.

This theory is backed up by the fact that Anglo's Julian Ogilvie Thompson, who is also a Con Gold director, was kept in the dark about the deal until Monday when, in accordance with London Stock Exchange rules, GFSA had to inform Con Gold of its latest acquisition.

"GFSA has done nothing which warrants investigation under the law," said Mike Gordon, analyst at stockbrokers James Capel But what surprises him is GFSA's claim that it was simply a portfolio investment.

Even on forecasts of a 35% rise in pre-tax profits and an increased dividend, Con Gold is regarded as overpriced.

The prospective P.E ratio on expected profits of 50p-52p a share is between 15

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GFSA-Con Gold puzzle persists

2/10 B/Day

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and 14, while the likely yield on an anticipated dividend of 37p (on fully diluted capital after conversion of the £46m Eurobonds into 9,7m new Con Gold shares) is 5% at yesterday's price of 749p.

GFSA will be paying between 10% and 11% interest on the loan. According to Gordon, brokers Wood Mackenzie — a Hill Samuel subsidiary — has also bought 4-million-5-million call options in Con Gold

Another point is why the shares were bought in sterling when Con Gold could have been purchased in rand via Johannesburg

"We are pretty certain others — as well as Barrick and GFSA — have been building stakes," said Gordon

Other London market comments were

● GFSA feared that sooner or later someone would bid for Con Gold If it was Minorco, then GFSA would end up in the Anglo group's hands If it were another overseas group, then Con Gold's South African interests would be up for sale and GFSA would want to ensure that it could claim "a seat at the negotiating table".

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Con Gold share plan kept from GFSA director

CHERILYN IRETON

GOLD FIELDS of SA (GFSA), kept one of its directors in the dark about the plan to increase its shareholding in Consolidated Goldfields, because of a possible conflict of interests.

The SA mining house came in for a lot of criticism last week when it was disclosed that, together with East Driefontein, it had increased its shareholding in its erstwhile parent, Con Gold, to 7,8%.

In a somewhat unusual move, Anglo American director Peter Gush — who sits on the boards of both GFSA and East Driefontein — was not informed of the £40m share purchase until Tuesday morning.

"Gush was not told because of the possible conflict of interests," said GFSA deputy chairman Dru Gnodde, who authorised the purchase. Another reason was that GFSA did not want to be seen to be acting in concert with Minorco.

Anglo — through its international arm Minorco — is the major shareholder in Con Gold, holding an effective 28% of the issued capital

Upset that it had not been told of the share buying, Minorco immediately asked the Board of Trade and Industries to probe GFSA's activities.

Although GFSA is not perturbed by the inquiry, JOHN CAVILL reports from London that share analysts are still puzzled as to the motives behind the purchase.

GFSA insists it was purely a portfolio transaction, but analysts believe:

□ It may have been a "friendly transaction" to support the Con Gold board against a predator;

□ GFSA feared that sooner or later someone would take over Con Gold

The market was nevertheless amazed that GFSA would buy the shares while they were considered overpriced

Analyst Bob Dighton of Alexander Laing and Cruickshank said on fundamentals Con Gold was on a "heady price earnings ratio of over 14 and on that basis they are overpriced". While the shares were at a discount of 20% to net

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GFSA share purchase still puzzles analysts

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asset value, "that is not very exciting because the discount has been 46%", said Dighton

"It has to be a defensive act by GFSA but that doesn't explain the reaction of Minorco. There was never any real threat to Con Gold apart from the Anglo group. Minorco chairman Julian Ogilvy Thompson seemed genuinely angry at what GFSA had done" (210)

MINING

B/Day 2/2/87

Drilling sparks rumour of new Free State mine

2-10

Business Day Reporter

AN INCREASE in drilling activity in the Free State has sparked talk of a new gold mine in the area

While observers say any positive announcement to this effect is years away, the excitement has trickled through to investors

Fuelling the speculation are the more than 20 boreholes which have been sunk in the area north of the Loraine Gold mine

The area — known as the Bothaville Gap because it was thought to be devoid of payable reserves — lies between the Klerksdorp and Free State goldfields

The gap has been extensively drilled in the past, but reserves were never considered payable. Economic mineralisation may now have been found — probably by Anglovaal

After researching drilling activity in the gap, Mathison and Hollidge mining analyst Hilton Ashton agreed there were grounds for the speculation.

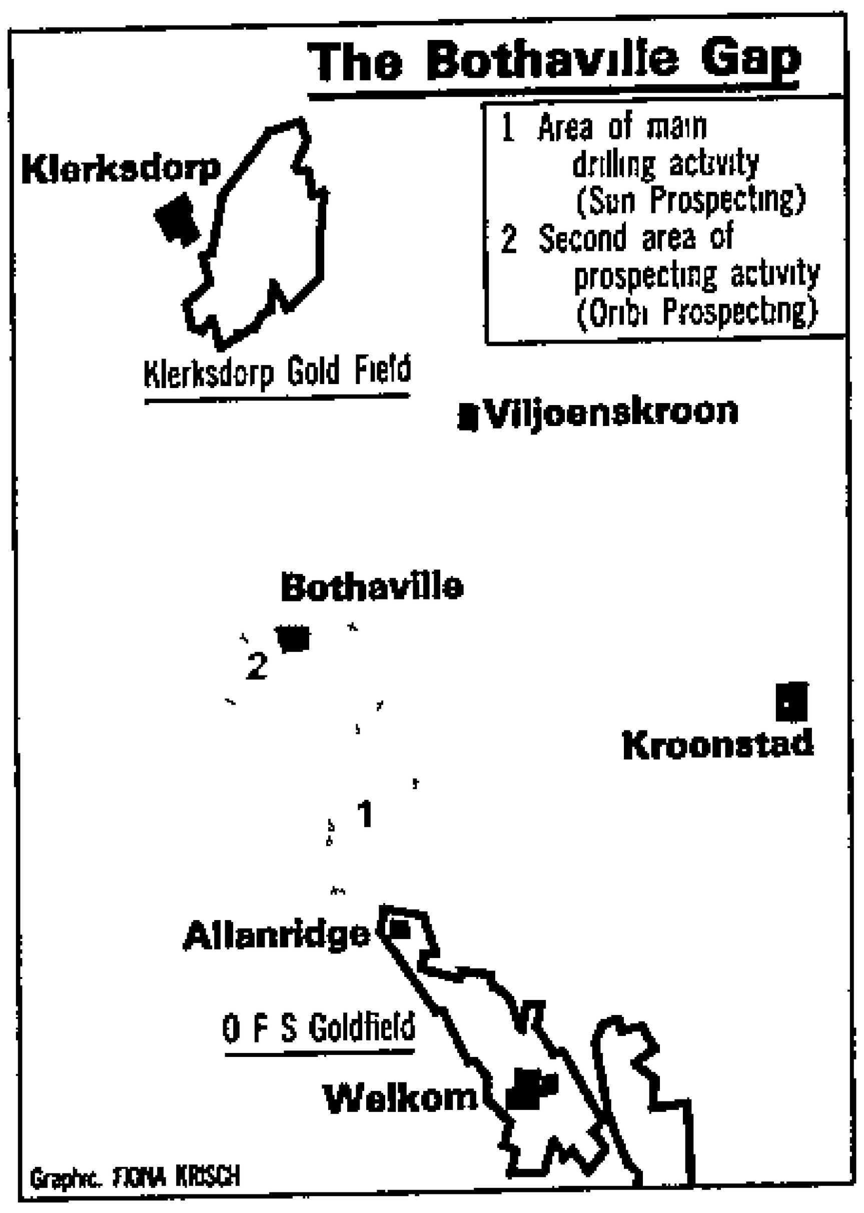
"While the results of the latest round of borehole drilling are a secret, guarded jealously by Anglovaal geologists and top management, the flurry of activity suggests a new gold mine — or possibly even a minor goldfield"

In a report on the gap, Ashton said numerous options had already been acquired over the mineral rights of farms in the area Values were running as high as R5 000 a hectare (plus 20% per annum)

"Just outside Bothaville are forests of drilling rigs, probing for that elusive high-grade patch of reef. The level of activity clearly indicates that a payable reef has been found," Ashton said

The drilling is taking place in an area 40km by 30km between Bothaville and Allanridge — the site of the first borehole intersection of reef in the Free State.

While it is clear Anglovaal is the major participant in the gold search, JCI has also been extremely active in trying to secure mineral options. Anglo American holds a few scattered options.



Ashton said the urgency with which options were being sought was a further indication good drilling results had been obtained.

"There must be a number of positive and encouraging intersections to warrant such a spread of drills — drilling costs alone could be in the region of R1m per month"

He cautioned that it was still early days.

"Options to all mineral rights have not been exercised yet and evaluation drilling, as against exploration drilling, must still get under way A positive announcement on one or more gold mines cannot be expected within the next five years"

Anglovaal's recently announced R200m rights issue has suggested to market commentators that the mining house plans to secure its future in the mining sector.

For although more than half its earnings originate in the mining sector, Anglovaal does not exercise a significant degree of control over many of its major mining investments.

The exception is Eastern Transvaal Consolidated Mines. But this producer — from hydrothermal, vein-type gold deposits — contributes only 8% of all the gold produced by Anglovaal-managed mines.

This vulnerability has placed considerable pressure on the group to expand its gold mining operations Ashton said that by implication, therefore, the Bothaville project would have top priority

There are three listed companies that appear to be the main players in the geological search Anglovaal, its subsidiary Mid Wits and Loraine Gold Mine — by virtue of its proximity — would all benefit from any long-term development.

Most option contracts to buy mineral rights from farmers in the "hottest" area have been taken out in the names of two companies, Sun Prospecting and Oribi Prospecting — both wholly owned subsidiaries of Anglovaal

After examining the borehole patterns, Ashton believes Anglovaal intends to delineate a large area and to zero in on smaller areas at a later date

"Early drilling results show the target horizons lie below 2 500m. The shallower reef horizons have been disappointing"

Geologist Toby Antrobus, who worked on the report with Ashton, said the target reefs in the Sun Prospecting area were likely to be at a depth of between 2 000m and 4 000m The actual reef being tested has not as yet been publicly identified

Antrobus said target reefs in the Oribi area were likely to be deeper, but may possibly be richer, being close to an entry point to the gold basin.

"The two areas in which Anglovaal and Middle Wits are interested together comprise an area equal to that of the Free State goldfield, which supports 14 mines. But it is unlikely, of course, that so many will eventuate.

"Nevertheless, the potential for as many as five new mines — perhaps even 10 — does exist," said Antrobus.

On the question of grade, Antrobus said details about the grade of gold would only be known to the inner circle at Anglovaal

"All that can be said is that the quiet air of optimism encourages us to be optimistic also."

NUM condemns dismissal of 2 200

By Susan Pleming

The National Union of Mine Workers (NUM) has condemned the dismissal by Anglo American of 2 200 workers at the President Steyn Gold Mine near Welkom this week.

A NUM spokesman, Mr Marcel Golding, yesterday described the dismissals as "typical of a high-handed management" which had failed to address the issues which gave rise to conflict on the mine.

He accused Anglo of being "intransigent" in dealing with workers' problems.

A spokesman for Anglo American, Mr John Kingsley-Jones, had told Sapa on Monday that the 2 200 workers had resigned. Yesterday he agreed that the workers had in fact been dismissed.

Mr Golding said Anglo American had "twisted" its earlier statements.

"It is very clear to us that the workers did not resign. Resigning is a voluntary action. The workers were fired," he said.

According to Mr Kingsley-Jones, the workers were dismissed following faction fighting at the mine since December, which had left 39 dead and 177 injured.

"The prospect of renewed violence and consequent loss of life left President Steyn management with no alternative but to request workers to either return to their normal duties or to terminate their employment with the mine," said Mr Kingsley-Jones.

Anglo American planned to replace the workers as soon as possible. But, said Mr Kingsley-Jones, if the 2 200 dismissed workers wished to be re-engaged their applications would be considered.

According to Mr Kingsley-Jones differences between Xhosa and Sotho employees had emerged in mid-December last year. Since then 39 employees had died and 177 had been injured.

"Continued efforts have been made by management to resolve these differences and this included several meetings with representatives of the governments of Lesotho and Transkei.

"In addition, the local and regional committees of the National Union of Mineworkers were consulted as to how these differences could best be resolved. Despite the efforts of all these parties, these tensions persisted," said Mr Kingsley-Jones.

2/0

Star 4/2/87

CONSOLIDATED GOLD FIELDS

(210) FM 6/2/87

What is Jo'burg doing?

Gold Fields of SA (GFSA) belatedly disclosed last week that it, and the group gold mine Driefontein Consolidated (Drie Cons), have since 1983 held significant stakes in Consolidated Goldfields (CGF) The financial markets found the revelation fascinating — not so much because GFSA and Drie Cons now each hold 3,9% of London-registered CGF, but because it focuses attention on a question long asked in London and Johannesburg financial circles

Will the Anglo American/De Beers group — or perhaps an entirely different party — bid for control of CGF, which in turn holds, among other investments, 48% of GFSA?

The idea is not new Ever since De Beers launched its memorable dawn raid on CGF in February 1980, accumulating 28% of the capital, the broader Anglo group has effectively been the largest shareholder in CGF The stake has since been shifted into Anglo's and De Beers' associated company, Minorco

When De Beers bought into CGF, its stake was explained as essentially a blocking mechanism Then GFSA chairman Ian Louw said Mr Oppenheimer (then chairman of De Beers and Anglo) has given me an assurance that his sole object in acquiring a blocking holding in CGF is to maintain the present independent status of GFSA " Elsewhere, however, Oppenheimer was also quoted as saying that, should any other predator appear, all bets are off"

Seven years later, Anglo and its associate companies have made no visible move towards increasing the interest, except that a range of investments are held in GFSA and its operating mines (see diagram)

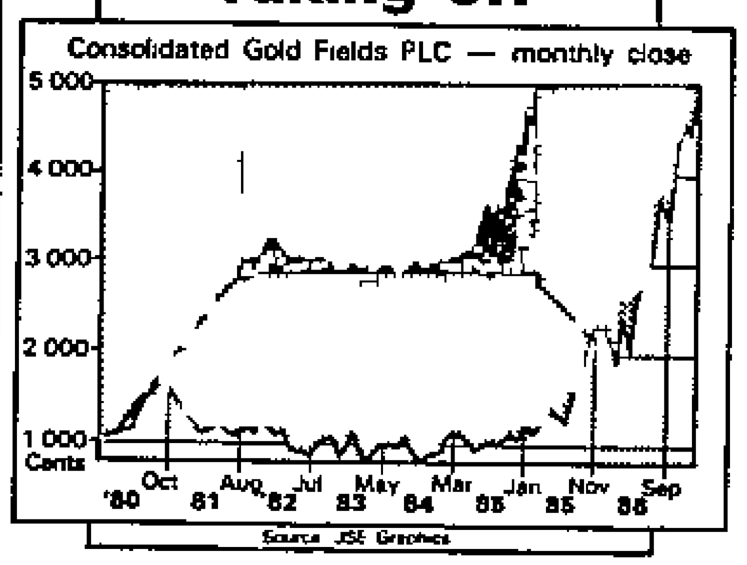
Amgold, for example, has 10,9% of GFSA, 8% of the world's richest gold mine, Kloof, 11,5% of what will ultimately be the world's largest producer, Drie Cons, 7% of Doornfontein, and 8,6% of Deelkraal While all these are significant, Anglo could justifiably say Amgold is an investment company whose function is to invest in gold and uranium mines

Yet convincing arguments have been advanced to support the theory that the Anglo family will eventually want full control of CGF After the setbacks of the Sixties and Seventies, notably in Africa and UK-based Charter Consolidated, international investments are seen as an area where progress has not matched ambitions, despite the extent of the interests now held in Minorco

Minorco is a Bermuda-domiciled investment company, with net worth last June 30 of US$2,5 billion Officially, Anglo does not like it to be said that it controls Minorco, or, for that matter, Charter, held 36% by Minorco But the web of cross-shareholdings leaves little doubt how the power is held Anglo directly holds 39,1% of Minorco, and De Beers 21%

Gold Fields of SA is nominally an offshoot of London's Consolidated Gold Fields Why is it building up a stake in its apparent parent?

Taking off



Analysts note that Anglo's interests in SA are largely in good shape, thanks partly to good export earnings With the recovery of the diamond market since early last year De Beers, in many respects still the heart of the empire, is again in sound financial shape De Beers' cash flow is robust, and its funding capabilities could be called upon should the need arise

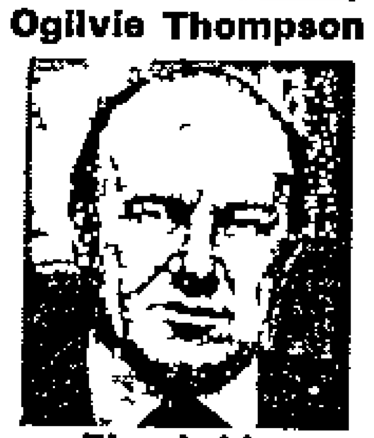
In addition to its gold mines GFSA last year announced the go-ahead for the Northam platinum mine, a development that could have unpredictable implications for the platinum market Leading producer Rusplats, held 32,6% by Johnnies (de facto another arm of Anglo), got bruised when Gencor's Impala Platinum expanded in the early Seventies

Apart from its stake in GFSA, CGF has broadly spread mining and industrial interests abroad, including 26% of Newmont Mining in the US, 100% of Amey Roadstone, a large and profitable producer of building materials, 100% of Gold Fields Mining, which operates gold mines in North America, and 49% of Sydney-based Renison Goldfields Corp So it is easy to cite the potential attraction of CGF

Gnodde

Ogilvie Thompson

Agnew



Plumbridge

For the present, this is largely hypothetical Whether Anglo/De Beers would accept the political dust that would be kicked up by an offer for control of CGF is uncertain CGF chairman Rudolph Agnew is fiercely independent But London rules require that should Minorco increase its stake above 29% a full bid would have to be made — hence the sense of anticipation in the markets and, perhaps, some sensitivity on the part of the Minorco camp

From London, the *FM*'s correspondent reports that when GFSA announced its holdings in CGF last week, there was puzzlement at the hasty expression of "surprise" (for which most read "anger") by the Minorco directors on CGF's board, Julian Ogilvie Thompson and Neil Clarke, at not being informed of GFSA's intentions

Both CGF and Minorco learned after the event of GFSA's original 4,9% acquisition in 1983 but chose not to comment — even though, had the London Takeover Panel (which like everyone else was not aware of it) investigated and decided GFSA was acting in concert with Minorco in 1983, it could have demanded that a full bid be made If combined with Minorco's interest, the GFSA buying would have passed the 30% level which requires a full offer

This may well explain GFSA's policy of not informing anyone, not even its own chairman, Robin Plumbridge, who was away when the latest 2,9% was taken in CGF Plumbridge is linked via cross-directorships with the Anglo group For London takeover rules say that if parties acting in concert increase their combined holdings by more than 2% in any 12 months, that, too, makes a total bid mandatory

It is not known whether the Takeover Panel is looking into GFSA's latest foray "We never say who or what we are looking at beforehand," panel spokesman Peter Fraser tells the *FM* "But we do look into this sort of thing Whether or not we receive a formal complaint, we act on information we learn (from newspapers or elsewhere) and would chase the matter up to see whether anyone was acting in concert."

So had GFSA informed the CGF board and its Minorco directors in advance of its intentions, the share-buying could have been construed as giving the panel cause to inquire.

For his part, GFSA deputy chairman Dru Gnodde sticks to the line that his group bought into CGF purely as a portfolio investment — despite its recently uninspiring profit record CGF's dividend has stood at 24,5p a share for the past five years Gnodde notes that in rand terms CGF's share price has increased fivefold since the original investment in 1983, and cites encouraging comments by Agnew in his 1986 review

An unidentified investment company, owned 50% each by GFSA and Drie Cons, was formed specifically to hold the GFSA stake in 1983 It holds no other interests As a down-the-line investment, it was not disclosed in annual reports, and nobody outside the GFSA executive knew of it until a formal declaration had to be made on January 26

"GFSA has a very harmonious relationship with CGF You don't usually tell companies when you invest in them," says Gnodde "We've heard the rumours about CGF but we just see it as a good investment We've already done well out of it and expect to do better in future"

Most analysts find this explanation ingenuous To pay for the shares, GFSA borrowed funds overseas (with approval from the Reserve Bank), at an interest rate above Libor Gnodde says that GFSA has the facility to borrow more if necessary, but it has not been decided whether more shares will be bought

There may have been good reasons for secrecy But why specifically Cons Gold if it's merely an investment? And why should Drie Cons, an operating gold mine invest in an overseas mining group? Surely Drie Cons' function is to use cash to develop its mines or pay out surplus cash as dividends?

That was the local view GFSA is now effectively the second largest CGF shareholder, with the Canadian Barrick Resources next in line, holding 4,9% All five London stockbrokers polled by the *FM* believe GFSA's action was a defensive ploy intended to keep predators at bay But aimed against whom? Minorco is the only credible predator

Speculation of a bid has been fuelled since October by a steep rise in the price and heavy trading in the share One story circulating in the City is that Minorco proposed a "friendly" merger on the basis of 850p per CGF share (£1,7 billion) CGF's riposte was that it would rather buy back Minorco's 28,3% stake at 950p — the present conservatively estimated net worth

If true, that may have caused CGF to advance its $242m takeover of American Aggregates announced on January 26 — although as this fits in with the corporate strategy and Amey Roadstone, it is not in itself seen as an attempt to make the UK mining group less palatable The wilder rumours this week had CGF making a "poison pill" bid for the oil and gas group, Ultramar (capitalised at £510m), but they were discounted

So, too, is the original tale started by Barrick's investment in CGF in October That is being investigated by the Department of Trade, not for Barrick's investment but because of the manner of its execution When CGF tried to look behind nominee names to ascertain Barrick's identity it ran into obstructions before the Canadian firm was finally flushed out.

CGF appears unperturbed by the GFSA affair, discreetly referring all inquiries about the Minorco statement to its source And it expresses no anxieties that among nominee names on the register there lurk further hidden menaces to its sovereignty Some 80% of the stock — including Minorco, GFSA and Barrick — is in the hands of institutions, all of them identified

Broker assertions that the huge volume of trading — 60% of the "free" equity — since statistics were published after Big Bang day (October 27) is significant, are treated coolly Churning and double-counting (on both sides of the bargain) between the 12-14 main market-makers — whose long and short positions square off — are largely the cause "When we see turnover of 3m shares in a day, we know that perhaps 750 000 have actually changed hands," comments CGF

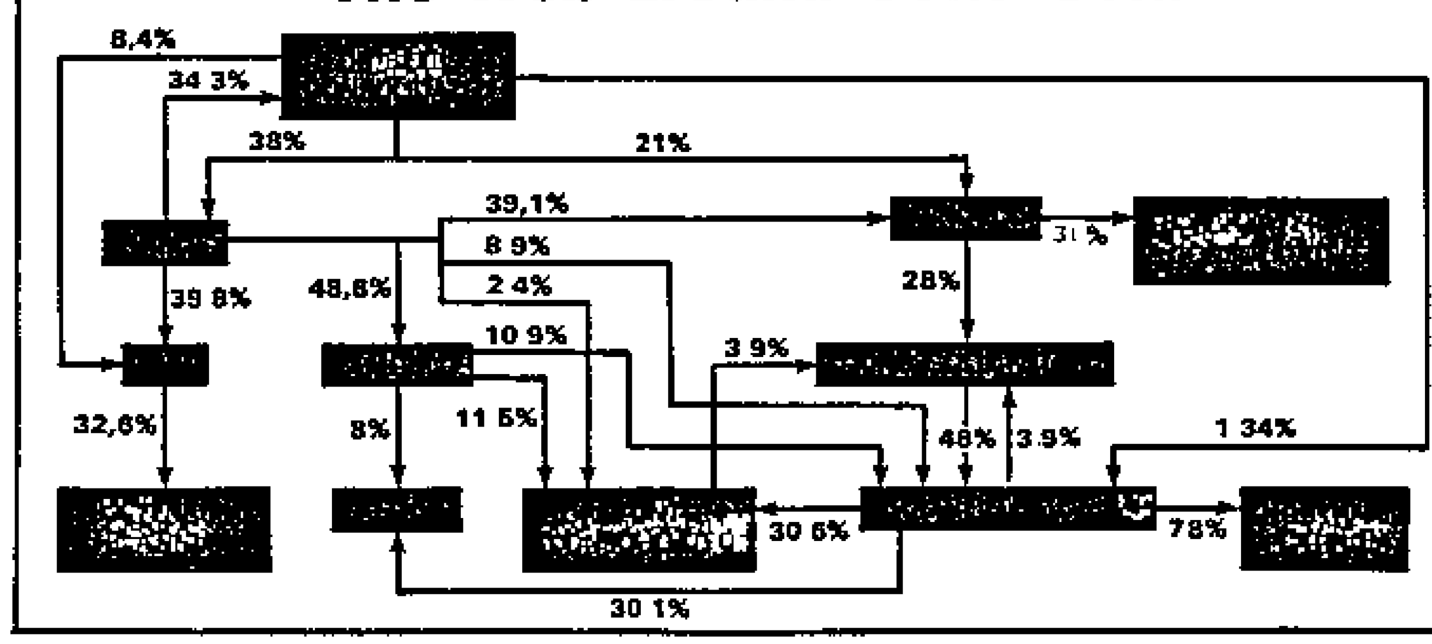
CGF's price has increased from the 1986 low of 409p to a high of about 770p, roughly the level at which GFSA bought But the relatively heavy trade sheds some light on the timing of GFSA's purchase Gnodde contends that it was when trading volumes picked up towards year-end that GFSA saw the opportunity to buy in volume through the options market without attracting attention

Meanwhile, in spite of doubts about GFSA's motivation, it may look less vulnerable to accusations of paying too much when CGF floats its North American gold mines (on high ratings) and the construction materials subsidiary, Amey Roadstone's properties

Peter Davidson of stockbroker W Greenwell, tells the *FM* "If CGF's float of the North American mines has the same effect as Newmont's listing of Newmont Gold, then there is another 200p to go on the price CGF is unique for its international spread in gold — it's the only one for funds to go for If there was a bid it would have to offer an exit price of £12 a share Anyone who sold under that price would be a mug " And at close to £2,4 billion, CGF could be too big a mouthful

Andrew McNulty and John Cavill

The web around Cons Gold



THE ELECTION AND WORRALL

FM 6/2/87

The Indaba warriors gather

An outline of Denis Worrall's reasons for throwing in the towel as SA's ambassador to the Court of St James is emerging Not that Worrall is saying anything at this stage He is assiduously avoiding any comment to the media in London, just as he assiduously wooed them for reform over the 30-odd months of his tenure in the UK

At 51 Worrall is relatively youthful in political terms, and his defection from the

The resignation of Denis Worrall has added a new dimension to the impending white election The real questions are whether reformist zeal can make an impact on voting day, and whether this would not simply push the NP further to the Right.

P W Botha axis of Afrikaner nationalism has the Progressive Federal Party (PFP) dancing in the aisles At this stage the smart money holds that the PFP will assist Worrall as an independent candidate in Port Natal, at present the seat of Home Affairs Minister Stoffel Botha — the man who shot down the KwaNatal Indaba proposals before the ink had dried

This assistance will take the form of stand-were slightly favoured but the larger applicants got the full amount they were entitled to in terms of their rights The total additional amount given to small investors is 82 636 or 6% of the entire issue "

In view of the complicated way the allocations have been calculated, shareholders with doubts as to their holdings in Prochem should check with the company The allocation formula was complex, and uncertainty as to how many shares to apply for may have caused many investors to apply for far more than they could have expected to receive In the event, the issue was subscribed 13,3 times For his part, Thomas simply views the oversubscription as an indication that "people have great faith in Prochem "

Other Malbak divisions are likely to be listed when they are ready, but Thomas is not saying which these are likely to be, or how soon it may happen

After the injection into Malbak of companies in the Gencor industrial division, "we could put the Malbak packaging division, for example, into one of the listed companies."

Thomas did not give much of Prochem away (Malbak retains 88%), but he says "it is not a fixed rule" that Malbak will retain such large holdings in future listings

Pat Kenney

HARTEBEESTFONTEIN F\M 6/2/87 (210)

FEATURE

Boosting treatment capacity

Hartebeestfontein gold mine is one of the few top-quality gold shares near the financial reach of the smaller investor This is thanks largely to the ten-for-one share split in 1984 — without that the current share price would be about R240 and not R24 Small investors have another, cheaper route into Harties through Zandpan, which holds 22m Harties shares. Each Zandpan share is worth about 16,9% of a Harties share, and should trade at a fixed ratio to Harties, although it sometimes moves out of line.

Hence, there is considerable investor interest in the mine Harties is currently building a new R135 m gold recovery plant to treat low-grade surface material, and is restructuring underground operations following the decision to temporarily close two shafts and boost production from others

The moves create interesting possibilities for the mine, particularly the 50% boost in treatment capacity to result from the new plant. However, controlling mining house Anglovaal says the life of the mine remains at about 20 years, based on exploitation of the Vaal Reef horizon at unchanged rates from present production levels

That the gold recovery plant is being financed from internal funds has implications for Harties' dividend flow This in turn affects Anglovaal, as the mine is a major contributor to the group's income Anglovaal manager, Rob Wilson, says the internal funding should not be a major constraint, depending on gold prices received Still, the effects became apparent in results for the year to end-June, Harties held back R16,1m (14c a share) in distributable earnings to help fund the plant. A further R28m was retained in the six months to end-December

The dividend for the year to end-June was a record at 110c a share and the best since the 102,5c paid in the 1981 year. Last interim the payout was increased to 60c a share from the previous comparable interim of 45c So far, the rand gold price has more than compensated for the restraints on distributable earnings Next year the plant will be completed and capital expenditure should fall off rapidly once it is commissioned

During 1985 Harties' management radically changed their traditional approach to running the mine when the decision was taken to mothball the Nos 8 and 2A shafts

Mine manager Allister Clayton says the aim is now to have only four shafts hoisting to surface — the Nos 4, 5 and 7 shafts and the newly-completed No 6 north shaft system

"Previously we placed great emphasis on flexibility of our mining operations, and the ability to select mining faces and therefore maintain the grade," he says "The disadvantage of that approach was that shafts were under-used, which pushed up working costs. We have increased output from the Nos 5 and 6 shaft areas to make up for tonnage previously drawn from the Nos 8 and 2A shafts

"Doing this has involved a boost in the face advance of mining operations in these areas from about 5,5 m/month to about 7,5 m/month Our target is to push this to 8 m/month," he says

The reduced mining flexibility does present some problems One is that the mine is less able to control its recovery grade Harties had managed to contain the drop in average recovery grade remarkably well over the past 10 years through ore sorting on surface to upgrade mill feed, and through flexibility underground Average recovery grade was 11,3 g/t in 1977, and 9,6 g/t in the 1986 year Grade hit a low of 9,1 g/t in the 1985 September quarter, but has since recovered steadily to 10 g/t in the 1986 December quarter

"We are finding higher grades than originally anticipated in the deeper areas of 6 north We are currently drawing 70 000 t of ore a month out of the 6N shaft, and it will be pushed to 103 000 t/month in 1987 and eventually to 120 000 t/month," says Clayton "However, once this area has been mined out the grade will return to its declining trend as we move into remaining western areas of the mine's lease "

One thing that will not change is the mine's underground production It will remain at the current level of about 750 000 t milled per quarter for the rest of Harties' estimated 20-year economic life

The new treatment plant is scheduled to be commissioned in January 1988 and has been planned to tie in with the remaining life of the mine. The plant increases Harties' treatment capacity by nearly 50% but its operations in treating surface material, with an average yield of about 1,3 g/t, would probably not be economic on a stand-alone basis once underground mining has ceased

That would appear to rule out using the new plant to treat some of the other reefs in the lease area, such as the Livingstone-Johnstone series These, at grades between 2 g/t and 4 g/t, are of much lower grade and are patchier in value than the rich and consistent Vaal Reef that the mine exploits

Harties is drilling the south-western corner of its lease area to assess its potential Two initial boreholes gave good values on the Vaal Reef of 2 878 cm g/t and 1 423 cm.g/t, but results from the two latest boreholes, TL 49 and TL 50, showed the Vaal Reef to be faulted out Extension of the mine's life beyond 20 years depends on this drilling and on what exploration work may reveal west of Harties' lease area, in an area controlled by Anglovaal's exploration arm, Middle Witwatersrand Areas (Mid Wits)

Clayton says this area was mined at the turn of the century by New Klerksdorp Mining Co, exploiting the Ada May reef at shallow depths and recovering about 5 g/t It could be a source of low grade ore for Harties

Harties' unit working costs are high, hitting R109,24/t milled in the December quarter With the economic advantages expected from the re-organisation of underground mining operations, Clayton hopes to hold future increases below the rate of increases in the consumer price index

Working costs could be boosted by a potential problem which the mine may encounter some 10 years down the track This concerns the cost of pumping water from the mineworkings Harties does not have a water problem at present because its workings are kept dry by pumps at Gencor's neighbouring Stilfontein mine However, Stilfontein is nearing the end of its life and, depending on the gold price, could close down within eight to 10 years

As the deepest point in the Klerksdorp area lies inside the boundaries of Harties' lease, the mine is expected to encounter water inflow problems It will have to cope either by installing its own pumping capacity, or by taking over the Stilfontein pump stations in the same way that Grootvlei on the East Rand runs the pumps at SA Land's No 1 shaft

Brendan Ryan

reason to regard the non-voting and loan stock differently, except for tax purposes, and for pension funds and life assurers who are exempt from tax on dividends and interest received, the loan stock represents good value

Another analyst draws a comparison between Anglovaal ordinary shares, which at R235 are trading on a prospective 2,6% dividend yield (assuming a 600c dividend) A tax-paying investor will receive a 1,7% yield on the ordinaries after tax, and 2,2% on the loan stock after tax, as there should be a slight premium for the non-voting aspect of the loan stock, the stock then doesn't look that attractive

He also is not convinced that loan stock holders will necessarily be able to participate in new mining ventures, suggesting that funds could be raised by an increase in the "A" share capital or by issuing "B" share capital

However, the offer document states "The loan stock shall entitle the loan stock holders to participate in any offer or distribution by Anglovaal of shares or any other interest in any company made to any class of equity shareholders" Moreover, he does recommend buying the NPLs up to R3

Kerry Clarke

OIL/PREMIER

Stormy seas

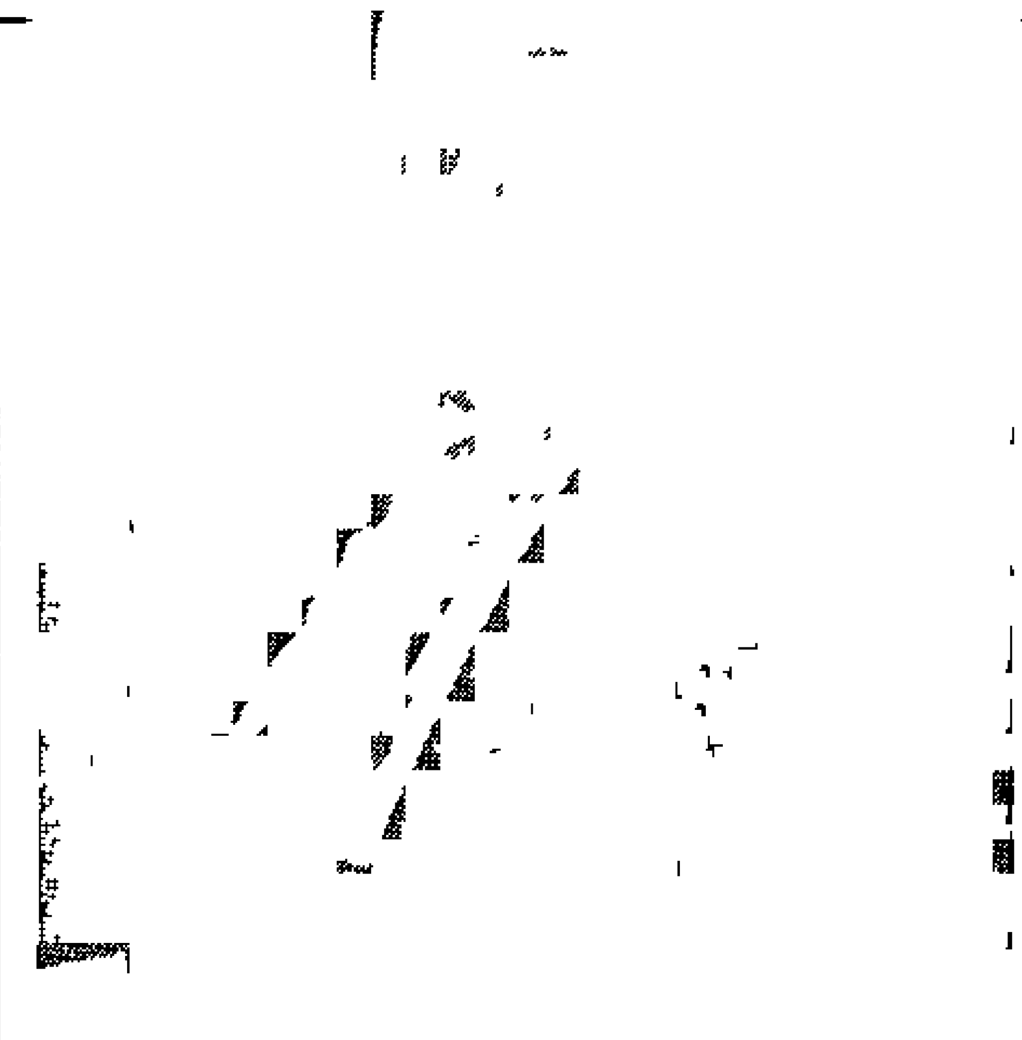
Ovenstone Investments' (OIL) minority shareholders seem set to give the group's new Premier directors a tough time at a special meeting on February 20 to approve the sale of the non-food assets Premier is equally determined not to back down

Cape Town businessman Issy Goldberg, appointed by the Shareholders' Association to represent minorities at the meeting, says he will ask Premier to offer Premier shares in exchange for OIL shares at a ratio which is not based entirely on the reduced asset values given last December

Premier financial director Gordon Utian says Premier has not yet decided whether or not it will buy out minorities However, he warns shareholders not to raise their hopes by assuming that Premier will pay unrealistic prices Both operating company Ovgroup and its pyramid OIL are in a poor financial state At March 31 last year OIL's net worth was 77c a share and Ovgroup's was 70c, in the December announcement of the group restructuring these figures had dropped to 15c and 19c respectively.

"Premier should not be held responsible for the minority shareholders," says Utian "While we were the controlling shareholder we were not involved in management until recently We paid a high price at about R1 a share and have also watched the price of our shares dropping Finally, we have the interests of our own shareholders to protect"

But Premier's interest in protecting even its own minorities is, to say the least, belated



Premier's Utian . . . 'don't expect unrealistic prices'

It has for some years been in full control of OIL Premier may not have fully appreciated OIL's true financial position, but perhaps it should have got involved earlier

Goldberg, who claims to have the support of minorities, says he intends focusing on whether the financial state of the companies was fairly disclosed in the last annual financial reports "The shareholders are not only questioning the disposal of the building and construction assets at a proposed R23m which is a R14m discount They are also angry about the disclosure that the asset values have fallen so steeply"

With regard to disclosure, Goldberg says he is unhappy about the non-consolidation of the Chilean fishing operation — a significant asset — in the group accounts The operation was responsible directly and indirectly for the overseas borrowing of $30m, which was only recently disclosed in the special restructuring report Andrew Ovenstone, who resigned as chairman last month, intimated in the last annual report that earnings could be maintained and promised that debt would be reduced Former management, including Ovenstone, now hold about 1% of Ovgroup and even less of OIL

Even after disposal of OIL's non-food assets to the former management, which will reduce debt by R38m, the balance owing by OIL appears to total about R62m Funding of this debt would require restructuring of the group's capital base. Utian confirms Premier is considering this Presumably, though, if the minority shareholders should succeed in blocking Premier's plans at the meeting then Premier may be less keen on pressing ahead with the restructuring

Lesley Lambert

CHUBB

Better combination

Chubb's 29,1% advance in taxed profits achieved in the interim period to October 10 owes more to its improved financial structure than solid recovery in trading operations Turnover increased by only 12,5%, although some improvement in margins was achieved, as shown by the 13,1% advance in operating profit

Thanks to pared borrowings and lower interest rates, the interest bill fell by 42%, enabling pre-tax profits to leap by 44,2% Earnings rose by only 24,8%, after much of the pre-tax advance had been undercut by a higher effective tax rate, which rose from 42,5% to 48,5%

Overall performance is still being curbed by difficult conditions hampering the physical security division, which manufactures safes, strongrooms, locks, and builders' hardware The division, hit by recession in the building and construction industry, is failing to reap the positive effects of greater interest in security measures generated by SA's unrest situation

Group financial controller Gert Bezuidenhout sees no improvement in this area until "the economy takes a turn" He adds "The company has cut back and trimmed as far as it can to sit out the bad period"

CHUBB HOLDINGS

Six months to	Oct 11 1985	Mar 31 1986	Oct 10 1986
Turnover (Rm)	37,5	33,5	42,2
Operating Profit (Rm)	2,4	3,0	2,7
Taxed Profit (Rm)	0,9	1,3	1,1
Earnings (c)	16,5	24,3	20,6
Dividends (c)	6	11	7

Off-setting the marginal increase in turnover in the division, the electronic security and fire security divisions notched up higher sales and should continue to show strength, according to financial director Rob Firth

As in the case of the previous year, management is confident the results of the second period will be improved The interim dividend was increased by 16,7% to 7c a share (6c), placing the counter on a historical yield of 4,9% At 350c, the price is up strongly from its low of 260c set last April, but with the p e at only 7,5 times there is probably still some value in the share

Jane Arbous

PROCHEM

Not prorata

It is not every large listing that draws criticism for favouring the small investor in the allocation of its shares If anything, the Protea Chemicals (Prochem) listing represents a refreshing change in this respect — there has been no shortage of issues which seemed to favour the institutions

In the Prochem case, the institutions may well gripe that they have been left with unduly small allocations, and that interest income was lost while they applied for much larger quantities of shares

Grant Thomas, chairman of Prochem holding company Malbak, says that, "the basis is perfectly fair Smaller applicants

GFSA sticks to its Con Gold investment story

SIT 8/2/87 210

Business Times Reporter

GOLD Fields of SA insists that its purchase and that by its subsidiary, Driefontein, of 7,8% of the shares of its parent, Consolidated Gold Fields of London, was nothing but an investment

Anglo American and offshore associate Minorco refuse to add anything to the "surprise" expressed by Minorco chairman Julian Ogilvie Thompson before he referred the matter to the UK Department of Trade and Industries for investigation

Destiny

Mining-house watchers are convinced that GFSA acted to protect itself from predators, including possibly Minorco or its effective controller, Anglo American There have long been rumours of an impending bid for Con Gold

A possible fear at GFSA could be that Con Gold will be taken over by Minorco, possibly in association with Canada's Barrick Resources, which has nearly 5% of Con Gold

GFSA is fiercely independent and does not wish to get any closer to Anglo, which holds 8,9% of its shares

GFSA's 7,8% stake in Con Gold would not protect it against a bid from Minorco, which has 28,9%, but might give it some say in its destiny

Another possibility GFSA could have been guarding against, say mining analysts, is that Con Gold might be tempted to sell its stake in GFSA cheaply to Minorco to facilitate its investment programme in the US

Most outsiders are also convinced that Anglo is seething about GFSA's action, particularly because neither Mr Ogilvie Thompson nor Peter Gush, Anglo's director on the GFSA board, were told about the share buying

Mr Gnodde confirmed that his chairman, Robin Plumbrige, together with other GFSA directors and Mr Gush were not told about the tranche of shares bought between January 19 and 26 and which lifted the GFSA-Driefontein stake to 7,8%

Mr Gush, Mr Ogilvie Thompson and Rudolph Agnew, chairman of Con Gold, had not been told because there might have been conflict of interest

Mr Gnodde said "We had been buyers since 1983 and Con Gold has been a very good investment Late in January when Mr Plumbridge was on leave the opportunity arose to buy more shares as certain options positions were cleared out.

"As acting chairman, I knew he would support me and I had no hesitation in going ahead without telling him"

Why buy shares in Con Gold specifically? Why not other investment stocks offering a better yield? Con Gold yields less than 5% and trades close to net asset value and other mining houses trade at large discounts to asset value In addition, the share purchase was loan funded and interest costs exceed dividend income

Mr Gnodde said "We believe in gold at the moment and we think Con Gold has gone a long way towards sorting out its problems"

8/2/87

ST (210)

Happy families at Gencor industrials

GENCOR executives, whose noses might have been put out of joint by the accession of Derek Keys, appear well satisfied.

Morale in Gencor since Mr Keys's appointment has improved — in line with the share price

Even those executives who looked most likely to succeed Ted Pavitt say they are relieved and happy at the way things have worked out

Mr Keys's reputation preceded him He enjoyed such stature in the eyes of all the leap-frogged pretenders to Ted Pavitt's throne that each seems to have been philosophical about being overlooked himself — and glad that the job did not go to one of his peers

THE RUB

The formidable task confronting Mr Keys's blue-eyed boy, Grant Thomas, is to achieve the same satisfaction among those by-passed in the industrial division

Like Mr Keys, Mr Thomas has moved the men he knows and trusts into top positions

He has appointed three Malbak directors — Klaus Zirker, Tom Chalmers and Peter Benningfield — and Hugh Brown, formerly of Altech plus Gencor's Dirk Jacobs and Donald Masson to the top spots in what is to become Gencor's equivalent of Amic and Anglovaal Industries

Mr Zirker has become chairman of Kohler and Carlcor, Mr Chalmers chairman of Tedelex, Mr Brown chairman of D&H and Group Five and Mr Jacobs chairman of Kanhym and Standard Brass Mr Benningfield will be the group bean counter

Herein lies the rub After the acquisition of Protea, Malbak's turnover exceeded R1-billion, but most of the constituent companies were small relative to the Gencor industrial companies now in the fold.

DYNAMIC

Some of Mr Thomas's right-hand men were less than well known a year ago Three years ago, some of them were running divisions in a fairly small packaging, motor and farm-machinery conglomerate of which many had never heard

Effectively, a minnow has swallowed a whale and now people Casca might have described as "petty men" bestride the world like so many colossuses

All of a sudden some business people of national stature and some long-time Gencor stalwarts find themselves reporting to relative unknowns

But they are only a handful Altogether, the new people structure has been skilfully devised and few have cause to feel put out It would not have done to have had Donald Masson, Eric Ellerine and Trevor Coulson reporting to new bosses

To get an idea of morale, Business Times spoke to several chief executives down the line in Gencor industrial companies who might have felt peeved at recent events this week

Loyalty to Gencor, their companies and to Grant Thomas and Derek Keys prevailed None confessed to any misgivings Some quotes

"Grant Thomas is a people person His influence has already been dynamic I am delighted to be working under him"

"The style of Malbak is very compatible with ours."

Another CE said he was delighted with the change He said Mr Thomas was a good manager, whose decentralised style would work as well in a large portfolio as in a smaller one The task, he said, was to make Malbak with a turnover of R2-billion into a Barlows with a turnover of R14-million or a Fed Volks with R3-billion

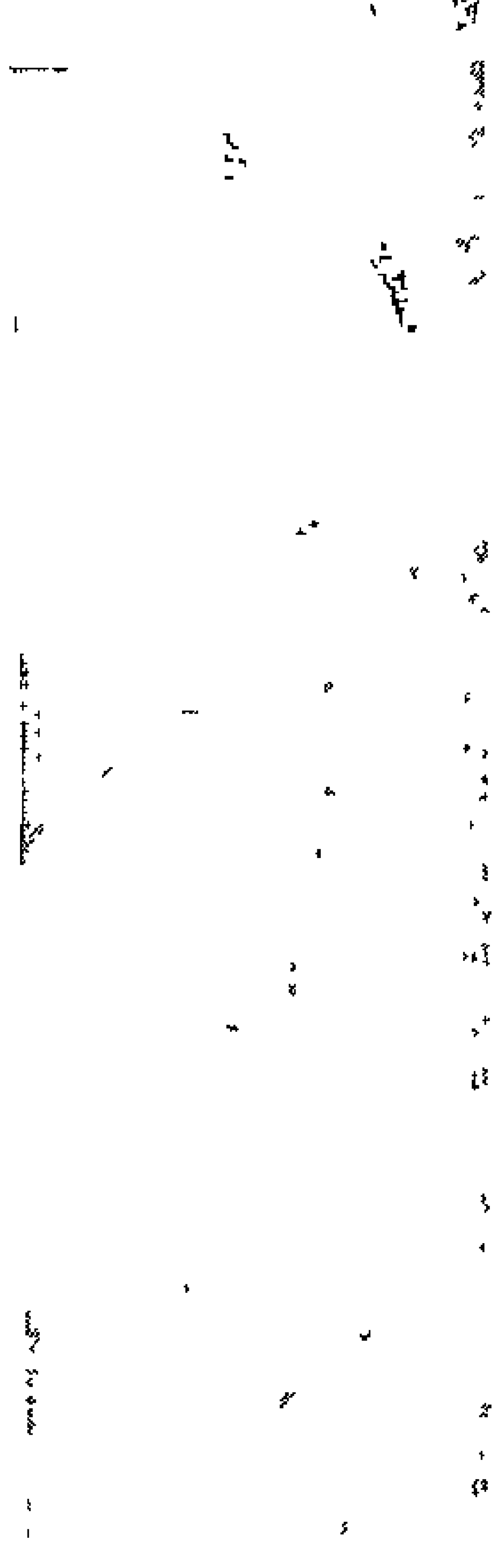
REALISTIC

The attitude seems to be that Mr Thomas's chaps are non-executive and that chief executives will be able to get on with what they are doing with minimal interference from head office

This seems realistic, for Mr Thomas is a hands-off manager He has been described as a "numbers manager" He interferes only when the numbers require it

At the same time, Mr Thomas likes things done his way and several strongly individualistic entrepreneurial people who have disagreed with him in the past have gone a separate way

Mr Keys and Mr Thomas have everyone on their side, but their lieutenants still need to tread warily and to be diplomats to keep morale on an even keel and to sustain the recovery in Gencor's industrial companies



Grant Thomas . . . Derek's blue-eyed boy

It's birthday 'ton' for GFSA

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9/2/87

CHERILYN IRETON

GOLD Fields of SA celebrates its 100th birthday today

SA's oldest mining house was registered in London on February 9, 1887, by its founders Cecil Rhodes and Charles Rudd.

In typical GFSA style, its centenary celebrations are being kept low key.

B/Day

To mark the occasion GFSA asked SA poet and historian Roy Macnab to document its history. The book has been released to coincide with the 100th birthday.

watch the position in close co-operation

Demos focus on Con Gold

IAN HOBBS

LONDON — Anti-apartheid groups in Britain are starting an intensive campaign calling for disinvestment from Consolidated Gold Fields (Con Gold), the London-based parent company of Gold Fields of SA (GFSA).

● See Page 3

Con Gold, founded by Cecil Rhodes, celebrates the centenary of its involvement in SA today — but will find its headquarters picketed by demonstrators.

The pickets will distribute statements emanating from SA's National Union of Mineworkers (NUM) that accuse Con Gold and GFSA of exploiting apartheid and black migrant labour, providing

● To Page 2

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B/Day 9/2/87

Demo onslaught on Con Gold

● From Page 1

"appalling" conditions for workers, and breaking up families.

The statement accuses the companies of having "built their vast empire on the blood, sweat and toil of black workers in SA".

The London protesters will be led by the End Loans to SA (ELTSA) group which is credited with driving Barclays Bank out of SA by means of its persistent pickets and protests.

ELTSA spokesman the Rev David Haslam said Con Gold was the largest British-based employer in SA, with 90 000 workers, and a "shocking" record.

He said there would be a ceaseless campaign to expose the company and to encourage disinvestment by shareholders.

He said Con Gold owned 48% of GFSA and it was "unacceptable and outrageous" for the London group to attempt to disclaim responsibility for the actions and policies of GFSA.

B/Day 9/2/87

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MANAGEMENT

(210)

Concern at lack of mines engineers

THERE is growing concern that SA is not producing enough engineering graduates to fill the needs of the local mining industry

Of particular concern are the low number of mining engineers graduating from SA universities

Statistics show

- SA as a whole has produced fewer than 25 professional mining engineers a year over the last two decades,
- Mining houses recruit about two engineers for every one local graduate,
- Between 25%-30% of all mining engineering graduates who enter the SA mining industry leave it within five years,
- About 60% of mining engineers practising in SA are from Britain, many of whom are leaving because of the impact of the devalued rand in terms of savings, and currency regulations restricting repatriation of funds,
- The universities of the Witwatersrand and Pretoria will graduate about 25 mining engineers in 1987, and local industry projections for the same period show 100 will be required,
- Indications are the seven mining faculties in the UK are unlikely to graduate more than 120 mining engineers in 1987,
- During the early 1970s, about 60% of the chemical and metallurgical engineers in SA were immigrants, this figure fell to only 10% in 1985


DU PLESSIS

THERE are just two SA universities that have mining engineering faculties, says Gencor's human resources director, AT DU PLESSIS And recruitment sources abroad are drying up, reports MANDY JEAN WOODS.

Reasons for these dramatic figures can be attributed to the worldwide decline of the mining industry, the economic and political trouble in SA, and a universal decline in the number of students graduating in engineering

Britain has always been SA's major source of qualified engineers — at its peak the UK produced about 200 mining engineers a year, of which about 150/year went abroad.

The majority worked on the Zambian copperbelt and the SA goldfields

The high number of UK engineering graduates was due to efforts by the local coal and oil industries, which lobbied high school students and encouraged them to join choose engineering as a profession

Now the coal and oil industry no longer require as many mining engineers, they are not recruiting at high schools and the effects are being felt in the graduating classes of mining faculties in the UK, and in SA's mining industry

In the past, SA tended to only recruit people who had already entered university or those already enrolled in the engineering programme

Gencor's human resources director At du Plessis says types of engineers required by the mining industry, in order of importance, are mining, electronic, mechanical, chemical and metallurgical

"There are only two universities in SA that have mining engineering faculties — the University of Pretoria and the University of the Witwatersrand

"Universities across SA graduate other types of engineers, but those graduates tend to look elsewhere for jobs before considering mining," Du Plessis says

One reason for so few graduating mining engineers is the way school children and parents perceive the industry, says Director of the Department of Mining Engineering at Wits, Huw Phillips

"The industry worldwide has an image problem. People don't want to work underground because they perceive it as a dirty, high-risk job"

Long-term improvements in safety standards, contributions made by the industry and the long-term career possibilities are rarely identified

This means there is an urgent need to impr[illegible] overall communications at school and university level, says Phillips

To this end, Gencor has increased the number [illegible] full-time bursaries it awards by 200% since 1986

In 1985, the group launched a specific progra[illegible] to make contact with career advisers at high schools universities and technical schools

In light of the fact that SA cannot produce or re[illegible] enough engineers, a rethink of its marketing strateg[illegible], in terms of selling the product and the country at uni[illegible] versity level and to high school students, especially the UK, should be considered, says Renwick Executive Search's David Hutton-Wilson

"There is a major problem getting engineers come to SA on traditional recruitment remunerati[illegible] methods

"Revitalisation of the overseas recruitment campaign should be done professionally, under the umbrella of some well co-ordinated national body to ensure engineers will want to come and stay here," says

Several major organisations in SA send representatives to the UK twice a year to recruit engineers [illegible] the mining industry

Recruitment is hampered by the unco-ordination company recruitment offices in London, and the [illegible] ability of SA recruiters to adequately answer the [illegible]cio-economic and political questions asked by [illegible] versity students, says Hutton-Wilson

"The prerequisite for recruitment abroad is strong, cost-effective UK-based operation with standing literature and film material on SA, and [illegible]cially professional presenters with negotiating skills

RAND MINES

Seeking new mines

(210) F/M 13/2/87

Rand Mines has a proud heritage. For more than a century it has been known as the Corner House group, a name dating back to the 1880s, when its first headquarters stood on the corner of Fox and Sauer streets in Johannesburg. Profits have not been bad in the past two years. The dividend was raised 25% in 1985 and 21% in the year to September 1986. But the share is among the least favoured in the JSE mining house sector. At R84, it offers a yield of 5,1% compared with the sector average of 2,9%.

With 50% of profits derived from coal, the stock market has downrated the share. But views could change quickly if any large new mining projects go ahead.

Management has obviously been concerned about the image. After research revealed that the public had little clear idea of what the group actually does, considerable time and money were invested on establishing a modern corporate identity. That has apparently worked. But, chairman Dammy Watt concedes, if the share is to be positively rerated the group needs to expand by injecting some large new mining projects.

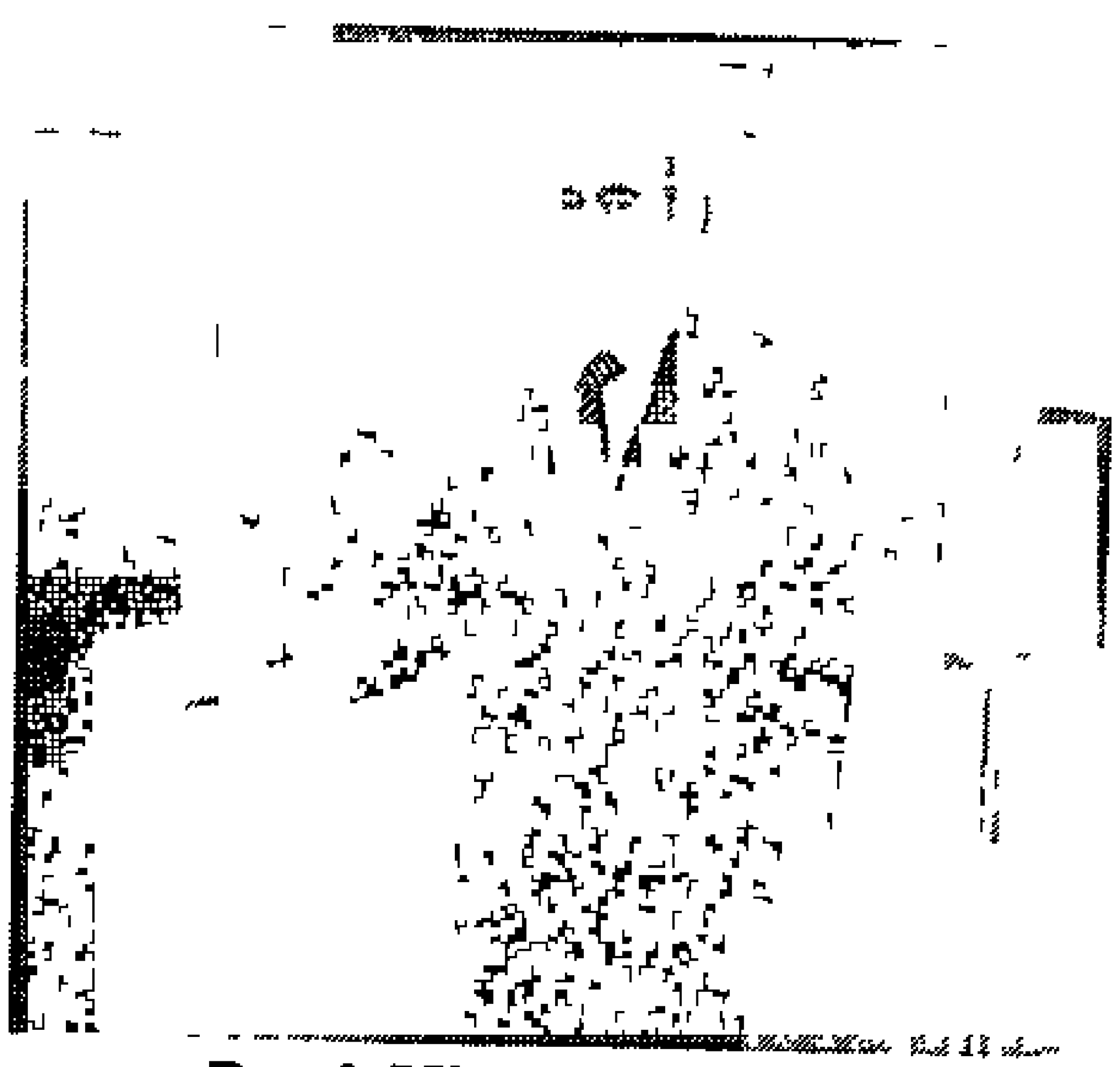
Until such breakthroughs, the house is left essentially dependent on its expanding coal division, a number of old, low-grade gold mines, mine residue retreatment operations, base minerals, mainly chrome ore, forestry and timber, and a currently unprofitable property division. In 1986, no less than 50% of attributable profits came from coal (see table), a sector now depressed by sanctions, oversupplied export markets and slow economic growth at home.

On the drawing board are two large, grass-roots mining projects. Either could lead to a swift change in outlook if the go-ahead is given. The problem is that, on the limited information available, market uncertainties and high capital costs, most analysts are sceptical about these ventures.

The more imminent could be the Vansa platinum prospect. Rand Mines last year exchanged its Winterveld Chrome Mine for a 42% interest in Vansa Vanadium, which, apart from developing a chrome mine near Steelpoort in the eastern Transvaal, has rights to platinum group metals on its Kennedy's Vale property.

Rand Mines is completing the platinum prospecting programme and a feasibility study. If a mine is developed, the group will subscribe R52,5m cash or the equivalent in mining infrastructure for a 60% stake.

Watt says the valuation should be complete by the target date of June 1987. "I am really hopeful that we'll be able to develop a platinum mine," he says. "The only thing that could switch it off now would be if data from the original five boreholes (drilled before Rand Mines got involved) is shown to be over-optimistic by the new drilling programme. As we are looking at an average of five boreholes that seems unlikely. If there were only one or two, the risks would be greater."



Rand Mines' Watt . . . needs a broader base

Although the platinum prospect is not on a large piece of ground, Watt says a mine could be as large as Northam, the Gold Fields of SA development. An advantage is that it would not be as deep as Northam, so capital and working costs would be lower.

As one analyst says, platinum may be the group's big card — a go-ahead announcement could add perhaps R20 to Rand Mines' share price virtually overnight. But the mine would take four to five years to come on stream, almost certainly after Northam, selling into a platinum market whose state is difficult to predict. Despite expectations of expanding demand in Europe, the entry of new mines could lead to oversupply. So for the moment platinum is largely ignored by investors looking at Rand Mines.

The other really big project — a potentially huge new gold mine south of Johannesburg — is even more uncertain, with benefits still further into the future. If it comes off it would require both courage and imaginative financing by the Barlow Rand group, which controls Rand Mines. No official name has yet been given the prospect, whose mining area would be extensive, probably comprising three defunct gold mines — Crown Mines Reserve (the world's most profitable gold mine during the Thirties), City Deep and Robinson Deep — but also including substantial ground south of them.

Economic and geological evaluation work is complicated by the great depth of the gold-bearing reefs and the large scale of mining operations that would be required. Watt says mining would start at 3 500 m and extend to some 4 500 m, comparable to Western Deep Levels or ERPM at its deepest. This would call for costly refrigeration and ventilation facilities from the start.

What would add to the cost, and complicate mine planning, is that the surface areas are almost totally covered by urban development It would be impractical to sink high-tonnage vertical shafts, access could be gained through old mine shafts on ground owned by Rand Mines Properties (RMP) These would have to be refurbished to gain access through crosscuts which could extend way south of the original mine lease area

Given the depths and accompanying costs, grades would have to be relatively high However, values encountered by the one borehole so far completed were described as disappointing, adding to bearishness on the part of mining analysts But Watt says "It's early days yet Disappointing results of a single borehole don't weigh all that heavily with us The point of intersection was slightly east of where we expected, so we are not despondent"

A second borehole is expected to intersect reef at mid-year, even that wouldn't necessarily provide much more confidence one way or the other, except that it could confirm that the reef runs to considerable depth and the area is not excessively faulted A third borehole will only intersect reef in another 12-18 months

Meanwhile, Rand Mines' exploration department has the advantage of a vast bank of information garnered from old mining records Geological data from old workings has been extrapolated, enabling a hypothesis to be built up, showing likely positions of reefs and their values

"Geologists estimate this type of information is worth 10-15 boreholes," Watt adds "Even though the first borehole had disappointing results it showed the reefs were where we forecast So the geological model proved fairly accurate"

On current indications, Watt estimates total capital costs of the mine at between R1,5 billion-R2 billion He puts the probability of a decision to go ahead around 50% — perhaps not an unduly gloomy prognosis given what's at stake He expects the group to formulate plans for this mine towards the end of 1987

Apart from these two projects, Rand Mines is working on a number of smaller expansions which could improve prospects in precious metals Another new underground mine at the exploration stage is Barbrook, which holds precious metals claims in the eastern Transvaal Rand Mines has a 50% interest in Barbrook, with the remainder held by Anglo American Access could be gained to the almost vertical ore body through a series of adits Indications are that if a mine goes ahead the development cost would be between R50m-R100m, a decision could be imminent

There may also be scope for further slimes dump retreatment projects Previous expansions have raised income from this source from less than R2m in 1983 to R11,6m in 1986, accounting for 8,6% of total attributable earnings The only other chance of arresting the present declining trend in overall group gold production appears to lie with expansions to existing mines

PROFIT SPREAD

Gold, uranium and platinum	24 7	27 2
Gold recovered from slime residues	10,7	11,6
Coal	55,2	67 5
Base minerals	1,9	6 3
Forestry and timber	2 5	2 9
Property	5,4	0,1
Management and other	10 5	18 6
Attributable profit	110 9	134 2
Earnings (c)	989	1 197

The major producer is 23%-held Harmony, a high-tonnage low-grade mine, which is expanding capacity with extensions to the Virginia gold plant and construction of the new No 4 shaft complex, but this will only help compensate for the declining recovery grade, and is unlikely to lift gold output significantly Blyvooruitzicht, with reserves virtually exhausted, has no scope to expand

Analysts hold mixed views on benefits from expansion at ERPM Since tying up a funding package last year, it is opening up a new, deep-lying section which will virtually be a new mine The more bullish view is that it will presage a sharp profit turnaround and considerably longer life, a disadvantage is that Rand Mines only owns 19% The same may apply to 20%-held Durban Deep, a formerly marginal mine that covers working costs but not much more

"I'm hoping that once we complete exploration of the south-western portion of Durban Deep's mining title we'll be able to expand into that area," says Watt "That would extend both life and gold output" Here, too, clarity is expected towards the end of the year

Flaccid conditions in coal markets have not deterred the group from pressing ahead with a massive capital programme, largely in the coal division Total proposed capex exceeds R1,1 billion, of which R51,9m is for this year, rising to R92m by 1990 — leaving some R788m to be spent thereafter

Most spending will be on two Escom-tied collieries, Khutala and Majuba These are not vulnerable to sanctions and oversupplied export markets — except that sanctions could impede growth in the SA economy — but it will be several years before they contribute to group profits

However, a strong balance sheet has been built up, with cash holdings last year-end of R266m Short-term loans totalled R35,2m and long-term loans R332,9m, of which R249m was owed to Escom, which helps finance tied power station collieries, repayable from revenues earned by the collieries concerned

Cash will be absorbed and borrowings climb as spending accelerates Watt says that any additional loans taken will be short-term, and temporary "Our spending programme is well within the strength of the balance sheet," Watt adds "We don't anticipate any cash bind Borrowings will peak in about three to four years, and should start declining about two or three years after that

"In fact, apart from current expansions, we feel we've financial capacity to develop a series of new projects without straining the balance sheet"

With exports taking some 22% of group coal sales of 22 Mt/year, profits from coal are expected to stagnate or decline slightly this year

The worst-case scenario is that they could fall as much as 20% over the next few years, especially if sanctions worsen "Introduction of sanctions by the US and other countries will have an adverse impact on profits, necessitating rationalisation of operations and jeopardising jobs, particularly in the unskilled categories," says Watt

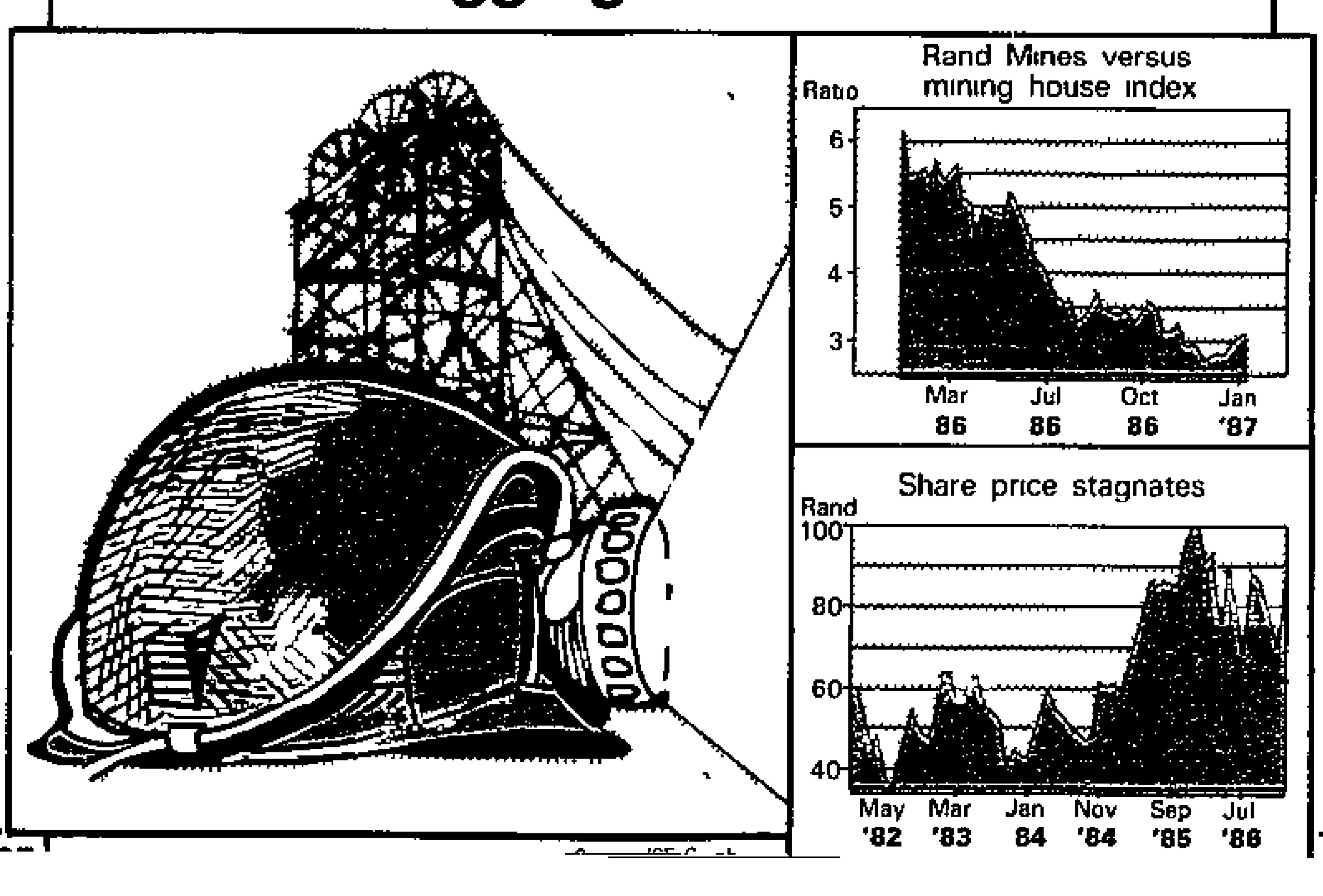
Not surprisingly, the stock market has realised that Rand Mines in its present state is more vulnerable than other houses to such setbacks With coal profits under pressure, the rand gold price off peak and capital expenditure set to rise, short-term prospects for earnings growth are limited and scope for appreciable dividend increases is not good

Essentially, the group is perceived to have been left behind in an exploration scramble that gathered pace in the mining industry in the early Eighties It is trying hard to catch up Watt says the house will continue to pursue new ventures aggressively, by starting new mines or by further acquisitions

There is even some hope of overseas expansion once conditions are propitious Success with these efforts could be crucial to the long-term future of parent Barlow Rand, which has designated mining and minerals beneficiation as one of the four pillars of its business

Andrew McNulty

Lagging the sector



Startling tales of torture on mine

210

13-19/2/87 W/Mail

WORKERS TELL OF HANDCUFFS, HOODS AND ELECTRIC SHOCKS

By PHILLIP VAN NIEKERK

STARTLING allegations of torture and electric shock treatment by a private police force owned by Gold Fields of South Africa were made this week

Two Stilfontein gold mine workers interviewed separately told the *Weekly Mail* members of the mine police put bags over their heads and gave them electric shocks while interrogating them about the theft of food from the kitchen.

The allegations come at a sensitive time for the Gold Fields mining conglomerate, whose London-based parent, Consolidated Gold Fields, celebrated its centenary this week amid threats of a stepped-up disinvestment campaign by British anti-apartheid groups

A representative of Gold Fields Security Company, a private security force set up by Gold Fields to police its mines, at first declined to comment because the matter was "under investigation".

> **I felt terrible pains all over. All along I was asked to tell the truth ...**
>
> *— Sworn statement by Gold Fields miner*

She said "We are not the Gestapo We do not assault people"

Later, the manager of the company, D I Pullar, denied the allegations.

An in-house disciplinary inquiry into one of the incidents was held at the mine this week, but it had no legal standing and its findings have been questioned by an NUM shaft steward who was present, Selomo Monethi

The inquiry — into alleged assault on 57-year-old Daliwonga Gxaleka — was presided over by security management and the officials were cleared because there were no witnesses to the incident, according to Monethi, and it conflicted with the evidence of the security officers

"How can a man who is interrogated have a witness ?" he asked

There has been no inquiry into the second incident

In a sworn statement, Gxaleka described how on January 28 he was taken for questioning and warned that if he did not tell the truth he

● To PAGE 2

P.T.O

The contents of this edition have been restricted under the Emergency Regulations

Miners' torture claims denied

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ALAN FINE

A SPOKESMAN for the Gold Fields group has denied allegations of torture of two black Stilfontein miners reported in the *Weekly Mail* on Friday.

The miners have alleged in sworn statements that officials of Gold Fields Security (GFS), a subsidiary of the group, used electric shock treatment when interrogating them about the theft of food from a hostel kitchen last month.

S Day

GFS provides Stilfontein — a Gencor-owned gold mine — with security services.

16/2/87

Gencor director Carl Netscher said the company views the alleged incidents involving Stilfontein employees "in a very serious light" and has requested a full report from GFS to enable a full investigation of the matter. Any further action will depend on the result of the investigation, he says.

Responding to this statement, Gold Fields said mine management had already taken part in investigations.

The MINISTER OF TRANSPORT AFFAIRS

The attention of the honourable member is drawn to the fact that the 1986/87 financial year will only terminate on 31 March 1987 and that the figures indicated below represent payments for the period 1 April 1986 until 31 January 1987

(a) Vaal Triangle	R 2 018 514,89
(b) Cape Town/Peninsula	R23 580 894,35
(c) Cape Port Elizabeth/Uitenhage	R 8 456 209,69
(d) Durban/Pinetown	R46 540 327,265

Public Service employees

236 Mr S S VAN DER MERWE asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services

(a) How many (i) Whites, (ii) Coloureds, (iii) Indians and (iv) Blacks were employed in the *(aa)* A Division and *(bb)* any other specified division of the Public Service, and *(b)* what total number of persons in each race group were there in the Public Service, as at the latest specified date for which figures are available?

The MINISTER IN THE STATE PRESIDENT'S OFFICE ENTRUSTED WITH ADMINISTRATION AND BROADCASTING SERVICES

Information in regard to persons in the Public Service, as defined in section 7 (1) of the Public Service Act, 1984 (Act 111 of 1984), excluding the National Intelligence Service, as at 30 September 1986 is as follows

			(i)	(ii)	(iii)	(iv)
(aa)	A Division		71 074	4 517	3 596	1 214
(bb)	B Division		51 636	20 344	3 304	35 805
	Services		64 023	8 522	2 735	29 239
	Non-classified		5 831	29 669	1 487	109 849
(b)	Whites	192 564				
	Coloureds	63 052				
	Indians	11 122				
	Blacks	176 107				

Hansard 17/2/87

Television licences

249 Mr D J DALLING asked the Minister of Communications

(a) How many television licences were issued in 1986 and *(b)* what was the amount collected in licence fees in that year?

The MINISTER OF COMMUNICATIONS

(a) 1 818 002,

(b) R108 677 955,41 This amount includes penalties for late payments

Mines

308 Mr B B GOODALL asked the Minister of Economic Affairs and Technology

(a) How many mines received financial assistance in terms of the Gold Mines Assistance Act, No 82 of 1968, *(b)* how many persons were employed by each of these mines, and *(c)* what was the amount of the assistance in respect of each such mine, in the 1985-86 financial year?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

(a) Five

210 17/2/87 Hansard

(b) (i) Balmoral Gold Mining Co Ltd — 470 as at 31 December 1985

(ii) Stanhope Gold Mining Co Ltd — 410 as at 31 December 1985

(iii) Durban Roodepoort Deep Ltd — 11 780 as at 31 December 1985

(iv) ERPM (East Rand Proprietary Mines Ltd) — 21 458 as at 31 December 1985

(v) Witwatersrand Nigel Ltd — 1 911 as at 31 December 1985

(c) (i) R 203 376

(ii) R 4 400

(iii) R 1 258 902

(iv) R21 430 793

(v) R 5 489 039

Telephones

406 Mr D J DALLING asked the Minister of Communications

(1) How many telephones were installed in Alexandra Township for *(a)* private and *(b)* business purposes in 1986,

(2) how many applications for telephones for *(a)* private and *(b)* business purposes were received in 1986 from (i) residents and/or (ii) business persons in this township?

The MINISTER OF COMMUNICATIONS

(1) (a) 634, and

(b) 18,

(2) (a) 1 601, and

(b) 32

17/2/87 Hansard

WEDNESDAY, 18 FEBRUARY 1987

†Indicates translated version

For written reply

General Affairs

Potgietersrus: meeting

1 Mr J H VAN DER MERWE asked the Minister of Law and Order †

(1) Whether any members of the *(a)* South African Police and *(b)* other specified security organisations were present at a meeting held at Potgietersrus on or about 16 October 1986, if so, (i) why, (ii) how many in each case, (iii) what was the nature of the meeting and (iv) who was the main speaker at this meeting,

(2) whether any *(a)* vehicles, *(b)* weapons, *(c)* ammunition and *(d)* other specified equipment were made available by the South African Police in view of this meeting, if so, (i) of what type, and (ii) in what quantities, in each case,

(3) whether the South African Police made use of barricading devices on this occasion, if so, *(a)* of what type, *(b)* in how many cases and *(c)* why,

(4) whether the South African Police made use of helicopters, if so, *(a)* for what purpose and *(b)* to whom do these helicopters belong,

(5) what was the *(a)* total cost and *(b)* cost per item in respect of the police activities in this connection?

The MINISTER OF LAW AND ORDER

(1) *(a)* Yes

(i) To ensure the necessary security in the vicinity visited by the State President be-

Hansard 18/2/87

Mines chief tells State not to slow black progress'

Chamber of Mines president Mr Peter Gush has warned that the mining industry will "vigorously and publicly" expose any attempt to bar blacks from scheduled-person jobs when the scheduled-person definition in the Mines and Works Act is repealed.

He told the annual meeting of the Colliery Managers' Association in Johannesburg yesterday the repeal of the relevant clause in the Act was still bogged down in politics and legislation.

"I understand this will now be deferred to the Parliamentary session later in the year. I find it unacceptable that in 1987 the Government is not prepared to remove forthwith the last legislation reserving jobs for whites.

'INCUMBENT ON EMPLOYERS'

"Flawed as we perceive the amendment to the Mines and Works Act to be, I believe it is so important that the scheduled person should be removed that I urge Government not to procrastinate.

"If, when the Act is amended, the enabling clauses are used to prevent blacks from gaining access to the jobs concerned we in the industry will expose such action vigorously and publicly

"I believe it is incumbent on us as employers, especially at this juncture in our country's history, not to deviate from what we perceive to be the correct course for our industry and our country.

"That in itself might in a small way encourage some of our politicians to exhibit enlightened leadership which South Africa needs at this time. At the very least we will know we have done the right thing and so will black South Africans" — Sapa.

RMP to preserve part of Crown Mines

24/2/87

B/Day

SOPHIE TEMA

RAND Mines Properties (RMP) will preserve two rows of the existing houses in Crown Mines while a third will be demolished to make way for a new road in the area

This was indicated yesterday by top RMP executive members when they met the Crown Mines residents' committee and replied to a two-part proposal for the preservation of the area

The committee asked RMP for the preservation, continued existence and restoration of the historic village and to ultimately develop SA's first open, multi-cultural suburb on the surrounding land

The discussions held between RMP officials, the committee and other persons were prompted by the proposed eviction of 150 families of all races from Crown Mines.

RMP served eviction notices on the families last October ordering them to leave the village by February 28

RMP has now extended the deadline to the end of March

Last week, Anglican Bishop Simeon Nkoane met top RMP executive members to make a last-minute plea for a moratorium on the evictions of the Crown Mines villagers

Nkoane is reported to have met RMP's MD and chairman D Watt and MD A B Hall.

RMP said it was no longer willing to provide infrastructure and maintenance for the area, which it claimed was dilapidated and "costing us money"

Crown Mines is located on the land bridge between Soweto, Johannesburg and Riverlea.

Crown Mines — a 'model for the future'

Open village gets a welcome stay

2/10/88 Star

Four-year-olds Pumlane and Vamsile play outside a friend's house in Crown Mines

By Adele Baleta

A four-month battle between Crown Mines' residents and Rand Mines Properties (RMP) ended on Monday when about 150 families were told they would not have to leave their homes

The company which served eviction notices on the 400 residents in October last year has allowed them to stay, but with certain provisors

A Crown Mines committee member, Mr Adriaan Turgel, said that at a meeting held by RMP on Monday it was decided that among other things the residents would have to sign new leases and would have to pay higher rents

"We had to be out by the end of this month and we have now been given an extra month to thrash out details of the settlement and to make final negotiations," he said

The delapidated cluster of quaint cottages, sheds and outbuildings, situated south of Main Reef Road and east of the mine dumps that separate Soweto from Johannesburg, is an example of a surviving multiracial community

It is home to students, professionals, labourers and squatters who have lived side by side without racial tension

Crown Mines, also known as Langlaagte Deep, is also one of the last surviving mining villages in the country and has recently been proclaimed a provisional National Monument.

It was established in 1902 to house miners and since 1977 RMP have rented it to the general public In 1979 RMP threatened to demolish the village, but public pressure forced them to back down

Mr Turgel said in January this year the residents submitted proposals to preserve the historic village and to ultimately develop South Africa's first "multi-cultural" suburb

The proposals included the creation of a community organised on the basis of voluntary free association, with its own community centre, open school, creche, cottage industries and recreation facilities

Mr Turgel said one of the proposals was the establishment of a Crown Mines Community Trust which would begin negotiations for the purchasing of Langlaagte Deep from RMP

Once acquired the Board of Trustees would immediately begin making formal plans for the construction of buildings

The Star this week visited the village which has been described as a model for a future South Africa" Most of the residents spoken to were overjoyed when they heard that they would not be evicted.

Ms Audrey Wainright, an actress, and Ms Robyn Aronstam, who share a house in the "middle road", said everyone was determined to win the battle to stay

"People talk about change and we have proved we are getting somewhere in changing things," said Ms Aronstam

"It is the first place I have lived in where I don't have to constantly worry about being robbed," she added.

Ms Wainright, who holds informal painting and clay modelling classes for eight children every second afternoon, said. "There are plans to rennovate a scout hall which will be used as a creche and a recreation centre."

Mr Daniel Monala, who has lived in Crown Mines for the past 19 years, said "This is a model place in which to live. Everyone is treated eqaully no matter what colour their skin is.

Mrs Jill Brokensha, a teacher at the Johannesburg College of Education, said "Everyone is prepared to help each other out. I never have to worry about my baby son while I'm at work because there so many people who are willing to look after him"

Mr Patrick Lucey, a sound recordist, said. "There is a rural feeling about the place even though it is so close to the city People naturally integrate here and everyone gets on well with each other"

Ms Robyn Aronstam and one of her regular visitors, four-year-old Vamsile

● Pictures by Etienne Rothbart

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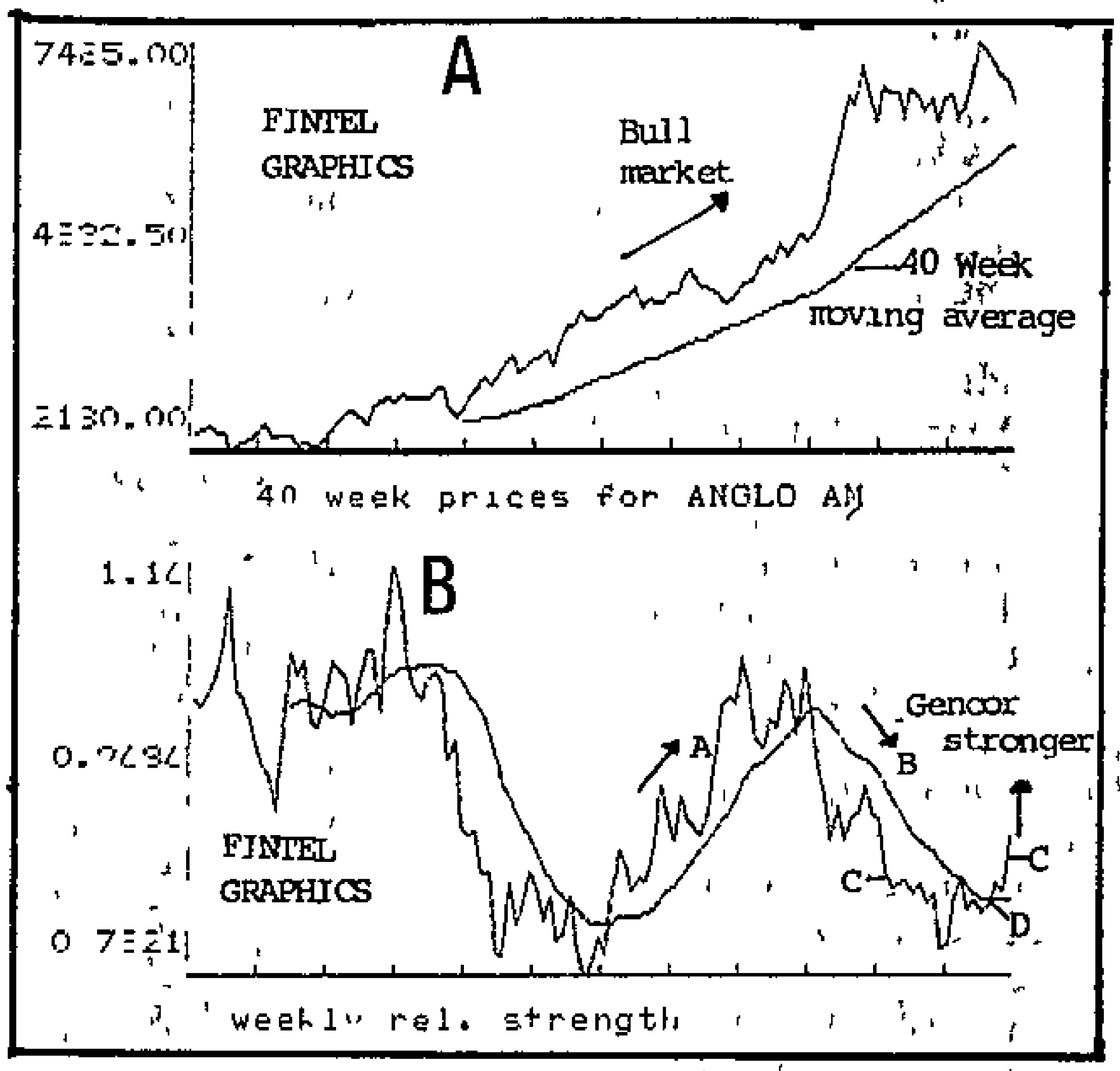
Gencor's on top — but for how long?



By Dr Issy Bacher

For the past two and a half years the relationship between the two mining financial conglomerates Anglo American Corporation (Anglos) and General Mining Union Corporation (Gencor) has been interesting.

In a strong bull phase it has been noticable that the pace of the rises of either share has usually differed, with first the one and then the other assuming the more dominant role.

The result has been that at different times it would have been profitable to swich from one to the other.

Interest is again being focused on mining share markets, so it is very pertinent to establish which of the two is the superior investment.

I will use the relative strength analysis to determine this, the theory being that when a share establishes a superior trend to another, this trend is likely to continue for at least some time to come.

Relative strength analysis compares the rate of price movement between different shares.

Both Anglos and Gencor are in well-established bull trends. Using Anglos as an example, graph A shows it to be comfortably above its 40-week moving average, confirming its bull market status.

However, graph B is a long-term comparative graph between Gencor and Anglo. A rising graph line C means that Gencor is the stronger (see arrow at A), while a falling graph line shows thaglos is favoured (arrow at B) These were the positions in 1986.

C-D is a medium-term neutral line, at which point the strength of the two mining financial are in exact equilibrium.

In the past two weeks the graph clearly shows that the graph line C has again penetrated through the neutral line at D to indicate that Gencor is showing the first signs of developing greater strength.

This is a significant development and the conclusion is made that Gencor is likely to be the superior performer in an ongoing bull market.

This holds as long as graph line C maintains itself above the neutral line.

Rand Mines: Leader in the field of black advancement

210 Argus 3/3/87

CORPORATE giant Barlow Rand has set out on the road of equal opportunity Some of the group s 500 companies are ahead of others in this field Rand Mines is acknowledged as one of the leaders SHERYL RAINE reports from Johannesburg

Building for Tomorrow
Part 3

RAND Mines (RM) part of the Barlows group is one of the pioneers in the field of black advancement.

The company's Equal Opportunity Development Project began in 1983

The project was based on economic sense — the need to maintain a flow of sufficient, competent, skilled and managerial staff to ensure future profitability

Mr Don King
"We need to remain sensitive to change"

"The mining industry is one of the toughest in which to get such an equal opportunity programme going," says Mr Don King, the RM director in charge of human resources, a job which covers 98 000 employees

'Remember, we are the only industry which still has statutory job reservation."

An integrated approach was adopted to overcome the major barriers standing in the way of black advancement The programme consists of four main elements.

● **Selection**

At first "over selection" occurred to ensure average or better performance from candidates moving into a somewhat hostile work environment where it was felt that they needed to be protected from the unnecessary trauma of failure It was vital that promotion be seen to be based on merit and competence.

● **Preliminary training or bridging education at the R8-million RM Training Centre south of Johannesburg**

Training is designed to overcome socio-cultural and academic differences to prepare candidates to take full advantage of the opportunities within the company

Courses over a period of about 16 weeks include language fluency, communication skills assertiveness and human relations skills, study skills and self management.

An interesting facet of this section of preparation is attendance of an 'Outward Bound" leadership course in Lesotho for white and black employees from the same work environments to build a sense of camaraderie and interdependence

● **Mentorship**

This is applied to both white and black employees on a structured basis Mentors, usually immediate supervisors or at one level above, regularly meet trainees to coach, counsel and assess progress. Each mine has a mentor co-ordinator and these meet at the training centre every quarter Mentor training has also been introduced

Mentors are sometimes able to prevent problems such as white backlash and black victimisation from arising

"Mentors can open doors for the trainee and see that there is fairness in job training It is very easy to see that the black apprentice sweeps the filings from the floor while the white apprentice does the filing," notes Mr Gordon Chilvers, chief training officer of the Equal Opportunity Programme

● **Orientation seminars for white employees**

These consist of a semi-structured programme to inform white employees on the mines about the process of change and influence their attitudes to black advancement and allay fears about being replaced by blacks

The object of the seminars is to explain to white employees the economic necessity of black advancement and to shift the debate from the political to the economic arena

The entire project is not designed as a scouting exercise to find managers Instead it is designed to provide comprehensive skills training which would allow individuals with ability to progress to the highest rank possible

The project is approached scientifically and there is empirical measurement of results

While it is still too early to cry "success" from the rooftops, there are encouraging signs that the programme is working

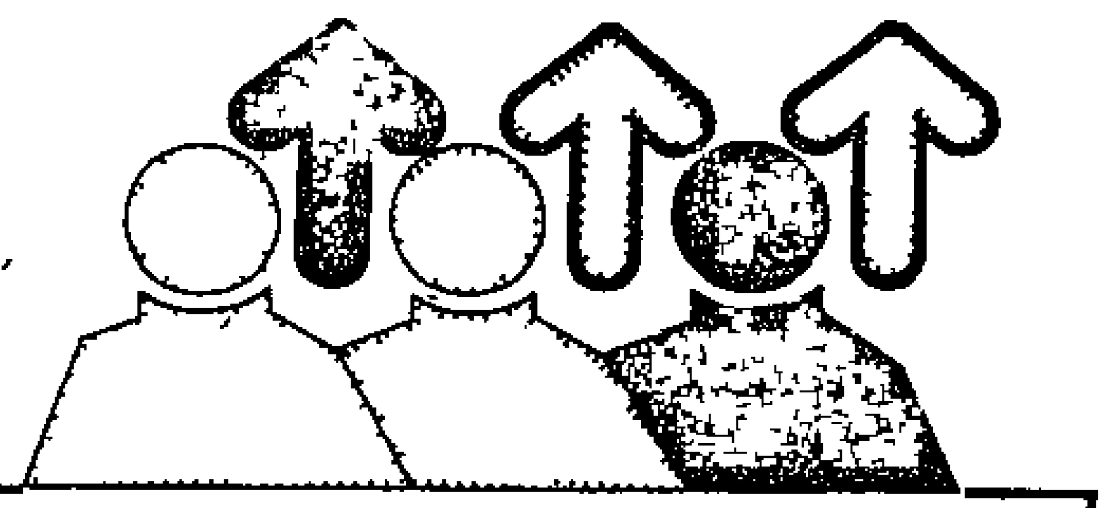
There has been increased recruitment of black people with potential for promotion Improvements have been noted in language fluency and human relations skills Mentors have helped to ensure fairness in on-the-job training There has been some change in white employee attitudes towards black advancement.

In retrospect, Don King highlights some mistakes

"An early error was to assume that if we were going to get black people to achieve they had to appreciate the 'white man's culture' There was an implication that black culture was somehow inferior We now believe that to succeed black and white employees need to understand the workings of international business culture

"Another mistake we made was to allow some of our initial training courses to take place separated from the integrated facilities of the group training centre At the training centre there is a multicultural environment in which trainees can grow all the time and experience the benefits of an integrated society

"We don't believe there is an ideal approach and we need to remain sensitive to change at all times"



THE challenge of effective black advancement has been identified as a priority in terms of the growth and profitability of the Barlow Rand Group

A manpower steering committee was asked to investigate every aspect of black advancement and recommend guidelines for consideration by the group

An action unit carried out a survey of the black advancement scene in South Africa, involving a total of 43 companies in South Africa, Namibia and Zimbabwe

Significant findings included

● Most companies did not have an explicit black advancement policy although the majority felt such a policy was necessary

● In only two companies did a clear statement of intent exist, but its communication was virtually non-existent

● Recruitment and selection of candidates were found to be a critical component of a black advancement strategy and one of the most poorly implemented components with "gut-feel" and subjective strategies playing a significant role

● Although all levels of people interviewed regarded bridging and preliminary training as vital, few companies had bridging programmes

● Preparation of the environment for black advancement was identified as another vital aspect but few companies had any formal environment preparation

● About 50 percent of all people interviewed said mentorship was critical to the success of black advancement strategies However, virtually no mentor training was done

● Lack of candidate support systems was identified as a serious area of weakness

● Training and development were also identified as critical components and yet there was very little emphasis on the training of blacks at other than the skills level

Based on this research the unit listed critical success factors and defined successful programmes for black advancement The information has been made available to all Barlow Rand companies

Percentage of Workers Responding Favourably to Black Advancement Questionnaire 1984

	Coal		Gold	
	Mine 1*	Mine 2	Mine 3*	Mine 4
Job Security	78	85	78	65
Economic Reality	82	93	83	75
Job Competence	87	92	84	74
Sample Size	31	25	37	7

* These mines served as controls in 1983
Source Rand Mines

Percentage of Workers Responding Favourably to Black Advancement Questionnaire 1983

	Open Cast Coal Mine		Deep Level Gold Mine	
	Control	Treatment	Control	Treatment
Job Security	66	77	53	60
Economic Reality	71	81	58	78
Job Competence	73	82	49	81
Sample Size	42	94	98	98

Source Rand Mines

and Denver They come from the Transkei, Na- annual pilgrimage to conditions had been were later released with- for another battle

RMP reprieves Crown Mine Village

THE Rand Mines Properties (RMP) will not be able to provide housing to all 400 residents of Crown Mines Village when 41 of 67 houses in the area are upgraded for occupation.

The village was reprieved — subject to certain provisions — last week, a few days before it was due to be closed down on February 28

Mr Tony Hall, RMP's joint managing director, said in an interview the decision had been taken after they had reconsidered and re-evaluated the facts available to them

The village, also known as Langlaagte Deep, was established in 1902 for the housing of mine workers. It is now a delapidated cluster of cottages, sheds and outbuildings It is the oldest existing mine village in South Africa, and has recently been proclaimed a provisional National Monument Its current occupants, include ordinary citizens, students, professional people and black family "squatters "

Mr Hall said RMP officials would be meeting with representatives of the villagers on Monday (March 9) and again on March 16 to discuss the future of the village

Mr TONY Hall, joint managing director of RMP.

He said those who will be allowed to stay will have to meet certain conditions These will include signing new leases, paying higher rents as well as paying water and electricity separately

Of the total of 67 houses, 26 are to be demolished to make way for the building of a road Eleven of the houses are to be retained for mine employees and the rest will be occupied by non-employees of RMP

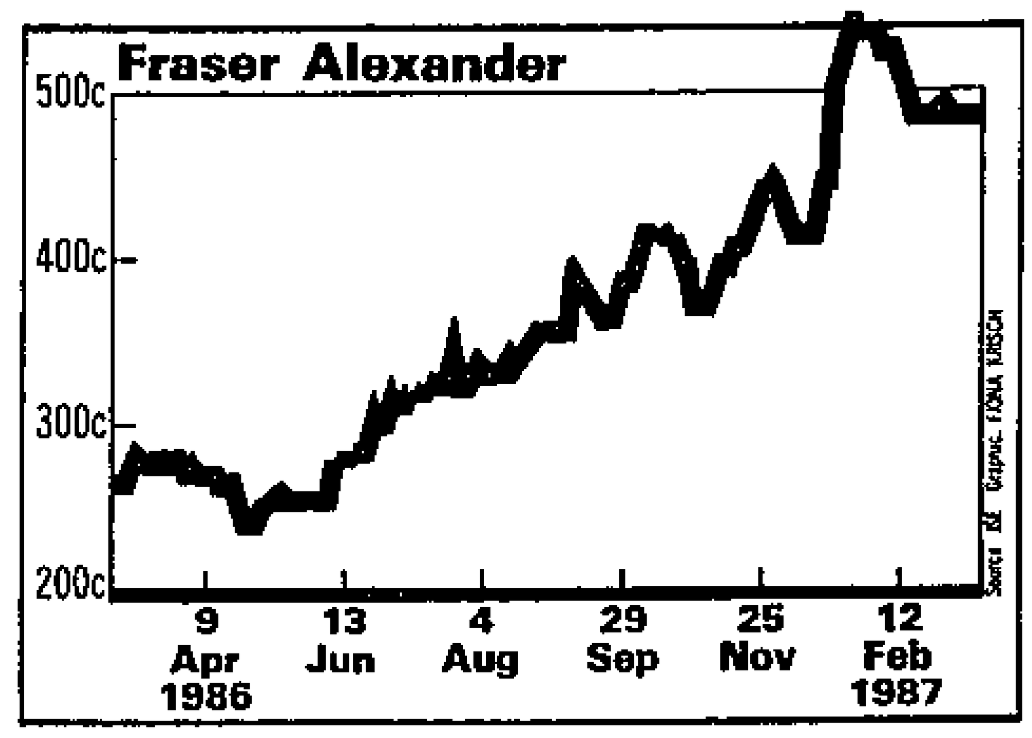
"We have not decided so far who would be allowed to remain in the area We have found only one villager to be legally in the area The rest of the people are staying in the village illegally because they are not the original people with whom leases were signed

COMPANIES

2/0 B/Day 12/3/87

Fraser Alexander doubles earnings

MERVYN HARRIS



FRASER ALEXANDER has shown the benefits of going back to its core activities of mining and mining services by doubling earnings from 14c to 28,1c a share for the half-year to December 31, 1986.

The interim dividend has been raised 1c to 7c a share, in line with the conservative policy adopted by the group last year

The 2,29m additional shares in issue as a result of the January rights issue also qualify for the interim dividend.

Proceeds from the rights issue will reduce interest costs, and finance "one or two small acquisitions which we are considering at present", chairman Peter Flack says

He expresses concern that improvements at the group's coal mines and concrete-products division might be offset by the impact of competitive pricing in the civil-engineering construction industry for the second half of the financial year to June 1987.

"If this is the case, the group's second-half performance will be similar to that of the first half But if the concerns are not realised, the group's performance will improve during the six months to June," Flack adds

Group profit after tax and minority shareholders' interest increased from R2,32m to R2,69m, while lower preference dividends of R13 000 (R136 00) lifted the increase from R2,18m to R2,68m,

The rise in bottom-line profits was even greater because, this time round, the group had no losses from discontinued operations, as against the previous loss of R852 000

This left attributable profit at R2,68m, compared with R1,33m in the same period a year ago

The group's construction, mining and mining-services and concrete-products divisions continued to perform well in difficult business conditions However, the new coal mine has taken longer than expected to bring to full production, and some coal-quality problems arose at its other mine

These factors had a negative impact on the contribution expected from the coal interests "Fortunately, we appear to have overcome these difficulties, and significantly better results are expected from these businesses in the second half of the year", Flack says

"Our stone division is showing steady improvement with each passing month and, although it has recorded a small loss for the period, the turnaround in trends is encouraging," he adds

Fralex, whose sole investment is a 76,7% interest in Fraser Alexander, reflects the results of its subsidiary, with earnings up from 6,9c to 14c a share.

The interim dividend is up from 3,5c to 4c a share, with the 1,66-million additional shares in issue from January's rights issue also qualifying for the interim dividend.

Fraser Alexander's shares closed unchanged yesterday at 490c, off its January peak of 550c but well above its price of 285c a year ago

Hard slog to repeat good Gencor results

13/3/87

210

Teigue Payne

After the gratifying recovery in Gencor results for the year ending December, chairman Derek Keys says that, with the rand at its present level, the company will do well to repeat the results this year

The level of the dividend should not, however, be affected, says Mr Keys.

Last year, the group benefited particularly from a large contribution from its industrial companies (after a negative contribution the previous financial year) and a decrease in financing costs.

Attributable income was R591,7 million for the year — 29,2 percent more than 1985's R458 million

Earnings per capital unit increased 28 percent from 481c to 616c. A final dividend of 150c per share (1985· 140c) will be paid to ordinary shareholders, making a total of 230c (195c).

Major contributors to the improvement in earnings (per capital unit) were. Eliminating the 1985 losses of some industrial companies (I72c); lower net financing costs (I61c), Beatrix's growing contribution to gold earnings, no need for further amortisation of foreign exchange losses on loans (I36c); and Sappi's better results (I32c).

On prices for Gencor's major export products, Mr Keys says gold averaged 16 percent higher at $367 an ounce ($317). Platinum, with free-market prices rising by 60 percent, did even better.

Prices for managanese products came under pressure, and prices of ferrochrome stabilized after falling initially.

Coal's average fob export values in dollars declined 10 percent in 1986, and have declined further. Mr Keys says the influence of the oil price decline on coal was aggravated by "ill-considered action" by some South African producers in lowering prices

The current value per Gencor capital unit increased from R60,74 at end 1985 to R86,18 at end 1986

On the basis of current value per capital unit, Gencor's mining activities in South Africa continue to constitute about two thirds of the total. Within this dominant category, however, precious metals have strongly increased their values while base metals and minerals have hardly changed and coal has declined sharply. Coal now makes up only three percent of the total.

Black Employees
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Business Report

CAK 7/4/P 13/3/87

Gencor boosts earnings 29,2%

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Own Correspondent

JOHANNESBURG — Gencor's 1986 results, with attributable earnings up 29,2%, include a positive turnaround for industrial interests

The group reports an increase of 17% in net income from mining and a decrease in financing costs

Attributable income rose to R591,7m (R458m)

Dividend

Earnings per capital unit increased to 616c (481c) and the corporation is paying a final dividend of 150c (140c) to total 230c (195c), placing the share on a yield of 3,8%

The final of 150c is marginally lower than expected by some analysts, however, at that level cover has been raised to 2,68 (2,47)

An important contribution to earnings came from Sappi — up 121% at R56m

The group's other industrial interests yielded R38,1m compared with a deficit of R48,8m in 1985

Debt is down Rights issues within the group assisted in this

The net asset value a share rose to R86,18 (R60,74) compared with yesterday's closing price of R60,25

Income before tax increased to R705,4m (R485,2m) A decrease in financing costs from R482,1m to R231,8m contributed largely to this improvement

Outside shareholders' interest in net income increased to R123,7m (R52,3m) while R254m was deducted from income as extraordinary items

Income from mining increased to R405,2m (R345,9m)

This included R165,2 from gold and uranium (1985 R113,8m), R33m from platinum (R36,3m), R45,8m from coal (R45,2m), and R161,2 m (R150,6m) from metals and minerals

Platinum

Chairman Derek Keys says that income from platinum is markedly less than might have been expected and this is due to a combination of marketing and production constraints and to considerable capital expenditure by Impala

The exceptional profits earned last year in foreign exchange markets could not be repeated, he said, and contributed to net income from financial sources being reduced to R148,1m (R214,8m)

Increased costs of operation and a higher level of exploration spending — with gold at the top of the list — were contributing factors

CAPE TIMES 13/3/87

FMB profits up by 18,4%

Financial Staff

INVESTMENT holding company Federale Mynbou Beperk (FMB) has reported an 18,4% increase in year-end profits, declaring a dividend of 135c per ordinary share

In a separate report today to that of General Mining Union Corporation Limited (Gencor) in which FMB has a 54,4% interest, FMB stated an earnings per share increase of 17,1% over 1985 bringing it to 219c from 187c

Attributable income for 1986 was stated at R123,6 m (104,4 m)

Gerald Haumant has been appointed CE of Cashbuild.

(210) FM 13/3/87

DE BEERS

Mounting cash pile

As happened at the interim stage, De Beers' sedate rate of increase in earnings when compared to the Central Selling Organisation's (CSO) buoyant sales of rough diamonds for 1986 may well disappoint the market

De Beers' Ogilvie Thompson ... the stocks will be used

Earnings a share excluding the share of retained profits for the year to end-December were up by 17,7%, after CSO sales in rand terms for 1986 had advanced by 46% The diamond account was up by 19,5% at R1 362m, reflecting a narrowing of the margin on the diamond account from 28,3% to 23,1% In reaction to the release of the results, the share price lost 6% on Tuesday, falling from R42 to R39,50

It may, however, be hazardous to make too much of the slowdown in the earnings pace De Beers is very much an international group doing its business in foreign currencies For several years now, exchange rate fluctuations have given rise to distortions in its accounts

The CSO sales figures in rand terms are calculated on rand/dollar exchange rates ruling at the times of the various sights throughout the year, while the diamond account is based on the exchange rate at the end of the year By the end of December the rand had strengthened considerably against the dollar Also, it is impossible for outsiders to assess from CSO figures for a particular period which producers' rough diamonds were sold or what qualities were included at which time Published sales figures will not necessarily be directly reflected in the diamond account

Elsewhere in the accounts, there are a number of indications of robust cash flow and a high level of confidence in De Beers' management These include the 50% hike in the second-half dividend, major improvements in the balance sheet and the announcement that De Beers is to increase its diamond mining output sharply

The mining expansion should be interpreted as an encouraging show of confidence It involves three mines in the OFS, the mothballed Koffiefontein mine will be reactivated and should be back in production early in 1988, reaching full output a year later In Namaqualand, production from the Annex Kleinzee plant resumed in January In Namibia, CDM will bring its No 3 plant back into production in 1988, and the No 1 plant will be converted to enable it to treat dump material

A De Beers statement says that these developments follow the strong recovery in the diamond market during 1986, and in particular the renewed demand for the larger and better qualities of rough diamonds

The favourable impact of the market improvement is shown in the balance sheet Long- and medium-term liabilities have almost halved, falling from R980m to R527m, and bank borrowings are down from R183m to R56m Interest payable plunged by 57% to R70m from R162m Before the recovery there was much concern that the need to rebuild cash balances would restrain dividends — but cash has soared from R281m to R792m

Diamond stocks have again shown a real increase, dropping in dollar terms by $51m, from $1 898m at end-1985 to $1 847m This follows a $52m fall during the 1985 year

The 1986 accounts were not without anomalies As expected, investment income showed a healthy increase, up by 27% to R274m But the share of retained earnings of associates rose by only R3m to R389m, despite the positive impact that should have been made by results already published from major associates Anglo American Corp, Minorco and Amic Hence, earnings including the share of retained profits of associates rose by only 11%

STOCKS SHRINK

Year to December 31	1985	1986
CSO sales $m	1 823	2 557
CSO sales (Rm)	4 027	5 910
Diamond account (Rm)	1 140	1 362
Investment income (Rm)	215	274
Interest payable (Rm)	162	70
Pre-tax profit (Rm)	1 190	1 515
Taxed profit (Rm)	779	880
Earnings		
— excluding associates (c)	180	212
— including associates (c)	288	320
Dividend (c)	55	80
Diamond stocks (Rm)	4 887	4 037
Diamond stocks ($m)	1 898	1 847

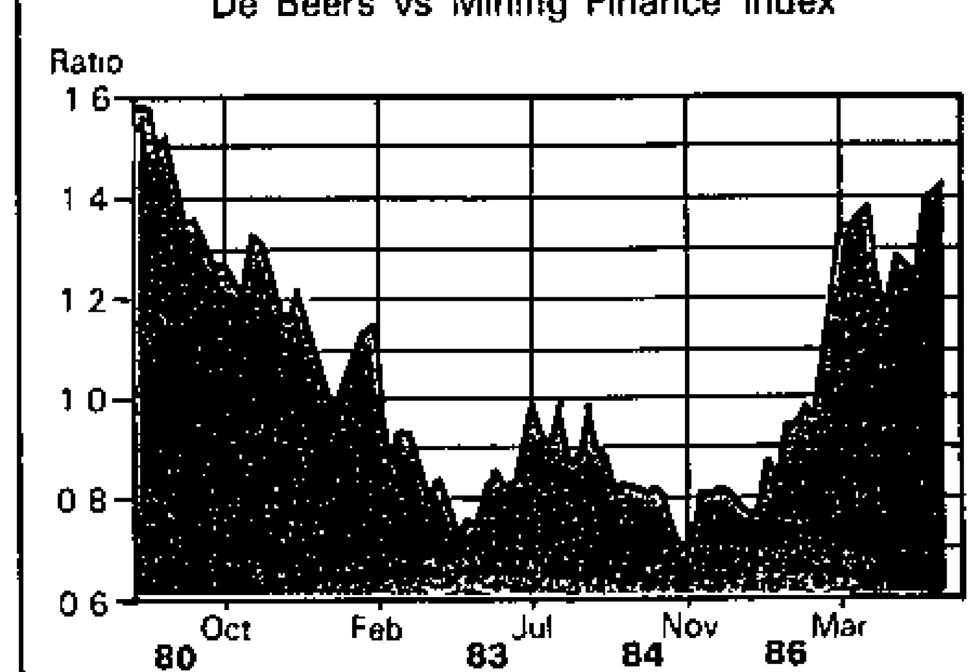
Asked to comment, a De Beers spokesman simply replied, uninformatively, that the group cannot control the timing of dividends from its unlisted associates Of course, one realistic explanation for the relatively slow pace of earnings increase may be that De Beers prefers to see a steady and consistent growth, rather than dramatic leaps which would fuel market euphoria

If anything, De Beers needs to avoid being caught in future with stocks which are too low In December, chairman Julian Ogilvie Thompson told the Diamond Club of SA that "We are entirely willing and able to hold substantial stocks whenever necessary and to use such stocks to ensure that unsound trading and speculation does not arise again as it did in the late Seventies "

Indications are that CSO rough sales remained strong in the January and February

Turning up

De Beers vs Mining Finance Index



Source JSE Graphics

sights this year Retail sales continue to gain impetus from financial factors and huge promotional expenditure The dollar's decline of more than 35% since the third quarter of 1985 has reduced prices of diamond jewellery in important markets such as Japan and West Germany, both being major consumers of larger, quality diamonds And this year De Beers is to spend some $109m on advertising and marketing of diamond jewellery, up from about $90m last year

With interest rates lower, some rebuilding of inventories may be expected in the trade after the lean years of the early Eighties Prices of rough diamonds were increased last year by 14,5%, and further, measured hikes may follow this year The big question now is when the go-ahead may be announced for the Venetia prospect in the northern Transvaal It would be a major new mine that would take several years to come on stream.

Technical charts show that De Beers' share price has turned upwards in its relative performance against the mining house and the mining financial sector But it has so far shown little recovery against gold shares, and has a considerable way to go before it has fully recovered to the levels relative to mining financials of the late Seventies

One thing that should not have disappointed was the 45% boost to the total dividend At R39,50, the share yields 2% on the 80c payout and remains a strong hold Overseas analysts have recently produced bullish reports on the group, reactions of foreign investors may be crucial for the price over the next few months *Andrew McNulty*

NORTHAM PLATINUM (210)

Listing gripes FM

13/3/87

Allocation of shares in the Gold Fields of SA (GFSA) platinum development, Northam Platinum, has turned out to be an even more controversial issue than the Malbak listing of Prochem

In December, shareholders of Northam (GFSA, Cons Gold Fields and others, suppliers of the original prospecting and option contracts) were invited to subscribe for Northam shares at R10 a share According to the pre-listing statement, Gold Fields sold 887 593 of its entitlement to staff, staff pension and provident funds, affiliated companies and business associates These associates comprised five stockbrokers, who received allocations in terms of a JSE requirement that 30% of a private placing be given to the broking community.

Some GFSA shareholders take exception to this They argue that it is also a JSE requirement — though not inflexible — that a subsidiary be listed by a rights issue They felt entitled to participate, despite the fact that the issue was prior to the listing and that the JSE had no jurisdiction What added to annoyance was that Northam shares traded on the JSE at over R50, a five-times multiple on the issue price

GFSA has acted legally. But the critics point out that chairman Robin Plumbridge states in the 1986 review that GFSA's "mission is to seek and develop mining and beneficiation opportunities for the benefit of its shareholders," among others As further mines should be listed by GFSA, they fear being left out of those too "Why didn't GFSA do what Gencor did with Beatrice or JCI with CMI?" a representative of several GFSA shareholders asks

Northam director Donald Dykes calls the December issue "a reconstruction of capital," not a rights issue. "The shareholders of GFSA still own most of Northam — 72,6% against 78% previously — and the reconstruction assured the necessary spread" As funds raised were used to repay loans to Northam by GFSA, some analysts consider GFSA shareholders were not prejudiced

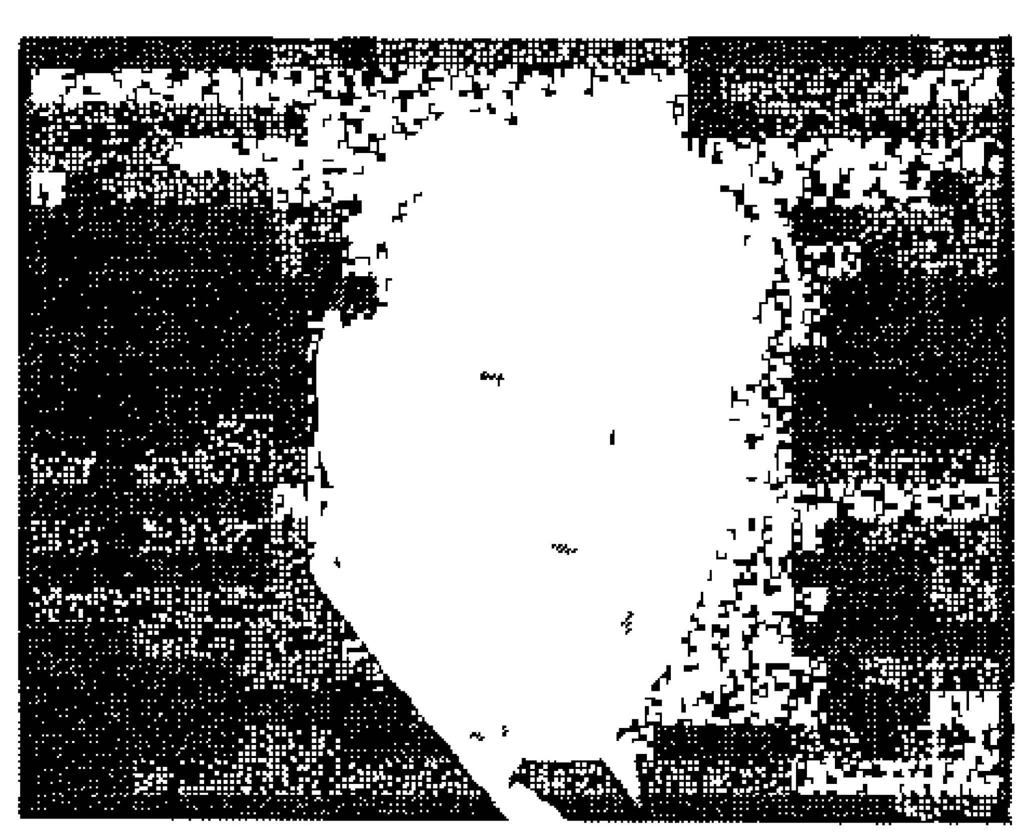
Plumbridge says. "This placing was to facilitate a speedy listing for Northam Account had to be taken that foreign shareholders strongly desired to have a listing as soon as possible, due to the rising pressure with regard to new investments in SA We went for an early listing even prior to the formal registration of the lease with the Minister of Mines"

Only the US has investment sanctions against SA, however, and only 5% of GFSA shareholders are US citizens, though UK parent Cons Gold owns more than 48% It seems unlikely the short delay caused by a rights issue to GFSA shareholders would have been material An interesting point is that Anglo American owns 8,9% of Gold Fields directly and Amgold owns another 10,9% With a rights issue, Anglo would have controlled nearly 20% of Northam — something that GFSA may not have wanted

But it is the basis of allocation which has really annoyed critics. JSE president Tony Norton says "We have no jurisdiction over how shares are allocated as long as the right spread is obtained" Of the allocation to brokers he comments that "with Northam it was important to have some sellers"

A number of brokers who received allocations handed them on to clients, which is how some individuals came to obtain shares Other brokers, notably Mathison & Hollidge, kept them for directors and staff, some firms put shares into their provident funds. The intention of the ruling that shares be handed to the broking community is obviously to achieve a greater spread of holdings. It is highly questionable whether brokers who retained the shares in their personal accounts or handed them to staff actually met the intention of the ruling

Should management sell to itself and staff part of a company's assets at a low price? Though legally this is permitted, it may be



GFSA's Plumbridge . . . early listing for foreign shareholders

argued that shareholders should be given a say in whether part of a company should be sold to staff and executives, and on what terms

The question of price is difficult A broker says that when the offer was made, GFSA gave them two days to accept. He claims they had no figures or facts, and accepted simply because it was a GFSA mine Only after figures were available and they had visited the site did brokers put a value on the shares As the lowest estimate by brokers was R25, GFSA's price seems pitched very low

A low issue price can be acceptable where the controlling shareholders have decided to go for a listing and to sell some of the company It is theirs to sell and to price But, ask certain GFSA shareholders, when the asset belongs to shareholders of a holding company, can management be justified in selling for a price so far below the market valuation?

This is the nub of the issue There is no doubt a company can sell, without shareholders' consent, an asset amounting to less than 10% of total assets, but should it sell at a virtual give-away price? Dykes replies, lamely, that "The price was based on assumptions made by the Northam board at the time They considered it a fair price. Assumptions made by those who arrived at a different price must have been different"

Northam has announced a further rights issue Depending on the way it is handled, it could go some way towards relieving the critics' discontent GFSA could help by renouncing part of its rights in favour of its shareholders As one analyst aptly points out, "the shareholders are the owners of the company and should be treated fairly by their employees, who are the managers and directors" *Pat Kenney*

COAL EXPORTS (208) FM

Prices plunge

13/3/87

Conditions in the coal export market, with declining dollar prices aggravated for South African companies by the stronger rand, are starting to bite hard This was emphasised by interim results from Trans-Natal Coal Distributable earnings are 29% down at 67c a share for the six months to end-December against the previous interim's 94c, and the interim dividend was slashed to 30c from 44c

There is worse to come in the second half First-half earnings were partially protected by favourable forward currency contracts, revenues now coming in are not Trans-Natal MD Graham Thompson tells the *FM* that conditions have deteriorated to the point where the group may decide not to enter into new export contracts on behalf of some of its mines because these could run at losses

He says it is not in Trans-Natal's interests to sell coal at a loss Importantly, he is concerned that market conditions could be made even tougher for the group by the actions of competitors prepared to accept losses in order to keep market share Thompson says he has seen the budgets of one SA coal company, which he declines to name — and it is planning to do precisely this It hopes to offset losses on the export market against profits from domestic sales

He points out Trans-Natal has little difficulty in placing its tonnages because of the high quality of its products But prices on offer soon may not be worth the effort "Buy-

GENCOR (210) F/M 13/3 /P.

Industrial swinger

Analysts expect a 25% increase in earnings and a 23% increase in dividends from Gencor when it reports preliminary results on Friday, with momentum for the improved performance coming from the huge swing in profitability of its industrial interests

Earnings forecasts range from 580c (excluding dealing profits) to 625c, while dividends of between 220c and 245c are predicted Analysts vary on the question of dividend cover Some believe new management will be more parsimonious than the previous regime, while the prospect of poorer gold earnings in 1987 might also restrict the payout It seems a dividend of 240c will please the market

A major contribution to an improved performance has already been made by Sappi, which more than trebled earnings, further major improvements reported by Gencor's industrial interests include Kohler (with a R29m turnaround), Tedelex (a R38m turnaround) and Kanhym (a R21m recovery) Frankel Kruger's Paul Gray also expects Gencor to source good dealing profits through Genbel He adds that lower interest rates must have benefited the group, so the contribution from its financial and services sector must be a wild card

These performances are expected to compensate for depressed performances from the sectors under pressure by the stronger rand Samancor cannot be expected to maintain its previous strong growth, while the group's coal interests are expected to contribute less Gold interests should contribute more as the bulk of the gold dividends are still coming from the September quarter and the impact of the lower rand price of gold will be felt only in the current year

Analysts aren't looking for a major increase in Gencor's earnings in the 1987 year, given the flatter performance expected from the mines and forecast deceleration in the growth of industrial earnings, as 1986 growth has been off a low base This slower growth pattern is expected to be evident in Gencor's performance in the second half of 1986. Analysts' forecasts of 600c earnings for the year to end-1986 imply second half earnings growth of only 12%, compared with earnings growth at interim of 45,5%.

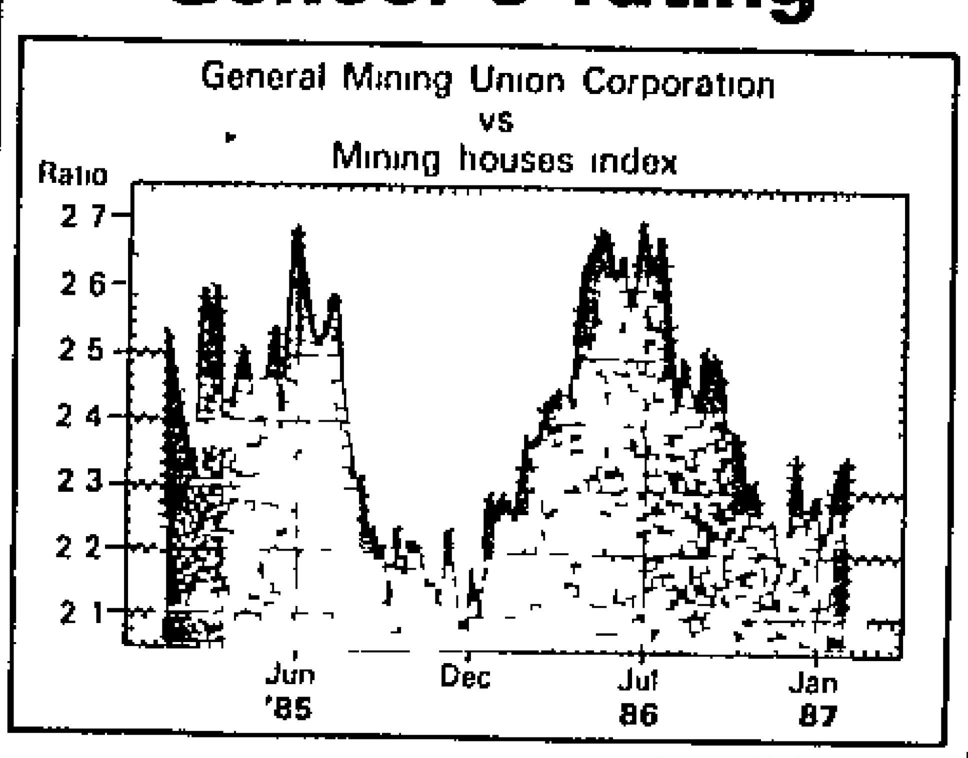
Gencor's share price has fallen 20% from R70 last September to trade at about R60 this week, but the group has not been alone in its lower rating. The mining house index has fallen 15% over the same period because of concern over the effects of the lower rand price of gold on mining house profits. Analysts comment that the sector has stabilised and is in a holding pattern until the rand weakens and gold recovers.

However, Gencor's rating relative to the sector has declined quite significantly since July last year (see graph). It was favourably re-rated with the arrival of chairman Derek Keys and the reorganisation begun in the group early last year. One analyst believes the subsequent downrating is because of the house's relative weakness regarding mineral rights. He says institutions are interested in mining houses with substantial mineral rights and the ability to increase output in future years; there is some doubt about Gencor in this respect.

In addition, while attention has been focused on the clean-up of Gencor's industrial interests, Keys' skills in managing the mining interests must still be tested. This, too, has contributed to caution among analysts.

Kerry Clarke

Gencor's rating



Source JSE Graphics

Further proof of the groups confidence in the market is a record

was down from R9,6 million to R9,3 million

economic growth.— Sapa

actions

Gencor developing self-rescuer units for mines

By Teigue Payne

It is estimated that the new legal requirements for greater mine safety, especially in the form of self-rescue units, will cost the mining industry over two billion rand over the next few years But the development may result in the establishment of a multi-million rand industry to manufacture the units

The self-rescuer units provide oxygen for workers for a minimum 30 minutes to allow them to escape disaster situations. Originally, the units were to have been introduced by the end of 1985, but because of research and production constrictions, the programme had to be delayed

Now, the programme is that by the end of this year, all people (including visitors) proceeding underground on coal mines will have to carry the units, and mines will have refuge bays The regulations will apparently apply to all gold mines by the end of 1988, and to all other mines by the end of 1989.

Concerned about safety and health, and in anticipation of the regulations, Gencor in 1985 trained and equipped all underground workers on two of its coal mines, Usutu and Ermelo Mine Services, with units imported from the United States To date, these two Gencor mines are still the only mines in South Africa using the units.

With the extended deadline drawing close, three imported brands of the self-rescuer units have now been, or are about to be, approved for use on South African mines.

However, Gencor's early concern for safety prompted two of its engineers, Dr Con Fauconnier, group senior manager technical services, and Harry Rose, group environmental engineer, to investigate local manufacture of the units.

The compact self-rescuer unit fits snugly to the miner's body and does not impede his movements.

● Picture· Chamber of Mines.

After two years of continuous research by Gencor in conjunction with two professors at Pretoria University, Mr Rose is confident that Gencor will, by the end of this year, be able to supply locally made units Mr Rose believes that the safety revolution about to take place on South African mines will be the most significant development in the professional lives of today's mining engineers.

On the commercial level, if Gencor's plans do come to fruition, it will be able to supply the locally made units at a price up to 50 percent lower than the imported units.

The current cost of an imported units is between R750 and R1 000, but Mr Rose estimates that the cost of the Gencor units would be R500

Since he estimates that up to 500 000 of the units would eventually be required by the industry, the savings to the mining industry could be enormous

The benefits in savings in forex, and creation of employment in what could become a multi million rand industry, are obvious A considerable export market could be taped because, all experts concur, the South African units are being watched overseas, and if they are successful in practice, would be used there

Background to this is that self-rescuer units used in the United States and elsewhere were too heavy They were not carried by miners, and, during disasters, were generally not picked up or used

The South African regulations seek to limit the weight of the units so that they can be carried on the miner's belt - a reduction which can only be brought about by miniaturising the unit and cutting the amount of chemical used to produce the oxygen necessary for escape

The units of the three companies which have so far been approved for use in South Africa - Dragar and MSA from West Germany and Fenzy from France - all weigh around two kilograms Mr Rose says, however, that the Gencor unit will be closer to one kilogram This vital mass saving has been achieved, he says, through improving the chemistry of the unit and the materials used

If Gencor succeeds in producing a practical unit at this weight and cost, the imported units will obviously face very stiff competition However, the importers are sceptical of Gencor's claims.

They say their three competing research teams have worked for three years on the project and their companies have a combined background of 200 years in the field

They say it is reported that Gencor has spent R5 million in its research into the units. While they admit that this is a massive commitment for one company, they say it cannot match the input of their teams

Mr Roly Nyman, technical manager of PMIE Systems, which supplies Dragar units, says in the unlikely event that Gencor has in fact produced a unique system which will work in the rugged conditions underground, it will in any case take at least another year to undergo the stringent testing required and place the unit on the market Meanwhile the imported units already have approval and are on the market

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STAR 14/3/87

Lots of running left in De Beers

(210) ST 19/3/87

By Dave Edwards

CONSENSUS seems to be that De Beers is still look a good bet.

The share price, which touched a high of R42,50 on Monday, fell to R39,50 after the announcement of the 1986 results

But by close of dealing on Wednesday it had recovered some of its loss after heavy overnight dealing in New York where it was being tipped as a potential winner

Renewed

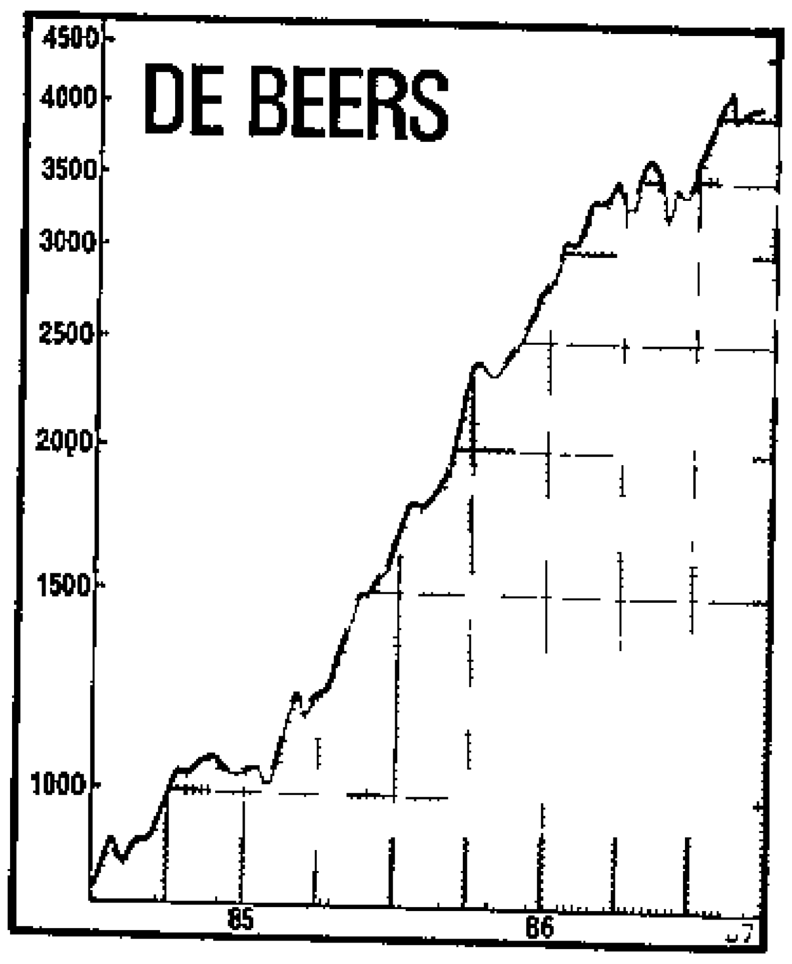
Since January the shares have enjoyed a renewed surge of investor fervour on expectations that income on the diamond account was set for another large increase Driving force behind the expected increase was the announcement of a jump in Central Selling Organisation sales which boosted turnover to R5,9-billion

But how good were De Beers' final results — which showed that earnings a share for 1986 totalled 320c?

Diamond analyst Peter Miller of London commodity specialists Shearson Lehman had predicted that earnings a share would be nearly 335c with second- half figures more than 350% up on the first half's 73c

This view was based on price increases of 7% in May 1986 — followed by a 7,5% increase in November — as evidence that the increased sales would translate in vastly improved earnings

But Johannesburg analyst Keith Bright of Frankel Kruger says a large proportion of the 1986 increase in CSO



sales was due to restocking at cutting centres

In the event, the results were favourable — although earnings a share were less than expected in some quarters They indicate that diamond buyers are back in a fairly big way

Christmas

The fact that the share price has already moved up on the R39,50 midweek dip is seen to support the contention that the market will be able to bear a further expected price increase of 7% — timed to take place before the important May 1987 sighting when stock purchases are traditionally made ahead of the Christmas season

De Beers' earnings in 1986 earnings were 11% up on the previous year

This seems in line with Mr Miller's expectation that the value of annual sales will increase by an estimated compound 9,6% a year between 1985 and 1990, but conflicts with an historical cyclicity in demand which has a periodicity of four to five years

Mr Bright says "On a historical basis the current increase in the value of sales is at a high and the cyclical downturn cannot be much more than 18 months ahead"

But the evidence suggests that De Beers has read the market well Some JSE analysts suggest that the bullish sentiment will prevail because sales from the stockpile will generate much larger profits

Acceptable

Prices, of course, have not advanced dramatically in yen or mark terms because the dollar has been weak However, to the US or SA investor, the rsing profits in terms of his own currency are acceptable

More encouragement can be from the announcement of the reopening of the Koffiefontein mine in the Free State The mine was closed in 1982, but work on reactivation is due to begin immediately and production is expected to start early in 1988.

Namaqualand's Annex Kleinzee treatment plant resumed operation towards the end of last year

The total dividend for 1986 amounts to 80c a share — 45% up on 1985 The share price has forged ahead so the dividend yield at a R40 share price is a meagre 2%

But with attributable earnings covering dividend four times and a jump in cash funds from R285-million in 1985 to R792-million in 1986 the share retains its sparkle

For those who are lucky enough to have shares the recommendation is hold — and for those who want a piece of the action, buy on weakness

GENCOR FM 20/3/87 210

Rand brake

Gencor's 28% growth in earnings for the year to end-December 1986 was not unexpected, as evidenced in the marginal decline in the share price since the results announcement last week The share is now reflecting expectations of a slow-down in the earnings growth rate, a perception confirmed by chairman Derek Keys, who says the group will find it difficult to match the current year's earnings should the rand remain at current levels.

Gencor's Keys ... not a cover freak

But shareholders can be assured that it will take something akin to a catastrophe to make the group cut its dividend. Keys told a press conference last week that although the 2,7 times cover was a desirable level of cover for the long-term, "I am not a cover freak and if earnings were to drop, it would take a lot to shift me down off this level of dividend "

GENCOR GAINS

Year to December 31	1985	1986
Pre-tax profit (Rm)	485,2	705,4
Attributable earnings (Rm)	458,0	591,7
Earnings (c)	481	616
Dividends (c)	195	230

A review of the factors that helped Gencor to its better earnings in 1986 gives an indication of why it will be difficult to kindle growth in 1987.

The largest contribution to the improvement in earnings was the 72c a share or R87m turnaround in the industrial companies, being primarily Kanhym, Kohler and Tedelex, as they struggled out of the red. The improved performances of other industrial interests added a further 17c to Gencor's earnings. Industrial interests, excluding Sappi, contributed 6% of Gencor's earnings in 1986, after draining earnings of 48,8c in 1985 Further gains in industrial companies are expected, but they will be at a slower pace.

Beatrix added 37c to gold earnings in 1986, and this contribution is increasing all the time, according to Keys. Some analysts believe Beatrix will be the key factor enabling Gencor to show increased gold earnings in 1987, as the group will be battling a lower rand price of gold — the price has ranged between about R815/oz and R870/oz so far this year, compared with a price of over R1 000/oz in August last year. Gold and uranium, with 45% earnings growth, was the largest contributor to the 17% increase in mining earnings in 1986, as metals and minerals' earnings rose 7%, coal earnings remained virtually static and platinum earnings fell 9%

Coal and mineral earnings are likely to remain under pressure in 1987, and although platinum earnings should rise slightly, platinum's contribution to total mining earnings remains relatively small (11% in 1986). In addition, platinum's rise will be hard won, as although platinum free market prices are far higher than in 1985, they are off 1986 peaks. Prices rose 60% in 1986

In any case, a large part of Impala Platinum's output is sold under long-term contract and does not benefit from the good increases in market prices Keys says these contracts are "evergreen" — either side can give notice, but a "very lengthy" notice period is required He adds that platinum is apparently moving into an oversupply situation, and it would be unwise for Impala to get difficult with its customers.

Following the management shake-out in the industrial companies, which should be bedded down by the end of 1988, the group must look to the rand gold price and an improving South African economy for its growth, barring any major long-term project such as a new mine which could drive earnings Keys says. "Poplar isn't a mine which will jump into existence without considerable assistance "

Increased exploration

However, the group is spending R140m on exploration this year, with about half of that going into gold exploration Keys says "not much" of that R140m will be spent outside of SA He says the increased exploration spending is in line with the group's strategic decision to put more weight behind mine-finding efforts

At R58, Gencor rates a p e of 9,4 and dividend yield of 4%, compared with the sector average p e of 16,1 and yield of 3% In addition, the share is at only 67% of net asset value.

The Gencor share has risen some 2,5 times in value in the past 18 months as investors perceived a classic recovery situation At current levels, investors appear to be taking stock, waiting for clues indicating growth potential Until those materialise, the share is unlikely to undergo further re-rating.

"But most believe that the mood of whites will change, and that even if they cannot muster enough electoral support to stop the NP's reform programme in time, they will still be able to harness sufficient resistance to a common open society when Afrikaners realise what is happening," she says

Interestingly, on the findings of a recent opinion poll, the CP should win nine more seats, giving it 26 at the May election, and the HNP a mere three. The same Mark en Meningsopnames poll gave the PFP 29 seats, the NRP four and one to the independents

The NP, traditional custodian of Afrikaner power, has moved somewhat towards the white political centre, but without a clear definition of its new identity It tries to be everything to everybody — reformists to critics on its Left, guarantors of the status quo to those on its Right This partly explains the New Nat phenomenon

Now, disunited, the CP and the HNP hope to capture the old Nationalist territory, cause and symbols

Such a development could provide the seeds for a major political realignment after May — in which the NP is overtaken as its verligtes join a redefined middle ground between the New Nats and the PFP's conservatives, and NP verkramptes merge with a CP that will have effectively incorporated the HNP Stranger things have happened in South African politics ■

FREEGOLD

Spending to earn

20 FM 20/3/87

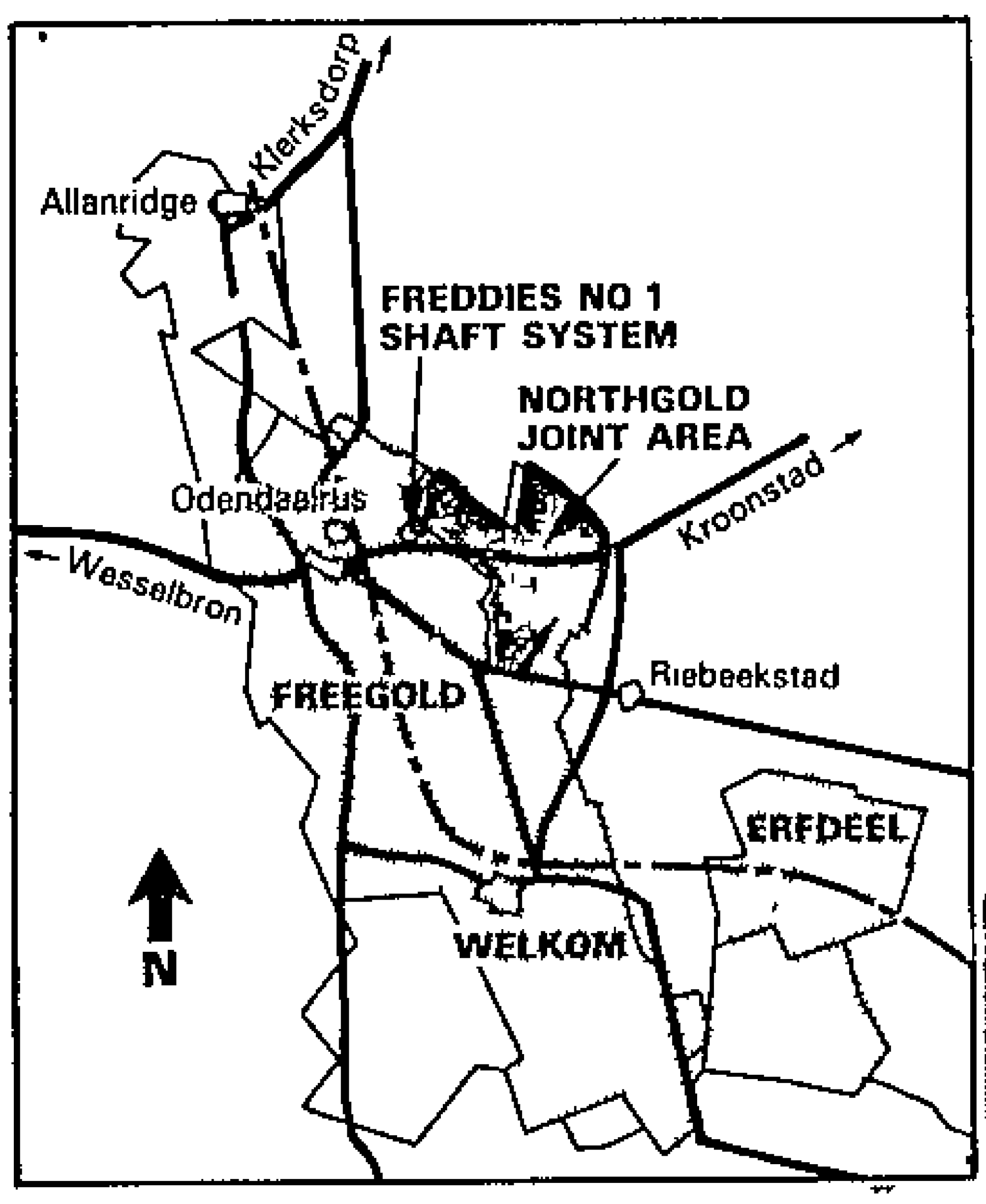
Freegold was formed out of the controversial merger of Anglo American's Free State gold mines a year ago. But the benefits are now being felt.

