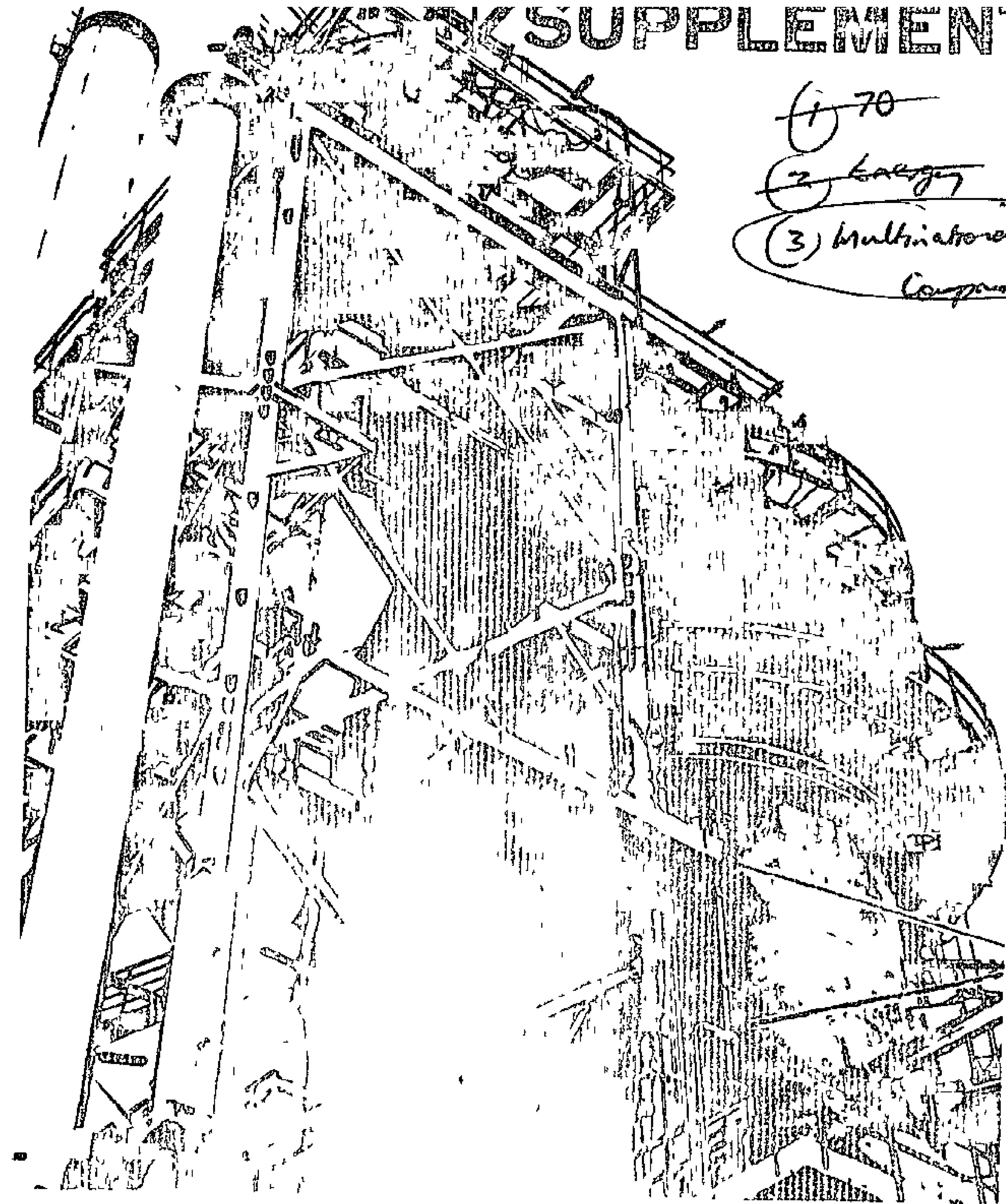
MULTINATIONAL CORPORATIONS

3 Nov. 1975 — 22 Sept. 81

SUPPLEMENT

company on the cards

(1) ~~70~~
(2) ~~Energy~~
(3) Multinational Company



Gia[illegible] world of [illegible]ness

HOW DOES the Roy[illegible] Dutch/Shell gro[illegible] the world of bi[illegible] business Fortune Magazin[illegible] at the top of th[illegible] companies

As a purely oil produc[illegible] however, it do[illegible] quite as high up [illegible]

A look at its [illegible] report for th[illegible] December 31 [illegible] pretty good id[illegible] muscle

Last year the [illegible] corded a sales [illegible] R24 938-million, [illegible] double the valu[illegible] in the precedin[illegible]

Against th[illegible] come for the [illegible] was R2 10[illegible] (R1 321-million[illegible]

On these fig[illegible]

[illegible] ales mounted [illegible] of last [illegible] ward as- [illegible] illion [illegible] side, [illegible] /Shell [illegible] pre [illegible] els of [illegible] hich it [illegible]

capacity of 475 000 cubic metres

Excluding its activities as a supplier of oil the Shell group stands up as one of the biggest chemical manufacturers in the world Proceeds from its chemical sales alone amounted to R2 699-million last year, which represented a 79 per cent value increase on earnings in 1973

Considering its size the group naturally has a large number of employees. Last count at the end of the 1974 financial year revealed the group had [illegible] 000 on its payroll which cost R1 839-million [illegible] covered both salaries and wages, social law taxes and retirement plans.

CELEBRATING 75 years of involvement in Southern Africa, the giant Royal Dutch-Shell group used this occasion to announce through its wholly-owned subsidiary, Shell Southern Africa (Pty), a capital expansion programme involving expenditure of up to R500-million in the next 10 years.

This investment will considerably strengthen the group's commitment towards exerting a more positive and meaningful presence in the southern [illegible] of the African continent. By 1985 it is expected that Shell's asset base here will amount to R750-million, against current investments of R250-million.

Shell's aspiration in Southern Africa over the next decade is to become "transformed from being just a petroleum supplier into a great energy company with expanding interest in chemicals and metals"

Where its chemical activities are concerned, [illegible] intends to grow into a fully-integrated marketing and manufacturing operation, with a rating as one of the top three companies within the framework of the South African chemical industry, says Mr K. L. G[illegible] Ken Geeling, Shell South Africa's chairman and chief executive

With this target in view it must inevitably lead Shell into becoming more South African by opening its doors to local participation

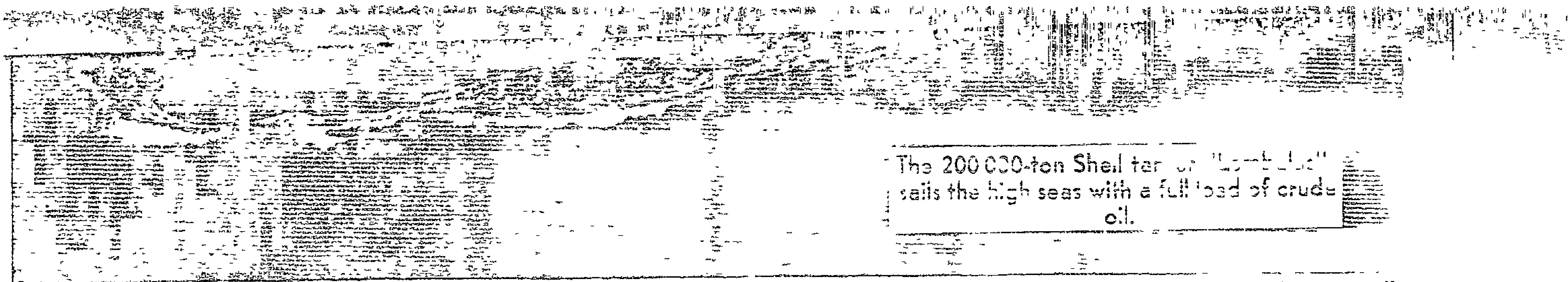
It is a point which was conceded by Mr Geeling during an interview in Shell House — which borders Greenmarket Square, Cape Town, and has been the group's headquarters since 1929 — when he outlined the philosophy behind his company's ambitious and diverse expansion plans

He noted that with oil and oil products continuing to play the dominant role in meeting world energy demand and likely to hold this position for some years to come, activity in this area will continue to be the mainstay of Shell South Africa's business

But the steep rise in oil prices since October 1973 has caused the company to switch direction slightly to

SHELL – 75 YEARS IN SOUTHERN AFRICA

Natal Mercury 3/4/75



The 200 000-ton Shell tanker [illegible] sails the high seas with a full load of crude oil.

the extent that the years immediately ahead will see greater emphasis on equipping and improving manufacturing facilities to meet the changed pattern of product demand

To this end, Shell's refinery operations in Durban — which it shares with British Petroleum — are to go through an extensive modernisation programme designed to enable more petrol and gas oil to be produced from available crude.

"This will enable the country's needs to be met with less imported crude oil and improve flexibility," says Mr Geeling.