A year after its controversial formation, the operations of the world's largest gold mine, Free State Consolidated Gold Mines (Freegold), are making their mark The impact is not only in the financial and technical sphere of mining, but also on the surrounding OFS towns which it and the other gold producers in the area support. A visit to the mine revealed that

☐ Freegold is at present involved in capital expenditure (capex) programmes totalling some R2,5 billion to open up new mining areas There is plenty more to come, as the mine needs to go ahead with another two shaft systems in the next five to 10 years just to maintain output;

☐ Some 15 000 of its 100 000 black workers could soon be housed with their families in the surrounding residential areas — the mine aims to do away as far as possible with the migrant labour system on its new shafts and so reduce the need for mine hostels, and

☐ The key guideline for the future of the complex has been management's decision to put a ceiling on Freegold's production rate The resulting long-life mining operation has a minimum lifespan of 30 years and could be extended well beyond that



The immediate result is that Anglo American gold division executives — who for years have been warning the citizens of Welkom that the gold mining industry cannot last forever — have now altered their tune somewhat

Outward signs have included the sale of thousands of mine houses to mine employees on home-ownership schemes Plans are also underway to extend these schemes to Freegold's black mineworkers following the change in the legislation on lease and freehold in black townships Of the 100 000 black mineworkers employed, it is estimated that about 15 000 will take up this opportunity Working on an average figure of five dependants per black employee that means an increase in the permanent population of the Welkom-Odendaalsrus-Virginia area of some 90 000

Freegold's annual report for the year to September 30 shows a 6% increase in tonnage milled to 21,75 Mt, up from the figure of 20,47 Mt for the previous financial year.

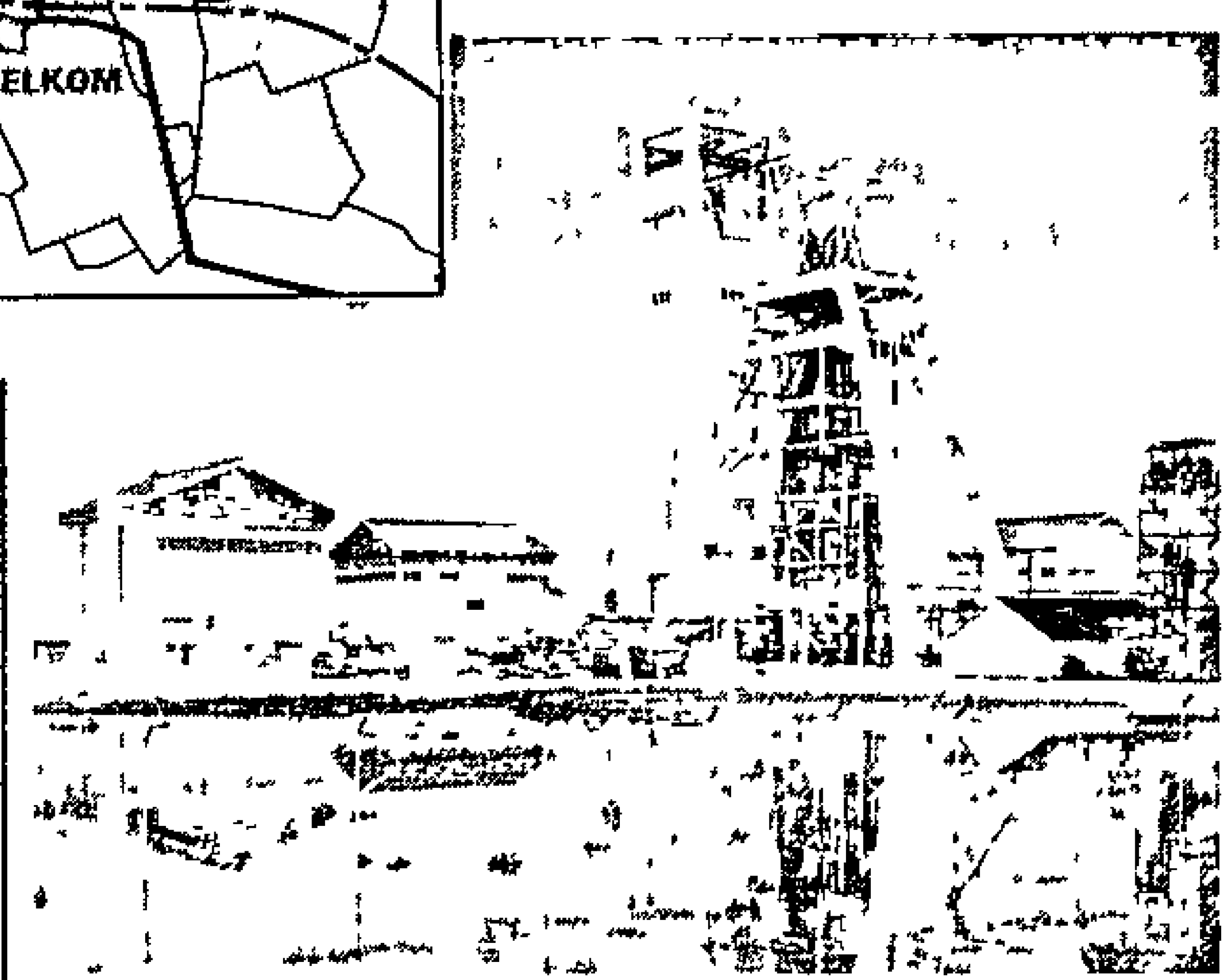
MD Lionel Hewitt says the improvement is a direct result of the merger He adds that Freegold's total milling rate could be pushed to 24 Mt without the need for new milling plant as mine and mill capacities throughout the complex are matched up This could not be done with the separate mine lease areas because the terms of the required tributing agreements were financially unattractive

Hewitt says all the new mining projects being carried out or under consideration by Freegold will provide only replacement tonnage for areas due to be mined out. The complex will not expand beyond the 24 Mt ceiling which will be reached with the new 390 000 t/month Brand gold plant working to capacity and the old Brand gold plant being kept in operation at 150 000 t/month, which is 50% of its previous rated capacity

It is considered too expensive to keep the old Brand plant in full operation The new plant could be expanded by another 130 000 t/month, but then older treatment plant would be shut down Treatment costs at the new Brand plant are at least R1 a ton cheaper than on the older plants

Reasons for imposing the ceiling include the long lead times of 12 years required to get a new shaft system to full production, the enormous capex required to get enough new shaft systems going simultaneously to increase production, and the attractive financial benefits of keeping within Freegold's installed milling capacity

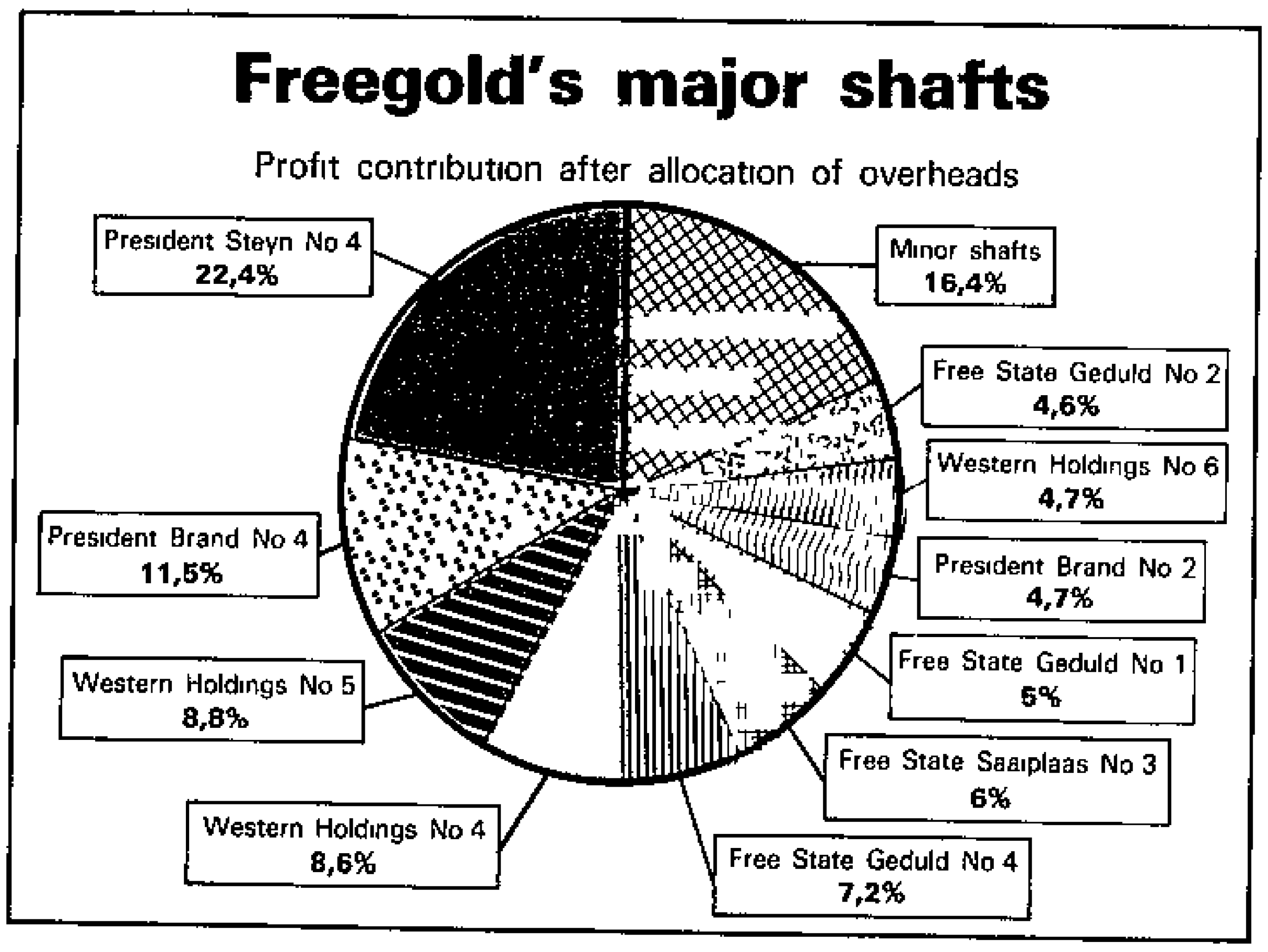
There are also the problems of actually spending the money required for the expansion and finding the skilled staff to do it. Freegold's capex is currently running at R503m a year — R1,4m every day of the year — which Hewitt views as close to maximum from the practical viewpoint of effective administration



Freddies No 1 shaft . . . major capital expansion

Major projects underway at Freegold include President Brand No 5 shaft, Erfdeel shaft, Duiker shaft, Welkom No 1B sub-vertical shaft, and Freddies No 1 shaft Still to come is a sub-shaft system at Brand No 5, while a project under consideration is the Brand No 6 shaft, which could be sunk south of No 5 in the Du Preez Leger-Jonkersrust ground A decision on this shaft is due by October

Freegold currently has some 18 drill rigs in action evaluating areas of ground north-east of the Freddies mine (referred to as the Northgold region), north




MD Hewitt . . . expanded output due to merger

of Erfdeel, and south of the Sand River. Looking some five to 10 years ahead, a start must be made on another two shaft systems in these areas if the present production profile is to be maintained. One of these could be the Brand No 6 and another the first shaft in the Northgold area. A further shaft may be sunk in the Northgold area if drilling shows the entire region can be mined.

Freegold is also looking at the possible reopening of the Jeanette gold mine on its northern boundary. This will require negotiations with government as Jeanette was specifically excluded from the merger agreement.

Government approval of the Freegold merger included a clause that future expansion would not take in additional ground of more than 15% of the current Freegold lease area, so Freegold will also have to renegotiate with government on some of its possible expansions.

Big capital outlay

Costs involved in new mining projects are vast. Freddies No 1 shaft (FSG 10 shaft before the merger) has a base cost of R391m. Latest estimate on the final cost, after allowing for the effects of inflation over the 12 years it will take to develop the shaft, is R772m. In total, Freegold has on its plate some R2,5 billion in capital projects — and that is in addition to normal capex required to keep existing mining operations going.

Those costs, coupled with the declining grade of the remaining ore reserves of the OFS mines, and the rising level of risk caused by such factors as industrial relations problems and uncertainty over the tax status of future new projects, lie at the heart of the justification for the Freegold merger.

"The Welkom 1B sub-vertical shaft was on the drawing board for 15 years but it only became financially worth the risk with the Western Holdings merger, a forerunner to the Freegold merger," says regional GM (south) Jack Steyn. He points out that, under the Freegold tax shelter, Erfdeel division becomes a lot more attractive than the borderline project it was under the limited tax shield offered by Western Holdings. Sinking of Erfdeel's Duiker shaft was suspended previously because of low gold prices.

Hewitt says Freegold's operations are moving into the boundary ore areas where the recovery grade averages between 4 g/t and 5 g/t, which was previously considered unpayable. The complex still has limited high-grade reserves in the present lease areas, contained mainly in pillars and faulted areas. These reserves provide a cushion against a gold price drop. "We have a limited period in which to get the shaft systems in place to continue Freegold's life as a huge, low-grade operation," he says.

Hewitt adds that Freegold's capex plans would only be affected if the gold price drops below R25 000/kg, at which point quality-of-life projects such as housing would have to be trimmed. Hewitt says the gold price would have to drop "a lot further" before major capex programmes would be affected, but declines to quote a figure.

In recent months Freegold has suffered from considerable labour unrest, which has hit production results for the first half of the year. Hewitt says the complex will try to maintain its peformance at last year's levels. Chairman Peter Gush, in his annual review published in December, was looking for a slight increase in gold production from last year's 107,8 t. Hewitt points out that the effects of the labour problems that have occurred at two Freegold shafts are minimal in comparison to the effect they would have had on a mine with only one or two shaft systems, instead of Freegold's total of 21 shafts.

Mechanisation of mining operations is being introduced widely at Anglo's Vaal Reefs and Western Deep Levels mines, but the geology of the OFS gold field makes its introduction to Freegold's operations problematic. Just above the Basal reef — the most important reef exploited by Freegold — occurs the Khaki Shale band.

The shale band consists of unstable rock, and is separated from the Basal reef by a narrow beam of competent rock which supports the hanging wall (roof) of the mine workings. The width of that beam is critical to the support of the hanging wall. Trackless mining machines, such as load haul dumpers (LHD), are not viable in many areas because the wider tunnels needed would affect the supporting beam. The Transvaal gold mines do not have this problem to the same extent.

Freegold therefore will not have the degree of mechanisation seen on its Transvaal sister mines. Still, equipment such as continuous chain conveyors will be introduced to clean out a series of stopes, doing away with traditional scraper winches in some areas and allowing raise connections to be placed further apart than at present.

The President Brand No 5 sub-shaft system will be developed as a spiral ramp decline instead of a traditional sub-vertical shaft. Ramp declines are widely used in underground base metal mines, providing rubber-tyred vehicles with access to the mineworkings down the spiral roadway. It is a far more flexible system than a sub-vertical shaft using cages.

Tax benefits

All of Freegold's current new projects are contiguous with the existing lease area. This is necessary in order to get the tax benefits of offsetting capex against current profits. However, Anglo American is drilling out a number of areas south of Freegold, which are not contiguous to the Freegold lease, and where JSE analysts reckon Anglo has two potential new gold mines. Findings of the Margo Commission on taxation could be crucial on the future development of these mines, which management would like to develop under the wing of existing mines so as to reduce their financial risk.

All Hewitt will say on speculation over Freegold's role in this exploration work is that Freegold will participate to the extent it will be permitted by tax structures laid down by government, the price of gold, and the in situ value of the reef presently being drilled.

Mining analysts view Freegold as a solid, but unexciting investment because of the ceiling placed on its expansion. They point out, however, that with its low grade it is now highly geared to the gold price — like the marginal mines it could really perform if the gold price took off.

Brendan Ryan

Mining chief attacks Bill

The East Rand Proprietary Mines and Durban Roodepoort Deep are committed to fighting constraints aimed at thwarting black advancement in the mining industry, the chairman of both companies, Mr Clive Knobbs, says.

In his latest statement to shareholders, Mr Knobbs deplored the fact that the Mines and Works Act Amendment Bill appeared to tighten up the selection criteria for the acquisition of the certificate of competence, which previously reserved certain jobs for white and coloured workers.

The Bill comes before Parliament some time this year

(510) STAR 20/3/87

Govt blamed for tension on mines

210 31/3/87 STAR.

The reluctance of the government to repeal the discriminatory "scheduled person" provision obstructs the advancement of blacks and denies them opportunities for taking increasing responsibilities in the enterprises in which they work, says Mr Julian Ogilvie Thompson, chairman of Anglo American Gold Investment Company (Amgold), in his annual review.

"Within the strictures of the law, significant training and education programmes to man positions on merit have been implemented with some success and programmes are in hand to eliminate any remaining discriminatory practices on the mines," he says.

A significant responsibility for addressing many underlying causes of tension on the mines also rests with the government. "No industrial relations structure or system can cope with the growing politicisation of unions which is the inevitable result of the lack of participation by blacks in the political process at national level and which results in considerable tension in the workplace."

South Africa's two main problems, the inordinately high inflation rate and the urgent need for political reform, are partly linked, he maintains.

Inflation flowed partly from the lower rand exchange rate flowing from the deterioration in foreign perceptions of the political situation.

Any material improvement in the economy will require an end to unrest and the abolition of apartheid. — Sapa.

Cape Times 1/4/82

Divco row over 'white' beach

282

By PETER DENNEHY

BIG BAY in Bloubergstrand, one of the few remaining whites-only beaches in the Peninsula, was the subject of a row in the Divisional Council yesterday over the spending of funds from the general rate account on exclusively white facilities

Divco engineer Mr John Clark recommended that R50 000 should be set aside for the appointment of architects or planners to prepare a beach development plan The works committee agreed

Mr Stuart Collins objected that if the beach was to remain closed, the development costs should not come out of general rates

Divco chairman Mr Louwtjie Rothman replied "But graveyards are not open to all, and the losses on those come out of general rates"

Mr Neil Ross moved that the planning of facilities at Bloubergstrand should take into account Divco's resolution last year eventually to open beaches to all

Mr Hilary Langley, chairman of the works committee, got up angrily and said "If this purely planning matter is going to be made into a political issue, I am going to recuse myself" He walked off

Six votes were cast in favour of Mr Ross's amendment and six against Mr Rothman referred the issue back to the works committee

• The works committee has recommended that Revel Fox and Partners be appointed and briefed

Anglo links with LSE high-flyer

ST 5/4/87

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By Ian Smith

ANGLO American Corp has formed a R200-million-a-year lead, zinc and ceramics group by merging its subsidiary Zinchem & Industrial Mineral Rersources (Zimro) with the local subsidiary of Britain's Cookson group.

The marriage of the two major players in South Africa's industrial minerals and metals sector has also secured the new group's access to state-of-the-art technology in the new generation ceramics and plastics engineering industries.

The new company is contemplating a listing on the Johannesburg Stock Exchange.

Talks, which began two years ago, culminated this week in an agreement to incorporate all the operations of both companies into a new holding company, Zimco Holdings, with turnover of more than R200-million a year.

Zimro holds 55 percent of the new company while Cookson plc owns the remaining 45 percent.

A listing could be down the road "if the market and other factors look right," says Chief Executive Donald Burt-Buchanan, the former managing director of Zimro. Zimro chairman Alan McKerron is also chairman of the new group.

New acquisitions are already being negotiated, with one agreement due to be signed shortly.

Traditionally, Zimro has dominated the zinc processing industry, providing zinc dust, oxide and chemicals for the mining and other industries. The company also produces semi-finished zinc products, a wide range of industrial minerals, rubber products and industrial chemicals, and it has a controlling interest in the listed Zaaiplats Tin Mining Company.

Cookson SA, a subsidiary of one of the top performers on the London Stock Exchange's industrial list, is a major producer of solder and fabricated lead from smelting and it supplies a range of stabilisers for the PVC industry.

"There's a large degree of synergy between the two companies," says Mr Buchanan. "The merger makes sense for everyone. Cookson has a strong local partner to help its growth in the South African market and we have guaranteed access to the latest technology to enable us to move into high-tech fields offering great potential.

"We had reached the stage where we had taken the beneficiation of our traditional products to the end of the road, as we know it today.

"The new group is better placed to service the joint markets of both companies and to extend the product range. At the same time we can use new technology to upgrade our products and to give us entry to new export markets."

The new group will have five divisions: zinc metal, lead metal, industrial minerals and ceramics, mining, and metal chemicals, rubber and plastics.

Mine pension funds going industrial

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By Frank Jeans

The Mines Officials and Mine Employees Pension Funds, which are backing the central Johannesburg office development on the prime site at 60 Main Street, are moving into the industrial park business with sights set on Midrand.

The group has again signed up Oakwood Ventures to handle the R25 million project on 10 ha It is also managing the R30 million Main Street development

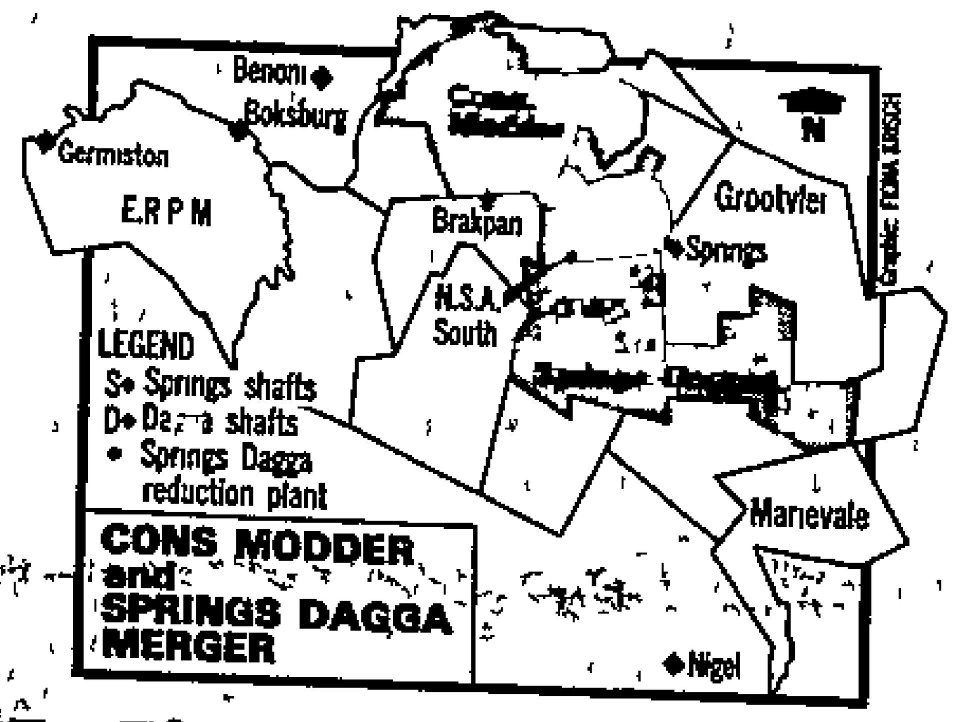
Central Park in Midrand will be in the company of some leading names — Merck, Sharpe & Dohm, Johnson & Johnson, Adcock Ingram, BMW and Burroughs

Mr John Penny, Oakwood's chief executive, says "The tremendous growth potential of Midrand is well known and to accommodate future needs in this area, clean industry parks are essential.

"Over the past 10 years, import substitution has become a strategic growth industry."

Central Park will be modelled on United States technology parks, such as those in Silicon Valley, California, Salt Lake City and Phoenix

"The architectural aim of the project will be to create a design which blends with the characteristics of real estate," says Mr Penny "All buildings will complement one another."



Mines' merger gets in gear

14/4/87

2-10

B/Day

PETER STACEY
Mining Editor

THE long-awaited mine merger of Springs Dagga and Consolidated Modderfontein is off the starting blocks.

Lucas Pouroulis' Golden Dumps group, which administers both mines, has announced proposals for combining the operations of the adjacent East Rand mines, and has issued a cautionary notice to shareholders

In the proposed scheme, which has still to be approved by the shareholders of both companies, one Cons Modder share will be issued for every eight Spridag shares held.

Springs Dagga's assets and mining title will vest in the merged operation — under the name of Cons Modder — and Spridag's JSE listing will be terminated.

While the mines operate as self-contained units, both long-term exploitation of the contiguous area as a single project, as well as short-term rationalisation of resources, make the merger an economically viable and attractive proposition, says a Golden Dumps spokesman.

Wit Nigel incurs loss of R2,36m in 1986

HAROLD FRIDJHON

WIT Nigel incurred a working loss of R2,36m for the financial year ended December 31, 1986 — substantially lower than the R7,67m loss produced in the previous financial year.

State assistance amounting to just under R4m (R5,9m) enabled the company to show a profit for the year of just over R1m compared with a loss of R4,4m in 1985.

The provisional financial statements show that turnover for the year rose by R12,2m from R19,2m to R31,4m while the working loss declined by R5,3m indicating a steep increase in costs.

The directors have raised their remuneration for management services from R331 000 to R517 000 at a time when the company has been labouring.

Last year the issued share capital was increased from 11,5m shares to 12,9m shares, raising R2,4m, of which R2m was invested in Afrikander Lease. At the end of the financial year these shares had a market value of R1,9m.

The provisional financial statement will provide additional ammunition for a lobby seeking to unseat present executive chairman Peter George. There has been an intense proxy campaign by both parties.

Two non-executive directors, Michael Tatz and Tom Eccles, who have led the rebellion against George, claim to hold a substantial number of proxities to terminate George's reign. The outcome of the dispute will be decided at a special shareholders' meeting on April 21.

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GENCOR

Needing industrial support

Activities: *Mining house with major interests in gold, coal, platinum, base metals, industry and financial investments*
Control: *Federale Mynbou has 54,4% of the equity, Sanlam has a majority interest in Fedmyn*
Chairman: *D L Keys*
Capital structure *82,5m ords of 40c, 1,5m 8,5% variable conv cum prefs of 40c, 13,7m 12,5% conv debs of R27 Market capitalisation R5,4 billion*
Share market: *Price 6 500c Yields 4,1% on dividend, 9,5% on earnings, PE ratio, 10,6, cover, 2,7 12-month high, 7 000c, low, 3 950c Trading volume last quarter, 893 000 shares*
Financial. *Year to December 31*

	'83	'84	'85	'86
Investments				
Book value (Rm)	794	1 256	1 368	1 672
Market value (Rm)	2 747	3 257	4 454	5 987

Performance

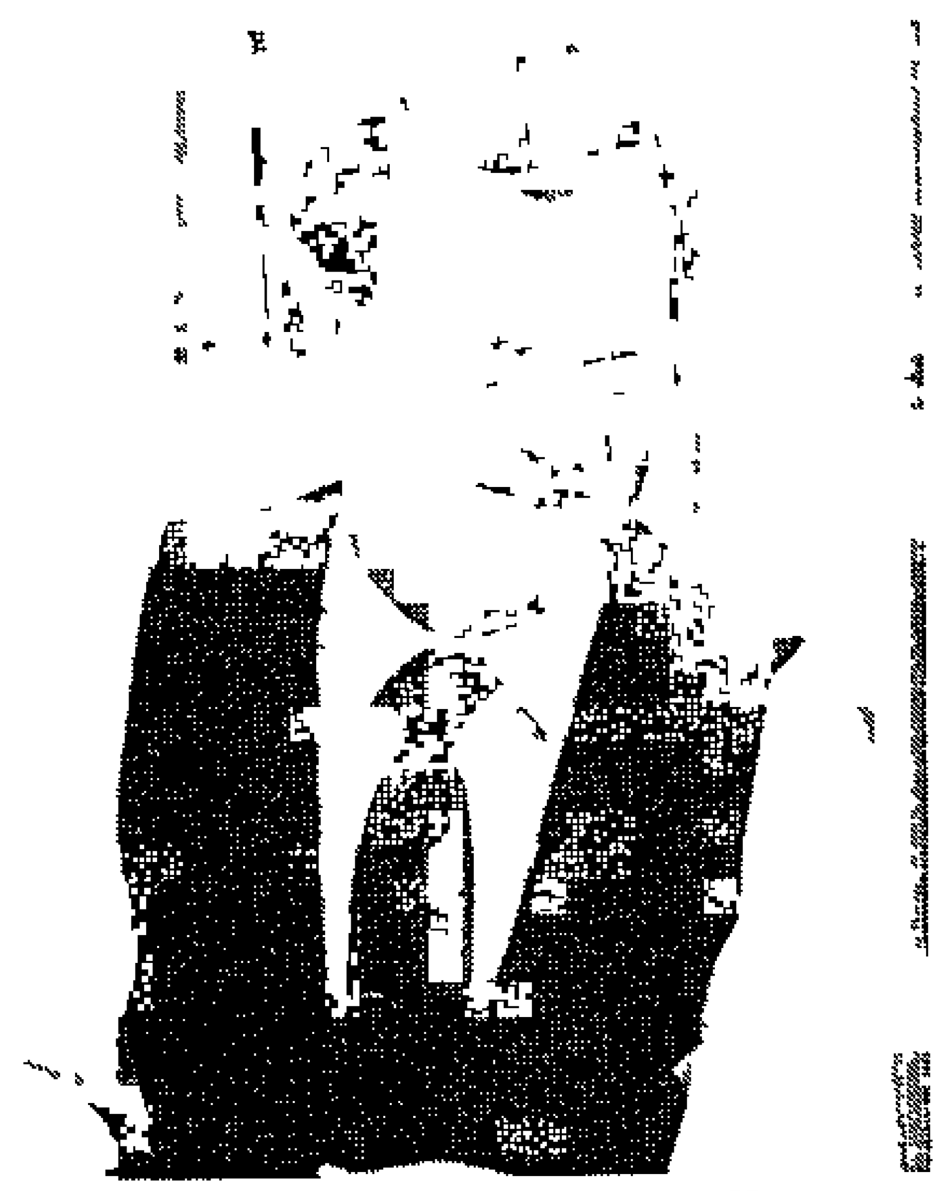
	'83	'84	'85	'86
Attributable income (Rm)	311	252	458	592
Earnings (c)	388	322	481	616
Dividends (c)	190	190	195	230
Net worth (R)	41,5	43,1	41,8	45,3

The Investment Analysts' Society last year voted the Gencor annual report the most improved report in terms of reporting standards — this year the group is being criticised for taking a step backwards

Apart from excluding a five-year profit history, the group has offered considerably less information about unlisted interests, and the industries division is particularly notable — it publishes a mere half page of information compared with the four pages offered last year, when at least a paragraph was devoted to the performance of each company

But analysts express more fundamental concerns about Gencor than its condensed reporting. They believe the group will have to lean heavily on industrial interests for any profit improvement in 1987. The mining interests are expected to contribute less — one estimate is that 1987 mining profits will fall by 20%.

Net income from mining rose by only 11% last year, despite a 40% increase in gold and uranium income Platinum was the major drag on mining profits, as net income fell by 13% owing to marketing and production problems and higher capital expenditure of R127,6m (R115,5m) Although free market prices of platinum soared by 60% last year, Gencor failed to reap the full benefits as much of its output is tied into contracts at negotiated prices. Production was impaired by the work stoppage at Impala in January



Gencor's Keys . . . spending more on exploration

1986, which cut taxed profits by about R45m. Although Impala's profits could rise in 1987, its contribution to group profits remains relatively small — in 1986 it contributed only 8% of mining income. More important will be the performance of gold mines, and latest gold quarterlies underline the negative impact the lower rand gold price is exerting on mine profits

All of Gencor's mines except Kinross reported March quarter earnings down on the December quarter figures Its mines received an average price of R855/oz in the March quarter, compared with the previous R920/oz. While the rand price has risen since the end of March, it is well below levels seen in 1986

Beatrix, a star performer last year — it added 37c to Gencor's earnings in its first full year of operation — suffered from faction fighting in January which resulted in almost half the workers leaving the mine. This dented production for six weeks. In the December quarter, Beatrix achieved the highest taxed income of Gencor's mines, but the figure fell by more than 50% in the March quarter as gold output was 21% down. Also, Beatrix will start paying more tax this year.

Gencor's coal and metals and mineral earnings are also expected to remain under pressure in 1987 Last year coal earnings fell by 6%, and metals and mineral earnings rose by 7%

Although US$ export prices for coal were firm in the first half of 1986, they deteriorated in the second half owing to an oversupply on world markets and a falling oil price Sanctions on South African coal by Denmark and France led to greater competition between South African producers in other European markets, and Gencor chairman Derek Keys says South African producers resorted to "political discounts" to retain market share. Coal's average fob export values in US$ declined by 10% in 1986 and have declined further, says Keys

In the base metals and minerals division, manganese prices came under pressure, but diversified ferro-metals producer Samancor achieved good profits US prices of ferrochrome fell early in 1986 and then stabilished, and we are expected to be maintained in 1987 However, Samancor's profits will be hurt by a stronger rand

In the industrial interests, Gencor should receive a good boost from Sappi in 1987, which continues to benefit from strong demand and rising export prices The full benefit of last year's R201,5m rights issue will be enjoyed Analysts expect earnings to rise from 116c in 1986 to at least 260c in 1987, and the dividend to reach 90c (40c)

Other industrial interests which eliminated losses last year are expected to show further substantial recoveries in 1987 — for example, Kohler, Tedelex and Darling & Hodgson

Looking longer-term, analysts remain concerned about the group's mining prospects, as they believe the group has neglected exploration in recent years This concern is apparently now shared by Gencor management — significantly more money is going into exploration The group spent R22,9m on exploration in 1985 and R48,2m in 1986,

GENCOR'S CONTRIBUTORS

Breakdown according to divisional management responsibility

	1985	1986
Mining		
Gold and uranium	73,9	103,1
Platinum	32,4	28,1
Coal	43,6	41,2
Metals and minerals	149 9	160,5
Mining Total	299,8	332,9
Overseas ventures	11,9	(16,5)
Sappi	25,7	56,9
Other industries	(56,6)	28,7
Finance	268,7	229,8
Services (net of corporate costs)	15,5	(4,7)
Total	565,0	627,1
Unapportioned financing costs	(107,0)	(35,4)
Attributable income	458 0	591,7

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with R140m budgeted for this year. Keys says the increase in funds allocated "is in line with our strategic decision to put more weight behind our mine-finding efforts"

But the long lead times attached to major mine projects will not permit a quick-fix to this problem

These concerns about Gencor are reflected in the renewed down-rating of the share relative to the mining house index since mid-1986 At R65, the share is 65% up on its level of a year ago, but there are no pointers to suggest a further re-rating is due

Kerry Clarke

NUM POINTS A FINGER

By SYLVIA VOLLENHOVEN

A FANCY yellow wrought-iron sign hangs over the mine hostel of Entokozweni

If the name is to be believed, this is a "place of happiness"

But behind the yellow sign, and the barricades that keep the public out, workers have experienced nightmarish battles that left one man beheaded and many more dead

The battles have been described in terse newspaper reports as "faction fights"

Recently I visited the Vaal Reefs mine, in Klerksdorp, about 200 kilometres west of Johannesburg, where 47 miners died in one of these clashes

From interviews with workers in the Entokozweni section and in Klerksdorp, it was clear that the term "faction fight" was a gross oversimplification

A 250-page report compiled jointly by the National Union of Mineworkers (NUM) and the giant Anglo American Corporation's Gold Division, mentions countless allegations of management fanning the so-called faction fights

Co-operation

The report called "Reaping the Whirlwind", is a unique example of co-operation between the mining bosses and the NUM

The document tells of hired gangsters called the "Russians" being smuggled into the hostels at night, allegedly to crush the NUM

A recent fight at Vaal Reefs left 47 dead and about 250 injured

From the accounts of the workers at the mining complex, a chilling countdown to the killing can be pieced together Their stories were remarkably similar

On November 18 last year, the NUM held a regional meeting to discuss their demand for a production bonus Management was refusing to pay the bonus to some of the lower paid workers

The NUM decided to boycott the bar for hostel dwellers' bar in protest and union members barricaded the bar

That weekend the bar was petrol-bombed by unkown people In retaliation two NUM shaft stewards were killed, allegedly by fellow miners

One steward was decapitated in front of his wife and children in the workers' married quarters where they lived Another was stoned and hacked to death

Petrol-bombed

For the next two weeks rumours were rife that a group of Pondo workers would go on the rampage

"We told management what was going to happen We knew and the whites knew

"We even told the superintendents when the Pondos went to the Vaal River to wash They had taken their witchdoctor with them," said Shakala Nakedi, an engine fitter's assistant at the number two shaft on Vaal Reefs

The ritual washing signified preparation for a major battle, according to Nakedi

Allegedly some members of the mine management watched that night and on other occasions as a group of Pondos performed an aggressive tribal dance, armed with a variety of weapons

No steps were taken to prevent the impending fight.

"Late that night we heard a shrill, staccato whistling and we knew it had started," said Tsokolo Mokhula, a former mine security official

But Phatilizwe Mafestile, one of the Pondo fighters, claimed they were merely defending themselves against a possible attack

"The Basotho were fighting us, I don't know why I heard money would be paid for the fighting but I didn't know who would pay," said Mafestile whose head was shaven, except for three tufts of hair

His left eye was blinded in the fighting which lasted for a week

Miner Zolile Madubela's version of the violence, refutes the faction fighting claim He was shot and blinded in one eye by a rubber bullet

"We were advancing towards the people who were fighting us It was the Amaxhosa and the Basotho," said Madubela who is Xhosa speaking himself

At midnight, after the fighting had died down, mine security officials arrived in armoured vehicles

Corpses

"Bodies were everywhere I helped to wash the corpses," said Shakala Nakedi

For the rest of the weekend sporadic fights broke out until management confiscated weapons from all workers on the Sunday afternoon But by then 47 people had died

Miner Nash Plaatjie claimed he saw a mine official in tears in front of a group of angry Pondo fighters who were demanding the money they had allegedly been offered in advance

The incident is the subject of a secret inquiry being conducted at Vaal Reefs' Oppenheimer Stadium

The joint Anglo/NUM report explores every possible reason for the violent fights on South Africa's mines

The conclusion reached was that the current violence must be seen in the context of the severity of the economic recession It is an attempt by workers to maintain for themselves a secure niche on the gold mines, economically, politically and socially

"Mine faction fighting needs to be viewed as a situation-bound competition for power," states the report

The document says the drive for unionisation by the NUM is seen as a threat by management.

Violent

"The single most important cause of violence is the conditions and management of hostels

"The unnatural, highly-regulated environment of the single sex hostel is exacerbated by the complete lack of control by the workers of their own lives

"In some cases management themselves are involved in assaults," the report says

About the claims of the notorious "Russians" gang sent in to crush the NUM, management responded "The Russians were in reality a mafia-type organisation that used all kinds of weapons including explosives and they could be hired by anybody

"The possibility existed that segments within the mining context did use them

"Also workers could have justifiably suspected collusion between the Russians and management as the gang leader, Kimberley, did offer his services to Vaal Reefs management as a 'mediator' in recent conflicts, but management rejected the offer."

EVEN ANGLO ADMITS MINE BOSSES SHARE THE BLAME

The report concludes that workers thought management was deliberately fuelling the violence in at attempt at "union bashing"

The issue of mine violence received top priority at the recent NUM congress in Johannesburg

The Lesotho and Transkei governments were asked to submit reports for the inquiry being conducted at the Oppenheimer Stadium

Both governments have supported the allegations that the faction fights at Vaal Reefs were initiated by management and in fact named a certain official

De Beers — best friend a shareholder can have

By Julie Walker

DE Beers may be a shareholder's best friend, if the claims made in the company's annual report are to be heard

Chairman Julian Ogilvie Thompson says "None of the diamond jewellery markets shows any sign of saturation and the search for new markets is continuous"

Demand for rough diamonds last year was so firm that De Beers was twice able to increase the price, and sales of diamond jewellery also beat the previous record

Currency movements have complicated the calculation of the increase in world sales, but the De Beers estimate is 14% — "substantial by any standards"

In rand terms, earnings a share climbed by 11,1% to 320c, and the dividend totalled 80c, putting the share on a dividend yield of 2% at the current price of R40,50

So firm has demand been that De Beers is reopening the Koffiefontein mine, a producer of gem-quality stones. Production at Annex Kleinzee was resumed this year, and plant modifications are under way at CDM in Namibia for the treatment of dump material

Exploration was carried out in Australia and Brazil, but closer to home no new deposits were identified Although one part of the report says that results from the Venetia kimberlites are not promising, another says the authorities have been approached with regard to matters that they can influence, such as taxation and capital allowances, to try to "turn this important discovery to account as soon as possible"

Technolgy

The research being carried out at the company's laboratories has had an important effect on keeping cost increases below the rate of inflation in the past 10 years, and technology has been introduced on the mines for identifying waste rock and liberating diamond from host rock

Next year marks De Beers centenary and several projects have been planned. Cape universities stand to benefit from grants, and in the Kimberley area R2,6 million will be given to the READ Educational Trust to upgrade literary standards

Mr Ogilvie Thompson says he hopes the Government will be resuming its reform process The adoption of economic sanctions by Western nations caused the Government to halt reform initiatives Proponents of sanctions, he says, prefer not to see that in SA economic recovery and political reform are like Siamese twins — neither can flourish without the other

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3/5/87

Mine union set to strike as talks deadlock

STAR 18/5/87

(2 10)

The deadlock in wage negotiations between the Chamber of Mines and the Council of Mining Unions (CMU) continues — with a CMU official saying today the next development would be the announcement of when the 26 000 members would strike

Mr Peter Bunkell of the chamber said last week its offer to meet the CMU was rejected The CMU had given an ultimatum that the meeting be held within two hours

"The situation is unchanged at the moment. There might be developments later, but we are still in a deadlock," Mr Bunkell said

Mr Arrie Paulus, Conservative Party MP and leader of the CMU, could not be reached this morning, but secretary Mr C P Neetling confirmed the deadlock

"The next development will be when we announce the strike," he said

INCREASE DEMANDED

The CMU is asking for a 20 percent increase in pay, while they have been offered between 13 and 14 percent

Members of the CMU are the Engine Drivers' and Firemens' Union of South Africa, the Amalgamated Engineering Union of South Africa, The SA Electrical Workers' Association, the SA Boilermakers Association, the Amalgamated Union of Building Trade Workers and the Mine Workers' Union

Gold analysts said last week that a strike by the white mineworkers would stop production at mines and the gold price would rocket Depending on the length of the strike, great damage could be done to the mining industry if stock-piled gold ran out

Rand

Rand Sowetan 21/5/87

Mines plan to house workers

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ONE of South Africa's leading mining houses, Rand Mines, is at an advanced stage in developing a programme to enable more of its black workers to live with their families in their own homes — either on its mines or in nearby towns.

The chairman of Rand Mines, Mr Dammy Watt, said a key and novel facet will be home ownership on an increasing scale.

"It is in this important aspect that the new programme differs from the previous practice of providing homes on a rental basis. We want our employees, both black and white, to have the opportunity to own their homes," Mr Watt said.

Problems

He said this move is prompted by the group's concern for the problems which the migrant labour system is causing — both for the employers and employees Efforts to find realistic alternatives to the migrant labour system should be encouraged and speeded up.

"The settlement of employees in permanent family housing," Mr Watt said, "is an essential step towards creating a stable community and work for all South Africans.

"We are encouraging active participation of employees and their representatives in formulating housing schemes which will assist in achieving the solutions we seek "

Restrictions

He said Rand Mines has for many years been opposed, and remains opposed, to restrictions which compel an employee to live apart from his family during periods of employment.

The disruption of family life, the instability of labour resulting from the migratory labour system, and the requirement that workers live on a single basis in mine hostels, run completely counter to the group's philosophy, to its values and to business interests.

Barlows earnings show a 31% rise

(2.10) BDay 26/5/87

DAVID COHEN

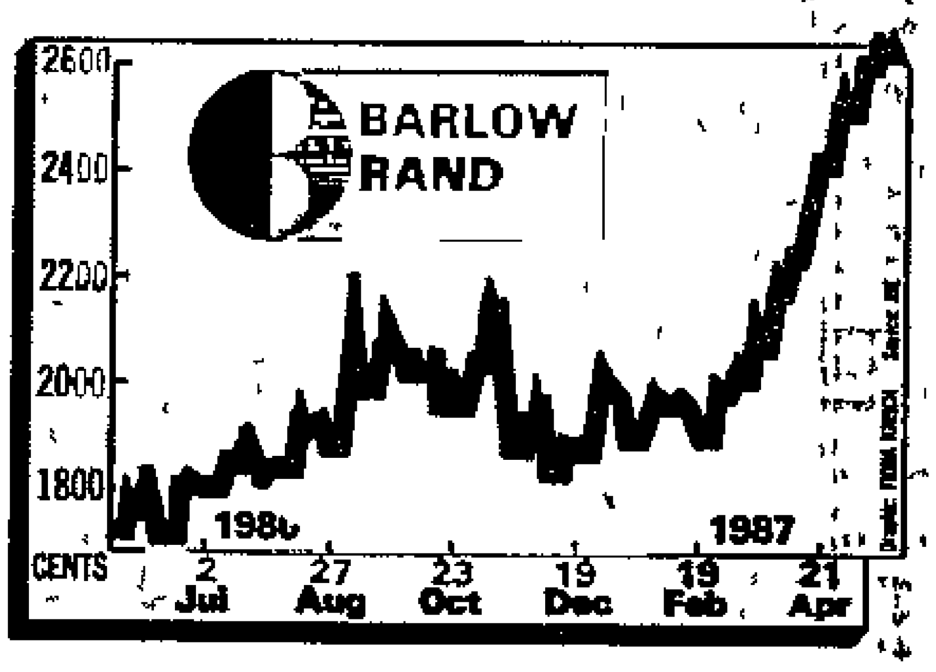
BARLOW RAND continued its upward trend, with earnings a share for the six months to March rising 28,3c to 120,8c, a 31% increase over the same period last year.

The earnings rise, significantly higher than most market analyst expectations of about 23%, suggests healthy contributions from the wholly owned subsidiaries Middelburg Steel and the Motor Appliances & Tractors division whose results are not public knowledge

Barlows CE Warren Clewlow said yesterday that "the wholly owneds had turned in much improved performances over last year's interim results".

The interim dividend rises 6c to 30c (24c), with superior earnings boosting dividend cover from 3,8 to 4,0 times.

Looking ahead, Clewlow said that although trading activity could be expected to improve, growth for the next six



months was unlikely to match the improvement for the half-year to March.

A feature of the results was the substantial growth recorded by the industrial interests, which accounted for 28% (17%) of attributable taxed profit. This offset the declining contributions from international and mining operations. "Mining showed a small decline, mainly

● To Page 2

Barlows boosts earnings a share by 31%

BDay 26/5/87 (2.10)

due to lower coal export receipts," said Clewlow.

A 13% rise in turnover to R8,146bn (R7,182bn) failed to keep pace with inflation, but translated into a disproportionate 31% rise in attributable earnings to R217m (R166m) Clewlow put this down to "improved margins, lower average borrowings and interest rates and an average tax rate, which reduced from 42,6% to 40,2%".

The group trimmed its interest bill by R29m to R125m and achieved the 2,4% lower tax rate as a result of assessed loss

However, a disturbing aspect is that Barlows — whose turnover last year of R14,623bn accounted for 11% of 1986 gross national product — made no real contribution to unemployment statistics, reporting negligible additions to its 232 000-strong work force.

The balance sheet was strengthened, with gearing down 8% to 55%, and current ratios slightly improved, compared with the September year-end The 1% rise in stock and debtors in the face of a 13% increase in turnover was due to tight asset management, said Clewlow.

He felt the results would boost general confidence in the economy

CAPE TIMES 27/5/87 210

Growth, jobs the priorities — Durr

A RISE in the exchange rate of the rand that was too fast or too great would bring relief in the fight against inflation, but would also have an adverse impact on efforts being made to promote growth and job creation, the Deputy Minister of Finance, Mr Kent Durr, said last night

"Like it or not, the containment of inflation alone simply cannot rank as priority number one when viewed from the perspective of our current level of unemployment," he said in an address to the Cape Town branch of the Exporters' Club of SA.

"Though inflation must remain an important, indeed a vital priority, all indicators point to growth and its concomitant creation of jobs as our highest and overriding priority "

He warned that because of the over-supply of metals and minerals during the coming decade, SA would have to implement "an accelerated programme of high-technology industrialization to remain competitive" — Sapa

SA's mineral export revenue 'could double'

By ANTHONY JOHNSON

SOUTH AFRICA could more than double the value of its mineral export earnings to some R60 billion in the next decade by way of "beneficiation," according to the Deputy Minister of Finance, Trade and Industry, Mr Kent Durr.

Speaking to the Cape Town branch of the Exporters Club of South Africa yesterday, Mr Durr said exporters should be aware of crucial changes in the structure of world trade that could have serious consequences for developing countries.

Over the coming decade the present state of oversupply on world markets of aluminium, copper, lead, tin and other metals and minerals was likely to increase, leading to a long-term decline in commodity prices

South Africa would have to implement an accelerated programme of high-technology industrialization in order remain competitive with countries such as Taiwan, South Korea and Brazil in markets for manufactured goods, chemicals, production machinery and alloys.

Mr Durr said one of the major challenges facing exporters if they were to remain competitive would be to add more value to South Africa's mineral exports by way of beneficiation.

"Our current export earnings in chrome, manganese, titanium, vanadium, gold, platinum and other minerals could double over the next decade — to some R60-billion per annum at constant prices — if this were done."

Mr Durr said the low degree of beneficiation at present could be "seen by a glance" at South Africa's jewellery industry.

"Ironically enough, countries such as Belgium, India, Israel and Italy earn billion of dollars every year by beneficiating and re-exporting South African gems and precious metals.

Mr Durr said the recent appointment of the Mineral Advisory Council and a top-level government committee on mineral beneficiation, underlined the government's concern over the declining role unrefined mineral exports may come to play in a world economy characterized by expanding markets for high-technology goods.

29/5/87

BARLOW RAND

Industry takes over

Late last year it became clear that Barlow Rand would have to rely on its industrial division if it was to remain on the growth path set in the 1986 year, when earnings jumped by 29% A stronger rand and sanctions-related pressures on mining revenues were bound to curb the contribution from Rand Mines and the international division, J Bibby

As became clear from the flow of good results over the past fortnight, in the six months to end-March both the industrial and the food interests more than made up for weaknesses elsewhere Group attributable earnings jumped by 31% and the interim dividend was lifted by 25% — so the diversification has enabled profit growth to continue without a pause

Most of the industrial companies did better than in the second half of last year, while earnings from the food companies were ahead of some analysts' expectations Deputy chairman and CE Warren Clewlow says the industrial sector's contribution to group attributable earnings increased from 17% to 27,8%

Despite profit improvements from Tiger, C G Smith Sugar and ICS, the food division's contribution to group profits held steady at about 11% "Benefits of our entry into the food business a number of years ago are being seen now," says Clewlow. "In the quiet years we made very nice inroads into market shares "

Impressive aspects of the industrial division's results included returns to respectable profitability in problem areas such as Reunert and ICS, and the generally firm tone of performance at operating level. Better capacity utilisation is certainly helping to improve trading margins, but is unlikely to be the only cause. At least seven of the major listed industrial companies reported better operating margins, and group pre-interest profit rose by 16% on a 13% advance in turnover.

Barlow's Clewlow ... margins improving

Clewlow is confident that trading margins can improve further "While the productive capacity in our factories is a lot better than a year ago it is still well below full," he says. "Some of our biggest plant installed during the early Eighties is only now being used As volumes pick up and capacity is taken up, the margins will keep improving I certainly hope they do because that is one of the things that will help inflation."

Among the unlisted interests, Middelburg Steel & Alloys continued its profit growth despite the rand. Clewlow says that Middelburg, which produces both ferro-alloys and stainless steel, is now benefiting from improved markets at home. Although no figures are disclosed, the earthmoving equipment, motor and appliance division reflected the general trend in the industrial interests It produced "excellent" results, derived from higher turnover and better margins. Even building supplies company Federated Blaikie returned to profitability.

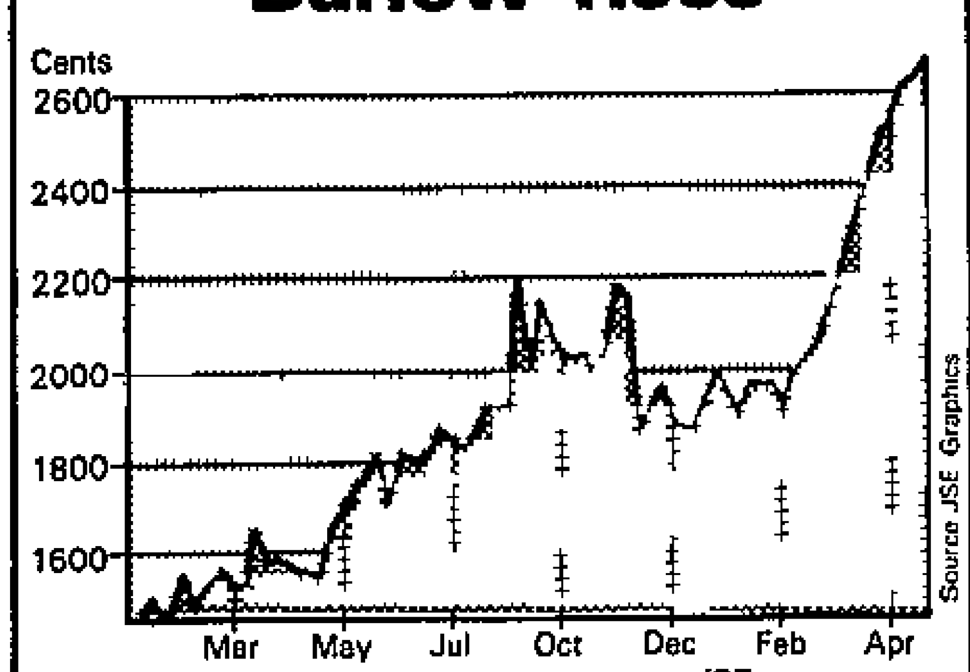
Profits from the international investments held in London-registered J Bibby were disappointing, as EPS in sterling terms rose only marginally from 10,04p to 10,06p, although attributable profits were up by 23,5% at £15,468m The earnings decline was largely attributable to lower sales volumes in part of its packaging operations, owing to competition, adding to the negative effect on the contribution to Barlow was the stronger rand against sterling Bibby's dividend was maintained at 2,75p, but Barlow has in any event tended to use this cash abroad

The acceleration of the increase in Barlow's dividend — 25% compared with 14% for the 1986 year — obviously indicates confidence As Clewlow notes, "We've set pretty high targets for performance." For the current year, the group should continue to enjoy the benefits of past investment in grass roots projects and acquisitions Meanwhile, management continues to keep its eye on longer-term growth needs Capital investment dropped to R649m in 1986 from the previous year's R886m, but various expansion projects on the drawing boards could lift investment very sharply over the next few years if they go ahead

After consolidating for several months around R20, the share recently shot up to above R26 The market is unlikely to be disappointed with the interim performance.

Andrew McNulty

Barlow rises



BARLOW'S PACE

Six months to	Mar 31 '86	Sept 30 '86	Mar 31 '87
Turnover (Rb)	7,2	7,4	8,2
Pre-tax profits (Rm)	590,3	626,0	686,7
Investment income (Rm)	72,8	94,1	76,8
Attributable profit (Rm)	165,9	214,9	216,8
Earnings (c)	92,5	119,8	120,8
Dividend (c)	24	56	30

DD

2/6/87

Union to cut foreign funding

(1HEFR) 2H

JOHANNESBURG — Foreign funding of South Africa's second largest trade union is to be cut over the next six months.

The fledgling 134 000-member National Union of Metal Workers of SA's (Numsa) fears that a government crackdown on the foreign funding of political groups could be extend to unions has prompted the move.

This was disclosed on the eve of the departure of the union's 10-man delegation to the International Metalworkers' Federation's annual meeting in Oslo.

The general secretary of the Motor Industry and Commercial Workers' Union (Micwu), Mr Des East, said yesterday: "Numsa must be self-sufficient in the event of a government clampdown on foreign funding against unions.

"Nobody likes handouts and the union's policy will be taking steps shortly to become less dependant on outside funding."

He said that most "bread-and-butter" expenses could be met by the union's own funds. — DDC

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Anglos posts record earnings

JOHANNESBURG — Anglo American Corporation (Anglos) has declared a final dividend of 162,5c for the year ended March 31 which, with the interim dividend of 62,5c (50c), makes a total distribution for the year of 225c (180c), an increase of 25%

The equity accounted earnings were a record R1 501m, 26% higher than last year's R1 193m.

Attributable earnings, which exclude the retained earnings of associated companies, rose by 28% to R1 029m, also a record

Increased dividend payments by the gold, diamond, industrial, platinum and ferro-alloy companies contributed to the 25% increase in investment income to R943m.

Net trading income declined by 5% to R423m, reflecting principally the lower earnings of the subsidiary, Amcoal

Net income before taxation was R1 541m (R1 300m), and the taxation charge was little changed at R319m (R322m), leaving net income after tax of R1 222m (R978m)

Outside shareholders' interests in the earnings of subsidiary companies and dividends on the preferred shares and stock absorbed R193m (R172m)

The share of associated companies' retained earnings increased to R472m (R387m)

The market and directors' valuation of listed and unlisted investments at March 31, 1987, was R25 858m, compared with R17 179m the previous year The net asset value per share, after providing for the dividend, increased by 49% to 10 532c (7 071c) — Sapa

(2/10)

BDay 3/6/87

Anglo earns record R1bn

PETER STACEY
Mining Editor

ANGLO American's attributable earnings have soared 27,7% to pass the R1bn-mark for the first time.

Dividends have been increased by 25% — another record level

Preliminary results for the year to March reflect pretax income of R1,54bn (R1,3bn) — 18,5% higher.

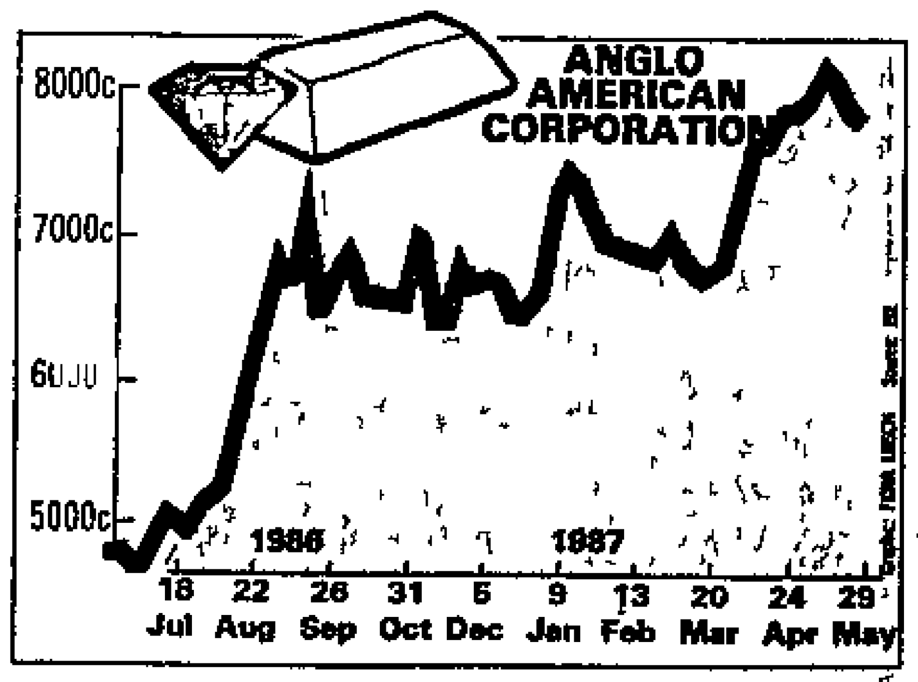
After tax and outside shareholders' portion, earnings were R1,03bn (R806m).

Investment income, with increased dividends received from precious metals-producers, diamonds, ferro-alloys and industrials, rose 25,4% to R943m (R752m)

Coal contributed the only black spot on an otherwise unblemished performance. Net trading income was 5,2% lower at R423m (R426m), reflecting the negative effects on subsidiary Amcoal's earnings of the sanctions-hit export market.

The value of Anglo's investments — at market and directors' valuation — rose a massive 49% to R23,6bn, from R17,2bn a year ago.

Attributable earnings totalled 450c a



share (353c). On an equity-accounted basis — calculated after adding back retained earnings of associated companies — earnings were up 25,6% to 657c a share (523c).

Dividends have been raised 25%, with the payment of a final of 162,5c (130c).

● To Page 2

Anglo American tops R1bn earnings mark

This, with the 62,5c (50c) interim, brings the total distribution to 225c (180c)

Earnings give a two-times cover of dividends — virtually unchanged from from 1,96 times in 1986

The dividend, on yesterday's closing share price of R77,25, gives a yield of 2,9% The counter has moved strongly upwards from about R44,50 in June last year, with a consequent lowering of yield from a level of 4%

The net asset value, calculated on the R23,6bn valuation of investments, is R105,32 a share (1986 — R70,70)

At the comparative ruling prices — yesterday's and June last year — there has been a firming of the share price, compared with net asset value, with the discount down from 37% to 26,7%.

than Std 10, if so, how many in each case?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

(1) Yes Std 10, but a lower qualification in deserving cases is also acceptable

(2) (a) (i) (aa) 20
(bb) 10
(cc) 80
(dd) 118
(ii) 0
(b) (i) (aa) 0
(bb) 63
(cc) 152
(dd) 33
(ii) 0

Detainees

80 Mr S S VAN DER MERWE asked the Minister of Water Affairs

(1) Whether any persons employed by his Department have been detained, if so, how many since 1 September 1984 as at the latest specified date for which information is available,

(2) whether the posts of such detained employees are filled by temporary employees, if not, what arrangements are made regarding these posts, if so, (a) how many temporary employees had been engaged to fill such posts as at the above date and (b) what steps are taken in respect of such temporary employees when the detained employees are released by the Police?

The MINISTER OF WATER AFFAIRS

(1) No

(2) Falls away

Taxable earnings

93 Mr J J WALSH asked the Minister of Finance

(a) What were the total taxable earnings for Whites, Coloureds and Indians, respectively, in 1986 and (b) what was the (i) total taxable income earned in this year by each of these race groups and (ii) percentage increase or decrease for each such group over the previous year?

The MINISTER OF FINANCE

(a) No statistics are available in respect of total taxable earnings

		Whites	*Coloureds*	*Indians*
(b)	(i)	26 839 355 454	1 965 070 957	1 296 794 320
	(ii)	+4,8%	+4 4%	+8,6%

Notes (1) These statistics excludes taxpayers paying tax under the Final Deduction System, in respect of whom accurate statistics are not available

(2) These statistics are incomplete because approximately 20 per cent of individual taxpayers have not yet been assessed for the 1986 year of assessment The percentage growth has therefore been calculated on the average income per taxpayer

Hansard 10/6/87

Hansard

State housing sale

111 Mr P C CRONJÉ asked the Minister of Constitutional Development and Planning

How many houses had been sold to Blacks by his Department under the State housing sale announced by the then Minister of Community Development on 3 March 1983, as at the latest specified date for which figures are available?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

As at 30 April 1987

Transvaal	41 036
Cape Province	6 352
Natal	562
Orange Free State	3 837
TOTAL	51 787

Mining sector: tax revenue

116 Mr C J DERBY-LEWIS asked the Minister of Finance

(a) What amounts were budgeted in respect of tax revenue from the mining sector for the 1980-81, 1985-86 and 1986-87 tax years, respectively and (b) what were the actual amounts collected from this source in each of these tax years?

Hansard

The MINISTER OF FINANCE

(a) and (b)

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10/6/87

Financial Year	Estimate		Collections	
	Mining Leases	Income Tax	Mining Leases	Income Tax
1980-81	R695 m	R2 090 m	R880,2 m	R3 006,4 m
Diamond Export Duty	R 31 m		R 24 8 m	
1985-86	R468 m	R2 275 m	R633 2 m	R2 938,1 m
Diamond Export Duty	R 37 m		R 56,7 m	
1986-87	R680 m	R2 730 m	R845,3 m	R3 450,2 m
Diamond Export Duty	R 35 m		R 48,4 m	

Nurses: salary scales

126 Dr M S BARNARD asked the Minister in the State President's office entrusted with Administration and Broadcasting Services

(1) What are the salary scales payable to (a) male and (b) female persons of each race group employed in institutions falling under the control of Government Departments as (i) student nurses, (ii) staff nurses, (iii) professional nurses, (iv) chief professional nurses and (v) chief nursing service managers,

(2) whether salary parity has been achieved in respect of all nurses falling under the control of such Departments, if not (a) why not, (b) when is it anticipated that salary parity will be achieved and (c) what is the estimated annual cost of bringing about parity by increasing the salaries of Black, Coloured and Asian nurses?

10/6/87 Hansard

Whites willing, says Chamber of Mines chief

Business urged to push for reform

280 281 210

SMR 23/6/87

By Michael Chester

Big business was urged by the president of the Chamber of Mines today to renew its pressure on the Government to speed up the implementation of socio-political reform.

Mr Peter Gush, chairman of the Gold Division of the Anglo American Corporation, said in a presidential address in Johannesburg that it was unfortunate that the pace of reform had slowed down to a mere crawl.

The general election appeared to have confirmed that the country was now less willing to accept reform — but this was confused with the topic of national security.

Mr Gush said states of emergency were rarely favourable to the growth of a more just society, particularly the longer they were imposed.

The dismissal by the rest of the world, and especially the West, of the reforms that had already taken place as being of little account had only strengthened those forces in South Africa that made for isolation and intransigence.

"All this must be resisted," he said. "The future of South Africa will depend on the willingness of all parties to negotiate.

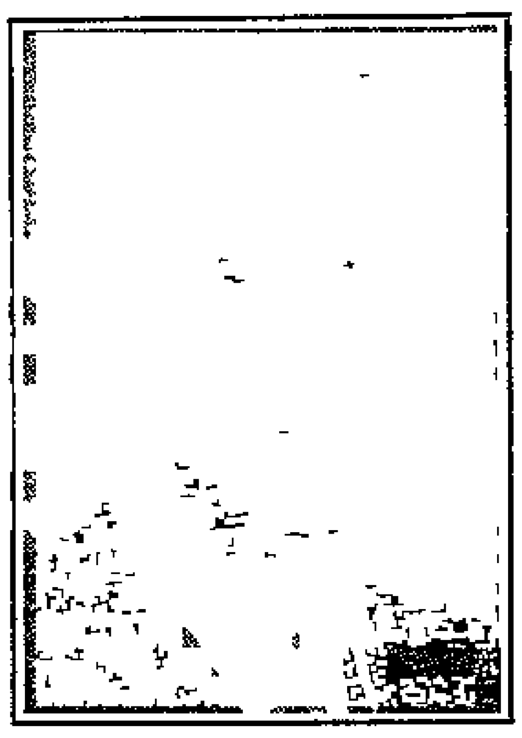
"I believe that the country's white population is more willing to accept greater changes to abolish discrimination than our rulers believe

'Only way'

"This is the only way we can go if the country is to prosper. It is imperative that we advance on this road more rapidly than we have done until now."

Although the private sector had little direct influence on the Government, businessmen could and should do many things to keep alive the prospects for a secure future for South Africa.

The slight influence on the Government did not mean business should simply stand by and wring its hands.



E P GUSH

Business has vital role in securing SA's future

This is an abridged version of the address given by Mr E P Gush at the 97th Annual General Meeting of the Chamber of Mines held in Johannesburg on June 23, 1987.

In the wake of more than two years of township violence, the results of the recent general election, and the general polarisation of attitudes in the country doubts have been voiced at the prospects for political reform and therefore long-term stability

Although the private sector has minimal direct influence on Government, this does not mean we should simply stand by and wring our hands business is a key activity with enormous potential influence in many areas affecting the hopes, aspirations and perceptions of all South Africans We as businessmen therefore can and should do many things to keep alive the prospects for a secure future for our country

In this context our first duty is to continue to invest and to generate wealth, without which the economic needs of South Africa cannot be met

Our second objective as employers must be to pursue good employment practices, provide proper training, appoint and promote people on the basis of their ability, pay fair wages, deal equitably with employees' elected representatives, do the utmost to provide a safe and healthy working environment and, where applicable, also, congenial living conditions, and implement effective social responsibility programmes

Thirdly, as leaders with responsibility in the wider community we have a duty to continue to press and encourage Government to implement the socio-political changes necessary for an environment in which individuals can realise their optimum potential and business can operate with maximum efficiency

Perhaps the most important contribution we can make, by action and example, is to ensure the future of the free enterprise system in an economically viable South Africa This requires firstly that any perceived connection between capitalism and apartheid be dispelled, and indeed that they be identified as incompatible It needs to be communicated convincingly that free enterprise is not an exploitative system, as some have come to believe, but is in fact the most effective means to wealth and job creation yet devised Secondly, for the free enterprise system to work effectively all the constraints must be removed We seek not only deregulation and privatisation but also clearer evidence of government understanding of and commitment to the total concept of free enterprise

THE WORKFORCE

With mining revenue up by 13,9 per cent to R29,5 billion in 1986, capital investment up by 28,8 per cent to a record R3,3 billion, and a workforce of more than 756 000 – an all-time high – the mining industry continues to fulfil its two vital functions, namely generation of wealth and employment

A remarkable feature of our economic history over the last 15 years has been the increase in the incomes of partially skilled black mineworkers Between 1971 and 1986 the real cash earnings of this segment of the workforce rose by 285 per cent It is important to point out that the increase in wages of these employees was not achieved at the expense of skilled employees who have remained competitive with skilled workers in other sectors of the economy and are among the highest paid in their class in the country

A factor now beginning to make an impact is the opening up to all races of the whole range of skilled artisan trades and officials' occupations at the same wage rates as their white counterparts which the Chamber negotiated with the relevant trade unions and Government in the early 1980s The increasing move by other races into these occupations is illustrated by the fact that by the end of August last year there were 3 194 blacks, coloureds and Asians in jobs previously reserved for whites only Of these, 2 629 were employed as officials, 444 as apprentices and 121 as artisans

Another factor is undoubtedly the emergence of the National Union of Mineworkers (NUM) which has built up considerable bargaining power in the few years of its existence

NUM is now the largest trade union in South Africa and is still growing Some of its policies and utterances are seen by employers to be irrational – such as calling for economic sanctions which could close down mines, and in the same breath threatening strikes if workers are retrenched because of such closures

It has become increasingly political, its members, adherents, supporters and sometimes its shaft stewards have resorted to widespread illegal strike action, physical intimidation and even murder which the union leadership has refused to condemn There must be some doubt, too, as to whether NUM really represents the views of the majority of its members on certain issues, as evidenced at times by resentment and resistance among black workers on the mines to some of the unions policies and methods, even to the extent of counter-violence What in fact appears to be occurring is a maturation process as the union's members and its leaders and officials sort out their own relationships and priorities

On the positive side many negotiations have been concluded with NUM, it has some highly capable leaders, its officials have intervened constructively in numerous disputes at mine level and it is serving to sharpen the industry's attention to a range of issues, most notably wages, safety and the future of the migrant labour system For their part mine managements are having to revise their attitudes and personnel practices and get to understand and communicate with their black employees in a way never attempted in the past A total adjustment in relationships is therefore occurring

We firmly believe in the value of the current labour relations system and it would be a tragedy if this were to be jeopardised by irresponsible behaviour by individuals associated with any of the parties involved, and here I include the State whose role should be constructive and supportive of the industrial relations system To ensure reasonable behaviour some kind of code of conduct must be established which should be applicable to all parties and which if adhered to will prevent violence and intimidation which is in danger of bringing South Africa's otherwise sound system of industrial relations into discredit

South African mines house over one million people and the mining industry in fact provides more accommodation than any other agency except the State

The most noticeable results of the industry's efforts are to be seen on the coal mines, some of which have housing for married and single employees, recreation clubs, schools and other social facilities which I think I can say with absolute confidence are equal to any mine anywhere in the world

Growth in the gold mining industry has been somewhat less than in coal The gold mines have nevertheless also improved living conditions for black mineworkers who enjoy high standards of food and accommodation, and have access to virtually every conceivable sporting and recreational facility The deprivations flowing from the migrant labour system as well as other considerations, demand of us as employers that we do the utmost to provide our employees with comfortable and congenial living conditions, and above all conditions in which they can exercise a maximum choice between accommodation options

Foreign workers who for many years have provided valuable service acquired considerable skills and attained positions of some seniority are constrained not only by this country but by their own countries from bringing their families into South Africa

Programmes are being initiated to allow black South African employees to own married accommodation in proclaimed townships near the mines, but there is a limited amount of serviced land available and not more than 3 per cent of the labour force can legally be accommodated on mine property This will become an increasing problem as the skills profile of black workers changes

Legislation such as the Group Areas Act needs to be removed Nevertheless considerable progress is being made in some instances to enable black employees to become home owners in established townships

The industry will continue to pursue this matter with Government and depending on the degree of success achieved and the economics of individual mining companies, mining groups will take steps to accommodate a greater percentage of employees with their families on or near the mines

SAFETY

There have been three tragic accidents of disaster proportions in recent years – at Hlobane colliery in 1983, at Kinross gold mine in 1986 and at Ermelo colliery in April this year which was followed almost immediately in successive weeks by a series of further accidents on other mines involving multiple loss of lives

The accidents have occurred at a time when the South African mining industry has conducted its greatest drive yet to make mining safer, both in terms of financial expenditure and in human effort – and in which it has succeeded

In respect of both fatalities and injuries the statistics show that the trends are clearly downwards, with gold mines achieving their best ever results in 1985 when the fatality rate fell to 1,03 per 1 000 people in service and the coal mines recording their best performance last year with a fatality rate of 0,33

I find it difficult therefore to reconcile the recent spate of multiple fatality accidents with the demonstrable positive safety trend in the industry, and can only see them as what are technically known as random chance events, attributable to human error or other coincident factors, hopefully not to recur

In coal mining the safety performance of our mines is similar to that of West Germany, better than the United States and worse than the coal mines of the United Kingdom with recent fatality rates of 0,30, 0,60 amd 0,17 respectively

There are differences in the kinds of mining technology employed in these countries In geological conditions, in productivity and in the profiles of the workforces, all of which can impact on and influence safety performance

In the case of gold mining the factors are very different In a way, South African gold mines are in a similar position to the British coal mines before they mechanised Their high fatality rate – which approximates ours now – was significantly reduced when mechanised mining methods were developed Thus any technical breakthrough in this area will not only lower the fatality rate but will also reduce the size of the workforce

The South African mining industry is without a doubt a world leader in its endeavour to find and introduce innovative techniques to improve mine safety The Chamber of Mines Research Organisation is not only involved in safety-oriented research, but is spending large amounts on new systems and designs that will have a major impact on safety

JOB RESERVATION

The imminent repeal by Parliament of the "scheduled person" definition in the Mines and Works Act will be an historic development since this is the last remaining piece of racially discriminatory legislation affecting employment in South Africa This will enable blacks and Asians to qualify for the 13 certificates of competency relating to certain types of skilled work and previously restricted to whites and Cape coloureds

It is up to Government, for its part, to show that the controversial new enabling clauses in the legislation to abolish the discriminatory "scheduled person" definition are related only to health and safety requirements, and will not be used to block black advancement

OUTLOOK

To turn now to the economy Although the long-awaited signs of revival are unmistakably there, it is too early to see how sustained or robust this recovery will be Last year the economic upswing began to run out of steam in the first quarter

Growth during the first quarter of 1987 was, however, considerably above that for the comparable period of 1986, even if it was below the vigorous expansion of the second half of the year

This levelling off should not be seen as a reason for pessimism The three per cent growth rate for 1987 anticipated by the Minister of Finance in his budget speech may still be obtained, but it does suggest that it will depend crucially on the return of business confidence

The most promising recent sign of hope for the South African economy has, of course, been the sharp upturn in the gold price, and I do believe that the outlook for gold over the next year appears more favourable than it has for a long time

But our problems must still be solved at home The recent budget provided for much enlarged Government spending The record of such spending in South Africa belies the dictum that everything that goes up must go down Not only has it made tax reductions impossible, but the scope of the private sector has been further restricted Comprehensive privatisation seems more distant than ever, at a time when the economy needs all the flexibility which greater exposure to market forces will bring

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The full text of this address is available from
The General Manager
Chamber of Mines of South Africa
P.O. Box 809
Johannesburg 2000

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210

BD 24/6/87

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The most promising recent sign of hope for the South African economy has of course been the sharp upturn in the gold price and I do believe that the outlook for gold over the next year appears more favourable than it has for a long time

But our problems must still be solved at home The recent budget provided for much enlarged Government spending The record of such spending in South Africa belies the dictum that everything that goes up must go down Not only has it made tax reductions impossible, but the scope of the private sector has been further restricted Comprehensive privatisation seems more distant than ever at a time when the economy needs all the flexibility which greater exposure to market forces will bring

It is also unfortunate that the pace of reform has slowed down to a mere crawl The general election appears to have confirmed that the country is now less willing to accept reform but this is confused with the issue of national security I believe that the country's white population is more willing to accept greater changes to abolish discrimination than our rulers believe This is the only way we can go if the country is to prosper

The full text of this address is available from
The General Manager
Chamber of Mines of South Africa
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6479/8

Norton warning on Wit Nigel

26/6/87

Share swap: George set to defy JSE

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B/Day

DAVID COHEN

WIT NIGEL chairman Peter George will proceed with the controversial share swap to make Joe Berardo a 15% shareholder in the company, even if the deal is not approved by the JSE

But in response to this announcement yesterday, JSE president Tony Norton said the deal would not be approved and that the suspension of Wit Nigel shares was a possibility in the face of "unacceptable and offensive action by a JSE listed company"

The timing of the deal — which places 1,99-million Wit Nigel shares in the hands of the Berardo group controlling company, Johannesburg Mining and Finance (JMFC), in return for 401 875 shares in Consolidated Modderfontein Mines — is regarded as crucial ahead of next month's AGM.

George hit back at the JSE, saying its requirements had become "distinctly unreasonable" and that he was fully entitled to proceed with the swap in terms of the powers vested in him at the last AGM

"I have acted on the advice of senior counsel and the company's auditors who say all requirements have been abided by"

The row centres on interpretation of the purpose of the deal ahead of the AGM

Three dissenting shareholders — Michael Tatz, Tom Eccles and Reginald Stevenson — recently signalled their intention of continuing with efforts to remove George from control of Wit Nigel after failing by 515 000 votes at the special meeting in April

Norton said because the deal was "potentially an accommodation transaction — one which has motives other than commercial ones — approval by the shareholders in general meeting was a prerequisite to the listing of the new shares"

George said although he was hopeful Berardo would support him, the deal was necessary to ensure the financial survival of the mine

"Last week, we received notification that state aid would be terminated from January 1988. This deal will strengthen our balance sheet and will give us a total of R7m in quoted investments, against which R3m can be borrowed. This will be used to complete our expansion programme and clean up our balance sheet"

"Furthermore, the financial merit of the deal is obvious, considering that 15% of the enlarged share capital will raise earnings by 22% on a *pro forma* basis"

The effect of Norton's ruling is that Berardo's 15% shareholding will be un-

● To Page 2

Wit Nigel's George resolved to defy JSE

● From Page 1

listed and therefore theoretically incapable of being traded on the exchange.

Norton said "The issue of unlisted shares by a listed company is not against JSE regulations However, it is unprecedented and creates an untenable situation because our systems make it impossible to police whether shares traded are listed or unlisted"

Berardo was unconcerned about acquiring shares that could not be traded on the JSE

"I think its a mine with great possibilities The shares can still be traded outside the market and, in my opinion, it's a good deal"

George said that anticipated dividends from Consolidated Modderfontein of 120c a share would raise R482 250 This would have boosted earnings 22% from 8,5c a share to 10,4c a share on a *pro forma* basis

George confirmed the AGM would be held towards the end of July, but said the actual date was still undecided Earlier notices, issued by Tatz, Eccles and Stevenson, which called for another special general meeting in early July have been dismissed as technically invalid by the Wit Nigel board

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PRESIDENTIAL ADDRESS

97th Annual General Meeting of the Chamber of Mines of South Africa

E P GUSH

Business has vital role in securing SA's future

This is an abridged version of the address given by Mr E P Gush at the 97th Annual General Meeting of the Chamber of Mines held in Johannesburg on June 23, 1987.

In the wake of more than two years of township violence, the results of the recent general election, and the general polarisation of attitudes in the country doubts have been voiced at the prospects for political reform and therefore long-term stability

Although the private sector has minimal direct influence on Government, this does not mean we should simply stand by and wring our hands. business is a key activity with enormous potential influence in many areas affecting the hopes, aspirations and perceptions of all South Africans We as businessmen therefore can and should do many things to keep alive the prospects for a secure future for our country

In this context our first duty is to continue to invest and to generate wealth, without which the economic needs of South Africa cannot be met

Our second objective as employers must be to pursue good employment practices, provide proper training, appoint and promote people on the basis of their ability, pay fair wages, deal equitably with employees' elected representatives, do the utmost to provide a safe and healthy working environment and, where applicable, also, congenial living conditions, and implement effective social responsibility programmes

Thirdly, as leaders with responsibility in the wider community we have a duty to continue to press and encourage Government to implement the socio-political changes necessary for an environment in which individuals can realise their optimum potential and business can operate with maximum efficiency

Perhaps the most important contribution we can make, by action and example, is to ensure the future of the free enterprise system in an economically viable South Africa This requires firstly that any perceived connection between capitalism and apartheid be dispelled, and indeed that they be identified as incompatible It needs to be communicated convincingly that free enterprise is not an exploitative system, as some have come to believe, but is in fact the most effective means to wealth and job creation yet devised Secondly, for the free enterprise system to work effectively all the constraints must be removed We seek not only deregulation and privatisation but also clearer evidence of government understanding of and commitment to the total concept of free enterprise

THE WORKFORCE

With mining revenue up by 13,9 per cent to R29,5 billion in 1986, capital investment up by 28,8 per cent to a record R3,3 billion, and a workforce of more than 756 000 – an all-time high – the mining industry continues to fulfil its two vital functions, namely generation of wealth and employment

A remarkable feature of our economic history over the last 15 years has been the increase in the incomes of partially skilled black mineworkers Between 1971 and 1986 the real cash earnings of this segment of the workforce rose by 285 per cent It is important to point out that the increase in wages of these employees was not achieved at the expense of skilled employees who have remained competitive with skilled workers in other sectors of the economy and are among the highest paid in their class in the country

A factor now beginning to make an impact is the opening up to all races of the whole range of skilled artisan trades and officials' occupations at the same wage rates as their white counterparts which the Chamber negotiated with the relevant trade unions and Government in the early 1980s The increasing move by other races into these occupations is illustrated by the fact that by the end of August last year there were 3 194 blacks, coloureds and Asians in jobs previously reserved for whites only Of these, 2 629 were employed as officials, 444 as apprentices and 121 as artisans.

Another factor is undoubtedly the emergence of the National Union of Mineworkers (NUM) which has built up considerable bargaining power in the few years of its existence

NUM is now the largest trade union in South Africa and is still growing Some of its policies and utterances are seen by employers to be irrational – such as calling for economic sanctions which could close down mines, and in the same breath threatening strikes if workers are retrenched because of such closures

It has become increasingly political, its members, adherents, supporters and sometimes its shaft stewards have resorted to widespread illegal strike action, physical intimidation and even murder which the union leadership has refused to condemn There must be some doubt, too, as to whether NUM really represents the views of the majority of its members on certain issues, as evidenced at times by resentment and resistance among black workers on the mines to some of the unions policies and methods, even to the extent of counter-violence What in fact appears to be occurring is a maturation process as the union's members and its leaders and officials sort out their own relationships and priorities

On the positive side many negotiations have been concluded with NUM, it has some highly capable leaders, its officials have intervened constructively in numerous disputes at mine level and it is serving to sharpen the industry's attention to a range of issues, most notably wages, safety and the future of the migrant labour system For their part mine managements are having to revise their attitudes and personnel practices and get to understand and communicate with their black employees in a way never attempted in the past A total adjustment in relationships is therefore occurring

We firmly believe in the value of the current labour relations system and it would be a tragedy if this were to be jeopardised by irresponsible behaviour by individuals associated with any of the

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parties involved, and here I include the State whose role should be constructive and supportive of the industrial relations system. To ensure reasonable behaviour some kind of code of conduct must be established which should be applicable to all parties and which if adhered to will prevent violence and intimidation which is in danger of bringing South Africa's otherwise sound system of industrial relations into discredit.

South African mines house over one million people and the mining industry in fact provides more accommodation than any other agency except the State.

The most noticeable results of the industry's efforts are to be seen on the coal mines, some of which have housing for married and single employees, recreation clubs, schools and other social facilities which I think I can say with absolute confidence are equal to any mine anywhere in the world.

Growth in the gold mining industry has been somewhat less than in coal. The gold mines have nevertheless also improved living conditions for black mineworkers who enjoy high standards of food and accommodation, and have access to virtually every conceivable sporting and recreational facility. The deprivations flowing from the migrant labour system as well as other considerations, demand of us as employers that we do the utmost to provide our employees with comfortable and congenial living conditions, and above all conditions in which they can exercise a maximum choice between accommodation options.

MIGRANT LABOUR

Foreign workers who for many years have provided valuable service acquired considerable skills and attained positions of some seniority are constrained not only by this country but by their own countries from bringing their families into South Africa.

Programmes are being initiated to allow black South African employees to own married accommodation in proclaimed townships near the mines, but there is a limited amount of serviced land available and not more than 3 per cent of the labour force can legally be accommodated on mine property. This will become an increasing problem as the skills profile of black workers changes.

Legislation such as the Group Areas Act needs to be removed. Nevertheless considerable progress is being made in some instances to enable black employees to become home owners in established townships.

The industry will continue to pursue this matter with Government and depending on the degree of success achieved and the economics of individual mining companies, mining groups will take steps to accommodate a greater percentage of employees with their families on or near the mines.

SAFETY

There have been three tragic accidents of disaster proportions in recent years – at Hlobane colliery in 1983, at Kinross gold mine in 1986 and at Ermelo colliery in April this year which was followed almost immediately in successive weeks by a series of further accidents on other mines involving multiple loss of lives.

The accidents have occurred at a time when the South African mining industry has conducted its greatest drive yet to make mining safer, both in terms of financial expenditure and in human effort – and in which it has succeeded.

In respect of both fatalities and injuries the statistics show that the trends are clearly downwards, with gold mines achieving their best ever results in 1985 when the fatality rate fell to 1,03 per 1 000 people in service and the coal mines recording their best performance last year with a fatality rate of 0,33.

I find it difficult therefore to reconcile the recent spate of multiple fatality accidents with the demonstrable positive safety trend in the industry, and can only see them as what are technically known as random chance events, attributable to human error or other coincident factors, hopefully not to recur.

In coal mining the safety performance of our mines is similar to that of West Germany, better than the United States and worse than the coal mines of the United Kingdom with recent fatality rates of 0,30, 0,60 amd 0,17 respectively.

There are differences in the kinds of mining technology employed in these countries. In geological conditions, in productivity and in the profiles of the workforces, all of which can impact on and influence safety performance.

In the case of gold mining the factors are very different. In a way, South African gold mines are in a similar position to the British coal mines before they mechanised. Their high fatality rate – which approximates ours now – was significantly reduced when mechanised mining methods were developed. Thus any technical breakthrough in this area will not only lower the fatality rate but will also reduce the size of the workforce.

The South African mining industry is without a doubt a world leader in its endeavour to find and introduce innovative techniques to improve mine safety. The Chamber of Mines Research Organisation is not only involved in safety-oriented research, but is spending large amounts on new systems and designs that will have a major impact on safety.

JOB RESERVATION

The imminent repeal by Parliament of the "scheduled person" definition in the Mines and Works Act will be an historic development since this is the last remaining piece of racially discriminatory legislation affecting employment in South Africa. This will enable blacks and Asians to qualify for the 13 certificates of competency relating to certain types of skilled work and previously restricted to whites and Cape coloureds.

It is up to Government, for its part, to show that the controversial new enabling clauses in the legislation to abolish the discriminatory "scheduled person" definition are related only to health and safety requirements, and will not be used to block black advancement.

OUTLOOK

To turn now to the economy. Although the long-awaited signs of revival are unmistakably there, it is too early to see how sustained or robust this recovery will be. Last year the economic upswing began to run out of steam in the first quarter.

Growth during the first quarter of 1987 was, however, considerably above that for the comparable period of 1986, even if it was below the vigorous expansion of the second half of the year.

This levelling off should not be seen as a reason for pessimism. The three per cent growth rate for 1987 anticipated by the Minister of Finance in his budget speech may still be obtained, but it does suggest that it will depend crucially on the return of business confidence.

The most promising recent sign of hope for the South African economy has, of course, been the sharp upturn in the gold price, and I do believe that the outlook for gold over the next year appears more favourable than it has for a long time.

But our problems must still be solved at home. The recent budget provided for much enlarged Government spending. The record of such spending in South Africa belies the dictum that everything that goes up must go down. Not only has it made tax reductions impossible, but the scope of the private sector has been further restricted. Comprehensive privatisation seems more distant than ever, at a time when the economy needs all the flexibility which greater exposure to market forces will bring.

It is also unfortunate that the pace of reform has slowed down to a mere crawl. The general election appears to have confirmed that the country is now less willing to accept reform but this is confused with the issue of national security. I believe that the country's white population is more willing to accept greater changes to abolish discrimination than our rulers believe. This is the only way we can go if the country is to prosper.

The full text of this address is available from
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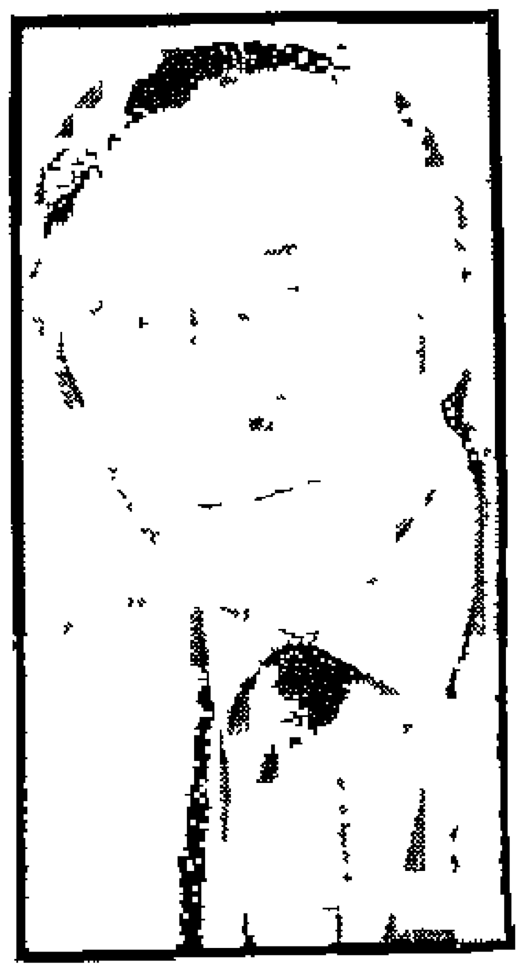
6479/e

Hands off mines tax



With the findings of the Margo Commission soon to be released, Price Waterhouse partner CHRIS FRAME warns of the consequences of changing the present mines tax system

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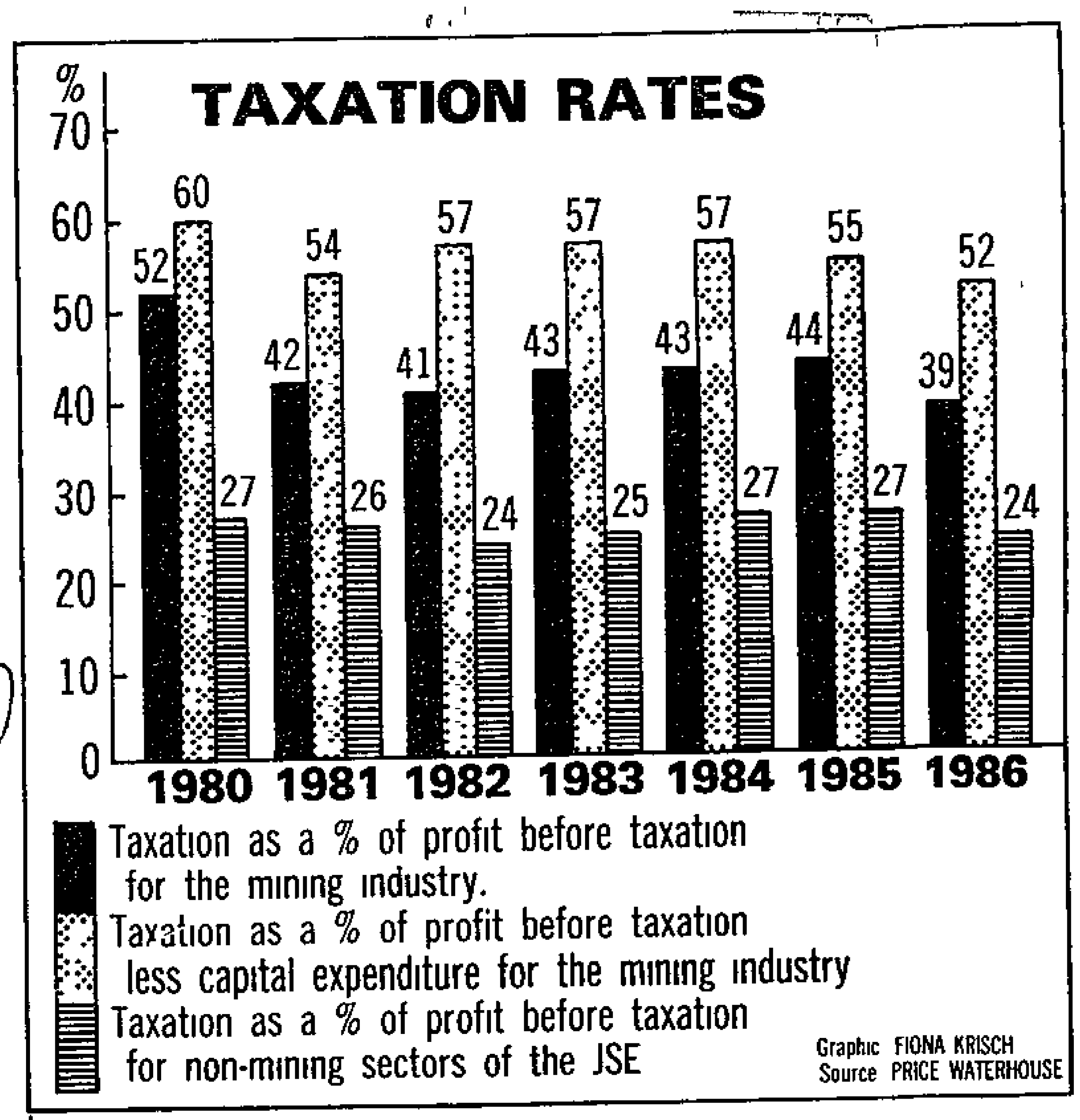

ANY CHANGE in the way in which gold mines are taxed would be a disaster. As the release of the findings of the Margo Commission on tax draws near, we should note that other mining countries — such as Canada and Australia — changed their mining tax systems with disastrous results

The method of taxing South African gold mines is perfectly suited to the industry's high risk profile. The system alleviates the high risk involved and ensures that government gets an adequate return.

The high start-up capital costs of a new gold mine in SA (approximately R1bn) can be written off as incurred under the present system. It normally takes eight years for a gold mine to produce any income, at which the stage the tax rate — inclusive of lease tax — can be as high as 76%

If the capital expenditure were written off over a number of years, rather than as it is incurred — as has been suggested by some academics — the effect on government revenue would be once-off

But the mining industry's risk profile would be permanently altered, and with it the will and the ability of the mining industry to continue the present pace of investment Investment in the mining industry is central to the dynamics of private investment in the South African economy as a whole.

As a direct result of changes made by the Canadians to their mining system, investment in exploration in that country came to a virtual halt — requiring a somewhat rapid reversal by the authorities

Australia and the UK have made similar errors in a period when the South African system contributed to a competitive growing industry

It appears as if the Margo Commission may be trying to compare a diverse, developed economy — like that of the UK — to the South African economy, which is still based on one specific industry — the mining industry

SA cannot afford to experiment at this stage It has found in the system of taxing gold mines a means to encourage capital formation, which is particularly important now that overseas sources of capital are severely curtailed

Although the absolute percentage contribution of the mining industry to government revenue has gone down over time, the industry continues to pay a much higher effective tax rate than that paid by the manufacturing industry, as shown in the accompanying table

In a soundly developing economy in which secondary industry is increasing its contribution to the national product, the absolute contribution made by the mining industry to the fiscus will naturally decrease

The point to be made is that the present system has allowed government to maintain an effective tax rate in the mining industry which it has consistently failed to maintain in respect of the manufacturing industry

The tax regime applied to the gold mining industry is suited to its high-risk nature, but it is not a system which allows the industry to pay less tax in the final analysis

The classification of government revenue into different sources can be misleading The wealth any industry produces is either reinvested or it is divided among shareholders and employees in dividends and wages

Wages are deducted from the company's tax base and added to the individual's tax base and taxed in his hands The important point is that the source of the wealth — of wages, dividends and profits — is the same That is, the mine

Government levies a large portion of the wealth represented by wages by way of fiscal drag, and of course the company's tax base will be reduced as its wage bill rises

As shareholders' dividends rise, so will government income as it taxes dividends, but the company's taxable income will not be reduced The moral is that only government's share of wealth created by the efforts of industry has increased over the period 1980 to 1987

Industry's contribution to the fiscus should be measured by the tax paid on the *total* wealth it has produced, whether in the hands of the company or the individual.

The gold mining industry is paying that effective tax rate which government, presumably, hopes will also apply in the sector. Why change the system?

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Labour relations top list of Chamber's priorities

B/Day 26/6/87

ALAN FINE

THE PRIORITIES for the coming year of newly-elected Chamber of Mines president Naas Steenkamp are decidedly tilted towards the industry's burning labour relations issue of the day.

And the proven way to approach them is to involve employees in decision-making, he said A major responsibility, said Steenkamp, will be to promote consensus between the big six mining houses on the issues that face the industry

But as far as issues themselves are concerned, he believes the main challenges faced by the Chamber will be health and safety and attempting to defuse the conflict between a workforce represented by unions on both extremes of the political spectrum

Distressed

However, Steenkamp, 54, said that this is not a reflection of his own particular bent — arising from his positions as Gencor public affairs and human resources executive director and immediate past head of the Chamber's industrial relations committee.

Rather, he said, these issues have themselves come to the fore in recent years

He also does not find it ironic that his own company has, over the past two years — through the handling of strikes at Marievale and Impala Platinum, and the serious accidents at Kinross and Ermelo — acquired an unenviable record on these very matters.

He argues that Gencor's industrial relations practices, along with those of the other mining houses, have developed over time.

And while Gencor is distressed at the accidents, he said it is "a short-cut in logic" to isolate Gencor as falling short of industry norms in safety management

"The cruel truth is that, if you were to look at accident statistics at any given point in time over the decades, there would always be some one who looks worse than the rest."

Steenkamp believes that dealing with competitive and conflicting demands from employee organisations on the right and the left could be more problematic than direct dealing with individual unions.

No doubt the anticipated abolition of job reservation in the industry will pose a particular challenge

Steenkamp said his union relationships "are based on my abiding philosophy that, as long as there is a commonality of interest, we can strike deals".

"The key is to listen carefully, don't impose solutions and remain flexible. There is no reason this cannot apply to the National Union of Mineworkers (NUM) I detect a gap between their rhetoric and actions," he added

The key health issue in the mining industry today is probably AIDS, said Steenkamp. "We have to accept that it is a dynamic situation and we are watching it carefully"

Pressures

The Chamber will no doubt face severe pressures from various quarters on its policies on AIDS Steenkamp believes that ultimately the AIDS problem cannot be addressed without a heavy emphasis on education and counselling

With mine safety in the limelight as never before, both because of the recent rash of accidents and because of the importance the NUM attaches to it, the industry has a great deal to do

The Chamber, said Steenkamp, is taking action on a number of fronts

Firstly, it has been involved in in-depth talks with the Government Mining Engineer on the promulgation of new and improved regulations These will include a greater emphasis on employee participation

It has met with international experts in order to improve the effectiveness of the International Mine Safety Rating System

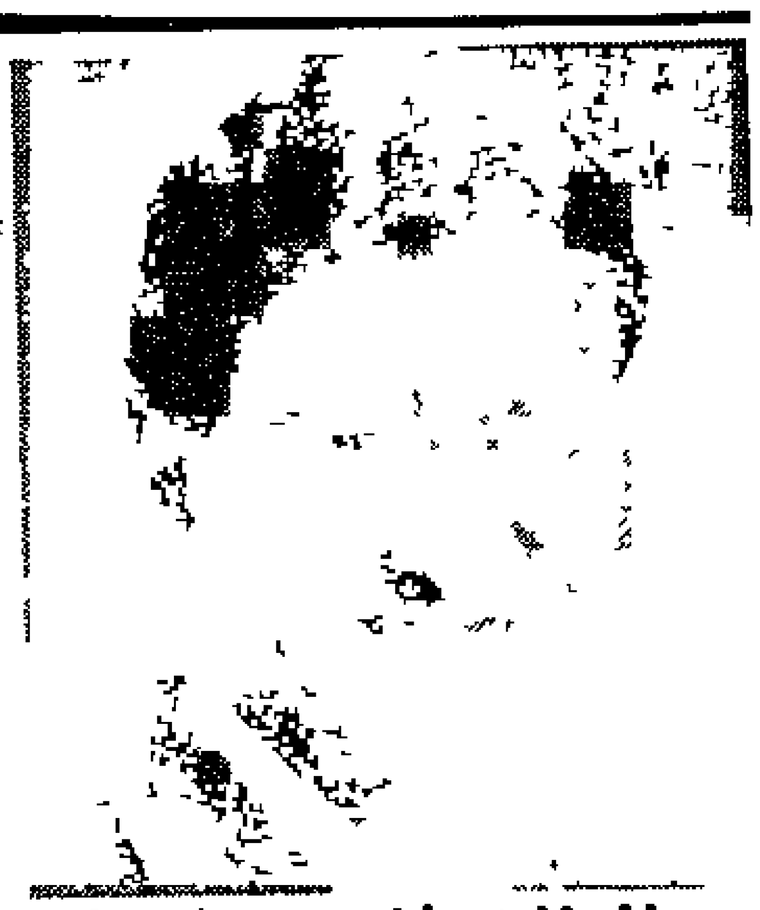
And significant strides are being made in the development of self-contained self-rescue devices

In addition, he concluded, individual mining houses themselves have set improved safety procedures in place.

☐ STEENKAMP . . . "strike deals"

Chamber's new chief seeks to curb mine tensions

Star (210) 29/6/87



Chamber president Mr Naas Steenkamp . . . no fixed order of priorities.

By Michael Chester

The new president of the Chamber of Mines, Mr Naas Steenkamp (54), of the General Mining Union Corporation, hesitates about setting a fixed order of priorities to objectives during his term of office in one of the most powerful seats in business today.

But certain to rank high among the aims will be to draw a radical new blueprint for industrial relations to curb the tensions that sometimes spill over into violence on the mines.

Mr Steenkamp will pursue that elusive target, a code of conduct, mentioned by Mr Peter Gush of the Anglo American Corporation who ends his term as president of the chamber on June 23.

Both are in agreement that the backbone of such a code should be a pact among all the parties involved — employers and trade unions alike — to commit themselves to resolve industrial conflicts by negotiation rather than co-option.

Mr Steenkamp, the executive director running the human resources and public affairs portfolios at Gencor, has a career record that equips him well to tackle the blueprint.

Educated at Paarl High School and Stellenbosch and Potchefstroom universities (BA Law), Mr Steenkamp was groomed in diplomacy with the Department of Foreign Affairs. He served in London first as private secretary to the High Commissioner and later in the political division of the South African embassy before he spent time with the SA Foundation in the mid-1960s.

It was in 1966 that he joined Gencor and started to understand the mining industry — as public relations manager, as chief executive officer of the manpower division, on the executive committee of the Chamber of Mines.

RARE TALENT RECOGNISED

Recognition of rare talents in industrial relations and on human resources issues came with his inclusion among the members of the Wiehahn Commission and the National Manpower Commission, and frequent selection to represent South Africa at sessions of the International Labour Organisation.

His talents will be tested to the full when he turns his hand to solving the complex problems of labour relations in South Africa's mining industry — which has a labour force of about 750 000 drawn from a vast variety of nationalities and cultures and has long been haunted by old apartheid laws that have imposed all sorts of colour bars on jobs and promotions.

What has sharpened the tensions is the emergence of the National Union of Mineworkers (NUM), already the largest black trade union in the country and still growing and flexing muscles that black mineworkers were never allowed to use until recent years.

But Mr Steenkamp recognises that there are not only hatchets to be buried by the Chamber of Mines and the NUM.

"There are all sorts of differences in the philosophies and attitudes held among various individual mining companies and among the numerous unions that are active in the industry," says the new president. "Somehow we need consensus.

"It would be naive to aspire to an instant code carrying a complete set of signatories. It will take time.

A GROWING MATURITY

"But one senses a growing maturity in the whole sphere of industrial relations. One sometimes overlooks the numerous successes that are scored in negotiations, especially when there is often so much concentration on the conflicts that occur

"There are capable leaders on both sides and that is the basis of optimism about the gradual emergence of a code of conduct. Both sides must show readiness to make compromises

"Beyond recognition agreements about collective bargaining and technicalities such as procedure agreement, what's needed now is a set of behavioural agreements between employers and unions.

"Job reservation has been a thorn in the side of industrial relations for decades and we have for years argued it should be scrapped as an anachronism.

"But the removal of the last restraints is now in sight with recent legislation — particularly now that the government has provided a better explanation of its role in the selection of candidates for skilled positions.

"True, the government still insists on a say about black miners moving into skilled jobs that have been closed to them until now. But we have now been given various assurances that we have taken on trust which leave us hopeful that the last remnants of job reservation are on their way out.

"We may not be moving into a rose garden, all sedate and peaceful. But we are moving towards maturity in industrial relations."

There may be firm hints about Mr Steenkamp's determination in pursuit of an objective when he talks about his favourite personal interests. Among them are hiking and mountaineering.

Four new directors for Anglo

B|Day 29/6/87 210.

Business Day Reporter

ANGLO American Corporation has appointed four new directors Alan McKerron, Theo Pretorius, Tony Lea and Clem Sunter will take up their responsibilities from July 1, 1987

McKerron is chairman of the corporation's new mining business division and Pretorius is a managing director of the gold and uranium division with responsibility for the Transvaal gold mining operations

Lea is a manager of its finance division and Sunter is a manager in the chairman's office, reporting to the chairman on scenario planning and other matters

Directors Bill Wilson and Gordon Waddell have resigned from the AAC board with effect from June 30 Wilson has been a director for 33 years and served as deputy chairman from 1971 to 1975

SOWETAN, Friday, July 3, 1987

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Mine violence a 'serious problem'

By JOSHUA RABOROKO

ANGLO American Corporation in its annual report released in Johannesburg this week says violence and safety need to be seriously addressed by the company and workers' representatives.

The report says the figure for the number of accidents reported during 1986 was adversely affected by the Kinross disaster in which 177 miners lost their lives

"Had that tragic accident not occurred, trends for the previous 10 years would have been maintained," the report says.

The report says the past year saw the recurrence of employee violence in the three regions of the gold and uranium divisions leading to the tragic loss of lives

"Solutions to the problem of mine violence lie pre-eminently in the hands of employees, their representatives and management The company is exploring avenues for more active involvement in health and safety monitoring and promotion programmes," the report says

Referring to the process of collective bargaining, the report says the combination of high inflation, a severe recession and the imposition of sanctions made it difficult for the parties to reach acceptable wage settlements in good time

On trade union development, the report says 1986 saw the creation of the National Confederation of Trade Unions and the disbandment of the Trade Union Council of South Africa

"The corporation acknowledges the right of workers to join or form trade unions of their choice and the need to develop constructive relations with unions "

The corporation welcomed the Department of Manpower's draft legislation amending the powers and status of the Industrial Court and changing of the definition of the unfair labour practice

Referring to politics and industrial relations, the report says tensions in the community have made workplace relationships difficult, if not impossible

"Increasingly, demands are being made of management by employees and their representatives to play an overt role in the process of political reform by bringing pressure to bear on government and its agencies", the report says

NAAS STEENKAMP

Below the surface

New Chamber of Mines (COM) president Naas Steenkamp is surprised that anyone should find it significant for an Afrikaner to hold the senior executive position in what is perhaps our most influential private sector body.

"It's irrelevant," says a slightly bemused Steenkamp, a Gencor executive director "Six major mining groups make up the COM, and the president is elected on an annual rotational basis from the executive directors representing these member groups I've been Gencor's nominee on the Gold Producers' Committee since 1979, and on the COM executive committee since 1985, and a vice-president these last two years," says Steenkamp Other Afrikaners like Tom Muller, Attie von Maltitz, Dolf Schumann and Phil von Wielligh all served before him as president

That out of the way, Steenkamp gets down to business

"As president, I will be ceremonial head of the industry for one year As chairman of the seven-man executive committee, my job is to lead and oversee the industry's widest interests — towards employees throughout the country, the remainder of the business community, and also government and officialdom "

Being the policy-making body and service organisation for SA's largest industry, the COM focuses on wide-ranging issues Steenkamp expects his time to be taken up by labour relations, health and safety, recruitment of employees, the promotion of gold, the work at COM's Rand Refinery, Nufcor (the nuclear fuels division) and support for the newly established, Geneva-based World Gold Council, of which he is a board member

Steenkamp becomes the COM's 54th president in his own 54th year Years of experience in the fields of human and labour relations could have an important influence on his presidential stint An affable manner and an easy, diplomatic approach could help break deadlocks, at a time when union pressures take up more and more of management's time A quick look at Steenkamp's CV goes some way to explaining his pleasantly relaxed style

From 1957 to 1962 he was a foreign officer with the Department of Foreign Affairs, serving in the Africa and Economic divisions before being transferred to London as private secretary to the High Commissioner Three years in London ended with the 1961

Steenkamp . . .
Position of influence

Commonwealth prime ministers' conference, when he acted as liaison officer for Hendrik Verwoerd

Returning to SA, Steenkamp became a divisional head of the SA Foundation In 1966 he joined Gencor and moved up the ranks, from PR manager through to director (manpower) in 1984 In 1985 he became a Gencor alternate director and vice-president of the COM, followed by his appointment as executive director (Gencor) in 1986

With COM members (Anglo American, Gold Fields, Gencor, Rand Mines, Anglovaal and JCI) responsible for some 85% of the industry's estimated 1986 mineral sales (around R29 billion), the presidential position carries plenty of clout and influence — but little executive power, stresses Steenkamp

Nevertheless, the COM plays a vitally important role in southern Africa Not only did the mining industry produce nearly 16% of SA's total GDP in 1985, but it's the country's major foreign exchange earner, thus paying for most of our import requirements

In the broader regional context, the industry also employs many thousands of foreign workers — and contributes hugely to neighbouring economies, through the payment of direct and deferred wages and the exporting of skills Some 117 000 workers from Lesotho, 51 000 from Mozambique, 20 000 from Botswana, 22 000 from Malawi and 16 500 from Swaziland have been employed through the COM's Teba employment bureau — at an average monthly salary of R425

"This means that hundreds of millions of rands flow annually from SA into the coffers of these countries — making up a major proportion of their forex earnings," says Steenkamp No wonder that the COM president is often consulted by government on various regional issues

Social responsibility is also important — grants and bursaries to universities, caring for the families of workers, drought aid and many other social actions "The COM still plays an enormous role in the development of sub-Saharan Africa," says Steenkamp

He believes that trade unions are a vital component of the free market "Dealing with the two extremes of union pressure is demanding, but I have found our unions to be very sensitive to the needs and demands of their members It is a total misconception that unions are only represented by people manipulating the interests of others "

While admitting that the unions in SA have become "very politicised," Steenkamp says he is not an alarmist and does not view unions simply as instigators of strikes "Yes, strikes are a fact of life, but one must be careful not to look at labour-management relations only in a negative light The positive side is the many deals we conclude and the foundation we're building for an industrial partnership "

Steenkamp is a nature lover, nine Thomas Baines prints of indigenous birds grace the walls of his office "I grew up in northern Namibia, studied at Stellenbosch and fell in love with the bush and the Cape mountains, sea and fynbos Any opportunity I have, I go on hiking trails or back to nature — from the Himalayas to the Okavango I find that this restores my psychic energy If this is not possible, I practise astronomy, bird-watching, read a lot, listen to music and play tennis "

Steenkamp is married with three children — a film-making son living in Germany, and two daughters one is soon to marry a musician, and the youngest has produced a grandson ■

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Chamber of Mines opposes rent Bill

8/7/87

(210)

B/Day

Business Day Reporter

THE Chamber of Mines has warned of far-reaching industrial relations implications should legislation compelling employers to deduct rent arrears from wages for payment to local authorities be promulgated.

In a statement yesterday, the chamber associated itself with other business organisations in opposing the Local Government Affairs Amendment Bill.

While it did not condone the non-payment of rents and service charges, there were several reasons for rejecting the Bill, it said.

Employers would be drawn "by an extraordinary legal procedure into a dispute to which they are not party", and they would have to bear the brunt of strikes and other industrial action which might result.

Furthermore, said the chamber, "the Bill may well have the effect of compounding further the confusion in some people's minds over the relationship between the business sector and the State."

It also argued that the Bill allowed a local authority "to obtain judgment against an employee merely by filing a statement with the clerk of magistrate's court. No provision was made for an employee to defend the action."

This, it said, introduces a highly undesirablè precedent into South African law.

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DAILY DISPATCH, THURSDAY, JULY 9, 1987 — 7

Chamber opposes pay cuts for rent

Dispatch Correspondent

JOHANNESBURG — The Chamber of Mines has allied itself with other sectors of the business community in opposing the proposed legislation by means of which employers may be compelled to deduct rent arrears from wages for payment to local authorities

In terms of the Local Government Affairs Amendment Bill businessmen may effectively be press-ganged into recovering from their employees some R297-million in unpaid rents from their employees.

In a statement this week a Chamber spokesman said while members did not condone the non-payment of rents and services charges they felt there were several reasons why the bill should be rejected "

"Firstly," the spokesman said, "employers are drawn by an extraordinary legal procedure into a dispute to which they are not party"

He said the Chamber's understanding of the bill was that it was primarily intended as a means of recovering rents and charges for services left unpaid by residents of black townships

The spokesman also said the Chamber was also opposed to the Bill because it had the effect of allowing a local authority to obtain judgment against an employee merely by filing a statement with the clerk of a magistrate's court No provision was made for an employee to defend the action in the magistrate's court

"Furthermore, the Bill may well have the effect of compounding further the confusion in some people's minds over the relationship between the business sector and the state."

The Cape Town Chamber of Commerce and the Association of Chambers of Commerce have both taken a "strong stand" against the proposed measure

A spokesman for the Afrikaanse Handels Instituut yesterday refused to comment on the matter

Chamber in new move on AIDS

ALAN FINE

THE Chamber of Mines said yesterday it was giving serious consideration to "adjusting" its policy on AIDS in the mining industry, and hoped to meet with government later this month to discuss "legal and other problems which have to be overcome if the Chamber is to revise its policy."

The Minister of Health last month told the Chamber all migrant carriers of the AIDS virus on the mines should be repatriated.

The industry's policy is to repatriate only mineworkers who develop AIDS and become too ill to work, while counselling and retaining the services of those found merely to be carriers of the virus.

The main legal problem to which the Chamber refers appears to be employment contracts. But carrying out government's wishes might present ethical and industrial relations difficulties as well

In its statement yesterday, the Chamber said it hoped a satisfactory arrangement would emerge from talks with the Minister and the Department of Health

Meanwhile, it said, "the industry is continuing to monitor the situation"

A platinum chain across the globe

BUSINESS co-operation between Anglo American and the Soviet Union — highlighted by the sighting of Gordon Waddell at the Bolshoi ballet six-and-a-half years ago — extends through gold, platinum and diamonds.

That is the claim of three authors whose book *South Africa Inc: the Oppenheimer Empire*, was released in Britain this week.

The authors write that the Soviet Union has been trading and dealing with South Africa for years through price-fixing "understandings" on gold and platinum, and the sale of Russian diamonds by De Beers.

Representatives of Johannesburg Consolidated Investments meet their counterparts from the Soviet Diamond and Platinum Trading Organisation every May at the annual "platinum dinner" at the Savoy Hotel in London.

This is but one of many fascinating facts unearthed about Anglo's extensive, diverse and complex overseas empire which spans five continents. Others include:

■ The Mineral and Resources Corporation (Minorco) — Anglo's massive North American investment holding company — was started up on money "bled" from the copper mines of impoverished Zambia after independence.

■ Contrary to the myth of the Oppenheimer Midas Touch, the corporation has suffered some major international investment disasters, blowing millions of dollars on doomed projects, particularly in North America.

■ In 1982 employees of Anglo's Manica Freight Services in Beira were told to fill up their cars a day before South African commandos blew up oil tanks with limpet mines. The director and his deputy were later jailed for using the office as a Renamo intelligence post.

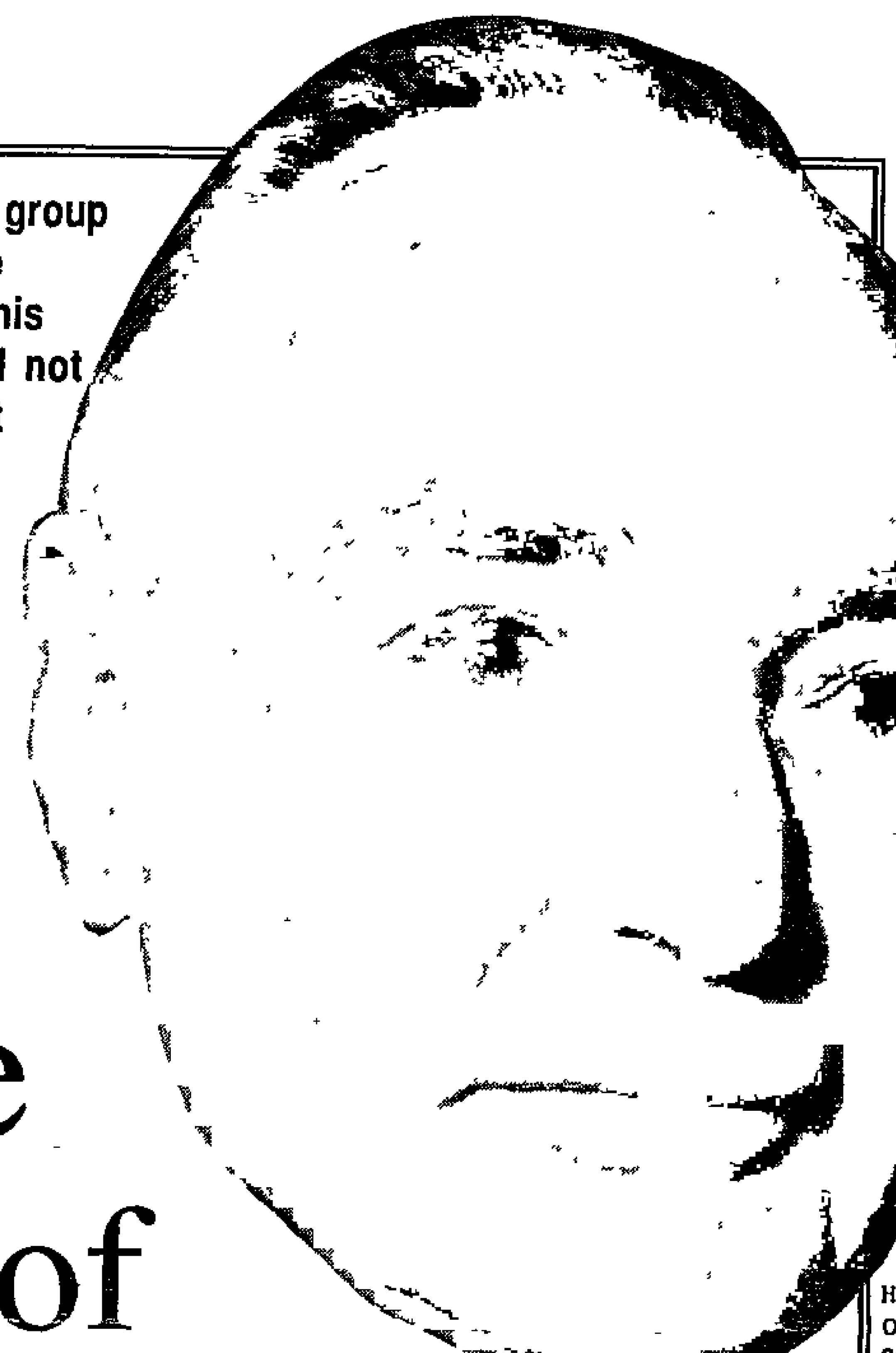
■ Anglo's route into the Brazilian economy was largely assisted by the corporation's longstanding links with business interests in the former Portuguese colonies who departed with their wealth when Mozambique and Angola became independent.

■ African countries which Anglo has a stake in, or marketing relationship with, include Angola, Botswana, Ghana, the Ivory Coast, Kenya, Lesotho, Malawi, Mauritius, Namibia, Nigeria, Sierra Leone, Swaziland, Tanzania, Zaire, Zambia and Zimbabwe.

■ Anglo has paradoxically been strengthened by the threat of sanctions, which has led to increases in the price of gold and platinum, as well as disinvestment, which has enabled it to cheaply pick up the cast-offs of other multinationals, such as First National Bank. ■

Inside the private world of South Africa, Inc.

A controversial book by a group of British journalists, to be released in South Africa this month, takes a hard — and not always flattering — look at Africa's largest corporate empire: Anglo American.



Harry Oppenheimer Support for apartheid opponents, despite political conservatism

Reviewed by PHILIP VAN NIEKERK

IT mines gold in Brazil, brews beer in Zimbabwe and fells forests in Canada. It controls 600 companies employing 800 000 workers.

Its tentacles reach into nearly every corner of the South African economy. Through its Central Selling Organisation — probably the most powerful cartel in the world — it controls the world diamond trade in business partnership with, among others, the Soviet Union.

It is the largest foreign investor in the United States.

It is a white-owned South African company which has extensive investments in, and trading links with, black Africa from Angola to Nigeria.

The economies of two countries — Botswana and Lesotho — are little more than dependencies of the corporation.

If one ignores the pretence that De Beers and the Anglo American Corporation (AAC) are independent entities — as they are presented on the stock exchange — then the AAC group would rank 25th in the world league of multinationals, ahead of Unilever, Siemens and Nissan

This is the empire built by the Oppenheimer dynasty, started by the second generation Randlord, Sir Ernest Oppenheimer, and taken over by his son Harry, now 78, who, over the past decade, has gradually surrendered the corporation to rule by committee the five or six members of the inner circle who today stand at the helm of all this wealth and power.

It is an empire whose watchword is secrecy. The conspiracy of the diamond cartel requires it So does the sensitive nature of relations with the rest of Africa, the South Africa connection is a stigma always requiring disguise in the wider world

AAC annual reports get slimmer each year as even the shareholders learn less and less of what the corporation is doing AAC's substantial holdings in Zimbabwe, for instance, get no mention in the most recent report

But there may be other reasons for wanting things kept quiet, as two Dutch anti-apartheid activists discovered when they burgled a small Anglo office in the centre of Amsterdam and made off with the documents in travel bags

It turned out to be the centre of a multi-million dollar international tax-avoidance scheme involving Holland, Britain, the Dutch Antilles and Bermuda, according to a major new book on Anglo American

This snippet — which might have eluded the South African newspaper reader, along with much else that has never seen the light of day in this part of the world — is part of the most comprehensive picture of AAC yet to appear in print. *South Africa Inc — the Oppenheimer Empire*, which is being released in South Africa next week

Its authors are a journalist from the London Guardian, David Pallister, a corporate analyst, Ian Lepper, and a researcher, Sarah Stewart

Their agenda is not simply to lift the lid on a huge and compulsively secretive business empire, but to examine the political mythology of the corporation, and in particular the Oppenheimers, as liberal opponents of apartheid.

As the authors point out early on: "...the mines on which their wealth rests provided the economic impetus for some of South Africa's most vicious legislation — the pass laws, the Group Areas Act and the migrant labour system."

The contradiction is familiar to many South Africans, yet the corporate image remains.

The liberal image: Children in a science class at a school inside an Anglo-built township, serving mine employees

"Cautiously and assiduously, the Oppenheimers have honed a mystique about them that has so far defied critical examination," say the authors.

The English press establishment reports every public utterance of Oppenheimer or AAC chairman Gavin Relly with the importance usually reserved for heads of state or senior cabinet ministers. The biographies to date are almost universally flattering

Anglo's reputation as a liberal opponent of the National Party government stems from the long-standing philosophy of the Oppenheimers As a sophisticated international capitalist, Harry Oppenheimer was able to see and point to the inherent shortcomings of apartheid decades ago

The image was enhanced y his financial support for the Progressive Party and various other opponents of apartheid.

However, the authors' examination of Oppenheimer's political philosophy reveals a self-confessed conservative who, as recently as 1984, was opposed to universal franchise because it would lead to "chaos and disorder"

The authors claim that despite public attacks on Oppenheimer, the Nationalist government worked closely with him from the beginning, for instance, on the establishment of a strategic uranium industry

Oppenheimer was among a number of private sector figures who formed the South African Foundation in a bid to improve the country's image in the wake of the Sharpeville shootings According to the book, the foundation proved to be "an invaluable asset" for the Nationalist government

Again after the uprising of 1976, the authors point out that Oppenheimer was pivotal in the formation of the Urban Foundation Its aim, in the words of the Financial Mail, was to search for "constructive w..ys and means of preserving an economy endangered by African revolt against conditions in the townships".

Most tellingly, the book observes that the 40 years of Nationalist rule have been good for business and profits In that time the AAC has expanded massively and diversified both in the South African economy and internationally

Based on internal Chamber of Mines and Anglo American documents, the authors show that between 1984 and 1986 black workers on Anglo mines still complained about poor hostel accommodation and food, inadequate pay, corrupt personnel staff, racist and aggressive white supervisors, homosexual abuse and unnecessarily dangerous underground work

"And in times of crisis, Anglo has had no hesitation in falling back on the full panoply of coercion and force," the authors state

While it has improved wages and working conditions and supported the emergence of black trade unions on the mines, AAC's enormous profits have — the authors point out — depended on "the apartheid labour system with its pass laws, influx control and homelands policy" White rule in South Africa has been good for Anglo, they argue

But should this lead one to conclude that AAC's interests are synonomous with those of the regime? In providing a context for the corporation's activities, the authors at times treat the AAC and the South African government as almost the same thing, thus avoiding the question

The central issue of AAC's political existence is never quite resolved. In part the authors doubt the ability of Anglo to maintain its investments in a post-apartheid society (noting the words of Bishop Desmond Tutu. "We will know who our friends were")

Yet they also manage to point out "If Anglo can survive and flourish in Zimbabwe, mine diamonds in Angola and come to terms with Zambia over copper, it can feel moderately assured of an accommodation with a future black-governed South Africa

"But if the worst comes to the worst, there is always Europe, Brazil or North America"

In this line of reasoning, not only is Anglo's survival not tied to the Nationalist Party, but — the authors conclude — it is the government which needs the business giant for its survival, particularly in the sanctions-busting era ahead (The experience of 15 years of sanctions-busting in then Rhodesia equip Anglo for the job.)

This leverage makes the politically short-sighted approach of Oppenheimer's successor, Gavin Relly, difficult to comprehend.

Despite the Lusaka visit to the African National Congress, Relly's support for the new constitution in 1984, the closure of the Rand Daily Mail and his frequent words of praise for President PW Botha's "reforms" herald a new political style at headquarters

Relly is perceived by the authors as being on a "rickety fence, playing to the international audience by both condemning the failures of the regime and pleading forbearance for it"

Is this — as the authors suggest — because Anglo wants to benefit from the large-scale privatisation opportunities which will soon be up for grabs? Why at this crucial political juncture protect short-term profits rather than the long-term interests of the group?

This question is not adequately answered, except perhaps in the comparison between Oppenheimer, who was "one of the most sophisticated of the world's international business elite", and the less prescient Relly whose only claim to fame is his job "Without it, he would be, relatively speaking, nothing," claim the authors.

Whatever the answer to that question, *South Africa Inc.* is a politically important book for posing it in the first place

Whether one likes it or not, the AAC has indeed become a major political player, a status it has acquired with very little accountability

It is run by a select group who, according to the authors, are "as powerful and tightly-knit as anything to be found in the oil fields and haciendas of Texas".

The task of demystifying the men who rule over this vast, strange empire is long overdue.

●*South Africa Inc — The Oppenheimer Empire* (Lowry Publishe.. and Media House Publications, R47.. will be available in South Africa with in the next fortnight

South Africa Inc — The Oppenheimer Empire. By David Pallister, Sarah Stewart and Ian Lepper Available in late July

Rembrandt and GFSA pip Anglo

12/7/87 ST

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By David Carte

REMBRANDT and Gold Fields of SA were the winners and Anglo American Corporation the loser in this week's deal between Rembrandt and Consolidated Gold Fields of London.

For £131-million Remgro acquired an effective 10% of GFSA More important, it also acquired pre-emptive rights to the rest of Cons Gold's stake in the new holding company set up for the transaction (see diagram) Remgro is thus in line to acquire 30% of GFSA in the long run

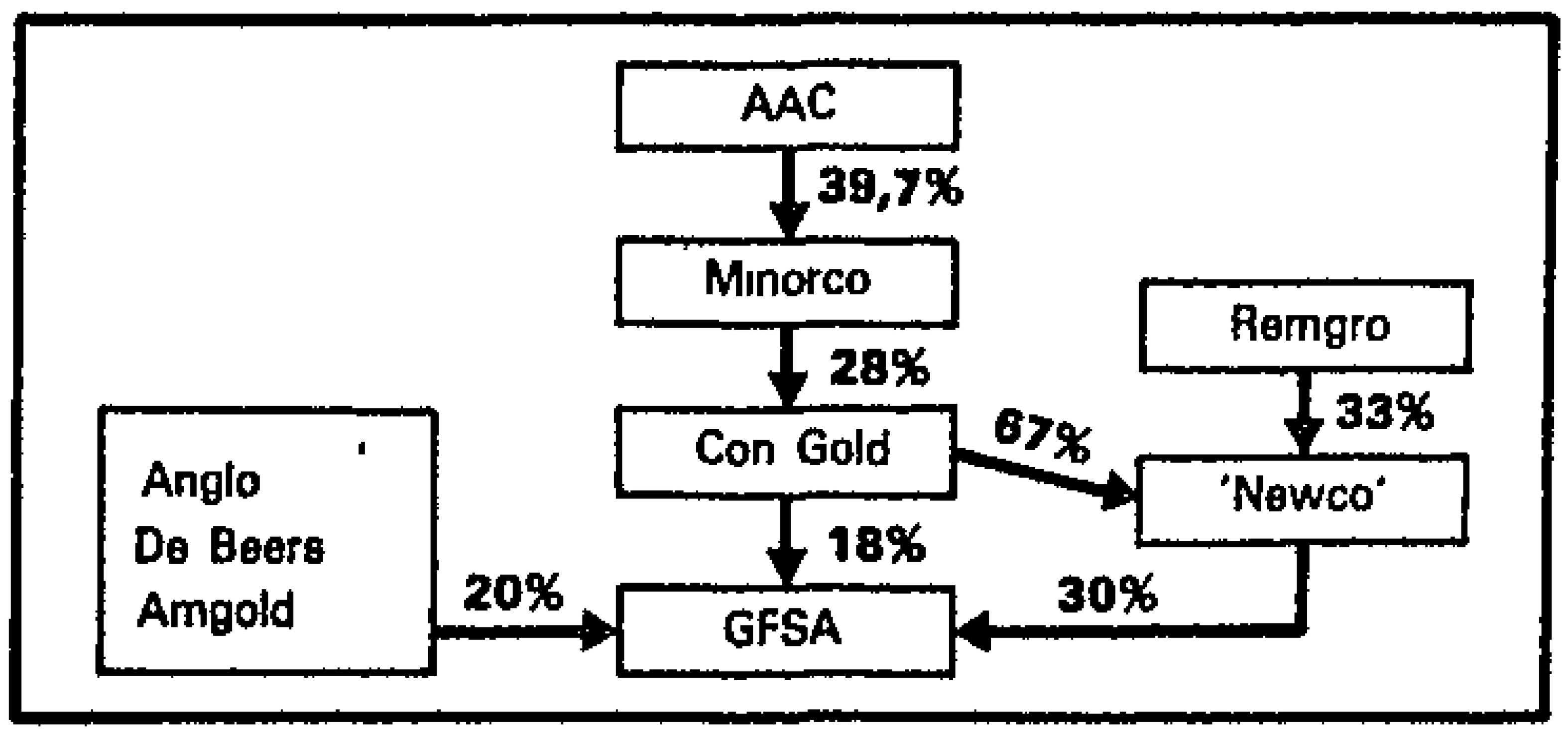
Remgro's market value shot up by R650-million to R7,717-million only hours after the announcement of its coup GFSA and Cons Gold also strengthened

Richest mines

The deal prevents Anglo American from obtaining control of GFSA in spite of large direct and indirect holdings

GFSA has some of the richest and longest-life gold mines in the world With Anglo it has most of the rights in the Potchefstroom Gap and it has promising properties on the Sand River north of Gencor's Beatrix mine in the Free State It is thus highly desirable to Anglo

The management of GFSA, led by chairman Robin Plumbridge, his deputy Dru Gnodde and financial director Bernard van Rooyen, has long been fiercely independent



For years it has resisted pressure from Anglo and from its parent, Cons Gold

Mr Gnodde said this week "We, the management, are the masters of Gold Fields, and we are delighted to have Rembrandt on board"

Rembrandt's slogan is partnership In Rothmans International, Philip Morris and several other businesses it has been content to be a sleeping partner GFSA will be counting on Rembrandt for support without interference

Anglo's initial reaction was "we do not comment on moves in the market by others" Later deputy chairman Julian Ogilvie Thompson said through the public relations department that he welcomed Rembrandt's move

This led some to believe that Remgro and Anglo were working together to bring home control of GFSA, but analysts who know the mining houses well doubted that there would be co-operation

Three months ago, fearing a grab from Anglo or Minorco, GFSA and its associate, Driefontein, bought 8% of parent Cons Gold to obtain a say in their future GFSA management acted without reference to Anglo or Cons Gold

Relations between GFSA and Cons Gold have sometimes been strained But in doing this deal with Rembrandt, Cons Gold appears to have granted Mr Plumbridge and team the protection and independence they want.

Debt burden

Cons Gold has stressed that it is not disinvesting, but it is clearly trying to reduce debt, which totalled £413,2-million last balance sheet, against equity at market value of £740-million

This week Cons Gold sold 960 000 Driefontein shares worth R70-million It has also reduced its direct holdings in Kloof, Driefontein and Deelkraal by tens of millions of rands in the past 18 months

Cons Gold is under intense political pressure to quit SA and goes to extraordinary lengths in its annual reports to minimise its dependence on this country

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P.T.O.

From Page 1

Analysts believe it is only a matter of time before Remgro acquires more of GFSA. The new holding company with 30% of GFSA enables Cons Gold to retain control. It gives both parties time to effect a transfer. It could also facilitate Remgro's increasing its stake without falling foul of a London Stock Exchange rule compelling a bid once a single holder acquires 30% of a company.

Johan Rupert, who clinched the transaction for Rembrandt, said in London it was evidence of Rembrandt's faith in the future of SA. He said the method of payment had still to be negotiated with the SA authorities, but some funds outside SA would be used.

Mr Rupert said Rembrandt was seriously concerned that instability in financial markets in the US could spill over into those of its trading partners. Another investment in gold was thus a prudent move.

Anglo pipped

One commentator said Rembrandt's offshore billions were a trump card. Access to offshore funds enabled it to buy effectively at the financial rand rate, which gave it a 37% discount.

Watchers

He said Anglo should not be upset by the deal because the Competition Board would never have allowed it to control GFSA.

Watchers of the JSE fear that if SA funds are used, the financial rand will be depressed for months, but most think Rembrandt will use foreign funds.

Rembrandt's move underlines its change from a tobacco and liquor group to an international investment company. In recent years it has reduced its interests in Philip Morris and Rothmans.

Volkskas

It has redeployed the proceeds in huge share and fixed-interest portfolios, which it has moved back and forth across the Atlantic, taking advantage of currency trends. It has bought minority stakes in high-performance European fashion houses.

In SA, it has acquired control of Dorbyl and effective control of Volkskas and Lifegro. It has 30% of Sage.

Remgro was thwarted by Sanlam when it tried to become a force in mining through Federale Mynbou. Now it has Trans-Hex in diamonds and a foothold in GFSA.

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MINING CONSUMPTION UP

GERALD REILLY

PRETORIA — The mining industry consumed goods and services valued at R7,451bn in 1985, says a Unisa Bureau of Market Research report

Of this, R1,949bn (26,2%) was spent on the capital account and R5,501bn (73,8%) on the current account. On average, total consumption rose by 13,2% a year from 1980 to 1985.

Over the same period, the rate of growth in the consumption of goods and services was slower on the capital account than on the current account

Consumption of goods and services by the gold mines rose by 14,1% from 1980 to 1985 at current prices, and by 1,3% at constant prices.

Anglo to offer shares to black workers on mines

Argus 14/7/87

By TOM HOOD
Business Editor

MORE than 250 000 black workers in gold and other mines are to be offered a direct stake in Anglo American Corporation, the country's largest company.

Anglo had net profits of R1 500-million in the year to March 31, a rise of R308-million.

The plan is the first by a major company in an industry heavily dependent on black labour, and shareholders are expected to be given details at next month's annual meeting, said an Anglo spokesman in Johannesburg.

Disclosing the plan today, Anglo chairman Mr Gavin Relly said in his annual statement that shareholders were to be asked to consider a shareholding scheme in which employees can take part "on a wide, if necessarily modest, basis" in its business activities.

ANGLO SHARES SOAR

The company has an authorised share capital of 240 million ordinary shares, of which 228 million have been issued.

The share price has soared to about R84 on the Johannesburg Stock Exchange — well beyond the reach of the small investor.

However, analysts believe Anglo will propose a subdivision, possibly offering shareholders 10 new shares for every one they hold, which would lower the price to between R8 and R9 a share.

Some 250 000 of Anglo's 300 000 employees are black miners, most of whom belong to the militant National Union of Mineworkers, currently threatening an industry-wide strike over wages and working conditions.

Mr Relly says that share-participation schemes for the corporation's senior management, in operation for some years, had worked well in drawing management and shareholders together in a common purpose.

WORKS OVERSEAS

The desire to implement this policy on a wider scale had been encouraged by the developing practice for workers in Europe, the United States and Japan to hold equity in the enterprises in which they worked. The merits of this in mature economic societies was evident.

Mr Gavin Relly

Mr Relly said "In South Africa the wealth-creating processes of the First World must arrive at a durable synthesis with the needs and aspirations of the Third World."

There was a strong case for believing that the stake held in the country through growing home-ownership could well be matched by workers holding a direct stake also in the businesses in which they were employed.

Mr Relly said "This view is surely consistent with the world trend away from centralist socialism on the one hand and rigorous capitalism on the other, to something in-between, founded not on ideology but on pragmatism and deriving its strength from the fact that it is seen to work."

● Another company planning a share-purchase scheme for its staff is Pick'n Pay, which plans to subdivide its shares — costing R50 each — to make them affordable to employees.

The company may also give loans to workers to enable them to buy shares.

● Relly urges Government reform — page 4.

16/7/87 B/Day

Strong recovery by Gencor mines

A STRONG recovery by Gencor's major gold mines in the June quarter saw the group make up some of the ground lost in a disappointing three months to March.

A higher gold price and increased tonnages milled boosted taxed income for the group as a whole by 20% to R155,3m (R129,4m) After an across the board drop in capital expenditure in the groups mines, earnings rose 52,6% compared with the three months to March

Cyril Heever's Modder B mine has also improved performance in the quarter, reporting a turnaround to an operating, although earnings, after capital expenditure, are still negative

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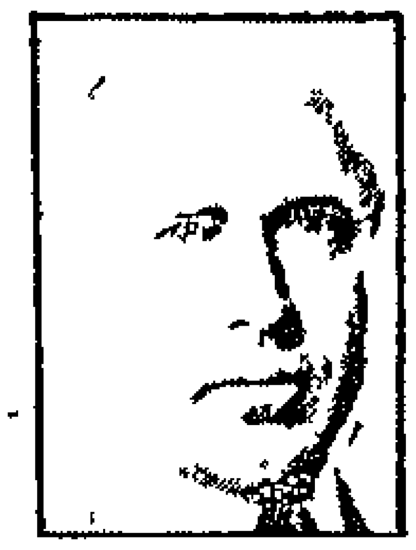
See Page 10

ARGUS 16/7/87 210

Will 'new capitalism' eclipse the ANC?



ISSUES

By Hugh Roberton

PERHAPS the most important message conveyed to the ANC this week came not from the 54 white South Africans who have been talking to the organisation for the past few days — useful as their endeavour undoubtedly has been — but from a bespectacled businessman in Johannesburg.

The message, simply, was that the socialist (some would say Marxist) ideological outlook of the ANC is either going to have to change in the direction of an accommodation with capitalism, or the organisation is going to run the very real risk of being outmanouevred and eclipsed inside South Africa.

The very idea is startling, even revolutionary, though it was not conveyed in such terms by Gavin Relly, chairman of Anglo American, when he explained almost blandly why the country's largest company had decided to give shares to its workers — more than 250 000 of whom are black.

"In South Africa," he said, "the wealth-creating processes of the First World must arrive at a durable synthesis with the needs and aspirations of the Third World."

He added "This view is surely consistent with the world trend away from centralist socialism on the one hand and rigorous capitalism on the other, to something in-between, founded not on ideology but on pragmatism and deriving its strength from the fact that it seems to work."

As Mikhail Gorbachev has shown in the Soviet Union, (and his counterparts in China even more enthusiastically) there is a fundamental move away from the sort of socialist and Marxist dogma of the 1950s, which was the ideological midwife of the modern ANC and in which the movement (and so many other African liberation movements) remain mired.

And as the United States, Western Europe and Japan have shown, the trend towards giving workers a major (sometimes even a majority) stake in the enterprises they work for, has created anew economic phenomenon, loosely termed "participatory capitalism", in which the shop stewards of yesteryear have been replaced by workers in the board rooms.

Unavoidable lead

No doubt some would argue that simply giving 230 000 people out of 27-million a few shares in Anglo is not going to deflect the ANC (and PAC) from sticking inflexibly to the doctrines which seemed eternal truths when the Freedom Charter was drawn up.

But the fact is that Anglo was far from being the first South African company to move in this direction. Pik 'n-Pay, for instance, and several others, did so a while ago. Many more are known to be thinking along these lines and Anglo's lead will make the same sort of move unavoidable for many others.

Several multi-nationals, like Ford, which have pulled out as a result of sanctions pressure, ironically have made the sale of shares to black workers a feature of their withdrawal.

So, we are looking at a potential black middle class of many millions who would be shareholders, homeowners, car owners, company directors and managers — many millions who would not look benignly upon an ideology which everywhere else in the world has failed.

But will it ever be possible for the "haves" of the black community to outweight the "have-nots", will the "have nots" not always be in the majority and, therefore, be more likely to support the 1950s socialism still purveyed by the ANC?

Dynamic changes

Very probably, but assuming that an ANC government came to power on the wings of such a "have-not" majority, could it afford the risk of a showdown with the "haves", who would have the wealth, expertise, and the power to make or break their rule?

Would it not make a lot more sense for the ANC to recognise the dynamic changes taking place within socialism and capitalism, and seek an alliance with the "haves" — including, perhaps, a far greater number of influential white "haves" who might then feel less threatened than they do by the concept of black majority government?

Knowing a number of the ANC's decision-makers, I would hazard a guess that their response to the "new capitalism" will be flexible, more especially when the "new capitalism" itself comes into conflict — as inevitably it must — with apartheid.

Apartheid, in fact, is the grand loser in the economic strategy outlined by Mr Relly because, ironically, it is rooted in an economy with many of the embellishments of old-style Marxism, such as centralised and official price fixing and production controls, state ownership of key industries, state control over industrial development and planning, a bureaucracy which is comically obese and inefficient, and many other features which Mikhail Gorbachev is trying so hard to eliminate from his economy.

What seems most likely to evolve as blacks climb the "new capitalism" ladder of wealth (and, therefore, power), is a society whose unity is found on levels never previously explored in South Africa, a society where race will not be the deciding factor in drawing people together, where other shared interests will predominate.

the share price fully discounts the outlook W & A's price has traditionally under-performed the market, and even the recent rapid increase has only raised the p e to about 11 times Though a breather might be expected, there could still be some steam left

Pat Kenney

BARBROOK . 1/8/87 AM

Decision at last

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It has taken Rand Mines eight years to make up its mind on the Barbrook gold project near Barberton The benefit of that delay for investors in Barbrook, which will be listed on the JSE by November, is that there should be little risk attached. The mining house has nailed down the two key factors which could affect the development: these are the extent and grade of the ore reserves, and the metallurgy of the various reefs which Barbrook will mine

Like other mines in the Barberton area such as Anglovaal's Eastern Transvaal Consolidated Mines, the Barbrook orebodies are completely different from the uniform reefs of the Witwatersrand basin They are refractory ores containing quantities of sulphides which means the conventional cyanide gold recovery process used on Witwatersrand gold mines will not work The ores have to be roasted or pressure leached before the gold can be successfully recovered

Also, the various Eastern Transvaal reefs differ metallurgically from one another For a mine like Barbrook which intends treating a blend of ores, this characteristic could pose problems

However, metallurgical test work carried out on the Barbrook ores by researchers at the Council for Mineral Technology (Mintek) and in Canada has been successful to the point where Rand Mines gold division chairman Clive Knobbs says he is confident the forecast recovery grade of 4,5 g/t will be easily attained

Rand Mines and partner Anglo American Corp have spent some R26m exploring the orebodies, putting in some 15 km of development tunnels, and drilling a total 71,6 km of surface and underground boreholes Ore reserves are estimated at 15 Mt, at an average *in situ* grade of 7 g/t Barbrook will be a small producer milling some 300 000 t of ore a year to produce about 1,5 t of gold annually, although it appears the mine's size could be expanded later if management so decides ET Cons mills about 350 000 t of ore a year at present

Running Barbrook will require a completely different management approach from that used on Rand Mines' other gold mines which, by comparison, are huge ERPM mills about 2,8 Mt/year, Harmony 8 Mt and Blyvooruitzicht some 2 Mt

Capital expenditure to get the mine producing at 25 000t/month is estimated at R94m, of which most will be provided by Anglo and Rand Mines Knobbs declines to reveal how much money will be raised from the public through the listing, or what percentage of the equity will be offered to the public

Production will start in January 1990 and full output should be reached a year later. Barbrook will come on stream quickly, because no major shafts need be sunk for the initial mining operations These operations will exploit ore reserves in hillsides above the treatment plant, situated in a valley at a depth corresponding to the mine's 10 working level Below 10 level, incline shafts will be sunk to follow the reefs down

At a gold price of R28 000/kg, Rand Mines estimates Barbrook's working revenue to be R134/t milled, compared with working costs of R78/t milled Working costs will increase when the mining operations start using the shafts from about 1996 but grade should also improve to maintain the revenue balance Barbrook is expected to earn working profits of about R18m a year from 1991 onwards

The total work force will be about 1 000 and Barbrook's initial operations will be concentrated in KaNgwane

Brendan Ryan

GOLD EARNINGS

	Year end	*EPS(c) Mar	*EPS(c) Jun	**Accumulated Earnings (c)	(c) +Declared
ANGLO AMERICAN					
Elandsrand	Dec	20,9	21,8	42,7	50
Ergo	Mar	18,3	3,1	3,1	—
Freegold	Sep	69,3	65,9	212,9	155
Vaal Reefs	Dec	458,1	567,5	1 025,6	950
Western Deep	Dec	150,1	150,7	300,8	290
ANGLOVAAL					
ET Cons	June	83,2	39,1	284,5	280
Hartebeestfontein	June	35,0	21,9	142,4	140
Loraine	Sep	38,7	31,3	144,1	—
GENCOR					
Beatrix	June	14,1	29,2	124,6	n/a
Bracken	Sep	10,9	13,5	44,0	35
Buffelsfontein*	June	104,3	190,8	727,6	720
Grootvlei	Dec	29,5	17,8	47,3	30
Kinross	Sep	69,9	93,2	240,9	145
Leslie	Sep	11,1	13,7	44,8	40
Marievale	Dec	(0,1)	(13,1)	(13,2)	—
St Helena	Dec	33,8	62,2	95,9	110
Stilfontein	Dec	(2,5)	48,8	46,3	40
Unisel	Sep	38,6	38,0	125,9	90
WR Cons	Dec	21,5	32,8	54,3	20
Winkelhaak	Sep	83,6	86,1	280,9	190

Mining firms' manager denies making racist statement

JOHANNESBURG — The financial manager of Gold Fields of South Africa, Mr Michael Fuller-Good, yesterday denied having said blacks could not compete intellectually with whites — the alleged reason why the company refused to employ black managers

He was commenting on a report in the London Observer which said Gold Fields revealed why it was not promoting blacks into middle management during a meeting with the Get Ahead Foundation, a black advancement group set up by the Archbishop of Cape Town, the Most Reverend Desmond Tutu

The Observer said Mr Fuller-Good had told the foundation's managing director, Mr Don MacRobert: 210 AD 10/8/87

"They (blacks) would not last in this office Intellectually they would never be able to compete (with whites) and therefore upward mobility would be impossible We don't think a big mining company is quite the arena for a black executive to cut his teeth "

A Gold Fields spokesman here said Mr Fuller-Good had said he had "said nothing of the sort"

The spokesman said Mr Fuller-Good would not comment further

The Observor also said Mr Fuller-Good claimed that Gold Fields' black workers were happy with the migratory labour system

"They want to be migrants If they moved their families to areas near their workplace, they would not be able to keep their land in the homelands," he was reported as saying

According to the Observer, Gold Fields, an associate of London-based Consolidated Gold Fields, employs nearly 100 000 black workers — a larger labour force than that of all other British-owned companies in the Republic put together.

Mr MacRobert said "Gold Fields seems to have the worst employment record of any British-controlled company in South Africa "

The report appeared on the eve of what could be South Africa's largest miners' strike — Sapa

2/10

Mining boss hits back

THE financial manager of Gold Fields of South Africa, Michael Fuller-Good, has denied having said blacks could not compete intellectually with whites, the alleged reason why the company refused to employ black managers.

He was commenting on a report in Sunday's *London Observer* which said Gold Fields revealed why it was not promoting blacks into middle management during a meeting with the Get Ahead Foundation, a black advancement group set up by the Archbishop of Cape Town, the Most Reverend Desmond Tutu.

The Observer said Mr Fuller-Good had told the foundation's managing director, Mr Don Macrobert:

"They (blacks) would not last in this office. Intellectually they would never be able to compete (with whites) and therefore upward mobility would be impossible.

"We don't think a big mining company is quite the arena for a black executive to cut his teeth."

Happy

A Gold Fields spokesman in Johannesburg said that he had contacted Mr Fuller-Good, who said he had "said nothing of the sort".

The spokesman said Mr Fuller-Good would not comment further.

The newspaper also said Mr Fuller-Good claimed that Gold Fields' black workers were happy with the migratory labour system.

"They want to be migrants. If they moved their families to areas near their workplace, they would not be able to keep their land in the homelands," he was reported as saying.

The *Observer* report appeared on the eve of what could be the largest strike the South African gold mining industry has ever had to contend with. — Sapa.

Chamber replies

IN a statement yesterday the Chamber of Mines said the current average cash earnings of black underground workers on gold mines amounted to R571 a month

"This, together with free food, accommodation and other benefits valued at R164 a month gives an average all-inclusive income of R735 a month."

"By focussing on the lowest starting wages paid in the industry the National Union of Mineworkers presents a distorted picture of the true situation.

"The real increase in gold mine wages over the period 1972 and 1986 amounted to 249 percent.

"Minimum starting wages apply to only 10 percent of the workforce and the wages are increased within a very short period of a man commencing work — in some cases days and at most a few weeks.

"Furthermore the lowest minimum wage applies to only a minority of mines.

"It is against this background that the lowest minimum starting wage which NUM has been quoting, namely R228 a month (1986 figure), should be seen.

"The current minimum underground starting wage on gold mines is R263 but the fact is that a relatively small proportion of the 10 percent of novices receive this wage, the vast majority of them starting at R300 a month or more and receive an increase within a very short time."

13/8/87

NUM members at the Randfontein Estates gold mine wait for transport to take them back to their homes.

Battle for living wage rages on

FOCUS

Sowetan 13/8/87

2/10

'Big strike hits mining houses'

By THEMBA MOLEFE

SOUTH African mining houses have been hit by the biggest strike in their history, with the National Union of Mineworkers saying there are 340 000 workers out on strike and the Chamber of Mines giving a lower figure.

The strike is over wages and better working conditions.

The Chamber of Mines has said that it would not accede to Num's demand for a 30 percent wage increase. It says it can give only between 15 and 23 percent.

Num has asked every mineworker "to move to the frontline and join the battle for a living wage".

Mr Marcel Golding, Num's assistant general secretary, says "The Chamber of Mines has shown that it will not pay us a decent wage. It has shown that it is concerned only with profits and with making the bosses rich — while we get poorer."

Num says it was willing to go for arbitration or mediation after wage talks with the Chamber of Mines broke down on June 30, but the employers refused mediation.

The union then opted for a strike ballot which resulted in the massive action that started on Sunday night.

"The only way to bring pressure on the Chamber is to strike," says Mr Golding.

The mine bosses, on the other hand, believe that Num actually forced the strike on the workers.

Although speaking in hushed tones the employers say the strike ballot involving 200 000 Num members was "cooked".

One executive said "The workers were asked one question 'Do you want more money?' Obviously the answer would be in the affirmative and obviously Num took that answer to be a positive vote for the strike."

Num says more than 95 percent of the members at mines where it is recognised voted in support of the action.

Mr Golding says "We pointed out that the gold and coal mines had made huge profits. The Chamber, on the other hand, argued that things were bad in the mining industry.

Cheapest

"But we know that in 1986 the gold mines recorded the highest profits in history. They achieved records in the amount of ore that was processed, the revenue and the profits.

"Working profits rose by 37 percent in 1985 and by another 14 percent in 1986. Dividends paid to shareholders rose by 38 percent in 1985 and by 10 percent in 1986.

- Total profits went up by 44 percent,

"Between 1975 and 1986

- Total dividends (money paid to shareholders) rose by 21 percent,
- Capital expenditure went up by 106 percent, and
- Tax to the Government went up by 38 percent."

Mr Golding says that in the past 10 years the gold mines got used to making massive profits while the mineworkers got poorer.

He says that despite competition from other coal producers South African coal is still the cheapest in the world.

"The union's demand for a living wage is based on the fact that mining houses can afford to pay. Our demand is not supported only by the mines' results over the last year but by the excellent results over the past decade."

Num says the lowest paid worker on the gold mines earns R238 a month while the one at the collieries earns R225.

Num is the biggest affiliate of the Congress of South African Trade Unions (Cosatu), the largest federation with a claimed membership of one million.

And Cosatu has launched a "Living Wage Campaign", a demand that workers be paid wages that beat the inflation rate.

Num, like its sister unions in Cosatu — the South African Railway and Harbour Workers Union and the Commercial, Catering and Allied Workers Union — says "Down with poverty and slave wages.

"We are prepared to go on with the strike for many weeks, like the railway and OK Bazaars workers.

Danger

"Every year over 400 of our comrades die in the mining industry. Thousands are injured, many permanently. Our workplace is very dangerous and we demand a danger allowance," says Num.

As the miners' strike gets into its fourth day a few things could happen:

- Violence could break out and many workers could be left dead in its wake. Already one worker was killed on Tuesday at a Witbank colliery. Many have been injured,
- Mine management could use counter measures in an attempt to break the strike and this could lead to even greater conflict, and
- Labour relations could take another plunge as communication structures are trampled on.

NUM strike well-conducted — Anglo

JOHANNESBURG — Despite claims and counter-claims of violence and intimidation by the striking National Union of Mineworkers (NUM) and mine management the four-day-old gold and coal strike has been reasonably well-conducted, Anglo American's industrial relations consultant, Mr Bobby Godsell, told a press conference here yesterday

He did not dispute NUM claims that miners were conducting the strike in a dignified manner but added that he wished they would be "a bit more dignified".

Incidents of violence on the mines were outlined but "by-and-large" the strike was being conducted in an orderly manner apart from some NUM members locking hostel and shaft gates in an attempt to prevent miners from working and threats made to hostel managers, Mr Godsell said

He said mine management and the union had agreed that strike committees would take control of the striking miners but hostel management would continue to "perform the management functions at the the hostels"

The head of Anglo's Gold and Uranium Division, Mr Peter Gush, admitted to the almost 100 mainly foreign journalists at the conference that Anglo was suffering "significant production losses But we are producing," he said

He added that Anglo mines were among the most unionised in South Africa and therefore the company was bearing the brunt of most of the strike

Charges by the NUM that miners were being forced underground at gunpoint were denied by Mr Gush — Sapa

DD 14/8/87

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Strike spreads across Reef

510

DD

Investors shy away from gold shares

14/8/87.

Dispatch Correspondent

JOHANNESBURG —Mine managements have confirmed that the National Union of Mineworkers strike spread yesterday to another six mines and other installations. However, workers at another two mines returned to work.

About 150 of the Rand Refinery's 360 employees took strike action yesterday, according to the Chamber of Mines

Johannesburg Consolidated Industries (JCI) said 1 300 employees at the Tavistock and Phoenix sections of Tavistock collieries failed to arrive for work. A spokesman said the strike was unlawful as the NUM was not recognised there.

He also confirmed that 1 600 Consolidated Murchison workers began a strike over a separate wage dispute.

Anglo American's Mr Peter Gush said yesterday for the first time that all of its gold mines were affected by the strike

The company reported that more than 1 000 workers at the Ergo and Daggafontein plants also joined in Anglo received a Supreme Court interdict for the eviction of Ergo employees from company premises after allegations of sabotage

Anglo said the union has rejected a 16,1 per cent to 19,5 per cent wage offer which would take the minimum to R614

Workers, who are staging a sit-in, would be given "time to leave peacefully"

Management denied NUM claims of strikes at West Rand Consolidated and Simmergo

Operations at Anglovaal's Loraine gold mine returned to normal after about 2 000 strikers met a management ultimatum to return, and 350 at Gold Fields' New Clydesdale Colliery also returned

● The Daily Dispatch correspondent in Johannesburg reports that while the strike is supporting the gold price, trading in gold shares turned cautious on the JSE yesterday as investors, particularly in London and New York, showed concern over the impact of the strike on gold mines

● The NUM secretary general, Mr Cyril Ramaphosa, said yesterday that six strikers at Anglo American's President Steyn gold mine were injured by when mine security assaulted and opened fire with rubber bullets on them

Anglo OFS gold chief, Mr Lionel Hewitt, said at a media conference last night the security personnel were accompanying a management employee who wished to distribute a communication to strikers

They found the hostel gates had been taken over by strikers who denied them access They forced their way in and had to use rubber shot to disperse a hostile group of workers

● At a media conference, Anglo's Mr Bobby Godsell said the minimum wages in the group's gold and uranium division were, since the 23 per cent increases on July 1, now R289 and R330 for surface and underground workers respectively

Average black wages were R475, and R523 taking into account service, bonus and overtime payments.

● Sixty-eight of the 78 NUM members arrested at Klerksdorp on Wednesday were granted R1 000 bail each yesterday The union said two of the remaining 10 were being held in terms of the Internal Security Act

The fate of the other eight could not be established

● A Witbank colliery and a major production shaft of Welkom's Free-state Consolidated Gold Mines (Freegold) are facing closure as a result of the mine strike

More than 2 000 workers stand to lose their jobs at Freegold's Western Holdings No 1 Shaft unless the striking emloyees return to work.

"Unless the striking emloyees return to work within the next few days and the desired level of production can be achieved, stoping operations at this shaft will have to cease " a spokesman said

New day dawns for mining exploration

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Finance staff

South Africa is on the threshold of a boom in mining exploration after the recent change in government policy over the exploitation of mineral and mining rights, analysts say

The recent emergence of mining exploration companies on the JSE is a foretaste of what is to come, and is creating exciting, albeit speculative new vehicles for investors

Over the past decades, South African exploration in the mining sector has been concentrated among the major mining finance groups Exploration outside the established mining house sector has been very limited, partly because of the dominance of big groups, and partly because of the difficulties faced by smaller independent exploration companies in obtaining risk capital. A rather incongruous feature of the local scene is the reluctance of institutional investors to support new mining ventures, particularly outside the major mining finance groups

At the same time, relatively few large new developments in mining requiring substantial new capital have been undertaken in recent years by the mining houses. Alongside this, the political inhibitions of foreign investors has meant some foreign mining companies with mineral rights in South Africa have been reluctant to undertake exploration and development

There are strong grounds for arguing this situation is not about to change Several infleunces are likely to usher in a new era of feverish exploration activity, especially for precious metals

Against the background of rising gold price and a relatively weak rand, some large new gold projects could be started in the next few years by established mining houses The Potchefstroom Gap area is one promising prospect

Even more to the point, large mining houses have received a salutary shock arising from the success of small mining groups such as Golden Dumps and independent new mines such as Sub Nigel These smaller operators have injected a welcome element of competition into the mining industry as whole

As a result, the big mining houses are beginning to adopt a new line of thinking in which they are more prepared to consider the exploration and mining of smaller deposits An example is the recent rights issue of Consolidated Murchison The funds from this issue are to be used for exploration of huge tracts of land to which the company has held the mineral rights for about 50 years without any projects coming to the fore

Meanwhile, the dependence of the economy on mining, and particularly onprecious metals, must increase because of the impact of trade sanctions This could well induce a change in government policy towards the industry

Precious metals are fungible items This means it is virtually impossible to impose effective trade sanctions on such commodoties, unlike manufactured products Increased investment in mining would directly boost exports, while furnishing new employment opportunities

There would be indirect benefits as well, since, for instance, inputs used in the gold mining industry are almost completely sourced from domestic supplies, unlike the manufacturing industry.

The increased importance of mining in future years means the Government should be keen to stimulate new investment A more favourable tax environment is the obvious means of aiding this process

The recent refusal of the Government to renew the prospecting rights of Rustenburg Platinum Mines on state-owned land near Brits, and the transfer of these rights to the new Lefkochrysos Mine of Loucas Pourroullis has been instrumental in facilitating the opening of a new platinum mine This move appears to be part of a mutation in government policy over mineral rights on state lands

Criticism has been directed against the large mining houses for renewing mineral rights on a regular basis, while desisting from any exploration of potential mineral deposits The refusal of the Government to renew the mineral rights of Rustenburg Platinum can be interpreted as a warning to the houses to give more attention to the exploration and mining of areas over which they hold state mineral rights

Strike: 23 held, 13 hurt in two clashes at mines

210 80 15/8/83

JOHANNESBURG — Police moved into the Ergo plant on the East Rand and arrested 23 striking workers after "acts of deliberate damage" to the plant and mine security fired birdshot at striking miners yesterday at the Optimum Colliery near Middleburg, injuring 13

The actions were confirmed by the Anglo American Corporation (AAC) and Colonel J M Labuschagne of the Police Public Relations Division in Pretoria respectively.

The Ergo workers were defying an interim interdict granted to evict striking workers from the company's premises and to restrain them from entering the premises and from damaging plant or equipment, an AAC statement said.

On Wednesday there had been serious acts of sabotage which would have resulted in substantial losses, it claimed

In the second incident, "police who went to the Optimum Colliery to investigate an intimidation complaint were confronted by about 800 workers," Col Labuschagne said: "Teargas grenades were fired at the crowd who threw stones at the police"

A section of the crowd apparently ran towards mine security who fired warning rounds of birdshot into the air before firing a further 10 rounds of birdshot directly at the workers, injuring 13 Fourteen workers were injured in the rush — Sapa

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City Press

PROSPECTS

Mine jobs now to be awarded on merit

ALL jobs in the mining industry have been opened up on a non racial basis with the repeal by Parliament this week of the last law discriminating against blacks in the workplace

Theoretically this opens the top jobs in mining to people of all races

The repeal of the "scheduled persons" clause in the Mines and Works Act means that senior jobs on the production side of mining, right up to the level of mine manager, will be open to blacks on a basis of qualifications and merit.

In recent years skilled artisans, officials and other administrative jobs have been opened up to blacks, and there are now well over 3 000 blacks employed as artisans and officials – jobs previously barred to them

However, on the production side of mining the most senior position a black could obtain until now had been that of team leader, which carries a basic wage of R703 to R865 a month

All production jobs above that of team leader have required certain certificates of competency and these certificates were, until this week, restricted to "scheduled persons" – a "scheduled person" being defined by the law in such a way so as to exclude black persons

It was estimated that in August last year the 13 certificates of competency affected by the "scheduled person" clause were required by over 25 000 employees – or three percent of the total work force on South African mines

The abolition of the "scheduled persons" clause means, in effect, that the upward mobility of blacks in the mining industry will no longer be legally restricted

Once the Mines and Works Amendment Bill has been signed by the State President and published in the *Government Gazette*, the following jobs, together with the minimum rates of pay for the job, will be opened to blacks on merit after obtaining the required qualification

- Mine manager (negotiable)
- Mine overseer (R2 905)
- Mine surveyer (R2 143)
- Mechanical engineer (negotiable)
- Electrical engineer (negotiable)
- Mine assayer (R1 663)
- Winding engine driver (R1 743)
- Certificated locomotive driver (R1 354)
- Certificated stationary engine attendant (R1 354)
- Certificated boiler attendant (R1 354)
- General miner (R1 559)
- Rockbreaking contractor (R1 491 plus contract earnings bonus)
- Shiftboss – stoping and development (R2 165)
- Lampsman (R1 351)
- Onsetter (R422)
- Banksman (R1 351)

Miners will now have to ...

In a statement released earlier this week, the president of the Chamber of Mines, Naas Steenkamp, said

'The abolition of this discriminatory legislation after more than 75 years means that all jobs in mining will now become attainable by anyone with the ability to reach the required levels of proficiency

"Legally imposed racial discrimination has now been removed from the mines For many years the mining industry has been removing discriminatory practices and it will continue to do so with the aim of opening the way for all miners – regardless of race – to develop to their full potential

'The practical effect of the repeal of the scheduled person definition is that it will enable capable black workers on the production side of mining, who achieve the necessary qualifications, to move all the way up the hierarchy to mine manager level and beyond"

Not all talk is gospel

By DENNIS BECKETT

ONE aspect of the admirable Dakar exercise, (all attempts to talk rather than shoot are admirable), is that once again everybody seems frantically anxious to know what a future ANC government will allow or tolerate, and what it will not tolerate

Will the Afrikaans language be permissible?

Will big business be nationalised?

Will small business be nationalised?

Will the *Sunday Times* be banned?

These are the kind of questions which have come up on the various pilgrimages to the ANC

On this occasion, Thabo Mbeki, sitting in a hall several thousand kilometres removed from South Africa's border and heaven knows how many years removed from crossing the portals of the Union Buildings, has apparently been required to pronounce on an endless range of questions as to what a future ANC government "will do"

It's fine for the ANC to tell us what its policy is

That's what any political party is meant to do

But there is an unfortunate tendency within South Africa to treat everything that any ANC spokesman says as gospel truth about the future conduct of a society of 30-million people

In fact, it is highly unlikely that anything which the ANC says now, in exile, bears much relationship to what actually will happen.

The real difference is not who comes to power in the future, but on what basis power is exercised

If for instance, the ANC eventually becomes the government of the ruined remnants of the country after a catastrophic war, then a Khmer Rouge situation – wholesale death, destruction and chaos – is a probable result, no matter how little the ANC wants it

One can visualise gangs of gunmen roving about, terror everywhere, violent power conflicts, economic collapse and rampant disorder

If the ANC should in this situation, manage to impose some sort of control in the country, the pressures are likely to drive it into a thorough-going totalitarian ANC leaders might not wish for that now, they might abhor it then

But they could well be sucked into it willy-nilly, which means goodbye to all the assurances of respect for minorities and democratic processes.

Not to mention that the Freedom Charter's happy promises about love and brotherhood and prosperity become nothing but a distant memory

In that situation your freedom, or mine, could well become a very empty freedom

On the other hand, if we do establish a sound and real democratic basis and the ANC becomes government on that foundation, then its policies and its aims are subjected to the constraints of democracy

A democratic government does not simply snap its fingers and say, "Here's our policy, now everybody do it"

It works towards implementing its policy, within the limits of what is possible in practice

If we had a democratic structure, the ANC would presumably split in any case – possibly into a communist faction, a socialist faction and a non-social faction

It would at the very least cease to be a symbol or an abstract image and would have to seek concrete voter support at the polling booths

It may be that most people supported it, but certainly not in a rich democracy

For instance, the Wits sociology student who supports the ANC, may have greatly different expectations to the KwaZakhele bus driver who also supports it

It is a pity that the ANC is so often depicted as having all the answers laid out in a filing cabinet in Lusaka

It is a pity firstly, because it inflames the notion that the future consists of the ANC doling out decrees and thereby increases the determination of the present government to resist at all costs

It is a pity secondly, because it creates a very anti-democratic way of thinking

What I understand by a democratic society is one where you and I, and several million other people, are all putting our penny's worth into the political pot not one where we hand over our fate to any omnipotent political party

I'll be pleased to hear any comments Write to PO Box 32219, Braamfontein 2017

A new scheme for the jobless

THE EMS Draughting Training Centre in Germiston has gained approval from the Department of Manpower to engage in a training course for the unemployed under the government's free training scheme during the financial year to February 28, next year

Training courses in draughting, at various levels in a number of different fields, is offered to the unemployed at a training centre close to the President Railway Station in Germiston

This training course applies to beginners and unemployed draughtsmen and draughtswomen who would like further training in draughting skills

Those wishing to take advantage of this offer should contact the training officer, G Cooke, on (011) 825 6847, to arrange an interview and an aptitude test

HSRC bursary cuts

THE Human Sciences Research Council will not be granting any under-graduate bursaries for the 1988 academic year

The HSRC is not able to send individual replies to applicants, but asked *City Press* readers to note that no under-graduate bursaries will be granted for 1988

Students who want to apply for post-graduate study grants must do so through their universities and not directly to the HSRC.

Choosing a career

feel we have the right to speak out on political issues which affect business" Shell does not blame its fellow multinationals in SA for keeping their heads down — "but if you are singled out, that is not the best approach"

So the group battles on inside SA and out Royal Dutch-Shell takes all opportunities to put its case to the disinvestment pressure groups It talks to the Commonwealth Secretariat, to anti-apartheid movements in the UK, US and elsewhere, to government officials, churches, and even the African National Congress

According to Herbert. "We all agree on what needs to be done in SA We simply differ on the means" But persuasion is a slow process, although Shell feels encouraged by the disinvestment doubts surfacing in the aftermath of the withdrawals by US majors such as Ford "It would be easy to walk away, but that is not the way we like to think we behave We have been in SA for 75 years, we have a commitment to our employees and our business, what would be achieved if we left?"

That said, there is a commercial bottom line The Shell group's operation in SA constitutes about 1% of global assets and — allowing for fluctuations in exchange rates — the contribution to net earnings has been "of the order of 1% in recent years" On 1986 net attributable taxed profits of US$3,7 billion, SA chipped in $37m or so That was only 8% of the depressed $455m (down from $1,1 billion) earned in the US

Herbert told the *FM* "We have to recognise that if the boycott cost us, say, 10% of sales in the US, one would have to balance that against SA It is a choice we hope we won't have to make But it would be naive to imagine it could never arise So far, however, there is no sign of that happening" ■

6 6

GFSA-REMBRANDT-CONS GOLD FIELDS

Rembrandt's gold coup

2-10

Rembrandt has acquired 10% of GFSA, leaving Cons Gold still in control. But longer-term developments could change this picture radically.

Consolidated Gold Fields's (CGF) decision to sell 10% of Gold Fields of SA (GFSA) to Rembrandt cannot have been taken without considerable soul-searching in CGF's headquarters near St James's Square in London After all, the deal represents a significant watering down of CGF's historic ties with the South African gold mines But the structure of the new shareholding looks a neat arrangement that should suit all of GFSA's major shareholders well enough for the present

Not least, GFSA chairman Robin Plumbridge and his colleagues at 75 Fox Street, Johannesburg, should not be too unhappy with the situation If there had to be a disinvestment by CGF — and the deal is nothing but a disinvestment — then the choice of Anton Rupert's Rembrandt as a holder of the shares is probably a reasonable option from GFSA's standpoint

Agnew

GFSA would certainly have been unhappy if the shares had gone into the hands of another mining group which it regarded as a competitor, particularly if that other group had been in the Anglo American camp The half dozen or so mining houses that control the South African gold mining industry tend to co-operate with each other on technical matters, nor is there real competition on marketing. In areas such as exploration, though, competition is intense. More to the point, a competitor acquiring a sufficiently large stake might well want to meddle with management policy GFSA is known for taking an independent — and conservative — line on labour matters, for example

Gold dominates GFSA, accounting for 76% of group assets and 80% of income at last balance sheet date The house's gold mines include Driefontein Consolidated and Kloof, two of the largest and richest gold producers in the world GFSA's decision to develop the Northam Platinum mine must have made the group even more attractive to its major competitors

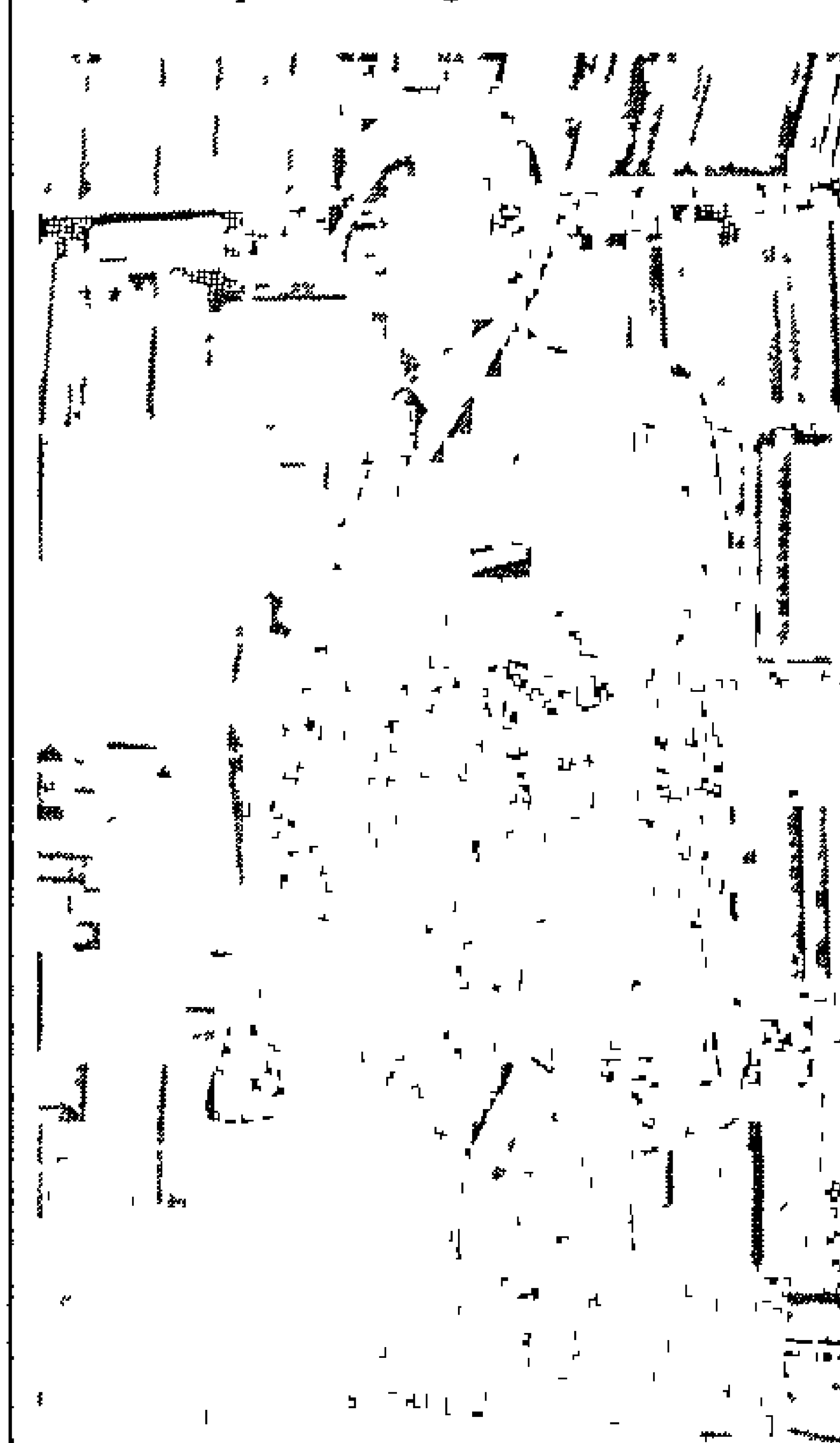
It is not suprising that theories that Anglo American could gain at least partial control of GFSA have surfaced again The idea of an Anglo American-Rembrandt consortium building up a stake eventually large enough to exercise control seems attractively simple Anglo and its 48%-held associated company Amgold already hold a total 20% of GFSA (see diagram) If Rembrandt's 10% interest is added to these, a consortium would hold 30% against CGF's remaining 38% And if CGF is prepared to sell 10% now, why not more later?

For its part, the Anglo-Minorco camp has not expressed any unhappiness with the arrangement, officially, in fact, it professes to be happy Minorco chairman Julian Ogilvie Thompson, who is also represented on the CGF board (Minorco owns 28% of CGF), says "we are delighted to have Rembrandt as a shareholder in GFSA"

At this stage, however, theories of Anglo, or even an Anglo-Rembrandt consortium, winning control of GFSA, should be treated with caution One restraint must be the attitude of the Competition Board Whether the board would condone such a move must be at least questionable, particularly when other local buyers of GFSA shares could undoubtedly be found

A more specific restraint exists in the structure of the Rembrandt shareholding, which appears to have been designed to prevent any such development A holding company has been formed to own 30% of GFSA. Rembrandt owns 33,33% of the holding company while CGF owns 66,66%, and continues to hold its remaining 18% interest in GFSA directly As CGF controls the holding company, the London group still talks for 48% of GFSA

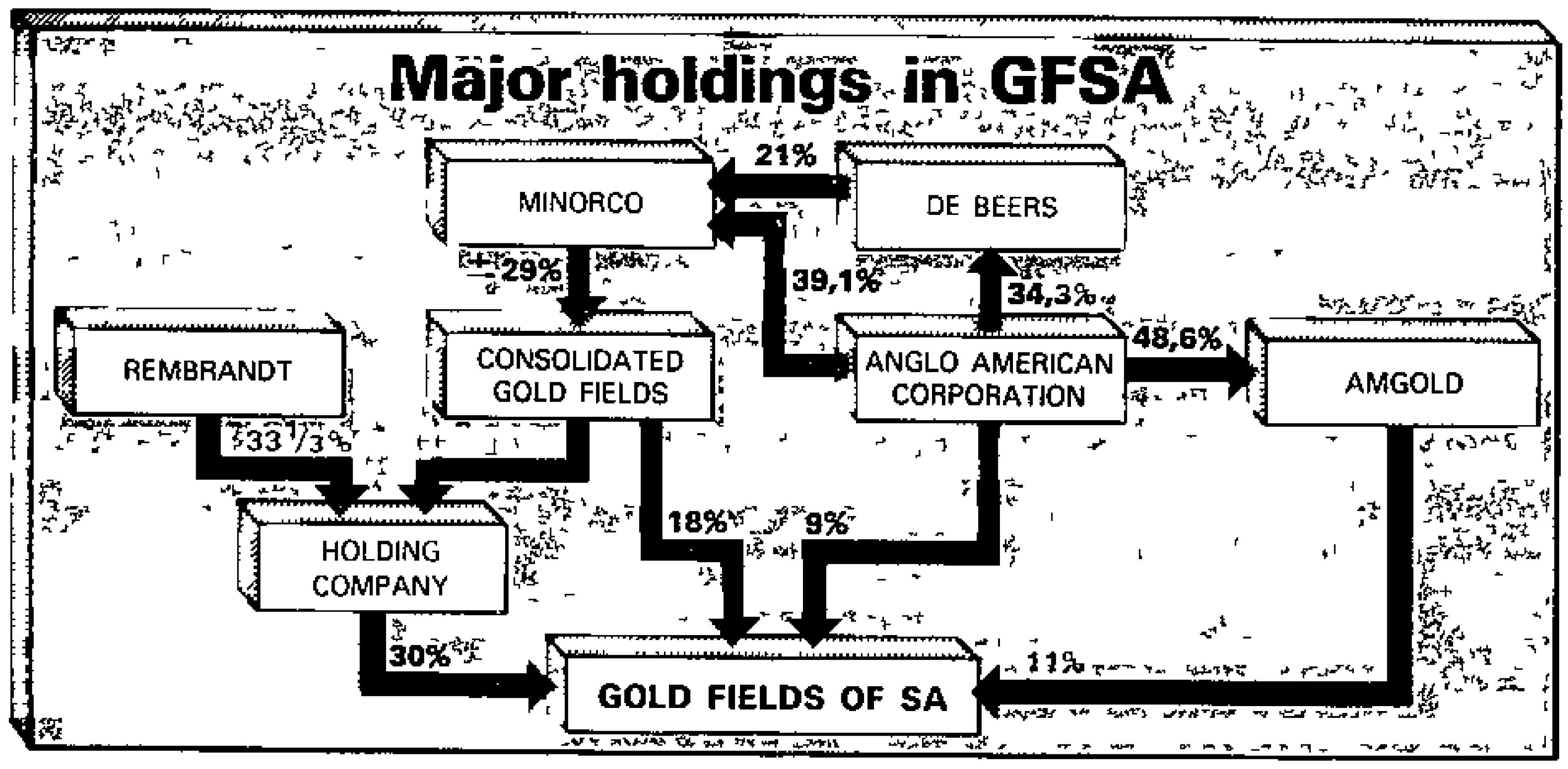
Each party will have conventional pre-emption rights in the other party's shareholdings The eventual outcome could depend on the nature of the pre-emption rights, but GFSA deputy chairman Dru Gnodde says he expects the agreement will be com-



Rembrandt's Rupert ... more expansion into mining

prehensive Rembrandt says it does not envisage becoming the largest shareholder in GFSA

Understandably, Gnodde says GFSA "supports the deal" Rembrandt, despite its "partnership" policy, is not expected to gain a seat on GFSA's board, or to get involved in management Gnodde notes that there will be some cross-fertilisation at board level former Sasol MD Joe Stegmann recently joined GFSA's board in place of Tommy Muller, shortly afterwards, and quite coincidentally, says Gnodde, Stegmann joined Rembrandt's board. Gnodde adds that GFSA remains happy with the stake of 7%-odd which GFSA and Drie Cons hold in CGF



For Rembrandt, the deal results in a substantially larger involvement in mining investments and a clearer investment profile Rembrandt has long owned some 30% of Federale Mynbou, holding company of Gencor. It also controls diamond mining and building supplies company Trans Hex

One JSE analyst calculates that after the GFSA share purchase, mining investments could account for more than 40% of Rembrandt's capital employed. If so, investors may start seeing the group as akin to a mining house That could turn out to be a disadvantage, given that share prices of South African mining houses have generally stood below net asset value, while Rembrandt's price has recently traded at a premium to net asset value

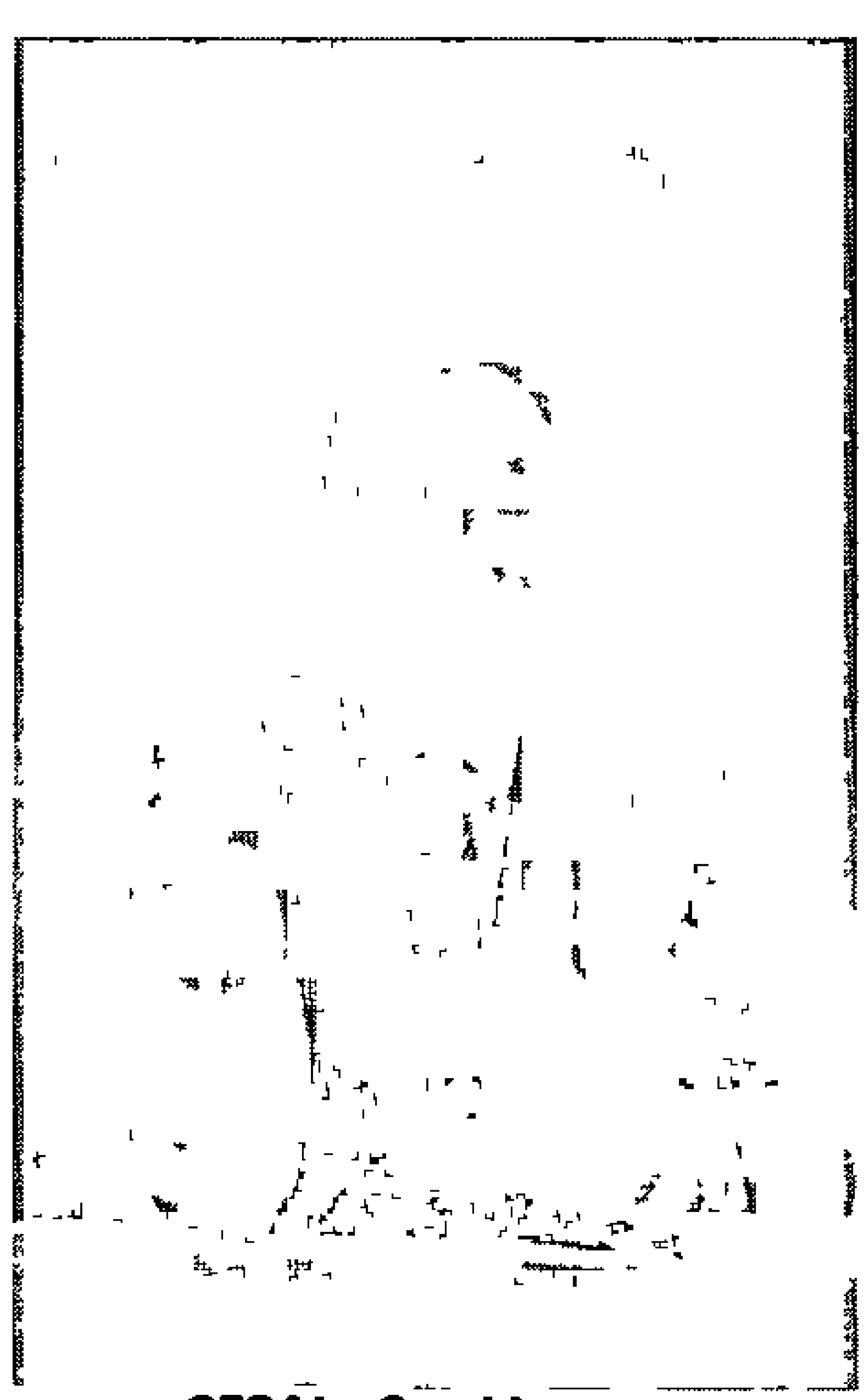
Rembrandt would have no difficulty funding the deal At its 1986 year-end it held cash resources of some R622m, total cash and portfolio investments amounted to R1,4 billion With no comment forthcoming from Rembrandt, it is not clear whether the consideration of about £131m, which translates to around R433m at the current commercial rand rate, is to be remitted from SA through the financial rand, or will be paid from cash and liquid investments held abroad by the Rembrandt group.

Use of the large cash pile held abroad would probably be quite feasible But to divert foreign reserves to buy into a company based in SA, does not seem to be a clever strategic move It would probably be seen by the stock market as a disappointing aspect of the deal — even if GFSA is in the "rand hedge" category

However, in strategic terms the deal is another in a series of investments made in recent years by the steadily diversifying Rembrandt group Groups in which Rembrandt will hold controlling or significant stakes after the deal include Rothmans International, Federale Mynbou, Trans Hex, GFSA, Metkor, Dorbyl, Fraser Alexander, Hunt Leuchars & Hepburn, Mediclinic, Cape Wine, Volkskas Bank, Sage Holdings, Lifegro and Rand Merchant Bank Only a fortnight ago, the Rembrandt group bought from Volkskas Industries a 25% interest in Bonuskor, for R40m

As for CGF's motivation, the sale appears to be a disinvestment made for commercial reasons The London group is receiving its funds for an agreed price in sterling, so there is no financial rand risk The approach was originally made by Rembrandt, and the deal was struck at an effective 13,5% premium over the GFSA market price (with CGF keeping the GFSA final dividend, assumed to be maintained) CGF chairman Rudolph Agnew described the offer as one that CGF could not refuse

As a move out of gold the sale appears curious CGF has indicated it still sees its future in the metal Paul Johnson, in his centenary book on CGF, quotes CGF MD Anthony Hichens as saying that, in defining the group's product philosophy, "the thread we want to pursue is mining and natural resources, and in particular gold"



GFSA's Gnodde . . . 'comprehensive agreement'

However CGF intends to invest the funds from Rembrandt in other international investments, including gold mining They will be used to finance expansion of CGF's biggest profit-earner, Amey Roadstone Company, which has just spent US$240m on a US acquisition, development of Chimney Creek gold mine in Nevada ($80m), and Mount Goldsworthy iron ore mine in Australia ($56m)

The sale is described as part of an overall strategy of moving towards wholly owned subsidiaries, with control over cash flow to finance overall development Agnew says that while CGF's worldwide "confederation" system is ideal, it does have a major flaw "For every dollar or rand we earn, we have to leave X% behind for that interest's own growth"

With CGF retaining control of the new holding company, the deal cannot be seen as a response to political pressures As Agnew puts it "It is not to say that we want to diminish our other interests It is a question of balance — tipping towards controlled cash flow" There is no plan at present to sell further shares in GFSA, but this has not been ruled out

Indeed, while the short-term effects may seem clear enough, the medium- to long-term implications of CGF's partial disinvestment are impossible to assess It is unlikely that developments will simply stop here Having substantially lightened the stake in GFSA now, such decisions may be made more easily in future But if CGF does want gold to remain a core element in its portfolio, it will not easily find replacements for the long-life, high-quality South African producers in which it is already invested

Who controls GFSA is seen as critical for the South African mining industry, because it is seen as a "swing" mining house between the Anglo-JCI interest and Gencor Five, 10 or 15 years in the future, when different individuals are running the major groups involved, new relationships that look dubious at present could quite conceivably be formed

Unexpected alliances may also appear. Not to be overlooked as a potentially important player in future moves is the Liberty group Liberty is believed to enjoy friendly relationships with Rembrandt, and also has links with GFSA Several years ago Liberty sold control of Clydesdale Collieries to GFSA in exchange of preference shares in GFSA But when any sizeable holdings of GFSA shares will again change hands, is anybody's guess at this stage

Andrew McNulty and John Cavill

ARGUS 19/8/87

Water pipeline sabotaged as mine-strike talks fail

(210)

The Argus Correspondent

JOHANNESBURG — In continuing mine strike-related violence last night, a pipeline supplying water to the East Rand Gold and Uranium (Ergo) plant near Springs was sabotaged and 15 NUM members were allegedly injured in police action at Anglo American's President Steyn gold mine in the Free State

The last 24 hours has also seen the breakdown of talks between the National Union of Mineworkers (NUM) and Anglo American aimed at ending violence surrounding the 10-day strike

NUM walked out of the talks, claiming Anglo called in police at the President Steyn mine and that workers had been injured Anglo has denied this accusation, and today called on the NUM to resume talks

A spokesman for Anglo said today "A pipeline supplying water to the Ergo plant was sabotaged resulting in loss of about 2 000 tons"

Talks between the NUM and Anglo broke down last night when the union walked out after learning of the incident at President Steyn The NUM claimed police fired rubber bullets, but police have denied this claim

In a statement last night, the Police Directorate of Public Relations said a group of about 50 people gathered at the mine yesterday afternoon The police were called in and ordered the group to disperse When they refused, tearsmoke was used and the group dispersed "There were no injuries or arrests," he said

The NUM's general secretary, Mr Cyril Ramaphosa, said six of the wounded mineworkers were in a serious condition He said the workers were sitting or standing at a bus stop outside the mine gates when police arrived and started shooting "without any provocation" He accused Anglo of "collusion" with the police.

Anglo's industrial relations adviser, Mr Bobby Godsell, denying Anglo had called the police, called on the NUM to resume talks "Initial investigation of the incident at a concession store near President Steyn gold mine, which NUM cited as their reason for abruptly terminating the discussions about mine violence, did not take place on mine property and did not involve mine security personnel"

In the Eastern Highveld, an Amcoal spokesman said today that about 700 strikers at the Landau colliery had agreed to return to work after consultation following talks between the NUM and management

Homeward bound miners warned

JOHANNESBURG — The Anglo-American Corporation warned last night that black goldmine workers leaving Vaal Reefs in the western Transvaal and heading home were "resigning their jobs"

A National Union of Mineworkers (NUM) spokesman, Mr Marcel Golding, said the miners had decided to give up their jobs and return home rather than "break" the miners' strike

Anglo, the Republic's biggest gold producer, had given an estimated 2 500 strikers at Vaal Reefs until yesterday to return to work at the mine's Number 6 shaft or the marginal operation would be closed down

Anglo extended the deadline until last night to give NUM officials time to explain the proposed closure to union members, Mr Golding said

An Anglo spokesman, Mr James Duncan, said the corporation "understood" the NUM had told its members at the Number 6 shaft to go home

The strike started in East London on June 23 after the Postal Workers' Union alleged three workers had been dismissed unfairly

Editorial opinion P16

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Bobby Godsell keeps his cool over heated words from NUM

FOR ANGLO Bobby Godsell admires his adversary

PATRICK LAURENCE

Anglo American's Mr Bobby Godsell has been in the frontline of the dispute in the mining industry for the past 12 days, having had to endure accusations of "treachery, ruthlessness and cowardice" from the National Union of Mineworkers (NUM)

The charges are perhaps harder to bear because they were voiced by NUM's general secretary, Mr Cyril Ramaphosa, a man who Mr Godsell has known for a long time.

But Mr Godsell, who is Anglo's industrial relations chief, has tried to keep cool under pressure and to accept that flaring tempers and intemperate language are integral to the collective bargaining process

Seated in his office at Anglo's Main Street headquarters, Mr Godsell spoke frankly to The Saturday Star about how he felt after the collapse of talks with NUM on how to contain violence for the duration of the strike, and the flinging of barbed epithets at Anglo — and, by extension, at him — by Mr Ramaphosa

"Well, by absolute design, I am not going to react to them at all," he said of Mr Ramaphosa's remarks

Having noted that there is a strong "adversorial relationship" in collective bargaining, he said. "I think it is important to see the dispute in the context of a very deep polarisation which exists in attitude and emotion in South Africa"

While feelings generated by the wider South African situation surfaced easily in the heat of the dispute, they were less important than the underlying reality· the mining industry's need for workers who have acquired certain skills and their matching need for employment.

"I think that functional interdependence governs the relationship much more than Mr Ramaphosa's feelings about the integrity or courage of the Anglo American Corporation," he said

Mr Godsell (34), his shirt sleeves rolled up in an un-Anglo American-style, is coincidentally the same age as Mr Ramaphosa

Invited to comment on Mr Ramaphosa, he said "Well I've known the guy for quite a long time. I think our relationship now is overwhelming the relationship of the structures in which we find ourselves, which is one of adversaries But I have real respect for the man's intellect, his energy and his leadership ability"

Anglo American has been most severely affected by the strike — the longest and biggest, and, presumably, the most costly, by black miners in South African labour history — largely because it agreed to allow NUM officials to recruit members in its hostels.

After 12 days of strife, during which rival mining houses which did not allow NUM access to their hostels have been relatively immune, has Anglo had second thoughts about the wisdom of its decision?

"No, it has not," Mr Godsell said, noting that 86 percent of NUM'S members worked on Anglo Mines But he did add a rider

"People really have to understand what liberal democracy is about. The fact that we support the right of workers to join unions and their right to strike does not mean that we want to avoid strikes at all costs by capitulating to union demands.

Collective bargaining contained a strong adversorial element between capital and labour but, ultimately, it was concerned with the constructive use of power, Mr Godsell said.

"We want an honourable settlement. We don't want capitulation. We don't want to entrench a pattern of bargaining by blackmail, where we can only reach agreement after we have had a long, hard and sometimes bloody strike."

He makes the point that societies, such as Britian, whose industrial relations had fallen into that pattern had paid a terrible price. British factory employees, for example, were now paid about half of their counterparts in Japan and Germany, he said.

Noting that South Africa's gold mining industry was an ageing industry — "the last significant discovery of gold in the 1940s was exploited in the 1950s" — he concluded sombrely about the present strike: "So it is as much about the pattern of future bargaining as it is about the immediate issues in conflict."

FOR NUM: Cyril Ramaphosa knows Bobby well

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POUROULIS AND LEFKOCHRYSOS

Aiming for a platinum coup

If mining entrepreneur Loucas Pouroulis brings his Lefkochrysos platinum mine to profitable production according to his own ambitious schedule, it will be the biggest coup in decades by an independent mining group. But investors should realise the risks involved.

Since Loucas Christos Pouroulis (48) left Anglo American in 1971, he has established himself as SA's most successful independent mining entrepreneur If his Lefkochrysos Platinum mine (Lefko) near Brits turns out to be all he claims, then his Golden Dumps group will become a mining house to be reckoned with

But the R253m platinum venture is a far larger and more complex project than anything Pouroulis has yet tackled — quite different from running a small gold mine More complete details should be available when the prospectus is issued next week But it is obvious that Lefko will require hefty financial, technical and managerial resources — and needs to be carefully considered by potential investors

Pouroulis has overcome formidable obstacles in the past As a pioneering independent in a gold mining industry dominated for more than 50 years by major mining houses, he had a rough ride setting up his first gold mines, Consolidated Modderfontein and South Roodepoort, both of which had been closed previously by major mining houses

Without an established track record, Pouroulis was unable to raise locally the R20m he needed to finance Cons Modder. He eventually found the money in London through stockbroking firm Laing & Cruickshank Seven years later, with these two mines making healthy profits, Pouroulis has had no problem finding finance for Lefkochrysos (an ancient Greek word meaning white gold)

Even so, some observers are sceptical that he can actually bring the mine to profitable production Although they make no official comment, the established platinum producers appear to be among the sceptics These groups have accumulated immense platinum marketing and technical expertise, and, of course, the three present South African producers — Rustenburg, Impala and Western — are accustomed to dominating supplies of platinum group metals to Western markets

Platinum is a tougher nut to crack than gold, from both metallurgical and marketing viewpoints In contrast to the gold producers, which sell their gold to the Reserve Bank, competition between the platinum producers is cut-throat They market independently and have kept their activities highly secretive, refusing to publish such basic information as recovery grades, working costs, and production levels There is no technical co-operation between the platinum groups

Pouroulis's reaction to being viewed as a gatecrasher at the platinum party has been to establish at the outset that he, too, is tough So far, he has poached for Lefko the manager of Western Platinum's complex precious metal refinery, won control of mineral rights which previously formed part of Rustenburg's Pandora prospect, and, by planning to get into production some two years ahead of Gold Fields of SA's (GFSA) new Northam Platinum, must be pitching for customers GFSA would have liked to tie up

Lefko controls the mineral rights to more than 11 000 ha of ground around Brits (**see map**) The platinum-bearing Merensky and UG2 reefs outcrop on surface in the south of the area and dip to the north JCI continues to hold some of the mineral rights within the project area, including a large chunk in the centre, and certain boundary areas Pouroulis acknowledges this, but says it does not present a problem, as Lefko can simply mine around the JCI-held areas

Plans are to start mining the UG2 reef in the shallow area, using rubber-tyred load haul dumpers (LHDs) and jumbo drill rigs in a highly mechanised operation Production is scheduled to start in 1989, hitting first-phase full output of 160 000 t a month within a year A report by one of Lefko's sponsoring stockbrokers, J D Anderson, estimates that at that milled production level, Lefko should produce some 280 000 oz of platinum group metals (PGM) annually, of which some 144 000 oz will be platinum

Lefko's Pouroulis ... fighter in a competitive sector

The plan is to set up a treatment plant at the mine, comprising a conventional milling section, flotation circuit and smelter, to produce a UG2 convertor matte The matte will be sent to Lefko's own base metal and precious metal refineries on the East Rand Pouroulis says a base metals refinery is necessary because the UG2 reef — like the Merensky Reef — contains quantities of base metals, which need to be removed before the PGM can be recovered

Total cost of the first phase is estimated at R253m, of which some R101m is for the refineries and treatment plant Longer-term planning is to sink vertical shafts in the deeper, northern sections of Lefko's ground This would cost another R350m, to be financed from retained earnings J D Anderson estimates this would push Lefko's annual production to some 640 000 oz of PGM, containing 326 000 oz of platinum by 1994

Because the mine is to be highly mechanised, Pouroulis says, less than 1 000 workers will be needed for the Lefko operation Sinking of the first three decline shafts has started and work will soon start on a fourth. Contractors are doing the surface excavations down to about 15 m, after which Lefko's staff take over the sinking Stockpiling of ore on surface is due to start in about two weeks

Edward L Bateman is carrying out the design and project management work on Lefko's concentrator The smelter will be built by a Bateman/Lurgi syndicate, while Lefko is also using Bateman for back-up on much of the general technical work involved The base metal refinery will use Sherritt Gordon technology, with Sherritt Gordon doing the detailed engineering Construction contracts for this and the precious metals refinery have not yet been awarded

Arrangements have been made to obtain water for the mine from the nearby Crocodile River Lefko MD Richard Johnson adds that an agreement has been reached with the Department of Water Affairs to release enough water from the Hartbeespoort Dam to meet the mine's requirements

Derek Ritchie, mining analyst at stockbroking firm Fergusson Brothers Hall Stewart, says "I believe Pouroulis can make Lefko work and that it is a worthwhile project However, I think he is being too optimistic in planning to hit full production within a year of start-up That could take between two and three years to reach, depending on teething problems encountered "

Certainly, Pouroulis's determined — some may say headstrong — approach has given rise to misgivings Lefko's critics say he is rushing into a project that calls for a more cautious approach

Messina, for example, another prospective new platinum producer, is setting up a R10m pilot mining and treatment operation before committing itself fully to its proposed platinum mine to exploit Merensky reef — far easier to treat than UG2

The critics claim that problems associated with mining the UG2 reef, as well as the faulted nature of the ground, could slow Lefko's production build-up, and that there could be severe metallurgical problems smelting the UG2 concentrates into a matte, because the technology for this is far from proven For his part, Pouroulis rejects these criticisms He contends that four years of planning have gone into Lefko and all these problems have been foreseen and planned for

A number of independent geologists and mining engineers tell me they support him, although they continue to hold reservations on the UG2 smelting technology issue The UG2 reef contains chrome in quantities that make smelting very difficult when compared with Merensky reef Pouroulis counters by saying the Council for Mineral Technology (Mintek) has developed the technology to successfully smelt UG2 concentrates Pouroulis is mining UG2 because the Merensky reef at Lefko is of too low a grade to mine down to a vertical depth of 400 m

Since 1983, Wesplat has been running a UG2 smelter established with Mintek's help Wesplat could not get it to work on pure UG2 concentrates Merensky ore concentrates containing higher levels of copper and nickel sulphides, which proved crucial in attracting the PGM in the smelting process, had to be mixed with the UG2 concentrates before the system gave acceptable recoveries

Lefko will not have Merensky concentrates to blend in — at least not in the beginning

However, Mintek Report 1-87 on PGM from the UG2, released early this year, describes a number of modifications to smelting technology undertaken since then It provides the basis for Pouroulis's confidence that the UG2 concentrates can be successfully smelted

Lefko is taking out a licence to use Mintek's patented UG2 recovery and smelting system and Mintek is acting as metallurgical consultant to the mine

For the present, though, there are no guarantees on the process A Mintek spokesman with pyrometallurgical experience tells me "Our work on various UG2 ores has shown that, in principle, it is technically feasible to smelt pure UG2 ore concentrates However, until we have carried out and evaluated pilot plant testwork on Lefko's specific UG2 ore, it is impossible to be completely sure it can be done "

Bulk ore samples from Lefko have still to be delivered to Mintek for this pilot plant work to be carried out The prospectus apparently includes a statement from Mintek

Faulting in the shallow Lefko areas has broken up the orebody into large blocks which will be mined separately A geologist with experience of platinum deposits in the region tells me "By Bushveld Igneous Complex standards the Lefko ground is heavily faulted, but by gold mining standards it is not Any miner from Buffelsfontein (a Gencor mine experiencing severe faulting problems) would think Lefko a piece of cake "

If all goes according to schedule, Lefko will be on stream well ahead of GFSA's Northam, despite the far larger resources of GFSA

The explanation for this, apart from Pouroulis's own breathless style, is that the two projects are radically different

Before mining can start, Northam needs to sink shafts to depths of 2 000 m This will take some three years Because of the

Chamber meets after calls for new strike talks

By Mike Siluma

25/8/87

The Chamber of Mines was meeting today to consider calls for renewed talks to end the 15-day-old miners' strike

This development follows statements yesterday by both the National Union of Mineworkers and Anglo American that they were willing to resume talks if no preconditions were set

Now the key issue is whether the Chamber — the mine-owners negotiating body — will adopt Anglo's stance.

The Chamber had earlier said it was not prepared to re-open negotiations on wages

Miners went on strike after deadlocked talks with the Chamber on wages and benefits

The NUM last night sent a telex to the Chamber, expressing willingness to re-open negotiations without preconditions.

Chamber spokesmen said the matter was being discussed at the Chamber's executive committee today.

NUM assistant general secretary Mr Marcel Golding said. "The fact an industry spokesman expressed a preparedness to talk without preconditions has set the climate for negotiations to be set in motion."

The union said any settlement would have to include a satisfactory wage agreement.

MANAGEMENT

The NUM statement followed a call Anglo's industrial relations chief, Mr Bobby Godsell, for the NUM to return to the negotiating table.

Mr Godsell also called on the union to resume talks on strike-related violence "before more people die".

Asked if management would also be prepared to negotiate on wages, Mr Godsell said Anglo would not set preconditions

He added that the industry still believed its cash wage award was fair.

Anglo's call came as the strike death toll rose to six in three days, with the death a worker at the President Steyn mine and two at JCI's Western Areas gold mine.

Accoring to management, the man died after being attacked by strikers while trying to report for duty

The NUM said mine security fired on strikers who defied an order to end the strike.

● Anglo American, reporting a return by large numbers of workers, said the deadline at the Vaal Reefs No 9 was extended to today, and that at Western Holding 2 and 3 to tomorrow.

Strikers at Amcoal's Sringfield and New Denmark collieries have until tomorrow morning to return to work.

The NUM rejected reports that workers are going back voluntarily

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BOBBY GODSELL

Bargaining the future

Bobby Godsell looks a little young and boyish to be chief labour relations troubleshooter for the country's biggest mining and industrial conglomerate, Anglo American Corporation But he turns 35 in September, which makes him two months older than his chief adversary in the field, Cyril Ramaphosa, whose National Union of Mineworkers' (NUM) strike is hitting Anglo hardest

Ironically, because Godsell helped pioneer Anglo's liberal approach to the advent of black trade unionism in SA It's not surprising, therefore, that he sees the strike, the biggest in South African history, as a demonstration of "the vitality of our industrial relations system " And if Anglo is taking the brunt, it's because "we're further down the learning curve "

He goes further. "We can see the industrial relations (IR) system as a beachhead for the emergence of non-racial democratic institutions as a whole in SA." So he doesn't share the view of those who believe the miners' strike is "political" in the crude sense. On the contrary, Godsell maintains, the strike "is about wages and working conditions "

Sure, it entails a union drive for a redistribution of wealth, which is a valid quest, says Godsell But he reckons the dispute with the NUM is about *how* and *how fast* to achieve it

Godsell, who is married to an industrial psychologist, Gillian, and has two daughters, grew up in Durban He studied sociology and philosophy at the universities of Natal, Leiden and Cape Town, intending to become an academic sociologist (which, since the strike, he jokingly says, he wishes he'd done)

His main philosophical influence came from the existentialists — specifically Albert Camus, whose Algerian writings he finds "hauntingly reminiscent" of this country — although he doesn't believe events here will take quite the same course

Godsell . . . liberal realist

He got into IR "by accident," joining Anglo in 1974 to do a specific project (under Alex Boraine) on union rights for blacks

A number of his contemporaries at Natal University, notably SA's foremost labour lawyer Halton Cheadle, went on via the seminal Nusas Wage Commission to do invaluable work in fostering the growth of black unions In a sense, he remarks, he is the black sheep, having joined "management "

But Godsell has no regrets about his decision to join Anglo He now heads the IR department, with an interest in labour relations in Anglo associate companies in southern Africa and abroad. He is active in the Southern African Employers' Consultative Committee on Labour Affairs, and is chairman of the FCI's manpower committee.

Godsell, a member of the PFP, is driven by a strong commitment to the process of wealth creation, pointing out that "liberation" and economic progress for all cannot simply involve replacing this government. Being part of the Anglo empire provides the opportunity for involvement in two important and exciting processes — wealth creation, and building "a microcosm of a future multiracial society "

One of the major difficulties in labour bargaining, he finds, is being caught in the trap of South African history — a good example being the mine hostel system.

He believes SA is basically a poor country, with a per capita gross income of around US$1 900, compared to the $10 000-band of a highly developed country like Japan

The pursuit of this goal explains his "fascination" with the IR process which entails procedures of distributing the wealth created how to reward the investors and the workers, and what proportion of profits needs to be retained to ensure industrial viability

He has known Ramaphosa (*People* August 14), whose "intellect and drive" he respects, since before Ramaphosa entered the union movement But although Godsell believes they probably do not differ in wanting a "nonracial democratic" SA, they have some fundamental ideological differences. Godsell doesn't believe in "democratic centralism," for instance; he is committed to a market economy in a liberal democracy And, despite his positive attitude to unions, he has been disappointed by the NUM's brinkmanship bargaining in recent years.

Godsell is convinced that trade unions can only exist in a liberal democracy, and therefore welcomes the debate that's begun in Cosatu (which envisages a future guided by the Freedom Charter) on the role of unions

To Godsell, it is naive to believe that "the people" or "the party" can resolve conflicts or guarantee certain rights without a free press, independent courts and institutionalised labour bargaining

He doesn't share the view that sees political change coming about only as a result of the State President simply signing over power to the majority

Rather, his instinct is to look to mobilising those with whom it's possible to share power He sees change coming through an incremental process, with the disappearance of race divisions

For Godsell, the real debate centres on the best strategies for industrial development ■

CONS MODDERFONTEIN 210

Clearer picture

Golden Dumps, manager of Consolidated Modderfontein, has finally shed light on the mine's poor operating performance of the past year Investors have watched recovery grade fall, profitability diminish and the rate of production build-up drop below expectation The share price has fallen from a high of R21,50 to a low of R10,75, recovering only recently to about R13,75

The good news in a presentation to analysts this week is that Cons Modder's fortunes are changing for the better, with a marked improvement expected from the December quarter However, the details revealed at the presentation should have been released much earlier. Financial journalists who queried the mine's plummeting grade at quarterly press conferences during the past year were told by Golden Dumps management it was related mainly to the better rand gold prices and there were no problems with the mining operation

That was not correct Golden Dumps chief geologist Roger Daniel this week listed a series of problems which Cons Modder has battled with during the year

These included a sharp drop in the grade of the very rich Black Reef payshoot which Cons Modder had picked up at its North East Prospect (NEP) shaft, and which in places was running at grades between 50 g/t and 100 g/t

Published falling development results indicated the end of this payshoot but Golden Dumps' management, asked about the effect of this at the time, replied that the mine was picking up good Black Reef grades on development from the 1 Circular Shaft These were not as good as the NEP shaft values, but were still running at about 8 g/t

It now turns out the Black Reef found at the Circular Shaft, unlike the other Black Reef deposits found at the mine, contained quantities of graphite which wreaked havoc on the Carbon-in-pulp (CIP) recovery process because graphite, like carbon, attracts gold particles.

This prevented the expected build-up of tonnage of this high-grade ore. To compensate, management had to pull ore out of the NEP and No 14 shafts at higher than anticipated rates They consequently had to take greater volumes of lower-grade material from these shafts while development work to open up new ore reserves for these shafts also suffered

On the plus side, operations at 1 Shaft are swinging emphasis from the Black Reef to the South and Kimberley reefs, which will give better recoveries. Additional ore reserves found near 1 Shaft mean it can hoist its capacity from the immediate vicinity and plans to push haulages through to 7 and 14 shafts have been dropped

At NEP shaft, a decline ramp to be used by trackless vehicles is being sunk to link up with the existing incline on 2 level. This decline will increase production capacity and access Kimberley reef in the area, as well as another Black Reef payshoot region, the Geduld channel

"We are confident we will see much higher grades from here in the very near future," says Daniel He adds the ore mix at 14 Shaft will change with more, higher-grade MK1 reef being mined. He says the Cons Modder plant will reach its rated capacity of 70 000t a month in October The Springs Dagga plant is currently milling at a rate of 15 000t a month and should reach 20 000t a month in the first quarter of 1988 and, finally, its rated capacity of 30 000t a month early in the second quarter

Daniel says latest development work at Springs Dagga has shown the area to be complex but containing large amounts of intact, high-grade ore reserves running at around 20 g/t as well as large amounts of high-grade sweepings in the mined-out areas running at between 10 g/t to 70 g/t

Therefore, a significant improvement in the results can be expected from the December quarter onwards, although the September quarter will be similar to the July quarter He expects Cons Modder's yield to return to about 4,5 g/t from 3,8 g/t in the June quarter, but it will not reach the levels of 5,5 g/t and 6,5 g/t achieved in 1984 and 1985 Working costs at full output are expected to drop, in current money values, to about R60/t from the June quarter's R71/t.

An additional 70 000t a month plant will be built at a cost of about R40m to start up in January 1989, followed by an 18-month commissioning period. This capital expenditure will coincide with the end of the R25m assessed tax loss Cons Modder gained through the Springs Dagga merger which should be used up in the 1988 financial year.

Brendan Ryan

Cons Modder's Pouroulis . . . sees better grades

FM 4/9/87

SA mine accident rate is dropping

STAR 2/10 9/9/87

In response to the letter from Mr Jack Curtis, "Accident figures queried" (The Star, September 1), the figure of well over 56 000 killed on British coal mines this century was obtained from data supplied by the Health and Safety Executive in London

While a baldly-stated figure like this can be misleading, there are also reasons why this particular statistic is useful, even though Mr Curtis might feel uncomfortable with it

First, it does lend a perspective to the figure of 46 000 who have died in South African gold mines over the same period and which the ANC, the Anti-Apartheid Movement and others use in their propaganda

What the British figure simply conveys and the point Mr Peter Gush was making, is that the South African gold mining industry is not the only mining industry that has experienced a large number of fatalities

The second reason why the British statistic is useful is that analysis of the British experience, with its dramatic decline in mining fatalities after World War 2, contains an important lesson and conclusion for the South African gold mining industry

This is that the improved performance safety which the South African gold mining industry is aiming at is probably only achievable with a significant increase in mechanisation and consequently — and ironically in a country like ours with its very high unemployment among the black population — fewer people employed underground

Mr Gush referred to the British experience both in his address to the annual meeting of the Association of Mine Managers on March 21 this year, and again in his Presidential Address to the annual meeting of the Chamber of Mines on June 23, when he said

"In a way, South African gold mines are in a similar position to the British coal mines before they mechanised. Their high fatality rate at that time — which approximates ours now — was significantly reduced when mechanised mining methods were developed Thus, any technical breakthrough in this area will not only lower the fatality rate but will also reduce the size of the workforce"

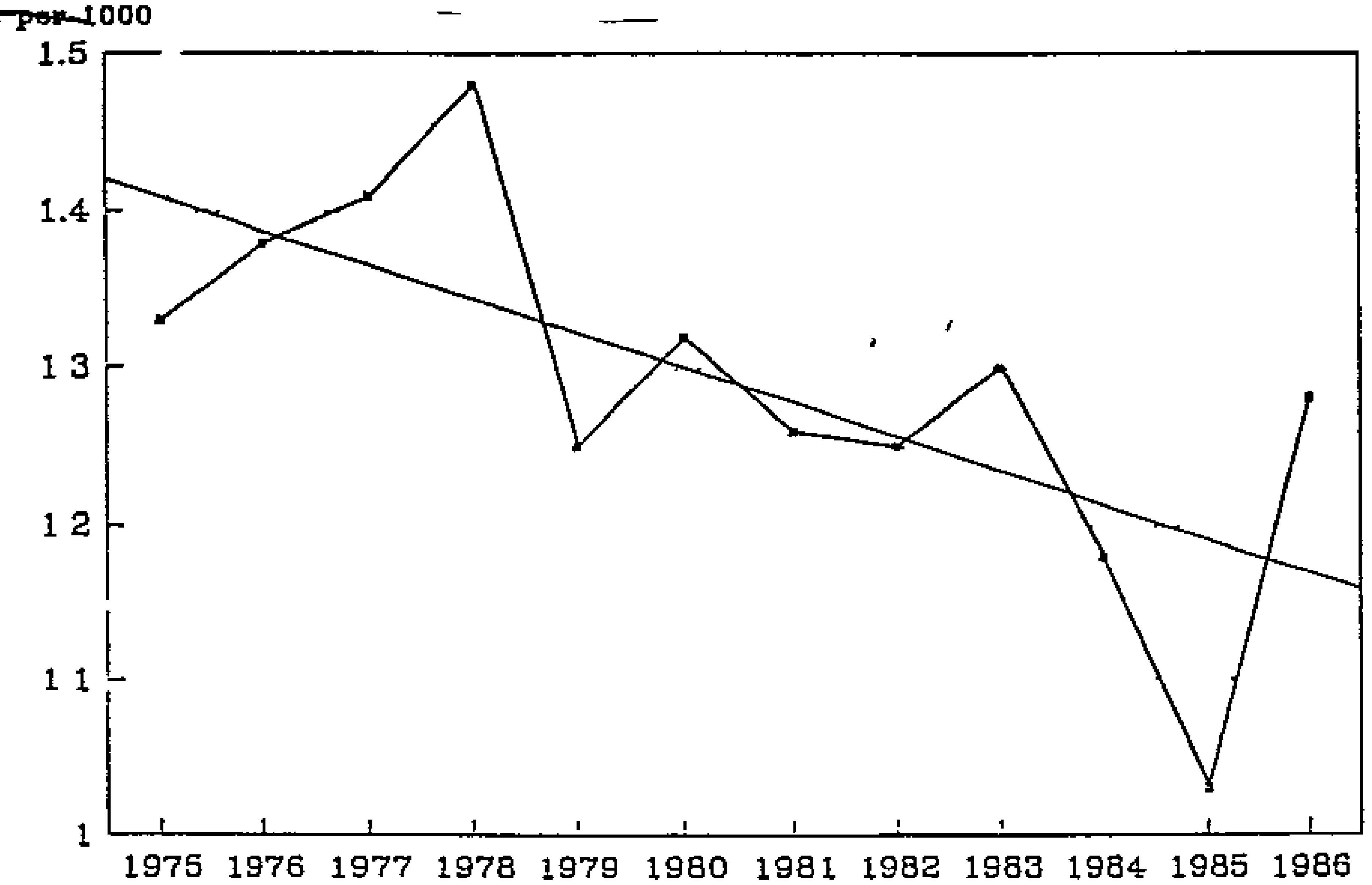
In his letter, Mr Curtis also resorts to the strategy of comparing fatalities on South African gold mines with British coal mines, which he must know very well is an apples and pears exercise, as one cannot compare the physical environment in gold mines, which produces probably the most difficult mining conditions in the world, with conditions in coal mines

For the record, in spite of some recent major accidents, the trendline in fatalities and injuries on both gold and coal mines is down (see accompanying graphs)

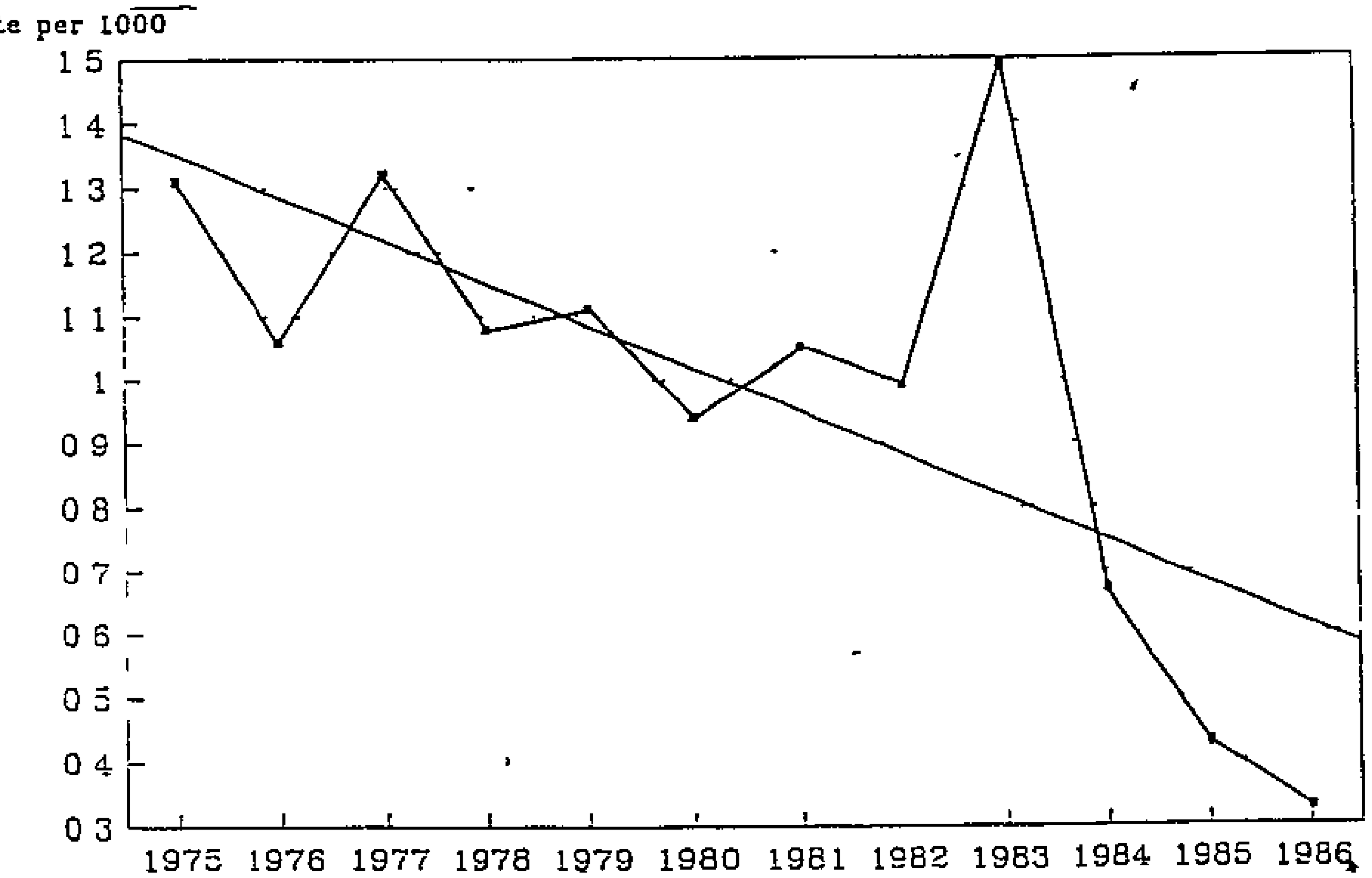
Furthermore, comparing apples with apples, the fatality rate on South African coal mines last year was 0,33 fatalities per 1 000 people in service as against 0,48 for United States coal mines, 0 24 for German coal mines, and 0,18 for British coal mines

There remains only one thing to add, which is that it is the very worst kind of disinformation for Mr Curtis to suggest that the reduction in British fatality rates was due to nationalisation of the coal mines

John Imrie
Public Affairs Adviser
Chamber of Mines of South Africa
Johannesburg



Fatality rates per 1 000 people in service p a on gold mines, members of the Chamber of Mines



Fatality rates per 1 000 people in service p.a. on coal mines, members of the Chamber of Mines

Smoke, and lives in jeopardy

If I were a crew member on a South African Airways flight I would refuse to fly without the certainty that mindless egocentrics could not smoke in aircraft toilets

For a puff of smoke all lives on board are put in jeopardy. This is a crime little short of setting a detonator, and deserving a like sentence

S N P Klugman
Hillbrow

VENTURES Argus 10/9/87 (210)

Small mines to the fore in SA

JOHANNESBURG — It's the day of the small mine again in South Africa, says a survey published in the latest issue of Engineering News

"New mini-mines and old resurrected mini-mines are popping up all over the Transvaal — and stock exchange listings are there aplenty," it says

Husband and wife team Steen and Franca Severin, in South Africa from Denmark to start a new life, struck gold in the dumps of the old Rand Leases company, and have since opened Eersteling, the born-again gold mine near Pietersburg

Les Holmes quit an executive post to re-equip the old Betty shaft at the Sub Nigel gold mine in Springs

One-time mining engineer Cyril Heever, through African Exploration Company, is weaving a magic wand over Roodepoort Gold Holdings (Rhogold), where a carbon-in-pulp plant is to be commissioned next month

Heever is also resurrecting Modder B Gold Holdings, Springs

The most spectacular achievement is that of "the minnow of yesterday which has become the giant of today" — Golden Dumps, headed by former miner Loucas Pouroulis

Pouroulis went to bed last week a millionaire — he woke up next morning a billionaire following the listing of his platinum mine Lefkochrysos, which means "white gold"

"One of the reclamation methods is sweeping — yes, as in broom," Engineering News says

The latter-day pioneers go below to bring up floor sweepings to the surface for processing

Because the gold price was fixed for so long at $35 an ounce, it did not pay the mining companies of old to pursue these workings

But with the rand price of the commodity at heady heights today, the smaller man is reaping a bonanza. — Sapa

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White union blamed for mine discrimination

By Mike Siluma,
Labour Reporter

The removal of job reservation in the South African mining industry shows the increasing internal pressure for the abolition of apartheid, a study just published by the International Labour Organisation (ILO) says.

The study singles out the white Mineworkers' Union "and its political backers" as having been a "formidable obstacle" to the removal of statutory occupational barriers in the mines.

In a discussion of the origin and evolution of job discrimination, the authors say that, although the mining industry was the first to introduce job reservation, the practice was eventually extended to nearly all sectors of the economy But, after political turmoil in South Africa, the other sectors were the first to shed the practice, leaving mining as the last bastion of job reservation.

"The absence of economic pressures for change from African workers has also been a major reason for the persistence of job colour bars, the scarcity of skills and unequal wage rates in the mining industry," says the study when examining the reasons for the existence of job discrimination for more than 50 years

The authors also blame mining industry employers for failing, "for 50 years to make a direct onslaught on a system of race discrimination that they had frequently condemned as being morally indefensible and economically harmful"

Mineowners, they say, had not forgotten "the lessons of the 1922 Rand revolt which led to an alliance between white labour and Afrikaner nationalism" .

PRESSURES BUILDING UP

The repeal of job reservation in the mining industry was a pointer to the pressures building up in the country "against Pretoria's pursuit of apartheid"

"The black majority in the towns, with widespread support in the countryside, is determined to seize political power under a constitution that would enable South Africans of all races to participate in government, abolish apartheid and narrow the gap between white and black living standards.

"These are also the the ultimate objectives of the African mineworkers within the structures of the mining industry. The success of their efforts depends upon the fate of the South African national democratic revolution," conclude the authors.

No quick fixes for SA's problems, says Anglo's Relly

There was no quick fix, internal or external, to South Africa's problems, the chairman of Anglo American Corporation, Mr Gavin Relly, told a gathering of top businessmen in The Hague.

Speaking at a symposium organised by the influential *Financial Economic Magazine*, Mr Relly said that neither revolution nor resolution is at hand in the country.

The balance of coercive forces excluded a change of government through armed conflict in the foreseeable future and the present Government, while cautiously exploring various avenues of negotiation, showed few signs of ending the present pattern of political power.

Notwithstanding this, Mr Relly said, the status quo could not be maintained, firstly because the changing base of the economy had shifted significant economic, social, and, not least, buying power into black hands.

Secondly, a now prolonged phase of internal rebellion indicated that social order in the black townships and black education had to be constructed on a new base, and thirdly, amongst Afrikaners apartheid was increasingly a dead ideology.

The time for negotiation had not passed, Mr Relly said. Rather, it had not yet arrived

This was because the governing group and those in opposition were in a state of flux and had not yet gained their definitive character.

Also, both the State and its opposition believed they could win on their own terms and therefore did not need to negotiate.

On the other hand, since increasing numbers of South Africans were coming to accept the necessity of compromise and negotiation, encouragement of that trend was necessary, Mr Relly said.

The Kwa-Natal Indaba should be an inspiration, it provided for majority rule whilst safeguarding minority rights in a non-racist way, using classic Western liberal techniques and it providing encouragement that a process of negotiation was possible in South Africa.

Conflict in South Africa was not a simple clash between monolithic white versus black interests, Mr Relly said. Conflict in the country had at least as much to do with competing concepts of democracy and economic justice as it did with race

Institutions and countries overseas could play a role by sharing their experience. If Western countries believed in the value of their political and economic institutions and believed elements of them have universal relevance they should not seek to cut those off from South Africans.

South Africans in the conflict were capable of finding a non-racial, democratic resolution, Mr Relly said.

Significant agreement existed between almost all actors as to the desired future.

Most importantly, as the recent miners' strike had vividly demonstrated, all South Africans were caught up in an economic reality based on high levels of white/black interdependence.

Mr Relly said Western policies towards South Africa had been short range, as illustrated by the six-month mandate given to the Commonwealth Eminent Persons Mission, the 12-month reporting period contained in the US Comprehensive Anti-Apartheid Act, during which period the South African Government was expected to take decisive action to end apartheid.

South Africa was often understood in the West in the context of de-colonisation or de-segregation, both of which were fundamentally flawed analogies, Mr Relly said Military power was held by an internal group, not a colonial power, and could not be dislodged by decolonisation. Conflict in the country was not only about civil rights and racial integration but about who wielded power and through what types of institutions and processes.

The strategic nature of Western actions in respect of South Africa had been that of moral censure and economic punishment, Mr Relly said.

These had had neither the coercive power to force Pretoria to act as intended nor the persuasive quality to promote the dynamic elements — economic power re-distribution, domestic rebellion and fractures within Afrikanerdom.

SPAR 15/9/87

JCI chief lashes Government failure

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By Michael Chester

Mr Murray Hofmeyr, executive director of the Anglo American Corporation, today warned the Government that although its emergency security measures might have broken the pattern of black unrest and violence, there had been little progress in addressing the underlying causes.

Mr Hofmeyr, in his first annual review as the new chairman of Johannesburg Consolidated Investments (JCI), attacks the Government over its failure to initiate dialogue on black socio-political issues

He writes "While nobody can seriously doubt that lasting stability and order can exist only in a just and free society, with equal political and economic rights for all, the Government remains reluctant to commit itself to meaningful negotiation."

The recent strike by black mineworkers had been costly in terms of lost profits for the mines and had been marked by considerable bitterness

"Nevertheless", he says, "it must be seen as part of the process of negotiation and bargaining in an industrial society that is moving towards normality.

Mr Hofmeyr welcomed moves by the Government to do away with legislation that denied black miners promotion to higher skilled production jobs.

For many years, JCI had been committed to a completely non-racial human resources development policy, dedicated to the creation of equal opportunities for all employees. But still more needed to be done, Mr Hofmeyr said

"It is of great importance that the highly unfavourable black perceptions of the free enterprise system should be changed and this will require the removal of the remaining discriminatory legislation and excessive regulation on the part of the Government, as well as a great deal of imagination and boldness on the part of business," the review says.

R2bn industrial giant created

Malbak and Gencor in R700m deal

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16/9/87

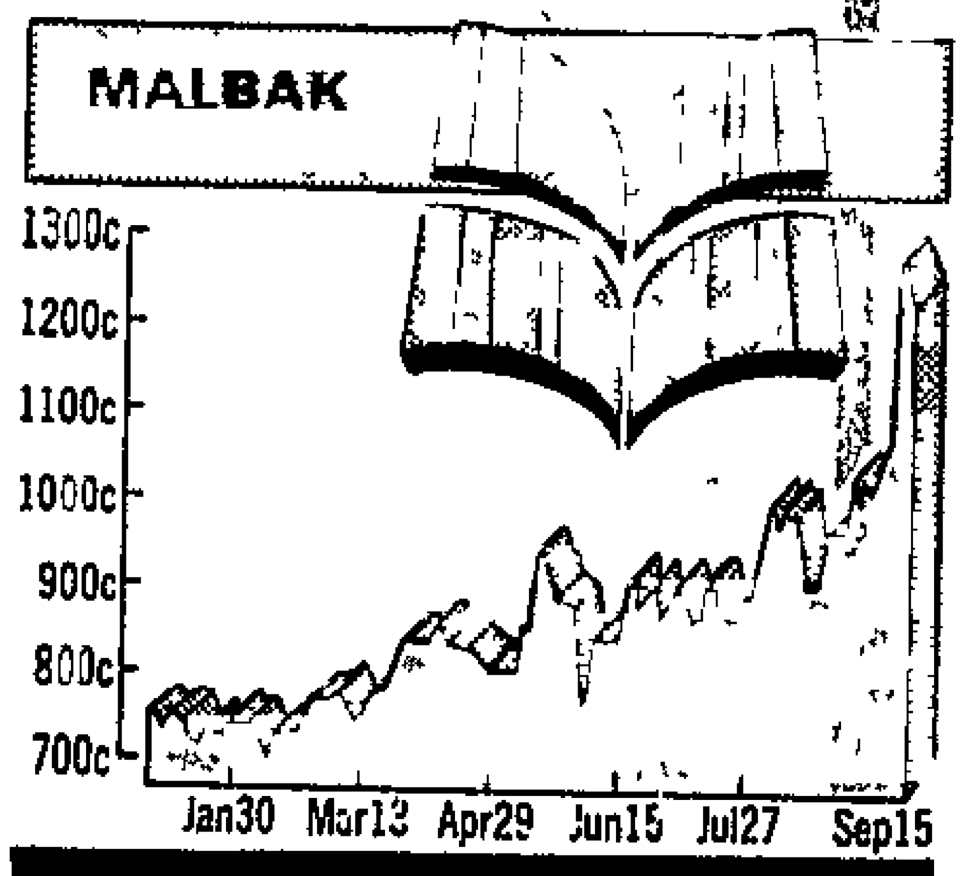
B/day

ALTA DENT

MALBAK has taken control of most of the Gencor group's industrial interests in a R700m deal which will create an industrial giant with annual turnover of R4,2bn and assets of more than R2bn.

The deal between the two Sanlam-controlled companies cements the restructuring of the two and finalises the transfer of Gencor's industrial holdings, except Trek and Sappi, to Malbak.

It brings the management and ownership of Gencor's industrial interests under one umbrella group, and is seen as a concerted effort to restore these companies to a financially sound position.



Source: JSE Graphic: JOHN McCANN

After the transaction, Gencor will hold 49,9% of Malhold (Malbak's parent company), making it the largest single shareholder in the group. It will own 28% of Malbak directly. In turn, Malhold will hold 64% of Malbak.

Malbak executive chairman Grant Thomas said yesterday: "This is a major deal, but the process of absorbing the companies into Malbak has been going on for some time as the managements have been operating as part of a single unit.

"The process of gradually moving across Gencor's industrial interests to Malbak/Malhold was started in September last year when 55% of Haddons passed from Gencor to Malbak. This was followed in January this year by 55% of Kohler moving to Malbak. Also in January, Gencor's 40,8% holding in Carlton Paper Corporation was acquired by Malhold."

He said it was decided to transfer Gencor's remaining industrial interests, apart from Sappi and Trek, in one fell swoop to prevent undue speculation and management uncertainty.

Analysts say it is unlikely the market will be surprised by the deal. Both Mal-

To Page 2

Malbak to be R2bn giant

From Page 1

bak and Malhold shares have for some time outperformed the industrial index, indicating that some move had been anticipated

They add that the boost in the net asset value will not be matched by an equivalent increase in earnings growth

In terms of the deal, Malbak now takes control of 55% of Darling & Hodgson, 60% of Ellerine, 36% of Haggie, 37% of Kanhym, 55% of Tedelex and 52% of Standard Brass

Gencor is also disposing of its interest in certain unlisted companies to Malbak — A S Transmission & Steering, Coalequip, Gendev, Hall Longmore and Co, Liquid Air, Rocla and Union Carriage & Wagon Co

In exchange for its control of the bulk of Gencor's remaining industrial interests — which have a total estimated value of R607m — Malbak will issue 71,4-million shares to Gencor The deal was based on a Malbak share price of around R8,50, putting a value of R714m on the deal Yesterday the share was trading at R12,50

In addition, Malhold will transfer to Malbak its 40,8% interest in Carlton Paper for an amount of R48,4m, which will be settled by the allotment of 5,7-million Malbak shares In future, Malhold will again have as its sole investment its interest in Malbak

As part of the transaction, Gencor has agreed to renounce its right to 22,8-million Malbak shares in Malhold's favour in exchange for 8,1-million Malhold shares

The company says although the transaction will have no immediate material impact on Gencor, the effect on Malbak and its parent Malhold will be significant As a result of this deal, both Malbak and Malhold's earnings increase by approximately 10% The net asset value for Malbak is estimated to increase by 61% and that of Malhold by 58%

Malbak already controls a widely diversified group with interests spanning chemicals, electronics and electrical supplies, engineering, farm machinery, health care, packaging and mining supplies, clothing and the motor industry

The effective date of the transactions is July 1, 1987, and all the transactions have been carried out ex-dividend

R250-m denial

THE Chamber of Mines yesterday denied that the national miners' strike during August cost mining companies "about R250 million" as has been reported.

The Chamber did, however, say that the strike did contribute to the lower output during August, which amounted to about eight tons, but added that the loss could largely be attributed to a fall in the average grade of ore mined

A Chamber of Mines spokesman said no calculations of losses caused by the strike had been made by the Chamber.

"The impact of the strike on production can only be assessed with any degree of accuracy when the mines' quarterly results for the period July-September are published in October," said the spokesman.— Sapa.

Sowetan 18/9/87

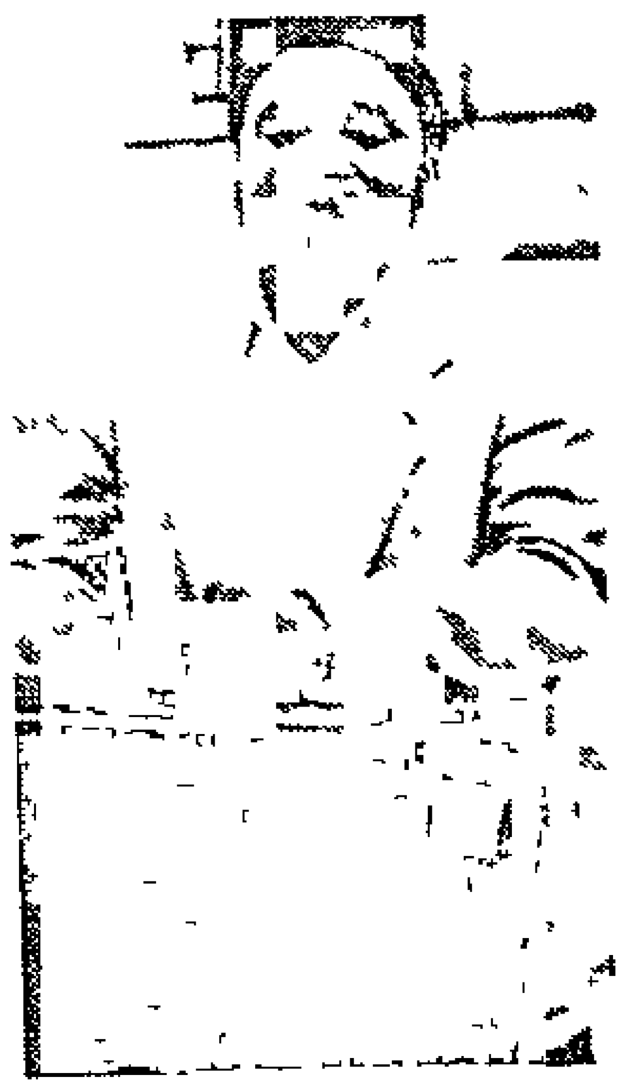
NUM'S RAMAPHOSA CANNOT VISIT UK

LONDON — The president of Britain's National Union of Mineworkers, Mr Arthur Scargill, has condemned the South African Government's decision to prevent Mr Cyril Ramaphosa from travelling to Britain.

Mr Scargill said Mr Ramaphosa, general secretary of the National Union of Mineworkers, had been "refused" a passport to come to Britain.

Mr Ramaphosa was to have been a principal speaker at a conference which the British Anti-Apartheid Movement staged in Sheffield, England at the weekend.

A spokesman for the NUM in Johannesburg confirmed that Mr Ramaphosa had been unable to travel to Britain.



CYRIL Ramaphosa . . . principal speaker.

The spokesman said Mr Ramaphosa had never been granted a South African passport but had applied to the relevant government department for documents to enable him to travel to Britain He had received no reply in time to make the trip

Mr Ramaphosa is the second top South African union offical to be prevented from travelling in the past two weeks

Earlier this month, Mr Jay Naidoo, general secretary of the Congress of SA Trade Unions had his passport confiscated by officials at Jan Smuts Airport as he was about to board a plane for Australia to attend a conference of the Australian Congress of Trade Unions. — Sapa.

High gold yield predicted

Gencor plans R1,5bn Free State mine

B/day. 210 22/9/87

PETER STACEY
Mining Editor

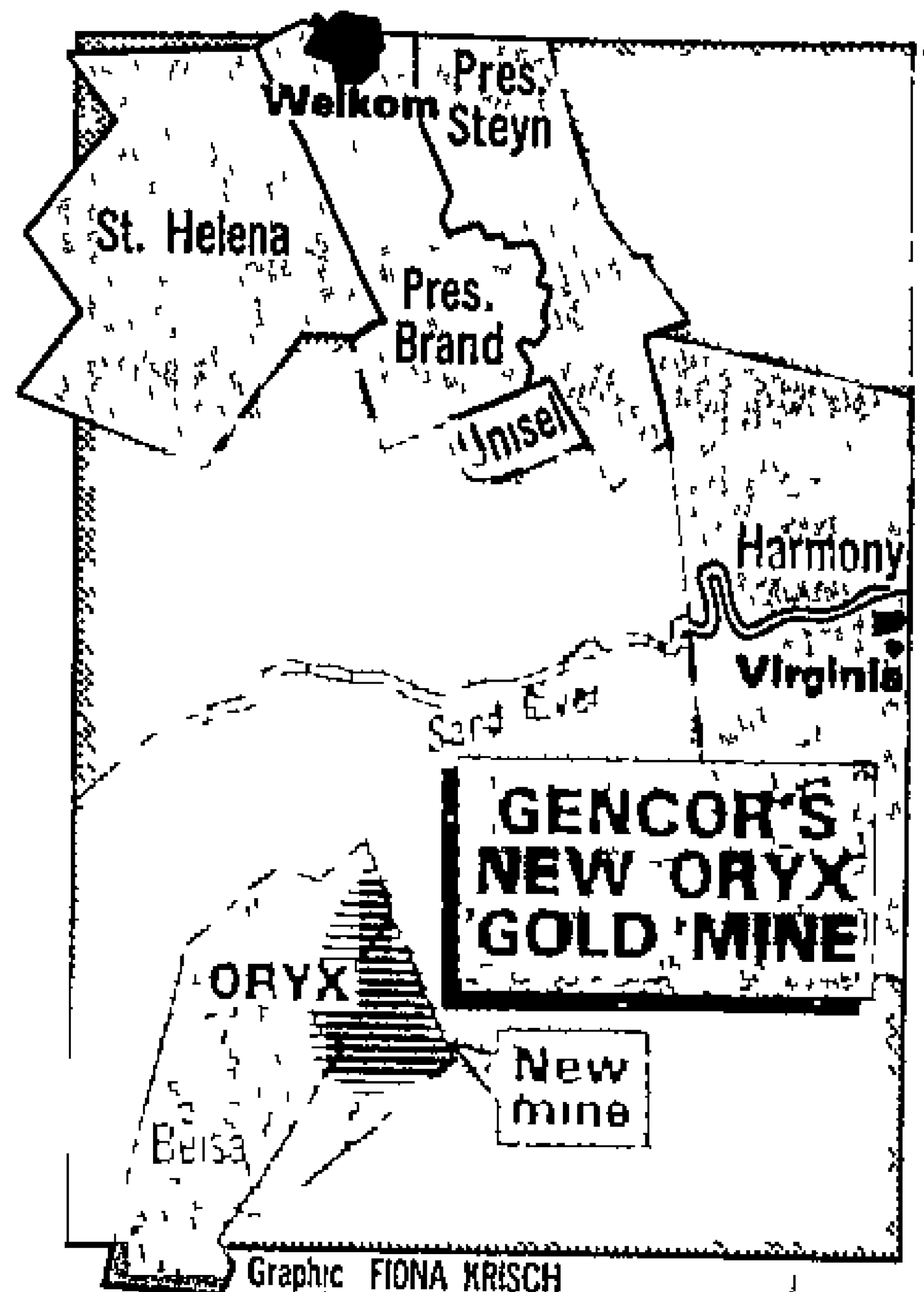
GENERAL Mining has announced a R1,5bn new Orange Free State gold mine, Oryx.

The mine, with estimated reserves of 50-million tons of medium- to high-grade ore, including part of the Beisa lease area, is planned for a full production of 220 000 tons a month.

Gencor has not given an expected overall recovery grade, but executive director Colin Officer said "The yield will be substantially in excess of the industry average of 5,3g/t."

The horizon to be mined is the Kalkoenkrans Reef, dipping steeply in an easterly direction, from a sub-outcrop inside the existing Beisa lease area, before levelling off at a depth of about 2 000m. Beisa, which closed in 1985 with the collapse of uranium prices, mined the westward dipping uranium-rich Beisa Reef.

The deposit was discovered by African Selection Trust Exploration (ASTE), and both Gencor and ASTE have drilled the area Intersections from 16 of these boreholes in the northern section, range from 184cm g/t across a channel width of 11cm to a high of 4 943cm g/t across 266cm.



Graphic FIONA KRISCH

Two boreholes in the southern part of the area have given unpay values and further drilling is to be carried out in this area

In situ grades for the 16 boreholes in

● To Page 2

Gencor plans R1,5bn Free State gold mine

B/day 210 22/9/87

● From Page 1

the target area, calculated for a minimum mining height of 110cm, were widely scattered, with one nil value, two at 1,7g/t and seven holes between 2g/t and 8g/t. The remaining six holes had high grades — ranging from 13,3g/t to 25,2g/t

Officer said an important aspect of the project was that Oryx would commence production using the existing shaft system and infrastructure of Beisa

De-watering operations on Beisa, which had been allowed to flood, would be completed in mid-1988, and stoping of higher grade areas of the Beisa Reef would start concurrently with sinking of a sub-vertical shaft to access the deeper Kalkoenkrans Reef

The existing shaft and infrastructure would mean a saving to Oryx of R100m, before taking into account the financial advantages of a considerable head start in getting into production

Gencor has a 55% stake in the venture with Genbel holding 10% ASTE is the third major participant, with Anglo holding a small interest Oryx is planned for a listing on both the Johannesburg and London stock exchanges early next year

Financing details have not been finalised but some public participation is likely

The tax structure for the operation is the same as for Beisa, with Oryx a division of St Helena and with the Beisa tax shield still in place.

The Beisa Reefs are expected to produce 15 000 tons a month from the higher grade sections and by toll treatment through an outside uranium producer, uranium as well as gold from this source could make a significant contribution to revenue

Production from the Kalkoenkrans workings will begin in 1991 and build to a first phase monthly output of 100 000 tons. Officer says the project's flexibility is especially attractive. A decision on the timing of a second and major shaft system has not been taken, but, at earliest start, mill capacity of 220 000 tons a month could be achieved in 1994

The project also leaves Beisa strategically well placed to re-open full-scale workings if there is a favourable change in the uranium market

While the Oryx is relatively deep and, as a result of the high Orange Free State temperature gradient, will require refrigeration, Officer is confident it will not be a high cost producer.

Family housing plan for black miners announced

Daily Dispatch Correspondent

JOHANNESBURG — In a move which will significantly ease the effects of the migrant labour system, Anglo American announced plans yesterday for the construction of 24 000 low-cost homes in the next three years for occupation by black miners and their families.

The managing director of the Transvaal gold and uranium division, Mr Theo Pretorius, told journalists on a visit to the Western Deep Levels mine, that the group had purchased land for the purpose near mines or in the black townships adjacent to Carletonville, Orkney, Welkom and Odendaalsrus.

The mine villages would be constructed by developers according to plans supplied by the group. Prospective homeowners will be put in touch with building societies and will be able to choose from a variety of designs.

A number of "show houses" had already been built.

Houses would cost from R20 000 upwards. Bonds would be subsidised by the group and lent at 5 per cent interest. The group had also arranged through building societies, a graduated annuity system which would set initial monthly bond repayments for the cheapest available home at R94.

He said a serious obstacle to the project was that the government had flatly refused to permit the families of foreign migrants, who comprise 41 per cent of Anglo's 180 000-strong goldmine workforce, to reside in South Africa.

Other mine groups plan houses like Anglo

3/9/87 B/day

ALAN FINE

FOUR more mining groups indicated yesterday they had initiated plans for family housing for black employees.

This follows Monday's announcement by Anglo American that 24 000 homes would be built at four locations.

JCI personnel division GM Barry Louw said the group was negotiating the purchase of land near Randfontein and had entered into surety agreements with a number of building societies and the Standard Bank.

Rand Mines' initial moves are being made by its coal division, particularly its open cast mines, which employ relatively small numbers of skilled workers.

Employees will have the choice of continuing to rent mine accomodation, but at market-related rates, purchasing accomodation on mine property, or moving into homes in nearby townships.

Gencor said yesterday it is investigating methods of providing family housing on a larger scale, but it was too early to make an announcement.

Anglovaal, too, said it was working on a housing scheme aimed at lower paid employees, but no further details could be made available at this stage.

A Gold Fields spokesman said the group did not have any such project.

The NUM was formulating a response to these developments yesterday.

● See Comment, Page 6

contacted for comment.

Other mine groups plan houses like Anglo

23/9/87 B/day

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● See Comment, Page 6

FOR SUBSCRIPTION

Miners' housing planned

210

23/9/87

JOHANNESBURG — Four more mining groups yesterday initiated plans for family housing units for black employees

This follows Monday's announcement by Anglo American that 24 000 homes were planned

JCI are negotiating for land and have entered into surety agreements with a number of building societies and the Standard Bank.

Rand Mines' employees have the choice of renting mine accomodation at market-related rates, purchasing accomodation on mine property, or moving to nearby townships

Gencor and Anglovaal said yesterday they are investigating methods of providing family housing — DDC

1/1/1/29/9/87 (210)

JOHNNIES

Seeking new ventures

Activities: *Mining house invested in a broad range of mining, industrial, property and financial undertakings*
Control: *Anglo American holds 39,8% of the equity*
Chairman: *M B Hofmeyr, managing director P F Retief*
Capital structure: *7,4m ords of R2 each, 6,9m fixed rate red cum prefs of 10c each, 1,1m variable rate red cum prefs of 10c each and 40m "A" variable rate red cum prefs of 10c each.*
Share market: *Price· R875 Yields 1,7% on dividend, 4,2% on earnings, PE ratio, 24, cover, 2,4 12-month high, R900, low, R485 Trading volume last quarter, 30 000 shares*
Financial: *Year to June 30*

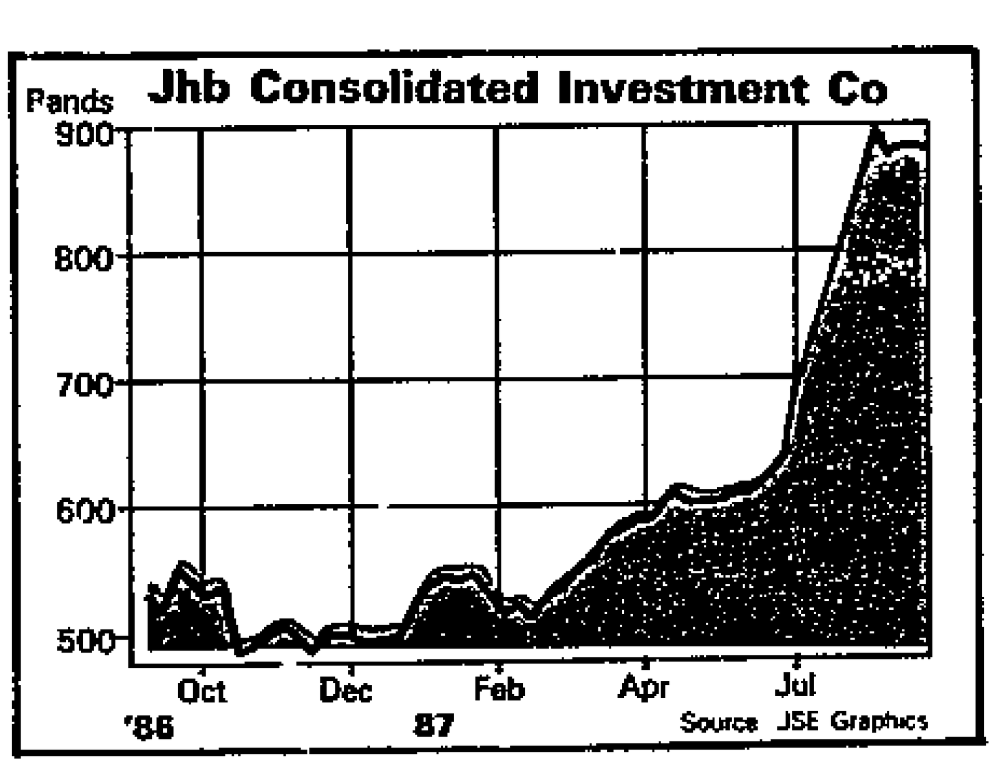
	'84	'85	'86	'87
Investments				
Book value (Rm)	267	281	308	476
Market value (Rm)	1 748	1 777	3 164	5 404

Performance:

	'84	'85	'86	'87
Investment income (Rm)	88,8	107,0	134,7	191,2
Trading profit (Rm)	55,6	69,1	123,5	141,6
Attributable profit (Rm)	123,7	149,1	204,8	268,5
Earnings (c)	1 686	2 025	2 778	3 641
Dividends (c)	750	875	1 200	1 500
Net worth (c)	276	288	484	778

Two years — even one year — ago, share prices of quality mining houses such as Johnnies were palpably cheap relative to asset values and earnings prospects After the powerful run in the group's price since then, it would be difficult to say that now If there is any justification for Johnnies' recent price levels well above R800, it must lie in the mineral rights and important new mining ventures that could be in the pipeline

In September 1985, the share stood at R202, a 30% discount to net worth By the 1987 year-end, earnings had increased by 80% and net worth by 170%. In the same period, the price of the thinly traded share more than quadrupled, recently reaching a high of R900 It currently stands 10% below a net worth of about R970 and yields only 1,7% on dividend



Johnnies' Hofmeyr . . . grade problems at Randfontein

Even allowing for the encouraging near-term outlook for some of the important investments — exceptions include coal, gold and ferrochrome — there can be little assurance that the house will in the current year post earnings growth close to the respective 37% and 31% of the 1986 and 1987 years Medium- to long-term considerations present a more attractive scenario

Other expansions

Gold mining income, which has recently been a laggard owing to technical and labour-related problems at Randfontein Estates and Western Areas, should be improved as production rises at the new H J Joel mine. Joel has an expected life of some 25 years at a milling rate of 120 000 t a month and an overall recovery yield of 5,4 g/t Chairman Murray Hofmeyr says production is expected to begin at an initial rate of 35 000 t a month in February 1988

The next expansion to come on stream will probably be at Rustenburg Platinum, where the formation of Lebowa Plats presages production increases at Atok mine and exploitation of the Maandagshoek area

Another confirmed expansion in gold will directly benefit Johnnies' 41,7%-held exploration company Freddies It has reached an agreement with Anglo American's Freegold for the joint exploitation of the farm's Jonkersrust No 72 and Du Preezleger No 324 in the district of Virginia, OFS

But the biggest prospect, one that would require massive investment, is the South Deep gold project Johnnies is continuing to evaluate the area, situated south and south-west of Western Areas Late-stage drilling has yielded further results in line with the accepted geological model of the reef

Participants in the South Deep consortium include Johnnies, Freddies, Western Areas and Randfontein Freddies chairman Vaughan Bray says he would be surprised if a mine does not go ahead, although it is impossible to estimate when this might happen If recent analysts' conclusions prove correct, South Deep could prove to be an important addition to the South African gold mining scene, it would certainly be a very deep, high-volume operation

JCI's INCOME SOURCES

Year to June 30	1986	1987
Platinum (Rm)	43 9	70,5
Gold (Rm)	35 1	34,2
Diamonds (Rm)	23 1	35,3
Coal (Rm)	26,7	16,8
Industrial & property (Rm)	42,3	59,6
Fees & commissions (Rm)	43,3	68,1
Interest & money market (Rm)	27,7	21,1
Profit on realisations (Rm)	1,4	28,0
Total income (Rm)	245 7	338,2

Freddies has a number of other potential mining projects These include participation through Kleinfontein and Edom in the Anglo American Moab prospect south of Vaal Reefs. Bray says that geological indications are favourable and there appears to be a fair prospect that the area will be exploited in future

Balance sheet liquid

For Johnnies these prospects spell a new phase in its history Joel is the first grassroots project the house has embarked upon in a number of years Barring a few expansions such as Randfontein's Doornkop, Johnnies has largely avoided new grassroots projects since it opened ferrochrome producer Consolidated Metallurgical Industries (CMI) in 1975

It has concentrated instead on the quality of existing assets, while making a few important acqusitions, notably the 32,9% investment in Premier.

As befits a mining group whose capital expenditure could escalate sharply in future years, the balance sheet is very liquid Total short-term debt of R58,1m is balanced by cash assets of R518,6m, while long-term liabilities are only R78,9m against shareholders' funds (at market valuation) of R5,8 billion

After recent growth in share prices, the three largest investments, Premier, Rusplats

While some short transitional arrangements may be necessary for existing producing gold mining companies, I believe that the new tax structure could be introduced immediately for non-gold mining companies and all developing and future gold mines Provided that the basic company tax package, as envisaged by the Commission, is implemented, there will be sufficient incentive to encourage a more rapid development of the potential of the mining industry

GROUP OPERATIONS

Gold remains the dominant factor in determining the group's performance with 80% of net assets invested in that sector. The strong upward movement in the dollar price of gold during the course of the past year was therefore the main factor determining the increase in earnings The full impact of the increase in the gold price was offset in part by the higher parity of the rand against the dollar and the continuation of the unacceptably high rate of inflation This latter factor remains a matter of deep concern, both on a national level and within the mining industry The group is re-examining its approach to productivity in order to co-ordinate the fight against the adverse effects of inflation on the group's mines A consolidated approach is being developed along the lines of that which has made a dramatic impact on the group's safety record over the past ten years The aim is to improve productivity by 4 to 5% per annum on all operating mines A vital factor in establishing the targets for improvement remains the rate at which employee remuneration increases Excessive demands, if conceded, will hasten the mechanisation process and with it the elimination of large numbers of occupations involving low skilled employees

During the year excellent progress was made on the development of the group's two new mining properties, viz the Leeudoorn division of Kloof, and Northam In addition, Vlakfontein commenced work on a small, shallow gold deposit at Droogebult

The net asset value of the company increased dramatically during the year and reached an all-time high of R7 644m at 30 June 1987 Although the public flotation of Northam during the year made a significant contribution, the euphoric conditions which have prevailed on The Johannesburg Stock Exchange in recent months were a major factor in this achievement

NEW BUSINESS

The group continued actively to pursue new business opportunities The gold exploration programmes remain the group's highest priority The technical and financial assessments of two of these programmes are likely to be finalised during the course of the next two or three years The group is also involved in examining small mineralised areas which may well be incorporated with larger areas belonging to third parties

INDUSTRIAL RELATIONS

The most important and far-reaching development on the industrial relations front has been the passing of the amendments to the Mines and Works Act which will result in the elimination of racial discrimination in the mining industry It is to be hoped that the amendments to the Regulations in terms of the Act will be implemented speedily to enable the industry to pursue merit based employment practices at all levels

During the past year the mining industry has continued to maintain healthy relationships with its long standing trade unions and associations While differences have emerged, they have been resolved in a responsible manner On the other hand, relationships with the National Union of Mineworkers continue to be less than satisfactory The high political profile which has been taken by certain elements within the Union continues to cause concern amongst both employees and managements The relationship is further complicated by the idealistic objectives which the Union has set for itself and the failure clearly to differentiate between the short and long term needs of its members As a result the Union does not give proper weight to the primary consideration of most employees in the industry, which is job preservation

While the industry is committed to improving the overall position of its employees, it is compelled to take into account the fundamental economic facts Super tranche increases in employees' remuneration, which will lead to the closure of mining areas and/or the elimination of job opportunities, cannot be in the interests of employees who have relatively few alternative employment opportunities It is to be hoped that the Union will learn from the recent strike in the gold and coal mining industries and that they will be better able to judge the climate for improving conditions for their members in the future The creation of unrealistic aspirations by the Union is in nobody's interest, least of all the Union's

The group continues to enjoy a good industrial relations record at the majority of its operations but illegal strike activity, supported by strong intimidation, remains a problem at certain smaller operations

OVERVIEW

The past few years have been dominated by the need to manage the changing industrial relations scene It is to be hoped that greater stability will emerge in this area in the months ahead and permit management to focus more attention on other important issues I have already mentioned the programme which has been set in motion to co ordinate and update the group's approach to productivity This is receiving a high priority at this time After ten years of major achievements in the safety field, it is apparent that further significant progress will be dependent upon the development of a new approach to this vital commitment which we owe to all the employees of the group

Modern computer technology continues to develop at an astonishing pace and the group is committed to remain in the vanguard of these developments This involves not only the acceptance of the concepts of a modern electronic office, but also the integration of the new techniques into many facets of the control of sophisticated equipment I am pleased to say that the group is particularly well equipped to handle all future developments with an excellent blend of experienced officials in senior positions and talented, energetic young professionals who combine together in a highly motivated team

While the group's earnings may remain relatively static in real terms over the next couple of years, the foundations for major growth are currently being laid in the development of new mining operations and the exploration activities which are being vigorously pursued The group's management is committed to the future development of the group in a responsible and sympathetic manner in the best interests of all its stakeholders In accepting this mandate the group is aware of its responsibility to society at large and will continue actively to support worthy causes through The Gold Fields Foundation and as a major sponsor of the Small Business Development Corporation

In conclusion I would once again like to pay tribute to the many people who play such a vital part in the group's affairs I acknowledge with gratitude the parts played by my colleagues on the board, the management and the employees of all the group's companies who continue to serve Gold Fields with great dedication and, as has been recently demonstrated, with considerable courage

Robin A. Plumbridge
Chairman
4 September 1987

GOLD FIELDS
OF SOUTH AFRICA LIMITED

(Registration No 05/04181/06)

F/M 28/9/87 (2/0)

(32,6%) and Randfontein (30,6%) are together worth some R556 per Johnnies share or 73% of year-end net worth Engineering group Lennings, which last year achieved a 53% surge in equity earnings to R9,2m on a 26,2% turnover increase, could be a candidate for a listing, given the forecasted pickup in its markets.

Failing a renewed slide in the rand, earnings growth in the current year could be dependent on a few bullish-looking sectors, notably platinum, diamonds and industry

The existing gold mines, Western Areas and Randfontein, probably have recovery potential. Meanwhile, Hofmeyr has forecast lower profits for Randfontein in the current year, mainly because of grade problems and production losses sustained during the recent strike; grade problems will also hurt Western Areas' profits A stronger rand and rising costs indicates lower profits for CMI, which will be fully exposed to taxation this year.

Income from fees and commissions continues to advance steadily, rising in the 1987 year by 57% to R68,1m This pace is unlikely to be maintained, but future expansion of managed investments would bode well for this figure Interest and money market income fell by R6,6m, but an additional R26,6m came from profit on realisation of investments and fixed assets — essentially the listing of Joel

Johnnies remains a quality investment but at current prices purchases should be made only with a long-term view. While there may be some risk that scarcity of scrip could push the price higher, there seems little need to rush out and buy now.

Andrew McNulty

BD 25/9/87.

NUM slams mines for lack of housing

Daily Dispatch Correspondent

JOHANNESBURG — The National Union of Mineworkers (NUM) yesterday criticised the mining industry for failing to negotiate with the union on the implementation of housing schemes for black workers and their families.

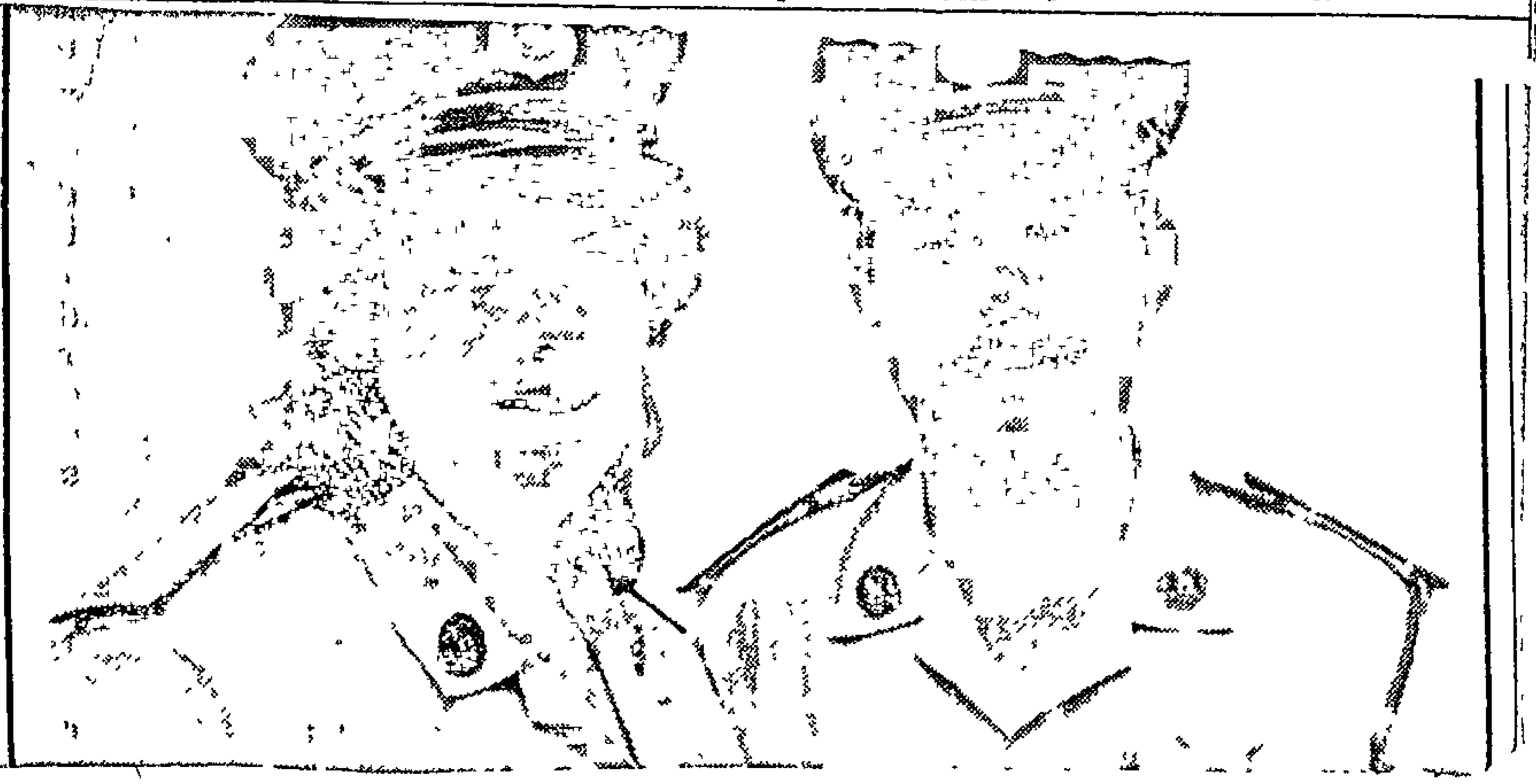
Earlier this week, Anglo American announced plans for the construction of 24 000 homes, while Rand Mines, Gencor, JCI and Anglovaal said they had also embarked on housing projects.

The NUM called for the dismantling of the migrant labour and hostel system at its annual conference last March.

The NUM assistant general secretary, Mr Marcel Golding, further slammed the exclusion of foreign migrants from the schemes. The government has turned down a request from Anglo that the families of foreigners be permitted to settle in South Africa.

"Foreign workers have made an important contribution to the mining industry in South Africa, and are entitled to this benefit. Anglo need not have meekly accepted the government ruling," Mr Golding said.

He also said the figure of 24 000 houses was insignificant compared to the 180 000-strong Anglo workforce, and this did not benefit colliery employees Other mining groups have not quantified the size of their proposed schemes.



De Beers denies overmining

9/87 By Sven Lunsche 210

De Beers yesterday denied allegations that it had been overmining at its Consolidated Diamond Mine (CDM) in Namibia and that it had stripped Namibia of top quality diamonds valued at R3 billion.

These allegations were made in a Granada Television documentary, screened by ITV in Britain on Monday.

Approached by the film-makers, De Beers declined to comment. But its Johannesburg head office yesterday issued strong denials in the form of newspaper advertisements and a statement which said: It is untrue to allege CDM understates its diamond prices and to suggest that CDM pays no more than a nominal rental in Namibia. CDM's tax payments annually exceed 70 percent of operating profits making it a major contributor to Namibia's revenue. CDM does not overmine and secretly export diamonds.

Anglo announces its share scheme

THE Anglo American Corporation and De Beers yesterday announced details of their employee share ownership plans, in which an equal number of shares will be given free to every employee with two or more years' service.

The target is five Anglo shares for each of its 250 000 workers or 10 De Beers shares for each of its 20 000 employees.

New shares will be issued. These will be held for four years by trusts on behalf of employees who choose to take up the offer. In that time employees will not be able to sell the shares but will receive the dividends.

The Anglo Corporation and De Beers will seek the approval of existing shareholders to go ahead with the scheme in December.

The scheme will initially run for five years, during which time further offers of shares will be made each year. Up to 7,5 million shares — 3,5% of Anglo's present issued share capital — could be involved over the five years. At present though, even if everyone took them up, the total employee stake would amount to only 0,7% of Anglo's shares.

Anglo chairman Gavin Relly said yesterday that the scheme would enable employees to become involved in the process of investment and wealth creation.

The National Union of Mineworkers has condemmed the scheme as a ploy to deceive workers.

●See PAGE 17

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W/Mail 27/11 - 3/12/87

2/10 S/T TOP100 COMPANIES SURVEY 6/12/87

Inflation gets sound whipping at Johnnies

Pioneer in mining .. a drill rig is set up at Randfontein Estates gold mine

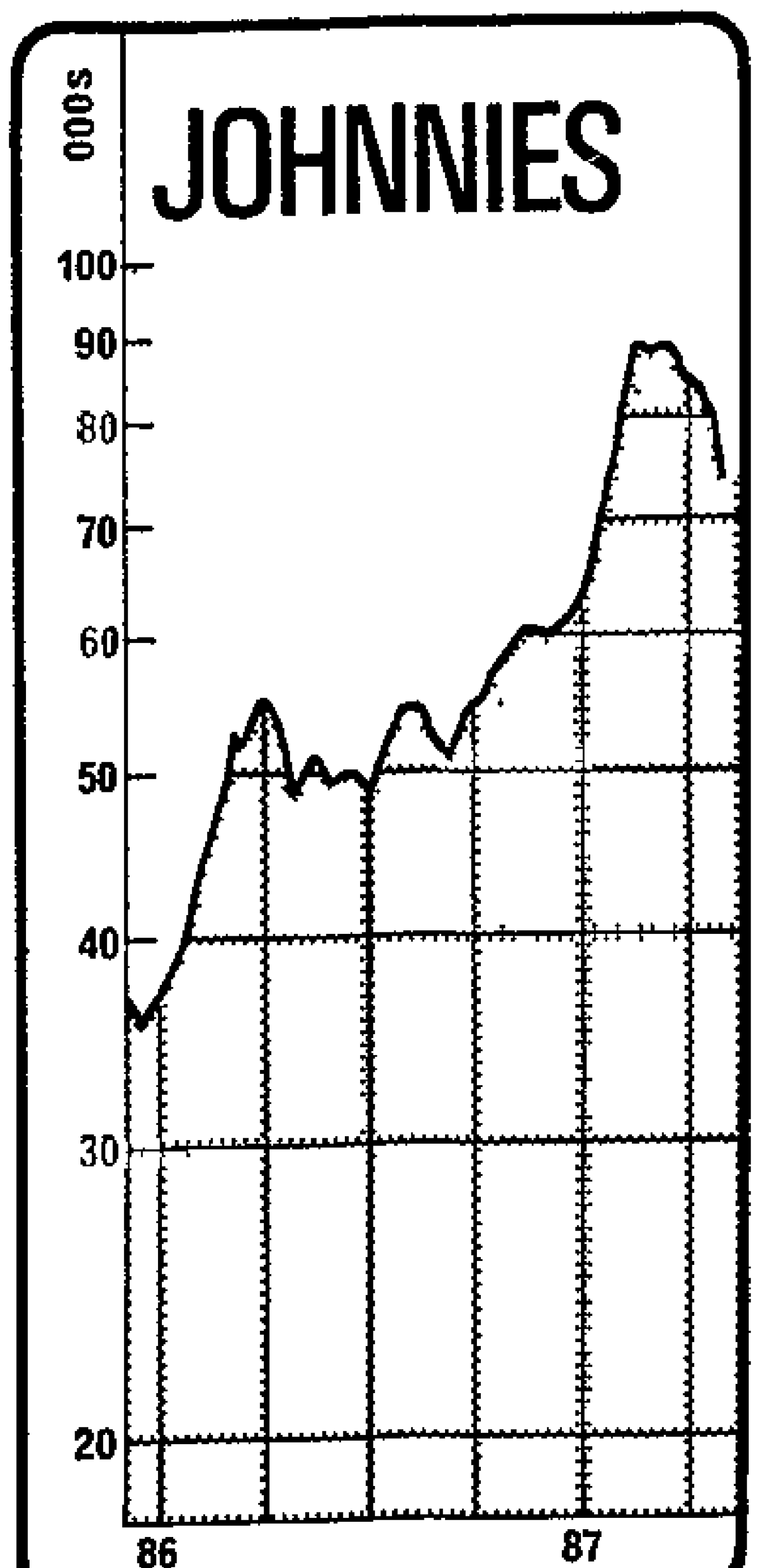
IN August 1987 JCI's shares traded at 90 000c — that is R900 each.

The trading range five years ago was from 5 050c to 11 800c. Taking the middle point and working out the compound growth over five years, we see that JCI shares have given a return of 64% per year, earning it sixth spot.

That comfortably outpaces even the most pessimistic inflation rate figure The reasons for this dramatic performance are manifold the falling value of the rand, the appreciation in the price of precious metals and the shortage of available scrip are but a few

JCI was led through much of this period by Gordon Waddell, who took office in 1981 when he succeeded Sir Albert Robinson as chairman Mr Waddell resigned the helm earlier this year and was succeeded by Murray Hofmeyr

Directly and indirectly Anglo American Corporation owns 49% of the equity of JCI There are only 7 373 300 shares in issue, and the shares have been much sought by institutions, pension funds, mutual funds and the wealthier individual



In the 12 months to June 1982 only 219 000 shares changed hands, and during 1987 this had increased to only 299 000, almost too few to mention Nevertheless, buyers got value for money

The group is exposed to a wide range of mining activities Its current gold and uranium producers are the Randfontein Estates and the

By Julie Walker

Western Areas gold mines, both located close to Randfontein on the West Rand, and during 1986 the HJ Joel mine was floated on the JSE

JCI owns 32,6% of Rustenburg Platinum Holdings, which also features in the 1987 Business Times top ten companies

The group owns interests in antimony producer Consolidated Murchison and in the ferrochrome producer Consolidated Metallurgical Industries It wholly owns the unlisted Tavistock Collieries and the Lennings industrial group, as well as a property division and a host of listed interests through holding companies

In the year to June 1987 platinum contributed 21% of the group's total income, gold and diamonds 10% each and coal 5% The total income from mining was 47,8% of the total

The industrial and property portfolio contributed a further 17,5% and the balance was made up of fees, interest and income from realisations

The group's platinum interests will not be discussed at large here as they are covered in the article about Rusplats itself

Randfontein Estates gold mine has always been a pioneer in mining It dates back to the year 1886 when it was at the fore of the great mining rush of the day A hundred years later the mine leads the way in regard to trackless mining

Dividend

This method of mining may only be used on certain types of ore body, of which Randfontein is in possession These wide multiple reefs of relatively low grade cannot be recovered economically by conventional mining methods By June 1987 approximately 50% of Randfontein's production was being mined mechanically

The combined production from the three Cooke shafts was maintained at 452 000 tons a month With the intro-

MURRAY HOFMEYR, chairman designate of JCI

through its wholly owned Taistock Collieries The four producing mines in the Witbank, Transvaal, area are Tavistock, South Witbank, Phoenix, and the 50% owned Arthur Taylor which produces coal for export

Tavistock's coal sales for the year to June 1987 reached almost 4-million tons, but this was considerably lower than in the previous year Slackening of local demand by the large consumers Eskom and Sats and stiffer

centrates and has, during the 1980 s increased its production of by-product gold such that its revenue comes almost equally from the two The dividend for the year to June 1987 was 60c

Cons Murch had a rights issue recently to raise finance for exploration and upgrading of facilities An S class of shares was created which is identical to the ordinary shares in issue previously

CMI was listed on the JSE

prise eight foundries, mach ine shops and fabricati plants and a wide pr range Customers come from railways, mines, agricul and other industry, an around 8% of its output exported

JCI's property division not extensive Director valuation of the interests w under R50-million at J 1987 The business proclamation and de ment of land for resident and commercial uses

JCI also owns signifi stakes in listed blue companies It holds 33% Premier Group Holding which in turn has interests CNA Gallo, Alex Lipw Gresham Industries, Gve stone Investments and course in South Africa Breweries

SAB holds stakes in OK B zaars, Amalgamated Be Edgars Stores, Southern Hotels, Associated Furnitu as well as its beer and beverage divisions

Performed

JCI owns 16,5% of the Ar gus Printing and Publ group and 19,3% of T Media, both of which per formed well during the financial year It also re ceives dividend income from De Beers and DAB Invest duction of mining from the new Doornkop section, production will eventually reach 650 000 tons a month

Its total dividend for the 1987 financial year at 1 750c was 50c higher than last year The share price reached an astonishing R497 in May but has settled to around R300

Randfontein has, however, been a victim of a certain degree of strike action, especially during August's strike called by the National Union of Mineworkers The mine recorded a loss for the September 1987 quarter, its first for many years

The grade recovered also suffered, falling to 3,7g/t in the year to June However, management foresees the grade picking up from 1988

With a view to its long term future, Randfontein continues to participate with JCI in a joint exploration programme aimed at identifying potential gold deposits in the Transvaal and the Orange Free State

Randfontein's little sister, Western Areas, has had its share of good and bad over the last year.

Already some 52% of the mine's underground production is mined by trackless methods. A major cost factor to Areas has been the controlling of the inflow of dolomitic water in the Gemsbokfontein Compartment This is now being dewatered permanently and should allow major ore reserves to be accessed.

competition from producers who have lost export orders were the reasons

Plans for expansion have been shelved in line with the bleak prospects facing all coal producers

Two base metal producers in the JCI group are Consolidated Murchison (Cons Murch) and Consolidated Metallurgical Industries (CMI)

Cons Murch, in which JCI has a 24% stake, is situated at Gravelotte in the north eastern Transvaal The mine produces antimony sulphide concentrates. in November 1986 when shares were pitched at 400c JCI retained 49,9% of the company, which produces ferrochrome from purchased chrome ore at Lydenburg in the Eastern Transvaal Ferrochrome is exported to the USA, Japan and European countries It is used as raw material in stainless steel production CMI earned 100c a share in the year to June 1987, and paid a dividend of 55c

Wholly owned Lennings is JCI's engineering division The group's operations comments, a portfolio of mining shares

Its mining exploration interests are pursued by Freddies — Free State Development and Investment Corporation — which owns mineral rights largely in the Orange Free State and also on the West Rand

Managing director Pat Retief says of the current twelve months "1988 will certainly be a more difficult year than last, especially for gold and coal But overall the group is performing well and we expect at least satisfactory results"

Problem

But the company has had a problem with its tax bill A loss incurred from mining operations could not be offset against a non-mining profit, and the results suffered accordingly The mine's dividend payout dropped from 40c in 1986 to only 16c in the year to June 1987 Holding company Elsburg, which should be worth precisely 65% of the price of Areas, paid 10,4c

The Western Areas share price nonetheless performed well It reached 2 975c in September 1987 but dived to below 1 400c before levelling out at 1 600c

JCI's Free State fledgling is the HJ Joel mine which adjoins Gencor's Beatrix to the south of Welkom

Two shafts are currently being sunk to access ore on the VS5/Beatrix composite reef Its ore reserves have been established as 38-million tons at an in situ grade of 6,5g/t. The reef was intersected at 900 metres The reef width was a disappointing 11cm wide but the grade was found to be 49,7g/t However, variation in the width of the reefs is neither unexpected nor unusual

The mining is to be totally trackless from day one and this narrow reef has raised a few eyebrows regarding the recovery grade from dilution It is planned to mine at 100cm

The market has loved Joel ever since its listing Its share price reached 2 600c in September 1987 but later eased to 1 500

Two classes of options were also issued, the A class is to be converted at 600c into ordinary shares during December 1987 and the B class during December 1988

JCI's interests in coal are

(210) ST 6/12/87 TOP 100 COMPANIES SURVEY

EXPLORATION was the name of the mining game during 1987

The JSE sector has mushroomed from being non-existent before 1986 to contain five companies, two of which joined this year. With the exception of Corex – Consolidated Exploration & Resources — the shares boomed until the October decline.