Heavy investments are also envisaged to improve both the quality and yield of marketable products from crude oil, while plans are being studied to produce aviation gasoline and special products for industrial purposes

The group is also widening its base in chemical manufacture in Southern Africa, says Mr Geeling. The first independent venture in this area is an Epikote resin plant which was opened in May last year by Shell subsidiary Shell Chemical South Africa (Pty)

This R2-million-plus investment has an initial capacity of 4 000 tons a year.

Of course, Shell Chemicals — established in 1949 — has been involved in chemicals manufacture in South Africa for some time, but essentially in joint ventures. It represents more than 10 per cent of the Shell company's net capital employed in the country.

The company operates formulation plants for agricultural chemicals, paint and lacquer solvents, polyurethane chemicals and consumer products.

According to Mr Geeling, Shell Chemicals is considering plans for an additional polystyrene plant and a R50-million polypropylene plant is on the drawing boards and expected to go into production in the second half of 1978

This is to be built in Durban and have a capacity of 50 000 tons a year.

Of particular relevance to South Africa is Shell's intentions in other energy fields. The group has decided to halt its search for oil and instead, is expanding its activities in the area of coal exploration.

Spearheading the group's efforts in this regard is Shell Coal South Africa. The decision to form this company, says Mr Geeling, was based on "our ability to provide both capital and know-how in the development of South Africa's large coal reserves".

Mr Geeling, and Shell, firmly believe these coal resources are a bull point for South Africa and a means of improving the country's relationships with the rest of the Western world

At the same time, they are convinced that these energy resources are currently not being properly utilised

As Mr Geeling observed in a recent review of Shell's developments in coal, the current world energy situation provides a unique opportunity for South Africa to revitalise its coal industry which has been somewhat dormant and low key for many years with little productive investment and many wasteful practices.

"There is a need to move with appreciable speed if South Africa is to consolidate its international market position in advance of other countries who are now intensifying their efforts to export huge coal reserves previously lying dormant," he says

This the country should be well able to do, in Mr Geeling's view He bases this on the likelihood of South Africa being able to reduce its future dependence on imported oil to 20 per cent of its total energy needs through the application of conservation measures

This would leave a balance of 80 per cent to be satisfied from indigenous sources Mr Geeling estimates that this balance would represent 1,1 per cent of the world's energy consumption, leaving 0,9 per cent of available resources here in surplus

In a world facing energy shortages, Mr Geeling says "I believe South Africa therefore has an unrivalled opportunity to help herself by helping others"

He suggests two ways in which this energy surplus can be exported

"We should use the surplus to stimulate new spheres of energy-intensive activity to turn our other natural resources into exportable products"

Second, the opportunity exists to show South Africa's good faith with the world by exporting some of our available coal and uranium.

Mr Geeling said "I fully appreciate that this is a vexed question and open to argument, but should we deny this basic need, we could be considered guilty of the same conduct that is attracting criticism of the oil producing countries"

Significant advantages would accrue to South Africa through her coal exports, Mr Geeling maintains One is the enhancement of the economic well-being of the country

Another is that it would be a valuable aid in the endeavour to improve our international relationships"

Shell is actively applying these views in practice The company has embarked on a joint venture with Transvaal Consolidated Lands for the long-term exploitation of coal reserves in the Witbank and Bethal areas of the Transvaal highveld

Detailed studies are still being undertaken, but according to Mr Geeling almost the entire production will go to export The company has been given provisional approval from the Government to export 150-million tons of coal over a period of 20 years.

An order worth more than R30-million has already been placed for draglines to mine the coal

Shell is also investigating the transport of this coal by slurry pipeline to the Richards Bay export harbour

According to Mr Geeling possible expenditure on this particular venture could be as much as R300-million

Shell is strongly in favour of adopting [illegible] of coal transportation mainly because it would not be as subject to cost escalation [illegible] Once in operation [illegible] would have inflation benefits [illegible] that it would not be subject to labour cost increases

The system would also be very exclusive to the product for which it has been designed

MULTINATIONAL CAPITALIST

INSIDE MAIL — Comment

The big ones — bogymen of the world's economy

"Multinationals" is a new bogy word in the business world—but just what is the threat posed by these global enterprises? It is, in one expert's view, the emergence of a whole new global economic system which is outdating conventional economic theory and ushering in an era of chronic inflation and economic crises for the nations of the world. Geneva-based Charles Levinson, head of the International Chemical and General Workers Federation, the world's leading multinational trade unionist, and an authority on multinational big business, explains what it is all about.

JOHN IMRIE

IF Charles Levinson, is correct, then 1 000 "multinational" companies are rapidly gaining control of the global economy and are growing and expanding their power at the cost of inflation, unemployment and recurring economic crises among the nations of the world.

And if he is correct, then the world's economists and politicians have a whole new ball game on their hands.

But at present Levinson's ideas are too fantastic, too revolutionary and too early for them to accept and he remains, for the moment anyway, a prophet without much credence in his time.

Nevertheless, Levinson's extraordinary analysis of what is happening to the world economy, and his facts and figures, have not, so far as I know, been effectively refuted and therefore they deserve some consideration.

The thing which Levinson sees so clearly is the emergence of a two-tier global economic system, the top level dominated by a complex, tightly knit webb of multinational or international companies whose activities are to all intents and purposes beyond the control of governments.

The lower level he sees as comprising the traditional national economies, which are separate and competing, linked only weakly through foreign trade and superficial inter-governmental arrangements with no real power or substance.

Levinson sketches a startling picture of this "new integrated global economy of the multinational enterprises" — the most important element in it being 1 800 companies which already control 75 per cent of the Western world's capital, industrial production and distribution, and dominate foreign trade and the monetary system.

Hundreds of thousands of joint ventures ("there are between 10 000 and 20 000 joint ventures between the major oil companies alone"), participations, licences, joint memberships on boards of directors and vast banking connections and ownership represent only a few of the most visible and evident of the thousands of different links, both formal and covert, which bind these companies and their global system together.

There is, says Levinson, little crisis evident in the top-tier multinational economy, but crises are occurring in the low-tier national economies where serious, persistent unemployment, inflation and monetary crises are taking place.

"When a national economy is in trouble as a result of trade deficits, inflation and so on, the multinationals merely switch, through their banks, into other currencies to protect assets or make speculative gains, thus aggravating the difficulties of the national economy."

In Levinson's view the two tiers have two end purposes in the national economy, capital, labour and raw materials are used to produce goods and services, whereas in the global sector, production, labour and raw materials are used to *generate capital with which to grow and exend the multinationals' power* rather than merely maximise profits.

His projections of the capital requirements of the multinationals, particularly the science-orientated, technology-based ones, are staggering.

The oil industry's needs for the 1970s he estimates at nearly six times its investments in the 1960s while in the chemical and plastic industries, they are three and four times what they were in the 1960s

"Together these three industries' requirements will account for 50 per cent of all industrial investment by 1985" For industries like these, capital and not labour increases productivity

And this capital is drained off from struggling national economies through the complex global currency and credit system which has been created, leaving credit scarcities and under-investment in the national economies

"The potential magnitude of the problem becomes clearer when the global enterprises are compared to industries which are still largely national, such as building and construction, mining, engineering, textiles, furniture, public services, and transportation.

"These are still comparatively labour intensive, low technology industries and in the case of the public sector, financed out of public revenues

"As capital is drained off and the State's most important tax base is reduced, indirect taxes and subsidies have to be raised, essentially through income and sales taxes and new money — in other words through inflation.

"With critical capital shortages looming in most national economies, the price of capital is bound to rise precipitously for the receding industries United States capital shortfalls of between R400-billion and R500-billion before 1980 have been predicted "

Inflation in the different national sectors is bound, therefore, in Levinson's view, to become chronic due to the high levels of cash flow — "retained earnings, depreciation and special capital reserves" — which the global enterprises are siphoning into the global system

"Ninety per cent of multinational capital investment is derived from this source. As the large firms expand, favoured by government fiscal and tax policies to stimulate investment, and by raising prices which their oligopoly power makes possible, inflation will continue to be a permanent feature of national economies "

Parallel to this "permanent inflation" the new two-tier economic system has created another phenomenon considered impossible by tradition or theory — expansion and unemployment occurring simultaneously

Instead of capital investment by the global enterprises stimulating expansion and jobs in the national economy, it produces net drops in employment

Levinson explains that this is due to three strong trends in modern investment

First, nearly 65 per cent of manufacturing investment in the global economy is for technology to improve cash flow and productivity rather than increase output and capacity, and this reduces the labour requirements in production.

"Even in recessions such technology-orientated investment continues. In fact it even intensifies during periods of falling sales as loss in volume sales is compensated through price rises, a situation abundantly evident today in the auto, oil and chemical industries "

Secondly, increasing proportions of the global enterprises' total investments are being switched from their countries of origin to on-site foreign production — and this further reduces national employment

Presumably, though, this would be balanced by the employment created in the receiving country

Not so, says Levinson, pointing out that the older plants in the country of

Rand Daily Mail, Saturday, July 12 1975

origin are invariably replaced by new, modern plants abroad which use less manpower and so there is a relative net reduction in worldwide employment.