The top performer was Freddev. It originated from the mining holding company Freddie Devel, which was split into the Dab mining share portfolio and the mineral right grouped under Freddev.

The Freddev share price rose from only R12 in October 1986 to top R40 before halving to a little more than R21 following the October crash to settle out of speculative stock.

Rho F[illegible] joined the board in August this year following a [illegible] ate placing of shares at 250c. The share price exceeded gains but it later returned back to as low as 260c in the [illegible] a month. Rho-[illegible] has some interesting ground.

Among other activities, the [illegible] is currently drilling a borehole in the southern Free State. Magnetic information indicated the presence of the Lower Wits geological series, which was confirmed when the borehole struck rock of the West Rand group of the Witwatersrand upper group at 2 200 metres.

The company's geologists are hopeful that the Upper Wits series may also be found. It is more common to find economic gold horizons in the Upper Wits rock although limited mining does take place in the Lower Wits rock.

Many mining analysts were dubious that there may be a down-throw block or indeed even a new geological form of gold-bearing reef. They warn caution on the speculative nature of the venture. Nonetheless, Rhoridal is now able to commence the drilling of subsequent boreholes and has incorporated the use of a seismic instrument.

The sector as a whole was one of speculative movement. Potchefstroom Gold Areas' Fr[illegible] share rose sharply from 300c to 460c in April on the strength of the results from a single borehole.

While the result was worthy of note, and may well indicate the presence of the Bird Reef (the same as the Vaal Reef), one borehole does not make a mine. Sensationalist reporting by some publications created a bullish euphoria which only the better informed resisted.

The price came back down, although the buyers had the penultimate laugh. Those who hung in saw their share peak at 520c before they too declined to 400c.

There was no time like 1987 to explore high risk

The point, perhaps, is that while the market was in a strong bull trend, any whisper of a rumour of a find or an acquisition or a good result was enough to send the price of these counters soaring.

The coming down to earth which appeared in October sent them tumbling down when the darker side of mining exploration was more clearly seen by the former enthusiast.

Exploration is both essential and encouraging. Sooner or later one or other company is going to hit the jackpot, but the chances are that they will be bringing home the bacon at a later date. The establishment of a new mine at great depth such as is encountered in the Potch gap will be a decision not hastily taken.

However, absolute proof of a viable gold field there is still lacking, and even if the go-ahead for a new mine were to be given, it would still mean a further down-time of five or more years before production.

The Free State had its share of success with Gencor announcing in September that it would be establishing a new mine to the south of the Welkom gold field adjacent to the Beisa mine.

Infrastructure from the old Beisa property will be used, which means a significant saving in the amount of capital expenditure required.

Exploration has its own high risk and return. The risk is high because there can be no guarantee of success, but the potential return is attractive enough to keep the market players happy under bullish conditions.

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Finrand clips Anglo foreign wing plans

Business Times Reporter

UNCOMFORTABLE with its dominance of SA mining, commerce and industry, Anglo American Corporation wants to invest offshore, but is prevented from doing so by financial rand requirements.

Anglo directors interviewed informally, said this week that the corporation wanted to invest offshore but the cost of a dollar at R3 through the financial rand made the idea impracticable

As a result, Charter and Minorco would have to remain Anglo's primary foreign investment vehicles

Potential

The top men at Main Street are enthusiastic about recovery potential in Charter which has long been a disappointing performer, but this year hoisted earnings by 68% and increased its holding in Johnson Matthey to 35%

I was told "The excuse in the past was that Anglo or its South African managers did not comprehend it and that we held the reins too tight Now they have a tough-minded American, Neil Clark, at the helm and greater autonomy, we expect Charter to start delivering"

Minorco, which recently lifted earnings by 69%, has $1-billion of cash after the sale of its stake in Phibro Salomon shortly before the great Wall Street crash halved the value of it is shares

Minorco sold at $38 a share The shares are now $17 Phibro Salomon was Anglo's best investment ever It is thought to have cost $70-million and to have yielded $1,4-billion in a series of three sales staring in 1983

Anglo deputy chairman Julian Ogilvie Thompson is on record that Minorco is changing from a passive investor to an active owner of mining and resource companies It has $1-billion to spend

Minorco subsidiary Cons Gold has sewn up control of Newmont, America's biggest gold-mining company Its bid plus a $33 a share special dividend to fend off notorious smash and grab corporate hijacker T Boone Pickens pushed up debt of Newmont and Cons Gold by more than $1-billion Newmont now appears obliged to sell off non-gold interests

Cons Gold's share price has plunged partly because of the debt incurred in its expensive defence of Newmont against Mr Pickens and partly because of the general market retreat

Instead of making a quick profit of $150-million on his greenmailing bid for Cons Gold, Mr Pickens has lost $220-million Cons Gold is also showing a large paper loss

Destiny

The word from the top at Anglo is that the management of Gold Fields of SA will not quickly be forgiven for its manoeuvres in 1987

GFSA bought a 7,8% stake in its parent Cons Gold without informing Anglo or Cons Gold directors on its board Again without reference to Anglo, Rembrandt then bought 20% of GFSA, putting the independent-thinking GFSA management very much in control of its own destiny

GFSA apparently feared that Cons Gold, wishing to reduce its exposure to SA, would sell control to Minorco and that it would then have to dance to Main Street's tune

Main Street has long coveted GFSA's rich mines and has adjoining properties which could be brought to better account together with GFSA

GFSA appears to have eliminated any threats from Main Street It need doff its caps to nobody except perhaps Stellenbosch

Anglo directors pay high tribute to Ford for the terms of its disinvestment, effected by the sale of 24% of its shares to Anglo and the donation of 24% to the workers of Ford SA

Main Street says the future of Ford products and of Ford dealers is assured, even if product in future is semi-Japanese The 25% stake held by Ford US in Mazda should ensure good product, although what new ones are coming and how tooling will be funded remain a mystery

Sanctions

Anglo remains glum on the outlook for coal Not only sanctions but depressed demand and gluts make for a less-than-bright outlook for Amcoal

Prospects for Anglo American do Brazil, which recently received a $100-million capital transfusion from Anglo, appear bright

Having been embroiled in battle with the National Union of Mineworkers over pay, safety and living conditions, the men at Main Street see a large irony in the comparative working conditions of Brazilian miners

Although conditions on Anglo's Brazilian mines are relatively civilised, most miners there work for small claim holders Under conditions reminiscent of Kimberley in the 19th century, they descend, on precarious ladders, like so many ants, into steamy 330m-deep pits, dig a large basket of what they hope is paydirt, then manhandle it up the ladders

They are paid according to gold content, which means they are at desperate risk financially as well as physically Yet thousands are prepared to work the same pit without any rights at all and Brazil takes no political flak

The best of minings for the coming year

210 SIT 20/12/87

THE promising gold price prompts me to tender some potential winners among mining shares in the coming year.

In 1987 shares in the mining exploration sector were favoured, but those companies with mineral rights and a portfolio of mining counters were neglected by the market

Middle Wits is a prime example Listed in the JSE mining holdings sector, the share contains both mineral rights, particularly in the Bothaville area, and stakes in gold mines It is widely believed that Bothaville ground is closer to development than any other prospect in SA.

At the current price of 7 200c, Mid Wits is trading almost at net asset value — which means that the the mineral rights are being obtained at almost no cost

SIMILAR

Anglovaal loan stock is a similar situation The variable rate security ranks for a tenth of the dividend paid on the ordinary shares subject to a minimum of 55c It should trade about a tenth of the ordinaries' price

Anglovaal loan stock was 2 100c this week The ordinary shares were 28 000c, but have not been traded recently At truly market-related prices the loan stock may not be at such a large discount, but is definitely more affordable and carries the same rights as the ordinary share

Marievale is rich in mineral rights transferred from Genbel Market talk is that Marievale will be moved to the mining exploration sector where it is unlikely to buck the trend of the gold chasers

Ore reserves at the mine have been almost depleted The current price is 530c

Genbel looks underpriced with regard to the sum of its holdings At 4 950c it is at a 12% discount to NAV — one of the lowest in the sector Genbel owns a large stake in Marievale As the price of Marievale varies, so should that of Genbel Although the mineral rights were a part of Genbel itself they received scant attention, in much the same way as happens with Middle Wits today

Messina attracted much attention on the strength of its platinum mineral rights, which are to be investigated at pilot scale Depending on the platinum price, many analysts believe Messina to have good ground It could be a flyer at 850c Its industrial interests account for nearly half that value

Another mine which looks cheap is **Lebowa Platinum** Issued at 275c, the shares are now only 320c Analysts expected them to trade at 800c, but then came the Great Crash Its expansion potential and marketing advantages through JCI make the downside limited Any improvement in the platinum price will be reflected in Lebowa Plats

The price of **JCI** has fallen beyond a realistic level From an August 1987 peak of 90 000c, the price plunged to 40 000c in November, and is now 45 000c

The shares do not trade in large volumes, but there is large underlying worth It has large diamond interests through De Beers and the Central Selling Organisation, and is exposed to platinum, gold and base metals more than the ailing coal market

STOCKPILE

De Beers at 2 890c is well priced to buy On a PE ratio of only 7,8 its diamond stockpile alone is probably enough to account for that The shares were overpriced at their 5 915c peak

Two pure gold producers make up the top 10 prospects for 1988 **Southvaal** is undervalued at 15 000c on a dividend yield of 5,3% It constitutes the South Lease area of Vaal Reefs in the Klerksdorp area

Southvaal is undertaking major expansion Its mill throughput was destined to reach 5-million tons this year, but was hampered by the August strike This long-life mine remains a high-quality investment and has the aditional advantage of being favoured by foreign investors

When the gold price rises, SA buyers tend to favour marginal mines because their profitability is magnified as revenue increases over costs In retreat, the prices of marginal shares fall faster than others The swing in the price of higher-quality shares is not as great

Southvaal is likely to be a steady performer Parent Anglo American will have learned many lessons from the miners' strike and must now be better prepared to minimise work stoppages in pay negotiations The recovery potential for all Anglo mines looks high

An improving grade at **Deelkraal** makes the shares look promising at 1 350c, but investors should note that the tax holiday caused by assessed losses will probably expire in the 1989-1990 tax year

Well-controlled costs and higher yields have resulted in a steady rise in working profit in the past three quarters when many mines' margins were eroded

The mine has sunk a subvertical shaft to try to gain access to ore reserves at depth Its payable reserves will be exhausted in the next few years Deelkraal has a medium life expectancy

A well-balanced unit trust with a mining bias is likely to contain some of these counters in its portfolio This is certain to provide a more favourable risk profile than holding a single share But for those who like a little spice from doing their own investing, the shares listed here are destined for greater things

MAN OF THE YEAR

Keys and the kingdom

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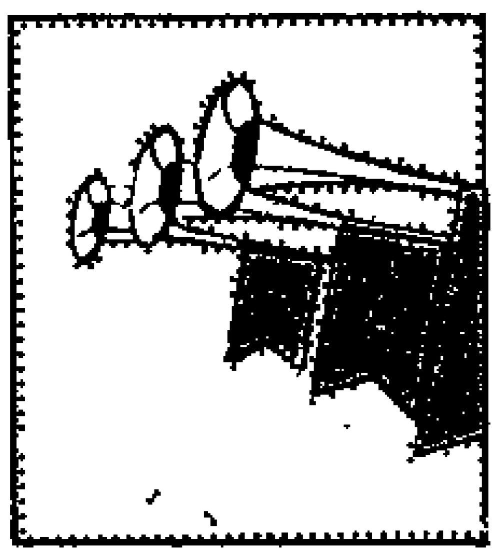


Derek Keys' accession as chairman of Gencor some 20 months ago was given an extraordinarily positive reception The appointment was not free of risk although by no means without precedent, it is not in the tradition of the South African mining industry to appoint a rank outsider, and a man with no mining experience at that, as CE of a major mining house

After the travails that Gencor had endured during the previous few years, nobody but an outstanding executive could adequately have filled the top chair Yet if no bad word was heard publicly about the appointment, that is not entirely surprising Keys is a most unusual businessman, bringing leadership and vision at a time when these qualities were badly needed In less than two years, wielding a blend of pragmatism, creativity and an instinct for the really important tasks, he has grabbed SA's second largest mining house by the scruff of its neck and done much to restore its effectiveness and image

The overt and positive developments have included numerous senior management changes, a cleaner group structure, a JSE flotation as a single entity of the entire industrial division, go-aheads for a new gold mine and a new platinum venture, large-scale expenditure on exploration — and, in general, greater attention to the future But his tenure so far has been neither easy nor flawless as he readily concedes, there are negatives which weigh heavily The period was seared by three of SA's worst mining disasters in many years

All told, 275 people lost their lives in underground accidents at Kinross gold mine in September last year (177 fatalities), and, this year, at Ermelo coal mine (35) and St Helena gold mine (63) The loss of life was tragic All these mines are controlled and managed by Gencor, so some will feel it is not possible wholly to separate the house's chairman from these events — irrespective of who is eventually found directly culpable Yet it would not be fair or fruitful unduly to apportion blame on the recently appointed chairman It would now be more useful to consider the group's reaction to the accidents, and to assess the other constructive developments that have been made to happen in Gencor

The accidents are, inevitably, Keys' major regrets in his record to date Kinross persuaded management to undertake a major assessment of safety practices One aspect of this is a re-evaluation exercise every fortnight a different, multi-disciplinary group of

The *FM*'s choice for Man of the Year is Gencor's Derek Keys. Plagued by difficult conditions — including horrific mine tragedies — and troublesome subsidiaries, the group is in need of the major overhaul Keys has embarked upon. But it's difficult to reshape the culture of a major mining house.

nine people teams up with local management at a mine or plant in the mining division They then spend a week reviewing safety and seeking better procedures More than 600 people have so far taken part in this

It is only a beginning As Keys says, safety improvement is "a dreadfully slow business that requires dedicated perseverance That's the route that we're on We followed the first disaster with two others so we don't see anything tangible yet in the results But we have a huge programme going on this"

These three disasters focused the world's attention on the country's mining safety practices and led to accusations that standards were a lot lower than generally believed in SA Still, if the result is a material improvement in safety records, that will offer some comfort

To appreciate the significance of Keys' tenure one has to go back to the unsavoury events of 1982, when pressure from Gencor's major shareholder led to the two-year pre-

"Safety improvement is a dreadfully slow business that requires dedicated perseverance"

mature retirement of the highly rated Wim de Villiers — the *FM*'s Man of the Year in 1980 — who had been MD and then chairman of Gencor since the early Seventies De Villiers was succeeded by the vice-chairman, Ted Pavitt, former head of Union Corporation, the mining house that was merged with General Mining & Finance Corp

Pavitt was past the normal retirement age for directors, and was not destined for a long stint as CE of Gencor The problem was that controlling shareholder Sanlam shilly-shallied about appointing an effective successor as CE When Pavitt had been in the chair for two years and was due for retirement, Sanlam continued to duck the issue it simply appointed a five-man executive committee to run the house's affairs Pavitt remained non-executive chairman but there was no CE. Whatever the reasons — and the group did experience its share of bad luck over the next few years — the investment community believed the committee system was ineffective. In time this grew to a feeling that the house was suffering from a leadership crisis

Gencor's share price lagged the rest of the mining house sector from mid-1982 until early 1986 A litany of adverse events helped to depress the share Group earnings were erratic they fell by 16% in 1982, rose by 14% in 1983, but dropped by 17% in 1984 before rebounding by 56% in 1985

Various subsidiaries, notably Kohler, Kanhym and Tedelex (acquired in September 1983 for R11 a share before the price plunged below R2 within two years), suffered massive foreign exchange losses, the last two had to be recapitalised with large rights issues, which were also held by Gencor (R400m) and Sappi (R200m-odd) Then, too, there was the Darling and Hodgson debacle, Beatrix's poor JSE reception, Impala Platinum's R60m-odd stock loss and its firing of 23 000 workers

The position was not as bad as appeared when compared with some other large corporations Amic and AECI, for example, capitalised their own large forex exposures, so these had a far less dramatic impact Gencor, conservatively, chose to take its forex losses up front and eliminate them in one harsh blow Still, most outsiders believed that the house needed a strong CE In fact, when Keys' appointment was announced in April 1986, considerable rebuilding had already been done A morale-booster came when 1985 year-end earnings jumped by 56%, although that increase was derived substantially from buoyant mining profits boosted by the weak rand

Fundamental problems remained, particularly important being the need to produce new projects and establish viable new gold reserves A number of Gencor's gold mines are marginal operations or have limited remaining reserves Its largest producer, Buffelsfontein, after investing heavily in the Strathmore sub-vertical shaft system, ran into severely faulted ground and is not performing as was hoped. Without new gold projects, Gencor's share of SA's gold output is set to decline

This, then, is what Keys inherited· a large, diversified mining and industrial conglomerate needing new blood at top levels, a new sense of direction and an injection of imagination. In the mining arena, outsiders felt that the house had slipped behind in the exploration scramble that the industry embarked upon in the early Eighties Results typically do not come swiftly in the exploration game, and nor is a big mining house a flexible organisation that easily changes direction or culture. The situation was such that a bureaucratic approach from a new CE — hardly unknown in the South African mining industry — would not have been helpful

Nobody would call Keys a bureaucrat His career suggests a man who has the confidence to go his own way and who understands what investors want. Although inexperienced in the ways of the mining industry, Keys has deep exposure to industry and finance He entered the industrial arena when, as a young CA (he was SA's top accountancy student in his year), he left Kessel Feinstein to join the Industrial Development Corporation (IDC), where he spent nine years

At the IDC Keys was closely involved in the formation of the National Discount House, of which he was for many years chairman until moving to Gencor He also worked on the development of Safmarine, had a hand in the formation of Soekor and in setting up SA's first oil storage facilities The last two brought an affinity for the energy sector which is currently being put to use at Gencor In 1965, Keys' streak of independence helped persuade him to set up his own part-time financial consultancy

His first client was Malcomess, whose business was in the notoriously unpredictable farm machinery sector Before long the controlling Malcomess family offered him the chairmanship Then in 1969 Malcomess was merged with Bakke to form the soon-to-be-listed conglomerate Malbak, with Bakke's Dan Benade the chairman and Keys the deputy chairman. In 1974 another young CA, Grant Thomas, was brought on board Keys and Thomas were to form an enduring and effective partnership Sanlam's then-investment GM, Marinus Daling, said several years ago that it was the pair's management skills that persuaded Sanlam to take over Malbak during the insurer's buying spree of 1984.

When Thomas began asserting himself as MD, Keys decided to move on. Keys, at age 45, decided to take a year's sabbatical· he took his family to Germany where he enrolled at the Goethe Institute to learn German

After his return to SA, he garnered other chairmanships, including those of Malbak, Swedish multinationals Asea and Sandvik, Consolidated Industrial Holdings and OCL It was not long before he was invited by Sanlam's Fred du Plessis and Daling to head up Gencor Keys had entered the mining house's fold when he accepted an invitation from the controversial Basil Landau, then joint head of the industrial division with George Clark, to become a director of Sappi

After taking over at Gencor, the new chairman soon began making profound changes He has also been going about the organisation and generally stirring things up According to a story doing the rounds, which may or may not be apocryphal, when one Gencor department was asked to give a presentation on its activities and plans, Keys pitched up late, unshaven and togged out in his jogging outfit, he listened impassively until the end, told the management their fortunes for being boring and unimaginative,

‘We think the torbanite project is going to work very well’

and walked out.

Analysts believe Keys is making it his business to seek ways of adding value to the Gencor share, and is encouraging the management and staff in this direction. This thinking, it has been suggested, resulted in the investment department coming up with the recent proposal to move the mineral rights held in mining finance company Genbel into Marievale, a dying gold mine The idea is not original, Johnnies applied the principle to good effect a couple of years ago with Freddies and Dabi. For Gencor, it should enable the JSE to place a market value on the mineral rights Already some analysts have commented that the rights are in fact more extensive and interesting than they thought.

One of Keys' early moves was to reorganise the management structure. The original five-man committee vanished Today, finance director Tom de Beer is the only member of that committee who remains an executive director Ted Pavitt, Hugh Smith, George Clark, Johan Fritz and Basil Landau have all gone And not only structures, but also tasks and emphases were changed

As Keys puts it, when he joined Gencor the emphasis at senior management level was on "administering the estate " Formidable as this task may be, he felt it was only half of what was needed, just as important was the necessity of getting ahead with new projects Analysis showed that development of new projects was the second priority of seven people — but it was nobody's first priority Keys deliberately shifted the emphasis — and this he regards as the single biggest change since he took over Former Samancor CE Colin Officer, a technically trained executive who has worked in various Gencor divisions including the investment department, was appointed director with specific repsonsibility for projects

More flexible attitudes have begun to filter downwards At Malbak Keys had learnt many lessons about the management of a conglomerate Today Gencor's top management tries to avoid imposing uniformity of behaviour or performance measurements on its various divisions Direct comparisons between the divisions and their employees are no longer made, and divisional directors are given greater autonomy to run their operations as entrepreneurial managers They simply report to Keys, who must be satisfied with the result and approve the overall allocation of resources

Another stylistic change was to move away from forecasting Some two decades ago Keys learnt in the farm machinery business — which is dependent on unreliable rainfall patterns — that blithe reliance on forecasts is often futile At Gencor he discourages his managers from making forecasts "The forecasts that were being done, at least the ones I saw, were fundamentally forecasts of the rand/dollar exchange rate," he says

"They were masquerading as forecasts of the ferro-alloy or the platinum price and so on But they were all dominated by the assumptions of a falling rand value versus the dollar So you got this saddle picture — things were always not too good now, they were going to be not quite as good next year, but sooner or later the dropping rand would thud through and you would have this paradise rise in earnings opening up in front of you That's all nonsense We now emphasise the scenario approach It's far more useful to have contingency plans that suggest what you would do in a better or a worse scenario than the status quo."

For many of the group's staff, it all involves a different type of thinking. Keys feels that the house is as yet only about 15% along this road, which is not surprising, considering that he is attempting to reshape the culture of a major mining house. He has also introduced what he calls the "transactions principle." Whereas in the past money had often been spent in the divisions because it was time to do so, or because it was considered equitable, Keys insists that there should be a transaction involved: that money would be spent provided something was given in return.

At board level, Keys has opted for his favourite arrangement. Gencor's board is structured as an executive or management board, whose CE is the chairman and most of the other directors are heads of the divisions. Also included are Federale Mynbou chairman Fred du Plessis and Sankorp executive director Marinus Daling. Three Gencor board members, Keys, Du Plessis and Daling, sit on the Federale Mynbou board, which passes judgment on policies and strategies.

"My concept of management is that you have to manage upwards as well as downwards," Keys says. "It's my job to see that the Gencor and the Fed Mynbou boards work well. One of the things the Fed Mynbou board has to look at is my performance and I have to give them enough input to judge that."

Not surprisingly, in view of the chairman's background, extensive changes were soon made in the industrial division. Source of so many travails, it received a tonic when Gencor took control of Malbak and went about moving all of its industrial companies into that vehicle. This has given Gencor a focused, listed industrial company comparable to Anglovaal's Anglovaal Industries, and also brought on board a team that had proved adroit at managing an expanding conglomerate. None of the senior industrial executives now remain at the Marshall Street, Johannesburg, head office — all have moved to Malbak's Sandton building.

Because of its large size, pulp and paper company Sappi remains outside the industrial division. But Sappi, another target for criticism a few years ago, is currently enjoying enormous profit growth after successfully bringing its Ngodwana expansion on stream. Ngodwana, it should be noted, is an enormously costly project that was conceived by Keys' predecessors.

Other positive events came during 1987. The gold division announced Oryx, seen as a high-quality new gold mine, and Impala announced Karee, a low-operating cost platinum producer. Encouraging progress is being made with the house's torbanite synfuel project — known in-house as the "T" project — of which Keys says he is "very confident." The project, being developed by a partner-

> ***'This house has tremendous mineral reserves'***

ship comprising Trans-Natal and the Central Energy Fund, was put on the fast-track and a decision could be taken during 1988 instead of 1989 as expected earlier. If so, a profit contribution could be received by Gencor in the early Nineties.

"It's the lowest capital cost per litre synthetic fuel project that is in the works," Keys says. "The project team has done an extraordinarily thorough job of debugging it. We think it's going to work very well." Gencor expects to invest well over R500m in the venture. Funding methods have not been determined — if the cost is considered too demanding for Trans-Natal, Gencor may come in as a partner.

Despite the presently dour coal and oil markets, the group has targeted energy as an area for expansion. Apart from the torbanite effort, it is interested in oil and gas. Some months ago it acquired a share in Soekor's prospecting activities off the Cape, and it would not be surprising to see it emerge with some form of interest in the Mosgas venture.

Exploration expenditure has been sharply increased, particularly in the gold division, where a major effort is being made to establish new ventures. Some outsiders believe it will take more than money to prove the necessary reserves, and they question whether the house will have the necessary flair available.

But Keys says he is not perturbed on this score. He insists that the house has tremendous mineral reserves, and will come up with enough gold prospects to fully extend its capacity to create new mines.

"Oryx came out of the blue, didn't it? Two years ago it didn't appear on anybody's list," he points out. "There could be others like that." One prospect that has remained stillborn for years is the Poplar mine near Evander. This is evidently a marginal proposition whose exploitation depends on a strong gold price. A go-ahead may have to wait for an eventual amalgamation of Gencor's Evander mines, which is currently being considered.

The group balance sheet is lightly borrowed. Malbak has a debt:equity of about 28%, Samancor has a net cash position, as does Trans-Natal. But the group's funding requirements are likely to rise steeply. Oryx alone will require about R300m, and enough projects are on the drawing boards to ensure that Gencor will be active in the loan market over the next couple of years, particularly if the stock market remains weak.

Profit contributions will take some time in coming from the big new projects, so the funding requirements could mean constraints on dividend growth. In fact, a plateauing is probable without more growth in rand gold prices (although it will be "priority number one" to avoid a dividend cut). But the projects should certainly add value to the share and the group's long-term prospects.

While attention is being focused on large ventures and expansion, thought is also being given to a successor for Keys — a subject that evidently was not tackled with sufficent gusto under previous regimes. Keys, 56, will consider appointing a deputy when he turns 60.

The deputy is likely to be chosen from the several senior managers who are now in their forties, such as Sappi CE Eugene van As, and Grant Thomas.

In the industrial relations field, many tests still lie ahead. But here, too, the house appears to have swung towards a more flexible approach. Keys is pleased with the fact that in the August National Union of Mineworkers' strike, Gencor very largely avoided firings, even though in many of the group's hostels there was a broad mix of strikers and those who continued to work — with all the potential for violence that situation presented. Keys is watching with interest the Anglo-De Beers groups' offer of equity participation to workers, but says Gencor would "hesitate" before making such an offer without first consulting the recipients. "That would be to revert to a situation we've tried to move away from," he says.

Given the nature of the group and the problems to be tackled, it will be a number of years before the real results of Keys' tenure are seen. It is probable that he has yet to take a firm grip on the gold division or the notoriously secretive platinum division. And platinum could be a field where the challenges will be particularly interesting over the next five years or so. But there is one thing that he clearly has done. Mining and industry can no more boast a surfeit of strong leaders than other sectors. Keys is giving his own style of leadership to an important but ailing mining house. ■

FOR SUBSCRIPTION II

2/10/87

German sanction poll not scientific — NUM

JOHANNESBURG — The National Union of Mineworkers has rejected a survey which found that two thirds of black South African coal miners do not want sanctions

The survey, commissioned by the German African Foundation (GAF) in Bonn after a debate on coal sanctions, was carried out by the IMS Institute here

Sanctions supporters had claimed opinion polls would show that most blacks were prepared to accept sanctions and the related sacrifices

A spokesman confirmed the NUM's commitment and support to comprehensive and mandatory economic sanctions and said that this view was based on opinions canvassed on a democratic basis throughout the union

The assistant general secretary, Mr Marcel Golding, said the NUM's position was adopted at the congress in February

"The union's position is quite clear and there can be no dispute that the NUM represents the interest of black coal-miners in South Africa"

Mr Golding said the sanctions campaign subscribed to by the NUM and the Congress of South African Trade Unions (Cosatu) was a "general and not an isolated campaign"

He said the union was not aware of any research and as the survey's findings were based on information gained from a select sample, they were not scientific — DDC

De Beers denies milking SWA

DD 27/10/87

Daily Dispatch Bureau

LONDON — In advertisements placed in leading British newspapers yesterday, De Beers denied allegations of overmining and underhand dealings in South West Africa made against it in a Granada television programme broadcast this week.

In the advertisement De Beers and Consolidated Diamond Mining (CDM) denied that the latter paid no more than a nominal rent for the right to mine its concession in Namibia.

"In total, CDM's tax payments, including the rental, annually exceed 70 per cent of operating profits which is consistent with the top rates paid by the De Beers group on any of its mines anywhere in the world," the advertisement said.

It goes on to deny that De Beers and CDM have overmined and secretly exported diamonds in anticipation of Namibia's independence, as was alleged in the programme.

"At no stage has CDM conducted mining operations other than in terms of its mining lease, nor has it mined higher grade reserves to the detriment of the life of the mine.

"On the contrary, the life has been extended continually by investment in new and innovative methods of mining and recovery.

"Granada claims that the mine will close in 1992.

"Current reserves indicate that the mine has a life of at least 11 years and it is hoped that on-going investment in prospecting should extend the life beyond the turn of the century," the advertisement continued.

The companies also disputed an allegation that CDM understates the value of its diamonds for the purpose of export to avoid Namibian tax.

"Long-standing independent verification procedures ensure that CDM and hence the Namibian state are receiving the Central Selling Organisation's selling price for the diamonds less an agreed margin.

"The arrangements for the pricing and marketing of CDM's production are accordingly as favourable to CDM and Namibia as they are to any other producer or producing country."

The political overlay

(210)

Anglo American chairman Gavin Relly comments on the outlook for Anglo, the mining industry and the economy.

***FM*: How do you view the outlook for Anglo over the next five years?**

Relly: As a mining house we're not in control of the price of our products or of the fate of the currency Those things are always going to be an overlay on whatever view one takes of the future We are quite familiar historically with the cyclical nature of these investments In the Sixties, 18% of the group's revenue came from copper, it's virtually nothing now Given our heavy base of mineral investments, one will be subject to a number of factors that are unpredictable

Over the next five years, therefore, I have to take a view on what the politics are going to be like in this country, and what measures the mining industry will have to take to look after itself. Obviously the main measure it has to take is to ensure it operates at the very highest level of efficiency

In the nature of our political society, efficiency is considerably diminished by the problems one has with one's workers who are seeking to establish themselves on a credible bargaining course That is absolutely right and proper, because we all support trade unions as being an integral part of the free enterprise society But there is the other aspect to it, which is work disruption and assaults on management's managerial prerogatives, and the difficulties which have emerged, particularly over the past year, where constant inroads have been made, or attempted to be made, on management's ability to manage.

These things naturally have their impact on one's attitude to organisations, and they have an impact, too, on people's judgments of the labour and capital input I would have thought over the next five years we'll see a considerable tightening up of labour's role in mining, where historical factors may have resulted in a sloppy use of labour. And, to go back to it, we'll have the very real overlay of what happens in SA in political terms This will exacerbate or ameliorate relationships which the mining houses have with their labour and the trade unions

There's already been considerable progress with mechanisation in the mining industry. You have alluded to possible changes in the input of capital and labour. Does this imply fewer jobs?

It may, regrettably, have that effect. It's an inevitable management response to a state of affairs

You said at Anglo's AGM that average cash earnings of black miners had risen by 85% in real terms over the past 10 years. Have these wages and working conditions now reached a level which you consider satisfactory?

No When I said that, a number of things were on the table to be negotiated and put in place to make the whole package more satisfactory. No package is necessarily ever entirely satisfactory We want to negotiate these packages in a form which will basically be affordable by the industry in the ups and downs of prices of mining commodities, and which will have the capacity for improvement

The important thing is to achieve a position where one doesn't have any discrimination in the mining industry Wage curves have got to get into a position where you have logical progression, in no way determined by the colour of one's skin One shouldn't forget the needs of one's white people either. Any one item is easily adjustable, no doubt, but there are a broad range of issues, not excluding the housing consequences of our wanting to go as far as we can to ameliorate the migratory system Those are likely to be a very heavy financial burden on the industry

To what extent do you see the recent strike as a simple wage and working conditions issue rather than a political event?

None of these things stand aside from each other in this One only has to read the newspapers to note that some of the calls are seen as a challenge to apartheid, others are in terms of worker solidarity There's an obvious political overlay to any union action I don't believe that proper political participation in the country's political institutions is going to stop unions being political, that's a myth Nevertheless, in the absence of proper participation in the country's formal political institutions, politicisation of unions is that much more inevitable and stronger

It would be naive to think you simply cut off the politicisation of unions by putting in place credible institutions. But that would obviously ameliorate the thing Meanwhile, the country's flywheel is being damaged by the politics That's aside from the unions wanting to use their legitimate muscle for union purposes.

What is Anglo's philosophy on diversification?

We've established certain grassroots industries such as steel and paper round which other things logically lie They form the pillars of Anglo's industrial endeavours. Timber has become important to us and so has the whole process of the usage of steel But we don't have any terribly sophisticated rationale for our industrial investments. We have no ambition towards taking over companies to create bigger or more substantial units On the contrary, the only things we really like doing are grassroots developments and that's more or less how it's been. We've acquired interests which are historical or have fallen our way due to other people's amalgamations or other developments, but we have no plan to make dramatic moves in any particular areas.

What we would all like more than anything is to have some big industrial process we could grapple with But if you really go through the possibilities, there are very few, if any, large industrial enterprises that would be viable in the South African environment. When you get down to it, it's the political problem, isn't it?

Does that mean the Anglo group does not have the confidence to invest?

No. What we're inhibited by is our inability to find large viable projects which could be undertaken here. Anglo American is not inhibited in a direct sense by the lack of political resolution, but one might be inhibited by a political analysis which, for example, told one that in the absence of a political resolution one was likely to have great difficulty in putting together a skilled work force which could be competitive in world terms One might be inhibited by the effects of lack of resolution.

What is your view of the progress achieved with international growth in the past six years? At the restructuring of Debincor in 1981, your predecessor referred to an objective to create a better platform for international expansion, particularly in North America.

It's been gravely inhibited by our problems with the American anti-trust regulations. This has had the effect of keeping Anglo American as such out of the US. But, in the world in general, we have put together businesses in Australia and South America which have largely been created on their own evidences, rather than being reliant on export of funds from SA These have got along pretty well and successfully. In the US, where we have no direct investments, Minorco holds various important investments

But has Minorco really matched expectations? With a few exceptions such as Salomon and Adobe, it has acquired very few new investments.

Minorco's inheritance of the North American mining business was tremendously inhibited by what's happened to base metal prices over the past decade Those are becoming better now. Results have also been inhibited by the extremely patchy performance of things like Terra International, which have themselves been affected by the extraordinary agricultural scene, where people have been paid not to plant corn, for example That side of the business has not developed, but it could have, it may do very well in this decade It's a cyclical business. It is true that Minorco has largely stuck to the businesses it already had That's no bad thing either look how well Cons Gold has done It remains our objective to keep expanding Minorco.

You've recently listed Anglo American Pacific in Australia. What are the intentions there?

To develop certain gold prospects which we have, to use our stock to undertake new enterprises — we're obliged anyway in terms of the Foreign Investment Act to reduce our interest in Anglo Pacific — and to generally get on with the mining business, either by ourselves or in association with others. We want it to remain a focused mining group.

How optimistic are you on the present economic recovery in SA?

It's a bit of a mystery, this South African economy. One sees some pretty good results coming out of various industries, even on an inflation-adjusted basis At the same time, the official GDP figures don't seem to reflect any very exciting progress in the economy and we know there's a dearth of new investment in bricks and mortar But I am reasonably optimistic because I believe that the halting deregulation which is coming about as it applies to small businesses and entrepreneurs, both black and white, may be having some effect that does not yet show up in the statistics.

I think a good deal is happening, particularly in the black townships, that represents hidden wealth creation One would only like to see more of that despite the enormous powers that the State has to cut through red tape, one feels that that process could go faster

We talk in grand terms and, indeed, I believe it's absolutely necessary for SA to build up a substantial export economy But I don't think that's going to be easy until the general political atmosphere in the country is more definable and understandable than it is at the moment The key to SA's economic growth lies in political resolution rather than in exhortation to people to go and spend money on bricks and mortar Since we know we're not going to have immediate political resolution, what we have got to look for is absolutely firm directions in government's intentions.

What is your view on the gold price and the international economy?

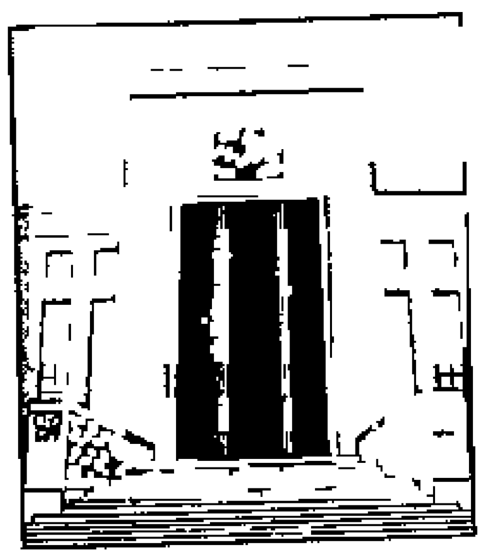
I'm optimistic on the gold price generally, because I take a somewhat pessimistic view of the international business environment Regrettably, I think that the industrialised countries will probably have to face a hardening of interest rates in order to ameliorate inflation As SA is an importing country it may feel the impact of that, at the same time, if people develop a fear of inflation they may well rush away from the high-flying financial instruments that they have been investing in and be inclined to have a bigger chunk of their portfolios in gold ■

FM 2/10/87 (2/10)

44 MAIN STREET

Buttressing growth pillars

Management at 44 Main Street has been steadily working to ensure the long-term stability and growth of Anglo American's earnings. The next big moves could come offshore



The post-Rubicon rand, with dollar-based recoveries in precious metals and diamond markets, dealt kindly with shareholders in the Anglo American/De Beers groups Since September 1985, Anglo's market capitalisation on the JSE has soared from R6,9 billion to R20,4 billion, while De Beers' capitalisation has climbed in the same period from R4,1 billion to some R19,5 billion.

If taken together, the two groups have a combined capitalisation of almost R40 billion Together they have significantly outpaced the growth in the combined capitalisations of GFSA, JCI, Gencor, Anglovaal and Rand Mines These telephone numbers are not simply to suggest that big is beautiful. But if investors are right, their bullish valuations on Anglo/De Beers are encouraging, and not only for investors.

For much of this century, the broad Anglo/De Beers group has been one of the larger engines in the South African economy Whether the concentration of economic power that began to grow out of the mining house system 100 years ago produced an ideal structuring of the economy can be, and often is, discussed at length. That's beside the point the hard fact is that the Anglo/De Beers grouping remains SA's largest single foreign exchange earner and one of the private sector's largest investors of capital

The mining industry, with its multiplier effect through the many service industries it has spawned and fostered, remains the backbone of the economy Anglo executive director Zach de Beer rightly told a Stellenbosch University seminar last week that SA needs to develop an export manufacturing industry capable of rivalling today's gold mining industry by the mid-Nineties That, sadly, won't happen easily or quickly

Despite the extraordinary breadth of its interests, mining remains the core of Anglo's business The six administered gold operations in the March 1987 year produced 250,2 t of gold, amounting to 39,2% of SA's gold output and some 19% of 1986 non-communist world production In the March 1987 year, gold contributed 39% of Anglo's investment earnings against 29% in 1970. The next largest contributor was industrial and commercial with 19% and another 10% was from finance and insurance Other significant contributions came from mining. diamonds (12%), coal (7%), platinum (8%) and other minerals (2%)

With no less than 68% of investment earnings derived from mining, Anglo, and its share price, cannot but be sensitive to fluctuations in commodity markets When Gavin Relly assumed the chairmanship on Harry Oppenheimer's retirement at the beginning of 1983, the group's attributable earnings declined and then stagnated in the following two years

For a large mining house such short time spans are of minor importance compared to the necessity to ensure survival and growth in the long term. By these criteria, the group has strengthened its position Key investments have been made in local banking, financial and industrial sectors, while existing mining operations have continued to expand

Three of the important locomotives that will ensure Anglo's long-term future have been, or are being positioned for growth — or, at least, for security of earnings In gold mining, Anglo is thought to be evaluating more potential mining projects or expansions than any other mining house; in the diamond sector, 34,3%-held De Beers is enjoying buoyant and broadening markets, and in the international arena, 39,1%-held Minorco (De Beers holds another 21%) seems ready to invest more aggressively in natural resources

As shown by JSE ratings of smaller, more focused mining houses such as Johnnies and Anglovaal, the stock market is currently attaching premiums to mining finance shares on the strength of mineral rights and prospects of future mines Johnnies, for example, last week stood only 10% below current net worth, compared with the 30% gap of two years ago On that basis, Anglo — even accepting that a single new gold mine would not have as large an impact on its widely sourced income — could still be undervalued, with its price this week 22% below the March 31 net worth

A number of analysts believe Anglo has secured lead position in a gold exploration

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panies to create bigger or more substantial units On the contrary, the only things we really like doing are grassroots developments and that's more or less how it's been We've acquired interests which are historical or have fallen our way due to other people's amalgamations or other developments, but we have no plan to make dramatic moves in any particular areas.

What we would all like more than anything is to have some big industrial process we could grapple with But if you really go through the possibilities, there are very few, if any, large industrial enterprises that would be viable in the South African environment When you get down to it, it's the political problem, isn't it?

Does that mean the Anglo group does not have the confidence to invest?

No. What we're inhibited by is our inability to find large viable projects which could be undertaken here Anglo American is not inhibited in a direct sense by the lack of political resolution, but one might be inhibited by a political analysis which, for example, told one that in the absence of a political resolution one was likely to have great difficulty in putting together a skilled work force which could be competitive in world terms One might be inhibited by the effects of lack of resolution.

What is your view of the progress achieved with international growth in the past six years? At the restructuring of Debincor in 1981, your predecessor referred to an objective to create a better platform for international expansion, particularly in North America.

It's been gravely inhibited by our problems with the American anti-trust regulations This has had the effect of keeping Anglo American as such out of the US But, in the world in general, we have put together businesses in Australia and South America which have largely been created on their own evidences, rather than being reliant on export of funds from SA These have got along pretty well and successfully In the US, where we have no direct investments, Minorco holds various important investments

But has Minorco really matched expectations? With a few exceptions such as Salomon and Adobe, it has acquired very few new investments.

Minorco's inheritance of the North American mining business was tremendously inhibited by what's happened to base metal prices over the past decade Those are becoming better now Results have also been inhibited by the extremely patchy performance of things like Terra International, which have themselves been affected by the extraordinary agricultural scene, where people have been paid not to plant corn, for example That side of the business has not developed, but it could have, it may do very well in this decade It's a cyclical business It is true that Minorco has largely stuck to the businesses it already had That's no bad thing either look how well Cons Gold has done It remains our objective to keep expanding Minorco

You've recently listed Anglo American Pacific in Australia. What are the intentions there?

To develop certain gold prospects which we have, to use our stock to undertake new enterprises — we're obliged anyway in terms of the Foreign Investment Act to reduce our interest in Anglo Pacific — and to generally get on with the mining business, either by ourselves or in association with others We want it to remain a focused mining group

How optimistic are you on the present economic recovery in SA?

It's a bit of a mystery, this South African economy. One sees some pretty good results coming out of various industries, even on an inflation-adjusted basis At the same time, the official GDP figures don't seem to reflect any very exciting progress in the economy and we know there's a dearth of new investment in bricks and mortar But I am reasonably optimistic because I believe that the halting deregulation which is coming about as it applies to small businesses and entrepreneurs, both black and white, may be having some effect that does not yet show up in the statistics.

I think a good deal is happening, particularly in the black townships, that represents hidden wealth creation One would only like to see more of that despite the enormous powers that the State has to cut through red tape, one feels that that process could go faster.

We talk in grand terms and, indeed, I believe it's absolutely necessary for SA to build up a substantial export economy But I don't think that's going to be easy until the general political atmosphere in the country is more definable and understandable than it is at the moment The key to SA's economic growth lies in political resolution rather than in exhortation to people to go and spend money on bricks and mortar Since we know we're not going to have immediate political resolution, what we have got to look for is absolutely firm directions in government's intentions

What is your view on the gold price and the international economy?

I'm optimistic on the gold price generally, because I take a somewhat pessimistic view of the international business environment. Regrettably, I think that the industrialised countries will probably have to face a hardening of interest rates in order to ameliorate inflation As SA is an importing country it may feel the impact of that, at the same time, if people develop a fear of inflation they may well rush away from the high-flying financial instruments that they have been investing in and be inclined to have a bigger chunk of their portfolios in gold ■

2 10

scramble that started in the early Eighties In the Free State, it is thought that the house could develop at least one, and possibly two major new mines in the region of Beatrix, Joel and Gencor's new Oryx Amgold's 1987 annual report referred to "encouraging values obtained from several reefs in the area north of Beatrix" Another prospect could exist south of Harmony and east of Joel Like Oryx, a mine here would be deep, high-volume and costly.

In the Transvaal, Anglo is believed to hold more than 50% of the so-called "Potchefstroom Gap" area By the mid to late Nineties, mining analysts estimate that Anglo and its associates could develop three mines in this area, which may eventually become a new goldfield

Apart from the potential grassroots projects, various extensions to existing operations could extend the lives of these mines significantly, as well as help to control costs in some cases In the Transvaal, for example, a current evaluation of the Moab area south of Vaal Reefs should result in a large expansion.

In the Free State, Freegold is currently spending R2,5 billion to open up new mining areas, and will develop another two shaft systems in the next five to 10 years to maintain output All the larger mines are spending heavily Vaal Reefs is spending R250m this year, and Western Deep Levels about R241m The significance of these spending programmes extends beyond future gold production. They are aimed partly at improving control over operating costs and efficiencies, and, where possible, achieving flexibility

Indeed, the formation of the massive tonnage "super mine," of which Vaal Reefs and Freegold (with GFSA's Driefontein), are outstanding examples, has done much to help management cope with inflation and pressures from trade unions Mechanisation is playing a part here too

Mechanisation of gold mining has attracted most attention at Johnnies' Randfontein and Western Areas mines, where geological conditions have allowed the introduction of trackless mining methods Trackless mining is beginning to be used elsewhere, such as at Western Deep Levels' new No 1 shaft But mines such as Western Deep, Vaal Reefs and Freegold have been making steady progress with other, less conspicuous forms of mechanisation and automation.

With recovery grades and pay limits generally declining, unit working costs rising in real terms and trade unions demanding wage increases well above the inflation rate, flexibility has become an important strength in gold mining. At least half a dozen reasons — technical, economic and financial — were cited for the Freegold merger. One unsung benefit that management has derived is an enhanced ability to respond to industrial relations problems

Anglo has been in the forefront in encouraging unionisation, which it continues to advocate. At the same time, it has experienced some less attractive effects of organised labour Several years' experience of work stoppages, boycotts, stayaways and even violent clashes at such mines as Western Deep have evidently encouraged management to build defences — and to take a stand this year During last month's strike, not only was Anglo, supposedly the most "liberal" of the mining houses, the only house to fire striking workers, it actually dismissed 30 000 In its September 1986 year, Freegold, with merger benefits beginning, held its escalation in unit working costs to 12,1% against an 18,3% CPI rise Future costs and gold production will be influenced partly by industrial relations, which look unlikely to ease, but economies of scale and other efficiencies should curb costs.

It is, of course, impossible to separate Anglo from De Beers That's not only because of the considerable dividend flow derived from the 34,3% interest in De Beers Cross-shareholdings, such as De Beers' 38% of Anglo, and De Beers' direct holdings of 25% of Amic, 23,3% of Anglo American Pacific, 21% of Luxembourg-based Minorco, 8,4% of Johnnies and an important interest in Anglo American Corp of South America — mean that De Beers remains near the heart of the empire

De Beers, with much of its own equity traded overseas and much of its income derived from marketing more than 80% of the world's diamonds through the Central Selling Organisation, is the most international of large SA-based companies. The diamond recession of the early Eighties and its aftermath appears to have tightened De Beers' control Among such events was the R800m-odd deal at mid-year when De Beers took over the rough diamond stockpile of associate De Beers Botswana (Debswana), strategically significant terms of the deal were that Debswana issue 20m shares and two Debswana directors join the De Beers main board.

Chairman Julian Ogilvie Thompson has noted a considerable broadening of the diamond market, particularly into Pacific Basin countries. This has probably reduced the risk of severe market troughs in future, and should help to maintain growth momentum in the long term Meanwhile, De Beers should benefit over the short to medium term from rising sales of its own better quality gems, and from higher prices. In its December 1986 year, De Beers made pre-tax profits of R1 515m against Anglo's pre-tax figure of R1 541m in its March 1987 year. After recent results, it would not be surprising to see De Beers outpace Anglo.

Apart from De Beers, the group's extensive international interests have always been impressive in terms of assets and promise rather than for expansiveness, profits or cash receipts Overall, results have been disappointing Minorco, which holds most of the foreign investments, has been a dour performer and a low yielding share Good figures by some interests have been vitiated by losses elsewhere, notably in Inspiration Resources Minorco's most profitable investment was the holding in Salomon Inc, acquired in 1974 This week the Salomon investment was finally wound down half was sold in 1985 for a large capital gain, and on Monday Minorco sold its remaining 14% for US$808m cash, creating an extraordinary gain of $440m

Anglo has been chivvying away at its foreign interests Minorco aside, attention has been given to facilitating expansion of the directly managed operations in South America and Australia Anglo American Corp of South America has diverse interests, mainly in Brazil, it will produce 11 t of gold this year and 14 t in 1992 Executive vice-president of these operations is Guy Young, former MD of Anglo's gold division

Australian Anglo American derived much of its income from the Mount Morgan gold tailings re-treatment project In the past year, however, it has acquired a stock exchange listing and changed its name to Anglo American Pacific It acquired 18% of Poseidon Inc, whose main asset is 24% of Kalgoorlie Mining, the largest Australian gold producer, but the interest was since sold The company is to be Australianised and should have a base for faster growth

Last week changes were announced for Minorco Not only were 1987 net earnings up by 69% at US$122m and the dividend lifted by 8%, but there is to be a new investment emphasis Minorco is to move away from acquiring minority passive investments and return to ownership and operation of resource-based assets That clearly infers more active expansion

Meanwhile, a resurgent Cons Gold — the 29% interest is now Minorco's largest asset — this week moved to acquire 49,9% of US-based Newmont, whose Newmont Mining is thought to own North America's largest goldfield Currently rising commodity prices in metals and mineral markets could offer the best growth opportunity in years.

Non-mining investments at home have not been neglected under Relly's chairmanship. There's been the 13,2% Anglo stake in the Premier group (De Beers and Johnnies have additional amounts), the 20% in Ventron, control of the enlarged Southern Life Association (SLA), and, with SLA and De Beers, the controlling interest in First National — all these will contribute to Anglo's income, particularly during the present upturn

As Relly has argued, though, the durability and vigour of a domestic economic recovery will remain closely linked to socio-political factors Meanwhile, coal is in recession, and a future price war in platinum must be a real possibility But in the long haul the Anglo/De Beers groups' gold, diamonds, platinum and foreign assets could represent the most solid prospects for growth It is probably the only large South African group that has the brawn and other resources to develop and expand a truly international grouping In the past two decades 44 Main Street has been through a long learning curve abroad Now management needs to show it has the courage to accelerate offshore growth

Andrew McNulty

NUM to contest recognition ban

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DD 3/10/87

JOHANNESBURG — Anglo American's President Brand Free State mine has withdrawn its recognition of the National Union of Mineworkers. This would be contested by the union, the Num said yesterday.

Anglo American (AAC) said in a statement last night that it had withdrawn recognition of the Num at the mine in response to an attack by miners on team leaders who worked through the recent strike.

It added that the mine's management at Welkom had "cancelled all mine-level agreements with the union, de-recognised all of its stewards and withdrawn office and related facilities which it had afforded the union at each of its five hostels"

The Num said in its statement yesterday that it has not been formally notified of the intention of President Brand to withdraw recognition and facilities of the union.

"This unilateral action is without precedent and will be contested by the union. It is our view that this decision is contrary to the collective bargaining agreement with the Chamber of Mines as well as the recognition agreement with the President Brand

"It is well known that notification of the intention to withdraw should first be given to the union The allegations made by management concerning the Num's involvement or support of violence is unfounded and without substance.

"By going to the press, AAC seems intent on conjuring a public impression that the Num supports violence and intimidation. It is well known that Num uses democratic methods in the conduct of its activities," he said. — Sapa

SOWETAN 21 10 1987

NUM to challenge Anglo

Labour Reporter

The National Union of Mineworkers (NUM) is to challenge the decision by Anglo American's President Brand Gold Mine to withdraw its recognition of the union.

NUM assistant general secretary Mr Marcel Golding, accusing Anglo of casting aspersions on the NUM and its leadership, said the cancellation went against the collective bargaining agreement with the Chamber of Mines as well as the recognition agreement with President Brand.

Anglo said it had taken the decision after the reported killing of a team leader at the mine's No 4 hostel, in which, it claimed, regional NUM leaders were implicated.

Mr Golding said the claim would have to be proved. The NUM had clearly stated its opposition to violence.

Anglo said that management's efforts to discuss events at the mine at regional level had been rejected.

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COMPANIES

Four gold producers' taxed profits fall 37%

PETER STACEY
Mining Editor

RAND MINES gold producers recorded an overall 37% drop in taxed profits to R29,7m in the September quarter, from R47,5m the previous quarter.

Harmony, the largest of the mines, increased milled tonnage by 8% to 2,41-million tons, but a sharp fall-off in grade to 2,93g/t (3,31g/t) cut overall gold produced by 309kg to 7 054kg

The three other mines in the group — which was unaffected by the National Union of Mineworkers strike — all increased milled tonnages But higher costs, including the full impact of annual wage and salary increases, put a sharp brake on performance, despite a higher gold price

BLYVOORUITZICHT'S increased tonnage, higher gold production and higher revenue was offset by sharply climbing working costs Taxed profits fell 6,2% to R15,45m (R16,48m) However, a lower level of capital expenditure meant that earnings improved marginally to 43,5c a share (43c)

ERPM, where future profitability hinges on the new Far East Vertical Shaft project, continued to operate with working cost levels well above revenue and recorded an operating loss of R17,9m (R15,4) for the three months.

However, there is light at the end of the tunnel for the Boksburg marginal mine The Far East project is nearing completion and the directors expect that, from next year, high grade tonnage from this area and the effects of a rationalisation programme will ensure working profits

High Composite Reef values in the Far East area "exceed earlier predictions" The average *in situ* grade sampled over 2 200m is 845 cmg/t, which translates to about 7,7g/t at a 1,1m stoping width

Capital expenditure of R38,5m was slightly higher than in the June quarter December quarter capex is estimated at 17,8m, and spending is expected to continue at this level next year

Milled tonnage increased by 21 000 tons to 652 000 tons and, including 21kg recovered from slimes treatment, gold production increased from 2 217kg to 2 251kg at an average grade of 3,45g/t (3,53g/t).

A gold price of R29 279 a kg was almost R1 000 higher than in the previous quarter, but working costs at R37 937 a kg (R36 452) continued to outstrip revenue

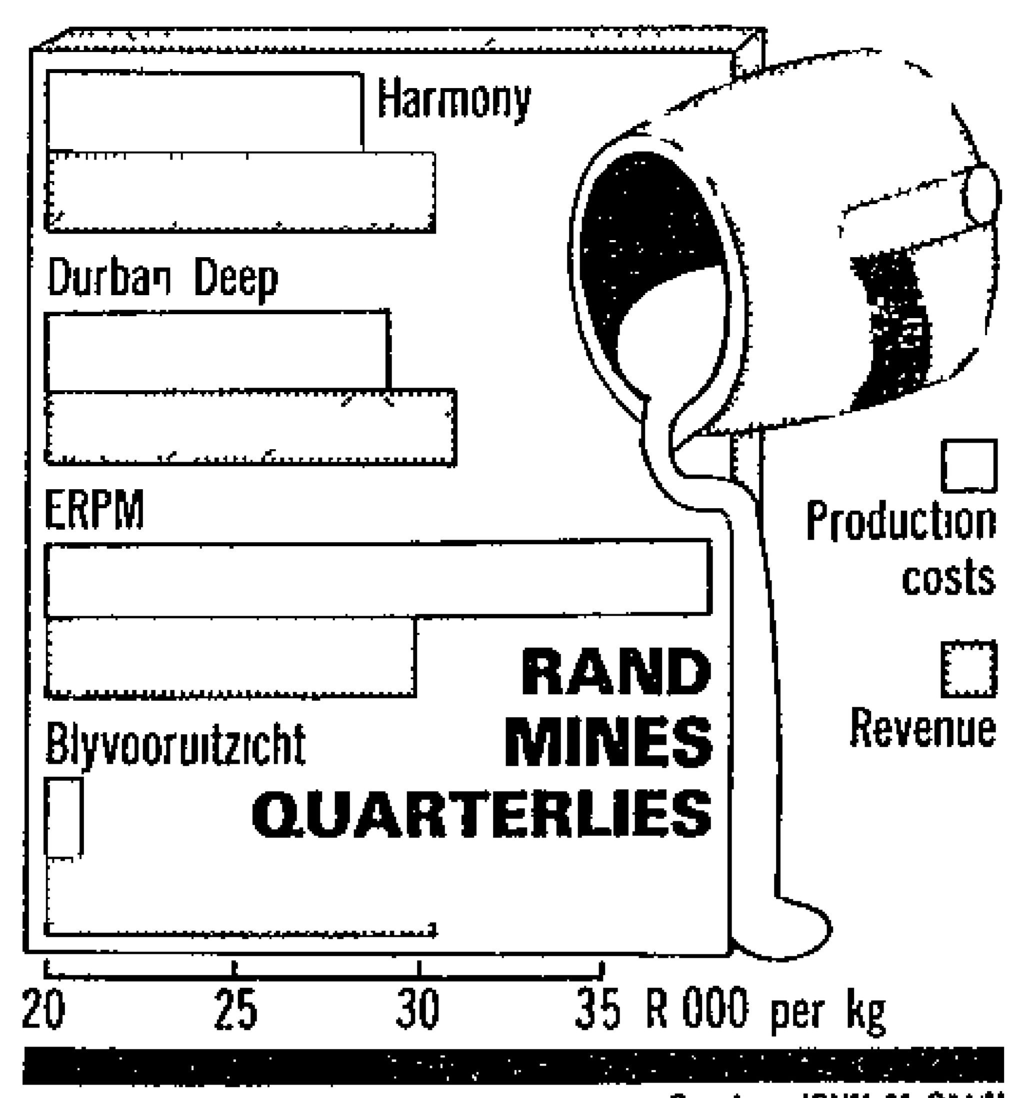
"Working losses incurred in the older areas of the mine are proving to be excessive, and plans to curtail these losses are being implemented," the directors said

At HARMONY increased milled tonnage reflected the effects of the No 4 Shaft expansion programme, but disappointing grades in leader Reef workings adversely affected yield Plans to move production to better areas are being implemented, and a return to previous higher levels is expected "within a short time"

While gold output and revenue dropped, revenue from uranium, pyrite and sulphuric acid rose from R9,1m to 15,8m

Taxed profits dropped to R29,3m, from R44,7m But, after sharply reduced capital expenditure, attributable earnings showed an improvement to R15m (R11,9m), equivalent to 56c a share (44c)

Marginal producer DURBAN ROODEPOORT DEEP increased both tonnage and grade and produced 7,1% more gold This, coupled with a R2 600 a kg higher gold price, contributed to a R2,9m taxed profit (R1,8m) But a higher level of capital expenditure meant the mine recorded a net loss of R4,2m (compared with a June quarter loss of R3,9m)



Graphic JOHN McCANN

Rand Mines September Quarter	Tons Milled '000s	Yield g/t	Gold produced kg	Costs R/t	Costs $/Oz*	Costs R/kg	Revenue $/Oz*	Revenue R/kg	Net Profit R000s	Profit after Capex R000s	EPS after Capex cents
Harmony	**2 406**	**2,93**	**7 054**	**84**	**430**	**28 493**	**459**	**30 408**	**29 330**	**15 022**	**56**
June	2 225	3,31	7 363	81	380	24 460	453	29 127	44 660	11 892	44
ERPM	**652**	**3,45**	**2 251**	**131**	**573**	**37 937**	**453**	**29 976**	**(17 944)**	**56 461**	**(509)**
June	628	3,48	2 186	127	567	36 452	451	28 981	(15 417)	(52 461)	(473)
Durban Deep	**600**	**3,17**	**1 905**	**93**	**441**	**29 191**	**468**	**31 030**	**2 871**	**(4 197)**	**(181)**
June	588	3,03	1 778	89	457	29 402	441	28 370	1 766	(3 868)	(166)
Blyvooruitzicht	**589**	**5,25**	**3 094**	**110**	**317**	**21 024**	**461**	**30 560**	**15 447**	**10 442**	**44**
June	575	5,26	3 026	101	297	19 124	452	29 042	16 476	10 419	43

* Standard Bank average $/R exchange rate $0 4854 September Quarter

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Mining houses, the NUM and a 'new labour deal'

SIMON BARBER in Washington

☐ NEW DEAL? Former Anglo chairman Oppenheimer and the NUM's Ramaphosa

BLACK EMPOWERMENT is the currently fashionable phrase among serious aficionadi of the South African dilemma, made so by the recently-disempowered Assistant Secretary of State for International Organisations, Dr Alan Keyes. What makes it particularly attractive is its pregnant vagueness and its suggestion of gradualism.

Serious people — as opposed to, say, Congressmen Ron Dellums or Howard Wolpe, chairman of the House Africa Sub-committee — avoid the blunter formulations "black power" and "majority rule" because they have a certain unsophisticated immediacy and happen to be what is actually being talked about.

It is the height of rudeness among aficionadi to call a spade a spade when there are so many periphrases available.

The fact of the matter remains that somebody in SA is at some point going to have to cede a considerable quantity of their own power if there is ever to be a reasonable solution.

Since the white elite as a whole seems in no hurry to do this, let alone all at once, the question is which sector shall start the ball rolling. Who, in other words, is going to do the empowering?

The left, which sees government as the source of everything, good and bad, naturally tends to believe the answer is government.

Accordingly, applying a calculus of pain which history has yet to demonstrate obtains in the case of Afrikanerdom, it demands that Pretoria be squeezed into surrender so that a new, all-encompassing state (i.e., the left itself) may emerge from the ashes.

The right, with its inherent tendency to dislike and therefore belittle the role of the state, looks elsewhere.

Some believe that the marketplace, by some magic of its own, will painlessly pull the rabbit from the hat if only allowed to operate free from outside interference. Others, of a more populist bent, contend that to do the trick the marketplace needs to undergo a radical transformation.

This latter group we may call the capitalist revolutionaries They hold that to solve SA's problems, business, not government, must be the first to begin relinquishing power, and that when that happens all else will follow, because forces will be unleashed that the state will be powerless to obstruct.

Chief among these theorists, in the US at any rate, is Norman Kurland, MD of Equity Expansion International Inc, president of the Washington-based Centre for Economic and Social Justice and deputy chairman of the grandiloquently titled Presidential Task Force on Project Economic Justice.

Kurland's thing is employee stock ownership plans — ESOPS for short. Project Economic Justice is a congressionally approved attempt to encourage the development of ESOPS throughout the Third World, beginning in Central America.

The goal is to demolish Marx's central tenet — the abolition of private property — by proselytising the infinitely more democratic ideal of mass individual ownership of property and the means of production

In a 1985 memorandum to then National Security Council Africa specialist Phil Ringdahl, Kurland laid out in detail how his doctrine — the "Third alternative to traditional capitalism and traditional socialism" — might be applied to SA The mining industry and the National Union of Mineworkers would be the "beachhead"

"The owners of all South African gold, diamond, uranium and other mining companies would be encouraged to offer their workers a 'new labour deal'," which would include as a first step the right to buy 20% to 30% of all existing shares of common stock and the right to share in corporate profits and control, using the technology of a leveraged ESOP.

"Credit for such employee equity could be supplied externally through the International Monetary Fund or World Bank loans or from foreign private lending sources, or it could be supplied through a variety of internal credit sources

"With the co-operation of the South African government, tax and labour laws might have to be reformed along US lines to accommodate such a buyout."

A quick parenthesis of explanation. Since 1973, US law has promoted the formation of ESOPS by making both the principal and interest on loans to finance employee equity purchases tax-deductible.

In conventional borrowing, only the interest is fully deductible This makes ESOPS highly attractive to managements because the plans are in effect a source of cheap capital.

Not surprisingly, there have been abuses. Some companies have exploited ESOPS to fight off takeover bids and have forced employees to buy non-voting equity.

The result has been that workers have found themselves "owning" but not controlling unprofitable and debt-ridden concerns. The majority of such cases have occurred when employee representatives were not sufficiently involved in the ESOP's creation

Back to Kurland and SA

"The ESOP should be structured to guarantee individual as opposed to 'collective' ownership and control of corporate equity. The union itself should own no shares and no bloc voting should be permitted, in order to minimise the politicisation of economic decisions.

"The mineworkers' union should be offered the leading role in negotiating on behalf of rank and file workers the terms of the 'new labour deal,' but union leaders would have to agree in advance to a democratic process and an open dialogue in the structuring and approval of the new ownership participation programme.

"As an incentive to union officials, the union should be permitted to institute a 'dues check-off' (deduction) on all private property benefits (i e , monthly and annual cash bonuses tied to profits, shares of stock, dividend incomes) it negotiates for its members This access to a growing ownership system pie would supplement union revenues coming from wage system check-offs.

"The union should be guaranteed access to financial information needed to evaluate the purchase price. It should also be able to protect the ownership interests of their members by gaining access to data on executive incentives and other privileged financial information, as long as such data is disclosed in ways that do not impair any company's capacity to compete fairly in the global marketplace "

Though employee stock ownership is already being mooted by Anglo and others, Kurland's proposition is considerably more radical than anything on the table thus far.

But then he is not aiming to please 44 Main Street He is not suggesting that the mining companies offer some co-optive version of the above, but that Cyril Ramaphosa demand it

Now, of course, it is easy to pick holes — gaping ones — in Kurland's specifics He does not pretend to be an expert on SA and there are those who will dismiss him as just another foreign meddler, trying to dictate solutions from afar.

But his underlying philosophy is worth more than passing consideration, especially because it is not far divorced from the American mainstream

As applied to Central America, it has been endorsed across a spectrum spanning passionately anti-Contra Democrats like former Congressman Mike Barnes to such vehement Reagan revolutionaries as former White House Communications Director Patrick Buchanan (the side of the scale to which Kurland himself is closest).

The argument is very simple, and ought to be self-evident in SA of all places: property is power, its absence is powerlessness Therefore, if they are to be empowered, black South Africans should seek to own the means of production individually, and not allow it to be vested in the hands of a narrow oligopoly or a state, which are the alternatives currently on offer from the government and what it considers its main opposition.

Here is a passage from the report on the Presidential Task Force on Project Economic Justice submitted to the White House last October As Cosatu and Numsa weigh the kind of political economy they would like to see replace the present status quo, they could do worse than to ponder it:

"The banning of private capital inevitably leads to totalitarianism. Under collectivism, the state is the only owner and the only employer.

'Thus, all power associated with the ownership of wealth-producing enterprises and other modern means of production flow into the hands of a tiny non-accountable bureaucratic elite. Consequently, everyone's income and each person's dignity depends on the will of those who run the state.

"Liberty, free enterprise and republican self-government can only succeed where power is widely distributed And since, in any nation, social and political power flow from economic power, wealth and property should be widely diffused among those who comprise a nation

"The best route to economic justice lies through the widespread ownership of property, including productive capital "

NUM and Chamber agree to talks

The National Union of Mineworkers and the Chamber of Mines have agreed to meet next month to "explore ways and means of ending violence on the mines", a Chamber spokesman said.

The spokesman said agreement to meet had been reached in a discussion between the Chamber's industrial relations adviser, Mr Johann Liebenberg, and the general secretary of the union, Mr Cyril Ramaphosa.

It followed a Chamber statement last week in which it was pointed out that the NUM had failed to respond by an agreed time and date to renewed efforts by the Chamber to secure its co-operation in attempting to end the violence.

The Chamber spokesman welcomed the NUM decision to agree to a meeting, adding that management was "deeply concerned by the violent assaults and deaths that had occurred on mines during and after the recent strike". — Sapa.

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Anglo gold figures fall

PETER STACEY
Mining Editor

TONNAGES milled at Anglo American Corporation's three major Transvaal gold mines fell 13,4% in the September quarter and earnings were down across the board

Underground production from Elandsrand, Western Deep Levels and Vaal Reefs fell a massive 24% as a result of the NUM strike, to 3,03-million tons, compared with 3,99-million tons for the June quarter

Earnings, after capital expenditure, slumped R56,5m to R117,8m (R174,3m)

A 37% increase in treatment of low grade surface waste dump material offset the mining of higher grade areas underground and overall yields averaged 4,7% lower at 6,18g/t (6,47g/t), and gold production fell by 17,2% to 25 804 kg (31 164 kg)

Elandsrand was worst hit, in terms of tonnage milled, with a 19,2% fall to 353 000 tons (437 000), but a grade improvement to 6,97g/t (6,39g/t) was a mitigating factor and taxed profits came down 16,7% to R32,6m (R39,1m)

Capital expenditure rose to R19,5m (R18,1m) and attributable profit of R19,3m was 21% below that of the June quarter

At **Western Deep Levels** the serious disruption of production continues to have repercussions.

The period of inactivity resulted in extensive damage to underground workings and full production will only be achieved in the current quarter

Mill output was down only 11,8%, but the major impact was on grade which slid from 6,57g/t to 4,94g/t, and gold revenue plummeted R89m to R202,6m (R291,6m) Earnings were down 42,6% to R24,5m against the previous quarter's R42,7m

A majority of the **Vaal Reefs** staff went on strike and output was 13,3% lower in the quarter. Grades, however, were 4,8% better and gold production was 9% down overall

Attributable earnings fell to R74,0m, 11,7% below a comparable figure of R83,8m for the June quarter (excluding the R23,4m dividend received from Southvaal Holdings)

SA Land and Exploration reported marginally higher surface tonnage milled in the quarter, and a 2% improvement in earnings to R1,26m (R1,24m).

Summary of Results	Tons treated 000's	Yield g/t	Gold produced kg	Costs R/t	Costs $/oz	Costs R/kg	Rev $/oz	Rev R/kg	Net profit R000's	Profit after Capex R000's	EPS after Capex cents
Freegold	**5 079**	**4,42**	**22 465**	**92**	**313**	**20 789**	**455**	**30 257**	**249 622**	**93 511**	**80**
June	6 061	4,20	25 436	81	300	19 390	448	28 932	182 161	80 805	70
Vaal Reefs	**2 486**	**6,74**	**16 756**	**107**	**239**	**15 882**	**455**	**30 188**	**135 884**	**74 006**	**390**
June	2 867	6,43	18 445	93	222	14 403	447	28 945	182 369	107 189	564
Western Deep	**1 334**	**4,94**	**6 586**	**110**	**308**	**20 441**	**454**	**30 133**	**70 726**	**24 498**	**90**
June	1 513	6,57	9 934	90	212	13 706	445	28 804	105 662	42 658	157
Elandsrand	**353**	**6,97**	**2 462**	**120**	**260**	**17 260**	**456**	**30 217**	**32 603**	**19 325**	**20**
June	437	6,39	2 794	98	237	15 342	449	29 046	39 145	24 474	25
SA Lands	**637**	**0,65**	**414**	**10,7**	**249**	**16 498**	**456**	**30 176**	**1 282**	**1 261**	**14**
June	632	0 65	413	10,2	240	15 545	449	29 021	1 285	1 236	14
ERGO	**8 946**	**0,31**	**2 747**	—	—	—	**454**	**30 070**	**23 751**	**17 594**	**41**
June	7 843	0,30	2 336	—	—	—	441	28 573	16 762	5 311	13

Average exchange rate 0,4854. September Quarter

Anglo sees the cash flow Down Under

After years of unfruitful exploration in Australia, Anglo American has now undertaken a potentially profitable project in the country. But there have been objections to a South African group managing the project — and an official body's acquisition of a 15% interest in the venture led to a lot of red faces.

LONDON — Mining giant Anglo American Corp has a less than distinguished record in Australia. After 22 years unsuccessfully seeking minerals, it has a reputation for being the Edsel of the Australian exploration industry.

Now, through a partly-owned local company, the SA group finally has a significant project.

It will treat the dross of more than 80 years' toil on the Golden Mile, most of the 50-million tons or so of soil in tailings dumps (much of it reprocessed before).

The one part in 3-million tons of gold to be extracted should be the base for a profitable operation.

Criticism attracted

However, the project has attracted criticism in Australia, with claims that the company should not be allowed to manage the A$30m (R44m) venture

By unhappy coincidence, the project was announced a few days before SAA had to end a 30-year association with Australia

SAA's direct Perth-Johannesburg service was banned by the Australian government, as part of economic sanctions

De Beers, Anglo American's sister company, markets most of the stones from Argyle, the world's biggest diamond mine, in Western Australia

By its own admission, Anglo has never been successful as an explorer in Australia. In recent years it has instead turned to buying interests in prospects either proven or promising.

The only gold mine it has launched, the Blue Spec, in the early 1970s, had a brief and disastrous career before being shut.

But doggedly, Anglo has remained a permanent, if so far unprofitable, migrant and is indeed in the process of naturalisation.

This year it floated most of its Australian interests in a local public company, Anglo American Pacific, with the Kalgoorlie tailings dumps the major asset.

Anglo American is still a litle uncomfortable that it controls about 60% of the Australian company but, as opportunities arise to invest more money, it will take in additional Australian shares to reduce its holding below the required 50%.

Embarrassment over the company's South African connection was intensified last week when a West Australian state government body acquired a 15% interest in the tailings venture.

Goldcorp, a company set up by the West Australian Development Corp to promote the state's booming gold mining industry, will pay proportional costs of development, plus its share of exploration and proving expenses already incurred.

Perhaps with a touch of the quixotic, Anglo American Pacific might plunge into a similar operation in Fiji, to treat the vast tailings held there at the long-running Emperor mine.

The SA-Australian company will carry out feasibility studies into launching a tailings operation there similar to the one at Kalgoorlie, presumably confident that a measure of political stability will return.

Even the Kaltails venture, as it is now known, has not run smoothly.

Anglo American has held 32-million tons in 10 dumps under option since 1979, but low gold prices and a shortage of water at first deterred processing.

However, by 1984 the project looked attractive enough for Anglo to exercise its option over the areas. By the end of 1986, a major source of underground water had been found a few kilometres away. The find enabled serious planning to begin.

The project will require a ton of water for each ton of tailings treated, to sluice the vast plateaus into pipes, where ultimately they will be treated in a carbon-in-pulp and carbon-in-leach circuit

The scale of the project is such that it will require the treatment of 3,5-million tons of tailings a year to produce just 40 000 ounces of gold.

The yield will be an average of 0,3 grams a ton, which, given today's gold prices, will provide an income of between A$7 and A$8 a ton. Operating costs are expected to be no more than A$4 a ton.

The project has faced some challenges in local courts, and changes to state legislation will be necessary to give it secure tenure of its dumps.

Even allowing for financial and other charges, the venture is expected by analysts to provide a profit of more than A$4m a year.

The newly-formed public company is well-established to launch the venture, with cash of more than A$10m and access to the kind of gold loan which will incur modest interest charges

It already has a cash-flow of sorts, through a 40% interest in the Mt Morgan gold tailings treatment operation in Queensland.

Other gold prospects

The operation, managed by Peko Wallsend, has a capacity of 4-million tons a year and is expected, when in full production, to yield 90 000 ounces of gold at its peak

The Kaltails venture has the attraction of another possible 17-million tons of tailings controlled by other companies but which, after negotiation, could be treated by Anglo American Pacific.

The new company also has other gold prospects.

After its many years of frustration and expense in Australia, Anglo must be gratified to see some cash flow from its operations, and even the likelihood of some profits in the next few years. — Financial Times.

(210) B/Day 28/10/87

MINING

Freegold reports lower earnings

ADAM PAYNE

FREEGOLD, formed by the merging of Anglo American's Free State mines, earned less in the year to September than last year, and reduced its total dividend to 310c (355c) after declaring a final of 155c

Available profit fell 11% to R354,6m (R397,2m), or 305,2c a share (341,9c)

The September quarter's results, however, improved on the June figures

Freegold attributes its slightly lower gold production for the year and reduced available profit to a number of disruptive events which culminated in the National Union of Mineworkers (NUM) strike.

In spite of lower gold production, gold revenue in the year was higher at R2 888,1m (R2 852,7m)

Profit from the Metallurgical Scheme dropped to R56m (R72,7m).

Available profit for the September quarter at R93,5m showed a 15,7% increase over the June quarter's R80,8m.

This was largely the result of a higher gold price received, and increases in both sundry income and Metallurgical Scheme profit.

Tonnage milled fell by 16,2% to 5 079 000 tons (6 061 000t) largely because of industrial action but, because average grade increased by 5,2% to 4,42g/t (4,20g/t), the fall in gold production to 22 465kg (25 436kg) was restricted to 11,7%

Because of the lower tonnage milled, total costs fell by 5,3% to R467m (R493,2m) However, unit costs increased by a hefty 13,5% as a result of the reduced tonnage. They rose from R81 a ton milled in June to R92.

Capital expenditure increased during the final quarter to R173,1m (R105,6m) to compensate for a lower level of expenditure during the previous quarter.

Provision for tax dropped to R2,6m (R77,6m), while net sundry income increased to R22,4m (R11,4m) as a result of dividends received during the last quarter

These factors enabled Freegold to boost profit after tax by 37% to R249,6m (R182,2m).

In the north region, gold production decreased to 10 562kg (12 310kg) because of the drop in tonnage milled to 2 155 000t (2 572 000t) and despite a slight increase in average grade to 4,90g/t (4,79g/t)

Total costs in the region fell to R220m (R248m) and capital expenditure at R68,9m was substantially higher than the previous quarter's R29m The region's profit fell by 7,4% to R96m

Freegold's south region's gold production fell by 9,3% to 11 903kg (13 126kg), also a result of the lower tonnage milled at 2 924 000t (3 489 000t) and in spite of the 8,2% increase in average grade to 4,07g/t (3,76g/t)

Total costs in the south region were well held to a modest increase at R247m (R245,2m) and capital expenditure, including Erfdeel, rose to R101,2m (R74,4m). The region's profit fell to R113,2m (R135,7 million)

The Metallurgical Scheme results showed an increase in available profit to R21,2m (R9,0m) mainly because of higher uranium revenue

Acid production increased to 89 988t (88 002t), gold production decreased to 677kg (697kg) and uranium oxide production was lower, both largely as a result of industrial action. Capital expenditure increased to R3,1m (R2,2m).

CAPE TIMES 23/10/87 210

Rand Mines: R2-bn to create 20 000 jobs

JOHANNESBURG. — The Rand Mines Group is engaged in a R2 billion expansion programme that will create more than 20 000 new jobs in a climate of high unemployment in SA, said Warren Clewlow, CE of Barlow Rand, at Virginia, OFS, this week.

He was speaking at the official opening of the new R250m number 4 shaft complex at the Harmony Gold Mine — one of several new mining developments being tackled by Rand Mines, the mining arm of Barlow Rand.

Clewlow said that, apart from Harmony number 4 shaft complex, the projects currently under way in the Rand Mines Group include:

The new Barplats Platinum Mine — to be developed near Steelpoort, Transvaal, at a cost of R500m.

The new Barbrook Gold Mine near Barberton — a R100m development

The Escom-tied Khutala and Majuba underground coal mines — which are costing a total of R800m to establish

The R300m Far East vertical project that will give the ERPM gold mine a 50-year new lease of life

The R60m City Deep sand and slime retreatment plant that Barlow Rand chairman Mike Rosholt will officially open next week.

"If you take into account that the average mine worker has five direct dependants, it becomes clear that the current expansion of the Rand Mines Group is creating a livelihood for at least 100 000 people This represents a very good investment in the future of SA," said Clewlow. — Sapa

Anglo American gives school to township

By Molema Mochudi

WELKOM — Leseding Secondary Technical School is a gift, to the people of Thabong township, from the Anglo American Corporation and the De Beers chairman's fund

The school, opened officially on October 16, has been designed to accommodate 1 000 pupils in standards 8, 9 and 10, concentrating on education for technical careers The planning and design were done in consultation with the department of education and training, and the overall design was based on the model of Dinoto Technical Centre in Daveyton on the East Rand

Built at a cost of approximately R9,5 million, the school has 25 classrooms, five science laboratories, five technical drawing rooms, a language laboratory, computer science room, 11 workshops, an office complex, a library and a hall able to seat 1 000 people.

Leseding means "a place of light".

Leseding Technical High School started in January 1981 as part of the technical centre in Thabong The school had 27 students and two teachers

The number of students increased rapidly and an appeal was made to Anglo American Corporation and the Thabong Town Council for assistance to establish a proper school in Thabong Following representation by the gold and uranium division of Anglo American Corporation, the chairman's fund offered to build and equip the new school as a gift to the residents of Thabong

TECHNICAL FACILITIES

The school will benefit the Thabong community by exposing the local students to technical educational facilities, as good as any in South Africa

On September 19 1985 the first sod was turned by Dr E B Tlali, the then mayor of Thabong.

The co-educational school was opened for classes in January 1987 with an enrolment of 750 students ranging from standard 6 to standard 10.

Mr J W E Engelbrecht was appointed principal There are now five heads of department and 36 teachers at the school

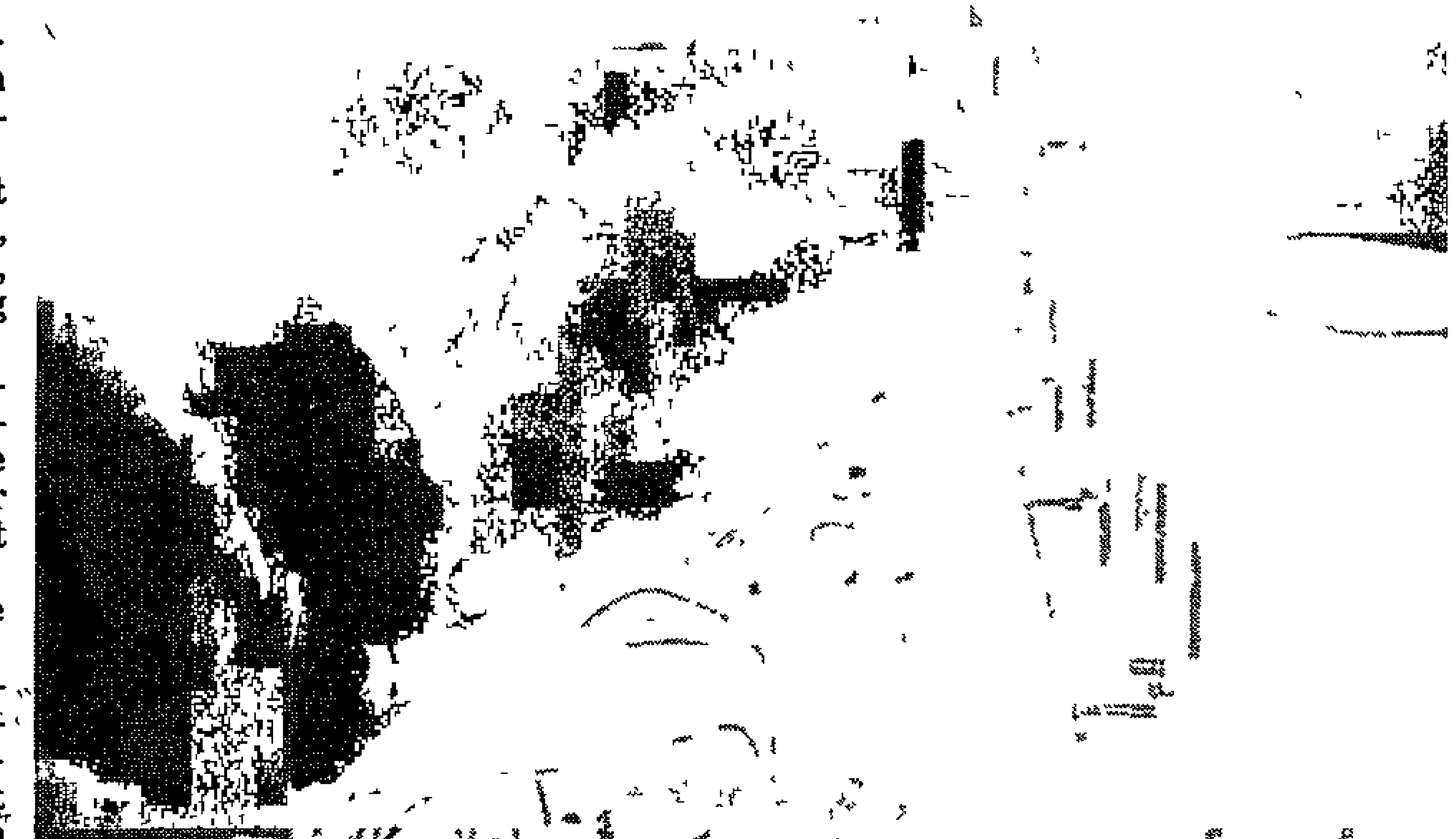
The following academic subjects are compulsory at the school, English, Afrikaans, South Sotho/Xhosa, mathematics, science and technical drawing

Students may select one of the following eight disciplines motor mechanics, electrician's work, electronics, woodworking, fitting and turning, body repair, bricklaying and plastering, welding and metal work

The basis of admission to the school is on academic merit Orderly conduct and strict discipline are required from each pupil Parents are encouraged to take an active interest in their children's development by keeping in contact with the school

A school committee has been elected by the parents

Permission has been granted by the Department of Education and Training to admit standard 6 and 7 students to the school until the beginning of 1989 After that, it is envisaged that the school will cater only for students between standards 8 and 10



Pupils get to grips with the world of electronics at the new R9,5 million school.

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ANGLOVAAL

Boost from mineral rights

Activities: *Financial, industrial and mining group*

Control. *Anglovaal Holdings holds 50,2% of the equity. Ultimate controlling shareholders are the Menell and Hersov families*

Chairman: *B E Hersov; deputy chairman C S Menell*

Capital structure: *1,78m ords of 50c each, 1,78m 'A' ords of 50c, 1,59m part 5% prefs of R2, 1m 5% cum red second prefs of R2 and 373 250 6% cum red prefs of R2 Market capitalisation R2,3 billion*

Share market: *Price R450 Yields 1,3% on dividend; 6,9% on earnings, PE ratio, 14,5, cover, 5,3 12-month high, R450, low, R193 Trading volume last quarter, 11 000 shares*

Financial. *Year to June 30*

	'84	'85	'86	'87
Investments				
Book Value (Rm)	182	223	233	279
Market value (Rm)	589	622	922	1389

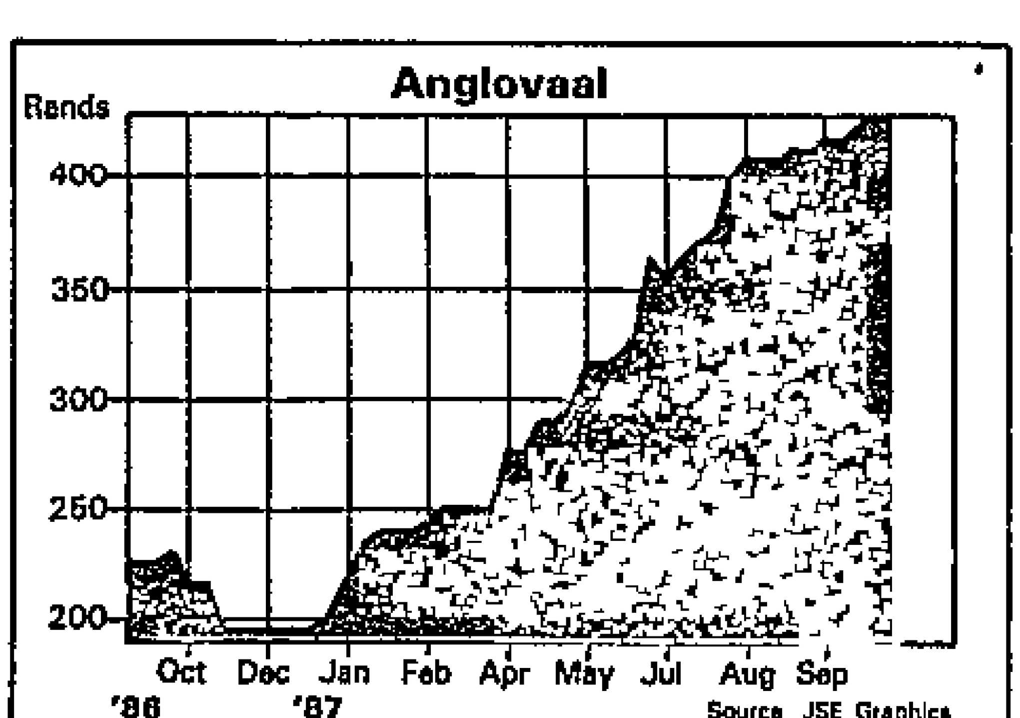
Performance.

	'84	'85	'86	'87
Trading income (%)	137	145	163	258
Investment income (Rm)	34	40	60	64
Earnings (c)	1236	1551	2160	3109
Dividends (c)	315	360	450	585
Net worth (c)	15135	16838	23955	34400

Anglovaal has for some time been the highest-rated share in the mining house sector Thanks largely to Anglovaal Industries' (AVI) 71% earnings surge, the group again produced excellent results in the 1987 year, when earnings were up by 44% and the dividend by 29%

The share obviously gained support from Anglovaal's good performance of the past 10 years, in which investors have enjoyed sound growth in real terms: earnings increased by 27,2%, dividends by 19,8%, and the group's return on investment was 22,4%. But this alone is inadequate to explain the recent dividend yield of only 1,3%.

Mineral rights and prospects of new mines have been a driving force behind a number of shares in the sector this year Like other mining houses, Anglovaal has a number of potential new mining ventures on its books.



Anglovaal's Hersov ... another year of growth

But in this case there are certain differences Anglovaal is the smallest of the mining houses, and one which currently gains only 25% of its income from gold — probably little more than about half of that proportion coming from its own mines (Harties, ET Cons, Loraine and Villages) The problem is that, apart from ET Cons, its holdings in the administered mines are relatively small. One or two major new gold mines could make a significant difference to future earnings

The market evidently thinks there is a fairly high probability that at least one, and possibly several of Anglovaal's potential projects will go ahead In the 1987 year the group and its partners spent R52m on exploration, research and development of value added projects, of which R22m went to acquisition of mineral rights Chairman Basil Hersov says that this year about R62m will be spent, of which R25m will be for acquisition of mineral rights In only two years, therefore, R114m will have been spent for this purpose.

Most of these funds are being spent on the gold exploration programme in the Bothaville and Odendaalsrus districts of the Free State, where Anglovaal and its subsidiary Mid Wits are apparently leading the search

Hersov notes that results have been promising enough to justify acquisition of mineral rights in selected areas, and that the programme has led to the identification of certain areas requiring more intensive drilling Hersov said on television last week that the area in which the group has concentrated on consolidating mineral rights could amount to a new goldfield as large as the present Free State goldfield, and that Anglovaal could be looking at as many as three new mines

With this level of spending merely on exploration and acquisition of mineral rights, the reason for the R200m rights issue in late 1986 is clear. The balance sheet has remained highly liquid, as one would expect from this conservatively managed group Year-end borrowings, including the R200,6m loan stock issue (for repayment from 2012), totals only R382m of which R81,6m is short term Against this there was deposits and cash of R868,4m — partly on the strength of a dividend cover even higher than usual, at 5,3 (4,8) times It is likely that if and when the house does develop a gold mine, it will want to ensure it retains a relatively large stake, and that it can fund the venture regardless of stock market conditions

Apart from the gold prospects, Anglovaal and Mid Wits hold the Venetia diamond prospect in the northern Transvaal Hersov says the latest feasibility study by De Beers — which would develop and manage any mine on the property — indicated the prospect is not economic under current assumptions as to revenue, capital, infrastructure, working costs and the taxation capital allowance base De Beers has approached the authorities on certain of these matters The Venetia reserves are believed to be of good quality, and could represent an important future profit source for the Anglovaal group Apart from the factors mentioned, a decision would presumably depend on De Beers' view of the diamond market

In the current year, it seems that Anglovaal will again have to rely on AVI to provide the growth Hersov says it is unlikely that last year's earnings and dividend growths by the group's gold mines will be repeated unless there is a meaningful increase in the

PROFIT SOURCES

	1986		1987	
	Rm	%	Rm	%
Gold mining	32,6	35	33,6	25
Other minerals and metals	22 9	25	29,0	22
Construction and electronics	2,3	2	3,6	2
Diversified businesses	6,0	7	22,2	17
Dry food and beverage	8,2	9	16,5	12
Frozen food	7,5	8	13,1	10
Packaging	10,0	11	13 1	10
Other	2,9	3	1,9	2
Total	92,4	100	133,0	100

rand gold price in real terms Mining income will also be restrained by a lower contribution from Prieska Copper Mines, which faces closure In the 1987 year, dividends received from Prieska, directly and indirectly, contributed 297c a share to group earnings, this year, on the most optimistic overall estimate, Prieska's contribution is unlikely to exceed 215c a share

With regard to prices for the group's base metals, minerals, ferro-alloys and coal, Hersov says that the strength of the rand will play a part, although much will depend on overseas demand This is at a low ebb at present, but could improve, provided sanctions are not extended (and that economic growth abroad continues). AVI, however, has traded well in July and August 1987, and has planned for further profit growth in the current year

Overall, says Hersov, the group looks forward to another year of growth, although probably at a pace slower than last year. At R450, the share price is 30% above the year-end net worth On short-term considerations there is little attraction, but on the strength of the mineral rights the share could remain in demand as a long-term hold

Andrew McNulty

Probe clears De Beers subsidiary

Diamond fields not over-mined

(210) STAR 2/11/87

The Star's Africa News Service

WINDHOEK — De Beers subsidiary Consolidated Diamond Mines (CDM) is not guilty of over-mining the diamond fields near Oranjemund, says a Namibian inter-departmental government committee which probed the allegations.

The committee of top civil servants made its study of CDM's mining practices following the Thirion Commission report in 1986

Old agreement

The report accused the company of over-exploitation of the diamond resource in contravention of a decades-old agreement with the administration of the territory

The Thirion Commission, also found that there was scarcely any government control over either diamond or any other form of mining in Namibia and that powerful multinational companies were virtually free to do as they pleased with the territory's natural resources

The latest inter-departmental investigation concluded that the conclusions of Mr Justice Pieter Thirion on the mining activities of CDM had been based on scant and incomplete evidence

According to the inter-departmental committee, the mining company had, in fact, continously made investigations into ways in which the dwindling diamond resource could be more effectively mined.

In terms of the company's 1923 agreement with the then South West African administration, diamond mining should be carried on in such a fashion as to maximise the utilisation of all grades of deposits. It stipulates that low-grade ore bodies must be exploited along with those of higher grade

Namibia rejects many findings of report on mining 'corruption'

By Brendan Seery, The Star's Africa News Service

5/10/87

WINDHOEK — The multi-national mining companies operating in Namibia reacted with shock in March last year when Natal Supreme Court Judge Pieter Thirion presented his long-awaited report on alleged Namibian Government corruption and maladministration as it affected mining.

Not only did the judge accuse the corporations of various malpractices — including over-mining, tax evasion and transfer pricing — but his prescription for a cure sounded like the African socialism of the Robert Mugabes and Julius Nyereres.

Just more than 18 months after the judge dropped his bombshell, however, the mining magnates are resting considerably easier following publication of a Windhoek Government White Paper on mining policy that rejects many of Judge Thirion's findings and recommendations.

While accepting the need for improved controls on and monitoring of the mining industry, the policy document spells out clearly a free-market approach in which the "Government must co-operate with private industry in a supportive manner".

The White Paper is the result of an intense study of the Thirion Commission findings by an inter-departmental committee of top civil servants, including Economic Affairs Secretary Mr Piet Kruger and Receiver of Revenue Mr Hannes Lubbe.

COMMISSION 'EXCEEDED TERMS OF REFERENCE'

The civil servants said in a report on their investigation of the Thirion Commission that they believed many of the judge's conclusions had been "based on insufficient evidence".

They also felt that the commission had exceeded its terms of reference in launching investigations into the activities of mining companies instead of confining itself to the Government's role in regulating the mining industry.

This was particularly true of the commission's probe into alleged over-mining of the Oranjemund diamond fields by De Beers subsidiary Consolidated Diamond Mines (CDM), the committee said.

Among the recommendations and findings of the commission to be rejected out of hand by the committee were:

- The committee said it had accepted explanations from the various corporations about the transfer-pricing practices alleged in the Thirion report. The civil servants said it appeared the commission "did not make adequate allowance for the complexities of the international metal markets" when considering the question.
- The committee said it was very unlikely that CDM had "over-exploited" the diamond fields as CDM had been mining the deposits since 1923 and was constantly exploring new ways of utilising low-grade ore bodies to prolong the life of the Oranjemund workings.
- The committee said it believed the imposition of a tax or royalty on the value of minerals produced, regardless of profit — as suggested by Judge Thirion — would be "counter-productive from the point of view of encouraging the opening-up and exploitation of the country's mineral resources".

The committee also disagreed that the current income tax structure be revised.

The committee said it did agree with the Thirion Commission that the Namibian Government should have some stake in mining operations.

The White Paper policy document therefore suggested the formation of a national unit trust that would allow the Government to buy into mining ventures if it wanted to, at "market-related prices", and up to a maximum shareholding of 15 percent.

The suggestion that a single national department of mines be formed found most favour with the committee.

It suggested that such a department be given all the necessary staff and technical back-up that would enable it to keep track of the multinationals and ensure that possible tax evasion, transfer pricing and ruinous mining practices could be controlled or prevented.

Sigh of relief from the Namibia mine owners

9/11/87

Star

A report rejecting many recommendations of the Thirion Commission is examined by Brendan Seery of The Star's Africa News Service in Windhoek.

The multinational mining companies operating in Namibia reacted with shock in March last year when Natal Supreme Court judge Mr Justice Pieter Thirion presented his long-awaited report on alleged government corruption and maladministration as it affected mining.

Not only did the judge accuse the corporations of various malpractices, including over-mining, tax evasion and transfer pricing, but his prescription for a cure sounded like the African socialism of the Robert Mugabes and Julius Nyereres which has sent apprehension through boardrooms around the world.

Just over 18 months after the judge dropped his bombshell, however, the mining magnates are resting considerably easier following the publication of a Windhoek government White Paper on mining policy which rejects many of Mr Justice Thirion's findings and recommendations.

Intense study

While accepting the need for improved controls on and monitoring of the mining industry, the policy document spells out clearly a free market approach in which "the government must co-operate with private industry in a supportive manner".

The White Paper is the result of an intense study of the Thirion Commission findings by an inter-departmental committee of top civil servants, including Economic Affairs secretary Mr Piet Kruger, Finance secretary Dr Johan Jones and Receiver of Revenue Mr Hannes Lubbe.

In their report they said they believed many of the judge's conclusions had been based on insufficient evidence. They also felt that the commission had exceeded its terms of reference in launching investigations into the activities of mining companies, instead of confining itself to the government role in regulating the mining industry.

This was particularly true of the commission's probe into alleged over-mining of the Oranjemund diamond fields by the De Beers subsidiary Consolidated Diamond Mines (CDM), the committee said.

Among the recommendations and findings of the commission which were rejected out of hand by the government committee were:

- **Tansfer pricing.** It appeared that the commission "did not make adequate allowance for the complexities of the international metal markets" when considering the question.
- **CDM had "over-exploited the diamond fields.** The committee said this seemed very unlikely, as CDM had been mining the deposits since 1923 and was constantly exploring new ways of using low-grade ore bodies to prolong the life of the Oranjemund workings.
- **The imposition of a tax or royalty on the value of minerals produced, regardless of profit.** The committee said it believed such a tax would be "counter-productive from the point of view of encouraging the opening up and exploitation of the country's mineral resources".

The civil servants also disagreed with the judge that the current income tax structure, which allows all development costs of a mine to be written off against tax, be revised.

The committee said it did agree with the Thirion Commission that the government should have some stake in mining operations as it was the legal custodian of the minerals of the territory.

Mr Justice Thirion's suggestion that a single national Department of Mines be formed found most favour with the government policy-formulators. They suggested that such a department be given all the necessary staff and technical back-up, such as computers, that would enable it to keep track of the multinationals and ensure that possible tax evasion, transfer pricing and ruinous mining practices could be controlled or prevented.

Incentives urged

Elsewhere in the policy document, it is stressed that conditions for starting and continuing mining operations in Namibia should be made as attractive as possible, through incentives and the lack of over-restrictive legislation.

The policy-makers said the mining industry in Namibia and in the world in general were in a state of decline, with many base metal mining operations in the territory only marginally profitable at present.

They concluded "In order to support those companies that are still actively mining and prospecting in SWA/Namibia, and to attract new investment in this field, greater effort is required of the government."

Cape Times 10/11/87

Coal boss calls for separate mine-tax study

Own Correspondent

JOHANNESBURG. — Rand Mines coal division chairman Allen Sealey has called for a separate and detailed study of mining taxation before any Margo Commission-proposed tax changes are introduced.

He says the mining industry has been integral to the economic development of SA and as a major source of foreign earnings it is vital to encourage continued investment in mining.

"The (Margo-recommended) removal of the GST exemption on exports would prejudice the exports of the mining industry in (SA)," he says.

Referring to the Commission's proposal that capital expenditure by mines should not be written off immediately, as is now the case, but over three years, Sealey says: "The immediate write-off enables the mines to meet the risks involved in marketing minerals in volatile markets."

B/day 18/11/87 (210)

Setting sights at overseas projects

Shaft Sinkers joins forces with Trigon

MICK COLLINS

ANGLO American subsidiary Shaft Sinkers is to join forces with a UK-based company, Trigon Geochemical (TG), to undertake joint mining and civil engineering projects in SA, Canada and West Germany.

An Anglo spokesman said the move would greatly reinforce a planned expansion by Shaft Sinkers into the mining construction sector with particular reference to diaphragm walling

"The company's (TG's) patented walling system achieves time-savings of 20% or more in shaft-head construction. Vaal Reefs number 10 shaft used a similar system and saved two months on-site time and more than US$1m. The TG system is better again.

"In turn, Shaft Sinkers can lay claim to the deepest shafts yet sunk in the UK and North America It also has to its credit its major involvement in the Cahora Bassa scheme and Natal's Drackensberg Pumped Storage Scheme"

It was against this background of hard-rock mechanics that Trigon's experience in applied geo-technology and its proven track record throughout major contracts was seen as being directly complementary.

The spokesman said the UK company was the patent holder of the Triplaner Angle Correction Device and was able to offer a systemised method of walling construction which was fully transportable on an air-freight basis.

"Employing a specially-designed, hydraulically operated chisel grab — the only one of its kind capable of penetrating rock — the Trigon system can be broken down, shipped to virtually any location worldwide and fitted to an existing hire crane with only minor modifications"

The spokesman said a Shaft Sinker subsidiary, W J Engineering, would be undertaking design improvements with a view to creating a new, more advanced version of the grab.

"Another subsidiary, Mining and Engineering Technical Services, will also link into the new venture through design and construction contracts."

BARLOW RAND

Structural changes

(210)

As was to be expected once the rand firmed, the profit contributions from Barlow Rand's mining and international interests ran out of steam in the 1988 year Once the economy started moving ahead, the industrial and food divisions took over as the group's main locomotives — the 30% earnings advance in the year to end-September was derived essentially from these divisions

Economic activity will influence the earnings pace in the current year, as will the more muscular shape of many of the subsidiaries But the chances that the rate of growth will be slower next year are high While management has continued to make changes to the structure of the group, some of the immediate benefits have already been felt, and others will only be seen in the medium- to long-term

As CE Warren Clewlow notes, the past couple of years have seen a number of new developments Among these, Rand Mines — under a cloud because of its present reliance on coal and ageing gold mines — is pressing ahead with a R2 billion expansion and looks poised for more new projects Plascon, Federated Blaikie and Middelburg Steel & Alloys have all become wholly owned subsidiaries, giving Barlow a greater share of their profits. And powerful turnarounds were achieved in several struggling companies, including Reunert, ICS and Romatex

All these have bolstered the structure for the long-term Rand Mines' achievement in holding its earnings decline to 7% and the board's willingness to lift the dividend by 2%, reducing cover to 2,57 (2,82) times, should have boosted confidence

The mining house has been aggressive this year. It had the good fortune to have avoided high exposure to coal exports, now it is establishing the R530m Barplats platinum mine — its first exposure to platinum — and is involved in the R100m Barbrook gold mine in the eastern Transvaal. It has commissioned Harmony's R250m No 4 shaft, is building an R11m plant to produce gold from sand and slimes tailings at Pilgrims Rest, and has quickened work at ERPM's Far East Vertical shaft Unless management is put off by market uncertainties, an expansion for Durban Deep could be announced soon There is no doubt that Rand Mines' image has improved this year

However, the house's gold mines are largely marginal and could continue to face a cost squeeze in the current year Coal profits are unlikely to improve soon International arm, UK-based J Bibby produced excellent growth in the first two years after being acquired by Barlow, but last year only maintained earnings at 21p per share. Clewlow says that the problems were in the packaging operations, but these have been sold. Bibby may, therefore, perform better in sterling terms At least, with lower stock market prices, it may be able to find acquisitions at acceptable prices

With strong recoveries being seen in various companies, there appear to be few, if any, laggards or problem areas left in the local industrial and food interests Even sugar profits were strong. But companies such as Federated Blaikie, ICS — where major successes have been achieved — Romatex and Reunert were all rising off a low base Their growth pace could be slower this year. However, Reunert has more a focused base for expansion, while Barlow's stake in ISM has large long-term potential

There are always costs involved with long-term investment Barlow's 1987 bottom line was boosted by the lower interest bill Pre-interest profit was up by a slower 17% on a 14% rise in turnover. Strong cash flow has enabled the group to reduce the debt.equity ratio to 50% from the previous 63%, and increase the interest cover from 4,3 to 6,0 times But, with capital spending expected to rise to around R1,5 billion this year from a budgeted R825m in 1987, upward pressure on borrowings and interest payments could re-emerge

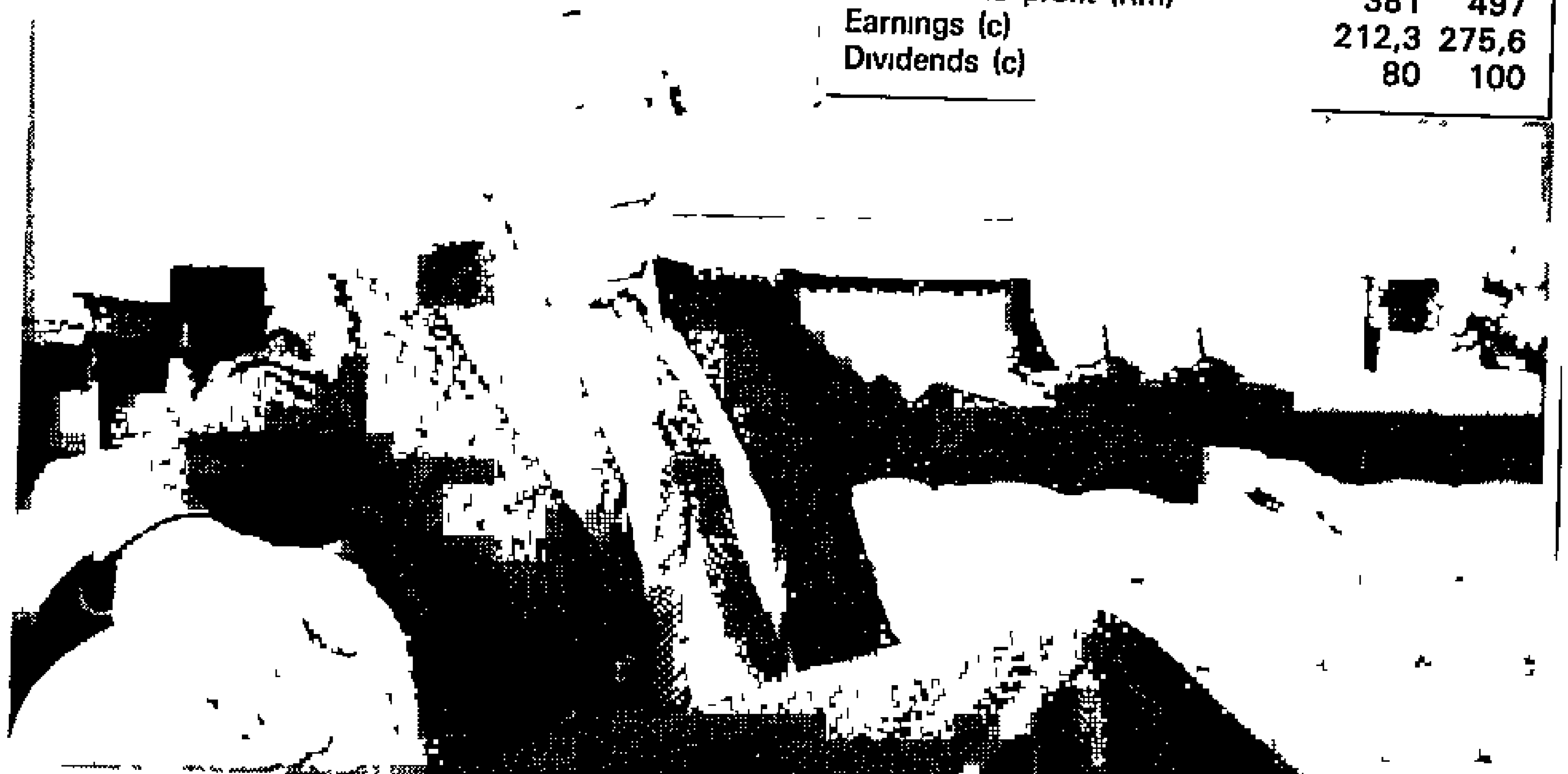
Clewlow points out that Barlow holds large market shares in many of its sectors, and he is optimistic that shares will grow. Broader product ranges should help with this he says that the group has recently produced more than 200 new products.

When the market took stock of the results on Tuesday, the share gained 25c to 1950c, where it offers an attractive and reliable dividend yield of 5,1% and a p e of 7%. The share must be one of the better quality stocks around at present

Andrew McNulty

BARLOW's JUMP

Year to Sep 30	1986	1987
Turnover (Rbln)	14,6	16,6
Pre-interest profit (Rm)	1 217	1 428
Investment income (Rm)	167	170
Attributable profit (Rm)	381	497
Earnings (c)	212,3	275,6
Dividends (c)	80	100



Barlow's Clewlow . . . expanding produce ranges

Mine to spend R5m on housing

JOHANNESBURG About five million rands is being spent on the purchase of houses in Barberton for subsequent sale to staff of the new Barbrook gold mine, which is being established near the town

This was revealed by Mr Hugh Stoyell, the managing director of Barbrook, a joint venture between Rand mines and Anglo American Corporation.

He said in a statement that Barbrook has secured 35 houses in the historic lowveld town at an average price of R80 000 and offers are in for a further 17 units "In all, we plan to buy 72 houses to accommodate some Barbrook staff"

Mr Stoyell said many of Barbrook's employees would live in the nearby Kangwane town of Matsulu, where they are being encouraging them to own their own homes

Work on the establishment of the new mine is already well under way and commissioning is expected in the third quarter of 1989 The statement said full production would be reached in 1990

The new mine will have a labour force of over 1 000 — Sapa

(210) B/day 27/11/87

Anglo's income takes R102m dip

ADAM PAYNE

ANGLO American Corporation has declared an unchanged interim dividend of 62,5c a share and produced figures to September 30 that are disappointing compared with the jumps in profits in recent years.

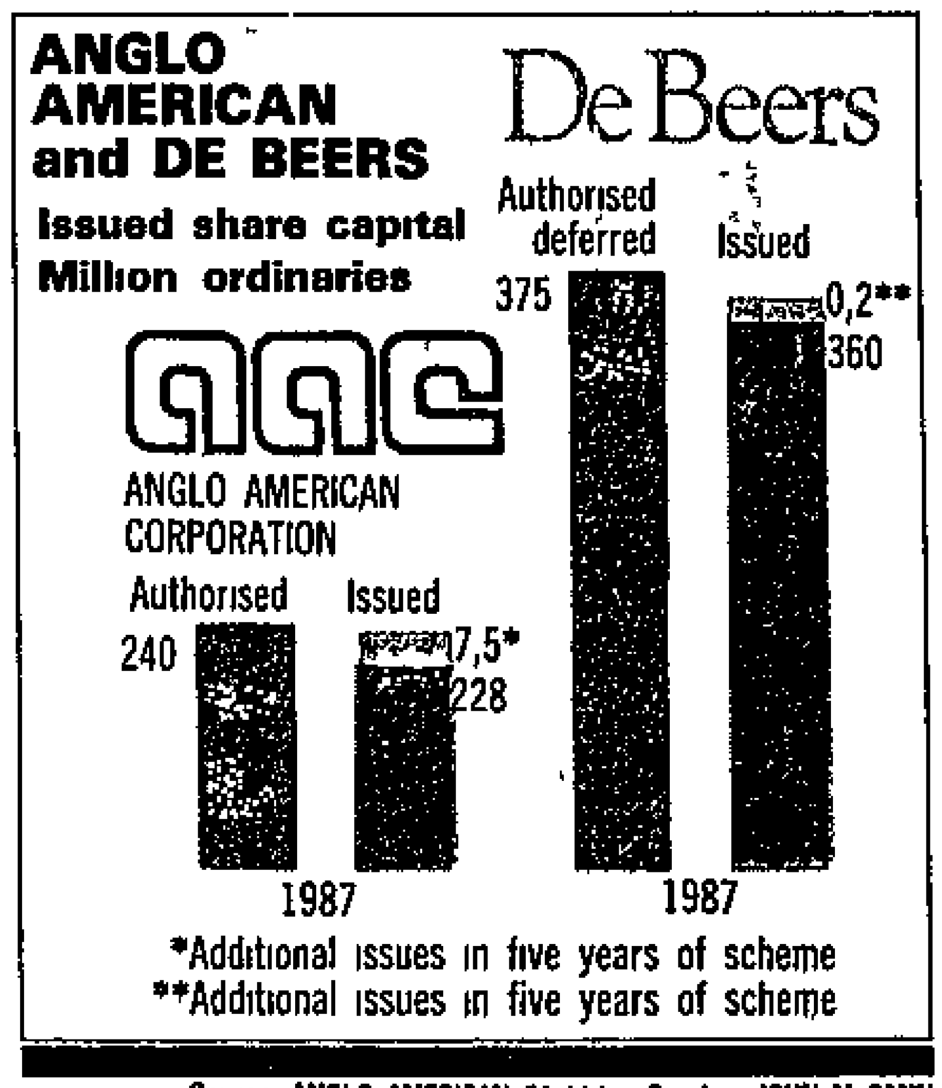
The corporation was particularly down in trading income at R132m, against R235m a year ago — a decrease of 44% The poor performance was due to Amcoal's lower profits.

Anglo's net after-tax income was down 6% at R471m (R498m).

Attributable earnings rose only 1,7%, compared with a year ago, at R411m (R404m) or 179c a share — only 2c higher than a year ago

The more important equity accounted earnings rose by 10% to R638m, or 279c a share. Since these earnings include the performance of associated companies, the improvement is significant.

Income from investments at R430m was only 7,5% higher than the comparable R400m in 1986 The improvement is largely attributable to higher dividends from diamond and industrial interests.



Source ANGLO AMERICAN SA Ltd Graphic, JOHN McCANN

● To Page 2

(510)

Anglo figures disappoint

● From Page 1

Gold mine dividends income was little changed and, since Anglo relies on gold more than on any other source, the total performance was not helped from this quarter.

The small change in gold mining income occurred in spite of the gold price averaging R875 an oz in the six months, compared with R758 last year, an increase of 15%

Dividend income during the second six months of the year will be adversely affected by the NUM strike in August.

The lower net income of Amcoal largely accounts for a R79m drop in the tax charge to R101m, and a decrease from R93m to R60m in outside shareholders' interests in earnings.

Other net income decreased from R43m to R10m and retained earnings of associated companies, which is transferred to non-distributable reserves, improved by R50m to R227m, the improvement being largely attributable to mining, finance and industrial associates, including JCI, Minorco and De Beers

On September 15, De Beers issued 20-million new equity shares for the acquisition of Botswana diamond stocks This diluted the corporation's and its subsidiaries' equity interests in De Beers from 34,3% to 32,5%

Since September 30, the market value of Anglo's listed investments has fallen sharply because of the JSE crash

As a result, the net asset value per ordinary share has fallen from 12 727c at September 30 to 8 549c at November 19, and the corporation's current share price stands at a discount of about 30% against this lower NAV.

Despite the adverse effects of the gold mine strike, the results for the year to March 31 next year are expected to show a similar trend.

The interim results fall short of earlier expectations, which is understandable because of the poor performance of Amcoal and possibly certain other subsidiaries.

The decline in NAV a share reflects the market crash Nevertheless, the current figure, compared with the share price, shows that the share is intrinsically under-valued, particularly when compared with some mining holding companies with investment and exploration interests, whose share prices are well ahead of NAV.

One analyst, who had under-estimated the fall in Amcoal's contribution, said he had expected Anglo to go ahead by about 10% in the first half of the year and 8% in the second half, having been impressed by the improved performances of associates Minorco, JCI and De Beers.

NUM thinks worker share scheme 'stinks'

JOHANNESBURG — The National Union of Mineworkers (NUM) has rejected the Anglo American Corporation's employee share participation scheme which was announced by the corporation yesterday.

NUM's general secretary, Mr Cyril Ramaphosa, summed up the union stance "The scheme stinks"

This was the view of union members who had been consulted so far at meetings during the last two days since details of the scheme were made known to the union, he said. He denied that he had been notified about the scheme prior to this week

"As we understand it the scheme is a manoevre to ensure that free enterprise is entrenched in a post-apartheid society," Mr Ramaphosa said

"It amounts to political and economic blackmail"

NUM, the biggest trade union in the country, claims a total membership of 270 000, with about 100 000 members employed by Anglo American companies

He said that based on meetings in three regions of the union over the last two days "the immediate reaction is that the scheme must be rejected"

"This initiative is an attempt to undermine the strength of the unions. What the workers are demanding is that they get a living wage and a bigger share of the profits of companies going towards wages. They won't be tricked into a paltry share ownership scheme," he said

The money being made available by corporation companies "could have been used to increase workers' wages"

The scheme should be seen in the light of NUM's August strike and of the pressure which has been brought against the mining industry, Anglo in particular, by organised workers, Mr Ramaphosa said

Asked what action the union was likely to take if individual members opted for participation in the scheme, he said this was a matter which would have to be decided later

● Meanwhile, opposition to the establishment of a R6m community trust is growing at Samcor's engine plant at Struandale, Port Elizabeth

Workers are said to be up in arms at an agreement signed by union officials and Ford, in which the trust is to be formed upon the imminent withdrawal of Ford from South Africa

Claiming to speak on behalf of workers from all three unions at the plant, shop-floor committee member, Mr Abel Vapi, told Evening Post that the workers had not seen the document signed by officials of the National Automobile and Allied Workers' Union

He added that a shop steward who was involved in the negotiations "doesn't know what's in the document"

He said the call from the approximately 450 workers at the plant, including some 50 members of the white Iron and Steelworkers' Union, was for the money being made available by Ford should go directly to the workers, and not to trust funds

He said workers were demanding that Mr Freddie Sauls, national secretary of the automotive department of the National Union of Metalworkers of South Africa (Numsa), who negotiated and signed the deal in Pretoria, should show workers the document and answer questions on it

Shares for Anglo and De Beers employees

Q10 23/1/? Biday

KAY TURVEY and ALAN FINE

ANGLO AMERICAN and De Beers yesterday announced an employee share ownership scheme which could cost the corporations and their subsidiaries about R80m a year

The scheme, which received a negative response from organised labour, will run for an initial five-year trial period.

All Anglo and De Beers employees with at least two years service will be entitled to a free offer of shares to be paid for out of company profits. More than 250 000 employees of Anglo and associated companies are affected, and 20 000 De Beers staff.

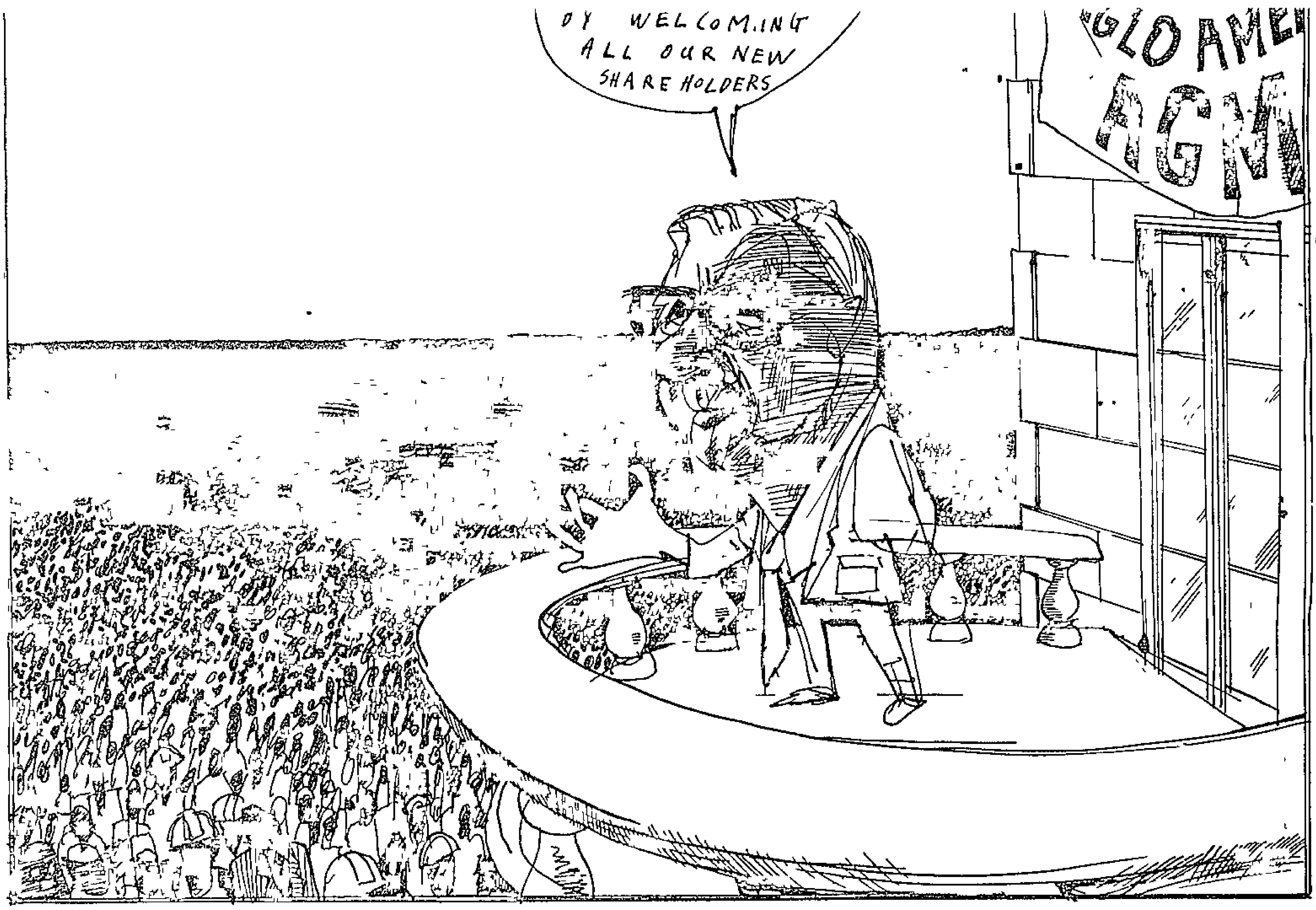
Explaining the motivation behind the scheme, Anglo chairman Gavin Relly said SA was moving towards a difficult era in management/employee relations, and the situation warranted imaginative, high-risk exercises

What the deal means: full details P3

De Beers' chairman Julian Ogilvie Thompson said early next year each qualifying employee who chose to join the scheme would be given shares worth about R300 at current market prices — 10 shares in the case of De Beers employees and five for Anglo.

The Anglo American Group Employee Trust, which is to administer the scheme, will hold the shares for four years, during which time they will not be tradeable.

During this time participating employee shareholders will be able to exercise their voting rights through proxy, and be paid dividends. After the four-year period, employees may choose to sell the shares, have them released into their own hands, or leave them in the trust.



Union says Anglo's share offer 'stinks'

ARGUS 27/11/87

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The Argus Correspondent in Johannesburg reports

THE National Union of Mineworkers has rejected the Anglo American Corporation's employee share participation scheme

The NUM's general secretary, Mr Cyril Ramaphosa, summed up the union stance "The scheme stinks"

This was the view of union members who had been consulted since details of the scheme were made known to the union, he said He denied he was told of the scheme before this week

Blackmail

"As we understand it the scheme is a manoeuvre to ensure that free enterprise is entrenched in a post-apartheid society," Mr Ramaphosa said "It amounts to political and economic blackmail"

The NUM, the biggest trade union in the country, claims a membership of 270 000, with about 100 000 members employed by Anglo American

He said that based on meetings in three regions of the union over two days "the immediate reaction is that the scheme must be rejected

"This initiative is an attempt to undermine the strength of the unions What the workers are demanding is that they get a living wage and a bigger share of the profits of companies going towards wages They won't be tricked into a paltry share-ownership scheme."

Five years

The scheme should be seen in the light of NUM's August strike and of the pressure which has been brought against the mining industry, Anglo in particular, by organised workers, Mr Ramaphosa said

In introducing the scheme Anglo was "Trying to defuse the challenge against its hegemony," he said

In terms of the scheme all Anglo employees who have served two years will be offered five free shares early next year A similar offer will be made every year thereafter for another four years

The number of shares offered may change, according to company results because the company will pay for the shares from profits

After five years Anglo will review the scheme If it has gone well, the offer will continue

The shares taken up will vest in the Anglo American Group Employees' Shareholder Trust for four years Thereafter employees will be entitled to keep them in the trust, sell them or hold them personally

Voting

During the four years employees will be able to vote and exercise their rights as shareholders by instructing the trust and will receive dividends

The scheme will apply immediately at Anglo's Johannesburg head office, where about 2 000 people on a staff of 2 600 qualify.

The boards of associated companies will meet shortly and if, as is likely, all accept the scheme, another 250 000 employees will be offered the shares

At yesterday's price of R60,75 the first free offer should be worth more than R300

A similar offer is being made to 20 000 De Beers employees in South Africa and SWA/Namibia The initial offer will be 10 De Beers shares, worth R300 at yesterday's price.

Mr Gavin Relly, chairman of Anglo American, said at a Press conference in Johannesburg that prospects for the scheme were improved by the lower price of the shares in the wake of the stock exchange crash because they were likely to rise in the long term — The Argus Correspondent and Sapa

B/day 27/4/87

(210)

Anglo, De Beers launch plan

Share scheme will 'change perceptions'

KAY TURVEY
and ALAN FINE

ANGLO American chairman Gavin Relly said yesterday he hoped the Anglo and De Beers employee share-ownership schemes would create a new system of relationships between management and employees.

Relly said the scheme may change perceptions all round through the existence of a common interest.

However, the National Union of Mineworkers (NUM) yesterday rejected the initiative. General secretary Cyril Ramaphosa told Sapa "It stinks.

"What the workers are demanding is that they get a living wage and a bigger share of the profits of companies going towards wages. They won't be tricked into a paltry share-ownership scheme."

The scheme was a response to NUM pressures in the mining industry, Ramaphosa said Anglo was "trying to defuse the challenge against its hegemony".

Anglo's Bobby Godsell said the group was obviously concerned about the probable negative union reaction to the scheme However, they were welcome to express their views and give advice to members, so long as no duress was used.

He said the issue of whether to consult unions in advance was discussed. It was decided, however, that unions should not hold a veto over the scheme.

Relly said the scheme was outside the usual sphere of union interest. Normal collective bargaining activities would not be affected.

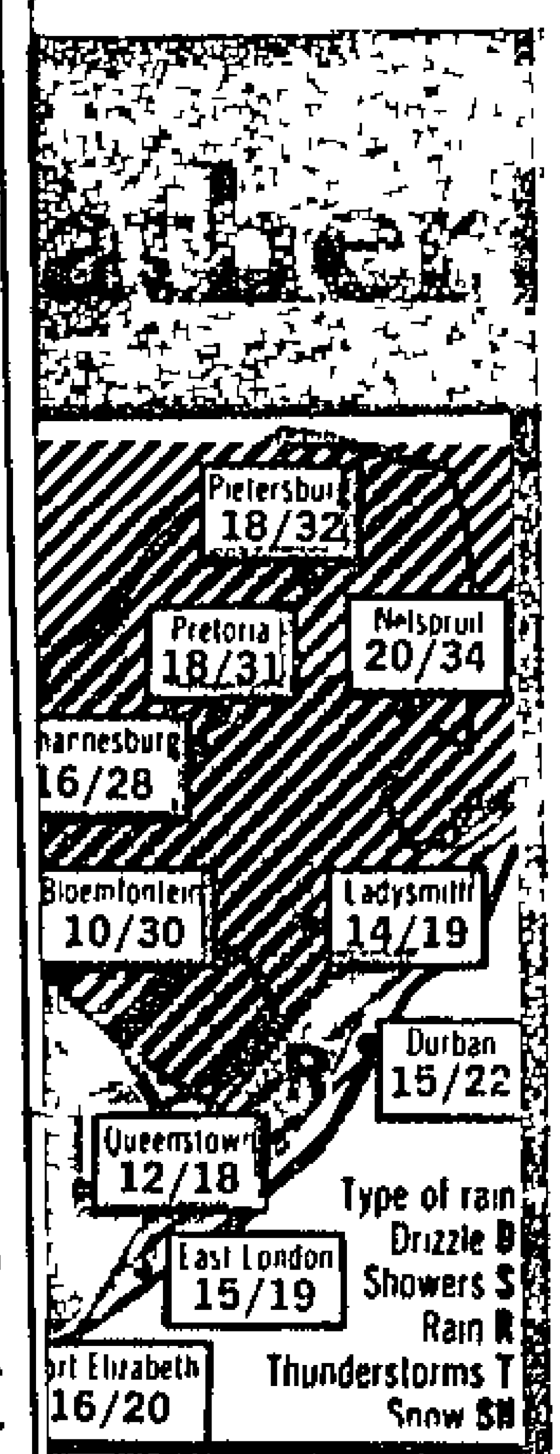
However, the Paper, Printing and Allied Workers' Union, which organises at Anglo subsidiary Mondi, challenged this view.

General secretary Jeremy Baskin said it was significant the announcement came soon after the union entered a wage dispute with Mondi. He noted the R300 a month represented almost exactly the difference between last year's wage settlement and the latest management offer.

Baskin said "We will not accept this scheme as a trade-off against wages, which is what it appears to be." However, because the share offer was free, the union would obviously not advise members not to accept it.

The programme will not have a material effect on earnings a share.

If all eligible Anglo employees participate, 7,5-million shares may be allocated in the next five years, dependent on economic performance and share price. This is equivalent to 3,5% of Anglo's issued share capital.



Earnings soar by 30%

210

Barlow Rand reinforces top position

From CHERILYN IRETON

JOHANNESBURG. — Barlow Rand has reinforced its position as the country's top industrial/mining corporation with an impressive performance for the year to end-September

Earnings are up 30% to 275c a share, which, although in line with market expectations, are ahead of earlier forecasts by the group

The final dividend has been lifted to 70c a share (56c) taking the total distribution to 100c (80c) for the year.

CE Warren Clewlow says the tone for the current year is "generally positive", a mood underlined by Barlows' plan to spend R1,5 billion (R656m) on capital projects. Most of the expenditure will be earmarked for mining projects

Industrial operations

Commenting on the results Clewlow said: "We had a good half year, but wondered at the time whether we would follow through quite as strongly As its turned out, its been a little stronger than we thought"

The main contributors to the increase in taxed profit — from R669,6m to R872m — were the group's industrial operations which showed an overall improvement of 73%, off "a fair base".

These companies not only accounted for 35% of total profit, but usurped the mining and minerals beneficiation sector's position as the group's main profit generator.

Clewlow is, nonetheless, happy with the mix because it gives Barlows a very solid base.

Mining and minerals beneficiation contributed 31% (38% previous year) to profit after a good performance from PPC and Middleburg Steel.

Although Rand Mines earnings were marginally down, Clewlow says the mining house fared well to "turn in a performance fairly close to that of last year".

The group's food interests, through C G Smith foods, again contributed 24% of profits, doing well "to improve its profits by 30% on a rather modest increase in turnover"

"Our international companies stayed the same. We lost a little on currency translation but are about the same internationally The disappointing part was our American packaging group which had a difficult time."

This company has since been sold. The contribution from the international operations amounted to 10% (12%).

Strong cash flow

Stressing the important role played by the group's unlisted subsidiaries, Clewlow said the 100% owned subsidiaries contributed a third of the group's profit and were good cash producers.

Almost 43% of the corporation's profits are earned either by exports or in foreign currencies.

In the year a strong cash flow of nearly R500m helped reduce borrowings which impacted favourably on all ratios. Gearing fell to 50% (63%).

On yesterday's closing price of R19,25, the share yields 5,2% on dividend — against the industrial holdings sector average of 3,9% — and 14,2% on earnings, against the sector average of 10%.

27/11/87 SOWETAN

(210)

Anglo share scheme to cost R500-m

By Teigue Payne and Sapa

Anglo American and De Beers have announced details of share participation schemes for their employees which could cost the companies almost R500 million.

The schemes will result in thousands of workers receiving a free offer of shares early next year — the biggest scheme of its kind in South Africa and Namibia so far.

In terms of the offer, every worker who has been employed by the two giant corporations and associated companies for two years or more can take up shares worth about R1 500 at today's share prices over five years in five annual offers.

The shares will be held in a trust for four years, after which the employee will be allowed to hold the shares personally, or sell them

If the offer is well received, it is likely De Beers will spend about R30 million in today's money and at today's share prices, and Anglo American companies about R450 million After five years, employees will hold 3,5 percent of Anglo through the scheme

Initial reaction from the National Union of Mineworkers (NUM) has been to reject it outright NUM general secretary Mr Cyril Ramaphosa said: "The scheme stinks It amounts to political and economic blackmail"

Speaking for the NUM, Mr Ramaphosa said that, based on meetings in three regions of the union over the past two days since details of the scheme were made known to the union, "the immediate reaction is that the scheme must be rejected".

"This initiative is an attempt to undermine the strength of the unions What the workers are demanding is that they get a living wage and a bigger share of the profits of companies going towards wages."

The money being made available by corporation companies "could have been used to increase workers' wages".

Asked what action the union was likely to take if individual members opted for participation in the scheme, he said this was a matter which would have to be decided later.

● See page 17.

'Common interest may change perceptions'

Cap Times 27/11/87

2/10

Relly: 'Hope' for share scheme

From KAY TURVEY and ALAN FINE

JOHANNESBURG — Anglo American chairman Gavin Relly said yesterday he hoped the Anglo and De Beers employee share ownership schemes would create a new system of relationships between management and employees

Relly said the scheme may change perceptions all round through the existence of

However, the National Union of Mineworkers yesterday rejected the initiative General secretary Cyril Ramaphosa told Sapa "It stinks"

"What the workers are demanding is that they get a living wage and a bigger share of the profits of companies going towards wages They won't be tricked into a paltry share ownership scheme," he said

The scheme was a response to NUM pressures in the mining industry Anglo was "trying to defuse the challenge against its hegemony," said Ramaphosa

Anglo's Bobby Godsell said the group was obviously concerned about the probable negative union reaction to the scheme However, they were welcome to express their views and give advice to members, so long as no duress was used

He said the issue of whether to consult unions in advance was discussed It was decided, however, that unions should not hold a veto over the scheme

Relly said the programme was outside the normal sphere of union interest Normal collective bargaining activities would not be affected

However, the Paper, Printing and Allied Workers' Union, which organizes at Anglo subsidiary Mondi, challenged this view

General secretary Jeremy Baskin said it was significant the announcement came soon after the union entered a wage dispute with Mondi He noted the R300 a month represented almost exactly the difference between last year's wage settlement and the latest management offer

"We will not accept this scheme as a trade-off against wages, which is what it appears to be," he said However, because the share offer was free, the union would obviously not advise members not to accept it, said Baskin

He also criticized the absence of negotiation on the issue

The programme will not have a material effect on earnings per share

If all eligible Anglo employees participate, 7,5m shares may be allocated in the next five years, dependent on economic performance and share price This is equivalent to a mere 3,5% of Anglo's present issued share capital

In the case of De Beers, if all 20 000 employees participate, the scheme will involve the issue of a maximum of 200 000 shares over the present 360m issued share capital

Share scheme details . . .

By AUDREY D'ANGELO
Financial Editor

UNDER the Anglo American group employee shareholder scheme about 250 000 people working for the corporation and its subsidiaries and 20 000 working for De Beers will each be offered free shares worth R300 at current market prices. These will be held in trust for them for four years.

If they leave or are dismissed the shares will be given to them at the end of the four years. If they retire, or are retrenched, the shares will be available immediately. If they die the shares will pass to their heirs.

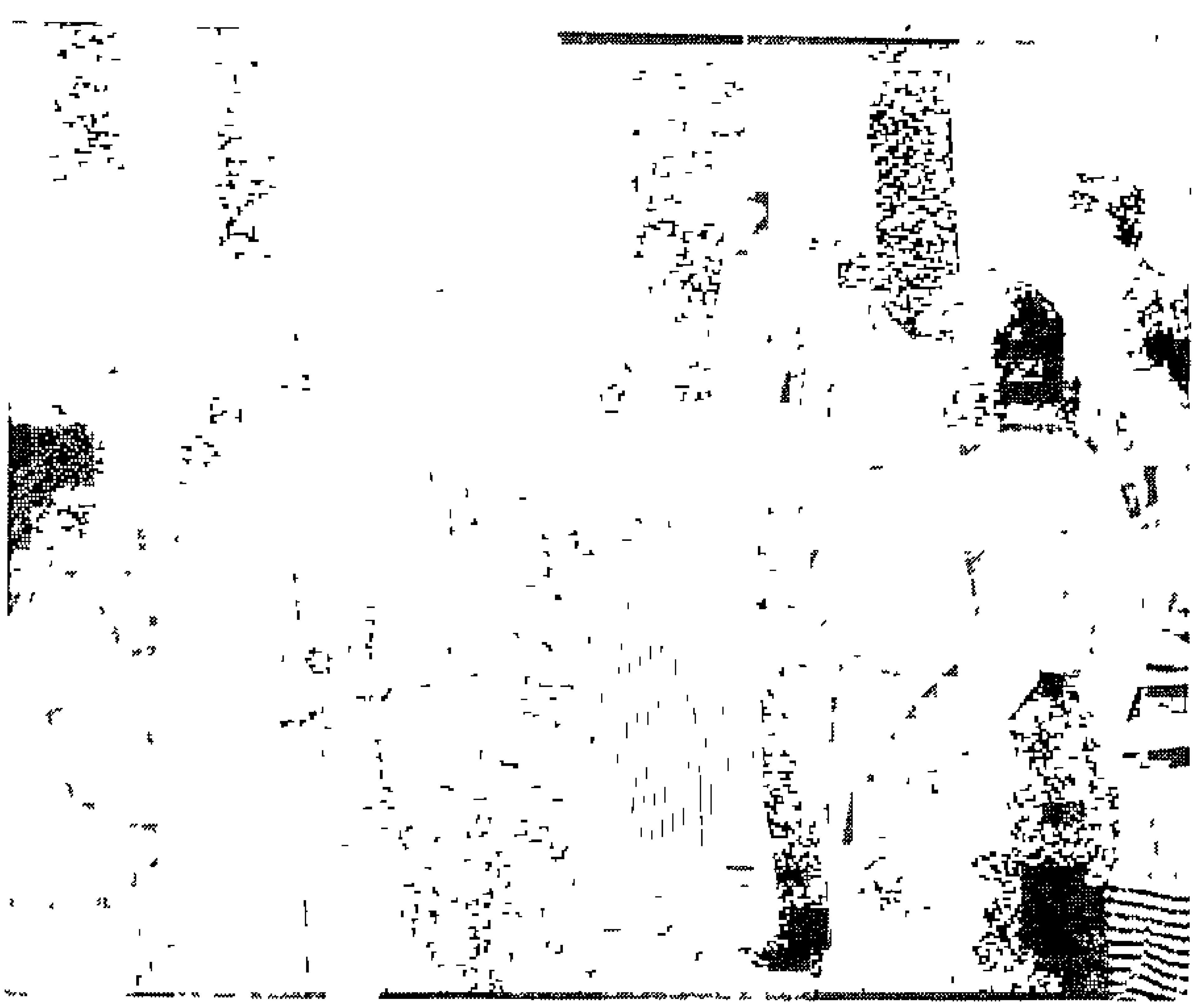
Dividends will be paid to them during the four years as to all other shareholders and, in a statement issued yesterday, the directors said it was hoped to issue more free shares each year for a trial period of five years

The statement emphasized that the shares were not a substitute for pay increases.

A spokesman for the corporation said that if the scheme succeeded it would have a tremendous impact on remuneration packages.

"It will become difficult for other employers not to follow Anglos' example.

"It will become routine for job seekers to ask at the interview about the share option scheme, as they do about medical aid and pensions "



Anglo American Corporation chairman Gavin Relly, centre, surrounded by staff members who have been offered free shares. The offer has been criticized by unions who have said, however, that workers can make up their own minds whether to accept.

AAC TO OFFER SHARES TO STAFF

ANGLO American corporation yesterday announced details of an employee shareholder scheme which could result in more than 250 000 employees of AAC and its associated companies choosing to become corporation shareholders.

The Anglo American group employee shareholder scheme initially provides for the corporation's 2 600 head office employees with at least two year's qualifying service to be offered early next year five AAC shares each The shares issued will be paid for on the corporation

Companies with which AAC is associated have been invited to join the scheme and, if all accept, another 250 000 qualifying employees will be offered AAC shares each The shares issued will be paid for by shares to be offered to its employees and will pay for the shares issued

The scheme will operate for an initial period of five years and will then be reviewed During this period, further offers of shares will be made to qualifying employees on an annual basis, the number of shares offered each year to be determined by the boards of the participating companies in the light of those companies' results and the prevailing AAC share price

The National Union of Mineworkers (NUM), has rejected the Anglo American Corporation's employee share participation scheme which was announced by the corporation today

NUM's general secretary, Mr Cyril Ramaphosa, summed up the union stance: "The scheme stinks"

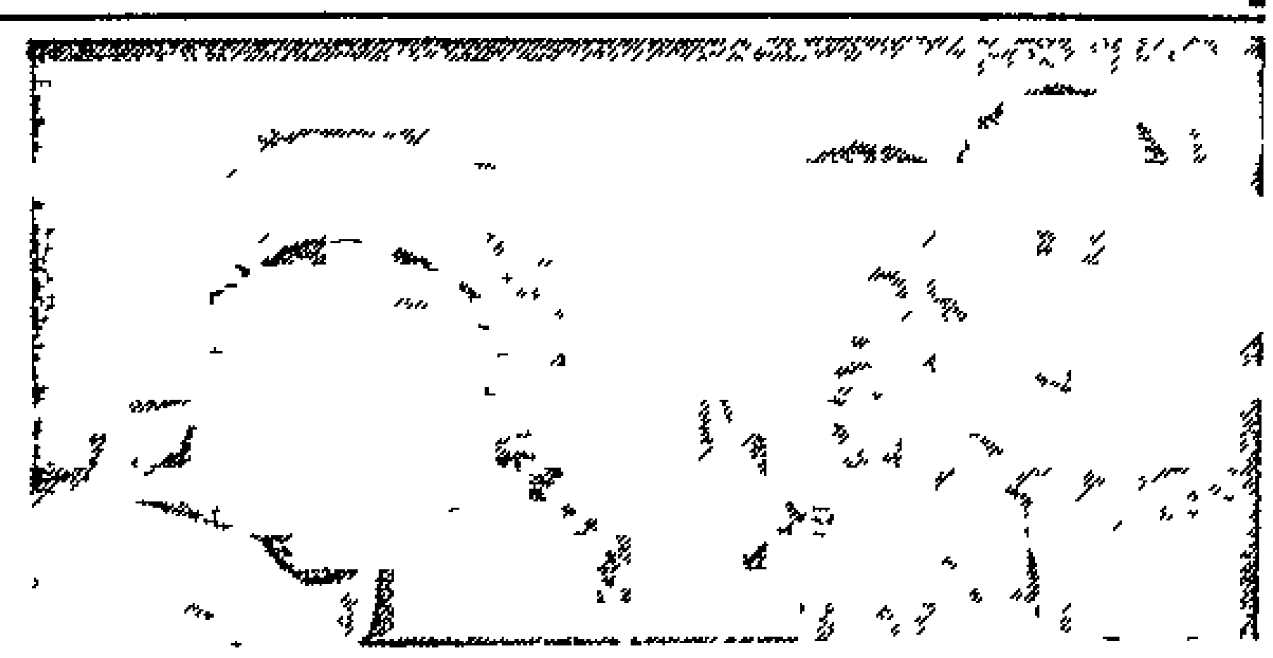
This was the view of union members who had been consulted so far at meetings during the last two days since details of the scheme were made known to the union,

"As we understand it the scheme is a manoeuvre to ensure that free enterprise is entrenched in a post-apartheid society," Mr Ramaphosa said

"It amounts to political and economic blackmail"

Mayor dead

MAYOR Harold Washington, Chicago's first black chief executive, died Wednesday after suffering a heart attack in his city hall office, press secretary Alton Miller said



Sowetan 1/12/87

Nactu slams Anglo

By LEN MASEKO

THE National Council of Trade Unions has rejected the Anglo American Corporation's share offer to its employees as an "attempt by big business to co-opt workers into the capitalist scheme of things."

Anglo and De Beers last week invited its employees to participate in its R400 million employee share offer scheme.

Nactu general secretary, Mr Piroshaw Camay, said in a statement yesterday that its national council decided to take a "firm stand that equity participation be rejected."

"Our view in Nactu is that participation in any workplace must be negotiated with workers and must be related to issues of production, health and safety and management of the workplace," Mr Camay said.

ILS / MEDIA PUBLICA...

ROGER SMITH 210

More worker shares offers

ANGLO American subsidiary companies have started to join the move to share-participation schemes.

Anglo spokesman James Duncan confirmed yesterday that Amcoal, its subsidiary Vereeniging Refractories (Verref), Amic and its subsidiary Highveld Steel, were inviting their employees to take part in the Anglo American Group Employee Shareholder Scheme.

However, details of the scheme as it will apply to the subsidiary companies' employees were not yet available, as it had still to be approved by shareholders.

Duncan said the extent of participation and the number of shares to be made available (dependent on the annual results) were yet to be decided.

The intention is, however, to offer eligible employees an annual allocation of shares over a five-year period.

B/Day 3/12/87

Gordon Polovin said in ... ma

Cape Times 7/12/87 (210)

Anglo 'delighted' with response to share scheme

JOHANNESBURG — Anglo American Corporation said today it was "particularly delighted" that the gold mining companies with which it has management contracts, as well as a number of associated companies, had indicated their intention to participate in the Anglo American Group Employee Shareholders Scheme, subject to the approval of their respective shareholders.

"This means that a further 180 000 employees will have the opportunity of participating in the scheme," Anglo American said in a statement

The companies are Free State Consolidated Gold Mines Ltd, Vaal Reefs Exploration and Mining Co Ltd, Elandsrand Gold Mining Co Ltd, Western Deep Levels Ltd, East Rand Gold and Uranium Co Ltd, The SA Land and Exploration Co Ltd, Shaft Sinkers (Pty) Ltd, Stone and Allied Industries (OFS) Ltd, and Inter-Mine Services OFS (Pty) Ltd

"It is intended that eligible employees will be offered an annual allocation of Anglo American Corporation shares over a period of five years

"The number of shares to be issued to employees who elect to participate in the scheme will be based on the annual results of their employing companies," the statement said. — Sapa

These shares are all about politics, not dividends

Anglo American announces a massive shares-for-workers scheme to give employees a stake in private enterprise. But the unions are wary: the scheme is 'political blackmail' they say. HILARY JOFFE reports

ANGLO's scheme to provide shares for its employees is not about the stockmarket — it's about politics.

Specifically, it's an attempt by Anglo to intervene in the debate about capitalism and socialism.

And it's on this terrain the union is joining battle with the corporation.

Anglo intends the shares to give workers the experience of wealth creating investment in a private capitalist enterprise. The corporation favours private over state ownership, market forces over centralised planning. And it is trying to ensure "free enterprise" system in a future non-racial South Africa.

The union sees this as an attempt to seduce workers away from talk of socialism: their view of a post apartheid society differs from Anglo's And the union's view of workers' priorities in the present society is a little different too. The union wants to see a non-racial society which is not exploitative. The workers' primary demand in the present is for a living wage — not for a small investment.

The debate about futures is one which Anglo is into in a big way — with the publication of the Clem Sunter book, *South Africa in the 1990s*, and a book soon to be published, edited by Godsell and American sociologist Peter Berger, dealing with post apartheid options Post apartheid society and free enterprise have been themes in a number of recent statements by Anglo executives.

From Anglo's point of view, the share scheme is just one intervention in the debate. If all the companies in the Anglo fold decided to allocate the targetted five shares it could cost up to R70-million at this week's share price It would make little difference, at least in the short term, to the structure of ownership of the corporation. And it's doubtful whether share ownership would have much effect on workers' decisions to strike to improve wages and conditions.

From workers' point of view five shares valued at R300 at this week's prices, yielding R11,25 in dividend income last year, is not going to make much difference to their daily lives. The only advantage might be the once a year opportunity to go to the shareholders' meeting and have their say on company policy — something which would delight some in Anglo.

But workers have demonstrated they have more effective collective ways of expressing their views on Anglo policies.

Ironically, the fact that the shares are to be given free to employees may open Anglo's scheme to more charges of co-option than those in which employees buy the shares.

Anglo says it will advise workers to consult their unions as to whether to accept the shares.

The National Union of Mineworkers has said it advises workers to reject the offer.

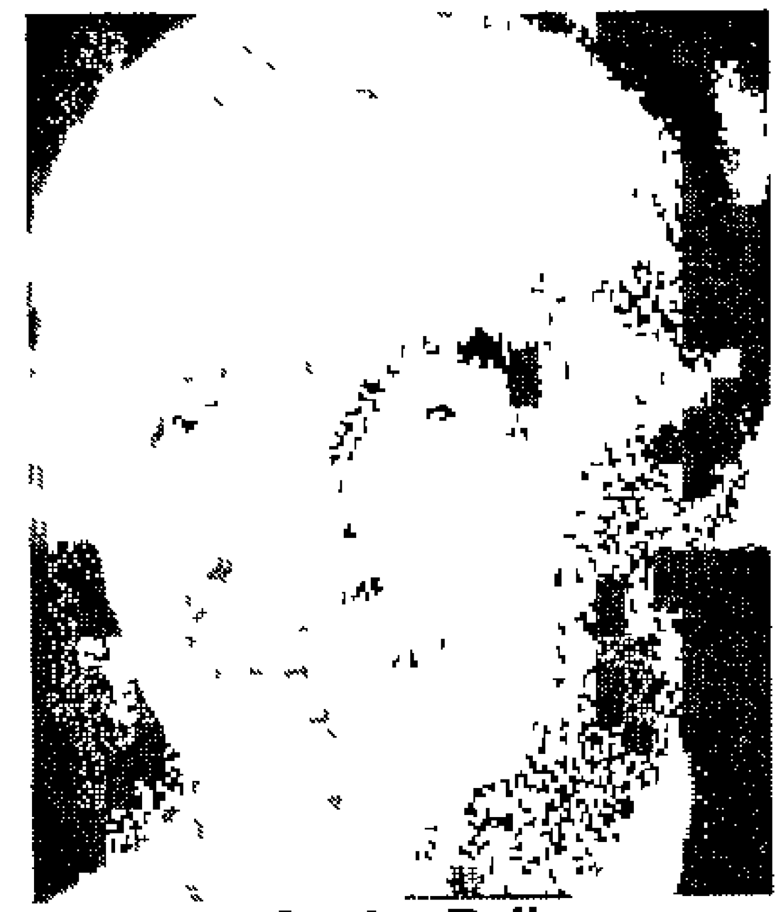
Workers may be reluctant though to forego something for free. NUM's Cyril Ramaphosa argues that workers' live from hand to mouth and want money which is accessible — they are not likely to favour longer term investments as those who have more disposable income do.

It's precisely the longer term investment mentality which Anglo is trying to inculcate. But the strategy may be limited while wage levels are such that workers' needs and aspirations are for more immediate gains.

Bobby Godsell

Cyril Ramaphosa

Godsell: Interventions in the debate on capitalism



Gavin Relly

ANGLO AMERICAN group industrial relations consultant Bobby Godsell is not naive enough to believe that by giving shares to workers, the corporation will "turn 200 000 socialists into comitted capitalists"

But he sees the share offer as an intervention in "the evolving debate in South Africa about capitalism and socialism and about the best way of combatting poverty and inequality.

"The central principle is to give employees the opportunity if they wish to experience investment — using money to create more money, as opposed to money as a reward or a form of consumption," says Godsell

The scheme has "no high ideological purpose", he says, and will not of itself change people's ideological experiences. But the share offer is an attempt to expand workers' experience of the modern economy and to give them a basis of informed experience of investment through privately owned companies — an experience which Godsell hopes would bear on the debate.

"I have a healthy respect for the capacity of our workers to make their own ideological decisions and come to their own conclusions," he says.

The basis on which Godsell is pushing the Anglo share scheme is a sophisticated one. He is at pains to stress that it will not replace collective bargaining, that it is not a form of remuneration or a bonus system He is clearly trying to avoid allegations that this is an attempt to co-opt workers.

This is not about ownership and control of the corporation, he says — even though over time employees could come to constitute a significant block of shareholders. Godsell says the plan was initiated two years ago and has nothing to do with strikes.

When Anglo chairman Gavin Relly, announced the share plan in his annual report to shareholders in July this year, he was less equivocal than is Godsell on the motivation for giving shares to employees. His ideological ambitions seem to be greater than just a modest attempt to generate debate.

His announcement of Anglo's share ownership plan came in the context of his remarks on the necessity to ensure the survival of the free enterprise system in "the new South Africa that is in the making" and on the deficiencies of "a Marxist state". He linked share ownership and home ownership as ways of giving employees a stake in the future of the country.

And he drew an implicit comparison between the broader share scheme planned for all employees and the existing share participation schemes for senior management, which, he said "have worked well in drawing management and shareholders together in common purpose".

The Ford disinvestment deal announced this week, in which Anglo is also involved, stands in marked contrast to the Anglo share scheme. Both involve worker share ownership but in very different forms

Godsell says he is "very pleased at the Ford agreement — it is a most creative, responsible and helpful way for a foreign company to change the way it operates in South Africa". But he sees the issues as different to those in the Anglo scheme.

MINING - GENERAL
1988

BARLOW RAND

210

A buying opportunity

Activities: *Parent company of a diversified group whose business activities fall into four broad categories mining and mineral beneficiation, industry, food and international*
Control: *SA Mutual holds 34,1% of the ordinary shares and 41,7% of the preferred ords Sanlam holds 7,2% of the ords and 6,9% of the pref ords*
Chairman: *A M Rosholt; deputy chairman and CE, W A M Clewlow*
Capital structure: *169,4m ords of 10c each, fully pd, 12,1m pref ords of 10c each and 375 000 6% cum prefs of R2 each Market capitalisation R3,67bn*
Share market· *Price R20 Yields· 5% on dividend; 13,8% on earnings, PE ratio, 7,3, cover, 2,8 12-month high, 2 900c, low, 1 825c Trading volume last quarter, 4,8m shares*
Financial: *Year to September 30*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	639	997	1 024	727
Long-term (Rm)	832	1 739	1 700	1 681
Debt equity ratio	0,39	0,65	0,60	0,49
Shareholders' interest	0,50	0,42	0,43	0,43
Int & leasing cover	4,7	3,2	4,2	5,5

Performance

	'84	'85	'86	'87
Return on cap (%)	13,3	12,4	12,8	14,0
Turnover (Rbn)	10,0	12,2	14,6	16,6
Pre-int profit (Rm)	1 002	1 180	1 217	1 428
Pre-int margin (%)	9,1	8,6	8,3	8,7
Taxed profit (Rm)	503	546	655	847
Earnings (c)	170	165	212	276
Dividends (c)	70	70	80	100
Net worth (c)	1 116	991	1 100	1 252

During much of the Eighties, Barlow Rand's share price carried a rather stodgy image The reasons are only partly logical — the five years of static dividends played a part — but one result was that before the market crash the share had been underperforming the market even though the group was producing vigorous earnings growth When most other shares were too high, Barlow's price was lagging, and it therefore did not fall as much as the major indices.

With group profits likely to continue growing in double-digit figures even on the more pessimistic scenarios for the economy in 1988 (and I don't believe that such scenarios are yet justified), the share could be considered as a quality, defensive stock for post-crash portfolios

Earnings exceeded market expectations at the interim, when they grew by 31%, and then again in the second half, when they rose at virtually the same rate The 30% earnings jump for the 1987 year enabled a 25% increase in the dividend, only the second hike since the 70c plateau was reached in 1981 Before the plateau, shareholders 'enjoyed dividend increases of 8% in 1977, of 15% in 1978, of 26% in 1979, of 53% in 1980 and of 21% in 1981 In the latest growth phase, the pay-out has so far been raised by 14% and by 25%

How long can this growth be expected to last? Apart from economic factors, the profit slowdown and the pegged dividend were prolonged by the international expansion achieved by the purchase of UK-based J Bibby in 1984, the Bibby deal meant an earnings dilution in the 1985 year The leap abroad was one of many changes made to the structure of the group since the late Seventies

The local operations have been enlarged by acquisition or expansion of such companies as Tiger Oats, Adcock Ingram, C G Smith Sugar, ICS, Robor Industrial, Metal Box, ISM, Federated Blaikie, and Middelburg Steel & Alloys, of which the last two are now wholly-owned Capital expenditure has been kept fairly high — although probably lagging inflation — and spending on both replacement and expansion is budgeted to rise sharply in the current year (*see diagram*)

CE and deputy chairman Warren Clewlow says Barlow "has spent billions of rands on sound capital projects in recent years and because of its size and stability has been able to take the long view in most cases Provided that a project possesses certain key attributes, we are prepared to be patient about the payback period "

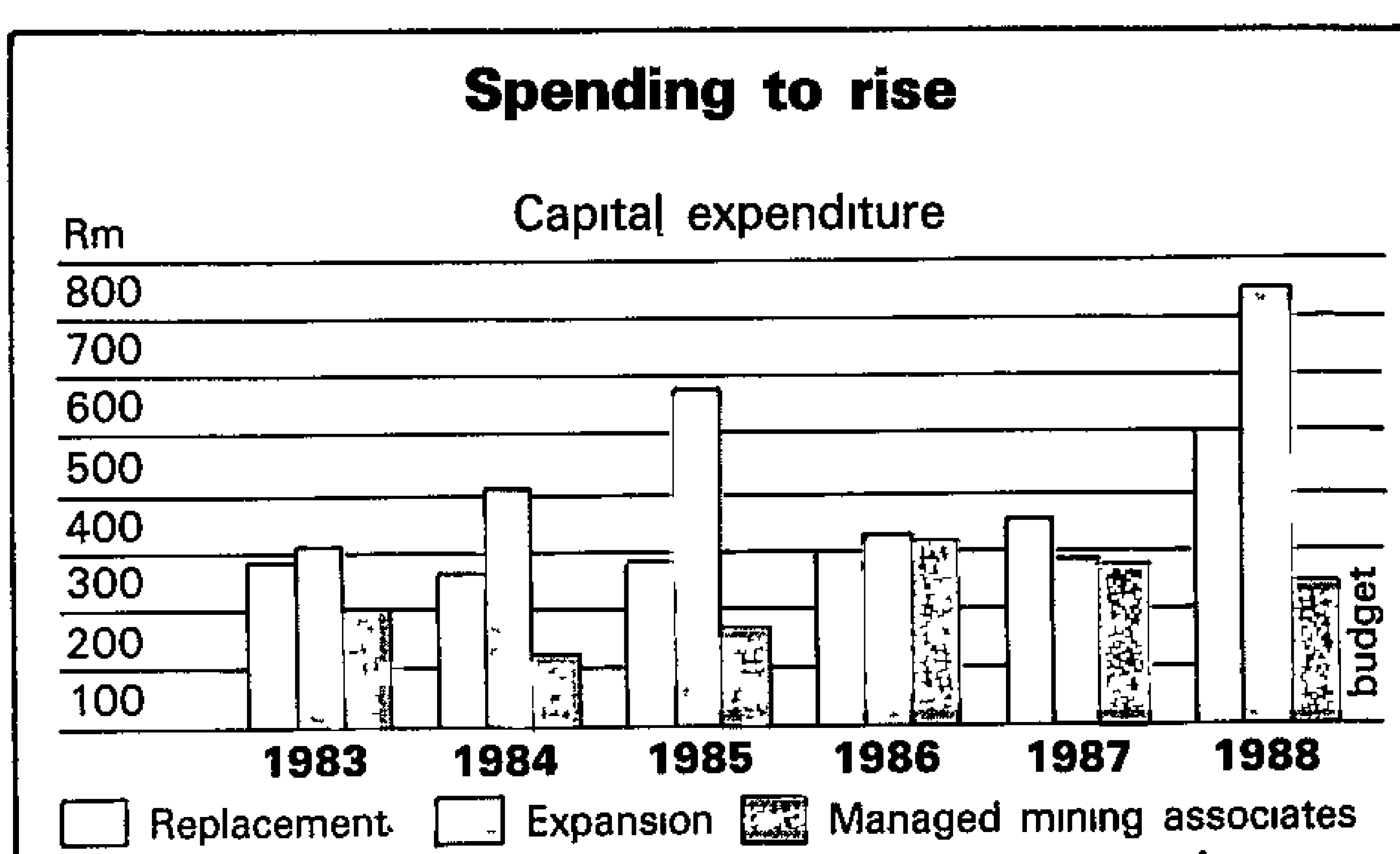
Despite the wide diversity, there is logic in the expansion Building products companies Federated Blaikie and Plevans, for example, provide strength in the building sector, which has been seen as a growth area, while the formation with ISM Trust of Technology Systems International catapults the group into a formidable position in high-technology At the same time, Barlow has become leaner, and the balance sheet ratios have steadily improved

Debt equity on gross borrowings has dropped to 0,49 from 0,60 This does not take account of the R996,3m (R857,7m) held in cash, much of it in partly-owned subsidiaries Operating working capital has been tightly controlled, having declined virtually every year since 1978 At 2,76 times, dividend cover is close to the historic high levels of just over 3 times

The largest future investments will be made in Rand Mines, whose planned spending totals some R3,6bn, but the mining group has substantial liquidity and should not make undue demands on Barlow's funding capabilities Other major capital programmes for the future include an alloys and stainless steel expansion (R168m), a Nampak paper mill upgrade (R20m) and a beverage can plant for Metal Box (R35m)

In strategic terms, about 43% of group earnings are now earned in foreign currencies or are derived from exports That earnings are more influenced by the rand than in the past is a negative in the short term, with the rand showing strength against the dollar. Notably, Amic, with which Barlow is often compared, is even more sensitive to exchange rates Further ahead, SA's constrained current account could again reign in the rand, making international exposure more helpful.

Bibby's share price has languished since the takeover, but that is immaterial to South African holders of Barlow shares much more important is Bibby's borrowing capacity which at present allows it to invest £100m without exceeding gearing parameters Bibby's earnings were static in 1986



DIVISIONAL CONTRIBUTIONS (Rm)

	To taxed profit 1986	To taxed profit 1987	To attributable profit 1986	To attributable profit 1987
Mining and mineral beneficiation	270,3	277,5	198,3	210,8
Mining	156,9	142,7	102,6	96 3
Cement and lime	42,6	51,2	24,9	30,9
Ferro-alloys and stainless steel	70,8	83,6	70,8	83,6
Industry	181,3	313,0	100,6	176,4
Electronics and engineering	−0,8	52,1	—	29,5
Earthmoving equipment, motor, appliances	38,0	54,2	38,0	54,2
Building materials, steel and paint	33,7	52,2	22,2	40,7
Carpets and textiles	15,3	30,0	6,1	10,8
Packaging and paper	95,1	124,5	34,3	41,2
Food	166,2	216,1	46,0	57,5
International	86,0	86,6	74,6	75,7
Property and group services	−34,2	−21,2	−38,7	−23,9
	669,6	872,0	380,8	496,5

after rising in the previous two years from 14p to 21p per share. Clewlow says Bibby has some interesting new businesses, and its slow performer has been sold at a price the interest on which well exceeds its profit contribution

The considerable strength of the wholly-owned interests is expected to continue in 1988 Middelburg Steel, with its stainless steel returned to profits and the short-term outlook for world stainless steel and ferro-chrome markets firm, anticipates earnings growth, and further improvement is confidently expected for the earthmoving equipment, motor and appliances division, even if the local economy remains sluggish Rand Mines forecasts its 1988 earnings will approximate those of last year, and all the other food and industrial divisions are predicting earnings growth.

For Barlow as a whole, the real questions relate to the pace of growth and the strength of the follow-through By 1989 earnings will probably be increasing at a slower rate, but there is the potential for dividend increases for some years yet At R20, the share yields an historic 5% and must be offering a prospective yield of close to 6%, which suggests it has attractions on income considerations.

Andrew McNulty

DATES TO REMEMBER

Last day to register for dividends:
Friday Jan 15: CMI 20c; Samstel 2c; Tongaat 18c, UME 5c; Volkskas 22c.
Meetings:
Monday Jan 11: Elcentre (S); FSI (Sandton); ICS (Sandton).
Tuesday Jan 12: FS Team (Sandton), Marievale (S).
Wednesday Jan 13: Adcock; Loraine, Met Box; Nampak (Sandton); Reunert (Sandton); Tig Oats (Sandton)
Thursday Jan 14: Cemenco, Elcentre; Octfish (Cape Town); PPC; Std Brass (Benoni)
Friday Jan 15: Barprop (Sandton); D & H (Ord & S) (Sandton); CGS Food (Sandton); CG Smith (Sandton).
All meetings are in Johannesburg unless otherwise stated.
S = Special meeting

RESULTS AND DIVIDENDS

		Pre-tax profit Rm 1986	Pre-tax profit Rm 1987	Percentage change	Earned cents per share 1986	Earned cents per share 1987	Paid cents per share 1986	Paid cents per share 1987	Sector	Dividends Amount cents	Dividends Register by	Dividends Payable about
A Lipworth	I	3,7	4,5	+20	15	18	6	#	Pharmaceutical	—	—	—
BSI	I	□	2,1	—	□	•15	□	#	Building	—	—	—
CMI	D	—	—	—	—	—	20	20	Steel & Allied	*20,00	15.1 88	22 2 88
Crookes	I	2,4	2,2	−10	74	60	30	33	Sugar	—	—	—
Curries	D	—	—	—	—	—	75	85	Motor	†50,00	22 1 88	12.2.88
Dabi	I	§2,1	§2,1	—	45	46	42,5	42,5	Min Hold	*42,50	8 1 88	1 2.88
Elsburg	D	—	—	—	—	—	10,4	#	West Wits	—	—	—
Ozz	I	0,27	0,36	+36	•3	4	0,5	0,5	Property	*0,50	22.1.88	12 2 88
Randfontein	D	—	—	—	—	—	750	300	Rand & Others	*300,00	8.1.88	2 2 88
West Areas	D	—	—	—	—	—	16	#	West Wits	—	—	—

I = Interim. # = Dividend passed □ = Not comparable • = Weighted earnings per share D = Dividend * = Interim dividend † = Final § = Attributable profit

UNIT TRUSTS

High/low since 1.1.88		Annual dividend cents			Price Dec 18	Price Jan 4	Yield on repurchase price %
			General equity funds				
990,49	990,49	39,01	Guardbank	Selling price	995,25	990,49	4,23
922,63	922,63			Repurchase price	927,36	922,63	
106,02	106,02	—	Lifegro	Selling price	106,40	106,02	—
99,98	99,98			Repurchase price	100,13	99,98	
95,96	95,96	—	Metfund	Selling price	95,43	95,96	—
90,57	90,57			Repurchase price	90,17	90,57	
1234,75	1234,75	46,60	Old Mutual	Selling price	1224,31	1234,73	4,04
1163,94	1163,94		Invest	Repurchase price	1144,22	1163,94	
1040,26	1040,26	42,00	Sage	Selling price	1063,79	1040,26	4,33
970,19	970,19			Repurchase price	982,77	970,19	
808,45	808,45	28,20	Sanlam	Selling price	795,16	808,45	3,74
754,65	754,65			Repurchase price	742,21	754,65	
546,22	546,22	23,76	Standard	Selling price	554,77	546,22	4,39
540,91	540,91			Repurchase price	519,10	540,91	
102,93	102,93	*4,90	Syfrets Growth	Selling price	103,94	102,93	5,10
96,08	96,08		Fund	Repurchase price	97,00	96,08	
888,64	888,64	44,88	UAL	Selling price	889,48	888,64	5,42
827,59	827,59			Repurchase price	828,44	827,59	
			Specialist equity funds				
90,54	90,54	*5,08	Guardbank	Selling price	93,36	90,54	6,01
84,48	84,48		Resources	Repurchase price	87,08	84,48	
550,80	550,80	20,70	NGF	Selling price	556,58	550,80	4,04
511,97	511,97			Repurchase price	517,72	511,97	
225,29	225,29	—	Old Mutual	Selling price	230,44	225,29	2,53
210,31	210,31		Mining	Repurchase price	215,23	210,31	
89,01	89,01	2,00	Sage	Selling price	91,36	89,01	5,39

High/low since 1 1 88		Annual dividend cents			Price Dec 18	Price Jan 4	Yield on repurchase price %
			Specialist equity funds (cont)				
82,89	82,89		Resources	Repurchase price	85,12	82,89	
264,20	264,20	15,70	Sandiv	Selling price	258,00	264,20	6,37
246 31	246,31			Repurchase price	240,54	246 31	
396,64	396,64	13,30	Sats	Selling price	395,83	396,64	3,80
369,80	369,80			Repurchase price	369,16	369,80	
225,33	225,33	10,66	Standard	Selling price	231,21	225,33	5,06
210,47	210,47		Gold	Repurchase price	216,00	210,47	
214,03	214,03	9,60	Trustgro	Selling price	215,68	214,03	4,81
199,58	199,58			Repurchase price	201,22	199,58	
251,54	251,54	13,07	UAL Mining	Selling price	251,41	251,54	5,67
234,75	234,75		& Resources	Repurchase price	234,65	234,75	
924,53	924,53	*49,76	UAL Select	Selling price	897,37	924,53	5,77
862,00	862,00			Repurchase price	836,93	862,00	
			Income/gilt funds				
108,28	108,28	13,61	Corbank	Selling price	111,61	108,28	12,70
107,13	107,13		Gilt	Repurchase price	110,43	107,13	
108,06	108,06	11,80	Guardbank	Selling price	112,94	108,06	11,26
104,78	104,78		Income	Repurchase price	109,56	104,78	
97,26	97,26	*10,08	Senbank	Selling price	100,20	97,26	10,47
96,24	96,24			Repurchase price	99,16	96,24	
97,06	97,06	*10,12	Senbank	Selling price	100,00	97,06	10,54
96,04	96,04		Gilt	Repurchase price	98,95	96,04	
85,60	85,60	9,12	Standard	Selling price	87,57	85,60	10,79
84,50	84,50		Income	Repurchase price	86,50	84,50	
1078,11	1078,11	*116,28	UAL Gilt	Selling price	1075,10	1078,11	10,89
1067,33	1067,33			Repurchase price	1064,36	1067,33	

* Annualised

CAPE TIMES 22/1/88

JCI raises div to 600c on 21% profit increase

Own Correspondent

JOHANNESBURG — Johannesburg Consolidated Investment Company (JCI) has raised its interim dividend to 600c (500c) on a 21% increase in taxed profit to R137,3m (R91,9m) in the six months to December.

The group scored on a lower tax rate, higher investment income and a special non-recurrent dividend from Rustenburg Platinum arising from the flotation of Lebowa Platinum.

Income from investments rose by R8,8m to R81,2m (R72,4m) as a result of increased platinum and industrial dividends. However, dividends from its gold mines declined.

The profit from Lebowa's flotation brought in R36,8m.

Attributable earnings of operating subsidiaries fell to R10m (R12,4m) because of adverse conditions in its coal division.

However, any further decline in the coal market will have a minimal effect on the group as it accounts for only around 5% of group profits.

Other net revenue increased by R1,7m to R10,65m (R8,9m).

JCI's interest in profits retained by non-subsidiary companies in which it has substantial investments amounted to R44,3m (R50,3m).

These retained earnings are net of any dividends received from these companies in the past six months.

At the end of the year investments were valued at R840m in the balance sheet, compared with R722m at the end of 1986.

JCI's net asset value has declined sharply from R778 a share at the end of June to R608 at end-December.

RAND MINES (2/0)

Broadening earnings base

Activities: *Mining house with major investments in coal, gold, base minerals, property and platinum.*
Control: *Barlow Rand has control*
Chairman and MD. *D T Watt; deputy chairman A A Sealey*
Capital structure: *11,2m ords of R1 each Market capitalisation R728m*
Share market: *Price: R65. Yields: 6,7% on dividend, 17,2% on earnings, PE ratio, 5,8, cover, 2,57 12-month high, R130, low, R65 Trading volume last quarter, 114 000 shares*
Financial. *Year to September 30*

	'84	'85	'86	'87
Investments				
Book value (Rm)	158,8	161,7	301,1	330,9
Market value (Rm)	297,9	317,6	719,2	997,9

Performance

	'84	'85	'86	'87
Attributable profit (Rm)	81,5	110,9	134,2	125,2
Earnings (c)	727	989	1197	1117
Dividends (c)	280	350	425	435
Net worth (c)	5145	5637	8728	11273

Rand Mines' Watt ... large capex programme

Rand Mines, whose rating has been marked down partly because of its high exposure to the embattled coal sector, derived a smaller proportion of its attributable profit from coal in the 1987 year Coal's contribution fell from 50,3% to 42,5% (see table), but the R14,3m slide in coal income was the major cause of the R9m drop in overall profit

The house has therefore been hit hard by the deteriorating conditions in the coal industry. It is investing heavily in expansion, with the bulk of spending going into coal It is not yet clear whether the slide in coal profitability has bottomed — although chairman Dammy Watt points to encouraging developments

However, in the long-term the coal division's expansion should leave the group's coal profits less vulnerable Watt notes that Rand Mines' growth in coal is dedicated primarily to supply of fuel to pithead Eskom power stations "This will have the effect," he says, "when the two new collieries are in production, of reducing exposure to the currently oversupplied export coal market"

In the 1987 year coal income was hurt by intensified competition in the international market arising from an oversupply of steam coal, a decline in the dollar prices of exports, the stronger rand against the US$, sanctions on coal purchases by certain countries and the substantial cost of railing coal to Richards Bay for export Sanctions contributed to a reduction in coal export tonnage from 5,2 Mt to 4,7 Mt, and this led to rationalisation at several group mines, with over 800 jobs destroyed

But local sales have also been under pressure, both with regard to Transvaal Coal Owners Society sales, and reduced demand from Eskom Watt says it is extremely unlikely that sales volumes on the domestic coal market will increase to any significant extent, particularly against the background of an economy which is, at best, in a slow recovery phase

The international market is expected to grow in 1988 but competition will remain intense Existing marketers are being compelled to review export programmes and to cut margins to retain market share Watt concludes that, while spot prices on export markets appear to have bottomed, a significant increase in prices cannot be expected next year However, commissioning of the first generating set at the Kendal power station in the 1988 year will lead to increased sales of coal to Eskom from the new Khutala colliery

Income from gold and uranium fell marginally to R38,4m (R38,8m), and would have been lower had it not been for the continued increase in recovery of gold from mine residues, which now accounts for nearly a third of total gold and uranium income The average price received by the group's mines was R29 152/kg — 10% higher than the average R26 461/kg in the 1986 year

After Durban Deep had declared an unchanged 100c dividend in December 1986, its working costs increased sharply, causing profitability to decline, and the mine qualified for State assistance during the nine months to September 1987 Capex was cut to essentials Long-term prospects now depend on successful conclusion of funding arrangements — currently being pursued — for expansion of mining into the shallower, richer south-west section

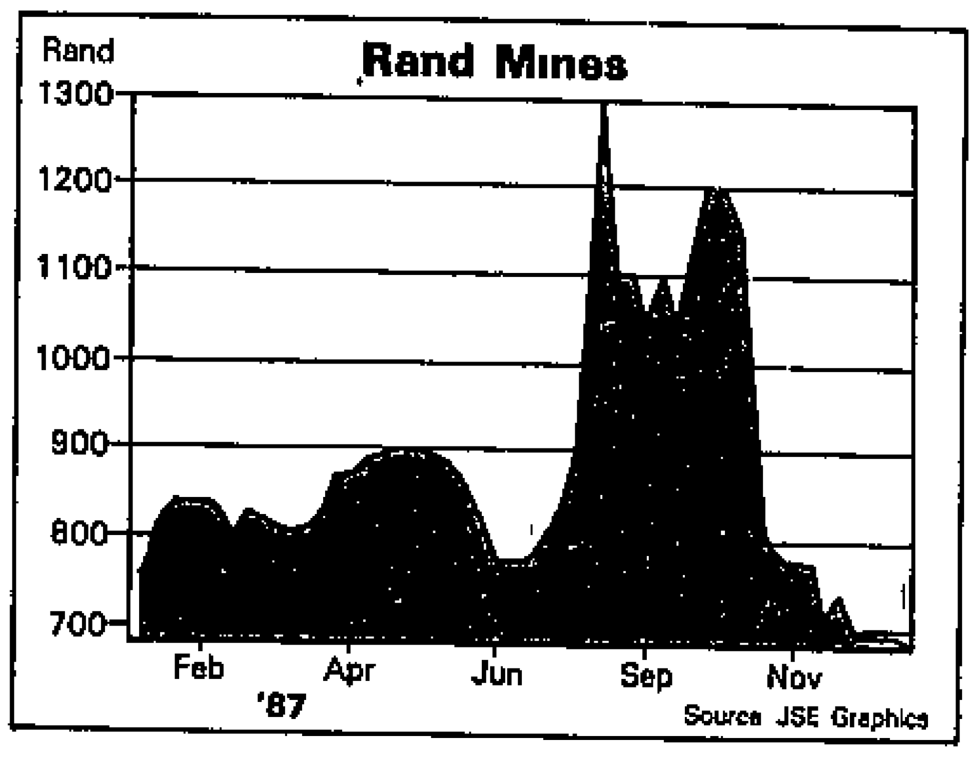
At ERPM, efforts are being concentrated on the Far East Vertical shaft project, on which the mine's future depends The project will provide access to the richer eastern area and significantly improve productivity from present operations adjacent to that area

Arrangements were concluded for the loan by the commercial banks for the project to be raised from R150m to R200m, the borrowings powers are to be increased from R200m to R300m, and the mine has announced a R91,5m rights issue The directors say that grades in the shaft area are higher than previously expected and gold production should in the long term be doubled Prospects for dividends in 1990 remain good

Harmony's distributable profits are expected to rise modestly in the year to end-June 1988 Its capital projects are largely complete, and commissioning of the No 4 shaft complex last March has raised the mine's monthly milling capacity by 150 000 t/month to 860 000 t/month Certain mining operations have been relocated to richer areas to arrest a fall in recovery grade in the 1987 year

LESS FROM COAL

	1986 %	1986 Rm	1987 %	1987 Rm
Gold, uranium and platinum	20 3	27,2	20 6	25,8
Gold from mine residues	8,6	11,6	10 1	12,6
Coal	50 3	67 5	42 5	53,2
Base minerals	4 6	6 3	2 6	3,3
Forestry and timber	2,2	2,9	1 1	1,4
Property	0,08	0,1	2 7	3,4
Management, financial services, exploration, investment realisation and sundry	13,9	18,6	20 4	25,5
Attributable profit	100	134 2	100	125 2



The group's sand treatment capacity was expanded by 2,4 Mt/year with the commissioning of a new plant at City Deep in March, and a plant to treat old residues on property in the Pilgrims Rest area is being built, with capacity to treat 20 000 t/month.

Work has started on the new Barbrook gold mine in the eastern Transvaal, of which Rand Mines holds 32%, in a joint venture with Anglo American. On conversion of debentures the interest rises to 40%

The house also announced a move into platinum mining, to be achieved through its holding in Barplats Investments Rand Mines will own 58,8% of Barplats, and will manage the mine Barplats is expected to come into production in 1993, at an initial milling rate of 180 000 t/month, with cost of bringing the mine to a self-financing stage estimated at R530m in 1987 money

However gold and platinum prices move, the various expansions are important from another standpoint. income from management and financial services etc jumped last year from R18,8m to R25,5m, to become as large a contributor as gold and uranium mining Continued expansion of operations will keep this figure high

Last year's dividend was raised by 2% at the cost of a reduction in cover from 2,82 times to 2,57 times, which could either be taken as an indication of confidence or that controlling shareholder Barlow Rand wanted the cash Watt forecasts that group earnings for 1988 should closely approximate the 1 117c for last year On the reasonable assumption of a maintained dividend, this, on the R65 price, places the share on a historical and prospective yield of 6,7% against the sector average of 3,5%

Andrew McNulty

— Sapa-Reuter

Anglo staff buy up shares

JOHANNESBURG. — An offer to Anglo American Corporation employees of five Anglo shares each in 1988, made in terms of the Anglo employees shareholder scheme, has been accepted by 98% of the 2 445 eligible staff members, Anglo said yesterday.

The offer to head office employees with at least two years' service was accepted by 2 402 and declined by 43.

Anglo chairman Mr Gavin Relly said he was encouraged by the positive response and hopeful that both shareholders and employees in associated companies would similarly endorse the scheme. Sapa

SANCTIONS AND JOBS

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Sowetan 29/1/88

THE president of the Chamber of Mines, Mr T I (Naas) Steenkamp, issued a warning yesterday that escalating unemployment as a result of sanctions, would logically lead to South Africa adopting a preferential labour policy which would hit neighbouring countries

Speaking at a luncheon given by the Chamber in honour of Bavarian premier, Dr Franz Josef Strauss, Mr Steenkamp said it was estimated that about 8 000 jobs had been lost in the coal industry since 1985.

Of the 750 000 people employed in the mining industry, 90 percent were black and of these, 40 percent were foreign workers, he said

Firm sued over sale

210 Star 9/2/88

General Mining Corporation (Gencor) sold stands in a township development to buyers without telling them that the property was on shifting clay, the Rand Supreme Court heard yesterday.

The court was hearing evidence in a civil claim by two Pretoria businessmen for more then R26 000 against Gencor.

Mr Stanley Shiller and Mr Raymond Katzeff say they bought two stands from Gencor in Theresa Park, Extension 2, in 1983.

But the development was on shifting soil. When they found out about this they tried to cancel the deed of sale, but Gencor refused.

They are now claiming the return of the deposits and payments.

Mr Shiller is claiming R22 535 and Mr Katzef R24 192.

Gencor has admitted they knew the soil was shifting clay, but claim they were not obliged to inform buyers — it was obvious to a reasonable person that the land was moving soil.

The hearing continues.

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Judgment reserved over Gencor

11/2/88 Star

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Judgment has been reserved in a civil claim brought by two Pretoria businessmen against Gencor (General Mining Corporation) in the Rand Supreme Court

Mr Stanley Shiller and Mr Raymond Katzeff claim that Gencor sold them stands in a township development scheme without telling them the property was on shifting clay. They have claimed more than R46 000

The court heard they had each bought two stands in 1983 in Theresa Part, Extension 2. When they found out about the shifting clay they wanted to cancel the deed of sale but Gencor refused.

DEPOSIT CLAIMS

They are now claiming the return of their deposits and payments they have made made, saying that Gencor should have told them of the soil problem Mr Shiller is claiming R22 535 and Mr Katzeff R24,192.

Gencor has admitted that they knew the soil was shifting.

The court was told yesterday that Gencor did not try to conceal the defects and that "everybody knew there were soil defects in the area".

Mr Justice M Kuper yesterday reserved judgment

210 B/Day 16/2/88

COMPANIES

New mineral legislation proposed

REINIE BOOYSEN

AN ENTIRELY new mineral rights law has been proposed by two Wits geologists in December's International Affairs Bulletin.

In a nutshell, the new legislation advocated by Johan Kruger and Maarten de Wit, in an article entitled Mineral Laws and Greater Equity in a Future SA, is that

☐ Undeveloped and unprospected mineral rights should vest in the state or a state minerals corporation,

☐ The right to prospect should be granted to companies or individuals at a fee per unit area which will escalate annually;

☐ Data gathered by prospectors should be made available to all interested parties in a national open-file database

According to the authors, the article was written prior to government's unprecendented decision to transfer prospecting rights on state land from JCI's Rustplats operation to Loucas Pouroulis's Lefkochrysos platinum mine

However, Kruger and De Wit go further. Mining houses and individuals would lose their undisturbed title to the mineral rights on their private land but gain gain the right to prospect anywhere if these recommendations are implemented.

They argue that large tracts of unprospected land are "sterilised" by current law — which encourages corporations to maximise their mineral rights holdings rather than to prospect

This frustrates entrepreneurial initiative in SA and comes at a time when the issue, according to Kruger and De Wit, has gained added urgency

"SA can no longer be complacent about the all-important political stability factor to lure continued investment in the face of the foreign disinvestment campaign and ensure the continuation of a healthy mineral industry

"With increasing scientific knowledge *and* political stabilisation elsewhere (Australia, China, Brazil, Argentina, India and even perhaps Antarctica), there is likely to be an increase in the rate of discovery and development of mineral resources worldwide and consequently a switch from SA by mineral investors and markets.

"This unforeseen competition may yet plunge SA further into Third World status."

SA's mining industry has without doubt enjoyed enormous success — despite the legal status quo. But this success, say the authors, is largely attributable to the unique richness of the Witwatersrand gold and the Kimberly diamond fields

But, as new mines are becoming increasingly difficult to find, we are losing our head start, they say.

We need a new law which will release vast tracts of privately owned mineral rights from virtual sterilisation, say Kruger and De Wit.

The law encourages the "sterilisation" of land in two ways

"First," says Kruger, "while the big mining houses rest secure in the knowledge that the mineral rights they already own remain free of competition, they exhaust much of their prospecting energies on the little bit of earth they do not own, to make sure no-one gets there before them.

"What we need is a law which will force them to start digging more in their own back-yards"

Secondly, there is no law forcing them to publicise the geological data obtained through prospecting, as is the case in most other frontier mining countries such as Australia and Canada.

No central pool of prospecting knowledge exists and each party in the mining game remains largely ignorant of the detailed geology in the other's property, which is often a closely guarded secret

It is of little importance that the industry as a whole would benefit by sharing its knowledge

This, say Kruger and De Wit, hinders a solid scientific approach to exploration.

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NUM SIGNS HEALTH, SAFETY AGREEMENT WITH MINE

ALAN FINE

THE National Union of Mineworkers (NUM) said yesterday it had signed the first ever health and safety agreement between a mine and a union in SA.

NUM described the agreement, reached late last year with the Palabora Mining Company (PMC) — a division of Rio Tinto — as a breakthrough and criticised members of the Chamber of Mines for their failure to enter into similar accords. PMC is not a member of the chamber.

The NUM's assistant general secretary said PMC was a highly mechanised plant which mined uranium and copper, and employed about 3 000 people.

NUM said the agreement provided for the recognition of about 100 safety stewards as representatives of workers interests in the field of health and safety.

Safety stewards would be informed immediately in the event of any accident and would take part in any inspection and inquiry held thereafter. After the inquiry, the stewards and management would meet to discuss the lessons of the accident.

Elected stewards would receive time off for training by management and the union. Safety stewards would hold regular meetings with sectional and departmental management as well as with their constituents.

WIT NIGEL FM 19/2/

Offer needed

The JSE has yet to decide on what it inten doing about the manner in which Joe Bera do's Johannesburg Mining and Finan (JMF) won control of Witwatersrand Nig five months ago Control was won through deal with the controlling shareholders yet offer has been made to minorities

Assistant GM Doug Gair says no decisi was taken on the matter at a JSE committ meeting held on Tuesday afternoon becau the committee was still waiting for inform tion requested from Wit Nigel He declin to give the JSE's view on the deal and t reasons for calling an investigation into saying he did not wish to prejudice the ou come JSE president Tony Norton could n

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Wit Nigel's Berardo ... no offer

be reached for comment

Crux of the matter is that JMF, after failing to attract support with a bid to all shareholders to win control of Wit Nigel, subsequently concluded a deal on improved terms with the controlling shareholders led by Michael Tatz.

Berardo acquired an initial 2m shares in Wit Nigel after George, under pressure from the rebel shareholder consortium led by Michael Tatz, Tom Eccles and Reg Stevenson, swapped those shares with Berardo in return for Springs Dagga shares, which subsequently converted to Cons Modder "S" shares. George claimed this deal was done to acquire a tradeable asset The real motive was a desperate attempt to find support in his fight with the rebel shareholders

Berardo promptly made a general offer to acquire Wit Nigel shares on the basis of five Wit Nigel shares for one Cons Modder "S" share That attracted only some 200 000 Wit Nigel shares, which meant that before the Tatz deal JMF held 2,2m Wit Nigel shares equivalent to 14,4% of the company's issued capital.

However, after the deal with Tatz, JMF held 6,5m shares equivalent to 43% of the company, so shareholders represented by Tatz owning 4,3m shares benefited from the improved terms of one Cons Modder "S" share for every 3,177 Wit Nigel shares held.

JMF deputy chairman Don Grant-Hodge claims no offer to minorities was necessary because, following the close of the first offer, JMF reached a verbal agreement with the controlling consortium to join that consortium. He says the deal was then done between the shareholders, forming the consortium amounting to a "change of control within control" and an offer to minorities was therefore not required.

But that is a dubious argument Essentially, control changed as a result of the Tatz deal, no offer on the better terms was made to minorities and in the *FM*'s view it should have been (see ***Leader***). Also, JMF's membership of the "controlling consortium" is a grey area There was no written agreement, and the available evidence suggests the relationship between JMF and members of the consortium was strained

When Berardo made his initial offer, Stevenson advised Wit Nigel shareholders not to accept it because it was too low and claimed: "Berardo is only making the offer as a face-saving gesture to keep on the right side of the JSE " (*FM* July 17) At that stage the JSE was furious with George for having placed the shares with Berardo without holding a general meeting of shareholders to approve this move Wit Nigel was suspended.

At the meeting in September at which George was ousted, with JMF and the rebel consortium voting together, consortium member Eccles voted against the appointment to the new Wit Nigel board of Berardo, Grant-Hodge and two other JMF nominees. They were not elected at the meeting but were invited to join the board the next day by the newly appointed directors Reason for the vote was apparently that Eccles held proxies from George's former US backer Leroy Brenna who wanted George out but did not want him replaced by Berardo.

Even if the JSE belatedly decides the improved offer should have been made to all shareholders, the matter does not end there. What it can and must still do is improve the rules regarding a change of control.

Brendan Ryan

Bad times for small mines, but glister at the biggies

24/1/88

By Julie Walker

THE big six mining houses have shown their mettle in the December quarterly results, but for the smaller groups the honeymoon may be turning sour.

Results from Gold Fields of SA mines were exceptionally good The most consistent mill-filler in the business, its mines reduced costs and received a higher gold revenue

Rand Mines, with its clutch of three ageing mines, one rejuvenated and one brand-new producer, did not do as well as in the quarter to September Costs at all its mines were up and profits fell However, a rights offer in East Rand Proprietary Mines should help the bottom line and production from the higher-grade Far East vertical shaft gives it a new lease of life

Many of Gencor's mines face a short life and limited reserves do not give the flexibility of grade which could improve production Nevertheless, most of the stable did better than the cynics expected, especially Winkelhaak, Marievale and St Helena, which improved from a poor third quarter caused by a fire

Anglovaal mines continued their polished performances, only Loraine doing worse Cost increases were contained, but higher capital expenditure knocked earnings a share Capex was much higher than in the first quarter (end of June) of the financial year when spending is traditionally low

Johnnies Western Areas experienced a sharp increase in costs in dollars an ounce — to $553 from $480 — although the rand a ton figure fell by 2% to R99 Randfontein increased grade and reduced costs, although industrial relations were still not back to normal

Anglo American mines all recovered from the strike-hit third quarter of the year Freegold costs were higher in dollar terms even though gold production rose to a new high

Golden Dumps South Roodepoort improved at the operating level, but higher capex meant it had to slash its interim dividend from 26c to 15c Cons Modder passed it after another poor quarter, although it expects to improve

Total costs at Severin's Rand Leases jumped 7% in spite of a decrease in costs a ton A working loss was turned to a profit and capex is still high

The capex programme at Modder B has almost been completed and the profit a ton more than trebled to R6,84 Costs are expected to increase as more ore is taken from underground

The Southgo share price lost 20c on Friday in spite of a cautionary announcement Its December quarterly results were marred by high costs and production problems Unaudited earnings a share for the 12 months to December 1987 have been calculated at 2,9c before capital expenditure — worse than the 1986 figure in which earnings from only two quarters amounted to 3,2c

Lower extraordinary income at Primrose GM made the results look worse than in the previous quarter, but the operating performance was actually much better It earned R425 376 compared with R237 539 The extraordinary income arose from recent corporate restructuring

The acquisition of the Waverley plant lead to higher capex, but the mine declared a 4c interim

STs

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JMF set to meet its earnings forecast

Star 1/3/88

2.19

By Finance Staff

Joe Berardo's Johannesburg Mining and Finance (JMF) bettered attributable income for the six months to end-December 1987 by R200 000 on its prospectus forecast of R8,9 million.

JMF is well on its way to meeting its earnings forecast of R13,3 million, which is also evident by the earnings per share figure for the six months of 7,3c which, annualised at 14,6c, is ahead of the predicted 12,5c The directors forecast a dividend of 6c for the nine months to end-March 1988, which is payable in July

Turnover reached R45,7 million, while income before tax was recorded at R15,03 million After-tax payments and R5,33 million attributable to outside shareholders consolidated income was registered at R8,4 million.

The balance sheet also looks strong with the net asset value per share having risen from last June's value of 62,9c to its December value of 207c.

Star 3/3/88

AVI well ahead of expectations

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By Ann Crotty

Anglovaal Industries has reported an excellent performance for the six months to end-December achieving a 69 percent earnings improvement on a 29 percent increase in turnover.

Turnover was up from R1,4 billion to R1,8 billion while operating profit was ahead by 60 percent to R183 million which meant that operating margins were up from 8,2 percent to 10,2 percent.

A sharp reduction in the interest bill, a slightly lower tax rate and an increased contribution from associated companies, all helped to boost earnings 69 percent to R65,6 million.

An increase in the number of shares in issue meant that the increase in earnings per share was diluted to 40 percent, equivalent to 264c.

The performance was well ahead of most expectations. On the basis of the results announced by the group's major interests, analysts had been looking for an increase in earnings per share of around 30 percent. That the figures are much stronger suggests that the wholly-owned subsidiaries turned in excellent results.

This in turn suggests that the group's four unlisted textile companies have made a strong recovery from the losses they suffered in previous years.

The increase in operating margins is an exceptionally good performance given the very strong base from which it was achieved. It presumably reflects a combination of tighter asset management, improved capacity utilisation and, price increases.

In a reasonably strong economic environment, capacity utilisation often increases and there also tends to be less resistance to price increases.

Interest payments were down a sharp 38 percent to R9,7 million as a result of a reduction in borrowings and lower interest rates.

The group's balance sheet at end-December shows a 9 percent increase in long-term debtors to R17,4 million but this is more than compensated for by a 24 percent reduction in current interest-bearing debtors to R104 million.

All of which helped to reduce the debt/equity ratio to 19,6 percent from 29,8 percent at the previous interim stage.

Net asset value was up 29 percent to R23,17 which represents a 27 percent premium on the current share price of R29,50.

DID 3/3/88

AVI up 69pc

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JOHANNESBURG — Industrial group Anglovaal Industries (AVI) improved net earnings by 69 per cent in the six months to December, compared with the same period of 1986.

Earnings a share R65,6-million, against R38,9-million previously, the interim report shows.

Earnings per share rose 40 per cent to 264 cents (188 cents).

On a 29 per cent improved turnover to R1,8-billion, the group increased operating profit by 60 per cent to R182,6-million (R114,4-million).

The half-year saw strong growth within the group.

"All sectors increased their profit contributions as the economy strengthened and business conditions improved," the directors state.

"Results were favourably affected by a drop in interest rates on reduced borrowings, a slightly lower effective tax rate and an increased contribution from associated companies."

They expect earnings for the full year to June to exceed those of 1987.

AVI's balance sheet also remains very strong The debt/equity ratio was reduced to 19,6 per cent (29,8 per cent), thereby giving adequate scope for future borrowings for expansion purposes. — Sapa

Anglovaal turns in pedestrian profits

Star 4/3/88

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By Ann Crotty

A sharp drop in equity accounted earnings cut back the improvement in Anglovaal Limited's profits to a pedestrian 12 percent in the six months to end-December. Earnings per share increased to R16,41 from R14,64 and the dividend was up just 13 percent to 220c.

The 58 percent drop-off in equity accounted earnings was attributed to the lower profitability of the manganese investment and to losses following the start-up of the new Klipspruit export colliery near Newcastle.

At the previous interim this source accounted for 18 percent of taxed profit, during this review period it provided just over 6 percent.

Group turnover was up 29 percent and operating profit soared 71 percent to R186,7 million. The strong performance at this level reflects the excellent contribution from Anglovaal Industries where operating margins were significantly strengthened. The top company's own operating margins are up from 7,5 percent to 9,95 percent.

Income from investments was down a marginal 3 percent to R29 million. The directors report that the growth in gold mining dividends was limited, despite the higher dollar price for gold prevailing during the six months.

This was due to higher working costs and an increase in the value of the rand vis-a-vis the US dollar which resulted in lower rand revenues.

During the first half Anglovaal and its subsidiaries spent R16,6 million on the purchase of mineral rights in selected areas of the northern Free State.

The balance sheet shows a sharp 81 percent increase in working capital. It also shows some of the effects of the October crash in that the market value of the group's listed investments, mining subsidiaries and associates was down 5 percent although the book and carrying value of those investments was up 33 percent.

Net worth per share was little changed at R322 (R317) compared with a net worth of R344 at the end of financial 1987. It is significant that although Anglovaal provides the bulk of the group's income it accounts for a very small part of the group's asset base — AVI's net worth is just over R23.

The Anglovaal share, in the mining financial sector, is trading at around R255 which is a sizeable discount to net worth. By contrast AVI, on the industrial board, trades on a healthy premium to net worth. This reflects the tendency of mining financials to trade at a discount to net worth.

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LONRHO

Prescient asset sales

Activities: *Diversified international group, domiciled in London, with interests in motor and equipment distribution; general trade, manufacturing; leisure, wine and spirits, mineral extraction and refining, financial services, and agriculture.*

Control: *R W Rowland holds some 15,3% of the ordinary issued shares*

Chairman: *E du Cann; managing director R W Rowland.*

Capital structure: *375m ords of 25p each, fully paid; 17 250 ords of 25p each, 5p paid Market capitalisation: R4,75bn*

Share market: *Price 1 250c Yields 3,5% on dividend, 4,2% on earnings, PE ratio, 23,7, cover, 2,3 12-month high, 2 000c; low, 1 136c Trading volume last quarter, 178 000 shares.*

Financial: *Year to September 30*

Performance:

	'84	'85	'86	'87
Turnover (£m)	2 368	2 586	2 651	3 014
Pre-int profit (£m)	157,7	189,9	194,7	231,9
Taxed profit (£m)	55,0	67,6	76,5	104,2
Earnings (p)	17,3	21,2	23,2	30,1
Dividends (p)	9,0	9,0	10,9	13,0
Net worth (p)	199	199	182	246

Lonrho's colourful chairman, Tiny Rowland, showed last year why he has a reputation for being an imaginative but successful maverick Early last year, the directors decided to put the group into a strong liquid position After asset sales and various other transactions concluded in the months before the stock market crash, Lonrho ended the year with shareholders' funds of £924m and cash balances of £313m (£220m)

Among asset disposals was the sale of the UK casino interests in July for £128m and the sale of News (UK) to Rupert Murdoch's News International for £33m Further funds were generated from the listing of 20m shares on the Tokyo Stock Exchange and the fully-subscribed offer provides a base for expansion in the Far East In August, another £60m were raised through a 4,5% convertible bond.

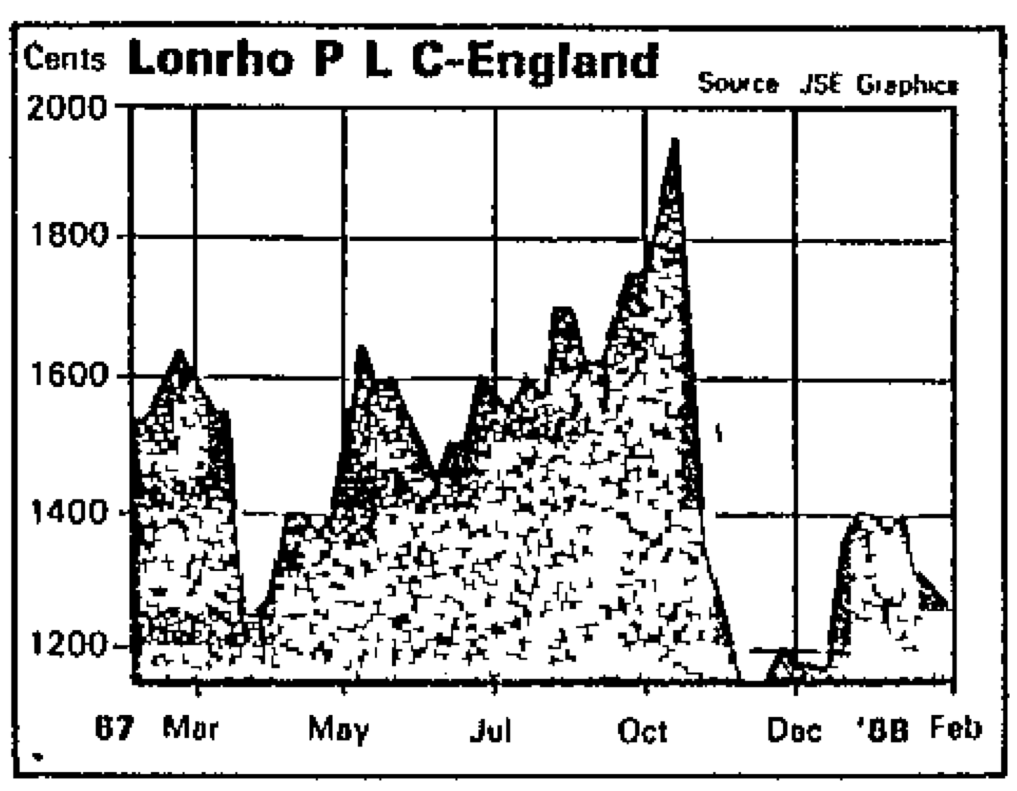
Last February, when the platinum bull market was getting into full swing, the group bought out its partner in Western Platinum for $US75m and, in April, it bought Ruhrglas AG, which is the largest manufacturer of table glass in West Germany and the fourth largest supplier of container glass

Even with all the diversification undertaken by this widely spread international group over the past three decades, however, mineral extraction and refining remains the biggest single contributor to pre-tax profits In the 1987 year these interests provided £59,1m or 29,5% of total taxed profits of £200,2m

This indicates the importance of the South African mining operations, particularly Western Platinum, although by no means all of the group's mining investments are situated in SA Even so, no less than 40% of taxed profits were made in southern Africa, which supports the view that Western Platinum is probably Lonrho's single most profitable operation of significant size

The group has increased production of platinum group metals for the tenth successive year and remains the lowest cost producer in the industry Additional shafts are being sunk and construction has started on a third plant designed to mill and treat an additional 1 Mt/year of ore from the middle of 1989 The report says that, even at much lower prices, the expansion can be self-financed out of profits while maintaining strong dividend flow Long-term contracts for sale of the extra output have been concluded.

Mining income should be boosted further over the medium- to long-term as output from new gold investments build up Group gold output last year reached 442 000 oz, with the Zimbabwean mines at an all-time high, but the largest gain came from Ashanti, where $US160m is being spent in lifting output by 50%. There is a 36% stake in Anglo American's new Erfdeel mine, where production started shortly before year-end and output should reach 400 000 oz in a few years The group also has a 25,8% interest stake in a joint venture arrangement with Anglo to explore an area near Erfdeel



The leisure, wine and spirits division became the next largest profit generator, with a contribution of £32,1m (£18,1m) Next in line was motor and equipment distribution with £31m (£22,3m), V A G UK remaining the leading importer of European cars into the UK It was followed by manufacturing with £23,3m (£22,1m), financial services with £23,9m (£30,7m), general trade with £16,8m (£18,3m) and agriculture with £14m (£9,3m).

In geographic terms, the UK remains the largest profit source, having produced profit of £68,7m (£65,3m) but its influence diminished last year It was followed by east, central and west Africa with £58,6m (£46,1m), southern Africa with £40m (£32,6m), the Americas with £23,1m (£11,7m) and Europe and other with £9,8m (£9,4m)

Benefits are already being seen from a recent move into the North American energy industry Rowland notes that in October 1986, Lonrho entered into partnership with Robert O Anderson, creator of Atlantic Richfield, by acquiring 600 producing oil and gas fields in the US through the jointly owned Hondo Oil & Gas Company He says that Hondo has made a healthy profit and has been further expanded since the year-end by merger with the Californian-based Pauley Petroleum Company

Lonrho has consistently increased earnings per share since the setbacks in the 1981-1982 years, when earnings fell to 6,3p, and last year they rose by 29,7% to 30,1p It remains to be seen how a group that is so widely diversified may be hurt by the fall in equity markets, but certainly the high level of liquidity is seen as a strong advantage in such times

The share does not look cheap on the JSE, where it stands on p e of 23,7 times and dividend yield of 3,5% versus the average yield for the industrial sector of 4,4% Still, it could be worth holding, particularly for those who want a currency hedge

Andrew McNulty

WIT NIGEL

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Blaming George

As might be expected, the delayed Wit Nigel December quarterly report contains bad news for shareholders as new managers Johannesburg Mining and Finance (JMF) start exposing damage done under the Peter George regime

FINANCIAL MAIL MARCH 4 1988

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work has been increased by 30% and this level will be maintained

Putting Wit Nigel right is costing money, and total working costs soared to R13,29m (September quarter R9,22m), equivalent to R120,83/t milled (R81,74/t milled), while capital expenditure jumped to R913 000 (R257 000).

JMF technical director Tony Netto tells me working costs should drop to R80/t-R90/t this quarter because last quarter a large number of one-off costs were written off He says work is aimed at getting current operations back to profitability through increasing recovery grade on maintained milled throughput of 40 000 t/month

This will be achieved by a switch to rescue mining from conventional stoping to cope with the narrow reef channel widths. "The mine had previously been putting a mixture of 80% waste rock and 20% reef through the mill," he says "We intend to change this drastically " Netto adds that present operations have to be returned to profitability before consideration can be given to expanding into new areas

Meanwhile, the JSE Committee investigation into the Wit Nigel takeover by JMF drags on JSE president Tony Norton says the committee is waiting for replies to further questions it has put to JMF and the matter will come up again at next Monday's meeting. "Given the potential seriousness of the issue we don't want to go off at half-cock on it," he says.

Brendan Ryan

Faith fuels Iscor's new venture

R250m mining investment for north Tvl

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Bday 7/3/88

FAITH is the essential ingredient behind Iscor's R250m mining investment in the north-east corner of Venda in the northern Transvaal, Iscor MD Willem van Wyk says.

International sanctions on SA steel products have had a severe effect on Iscor's export market. Nevertheless, the quasi-government steel producer has decided to provide for its coking coal needs for at least the next 20 years by spending R250m on the expansion of its Tshikondeni coal mine on the border of the Kruger National Park and Venda.

Van Wyk says: "You have to have faith when you go into a big project of this nature. You have to believe there will be stability and growth in the economy, otherwise you're a lame duck."

The Tshikondeni mine is a long-term project designed to meet Iscor's coking-coal requirements after the gradual phasing out of the company's two northern Natal coal-mines.

REINIE BOOYSEN

The Durnacol and Hlobane mines are between seven and 10 years from the end of their productive lives, as the decreasing yields are becoming less economical.

Iscor estimates that costs on the mine and beneficiation plant at Tshikondeni will be recouped between four and five years after full production comes on stream in 1991.

The planned production rate at Tshikondeni is 25 000 tons of unprocessed coal a month (300 000 tons a year), yielding 18 000 tons of coking coal a month.

The R150m railway line from Tshikondeni to Huntleigh (123km) in the northern Transvaal is being financed by a loan from the Development Bank of SA, which will be repaid over 20 years.

Van Wyk says: "You can never have a guarantee a project like this is going to be viable. But if you do not believe in the future of our country, Venda and Iscor, you cannot do anything."

Women march

A GROUP of about 500 women were yesterday dispersed by the police as they gathered outside the Chamber of Mines offices in Johannesburg demanding it take a tougher stand against the Government's restrictions on 18 organisations.

Sapa reports that nine media representatives were briefly held following the women's protest.

It quotes a senior police spokesman, Colonel Frans Malherbe, as saying video and camera film had been confiscated and that the newspeople could face charges "if they have done something wrong."

Colonel Malherbe also

To Page 2

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Women march

From Page 1

said the protesters — who were demanding the Chamber of Mines take a stand against the bannings and restrictions placed on organisations and individuals — dispersed when police told them the protest contravened emergency regulations.

A spokesman for the Chamber of Mines confirmed that a memorandum was handed over by a group of women and that an official statement would be issued later.

Sowetan 9/3/88

Amic earnings rise by 33% over year

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B/day 9/3/88.

ANGLO American Industrial Corporation (Amic) increased attributable earnings by 33% in the year to December, according to the preliminary profit statement released yesterday.

Attributable earnings amounted to R346m, compared with R260m previously.

Earnings are 28% better at 663c (516c) and the group has declared an increased final dividend of 160c a share (135c), making the total for the year 225c (190c).

Group turnover increased by 13% to R3,5bn.

Pre-tax earnings amounted to R592m (R433m)

The directors comment that the capital injection of R113m in mid-1986, together with reduced borrowings by subsidiaries and associates, enabled the group to reduce its debt-to-equity ratio to 0,47 compared with 0,71 in 1986.

"At this level, the group is better placed to withstand the effect of higher interest rates," say the directors.

"The strengthening demand in the local market and generally higher prices in international markets have led to improved results in most subsidiary and associated companies," they add.

The Mondi group's performance improved considerably during 1987, despite the disruption caused by the Natal floods, and earnings increased by 81% from R53m in 1986 to R95m in 1987.

Boart International also made a valuable contribution with an attributable profit increase of 44% from R43m to R63m.

Earnings at Highveld Steel, which were affected by the stronger rand, the loss of certain steel export markets due to sanctions and industrial action, fell by 5% to R57m (R60m).

Scaw Metals increased earnings to R56m (R48m).

AECI, the group's major associate, increased earnings by 22% to R213m, while the Tongaat-Hulett group experienced strong recovery, increasing earnings to 82c a share (24c).

The Ventron group continued its growth with a 27% increase in its contribution to Amic's earnings. The McCarthy group achieved record earnings of 120c a share (61c). — Sapa

Litigation anticipated over new changes to labour laws

By Sheryl Raine

Draft proposals to change the Labour Relations Act conflict with other laws which uphold apartheid and could lead to major law suits, labour experts warned today

At the first of a series of seminars in Kempton Park, leading labour law specialist Mr Rod Harper and a labour relations consultant from FSA Limited, Mr Mike Beaumont, discussed the implications of the proposed changes to the law.

In general, the proposals have been welcomed and are expected to have wide impact on industrial relations However, there are certain clauses which have been criticised.

"Some clauses conflict directly with statutes upholding apartheid policies and could lead to major litigation if the Bill becomes law," said Mr Harper.

"For instance, a company taking advantage of the incentive schemes in the homelands in terms of the Government's decentralisation policy could run foul of a section of the Bill that makes it an unfair labour practice to replace an employee with another employee on conditions of employment that are less favourable than those of the first employee.

"This unfair labour practice has so many potential meanings that if it becomes part of the Act major litigation will ensue on the basis that companies should not relocate from urban areas to incentive areas because this would be an unfair labour practice."

"No doubt such an interpretation was not intended to be placed on that section by the Department of Manpower, but the definitions are broad enough to encompass such actions"

Unions have long complained that companies leave urban areas, abandon their workforce, and set up shop in the homelands where wage bills are more than halved and conditions of employment go unmonitored.

MAJOR ISSUE

South Africa-based unions are prevented by law from operating in homelands, which have enacted their own labour legislation different to that of white South Africa

Mr Beaumont expects that discrimination in the workplace will become a major issue if the Bill becomes law

It has been proposed that discrimination on the grounds of race, sex, religion or creed be declared unfair labour practice.

He said allegations of unfair discrimination could become a major source of union activity, and these demands could be pursued with the full backing of the law if the Bill is accepted.

5/10 9/3/88

Women stage protest at Chamber of Mines

JOHANNESBURG — One hundred members of the Federation of Transvaal Women today protested peacefully at the Chamber of Mines in central Johannesburg yesterday. They demanded that the chamber take a tougher line against the government.

An unsigned memorandum which the women sought to deliver to the chamber, demanded that the chamber stage a protest to show its condemnation of the Labour Relations Bill, the recent restrictions and bannings of extra-parliamentary organisations and continued detentions; and to send a delegation to pressurise Mr P. W. Botha and his government into lifting the bannings of organisations, lifting the state of emergency, unbanning the leadership of the people, releasing political prisoners and detainees and unbanning the African National Congress.

Nine television and camera news people were held briefly following the protest, a senior police spokesman said.

In a statement the Chamber of Mines said:

"The chamber understands the frustration the federation's members feel with respect to the restrictions imposed by the state, but the federation has badly misdirected itself in choosing the chamber as their target of protest in their quest for publicity.

The chamber had made it clear previously that it was perfectly willing to discuss its attitude to the Labour Relations Amendment Bill with any of the twelve unions it recognises.

However, the chamber was "not prepared to be pressurised into a confrontational role in politics". — Sapa-DDC

Marchers demand a tougher line from Chamber of Mines

The doors of the Chamber of Mines in central Johannesburg were locked yesterday in the face of about 100 women who demanded that the chamber take a tougher line against the Government

A woman was taken away by police and angry cries erupted from the crowd as a television soundman was manhandled by policemen removing him A police spokesman said later that seven pressmen had been taken to John Vorster Square, where their material had been inspected to ascertain whether or not the emergency regulations had been transgressed

A memorandum the women — members of the Federation of Transvaal Women — sought to deliver to the chamber demanded that it stage a protest outside Parliament to show its condemnation of the Labour Relations Bill, of recent restrictions on and banning of extra-parliamentary organisations, and of continued detentions

The authors claimed that the chamber's response to repressive State action had been "either silence or the mere issuing of guarded statements"

'SILENCE IS CONSENT'

They added· "Your silence is consent to having hundreds rot in jails under emergency regulations is your manner of consenting to the death of any voice of peace and democracy and as far as press curbs are concerned, consent to withholding the truth from the people."

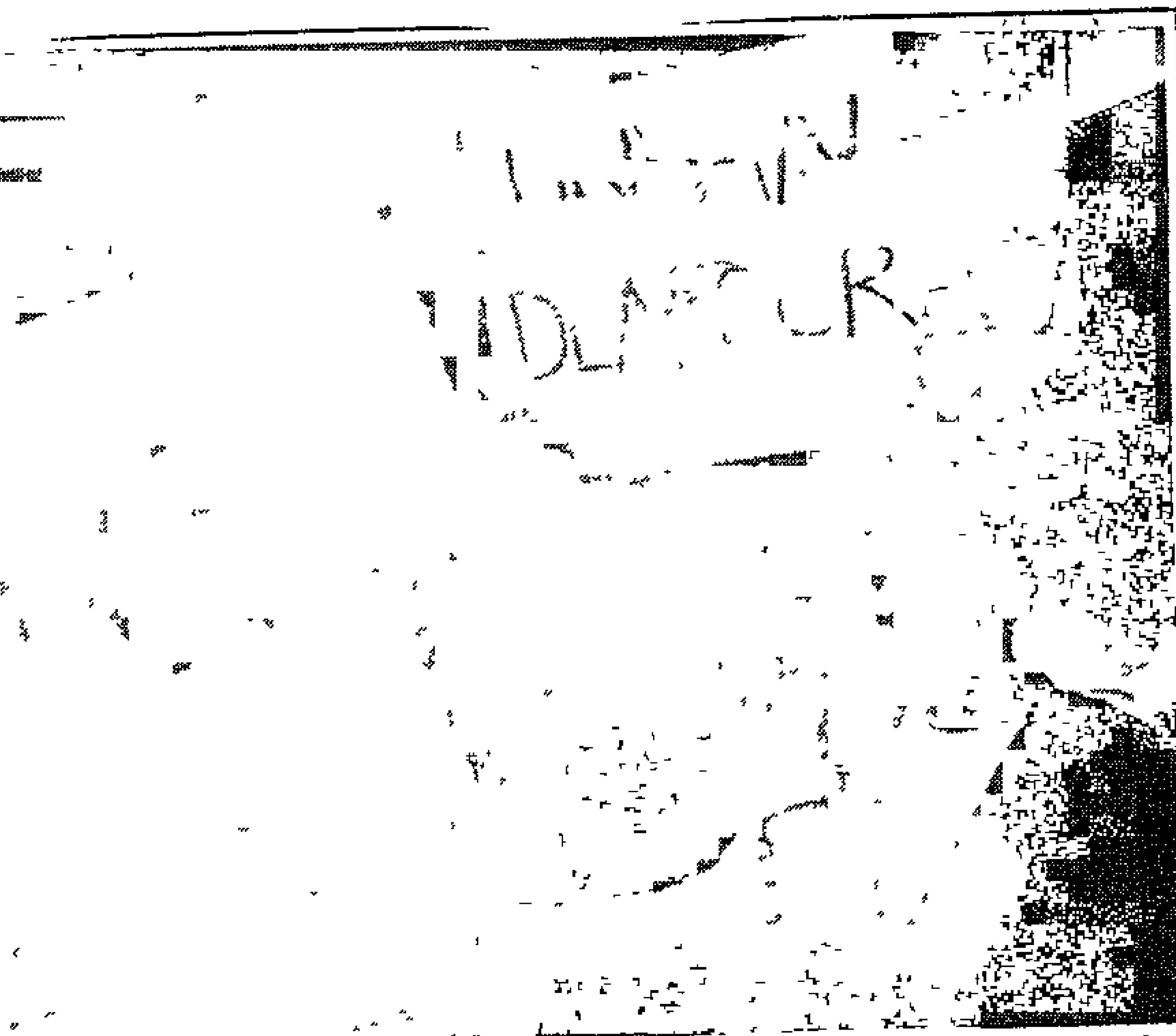
After dispersing near the chamber, the women marched through Johannesburg to Khotso House

The chamber said last night it would not be pushed into a confrontational role in politics

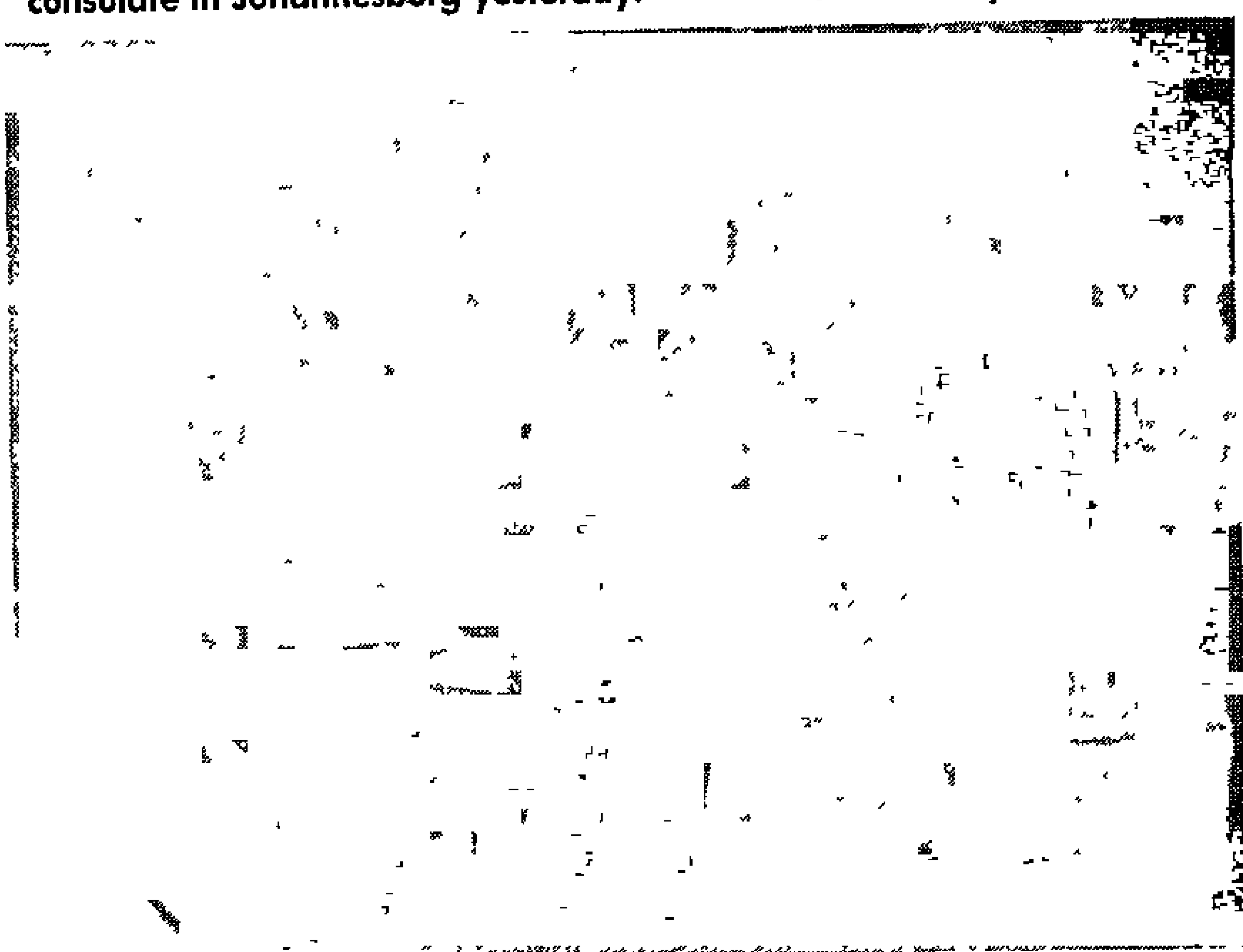
"The chamber understands the frustration the members of the Federation (of Transvaal Women) feel but the federation has badly misdirected itself in choosing the chamber as their target of protest in their quest for publicity"

The chamber said it had released a statement after the restrictions had been imposed on the 18 organisations and had described as "regrettable" the Government's view that it was necessary to "further erode these fundamental pillars of democracy in order to preserve stability"

It also said it had made it clear to the Congress of South Africa Trade Unions (Cosatu) that the chamber was prepared to discuss its position on the labour Bill with any of the unions it recognised



Demonstrating women take their positions at the entrance to the British consulate in Johannesburg yesterday. ● Picture by Alf Kumalo.



Police nab camera crews filming the demonstration by women outside the Chamber of Mines yesterday. The journalists were taken to John Vorster Square and later released.

Jan Smuts ATC training officers quit

B/day 10/3/88

MANDY JEAN WOODS

FIVE of the 12 air traffic control (ATC) training officers at Jan Smuts Airport have resigned as training officers, but will continue working as ATCs.

Training officers are responsible for supervising, training and assisting ATC cadets in their practical training

Delays at Jan Smuts Airport before the recent radar problems were blamed on a shortage of ATCs, several of whom resigned over pay dissatisfaction

Transport Department spokesman Leon Els said yesterday the department did not speculate about the reasons for resignations. But ATCs said the continued failure of the department to give recognition, either financially or otherwise, to training officers was the main reason for the latest resignations

Els said a pay package for ATCs had been approved by the department and would take effect on April 1.

Meanwhile, executives are having their travel schedules thrown into disarray by departure delays.

An Anglo American spokesman said its business flights had been delayed up to 90 minutes in the past two days. Meetings were having to be postponed and cancelled and time was being wasted

Comair MD Pieter van Hoven said about 80% of the company's flights had been affected in the past 48 hours.

Amgold to cut final dividend

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B/day 10/3/88.

CHERILYN IRETON

ANGLO American Gold Investment Company (Amgold) has cut its final dividend by 19,4% after a drop in income from its major gold mine investments

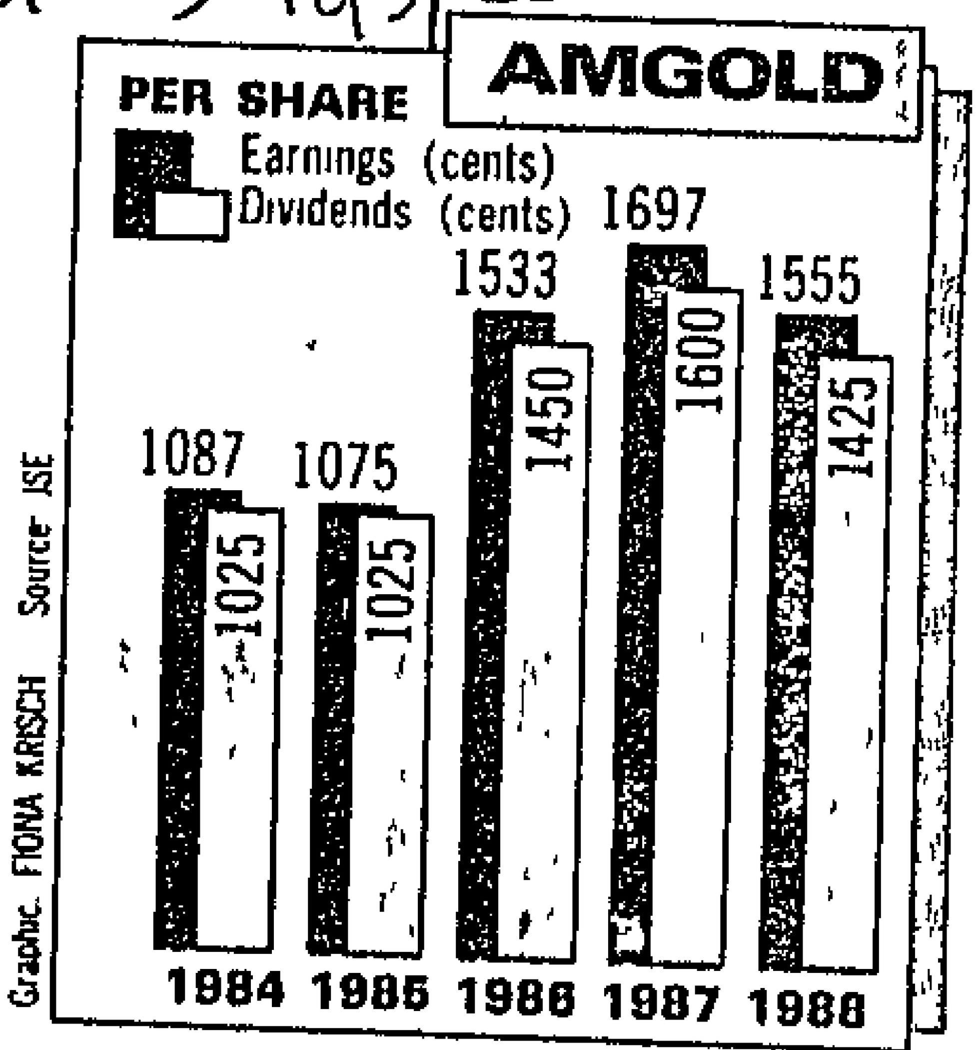
The company is to pay a final dividend of 725c a share (900c previous year) for the year to end-February, making a total of 1 425c against the previous year's distribution of 1 600c

This follows an 8,4% drop in earnings to 1 555c (1 697c) — which was expected — after last year's dull performance of the rand price of gold, labour unrest and rising mining costs.

However the increase in dividend cover to 1,09 times from 1,06 times last year and 1,03 times in 1983, seems to suggest that Amgold directors are taking a gloomy view of short-term prospects says Edey, Rogers & Co partner John Rogers.

Some market commentators had been looking for a total dividend of at least 1 500c, and described the move away from the traditionally modest cover as somewhat alarming.

Amgold derives its income from a portfolio of quoted gold shares Total investment income fell 7,1% to R355,9m (R383,2m) reflecting disappointing dividends from these investments, notably



Elandsfontein and Southvaal

The market crash had a major impact on the value of Amgold's investments, which — based on market value and directors valuations — fell 35% to R5 098,7m

This is further reflected in the net asset value, which has fallen to R234,75 a share (R361,23) Amgold closed at R244 yesterday after firming R2, giving a premium of 3,9% on net worth

Amgold yields 5,8% on dividend, 6,4% on earnings and is on a PE ratio of 15,7 times.

Technologist scoops prize

A WINNER! Lydia Petre, 28, a medical technologist in Alberton, yesterday won the R1 200 prize in the Blue Chip Challenge

"At first I thought I'd missed the index by a rand, but when I added my total up again I realised I was a winner. I couldn't believe it," she said.

The money will come in handy — Lydia and her husband, Roger, are building a house.

"Roger is on a two-month army call-up. What a marvellous surprise this is going to be for him," said Petre.

FM 2/10 11/3/88

Anglovaal's Hersov ... buying mineral rights

ANGLOVAAL

Slowdown arrives

There may be growing anticipation in the marketplace about Anglovaal's new gold mining prospects in the Free State, but the short-term outlook is less sanguine Results for the six months to end-December have again emphasised that the earnings pace is slowing down for the mining house sector Anglovaal's interim earnings were ahead by 12% after increases of 44%, 39% and 25% in the preceding three financial years The dividend was raised by 13% against 30% for the 1987 year

Gold mining interests, which last year accounted for 25% of group earnings, have generally gone ex-growth, owing to lower or roughly static revenue in rand terms and higher costs Commenting on the interim figures, the directors say that growth in gold mining dividends was "limited " Problems were also encountered in other mining areas, which in 1987 provided a further 22% of group earnings Until this trend is broken, Anglovaal will probably depend largely on its industrial investments for earnings growth

The gold mining interests are largely held in associated companies Most important single gold interest is Harties/Zandpan, but there is a substantial investment of 9,9m units of UAL Mining & Resources Unit Trust and a wide spread of other equities The house's interim figures take in Harties' final dividend declared in June, which was 80c, in December the mine declared a dividend of 62,5c, only slightly better than the year-ago December payout of 60c

There was a marked fall in equity accounted earnings from associated companies, ascribed to lower profitability of the manganese investment and to losses following start-up of the new Klipspruit export colliery new Newcastle

Main driving force behind the group earnings at present is 66%-held Anglovaal Industries (AVI) In the 1987 year, its earnings rose by 71% and in the six months to December it maintained that pace, with earnings rising by 69% on the strength of improved contributions from all divisions, a reduced interest bill and a slightly lower effective tax rate.

As far as cash inflow is concerned, AVI pays only a final dividend, so the group interim figures would take account of AVI's 1987 final payout (received via South Atlantic) which was up by 50% at 75c per share on a 5,5 times cover. Assuming there is no significant slowdown in the second half, AVI could manage a similar percentage increase in its dividend this year

Prospects of anything but a token increase in overall dividends from the gold mining investments this year cannot be good There is no sign yet of any abatement in the rate of cost escalation on the gold mines — if anything, a lower rand will mean more pressures — and productivity is worsening In view of these concerns, industrial relations could again be critical for the gold mining industry this year

For Anglovaal there could be gains in other areas In particular, commodity prices have generally remained firm and, given a lower rand, these could bode well for the base metals and ferro-alloys Assmang, for example, could benefit from currently firming manganese prices

And it must be possible that the buoyant copper price could yet again extend the life of the dying Prieska copper mine Dividends from Prieska last year contributed 297c per share to the group's attributable consolidated earnings Chairman Basil Hersov warned, in his 1987 review that, even if the most optimistic overall estimate of the mine's closure costs was confirmed, the current year's contribution was unlikely to exceed 215c per share It would not be surprising if his cautionary forecast proves too conservative

Having said that, at present it is difficult to see the house lifting earnings and dividend this year by much more than around 10% At R257, the share is not overwhelmingly attractive on short-term considerations It yields only 2,3% on dividend and stands at a 20% discount to the December 31 net worth of R322, a lower discount than applies to a number of other mining houses

However, management is obviously confident about its new gold mining prospects in the Bothaville and Odendaalsrus district of the Free State One major new mine would make a big difference to the group's earnings base, which is relatively small compared with the major houses Hersov has previously indicated that there could be several mines involved (*FM* October 30) Hence, a relative premium on the prices of both Anglovaal and Mid Wits is understandable and this could increase as an announcement on a new venture draws nearer

Andrew McNulty

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FINANCE

De Beers celebrates its centenary year with record-breaking results

SVEN LUNSCHE

De Beers celebrated its centenary yesterday by announcing record results for the 1987 financial year

Earnings, excluding share of retained profits from associated comapnies, soared by 35,8 percent to R1,035 billion, translating into earnings per share of 282c

Including share of retained profits, attributable income firmed from R1,151 billion in 1986 to R1,501 billion (410c per share), while the total dividend was raised by 37,5 percent to 110c

Converted at the year-end rate of $0,5175, attributable earnings, excluding the share of retained profits of associates, amounted to $536 million — an improvement of 54 percent

Including the share of retained profits, earnings increased to $777 million from $527 million in 1986

Analysts were expecting a good financial performance from the group after the Central Selling Organisation — De Beers London-based international marketing arm — reported earlier this year that diamond sales for 1987 had soared by 20 percent to a record $3,075 billion (R6,3 billion)

Reasserted dominance

The sales figure already provided an indication of the extent to which De Beers, in recent years, had reasserted its dominance in the diamond market, which is now inherently better balanced

The improvement over the year of 13 percent in the value of the rand over the dollar and a higher ratio of sales of diamonds purchased to diamonds produced by De Beers mines had the effect of lowering the diamond account marginally to R1,303 billion from R1,362 billion

As a result, the profit margin was down to 20,7 percent (1986 23 percent) But these losses were more than balanced by a 41 percent decrease in tax and lease payments to R374 million since capital expenditure on De Beers mines increased over the year

Investment income rose from R274 million to R314 million, while interest received was up 71 percent to R130 million, reflecting steady rates of interest on increasing cash balances But prospecting and research costs rose by 35 percent to R155 million

Prospects for the current year are reasonably encouraging Last October's ten-percent price rise in uncut diamonds has been absorbed without difficulty and will impact on sales in the first half of 1988, according to a recent analysis by London-based brokers Warburg Securities

In the US the outlook is less clear, but demand for diamonds will be helped by the decline in real interest rates

However, local stockbrokers Frankel, Kruger, Vinderine, argue that this outlook could be tarnished by the erosion of wealth caused by stock market crashes, which limits consumption expenditure and hence reduces profit margins

The brokers estimate that De Beers' earnings growth will result primarily from a weakening rand dollar exchange rate because further price increases are unlikely, given low inflationary conditions worldwide

Continued overhang

The continued overhang of the stockpile could also prove a drawback Diamond stocks at R4,45 billion increased by R413 million in 1987, comprising a real increase of R869 million, less an adjustment of R456 million attributable to the higher rand dollar exchange rate as applied to opening stocks

Converted at the rates of exchange at the end of each year, stocks were $1,847 billion in 1986, and $2,303 billion in 1987, an increase of $456 million which included the unsold portion of the stockpile of diamonds acquired from De Beers Botswana Mining Company

But analysts generally expect CSO sales once again to exceed the $3 billion level Bert de Klerk of brokers PLJ van Rensburg puts the figure as high as $3,567 billion, an increase of 16 percent on the 1987 sales, but this assumes another diamond price rise of 7,5 percent in the current year

"At an estimated exchange rate of R2,15, this would push sales in rand terms up by 23 percent to R7,77 billion and increase earnings and dividend payments by about 25 percent in 1988," says Mr De Klerk

Anglo, NUM fail to settle dismissals

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B/day 15/3/88

ALAN FINE

TALKS between Anglo American and the National Union of Mineworkers, aimed at an out-of-court settlement on the fate of 18 000 dismissed workers, forced the postponement of arbitration proceedings yesterday only an hour after they had begun

However, the talks failed to produce a settlement and the adjudication process involving Vaal Reefs, Western Deep Levels and Freegold is to continue in Johannesburg today.

Yesterday was the sixth consecutive day of negotiations and, judging by the time both parties spent in caucus meetings, agreement appeared agonisingly close.

Earlier, John Myburgh, SC, outlined to adjudicator advocate William Schreiner the principles enunciated in the crucial 1985 Marievale case — that he should take cognisance of factors such as the duration and necessity of the strike, attempts to negotiate a settlement, and the behaviour of the parties during the strike, in determining the fairness of the dismissals and the failure to re-employ.

The 18 000 workers were among about 40 000 dismissed during last August's wage strike.

Myburgh said he would argue the recent Sacwu v Sentrachem Industrial Court judgment was wrong, and that the present case had, in any event, certain distinguishing facts

In the Sentrachem case, court member David John (who has since joined Anglo's instructing attorneys Webber Wentzel) said it was anomalous for legitimately striking workers to be penalised by dismissal.

In pleadings submitted to the private court yesterday, the mines indicated they would oppose the NUM's application for an unfair labour practice determination on the grounds that the dismissals were fair, there were no longer jobs available due to restructuring, and/or new recruits had been employed.

Another 2 412 workers were dismissed for alleged misconduct during a sit-in at Western Deep Levels' No 3 shaft.

D/D 15/3/88

Surge lifts Gencor

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JOHANNESBURG. — A surge of 123 per cent in aggregate contributions from industrial interests helped Gencor lift earnings per capital unit from 616c to 669c for the year to end-December compared with 1986, the group announced yesterday.

Attributable income rose R61,9 million to R653,6 million after allowing for exploration costs up 50 per cent to R72,7 million.

The final dividend is 160c which brings the total to 250c (230c).

Sappi's contribution to group income increased substantially from R56,9 million to R111 million and that of Malbak and associates was likewise dramatically up at R92,6 million (R34,4 million). — Sapa

NUM claims major victory

Anglo is to pay millions in settlement

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Bday 18/3/88

ALAN FINE

IN SA's largest ever dismissal settlement, Anglo American and the National Union of Mineworkers (NUM) yesterday agreed on the reinstatement and compensation of 9 500 dismissed workers, and at least 18 weeks' pay for 6 000 who will not be rehired.

Anglo estimated the monetary cost of the package at about R35m. The NUM valued the deal, which came in the midst of private adjudication over the dismissals, at R60m.

The workers are among 19 600 gold and coalminers dismissed during last August's wage strike and not subsequently rehired.

Non-transferable job offers will be made to goldminers in three 3 000-strong groups during the next three three-month periods. The job offers made will preserve the ratio of NUM to non-NUM membership existing at the time of the strike.

All will receive "compensation" of at least 10 weeks' pay. Those taken back after three and six months will receive an additional two weeks' and one month's pay respectively.

Workers re-employed between December 12 and yesterday will get compensation of one month's pay.

Amcoal will rehire 500 of 1 600 dismissed coalminers within the next three months

About 6 000 workers not re-employed due to the restructuring of mining operations will receive at least 18 weeks' pay. This comprises one month's notice pay, 10 weeks' pay as compensation, and a severance payment of one-and-a-half week's pay a year of service with a minimum of four weeks' pay.

In what Anglo saw as a particularly important element of the settlement, the two parties are to negotiate a code of conduct. It said that would address the problems of of work-place violence, coercion and union accountability

NUM assistant general-secretary Marcel Golding hailed the settlement as a major management concession that dismissal was not an appropriate response to strike action, and managements which dismissed strikers could expect to pay a high price for that.

He said the settlement meant no workers were ultimately dismissed for striking. Cases of non re-employment were for reasons of retrenchment or disciplinary offences.

Anglo's Michael Spicer said workers had paid a high price for the strike. He said 9 000 had lost their jobs and the payment to be made by Anglo would not fully compensate either the re-employed or the retrenched for lost wages.

A number of factors had precipitated the settlement. Firstly, there was little enthusiasm on either side for protracted court proceedings which would have lasted several months.

Secondly, the settlement could be seen as preferable to a court case in terms of the parties' long term relationship.

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18/3/88

Anglo, union negotiate SA's largest dismissal settlement

JOHANNESBURG — Anglo American and the National Union of Mineworkers (NUM) yesterday agreed on the reinstatement and compensation of 9 500 dismissed workers, and at least 18 weeks pay for 6 000 workers who will not be re-hired, in South Africa's largest dismissal settlement

Anglo estimated the monetary cost of the package at R35 million The NUM valued the deal, which came in the midst of private adjudication over the dismissals, at R60 million

The workers are among 19 600 gold and coal miners who were dismissed during last August's wage strike and not subsequently re-hired

Non-transferable job offers will be made to gold miners in three 3 000 strong groups over the next three three-month periods The job offers will preserve the ratio of NUM to non-NUM membership existing at the time of the strike All will receive "compensation" of at least 10 weeks pay

Amcoal will re-hire 500 of 1 600 dismissed coalminers within the next three months

About 6 000 workers not re-employed due to the restructuring of mining operations will receive at least 18 weeks pay

Another 2 600 workers facing disciplinary inquiries will participate in an "inquisitorial" process If their dismissals are found to be unfair they will receive the same payments as their redundant colleagues — DDC

eal Weekly Wage at 12/85: R 18.19

Malbak firm in takeover

JOHANNESBURG — Fluid Holdings, a Malbak group subsidiary, has acquired Mono Pumps Africa (Pty) from from British group, Gallaher Limited, for R13,75-million in cash

An announcement by Fluid Holdings says the deal will be effective from March 26

This follows an earlier announcement today by Sulzer Bros, a competitor of Fluid, that it had been forced to cancel a marketing agreement with Mono Pumps on account of the unexpected sales of Mono to another company

Sulzer said the deal had been arranged with the UK parent without the knowledge of the Mono Pumps management

Fluid Holdings chairman, Mr George Coucourakis, said yesterday that Gallaher was disposing of its non-consumer goods interests worldwide

He said Gallaher believed that its engineering companies' activities were "very different from the remainder of the Gallaher group and would better fulfil their potential under more appropriate ownership"

"We are delighted with this opportunity because Mono's products complement our range and the company has an excellent track record and a strong management team," Mr Coucourakis said.

Mono, with an annual turnover of around R40-million and employing 350 people, has its head office in Edenvale — Sapa

New talk of Anglo raid on Cons Gold

Business Times Reporter

SPECULATION continues that Anglo American is bidding for Consolidated Gold Fields.

JSE trading in Cons Gold picked up sharply this week, 25 deals being done on Thursday During the week, the shares put on 325c to 4 675c

In London, the Cons Gold price rose from £8,60 to £9,05

Analysts in Johannesburg and London are convinced a deal is being put together, but nothing has been confirmed

Neither Anglo nor Cons Gold's associate Gold Fields of SA is prepared to comment

Sparking the latest rumours was the announcement in the British Budget on Tuesday that UK companies could sell investments without having to pay capital gains tax — provided the interest was held before 1982

In July last year, Cons Gold reduced its effective interest in GFSA from 48% to 38% by putting 30% of its original 48% holding into an existing company Rembrandt acquired a third of this company, Cons Gold holding the rest

Minorco

It was suggested that Cons Gold sold this interest to finance developments in America and Australia

In October last year, Cons Gold sold a direct shareholding in Driefontein for an estimated R300-million

Cons Gold chairman Rudolph Agnew said at the time that his company was committed to GFSA, which he described as a core holding

But SA and UK analysts say such a deal makes sense

Anglo has an indirect interest in Cons Gold through its holding in Minorco, which in turn has a 28,4% stake in Cons Gold

The reasoning for Anglo's raid on Cons Gold would be to gain a foothold in the expanding gold-mining industry in the US

Mr Agnew has indicated that Cons Gold will place greater emphasis on its American operations held through Newmont and its Australian interests in Renison Goldfields Consolidated Cons Gold also has an interest in the OK Tedi operation in Papua-New Guinea, the largest gold mine outside SA

There has also been talk of a mega-mine on the Carlin Trend in Nevada, which is claimed to be a new Witwatersrand Cons Gold has a 49,6% interest in Newmont, which operates in the area

Newmont Gold plans to produce 913 000 ounces this year, 1,4-million next year and 1,6-million by 1990.

Cons Gold's efforts to protect its interests in Newmont cost it an estimated $1,03-billion last year after the payment of a special dividend of $33 a share

Minorco would be an ideal vehicle for a Cons Gold bid, say analysts Because of its international nature, it would leave the SA connection out of any deal Minorco is registered in Luxembourg

Debt-free Minorco also has large cash resources which, according to this week's interim report are slightly less than $900-million

But a Johannesburg analyst is convinced that a bid at £12 a share has been made by Anglo to Cons Gold for a controlling interest

After a recent greenmail exercise by T Boone Pickings in the US, Cons Gold was forced to increase its holding in Newmont Mining to 49,7%

Mr Agnew said this month that GFSA's major contribution to Cons Gold's revenue would soon fall from 70% to about 30%

DD 24/3/88 (210)

2nd offer for Wit Nigel minorities

JOHANNESBURG —Wit Nigel minorities are likely to be made an offer following last year's private offer by Mr Joe Berardo's Mining and Finance Corporation (JMF) to rebel shareholders

The private deal, negotiated in August last year, gave JMF effective control of the gold mine

A source close to the Johannesburg Stock Exchange (JSE) said yesterday the listings committee had rejected the JMF argument that last year's deal was merely a change of "control within control"

It is now believed that the committee would soon recommend to the JSE general committee that an offer be made to minorites excluded from the original deal

There appears, however, to be a difference of opinion about the price at which the offer should be pitched

The October market crash has complicated matters Consequently, the JSE is in a difficult position, not being able to please minority shareholders in both companies

The president of the JSE, Mr Tony Norton, says the general committee was expecting further evidence to be brought before it.

Meanwhile, it is believed that Wit Nigel minorities have called on the JSE to examine the possibility that cash formed part of last year's deal

They argue that the JSE regulation 3 5 1 on take-overs and mergers makes provision for the lowest cash offer of the deal to be made to minorities in general — DDC

DID 26/3/88

Tough times ahead — mines president

(210)

JOHANNESBURG — Challenges facing the South African mining industry in the future were going to be more daunting than ever, the president of the Chamber of Mines, Mr Naas Steenkamp, told the annual meeting of the association of mine managers yesterday

He said mining remained the backbone of the country, its survival was essential to South Africa

The decline in the price of gold was causing some anxiety Industry profits were under extreme pressure and the viability of some mines was on the line, as working costs increased

The burden of inflation diminished the industry's competitive edge on overseas markets.

"The mining industry has no option but to work for a meaningful reduction in South Africa's rate of inflation and we have to bear this in mind as we head into wage and salary reviews."

Referring to wage negotiations, Mr Steenkamp said the industry would negotiate soon with the National Union of Mineworkers

He hoped an acceptable settlement would be reached this year

The politicisation of the union movement was a natural consequence of the absence of channels for the expression of black political aspirations at the centre he said

Managers therefore had to deal with unions driven by grievances rooted outside the workplace

While the industry could not address the problems of political participation, it could demonstrate continued faith in the collective bargaining process.

Mr Steenkamp said the mining industry's approach was to continue to try to resolve conflicts

"It is in this spirit that we enter the 1988 negotiations". — DDC

Star 30/3/88

Chamber president 'optimistic' on wage talks

Mines chief urges Govt to solve problems

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By Mike Siluma, Labour Reporter

The president of the Chamber of Mines Mr T I Steenkamp yesterday called on the Government to resolve South Africa's political problems, and expressed optimism that an "amicable" settlement would be reached in this year's mining industry wage talks

Mr Steenkamp was addressing a gathering of the SA Federation of Civil Engineering Contractors in Johannesburg.

Welcoming the Government's "continued faith in collective bargaining", Mr Steenkamp pointed out that political developments in South Africa had lagged behind progress in the industrial relations field Employers were required "to deal with industrial relations challenges that are heavily distorted by political frustrations".

He commended the Government for largely staying out of last year's miners' strike, despite the occurrence of unrest.

"That the Government — under these circumstances — did not intervene says a great deal for its restraint and also for its faith in the industrial relations system and in the parties involved

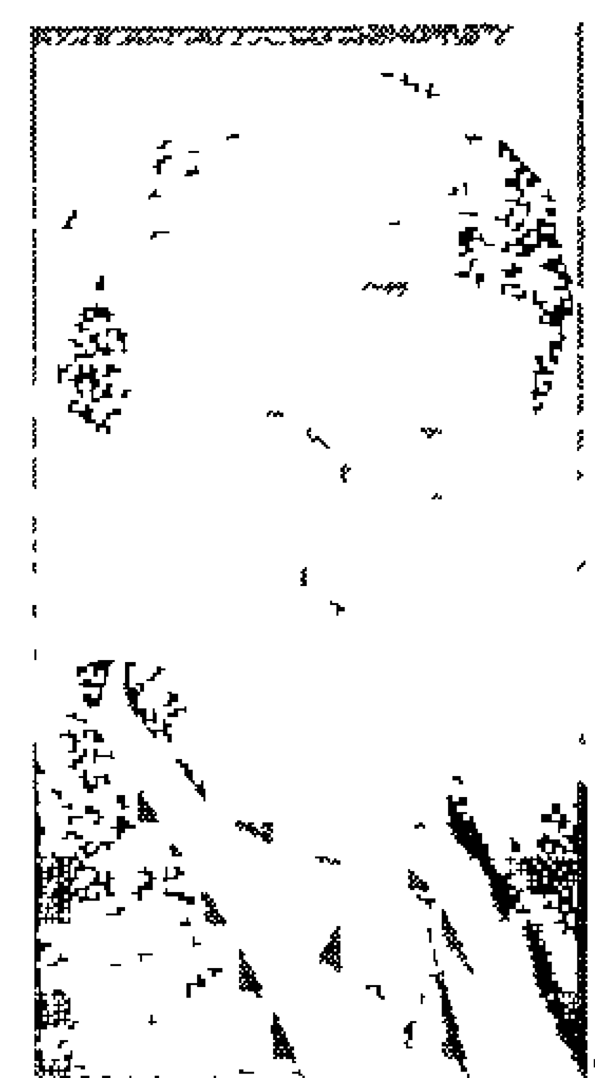
"A point not always appreciated is that the strike was in the end resolved through agreement and settlement, not through force or curtailment of the parties' free dom," said Mr Steenkamp.

The future direction of industrial relations in South Africa would be determined by whether employers and unions were willing to protect the industrial relations system "against intrusion from the outside — be it intrusion by the liberation movements or by the Government"

The role of the State, said Mr Steenkamp, is primarily "to provide a framework in which collective bargaining can operate freely and democratically with minimum interference".

However, the deliberate abuse of the system would lead to Government intervention.

"There has already been a clampdown on Cosatu — luckily not on the Cosatu affiliates with whom the employers must negotiate I am prepared to read this as a welcome sign that the authorities still have faith in the collective bargaining process as such, and I hope we will prove that faith to have been justified," Mr Steenkamp said.



Chamber president Mr T I Steenkamp.

While understanding the existence of "legitimate grievances among the black workforce which need redressing", and the political pressures on black union leaders, management had to call 'foul' when the rules of the game are blatantly broken in order to appease extremists.

Turning to this year's wage talks for mineworkers, Mr Steenkamp said he had "confidence in the good sense of people" and was "optimistic that wisdom will prevail within the union" (the National Union of Mineworkers)

AMIC

Growth from within

Anglo's expansion of its industrial interests held in Anglo American Industrial Corp (Amic) has been a more low-key affair than the growth of other conglomerates such as Barlow Rand, or even Malbak.

Unlike most other diversified industrial groups, Amic made few acquisitions in recent years when management chose to take a more introspective approach and invest in grassroots projects and modernisation It has poured funds into the R1bn Mondi pulp mill

Amic has concentrated on capital-intensive industries which require substantial investment. Now it is benefiting from earlier spending.

at Richards Bay, built a second iron plant at Highveld Steel, nursed the haemorrhaging Samcor back into profits and continued the expansion of drilling and exploration company Boart International

In the four years from 1982 to 1985, shareholders saw dividends pegged at 180c per share while earnings per share crashed by 48% from the 663c peak of 1981 By end-1987, earnings were back up to 663c, the dividend had been lifted to 225c, total borrowings including redeemable prefs were chopped back during the year by R345m and the major capital projects were coming fully on stream with promise of more surging profits

Amic chairman Graham Boustred, who is also a deputy chairman of Anglo American, sees little reason to change the basic philosophy "At the moment it seems to be working OK," he says "Our results speak for themselves "

In its structure the group must be easily the most decentralised of SA's industrial conglomerates. The head office team is small, essentially comprising Boustred, Highveld chairman Leslie Boyd, another Amic director Brian Bullett and a small administrative staff This does not mean Amic gets by without other central services. when necessary it calls on the financial, administrative, legal, industrial relations and other resources of 44 Main Street These are unlikely to come cheaply but would certainly be less costly than employing in-house specialists.

In another sense, however, there is a highly centralising force at work in Amic This exists largely in the dominant personality of Boustred, who entered the Anglo group when it acquired Scaw Metals in the Sixties. Boustred subsequently served as chairman of Highveld Steel and remains chairman of Amcoal, which he built up into SA's largest coal producer.

Avowedly conservative by temperament, he professes disdain for growth by "shuffling paper around" and says he is happier pursuing organic growth "We all prefer to do things we enjoy," he points out. "I was originally trained as a chemist rather than in management or finance and that's probably one reason why I would rather create growth by internal investment."

Amic's last major acquisition was the purchase in 1984 of a 20% stake in Ventron, holding company of Bill Venter's Altron group. After this move into high technology (it also holds a direct 7% of Altron and 6% of Powertech), which filled a conspicuous gap in the product range, the group again turned inward, save only for the exchange of its original stake in Freight Services for 25% of Rennies during the Rennies-Safmarine merger in 1985.

It would, of course, be idle to argue that acquisitions have not played a big part in the expansion of the group. It lists only six operating subsidiaries compared with 12 principal associates and investments (see **organogram**), and the latter include sizeable stakes in some of SA's biggest industrial companies But a number of the associates were shifted into Amic from elsewhere in the Anglo group, particularly during the Debincor restructuring in 1982 when interests such as AECI and Tongaat were acquired

Amic's Boustred ... conservative by temperament

Some acquisitions have been made by subsidiaries and associates, including AECI, Haggie and Ventron. By and large, however, management has eschewed an aggressive chase after acquisitions Boustred says it has been a deliberate strategy to concentrate on building the major subsidiaries — for pragmatic reasons as well as temperament.

He says candidly that one practical consideration was that the group's share price generally had not been at levels to encourage takeovers by issuing scrip Another, perhaps more important, constraint was that the internal projects were soaking up cash and pushing up borrowings, the Mondi mill, for example, was started almost a decade ago and expenditure was building up rapidly during the early Eighties when the economy turned downwards

Now some benefits are being reaped From 1985 to 1987, Mondi's attributable earnings jumped from R1m to R95m, Highveld's rose from R41m to R57m, and Boart's from R35m to R63m In the associates, most performances were improving — particularly at AECI, the biggest single contributor to equity-accounted earnings Heavy capital spending and export allowances helped to keep group tax payments down — the rate was 30% last year — and gross cash flow rose by 32% or R152m to R634m although group turnover was up by only 13%

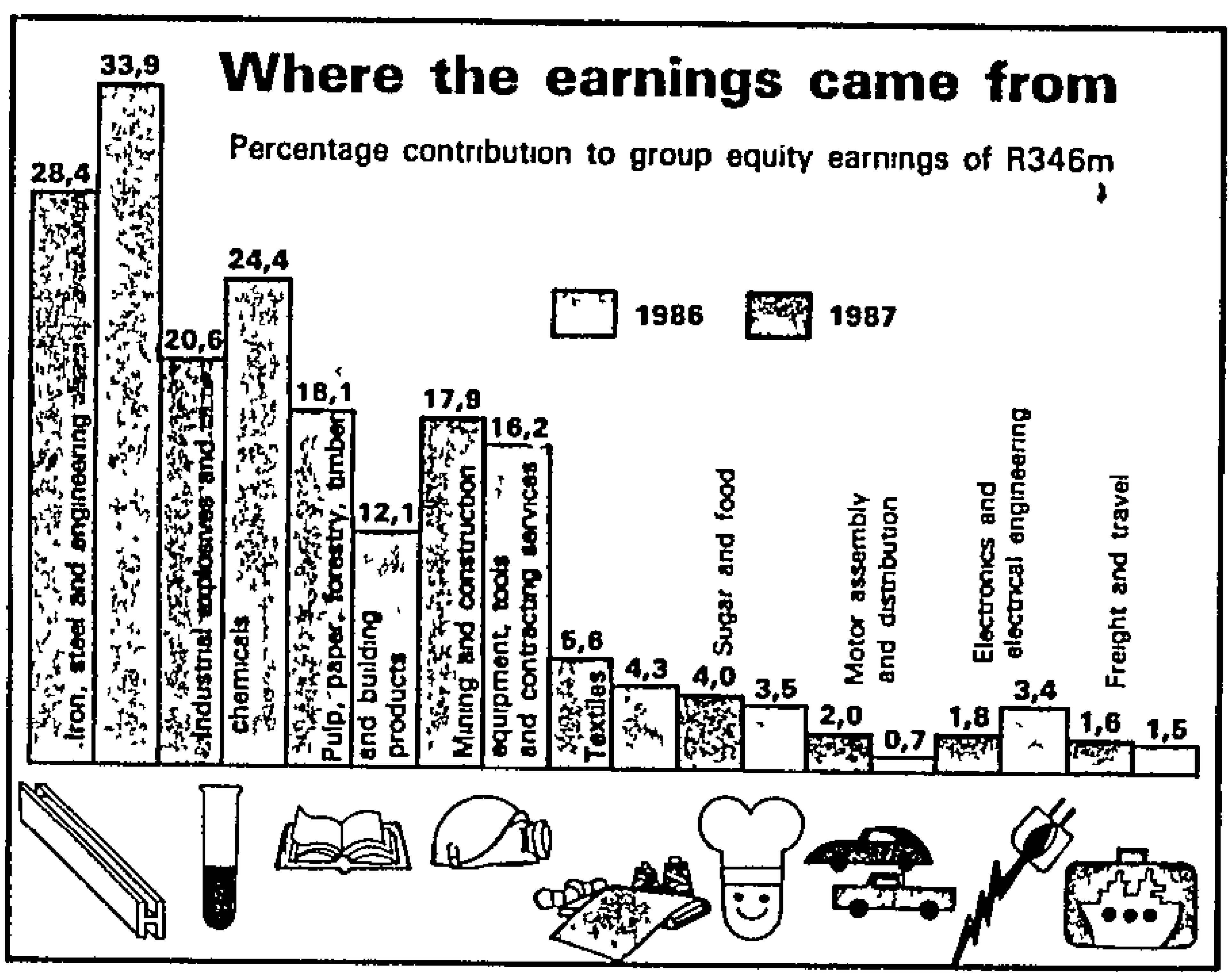
This not only contributed to last year's 28% earnings advance, but also to a stronger balance sheet With debt down from the year-ago R993m to R535m, gearing on gross borrowings was reduced to 0,47 from 0,71, while cash balances stood at R146m (R150m)

Apart from the rising cash inflow, Boustred says that both Mondi and Highveld, the major borrowers, have put "tremendous efforts" into asset management and containment of capital expenditure so as to get debt down In addition, the group raised R113m in equity funds last year when holders of 2,5m options exercised rights to subscribe for new Amic ords at R45 a share This was used to repay debt in Mondi and Highveld after issue of preference shares.

Exposure to foreign exchange losses has ended In 1985, there were deferred exchange losses of R48m to be amortised over the remaining lives of the relevant long-term loans Write-offs were actually accelerated and a R31m loss was realised in 1986, followed by a R14m write-back last year; at year-end there were no uncovered foreign loans

The interest bill was slashed by R24m to R40m last year but could rise again because of higher rates. Boustred says that this year borrowings are expected to remain around present levels or fall only slightly lower, as capital spending will continue He stresses that the group is largely involved in capital-intensive industries, where heavy investment in modernisation and technology is essential to attain quality and capacity requirements

With the pulp mill on stream, Mondi is likely to make "quite significant" investments in other operations, particularly in the board mill division "We really have to do something about the output and quality of board," Boustred says "There is a shortage of board and the quality of



the product manufactured in this country is not up to the latest international standards "

Highveld has had no major capital programme since its second iron plant, officially opened in February 1987 Other projects are now being considered, but until a decision is taken policy remains to keep a tight rein on capex and reduce debt further Scaw Metals is busy with a R50m sponge iron project, and Boart International will remain a substantial spender

Some of the associates have large capital programmes, particularly AECI As the associates are equity accounted this will not affect Amic's balance sheet But, Boustred points out, the group has to keep considering the possibility of an AECI rights issue which may be necessary to support its mooted synfuel venture — if and when this goes ahead

Dividend cover was increased this year, rising to 2,9 times from the low of 1,8 in 1984 But this remains low compared with historical levels which were as high as 4,0 in the early Eighties, and Boustred says it could easily go higher, apart from capital spending, costs remain under pressure from inflation and currency fluctuations have squeezed international margins.

Even though management is keeping an eye on rising interest rates and the possibility of another slowdown in the economy, there is little sign yet that earnings will run out of steam soon "None of our companies is on a plateau," says Boustred. Benefits from the recent projects will continue, there should be further gains from growth in the economy, and the investments being planned at present should help towards a new growth phase later Despite the large spread of interests, the efficacy of previous internal investment is clear. More than 75% of 1987 equity earnings of R346m was derived from four companies, of which three are subsidiaries AECI (24,3% of the earnings), Boart (18,1%), Mondi (17,3%) and Scaw Metals (16,1%) A further 14,5% came from Highveld (8,5%) and Tongaat-Hulett (6%)

The bulk of the subsidiaries and investments are dependent mainly on either fixed investment in the local economy or are exporters which rely on activity in foreign markets — the key economic indicators to watch Even so, many of the products manufactured by group companies do end up in consumer markets — including structural timber, paper and packaging from Mondi, steel for the motor industry from Highveld, plastics and chemicals from AECI, electronics from Ventron, motors from Samcor and McCarthy, and food, building materials and bricks from Tongaat

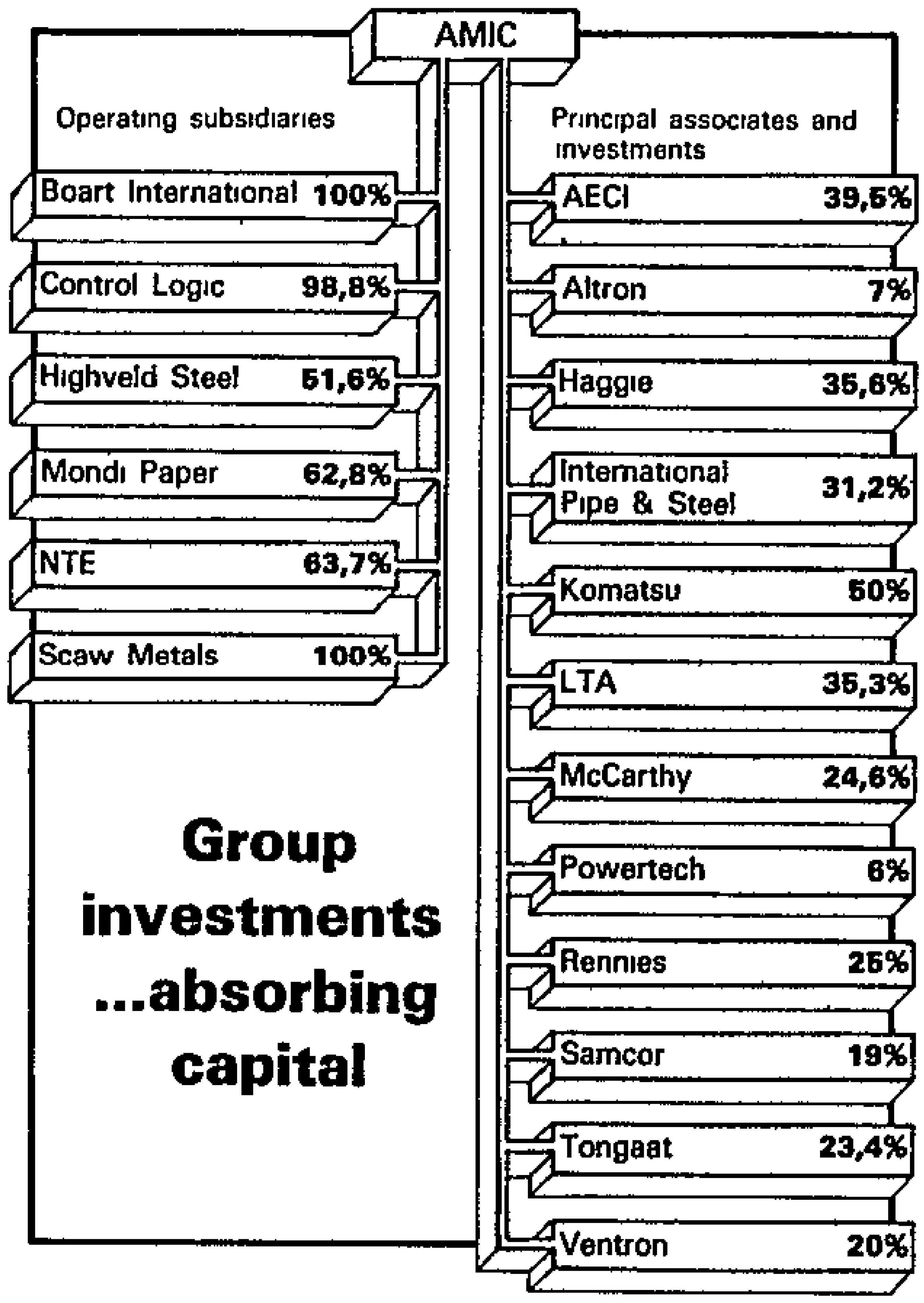
With the gold mining industry an important customer for Amic's major contributors, there is reason for concern about the cost squeeze on the gold mines Cutbacks in the mining industry's expenditure would be adverse for groups like Boart, but Boart, like other fellow subsidiaries Highveld and Mondi, is active in world markets and would benefit from rand weakness The worldwide boom in gold prospecting and exploration has helped boost Boart's profits, but in view of the uncertain gold price and world economy, management says it may be difficult for Boart to repeat the 1987 results in real terms

Currency fluctuations could also be important for motor manufacturer Samcor, which is now contributing a profit Boustred says that economic activity will remain vital for the company and the rand/yen rate will have to be watched A more important contributor this year should be Tongaat, involved in food, building materials and textiles, which should show further recovery off its low base

Mondi should keep growing at operating level, but it is budgeting for unchanged earnings this year owing to rising deferred taxation Mondi could also be affected this year by the new minimum tax on companies — as could Amic as a whole — and management is currently assessing the implications for cash flow and the financial structure, which could need adjustments

Overall, growth should continue for some time and the conservative approach of organic expansion could stay in place But it would be a mistake to assume that Anglo's industrial group will abstain from other forms of growth indefinitely It now has greater financial flexibility to make acquisitions And Amic is currently assessing directions Boustred says that a high-level committee has been formed — comprising executives from Amic and Anglo and including specialist personnel — to identify opportunities for investment, with the emphasis on changing technologies

Andrew McNulty



DID 1/4/88

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Barlow gets Metal Box for R148m

JOHANNESBURG — UK-based Metal Box PLC has disinvested from South Africa for R148,4m.

Barlow Rand is the ultimate beneficiary.

Metal Box's 25 per cent stake in Metal Box SA has been sold to packaging giant, Nampak, owned by Barlow Rand, for R114m And its 25 per cent stake in Robor Industrial Holdings has been sold for R34,4m to Barlow Rand, which already has a 60 per cent stake in the JSE-listed investment holding company

The final amount paid to Metal Box is subject to exchange-control regulations.

A Metal Box spokesman, Mr Sean Travis Healy, said in London the sale of its interests was based on commercial considerations and was not a politically motivated disinvestment.

Speculation that Metal Box would exercise the option it had to dispose of its stake to Nampak has been rife.

Its decision to do so now apparently results from approval for the deal being obtained from the sole dissenting member of its board.

The long-term strengthening of the financial rand could also have been one of the persuading factors.

The Metal Box deal was concluded at 669c which represents a premium of 39,4 per cent on the net-asset value of 480c which prevailed as at September 30, 1987, and a discount of 10,8 per cent on the closing price of the share (750c) before trading was suspended in the Metal Box and Nampak shares.

The suspension will be lifted when details of the deal are formally announced on or before next Thursday.

The shares in Robor were bought at 430c — much higher than the closing price of 375c but below net-asset value which, in September last year, was 484c.

The takeover of Metal Box SA, which in 1987 had a turnover of nearly R1bn, is a coup for Nampak which already owns 54 per cent and now has a 79 per cent stake. It is believed to have made an offer to the other minorities.

Metal Box SA will continue as a licensee with the right to use the name for a two-year period. — Sapa.

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Long-term vision needed for SA, says Gencor chief

6/4/88

By Ann Crotty

No significant advance towards reconciling the various political viewpoints was seen in South Africa last year, says Gencor chairman Mr Derek Keys.

In the group's annual report, he says there is some comfort in the perception that last year's experience tempered both radical and conservative expectations of a simplistic solution

But he is concerned about the absence of a generally accepted longer-term vision that would unite most South Africans

"The momentum towards the democratisation of society should go hand in hand with the broadening of democracy in the workplace This remains an objective of the Gencor group.

"In addition to involvement in decision-making, the time is ripe for exploring — together with workers and their representative trade unions — the area of more comprehensive economic participation.

RETRENCHMENTS

"Gencor aims to play its part in helping to develop an economic system that is perceived as equitable and a credible means of creating greater wealth for all."

Mr Keys expresses concern about union actions, such as support for sanctions, which he says have contributed to "retrenchments on some of our mines and are counter-productive in this process of wealth creation".

Referring to the National Union of Mineworkers strike in August, he points out that the statistics regarding production losses and casualties do not tell the full story "The strike was a painful but instructive evolutionary stage in the development of a robust relationship between adversaries of stature."

Mr Keys says that Gencor, in an effort to further improve industrial relations, will continue "to allow for a greater degree of worker participation, to improve the quality of life and to provide equal opportunities for equal talents."

With regard to mining safety, he stresses that the group is continuing "with great emphasis and dedication in following up and implementing our approach to safety management."

Busy

was shot dead in a Maseru, Lesotho, hospital bed.

guarded and figures, forecast or other wise, were not being released.

"But Cetra chairman P K Chiang

Newmont sells Palamin shares

ADAM PAYNE 210

IN another chapter of the Newmont saga, Anglo American and De Beers have confirmed the R250m purchase of Newmont's 28,6% interest in Palabora Mining in the ratio of two to one.

They have agreed to pay over R31 a share compared with the closing price on the JSE yesterday of R28,25.

The 28,6% interest totals about eight-million shares — an excellent acquisition for Anglo American and De Beers in the world's most efficient and cost productive copper mine, managed by Rio Tinto Zinc.

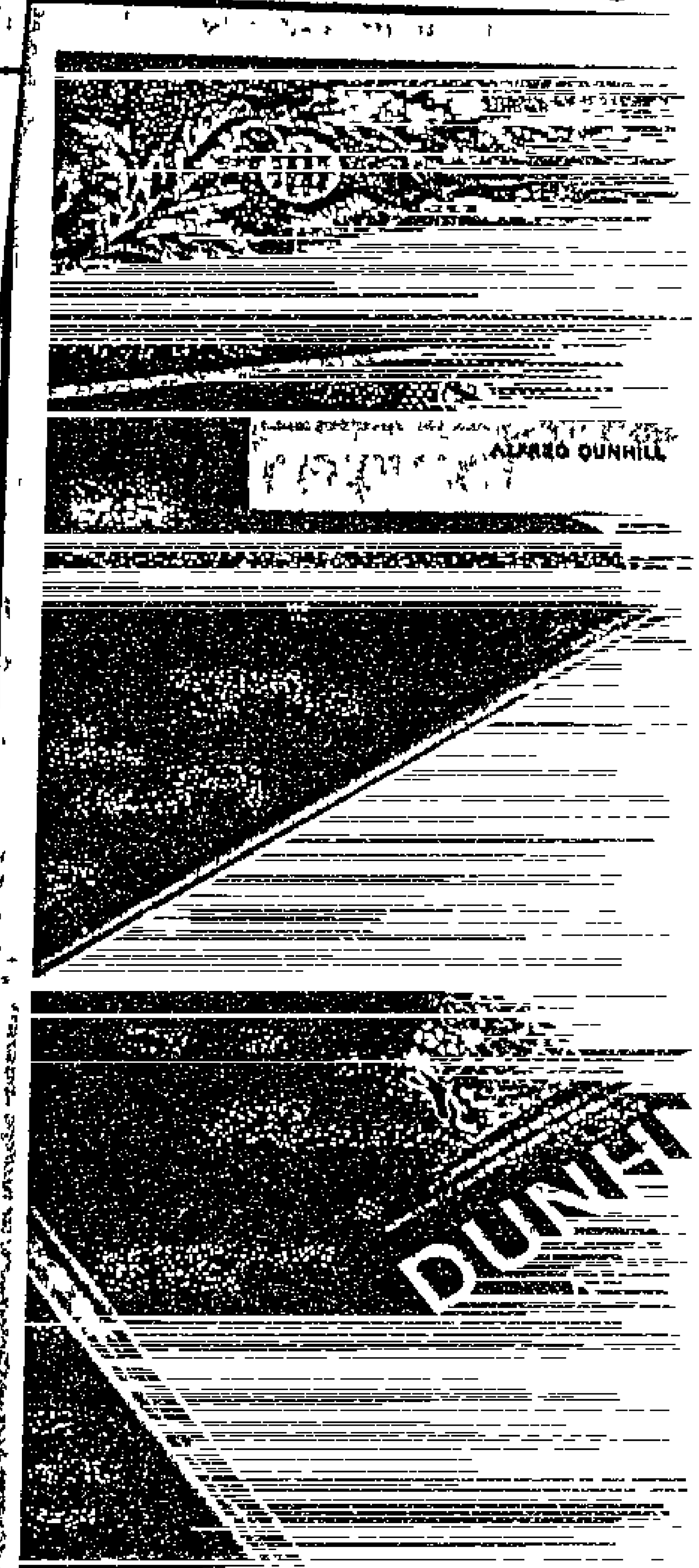
Representatives of Anglo American and other mining houses recently visited Palamin and were impressed with what they saw.

The two-to-one ratio means Anglo will hold two-thirds of the eight-million share and De Beers one-third.

Palamin prospered last year with the higher copper price and raised its dividend payout by 13% to R2,95 (R2,60).

Production and sales increased in the year by 7%.

In a stroke, Anglo/De Beers enlarged their mining portfolio considerably and diversified locally into copper.



Anglo softens stance

210

B/day 12/4/88.

ALAN FINE

ANGLO American yesterday notified the National Union of Mineworkers (NUM) it would accept that any dispute over the interpretation of the term "pay" in last month's dismissal settlement could be referred to arbitration.

The move appears to make it unnecessary for the NUM to proceed with litigation initiated in the Rand Supreme Court last week.

The two parties are in dispute over whether financial settlements due to up to 19 600 workers who are re-employed or retrenched should include the value of fringe benefits. The dispute involves an amount of more than R10m.

Anglo spokesman Michael Spicer said the corporation had told the NUM it would go ahead with the implementation of the agreement, using its own interpretation, and any dispute can be regulated in terms of the agreement — which provides for referral to a neutral umpire any alleged breach or unfair implementation.

The NUM proceeded to court when Anglo did not initially agree the interpretation dispute fell within the terms of this provision.

NUM assistant general secretary Marcel Golding said he was pleased "Anglo's good sense had prevailed", thus obviating the need for costly litigation.

Drilling results disappointing

210 B/day

14/4/88 REINIE BOOYSEN

RESULTS of drilling operations by New Central Witwatersrand Areas (NCWA) — an Anglo American mining exploration company — in the Potchefstroom Gap in the six months to March have been described as disappointing by analysts.

NCWA has announced plans for two more boreholes to complete phase one of the prospecting.

But analysts say their results indicate faulting in the area and a lot more boreholes will have to be sunk to establish the structure of the reefs and the viability of any possible mine in the area.

NCWA will have an interest in 10 boreholes in this phase of exploration.

Of the eight boreholes begun, six were still in progress at the end of March and two were halted.

NCWA maintained its interim dividend of 47c a share for the six months to March, but reports a decline in both earnings and the market value of the company's listed investments.

Net asset value a share fell 38% from September last year to 2 468c at the end of March. Nevertheless, the share is currently trading at a 105% premium.

Analysts have described this premium as "inexplicable" on account of the long-term nature of its exploration activities in the Potchefstroom Gap.

Sowetan 14/4/88

NUM, Anglo settle

A SUPREME Court battle between the National Union of Mineworkers and Anglo American over the interpretation of an agreement — which provided for reinstatement and compensation for workers fired during last year's mine strike — has been averted by Anglo's agreement that differences in interpretation be referred to a neutral umpire.

Last month's agreement provided for the compensation of about 18 000 workers on Anglo gold and coal mines and the effective reinstatement of about half of them

The union had launched court action after a dispute arose over whether the term "pay" included the value of the workers' fringe benefits

It maintained that compensation for lost pay included fringe benefits, a view rejected by management

Anglo spokesman Mr Michael Spicer said that Anglo had sent a letter to the NUM informing it that it would implement the agreement "according to our definition of the settlement, particularly with reference to

NUM assistant general secretary Mr Marcel Golding said Anglo's decision "confirms our belief that this matter falls within the jurisdiction of the agreement

2/10

GENCOR

Funding requirements to rise

Activities: *Mining house with major interests in gold, platinum, coal, base metals and minerals, industry, finance, portfolio investment and property*
Control: *Sanlam holds ultimate control through Federale Mynbou*
Chairman: *D L Keys*
Capital structure: *82,7m ords of 40c each, 1,5m 8,5% variable, compulsorily convertible cum prefs Market capitalisation R3,7 bn.*
Share market: *Price· R46 Yields· 5,4% on dividend, 14,5% on earnings; PE ratio, 6,9, cover, 2,3 12-month high, R79, low, R41 Trading volume last quarter, 528 000 shares*
Financial: *Year to December 31*

	'84	'85	'86	'87
Debt.				
Investments				
Book value (Rm)	1 256	1 368	1 892	1 714
Market value (Rm)	3 257	4 454	8 766	7 784

Performance:

	'84	'85	'86	'87
Attributable income	252	458	592	654
Earnings (c)	322	481	616	669
Dividends (c) ...	190	195	230	250
Net worth (R) ..	43,1	60,1	79,3	86,2

Chairman Derek Keys places emphasis in his annual review on steps being taken to make the group's future "brighter and better" and expresses confidence that Gencor will have advanced much further along this road at the time of his next review. If the stock market is to share in this optimism, the house may have to announce further new ventures later this year — which may be just what Keys has in mind

Although investor opinions on Gencor have improved a great deal, there are still some important areas of uncertainty about the medium- to long-term outlook The biggest concerns are still focused on the gold division. Even allowing for Beatrix coming on stream and the opening of the high-grade Oryx mine, analysts remain sceptical about the house's ability to replace shrinking reserves of payable ore

In the platinum division, the uncertain effects of Impala's current legal imbroglio over its mineral rights in Bophuthatswana is not helping sentiment. And, in a broader context, the recent spate of departures of senior management has caused analysts to wonder whether some of these may be related to internal tensions, with Keys perhaps running a little too hard However, a realistic answer to this will probably not be available for some time

Gencor's gold division is still the biggest earnings contributor, although after last year's decline it is only marginally ahead of metals and minerals, and is likely to be eclipsed by Sappi, which will certainly show more good growth this year. As with other

Gencor's Keys ... launching new projects

mining houses, gold earnings are unlikely to be exciting in the short term, and will place a damper on the overall result Platinum, coal, and metals and minerals could all do somewhat better, Malbak should again do well. Fortunately, coal, which contributed only R2,3m to earnings last year, is not a big player for Gencor, either in profits or capital employed.

But, given the planned change of year-end to August 31, and the extensive restructuring of the industrial interests with various subsidiaries now part of equity-accounted Malbak, meaningful analysis of Gencor's accounts will be problematic over the next year or so Apart from effects on the balance sheet, depreciation fell in 1987 by R67,1m or 37% It would probably be wise for investors to expect a consolidation phase, while more attention is given to the longer term.

As we noted last year, the revamping of the annual report is not entirely a change for the better It again omits a five-year profit history, which is a pretty standard inclusion for listed companies these days Nevertheless, there are other interesting disclosures, including an increase in directors' fees Annual fees of directors are to be raised from R4 000 to R6 000 a year and that of the chairman from R8 000 to R12 000 — all up by 50% They were last increased in January 1984, so the board is making up for lost time.

For a while, the most overt impact of moves aimed at the longer term could be in the form of increased funding requirements Tom de Beer, executive director, finance, notes that demand for project finance is expected to exceed internally generated cash flow. Stock market conditions are not expected to be favourable to raising the required finance by rights issues or by mobilisation of assets from the share portfolio. Most of the financing will therefore have to be done from borrowings both in the project companies and in Gencor itself.

The group balance sheet shows total debt falling last year by R1 091,6m to R2 254,2m, with net cash and money market assets rising from R384,7m to R492,9m There were several reasons for this. Sappi, the largest borrower, has repaid substantial amounts and should reduce gearing further; Beatrix has repaid nearly R100m in debt, and virtually all the other industrial subsidiaries have been moved into Malhold/Malbak, whose borrowings are now off the Gencor balance sheet

New mining ventures such as the R1,5bn Oryx and the R406m Karee will require some internal funding, as would any further expansion in the energy field Keys has expressed interest in projects such as Mosgas, and expects that a decision will be taken before the first quarter of next year on a go-ahead for the oil-from-torbanite project. After successful completion of the pre-feasibility study, the Central Energy Fund and Trans-Natal are jointly spending R45m on a detailed feasibility study, on which an investment decision early in 1989 will be based If the decision is positive the facility could be producing oil by 1992 The cost would be about R1bn

There is also the possibility of entirely new acquisitions and investments, perhaps relating to the privatisation programme, or commitments that may arise from the expanded exploration programme Group expenditure on exploration, evaluation and mineral rights acquisitions last year totalled R135m (R90m), of which R73m was spent by Gencor

Against this background, cash flow will be

GENCOR'S SOURCES

	1986	1987
	Rm	
Investment income		
Gold & Uranium	156,7	136,8
Platinum	33,4	39,6
Coal	28,2	2,3
Metals & Minerals	161,0	135,2
Mining total	379,3	313,9
Genbel	49,6	80,6
Sappi	56,9	111,0
Malbak & Associates	28,5	82,8
Other	19,0	25,5
Total investment income	533,3	613,8
Township income	10,5	21,0
Corporate net services	96,1	91,5
Total income	639,9	726,3
Exploration	(48,2)	(72,7)
Attributable income	591,7	653,6

P.T.O.