"For example, American subsidiary plants in France are generally more modern than plants of large American companies in the United States and vice versa"

Third, the overall trend of global investment is out of the older more labour-intensive national industries towards the modern capital-intensive ones, with a corresponding reduction in labour usage.

"In the industrialised or advanced capitalist economies therefore, expansion of worldwide assets, output and sales of multinational companies will continue to be accompanied by growing unemployment at the national level"

Another vital point Levinson makes is that there cannot be any significant competition because the effects of shutdowns due to competition between the major multinationals would create havoc.

"Imagine a failure of a large firm like IBM with nearly 300 000 employees, or of Royal Dutch Shell, or General Motors with 740 000 employees in dozens of countries, and assets of more than R10-billion in 20 countries. The direct and indirect effects would be cataclysmic."

Due to their economies of scale, product mixes, capital assets, geographical dispersion and increasing integration, with common banking ownerships and interlocking directorates the giant multinationals are completely secure from such catastrophies

Finally, the global economy is fusing new ventures with national economies, with cartels being established between state enterprises of developing countries and private companies in respect of raw materials, while the same thing is happening with the distribution of a growing number of products in the industrialised countries

"Prices and volumes of exports are being negotiated and arranged rather than set by market forces. In a very short time most of the global system will be operating within a negotiating framework of legal cartels and joint public/private monopoly arrangements. Competition is therefore necessarily a disappearing feature of the economic system."

Even so, Levinson is not against multinationals as such, but he perceives dangers in their untrammelled growth and power and believes they need to be controlled

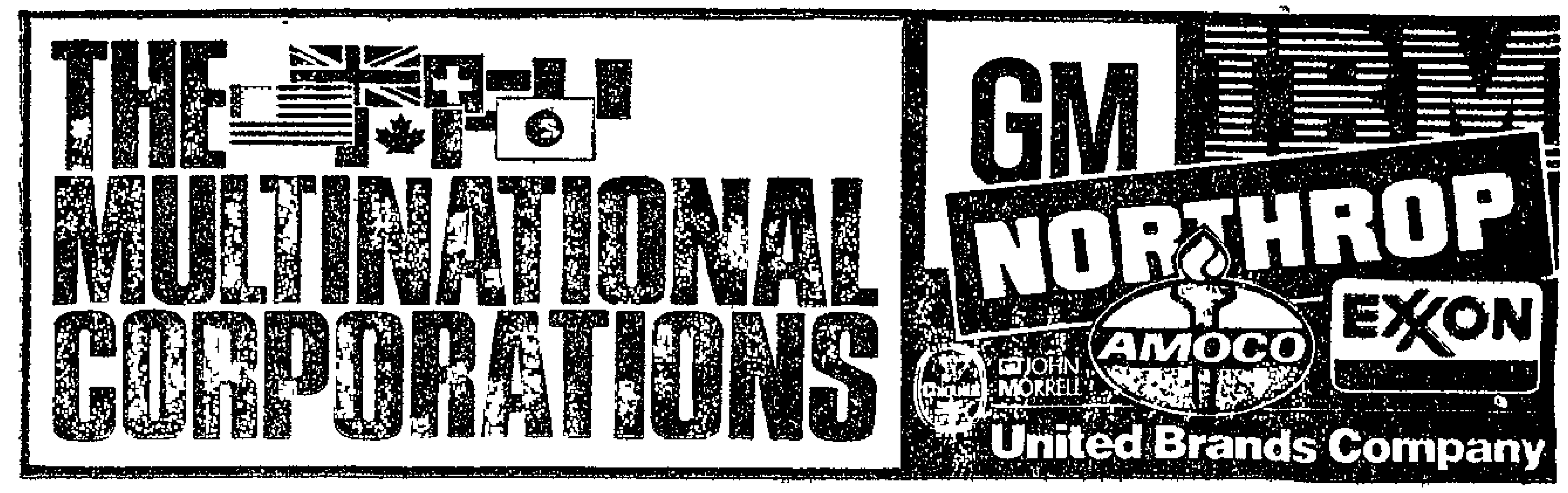
He believes that multinational trade unionism can provide a counter-force to the multinationals — if the unions can get 50 per cent control of the boards Already there are more than 16 such worldwide trade union councils, working towards this end

MR CHARLES LEVINSON . . . inflation is bound to become chronic

● **For further reading, his books include Capital. Inflation and the Multinationals: International Trade Unionism: Industry's Democratic Revolution; The Multinational Pharmaceutical Industry Worl Hazard — Vinyl Chlorid**

MULTINATIONAL CORPORATIONS

Old power, new image



NEW YORK. — Memories are long in the developing countries. Their peoples have been told about or even remember the bad old days when European and American business adventurers scoured the world looking for opportunities to make their fortune, often by foul means.

It was not without reason that the United Fruit Company (now United Brands) was commonly termed El Pulpo (the octopus) in Central America.

Firestone's domination of Liberia was so great that the repayment of a corporate loan to the nation in 1952 was celebrated by the erection of a monument. An inscription on it speaks of the 'humiliating and strangulating effects of the economy of the nation' of the 1926 loan.

Belgium's King Leopold managed the Congo, an area the size of Europe, as sole lawmaker and owner with such brutality that even the tough French Foreign Legion despised the soldiers from the Belgian Congo as barbarians.

In organising the rubber trade in that unfortunate country, it has been estimated that between 5 and 8 million Congolese were killed over 23 years.

W R. GRACE AND CO management group in New York co-ordinates 1 000 operations around the world

At the time of independence in 1960, about 48 percent of the vast country was given as mining concessions to such companies as Union Miniere, founded by Leopold.

SECESSION

Then Societe Generale, parent company of Union Miniere, became heavily involved in backing the unsuccessful secession war of Katanga.

Such a recitation of corporate interference in the affairs of 'third world' nations could go on at book length But times have changed Moral and political standards are higher. Multinational companies (MNCs) have largely withdrawn from overt political interference in host nations.

Comments Louis Turner, a research specialist at the Royal Institute of International Affairs in London: 'Companies today are not meddling in any significant way with the domestic politics of particular countries. There is also little evidence that they are persuading intermediary bodies like the CIA to do the job for them'

Nonetheless, that does not mean that multinational corporations are no longer politically important in world affairs They are today this is more a result of their economic might than of anything else

In 1971 a United Nations report estimated that international production of MNCs reached about 330-billion dollars (R287 000-million), somewhat larger than total exports of all non-communist countries of 310-billion dollars If US firms have the same ratio of sales as in 1971, foreign-affiliate sales of all MNCs this year should amount to around 570-billion dollars (R495 900-million).

The value-added (an amount less than total sales) of each of the top 10 MNCs in 1971 was more than 3-billion dollars (R2 610-million) — or greater than the GNP of more than 80 countries.

FOREIGN

Sometimes, a group of MNCs can influence their parent nation to cut off foreign aid to an offending' poor country

For example as a result of disputes over compensation for expropriated properties, the US. Government has, in recent years, been persuaded to 'punish' Chile, Peru, and Bolivia by turning off various types of foreign aid Such action has political as well as economic impact on a third world nation

More importantly, MNCs have a negative power that is not negligible. They can refuse to invest in a nation considered inhospitable.

Many developing nations, because they recognise their need for the managerial, financial, and technological skills offered by MNCs, alter their domestic economic policies to attract the huge companies

At the same time, MNCs often are feared in developing countries. They may be heirs of an imperialist past. And they are agents of change, introducing new ideas and values

Such agents, notes Walter B. Wriston, chairman of a multinational bank, First National City Bank of New York, 'have never been welcome in any society.

'It should not surprise us therefore, that the world corporation is sometimes unwelcome, even though it is the carrier of technology which is the best hope of closing the gap between the very rich

In addition, in some ways MNCs are representatives of their parent countries. The United States Government, for instance, clearly regards its own giant corporations as missionaries for the free enterprise system around the world That is why MNCs are so often viciously attacked by communists and socialists.

PARALYSED

One element in the growing attention given to multinationals is the growing importance of economics in foreign affairs The nuclear stalemate and the durability of guerrilla warfare have paralysed partially the military situation. Under those circumstances, power politics has become less relevant.

As a result, national leaders are devoting more time to international economic relations, in which MNCs play a major role. MNCs have become important to the present and future

Robert Gilpin, a Princeton University professor of politics and international affairs, analyses three popular academic models of the future for MNCs in his new book US Power and the Multinational Corporation. These are,

- The Sovereignty at Bay model· A liberal model titled after an influential book on MNCs by Harvard University Professor Raymond Vernon, that maintains the economic interdependence of nations and technological advances in communications and transportation are making the nation-state an anachronism

In the interest of world efficiency and domestic economic welfare, the nation's control over economic affairs will continuously give way to MNCs

This situation creates a mutual economic vulnerability among nations, which in turn moderates the economic and political struggle among nations More is to be gained by international co operation than by economic warfare

Further, this model forecasts that the economies of the developed nations will become more service oriented Multinationals will transfer their manufacturing facilities to the poorer nations where labour costs are cheaper and raw materials available. Economic welfare everywhere rises.

- The Dependencia model: An imperialist view of the future, taken mostly by leftists, which holds that ever-larger MNCs will exploit the poorer countries, transferring their wealth and resources to the rich countries. Decision-making, power, finance, ownership, management, research, and development will be located in New York, London, Tokyo, and other northern centres.

The poor countries will be left with labour-intensive manufacturing and industrial pollution. The north-south, rich-poor chasm will remain.

- The Mercantalist model A view that the interdependent world economy which has provided such favourable environment for the MNC is coming to an end. National interests, not corporate interests, will dominate events.

In the wake of the relative decline of American power and the new economic power of the petroleum-exporting countries and other resource-rich nations, the major industrial powers will compete intensely for markets, investment outlets, and sources of raw materials

As the world economy divides into regional blocs or economic alliances, the power of the MNC will diminish even though at the cost of some economic efficiency.

Which of the models is most accurate?

Professor Gilpin forecasts a 'confused and complex mixture' of all three will evolve. And perhaps that will be the case

Christian Science Monitor News Service.

'It will require wise statesmanship and self-restraint to prevent the breakdown of this system into hostile economic nationalisms and antagonistic economic blocs.'

CAPE TIMES 28/7/77

224

Business giants may dictate terms — prof

By GORDON KLING

THE INFLUENCE of global business giants was becoming more important than the nation-state and this would have far-reaching implications for economic and political developments in South Africa, according to a leading authority on international business.

In an interview after an address to the University of Cape Town Graduate School of Business Association yesterday, Professor T D Weinshall said US multinational corporations would conduct their affairs in the Republic on the basis of what was good for business. Their decisions were more significant than was the attitude of the US Government

He agreed with a recent statement by the US Ambassador to the United Nations, Mr Andrew Young, that major businesses in South Africa were capable of bringing about social and political change. Many companies here were already doing so.

Multinational companies had found it worthwhile to pursue undertakings in South Africa and they would continue to do so.

"What will happen in South Africa will eventually depend on what business thinks is good for it," he said.

Professor Weinshall, who is visiting professor at the UCT Graduate School of Business, had earlier told a meeting of the association that the growing role of the multinationals was improving prospects for world peace The notion that big business thrived on war had been outdated since World War I, and was now a disaster to business.

Major companies were now taking an active role in preventing a buildup of international tension. They were also proving more effective in bridging the gap between rich and poor countries than governments had been and big business was responsible for a redistribution of wealth and technology to the Third World

In addition, trade unions were unifying throughout the world in response to the global activities of the business giants, and financial institutions were forging new links to prevent political interference in business

Professor Weinshall said he could envisage the day when many functions which were now the responsibility of government would be taken over by the multinationals.

49 224

DAILY DISPATCH

One way to boost the economy without further inflation

DD 29/11/77

JOHANNESBURG — A new deal for multi-national companies, allowing them to borrow more in the local capital market and thus boost employment and industrial output, is suggested in the latest issue of the Hill Samuel quarterly appraisal

It recalled that some years ago, when South Africa was regarded as a prime investment area by multi-national companies, a limit was placed on the amount which foreign controlled companies could borrow in the local capital market.

This restriction led to the parent companies being forced to obtain finance overseas if they wished to expand their operations in South Africa, resulting in an increase in the inflow of foreign capital.

Today, however, many multi-national companies were reluctant to increase their financial exposure in South Africa

"With little likelihood of more overseas finance, and as foreign controlled companies operating in South Africa have generally already borrowed as much in the local market as they are permitted to do, the ability of these companies to expand is, at best, limited", said Hill Samuel.

A re-assessment of the advantages to the economy of the borrowing restrictions might therefore be worthwhile.

To bring about an upturn in fixed investment outlays in present circumstances would appear to be nearly impossible, it said, and an attempt to force an increase in fixed investment by conventional means would not be practicable.

"If monetary controls were to be relaxed, there would be adverse side-effects in terms of inflation, higher imports and lower interest dates while a demand for credit, especially for investment in plant and equipment, would not necessarily be generated, least of all in the case of foreign controlled companies, because the local borrowing restrictions would be unaffected."

By concentrating upon foreign controlled companies when considering stimulating the manufacturing sector, however, rather than attempting to push the entire sector out of recession, it would be possible to achieve a large number of the economic objectives.

"If the limitations on local borrowing were to be abolished, it could be expected they would use their new found freedom to increase the profitability of the local operation in order to generate as much as possible in the form of dividends, which could be remitted to the parent company

"The most obvious way of increasing profits would be by expansion.

As there would be no point in expanding in areas where there is already insufficient demand, it would, appear to be logical there would be an introduction of new products, and that some of these would be import substitutes."

It added· "South Africa would, therefore, enjoy the benefit of an expansion in the manufacturing industry, a higher growth rate, more fixed investment and an increased exposure of foreign companies in this country" — SAPA.

DD. 25/4/78 (220)

R7,2m to run city in March

EAST LONDON — It cost the ratepayers R4,5 million to run the city in February and R7,2 million in March The difference is because investments on short term were different for the two months In February there was R2 million in short term investments — the surplus of cash in hand usually paid in by ratepayers, the government and province for rates and subsidies — as against R4 million in March

Other payments in March included R940 674 to Escom for electricity, but this is repaid by the consumer; R777 161 for slaries and wages, R536 517 for stores and materials bought during the month, R319 195 for contracts in capital works including the Wilsonia market, and R104 426 for the North-East Expressway and the John Vorster Bridge to prepare it for the opening. — DDR

...ts and

resources to join ...
few in the main cash cropping area ...
"only at the expense of the landlessness ...
sections of the population."[42]

Griffin writes of India: "Between the ce...
and 1971, the number of agricultural la...
male rural labour force rose from 15,3%...
is, the proportion increased by well ov...
Punjab, the region where agricultural ...
technical change have been most rapid, ...
landlessness is even more extraordinar...
proportion of labourers in the male r...
more than doubled from 9,2% in 1961 t...

2-20

RAPPORT 10/9/78

Wes-Kaap se kaolien word ontgin

PAPIERVERVAARDIGERS sal binnekort baie minder hoef te bestee op kaolien wat ingevoer moet word. Baie groot kaolien-afsettinge in Wes-Kaapland word nou ontwikkel om in 'n groot deel van die binnelandse vraag te voorsien, en teen 'n prys wat die helfte van die ingevoerde produk is.

Die afsettinge word deur Serina, 'n volfiliaal van Continental China, beheer, wat op sy beurt weer 'n lid van die FVB-groep is. Die vier afsettinge het reserwes wat na raming meer as vyftig jaar sal kan hou.

'n Uitgebreide moderniserings- en uitbreidingsprogram is nou aan die gang teen 'n totale koste van meer as R2 miljoen.

Volgens mnr. Manfred Busch, besturende direkteur van Continental China, volg hierdie uitbreiding pas op die groep se nuwe erdeware-fabriek van R4 miljoen by Atlantis in Wes-Kaapland.

Tot nog toe het die groep se kaolien-program net voorsiening gemaak vir die behoeftes van sy eie breekware-fabrieke. Tot Mei vanjaar het die kaolien-afsetting by Vishoek in die Kaap 'n vermoë van sowat 4 000 ton per jaar gehad, wat teen aanstaande maand behoort te verdubbel, om 20 000 ton per jaar by die voltooiing van die uitbreidinge teen die middel van aanstaande jaar te beloop.

Suid-Afrika voer jaarliks sowat 30 000 ton kaolien in teen 'n koste van 'n paar miljoen rand. Die prys van die Suid-Afrikaanse kaolien sal net meer as die helfte van die prys van ingevoerde produk wees.

Kenners en tegniese konsultante van Europa en Suid-Afrika het uitgebreide toetse en ontledings op die plaaslike stof gedoen en dit het baie duidelik getoon dat die plaaslike produk met die beste ter wêreld vir die papier- en die keramiek-bedryf vergelyk.

Vir papiervervaardigers is daar ook die verdere voordeel dat hulle nie sulke groot voorrade kaolien sal hoef te hou nie. Serina se verskaffing sal op 'n gereelde grondslag beskikbaar wees omdat die plaaslike produksie nie onderworpe is aan die uitwerking van ongunstige weersomstandighede nie, wat dikwels die geval met die ingevoerde produk is

7 Summary of Main Trends Discussed in Part I

...e of the way in which the reserves have
... into the wider South African
... The majority
...ere are

...xtremely limited
...rted goods from
...upply the
...goods are well
...ed and regularly
...tion enterprise
...em, and has no
...ablish itself.
...crucial brake on

...resources (for
...not have enough
...ent income. Thus,
...entary source of
...r the main breadwinner
... labour necessary
...t worthwhile for the
...oved techniques of
...ided to produce for

...ves, such as the
... should provide collective
services at a ... er person than would be
possible individually. Secondly, by marketing

FM 27/6/80

R20

Supplement to the Financial Mail, June 27

Are transnationals good for SA?