409 COAL TRADE

SECTOR: WHOLESALE & RETAIL TRADE
AREA: SOUTH AFRICA

1. Work Breaks

Minimum lunch break	:	60 minutes
Maximum lunch break	:	75 minutes
Total tea break time	:	20 minutes
Number of tea breaks	:	2

2. Maximum length of week : 6 days / 46.0 hours

3. Spreadover

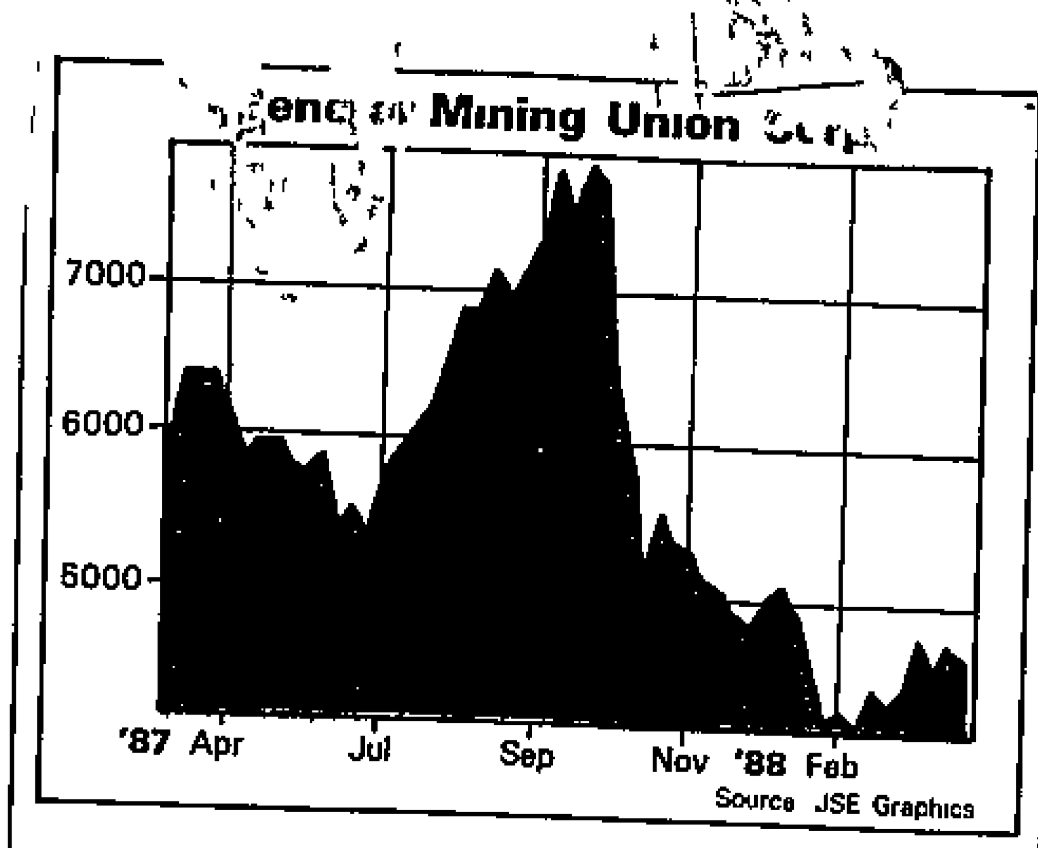
Spreadover hours per shift	:	--
Hours of work consecutive	:	Yes
Retrenchment provisions	:	4
Short time provisions	:	6

4. Overtime

Usual weekday overtime rate	:	1.33
2nd weekday overtime rate	:	0.00
Saturday work overtime rate	:	1.33
Sunday work rate	:	2.00
Public Holiday rate	:	2.00
Maximum hours o/t per week	:	10

5. Allowances

Shift allowance	:	-	Travel Allowance	:	-
Inconvenience allowance	:	-	Long Service Allowance	:	-
C' thing al. wance	:	-	Attendance Bonus	:	-
S.. istence allowance	:	-	Production Bonus	:	-
N' t shift Allowance	:	-	Holiday Bonus	:	-



important for Gencor over the next few years, particularly if interest rates rise further. Even allowing for the differences in the accounts, the 1987 figures do suggest pressures on profitability. Total income from investments and subsidiaries fell by 5% to just over R1bn, and this figure was influenced by the lower depreciation What enabled the taxed profit to rise by 9,8% was the R95,6m fall in finance costs, the R31,3m decline in amortisation and provisions against assets, and the lower effective tax rate of 8,8% (11,2%)

Even if there is no appreciable improvement in source income this year, there is no question of any dividend cut However, the board may well be seeking a higher dividend cover, which was maintained last year at 2,7 times Thus, the short-term outlook is for little more than a pedestrian advance in the payout to perhaps 270c *Andrew McNulty*

week : 15
week : 18
day week: 10 days Cycle: 20 days per 24 months
day week: 12 days Cycle: 24 days per 24 months

2nd January	:	No
Good Friday	:	Yes
Ascension Day	:	Yes
Kruger Day	:	No
Christmas Day	:	Yes
Other	:	No

: --
atio set : No
: Free

ly paid : 1 week(s) / hour(s)
hly paid : - week(s) / -- day(s)

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Chairman calls for new constitution

De Beers in strong push for reform

218

B/day 19/4/88

LIZ ROUSE

DE BEERS' chairman Julian Ogilvie Thompson has called for urgent negotiation and implementation of a SA constitution which will provide equal opportunity and political participation for all, protected by an entrenched Bill of Rights.

He says, in his annual review, De Beers strongly supports rapid reform towards equal opportunity and dignity for all South Africans, based on full participation in the political process. "Regrettably, I cannot report any notable progress in this direction.

"The overall effect of the May 1987 election for the white chamber of Parliament was to make government much more concerned about pressure from its right — the Conservative Party having replaced the Progressives as the official opposition — than from its left and, in consequence, the reform process came almost to a halt.

"The Group Areas Act (GAA), one of the last great pillars of apartheid, is to be amended, not scrapped, and it remains to be seen whether the changes to be tabled will be bold enough to relieve the pressure on the few gray residential areas that have been tolerated.

"SA continues to be governed under a state of emergency and, recently, far-reaching new restrictions were imposed upon a number of political and semi-political organisations."

Ogilvie Thompson says it is not easy to discern the reason for what was done: if it is indeed true SA can only be governed by such methods as these, then the need for constitutional reform is greater than ever

He says the GAA continues to impede the group's stated policy to treat all its employees equally.

"The governing principle is that of merit-based manning, namely the advancement wherever possible of people of all races, on merit

"In Namibia, where raciallly discriminatory legislation has been removed from the statute book, much progress has been made.

"In SA, the group's ability to treat all its employees equally continues to be impeded by the GAA, as well as by the heritage of different standards of education available to the various race groups."

Some 1 652 employees receive assistance through the De Beers home-ownership scheme.

FOR SUBSCRIPTION

BUSINESS

DID 19/4/88

Rand Mines lose R8m

210

JOHANNESBURG — The major mines in the Rand Mines group have showed a combined after tax loss of R8,1 million in the March quarter

This compares to an after tax profit for the mines — Blyvoor, Harmony, Roodepoort Deep and ERPM — of R17,8 million in the December quarter

The main reasons given for the weaker performance were grade and tonnage falls at Harmony and Blyvoor and delays at ERPM's new far east vertical project The unchanged gold price also brought no relief

Total tonnage milled by the four mines dropped by three per cent from 3,9 million tons to 3,8 million This, coupled with lower grades at Harmony and Blyvoor resulted in a four per cent drop in production, from 13 493kg to 12 925kg The average gold price received was R30 205 a kg compared to 30 381 in the December quarter

The chairman of the gold, platinum and urnaium division, Mr Clive Knobbs, said that while the March quarter was not healthy, he was expecting a much stronger June quarter because of strong turnarounds by ERPM and Harmony

Capital expenditure for the quarter was R6,3 million down on the previous quarter at R53,3 million

JCI boosts profit and grade against trend

DID 20/4/88

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JOHANNESBURG — Johannesburg Consolidated Investments results for the March quarter have gone against the trend with results that show improvement in both profitability and grade

Net profit after capex for the group for the quarter was R19 859 000 compared to R12,7 million for the previous quarter Net profit was R67 million for the March quarter compared to R56 million for the last quarter in 1987

Grade mined improved by nine per cent, from 3,10 g/t to 3,38 g/t while gold production was 9 946kg (9 028) Tonnage milled also increased, moving up 22 000 tons to 2,9 million tons Revenue a kilogram was slightly down at just under R30 000 while cost per kilogram fell from R24 827 to R23 087

RANDFONTEIN ESTATES Profits after tax and state's share were R69 9 million compared to R66,7 million the previous quarter while revenue from gold rose to R208 million (R187,5 million)

Mill throughput at just over two million tons was relatively unchanged However, ore milled from underground sources increased by 116 000 tons This, together with an increase in grade from this source, resulted in a 13 per cent improvement in overall recovery grade, which moved from 3,3 g/t to 3,33 g/t

Revenue per ton milled was R100 compared to working costs per ton of R106 The mine produce 6 956kg of gold during the quarter

Uranium profit showed a decrease, moving from R1,2 million to just over R1 million

WESTERN AREAS Although still working at a loss, the figure has declined considerably during the last quarter, moving from a loss of R10 million to R2,8 million

During the quarter revenue from gold amounted to just under R90 million (R86,5 million) while working costs came to R96 million (R101 million) leaving a shortfall of R6 million, or R6,73 a ton milled

HJ JOEL Further faulting and lower grades encountered have caused a revised stoping plan to be drawn up As a result, capital expenditure is being restricted to to those items essential for the production and treatment of 80 000 tons of ore a month This will continue until the company has sufficient funds from this source to increase capacity

Capital expenditure during the quarter was R32,6 million (R50,9 million) — Sapa

Punchline a knockout

DID 20/4/88

JOHANNESBURG — Punchline Holdings has shown impressive results for the year to February.

Turnover has increased by 318 per cent to R103 million (R24,6 million to the year to December 1986) while after tax profits moved from R2,7 million to R8,3 million After outside shareholders interests have been deducted, income attributable to shareholders is R7,176 million (R2,763 million) or 26,2 cents a share(13,4 cents).

A dividend of seven cents (five cents) is to be paid with cover increasing from 2,5 times to 3,3 times to bring it in line with holding company Fintech

The chief executive officer, Mr Barry Schuter, says the main reason for Punchline's growth has been a bouyant computer market

"Specialist divisions have been formed to compete strategically with existing companies These divisions will will contribute substantially to future growth plans and profits" he said — Sapa

JCI mines continue their post-strike revival

20/4/89

REINIE BOOYSEN

JOHANNESBURG Consolidated Investments (JCI) has continued its revival, for the second quarter running, since strike action severely hampered mining activities at both its gold producing operations in the September quarter.

Randfontein and Western Areas' gold operations showed 19,8% profit growth for the March quarter.

Director Ken Maxwell says: "We're slowly clawing our way back up. We have experienced less labour-related problems this past quarter with only one major incident at Cooke Shaft No 3."

Like most of the other mining houses, JCI will also be affected by MTC. The house calculates that it will be liable for R11m for both mines on September 30.

At RANDFONTEIN a 13% rise in yield, and a virtually unchanged turnover in ore milled, boosted production by 13%, or 806kg, and revenue a ton by 11% to R101,73.

The better yields are a result of the 116 000t increase in treatment of underground material. Randfontein started treating surface dumps in order to keep the mills running at full capacity during last year's strikes.

However, this resulted in a 10% rise in working costs a ton, which offset the higher grade.

Grade is expected to move above the 4g/t level this year.

Randfontein's 41% increase in capital commitments reflect the major expansion development at Doornkop. Development rates increased by 14% to 6 140m.

WESTERN AREAS reduced its loss from R10,749m to R2,854m, denoting a recovery after two fires caused a disastrous 14-day interruption of production during the previous quarter.

The mine's improved bottom-line is the result of increased production of uranium and gold, and a cost-cutting drive which resulted in a 9% drop in cost a ton.

Maxwell says the grade at the mine has risen for three months running, "and we hope to see it continue". He also believes costs can be reduced further.

The house is hoping to come in under the R42m forecast capex. It also hopes to complete the dewatering of the Gemsbokfontein Dolomitic compartment before the end of the year. Development increased 7% to 4 358m.

JCI Gold Mines March Quarter	Tons Milled '000s	Yield g/t	Gold produced kg	Costs R/t	Costs $/Oz*	Costs R/kg	Revenue $/Oz*	Revenue R/kg	Net Profit R000s	Profit after Capex R000s	EPS after Capex cents
RANDFONTEIN	**2 046**	**3,4**	**6 956**	**65**	**291**	**19 207**	**454**	**29 923**	**69 927**	**31 417**	**513,9**
December	2 050	3,0	6 150	60	310	19 867	476	30 504	66 731	29 765	486,9
WESTERN AREAS	**898**	**3,33**	**2 990**	**107**	**487**	**32 113**	**456**	**30 090**	**(2 854)**	**(11 558)**	**(28,7)**
December	872	3,3	2 878	99	553	35 427	469	30 057	(10 749)	(17 061)	(42)

* Standard Bank average exchange rate R/$=R2 052 for March Quarter

Witbank Colliery lowers dividend

LIZ ROUSE

WITBANK Colliery has dropped its interim dividend by 20c from 175c to 155c, in line with market expectations and forecast.

(210) B/day 21/7

Gencor taxed profits fall 27,3%

ROBERT GENTLE and REINIE BOOYSEN

GENCOR'S gold mines posted predictable results for the March quarter, but taxed profits fell 27,3% as higher working costs and a lower gold price eroded revenue

At BUFFELSFONTEIN, lower tonnage and yield, coupled with higher working costs, depressed gold working income This was aggravated by a R22,3m decrease in uranium working income "due to the phasing of uranium sales", causing net profits to plummet 49% to R32,1m (R16,4m)

BEATRIX outshone its rivals by holding down unit costs despite a lower tonnage, producing 100kg more gold than in the previous quarter Despite a lower gold price, net profits rose 5% to R19,1m (R18,3m)

At STILFONTEIN, where operations have been scaled down as exploitable ore reserves continue to drop, 26% less gold was produced This, coupled with sharply increased working costs, turned last quarter's R12m net profit into a R3m loss

WEST RAND CONS results also reflect the expected scaling down of operations and gold produced decreased to 916kg (980kg) However, the net loss was 15% lower than in the previous quarter

At GROOTVLEI, a higher grade offset the lower tonnage, while unit working costs were 5% lower However, net profits fell by R212 000 to R1.5m

At MARIEVALE, lower yields produced 12kg less gold, despite increased tonnages. Net profits fell 47%, though net earnings per share after capex were sharply diluted after the issue of 55,5-million new shares

Despite a slight rise in milling, KINROSS's gold production fell by 2,5%, due to a 3,5% drop in yield to 5,7g/t Frankel, Kruger, Vinderine mining analyst Rob Gillan says this drop in yield is probably due to increased surface dump milling, as a result of the fact that Kinross could be running out of available stoping face.

The cost per kilogram rose by 4,8%, accounting for the drop in working income. However, because of a 17% drop in tax and state's share of income, the mine nevertheless returned a better bottom-line than the previous quarter, with after-tax income up by 8% Break-even working cost rose by 5% to R526.

Although BRACKEN milled slightly less tonnage than the previous quarter, at an unchanged yield, it maintained the same gold output. The 8% drop in square metres mined, indicates that mill tonnage was probably supplemented from surface sources, says Gillan

LESLIE's grade improved, due to less dump milling and an apparent improvement in stoping widths The break-even gold price was unchanged at R820

ST HELENA's grades were substantially up due to extraction of higher grade reef from No 4 shaft's remnant pillars This will continue until No 10 shaft comes back into operation, says Gillan. He adds that the reduced tonnage reflects a shortage of stope face, which will improve with the recommissioning of No 10 shaft.

The remarkable improvement in grade from the Basal Reef is probably due to the increased development of the high-grade pillar remnants. The break-even cost has dropped from R817 to R657 an ounce.

UNISEL will only acquire additional stope-face if they sink a new shaft in the Tarka-Jurgens Hof area However, this seems unlikely, considering the present gold price and the poor development and borehole values, says Gillan

A drop in channel width on the Basal Reef horizon resulted in a 20% decrease in the sample values The break-even cost has been lowered by 3% to R462/oz

At WINKELHAAK, tonnage fell by 6% due to decreasing available stope face. This will probably continue until stope faces have been established at the new No 6 shaft area Because surface dumps have been virtually depleted, the total costs of the mine were carried on lower tonnage Thus working costs rose by 8%

Grade could decline in the next quarter, as reflected in the development values which reduced by 49% to 981 cm g/t in the mine's efforts to expose additional face

GENCOR GOLD MINES March Quarter	Tons Milled '000s	Yield g/t	Gold produced kg	Costs R/t	Costs $/Oz*	Costs R/kg	Revenue $/Oz*	Revenue R/kg	Net Profit R000s	Profit after Capex R000s	EPS after Capex cents
Buffels	**707**	**5,4**	**3 826**	**138**	**388**	**25 458**	**456**	**30 044**	**16 393**	**14 497**	**132**
Dec	747	5,5	4 100	130	369	23 736	473	30 398	32 064	22 621	206
Beatrix	**529**	**6,2**	**3 280**	**102**	**250**	**16 452**	**455**	**29 943**	**19 137**	**13 414**	**—**
Dec	530	6,0	3 180	99	256	16 539	471	30 416	18 285	11 553	—
Stilfontein	**278**	**4,7**	**1 313**	**148**	**477**	**31 412**	**445**	**29 345**	**(3 033)**	**(3 008)**	**(23)**
Dec	382	4,6	1 773	120	402	25 801	467	30 105	12 001	12 223	94
West Rand Cons	**452**	**2,0**	**916**	**64**	**483**	**31 818**	**459**	**30 208**	**(844)**	**(1 102)**	**(26)**
Doc	486	2,0	980	64	487	31 915	468	30 588	(998)	(1 566)	(37)
Kinross	**514**	**5,7**	**2 931**	**97**	**258**	**16 993**	**459**	**30 212**	**18 431**	**13 567**	**75**
Dec	512	5,9	3 008	95	247	16 205	465	30 352	17 100	12 082	67
Bracken	**223**	**2,9**	**653**	**77**	**400**	**26 360**	**460**	**30 283**	**1 925**	**1 575**	**11**
Dec	225	2 9	653	76	396	25 726	468	30 346	2 228	1 628	12
Leslie	**352**	**2,4**	**835**	**63**	**400**	**26 368**	**457**	**30 086**	**2 764**	**1 896**	**12**
Dec	356	2 3	808	60	401	26 365	468	30 355	2 602	1 775	11
St Helena	**525**	**4,6**	**2 405**	**116**	**384**	**25 296**	**455**	**29 946**	**10 218**	**5 861**	**61**
Dec	552	4,2	2 330	111	406	26 272	470	30 392	12 816	5 323	55
Unisel	**298**	**5,7**	**1 687**	**94**	**252**	**16 631**	**456**	**29 947**	**10 714**	**8 126**	**29**
Dec	302	5,9	1 770	90	232	15 371	470	30 178	13 161	9 299	33
Winkelhaak	**530**	**5,5**	**2 915**	**97**	**269**	**17 709**	**457**	**30 078**	**25 393**	**7 623**	**63**
Dec	564	5,5	3 101	90	254	16 428	472	30 381	29 917	12 855	106
Grootvlei	**340**	**3,2**	**1 100**	**92**	**433**	**28 538**	**453**	**29 820**	**1 480**	**1 237**	**11**
Dec	358	3,1	1 096	92	462	30 147	466	30 296	1 692	1 110	10
Marievale	**80**	**2,4**	**195**	**66**	**413**	**27 241**	**455**	**29 982**	**579**	**430**	**0,7**
Dec	64	3,2	207	80	377	24 614	467	30 377	1 097	1 138	25

* Standard Bank average exchange rate R/$ = 2 049 for March Quarter

Reunert buys Heinemann

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FINANCE

Mine suppliers do well post-crash

ROBERT GENTLE

ENGINEERING and manufacturing companies doing business for the mining industry have experienced sharp share price gains this year, some coming within spitting distance of pre-crash levels.

A good dozen companies, many of them listed in the buoyant engineering sector, are entering the second quarter of 1988 with share prices firming.

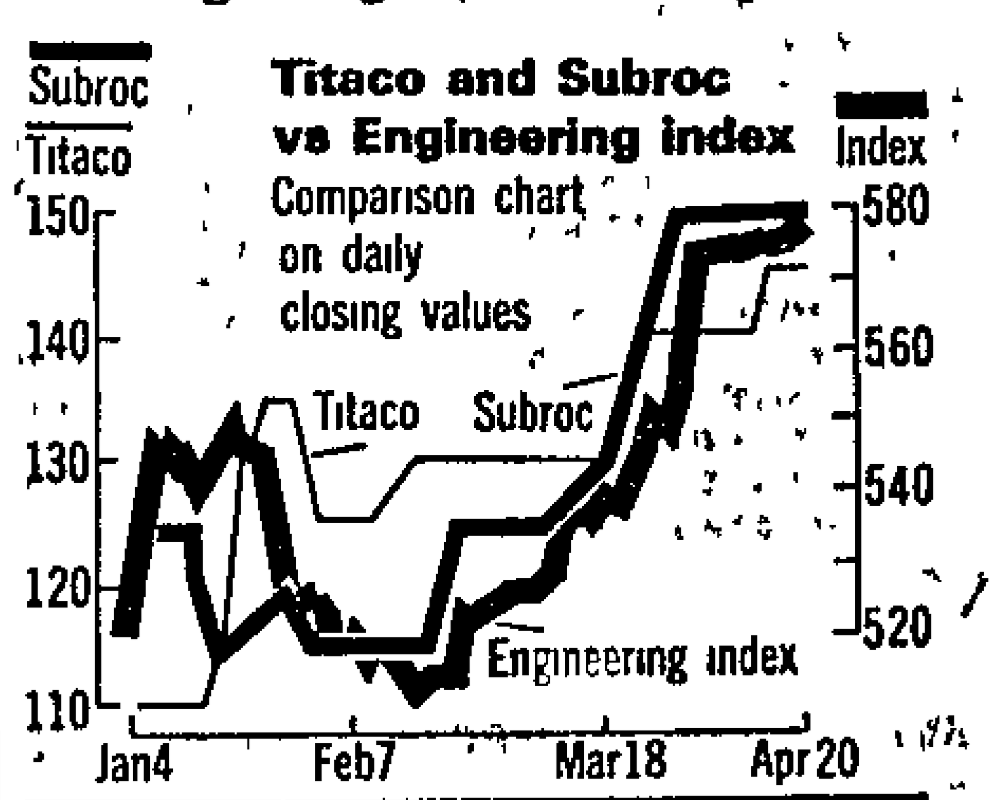
Even relatively small but growing concerns in the DCM sector are showing steady gains Only three weeks ago, DCM-listed Minetec concluded a successful financial year by switching to the main board.

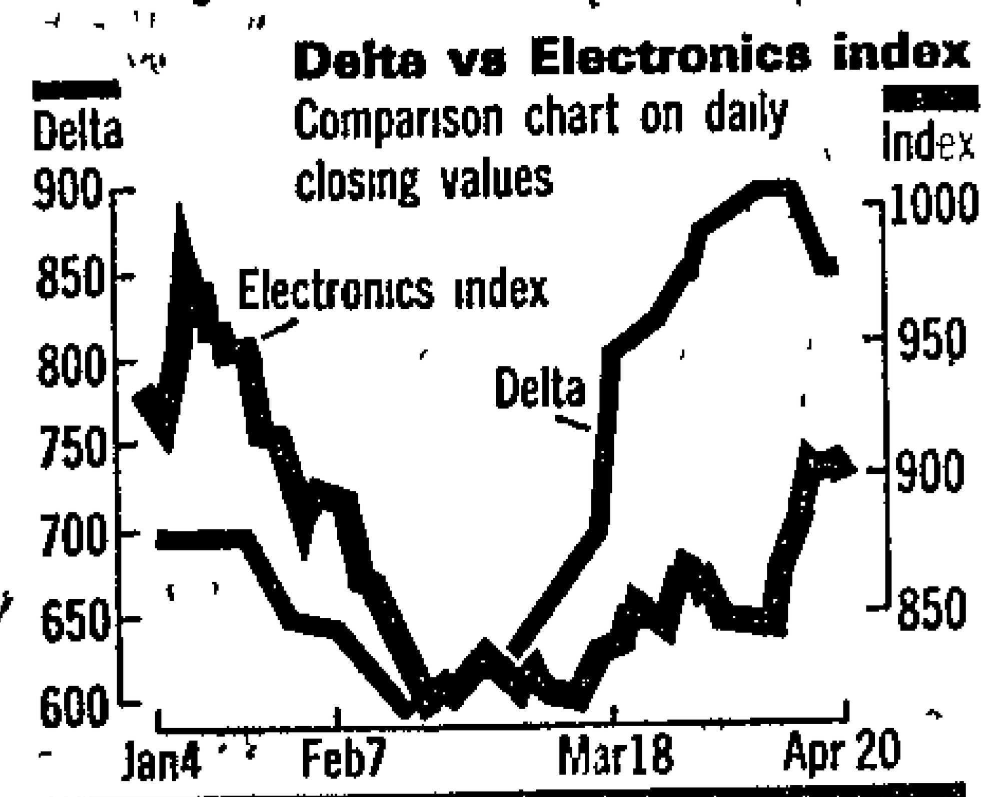
Doing exceptionally well is Delta. Its close at 900c last Friday put it within 5% of its October 1987 level of 950c. The company's electrical division services a broad range of sectors in the economy, including the gold, coal and platinum mines.

Also riding high is Subroc Holdings, which attracted much publicity at the time of its listing last November by raising the equity it was seeking in spite of the subdued mood of the JSE. Its share price has been on a steady upward trend since then.

The company's products include trackless mining vehicles, special-purpose flameproof vehicles, raiseboring equipment and mechanical rock anchors.

Analysts say Subroc, with an already bulging order book for its advanced product range, is particularly well poised to take advantage of the upcoming programme of mechanisation on the country's mines.





Source: JSE Graphic: JOHN McCANN

Source: JSE Graphic: JOHN McCANN

Overseas insurers squeeze SA

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MINING TAXATION

For whom the boat rocks

Proposed changes to mining taxation have got the houses in a furore: they have divided on the issue. While areas of the current system certainly breed anomalies, it would be counter-productive to tamper with an industry that is the mainspring of the entire economy.

Should the Margo Commission be allowed to alter, forever, the essential structure of the South African mining industry? Please, no Cosmetic changes may be needed here and there, and there could certainly be more open discussion of issues that sometimes run as thick as blood But, as Amgold's Julian Ogilvie Thompson puts it, the mining tax "burden is acceptable because the risks attached to South African gold mining are matched by its unique tax structure "

SA's mining tax system is principally run — like Britain — by an unwritten constitu-unwritten constitution In practice, that comes down to negotiations between Inland Revenue and the mining houses; and it works well enough Margo's recommendations for mining would result in

☐ An increase in aggregate taxes imposed upon the industry on top of what is already a heavy burden), and

☐ A fundamental change in the well-established relationship of risk to reward *as well as* the relationship between the investor and the fiscus

The point is crucial Mining tax can be described as one tax — and perhaps the only tax — that both sides are happy with It comprises two unequal parts written law, contained in the Income Tax Act, and unwritten law The latter is the most important, since this is where negotiation (unwritten law) decides the crucial issues

The Revenue specialists in mining taxation deal with a limited number of experts representing the private sector that is the essence of the mining taxation system In the hands of these people lie decisions regarding SA's powerhouse industry And the industry wants it to remain that way

The fact that the mining houses have split into two factions over Margo (see box) does not detract from the force of this They differ on what Margo *said* — and that in itself cannot be described as far-reaching In fact Margo deferred the issue he called for a Technical Working Committee (TWC) to decide the crucial issues It has since been appointed Margo did not discuss, or even hint at, the existing negotiating process

The TWC will hear evidence on a range of issues inevitably wider than in any other South African industry Mining is the mainspring of the economy — the mines employ 750 000 people and earn more than two-thirds of our foreign exchange

As Chris Frame of Price Waterhouse points out, mining is the only South African industry which is truly competitive internationally, and which generates technology wanted everywhere Moreover, SA's mining tax system is seen as a model for the world. After substantial setbacks — if not outright failures — Canada and Australia, for example, have acquiesced in moving more towards the South African system

Margo pointed out, correctly, that mining tax contains anomaly after anomaly This is not surprising, given the negotiation principle Nevertheless, general rules *have* come to be embodied in written law. Take the most controversial areas — the mining lease formula, the surcharge and capital redemptions Each is clearly prescribed in law, though how each applies to a particular mine differs from mine to mine Nearly every mine negotiates its own "tax package" on the person-to-person basis described

The differences help to explain why Margo has succeeded in creating factions within the mining houses the suggested changes would lead to some mines paying more (and others paying less) tax

In mining tax, the progressive formula is the most controversial area. It applies to both mining leases and mining income and its complex mathematical operation

☐ Encourages mines to extract low- rather than high-grade ore,

☐ Takes immediate account of the difficulties arising from wide fluctuations in the world gold price, and

☐ Means that richer mines pay a higher *rate* of tax

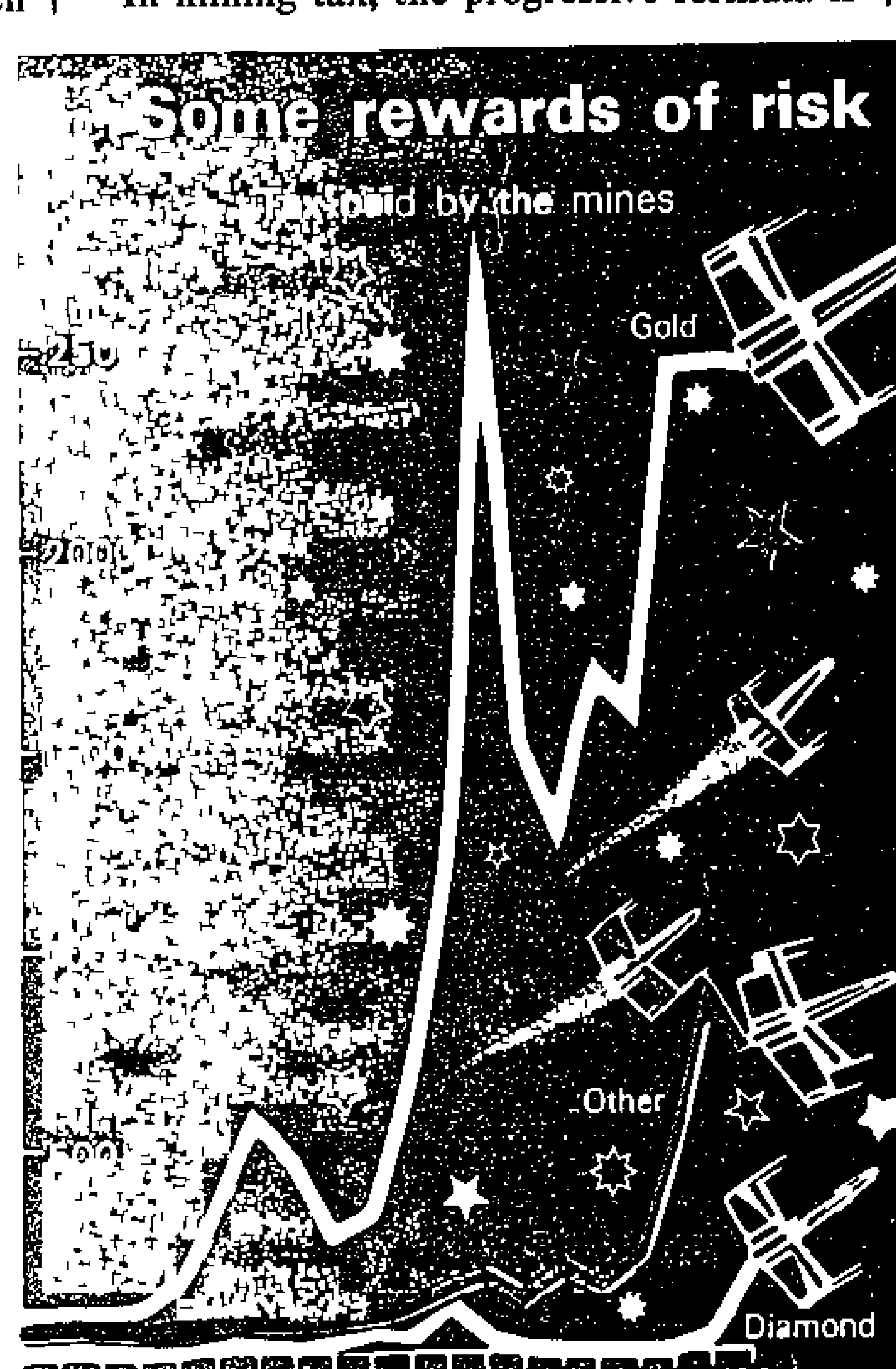
Various surcharges, originally enacted to raise extra revenue, have tended to remain in place

The main concession for mines is the capital redemption, which allows 100% of capex to be written off in the year incurred. This substantial benefit, which also applied to items outside the normal definition of capital — such as housing and hospitals — came to be abused

Accordingly, in 1984, "ringfencing" was introduced This is not a confusing or esoteric concept Ringfencing means that each mine becomes an entity, in every sense of the word It bars a mine from abusing the capex write-off, inevitably too big for it to be used in one year, by transferring it to another group mine with substantial taxable profits.

In other words, ringfencing killed schemes that financed a new mine with profits of an older mine that had run out of capex write-offs

In terms of the individual mine "tax package," some mines pay a marginal rate of as much as 82,5% — including lease payments But, like personal marginal rates, this is an unreliable indicator of *average* rates Gold mines assessed in 1985 paid an average rate of tax (including surcharges) of 54% of their mining income If lease payments are included, the figure rises to 70%.



But "mining income" is calculated after deduction of the generous capital redemption allowances If normal depreciation was substituted for immediate write-offs, the 54% would fall to 46%, the 70% to 58% These adjusted rates look a lot better than, for example, that 82,5% rate paid by some mines

But the fact remains that any tax (however nominal) above 50% — never mind 80% — is too high given the national requirement of fresh investment and increased output The higher a tax rate, the more the fiscus contributes to concessions which can be claimed by the taxpayer And, given the complexities of modern financial markets and financial instruments, very high tax rates lead to absurd situations

To give one example despite ringfencing, it is still possible for a company to reduce the income of a profitable mine by deducting its own capital redemption allowances *and then* the working losses of a developing mine It ends up with a very

Financial Mail

OPPOSITION POLITICS

No place to hide

In considering the prospects for sensible opposition politics, two factors must be borne in mind. First, an opposition must have the policies and the ability to govern. Second, in the continuing South African crisis, how long can — or should — the Nationalists continue to rule? A serious politician will consider these questions in depth; "extra-parliamentary" posturing is frivolous.

On the first issue, the National Party has appropriated the middle ground of economic theory — if not practice. It is prepared to open up business life, to deregulate and to privatise. And that means that there is a far greater possibility than at any time in our history for blacks to enter society as entrepreneurs and to accumulate the capital that in the long term leads to developments like financial institutions; reinvestment or expansion through shareholder preferences; and a settled, property-owning class that resists socialist inducements.

This is a major shift — above all, in attitude. The Nationalists know it, so do the Conservatives. It is black advancement that is seen by the first as a prerequisite of social stability, by the second as a threat to the blue-collar and public-sector constituencies And like it or not, the NP is correct It would, therefore, be silly to put forward economic policies which run contrary to this spirit, merely for the sake of effect or because nothing else comes to mind

Unfortunately, in its current state of disarray, the PFP either cannot co-ordinate its thought on the economy sufficiently to make it a credible alternative to government *in this sphere* and, at the same time, it has lost its edge in the field where it has traditionally been strongest. This is, simply, to expose abuses of human rights. It was doing this — think of Helen Suzman — long before the world woke up.

When, therefore, Dave Dalling says that the PFP might have to consider supporting the NP to keep out the Conservatives, the message is that the party has given up its identity as an opposition It has become — rather as if we were in a state of formal war — a loyal opposition. That role, surely, was always better assumed by Afrikaners of conscience.

So Denis Worrall is right his scathing dismissal of Dalling's standpoint at least suggests an unpreparedness to climb aboard a sinking ship We wait for him to float his lifeboats; the test could come in this year's local authority elections — provided clear choices are presented to the electorate.

Worrall's strategy is also predicated on a belief that the NP has outlived its time, that it has a limited shelf life. After 40 years, this may be assuming too much and the psephologists believe — as of today — that no CP rush to victory is imminent. But it is quite clear, as the current fracas over Albert Nothnagel and the ANC indicates, that the Nationalists have been unable to retain the hearts of the verligtes and that they will be subject to fission — to Left and Right — for the foreseeable future Out of such disruptions new governments are made, generally coalitions.

Here the PFP has made a beginning Taking advantage of the repeal of the Prohibition of Improper Political Interference Act, alliances are being made across ethnic boundaries. In the months and years of shake-outs which lie ahead, the parties which are able to cement alliances across those boundaries will fare best. At first they will be able to block legislation, ultimately they may be in a position to make it.

The missing ingredient is leadership at depth. What Worrall — or for that matter the PFP — must do now is recruit and retain men and women of quality That kind of response to the openings left by a fragmenting government will be invigorating and create its own momentum It would be fatal for the opposition to the "left" of government to continue in the kind of inertia which has overtaken the Progressives. Symptomatic of that inertia is the suggestion that overtures to government must be made to deflect something worse. That is the blind asking the blind to lead. The probable fate of Riaan Eksteen — humiliated for not pandering enough — should be instructive ■

TRANSPORT DEREGULATION

The war in Rosebank

The shooting of an innocent bystander in — of all places — Rosebank has evoked the expected response that deregulation of transport has "gone too far" The death was an ugly by-product of the taxi wars which are sweeping the black transportation sector. It is as sad and, really, as unstoppable as the increased accidents which the kombi-taxis cause.

What is new is that the cry comes not from the Right — watching the highway between Naboomspruit and Pietersburg over Easter, say — but from the black taxi owners themselves. They were the pirates who forced this particular door open in the first place. But when highwaymen turn sheriffs they seek to dignify their badge.

They are not right, however. If government had deregulated them any more slowly, they would hardly exist, they would instead be subject to constant harassment and badgering by traffic cops and the courts The police, in turn, would be less capable of tracking down murderers and bombers, as when they were so busy on pass raids. Sabta should consider what would happen if the CP came to power and began the attempt to make eggs out of the omelette. ■

small taxable income — or even a tax loss

If the capex giving rise to the redemption allowances is financed by borrowings, it may even be possible for the company to do this and still have sufficient cash from which to pay a substantial dividend So a finely tuned result of legitimate tax planning can lead to a political reaction That is what we seem to have at present

Again, a mine with an 80% tax rate saves R80 of every R100 taxable income it can shelter, with a 50% rate, it saves R50 Clearly, the incentive for a mine to find tax shelters (mainly by using the capital redemption allowance) is enhanced by high tax rates As a result, South African mines tend to focus on activity of a capex nature, rather than more adventurous prospecting, which would be better for the economy in the long run The system has led to the situation where prospecting is done by mining houses rather than mines

Mining tax rates are too high, and on top of that the industry pays too many taxes After the formula income and leasing taxes, *and* the surcharge, mines must now pay the minimum tax on companies — at least in 1988 Mines like Deelkraal, Elandsrand, Ergo, Harmony and Randfontein Estates, for example, whose tax liability was less than dividends declared to shareholders, have an obvious problem

There is a further threat from work in progress, argues Ernst & Whinney's Ken Walton For many years it has been accepted that gold in the process of production is not regarded as trading stock, and need not be brought to account for tax purposes. Now it appears, according to Walton, "that the Mining Taxation Section of Revenue is challenging this view Any change in the present practice could be extremely damaging to the mining industry "

Margo also recommended that the present 100% capital redemption be replaced by a three-year depreciation of 50 30 20 This, like the flat tax proposed to replace the formula, is unacceptable to operating mines. It might have very little effect on the present value of new mines

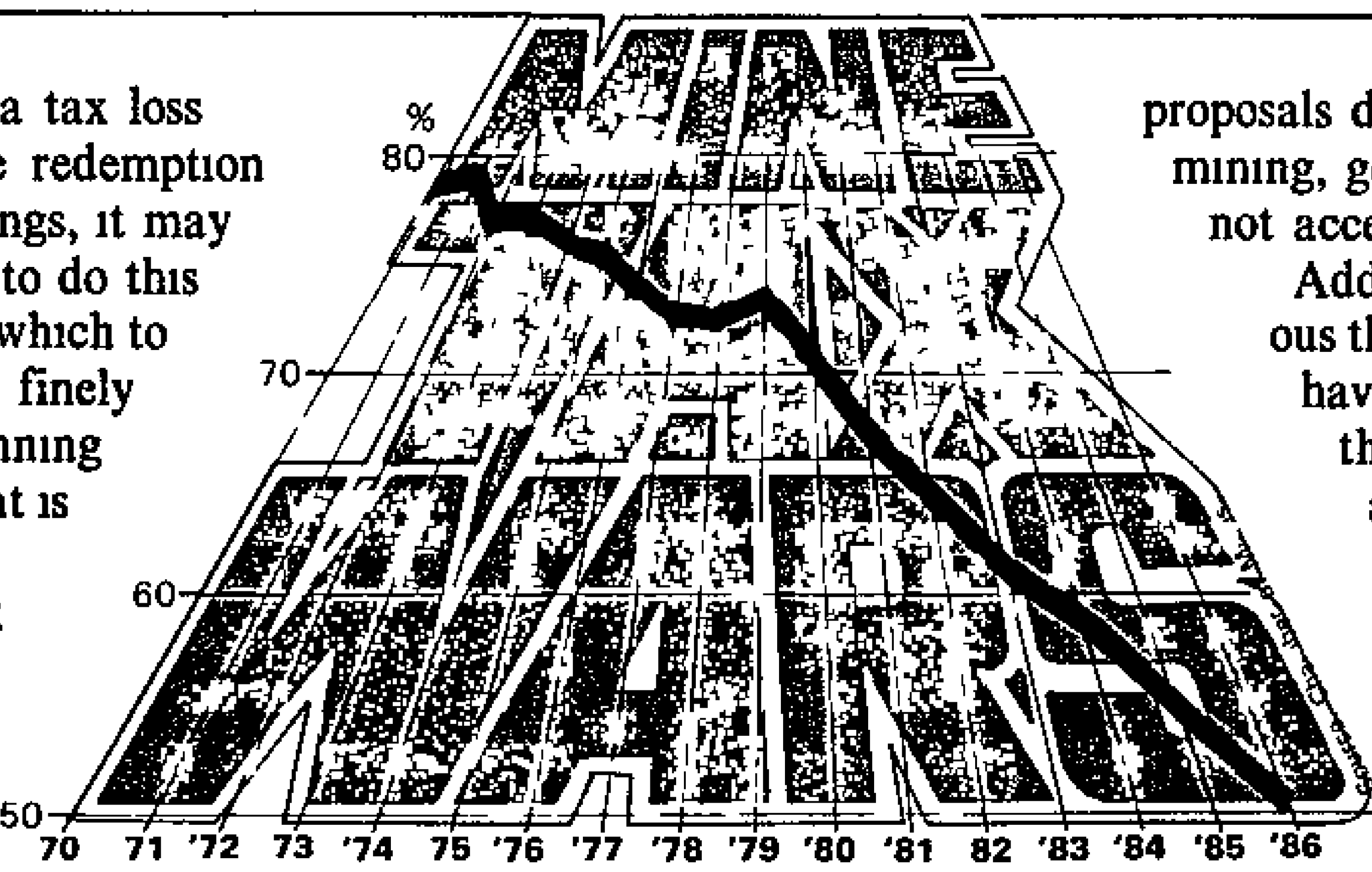
There are enormous risks attached to mining with long payback periods While these proposals do not recognise the special nature of mining, government's Margo White Paper did not accept the proposal unequivocally

Additionally, value added tax is an enormous threat to the mines, if only because they have little control over the selling price of their products A mine will thus be unable to adjust its prices to recover the cost of paying VAT up front

Moreover, some gold mines spend in excess of R20m/month on stores While the input VAT on those stores can be deducted on the next VAT return, a great deal will depend on the efficiency of Revenue in processing those returns If it is assumed that exports of gold will be zero-rated, the mine will be entitled to a refund of VAT each month How quickly, Walton wonders, will those refunds be processed?

Regarding RSC levies, the impact of the 0,25% payroll levy is perhaps not significant. But any increase — which is where the real sting lies — would be damaging to mining which is, of course, labour-intensive In its evidence to Margo, the Department of Finance said that the payroll levy would need to be 1,5% to achieve the aims of the RSCs This is six times higher than the prevailing rate

While the *FM* cannot say precisely what is happening behind closed doors — given the highly specialised negotiating process used in mining tax — what changes can be expect-



SA gold production as % total non-communist world production

MINING HOUSES AND TAX CARDS

Mining is an industry which prides itself on presenting a united front to the outside world. Yet the major houses are seriously divided in their reactions to the Margo Commission and what should be done — or not done — about gold mine taxation

Gold Fields of South Africa (GFSA) and Anglovaal generally accept Margo's suggestions that a flat tax rate be applied to the gold mines and that the progressive formula rate be scrapped. Anglo American, Gencor, Rand Mines and JCI all maintain the formula tax system must be retained Who is right?

Anglo gold division head Peter Gush has described the two factions as those who believe the earth should be flat (GFSA and Anglovaal) and those who believe that it is round. That is a rough and ready guide to what is occurring

Nonetheless, the work of the Technical Working Committee, set up in response to Margo, will not be made easier by the split in the industry and the imposition in the latest budget of the minimum tax on companies (MTC) That was a totally unexpected blow, completely at odds with Margo's recommended approach to taxation and could have serious implications for the development of new mines.

GFSA/Anglovaal have accepted Margo's proposals of a flat tax rate of 50% and the three-year capex write-off of 50.30:20, *provided* the current system of "ringfencing" mines for tax purposes is abolished, *and* the industry is treated for tax purposes in the same manner as any normal business.

Anglo and its followers have rejected the recommendations, saying the formula tax has worked well for both the industry and the Receiver of Revenue — coping with both boom and bust situations for the mines. They maintain mining is different from other businesses and needs a special tax system; they also feel the risks involved in mining are such that the immediate 100% write-off of capital expenditure is justified

Inevitably, there is a lot of self-interest at stake Driefontein, Kloof and Hartebeestfontein are the highest grade, most profitable and most highly-taxed mines in the industry. These mines would pay far less tax on a flat 50% basis They just happen to be controlled by GFSA and Anglovaal

Many of the marginal mines controlled by Rand Mines and Gencor would pay far more tax on a flat 50% rate than they are paying through the existing formula system While Anglo producers like Vaal Reefs and Western Deep Levels can hardly be labelled basket cases, the feeling in the house is that gold mine profitability is going to drop over time because of higher working costs from inflation and increasing depth of operations; therefore, the formula is preferable.

Anglo is also understood to be particularly worried about the proposed change to writing-off capital expenditure. Several of the house's mines are expanding and are committed to huge capex programmes

GFSA sources acknowledge the self-interest in controlling the richest mines in the industry but also point out they have marginal producers in Venterspost and Doornfontein; the house's real concern is to make the most of the opportunity offered by Margo to reform.

GFSA says the three-year write-off in capex has to be phased in to avoid giving the Receiver of Revenue a windfall gain. It estimates that had the system been introduced in 1986 — without a phase-in period — gold mines would have paid R880m more in tax and would have had to cut dividends by a third ed? We can only endorse the general consensus of opinion between the Chamber of Mines, the Department of Finance and the mining houses — unofficial as it may be:

- ☐ The mining tax "package" should be kept, subject to cosmetic changes,
- ☐ Mining tax law should be rationalised without disturbing the system For example, Section 36 of the Act, on capex, runs to eight pages, when only three paragraphs are applicable in practice,
- ☐ Tax rates should be cut, especially for rich mines,
- ☐ Concessions for prospecting should be consolidated Given SA's generally declining production, especially for gold, an *added* prospecting concession is vital,
- ☐ Incentives and concessions should continue to be operated through the Act Cash grants, as called for by Margo, would be open to abuse, and
- ☐ While it is recognised that government needs money, government must recognise that mines are perhaps the only sector generating capital in the chilling atmosphere of sanctions

As Frame points out, the joker in the pack, of course, is working costs The escalation of stores and capital equipment costs is bedevilling mining

The causes of high working costs are inflation and the weak rand — whose problems can only be solved by government

Pretoria will have to give mining proper and appropriate assistance through sound overall economic management The results of bad fiscal management for the sector will be felt in the decades to come The warning signals are already there ■

PALABORA MINING

Completing the profit circle

Anglo/De Beers have burnt their fingers in the past in the base metals field. The Palabora purchase from Newmont is in an altogether different category.

Anglo American/De Beers' purchase of Newmont's 28,6% shareholding in Palabora Mining (Palamin) for R250m gives them a stake in one of the world's best-run copper mines And that helps plug a gap in the combined group's investment portfolio

The Palamin stake, with Anglo's 24,9% holding in major base metals and ferro-alloy producer Samancor and 24,9% interest in ferrochrome producer Consolidated Metallurgical Industries, now adds up to a solid exposure to the base metal sector at an appropriate time Prices of many base metals have firmed over the last year and are in a bull trend which most analysts see lasting for the rest of 1988

Put politely, base metals have never been a strong point at Anglo Botswana RST, which was set up with high hopes at Selebi-Phikwe in Botswana, turned into a cash-guzzling black hole The mine is now making operating profits but will never pay a dividend because of its debt burden. Botswana RST's accumulated deficit totalled Pula 1,2bn (about R1,5bn) at the end of 1986 and a further debt re-structuring is due this year

The group holds a 27,3% interest in Zambia Consolidated Copper Mines (ZCCM) through Zambia Copper Investments (ZCI) but ZCCM has not paid a dividend since 1981 and is unlikely to in the future

Through Luxembourg-based associate Minerals and Resources Corp (Minorco), Anglo and De Beers have channelled funds into North American base metal producer Inspiration Resources and for years also watched these disappear Inspiration lost US$291m in 1985 but turned around in 1986 to a $38m profit after a restructuring It maintained its profitability in 1987, making net income of $16m in the six months to end-June

Palamin is in another league Started in 1965 with an initial planned life of 20 years, the mine has remained profitable through two energy crises which crippled lesser open-cast operations (fuel for the massive haul trucks used to transport the ore from the pit is a major cost factor). In addition, it has coped with the last 10 years of depressed copper prices while the mine's life has been extended to the year 2000, although it is a low-grade operation After that date it seems likely the economic life of the pit will be over but operations should continue as an underground mine

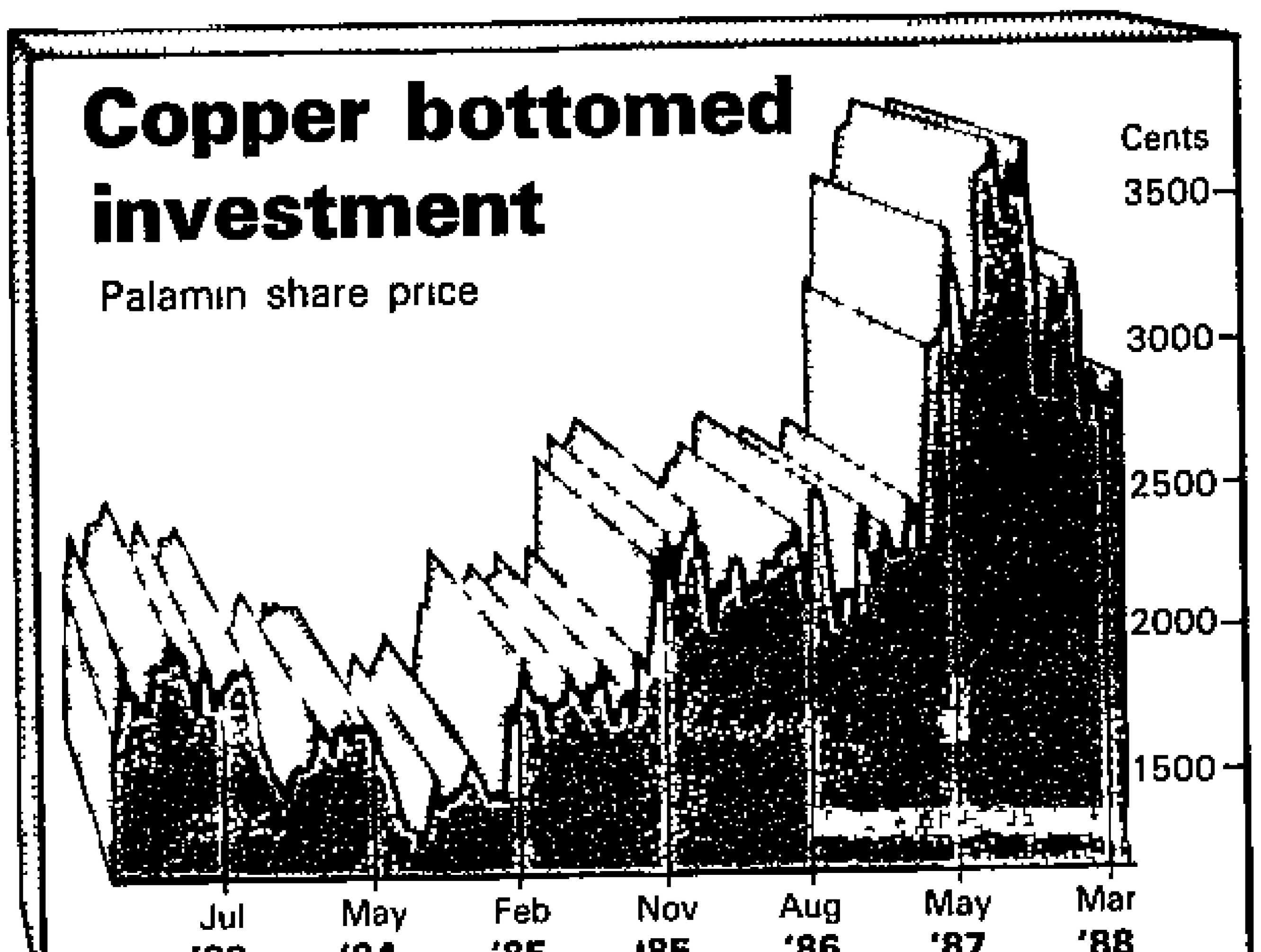
At peak levels in 1983, when most of the work on widening the pit was being carried out, Palamin was moving 100 Mt of ore and waste material annually using a fleet of 83 150 t capacity diesel-electric haul trucks. This has dropped to about 85 Mt shifted annually by a fleet of 72 150 t and 170 t capacity haul trucks

The mine coped with the 1980 fuel crisis by introducing overhead electric trolley-lines on the ramps out of the pit That meant the diesel-electric trucks travelled out of the pit using electric motors in their wheels Once on surface they switched to their diesel engines Savings on fuel costs have been dramatic In 1987 diesel fuel savings from the trolley-assist scheme amounted to 39,4 Ml, representing a net reduction in direct energy costs of R13,47m

Other cost-saving measures included a computerised truck despatch system and revised maintenance schedules which greatly increased truck availability to current levels of around 90% The bottom line was a reduction in the fleet of haul trucks at a saving of some R2m each which is what they currently cost to rebuild locally That, in itself, represents further savings because previously the trucks were completely imported for R3m each.

The pit has reached a depth of some 350 m on the way to a final bottom level of 750 m. The increasing depth has led Palamin's management to install an in-pit crushing and conveying system to work with the trolley-assist scheme to hold down future cost increases

A primary crusher is currently being set up on bench 28, 300 m below surface, with capacity to crush Palamin's full ore requirement of 29 Mt annually The crushed ore will be taken by conveyor through a 1 100 m-long incline tunnel to the milling plant on the surface Waste material mined in the pit will continue to be trucked up Cost of the in-pit crushing system is estimated at R85,9m with commissioning from November this year Palamin MD Al Leroy reckons it will allow the mine to cut its truck fleet by another 12 to 14 trucks, meaning a capital saving of at least R24m



"The philosophy behind the in-pit crushing system is that it will convert a large portion of the variable operating costs like fuel, tyres and replacement trucks to fixed costs which can be depreciated over time That means we can protect ourselves from SA's high rates of inflation which we expect to continue," he says

The in-pit crushing plant will be moved down to bench 44, 600 m below surface, in about 1994 and could be relocated again at a depth of 900 m to form part of the first stage of an underground mining operation after the year 2000 — should managers RTZ decide to go for this A limited drilling programme has indicated the copper

(210) B/day 25/4/88

COMPANIES

Better results from Osprey seem to signal turnaround

ROBERT GENTLE

OSPREY Gold Mine has posted a small profit for the March quarter and indications are the previous quarter's disastrous results are unlikely to be repeated

Despite a slight fall in average yield from 1,50g/ton to 1,23g/ton, increased tonnages yielded 32kg (24kg) of gold Unit working costs were particularly well contained, falling 38% despite the 60% increase in ore milled.

The 33% increase in working revenue yielded a small working profit of R1 365, against the previous quarter's loss of R245 653

Chairman Phil Devarenne is confident that a turnaround has been achieved, and points to the "encouraging trend" of the month by month figures

These show sharply increasing tonnages and yields, with 61% of the quarter's gold production attained in March as opposed to only 13% in January

This was due mainly to the effect on production of a newly commissioned ball mill, and future production is expected to be even higher Drilling continued during the quarter, but was mostly aimed at giving information on geological structure Results have been "encouraging"

Anglo shows an interest in Mozambique

28/4/88 B/day

MAPUTO — Anglo American chairman Gavin Relly yesterday held talks with government leaders here on the possible involvement of Anglo in developing Mozambique's natural resources

Mozambique's economy has been battered by a 12-year civil war which the Marxist-oriented government blames on SA backing for Renamo rebels.

Anglo's chairman met President Joachim Chissano, Prime Minister Mario Machungo, and other officials during a seven-hour visit, according to Mozambican news agency AIM

Relly indicated that Anglo might be interested in forestry, agriculture and natural gas projects.

AIM said Relly and Machungo discussed conditions for investment, including the security situation

The SA government says it stopped aiding the rebels after signing a non-aggression treaty with Mozambique in 1984 There is widespread international support for Mozambique's claim that the assistance continues, at least in regard to logistics and communications

However, Mozambique and SA have recently engaged in negotiations aimed at rehabiliating the Cahora Bassa hydro-electric project that has been frequently attacked by rebel saboteurs — Sapa-AP

Anglo denies forcing workers

510 BdB BAN

B/day 26/4/88.

SIPHO NGCOBO

ANGLO American has denied allegations by a black miner, that security staff at Western Deep Levels last year rounded up striking black miners with armoured vehicles, teargassed and shot at them with rubber bullets and forced them to go to work.

Testimony by Ben Felanto at the inquisitorial proceeding regarding the dismissal of 2 600 workers last August came under intense cross-examination by advocate Robert Nugent for Anglo. Felanto was vice-chairman of the shaft committee at the time of the strike.

Nugent put it to Felanto that mine security had moved into Hostel 3 to protect workers who wanted to work and that they did not force workers underground.

"They also moved in because some of the workers had declared that they had taken over the kitchen. Is that correct?" asked Nugent.

Felanto said it was correct that some of the miners had declared they had taken over the kitchen, but denied that mine security guards entered the hostel to protect those who wanted to go to work.

"If the security guards came to protect us, why did they arrest me?" asked Felanto.

His question prompted a comment from Jules Browde SC, who is chairing the proceeding: "That is what I would like to know from you."

Felanto said: "Not even the policemen at Carletonville police station knew what the charges against me were."

Nugent put it to Felanto that he (Felanto) knew very well the reasons for his arrest — that he had tied up and held captive one of the mine officials

Felanto denied the allegation.

But he admitted under cross-examination that a number of workers marched onto the mine premises and hoisted an NUM flag.

A date has yet to be set for the case to continue.

Growth at 2,3%

WASHINGTON. — The US economy grew at an annual rate of 2,3% in the first three months of the year, the Commerce Department said yesterday

CAPE TIMES 27/4/88

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Chamber on MTC

JOHANNESBURG — The minimum tax on companies (MTC) introduced in the recent budget will penalize the mining industry, which has to invest money on exploration without being certain of profits later, says the Chamber of Mines

In a statement issued yesterday the chamber says MTC strikes at the basis of mining tax in SA MTC pre-empts the report of the Marais Committee appointed to examine the mining tax system following the Margo Commission recommendations.

It also "impacts against future growth of the industry — which makes a major contribution to the economy ..."

"MTC imposes an advance tax when it is uncertain that large capital expenditure will ever be recouped"

Its effect will be particularly severe on the coal industry, where a major expansion phase has been followed by a market slump exacerbated by political sanctions, says the statement.

MTC will accelerate the demise of dying mines which in effect will have to pay an extra tax. — Sapa

The Chamber of Mines hammers proposed MTC

Star 27/4/88

(210)

The Chamber of Mines has called on the Government to reconsider the minimum tax on companies (MTC) introduced in the Budget

It said yesterday MTC struck at the basis of mining tax in South Africa and pre-empted the Marais Committee appointed to examine the mining tax system following the Margo Commission recommendations

It also impacted on growth of the industry, which made a major contribution to the economy

The chamber said MTC was contrary to fundamental principles of taxation fairness, equity and neutrality

It said that mining ventures required large capital sums over long lead times of up to 12 years, under risks such as water, depth, variable ore values and commodity prices outside the control of the producer

"The formula tax system under review therefore allows all capital 'to be recouped before the fiscus shares in the profits In recognition of this downside protection, high marginal rates are paid when the projects do generate profits

"MTC imposes an advance tax when it is uncertain that large capital expenditure will ever be recouped"

Its effect would be particularly severe on the coal industry, where a major expansion phase had been followed by a market slump exacerbated by political sanctions, the chamber said

Marginal mines would probably not be able to offset MTC against future taxes based on profitability MTC would accelerate the demise of dying mines which, in effect, would have to pay an extra tax

The chamber said if there were perceived problems of excessive capital write-offs, then the fiscus should address the underlying problems, instead of trying to recoup these write-offs by way of a minimum tax

It held that MTC was inequitable in that it substantially penalised the mining industry in an attempt to curtail the use of legitimate, but possibly unacceptable, tax concessions available to other sectors

It said the proposals were not neutral between the various sectors Of the R350 million revenue the Government expected to be raised, mining would bear a disproportionate burden

The chamber said the effects of MTC would be to

- Discourage investors from funding new mineral projects.
- Excessively burden many companies in a downturn on the commodity markets
- Either reduce capital expenditure or reduce dividends as mining companies presently paid out their residual profits in full
- Accelerate the demise of marginal and dying mines, with significant impact on the economy

Messina's senior management did not know about the negotiations until shortly before the cautionary announcement, it is understood.

and, via Gencor, ... negotiations apparently concern Messina's promising platinum prospect near Tzaneen.

the project, ... tiations was apparently as fresh for Messina's executives

Star 27/4/88

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210

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ORS

Anglo, Gencor could be forced to sell out

2/5/88 210 Bday

Threat to SA mine interests in Brazil

REINIE BOOYSEN

TWO OF SA's giant mining houses — Anglo American and Gencor — could be forced to relinquish control of their Brazilian interests within five years, says a London Financial Times report.

On Thursday night, Brazil's Constitutional Assembly voted overwhelmingly — 343 votes to 126 — in favour of a clause in the country's new constitution requiring that control and majority ownership of mining and exploration companies be vested in Brazilian nationals.

The clause will also affect a number of other foreign operations in Brazil, including BP Mineracao, a minerals arm of British Petroleum, Alcoa of the US and a number of Australian groups.

Anglo American and Gencor are the two SA mining houses with substantial interests in Brazil.

Anglo American Corporation of South America (Amsa) is wholly owned by Anglo American Corporation of SA and its associates. Amsa has a large stake and management control of two major Brazilian gold mining ventures, namely the Crixas and Jacobina mines.

Investments

In 1987 the output of these two mines was about 11 tons of gold worth R159m. Anglo says this is expected to increase to about 14 tons by 1992.

Amsa's non-gold investments in Brazil include the Codemin and Morro do Niquel ferro-nickel mines, the Copebras carbon black, phosphate and fertilizer group; the Catalao ferro-niobium mine and interests in the Bozano Simonsen group, which is engaged in banking, finance, real estate, mining and farming.

In 1986 Amsa's profit after tax and extraordinary items was $29,4m.

Gencor's interests are slightly smaller. Executive director Bernard Smith says Gencor's main interests in South America are "an important stake" in the Sao Bento gold mine and "various other exploration companies", searching for gold, platinum and various other minerals.

Sources say Gencor paid $40m for the mine and Smith says shareholders have injected a further $120m into the venture to date. Smith said the mine is ultimately controlled by a Brazilian company, but declined to disclose Gencor's interest in the controlling company.

"For this reason we believe the legislation is unlikely to affect Gencor," said Smith.

Anglovaal commits itself to a future for all

By Frank Jeans

The powerful Anglovaal group remains committed to a future shared by all — a pledge given by its chairman, Mr Basil Hersov, when he spoke at a lunch in Johannesburg yesterday of the South African-German Chamber of Commerce and Industry.

"We are a South African business involved in seeking to adjust to that kind of future and we are doing it through our attitudes to trade unions on one hand and the development of small business on the other.

"We have injected R1 million into the advancement of the 'small man' — an arm's length operation where he benefits from our assistance without us being charitable."

FAMILY GROUP

Tracing the history of Anglovaal which now has a R5 billion a year turnover, with 80 000 employees spread over an mining, construction, electronics and industrial empire, with pillars such as Grinaker and Irvin & Johnson in the group, Mr Hersov said:

"We have always been a family company and have attracted companies which have needed help.

"However, we have never acquired companies on paper so as to strip them.

PHILOSOPHY

"Rather we have made acquisitions and we have built upon these together."

The Anglovaal chairman also said that it was group's philosophy to decentralise and delegate responsibility.

"While we set policy where necessary, we do not tell other people how to run their business and certainly avoid dictating to anyone," he said.

Rand Mines' profits drop 18%, to R68,4m

Cape Times 6/5/88

By LAWRENCE TOTHILL
Investment Editor

RAND MINES has had an extremely difficult half-year to March 1988, with an 18% drop in bottom-line profits from R83m to R68,4m.

This is equivalent to earnings per share of 610c (740c), but the mining house has maintained an interim dividend of 105c.

The fall in earnings comes as no surprise to the market, which is aware of the difficulties that confronted the group in the six months, including:

- Tonnage, cost and grade problems at Harmony Gold Mine, which recently had to pass its interim dividend.
- A weaker performance by Witbank Colliery, which saw its after-tax profits drop in the six months, mainly as a result of increased rail tariffs and a 7% stronger rand.
- A continued weak property market, which limited the contribution from the property division of subsidiary Rand Mines Properties, but stronger results from sand treatment offset this.

For the rest of the year, Rand Mines expects improved performances in the coal and property divisions. While earnings for the full year are expected to be lower than last year, the percentage decline will be less than the 18% for the first half

Turnover to March was marginally lower at R386m (R390m), but operating profit dipped from R119,3m to R94,6m Dividends from investments were almost halved from R22m to R11,4m, showing the effects of a passed dividend from Harmony and underlining what a key investment component it is to Rand Mines.

After taking exploration expenditure of R5,2m into account, against R8,3m, Rand Mines was left with pre-tax profits of R100,8m (R133m)

The balance sheet shows long-term loans up from R367,5m to R406,7m, and an increase in outside shareholders interest from R81,9m to R260,4m.

The effects of the October 1987 JSE crash — which, as shown in the last annual report, reduced the value of the group's listed investments by 36% before the end of November — comes through in net asset value, which drops from 11 585c to 8 175c per share.

Rand Mines dips

8/5/88

(2-10)

STimes Business Times Reporter

RAND Mines came through a difficult half-year to March to show an 18% drop in attributable profits to R68,4-million from R83-million in the first half of the previous year.

This is equivalent to earnings of 610c a share compared with 740c. In spite of the drop in profits, the interim dividend has been maintained at 105c.

The fall in earnings comes as no surprise to the market, which is aware of the difficulties that confronted the group. They included tonnage, cost and grade problems at Harmony, which forced the mine to pass its interim dividend. In the previous year Harmony's interim brought R6,3-million to Rand Mines.

Witbank Colliery experienced a decline in profits in the half-year, mainly as a result of increased rail tariffs and a 7% increase in the value of the rand.

A continued weak property market limited the contribution from the property division of subsidiary Rand Mines Properties (RMP). It was, however, offset by improved results from the sand-treatment operations of RMP.

Gencor stands to gain from Soekor oil find off Mossel Bay

Star 10/5/88 210

By Teigue Payne

If oil is found in economic quantities after the recent encouraging strike off Mossel Bay, it could impact significantly on Gencor, which has a right to 20 percent of prospects on the same seabed structure

Executive director of Gencor, Bernard Smith, said yesterday that if the oil find of borehole E-AD1 signalled further finds, they could significantly affect Gencor's earnings

He said the costs of developing oil fields were high, but so were the rewards In the past, companies which had participated in good fields had made "good money" from them

Last October, Gencor said it had secured the rights to participate up to 20 percent in a delineated area about 120 km off Mossel Bay, and that it had elected to take up 20 percent in the E-AD1 well, which was being drilled by Soekor Financial and other details of the deal were not disclosed

The E-AD1 well is expected to produce 7 000 barrels a day and is Soekor's most encouraging find to date

E-AD1 lies 6km east of well E-AA1, which Soekor said a year ago had produced an oil and condensate flow of about 5 000 barrels a day However, E-AA1 is not within Gencor's delineated area and Mr Smith said the two wells were not on the same structure

He said Gencor's area was on the same structure as that of E-AD1.

Because Soekor is the project manager and major shareholder, he would not say how many wells were being sunk, but that it would not take long to further evaluate the structure with boreholes A hole could be drilled within two to three weeks, he said

Soekor has said other wells besides E-AD1 would have to be found to make a viable prospect. However, the find has obviously greatly increased the chances that this will eventuate

Former director-general of Mineral and Energy Affairs, Dr Louw Alberts, yesterday reportedly said it was now much more likely that Soekor would discover an oilfield rich enough to make South Africa independent of outside oil sources.

Gencor's involvement in South Africa's oil and gas projects was highlighted recently by the announcement that it had been awarded the management contract for the R5,3 billion Mossel Bay gas project and would also have the right to a 30 percent equity stake in the project. In terms of the agreement reached with the Central Energy Fund, Gencor will intially contribute R30 million, and a total of R650 million by the time the first phase had been completed in 1992.

An analyst said yesterday that discovery of a small oilfield now seemed more likely He said the anomalous situation could arise that the oilfield would be much more viable than the Mossgas project, which is only marginally viable at current oil prices and exchange rates While this might result in some scaling back of Mossgas, he said, the project would undoubtedly continue

Report warns against mineral boycott

Star 12/5/90

US stands to lose billions over ban

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By Neil Lurssen
Te Star Bureau

WASHINGTON — An American ban on imports of South African strategic and critical minerals will cost the US economy a whopping R4 billion a year, according to an official report to be issued in Washington soon

Over a five-year period from 1988 to 1992 the costs would accumulate to R19 billion, leading to higher prices and reduced supplies in items such as car parts for American consumers.

If South African production is disrupted rather than just embargoed by the US, the impact on American and other economies would be even greater, the study says.

The report comes at a time when US commerce and industry is counting the costs of the anti-SA sanctions imposed by Congress in 1986 and as it is trying to head off new trade and disinvestment curbs now passing through the House of Representatives

"As always, the price won't be paid by members of Congress, but by others," the respected *Wall Street Journal* charged in a recent editorial.

Earlier US government reports have estimated the costs of a three-year ban on SA chrome at R10 billion and of manganese at R2 billion

Adding to their worry is a recent report that the US ban on SA coal imports cost the American coal industry R300 million in 1986 and 1987 alone.

HOTHEADS

And forming a backdrop to their concern are fears that South African anger over US sanctions will lead "hotheads" in the SA Government to demand a ban on strategic exports to the US.

Americantrade journals have noted that platinum prices rose this week because of fears of South African retaliation.

The new report was prepared by analysts at the US Bureau of Mines at the request of the State Department Its purpose is to guide the President and Congress, who have the power to ban South African strategic and critical minerals in terms of the 1986 legislation.

The current sanctions Bill would include bans on strategic minerals such as platinum and chrome unless the President certified that they were essential for America's defence.

About 90 percent of the world's known platinum-group metal reserves are found in South Africa with the Soviet Union holding about 9,5 percent The US and Canada, together, have less than 1 percent of the reserves.

Even where South Africa is not the producer, such as in cobalt, which is mined mainly in Zambia and Zaire, the US is dependent on South African transport, the report says A ban on cobalt shipped through South Africa would lead to substantial price increases, it warns.

● A leader in the US sanctions drive against South Africa, Senator Edward Kennedy, has signalled that he will try again this year to harness South Africa's major trading partners into severing their trade ties.

Mining is the sector to go for — Syfrets

Star 14/5/88

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FINANCE STAFF

The greater portion of investment portfolios should remain invested in the mining sector, says Syfrets in its investment newsletter

Syfrets comments that the pedestrian outlook for gold in the months ahead and rising costs on gold mines suggests the mining industry will probably underperform industrials in the short term.

Says Syfret's Neil Cochrane "This should also provide a buying opportunity Over the past ten years mining shares have outperformed all other forms of investment and one should not to sacrifice long-term performance for short-term opportunities"

He believes portfolios should have a heavy concentration of mining house shares For, though earnings may come under pressure from disappointing results from gold investments, dividend cover is sufficiently strong to ensure at least a maintained dividend payment.

Shares should be limited to the highest quality, with good management, strong balance sheets, rand hedge qualities and sound earnings prospects

"Shares outside these parameters could prove volatile," Mr Cochrane says

He warns that growing trade union power will make it difficult for corporations, which have reported sparkling results, to justify paying below-inflation increases to workers. This could have impact on future earnings

Mines may be re-opened

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D10 11/5788

JOHANNESBURG — Gencor's Trans Natal Mining was today expecting to re-open two of the three mines at Matla near Kriel which were closed last Wednesday after fighting between groups of miners, the firm's general manager (operations), Mr Piet Henderson, said at the weekend

Between 300 and 400 workers, largely non-union members, demanded to be removed from Matla and temporarily accommodated on another mine, after two miners were killed and 22 injured, Mr Henderson said

The mines were shut when the 400 (almost 20 per cent of the workforce) refused to return to work, and sporadic incidents of fighting continued to occur underground last Thursday

Negotiations with both the National Union of Mineworkers and the 400 were underway, as was an investigation to determine the cause of the fighting, Mr Henderson said — DDC

Berardo's JMF deal with Taiwanese turns sour

Star 18/5/88

210

By Teigue Payne

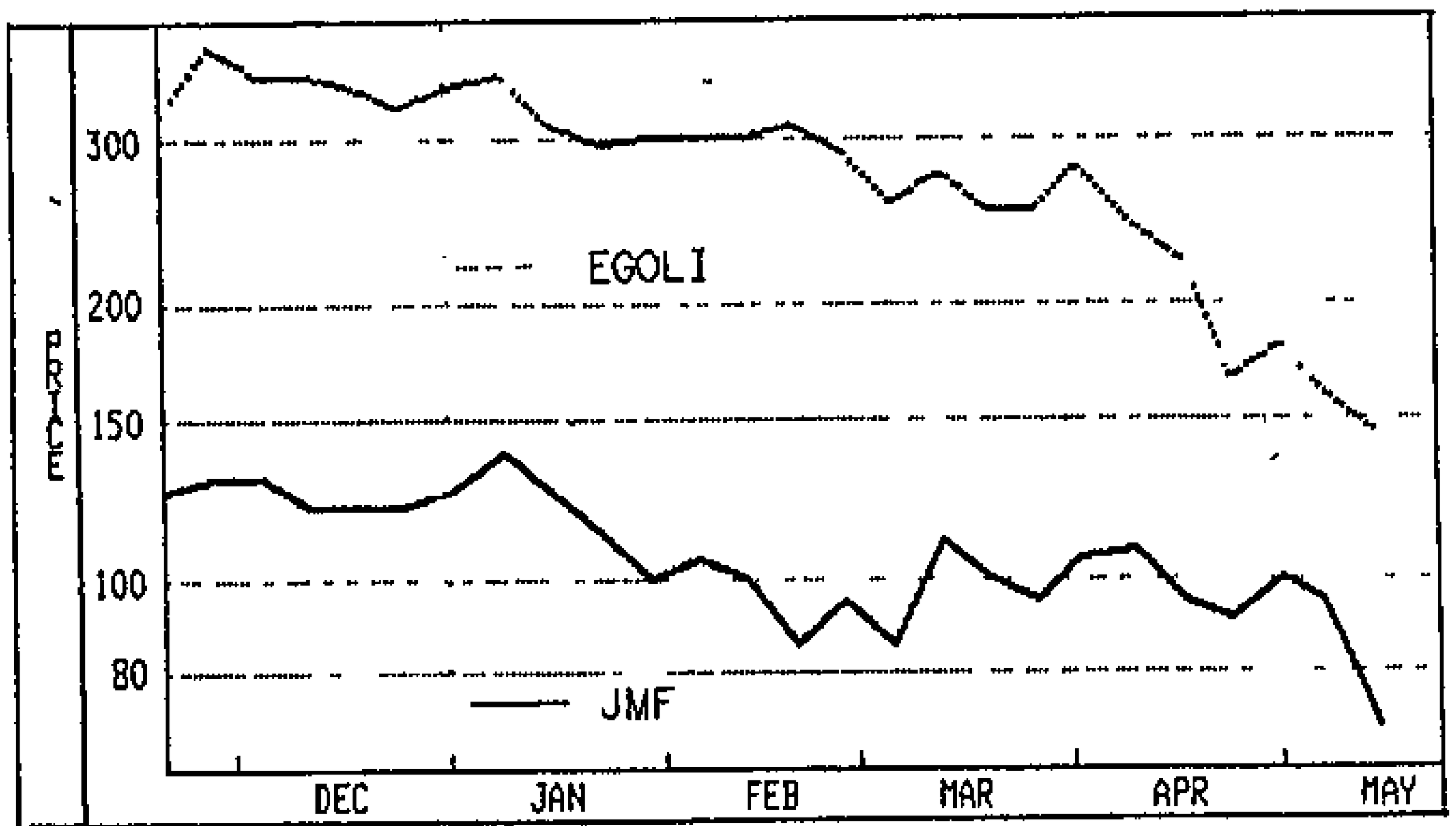
The pioneering sale by Mr Jo Berardo of Johannesburg Mining & Finance shares to Taiwanese buyers has gone sour. The Taiwanese have not paid for most of the shares, and legal action is being taken against them

The deal was hailed as a milestone in promoting Taiwanese investment in South African listed companies. It involved the sale of about 30 million JMF shares, largely held by Egoli, for about R43 million, or 142c a share.

According to Mr Don Grant-Hodge, deputy chairman of Egoli, R14 million was received by the group for the initial tranche of the 30 percent of the shares, but nopayment for the balance has been received

Share certificates for the 30 percent had been issued but not delivered to the buyers. Swift legal action resulted in a default judgement being taken against the buyers in South Africa, and the undelivered share certificates have been attached

Mr Grant-Hodge says legal action to attach further assets in Taiwan of the buyers is proceeding. He said there was no clear reason why the buyers had "reneged, but they may have had financial problems"



Share prices of both Berardo-controlled companies JMF and Egoli have plunged in recent weeks following a downward trend since the October crash. Graph — Simpson McKie.

Egoli would be prepared to talk to the buyers, but in the absence of negotiations, legal action was proceeding He did not envisage any loss for Egoli through the buyers' default

Both Egoli and JMF shares have been on a downward trend since early January, and have fallen particularly steeply recently (see graph) Egoli has fallen from a high point of 350c on January 11 to yesterday's close of 140c, while JMF has fallen from 138c to 68c in the same time

Mr Grant-Hodge attributed the recent slide largely to investors "making a meal" of the collapse of the Taiwanese deal.

He said results of JMF-group companies Egoli and Waverley would be published in the next few months. JMF's results would, he expected, be as anticipated in the transmuted listing statement

Market talk has been that the problems at JMF go deeper than the Taiwanese deal Critics say the Taiwanese buyers may have defaulted because of the image of the group

They say the group is suffering badly from lack of tight hands-on middle management of operating companies which would otherwise have considerable potential

They say that while chief executive Mr Berardo is a superb negotiator of excellent deals, the advantages gained are not being consolidated

"The assets have been accumulated and must now start producing income because assets are only worth the income they produce," said one critic "When Egoli last reported it had a net asset value of 971c a share, and earnings from this base have been paltry."

Mr Grant-Hodge reacted. "This kind of criticism has been levelled at the group for years We do not feel it is justified, and by now its like water off a duck's back If the shares go down, it presents a good buying opportunity"

On Corex, Mr Grant-Hodge said the second exploratory oil well drilled in the Eastern Cape had not struck oil A third hole would not be drilled until the results from the first two holes had been fully analysed, and further seismological work might be done

210 BDay 20/5/88

Disappointing results expected from Anglo

REINIE BOOYSEN

ANGLO American Corporation's 1988 results — due to be released in the next two weeks — are expected to be little different from the previous year with only modest growth, if any.

The highest growth percentage ventured by market analysts is 4%, with most estimates ranging from 0-2,5%. Some say any increase in the dividend will only be of a token nature as the group has had an unexciting year of business

Analysts say the poor performance of Anglo's coal and gold interests will only just be compensated for by the good performance of the industrial, diamond, finance and insurance and platinum sectors

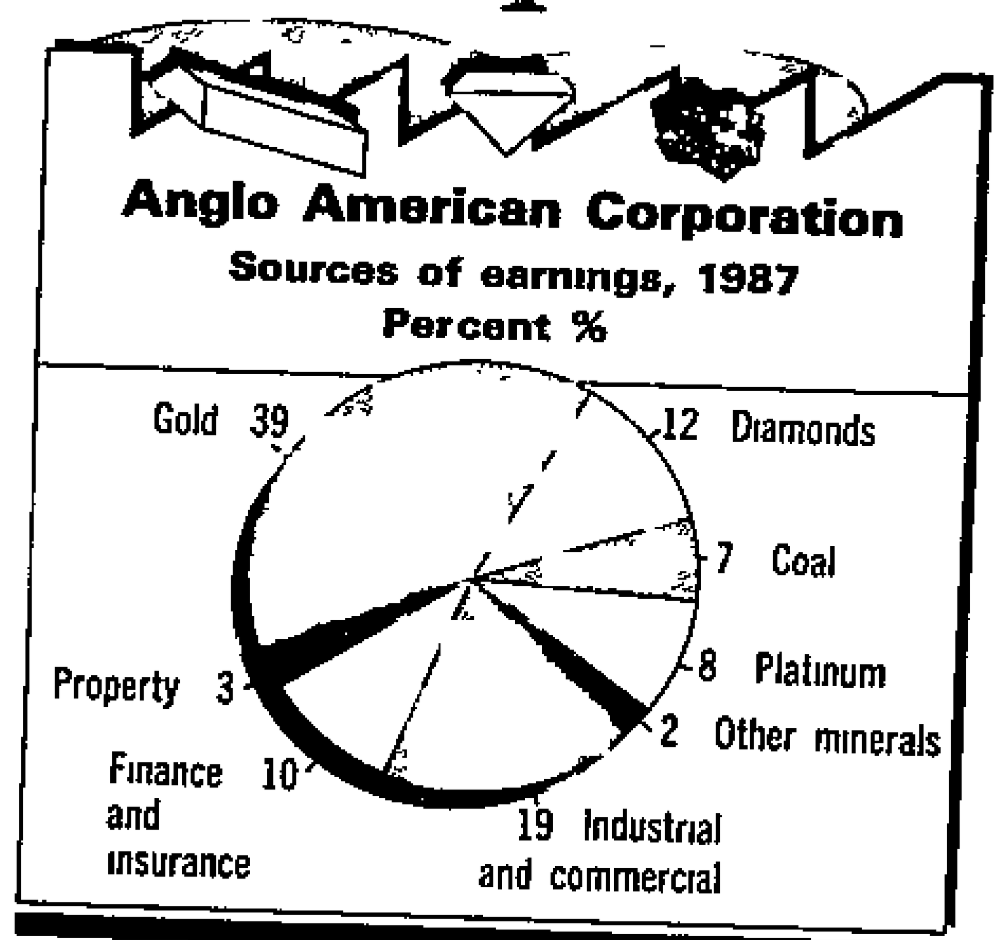
After an 8,4% drop in earnings, Anglo American Gold Corporation (Amgold) cut its final dividend for the year to end-February after a drop in income from its major gold-mine investments

The company only distributed a total dividend of 1 425c as against 1 600c the previous year. Analysts ascribed the drop in earnings to the dull performance of the rand price of gold, labour unrest and rising mining costs

Amgold derives its income from a portfolio of quoted gold shares. Total investment income fell 7,1% to R355,9m (R383,2m), reflecting disappointing dividends from these investments, notably Elandsfontein and Southvaal.

The year to end-March was even worse for Anglo American Coal Corporation (Amcoal). An industry-wide depression brought on by coal sanctions led to a 45% drop in earnings from coal.

Nevertheless, Amcoal maintained a total distribution for the year of 240c for the third year running Some analysts were critical of the steep drop in dividend cover from 3,5 in 1985 to 1,8 times this year



Source: ANGLO AMERICAN Graphic JOHN McCANN

Anglo's major diamond investment in De Beers profited from a 30% rise in attributable income to R1,50bn, partly as a result of a R261m fall in taxation and mining-lease considerations De Beers distributed a 37,5% higher total dividend of 110c (80c)

Anglo American Industrial Corporation (Amic) posted a 33% rise in attributable profits to R346m for the year to end-December. Earnings a share of 663c bettered some analysts forecasts of about 600c a share The total dividend for the year of 225c a share was 18% higher than the previous year.

Anglo's two largest finance and insurance holdings are in Southern Life and First National Bank. Both these institutions have shown good growth

Anglo's platinum interests, held via JCI and Rustenburg Platinum, should profit from the good platinum and base metal prices last year.

Address:

Stop strategic mineral sales to US, Derby-Lewis demands

Star 23/5/88. 210

Mr Clive Derby-Lewis, Conservative Party spokesman on economic affairs, demanded yesterday the suspension of strategic mineral sales to the United States

"The time has come for South Africa to act in its own interests," he said in a statement issued in Pretoria

The United States had declared economic war against South Africa by imposing economic sanctions, and "I appeal to the Minister of Economic Affairs, Mr Danie Steyn, to stand up to the Foreign Minister, Mr Pik Botha, and tell him to run his own department which, incidentally, he is mismanaging".

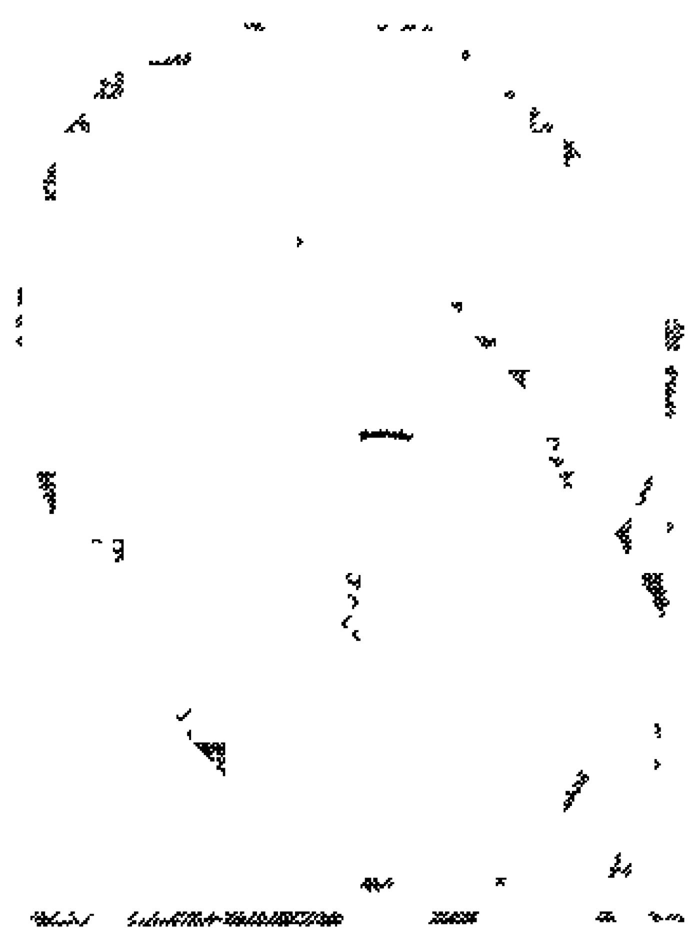
FACILITATING

Mr Derby-Lewis said that by declaring that South Africa was happy to provide its strategic minerals to the United States despite that country's sanction actions against Pretoria, Mr Botha was facilitating the US action against the country

"He is advocating that South Africa takes no action against a country which is deliberately undermining the economy of South Africa at great cost to all of its inhabitants

"The United States is cynically oblivious to the double standards inherent in the policy of normal trade with the communist bloc countries who have no record whatsoever of human rights beliefs "

Mr Derby-Lewis asked "Why should South Africa kowtow to the US? South Africa holds the cards and the CP demands that the Government use them "



Mr Clive Derby-Lewis . SA's interests paramount.

Describing South Africa as a political pawn in the US political game, he said the country must suspend strategic mineral sales to the US until after the presidential elections

"Why can't we use our strengths to influence US politics the way they try to influence our politics?"

Mr Derby-Lewis said American presidential candidates must tell the people of the US what their attitudes were towards sanctions

The CP believed the American people would not support sanctions against South Africa if SA "counter-sanctioned"

"Force the US to purchase their strategic minerals from the communist Soviet Union If the NP government does not act urgently with regard to our strategic mineral deliveries to the US, SA voters must judge the NP by their deeds, not by the blustering statements of Foreign Minister Pik Botha," he said

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CMT Times 24/5/88

Barlows posts 31% earnings rise

By LAWRENCE TOTHILL
Investment Editor

INCREASED profits from industrial and food interests enabled Barlows to absorb the fall in the contribution from its mining activities and still show a 31% rise in earnings for the six months to March, 1988.

The interim dividend has been lifted to 39c (30c).

Barlows is by far the largest industrial group in SA, and its results are often seen as a yardstick for industrial performance. During the leaner years of 1981 to 1985, Barlows made virtually no progress, but now it has taken full advantage of the more favourable economic climate.

The industrial sector was the major contributor to the impressive growth rate, boosting its taxed profits by a sparkling 72%, to R233,9m, and constituting 41% of the group's total, against 31% a year ago.

All the major divisions in this sector — electronics and electrical engineering; computers; earthmoving equipment; motor and appliances; building materials; steel and paint; packaging and paper; and carpets and textiles — performed well.

The food sector, represented by CG Smith Foods, also enjoyed a good year, adding 37% to taxed profits and providing 27% of the group's total.

The international division experienced mixed fortunes, but the lower trading profits were offset by favourable conversion of profits into rand.

The company achieved a 30% increase in operating profit, at R894,3m (R686,7m), on a 23% rise in turnover of R9 899,6m (R8 077,3m).

Although borrowings at the half-year end were higher, interest over the six months was virtually unchanged, at R125,9m (R125,1m).

Income from investments rose by 22% to R93,9m (R76,8m), and pre-tax profits were up by 35% at R862,3m (R638,4m).

Tax took R300m (R216,2m), leaving the after-tax profit 33% higher, at R562,8m (R422,2m).

A slightly higher average number of shares in issue reduced the growth at the earnings per share level to 31%, at 172,3c (131,6c).

The acquisition of new interests and a marked increase in capital expenditure, which totals R452m for the half-year against R656m for the full 1987 year, has not affected gearing materially.

Barlow lifts earnings dividends

D/D 24/5/88

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JOHANNESBURG — Taking full advantage of a more favourable economic climate, Barlow Rand has ended an eventful first half to the current financial year by posting a 32 per cent increase in attributable profits and raising the interim dividend by 30 per cent to 39 cents

Coming off an already high base, the performances from the industrial and food divisions in the six months ended March 31, 1988, enabled the group to take in its stride the nine per cent decline in contribution from the mining and mineral beneficiation sector and to maintain its record of a 30 per cent earnings growth rate over the past two and a half years

With the mining sector expected to show early recovery, and most other divisions maintaining if not accelerating the pace, the outlook is for the growth rate to be sustained for at least the rest of the year

In addition, group companies initiated a number of strategic acquisitions during the six months and these should add to the quality of future earnings as well as providing the platform for expansion and development into the next decade

These include the acquisition of an effective 28 per cent stake in Technology Systems International comprising the merged computer industry interests of ISM Trust and Reunerts Rand Mines acquisition of 61 per cent in Barplats a 33 per cent interest in Barbrook Mines Nampak's offer for the balance of Metal Box South Africa not held by it the 25 per cent stake in R I H not previously held and Tiger Oats offer to purchase 50 per cent of Langerberg Foods

Other acquisitions include offers for the whole of Logos Chemicals by Tiger Oats, Sterling Drug by Adcock Ingram and a 45,4 per cent stake in French Bank by Barlow Rand

The industrial sector was the major contributor to the growth rate boosing its taxed profits by a sparkling 72 per cent to R233,9-million and constituting 41 per cent of the group's total in that respect against 31 per cent a year ago

The international division experienced mixed fortunes but the lower trading profits were offset by favourable conversion of profits into rand

The report is confident on the outlook, forecasting that "trading activity is expected to continue at current levels in the second half and this, together with prospects for a stronger performance from the mining and mineral beneficiation sector, should result in sustained earnings growth for the full year"

Fast-growing Barlow Rand showing a new dynamism

Star 24/5/88

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By Magnus Heystek
Finance Editor

A spectacular increase in earnings from the industrial interests of giant conglomorate Barlow Rand more than offset the drop in earnings from its mining interests with attributable earnings in the six months to end-March increasing by 32 percent.

The market is expected to react favourably as these results are further proof of an emerging dynamism at Barlows after many years of fairly undramatic performances

The results of strategic long-term planning are now falling into place as the announcement of one big deal after the other in recent weeks testifies. And, according to senior management at Barlows, the best is still to come

According to the interim results released this morning turnover in the six-month period increased by 23 percent from R8,077 billion to R9,89 billion while the operating profit before interest increased by 30 percent to R894,3 million.

With interest charges virtually unchanged at R125,9 million (R125,1 million), operating profit soared by 37 percent to R768,4 million

While attributable earnings increased by 32 percent from R236,2 million to R312,6 million, a slight increase in shares issued diluted the rise in EPS to 31 percent from 131,6c to 172,3

The interim dividend has been increased from 30c to 39c a share.

On yesterday's trading price of 2010c the shares are yielding 13,6 percent and 5 percent on historical earnings and dividends respectively.

	Six months ended March 31				
	1988 R million	%	1987 R million	%	Increase %
Mining and mineral beneficiation	150,1	26	164,3	−9	
Industry	233 9	41	135 9	31	72
Food	155 0	27	113,2	26	37
International	39 6	7	38,0	9	4
Property, finance and administration	−5,5	−1	−16,6	−4	67
	573,1	100	434,8	100	32

Contributions to group profit after taxation.

Outlook good

And the outlook for the remainder of the year is good Says Mr. Derek Cooper, deputy chairman of Barlows "With the mining sector expected to show an early recovery and most other divisions maintaining if not accelerating the pace, the outlook is for the growth rate to be sustained for at least the rest of the year

"In addition, group companies initiated a number of strategic acquisitions during the six months and these should add to the quality of future earnings as well as providing the platform for expansion and development into the next decade"

Some of the acquisitions refered to by Mr Cooper include

- Joint control of IBM distributor ISM and setting up the giant computer supplier Technology Services International
- Full control of Metal Box for R269 million
- 50 percent of Langeberg Co-op for R80 million
- Previously US-owned Sterling Drug Company for R52,5 million
- An additional 25 percent of Robor Industrial Holdings, thereby increasing its holdings to 85 percent
- Control of Logos Pharmaceuticals, formerly known as MSD

These strategic acquisitions in fast-growing sectors of the market are likely to further boost the flow of earnings from its industrial interests, now the major contributor to group profits

The sharp increase of 72 percent in earnings from its industrial interests in the first six months of the financial year, from R135,9 million in 1987 to R233,9 million, increased its contribution to total profits to 41 percent, surpassing the contribution from its mining and associated interests (See table)

Lower grades, reduced profits from its coal mines and sharp increases in costs, contributed largely to the 9 percent drop in earnings from mining and mineral beneficiation from R164,3 million in 1987 to R150,1 million

The earnings from its food interests rose by 37 percent from R113,2 million to R155,0 million, steadily maintaining its contribution to group profits at 27 percent (1987 26 percent)

Internationally

The contribution of its international interests declined from 9 percent(R38,0 million) to 7 percent (R39,6 million), largely as a result of an indifferent performance from J Bibby and Sons

The US-based packaging and security printing operation Interchecks is in the process of being sold-off to management for $40 million, a move which will hopefully eliminate the drag on earnings of Bibby

Prospects for the second half of the year are good while an increase in gold and mineral prices should further boost earnings Any downturn in the economy will not impact on earnings in this financial year, says Mr Cooper

Barlow Rand has good six months

24/5/88 210 Bday

CHERILYN IRETON

POWERFUL performances by Barlow Rand's industrial and food operations more than compensated for declining revenue from its mining division in the six months to end-March.

Increased attributable profits of R312,6m were generated, driving earnings a share to 172,3c (on an increased number of shares in issue) from the already high base of R236,2m — or 131,6c — at the previous half-way mark

Investors will be well pleased with the increased interim dividend of 39c a share (30c), but probably more so by the knowledge that the group has achieved its target of a 25% return on shareholders' funds.

With Rand Mines expected to have a better second half and other sectors expected to maintain their pace, CE Warren Clewlow is confident the group's growth rate will be sustained.

Even so, it seems unlikely that, in the short to middle term, the mining division will recover its position as the group's chief profit generator. Made up of Rand Mines, Middelburg Steel & Alloys and Pretoria Portland Cement, this sector accounted for 26% of group profits after a 9% drop in contributions from the same stage in 1987.

The big improvement came from the industrial sector, whose 72% rise in profits constituted 41% of the group's total

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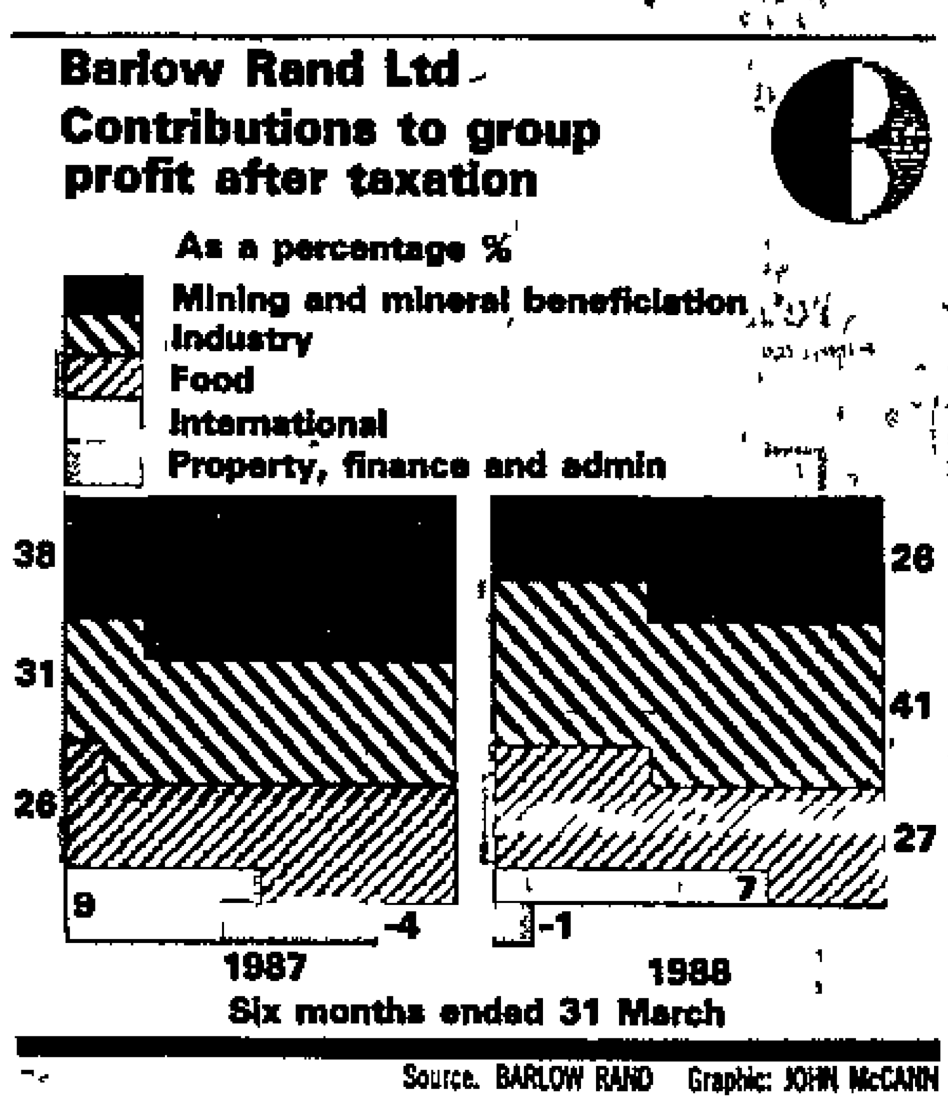

Barlow Rand has a good six months

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compared with 31% a year ago This follows an improved performance by all divisions including earth-moving equipment, motor and appliances

The drop in earnings from its overseas arm, J Bibby & Sons, was offset by the favourable conversions from sterling profits into rand.

Turnover edged towards R9,9bn (R8,1bn) which, together with an increase in productivity, led to a 30% rise in operating profit to R894,3m (R686,7m)

Naturally, the directors are pleased with the results, Clewlow says "To drive the group from a pre-tax base of R638,4m to R862,3m reflects the inherent strength of the group"

Interest payments were almost unchanged at R125,9m and higher rates are not expected to inhibit future performance Clewlow says "Barlow's is nowhere near highly geared We are more concerned about the effect interest rates will have on inflation"

He says it is important for companies not to be too euphoric about the decline in inflation. "It still has a long road to go down The real proof will be how far it drops and how long it takes"

The adoption of the partial method of deferred tax added an effective 14,7c a share to earnings

At end-March, the group debt.equity ratio had increased from 49% to 54% and net worth had risen to R13,95 a share (R12,76) The share is trading at R21

Mining must become more sophisticated says Bartlett

DID 28/5/88 (210)

PRETORIA — As mining production costs soared and the gold price remained constant South African mines were going to have to move from massive spending on mining and mining engineering to spending on sophisticated extraction and refining plants, the deputy Minister of Economic Affairs and Technology, Mr George Bartlett, said yesterday

Other products such as zirconium, scandium, gallium germanium, the rare earths, barium and fluorine, could be derived from the mines and were required in small refined quantities

Opening a congress of the Afrikaanse Handelsinstituut here, he said "Since these special materials are not used in vast quantities, it is clear that we will have to alter our approach to mining considerably to remain relevant and competitive

"Instead of bulk tonnage sales of unprocessed ores, the accent will have to fall on small amounts of highly beneficiated products"

The accent was thus going to have to be on chemistry, metallurgy and chemical engineering

'Advanced planning in the USA even foresees the establishment of low grade, multi-product mines, producing a range of these commodities in small amounts from very-low grade ores"

He said the demand for base metal and ferrous metals from South Africa would continue to drop South Africa's share of the world gold market had dropped from over 50 per cent a few years ago to a predicted 36 per cent in 1988

The average grades mined on the Witwatersrand had dropped from 13g/t in 1971 to roughly 5g/t in 1987 Production had risen from R40/ounce in 1971 to more than R800/ounce in 1987

"These figures indicate that should the rate of inflation in production costs experienced over the past 17 years continue, an exceptionally high gold price of about $1 200/ounce would be necessary by the year 2000 if these mines are to survive"

Alternatively, the rand/dollar exchange rate would have to be about $12/R1 to keep the Witwatersrand mines profitable

"The first alternative is unlikely, because most of the gold produced outside South Africa comes from relatively small, high grade, open-cast mines with very small overhead costs, automated mining techniques and small labour forces

"The second alternative is unacceptable because a low exchange rate would restrict our ability to import the very technologies which we may need for the future expansion of our mining industry" Mr Bartlett said

Outside the Witwatersrand basin, the gold mining industry could flourish because of high-grade and shallow deposits

The Minister of Economic Affairs and Technology, Mr Danie Steyn, told the congress that South Africa had to harness everything in the effort to increase its share in the development of original technology or to adapt technology efficiently

South Africa's success in the improvement of its export efforts would depend on its ability for technological innovation and to adapt if necessary by applying new technologies

The private sector was primarily responsible for the development of technology The government was prepared to make its infrastructure more market oriented and to use it to its full potential in partnership with the private sector, he said

Mr Steyn added that resistance by some sectors of the worker corps and other interested parties to the application of new technologies in the product production or process technology could retard technological process in this country

He said it was disturbing that the contribution of factory production to the national product had declined by 1,1 per cent to 23,2 per cent over the past 17 years, because South Africa's economic future had to be built around factory products, not around mining which was a dwindling resource — Sapa

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B/Day 26/7/88

SA mining legislation 'fraught with anomalies'

ROBERT GENTLE

SA'S MINING legislation is fraught with inconsistencies and anomalies which in certain cases may be doing mineral exploration and exploitation more harm than good.

This emerges from Economic Focus, a report by Bank of Lisbon International. One such law is that which differentiates between precious metals (gold and the six platinum group metals), base metals, coal and natural gas.

It can result in different laws being applied to the same ore body, the report says, citing the case of the country's major platinum group producing ore body, the Merensky Reef, which also contains nickel and copper.

A company mining for one specific metal could thus find itself having to discard any by-product metals because its mineral rights are confined to one metal alone.

Another piece of legislation questioned is the multiple ownership and fragmented holdings of mineral rights — the result of boundaries being based on farm boundaries or "claims".

Such subdivisions are artificial with respect to the natural occurence of mineral deposits, the report says, and accounts for the peculiar shape of many mine properties, which often inhibits optimal exploitation.

An illustration is the 1986 merger of four Anglo American mines in the Free State. A circular to shareholders explaining the merits of the merger said the remaining ore body could now be exploited in "in the most effective manner possible without the constraints of artificial lease boundaries".

More economical use of assets, greater integration of treatment facilities and greater flexibility were also cited. However, despite the shortcomings of the "farm boundary" method of allocating mineral rights, it is difficult to see what other system could replace it.

On the exploration front, the report outlines what some observers see as the detrimental effect the dominant position of the mining houses has had on exploration activity. Bias towards production alone has caused exploration to take a back seat, resulting in existing concerns being delisted or taken over by the mining houses themselves.

Although the JSE has become a prominent source of finance to allow smaller independent operators to relight the exploration flame, observers argue that listing requirements are still too stringent.

Another more accomodating JSE sector is suggested, though the point is made that such a facility could be open to abuse by bogus companies seeking to make fast money from unsuspecting shareholders.

Anglo prospects in Turkey

REINIE BOOYSEN

ANGLO American Corporation of SA and six other companies have been allocated gold exploration permits to join the growing search for the precious metal in Turkey.

The latest issue of Mining Journal's International Gold Mining Newsletter (IGMN) says Anglo is to search for gold in the eastern Erzurum and Kars regions of Turkey, while six other companies will expand their current Turkish exploration interests in collaboration with the state-owned Etibank.

They are: Outokumpu; Phelps Dodge; Preussag; Metallgesellschaft and France's BRGM.

The move coincides with increased exploration activity in Europe — in countries such as Spain and Italy.

Turkish government reports state the country has about 62 tons of gold and 600

● To Page 2

Anglo to join search for gold in Turkey

● From Page 1

tons of silver in ore reserves and the potential for further discoveries is considered good.

The IGMN writes: "Like Spain and Italy, Turkey is blessed with widespread mercury mineralisation, a strong sign that hot springs-style epithermal gold mineralisation may not be too far away.

"Furthermore, the country is keen to forge closer links with the European Community and the investment climate in the country is very favourable."

This development in Turkey comes soon after a severe set-back for Anglo's interests in Brazil.

On April 28 both houses of Brazil's parliament decided that mining and mineral exploration in the country should be controlled and majority owned by Brazilians. Gathering as a single assembly, the houses, voted by 343 votes to 126 in favour of adding a clause to the constitution to this effect.

Two of SA's big mining houses — Anglo and Gencor — are known to have substantial interests in Brazil.

Anglo American Corporation of South America — wholly owned by Anglo American Corporation of SA — has a large stake and management control of two major Brazilian gold mining ventures, namely the Crixas and Jacobina mines.

Mining Journal also reports that Anglo has been granted an option by TRV Mineracao to earn a 50% interest in its Anicuns gold project in the Brazilian state of Goias, 30km south of Crixas.

Anglo is examining recent exploration results and has already started its own drilling programme on the property.

Meanwhile Anglo American Corporation is continuing its search for gold in North America.

Mining Journal reports that Western Gold Exploration and Mining (WestGold) — in which Anglo's Luxembourg-based investment holding company Minorco has a controlling interest — aims to develop an annual gold production of 200 000 ounces and reserves of at least 2,5-million ounces by the early 1990s.

Egoli lifts earnings 100%

Gopt Tw ES 27/5/88 (210)

JOHANNESBURG — Egoli Consolidated Mines (Egoli) reports earnings up more than 100% to R17m (R8,33m) for the year to March 1988

The final dividend is 7,5c (7,5c) which, together with the interim of 7,5c gives a total of 15c (12,5c) for the year

No further details are provided about the group's performance

However, in commenting on the Taiwanese deal recently in the news, deputy chairman, Don Grant-Hodge, says in the statement that, as the sale of Egoli's shares in its holding company, Johannesburg Mining and Finance Corporation (JMF) to a Taiwanese investment company was not fully implemented, the increased earnings reflect only that part of the surplus "resulting from those shares sold for which the full cash payment had been received

"The appropriate legal action has, however, been taken to recover the outstanding balance of R30,03m "

Shareholders' funds have also substantially increased, says Grant-Hodge

Egoli's main listed subsidiaries are Carrig Diamonds, Waverley, Westwits.

Its main investments are Simmer and Jack Mines, Wit Nigel and Energy Resources and Mining Corporation (ERC).

Waverley's dump recovery operation is nearing completion and its future operations will be mainly Brakpan Van Dyk Mines

"Egoli has recently acquired additional surface reserves of dump material which will extend the life of treatment operations by more than 20 years," says Grant-Hodge — Financial Staff and Sapa

NEWS

W/CAPE 28/5/88 210

R25-bn SA shares could be dumped

From CHRIS MOERDYK

JOHANNESBURG — More than R25-billion worth of South African mining shares could soon be dumped on world markets.

This is only part of the financial implication of the latest anti-South African trade legislation being considered by the US Government.

Placed in perspective, the value of South African mining shares held by US corporations and citizens is equivalent to double the turnover of the Johannesburg Stock Exchange last year and half of South Africa's national budget.

In addition a further R2-billion in direct American investment is at stake.

The Anti-Apartheid Bill Amendments of 1988 is expected to be considered by the US Congress early next year and if approved in its present form, American citizens and corporations holding South African shares or investments will be given 180 days to off-load.

While it is likely that foreign investors outside of the US would snap up a fair proportion of the shares, domestic mining houses and institutions would no doubt buy with alacrity should the shares fall by any substantial margin.

Nevertheless in view of the huge amounts involved should the proposed legislation succeed in its present form, pressure on the JSE would be immense, perhaps even making the crash of last October a hiccup by comparison.

Geological research vital — mining chief

Star 31/5/88

(210)

Finance Staff

The mining industry must invest heavily in long-term geological research and exploration programmes if it is to maintain its pre-eminent position.

In doing so, it will have to re-assess current management structures to ensure that people with science expertise and those with the ability to make decisions based on geological research are accommodated within that establishment.

So says Nick Stavrakis, MD of South Witwatersrand Exploration (South Wits), which holds gold, platinum and base mineral rights in the Witwatersrand basin and outlying areas of the Transvaal.

"The focus of the mining industry has always been on finance and engineering. The reason for this is simple. Mineral deposits, until now, have been fairly simple to locate and exploit. "But the day of the straightforward bonanza has passed. In fact, it is only through the sound application of modern geological techniques backed by research that future, potentially viable orebodies will be discovered.

"In order for South Africa to locate and exploit new orebodies, it is vital that innovative geologists play an increasing role in the decision-making and exploration process."

He cites the Kalkoenkrans ore deposit, the backbone of the new Oryx mine, as an example of how effective such an approach can be. Management from the chairman down was geologically oriented and was able to create a viable mine in what was previously regarded as a barren area.

"Our mining houses must have the courage to invest more in earth sciences research and stick to exploration programmes, even in times of recession. Traditionally, this is the first area in which the financial horns are drawn in in quiet times. Inevitably, this means that when an upturn comes, the company's ability to take advantage of new opportunities is limited because it must rely on existing known resources only," Mr Stavrakis says.

Mixed results for Anglo American

510 B/day

REINIE BOOYSEN 2/6/88

ANGLO American has cautiously elected to pay an unchanged dividend despite satisfactory growth in equity accounted earnings.

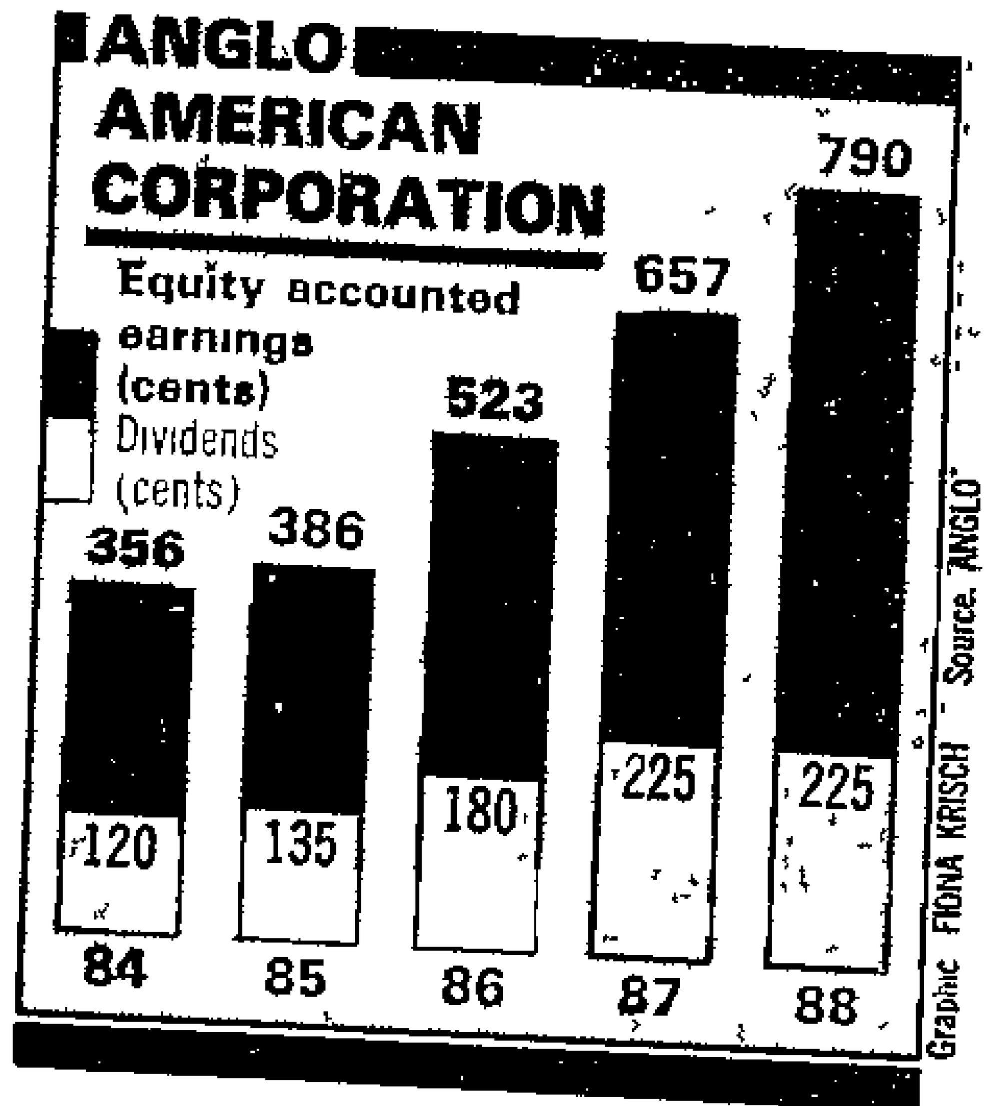
Although equity accounted profits grew 20% to R1,8bn, the dividend of 225c a share is unchanged. This represents an increase in dividend cover from 2,92 to 3,5 times.

Nevertheless, Anglo's attributable earnings showed only a slight growth on account of the fact that the corporation and its subsidiaries, such as Amcoal, endured extremely difficult conditions.

Associates, on the other hand, collectively achieved vastly improved results. A glowing performance from associates such as De Beers, JCI and Minorco overshadowed the lower revenue from Amgold.

Although the results are slightly better than market expectations, some analysts believe income for the next financial year may be disappointing.

In view of the pipeline effect which results in a lag between Anglo's receipt of dividends from associated companies and distribution to its own shareholders, the good equity accounted year may not



accurately reflect current trading conditions, said an analyst.

The past year has been gloomy. The poor performance of Anglo's coal and gold interests are the major cause for Anglo's caution.

Anglo American Gold Corporation dropped its dividend by 11%, reflecting the general decline in gold mining pro-

● To Page 2

Anglo American pays unchanged dividend

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● From Page 1

fitability as a result of poorer grades and increasing mining costs.

Anglo American Coal Corporation fared even worse, largely as a result of the industry-wide depression brought on by coal sanctions on the part of the US, France, Denmark, Norway and Sweden.

Nevertheless, the frailty of these sectors is counter-poised by the strength of Anglo's diamond, platinum and industrial interests. Good dividends from these sectors were largely responsible for the 7,6% growth in net income from investments to R1,015bn.

Anglo says the 35% drop to R274m in trading income reflects the adverse trading conditions experienced by the coal sector.

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SA could absorb total US sell-out of mining shares

Foreign holdings of South African mining shares are dropping steadily. What would happen if Americans in particular were forced to sell all their SA shares? MIKE BROWN and HELEN COOPER examine the issue in this extract from a Davis Borkum Hare study

THE PROCESS of "creeping foreign disengagement" from ownership of South African mining shares has been underway for a sufficient number of years to suggest that a rapid reversal in this trend is unlikely

The appreciation of the rand over the past year or more, and the restoration of greater political stability and social calm in SA, have not helped to stem the disinvestment tide, although they might have slowed the pace of such foreign detachment

It seems clear that not only the prospects for gold and the mining industry, but also foreign perspectives of the political, labour, social unrest and economic situation in SA will play a major role in formulating non-resident investor attitudes to South African mining shares

These "risk" factors that have become attached to the normal investment criteria applicable to equity holdings have to be weighed up by individual investors or fund managers when assessing the merits of South African mining shares

Such opinions are likely to vary widely, but the fact that foreign investors still held some 24% of the total issued share capital of South African mining shares (and 26% of gold shares) at the end of 1987 indicates that many foreign investors remain optimistic about the prospects for SA and its mining industry

The rising pressure for compulsory disinvestment from SA — particularly in the US — does, however, raise the prospect that many foreign investors might be forced to disengage from SA

The compounding efforts to promote legislation in the US to enforce sanctions (including disinvestment) on SA culminated during October 1986 in the passing of the Comprehensive Anti-Apartheid Act. The Act did not force disinvestment, but did preclude any new investment by US citizens in SA.

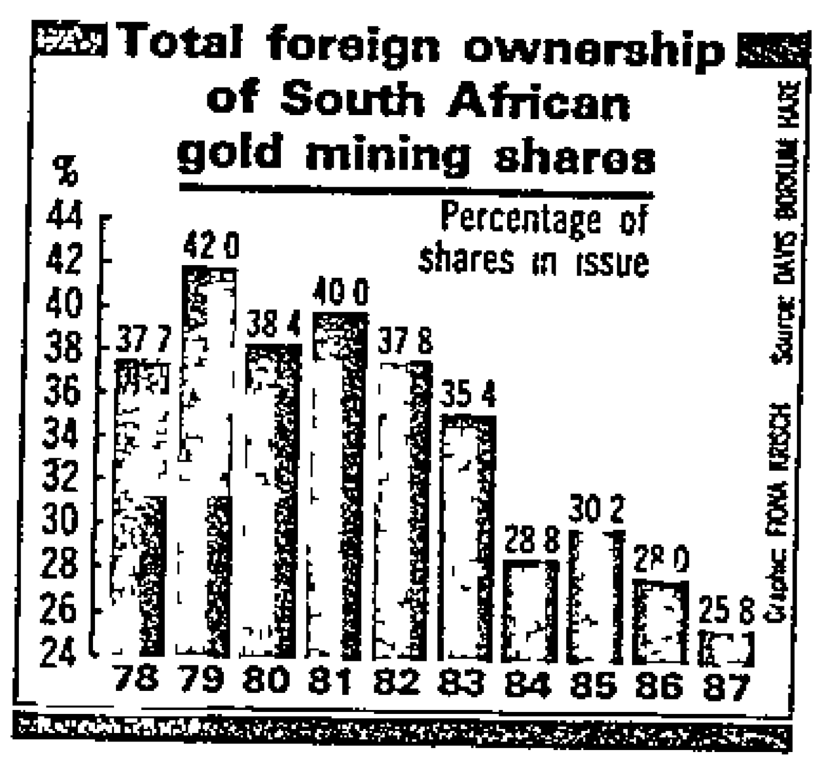
Any new mining shares issued after October 2, 1986, could not be held by US citizens, but shares in mining companies issued before this date could be freely held and traded.

Currently being brought before Congress are the "Dellums" Bill (in the House of Representatives) and the "Cranston" Bill (before the Senate) The Bills are largely identical and seek to prohibit US investments in SA The Dellums Bill provides as follows

"A US person may not, directly or through a foreign affiliate of that US person, make or hold any investment in SA" The definitions make it clear that South African equities are incorporated in the orbit of the Bill

There is no certainty that the Bills would be passed by Congress in this or future sessions, or that the provisions could not be substantially altered in their passage through the US legislature

However, the issue of "compulsory disengagement" from South African



equity investment by all "US residents, nationals, partnerships, corporations, or other entities organised under the laws of the US, plus foreign affiliates controlled by a US person," according to the Dellums Bill terminology, does seem to be on the roll

The possibility of further enforced reductions in foreign holdings of SA mining shares cannot therefore be precluded Threats of such compulsion could also lead to the erosion of US and other American Depository Receipt (ADR) holdings in such stocks.

US and/or ADR holders retain 14,2% of the total market capitalisation of South African mining shares, worth some R14,27bn or US$4,6bn (at the end of 1987 financial rand rate) The major portion of US holdings are concentrated in gold shares, worth R10,0bn or US$3,2bn

Expressed in different terms, an enforced "fire sale" of US holdings in South African mining shares would only involve a sizeable but nonetheless a minority stake in the market. Also, the present capital of US$4,6bn involved would very likely be realisable at a lower figure because of the probable fall in the financial rand — which was designed for the purpose of absorbing such shocks

The probable effects of total US disinvestment could include

☐ A one-off disruption of the price of South African mining shares as the US "minority stake" in the industry is absorbed at bargain prices,

☐ The shares involved are already issued capital, so there would be no direct impact on the South African mining industry The Comprehensive Anti-Apartheid Act of 1986 already prohibits fresh US investment in SA, so there would be no change in the status quo relating to the mining industry's capacity to raise net foreign capital,

The financial rand mechanism enables non-residents to disinvest publicly without any net foreign capital outflow Accordingly, there would be no shocks to the South African capital account or foreign currency reserves On the other hand, the financial rand "pool" would expand by the extent of US sales of South African mining shares, which could enhance the tradeability and liquidity of the currency; and

☐ Any negative employment effects which might arise from US disinvestment might be expected to impact predominantly on the black population group, which accounts for about 90% of the labour force on South African gold and platinum mines At stake here are some 500 000 jobs, of which 20%, or 100 000, are migratory workers from neighbouring territories in Southern Africa

The enforced disinvestment by US citizens of holdings in South African mining shares is by no means certain and, to date, little threat of compulsive disinvestment seems apparent in the UK and Europe

Cautious investors wishing to avoid the disruptive influence of potential further foreign disengagement from South African mining equities might, however, be attracted to mining shares with minimal foreign ownership

Two categories of shares — new mines and mining houses — tend to fall under this description and these companies could provide some degree of "sanction-hedge" for cautious investors

R20m mining group launched

(210)
B/Day
3/6/88

ROBERT GENTLE

A NEW mining exploration company which will operate mainly in the Free State has been formed, and is expected to be listed on the JSE's Mining and Exploration sector coincident with a rights issue of at least R20m.

The company, Lydenburg Exploration Ltd ("Lydex"), will combine certain mineral interests currently belonging to Lydenburg Platinum, Rand Extensions & Exploration (Randex), Potchefstroom Gold Areas (PGA), Free State Development & Investment Corporation (Freddev) and Southern Prospecting.

● Von Christierson

The major shareholder in Lydex will be Lydenburg Platinum, which is 57% owned by Old Mutual. Lydex will be managed by Southern Prospecting, which has been in the exploration field for some 36 years.

The rights offer will be made simultaneously with the Lydex listing, and will consist of linked units comprising ordinary shares and share options.

Chris von Christierson, a director of Lydex and MD of Southern Prospecting, says these options will be exercised at a future date which will fit in with the capital needs of the company as its exploration activities develop over the years.

On the question of the high-risk nature of exploration, von Christierson says the portfolio of mineral interests will not only be spread geographically, but will range from areas of proven reserves right down to grassroots areas with geological potential where no discoveries have yet been made.

Lydex will also turn to account its interests in conjunction with the major mining houses and other appropriate joint venture partners with the necessary geological and technical expertise, he says.

Von Christierson is a firm believer in the need for SA to channel significantly more funds and effort into exploration in order to arrest the long-term decline in gold production.

He is co-author of a recently published paper on the subject which received wide attention both at home and abroad, notably in the prestigious International Gold Mining Newsletter.

Anglo American's year-end results yesterday revealed a R36m increase in exploration funding to R108m, much higher than in previous years. Gencor also recently increased exploration funding from R48m to R73m.

The unexplained firming of mining exploration stocks over recent weeks appears to have been in anticipation of today's announcement.

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COMPANIES

Anglovaal lifts 1988 dividend by 11%

REINIE BOOYSEN

ANGLOVAAL has declared a 10% higher final dividend of 430c on its ordinary and "A" shares for the year to end-June 88 — raising the year's total by 11% to 650c

This follows adverse gold mining conditions encountered by the group which were compensated for by substantial growth in earnings from its industrial companies

Although Anglovaal says the second half will probably be less dramatic, Anglovaal Industries reported a 69% increase in interim earnings

Anglovaal says estimated consolidated profit — after deductions for tax, minority interests and preference dividends, but before extraordinary items — for the year rose by 7% to R141,8m This gives a dividend cover of 5,1 times (last year 5,3 times)

The group's holding company — Anglovaal Holdings, which is controlled by the Hersov and Menell families and owns 50,2% of Anglovaal's issued ordinary capital — lifted its final dividend by 10,3% to 43c, bringing the total for the year to 64,5c Estimated taxed profit rose by 11% to R6m

Reduced income from mining investments resulted in lower profits for the group's mining exploration, finance and investment company, Middle Witwatersrand (Western Areas), which declared an unchanged dividend of 160c for the year The company's estimated consolidated taxed profit for the year fell by about R2m to R30,7m

Another group investment company, Zandpan, benefited from its stake in Hartebeestfontein, which returned an improved distribution this year. Zandpan posted a 9% higher dividend of 25,6c It's estimated consolidated profit rose by 9% to R33,3m

Anglovaal ordinary shares are currently trading at 29 000c This implies a dividend yield of 2,24% (2,1%) The yield for the holding company shares, currently at 3 000c, is 2,15% (2%)

Mining industry turns away from hostels

Star 7/6/88

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The mining industry is moving away from the hostel concept and taking a lead in a new accommodation lifestyle is the management of Khutala coal mine, near Witbank.

Taking a leaf out of the Family Housing Association book which is providing home-ownership in a project at Phola about 26 km away, Khutala miners now have the option of family life at the mine.

General manager, Mr Peter Mabbett, says "The all-in wage system allows workers the choice of either living in a hostel or buying or renting a house"

"This means that we are moving towards providing less hostel accommodation as most people prefer to have a home where they can be with their families".

FHA officials have explained the scheme to the workers and an estate office has been opened

Already, 75 workers have shown interest in the project

Of the 1 421 stands in the housing project, 430 are allocated to owner-builders, who can build under FHA supervision

More than 380 stands are for contractor-built homes dand 141 are for sale directly to individuals

Mining interests check Anglovaal

Star 7/6/88

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By Ann Crotty

Although Anglovaal's industrial interests put in a strong performance during the 12 months to end-June, a weak performance from its mining interests held back group performance to an estimated 7 percent profit increase

The group's estimated profit — after tax, minority interests and preference dividends, but before extraordinary items, marginally increased from R133 million to R141,8 million. The final dividend has been increased by 10 percent to 430c (390c) a share which brings the total for the year to 650c, which is 11 percent up on the previous year's 585c Dividend cover is down slightly to 5,1 (5,3) times.

Commenting on the estimated results, deputy chairman Clive Menell notes "The year's growth in earnings was very much less than the annual growth figures over the last few years. For example, the annual average increase over the past three years is more than 30 percent compounded "

The group's industrial interests appear to have gone a long way to propping up the overall results As Mr Menell points out "At the half-way stage, Anglovaal Industries had reported a 69 percent increase in earnings and, although the second half will probably not match this, it should nevertheless produce a very creditable performance. Certainly the more buoyant economcy and lower interest payments assisted performance but sound, efficient management made a significant contribution to the results "

Performance from the group's mining investments was adversely affected by rising costs and a relatively static gold price And, as expected, it was further weakened by the reduction in dividends from Prieska Copper Mines and Associated Managese Mines Also holding back this year's profits was the estimated R10 million increase in exploration, research and development costs

Holding company

Anglovaal's holding company, Anglovaal Holdings — whose main source of revenue is dividend income from its investments in Anglovaal — increased its final dividend 10 percent to 43c (39c) a share, resulting in total dividends for the year of 64,5c (58c). The company's estimated taxed profit rose by 11 percent to R5,9 million (R5,3 million).

Although income at Middle Western, the mining exploration, finance and investment company was weaker, the total dividend for the year was maintained at 160c a share

Zandpan, whose main investment is the Hartebeestfontein gold mine, lifted its final dividend to 15c (13,5c) a share, resulting in 25,6c (23,5c) for the year, while its estimated consolidated profit for the year was up 9 percent to R33,2 million

Court ruling on prospecting case

Bday 13/6/88 (210)

THE two-year dispute involving RUC mining, Messina Platinum, the Land and Development Aid Minister and a piece of platinum-rich land in the northern Transvaal was decided against RUC in the Pretoria Supreme Court last week.

The case revolved around the Minister's rescission of an earlier decision to grant a prospecting permission on portion 68 of Zebediela's location to RUC.

RUC is a partner with Rhombus Exploration in a consortium that was to investigate the merits of establishing a platinum mine on the property.

RUC — in whose name the application for a prospecting permission was made — challenged the Minister's decision in the Pretoria Supreme Court. The court decided the Minister was within his rights when he changed his mind about granting the permission to RUC

Although the decision granting the prospecting permission had already been made internally, RUC had not yet received documents to that effect

It was at this stage that Messina Platinum entered the dispute It confronted the Minister with its own claim to the prospecting permission, citing the fact the property was contiguous with Messina's existing exploration areas.

Messina argued it had greater financial resources to exploit the ground.

The Minister then offered to put the prospecting lease out to closed tender, so that the two claimants could argue

REINIE BOOYSEN

the merits of their cases

RUC declined the offer and resorted to litigation against the Minister, arguing he had never had the authority to put the permission out to closed tender.

Who will now get the prospecting permission remains unclear, as does who will now allocate the prospecting permission

When the dispute first arose more than two years ago, allocation of prospecting permissions in self-governing homelands was a function of the SA Development Trust Corporation The mineral rights in question are being transferred to the Lebowa government in terms of a proclamation in December 1986

Both parties remain adamant they deserve the prospecting permission

Messina argues it is already operating in the area and is thus best situated to turn the minerals to account

Although RUC MD Dicks Loubser declined to comment, sources say it will take another tack, arguing Messina may delay exploitation of the minerals — which are down-dip from their existing operations — until such time as they exhaust their present reserves

In such a case, say sources, it will be in Lebowa's best interests to grant the prospecting lease to a company that will exploit the minerals with the least delay

Ambush set to sour oil talks

VIENNA — An ambush by Iranian gunboats on a British-flagged tanker off the Saudi Arabian coast looked set to sour

Shipping sources in Bahrain said the timing of the latest attack, which caused no casualties and which, along with an

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Labour peace: 'no easy road'

GERALD REILLY

PRETORIA — A decade of experience with black trade unions had shown there was no easy road to either labour peace or constructive relations, Anglo American group consultant on industrial relations Bobby Godsell said yesterday.

Speaking at the SA Institute of Mining and Metallurgy symposium, Godsell said few still harboured the illusion that unions would either never arrive, or would somehow disappear.

Legitimate workers' aspirations as articulated by unions had to be addressed Equally, coercive, unfair and at times even barbaric behaviour had to be effectively resisted

Godsell said the trade unions reflected new power realities.

Union leadership, and especially the relationships management had developed and maintained with union membership, would determine the constructive or destructive use of newly acquired worker power.

"There is no way to take the power away

"There is no road open back to the past," Godsell said.

He said in many industries wages and working conditions were not what they should be.

If white managers and artisans could legitimately expect to be paid wages roughly comparable with those in developed economies, so could black operatives.

And if white workers enjoyed a properly funded retirement benefit, so should black workers

Godsell said industries could not stand still and racial inequities had to be addressed.

Management should not wait for coercive union tactics, he said

They should seize the initiative and set the agenda for improvements industry could manage

Most second-line supervisors were white and they had found themselves managing men at work simply because they were the last line of white employees

"They are more *baases* than bosses," Godsell said

The days of racially based authority, if not completely over, were rapidly departing, he added

Discrimination to be wiped out, say mines

Star 16/6/88 By Michael Chester 210

The Chamber of Mines has told international investors that final moves to wipe out the last traces of racial discrimination holding back black workers from any of the 750 000 jobs on South African mines may be imminent

Mr Tom Main, assistant general manager of the chamber, told the *Financial Times* World Gold Conference in Vienna it was hoped that black miners would soon have the chance of promotions as high as mine managers

"The South African mining industry prides itself on its commitment to the eradication of racial discrimination, which is in conflict with the most fundamental of business principles," he said.

"The industry has battled for the removal of the 'scheduled person' definition in the Mines and Works Act and is finally nearing the stage where it will be able to employ blacks as rock-breakers, engineers and mine managers.

ADDITIONAL FEATURES

"The legislation making this possible was approved by the State President last year and draft regulations to give effect to the elimination of this last vestige of statutory job reservation were published a few days later.

"The chamber was disappointed in the draft regulations because they did not simply repeal the discriminatory 'scheduled person' definition — but included certain additional features which could have been interpreted as introducing alternative means of discrimination by restricting the employer's choice of candidates for jobs previously reserved for whites.

"The chamber immediately made further representations and hopefully the new regulations will be finalised in the near future to entitle the industry to commence training and employing all races in jobs previously reserved for whites and certain coloureds."

Turning to the controversial new Labour Relations Amendment Bill, he said trade union claims that the proposals would inhibit the right to strike lawfully were "simply not true".

He said the Bill contained a number of valuable provisions on the streamlining of procedures which should improve the collective bargaining system.

It elevated the status of the Industrial Court and its proposal to create a special labour appeal court was also a useful development.

Apartheid 'a burden for mines'

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Star 21/6/88

By Michael Chester

The Government was warned by the Chamber of Mines today that delays in removing the remnants of apartheid laws in job reservation were burdening South African mines with crippling production losses.

Chamber president Mr Naas Steenkamp disclosed that the laws were still holding back hundreds of black workers from filling key jobs where there were critical labour shortages

He told the annual meeting of the chamber in Johannesburg that the mining industry, with a labour force of more than 750 000, was justified in its impatience with the sluggish pace of government action on changes to job reservation laws

In particular the industry was urging the government to give effect to proposed amendments to the Mines and Works Act which would enable people of all races to acquire certificates of competency in various skills

He said gold mines were suffering substantial production losses because of shortages of several hundred skilled workers holding certificates of competency in such key roles as blasting

"Able people are waiting in the wings to help redress the shortages," he said "The significance of the blasting certificates is that it not only opens the door to the job of supervisory miner but to all jobs above that on the production side of mining

"Thus the removal of the last legal impediments in mining can come none too soon We are agreed that we must find an enduring formula for coping with our changing economic and industrial relations environment"

Where the mining industry had been allowed to press ahead with the progressive removal of other discriminatory laws and work practices, more than 5 000 black, coloured and Asian workers had moved into jobs previously reserved for whites only

Following the President's lead in seeking new solutions to inflation, the mining industry was seeking the support of the trade unions for wage restraint.

"So far, there has been a positive and constructive reaction," he said "There appears to be an appreciation of the fact that labour costs have a bearing on future job opportunities," he said

Inflation, sanctions taking toll

Mining industry in critical phase

Star 22/6/88

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Finance Editor

The mining industry has entered a critical phase despite the sharp rise in capital expenditure and record employment levels, says Naas Steenkamp, outgoing president of the Chamber of Mines

Total mineral sales last year recorded a drop of 2,1 percent to R28,84 billion — only the second drop in real terms in more than four decades.

This was mainly attributable to a decline of 4,8 percent in exports, particularly of coal

South Africa's persistent double-digit inflation rate was a major threat to the profitablity of the mining industry, which, combined with sanctions and falling demand for certain minerals and metals was undermining the long-term survival of the industry, Mr Steenkamp said yesterday.

"Six of our gold mines, employing 70 000 workers, are in a loss situation, with working costs per kilogram higher than the prevailing gold price. Inflation also compounds the problems of the coal mines and some can no longer compete in the export market," he said at the annual general meeting of the Chamber of Mines.

The operating costs of gold mines, for instance, last year rose at a rate of 19,6 percent — much higher than the average inflation rate in the same period.

Mr Naas Steenkamp ... painful measures to reduce inflation

This problem was exacerbated by the crippling miners' strike last year that led to a sharp drop in mining output, particularly of gold

"We know and we accept that measures to reduce inflation will unavoidably be painful and controversial and will require resolve to implement. Wage increases are only part of the problem of inflation and much more emphasis should be placed on other pertinent factors, in particular expenditure on the huge, often unproductive and inefficient state sector.

"The deregulation and privatisation programmes reflect the Government's recognition of this, but they are very slow in being implemented," he said

The mining industry remained a major provider of work and income in South Africa In 1987 the size of the total workforce in the mining industry grew to 759 000, an increase of 3 000 over 1986 and an all-time high for the industry

Capital expenditure was running at record levels, reaching R4,9 billion last year That represented 15 percent of total gross domestic investment in the country as a whole.

In the period under review, 16 new gold and 6 new platinum ventures of varying sizes had come into production or been approved. Between now and the end of 1990 capital investment in the gold mining industry alone had been estimated at R13 billion This must be seen against the decline in real fixed investment in the SA economy, while mining had registered a real increase of 31 percent.

● Output of gold mines last year continued its long-term decline, dropping from 638 tons in 1986 to 605 tons, despite tonnage milled remaining fairly constant at 107 millon tons This was a result of a decline in the recovery rate, which fell by 6,2 pecent to 5,28 grammes per ton.