The multinationals are among the greatest resources for transferring technology and education Most do it well, some are exploitive But rather than pillory them, we ought to use them — Father Theodore Hesburgh, president of Notre Dame University, from "Does capitalism work?" *Time*, April 1980

Transnational corporations are agents of under-development — First Exploratory Consultation on Transnational Corporations, held by the World Council of Churches at Cartigny, January 1977

Diametrically opposed as the two quotes are, each is an argument for the continued presence of multinationals in SA — and more, not less of their investment in this country If Father Hesburgh s statement is right — and the international evidence suggests it is — then multinationals are bound to help accelerate the pace of positive change

If the adversaries of multinationals really believe that foreign companies are poison to a country — and increasing restrictions, particularly in Third World countries, on multinational operations suggest they do — then surely they should hail and encourage their presence in SA! This kind of view — although for different reasons — was in fact advanced at the BBC Reith lecture last year

"Western investment," said Kenyan-born Professor Ali Mazrui, who heads political science at Michigan University, "will help create conditions for a revolutionary situation in SA before the end of the century" His reasoning "Revolutionary situations often occur when progress is being made, but not fast enough to overtake expectations"

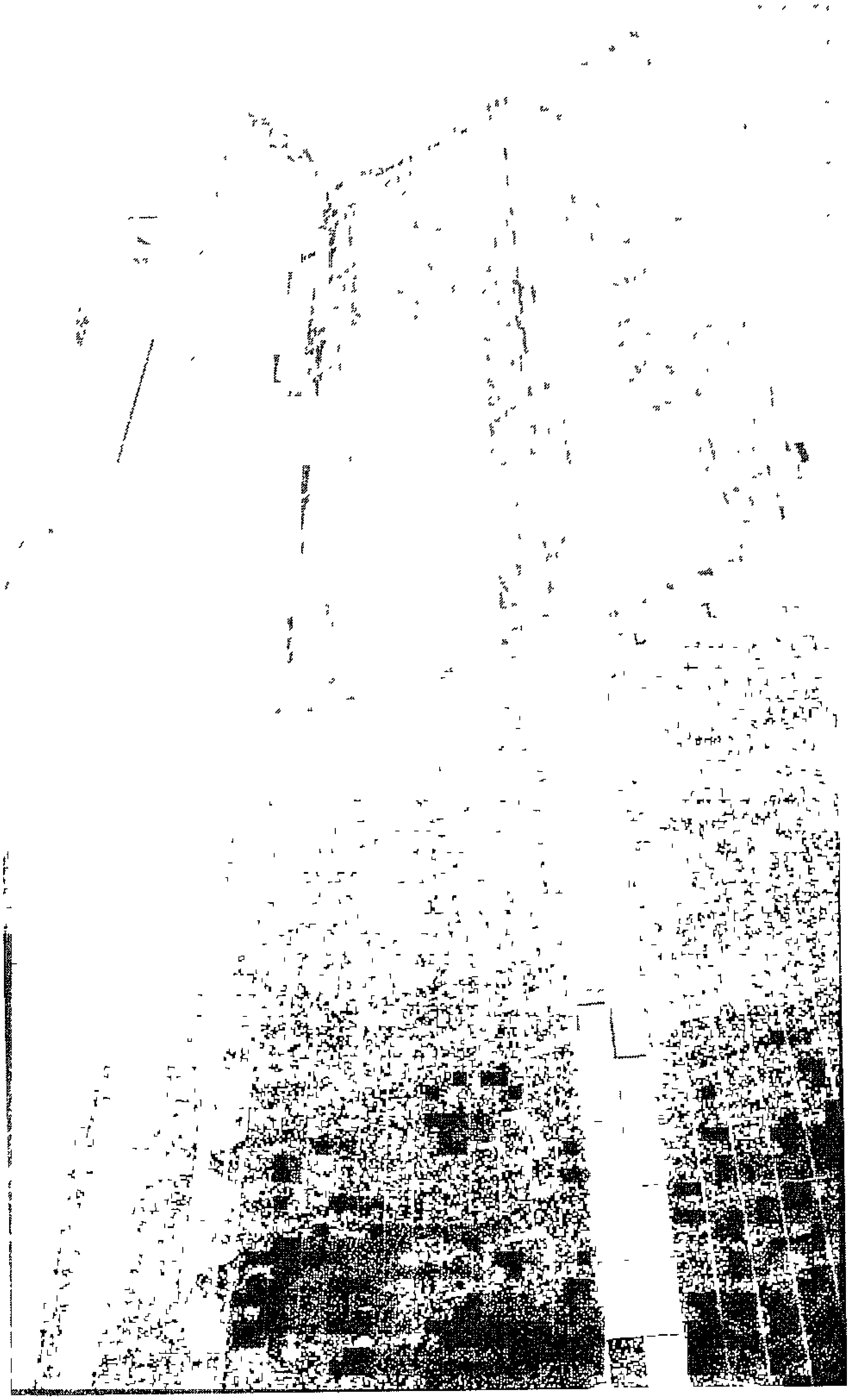
In any case, as newly invigorated campaigns for disinvestment in SA are troubling boardrooms from Detroit to Den Haag, extensive expansion plans for the medium-term by SA s established foreign companies are now being implemented At the same time, dozens of British, French, German and US companies — among others — are contemplating setting up shop in SA

In a world plagued by economic stagnation scarce or tightly controlled natural resources, nationalisation drives ever more stringent regulations for local participation, and financial restrictions in many countries SA appears to foreign business as the next best thing to paradise

Of course there is the big *"except for* due to SA s political climate, and several chief executives of local multinational subsidiaries have expressed the fear that the logic of Professor Mazrui's statement might not have hit home with SA's government

On the whole though they are 'fairly optimistic that the political situation will resolve itself positively during this decade "one way or another" They are bracing themselves for "some hiccups on the way, and for a "rather hairy period for a couple of years"

As the MD of one of the biggest foreign companies operating here puts it "Our aims are long term We plan to be here in 15 to 20 years time no matter who's in



'government'

SA's planned rural and urban development, its raw materials, the comparatively fast-rising spending power of its expanding population and not least its relatively liberal open-arm policy towards foreign companies are an aphrodisiac to the multinationals For its part SA, or at any rate an SA worth living in, cannot do without them

Multinationals — or transnational corporations (TNCs), as international bodies call them — control SA's strategic oil, electronics and motor industries, dominate in banking and in the electrical sector, and their share of the non-gold sector of the mining industry is rapidly increasing They make SA's soap powders and quality chocolates, a large proportion of its synthetic fibres, processed foods, toiletries and cool drinks

Together, they provide jobs for some 250 000 to 300 000 people, and recently appear to have overtaken local industry in high-quality training of skills and the general upgrading of the black population Together, TNCs have some R9 billion directly invested in SA in historic terms, in terms of *current* assets, it is maybe three times that amount

If the medium-term investment plans of 18 TNCs researched for this survey are taken as a yardstick, their stake could increase by another R6 billion, and more, during that period But whereas all the company heads interviewed emphasised their determination of "sitting it out' in SA, almost all added a proviso "politics permitting, when talking expansion

That included politics back home — the famous "harassment factor" Said an oil company chief executive "Our group chairman spends 30% of his time in SA, and he isn t the only head office executive so involved That's ridiculous of course, and builds up an attitude of 'Is it all worth it"

Unless the 'harassment' gets disproportionately worse — a contingency that would be precipitated, as everybody interviewed was at pains to stress, by any new major political action/reaction — chances are that the TNCs will find it all worth it '

Average profitability on capital invested is around 14,9% after tax in SA, peaking for some at double that, and more The equivalent average is 9 5% in the US and said to be "considerably lower in European countries According to the (US) BERI Institute SA leapt a phenomenal seven places last year in its risk rating for foreign investment to 12th place, ahead of the rest of Africa and all Latin American countries

A major proportion of the proposed new investment will be from locally-generated cash and foreign borrowings But the financial rand is now an attractive vehicle for foreign investment too Last year, Volkswagen was the first to announce it would take advantage of the new provision by bringing in R35m as part of a R100m three-year investment programme In March, BMW announced R20m new foreign investment part of a R50m medium-term expansion A "substantial portion of Hoechst's planned R150m investment to 1985 will come from the parent General Motors brought in R20m last year and so on Most companies prefer to keep a low profile for the record

For the past few years, TNCs themselves are trying to reduce harassment from outside by reforming and restructuring their labour policies and expanding activities connected with "social responsibility This is in line with the requirements of the various voluntary codes of conduct to which they subscribe, or are meant to subscribe — though many company heads protest that ' outside pressure has little to do with it '

How do they shape up? To get a representative idea, the *FM* researched TNC activity in general and that of 18 companies in particular Together, those 18 account for 65 728 employees, including 25 600 Africans 23 510 whites, and 16 618 coloureds and Asians

Their combined turnover amounts to over R5 billion (1979) their fixed assets to about R3 billion, and their medium-term investment plans conservatively estimated, to just under R2 billion The smallest among them had sales of R20m last year the biggest, sales in excess of R1 billion The majority were in the R160m-to-R300m turnover bracket Thus, together they constitute about 25% of multinational companies in SA in terms of assets, employment and sales

In 14 of the companies, interviews were equally divided between management and the work force and the scrutiny of company records including the payroll, training in action and employee facilities With the remaining four, information from management was augmented by employee interviews outside the companies

Enough is on record for the answer to the question "Are multinationals good for SA?" to be a resounding *YES* from the economic point of view But the questions increasingly being asked about multinationals nowadays are are they good for SA s black people? Will they help or hinder black advancement? This *Special Survey* attempts to provide the answers

Codes in perspective

Harnessing the workhorse

The international business community knows that its future and the potential growth in the developing world are intertwined The challenge lies in turning possibilities into realities Multinational corporations, which have been described as the "workhorses of the world," can make a vital contribution to meeting this challenge — Orville L Freeman, president, Business International Corp, and former US Secretary for Agriculture, in an interview with *CTC Reporter*, Autumn 1979

The business community may know, but for the past 10 years it has had trouble getting others to believe that message For TNCs, the Seventies has gone down as the decade in which the honeymoon finally ended Granted unfettered hospitality or even courted with incentives, they had, for over half a century, vigorously expanded their global network The risks were often high, but then so were often the profits

As marriages of convenience go, those between TNCs and their host countries appeared, on the whole, eminently suitable, since each had what the other needed to make it sparkle

True, some multinationals were carpetbaggers who went into countries for a quick buck, only to dislocate with the boodle as soon as that objective was reached They left behind depleted resources, a legacy of unemployed, and a stinking name for the fraternity as a whole

But the majority of TNCs established (at least since the late Fifties) the trend of contributing more to their hosts' economies than they take out, be it through direct investment reinvested profits, the creation of jobs and raised standards of living and, not least, the transfer of their technologies

To be sure, their 'benevolence" is rooted in enlightened long-term self interest TNCs became good corporate citizens in their host countries because the latter s raw materials and/or ready markets and their manpower are their lifeblood Conversely, TNCs' investment and technology mean to most of their hosts the difference between underdevelopment or economic stagnation, and development or growth

The relatively smooth inter-relationship might have gone on indefinitely, had it not been for developments during the Sixties that changed trans-economic relationships the world over the rapidly growing power bases in international forums of the newly independent Third World countries and of organised labour

Neither of these groupings, however, started the ball rolling Ironically, the kick-off came from business scholars in the US, the home base of the biggest and most numerous TNCs

Even more ironical, in the light of subsequent developments, was the drift of the initial debate TNCs came under scrutiny in the late Sixties/early Seventies because it was felt they exported too many jobs from the US, thereby aggravating that country's already unfavourable and deteriorating balance of payments Soon a specific big issue — the 1972 US Senate investigation into the activities of ITT in Chile — broke ground for a US government investigation of multinationals as such

It also led, in 1973, to the appointment of a group of 20 Eminent Persons by the UN Economic and Social Council Their brief "To study the role of multinational corporations and their impact on the process of development, especially that of the developing countries and to submit recommendations for appropriate international action" The Group of Eminent Persons produced a report that recommended, *inter alia*, the formulation of a voluntary code of conduct

As a result, the UN General Assembly resolved to set up a permanent information and research Centre on Transnational Corporations, and to form a 48-member inter-governmental Commission on Transnational Corporations (CTC) The latter held its first session in 1975, adopting the code as its top priority objective, in collaboration with the International Labour Organisation (ILO) and Unctad (UN Conference on Trade and Development) for industrial relations and transfer of technology/restrictive practices, respectively The main body of the code is expected to be finalised this year

The debate had firmly shifted from business institutions and the US to international political forums and public interest and pressure groups

In the eyes of labour, TNCs embody rampant capitalism To Third World countries, they are the seamless successors of colonial imperialism Both interest groups — and others who were soon to join them — had discovered the TNC's twin characteristics of vulnerability their inherent imperative of continuous growth lest they deteriorate, and their status as aliens at the mercy of their hosts

Having thus identified the soft transnational underbelly, the Third World and organised labour set about attacking it systematically, with increasingly tighter strings attached to operations That curtailment of TNCs often also means a slowdown in the host's progress does not seem to matter Nor does the recognised vulnerability prevent interest groups from attributing all-pervading power to the multinationals

Thus, from the early Seventies, TNCs stand accused of meddling too much (mainly in Latin America), and are being chided for interfering too little (mainly in southern Africa) in the socio-political affairs of their host countries They are

OECD GUIDELINES

These were prepared by a 1975 "Committee on International Investment and MNEs (Multinational Enterprises)," composed of senior representatives from all 24 industrial country member states The interests of industry were represented by the Business and Industry Advisory Committee to the OECD, and those of labour by the Trade Union Advisory Committee The Guidelines, together with an Intergovernmental Consultation Procedure, were adopted by the OECD Council at ministerial level in 1976

The Guidelines are recommendations and stress that no difference in treatment between multinational and domestic enterprises is aimed at Rather, they are meant to "reflect good practice for all" A multinational is defined as any organisation with *one* ore more subsidiaries in a country other than that of the parent company

Nine detailed paragraphs cover the key section *employment and industrial relations* The principles enshrined in them should be followed by enterprises "within the framework of law, regulations and prevailing labour relations and employment practices, in each of the countries in which they operate"

The salient points are

- Freedom of association, employers to negotiate individually or collectively with employee organisations for agreements on employment conditions, provision for dealing with disputes arising over interpretation of agreements and for ensuring mutually respected rights and responsibilities
- Provision of any required facilities to employee representatives for the development of effective collective agreements, provision of any required information for meaningful negotiations on conditions of employment
- Subject to local law and practice, provision of information to enable employee representatives to gain a true and fair view of the performance of the company and/or group
- Standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country
- To the greatest extent practicable, utilise, train and prepare for upgrading members of the local labour force in co-operation with employee representatives
- Give reasonable notice to employee representatives of any major changes affecting the livelihood of employees, in particular of any shutdown involving collective lay-offs or dismissals, co-operate with employee representatives to mitigate adverse effects to the maximum extent
- Employment policies including hiring, discharge, pay, promotion and training without discrimination, except where affirmative action is part of a government programme to promote greater equality
- Not threaten to transfer all or part of an operating unit to another country in an effort to hinder the right to organise or to influence unfairly *bona fide* negotiations with employee representatives
- Enable authorised employee representatives to negotiate on labour-management relations issues with management representatives authorised to take decisions on these issues

denounced for their purported control over world trade and prices, ability to shift capital around to maximise profit (at the host's expense of course), and propensity for taking unfair advantage of cheap labour (Third World) or not giving labour enough say in their foreign-controlled companies (industrial countries)

At the Fifth Assembly of the World Council of Churches at Nairobi in 1975, TNCs, as a whole, were also charged with producing the wrong type of goods ("invariably meant to satisfy the needs of an elite class") and using the wrong technologies (ill-suited for the needs of poorer countries)

And it wasn't all just talk Latin American and African governments, in particular, increasingly introduced local control legislation and/or partial nationalisation So did India while even Canada and Australia became more restrictive towards TNCs Algeria went the whole hog by not allowing foreigners to hold any equity whatsoever, while using them for management and technology contracts

Some countries including SA, restricted capital transfer and profit remittance, or forbade the outflow of dividends altogether (SA s attempt in 1977 at limiting profit remittance to the current year was quickly relaxed again when it became apparent that the measure was counterproductive companies which traditionally reinvested up to 60% of their profits, suddenly increased their dividends lest they got stuck)

Countries, again including SA, also curtailed TNCs' local borrowing powers and introduced fairly rigid local content clauses for certain industries Local content does not single out multinationals, but invariably affects them most their international profitability usually hinges precisely on easy interchangeability of their transnational manufacture

As a result of these and other actions, the *modus operandi* of multinationals is now in many parts of the world a precarious exercise Royal Dutch/Shell's late

REPORTING STANDARDS

The Commission on Transnational Corporations appointed, in 1976, a high-level, 16 member Group of Experts to work out a set of recommendations for standards of disclosure and information The Group concluded that requirements for disclosure by TNCs should comprise both financial and non-financial data, to enable assessment of their economic and social impact nationally and internationally

Their report is now in the hands of an *ad hoc* Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, established last year by the UN s Economic and Social Council This second group is charged with the formulation of standards, which are expected to become part of future domestic legislation in a wide range of countries

Salient points of the recommendations

- TNCs should prepare consolidated general purpose reports, as well as separate reports for individual member companies, including the parent company with certain consolidated financial information broken down according to geographical area and line of business
- General Purpose Reports should include information about labour and employment practices production, investment programmes, organisational structure and environmental measures