Despite the increase of 21 percent in the average dollar price of gold last year, the rand price received rose by only 8 percent because of an appreciating currency. Operating income rose by 1 percent to R16,6 billion

JCI sells R50-m Diagonal St project

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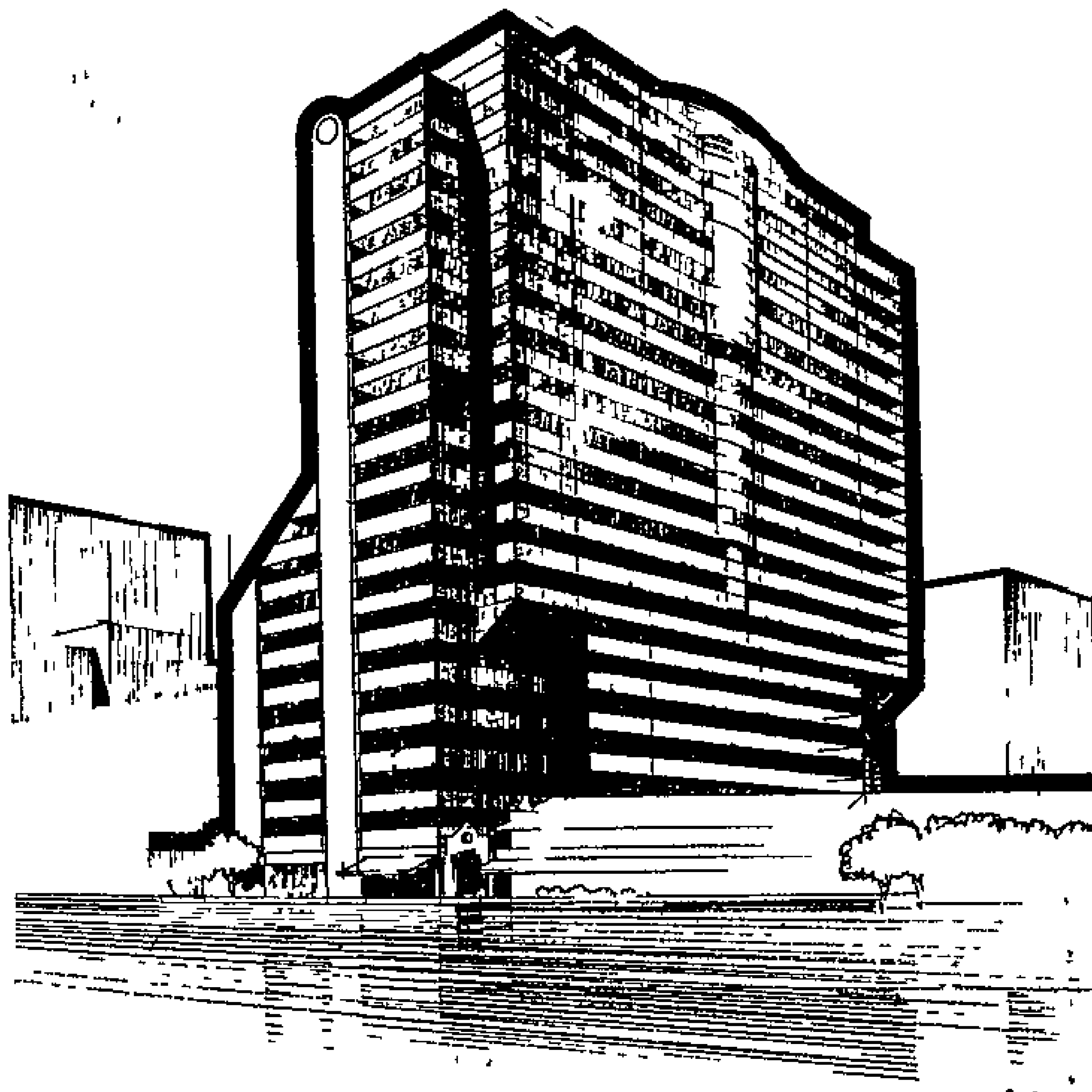
STAR 23/6/88



An artist's impression of JCI's super building to be created in Diagonal Street

By Frank Jeans

Johannesburg Consolidated Investments (JCI) has sold its R50 million Diagonal Street development to a consortium of pension funds

Early last year, JCI bought the 3 750 sq m site from the Argus group for R3,75 million and following negotiations with the Johannesburg Council and the National Monuments Commission, it was agreed to retain two old buildings fronting Diagonal Street

The old fruit trading alley which has been demolished, will be rebuilt as a shopping mall as far west as possible on the site, so as to allow "reasonable property development".

A further 2 000 sq m of retail space on the ground floor of the new building will be let to Indian tenants who vacated the old property to make way for the project

The new structure, which is expected to be complete and ready for occupation at the beginning of 1990, will have 14 000 sq m of lettable space over 21 floors

The office component will cover 14 floors and there will be seven storeys of parking In addition, 352 parking bays will be available for tenants

While no details are available, it is understood that negotiations are already going on for leases and two tenants have been secured for a total of 9 500 sq m

The Indian tenants who were displaced by the demolition of the old building will have the first option to re-establish themselves in the new shops

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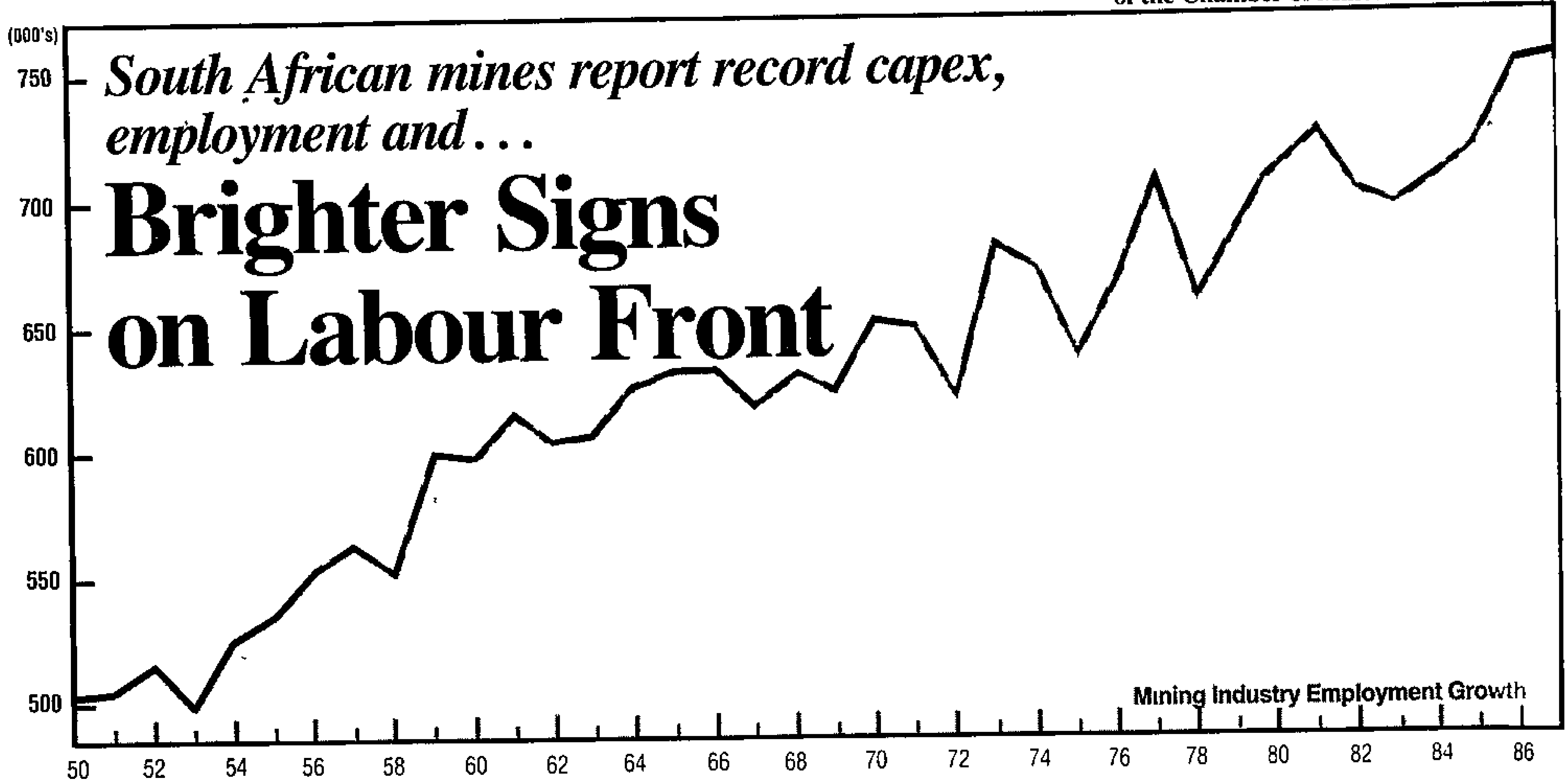
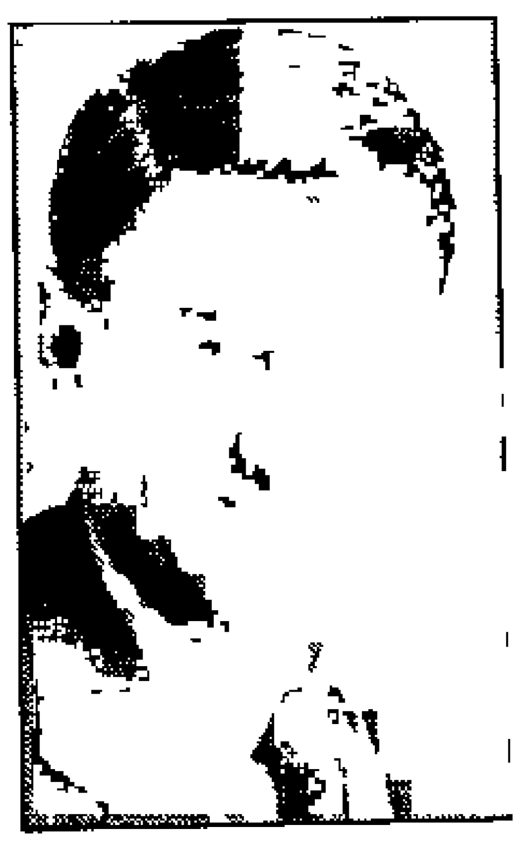
South African mines report record capex, employment and . . .

Brighter Signs on Labour Front





This is an abridged version of the address given by Mr Naas Steenkamp at the 98th Annual General Meeting of the Chamber of Mines held in Johannesburg on June 21, 1988.

Despite record capital investment and employment levels the South African mining industry has entered what may prove to be one of the most difficult periods in its history Its vigour is being tested on a number of fronts

Persistent double-digit inflation affects all mines, our coal-mining industry has been hit by both a weakening world market and economic sanctions and there was a major strike last year involving many of our mines For these and other reasons our earnings from mineral sales in 1987 fell – only the second time this has happened in more than four decades of steady earnings growth

The major mining groups therefore all agree that in the interests of our shareholders, of our employees and of Southern Africa as a whole, we must now gather our forces and strengthen the basis for the long-term survival and progress of our industry We are agreed that we must find an enduring formula for coping with our changing economic and industrial relations environment

First, the high inflation rate which is driving our mine working costs to uneconomic levels must be reduced Six of our gold mines, employing some 70 000 people, are in a loss situation with working costs per kilogram higher than the prevailing gold price Inflation also compounds the problems of the coal mines – sanctions, weak world prices and heavily increased domestic rail tariffs – and some can no longer compete in the export market

We know and we accept that measures to reduce inflation will unavoidably be painful and controversial and will require resolve to implement The State President, Mr P W Botha, has taken a courageous lead in this regard at a time when demands on the State are greater than ever before and there is pressure from all sections of the population whose real income have declined as a result of failure to address the problem earlier

In focussing attention on wage restraint as a major factor in the fight against inflation, the State President however also acknowledged the role of collective bargaining in establishing wage levels This we welcome quite apart from the State President's appeal, the mining industry has to contend with cost considerations of its own that in any event had to be taken into account in the wage negotiations We have therefore sought the support of our unions for such restraint and I am happy to say that so far there has been a positive and constructive reaction There appears to be an appreciation of the fact that labour costs have a bearing on future job opportunities

But then wage increases are only part of the problem of inflation and much more emphasis should be placed on other pertinent factors, in particular expenditure on the huge, often unproductive and inefficient State sector

The deregulation and privatisation programmes reflect Government's recognition of this but they are very slow in being implemented. Moreover, there now appears to be a danger that some of the ultimate benefits may be offset by the new bureaucracies being established to serve complex constitutional designs This latter area is one which the Government must scrutinise closely with a view to some degree of rationalisation

For its part the mining industry is applying rigorous controls on expenditure, both on the mines and at head offices, while looking for greater efficiency and productivity through improved mining technology and a better educated and more stable workforce.

The scope for this is considerable, as South Africa's collieries have shown by increasing their productivity by no less than 96 per cent in the period 1978 to 1987 – due almost entirely to a switch from hand-got mining methods to mechanisation

The potential for productivity gains in gold mining is also substantial

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even though the problems faced in the gold mines are far greater. As an indication, one mining house reported to a conference on trackless mining earlier this year that as a result of the introduction of tyre-mounted equipment for the drilling and transportation of underground rock and material, output by various categories of employees had increased by between 34 per cent and 267 per cent. This had the effect of a reduction in staff but also an increase in the earnings of the people producing the higher output.

Trackless mining and research being conducted into a number of other key areas are steps towards greater efficiency and productivity, so too are moves to utilise people of all races to the best of their ability. The latter has been made possible by the progressive removal of discriminatory laws and work practices.

The practical effect of this is that there are now on the mines over 5 000 blacks, coloureds and Asians employed in jobs previously reserved for whites only. This equates to about 12 per cent of the skilled workforce and 17 per cent of all apprentices in training, and the process is continuing.

Here I must make special mention of amendments made to the Mines and Works Act during the year which will enable people of all races to acquire blasting and certain other certificates of competency, thus overturning a racial prohibition on the acquisition of these certificates which dates back to 1893.

Effect must still be given to the amendments by publication of the regulations prescribing entry requirements for candidates wishing to write examinations for five of the 13 certificates of competency. Publication is said to be imminent, and judgement on whether they will enable true non-racial manning on our mines will have to await publication.

In the meantime I believe the industry's impatience with the sluggish pace of these changes is justified. Two years ago, the then President of the Chamber said "It is essential that this last remnant of discrimination in South Africa's labour legislation is cleanly excised from the statute book and that there are not perceived to be any strings attached to its repeal." My immediate predecessor, in his address a year ago, said "It is up to the Government, for its part to show that the controversial new enabling clauses will not be used to block black advancement".

The delay is costly. The gold mines are at present short of several hundred blasting certificate holders, resulting in a substantial production loss. Able people are waiting in the wings to help redress this shortage. But more, the significance of the blasting certificates is that it not only opens the door to the job of supervisory miner but to all jobs above that on the production side of mining, right up to the position of mine manager. Thus the removal of the last legal impediment to the employment of people of colour in all jobs in mining can come none too soon.

Last year the NUM initiated a costly three-week strike involving close on 40 per cent of the workforce on the Chamber's member gold and coal mines. The industry sought to view and handle the strike as an industrial dispute, but an evident underlying aim with the strike was to demonstrate wide worker support for an agenda ranging from sanctions to seizure of control of the national economy.

Claims have been made that the scope and duration of the strike proved that this support exists, but such claims must be suspect in the light of the prevalence of coercion, intimidation and violence during the strike, overriding industrial choice whether or not to participate. There was injury and loss of life, and far from fostering worker support for self-damaging confrontations there are now signs of a reactionary groundswell. Resentment has been engendered by the loss of jobs resulting from the strike, and from sanctions, by the NUM's advocacy of further punitive measures, such as the desire expressed by the NUM president on foreign television to see the country's gold mines closed down, and by the often vicious reprisals against individuals who refused to support the strike – all these have strengthened a counter-reaction with which management must now also deal.

There may be grounds for hope that the union leadership has sensed the mood of reaction prevailing in the workforce, reflected by the relative peace enjoyed by the industry latterly, and particularly the virtual non-participation of the mining industry's workforce in the June stayaways. Our negotiations with the NUM on the 1988 review of wages and other conditions of service have so far also progressed on more conventional lines and I would like to believe that good-faith bargaining will win out this year.

There is hope too in the fact that the NUM has shown willingness to discuss means of addressing the problem of violence during and following the 1987 strike. A number of meetings have been held to discuss this issue with a view to arriving ultimately at an agreed code of conduct setting norms for both parties. Progress has been scant but there is some comfort in the relative decline of acts of violence on our mines.

For our part, we are engaged in these discussions because in our view the NUM cannot shirk accountability for the deeds of its members if it claims to represent them and to be able to mobilise them for action.

The problems on which I have dwelt are of course very much a function of the continuing impasse in our national politics. It is very disappointing that the past year saw no significant progress towards an accommodation, it would seem instead that a defiant introversion has developed in all quarters and that the parties who must ultimately devise a national conciliation are unable to come to terms with the necessity of at least initiating the process. Against this rather sombre backdrop some encouragement must be derived from the willingness of the Government and the Congress of South African Trade Unions to enter into consultation on the intended amendments to the labour legislation.

The mining industry remains a major provider of work and income for the people of the sub-continent. During 1987 the size of the total workforce in the South African mining industry grew to 759 000, an increase of 3 000 over 1986 and an all-time high for the industry. Its worth for the people of Southern Africa is evident from the more than R2 billion that finds its way back to the source communities.

Capital expenditure is running at record levels, reaching R4,9 billion last year. That represents 15 per cent of total gross domestic investment. In the period under review some 16 gold and six new platinum ventures of varying sizes have come into production or have been approved. Between now and the end of 1990 capital investment in gold mining alone has been estimated to total R13 billion. This must be seen against the decline over the past four years of real investment in the South African economy, whilst mining has registered a real increase of some 31 per cent.

It is clear that South Africa will continue to rely on mining as the major generator of wealth. However, if it is to attract the further investment so vital to our future – tomorrow's economic cake depends on today's investment decisions – there must be a tax structure that will give individuals and institutions the confidence to continue investing their capital in an essentially high-risk venture such as mining.

CM

The full text of this address is available from
The General Manager
Chamber of Mines of South Africa
P.O. Box 809
Johannesburg, 2000

We all have a common destiny, says Relly

By Kaizer Nyatsumba

Star 30/6/88 (210)

All South Africans have a common destiny and should work together for the common benefit, Mr Gavin Relly, chairman of Anglo American Corporation, said

Presenting the 1987 "Best Apprentice of the Year Award" at Vaal Reefs Mines in Orkney, western Transvaal, on Tuesday, Mr Relly said that today's young people were more fortunate than their parents, and it was imperative for them to live, learn and train together

OPEN TO ALL

The facilities where the apprentices received their training were open to all and this demonstrated the importance of the common purpose in South Africa

Mr Relly presented the award to a Mozambican-born man from Witbank, Mr Antonio C M Fernandes, who received the Chamber of Mines floating trophy and R1 500

The award is made annually by the Mining Industry Engineering Trades' Training Board

Mr Gavin Relly, chairman of Anglo American Corporation, congratulates Mr Antonio Fernandes, the mining industry's best apprentice.

Chosen the best overall apprentice from about 6 500 mining industry apprentices, Mr Fernandes (23), a student at the Witbank Collieries Training College, was also chosen the best apprentice electrician for 1987 from among 20 nominees

Mr Fernandes obtained his 'O' levels at Gifford High School in Zimbabwe in 1983, and obtained his N4 certificate from the Pretoria Technikon.

Two finalists for the award were Mr B G Watson (21) of Harmony Gold Mine, who was chosen the best apprentice plater, and Mr T G Rademeyer (22) of Hartbeesfontein Gold Mine, who was chosen best apprentice fitter

Sowetan 1/7/88

Anglo joins debate on Bill

THE current debate over the Labour Relations Amendment Bill reflected the conflict in South Africa, directors of the Anglo American Corporation said in their annual report this week.

Commenting on the Bill in their review for the year ended March 31, 1988, they said although the amendments had sparked controversy little attention had been focused on its content.

They said: "In essence, the Bill enhances the status of the Industrial Court, entrenches protection of employees against unfair dismissals, discourages sympathy and repeat strikes and boycotts, and simplified and strengthened dispute-resolution through conciliation boards."

The proposed labour legislation, the directors said, was consistent with labour relations practice in "industrialised democracies" such as the United States and United Kingdom.

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Debate

The directors went on: "The current debate concerning the Bill reflected both the limited degree of political representation and the extent to which South Africa was riddled with conflict.

"It was understandable that unions representing black workers were suspicious of legislation emanating from a Parliament in which they had no representation," they said.

Of the Mines and Works Amendment Act (passed in 1987 but still to come into force), the directors said it contained provisions which negated many improvements made to the Act and did not reflect the intentions of the legislature.

The corporation hoped the proposed regulations would be revised in the near future following the Chamber of Mines' objections to certain provisions contained in the legislation.

Randex lifts exploration investment

Star 21/7/88

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Mining exploration has reached record levels and Randex has, in keeping with this trend, increased its investment in this activity.

Randex concentrates on the search for new gold deposits, with over 90 percent of its budgets allocated to the Witwatersrand Basin

Chairman Ken Whyte says in his annual statement to shareholders that Randex's major projects, the Fochville and Leeudoringstad joint ventures with JCI, have yielded encouraging results

In addition to its existing projects, Randex has initiated or acquired a significant interest in several new projects in the Orange Free State and Transvaal

About 50 percent of Randex projects in the Witwatersrand area are joint ventures with mining houses

Mr Whyte says "Randex has continued to spread its exploration risk in the rest of its portfolio as this offers the most effective way for shareholders to participate in South Africa's generous mineral endowment and high exploration success rates."

Chamber and NUM agree on wages

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BDay 5/7/88

ALAN FINE

THE National Union of Mineworkers (NUM) and the Chamber of Mines last night reached agreement on improvements to wages and working conditions for 1988.

It is the first time since 1983 that settlement has been reached in time to be implemented as from the traditional July 1 date.

The settlement came when the NUM notified the chamber of its acceptance of a revised employer offer made last week, which included a detailed chamber proposal on contributions to a provident fund, which had already been accepted in principle.

The chamber's offer of wage increases ranging from 13% to 16,5% — which were on the table when deadlock was reached 13 days ago — remained unchanged.

Provident fund rules will be negotiated over the next few months, and any points of disagreement as at November 15 will be referred for arbitration.

NUM general secretary Cyril Ramaphosa said while he and NUM members were not entirely satisfied with the wage increases, the chamber's decision to move on the provident-fund issue had made settlement possible.

"Now we no longer have to live with the unacceptable situation where workers have no retirement benefits." It was thus incorrect to ascribe the early settlement to weakness on the union's part.

A chamber spokesman said employers were pleased at the settlement "because bargaining in good faith is so much more satisfactory than industrial action".

BLACK pupils flocked b
classes in Durban as

As the sanctions war hots up . . .

Star 5/7/88

More companies go for secrecy

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By Christopher Wilson

To evade anti-apartheid sanctions, a growing number of South African companies are using a little-known legal clause to mask the identities of affiliates doing business overseas and conceal information.

Pretoria has already clamped down on details of official trade statistics and no longer provides a breakdown of the country's trade with individual nations

The authorities are now readily granting companies permission to limit their financial disclosure under section 15A of the Companies Act.

This essentially empowers the government to exempt companies from normal disclosure requirements if it believes it could be in the national interest.

Section 15A states that the Minister of Finance may exempt "any particular information or a particular fact concerning the affairs of the company, or any of its subsidiaries, which would otherwise be required under this Act."

"It's a pretty all-embracing thing," said an analyst at stockbroking firm Mathison and Hollidge Inc "Hundreds of companies are using it and you can cite just about any reason at all when applying for the exemption."

Soviet Union

De Beers Consolidated Mines Ltd, which supplies and markets about 80 percent of the world's diamonds, is one company that uses the secrecy provided by the law to do business through associates in many countries including the Soviet Union and in politically-hostile black Africa.

Anglo American, the country's biggest company, also uses Section 15A to obscure the identities and activities of affiliates that hold a wide spread of mining and industrial interests on four continents.

"This state of affairs suits the aims of the government and it has become more widely used since the onset of sanctions," the Mathison and Hollidge analyst said

Rembrandt Group Ltd, a tobacco, liquor and mining conglomerate, has long used the law to avoid disclosing turnover figures as well as any profit derived from its foreign interests in Rothmans International, Cartier, Dunhill and Piaget

Rembrandt has steadfastly declined to reveal the size of its overseas assets.

Some of Rembrandt's secrets may soon be known however.

Last week the company announced that it would distance itself from South Africa by forming an overseas holding company to be listed on an unidentified European stock market

"They will definitely have to give out more information than they have been because they will have to meet much fuller disclosure requirements on any major European stock exchange than they have in South Africa," said one stockbroker, who asked not to be named

Rustenburg Platinum Holdings and Impala Platinum Holdings, the world's two biggest platinum mining companies, are believed to use the law to avoid disclosing production figures

"The platinum producers say they don't disclose production for competitive reasons, but they have been giving shareholders less and less information over the past five years and it is because they view their product as being strategically important," said the stockbroker — Reuter.

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De Beer seeks access to votes

EDYTH BULBRING

HILLBROW MP Leon de Beer, 28, his election agent Christoffel Snyman, 57, and Home Affairs official Adriaan Willem Janse van Rensburg, 42, will apply to the Rand Supreme Court for an order giving them access to the votes cast in the Hillbrow constituency in the last general election.

Defence lawyer, W van Vuuren requested a postponement of the case in the Johannesburg Magistrate's Court yesterday in order to apply to the Supreme Court for an order to gain access to votes cast on special vote applications.

The court heard it was beyond the jurisdiction of the magistrate's court to grant the order

By the end of the state's case last week, the court had heard 47 witnesses who testified they had not applied for special votes However, exhibits before the court indicated these votes had been applied for in the names of the witnesses.

If the Supreme Court grants the order, it will be revealed which candidate was voted for on the ballot papers concerned.

De Beer and his co-accused have been charged with 120 counts of electoral fraud. De Beer has also been charged with making a false statement to the police. The three have pleaded not guilty to the charges.

The case was provisionally postponed to July 28.

Portfolios of UAL trusts adjusted

Star 17/8/88

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By Sven Forssman

A number of adjustments were made to UAL Merchant Bank's Mining and Resources Unit Trust portfolio in the past three months, despite the fact the period was relatively quiet

Mining & Resources Trust has declared a distribution of 3,33c per unit for the quarter to June, while the Unit Trust has declared a distribution of 11,47c

Mining & Resources managers increased their holdings in Southvaal, JCI and Consolidated Metallurgical Industries and introduced a new holding of 200 000 Elandsrand, while disposing of gold holdings in Kinross, FS Cons, Joel and Ofsil

The fund's five largest investments at end-June were De Beers, Anglovaal, JCI, Anamint and Anglo American

The asset structure of Unit Trust fund remained basically unchanged Its investment in Vaal Reefs was increased slightly, as was its stake in Robor, but its holding in Safren was sold A new holding in Tiger Oats (25 000 shares) was introduced

The top five stocks were Anamint, Anglo American, Pick 'n Pay, JCI and Rusplats

The Selected Opportunities Unit Trust managers increased their stake in Jaguar Holdings, Dimension Data and CNA Gallo, but sold De Beers, Drivetech and Dukel Holdings

Distribution to unitholders in this trust are made half-yearly, in March and September

Executive director Alister Colquhoun said yesterday "The investment outlook for the balance of calendar 1988 is certainly more positive than it was at the end of the March quarter"

Analysts defend price performances on JSE

Star 11 May

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By Derek Tommey

Complaints by disgruntled investors that since the share market collapse last October prices on the Johannesburg Stock Exchange have shown little movement, while those overseas have risen strongly, have been refuted by investment analysts.

"It's not true," says a senior analyst at stockbrokers Mathison and Hollidges "I know people have the impression that the local stock market has dawdled along, while oversea markets have risen strongly, but if you examine what has happened on the JSE, you will get a very different picture"

DOW JONES

Since October, the Dow Jones industrial average, the generally accepted measure of American share prices, had risen 22,7 percent and is now 23 percent below its peak, the analyst says.

In the same period, the South African industrial share index has risen more than 20 percent and is now some 27 percent below its peak

However, the analyst admits gold shares have performed poorly, and this is probably the reason the public has the impression the market is not going amywhere

The weakness of the gold price, the steady increase in working costs and also the partly forced American selling of gold shares has restricted the rise in the gold share index since last October to 14,0 percent and it is still more than 45 below last year's peak

But the increased interest in gold shares in the past few days suggests that perhaps they are over their worst

But if the bullion sector has failed the investor, other sectors have brought him rich rewards

The demand for rand-hedge shares — those likely to benefit from the slide in the rand against foreign currencies — has helped push fishing shares to 2 percent above their October highs, paper and packaging shares to only 6 percent below their peaks and tobacco shares to around their peaks

It has also pushed up the diamond index to 75 percent above its low, the metal and mineral index (mainly platinum) by 63 percent, paper and packaging shares by 50 percent, pharmaceuticals by 57 percent, steel and allied industry shares by 53 percent and tobacco and match shares by 97 percent

There is now a different set of investors in the market from a year ago, the analyst says.

Businessmen with 10-day money seeking quick profits and the ordinary investor are out of it Instead, the professional is making the running

"If you look at the daily volume figures, you will see the market is still fairly active, with turnover about the same as it was in late 1986 and early 1987"

But there will still be opportunities to make money, the analyst says The lower gold price, coming at a time when the balance of payments is likely to be under pressure, is expected to lead to a further fall in the rand to around R2,70 (37 US cents) from about R2,34 (43 US cents) at present

This would lift the domestic gold price to over R1 000 an ounce, which is a most satisfactory price for the gold mining industry

Looking farther ahead, the analyst sees the gold price, fuelled by climbing American inflation, rising to $500 later next year to give gold shares a further boost.

PLATINUM

Platinum shares are also attractive to investors as they appear to be in a three-to-five-year bull trend

Coal shares are beginning to look more attractive following the drop in the rand price, strikes in Australian mines and production problems in China.

However, the analyst sees little reason for buying shares of companies active in the consumer goods field

Investors have to be careful about buying shares in this area because the expected slower economic growth rate could restrict the growth in disposable incomes of consumers

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ANGLO AMERICAN

Wage settlement boost

Activities: *Mining finance house whose interests include gold, diamond, platinum and other mining activities, financial, industrial and commercial, and property companies.*
Control: *De Beers is a major shareholder, with 38% SA Mutual holds 7,8%*
Chairman: *G W H Relly; deputy chairmen J Ogilvie Thompson, N F Oppenheimer and W G Boustred.*
Capital structure: *228,6m ords of 10c, 515 090 "S" ords of 10c and R4 758 750 6% cum pref stock Market capitalisation R13,3bn*
Share market: *Price' R58 Yields 3,9% on dividend, 13,6% on earnings, PE ratio, 7,3, cover, 2,0. *12-month high, R95,75; low, R44. Trading volume last quarter, 1,6m shares*
Financial: *Year to March 31*

	'85	'86	'87	'88
Investments				
Book value (Rm)	4 285	4 903	5 781	7 313
Market value (Rm)	11 155	17 155	25 858	20 658

Performance:

	'85	'86	'87	'88
Trading income (Rm)	319	446	423	274
Investment income (Rm)	545	752	943	1 015
Other income (Rm)	33	103	175	121
Earnings				
Attributable (c)	264	353	451	453
Equity accounted (c)	386	523	658	790
Dividends (c)	135	180	225	225
Net worth (c)	4 691	7 071	10 539	8 536

* Based on attributable earnings

The early and clean settlement of the annual wage talks with the National Union of Mineworkers must be seen as bracing news for investors in Anglo American Corp. Broadly spread though the investments are, earnings from gold remain the backbone of the house's income. Last year's strike contributed materially to the R51m drop in equity-accounted earnings from this source.

The directors note that gold production by the group's major mines was significantly affected by the strike. At the Transvaal mines, for example, tonnage milled for the 1987 calendar year declined only slightly but this was because additional, low-grade, surface waste-rock dumps were treated, thereby diluting overall grade Gold production fell by almost 10% to 117,9 t, profit margins narrowed as the rand gold price increase of only 7% was much lower than the rise in working costs, and pre-tax profit thus fell 14% to R1 742m.

Although inflation-induced cost pressures may not have eased much and recovery grades at some producers may yet disappoint — that will become clearer when June quarterly figures are published soon — the lifting of the strike threat for this year must be a relief for Anglo London gold fixings in the year to end-March averaged US$459/oz, up by 20% over the previous year, but in rand terms the trend was less favourable the average price recieved by AAC-administrered mines rose to R925/oz, an increase of only 7% More recently, the rand price has improved (see *Fox*) and currently stands around R1 030/oz While this in itself may not indicate better profit margins, an easing of last year's production problems should help

The group's major administered gold producers are continuing to spend at a high rate Capital spending by the Transvaal producers remained at R533m, in line with the previous year, but Freegold, encouraged by the 10% increase to R28 887/kg in the average gold price received for the year, accelerated many capital projects and capex rose by 9% to R548,2m

Elsewhere in the portfolio, the house enjoyed major improvements in dividends from diamond, platinum and industrial interests, which more than offset the weakness on the gold side The first two of these are being driven partly by a weak rand and should be capable of showing sound growth again this year. As far as De Beers is concerned that is an understatement, as shown by the first-half figures for Central Selling Organisation diamond sales.

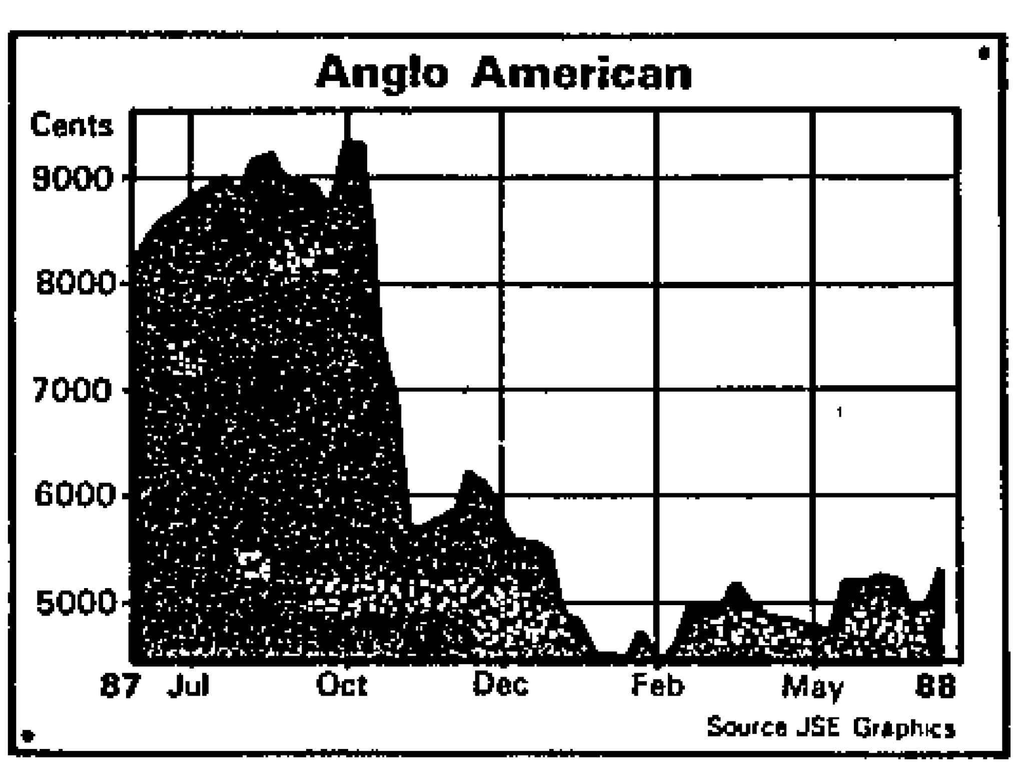
With some of the steam out of the economy, the industrial and commercial outlook is more murky However, Amic has a high sensitivity to a weak currency and should again show strong earnings growth, notwithstanding the forecast maintained results from Mondi, which will result from the rising impact of deferred tax Samcor is in profits and after the R200m capital injection from the disinvesting Ford Canada, all existing bank debt has been repaid

Principal changes to investments during the year included the acquisition of 19,9% of Lebowa Platinum, following its listing, right to subscribe for these was derived from the house's existing shareholding in Rustenburg

EARNINGS BREAKDOWN

Investment earnings and value	Earnings (%) 1987	Earnings (%) 1988	Value (%) 1987	Value (%) 1988
Gold	39	34	49	45
Diamonds	13	14	8	9
Coal	7	3	3	3
Platinum	8	10	10	9
Other minerals	1	—	3	4
Industrial & Commercial	19	27	16	18
Finance & Insurance	10	10	10	10
Property	3	2	1	2
Total	100	100	100	100

Equity accounted earnings	1987 Rm	1987 %	1988 Rm	1988 %
Mining finance	230	15,3	396	21,9
Gold (including Amgold)	446	29,7	395	21,8
Diamonds	288	19,2	350	19,3
Industrial	178	11,8	293	16,2
Platinum	80	5,3	116	6,4
Finance & insurance	93	5,2	93	6,2
Coal	51	2,8	95	6,3
Other minerals	15	1,0	24	1,3
Property	20	1,3	23	1,3
Total	1 445	96,1	1 741	96,2
Other net revenue	129	8,6	175	9,7
Prospecting	(71)	(4,7)	(107)	(5,9)
Equity earnings	1 503	100,0	1 809	100,0



Platinum. Also listed was Barbrook gold mine, of which Anglo owns 33,8%. In April, an effective 19,1% was bought in Palabora Mining (Palamin), with De Beers acquiring 9,5%, when the US shareholder Newmont sold out, and the stake in Oryx Gold Holdings was built up to 2,8%. Since year-end, the interest in First Bowring & Associates was raised from 33,3% to 50% following the sale by Marsh & McLennan, New York, of its one-third interest to Anglo and First National.

For Anglo, the Palamin deal represents a breakthrough as the house has long sought to expand the base metals part of its portfolio.

On the international front, a major move came last year with the change in domicile of cash-flush Minorco to Luxembourg and the announcement that a more active approach would be taken to management. Brazil is voting a new constitution which is expected to be promulgated in August However, Anglo's directors say that from available information published in Brazil it is not foreseen that the investments in the country will be affected

The Australian interests, now restructured and held in the listed Anglo American Pacific, continue to plod on A feasibility on a gold tailings re-treatment operation at Kalgoorlie, Western Australia, is being considered

Meanwhile, the group is pressing on with exploration and prospecting, which absorbed R107m (R71m) last year The directors note that exploration activity is again being accelerated so as to minimise the holding cost of increasingly expensive mineral rights options Results over the past few years have been "most encouraging" and it is expected that the high rate of activity will be maintained for some time to come

Top of the list is the area extending 14 km north of the Beatrix mine in the Free State, where results are described as encouraging and could lead to further mine development in the area. Other prospects include the Moab area south of Vaal Reefs mine, where drilling is scheduled for completion this year, after which the area will be evaluated. Drilling results from several principal reefs in the "Potchefstroom Gap" were sufficiently encouraging to warrant purchase of further mineral rights Results at Kalbasfontein, south of the Western Areas mine and adjacent to JCI's South Deep area, also continue to be encouraging Drilling south of the old Simmer & Jack mine is nearing completion

Though some prospects may be taking longer than outsiders expected to come to fruition, the stage is drawing nearer when one or more new mines will be announced. Funding capabilities effectively remain as strong as ever. After net retentions from operations fell last year to R634m (R732m) on the maintained dividend, the balance sheet shows deposits and cash of R1,8bn (R2,3bn). On the international front, the Minorco reshuffle has added some excitement to Anglo's image

At R58, the share stands some 32% below net worth and yields 3,9% on dividend Income may well improve this year but may not be high enough to warrant an increase in the dividend However, further gains could well be seen in the price in view of the quality of assets and the sensitivity to a weaker rand.

Andrew McNulty

A new force in mining exploration

CNT Times 18/7/88

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A SIGNIFICHNT new force in mining exploration is likely to go public next month, when Dalsig Mining is listed under the mining-exploration sector of the JSE.

The vehicle being used for the listing is the DCM-listed CCTV Shell, whose shareholders — and the JSE — must still approve the transactions and the change of name, a spokesman for Dalsig said

However, shareholders holding in excess of 90% of the equity have undertaken to back the restructure.

Dalsig Mining will be the listed holding company, with 20 subsidiaries embracing 34 mineral projects

Of these, the majority are situated in the northwest Cape and in Namibia, with important stakes in Bophutatswana and the Northern and Eastern Transvaal.

Commodities include base and high value metals (28%), precious and semi-precious stones (18%), and precious base metals (13%)

Development status ranges from early prospecting (24%), follow-up prospecting (35%), and end-development (33%), to producing (8%)

Dalsig Mining emerges from the disposal earlier this year of the two operating subsidiaries of closed circuit television rental company CCTV and the acquisition of a broad-based portfolio of mining and mineral exploration rights from an established mining exploration company — Dalsig Minerals — and its associates

Total value of the acquisition was R41,9m, payable through the issue of 80m new shares at 50c each and R1,9m in cash

CCTV minorities are being offered 50c a share, the price at which the shares were privately placed prior to the company's listing in December last year

Majority shareholders of Dalsig Minerals are executive directors Wilhelm Smith, Willem Malherbe and Arnold Friedrich who, between them, hold 78% of the equity

If no minorities accept the offer, Dalsig Minerals and the three executives will hold 56,93% of the 90 656 000 CCTV — or what will be Dalsig Mining — shares in issue after the deal

According to a report produced by well-known SA geologist Anthony King, the commodities balance is extremely good

King and his fellow consulting geologist Hasso Schauer, believe that the value of the mineral and mining rights acquired by the CCTV Shell considerably exceeds the R41,9m paid

Dalsig MD Wilhelm Smith emphasizes that both mineral exploration and mining are subject to a number of risk factors

While he is confident that shareholders will benefit substantially in the future, he points out that the timing cannot be predicted accurately and has thus made no forecast of the company's likely financial performance

To generate working capital, the company plans to hold a R7m rights issue in the near future.

In the interim, funding will be by way of the company's normal banking facilities together with loans of up to R500 000 from the majority shareholders

With proven production, wholly-owned subsidiary Dalsig Diamonds is the key source of immediate cash flow

Schauer estimates that Dalsig Diamond's pre-tax earnings for the six months from September 1988 to February 1989 should be in the order of R1m — Sapa

INVESTMENT ARGUS 21/7/88 210

Anglo employees set to cash in on free shares offer

From DEREK TOMMEY

JOHANNESBURG. — The 110 000 Anglo American group employees who earlier this year accepted the corporation's free offer of five Anglo American shares are about to receive something more tangible.

On August 2 each of the 110 000 will receive a dividend cheque for R8,12 — the first to be paid on their five shares.

Accompanying the dividend will be a brochure about Anglo American and the share issue.

"They can also get a copy of the annual report if they want," a senior Anglo American official said today.

ANOTHER CHANCE

They can also expect another dividend cheque on January 20, next year, when the interim payment for 1989 will be made.

The shares were offered to Anglo American's employees as part of an employee participation programme. The offer was accepted by 66 percent.

However, those who did not take up the shares will get another chance. The corporation will be offering further free shares to its employees again next year.

The August 2 dividend will cost Anglo American R893 000.

The group's total dividend bill for 1987-88 was R516-million

210 B/day 22/7/88

Anglo mines' profits up 41% on better production, price

ADAM PAYNE

PROFIT earned by Anglo American's Transvaal operating gold mines — Vaal Reefs, Western Deep Levels, and Elandsrand — increased by 41% to R159,6m in the June quarter, mainly because of higher gold production and a higher average rand gold price.

Gold production rose by 8% to 33 322kg because of a 6% increase in tonnage treated and a slight increase in average grade

Average unit working costs were well contained, increasing by less than 1%

The average rand gold price received increased by 7% to R31 903/kg Reports from the mines follow

VAAL REEFS Profit available for distribution increased 49% largely because of a 7% increase in gold production, the gold price received and the receipt of the Southvaal Holdings dividend

Unit working costs were reasonably well held

Total available profit for the six months to June amounted to R149,8m and an interim dividend of 800c a share or R152,2m was declared

This dividend is lower than the previous one, reflecting the rescheduling of uranium sales and reduced income from tributes

In Vaal Reefs' South lease area a 16% increase in tonnage milled — reflecting the continued build-up in production at No 9 shaft — resulted in gold production increasing by 1 403kg to 10 598kg

Uranium production also increased

AFRIKANDER LEASE AREA As planned, stoping operations were reduced and work was concentrated on development. Gold production was lower, resulting in a loss of R500 000

WESTERN DEEP LEVELS Profit available for distribution increased by R17,4m to R44m after a 14% increase in gold production and 7% rise in the gold price

ELANDSRAND. Available profit remained almost unchanged bringing the total for the six months to June to R52,5m An interim dividend of 50c a share, or R48,3m, was declared.

Operations were satisfactory with tons milled increasing by 6%. Grade dropped slightly and gold production was marginally higher

The company is liable to pay about R29m in respect of minimum tax on companies by September 30 This will be funded from available resources and dividends will not be affected

ERGO Operations were satisfactory although total gold production was lower because of slight decreases at the Ergo and Daggafontein divisions

Pre-tax profit was 7% lower due largely to higher cost of sales Tax increased due to lower capital spending

Profit available, however, was R3,3m higher at R13,7m

SA LANDS Available profit increased marginally, largely because of a 7% increase in the gold price.

Available profit for the six months to June amounted to R2,4m and an interim dividend of 25c a share, or R2,3m, was declared

Operations were satisfactory with the gold production increase resulting from a record throughput and a higher grade Operating costs were slighter lower

Total profit available for the six months to June amounted to R70,6m and an interim dividend of 260c a share, or R71,1m, was declared.

In spite of the increased gold revenue over the same time last year, this interim dividend is lower than the previous one, reflecting increased total working costs and the rescheduling of uranium sales into that year.

Anglo Mines June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received $/Oz*	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold	6 297	4,2	26 579	94	22 213	453	32 006	209,2	88,3	76
March	5 819	4,2	24 475	97	22 965	459	29 714	190,2	69,9	60
Vaal Reefs	2 897	6,9	20 097	115	16 612	453	31 948	169,8	89,5	470
March	2 745	6,9	18 861	109	15 890	458	29 967	125,8	60,2	317
Western Deeps	1 699	5,9	10 075	96	16 173	453	31 910	108,7	44,0	160
March	1 581	5,6	8 836	105	18 798	456	29 885	79,0	26,6	98
Elandsrand	496	6,4	3 150	113	17 787	453	31 842	45,2	26,1	27
March	466	6,7	3 097	108	16 298	459	29 876	42,3	26,4	27
SA Lands	688	0,5	360	10	19 419	453	32 152	1,1	1,2	13
March	667	0,6	389	11	18 105	459	29 869	1,3	1,2	13
Ergo	9 173	0,3	2 950	—	—	453	31 681	19,9	13,7	30
March	9 142	0,3	3 107	—	—	469	29 892	28,1	10,4	25

* Standard Bank average R/$ exchange rate = R2 21 for June quarter

Relly calls

Star 26/7/88

for more openings for blacks

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Staff Reporter

The tortuous process whereby statutory racial discrimination in the mining industry was being removed reflected little credit on the legislature, the chairman of Anglo American Corporation, Mr Gavin Relly, said in the company's annual report published yesterday.

He believed mining and industrial interests in South Africa, while rightly urging the authorities to take more forthright steps to end apartheid, could and should spend more time putting their own houses in order.

"One of the most important ongoing tasks, as crucial to the country's stability as it is to the future of private enterprise, is to create and develop non-racial organisations manned by well educated, trained and competent staff," Mr Relly said.

BLASTING

The mining industry was short of qualified people with blasting certificates, and the setting of black men on this important rung of the ladder of promotion was essential in terms of equity and to ensure increasing production efficiency.

Mining societies were made up of people who shared the dangers of mining and the responsibilities of keeping those dangers to a minimum.

This structure would not sustain itself if the discrepancies in privilege between races, which were disappearing underground, remained blatant on the surface and off the mine.

"It must become possible for people of all colour on the mines (as indeed elsewhere in the country) to have equal freedom of choice, to live where they wish, play sport where they wish, school their children where they wish and take holidays where they wish — in short to live normal lives and not have these things dictated to them by rules and regulations based on race," Mr Relly said.

US investors may lose billions

Star 27/7/88

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By Alan Dunn,
The Star Bureau

WASHINGTON — American investors in South African mining could lose billions of dollars in terms of legislation being debated in the United States Congress.

According to a new study they would lose $1,2 billion (about R3 billion) from the gold industry alone if a Bill presently before Congress, ordering an end to all US investment in SA, became law.

Findings of the study, conducted by Wharton Econometrix Forecasting Associates (Wefa), have emerged in a draft report largely supporting a similar forecast made last month.

Losses stemmed from investors flooding the markets with shares for sale, said the new report — people had already started selling their gold mine stocks in April this year, just after almost total economic sanctions had been introduced in Congress in the Anti-Apartheid Act Amendments of 1988.

Foreign holdings in South African mining had steadily fallen in the last six years, the study found, from 33,7 percent in 1982 to 23,6 percent last year. US investment in mining shares had fallen less rapidly, however, implying that Americans had tended to hold on to their shares.

On June 24, Mr Henry Bingham, executive vice- president of a leading US investment management firm specialising in gold, told the Foreign Relations panel that about 25 US companies similar to his dealt with more than 500 000 American shareholders.

"If the Bill as written is enacted," he warned, "the value of these shares could decline as much as 50 percent from present levels". Mr Bingham estimated a total loss of $2,5 billion, $1,3 billion more than Wefa's study suggested.

● American congressman Mr Philip Crane has warned that continued use of sanctions will help fan the fire of revolution in South Africa with catastrophic consequences.

White South Africans would defend themselves with all the force at their disposal, he told his colleagues, because no African country would welcome them as refugees.

... can be fun ... if you are a Barat twin

Putting SA on the high road

28/7/88 210 B/dem

An edited extract of an address by Dr ZACH DE BEER, executive director of Anglo American Corporation, to the SA Megatrends conference in Johannesburg yesterday

SOUTH AFRICA's situation is that we have a basically strong economy in which real growth has almost ceased, investment has dwindled, inflation has become endemic, people are getting poorer and capital cannot be obtained from abroad

My approach to business in the 1990s is not to put on sackcloth and ashes and await the onward march of poverty and consequent social conflict. On the contrary, I have stressed repeatedly that I believe in SA's potential, and that we can realise that potential provided that we manage our society properly.

This is where I find common ground with my friend Clem Sunter There can be a high road for SA. There can also be a low road.

Known truths

If we want to get on the high road, we must have a free and open economy — and as long as we focus our minds on group rights and group privileges we will not have that. Further, we can only travel the high road if we can remedy our isolation in the world.

We business people know these truths — we almost take them for granted. We need to remind ourselves that they are far from obvious to the average government back bencher, or the average public servant — not because these are bad people, but because their experience of life differs from ours.

By and large the fate of individual businesses in the 1990s is going to depend on whether the economy can return to growth at 5% or 6%. This is possible. There is no reason why SA cannot once more attract investment and grow — if she gets rid of apartheid and race discrimination. But, as we have seen, when the economy begins to grow as it did in 1987, we immediately run into Balance of Payments problems and have to cut off our own growth.

Any attempt to propose the right strategies must take balance of payments difficulties into account. If we are to grow, we shall have to be able to import without the constraints we suffer from now. If by changing our policies we can attract foreign capital, that will certainly help, but the ultimate aim should be to run a surplus on our current account. This means we need to build a huge export industry during the next decade or so. We should consider what the requirements would be for this.

Very low

Obviously, such industries have to be competitive, so the first consideration is productivity. What sort of production can be achieve in relation to capital invested, or to labour costs or both? Productivity is an inordinately and notoriously difficult quantum to measure, but there is general consensus among the experts that it is very low in SA today, and probably getting worse.

Business in the 1990s will have to identify the major factors which depress productivity, and deal with them effectively: otherwise our cost structure will rise further, and this if combined with a continued non-availability of international capital will surely result in accelerated impoverishment.

What are the factors restraining productivity, or to say it better what can be done to promote it? First, there is the application in our industries of modern technology. In the past, we have been quite well able to keep in touch with such developments, through academic contacts and through the many multi-national companies operating here Happily, neither of these channels for technology transfer is entirely closed, but in view of our pariah status special attention will have to be given to this issue.

Next there is the whole matter of education and training. By now it is generally recognised that two decades of Bantu Education up to 1976 produced a whole generation of people who were almost impossible to train for modern industry. Unquestionably the government responded constructively to the shock of 1976, and tried through increased expenditure, by allowing free choice of medium and in other ways to improve the quality of education for blacks. The number of black children matriculating has increased spectacularly; but a question-mark still hangs over the quality of the education, and its suitability to a modern industrial state

Challenge

In our major urban townships, though apparently not elsewhere, many schools remain political battlegrounds, where little teaching is done. This poses another problem for business in the 1990s.

A third major challenge is industrial relations. Our labour laws, unlike much of our legislation, are quite modern and enlightened, and in a different context would be thoroughly workable. The difficulty is that if you give people trade union rights while withholding political ones you simply ensure they will use their unions for political purposes. That has been happening intermittently for the past couple of years.

Industrial relations will be even more salient in the 1990s Productivity, export capacity and the balance of payments will all be profoundly affected by the quality of our industrial relations.

Finally we have to consider the effect on industry of general alienation of the work force. There is copious research to show that many black South Africans perceive themselves as deprived and discriminated against, and that this affects morale Whatever can be achieved to alleviate these grievances will certainly help to create a productive, industrial economy.

Too rapid

Now to macro-economic management It seems clear that in recent years inflation has been too rapid, interest rates have generally been too low, discouraging saving, and until recently our currency exchange rate has been too high, encouraging imports and making export difficult.

In any country where the politicians like to reward their voting supporters with easy money, and where they tend to regard the exchange value of the currency as though it were the scoreboard at Ellis Park, it is all too easy to fall into lax management We shall not get on to the high road unless we go the conservative way of sound money, positive real interest rates and an exchange rate which encourages exports rather than imports and international travel.

There are other issues which will be vital in the 1990s — privatisation, deregulation, inward industrialisation. All these can contribute to prosperity.

DE BEER ... open economy

CAPE TIMES 8/8/88 210

AAC pays employees first dividend

JOHANNESBURG — A special employee shareholder report incorporating information about Anglo American Corporation (AAC) and its results for the 1987/88 financial year has been made available to employees who are members of the Anglo American Group Employee Shareholder Scheme

A little more than 118 000 employees have accepted the offer to join the scheme

"For the many thousands of new employee shareholders, the right to know about, and their interests in, the performance of the company in which they have a financial stake is greatly enhanced," says Julian Ogilvie Thompson, chairman of the Employee Shareholder Trust

"Considerable research, including the canvassing of employee shareholder opinion, was carried out to ensure the production of a document that will tell its recipients what it is they want to know about their investment in a straight-forward, thorough way," he said

In addition 111 850 employees whose shares were issued on or before June 17, 1988 have received their first dividend cheque

This represents the final dividend of 162,5c a share declared by AAC on June 2, 1988 and paid on August 2, 1988

As it is intended to make further allocations of shares annually for another four years — Sapa

Platinum tops in JCI stable

CAPE TIMES 24/8/88

From REINIE BOOYSEN

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

Attributable income rose by 21% to R323,8m, representing earnings a share of 4 392c

The final dividend of 1 150c takes total distribution for the year to 1 750c — 16,7% higher than last year.

Platinum — the primary source (about 40%) of JCI's income — performed exceedingly well on account of a once-off distribution, in the form of a special dividend to shareholders by Rustenburg Platinum of the proceeds of hiving off to Lebowa Platinum its Atok operation.

This accounted for R36,8m of the R52,6m (75%) rise in JCI's income, to R123,2m, from this source Discounting this extraordinary event, income from Rustplats (in which JCI has an unchanged 32,6% stake) rose by 20%

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

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

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

Income from quoted industrial shares rose by R12,4m The most important of these include a "major" stake in SA Breweries via JCI's 32,9% stake in Premier Group Holdings; an effective 26,4% stake in Toyota; a 49,9% stake in Consolidated Metallurgical Industries, a 16,5% stake in The Argus Printing and Publishing Co; a 19,3% stake in Times Media

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

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

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

He attributes the rest of the decline (R3) to strike action which debilitated the mine in July/August last year.

Western Areas made no distribution in the year to June (after only declaring an interim dividend of 16c in the previous year), but Bray says, "the mine appears to have overcome most of its problems"F

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

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

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

"We have access to about R1bn in the form of floating deposits and short-term investments by group companies"

JOHNNIES 2/10

Platinum-lined

Good performances from its diamond, industrial and, particularly, platinum interests helped JCI shrug off the effects of a drop in income from its gold division and post a 20% increase in earnings for the year to end-June

A major contribution came from the one-off special dividend declared by Rustenburg Platinum in respect of the formation of Lebowa Platinum which kicked in R36,8m of the R52,6m increase in income from JCI's platinum investments

JCI executive director Vaughan Bray points out the balance of R15,8m is still 22% up on what the house received from platinum investments in financial 1987. And, significantly, he forecasts that JCI during the current financial year will at least match the 4 392c a share earned in the year to end-June.

That implies continued growth in investment income in financial 1989 to make up for the Rustenburg special dividend which will not be repeated

During the 1988 year income from diamond investments was R12m (34%) up on the previous year while income from industrial interests was R12,4m (40%) higher Net revenue from other sources dropped to R29,2m from R55,5m because of lower share dealing profits, a drop in fees received and higher exploration costs

Bray expects continued growth in the current year from platinum and diamonds and says he is confident about the gold division as Randfontein is performing well while Western Areas appears to have turned around and Joel has overcome most of its problems. Although the SA economy is showing signs of slowing, Bray says considerable momentum has been generated by the major industrial investments such as SAB and Premier and he expects further growth in income from them.

SOLID GROWTH

Year to June 30	1987	1988
Pre-tax profit (Rm)	332,8	359,5
Attributable earnings (Rm)	268,5	323,8
Earnings (c)	3 641	4 392
Dividends (c)	1 500	1 750
Net Asset value (R)	728	616

An announcement on how the exploration work on the South Deep gold prospect will be funded can be expected this financial year Twin haulages to reach the orebody are being developed from the adjacent Western Areas mine.

This is one of a number of new gold prospects JCI is examining including the promising Doornrivier prospect. Should both South Deep and Doornrivier get the go-ahead the financial demands on JCI would be enormous but Bray indicates there are various avenues for raising funds needed. "If the business is good we'll find the money one way or another," he says

At R460, the share offers a historic yield of 3,5% which is the average for the mining house sector, but the increased final dividend pushes this to 3,8% With most of the other houses reporting weaker figures, the price could well move up slightly. *Brendan Ryan*

26/8/88 FM

MINING LEGISLATION

Ready to Act

Mining laws are being studied by government with the intention of creating a single, simplified mineral laws Act for SA

Deputy Economic Affairs and Technology Minister George Bartlett says some of the "multitude of Acts" affecting mining were passed at the turn of the century and are out of date.

"It is about time we began updating our laws to take us into the next century A departmental task group has been busy with this for months and has completed the restructuring exercise on paper," he tells the *FM*

A draft Bill will shortly be presented to Cabinet and is likely to be published for comment later this year.

"We hope to have a single, modernised Mining Act by 1989," says Bartlett.

Mining is currently affected by about 16 Acts Legislation under scrutiny includes the Coal Act, Coal Resources Act, Mining Titles Registration Act, Mines and Works Act, Precious Stones Act, Mining Rights Act, Tigers Eye Control Act, Diamond Act and Mineral Technology Act

While Bartlett cannot give specific details yet of what the outcome will be, he says certain regulations and sections of the various Acts can be better administered under common law.

"Regulations will be simplified and the costs of administering the various Acts will be reduced All labour matters will in future be administered by the Department of Manpower, while mining taxation is also being looked at," he adds.

Bartlett says government is prepared for opposition to the move from vested interests.

"Deregulation can be compared to looking for a suitable site for a bus stop. Everyone wants it, but not in front of their own home. Vested interest lobbying is a powerful factor and cannot be ignored," he says.

But two basic principles will apply in deregulating mining legislation.

☐ Mining should be private sector-orientated, and

☐ New legislation should take cognisance of existing common law.

"SA is a private enterprise economy and the emphasis should be on the private sector," says Bartlett.

Theo Beukes, Chamber of Mines chief economist and member of the Mining Advisory Council, says the coal industry has historically been the most heavily legislated and regulated Although he favours deregulation, he sees another danger looming for the mining industry.

"There is an emotional element in the drive for new rules and regulations against air and water pollution and strip mining planned by the Department of Environmental Affairs

"I am worried we might be following the US example, where environmental lobbies have become so powerful they can prevent economic development."

Beukes adds government is being optimistic if it expects new legislation to be ready by next year He doubts if streamlined rules can be put into practice in less than five years — based on previous experiences with deregulation. ■

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FOCUS: THE POPE'S VISIT TO SOUTHERN AFRICA

All condemn Renamo. Except the Bishops

The atrocities of Renamo have met with near universal condemnation. Which makes the silence of the local Catholic bishops all the more remarkable. **STEVE ASKIN** *reports from Maputo*

THE Pope's toughest challenge is Mozambique, where virtually all knowledgable observers — except the local Catholic hierarchy — condemn Renamo for waging the most gruesome anti-civilian war since Pol Pot's Khmer Rouge ravaged Kampuchea.

"A vision of horror", was how a key papal advisor on social questions, Cardinal Roger Etchegaray of the Pontifical Commission for Justice and Peace, described the suffering he saw in Mozambique last year. A prominent Irish Catholic leader, Bishop Eamon Casey of Galway, condemned "the destabilisation policy carried out by the apartheid government" through Renamo when he visited the country in July.

Local Protestant leaders take a similar stand Though Renamo's external backers sometimes claim the group is fighting against communism and for religious freedom, "it is very hard to see how slaughtering an old lady or a little child is to fight communism", says the Anglican bishop of southern Mozambique, Dinis Sengulane.

Mozambique's Catholic bishops, on the other hand, say they don't know who is killing their people and limit themselves to vague appeals for reconciliation between Renamo and Frelimo

The difference may stem partly from differing historic experiences. In the colonial era, Protestantism was systematically suppressed, making post-independence restrictions seem less severe by comparison — even in the early days when Frelimo militants forcibly seized and shut houses of worship, including Muslim mosques along with Protestant and Catholic churches.

For the Catholic Church, independence meant a dramatic loss of wealth and power. Though a handful of missionaries opposed colonialism, "nowhere else had the central ecclesiastical system been so closely identified with colonial oppression," wrote Adrian Hastings, a leading historian of African Christianity.

Whatever the historic roots of Frelimo action against churches at independence, Catholic and Protestant leaders agree violations of religious freedom have stopped. Today, Mozambique's churches are full of worshippers Devout Christians participate actively in government and officials work closely with churches on relief and development projects

The treatment of Jehovah's Witnesses, a sect banned in most African nations because they refuse to salute flags, join armies or demonstrate loyalty to any state, provides the best index of change At independence, Mozambique exiled them to a remote northern district, Milange

In 1986, Renamo squads attacked, forcing the sect to flee to Malawi. They soon returned to Mozambique, partly because their church is banned by Malawi's Life President Hastings Banda Mozambique lifted restrictions and flew them back to their pre-exile homes, in and near Maputo

Leaders of every organised religion benefitted from growing tolerance, even government support.

The Catholic Church was the main beneficiary of a decision to return church buildings seized by Frelimo militants along with the schools and hospitals which were nationalised in 1975

Though Catholic bishops seem preoccupied with past problems, the devastating impact of Renamo violence looms much larger in the lives of average Catholics.

Among trainee priests studying at a seminary in Maputo, "only those who come from the cities don't have some relative who was killed by Renamo", said Eusebio Inocencio, a 21-year-old student from the north-western province of Tete

Inocencio considers himself fortunate. His family escaped to neighbouring Malawi just before Renamo arrived at their village almost three years ago "Renamo wanted to kill my parents because they are both teachers," said Inocencio Renamo "doesn't want educated people to live, because they know that those who can use their heads won't go with them," he explained

Yet Inocencio's bishop, Paulo Mandlate of Tete, said he doesn't know which side — Frelimo or Renamo — is most responsible for the anti-civilian violence afflicting Mozambique.

He stressed that church-state relations are good and getting better because of the Frelimo decision to return church buildings But when conversation turned from real estate to people, Mandlate had far less to say.

"The Mozambican people are suffering and dying," and that must stop, he said Asked why they die and who must stop killing them, he responded "I myself don't have that information" because it isn't safe to visit the rural areas where most violence occurs. Mandlate confines himself to the towns and other places reachable under Mozambican or Zimbabwean military escort

Visiting places like Angonia, Inocencio's home district, is still too dangerous, he emphasised. Not so, insisted relief workers who took this reporter to that fertile highland district. About 10 000 former refugees returned there since late last year, following Frelimo military advances. A United Nations official said he asked the bishop to help find food and clothing for the former refugees, and was even willing to fly him to Angonia, but got no response

The bishop's isolation from victims of Renamo violence may partly explain the vagueness of pastoral letters in which they repeatedly called for reconciliation between Frelimo and Renamo but failed to condemn Renamo atrocities.

This is why Mozambique poses such a dilemma for John Paul II. The government and many lay Catholics hope he will condemn Renamo as "terrorists" and South Africa as their sponsor. Yet he could, out of respect for the local hierarchy's stance of silence, confine himself to vague statements of sympathy for the victims.

Double blast rocks Soweto

Business Day Reporter

TWO limpet mines exploded at the Naledi power station, Soweto, on Saturday morning, causing slight damage, the SA Police said in the unrest report yesterday.

Another two limpet mines were defused by the police.

A police spokesman said in Pretoria yesterday there were no casualties in the explosions that occurred at 6am.

He could not give further details but said police were investigating.

An Eskom spokesman said there had been no disruption of Soweto's power supply and the "slight damage" was fixed on Saturday.

The unrest report added that at Sweetwaters, near Maritzburg, two black men were killed by a group of people and at Nduzuma, near Durban, arsonists extensively damaged a private dwelling.

Consgold bid marks trend among SA companies

Star 1/10/88

Drive to establish investments abroad

(210)

THE bid launched on September 21 by Minorco, for the 71 percent of Consolidated Gold Fields (Consgold) it does not already own, is more than Britain's biggest-ever attempted take-over

It is part of a drive by South Africa's largest companies to set up investment vehicles abroad through which they can control, at arm's length, foreign subsidiaries.

In this way they hope to safeguard their foreign assets and their access to the international capital markets if tighter sanctions are imposed on South Africa

Rembrandt, a tobacco group, laid the foundations for its move abroad when, at the end of August, it set up a company in Switzerland called Compagnie Financière Richemont

Its main asset is Richemont, a Luxembourg-listed company that will eventually own all of Rembrandt's international bits, contributed 45 percent of its profits Richemont has no South African assets

Mr Anton Rupert, who controls Rembrandt, is a friend of Mr Donald Gordon, who runs Liberty Life, the big South African life assurance company Richemont has taken a 20 percent stake in TransAtlantic Holdings, a company Mr Gordon is using to mount a long-running takeover bid for Britain's Sun Life

Mr Gordon too is hiving off his foreign interests into a non-South African company

Days after Rembrandt announced the setting up of Richemont, Liberty Life said that it would sell all its foreign assets to a separately quoted subsidiary, First Union General Insurance Trust (with its apt acronym, Fugit)

This subsidiary, in turn, will sell all its South African assets to its parent. At the moment, Fugit is quoted in South Africa

The aim of the exercise is to reduce the South African stake to below 50 percent, and to get a listing either in Switzerland or Luxembourg

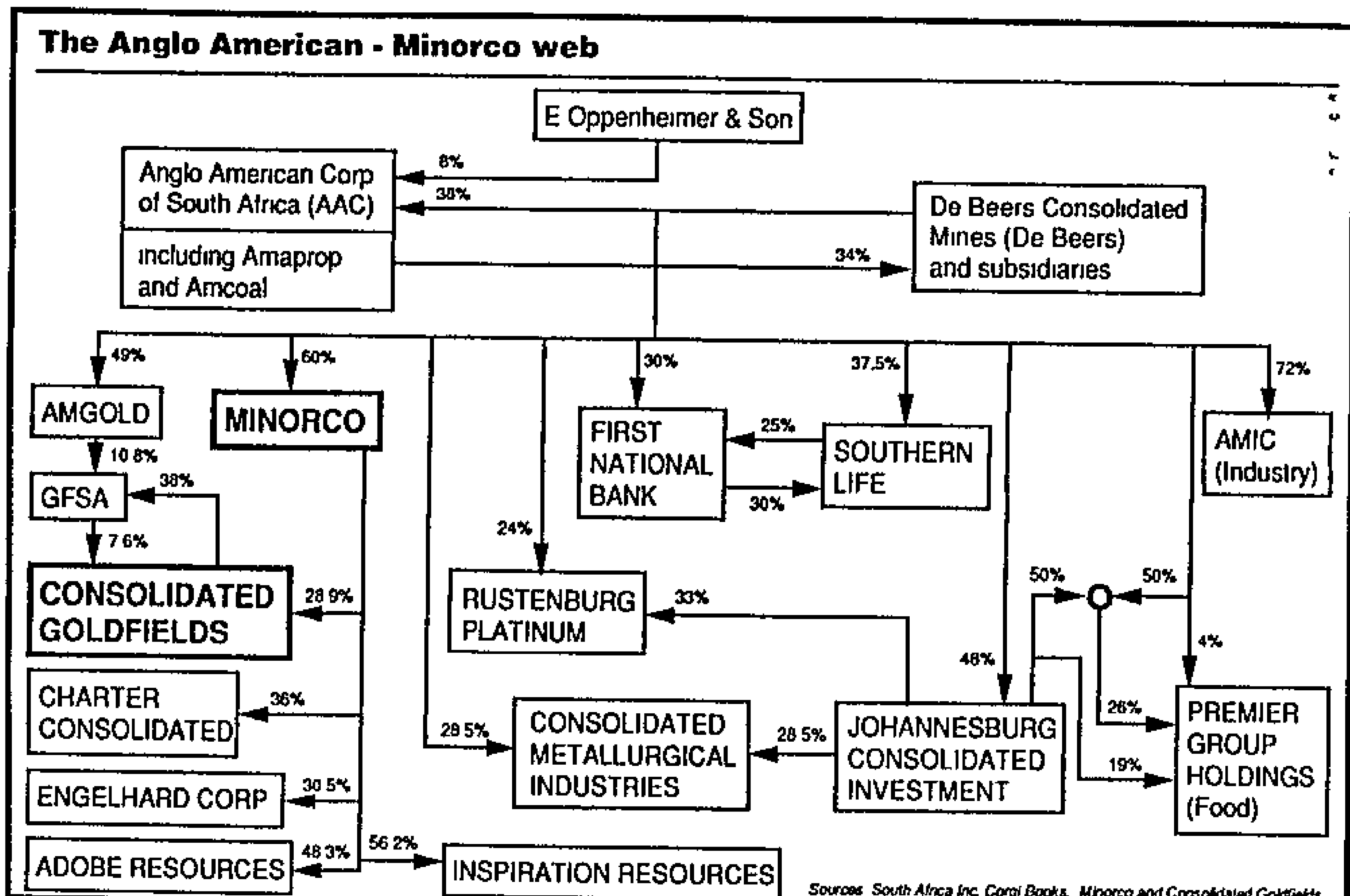
Anglo American, the giant mining group, has the most experience with managing foreign assets at arm's length

In 1974 it established Minorco as a shell company in Bermuda Minorco moved to Luxembourg last year

In 1980 it acquired 25 percent of Consgold in a dawn raid Six years later Minorco and Consgold held merger talks

The big question for all these foreign-investment vehicles is are they South African controlled?

If they are not, then there should be no political barriers to bid for companies outside the Republic If they are, then all sorts of problems arise, as the case of Consgold illustrates



Problems

Consgold owns ARC, a supplier of materials to the construction industry ARC contributed just over 25 percent of Consgold's $653 m (about R1 632 m) of operating profits in the year to June 30 1988

It relies on orders from local and central government in Britain and America

In both countries, ARC has already had problems with customers unhappy with the passive South African holding in its parent company Those problems would get worse if Minorco's bid succeeds

In Britain, that would affect competition in the crushed-stone market, which Tarmac might be able to dominate if governments refuse to do business with its main rival

Elsewhere there would be similar problems In Papua New Guinea, Consgold's 49 percent-owned subsidiary, Renison, has a one-third stake in the Porgera gold mine

This is expected to produce gold at a cost of about $100 an ounce — one of the cheapest gold mines in the world

The Papuan government has already expressed concern that 5 percent of the dividends from the mine will go to Consgold's South African shareholders

In America, public opinion would create numerous obstacles for Minorco, if its bid were successful Consgold owns 49 percent of Newmont Mining, which will be America's biggest gold miner by 1990 It has further American gold mines held through a wholly owned subsidiary

Questions

Under South African ownership, both would find it difficult to secure access for exploration to federal land

Then there are questions the bid raises about what it would do for Anglo American's position in the world's natural-resources market

Anglo and Consgold combined would own 30 percent of the non-communist world's gold reserves For other strategic minerals, this dominance would be greater

Renison owns rights to some of the world's largest known deposits of titanium and zircon, for example Analysts wonder if Anglo American is trying to achieve the level of dominance in several minerals markets that it has long held through De Beers in the diamond market

Sir Michael Edwardes, who was appointed chief executive of Minorco on the day the bid was announced, says such concerns pre-suppose that such sanctions against South Africa already exist — *The Economist*

● **See "Resounding victory for Donald Gordon" — Page 11.**

510 B/Day 2/10/88.

Mining lease intended for Impala, court told

SUSAN RUSSELL

MMABATHO — It was always intended that the mining lease granted to the trustee of the Bafokeng tribe in February 1977 would be ceded to Impala Platinum Limited, the Supreme Court here was told yesterday.

C Plewman, SC, submitted this during the second day of a court battle between the tribe and Impala over the mining rights to the Bafokeng area

The tribe has asked for an order terminating the notarial session which gives Impala exclusive rights to mine on the disputed land.

The mining lease was granted in February 1977 to the SA Minister of Bantu Administration, who was the trustee before independence.

"It was never intended mining in terms of that lease would be carried out by any entity other than Impala", Plewman said.

In court papers Impala MD Donald Ireland gave details of the mine's operation

He said the mine, which produces 35% of the free world's platinum, had paid R129 553 781 to the Bafokeng up to June 30, 1987

Impala paid a further R30 881 842 in royalties as well as R359 000 000 in company tax to Bophuthatswana

Bophuthatswana was also paid about R252 000 000 in mining lease payments

The hearing continues before Mr Justice B Smith.

De Beers plays cupid to Love, the Japanese way

W Mail 28/10 – 3/11/88

By JEAN TEMKIN

GOOD marketing, increased Japanese buying and renewed control of gem supplies by the Central Selling Organisation (CSO) have restored the glitter to the diamond market.

The latest diamond craze began in 1986, and this year's sales are almost certain to be the highest in history.

In the first half of this year, diamond sales were 41 percent higher than in 1987, which was itself a record year. In the past nine months, the price of diamonds has risen 25 percent.

However, CSO diamonds are denominated in US dollars, whose exchange rate has fallen against leading currencies, but not against the rand.

In the first six months of this year, Japanese diamond imports increased 45 percent over the same period last year to reach $1-billion (R4-billion).

Higher living standards in Japan and the strength of the yen have prompted some Japanese diamond retailers to convert outlets into quasi-supermarket operations The jewellery division of Seibu Department Stores, for example, has opened diamond bars for comfortable customer browsing.

Now most Japanese women receive a diamond engagement ring, and the stones are bigger than ever.

In the late 1960s, five percent of adult Japanese women owned diamonds. Now the figure is 70 percent and still growing.

The diamond craze in Japan has spilled over into the teenage market, where youngsters can buy necklaces made from small, genuine stones for less than R1 000.

The next surge of growth is expected from the US market, into which $3,4-billion (R13-billion) worth of cut and uncut stones flowed last year.

Last year's figure was slightly lower than in 1986, but this was put down to the October stock market crash

The US is well-known for its skill in cutting larger stones, for which there is growing international demand.

Last year its exports of cut stones rose by 26 percent. This year's figures are even more encouraging. In the first half of this year, US diamond imports rose by 63 percent, while exports rose 45 percent

As the CSO virtually controls world diamond markets, and is in turn controlled by De Beers, the diamond boom has been reflected in the price of De Beers' shares — which have gained 42 percent since April.

The share, which moved into a bull trend in June, has a price potential of around 5220c in the next six months and around 5895c within the next year.

Trans Hex shares, one-sixth of the price of De Beers, moved into a bull trend in July and have also gained 42 percent One price projection for Trans Hex is to around 875.

The alternatives for investors are Anamint, which is the holding company of De Beers and 12 times more expensive; and Carrigs and Broadacres, which are very cheap and very speculative.

The alternative to shares is the stones themselves Diamonds are traditionally regarded as the finest transportable asset. Indeed, some of South Africa's largest companies were originally bankrolled by stones brought in by immigrants.

It took the CSO a number of years to regain control of the diamond market after the 1980 crash, which left the value of a one-carat D-flawless diamond at $7 000 (R21 000), compared with $70 000 (R28 000) during the boom of the late 1970s.

It's no secret that the CSO, which controls 80 percent of the world's diamond supplies, manipulates the market by holding back stones, thus creating demand

The organisation has undoubtedly regained its stranglehold. Its inventory at the end of 1987 was $2,3-billion (R10-billion) compared with $500-million (R2-billion) in 1980.

The unpopular cartel was last challenged by Zaire in 1981. However, like those who have attempted to break it in the past, within two years Zaire was brought back into line

The CSO has a purchasing agreement with an arch-enemy of apartheid, Australia, and even the Soviet Union is content to work within the cartel

Further US sanctions against South Africa may boost diamond values, especially if the stones are held offshore.

However, such a boost would be limited, because only 10 percent of the world's uncut diamonds come from South Africa

Unit trusts return to happier days

Star 4/10/88

(210)

By Derek Tommey

The September quarter was a fairly cheerful one for many unit trust investors Gains were well in the majority and if these can be maintained for the next three quarters, the movement would seem to be well on the way to recovering its record of growing by 26 percent a year.

Increases in unit trust prices were: Guardbank 7,7 percent, Lifegro 4,0 percent, Metfund 7,0 percent, Old Mutual 4,1 percent, Sage 8,5 percent, Sanlam 3,9 percent, Standard 4,7 percent, Syfrets Growth 4,4 percent, UAL 3,7 percent, Sanlam Index 6,1 percent, Guardbank Resources 3,2 percent, Sage Resources 3,8 percent, Sanlam Dividend 3,26 percent, Sanlam Industrial 1,4 percent, Old Mutual Mining 5,2 percent and UAL Selected 0,2 percent.

However, Standard Gold dropped by 5,1 percent, Sanlam Mining by 13,1 percent and UAL M&R by one percent.

A major development has been for unit trusts to make plans to manage investors' money in bad times as well as good.

They want to retain some of the money that normally flows out of units when the share market turns down or moves into a bear phase, as at present.

They plan to do this by offering investors the opportunity when the share market goes sour to be able to switch from equity unit trusts to income funds.

This should keep an investor's funds safe in a market downturn, provide a good income, and enable the money to be moved back quickly at low cost into an equity fund when the bull market resumes.

Standard and Guardbank already have equity and income funds and their investors can easily switch from one to the other.

Sanlam has five trusts, but no fully-fledged income fund. However, its investors can switch into Sanlam Dividend, which is a high-yield fund

Syfrets has joined the ranks of these companies by launching its own income fund to keep its equity fund company. Investments can be transferred between the two at a nominal cost, says Syfrets' chief executive, Mr Brian Robinson

Other management companies are believed to be planning similar income trusts

Providing facilities for investors to switch from an income to an equity fund and the reverse makes a great deal of sense, both for the unit trust management company and for investors — especially if their timing is good.

One of the ways the unit trust management companies make their money is by managing their clients' money The bigger the sum of money they have to manage, the greater their profits.

When the share market is climbing, money tends to pour into the unit trusts and their profits rise When the market turns down, money starts to flow out and affects profits

In the eight months to June, unit trusts lost R260 million from repurchases However as sales remained extremely strong despite last October's collapse, they still finished the period with a highly satisfactory net inflow of R256 million

Nonetheless, the R260 million in repurchases represented a significant loss of potential profits

If this money had gone into income funds, instead of going back to the banks and building societies, it is clear that management company profits would have been larger.

But investors have much to gain by switching some or all of their unit trust investments into an income fund when the market seems high.

An analysis of the movement of unit trust prices show that since last September units of Guardbank fell by 18 percent, Old Mutual's by 26 percent, Sage's by 20 percent, Sanlam's by 30 percent, Standard's by 16 percent, Syfrets Growth's by 25 percent, UAL's by 28 percent, Sanlam Index's by 25 percent, Guardbank Resources' by 25 percent, Sage Resources' by 33 percent, Sanlam Dividend's by 36 percent, Sanlam Industrial's by 24,5 percent, Standard Gold's by 41 prcent, Sanlam Mining's by 39 prcent, UAL M&R's by 36 percent and UAL Selected's by 30,6 percent.

But in the same period the unit price of Guardbank Income moved from 108,08 to 106,99 and that of Standard Income actually rose from 86,74 to 89,35.

In addition, investors would have received a dividend of 11,36 percent from Guardbank and 10,43 percent from Standard

So those whose timing was right and who switched into an income fund last September have much to be cheerful about.

Anglovaal to lift capex 55%

Star 4/10/88

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By Ann Crotty

Anglovaal is planning to boost capital expenditure in financial 1989 by 55 percent

Expenditure on additions to fixed assets and replacements is expected to reach R250 million, compared with financial 1988's R161 million

The increased commitment to capex is being planned despite the fact that chairman Mr Basil Hersov believes that economic prospects for the current financial year are less favourable than a year ago

"The balance of payments position has weakened, interest rates are hardening and inflationary pressures, particularly from a depressed rand, are again increasing"

Mr Hersov says "Intensification of sanctions remains a major threat Legislation currently being comtemplated in the United States could, if enacted, adversely affect economic growth in South Africa Although some short-term benefits may be perceived, the long-term implications for this country would be extremely serious"

Mr Hersov believes that if SA's required rate of growth is to be achieved then a political dispensation, sufficient to permit capital inflows into SA, is essential

"Against this background, the year ahead will be one of major challenge for the group. However, provided economic growth remains positive and socio-political conditions are relatively stable, improved results should be achieved in 1989"

Mr Hersov refers to the strenghtening of the economy and the acceleration of consumer spending evident in financial 1988 "Business confidence firmed, but fixed investment spending remained tentative, mainly on account of unutilised installed capacity," he says

MINING EXPLORATION SECTOR

Shares to the slaughter

■ Fundamentals remain sound, but sentiment has taken its toll

2/10

Worst hit of the JSE's mining boards in the wake of the October 19 equity crunch has been the mining exploration sector — where prices of some shares have dropped up to 80% from their peaks.

Such volatile performance justifies warnings issued as each new exploration share was listed, pointing out that these companies are high-risk and not for "widows and orphans"

However, if the exploration stock run-up to the peak last October was overdone, then the subsequent price implosion has also been overdone to the extent that some shares appear oversold.

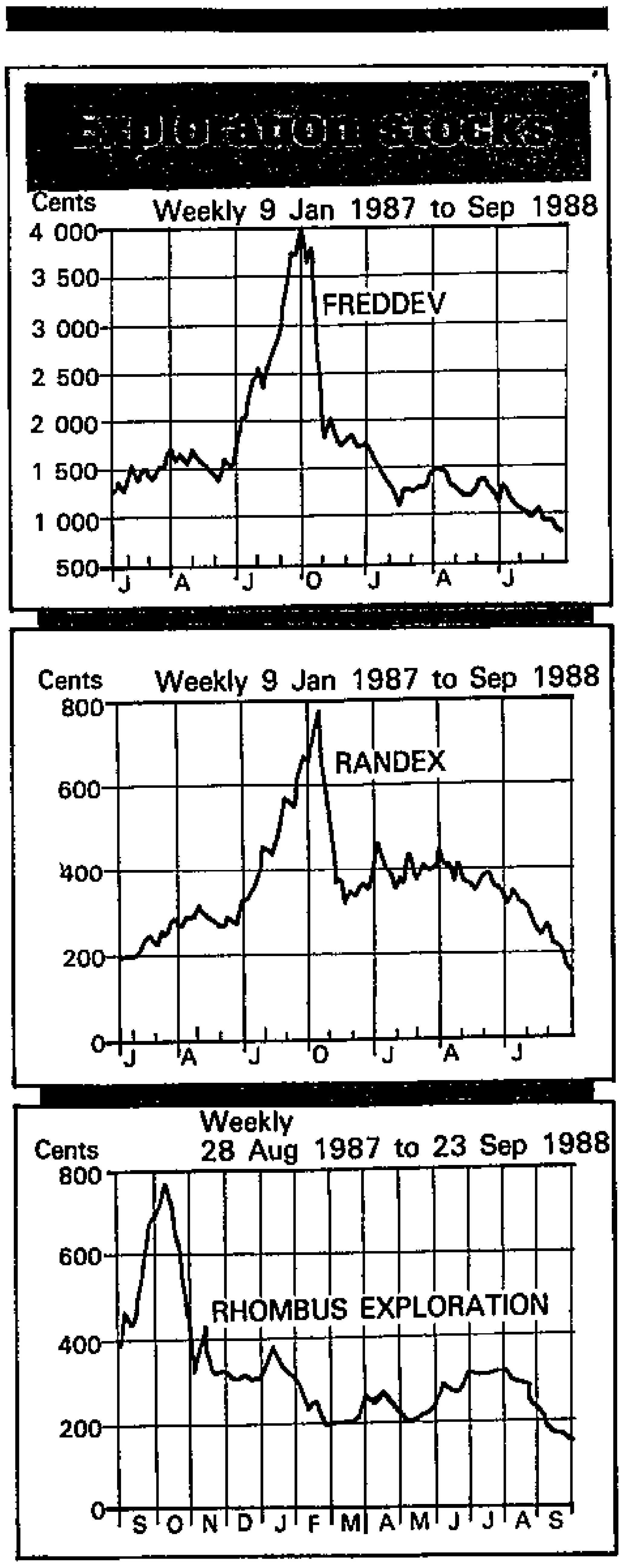
There are now bargains in this sector, since the fundamental reasons justifying the existence of the companies have not changed. Simply stated, the economy remains gold-driven and mining houses are pushing ahead with major exploration programmes that could see some 15 new gold mines start up by the end of the century.

This exploration work will continue regardless of swings in the dollar gold price. The mining houses take a long-term view because the gold price is cyclical, and cutting back on exploration when the price drops temporarily will harm future business.

Experience also shows that, whatever happens to the dollar gold price, the value of the rand against the dollar has always adjusted to maintain rand revenues to the all-important gold industry.

Mining will become even more important to the overall economic future because most of its products are relatively immune to sanctions. They are either difficult to embargo effectively — such as gold — or essential requirements for the West, like platinum, rhodium and ferrochrome, where SA is the major supplier.

→ (210) PM 7/10/88



have not changed. Both Von Christierson and Grobicki say there has been no slowing down in the tempo of exploration work by the major mining houses. JCI executive director and Freddev chairman Vaughan Bray confirms that JCI has no intention of slowing down its extensive exploration campaign.

"You have to take a long-term view by setting up targets for investigation and then seeing the work through," he says

Says Grobicki. "The pattern of exploration spending over the past few years reflects the industry's realisation that it has to find replacement ore reserves This surge in spending from about 1984 is for real and it will not drop off, in contrast with the spending increase shown from 1981, which was gold-price driven" **(see graph)**

Comments Von Christierson. "If the gold price performs really poorly you may see some 'luxury' projects trimmed back, like those looking for new Witwatersrand Basins However, key projects such as Anglo's work in the Potch Gap and JCI's efforts at South Deep should not be touched. If they are, that's when you can start worrying"

Compelling reasons

There are compelling business, social and political reasons why the exploration drive must continue, according to Peter Bieber, chairman of Old Mutual-controlled Lydex.

"Gold is one thing that will make change in our society easier because the economy and the country will be that much more flexible with a gold production of 800 t-900 t annually rather than the current 600 t.

"The Old Mutual's view is that gold output must increase because if, in 30 years' time, SA is only producing 200 t of gold a year, it will not be the kind of country we would like policyholders to be living in," he says.

Bieber is scathing on recent government regulations affecting both the life assurance and mining industries, which were made retrospective in some cases.

"We would like an assurance from the Minister of Finance that we live in a stable environment where government will not keep changing the financial rules. This alone would create tremendous confidence. Government's search for more funds is destroying some of the fabric of society by making it not worth developers taking the risk in going for new mines."

Investors still prepared to follow the exploration sector find themselves in the pound seats because the best of these shares are available at bargain prices.

There is so far only one dud in the sector — Joe Berardo's Corex, which has poured money down dry holes drilled for oil in an area Soekor passed over years ago

Randex's Grobicki . . . the surge is for real

Proponents of the "go-it-alone" approach say the advantages are that they have full control of projects and, in the event of a hit, the rewards to shareholders will be far greater than those offered by companies with minority stakes in joint ventures

However, joint venture companies, with fingers in many more pies, have a greater chance of a hit, while their money stretches a lot further in deals where the major mining houses pay the bulk of the costs.

According to Von Christierson. "You get better odds at Sun City than you do going it alone in today's market."

Investors should go for the top-quality shares, Freddev and Barnex If these, even at current prices, are too expensive for a small investor's pocket, then next best are companies which have followed a risk-spreading policy, of which the pick appear to be Randex, Lydex and Marievale *Brendan Ryan*

ISCOR

Going for the gaps

260

■ A contracting economy and sanctions intensify the pressures to export

Iscor appears to have a few more irons in the fire — specifically, its ore exports Indeed, production levels at the Sishen iron ore mine in the northern Cape suggest it is recovering lost export business.

Iscor spokesman Piet du Plessis says the mine is producing at full capacity of 1,5 Mt a month and expects to operate at the same level for the foreseeable future.

What Iscor won't say is how much production is going to the export market However, if steel industry sources are correct in predicting that domestic demand from Sishen this year will improve only slightly on last year's estimated 7 Mt, then clearly added production is destined for foreign sale

Increased production is welcomed at Sishen where, as recently as July, production was running at 15,5 Mt annualised. If production can be maintained it would mean an annualised 18 Mt — design capacity

Though corporation sources say new export orders continue to come in, Iscor is making no predictions on how long production can be maintained However, management is confident exports will top the officially-stated 7,7 Mt of 1986-1987, perhaps

Freddev chairman Bray ... take a long-term view

The collapse in share prices has been dramatic and across the board. Shares in the sector can be put into three broad groupings:

☐ Most highly rated, as they carry least risk, are those controlled by mining houses Free State Development (Freddev), Barnato Exploration (Barnex) and Marievale,

☐ Then come companies which have set up joint ventures with mining houses, such as Rand Extensions (Randex), Lydenburg Exploration (Lydex) and Potchefstroom Gold Areas (PGA), and

☐ The highest-risk are those which have a policy of going it alone or have not yet tied up joint venture agreements. They include Rhombus Exploration (Rho-Ex), Consolidated Resources (Corex) and South Witwatersrand Exploration (South Wits).

All have been hammered by the bear market. Freddev, generally regarded as the blue chip of the sector, peaked at 3 850c last October and has since dropped 68% to 840c.

PGA, now 165c, is 80% down on its peak of 820c last October and hovering just above the price of 150c at which it was listed two years ago. Rho-Ex, at 150c, is 82% down on last year's peak of 915c and 40% below its issue price of 250c

Exploration shares pitched at prices influenced by the bear market conditions that have ruled since last October have also fared badly. Analysts were virtually unanimous that Barnex was a giveaway at its issue price of 410c in August; yet the share is down to 390c. Lydex, which was issued at 175c and initially rose to 250c, is now 140c. South Wits has gone steadily downhill from its listing price of 180c to stand 67% below this at 65c.

In comparison, the All Gold index is some 48% down on its peak of 2 429 last October while the Overall index is only 35% down on its peak of 2 804, set the same month

Reasons for the collapse are not hard to find Exploration shares do not pay dividends and are speculative because of high risks in the uncertain world of exploration. The payoff for shareholders, if any, will come in several years' time if the mineral rights an exploration company controls are developed into a mine Policy of all mining exploration companies is to pass rights in a new mine straight through to shareholders, giving them a ground-level stake.

That's all very well But in current market conditions investors are fleeing to low-risk, quality stocks paying dividends now — and a "long-term view" is probably three months.

Some analysts point out that Lydex has suffered particularly from this approach. Freddev, which received Lydex shares in return for mineral rights put into the company, passed these through free to its own shareholders. Analysts reckon many Freddev shareholders have sold off their entitlements to get cash up front rather than hold on.

Foreign interest has also dried up. Chris von Christierson, a director of Freddev, Lydex, PGA and Randex, says "Three years ago we were able to get foreign financial support for the listings of Randex and PGA but this year we couldn't get any for Lydex"

Negative investor sentiment towards the sector will only have a real impact on the operations of the exploration companies if they are forced to come to the market for more money while present conditions rule

Says Von Christierson "Lydex has just received its cash while PGA has about R4m left out of its original R6m Joint venture partner Anglo American has been spending at a faster-than-expected rate because of drilling successes and PGA is funding its share of this work As a result PGA may have to be refinanced sooner than the five years originally expected."

If that has to be done in this kind of market, PGA will have to ensure the offer is attractive enough to investors to win support.

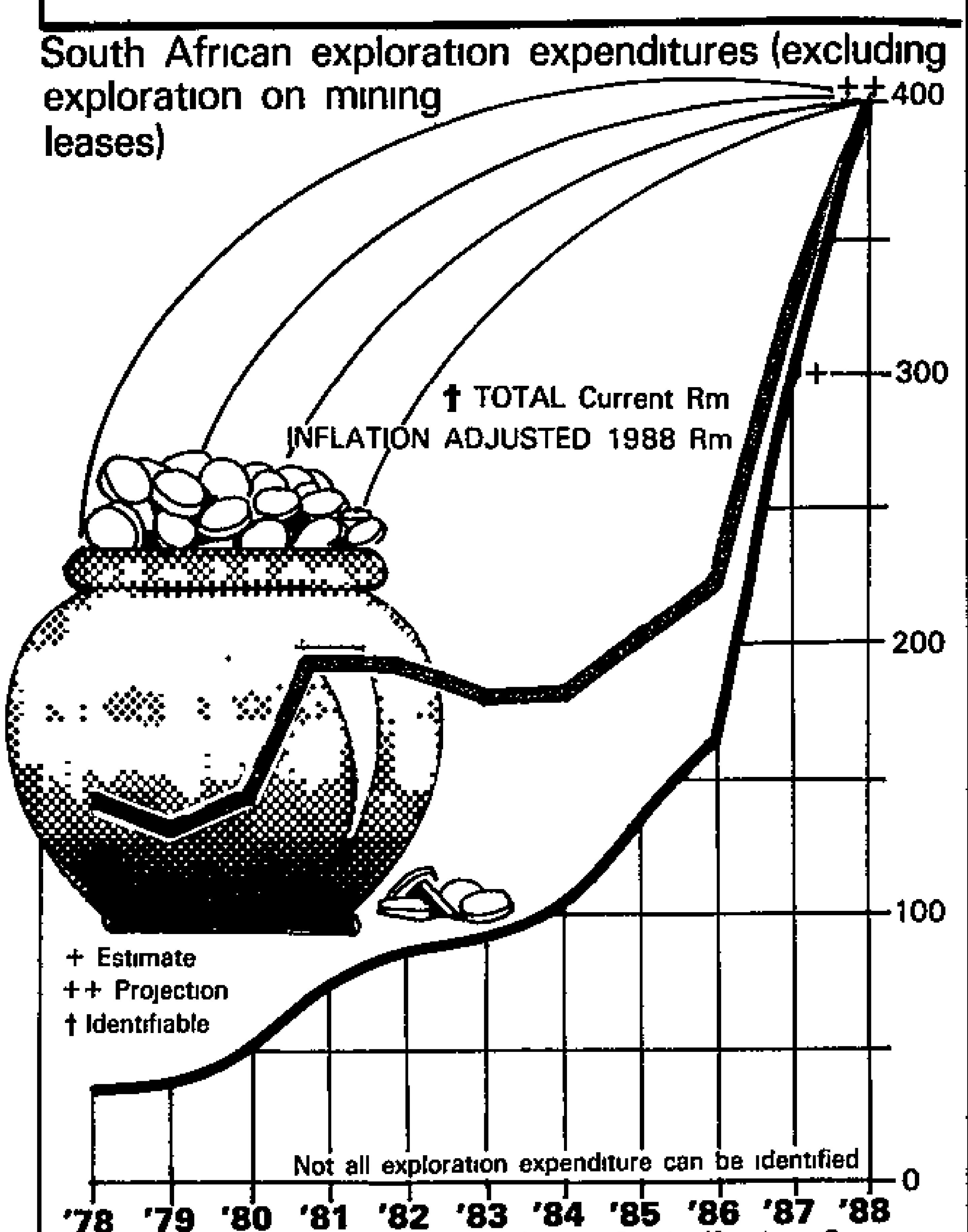
Randex MD Ted Grobicki says "Randex has R9,8m cash We get about R1,5m annually from the dump retreatment operations we set up with Southgo We're fine for at least two years, which is in line with our stated objective, at the time of listing, that we had raised enough money for five years"

Another company which should not need money soon is recently-listed South Wits.

Rho-Ex may need to raise funds by about March next year for the development of its titanium sands project in Transkei. The depressed market conditions won't help. Chairman Les Holmes announced earlier this year that Rho-Ex was swinging away from gold into base metal projects because of the poor performance of the gold price and soaring costs of new deep-level gold mines; but analysts also point out that the project to prove a potential new gold field at Verkeerdevlei in the OFS has given poor results

The bottom line remains that fundamental conditions for the exploration companies

Still spending



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Unit trusts pursue rand hedge stocks

(210) Star 7/10/88 (189)

By Sven Forssman

The flight into rand-hedge stocks by unit trust funds, which started in the June quarter in anticipation of the further weakening of the rand, continued during the September quarter

On the whole, the September quarter was a much improved one and gains were in the majority

Old Mutual Investors' Fund declared a distribution of 35,94c for the six months to September 30, bringing the year's total to 61,98c, an increase of more than 33 percent over the previous year.

The Investors' Fund grew by R78 million to more than R1,1 billion during the past quarter, with the repurchase price increasing by 6,8 percent.

Portfolio manager Rowland Chute said the fund reduced its level of liquidity to 21 percent.

Old Mutual's Mining Fund experienced a quiet quarter and its liquidity level remained virtually unchanged. Among the new holdings purchased were Hartebeesfontein and Consgold

UAL Unit Trust, the largest of the four UAL trusts, added 165 000 Barlows shares to its portfolio and increased its holding in Robor and Tiger Oats. It also reduced its liquidity from 14 to 13,3 percent.

UAL Mining and Resources, which focuses on rand-hedge investments, purchased a 150 000 Lebowa Platinum shares and consolidated its position in Anglovaal, while bringing in a new holding in Barnex at the expense of its holding in Randex.

UAL Selected Opportunities, increased its holdings in First National, Time, Boumat, Jaguar, Control Instruments, Clyde Industrial, NEI Holdings and NEI Africa, Subroc, Toyota, CNA Gallo, Lion Match and Laser As a result, its liquidity declined 21% from R9,6 million to R7,1 million

Sage Fund established new holdings in Kinross, Lebowa Platinum and Pioneer Property Fund, while increasing its holdings of Allied, Gencor, JCI, Genbel, Federale Volks.

Sage Fund's 10 largest holdings at the quarter end were Rembrandt Beh, Rembrandt Group, Anglo American, SAB, Sage Holdings, Goldfields SA, Allied, Barlows, De Beers and Plate Glass

Investment activity in Sage Resources Fund was reflected in increased holdings in Deelkraal, Hartıes, Samancor, JCI and New Wits. New investments were established in St Helena, Vansa, Vogels, Barnex, Lydex and Marievale Holdings in Elandsrand, Libanon, Marlin and Cons Goldfields were disposed of.

Standard Bank Mutual Fund's repurchase price increased by 4,72 percent to 587,39c per unit.

The Gold Fund, made significant purchases in Barnato Exploration and Libanon. Liquidity stood at 20 percent.

A spokesman said it should be noted that gold shares had already depreciated in excess of 50 percent on average since August 1987 and there appeared to be reasonable value in certain quality gold counters

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Star 7/10/88

JCI hits bonanza at South Deep prospect

By Derek Tommey

Based on figures given in the latest Johannesburg Consolidated Investment company's annual report it appears that the group's 839 hectare South Deep prospect, south of Western Areas, could contain some 1 470 tons or some 47 million ounces of gold — worth R47 000 million at today's prices — and equal to one year's total world production

South Africa produces some 1,6 million ounces or some 49 tons of gold a month

The find works out at about 1,75 tons of gold a hectare — "making it about the richest piece of real estate in the world," a mining consultant commented.

However, it will be some years before the ore is mined In its annual report, the company says that the prospect area is at an advanced feasibility study stage and a decision on how to turn it to account is expected during this financial year

"The 839 hectare prospect lies immediately to the south of Western Areas where it is underlain by the Ventersdorp Contact Reef and Upper Elsburg reefs in the depth interval 2 700 metres to 3 300 metres

"Some 11 boreholes within the prospect area amd numerous peripheral boreholes, support the presence of a 7,5 million ton ore body west of the shoreline at approximately 13 grams a ton, plus a VRC/Upper Elsburg orebody which carries in excess of 229 million tons at an approximate grade of 6 grams a ton

"This orebody is unique for the vast thickness of mineralised reefs as they diverge down dip from the shoreline position", says the report

Faults along the VCR orebody have been mapped in a detailed fashion by this country's first on-shore 3-D seismic survey and the resulting structural mine elevation plans will be utilised for early mine-planning purposes

Mining consultants point out that the JCI South Deep prospect presents many mining problems Some of the reefs are 30 metres thick and new techniques will be needed

The area to be mined is also deep and the temperature gradient is said to be high

JCI also has another gold mine in view It reports that the Doornrivier prospect to the north-west of Joel and Beatrix mines is the group's most economically attractive target in the Free State

JCI owns the 1271 hectare Doornrivier which constitutes the core of the prospect and is underlain by the Aandenk and Leader Reefs in the depth interest 1500 metres to 2200 metres.

A 24-borehole programme is currently two-thirds complete and has consistently returned pay intersections. These boreholes should be completed during the 1990 financial year and present indictions suggest that the farm Doornrivier, without any further (and possible) consolidation, could support an independent mine.

At the same time JCI is activelyprospecting in two other areas

One is on the Fochville area where it has a 17 000 hectare prospect south-west of South Deep which is underlain by the same reefs at depths of more than 3 500 metres

Recent drilling results have been encouraging and the three boreholes completed this year all returned target reef intersections in excess of 1000 cm g/t, says JCI

The second is south of Klerksdorp where seismic refliction mapping has demarcated an extension to the previously known area of Central Rand Rocks. Some 20 200 hectares of ground is under option and subject to systematic drilling in the search for VCR, Vaal and Dennys reef pay intersections in the depth interval 2 000 metres to 3 500 metres

Results to date are sufficiently encouraging to justify the continuation of prospect drilling, says the report

Strategic minerals at risk, says ConsGold

Successful bid 'will mean SA domination'

Bday 11/10/88.

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LONDON — SA would dominate the world supply of strategic minerals and metals if Minorco's £2,9bn bid for Consolidated Goldfields (ConsGold) succeeded, the company told the Office of Fair Trading.

MIKE ROBERTSON

It suggested in a submission to the office (details of which were released yesterday) that 'if the bid succeeded SA, and Anglo American in particular, would dominate, and by implication threaten, supplies of gold, platinum, zircon and titanium

But the feeling among analysts was that even if the suggestion of domination was true, it was highly questionable whether SA would or could threaten supplies

ConsGold said a successful bid by Minorco would give Anglo American control of 32% of the Western world's gold supply, equivalent to the combined production of the US, Canada, Australia and Brazil. It said "The unprecedented share which an enlarged Anglo American grouping would control should be of critical concern to all national governments"

Anglo American already controlled 54% of the Western world's mine production of platinum and 60% of refining capacity

"Gold Fields is developing a new mine in SA which will introduce much needed competition to the industry If the bid succeeds, the sources of supply will be yet further concentrated into the hands of Anglo American, stifling any hope of more competitive market conditions"

SA control of zircon and titanium was a matter of national interest for Britain Titanium was used in jet aircraft wings while zircon was critical to the nuclear industry and advanced ceramics

However, ConsGold has assumed collusion between two SA companies — as Gencor, not Anglo American, controls SA production of the two minerals Gencor produces 29% of the Western world's titanium and 26% of its zircon.

The office has until October 25 to decide whether to refer the bid to the Monopolies and Mergers Commission

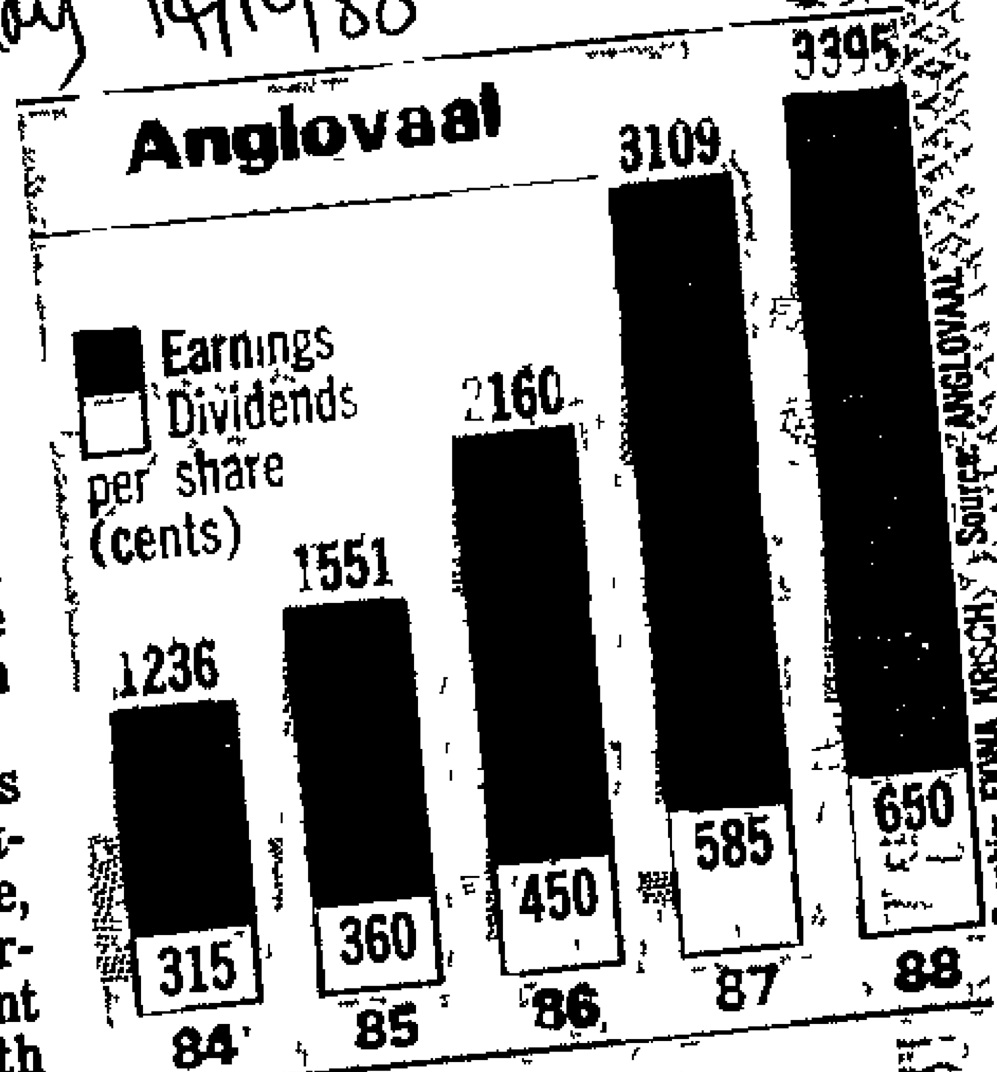
□ Sapa-Reuter reports that Minorco said in London yesterday it would sell ConsGold's 49,3% stake in the US firm, Newmont Mining, if its bid succeeded

Newmont, which owns the biggest US gold mine, has protested to President Ronald Reagan over Minorco's bid for ConsGold

Big new mine in Anglovaal sights

210 B/day 14/10/88

LIZ ROUSE



THE R6,7bn Anglovaal group's profit growth slowed down significantly in the past year, but a large new Free State mine with an annual milling rate of 5-million tons looms in its future.

Consolidated earnings rose by 9% to R145,3m in the year to June from R133m in 1987, equivalent to 3 395c a share (3 109c a share). The dividend has been raised by 11% to 650c from 585c.

The marked slowdown in growth was signalled by the 12% increase in attributable earnings at the halfway stage, plus previous statements from chairman Basil Hersov that, given current circumstances, the group's growth would not match those of previous years.

Attributable earnings showed gains of 44% and 39% in the previous two years. Compound figures over the past five years show average earnings growth of 22% annually and dividend increases averaging 16% a year.

In spite of some adverse background economic factors, Hersov says in his annual review that Anglovaal is budgeting for higher earnings in the 1989 year. Industrial interests have performed well in the year to date.

Although any productivity increases achieved by the group's gold mines will help to offset higher wages already granted, the mines' earnings growth will be contrained. However, dividends from Associated Manganese and Feralloys are expected to be considerably higher this year, says Hersov.

● To Page 2

Major new mine in Anglovaal sights

14/10/88 210 B/day

● From Page 1

The annual report contains some nuggets — a R5,5m detailed feasibility study into the possibility of a new Free State mine, a R15m increase to R78m for exploration in the current year and a 48% rise in Anglovaal Industries' earnings, offsetting lower income from mining investments.

Initial results from a preliminary feasibility study of the southern area of Anglovaal's Sun Prospecting & Mining Company — which covers 12 300ha of the 37 000ha area extending from the northern boundary of Loraine gold mine's mineral rights and option holdings to the southern boundary of the prospecting areas being investigated by its Oribi Prospecting & Mining Company — have been sufficiently encouraging to warrant a detailed feasibility study.

Hersov says the new study will be into the viability of a high-tonnage mine — milling up to 5-million tons annually — and because reef depths vary between 2 700m and 4 400m, the average recovery grade will have to be in excess of the industry's average of 5,3g/t. The study should be finalised during the June quarter of 1989.

Total expenditure in the Sun area is about R90m to date and during the current year a further R37m will be spent, of which R25m will be for mineral rights.

The shares in Sun Mining are held as to 35,7% by Anglovaal, 34,3% by Mid Wits and 30% by BHP-Utah.

The regional drilling programme is continuing in the remainder of the Sun area as it is in the contiguous area covered by Oribi — held by Anglovaal (51%) and Mid Wits (49%).

Prospecting expenditure in this latter area — which covers 33 000ha — totals about R14m to date and a further R8,5m is budgeted for the current year.

● See Page 8

Mine business picks up

(210) Star 18/10/88

Despite the comparatively depressed conditions in the mining industry, LTA MAC (Mining Areas Construction) companies have healthy order books

"And," says marketing manager, Mr Trevor Anderson, "there are signs of an upswing, with some mines activating projects which have been shelved"

LTA MAC Civil Engineering, which was established only last November, has orders totalling more than R13 million

"The group's building companies are also busy," says Mr Anderson

Tax puts damper on Anglo mines

REINIE BOOYSEN

THE three Transvaal gold mines administered by Anglo American — Vaal Reefs, Western Deep Levels and Elandsrand — registered a 6% decline in taxed profit from R324m to R303m during the September quarter.

Their gold production rose by 274kg to 33 596kg after average yield rose by 2% to 6,67g/t Assisted by a 5,1% rise in the average gold price received, to R33 527/kg, the three mines lifted working profit by R45,7m to R515,3m

Capex

But a R211,7m tax provision resulted in taxed profit of R303,2m Capex of R149m (R164m) resulted in available profit of R154,1m (R159,6m)

At VAAL REEFS gold production increased marginally to 20 335kg (20 097kg), mainly as a result of a slightly higher average grade of 7,07g/t (6,94g/t)

Although working costs were well maintained, uranium oxide profit more than doubled to R25,2m, as a result of additional sales during the quarter, and sundry revenue increased by R4,7m to R15,9m largely as a result of higher interest rates

The previous quarter includes a half-yearly dividend from Southvaal Holdings but profit before tax increased by 13% to R293,4m After tax and capex, the profit available was R85,4m (R89,4m).

Although pre-tax profit by WESTERN DEEP LEVELS increased by R12,4m, to R176,8m, taxation increased by 31% to R73,0m, resulting in a R4,9m drop in taxed profit to R103,8m But a 9% drop in appropriations for capex — to R59m — resulted in available profit rising slightly to R44,8m (R44m)

The drop in throughput and grade at ELANDSRAND resulted in a 6% decline in gold production to 2 970kg (3 150kg) Although the increased gold price kept revenue virtually unchanged at R100,8m, a rise in costs, taxation and capex resulted in a decline in available profit, to R23,9m (R26,1m)

SA LANDS' (Sallies) available profit declined to R1,06m (R1,21m), largely as a result of a rise in transport and screening costs, to R3,15m (R2,77m).

Anglo says the higher-grade dumps have been depleted and the pattern of lower grades can be expected to continue

"However, in an attempt to compensate for this, annual throughput has been increased."

Dividend

ERGO's available profit increased by 15% to R15,8m "as a result of the higher rand gold price and higher acid sales". An interim dividend of 60c a share has been declared

Acid production increased by about 2 500 tons Underground mining at Simmergo, which became unprofitable because of low grades and high labour costs, has been discontinued.

□ Anglo's Free State gold mining operation, Free State Consolidated Gold Mines, increased available profit by R10,7m to R99m

This is chiefly the result of an 8,1% increase in revenue from gold sales to R914,4m (R846m), arising from higher gold production and a higher rand gold price received

Gold production rose to 27 052kg (26 579kg), after a rise in mill throughput to 6,539-million tons (6,297-million tons) However, average yield declined to 4,14g/t (4,22g/t).

While the working costs/kg of gold produced rose from R22 213 to R24 012, revenue/kg rose from R32 006 to R33 590.

Capex rose by 48,7% to R190,9m (R128,4m)

ANGLO GOLD MINES Sep Quarter	Tons milled 000's	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000's	Profit after capex R000's	EPS after capex cents
Freegold	**6 539**	**4,1**	**27 052**	**99**	**24 012**	**335**	**274,4**	**98,9**	**85**
June	6 297	4 2	26 579	94	22 213	32 006	209 2	88 3	76
Vaal Reefs	**2 876**	**7,1**	**20 335**	**117**	**16 524**	**33 494**	**155,7**	**85,4**	**449**
June	2 897	6 9	20 097	115	16 612	31 948	169 8	89 5	470
Western Deeps	**1 670**	**6,2**	**10 291**	**106**	**17 179**	**33 594**	**103,8**	**44,8**	**164**
June	1 699	5 9	10 075	96	16 173	31 310	108,7	44,0	160
Elandsrand	**488**	**6,1**	**2 970**	**120**	**19 743**	**33 512**	**43,7**	**23,9**	**25**
June	496	6 4	3 150	113	17 787	31 842	45 2	26 1	27
SA Lands	**680**	**0,5**	**346**	**11**	**21 951**	**33 614**	**1,1**	**1,1**	**12**
June	688	0 5	360	10	19 419	32 152	1 1	1 2	13
Ergo	**9 222**	**0,3**	**2 898**	**—**	**—**	**33 529**	**26,3**	**15,8**	**35**
June	9 173	0 3	2 950	—	—	31 681	19 9	13 7	30

IN BRIEF

FOUR ANGLO concerns — Free State Consolidated Gold Mines, East Rand Gold and Uranium Company, Welkom Gold Holdings and Orange Free State Investments — have declared interim dividends

□ Free State Consolidated Gold Mines' second interim dividend, No 67, is 160c and East Rand Gold and Uranium Company's interim dividend, No 20, is 50c

□ Welkom Gold Holdings declared income from investments of R67m (R74,2m) and taxed profit of R66,7m (R73,8m) for the year to September, and a decline in earnings a share to 189c (209c) The second interim dividend, No 63, is 108c

□ Orange Free State Investments declared income of R164,5m (R182,2m) and taxed profit of R164,1m (R181m), and a decline in earnings a share to 729c (806c)

The second interim dividend, No 6, is 418c

Golden Dumps mines increase their losses

REINIE BOOYSEN

THE two gold mines managed by Golden Dumps — South Roodepoort and Consolidated Modderfontein — have turned in disappointing performances once again Gold production and profit declined at both mines for the second quarter running

SOUTH ROODEPOORT'S gold production has declined in the past three quarters from 385kg to 326kg to 280kg, with taxed profit declining from R2,7m to R634 000 to a loss of R8 000.

Grade improved marginally in the September quarter to 3,22g/t (3,08g/t), but working costs/kg of gold produced rose from R29 191 to R33 607, while revenue/kg rose from R29 191 to R33 607

After capex, the bottom-line loss at South Roodepoort is R1,4m

In spite of claims that matters at CONS MODDER would improve this quarter, gold production has declined once again despite an improvement in grade In the past three quarters, it has declined from 685kg to 617kg to 602kg. Taxed profit has declined in the past three quarters from R1,7m to a loss of R232 000 to a greater loss of R960 000.

Although grade rose from 2,46g/t to 3,19g/t, a substantial 25% drop in tonnage, to 188 720t (251 274t) led to no substantial turnaround at the mine, as expected Working costs/kg of gold produced rose from R31 319 to R34 368, while revenue/kg dropped from R33 381 to R33 294

After capex, the bottom-line loss at Cons Modder was R2,5m, which was set off by the R7,5m extraordinary profit on the sale to Ergo of certain dump permits and materials during the quarter

GOLDEN DUMPS Sep Quarter	Tons milled 000's	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000's	Profit after capex R000's	EPS after capex cents
South Rood	**87**	**3,22**	**280**	**108**	**33 607**	**33 689**	**(8)**	**(1 403)**	**(8)**
June	106	3,08	326	90	29 191	31 833	634	(3 269)	(21)
Cons Modder	**189**	**3,19**	**602**	**110**	**34 368**	**33 294**	**6 500**	**4 936**	**14**
June	251	2,46	617	77	31 319	33 381	(232)	(9 007)	(26)

Goldam plant's huge rise in production

REINIE BOOYSEN

TAXED profit by Nigel Gold Mining Holdings — in the Southgo Group — has declined marginally to R210 000 (R217 000) in the September quarter.

Although revenue — primarily from gold and silver — almost doubled to R6,484m (R3,313m), working costs more-than-doubled to R6,270m (R3,092)m Southgo says this is largely due to operating problems at the No 2 shaft

The increase in revenue is the result of a huge rise in gold production by the Goldam retreatment plant to 100kg (15kg) The plant reached full production capacity in August

Southgo says the higher-than-budgeted working costs reflect the higher reagent and power consumption associated with the start-up of the plant

While revenue/kg of gold produced rose from R31 123 to R33 376, working costs/kg rose from R29 170 to R32 320

Although underground grade improved to 2,47g/t and gold production from this source was better at 94kg, the No 2 shaft failed to achieve expected production due to mechanical breakdowns and continued problems in establishing production stoping areas

Capex for the quarter was R2,7m (R8,7m), principally for completion of the Goldam plant, says Southgo

Minister calls for increased mineral exploration

HARARE — A Cabinet minister yesterday challenged the mining industry to intensify mineral exploration to maintain production levels

Opening the 20th annual conference of the Mining Affairs Board and District Advisory Board, acting Mines Minister Maurice Nyagumbo said investment in exploration was still negligible.

"In order to sustain and excel the contribution of the mining sector to the economy and achieve the growth targets as set out by government in the first five-year national development plan, there is great need to focus on intensive exploration activity"

Nyagumbo said there was a need to increase locally held equity in foreign-owned enterprises to improve the country's forex earnings.

The level of local participation could be matched with a more liberal policy on repatriation of funds — Sapa.

21/10/86

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Supply worries boost copper price

LONDON — A recent run of record-breaking copper and zinc prices, fuelled by high demand and severe supply disruptions, shows no signs of abating.

LME three-month copper prices hit all-time highs of £1 643 ($2 892) a ton on Wednesday while zinc traded at a record $1 538 a ton. Both slipped slightly in late trading yesterday.

A strike by Peruvian miners, the third this year, was mainly responsible for this month's price surge, Stephen Briggs, of brokers Shearson Lehman Hutton said, but copper and zinc were fundamentally strong with both markets experiencing shortages.

Andrew Smith, base metals analyst at stockbrokers Phillips & Drew, saw both metals moving even higher though they would encounter some profit-taking at intervals.

Current prices highlighted concern this year that the risk of supply disruption was extremely great.

Smith said even if there were a quick solution to the strike in Peru it would not guarantee an immediate rise in output.

Infrastructure

The infrastructure of the Peruvian mining industry had been neglected and, even if financial aid were pumped in, metal output would still take a long time to recover.

Euan Worthington, analyst at stockbroker Warburg Securities, said if the strikes were settled, it would represent only a short-term setback to prices, given that industry was well into the last, and traditionally strongest, quarter of the year.

He said with no new supply projects coming on stream in the short term for either copper or zinc, the markets looked like remaining tight into the first quarter of 1989.

Smith said uncertainty also existed over African supplies because some countries, such as Zambia, would produce less this year.

He said this was because production last year was boosted to artificially high levels, to take advantage of rising prices, with the result that maintenance was neglected.

Briggs said falling output in Zambia and Zaire, combined with the Peruvian stoppages, could see total 1988 output in these nations lag 1987 levels by about 120 000 tons — Sapa-Reuter.

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Osprey soars still higher as output takes off

REINIE BOOYSEN

OSPREY Gold Mine has delivered another improved performance in the September quarter. Production has risen steadily over the past four quarters from 24kg to 32kg, 43kg and 52kg.

The mine hopes to produce 60kg of gold in the current quarter.

The average yield — 2,94g/t — is still far short of the 4,0g/t forecast in the prospectus but it rose substantially from the previous quarter's average of 1,86g/t.

The effect of this improvement is a 158% rise in working profit, R165 764 to R427 849 (March quarter: R1 365, December quarter: R250 000 loss).

Throughput

Working revenue/kg of gold produced rose to R35 940 from R31 455, while working costs/kg of gold produced declined from R28 460 to R27 815.

Despite the improvement in working profit, capex of R647 333 resulted in a bottom-line loss of R219 484.

Chairman and MD Philip Devarenne Jnr says mill throughput was held back slightly while mill No 1 was being upgraded with a new magnesium steel liner — hence the decline in tonnage from 18 518 to 15 533.

"Tailings were running at 1,04g/t and we didn't think it was satisfactory to lose so much gold."

Devarenne attributes the improvement in yield to the new mill liner. Yield is expected to improve further, once a new liner has been installed in the No 3 mill.

He adds that tailings will hopefully be reduced to 0,5g/t in the current quarter "once the full effect of the new mill liners is felt".

Community

Osprey has listed reef and surface yield separately for the first time. Devarenne says this was done "after some concern from the community that grades were short of the objectives set in the prospectus". Underground yield rose from 2,0g/t to 3,18g/t.

Although the new mill liners will have upgraded mill capacity to about 45 000t/month, Devarenne says underground development will support mill throughput of only about 18 000 tons from that source. He says the plan is to mill an additional 6 000 tons from surface.

Rand Mines has profits boosted

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B/day 28/10/88.

REINIE BOOYSEN

STRONGER second-half performances by Rand Mines' coal and base mineral operations have helped the house's profit growth in the year to end-September.

At the half-year stage RM's taxed profits were 18% lower than the previous year. Analysts predicted that the final results would show very little, or even negative growth, as opposed to other mining houses.

But distributable profit for the year rose by R11m or 7% to R164,5m (R153,5m). Earnings a share rose from 1 369c to 1 467c and the final dividend of 345c takes total distribution to 450c — 3% higher than last year's 435c.

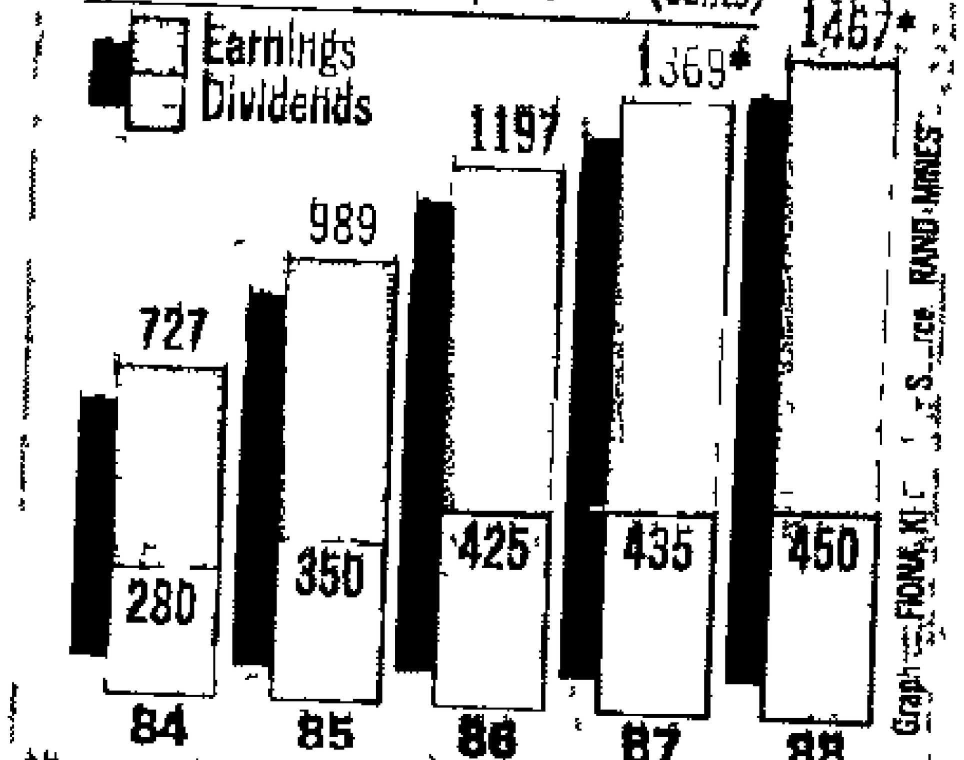
RM chairman "Danny" Watt says higher export demand which led to better dollar prices boosted the coal division's performance.

He says there were also improved performances from other quarters:

☐ A strong turnaround at Harmony, which is paying dividends again after sorting out the grade and tonnage problems that forced it to pass its final dividend in March; and

Rand Mines Ltd

Earnings and dividends per share (cents)



*Calculated in accordance with new accounting policies

☐ A bigger contribution from 76,5%-controlled subsidiary Rand Mines Properties, which recently announced a 44% increase in taxed profits.

RM subsidiary Witbank Colliery's (Witcoal) quarterly report for September announces a change in accounting policy that enables it to regard stock-

● To Page 2

Coal, base minerals boost Rand Mines

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piled coal as sold before any contract of sale is entered into.

Watt says attributable profit from the coal division rose by R10m, but he denies allegations by analysts that this resulted from the change in policy at Witcoal.

At the interim stage RM restated earnings for the year to end-September 1987 after a change in accounting policy in regard to deferred taxation.

The change from the comprehensive method to the partial method of accounting for deferred taxation resulted in a 312c increase in earnings a share for the year to end-September 1987, from 1 117c to 1 429c.

But the new policy in regard to stockpiles at Witcoal necessitated yet another re-statement of profit for the year to end-September 1987. The directors say "due to the reduction of coal stock levels which took place in 1987, the effect of re-stating the 1987 figures has been to reduce attributable earnings a share by 60c in that year" — from 1 429c to 1 369c.

WMAIL 28C

De Beers plays cupid to Love, the Japanese way

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W/Mail 28/10—3/11/88

By JEAN TEMKIN

GOOD marketing, increased Japanese buying and renewed control of gem supplies by the Central Selling Organisation (CSO) have restored the glitter to the diamond market.

The latest diamond craze began in 1986, and this year's sales are almost certain to be the highest in history.

In the first half of this year, diamond sales were 41 percent higher than in 1987, which was itself a record year. In the past nine months, the price of diamonds has risen 25 percent.

However, CSO diamonds are denominated in US dollars, whose exchange rate has fallen against leading currencies, but not against the rand.

In the first six months of this year, Japanese diamond imports increased 45 percent over the same period last year to reach \$1-billion (R4-billion).

Higher living standards in Japan and the strength of the yen have prompted some Japanese diamond retailers to convert outlets into quasi-supermarket operations. The jewellery division of Seibu Department Stores, for example, has opened diamond bars for comfortable customer browsing.

Now most Japanese women receive a diamond engagement ring, and the stones are bigger than ever.

In the late 1960s, five percent of adult Japanese women owned diamonds. Now the figure is 70 percent and still growing.

The diamond craze in Japan has spilled over into the teenage market, where youngsters can buy necklaces made from small, genuine stones for less than R1 000.

The next surge of growth is expected from the US market, into which \$3,4-billion (R13-billion) worth of cut and uncut stones flowed last year.

Last year's figure was slightly lower than in 1986, but this was put down to the October stock market crash.

The US is well-known for its skill in cutting larger stones, for which there is growing international demand.

Last year its exports of cut stones rose by 26 percent. This year's figures are even more encouraging. In the first half of this year, US diamond imports rose by 63 percent, while exports rose 45 percent.

As the CSO virtually controls world diamond markets, and is in turn controlled by De Beers, the diamond boom has been reflected in the price of De Beers' shares — which have gained 42 percent since April.

The share, which moved into a bull trend in June, has a price potential of around 5220c in the next six months and around 5895c within the next year.

Trans Hex shares, one-sixth of the price of De Beers, moved into a bull trend in July and have also gained 42 percent. One price projection for Trans Hex is to around 875.

The alternatives for investors are Anamint, which is the holding company of De Beers and 12 times more expensive; and Carrigs and Broadacres, which are very cheap and very speculative.

The alternative to shares is the stones themselves. Diamonds are traditionally regarded as the finest transportable asset. Indeed, some of South Africa's largest companies were originally bankrolled by stones brought in by immigrants.

It took the CSO a number of years to regain control of the diamond market after the 1980 crash, which left the value of a one-carat D-flawless diamond at \$7 000 (R21 000), compared with \$70 000 (R28 000) during the boom of the late 1970s.

It's no secret that the CSO, which controls 80 percent of the world's diamond supplies, manipulates the market by holding back stones, thus creating demand.

The organisation has undoubtedly regained its stranglehold. Its inventory at the end of 1987 was \$2,3-billion (R10-billion) compared with \$500-million (R2-billion) in 1980.

The unpopular cartel was last challenged by Zaire in 1981. However, like those who have attempted to break it in the past, within two years Zaire was brought back into line.

The CSO has a purchasing agreement with an arch-enemy of apartheid, Australia, and even the Soviet Union is content to work within the cartel.

Further US sanctions against South Africa may boost diamond values, especially if the stones are held offshore.

However, such a boost would be limited, because only 10 percent of the world's uncut diamonds come from South Africa.

WORKPLACE INFORMATION

The Star Finance

(210) Star 31/10/88

The technical case for the new bull market

Dr Issy Bacher

Technical evidence is building up that the foundation for a prospective bull market or at least a sharp rally is being laid If the technical evidence is correct then diamonds, the gold sector, mining financials and leading shares in the industrial sector are participating in the primary stages of a Bull Run

The two long term criteria for a bull market based on Technical Analysis are the Dow Theory and the 200-day (or 40-week moving averages)

The Dow Theory is the granddaddy of all technical studies It is frequently criticised for being too late but it is respected by the world's foremost analysts It concerns itself with the actions of the market and has nothing to do with fundanebtals

Dow Theory was the brainchild of Charles Dow who is also credited with the invention of stock market averages and after whom the Dow Jones Industrial Average has been named The theory was promulgated at the turn of the century, so it could be said to have withstood the test of time

The theory is very simple. It says that the market swings in trends of which the most important are its primary trends A primary trend is one that lasts for more than 9 months and results in general appreciation or depreciation of prices of more than 20 percent

When the primary trend is going up this constitutes a Bull market trend and it is defined as going up when each price advance reaches a higher level than the precious one and each downward reaction stops at a higher level

A study of the top graph of **Anglo-American** traces precisely the pattern laid down by Charles Dow

It is a weekly 120-week long graph showing clearly that Anglo-American has been rising in zig-zag fashion after its crash froms its 9300c 1987 tops to its 4500c low in February 1988

The tops at A are clearly moving to higher levels as are the bottoms of the downward reactions at B, thus conforming to the requirements being laid by Dow Theory for the establishment of a bull trend

As long as Anglo moves in this pattern then by Dow Theory Anglos is in a bull market

The rise of Anglos this week to 6050c is convincing evidence of its Bull trend If this zig-zag trend is to be ongoing then Anglos could be expected downward technical correction However a sharp break through the 6200c level would see it challenging its 9300c high in the medium term

The second criterion for diagnosing a bull market is if a share or index is able to rise above its 40-week moving average line

The theory is straightforward above the moving average line establishes a bull market and below the line establishes a bear market Looked at another way, a move above the line indicated that shares have passed into strong hands At this stage of the stock market's evolution there is more demand than supply

Most rand hedge mining stocks such as Samanco, Palamin, Liberty, Remgro etc rocketed to all time highs as soon as they crossed the 40-week moving average as can be seen in the graph of **Samanco** The price broke through the line again at B rocketed to irs current price of 1650 after a brief hestitation round about 1400c

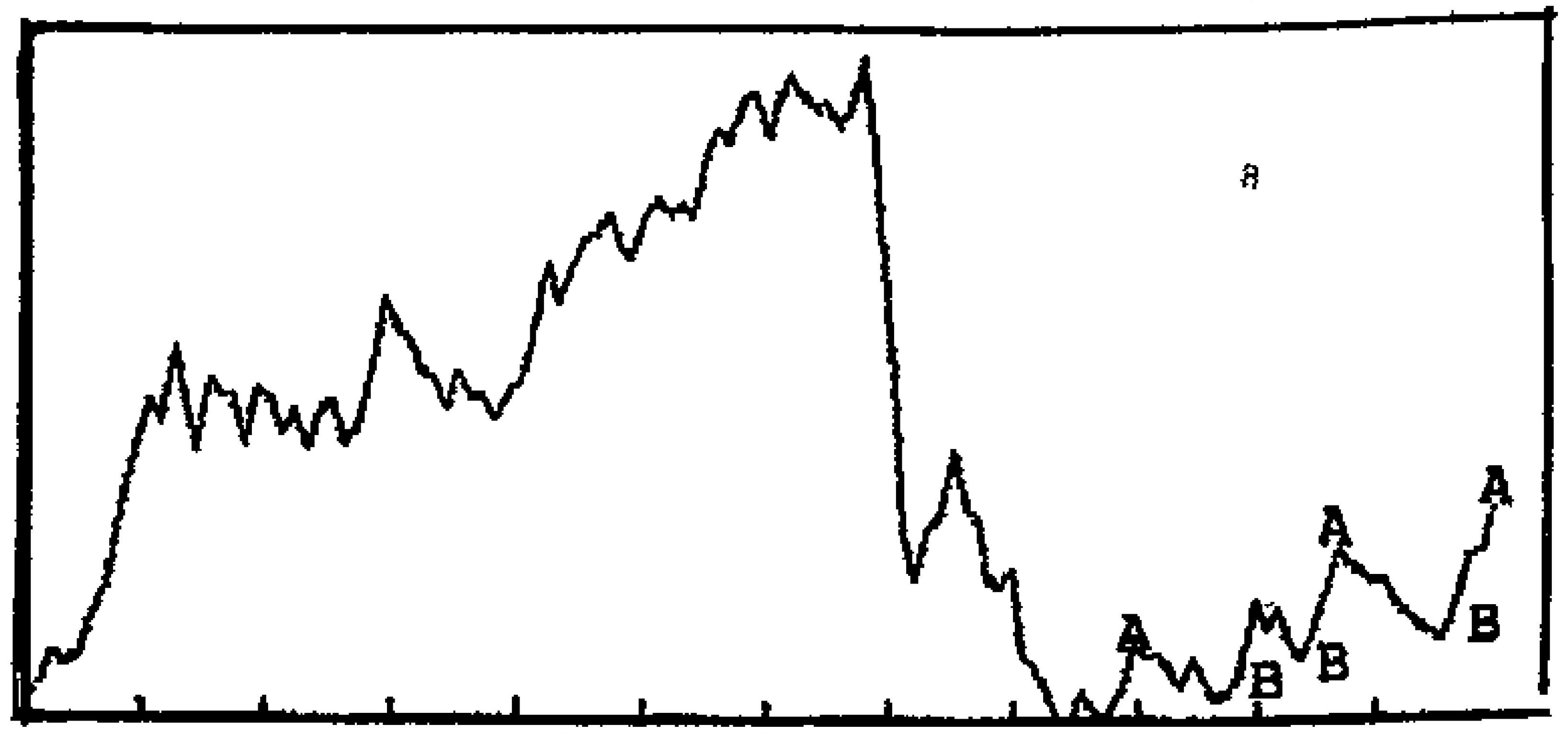
Gold shares have lagged behind but on Tuesday the October 18 the All Gold index rose to 1369 to penetrate its 40-week moving average for the first time since it plunged through the same 40-week moving average, but this time downwards exactly one year ago

Breakthrough

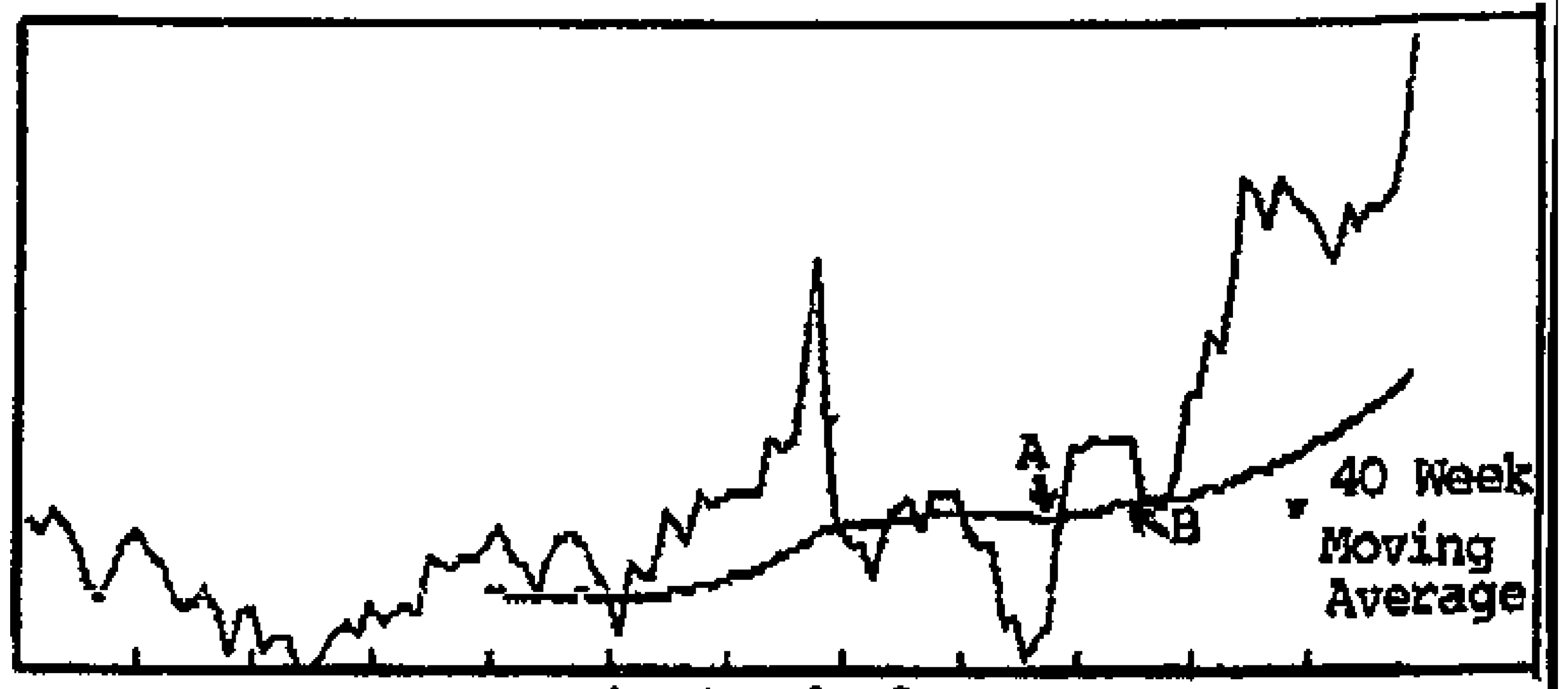
The breakthrough can be seen in the **All Gold** graph at point C At present the break-through is marginal but as stocks very often swing together the chances are that the All Gold Index will follow the example set by De Beers and other mining stocks

If this position is maintained the All Gold Index by this theory can be said to have begun bull trend

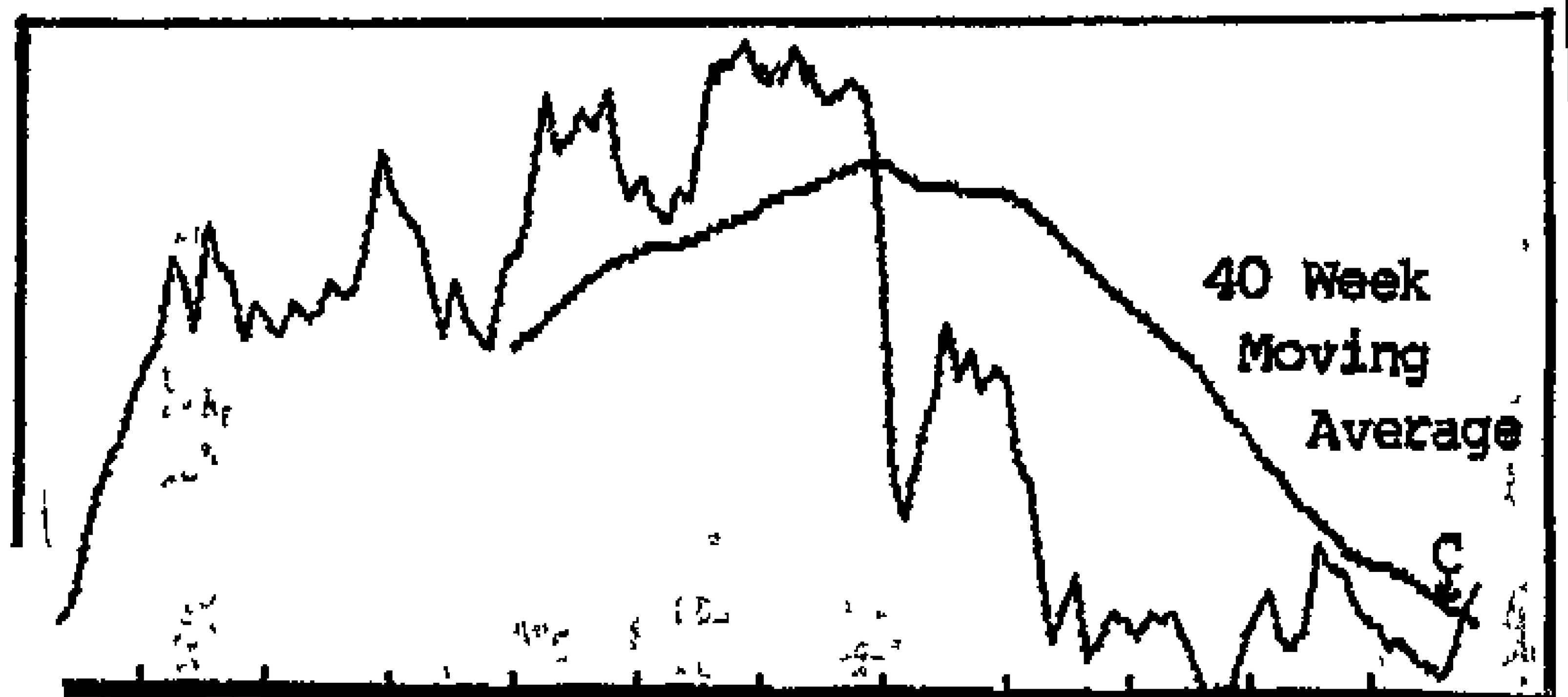
CONCLUSION:Technical indicators do point to many components of the mining industry being in either a primary bull trend or at least a substantial rally. As long as Anglos keep moving up with rising tops and bottoms and the gold index holds up above the 40 week moving average we must give then the "bull markets" tag and expect them to follow the example set by the metals and diamond sectors.



One-week prices for Anglo American.



40-week prices for Samanco.



40-week prices for All Gold.

Mining row goes to court

Bday 1/11/88.

SUSAN RUSSELL

MMABATHO — The battle over mining rights between the Bafokeng tribe and Impala Platinum moved to the Bophuthatswana Supreme Court yesterday.

A Mostert SC, counsel for the tribe, submitted yesterday to Mr Justice E Smith that it was clear from the 1977 cession document that it was the Bafokeng tribe that was granting Impala Platinum mining rights in Bophuthatswana

The Bafokeng contend they have validly cancelled the cession

Most of the land leased by Impala is held in trust for the Bafokeng.

The tribe has asked the Bophuthatswana Supreme Court to terminate the cession, which gave Impala exclusive mining rights to the disputed area.

Its application is based on a claim that Impala has repudiated the cession by refusing the Bafokeng access to certain documents relating to the mine's operation.

Impala, which produces 35% of the free world's platinum, denies it has repudiated the cession.

It contends only the cedent may request the documentation wanted by the

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Impala mining rights row goes to court

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tribe, and that Bophuthatswana's President is the cedent.

Mostert said after a long history of recognising the Bafokeng as its principle to whom obligations were owed, including those rights and duties flowing from the cession, Impala was now in effect saying it owed the tribe nothing in contractual terms

Central to the application is whether the right to enforce the Impala contract is vested in the tribe or the President as trustee of the Bafokeng land since independence and also registered owner of the land

The tribe contends the President's predecessor in title, SA's Minister of Bantu Affairs, in concluding the notarial cession with Impala, did so for the tribe's benefit

The tribe, in accepting those benefits, had become the contracting party with rights enforceable against Impala.

210 F.MAIL 4/11/88.

THE INDEPENDENT MINERS

All that glistered . . .

Many factors led to the independents hitting hard reality and not pay dirt

In a mere two years, the independent mining entrepreneurs have managed to sour relations with the very financial institutions which initially welcomed and supported their development Why? Because their performances have ranged from disappointing to appalling

It appears inevitable that there will be a negative overreaction by investors to these fledgling mining companies This is most unfortunate — because the reason why the institutions supported the newcomers in the first place still holds good. SA's mining industry is dominated to an unhealthy degree by six major mining houses used to having things their own way, there is a pressing need for viable, alternative avenues of investment in mining.

Rob Lee, assistant GM (investments) for Old Mutual, elaborates "Our experience with these companies so far has been very disappointing and it is a great pity things have turned out so badly It was good to have the independent mining companies come in and shake up the status quo.

"We are not going to impose a blanket refusal to look at any other new, independent mining ventures — but anyone coming to us for support is in for a tough time"

And here's another angle "We are dealing with money held in trust which means we have to be very careful where we invest My feeling is that life offices should not be putting up the funds for these high-risk ventures, except in special cases," according to Roy McAlpine, Liberty investment chief.

Other executives are even harsher "They can forget it We looked at these guys as a viable alternative to investing in, say, Gencor but reality has shown us how well off we were with Gencor," comments an institutional investment manager

The mining entrepreneurs have only themselves to blame for the present situation — but Loucas Pouroulis in particular has a lot to answer for because of the fallout from the Lefkochrysos Platinum (Lefko) saga Most of the other new mining entrepreneurs are, fairly or unfairly, being tarred with the same brush

Of course, mining has *always* been a high-risk game with plenty of technical problems that can throw the best-laid plans out of kilter But what incensed investors was the tale of financial mismanagement which emerged at Lefko Pouroulis siphoned off some R60m into his family mining company, Salene, and then used that money to fund operations at his cash-strapped South Roodepoort and Consolidated Modderfontein gold mines.

When Lefko got into financial trouble of its own the money could not be paid back. the movement of the funds had been hidden from outside directors on the Lefko board The transaction amounts to gross dereliction of Pouroulis's responsibilities as a Lefko director

"That was the last straw," says the investment manager. "Pouroulis was the longest-established of the independent mining entrepreneurs with the best track record Frankly, my reaction is if he can get up to this kind of thing, why not all the others?"

End-result is that Pouroulis has done himself and the mining industry a major disservice. The Lefko project was technically and economically viable despite all the flak fired at it by the established platinum producers Had Pouroulis got the mine into production it would have pushed his Golden Dumps group into the major mining league.

That would have been a big step towards legitimising the status of the independent mining companies Instead, Pouroulis blew it through poor financial control and highly questionable management practices

A comparison of prospectus forecasts with actual results to date reveals that nearly all the newcomers made a number of common errors Forecast recovery grades were too optimistic, forecast capital expenditures were invariably too low, and not enough, if any, contingency funds were built into the budgets to cover the inevitable teething problems in starting-up operations

The results on earnings and dividends have been drastic despite gold prices which were much higher than forecast thanks to the weakness of the rand Cyril Heever's Modder B nearly went under and owes its continued existence to Pouroulis who bailed it out through a deal with Cons Modder Other mines have been forced to pass dividends confidently forecast at the time of listing

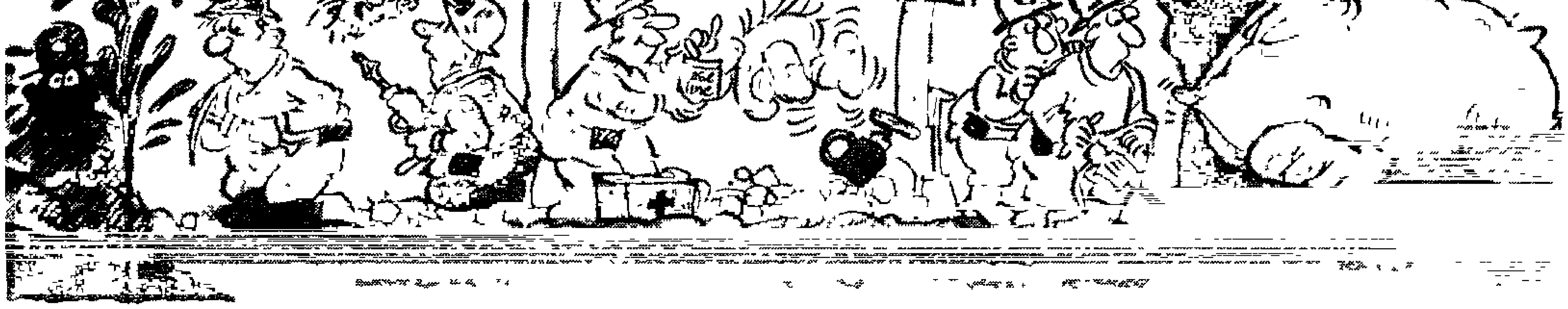
One mining analyst has accused the mining entrepreneurs of "irresponsible over-optimism" — and a few examples will show why Sevcorp's Eersteling gold mine forecast a yield of 3,5 g/t for the year to June but recorded instead just 1,29 g/t while the estimate for the current year has been revised to 2,8 g/t from the prospectus forecast of 4,8 g/t Capex has soared to R37,9m from the previous estimate of R24m

Rhombus Mining's Sub Nigel gold mine recorded a grade of 3,29 g/t in the year to June compared with a forecast 4,0 g/t and as a result had to pass its dividend Forecast capex to get to a throughput of 40 000 t/month was originally R24,3m which was revised to R35m, but Rhombus has now decided to chop back and hold output at 20 000 t/month "to increase and stabilise the yield"

The Osprey Gold Mine forecast a yield of 4,0 g/t for the 15-month financial period to June but achieved instead only 1,94 g/t For the September quarter, yield was 2,94 g/t against a forecast average of 4,2 g/t for the current financial year Osprey has set a gold production target of 60 kg for the December quarter when, according to its prospectus, it should have been producing at 80 kg a quarter for the last three quarters of its financial period to June and 90 kg a quarter since then

These performances are, unfortunately, the rule, not the exception So what went wrong?

Many of the operations involved re-opening gold mines that had closed down in the Fifties and Sixties The mining entrepre-



(510) FIN MAIL 4/11/88

neurs seriously underestimated the difficulty and costs of re-opening these old mines as well as the availability of ore reserves and the recovery factor from them

In most cases prospectus estimates of ore reserves and achievable yields were drawn up using the ore reserve plans filed at the time of closure These estimates proved inaccurate while incorrect assumptions were also made on the rate at which the existing shafts and haulages could be re-equipped to allow a build-up of production

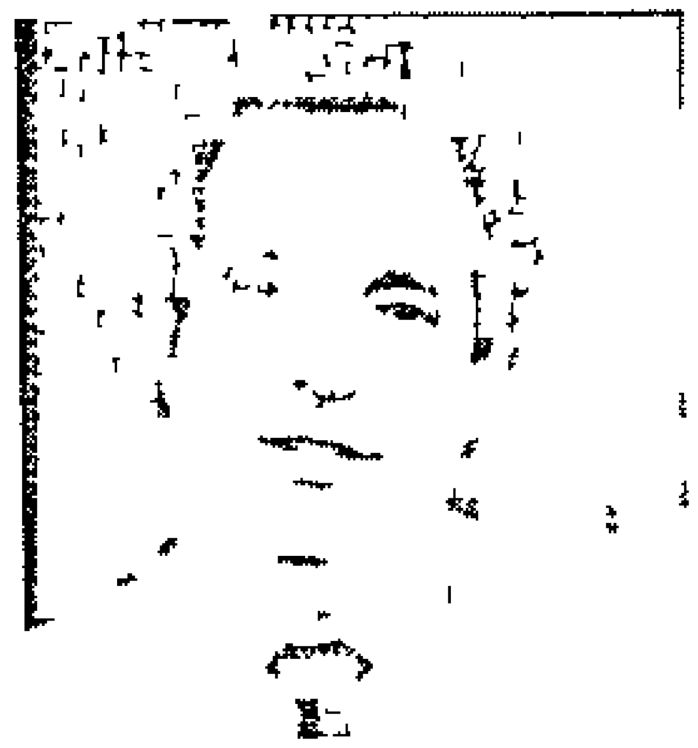
It appears that often not enough actual reconnaissance was done during the early stages to get a true picture of conditions underground

The prospectuses contained reports from independent mining engineers aimed at giving an outside view on the project However, these consultants usually checked the same base statistics and largely agreed with the assessments made by the mining company promoting the venture while adding a few disclaimers Rarely was there a dissenting opinion although, to be fair, the indications were there in some cases

J B Mudd and Partners said of Rand Leases in 1986, "We have some reservations that some blocks may be economically inaccessible, but this is not known, as insufficient underground reconnaissance has been done to date The estimated recoverable grade has been put at 73% of in-situ grade at 3,8 g/t This is reasonable but will call for very careful mining, as when extracting remnant blocks, that is where the stopes have been mined out on all sides, there is a tendency for dilution to be higher than normal"

Rand Leases' yield is currently just 2,2 g/t because management had to go for large-scale opencast mining operations to make up for production problems experienced underground

Another mine which went for open-cast mining because of underground production problems was West Witwatersrand Mines which is run by Joe Berardo's Johannesburg Mining and Finance (JMF) group. West Wits re-opened sections of the old Randfontein division of JCI's Randfontein Estates gold mine



Berardo

JMF technical director Tony Netto says "We were never able to achieve the assumed rate of development mainly because the extent of collapsed underground workings was much worse than expected As a result we were always short of ore while, frequently, the ore blocks on the plans were either not of the size indicated, or were on the wrong reefs or sometimes just did not exist

"Also, we learnt the hard way that if the old-timers had left a block of ground behind there was usually a good reason for it because it was invariably extremely difficult to mine"

Overall result was to force West Wits to find and develop reserves on reefs not previously mined, of which there are a number in the Randfontein section Netto says just 8% of West Wits's current production is sourced from the reserves which were detailed in the prospectus Some four years after start-up he now feels confident about the mine's future

"With hindsight, we were a little optimistic about how easy it would be to re-open the mine," Netto says "If I had to do this over on another mine I would first raise about R200 000 to fund a team of geologists and miners to go underground and carry out a detailed reconnaissance survey to see what we were letting ourselves in for"

Laing

Also, the entrepreneurs did not fully appreciate the difficulty of maintaining grade from reclamation mining while pushing for high throughputs It's one thing to hold yield at 4 g/t producing just 3 000 t/month of ore but it's quite another when throughput is being pushed to 20 000 t/month or more Cons Modder suffered particularly from grade dilution caused by a push to fill the mills

Apart from these technical problems there appears one other reason for the poor performance of some of the newcomers Many have tried to grow too quickly with the result that the management structure has been stretched too thin and the man at the top's attention split in different directions Pouroulis along with Rhombus Mining's Les Holmes, Southgo's Glenn Laing, the Severins, Berardo and Heever have all tried to expand at phenomenal rates and some of their problems must be attributed to this

Despite all this the newcomers have, in places, succeeded in shaking up the mining industry's status quo to the benefit of the investing public

Most successful was Adolf Lundin who took over East Daggafontein from Anglo American in 1982 However, his approach was to get involved with the mining houses and let them do the actual development work He combined East Dagga's dumps with others controlled by Berardo and negotiated the deal with East Rand Gold and Uranium (Ergo) which led to the formation of Ergo's Daggafontein division

East Dagga also bought the exploration interests of Texasgulf in SA and listed them through Rand Extensions to pioneer development of the flourishing mining exploration sector

Pressure from newcomers, particularly Pouroulis, played a part in the formation by JCI of its promising Lebowa Platinum operation after the house had dragged its feet for years on the development of its vast mineral rights in the homeland

Heever made a mess of Modder B but got it right at Vansa Vanadium He and David Marshall pioneered the project by developing a vanadium deposit controlled by Highveld Steel and Vanadium which was doing nothing with it He then linked up with Rand Mines, leading to the eventual development of the Rhodium Reefs platinum project.

The SA economy desperately needs successful mining developments like these — but the disappointing track record of most of the new mining entrepreneurs is going to make it that much more difficult for such ventures to reach fruition in future A pity.

Brendan Ryan

Malbak and Samancor to the rescue

REINIE BOOYSEN

IMPROVED performances by Malbak and Samancor offset lower profits by Gencor's gold and coal interests. They also helped to boost attributable earnings by 16,7% to R475m (R407m) in the eight months to August 31

Earnings a capital unit rose from 417c in the eight months to August (the new year-end) last year to 485c this year. Dividends rose 8% between the comparable periods from 167c to 180c

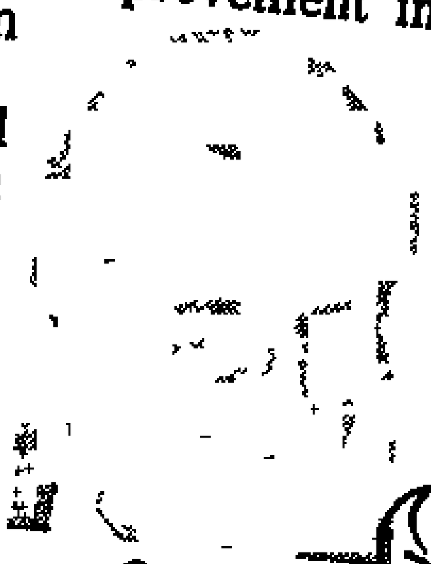
The results are the third presented by chairman Derek Keys

He said yesterday "I am extremely happy about developments"

The gold division's contribution to profit fell by 17% to R95m (R115m) in the eight months but the most recent quarter saw a strong improvement in taxed profit from R118m to R134m

The Trans-Natal Group recorded a R27,9m net loss in the year to June

On the positive side ferrochrome producer Samancor has had increasingly buoyant markets since it lifted



KEYS

attributable profits by 11% to R187,9m (R168,9m) in the year to March. Samancor and associated metal businesses increased their contribution to Gencor's earnings by over 40% to R140m (R99m)

Malbak recorded a 60% jump in weighted earnings a share to 104,3c (65c) for the year to August and dividends rose 25% to 25c a share — reflecting the first full year of earnings from Malbak's Gencor industrial acquisitions, such as Haggie, Kanhym, Tedelex, Ellerine and Standard Brass. Malbak and its associat-

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Malbak and Samancor prop up profits

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From Page 1

ed industrial interests more than doubled contributions from R45m to R91m.

Genbel and other investments increased their contribution by 46,3% to R139m (R95m), largely due to increased surpluses realised from investment transactions.

Gencor's exploration expenditure rose from R33m to R60m.

B/day

Gencor's Holding company — Federale Mynbou — recorded attributable earnings a permanent capital unit of 442c for the eight months, and distribution of 162c an ordinary share

Strong Barlow exceeds all market expectations

Star 15/11/88

210

By Ann Crotty

Barlow pipped market expectations with a 37 percent advance in earnings to 408,2c a share (297,3c) for the 12 months to September

A dividend of 130c (100c) has been declared, which represents a slight increase in cover

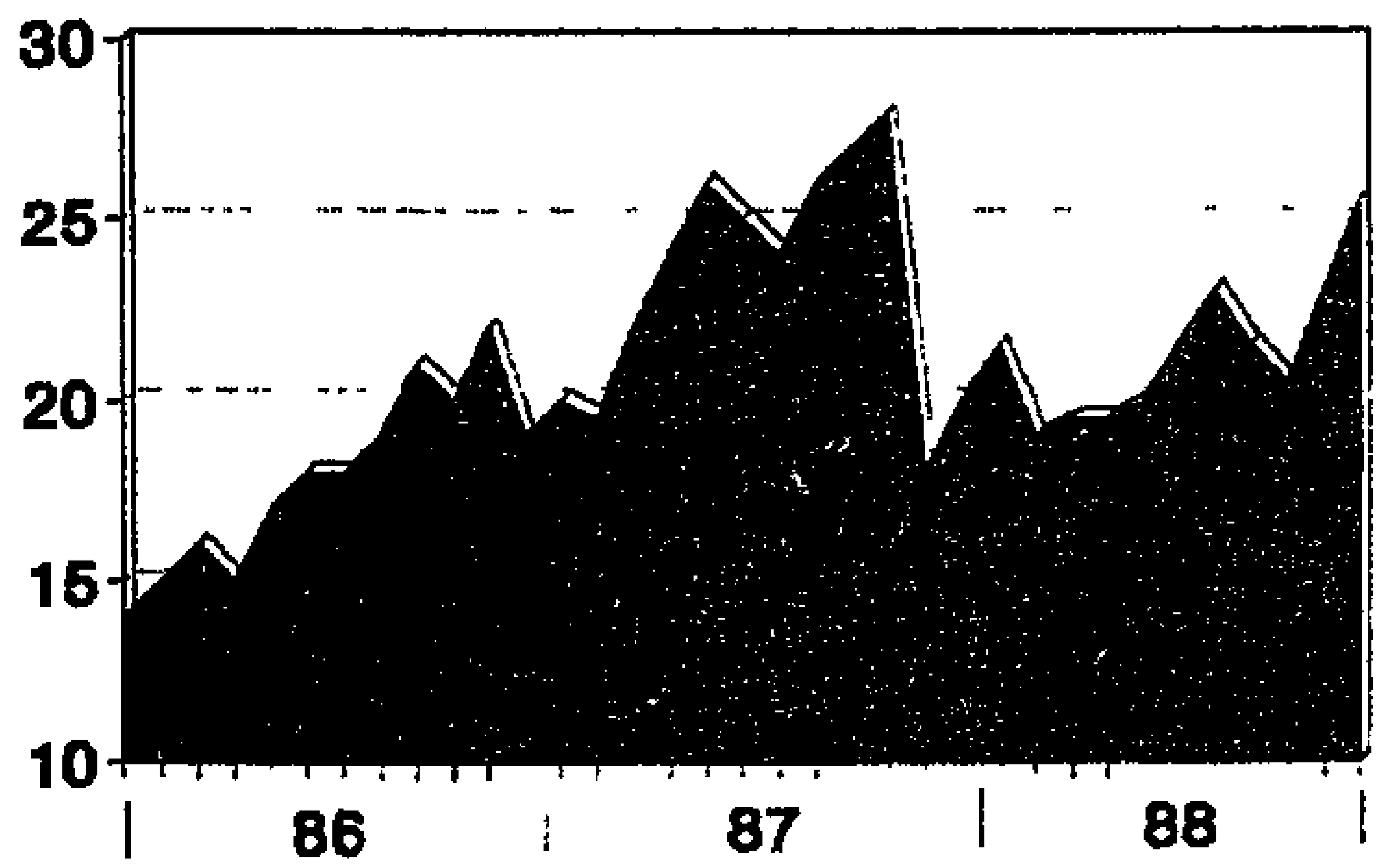
The share is trading at R25,60, equivalent to a P/E rating of 6,3 times and a dividend yield of five percent This compares with the sector average of 7,6 times and 5,3 percent respectively

Wholly owned interests maintained the strong performance evident at the halfway stage and contributed 37 percent of attributable earnings This was up from financial 1987's 33 percent contribution

Group turnover was up 28 percent to R21,2 billion (R16,5 billion) and operating profit surged 43 percent to R2 billion (R1,4 billion), reflecting an increase in margins from 8,6 percent to 9,5 percent Improved margins were reported by all listed industrial subsidiaries and indications are that the unlisted interests also achieved strong advances on this front

Interest payments were up 25 percent to R302,8 million (R241,3 million) The tax rate rose from 31 percent to 33 percent, leaving taxed profit showing a 40 percent advance to R1,3 billion (R926,4 million)

Attributable earnings firmed 39 percent to R742,1 million (R535,4 million)



Barlow share price (rand)

The increased interest bill reflects the higher level of borrowings, which pushed up group gearing from 27 percent to a still comfortable 31 percent Given that the group spent in excess of R2 billion — with about R1 billion going on acquisitions and R1,1 billion on replacement and expansion capex — the increase in gearing is modest and reflects Barlows' strong cash-generating ability

Deputy chairman Mr Derek Cooper says the group generated a cash flow of R1 billion before discretionary spending in financial 1988 Discretionary spending (which is expansion capex and acquisitions) totalled R1,6 billion, which meant debt was up byR600 million

These figures indicate the enormous scale of investment the group can undertake before putting any pressure on the balance sheet.

Some of the benefits of previous years' spending, as well as the generally tighter asset management, are reflected in improved margins These are in turn reflected in a strong increase in return on equity to 29 percent in financial 1988 from the previous year's 24 percent

Wholly owned subsidiaries reported a 55 percent increase at the attributable level Within this category the building materials, steel and paint division surged 86 percent, earthmoving, motor and appliances advanced 79 percent and Middleburg Steel & Alloy (MSA) rose 37,5 percent

MSA's performance was a little weaker than the market expected, particularly in view of the benefits it must have derived from the depreciation of the rand At the halfway stage, MSA was reported to have been slowed by its alloy interests

The strength of wholly owned interests is one of the major reasons for buying into Barlow, instead of going directly for one of its subsidiaries As Mr Cooper says "The unlisted interests enhance the structural and earnings value of Barlow Rand"

In the review period, rand hedge income represented 32 percent of attributable earnings This was in the form of income earned on exports and of income from overseas investments Bibby is the major overseas investment, contributing about 10 percent of earnings In addition, there are other subsidiaries with interests overseas

Exports represented about R2 billion of turnover, an increase of 26 percent on the previous year While the rand's depreciation was a major factor in this increase, Mr Cooper says 'it includes real growth

For financial 1989 (the group has budgeted another R1 billion capex), Mr Cooper sees strength coming from many areas, including overseas interests, food, mining and activities related to house building

The areas threatened by a slowdown include motors, appliances and paint But he says that even these will make a positive contribution to earnings

Gencor gets lift from Malbak

Star 15/11/88 By Derek Tommey (210)

Helped by sharply increased earnings from Malbak, Genbel and Samancor, mining house General Mining Union Corporation (Gencor) increased taxed profit by R68 million (16 percent) to R475 million in the eight months to August — the group's new financial year-end.

The increase was achieved despite a R37 million drop in earnings from gold and coal.

Pro-rata payment

A dividend of 180c (the second final in 8 months) has been declared, which is eight percent higher than last year's pro-rata payment of 167c. Earnings a capital unit (to include convertible preference shares) was 485c (417c).

Total assets rose from R7,763 billion at end-December 1987 to R8,027 billion in August this year.

Chief executive Mr Derek Keys is optimistic about the year ahead and says Gencor should show another real increase in earnings

The group will not be much affected by a downturn in the economy because of the large export content of its products.

Industrrial associates

He is happy with the way the group is going. He has a self-starting unit in every division, which is what he set out to achieve.

Malbak and its industrial associates played a major role in boosting Gencor's profits by doubling contribution from R45 million to R91 million. Another major source of increased profit was Genbel and other investments, which contributed R139 million (95 million).

Samancor and its associated metal businesses, which capitalised on a favourable business climate, increased its contribution by more than 40 percent from R99 million to R140 million.

Earnings from gold dropped to R95 million (year ago, R115 million) and from coal R1 million (R18 million)

Total income from mining, which also included a contribution of R56 million from Impala Platinum, increased from R285 million to R292 million. This represents a decline from just over 70 percent to 61,6 percent of total earnings.

(510)

MINORCO

Pride and prejudice

New-look Minorco continues to make an impact but some question its abilities

There are two ways of looking at Minorco's tightening of the ratchet on Charter Consolidated — neither of them mutually exclusive

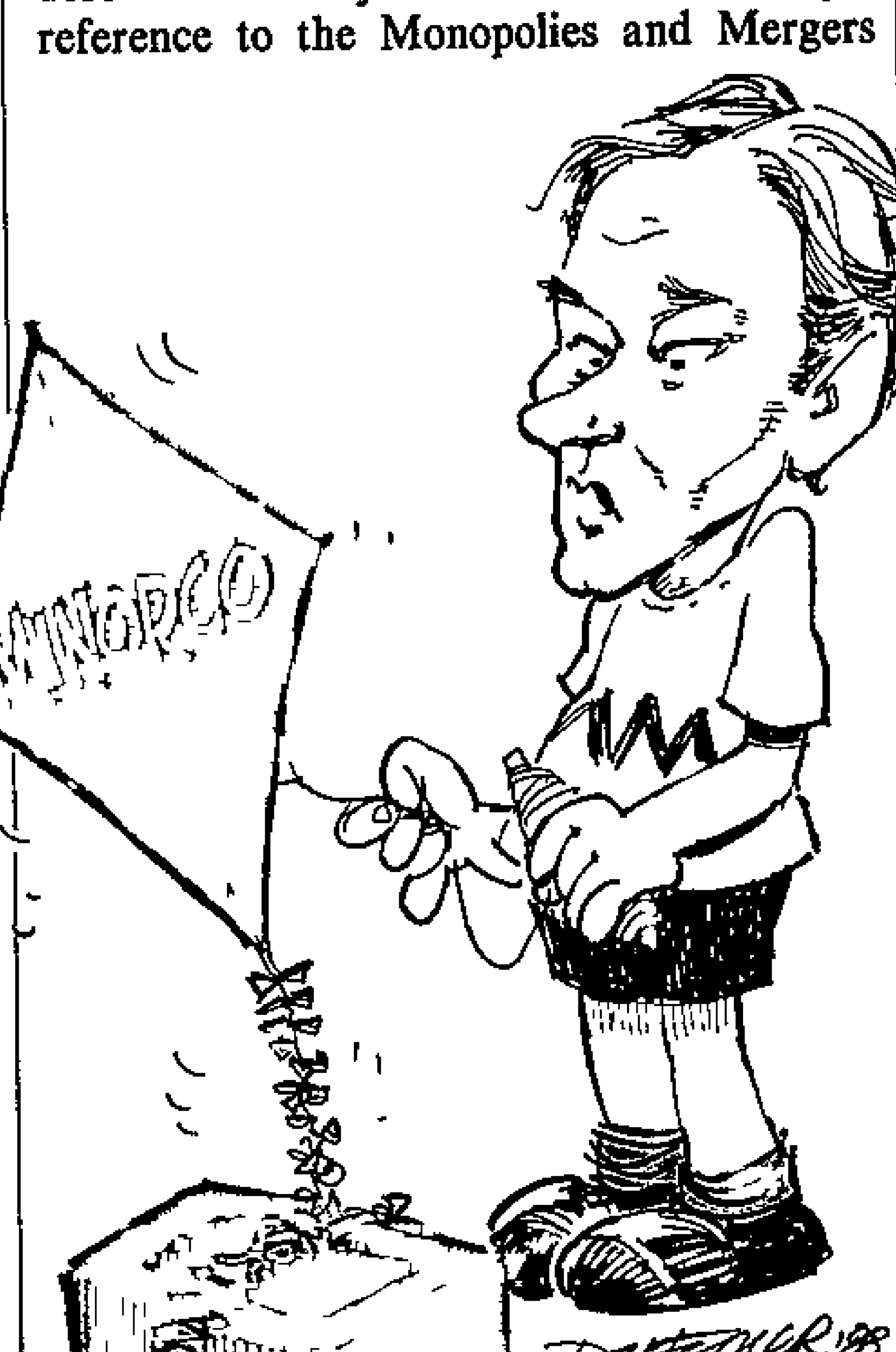
If nothing else, last week's boardroom reshuffle at Charter shows that Sir Michael Edwardes means what he says when he talks of converting Minorco from a passive investor to an active manager.

It also illuminates some of the other avenues open to the new Minorco chief executive (and now Charter chairman), whose options include tighter control of both Johnson Matthey and Cape Industries

Certainly, "passive" might well have described Charter's management of its own resources until now, never mind its relationship with Minorco. Shareholders should have nothing to lose from Minorco's more palpable presence on the bridge.

But in its voyage from passive to active management Minorco still has to negotiate its way around a large iceberg of its own choosing Its new policy swung abruptly and dramatically into action on the very day of Edwardes' appointment, when it made a £2,9bn bid for the largest of its investments — Consolidated Gold Fields (Cons Gold), where it owns almost 30%

With hindsight, the speed of Edwardes' first move was matched only by its underestimation of the obstacles involved — notably, but not exclusively, the ability of anti-SA sentiment to move everybody, including a Tory government. The bid has since foundered on a variety of sandbanks, including a reference to the Monopolies and Mergers



Commission, a European Commission inquiry and court action in the US

Though the hostile part-paper offer lapsed on referral, Minorco, perhaps wisely, has not opted for the discretion of retreat It is co-operating with the commission in every way it can, and has indicated its eagerness to pursue Cons Gold if and when it gets the green light.

A beckoning green light, however, is by no means certain to appear The bid was referred on the most tenuous of competition grounds. Trade Secretary Lord Young claimed that the concentration of the two groups' titanium and zircon interests was a matter for concern

But, as almost everyone else points out, these two commodities are available worldwide in positively cornucopian abundance. Minorco and Cons Gold together would control 3% of supply. And Minorco has shown itself only too happy to dispose of the offending interest

Young, thus, was clutching at the slimmest of competition straws to justify a referral made, in reality, on political grounds The government would not compromise its free market principles to prevent, say, Rowntree falling into the Swiss hands of Nestlé. But the takeover of a large UK company by interests widely perceived as South African might create too painful a rod for the Tories' back

So if the government has bent backwards so far, and so visibly, to secure a reference, it is more than likely to hold its course and engineer a permanent blocking of the bid.

Enter Minorco scenario number two. Minorco is in fact hedging its bets on a Cons Gold green light and is lining up Charter as the vehicle for a second, no doubt higher, offer.

On the face of it, UK-registered Charter as bidder would indeed be a more acceptable creature — both to the authorities and to the City The fact is that a UK company would neutralise not one but two objections in the Square Mile to Minorco's provenance.

The City, trailing the fashion as ever, has only lately seriously started to disfavour SA corporate connections, but Minorco inspires suspicion on another score. It is a Luxembourg company While the institutions would have had no scruples about accepting even a Luxembourgoise offer — all in cash — they were offered no such luxury. Paper from the duchy seems less attractive

The problem with the Charter gambit is that it only shifts the problem by one remove With its present 36% of Charter, and now management control, Minorco would still be in the forefront, and with it, by implication, Harry Oppenheimer and Anglo American. Had the move been made by Charter in the first place it might have enjoyed more success, but the gaff is blown

These and other perceived misjudgments by Minorco have done nothing to raise City confidence in its management The choice of Edwardes himself as chief executive raised more than a few eyebrows After a succession of short-lived posts as company doctor — since his time at British Leyland — Edwardes has come under fire for his impetuosity and aggression One respected City mining analyst last week went so far as to describe him as a "dangerous little man."

Edwardes' gratuitous reference to a recent meeting with Lonrho's Tiny Rowland — over and above Rowland's much publicised

Lonrho's Rowland . . . fuel for the rumour mill

dinner with Harry Oppenheimer — to discuss the Cons Gold stake, obscured rather than clarified matters It also needlessly pushed up Cons Gold's share price on hopes that Rowland would buy the stake and make his own bid.

It may seem unfair that Minorco's origins, like a leper's bell, still distract overseas investors from its potential Yet that is something it will have to live with, perhaps more than less so, in the years to come.

The company has let it be known that it wants to reduce the SA presence on its share register to below 20% within the next five years We shall have to wait and see whether this will cause current perceptions to fade.

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President-elect Bush ... a convincing start

Yet the times are a-changing. The 101st Congress that convenes in January will be the last apportioned by current demographics. A full national census in 1990 will take huge numbers of House seats from those very states that backed Dukakis and all House seats will be redrawn and shaken up so that incumbents will have to start all over again High growth southern and western states such as Florida and California may get four new House seats apiece, while the seven states that Dukakis won on November 8 will lose seven.

Add that fact to the trend in the south and industrial north of voters continuing to vote Democrat for local races while backing Republicans for state and national office, and the picture for America's party of the Left looks its bleakest since the turn of the century

Bush has something else going for him now that the election is over and the countdown to the inauguration on January 20 begins He can move to consolidate his grip on government well before the change in office and late last week he moved to do just that

In a clear bid to seize the momentum of his election, Bush announced that James Baker, Reagan's Treasury Secretary and the Bush campaign manager, would succeed George Shultz as Secretary of State Although by custom all Cabinet and presidential appointees must submit their resignations, Bush is also expected to keep Treasury Secretary Nicholas Brady, Attorney General Richard Thornburgh, and several other key Reagan aides in order to preserve policy continuity in a number of key areas.

Moreover, with Baker's strong urging, there are early signals that Bush will hit the ground running once Congress is convened. Despite the clear Democrat majority, the opposition party is divided within itself and has problems of its own, especially in devising a budget deficit reducing strategy that it can make stick

Freshly returned from a few days rest in Florida, Bush immediately closeted himself with key defence advisers, reportedly to come up with a thorough reorganisation plan for the vast US Defence Department bureaucracy which has been scandal ridden and of worsening efficiency for 20 years

In foreign policy, Bush wasted no time in contacting Soviet leader Mikhail Gorbachev to assure him of the new administration's commitment to pursue new arms reduction talks and to continue support for Moscow's *perestroika* crusade He is also meeting Shultz and Baker to put his top foreign policy aides in place before the inauguration.

But the most important test for the new administration — the centre core of the "first 100 days" fixation that the press will have — is whether Bush can dominate Congress and force it to reduce the cancerous budget overruns which devalue the dollar abroad and throttle economic growth at home. And a first test of that resolve will come before the swearing-in ceremony when Bush confronts the opposing economic analysis of his old friend Alan Greenspan at the Federal Reserve (see ***World***).

All of this can be done if Bush has the resolution and determination For a man slated as a wimp and a weakling, who most pundits believed could never make the grade into the Oval Office, Bush has made a persuasive case that he will at least get through his first 100 days. ■

SPECIAL INDEX

For the greater convenience of readers, the *FM* has included a special index of companies and business organisations on page 95. This enables readers to see at a glance on which page or pages in each issue reference is made to a particular company or organisation.

NO REAGAN 2 FOR PRETORIA

More carrot to match the stick could be the basis of a pragmatic US policy towards SA under president-elect George Bush — according to American diplomats based in this country.

But in spite of Pretoria's initial euphoria, the SA government should be under no illusion that a Bush administration will be as "soft" as Ronald Reagan's. With far greater foreign policy experience and a penchant for "consensus politics," Bush is likely to want to work more closely than Reagan with the Democrat-dominated Congress in formulating his own "constructive" policy on SA. If a compromise is to be reached the policy will almost inevitably have to be harsher than Reagan's.

But Bush is probably fortunate in that the mood of "anger" in Congress towards the SA government (based up to now largely on ignorance and the hope of personal political gain) is changing as US legislators see that their big stick is breaking the backs of the wrong people in SA.

It is possible that a more conciliatory line will be adopted Pretoria may be shown the "advantages" of moving in certain directions (the restoration of SAA landing rights in the US has been mentioned) instead of merely having increasingly harsher punitive measures stacked against an increasingly resolute will to resist.

At a post-election forum last week, US consul general in Cape Town, Charles Baquet, noted that even arch-SA basher, Senator Paul Simon, was relatively restrained in his report-back to Congress on his recent SA tour and chose to emphasise the potential for peaceful change and development in SA rather than to attack government. The tenor of his speech indicated a clearer understanding of the tangled web of conflicting interests which rule out the simple solutions Americans often believe are possible in southern Africa.

Baquet sees the possibility of a major reassessment of anti-apartheid legislation. However, this in no way implies an end-to-sanctions package. What it does mean in all probability is that the punitive measures that are adopted will be fine-tuned to hurt (or help) selected groups — though the counter-argument will obviously remain that the ripple effect on the economy as a whole will mean that any sanctions will ultimately hurt the people they are meant to help — and may be linked to "rewards" for compliance.

But there will be no rush to change southern African strategy. Baquet believes Bush will be given the traditional "honeymoon" period by Congress and will not be challenged on his SA policy for several months. Even then, there are other more pressing foreign policy issues

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FM 18/11/88.

What is certain right now is that Cons Gold-type hostility will hamstring Edwardes' ambitions for more hands-on control of other investments. In theory, Charter's 37,8% of precious metals house Johnson Matthey (which contributes nearly half of Charter's profits) gives it a platform for greater control.

Johnson Matthey's hard-nosed Texan chief executive, Eugene Anderson, has been touted as a candidate for the top executive job at Charter — he has more than proved himself in his three years with the metals refiner But any move on Johnson Matthey's equity in the near future would be bound to raise more monopoly problems

Charter also has 74% of Cape Industries, which would be easier to consolidate. One of the less likely theories doing the rounds is that Charter would sell its Johnson Matthey stake to specialist metals group Cookson (which already owns 6,3%) and then bid for Cape.

Theories are many and easy to dream up in such a tangled situation. These last represent little more than tidying-up operations Minorco's overriding ambition is still to create a new, cash-rich, offshore base for investment It wants to put more distance between itself and SA and, eventually perhaps, to provide an offshore base for much of De Beers.

In the absence of Cons Gold or Charter there are other, more unlikely vehicles — Engelhard or the less than inspirational Inspiration Resources But it is clear that there are many abroad who don't want to let it happen in any shape or form. To succeed, Minorco will require the utmost in ingenuity and tact Whether the present management can summon up the requisite dose of either remains to be seen.

Edward Russell-Walling

Foreign investors 'have kept faith' in their SA holdings

ST 18/11/88

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By Derek Tommey

Foreign investors have a greater faith in South Africa than many people here give them credit for. Much of the 31 percent slide in gold shares on the Johannesburg Stock Exchange in the first half of this year was blamed at the time on selling from overseas

"It's the Dellums Bill (aimed at ending US investment in South Africa)," commentators said "Its making foreigners sell their shares"

Foreigners were also said to be selling because of the drop in the gold price, from just under $500 last Christmas to around $430 at mid-year, and because they were concerned about the country's prospects

But these commentators were wrong Very wrong, for foreigners were only minor sellers

Mr Mike Brown, head of research at Davis Borkum Hare, has carefully analysed foreign holdings of South African shares in the first half of this year. He has found that while foreigners were sellers on balance, the number of shares sold was far less than in 1986 and 1987 — in spite of what might be considered increased inducements to disinvest. In fact, he found that foreigners even increased their stakes in a number of gold and platinum mines

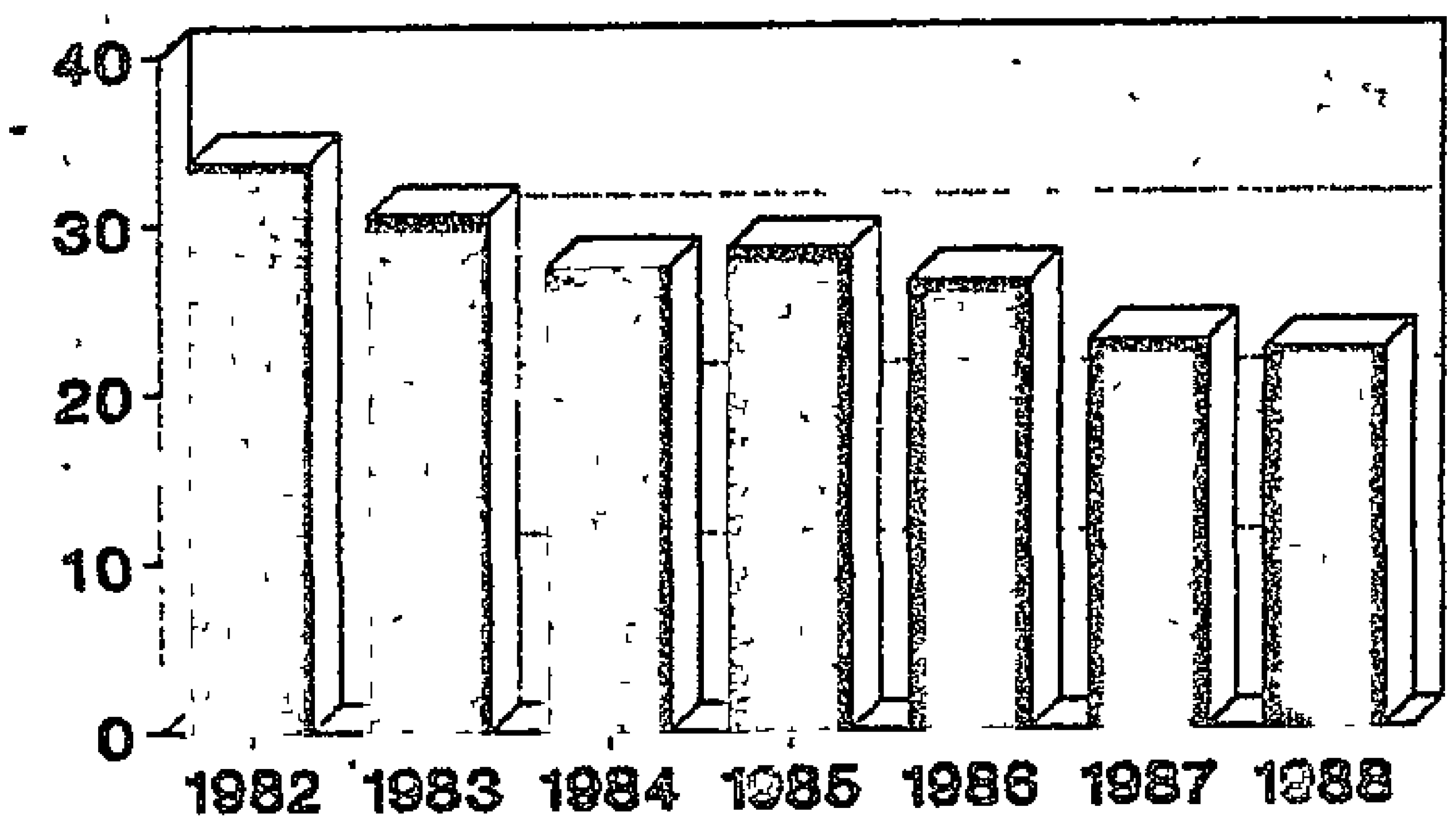
Mr Brown's figures are based on American depository receipt (ADR) returns, on the Soges and Sicovam registers of South African shares held by Belgian and French investors and on an inspection of the London and "Cape" registers of South African mining companies

The analysis shows that foreign investors reduced their holdings of South African shares from 647,8 million in December to 631,1 million in June - a drop of 2,6 percent.

This reduced the percentage of South African gold shares in foreign hands from 23,0 percent to 22,4 percent

Gold shares in which foreign investors increased their holdings were SA Lands, Vaal Reefs, Welkom, Western Deep, Bracken, Buffels, Stilfontein, St Helena, Deelkraal, Driefontein, and Joel "B" Holdings of Afrikander Lease and Driefontein were unchanged Holdings of other golds were reduced from marginally to fairly substantially

Foreign investors markedly reduced their stake in Loraine, from 49,6 percent to 46,0 percent. They reduced their investments in Doornfontein, Venters, East Dagga and Egoli by similar amounts But they cut their holdings in Durban Deep, ERPM, Leslie, Elsburg and Randfontein by up to 10 percentage points



Foreign ownership of SA mining shares (percentage of shares issued)

While other factors might have played a role in these sales, in most instances they can easily be accounted for by following prudent investment advice.

Mr Brown also found that overseas investors increased their stake in Impala platinum mine from 16,7 percent to 18,9 percent of its total issued capital, and their stake in Rustenburg from 14,6 percent to 14,8 percent of its capital

There was a slight drop in foreign ownership of De Beers shares — from 33,7 percent to 33,5 percent

Broken down on a geographical basis, the percentage of South African shares held in North American fell fractionally from 13,8 percent to 13,6 percent, while the percentage on the London register dropped by 6,8 percent to 6,7 percent.

However, Belgian and French holdings rose from 2,2 percent to 2,6 percent North American residents increased their holdings of platinum shares and British residents their holdings of De Beers

These figures compiled by Mr Brown suggest there is a substantial numbers — a hard core — of investors overseas who believe that gold is still an attractive investment and who are willing to continue holding South African gold and platinum shares, in spite of heavy pressure on them to disinvest from this country

Mining and manufacturing reaping boom-times harvest

Star 2/11/88

210

By Derek Tommey

Those prophets of doom, the economists, have been forecasting dire times in 1989 in the wake of the recent rise in interest rates

But so far the economy remains extremely strong, with both mining and manufacturing performing at record levels

The superlative performance of these sectors in many instances is the result of the drop in the rand, aided in some sectors by the steady economic conditions overseas

And with large profits still to be made, it seems likely that much of mining and manufacturing will drive ahead, despite higher interest rates All of which raises the hope that perhaps 1989 may not be as bad as the dismal forecasters are making out

The mining industry is continuing to experience a sharp rise in earnings. Mining revenue surged in August to reach a record R3,2 billion for the month, Central Statistical Services reports

This is an increase of almost R800 million, or 35 percent, on the industry's earnings in August last year Part of this improvement is the result of the drop in the exchange rate of the rand, which boosted dollar revenue by 18 percent, sterling revenue by 25 percent and yen revenue by 30,2 percent.

But also helping is the continuing world metals boom, which has led to shortages of and higher prices for many metals

Revenue from gold in August, compared with a year ago, was 39,6 percent higher at R1,97 billion The increases in sales for other metals were

- Copper, 38,1 percent to R85,1 million
- Chrome, 30 percent to R28,6 million
- Coal, 29,1 percent to R485,9 million
- "Other minerals" including platinum and diamonds, 22,9 percent to R513,2 million
- Lime and limestone, 21,8 percent to R27,9 million

Asbestos sales rose 17,1 percent to R8,2 million and iron sales 8,5 percent to R50,0 million

The recovery in coal revenue possibly helps to account for the remark by Mr Derek Keys, chairman of Gencor, that the profits of its troubled coal investment, Trans-Natal, should "bounce" this year

But while the mining industry is going great guns, the manufacturing sector has just had its best month for almost seven years.

The index of manufacturing output (1980 equals 100) rose a further 1,78 percent in September to a preliminary 114,5, its highest level since 116,2 in November 1981

At that time the economy was being rushed along by the temporary jump in the gold price to above $800

Manufacturing production in September — in real terms and not inflated money terms — was 6,8 percent higher than a year ago

The machinery and equipment sector, which until recently had tended to lag the increases in other sectors, caught up with a jump in September, with production running 21 percent ahead of September last year

Increases in the output of other sectors were non-ferrous metal products 18,7 percent, beverages 15,4 percent, furniture 14,6 percent, electrical machinery 14,0 percent, textiles 13,1 percent, motor vehicles, parts and accessories 11,5 percent, wood products 10,9 percent, paper and paper products 10,6 percent and rubber products 10,4 percent

Sectors where output was lower in September than a year ago were tobacco products (-15,8 percent), pottery (-4,8 percent) and glass and glass products (-7,0 percent)

Output of transport equipment, other than motor vehicles, was 14,9 percent down

It is obvious that the increase in prime rate recently was a negative factor for the economy. But against this must be measured the new export and import replacement opportunities afforded by the continued decline of the rand

Mr Warren Clewlow, chief executive of Barlow Rand, said last week that one-third of his organisation's earnings now came from overseas, that every division was actively seeking new export and import replacement products and that the group was planning to invest R1,5 billion next year, 40 percent more than it spent this year None of this suggests that Barlow Rand is about to curl up and climb into its shell next year

Similar ressuring remarks were made last week by Mr Keys He said the Gencor group had received a substantial part of its revenue from exports and that conditions at home were unlikely to have much effect on performance.

Obviously the higher interest rates must be a negative factor But with a large part of mining and manufacturing likely to be buoyed up next year by exports and by import replacement and by such developments as Mossgas, it is hard to see how times can be as hard as is being increasingly predicted

AECI in R920-m soda ash venture

Star 22/11/88

(210)

By Ken Vernon, Star Africa News Service, and Sven Lunsche

A consortium led by AECI has signed an agreement with Botswana for a giant R920 million soda ash plant to be built at Sua Pan on the edge of the Kalahari desert that will supply the whole of Southern Africa with soda ash.

The company formed to exploit the deposits, Soda Ash Botswana, will be 52 percent controlled by a consortium consisting of AECI, De Beers and Anglo American, while the remaining 48 percent will be held by the Botswana Government.

The plant will produce 300 000 tons of soda ash and up to 650 000 tons of salt per year.

This closely matches Southern African regional demand for the two materials.

At present all of Southern Africa's requirements of 300 000 tonnes of soda ash are imported, mainly from the United States. South African government support has been vital in making the soda ash deal possible, making available R250 million in export credits to the consortium and granting an up to 10 percent ad valorem import tariff to make the Botswana product competitive.

Sources close to the consortium said while nothing had been said openly, South African government fears of the reliability of the US supplies in the face of the sanctions campaign was no doubt a factor in the government aid.

When fully productional in about four years time, the project, which is situated 180km northwest of Francistown, will employ about 540 people.

Construction of the plant is to begin within the next few months. The target date for completion is January 1991.

Most of the plant's production will be exported to South Africa, enabling AECI to benefit from a lower rand and add further to its rand-hedge qualities.

Zambian and Zimbabwean markets each take up about 15 000 tons per annum. Current demand for soda ash in South Africa amounts to about 260 000 tons per annum

A by-product will be about 600 000 tonnes of salt, most of which will be used in South African industry but which will also fulfil the human consumption needs of much of sub-saharan Africa

At current prices, sales of soda ash will yield about R150 million per annum, with a further R45 million coming from the sale of salt

Financing for the project will be arranged through the equity holdings of AECI, Anglo, De Beers and the Botswana government and though loan finance from local and international banks.

Analysts believe that loan capital will make up a large amount of the financing requirement since AECI's long-term borrowings in the last financial year to end-June 1988 were already R512 million — R72 million up on the previous year.

As the first step in realising its plans for the development of the project, Soda Ash Botswana has appointed a consortium comprising German engineering group UHDE and LTA Process Engineering as the principal contractor for the project.

At the signing ceremony held in Gaborone yesterday the Botswana minster of Mineral, Energy and Water Affairs, Archie Mogwe, described the project as one which would generate benefits for "Botswana and all of Southern Africa"

Vice-president Peter Musi said that the joint venture had not brought any criticism from other member countries of the Southern African Development Coordinating Committee, formed to lessen the economic dependency of Black Southern African countries on South Africa

He said the project complied fully with the aims of Sadcc in that it lessened the dependency of the region on soda ash imported through South Africa

According to AECI the project will exploit just a tiny fraction of the area's brine deposits under the pan An environmental impact study undertaken on AECI's behalf determined that the project may even end up enhancing the local environment.

Soda ash is a basic chemical with a current world production of 29 million tons a year

'Chamber spying on NUM'

23/11/88

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ALAN FINE

THE NUM has accused the Chamber of Mines of conducting security police-type spying operations against the union.

The latest edition of the publication, Update, produced by the union's collective bargaining department, has reproduced extracts from "secret" chamber circulars acquired by the department.

The extracts refer to union meetings and, in some cases, community activities in mining regions. The union alleges the regional headquarters of the chamber's spying network are the offices of the Employment Bureau of Africa (TEBA) — the chamber's recruiting arm. TEBA agents, it says, submit monthly reports to the chamber.

The chamber documents used in the publication were late 1987 "informatory circulars" issued to members of the chamber executive and its gold producers' committee respectively.

A chamber spokesman yesterday denied the organisation spied on the union.

"While the chamber obviously takes an interest in union activities which might have relevance to industrial relations, it does not operate a spy network. Nor does it need one to obtain the easily available information quoted. On the other hand, does not 'spying' or 'industrial espionage' correctly describe the activity of the NUM's collective bargaining department in securing harmless but confidential chamber documents?"

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Chamber of Mines 'spying on NUM'

● From Page 1

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Update said it "could only guess at what the chamber does with the information it collects". But, it said, a disturbing fact was that several of the reports were incorrect.

In this respect, it referred to one that noted that, when permission was granted to the union to hold meetings on the mines, "the opportunity is used to ignore the agenda completely and use the forum for anti-white, anti-government and anti-chamber mouthings, together with the inevitable 'viva' chants and 'freedom' songs"

Among the other published extracts are references to a visit by three NUM regional officials to the union HQ in Johannesburg and that they returned to their area with pamphlets concerning a "Christmas against the emergency" campaign last year

23/11/88

Chamber 'spying' on NUM — claims

Own Correspondent

JOHANNESBURG — The National Union of Mineworkers has accused the Chamber of Mines of conducting security police-type spying operations against the union

The latest edition of a publication, Update, produced by the union's collective bargaining department, has reproduced extracts from "secret" chamber circulars The extracts refer to union meetings and, in some cases, community activities in mining regions. The union alleges that the regional headquarters of the chamber's spying network are the offices of the Employment Bureau of Africa, (TEBA) — the chamber's recruiting arm. TEBA agents, it says, submit monthly reports to the chamber.

A chamber spokesman yesterday denied that the organisation spied on the union

Citizen 23/11/88 210 (2710) 1660A

De Beers loses industrial hearing

B/day 24/11/88

ALAN FINE

THE Industrial Court has rejected an urgent application by the De Beers Premier Mine for a declaration that the refusal of two unions and 1 133 employees to work overtime represents an unfair labour practice.

The court also refused to direct the employees to work overtime on a reasonable and fair basis requested by the mine.

The National Union of Mineworkers (NUM) has expressed anger at disciplinary action launched against scores of members who attended the original hearing two weeks ago.

The case arose from the failure of the mine and the NUM to reach agreement on Saturday work, which Premier believed was essential to its production needs.

Court president Daan Ehlers and additional member E Strydom refused the

● To Page 2

Industrial Court rejects De Beers case

B/day 24/11/88

● From Page 1

application both on the basis that insufficient urgency had been shown, and because it did not appear the individual respondents had committed an unfair labour practice by refusing to do the overtime work requested.

A De Beers spokesman said management was now considering various options to meet its production targets

The NUM reacted strongly yesterday to news that the mine had summonsed more than 100 members to disciplinary hearings because of their absence from work on the day of the hearing

A De Beers spokesman said management was investigating the absence of certain employees and would then decide what action to take He said this was normal procedure where employees absented themselves from work without making proper arrangements.

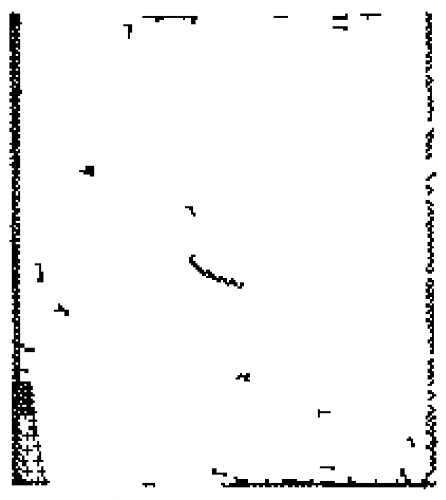
Swapo poll win not inevitable — Mudge

B/day 28/11/88 210

DIANNA GAMES

DEMOCRATIC Turnhalle Alliance leader Dirk Mudge, back from a visit to the US, says the DTA does not see a Swapo victory in Namibian elections as inevitable

Mudge, who is chairman of the transitional government, said the DTA had already started campaigning



● MUDGE

Speaking from Windhoek yesterday, Mudge said that while Swapo enjoyed a psychological advantage in being recognised by the UN, the DTA was going into the election confidently.

"We are not participating as a white party — we have thousands of people at our meetings We are not in favour of the maintenance of the status quo. We want

● To Page 2

'Swapo won't grab mines'

LUANDA — Swapo would not automatically nationalise private mines or farms to impose state control on the economy if it won elections expected next year when the territory became independent, Swapo secretary-general Andimba Toivo ja Toivo said at the weekend

He said a Swapo government would, however, work to wean mineral-rich Namibia from economic dependence on SA

If Swapo won the election it would allow Namibians to choose what kind of political system they wanted

Swapo was confident it would win an overall majority in elections scheduled to be held under the UN independence blueprint for Namibia

Toivo ja Toivo said Swapo foresaw a socialist path of development for Namibia's economy

Swapo's overall objective would be to gradually reduce Namibia's heavy dependence on the SA economy: "But we will try to avoid disruption It will be a slow process"

A Swapo government would not immediately take over foreign-owned mining companies Toivo ja Toivo said "If we do that it would be tantamount to saying we are closing the mines" He said there were not enough skilled Namibians to run the mines

A Swapo government would renegotiate existing contracts with multinational mining companies to ensure the country would benefit from their profits, technology and training

Similarly, Swapo would not automatically nationalise farms But Toivo ja Toivo said many large properties owned by foreigners were idle or were not being fully exploited The government would buy those

He said anyone who wanted to be a Namibian was welcome to stay after independence "Under a Swapo government all those who want to be Namibian will be treated equally

"But those who are toying with the idea of minority rights must forget that" — Sapa-Reuter

Swapo electoral victory 'not inevitable'

● From Page 1

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everything that Swapo wants — and more."

It was to be hoped that whoever lost the election would form a loyal opposition in line with democratic principles. Any losing party that reverted to the continuation of terrorism would only undermine the new state

Mudge said former US Secretary of State Chester Crocker and UN members he met during his US trip were optimistic on the finalisation of the Angolan issue All being well, it was not impossible that implementation of resolution 435 would take place before the first quarter of next year.

People he had met abroad had expressed concern that an independent Namibia would go "the African way", with an unsound economic policy, but locally, he said, he was surprised at the confidence with which people viewed the country's future.

A certain measure of uncertainty was to be expected, and prolonged uncertainty over the country's future would do the economy more harm than good.

The DTA had been campaigning for the election for the past two months

"We are not opposed to an election, nor do we have any plans to boycott it, so we may as well prepare for it," he said

It was hoped an all-party meeting could be held before the implementation of 435, as it would be in the country's interests if this produced from the parties at least a collective undertaking to respect certain things "to make people feel more safe"

210 S/Times 4/12/88

Family-run concern has real flair

ANGLOVAAL was founded in 1933 by the fathers of the present-day chairman and deputy chairman Basil Hersov and Clive Menell, and is still owned largely by the family

As so often happens, family-run businesses excel on the JSE Tightly held shares and the commitment to retain shareholdings through thick and thin go a long way to share price stability

By JULIE WALKER

Anglovaal shares hit an all-time peak of R450 but crashed to R255 after October 1987 They are now buoyant at R320 The total revenue of the group's 200 companies exceeded R6-billion in the year to June 1988, and earnings were R740-million

Over the last ten years Anglovaal's earnings have grown at a compound annual rate of 26%, its dividends by 20% and return on investment has averaged 23%

Income comes from a spread of investments, because the group has always adopted a policy of diversification In the year to June 1988 gold mining contributed 23% to income and accounted for 28% of the amount invested at June 30

Other minerals and metals were 10% and 25% respectively, dry food and beverage 16% and 10%, frozen food 13% and 8%, packaging 15% and 8%

The balance was made up of construction and electronics, and a variety of investments from neon signs to knitted goods

Its four gold producers are Eastern Transvaal Consolidated (ET Cons), Hartebeestfontein, Loraine and Village Main

Its innovative flair has come to light at Hartebeestfontein, where a low-grade gold plant was commissioned in March this year Gold production of 2 200 kilograms is intended to offset the now evident downtrend in the quantity of gold recovered from underground sources

ET Cons remains an investors' favourite because of its grade flexibility The Sheba mine contains a high grade of gold and ore is blended from lower grade mines in the company to smooth out gold production

The Loraine mine in the Free State also came back from the doldrums when ore bodies ran out on the intended reefs

Mr Hersov makes note of exploration in the northern Orange Free State Sun Prospecting, jointly held by Anglovaal, associate Middle Wits and BHP-Utah has already spent R90-milliom on 37 000 hectares of ground to the north of Loraine

A further R37-million, which includes R25-million for mineral rights purchases, is to be spent this year A preliminary feasibility study has been completed and R5,5-million has been earmarked on a detailed study for a mine which could treat up to 5-million tons a year from a depth starting at 2 700 metres The grade will have to exceed the current industry average of 5,3g/t to be viable

Soaring base metal prices have extended the lease of life at Prieska copper and zinc mine in the northern Cape Prieska gave notice of intention to close but its remaining ore is mineable at a profit while high prices prevail Its contribution to Anglovaal earnings was 5,5% to June 1988

The group operates the Associated Manganese Mines at Posmasburg and Feralloys at Cato Ridge and Machadadorp These mineral products have also commanded strong prices of late

Interests

As well as its own collieries, Anglovaal also has interests in Consolidated Murchison antimony and gold producer, Associated Ore and Metal, Finsch Diamonds, Palabora and Samancor

Consol is the group's packaging arm, which achieved great results in the year to June

No shopper cannot but have heard of I&J products Irvin & Johnson is the Cape town-based manufacturer and distributor of frozen foods I&J is one of the top ten performers in the Business Times survey and its chief executive Jan Robbertze one of the top five businessmen for 1988

The dry food and beverage division includes Avbak, Beckett and Pleasure Foods

Avbak makes biscuits, bread, cakes, cereals, pickles and so on Beckett is a blender and distributor of tea, coffee and other groceries

Pleasure Foods was reversed in to Juicy Lucy listing last year and comprises Wimpy, Pizza Hut, Juicy Lucy, Milky Lane, Golden Grill, Golden Egg and BJ's Pantry It is the leading marketer of ready-to-eat and convenience foods

Anglo Alpha meets more than 35% of the country's cement needs — a market which has grown in line with increased construction activity It produces stone aggregates, sand, lime and limestone, paper sacks and ready-mix concrete as well as cement It has also diversified into coal mining

Grinaker Holdings has four main subsidiaries Grinaker Construction concentrates on civil, mechanical and electrical engineering projects, Electronics designs and make advanced radio communications systems and instrumentation, Siltek designs and makes computer hardware and software primarily in data communications, and Claude Neon is a supplier of advertising signs and services

[redacted]

CP 4/12/88

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Are the pass laws still alive?

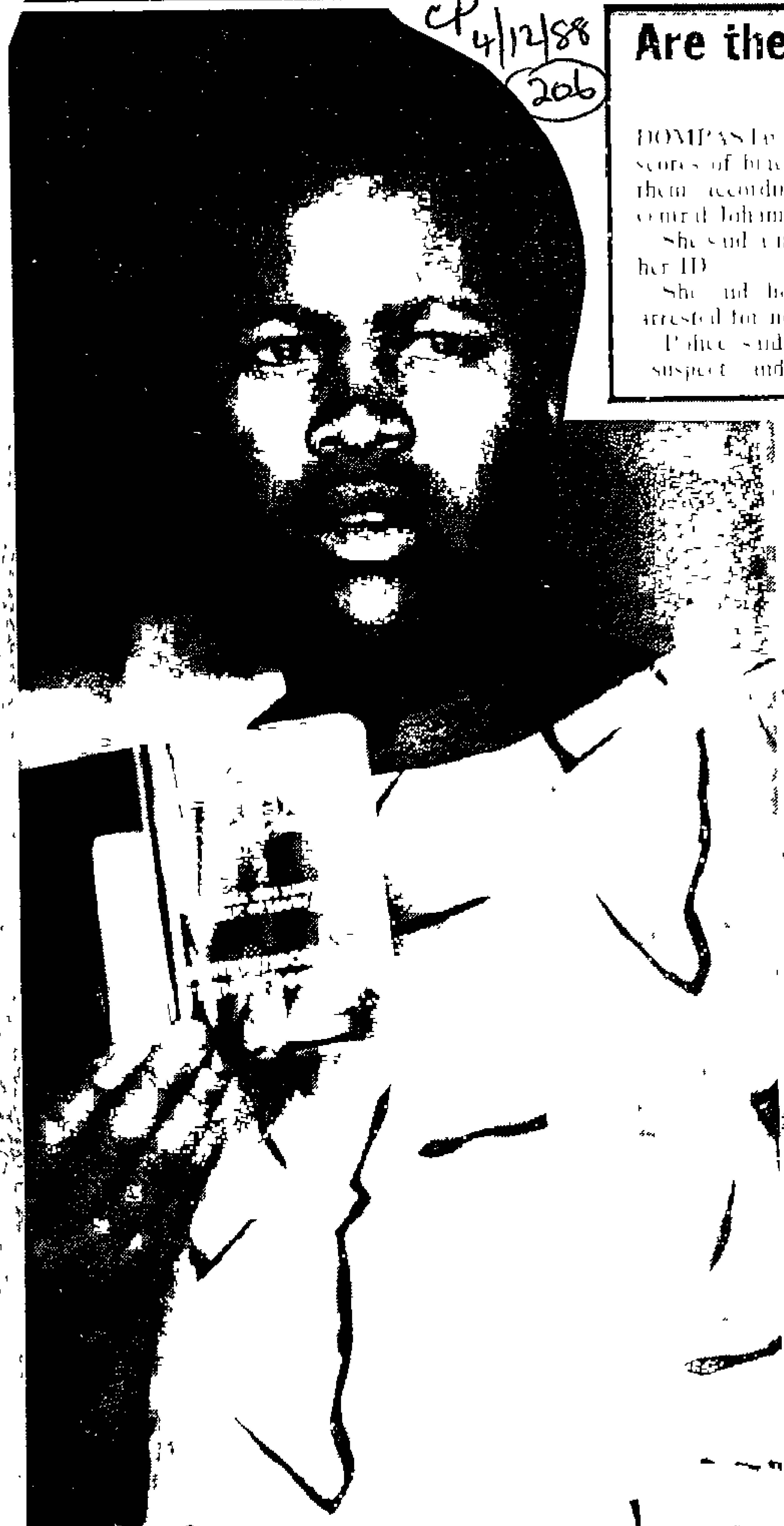
By SIBUSISO MABASO

DOMPAS laws appear not to have been done away with — scores of black people are still being asked to produce them, according to Lucky Sixolo, who had to do this in central Johannesburg last Thursday morning.

She said a man who said he was a policeman asked for her ID.

She said she saw a number of other black people being arrested for not having ID documents.

Police said they only ask for ID if a person is a suspect and denied that people had been arrested.



Lucky Sixolo . . . says a policeman demanded to see her ID.
Pic: EVANS MBOWENI

Mining chief calls for tax changes to boost industry

3Fev 5/7/88 2/0

By Sven Forssman

Changes must be made to South Africa's existing tax policy to encourage the further development of the mining industry, Rand Mines chairman Dammy Watt says in the annual report

He says that the mining industry has entered into what will probably prove to be one of the most difficult periods in its history

The double digit inflation rate constitutes a major threat to both profitability and the long term survival of the industry.

Superimposed on this, says Mr Watt, is the threat of more widespread sanctions against the sale of the commodities produced and the supply of resources required by the industry

"A technical committee under the chairmanship of the Deputy Minister of Finance is now considering the subject of mining taxation

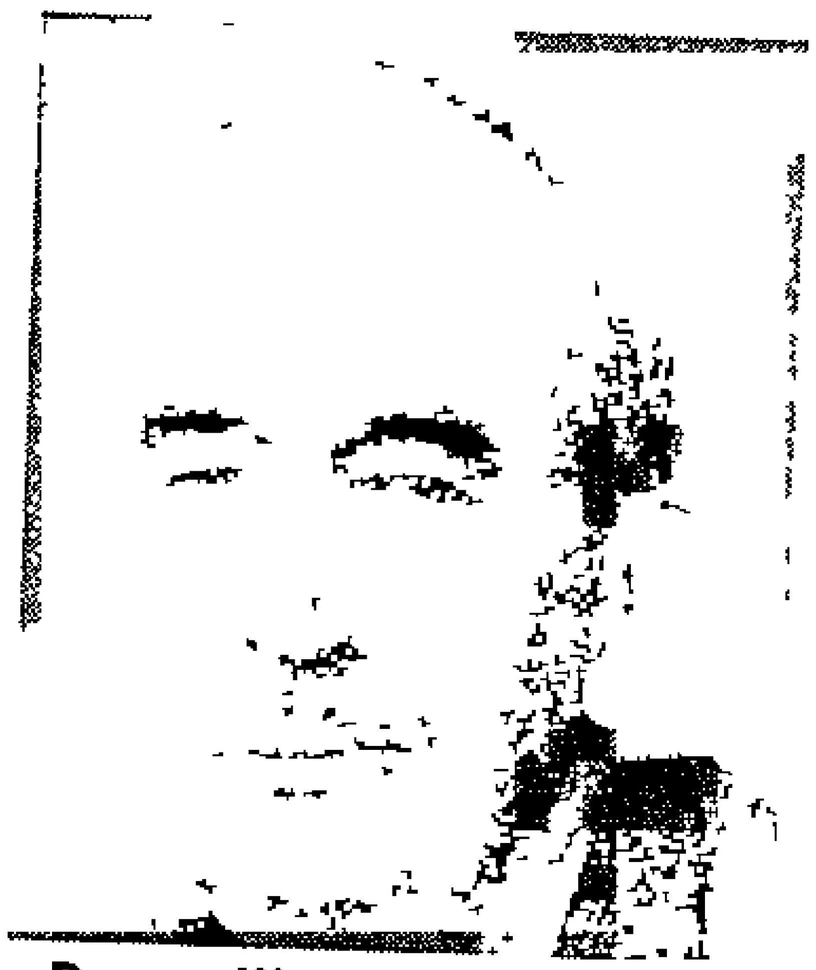
"It is hoped that this committee will conclude its deliberations in the near future and that the changes recommended by the committee will be both supportive of existing mines and conducive to encouraging entrepreneurs to invest in new projects

Marginals

"It is essential that the committee also make recommendations to assist the so-called marginal mines to remain in operation, especially now that the margin between operating costs and revenue is being eroded by inflation at such an alarming rate

"With appropiate assistance, these mines can still produce a substantial amount of gold, generate significant exchange, provide job opportunities for a large number of people and support the local communities in which they are located"

Mr Watt says it is vital at this critical time in the history of the country that the mining industry should continue in its role as a major generator of foreign exchange and as an employer of large numbers of people



Dammy Watt — Mining industry entering into one of its most difficult periods in its history.

"The recent rise in fuel prices and surcharges on imported equipment are challenges which all mines will have to contend with in order to contain working costs, now escalating at a rate considerably in excess of the published inflation rate

"Mine management will have to be ruthless in employing every device available to it in order to contain costs A major effort has to be directed towards increasing productivity"

Strikes

Turning to industrial relations, Mr Watt says strike action in South Africa was at its lowest level since 1983 and there are signs of a new realism in relations between trade unions and management

He says by contrast with last year's costly and violent strike by NUM members on many gold and coal mines, agreement was reached with NUM, which represents some 24 000 members of unions affiliated to the CMU, in six weeks in the 1988 wage negotiations, in a climate in which both sides observed and experienced the value of bargaining in good faith

"This is a most encouraging development and it is to be hoped that a healthier basis for the future relationship between the employers and the employee organisations has been reached.

"The Chamber of Mines is currently negotiating changes in work practices within the mining industry with the white trade unions. I sincerely hope that neither the advisory committee system established in terms of the legislation nor the trade unions will prove a hindrance to the advancement of black mineworkers.

"At present, the industry is extremely short of certificated personnel in some key occupations, a situation which is seriously impacting on efforts to increase production efficiencies."

Commission proposes lower mining taxation

Star 6/12/88

(210)

By Roy Cokayne

PRETORIA — The final report of the technical committee on mining taxation, the Marais Committee, has recommended the reduction of the overall tax burden on the mining sector to bring it into line with other sectors of the economy

This should be achieved by introducing a common tax formula on all gold mines and taxing all other mines at the standard company rate, said the Committee, which was appointed by Minister of Finance Mr Barend du Plessis in February this year to investigate all aspects of mining taxation following the recommendations in the White Paper on the report of the Margo Commission

Existing surcharges for both gold and other mines should also be eliminated, the committee said

The revised common formula together with the elimination of the surcharge will result in exempting from tax the first five percent of gold mining profits — as opposed to the first six percent or eight percent under the existing formula — and a reduction in the existing maximum rate of 75 percent to 61 percent, it added

"This will relieve the burden on the high-grade gold mines and will encourage the development of new mines without prejudicing low-grade producers," the committee said

Other recommendations by the committee were

- Mining lease payments should be eliminated.
- The existing 100 percent redemption of captial expenditure should continue with certain exemptions, such as housing and motor vehicles
- The limitation of redemption of capital expenditure to a particular mine (ring fencing) should continue but should be subject to exceptions on a more flexible basis at the Minister's discretion
- The special capital allowances for new gold mines should no longer be automatically granted. The Minister should, however, have the discretion in special circumstances to grant the allowance
- These proposals should be subject to a phasing-in period to allow the fiscus to accommodate the resulting reduction in revenue

Chairman of the Committee, Deputy Finance Minister Dr Org Marais, said it believed economic growth and employment would be stimulated if the principle of tax neutrality between sectors of the economy was applied

"The mining sector is strategic in the economy At present the nominal mining tax rate is higher than in other sectors and this can create an unfavourable climate for investment

"The committee believes these measures will have a positive impact on the industry The lowering of the tax rates will bring the SA mining tax system more in line with worldwide trends," Mr Marais said The final report was presented to Mr Barend du Plessis.

Mines hail tax reduction plan

210 B/day 7/12/88

KAY TURVEY

THE mining industry has welcomed recommendations unveiled by Deputy Finance Minister Org Marais yesterday to reduce its tax burden and encourage capital investment.

Responding to the report of the technical committee on mining taxation, chaired by Marais, industry sources described the proposals as encouraging.

If implemented, they would stem the corrosive decline in the industry and its deteriorating international competitive position, they said

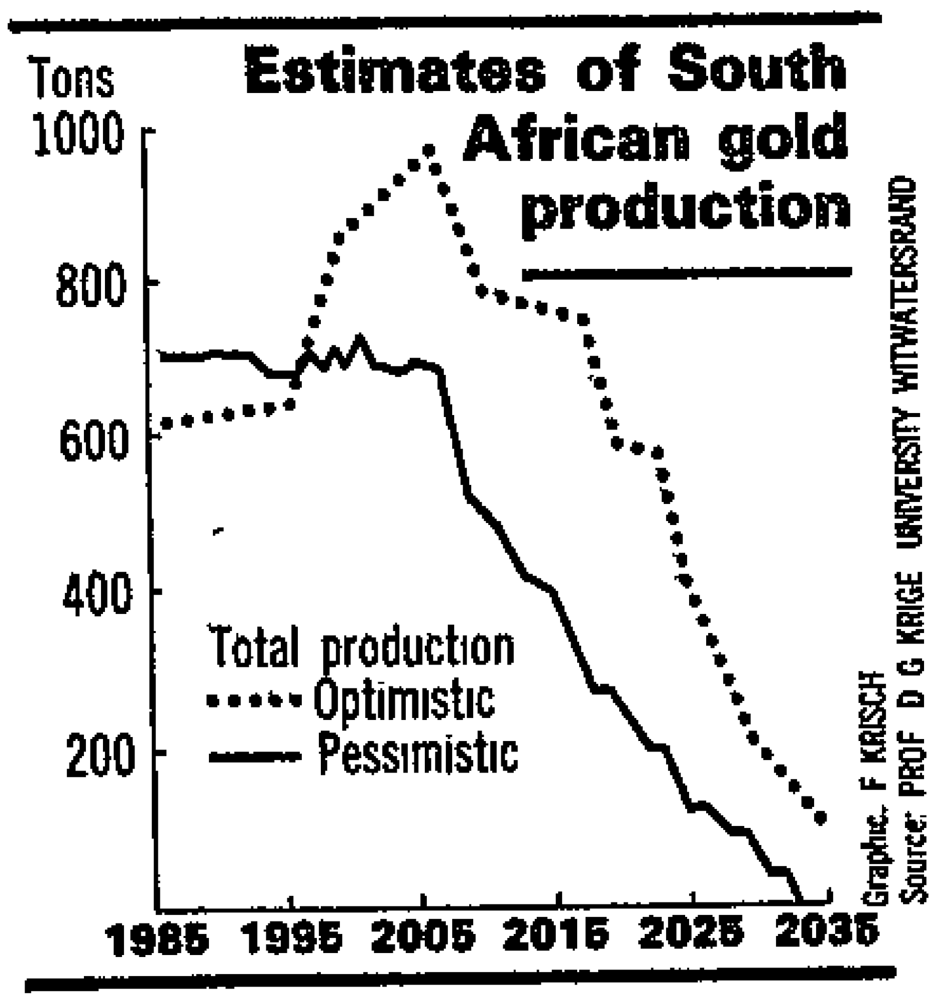
Marais said the mining sector was strategic in the SA economy accounting for 10% of total revenue. It made a major contribution to exports, although this had fallen from an average of about 48% to 41% in the past three years.

However, at present the nominal mining tax rate was higher than in other sectors, which created an unfavourable climate for investment, he said

It was hoped the implementation of the proposals would see the development of 15 new mines in the Witwatersrand basin producing a combined income of R60bn.

The committee recommended a considerably lower common tax formula for all gold mines, and that all other mines should be taxed at the ordinary company rate In both cases all existing surcharges should be eliminated The abolition of surcharges coupled with the revised formula would result in a reduction in the existing maximum tax rate of 78% to 61%

The acceptance of the existing 100% redemption of capital expenditure was seen as fair as it acknowledged the risks involved in mining and provided a pro-



● To Page 2

Mines hail plan to reduce tax burden

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tection against inflation

However, the exemption in the case of infrastructure such as housing to be written off over 10 years came in for criticism Industry sources said housing was a socio-political issue and mines could make a contribution

Further, the committee recommended the minister be given discretion to lift the ring fence in the case of marginal projects In addition capital expenditure for new gold mines would no longer be automatic, but at the discretion of the minister

Marais said the introduction of the total package would amount to a loss of about R800m to R900m — or about 25% of last year's total gold collections — in the current fiscal year

However, if phased in gradually, as suggested, the loss would be about R150m to R200m in the first year

Marais emphasised this loss of tax would not be made up by other areas, although he pointed out the lower tax rate would encourage more investment and have a multiplier effect on the economy, so generating more revenue

Tax experts welcomed the lowered tax base as encapsulating the spirit of Margo to reduce direct taxes and increase indirect taxes

Price Waterhouse partner Chris Frame said the recommendations left the indirect taxes to absorb the shock and although income tax from mines would fall, taxes such as RSC and VAT would make up the shortfall

He praised the report for recognising the crises in mines faced with escalating costs If implemented the proposal could help preserve the industry

Frame said the report was the best compromise between the existing high taxation formula and a flat rate for gold mines, which would prejudice the lower grade mines

An Anglo spokesman said the proposal would relieve the burden on high-grade gold mines and low-grade mines would pay a bit more

Marais said the report, which is now to be submitted to the permanent tax advisory committee, was the first of a trilogy of tax reports The following two would deal with VAT and the insurance industry

Some mining tax reforms may be included in Budget

Star 7/12/88

210 (B2000)

By Roy Cokayne

The Minister of Finance, Mr Barend du Plessis, hopes to include some of the recommendations of the Marais Committee report into mining taxation and of the yet incompleted probe into the life assurance industry in the Budget in March

Speaking yesterday at the handover of the mining tax report by deputy Minister of Finance, Dr Org Marais, who was chairman of the investigating committee, Mr du Plessis said the Government was still being criticised by people claiming the Margo Commission Report had been shelved

"This report is an indication that the Margo Commission Report gave certain guidelines of tax reform but left several areas incomplete on account of the highly technical nature and practical aspects of them One of these was mining taxation

"A second is Value Added Tax (VAT), which is still receiving top level attention, and a third is the taxation of the life assurance companies, which is also progressing," he said

Mr du Plessis said the mining taxation report was being made public for comment

"In the meantime, the Stals Committtee — the permanent tax advisory committee — will evaluate the report and if at all possible I'd like to include some of these recommendations in our Budget proposals in March 1989," he said

Mr du Plessis stressed that tax reform could not be "an abrupt action" and the proposals on mining taxation that were considered for the next Budget would represent a properly planned phasing-in exercise

It was difficult to say over how many years the recommendations would be phased in but once the Government had committed itself to the changes, they would be worked into the five-year fiscal plan as a guideline

With regard to the probe into the taxation of life assurers, Mr du Plessis said he would welcome feedback on these investigations in time for consideration before the next Budget

In addition, the investigation into the implementation of VAT was progressing full steam ahead and legislation pertaining to VAT had to be passed in the next session of Parliament, he said

Included among the recommendations in the final report of the Marais Committee was that the overall tax burden on the mining sector should be reduced to bring it into line with other sectors of the economy

It said this should be achieved by introducing a common tax formula on all gold mines and taxing all other mines at the standard company rate while existing surcharges for both gold and other mines should be eliminated

The revised common formula, together with the elimination of the surcharge, will result in exempting from tax the first five percent of gold mining profits — as opposed to the first six percent or eight percent under the existing formula — and a reduction in the existing maximum rate of 75 percent to 61 percent

Dr Marais said new development was likely to be boosted by the reduction in the tax rate besides it leading to more efficiency He expected ten to 15 new mines to open up on the Witwatersrand basin over the next ten years.

Chamber of Mines welcomes tax proposals

Star 7/12/88

210

By Sven Forssman

The recomendations of the Marais Committee on Mining Taxation have been welcomed by the mining industry, but analysts are sceptical whether they will be accepted by government

Mr Tom Main, deputy chief executive of the Chamber of Mines, said the recommendations were a major breakthrough for the industry and the country if implemented

He welcomed the majority of the recommendations and particularly those aimed at encouraging investment in mining

A spokesman for Gencor said the group also saw the recommendations as being positive and that they could give momentum to new projects

Anglo tax consultant Mr Marius van Blerck said the commission's recomendations if implemented would provide a boost to the entire mining industry

"We believe the short term sacrifices of revenue the fiscus will have to bear will be more than repaid through the increased activity in the medium to long term," he said

But Mr Mike Brown, mining analyst at Davis Borkum Hare, said he doubted whether government would be happy about suffering a loss of revenue in the initial stages

It is estimated the fiscus will lose between R150 million and R200 million in the first year of six/seven year phase-in period

Mr Main added that the recommendations, if accepted, would signal a bold and exciting new direction for the country in the approach to taxation, the stimulation of private enterprise and the generation of wealth for the nation

The most encouraging of the recommendations were those related to the Committee's acceptance of the importance of encouraging investment in mining Mr Main had no doubt that this would be achieved if the tax reductions on mining, as proposed by the Marais Committee, were implemented

"In broad perspective, what the Committee has done is to reconcile, to a large extent, the interests of marginal mines, richer mines, the fiscus and the economy as a whole in the continued prosperity of the industry and the country This is a very significant achievement"

Mining taxation report welcomed

CAPE TIMES 7/12/88

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From KAY TURVEY

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If implemented, they would stem the corrosive decline in the industry and its deteriorating international competitive position, they said

Marais said the mining sector was strategic in the SA economy accounting for 10% of total revenue and made a major contribution to exports, although this had fallen from an average of about 48% to 41% in the past three years

However, at present the nominal mining tax rate was higher than in other sectors, which created an unfavourable climate for investment, he said

It is hoped the implementation of the proposals will see the development of 15 new mines in the Witwatersrand basin producing a combined income of R60bn.

The committee recommended a considerabley lower common tax formula for all gold mines and that all other mines should be taxed at the ordinary company rate

In both cases all existing surcharges should be eliminated The abolition of surcharges coupled with the revised formula will result in a reduction in the existing maximum tax rate of 78% to 61%

The acceptance of the existing 100% redemption of capital expenditure, was seen as fair, as it acknowledged the risks involved in mining and provided a protection against inflation

However, the exemption in the case of infrastructure such as housing to be written off over 10 years came in for criticism Industry sources said housing was a socio-political issue and mines could make a contribution

Further, the committee recommended the minister be given discretion to lift the ring fence in the case of marginal projects The relaxation of ring fences is the most effective way of encouraging new mining ventures without subsidies and special tax concessions

In addition capital expenditure for new gold mines would no longer be automatic, but at the discretion of the minister

Marais said the introduction of the total package would amount to a loss of about R800m to R900m — or about 25% of last year's total gold collections — in the current fiscal year

However, if phased in gradually, as suggested, the loss would be about R150m to R200m in the first year

Marais emphasized this loss of tax would not be made up by other areas, although he pointed out the lower tax rate would encourage more investment and have a multiplier effect on the economy so generating more revenue

Tax experts welcomed the lowered tax base as encapsulating the spirit of Margo to reduce direct taxes and increase indirect taxes

Price Waterhouse partner Chris Frame said the recommendations left the indirect taxes to absorb the shock and although income tax from mines would fall, taxes such as RSC and VAT would make up the shortfall

He praised the report for recognizing the crises mines faced with escalating costs

If implemented the proposal could help preserve the industry

Frame said the report was the best compromise between the existing high taxation formula and a flat rate for gold mines, which would prejudice the lower grade mines

An Anglo spokesman said proposal would relieve the burden on high-grade gold mines and low-grade mines would pay a bit more

Marais said the report which is now to be submitted to the permanent tax advisory committee was the first of a triology of tax reports The following two will deal with VAT and the insurance industry

Malbak, Samancor the biggest contributors to Gencor

Star 8/12/88 2-10

By Sven Forssman

Malbak and Samancor were the largest contributors to Gencor's earnings for the first eight months of 1988, executive chairman Derek Keys says in the annual report

The contribution of Malbak and its associated industrial interests rose 102 percent from R45 million the corresponding period last year to R91 million for the eight months to August 31 this year

Samancor and its associated metal businesses contributed R140 million for the eight months to August 31 this year, compared with R99 million last year.

"Malbak management continued to deliver the fruits of greatly improved guidance and control throughout the portfolio of interests placed in their care, while Samancor's management took full advantage of a strengthening market for their products — and their performance was achieved in spite of a rise in the average rand exchange value," Mr Keys says

"The improved trends experienced by Samancor's main businesses are expected to continue into 1989

"The market for electrolytic manganese is firm and both sales tonages and prices are higher for the six months to June And construction of a new manganese oxide plant commenced in August.

"The demand for fluorspar is firm and dollar prices have increased"

Sappi barely reflects real growth in its contribution (an extra 6c), but Mr Keys says the figures understates its value to Gencor since for both periods they only cover the six months to June

Gencor increased its earnings per share by slightly more than 16 percent from 417c to 485c for the eight month period

The underlying percent was higher since the 1988 figure was after a deduction of 28c more per capital unit in exploration spending

New Bill will deregulate sector

210 B/day

Govt to cut back mining rights role

9/12/88

HELOISE HENNING

IN A major deregulation of the mining industry, government intends sharply reducing its role in the allocation of prospecting and mining rights

The Minerals Bill — to be published next week — will give the right of deciding prospecting and mining development to the owners of the land and mineral rights

Government's role will be reduced to issuing licences for prospecting and mining while overseeing the mines safety and environmental land rehabilitation Until now, government had controlled all mineral rights leased to mining houses and prospectors

A plethora of nine Acts with 542 clauses has been redrafted into the new Bill, which has only 75 clauses

The move, by the Department of Mineral and Energy Affairs, has been described at Cabinet level as the biggest free market move yet by a government department

Deputy Mineral and Energy Affairs Minister George Bartlett said in Pretoria yesterday the Bill would be published on Thursday for comment. Comment had to be submitted by February 18 next year, as government was determined to push the legislation through Parliament's next session

Provision has been made for a two-year transition period to allow leaseholders to switch to the new dispensation

It will result in the immediate deproclamation of land set aside for mining mainly on the Reef, in the eastern and western Transvaal and the Free State

Selling

Prospecting licences will be renewable annually, small mining rights (slate and quarrying) will be issued for a maximum of two years while large mines will obtain licences for the life-time of a mine The minister will only intervene in licensed rights where it is "in the national interest"

Government is considering selling off state-owned land with mineral rights — believed to be about 10% of available land with mineral deposits — but that does not form part of the Bill.

Mining analysts have welcomed the Bill saying it will free resources on which large mining houses have continued to hold options without exercising

● To Page 2

Govt cuts back on its mining rights role

● From Page 1

510 B/day 9/12/88

their rights It could result in more revenue being earned, especially with regard to unused platinum rights.

Members of the task group which drafted the Bill said the deregulation was designed to give a large incentive to investors to achieve optimal utilisation of the land

The Bill represents a streamlining of the rights on precious metals, precious stones and natural oils with those of base metals, where the rights to prospect and mine are in the hands of the private owner

The Bill is in tandem with the proposed mining tax relief announced this week and the regulations on mining safety promulgated in September which shifted the safety function on to the mining houses through the appointment of their own safety officers

Bartlett said the conflict of interest which had arisen between freehold surface rights holders and mineral rights holders had led government to ensure the protection of not only the interest of the rights holders, but the community as a whole

J D Anderson mining analyst David Russell said the deregulation was to be welcomed as it represented a move to free mineral rights

New tax would give mining a golden boost

B/day

210

9/12/88

KAY TURVEY

SOUTH AFRICA's mining industry has received its biggest boost in years with the publication this week of the Marais report on mining taxation

After years of high taxation, tax surcharges, escalating costs and the Minimum Companies Tax introduced in this year's Budget, the Marais report proposals would reduce tax and encourage investment

However, gold mining houses looking to protect vested interests are divided in their views on how taxes should be lowered, although independent tax experts view the proposals as an "excellent compromise"

Deputy Finance Minister Org Marais, who chaired the technical committee, said the difficulty in preparing the report was how to balance the interests of the low grade mines, the richer mines and the Receiver of Revenue

If the proposals are phased in over a six- or seven-year period, as recommended, the report estimates the loss to fiscus at about R150m to R200m in the first year However, this is expected to be made up through the multiplier effect on the economy and an increase in indirect taxes — such as VAT, to be introduced next year

While the Marais proposals would benefit mining in general, most of the report focuses on gold mines The report is intended to put SA's faltering flag-ship industry back on a strong growth path Its recommendations have still to go before the Permanent Tax Committee, but indications are that the proposals will be included in next year's Budget

A fundamental objective of the committee was to obtain tax neutrality between various industry sectors The mining industry currently pays tax at a higher rate than in any other country, hindering its competitive position

The report proposed that all non-gold mining companies should pay tax at the standard 50% company rate, while gold mines retain formula taxation Consideration was given to lowering the current formula tax for gold mines or imposing a flat rate, but the commission opted for the former, cutting the maximum rate to 61% from 78%

The proposed revised formula would mean profitable mines paying a little less tax and marginal ventures a bit more

Lower grade mines favour a formula based on profits, whereas the richer mines go along with the Margo Commission's recommendation for a flat rate which would allow them to pay less tax But Marais said the committee's task was to ensure all parties, including the fiscus, did not lose out

A gold analyst observes that the proposals would favour mining houses with profitable high-grade mines, such as Goldfields and Anglo Vaal, more than others. Mines such as Driefontien and Kloof in the Goldfields stable, and Hartebeesfontein and E T Cons in the Anglo Vaal camp, would benefit most from the flattening of the tax formula curve

Mining houses with a cross-section of mines, such as Anglo and JCI, are less affected.

But as Price Waterhouse partner Chris Frame points out, the report is an effective compromise The lowering of the tax rate, coupled with the elimination of mining lease payments and surcharges, should stem the decline in the industry

Yet Gencor, with its predominantly lower grade mines, would be paying slightly more tax as the tax curve flattens, which is why Gencor supports a formula as opposed to a flat rate

The case for formula tax, which is in effect a progressive tax on profits, is that it encourages the mining of marginal ore, by lowering the ore pay limit of all gold mines which are making taxable profits.

It also provides assistance to mines which need to mill unpayable ore while developing access to payable ore. The report said: "The advocates of the formula argue that its benefits outweigh its cost.

"Where the formula is used to promote the extraction of low-grade ore within a developed section of a mine, the marginal cost is low and the capital already spent in developing the section is a sunk cost The social return on capital invested in mining is increased by extending the lives of the mines

"Furthermore, the foreign exchange generated by maximising gold production in the longer-term has important positive linkages for other sectors of the economy"

On the other hand, Goldfields — with its profile in high grade mines — prefers a flat tax, as although the group benefits from a reduced formula and flatter tax curve the gains would be even greater if a flat rate were introduced

Goldfields executive director Bernard van Rooyen said the gold mining industry had been over-taxed for a long time — well over 80% on a marginal tax rate — and the proposals went some way to restoring tax neutrality.

Van Rooyen served on the technical committee, and Goldfields' divergent views are expressed in the report However, the group ultimately gave its qualified support to the reduced formula, saying it would not oppose its introduction "if this represents the only means by which gold mining taxation can be aligned more closely to the company tax rate"

Goldfields' submissions included in the 200-page report highlight that a flat tax on gold mines could encourage foreign investors to participate more keenly on the JSE, although they concede evidence is not clear in this regard

Investors purchase gold shares because of attractive current dividend yields and in anticipation of a capital profit if the gold price rises, Goldfields submits

It says the formula tax and lease payments reduce the responsiveness of after-tax profits to the gold price and therefore render South African gold shares less attractive to foreign investors, who can achieve better gearing to the gold price through North American and Australian stock

Goldfields calculated that more mines would benefit from a 50% flat tax than would be penalised. After eliminating cross holdings, mines accounting for 78% of the market capitalisation of listed gold shares would gain

The big plus of a flat rate is its simplicity The Margo Commission recommended a flat rate, as the major problems facing the formula are the high marginal rates and the distortion created

The report set out the advantages of a flat tax, which it argued should give more stability to State income than the formula tax, although this would lead to a decrease in tax receipts

Further, a flat tax provided for tax neutrality given similiar risks and treatment of capital expenditures, although it would not recognise possible inter-industry risk differentials

"An advantage is that the fiscus and the shareholder receive the same returns and therefore projects developed by mines, which are already taxpayers, are more likely to be undertaken on their own merits and not to take advantage of tax benefits," the report said.

Self-interested murmurings from mining houses aside, the report has been widely acclaimed as a significant piece of work, which could have far-reaching consequences for the local mining industry, including the opening of new -

Star 9/12/88 (210)

New Minerals Act to reduce work load

By Deborah Smith, Pretoria Bureau

A proposed new Minerals Act which would consolidate and rationalise existing mining laws is to be published in the Government Gazette next week, according to the deputy Minister of Economic Affairs and Technology, Mr George Bartlett

Nine of the current Acts would be replaced with the proposed Mineral Act which was drawn up in accordance with the Government's policy of deregulation and privatisation

Mr Bartlett said the present Acts were considered outdated and had "become an impediment to Government in the execution of its policy of deregulation and privatisation"

Single Act

The acceptance of the proposed Bill would result in a single Act with 75 articles replacing about 452 articles presently contained the existing Acts

The 40 existing authorisations would be replaced by three prospecting permits, two year mining permits for smaller mines and a mining licence for larger mines, thereby rationalising the work load in the department, he said

The Draft Bill would be published in the Government Gazette of December 15 and people are invited to comment until February 17

Mr Bartlett said the criteria applied when drafting the Bill were the Government's responsibility towards the community and the execution of Government policy in accordance with common law principles.

The most important aim of the Act was to provide for safety and health, optimal utilisation of resources and rehabilitation of the land

The common law principle that the holder of the mineral right had the sole right to prospect, mine and dispose of his mineral in a free market system was recognised by the Act

The registration principle would be scrapped and the state would now be granting permission for a person to exercise his right

The new regional concept in government administration would mean the current 10 levels of authority would be replaced by three, namely the Minister, the director-general and nine regional directors

Mine company managements would be required to apply safety measures, which would be monitored by the department's inspectors

The convener of the task group that formulated the new draft bill, Mr J de V Auret, said the idea was that routine safety inspections should be carried out by the men who were in the mines on a day to day basis

Mr Bartlett said his department would be working on the rationalisation of the Energy and Sugar Acts next year

Mr Bartlett and a senior departmental official said the reduction in the department's bureaucratic load would not lead to retrenchments because of numerous vacancies in the department

MINE TAXES (210) FMM 9/12/88

Bullish effects

Gold share price levels on the JSE were virtually unchanged during Tuesday's trading after release of the Marais Committee's findings on mining taxation — despite general reaction that the proposals are positive for the industry

Reasons for the cautious reception are that the recommendations still have to be accepted by the Department of Finance, while the proposed seven-year phase-in period means there will be no short-term gains

Should it be accepted, major beneficiaries will be the high-grade, quality gold mines such as Driefontein, Kloof and Hartebeestfontein because these currently pay the highest levels of tax

Preliminary calculations from one analyst are that full implementation would increase Dries' earnings by 35%, Harties' earnings by 43% and Kloof's earnings by 21% The changes are far less marked for the medium quality mines with only a 6% improvement in earnings calculated for Libanon, while there will be little or no change for marginals such as Grootvlei, which pay no or minimal tax

Conclusion drawn by a number of analysts is the proposals reinforce their recommendations over the past 12-18 months that investors should concentrate on the top quality mines and avoid the marginals

Lowering the industry's average tax rate will result in a greater dividend flow over time from existing mines That, could improve general investor sentiment towards the industry, while the mining houses will have more funds to invest in new gold mines, of which there could be some 15 in the pipeline.

The State stands to make major direct tax gains as a result, as committee member Professor Danie Krige points out He calculates the present value to the State in real terms of 15 new gold mines at R60bn using an optimistic grade scenario, and R20bn using a pessimistic grade scenario.

A key issue is still the ringfencing of mines for tax purposes which the Marais Committee says should continue but "be subject to exceptions on a more flexible basis than at present" Ringfencing, which has been strictly applied for the past five years, rules out tax benefits from the merger of new with existing mines, such as Gencor's linking of Beatrix with Buffelsfontein

Anglo American Corp group tax consultant Marius van Blerk believes the proposals allow the Government Mining Engineer leeway in deciding how to deal with projects which are "touch and go" — not good enough to stand on their own but also not hopeless cases

There could be quite a few of these. An obvious one is Gencor's Poplar mine which chairman Derek Keys said earlier this year was a non-starter without a suitable tax arrangement.

Van Blerk says: "Ideally, the ringfence should go, but the committee's proposal ranks as second prize The timing is appropriate because there are quite a few projects bubbling away at present which can be used to put these recommendations to the test" □ (See *Leaders*)

Brendan Ryan

(210) Finmail 9/12/88

MINING TAXATION

Marais backs a dead cert

■ The new proposals on tax should make mines more like ordinary companies

It's unsettling to realise that SA mining — our only truly internationally competitive industry — pays higher tax rates than in any other country But then, the average South African is also paying more tax than ever

So the report of the Marais Committee into mining tax must be welcomed It proposes a new regime that could put mining back on a strong growth path And while it may mean a short-term loss to the fiscus (0,5% of 1988-1989 revenues, declining annually for six years), the effects are almost certain eventually to increase substantially the State's revenues from mining as the sector begins to grow in response

Unfortunately, the Marais report first has to go to the Permanent Tax Committee, but Deputy Finance Minister Org Marais — who chaired the committee — seems confident that the proposals will be included in next year's Budget

Whether the findings were prompted by very high tax rates, or by Margo, which left the mining tax question open, is moot The point is that rich gold mines pay a marginal rate of 79%, including the formula tax, surcharge and lease payments

Add to that the Minimum Tax on Companies (MTC), RSC levies, fuel tax, GST on capital goods, and recent import surcharges, and some gold mines could well pay a 90% marginal tax rate Diamond mines pay an effective 56,2%, others an effective 57,5% — admittedly, before other sundry imposts

Despite the high tax rates SA still has a substantial mining sector — so why change the system?

Mining houses by their very nature operate on an ultra long-term basis They have to make decisions for expansion, based on lengthy exploration and prospecting These, in turn, need funding that, by definition, is high-risk The *one* certain factor that can assist them is a fair tax regime that takes into account the extraordinary features of the industry That means a system free of ad hoccery and political expediency

Unfortunately, this has not been the experience, whether for the general body of taxpayers or the mining sector Gold mines, for example, have experienced a hike in surcharge from 5% in 1979 to 25% in 1985 — simply to help fund budgetary shortfalls More recently, all have been hit by MTC

But a high tax rate is by no means the only problem, spiralling costs occasioned by stubborn double-digit inflation could be even more dangerous The report shows that the estimated break-even cost for SA gold producers in 1988 is about US$255/oz-$265/oz This compares unfavourably with Australia at $212, the US at $242 and Canada at $223

Org Marais . . . a need for security in planning

Indeed, SA became the highest-cost gold producer in the non-communist world in 1987 Add to that the problems of declining grades, deeper mines, fluctuating prices of the rand and gold, threats of more sanctions, and the recent tendency for wages to rise faster than inflation — and SA's mines are in an extremely serious situation

So it's a major blow that the Marais Committee recommends that its proposals be phased in over seven years Tax is the only mining cost element that can be changed unilaterally and with speed — and, the figures suggest, at fractional cost to the State

Perhaps the greatest problem is that the recommendations look less revenue-neutral than they really are In other words, if it is perceived that the (insatiable) fiscus will lose material revenues if the package is accepted, it will be ignored, as were practically all relief provisions in Margo

But if there is truly a sector which has a right to special pleading, it is mining It has always paid a significant amount of tax, now employs over 750 000 people, and contributes significantly to exports — averaging about 46% from 1980-1987 (and so how ironic that mines get no automatic relief from the new import surcharge)

Special pleading aside, the Marais recommendations are technically immaculate, taking in

☐ Reduction of the gold formula marginal tax rate from 75% to 61% (the outcome effectively reduces the average rate to 50%, the same as company tax),
☐ Abolition of the surcharge (now 25% for gold mines) for all mines,
☐ Abolition of lease payments,
☐ Retention of the 100% redemption for hard-core capex,

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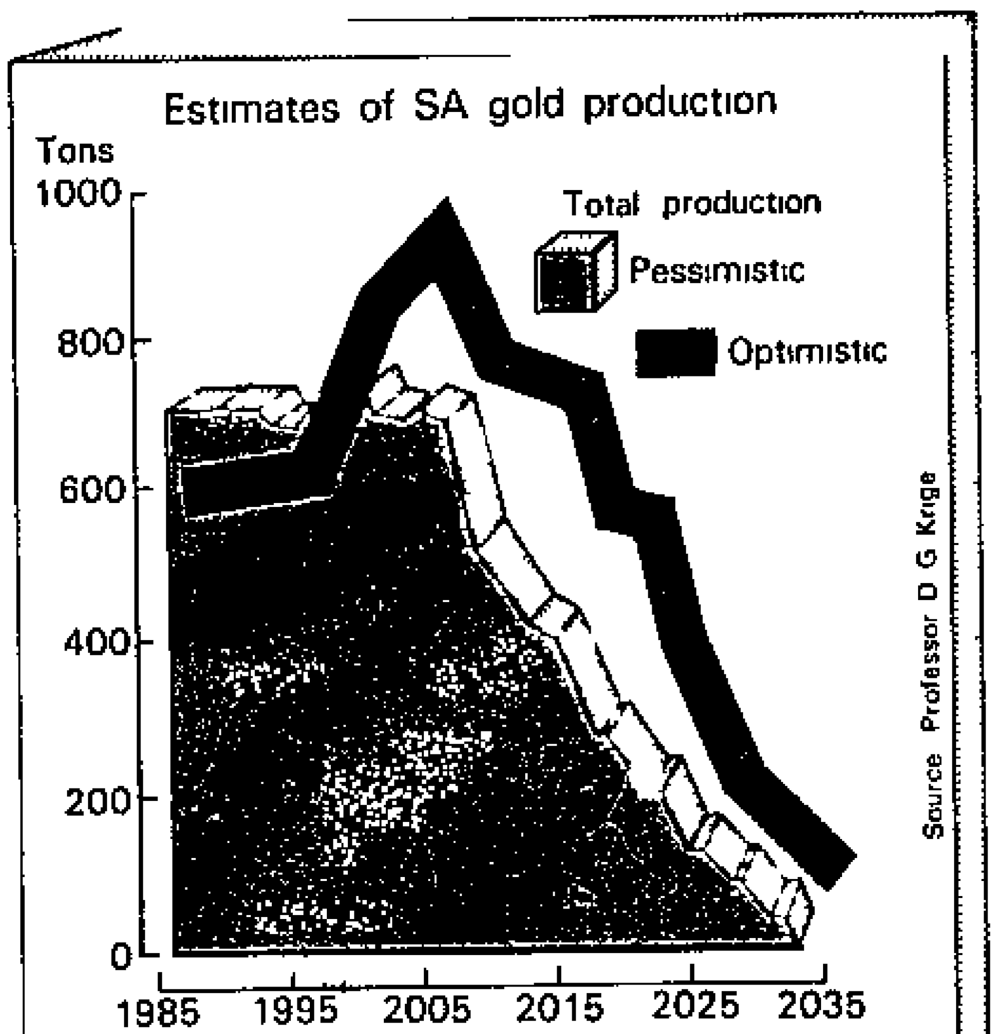
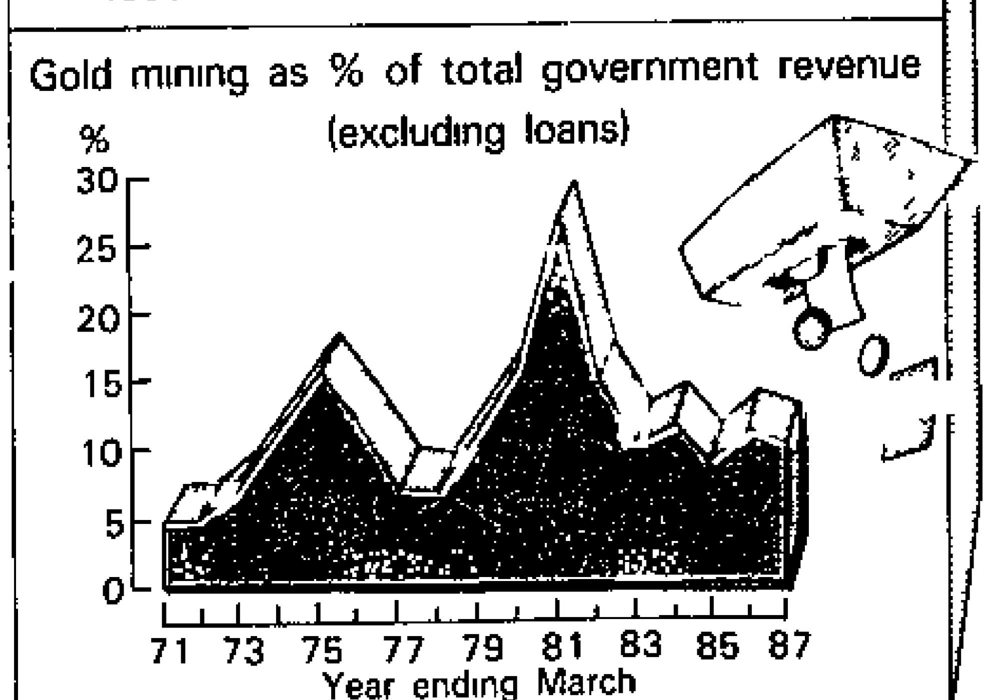
Pay now, mine later?





☐ Non-gold mines to pay the standard company tax rate (50%),

☐ Retention of the gold "tunnel" (the tax-free portion of mining income), though with a fall from 6%-8% to 5%, and

☐ Retention of ring-fencing (subject to a new discretion for marginal projects)

Price Waterhouse's Chris Frame comments "Marginal mining will be made less attractive (something of a sacrifice) and, on average, existing mines will be supported Significantly, the gold mine formula tax will be placed back where it was supposed to be "

The last significant report on mining tax was the Holloway Commission in 1945, when there was a fixed gold price Mining tax has since deteriorated into a system of anomalies and excessive rates

There are reasons for optimism about the Marais report A big one is the composition of the 17-member committee Unlike Margo, many members (seven) were employed directly or indirectly by government, another seven were from the main mining houses, three were academics

This suggests that a great number of practical problems were sorted out *before* the recommendations were signed The prime example is the seven-year phase-in period

A Revenue official says immediate implementation of the proposals would mean a one-off revenue loss of about R800m-R900m a year Phasing-in will slash this to R150m/year-R200m/year (about 0,5% of 1988-1989 revenue), with substantial relief from the discounting effect of inflation over the phase-in And as formula tax falls from 75% to 61%, the 100% capital redemption allowance will be worth progressively less

As summed up by Marais "The idea is to encourage new ventures " It is to be hoped that possible relief on ring-fencing (which tries to prevent the losses of one mine being offset against another's profits), plus potential increases in EPS yields, will attract new capital into mining

It is widely accepted that the choking-off of foreign capital has severely stunted new ventures One respected academic has estimated a potential for 15 new economic mines in the Witwatersrand basin, each with a 30-year lifespan

The committee must be congratulated for reporting seven months after appointment, though it is a pity it did not complete its investigation into the writing off of mineral rights, and whether the tax system should encourage prospecting Recommendations on both will be made "in due course "

Moreover, the committee has done its homework on the formula vs flat tax debate It says that the new suggested formula will be tantamount to the 50% corporate tax rate — so has suggested that as an alternative Retention of the formula, of course, is aimed at keeping the tax tunnel, which to some extent encourages low-grade mining

Pretoria's bid to allow indirect tax to take over that should ensure the conversion of the committee's findings into law After all, Margo recommended a greater emphasis on indirect taxes — which may be seen as a euphemism for invisible taxes

Pretoria realises that the white tax base is now too narrow to support its insatiable needs The conversion to indirect taxes is overt, with a VAT-type impost in the liquor

Judge Margo ... provisions for relief ignored

industry, RSC levies, and the proposed substitution of GST by full-blown VAT

A main objective is to tax the informal sector (most recently by hiking the fuel levy) If this allows tax relief for the mining sector, so much the better

It has never been more important to ensure the long-term survival of SA's flagship industry For 1988's potential 90% gold mining tax is not only a long cry from 1910's 10% rate, it is also unsustainable ■

Polyurethane products' ban for SA mines

Cape Times, 13/12/88

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Own Correspondent

JOHANNESBURG — All South African mines have been prohibited from installing polyurethane products underground as from January 1, government mining engineer Mr Jan Raath disclosed yesterday

He said all mines had been notified of this by letter last week, in terms of a clause in the Mines and Works Act which allows the inspectorate to prohibit dangerous working practices

The order stated that existing polyurethane "shall be removed at the earliest opportunity or rendered inert", Mr Raath added.

Its internationally-accepted temporary use to starve fires of oxygen would be permitted

He said he had informed the Chamber of Mines on October 31 of his intention to ban the use of the substance This was 18 days after a fire at Western Deep Levels ignited polyurethane cladding on chilled water pipes and killed seven miners

Last week the chamber announced its members had resolved to discontinue use of the product

Union demands for the abolition of the material were first made after the Kinross disaster in September 1986. The National Union of Mineworkers (NUM) has welcomed the moves, seeing them as a response to intense union pressure

But, said NUM health and safety chief Ms Mavis Hermanus, it had taken the industry a long time to heed the local and foreign warnings

Further, the NUM still believed it was unwise to experiment with making the material inert. It should be removed completely

F O X

LEGISLATION

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FM 16/12/88

Deregulating mining

Government's proposed changes to the complex legislation governing the mining industry have met with cautious reaction ahead of publication of the Draft Bill later this week

"It sounds fine in principle, but the draft legislation has not yet been published and until I have the details in front of me it's not possible to comment," says Bernard van Rooyen, executive director of Gold Fields of SA (GFSA) A spokesman for Anglo American Corp said the house could not comment on the proposed changes until it had time to study the draft legislation, which it had not yet received

However, the proposed legislation appears positive in its aim to make development of new mines easier According to one analyst, the new legislation will greatly simplify the formation of new mining ventures, particularly those involving the re-treatment of gold-bearing dumps such as Southgo's Knights project, where the first gold pour was held on Monday The rights of various parties to mine dumps can be extremely complex.

According to Koos Auret, convenor of the Department of Mineral & Energy Affairs task force which compiled the proposed legislation, the new Bill with its 75 clauses will replace nine existing Acts with 542 clauses. The new Bill will also reduce the various types of prospecting and mining permissions issued by government from the existing 40 to just three

These will be a prospecting permit renewable every year, a mining permit renewable every two years for small mining operations and a mining licence, with an unspecified longer validity, for large mines

George Bartlett, deputy Minister of Economic Affairs & Technology, says existing legislation frequently overlaps, is very complicated in some instances and is "almost unintelligible to the layman" in other instances He says this situation does not indicate poor legislation, but rather a conglomeration of laws enacted over many decades based on principles which, in some instances, are considered to be outdated

According to Auret, the aim of the legislation is to limit the negotiation involved in forming a mine to the two parties directly involved — the mineral rights owner and the owner of the surface land rights

Until now government has got involved in the formation of precious metal and diamond mines by requiring that the mineral rights owner apply for a mining lease. This gave the mineral rights owner the right to mine the deposit in return for paying a mining lease tax.

The proposed legislation is linked to the findings of the Marais Committee on mining taxation, which recommend that mining lease payments be scrapped.

Auret says key points in the new Bill are that the owner of mineral rights has the sole right to mine them and that any holder of existing rights will not be worse off under the new legislation

He says government will leave negotiations on setting up a new mine to the parties involved, but intends retaining the right to get involved in issues concerning optimal utilisation of mineral resources, and in situations where the national interest is at stake

In addition, the new legislation proposes deproclaiming land set aside for mining in various areas including the Witwatersrand. This has a number of implications because of restrictions imposed on other developments on land proclaimed for mining The existing legislation gives mining companies the whip hand in negotiations over what may be done with that land even if it is not being mined at present

Auret says although mining ground will be deproclaimed, the new legislation will still include a number of stipulations regarding the use of that ground. *Brendan Ryan*

THE MARAIS REPORT

A slightly tarnished jewel

■ Mining taxation needs far less attention than the slashing of tax rates

Those who have had the inclination to read the 204-page Marais Committee report on mining tax are a little more perplexed than they expected to be For while the committee wants a simplified mining tax regime, making mines more like companies, it also glosses over some fundamental points

Also, while it recommends a dilution of mining tax levels, the fine print reveals that Inland Revenue is keeping some new taxes in reserve Simply put, Revenue agrees with everything in Marais, but has used it as an opportunity to establish — if need be — a totally new tax base

Applying Marais would mean abolition of mining surcharges and lease payments, reduction of the gold mine top marginal rate from 79% to 61% (making an effective average 50%, as in company tax), and keeping "ring fencing" (which broadens the tax base of the mining sector)

With retention of the "gold tunnel" in the gold mine formula tax and the 100% capital redemption allowance, the fiscus, on a net basis, loses out This — the lack of revenue neutrality — is the heart of the Marais report. In the short to medium term, an insatiable fiscus would be left short-changed

The high probability is that mining tax payments, on the Marais system, would swell materially in the long term, even on pessimistic forecasts. But this possible result of ultra long-term capital expansion, initiated by lower tax rates, is not a scenario Pretoria will find easy to live with

The Chamber of Mines — at least unofficially — doubts that the Marais recommendations will be accepted, because of the lack of revenue neutrality And in the context of global tax reform, the findings anything but follow the general trend

The successful international tax formula of the Eighties has been a reduction of business and industry *allowances*, thereby increasing non-personal tax payments, offsetting much lower personal tax rates But SA now has a record overall tax burden, in real and nominal terms Our mines are already the most highly taxed in the world Effective tax rates are at historic highs, when personal and non-personal taxes are combined

While Marais recommends a substantial reduction in the tax burden on the sector, it leaves the 100% capital redemption allowance untouched Indeed, Marais goes little further than Margo, other than giving final recommendations Moreover, it leaves untouched some vital features that form the backbone of many SA mining decisions

Perhaps the most significant omission relates to the phenomenon of mining investment companies, which can make significant *profits* from the tax system.

In taxation, the biggest savings are made when rates are high and allowances large Which is possible here.

It may seem puzzling that when tax rates are high, astute tax planners can save the most in cash terms The reason is simple

A 100% one-off capital redemption allowance at, say, 50% tax saves the company half the cash invested With tax of, say, 79% (as at rich gold mines), a mine needs to invest only 21% of the sum in cash terms.

The balance is effectively paid for by the fiscus Mines reaping this benefit must make profits at least equal to the level of investment made — in theory at least In practice, for many years mining investment companies co-ordinated various ventures, related only by common shareholders

As pointed out by the Margo Commission, such a company can still reduce the income of a profitable mine by deducting

☐ Its own capital redemption allowance; and

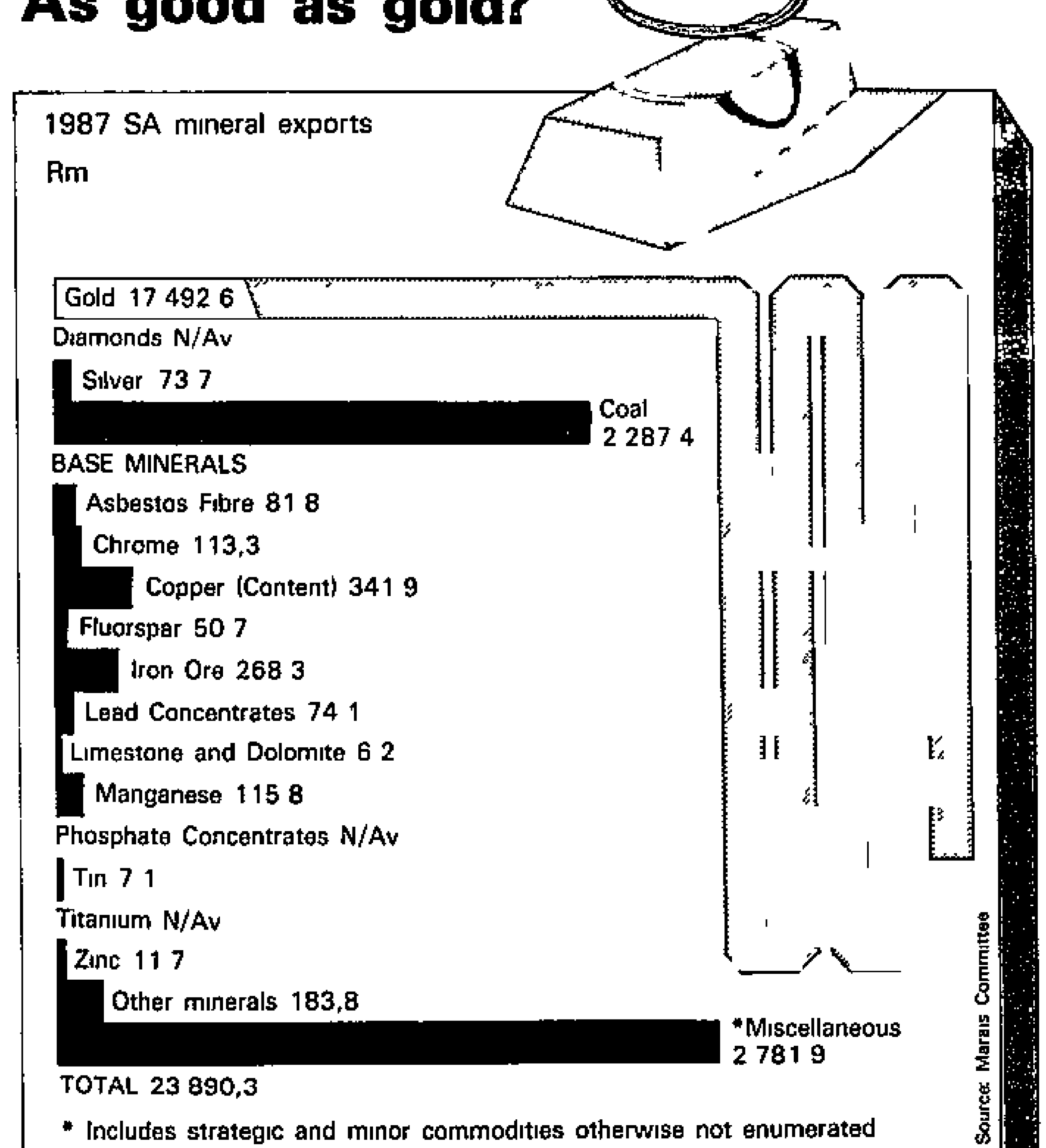
☐ Working losses of a developing mine.

Its returns then show a very small taxable income, or even a small loss But this only half completes the magic If the company has funded the expansion occasioning the capital redemption allowance from borrowings, it may still have sufficient *cash* to pay a substantial dividend

In other words, the company, whose mines may make substantial use of the infrastructure, pays little (if any) tax, but material dividends While this method of mine financing was raised by Margo (and left un-

Price Waterhouse's Chris Frame ... distorting economic conditions

As good as gold?



+ 9c tax) B/Day 21/10/88 210 A TIMES MEDIA PUBLICATION

Is NUM interested in buying a major gold mine?

SIMON BARBER

WASHINGTON — The National Union of Mineworkers (NUM) may be interested in using leveraged buy-out techniques to enable its members to acquire "a major gold mine", says Norman Kurland, a leading US proponent of employee stock ownership plans (esops)

Kurland, president of the Washington-based Centre for Social and Economic Justice (CESJ), discussed the possibility with NUM general secretary Cyril Ramaphosa during a two-week visit to SA last month.

"Ramaphosa expressed interest in NUM members acquiring a major gold mine through an esop," the latest CESJ newsletter says in a report on Kurland's trip

It also says the union leader was "open" to exempting employee-owned and controlled SA companies from US trade and investment sanctions.

Such an exemption might be necessary for workers to raise capital to buy into their companies and could be a major incentive for SA firms to increase employee participation

In the US, Esops have enabled companies to obtain major new capital at highly advantageous rates in return for ceding control to their employees.

In an interview after his return, Kurland stressed that the initiative for setting up Esops in SA would have to come from unions and workers themselves and that the plans could not be imposed from outside

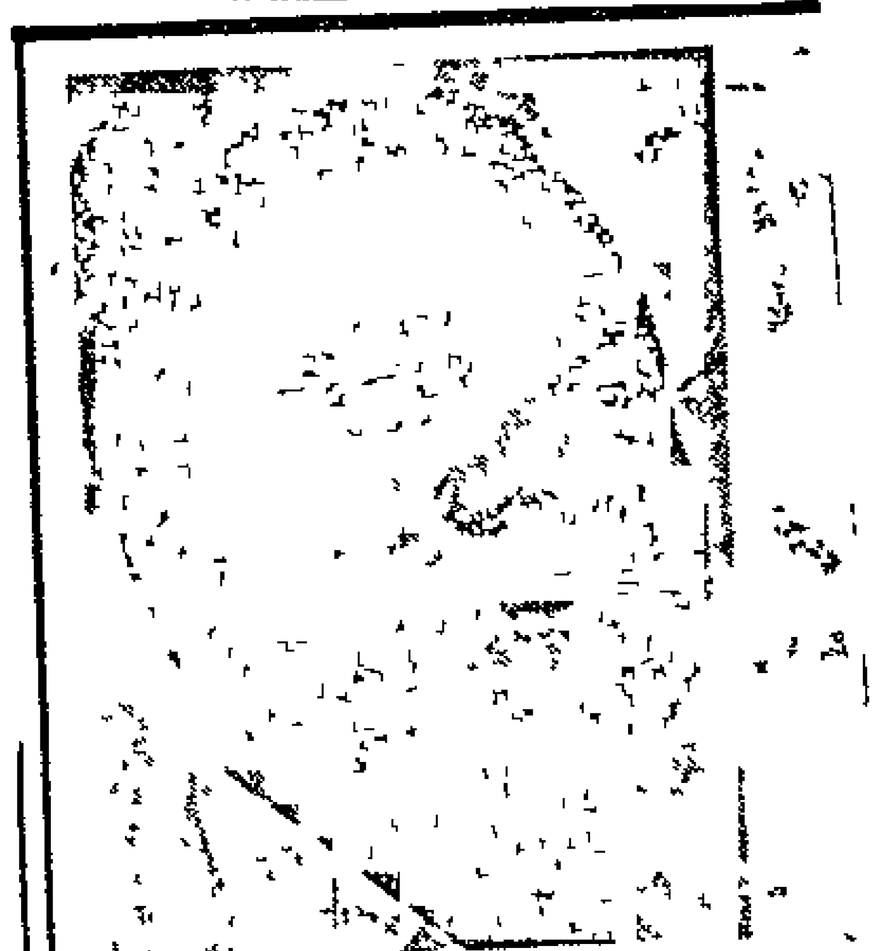
He called Anglo's limited offer of shares to employees "trivial" and said it threatened the whole Esop concept in SA.

During his visit, Kurland held discussions with a braod array of union and business leaders, many of whom "promised support" in setting up an SA chapter of CESJ

☐ ALAN FINE reports that Anglo American's Bobby Godsell said last night Anglo would be interested in talking to the NUM and other unions with which it dealt about further ways in which employees could participate in share ownership.

"We do not consider our existing scheme to be the final word on the subject," he said.

Ramaphosa left yesterday on an overseas trip and could not be reached for comment



● RAMAPHOSA

21/12/88 B/day 2/10

De Beer says De Klerk 'not right'

ROGER SMITH

THE wrangle over leadership of a new left party took a turn last night with IP co-chairman Jannie Momberg urging the PFP to back former Rapport editor Wimpie de Klerk while PFP leader Zach de Beer indicated rejection of the choice

De Beer said he backed a statement by PFP Transvaal leader Douglas Gibson that the PFP should provide the leader for the new party

Although De Klerk had admirable qualities, he did not fit the requirements to lead the new party, De Beer said

In a speech to an IP meeting in Grahamstown, Momberg said he still believed the best transitional leadership for the new party would have been provided by the IP's Denis Worrall and the NDM's Wynand Malan as co-leaders, with de Beer as chairman

Accepting that this ideal was not possible, the IP and NDM supported De Klerk for the leadership.

"And it is my sincere wish that such support will also be forthcoming from the PFP because it is only on the invitation of the three parties that it seems Dr de Klerk will accept a leadership role"

He believed the new party would draw Nationalists in even greater numbers than the IP had done

"That is why we in the IP and NDM believe the organisation and leadership are so important in reflecting the true character, personality and image of the new party

"The last thing anybody wants is a recycled opposition, or a PFP in drag, or a mechanism for retaining suspect opposition seats"

De Beer responded by saying he agreed the new party should provide a new home for dissatisfied Nats, and that it was important the party did not appear as "the PFP in drag"

NUM denies mine bid

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B/Day 22/12/88

ALAN FINE

THE National Union of Mineworkers (NUM) yesterday denied it had taken any steps towards facilitating a leveraged buyout of a gold mine by members

The union was responding to a report in a newsletter published in the US by employee share ownership scheme (esop) specialist Norman Kurland claiming that NUM general secretary Cyril Ramaphosa expressed interest in the idea during Kurland's visit to SA last month

The NUM also flatly denied that Ramaphosa, presently on a trip to Europe, was open to exempting employee-owned companies in SA from trade and investment sanctions

A union statement stressed that some officials had merely met with Kurland so he could explain his approach to esop schemes and how it might be used by workers to purchase shares in a gold mine

NUM assistant general secretary Marcel Golding added the union would examine the question of employee share ownership in the light of what Kurland had told them and in terms of schemes operating in other parts of the world

However, the matter had not been taken any further

Star 2?/12/88

Gencor involved in North Sea oilfield

South African mining and industrial giant Gencor has acquired an important stake in what is called a "major reserve of oil" in the North Sea.

Application will be made soon to the British Department of Energy to exploit the field.

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Gencor executive director Mr Bernard Smith declined to elaborate yesterday other than to acknowledge that Gencor had an equity stake of 8 percent in the field.

● See Star Finance.

Gencor shaping up to be international energy giant

Star 21/12/88

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By Magnus Heystek,
Finance Editor

Financial mining house Gencor, currently the third-largest gold producer in the world, is poised to become a dominant player in the international energy market in the nineties.

The Sanlam-controlled mining house is already committed to the Mossel Bay gas project, which, should it prove commercially successful, will require an equity stake of not less than R600 million in current monetary terms

In April this year, Gencor was granted the leading private sector role in the Mossgas project, involving, among other things, management responsibility for the project that will cost at least R5 billion

The annual report reveals Gencor has acquired an eight percent participation stake in what is termed a major oil field in the North Sea — the Alba Field

It is expected that application will be made shortly to the British Department of Energy to exploit the field

During the year, agreement was reached with coal-producing subsidiary, Trans-Natal, in terms of which Gencor would assume management control of the proposed torbanite project costing R2 billion, which involves the production of crude oil from torbanite

The feasibility study has indicated that the total cost will be in the region of R2 billion in 1987 money terms

The involvement will provide Gencor with a significant new opportunity in the energy market The results of the feasibility study, carried out on an ongoing-basis for several years by Trans-Natal, are expected within the next few months

In addition to management control of this proposed contract, Gencor has undertaken to participate in at least 31 percent of the investment opportunities generated by it

A great deal of such a scenario still hangs in the balance, but it represents a concrete and perhaps timeous move away from dependence on gold, very much a wasting asset in Gencor's case

In the 1983 financial year, gold contributed as much as 41 percent of Gencor's total earnings, but a determined move into other areas, combined with a steadily dropping rate of recovery in its gold mines, saw this percentage drop year by year to reach only 20 percent in the financial year to August 1988

The big swing in relative contributions was of course the sterling performance of industrial holding company, Malbak, and associates

Huge losses by some of Gencor's industrial interests in 1984 and 1985 dragged down overall earnings by 11 percent and 13 percent respectively

However, during the year under review, these interest swung around and contributed no less than R91 million, equivalent to 19 percent of the overall earnings of R475 million in the eight months to August

In line with the other major SA gold producers, production at Gencor has been on a steady downward trend, with rising costs and declining yields

This much is evident in the report on the gold mines, which reveals gold production in the twelve months to June was down to 89,3 tons, compared with 101 tons in 1987 and 114 tons in 1986

The cost per kilogram of gold produced increased by 29 percent as a result of lower production and the time required to reduce labour complements

However, the new Oryx mine outside Welkom started producing gold after the year-end and should prove to be a boost to overall production

Gold exploration is continuing over a wide front and at an accelerated pace within and outside the traditional Witwatersrand basin

Some encouraging results are being followed up in the Kroonstad region and the economic viability of several projects is being assessed

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GENCOR

Another turning point

Activities· *Mining house with major interests in gold, platinum, coal, base metals and minerals, industry, finance, portfolio investment and property*
Control· *Sanlam holds ultimate control through Federale Mynbou*
Chairman: *D L Keys*
Capital structure: *8,25m ords of 40c, 328 000 S ords of 40c, 1,5m 8,5% var comp conv cum prefs of 40c, and 13,8m 12,5% unsecured sub comp conv debts of R27 Market capitalisation R5,9bn*
Share market: *Price R58 Yields 4,7% on dividend, 12,3% on earnings, PE ratio, 8,1, cover, 2,7 12-month high, R62, low, R41 Trading volume last quarter, 444 000 shares*
Financial: *Year to August 31*

	'85	'86	'87	‡'88
Investments				
Book value (Rm)	1 368	1 892	2 592	3 732
Market value (Rm)	4 454	8 766	7 409	7 988
Performance	'85	'86	'87	'88
Attributable income (Rm)	458	592	654	475
Earnings (c)	481	616	669	485
Dividends (c)	195	230	250	180
Net worth (R)	60,1	79,3	86,2	81,9

‡ 8-month period

A number of major transactions and certain changes to accounting policies mark the eight-month 1988 financial year as another turning point for Gencor All can be seen in the context of the house's new "mission statement," which for the first time graces chairman Derek Keys' annual review

Significant developments in the former category include Sappi's Saiccor/Usutu agreement, Gencor's assumption of management responsibility and an equity stake in Mossgas, the listing of Oryx gold mine, the purchase from Trans-Natal of the torbanite synfuel project, and the sale to management of 38% of Msauli and 29% of Gefco

PROFIT BREAKDOWN

Eight months to August 31	1987* Rm	%	1988 Rm	%
Gold	115	28	95	20
Platinum	53	13	56	12
Coal	18	4	1	0
Metals & Minerals	99	24	140	30
Mining total	285	69	292	62
Sappi	47	12	53	11
Malbak & associates	45	11	91	19
Genbel & investments	95	23	139	29
Corporate	(26)	(6)	(30)	(6)
Net financing costs	(6)	(1)	(10)	(2)
Exploration	(33)	(8)	(60)	(13)
Attributable income	407	100	475	100

* Pro-forma

Gencor's Keys ... the aim is real growth

By the nature of such ventures, the effects of these moves to secure new business will largely be seen in the long term Two exceptions are Oryx and the Sappi deal The listing of Oryx, in which Gencor at August 31 held an effective interest of 51%, has lifted the house's net worth, Sappi's Saiccor deal is expected to materially help its earnings and, presumably, dividend prospects for the current year

The new accounting policies are important both for their effect on the 1988 accounts and as a reflection of changes being instilled in the house's culture As Keys puts it, Gencor's consolidated balance sheet in past years has represented "a skewed hodgepodge of assorted interests" It has never included Samancor, Impala or Trans-Natal, nor any of the listed gold mining companies, industrial companies were included but are now also largely not, following the Malbak deals

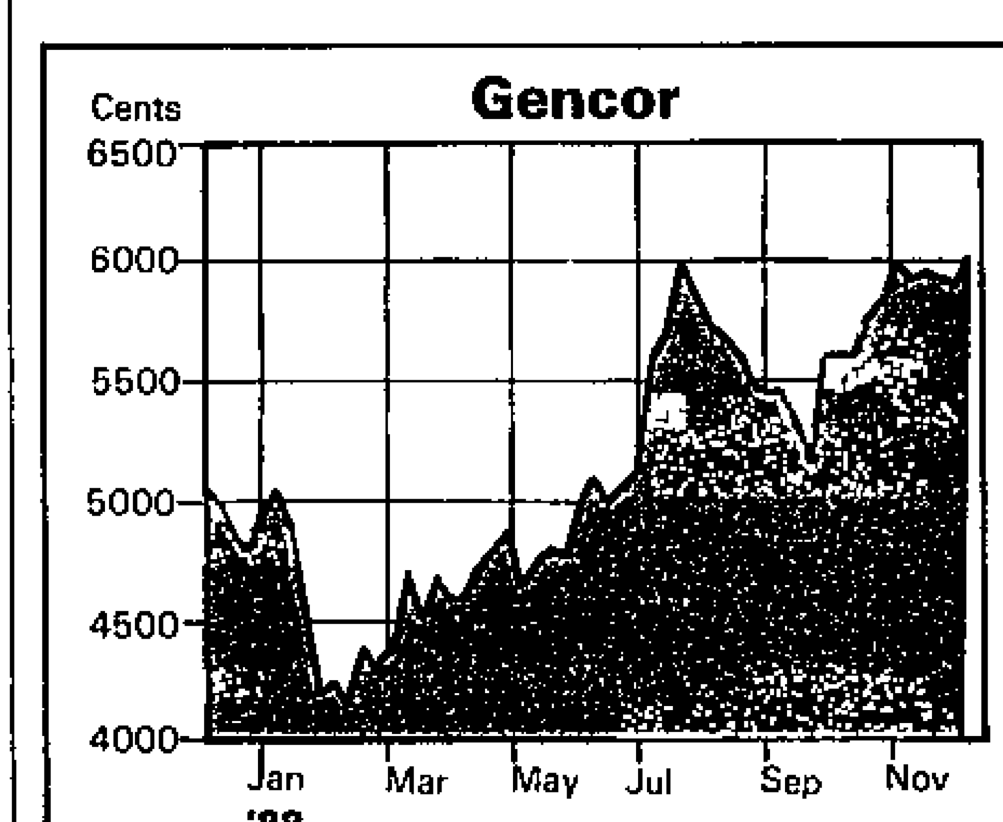
"Rather than trying to correct this misleading picture in the direction of consolidating everything, it is simpler to consolidate nothing other than 100%-owned investment subsidiaries," he says "This is also much more in tune with the way we now see ourselves At the centre we do not run anything"

Thus, Sappi, in which the effective stake has dropped from 60% to 50%, is no longer a subsidiary but an equity-accounted associated company while Sandock-Austral and Trek are two other former subsidiaries swiched to this category Equity-accounted subsidiaries which were previously consolidated include Beatrix, Oryx, Tubatse Ferrochrome and Transvaal Mining The directors have decided to rationalise the group so as to avoid holding direct interests in operating companies of more than 50%, and they say further steps in line with this approach are in the pipeline

Leaving aside the philosophical view, there are direct effects on the financial accounts On the income statement, in the 1987 year R166m was attributable to outside shareholders but last year the figure was nil; the effective tax charge dropped from 8,8% to 4,2% And, on the balance sheet, with Sappi not consolidated, long-term loans were slashed from R980m to R336m, bank overdrafts from R110m to nil, and short-term loans and creditors from R1 163m to R344m

It appears that for this year the more important impetus to earnings could again come from metals and minerals, Sappi and industry If the latest dividends from the group's gold mines (see *Fox*) are any harbinger for next year, there will be little support from this sector Coal seems set for recovery, but this is not a major contributor Samancor, however, reports that an improved trend experienced by its main businesses is expected to continue

The growth in Sappi's contribution to Gencor was understated last year largely owing to timing differences, also, effects of the Saiccor/Usutu transaction are not included and the period was adversely affected by the Ngodwana mill explosion and planned shutdowns in June Keys says that prospects for real growth in earnings in the current year are good Malbak also forecasts improved earnings in real terms



The share stands some 33% below the current net worth of 8 753c and offers a dividend yield of 4,7% against the sector average of 3,0% and Anglo American's 3,9% The longer-term outlook for the group continues to improve *Andrew McNulty*

JSE: the agony and the ecstasy

SVEN FORSSMAN

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Star 31/12/88

The old adage that the rich get richer and the poor poorer held true as far as the JSE was concerned over the past year

Overall, the JSE performed much better than expected, but the small investor who bought cheap stock such as marginal gold mines, mining explorations and certain Development Capital Market counter got his fingers burnt

Investors who bought the more expensive blue chips have, in some cases, made very handsome gains.

For instance, diamond share De Beers advanced 41 percent from R29,65 at January 3 to R41,70 yesterday

Liberty rose 46 percent from R96 to R140, Lonhro increased by 73 percent from R13,50 to R23,35 and Consgold shot up 66 percent from R53 to R88

Gold mining shares struggled in the last part of 1988, especially the marginals not managed by the major mining houses.

Sub Nigel, Southgo, South Roodepoort, Cengold, Modbee, Modder and Rogold fall into this category.

Most experienced problems in one way or another, in the process of which the share price declines were exacerbated

They have recovered a little, however, since the Technical Committee on Mining Taxation's proposal that the overall tax burden on the mining sector be reduced

The all gold index has fallen 35 percent since January 3, compared with the other major indices, which all ended the year higher — all gold (9 percent), metals (58 percent), financials (10 percent) and industrials (34 percent).

A recent Sunday Star survey by finance editor John Spira showed Autopage to be the year's best performer, with a gain of 214 percent, followed by Lonsugar (199 percent), CMI (183 percent), Union Steel (182 percent), Omhold (142 percent) and Lebowa Platinum (135 percent).

Among the laggards were Sub Nigel (87 percent), Millys (86 percent), Southgo (82 percent), (Waverley (81 percent) and Corex (81 percent)

A suggested portfolio for 1989 is.

- W&A — Based on its holdings in Hunts, McPhail, AAF, Homemakers and in unlisted investments, its net asset value is R51,40

Results due in February are expected to be phenomenal

- De Beers — The diamond share is one of the best rand-hedge stocks The emergence of the newly industrialised countries in the Pacific basin as a prime area of demand for diamonds greatly enhances its prospects Earnings of 700c a share are expected.
- Rhombus Exploration — The share has declined more sharply than other counters in the sector and important announcements are expected early in the new year
- Keeley — Granite companies face a buoyant 1989, with growing exports and profits
- Tradegro — All bad news has been discounted The retailers and wholesalers sector as a whole looks attractive.
- Interboard — Critics say there are too many shares in issue, but prospects are good.
- Harties — One of the cheapest gold producers. The mine has a recovery grade nearly twice the South African average

When gold moves, it should advance more strongly than most

- Sunbop — The share is underrated and recession-resistant.