The report, however, stipulates that its recommendations should be of relevance not only to TNCs, but also to purely domestic enterprises (Some industrial countries already require reporting along those lines)

Professional accounting bodies, business and industry organistions and individual companies and accountants have been invited to comment Their reaction was mixed Some samples

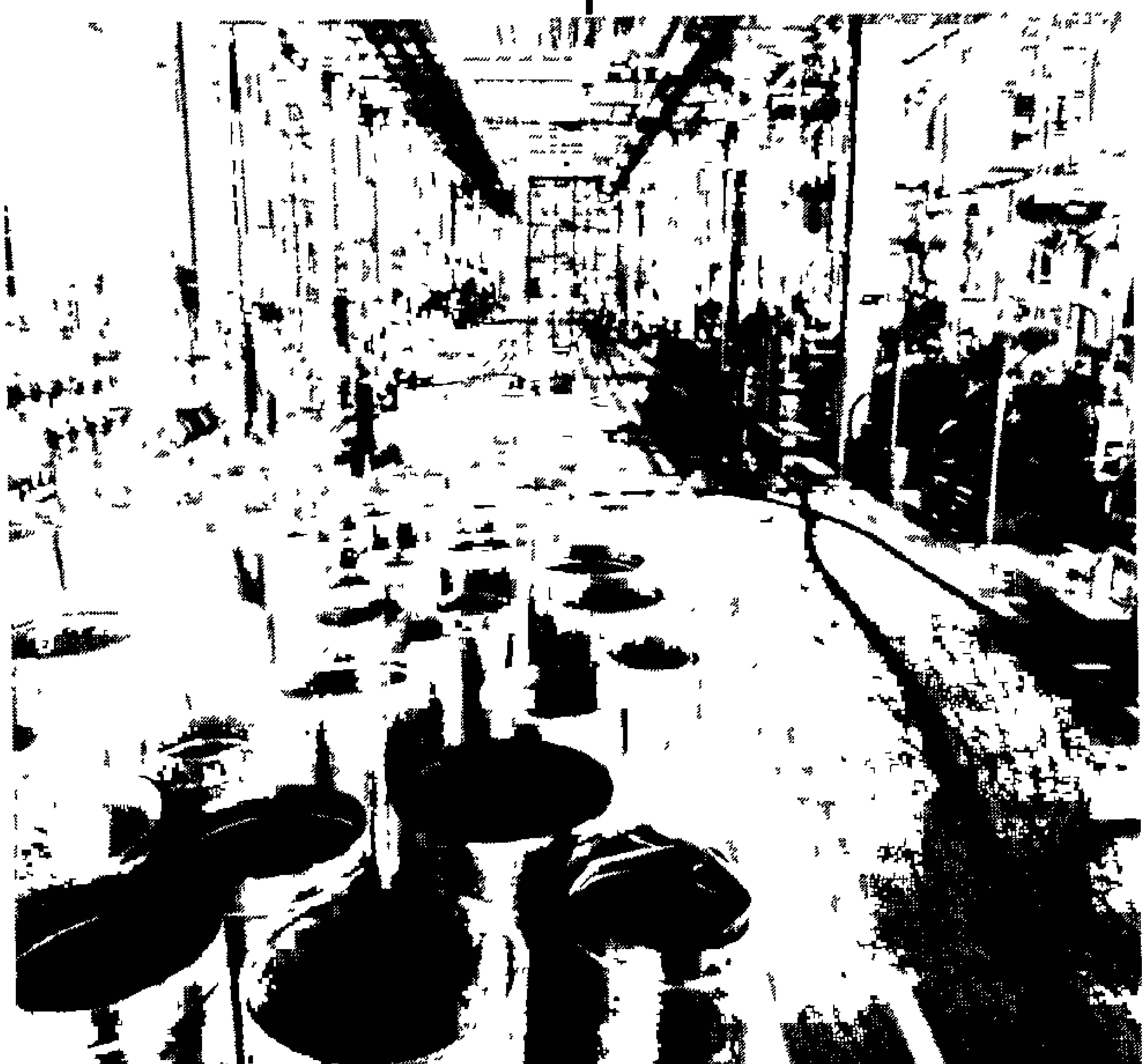
□ A fundamental problem of the minimum list is that the experts have recommended a major and extensive system of disclosure without the background guidance and interpretative material that exists in those countries with comprehensive disclosure systems

There are serious reservations regarding the usefulness of the information on labour, employment costs training programmes etc to people not accustomed to practices in industry — International Chamber of Commerce International Organisation of Employers

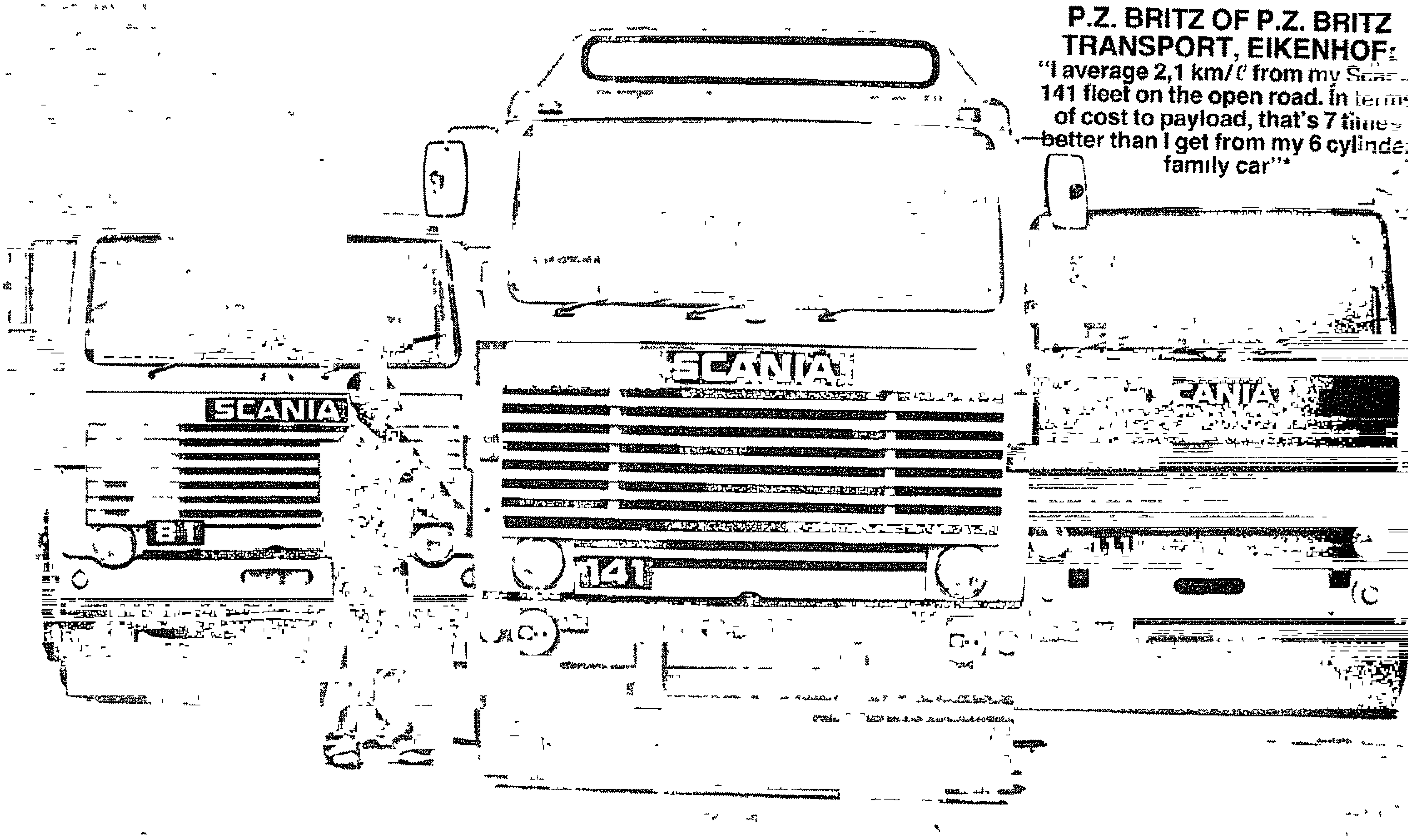
□ A pioneering document which could help to concentrate the minds wonderfully — World Accounting Report, Viewpoint

□ We are concerned that UN interest in business disclosures may be motivated by anti-business sentiment' — Financial Executive Institute

□ The international harmonisation of principles and basic concepts for production of consolidated financial statements is one of the pressing needs of today This represents a pragmatic first attempt at solving the problem which could prove extremely useful It is intended to establish 'best practice right away as a specific worldwide objective — Ciba-Geigy AG



WHEN YOU GET MORE KILOMETRES PER LITRE FROM YOUR TRUCK THAN YOUR CAR



P.Z. BRITZ OF P.Z. BRITZ TRANSPORT, EIKENHOF:
"I average 2,1 km/ℓ from my Scania 141 fleet on the open road. In terms of cost to payload, that's 7 times better than I get from my 6 cylinder family car"*

...YOU'VE GOT SCANIA QUALITY

Scania engines develop extremely high torque, reducing the number of gear shifts necessary to maintain speed. At 80 km/h they tick over at an unhurried 1 500 rpm, so they burn fuel slowly — without power loss because they're turbocharged.
Result: excellent fuel economy, less engine wear, lower maintenance costs.

* Truck Consumption (loaded) 2,1 km/ℓ
Car Consumption (4 up) 10.5 km/ℓ
Ratio 5.1
Payload truck: Payload car 35.1
Productive Cost/Payload factor 7·1

SCANIA
TRUCKS
QUALITY INVITES COMPARISON

TECHNOLOGY TRANSFER

An intergovernmental group of experts was appointed in 1975 by Unctad (UN Conference on Trade and Development) to work out a code of conduct for technology transfer Because of differences between experts from industrial and Third World countries, progress has been slow

If and when a compromise is reached, the result is expected to be a non-binding resolution However, some countries have already indicated their intention to translate such a resolution into their domestic legislation, in which case it would be legally binding in these countries

The drift of the discussions can be gleaned from a statement by Klaus Sahlgren, executive director of the Centre on Transnational Corporations, at last year's UN Conference on Science and Technology for Development

"It is necessary that TNC subsidiaries and affiliates must play an increasingly positive role in the development of domestic innovative capability," said Sahlgren Hitherto, R and D activities of TNCs have been almost wholly confined to institutions in their home countries, or in other industrialised economies This pattern needs to change and R and D efforts and capability must be rapidly developed, both at enterprise level and through suitable linkages with technology institutions in host developing countries

"National policies on science and technology in relation to TNCs should also define parameters and guidelines in terms of fiscal, promotional and regulatory measures

These should, on one hand, accelerate technological development and maximise the use of domestic techniques and processes, and on the other ensure adequate inflow of appropriate foreign technology in desired sectors, through TNCs and from other sources of technology TNCs must be responsive to such policies and guidelines and the operations of their affiliates must be consistent with national policies

lines, and principles followed, and more bodies were formed to work out additional or "definite" ones (see boxes) The latest one is the ILO Tripartite Declaration of Principles on Multinational Enterprises and Social Policy, which was formulated by government, employer and labour bodies after years of deliberations

As early as 1972 a working group of the International Confederation of Free Trade Unions (which claims 55m affiliated workers) and the International Trade Secretariats rejected the notion of voluntary codes

Instead, the ICFTU/ITS proposed the co-ordination of national legislation and government control, the conclusion of conventions with enforceable standards and the adoption of machinery for keeping the impact of TNCs on industrial and economic life under constant review

And in 1976 while adopting a resolution in support of the voluntary OECD (Organisation for Economic Co-operation and Development) Guidelines the European Parliament also recommended that "binding and legally enforceable norms must gradually be laid down for multinational enterprises, and a framework for their activities defined in one or more international agreements

All of which goes to show that codes of conduct were not specifically invented for TNC activity in SA, as a surprising number of SA businessmen assumes On the other hand, codes so far applicable *only* to companies operating in SA *were* subsequently formulated The most important among these are the Sullivan Principles for US subsidiaries and the EEC Code of Conduct for the subsidiaries of member states companies It is also true that with the CTC in New York TNC activity in SA has indeed become a prime focus of research resolutions and proposed action

From the international activists point of view this singling out makes perfect sense If the ultimate aim is to get at multinationals as such SA's laws and regrettably even its present convoluted reforms make it a logical focal point Meaning the double standard will remain a fact of life so long as the laws and reforms by exemption remain and no amount of protesting that wages in say Tanzania or Hong Kong are lower and conditions of employment here vastly better than those in Zaire and Brazil (among others) are going to change that

Labour specialist Loet Douwes Dekker of Wits Graduate School of Business Administration recently emphasized to a group of TNC industrial relations executives Organised labour is going to involve itself in the monitoring of the codes And *anything* (negative) happening either inside your companies or in the country at large can trigger off a reaction and you can expect action

Douwes Dekker had just returned from

senior MD Michael Pocock warned, in an address to the Harvard Business Club last year, against tipping the balance Said he "In a world of highly competitive nation states, jealous of their sovereignty, multinationals have to strike a balance attempting to respect different national aspirations, while ensuring the continuous high standing and viability of the group as a whole

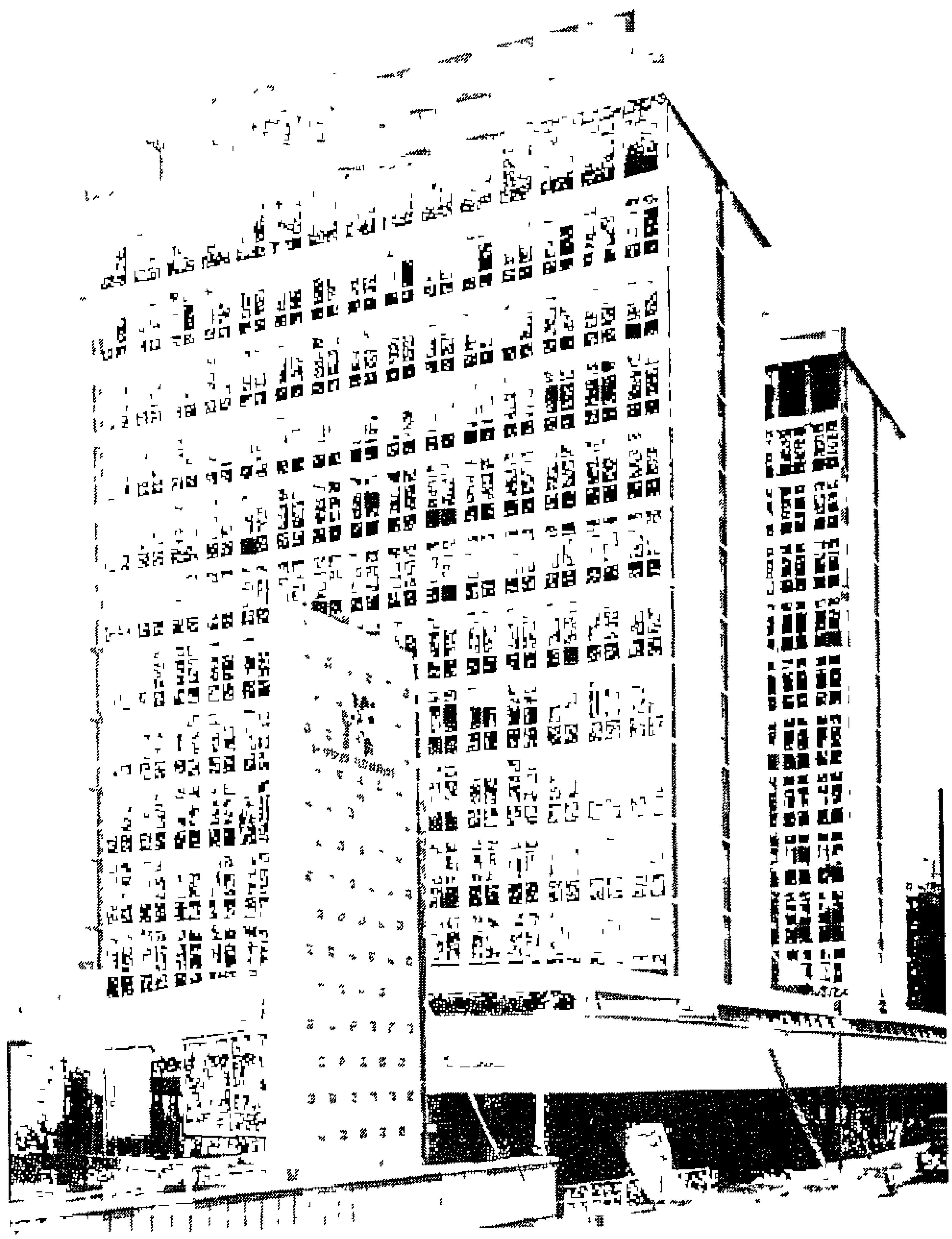
"A multinational has to pick its way like a tightrope walker, balancing with the help of a long rod weighted at each end Sovereign states, society, pressure groups, individuals, are all at one time or another distracting its attention, adding or subtracting weights to the rod, helping or hindering its progress along the wire Balance must be kept, weight subtly redistributed

"There is, however, one big difference the tightrope walker is an entertainer, the multinational is an integral and vital part of the whole international scene" He concluded with the hope that governments will "not take actions that may upset the international balance of economic growth and interdependence, however imperfect they may think that balance is"

Alarmed, and no doubt mindful of a few black sheep in their midst, prominent TNCs offered, early, their assistance in the formulation of voluntary codes of conduct and operating guidelines to governments and institutions in both industrial and developing countries

The first result was Guidelines for International Investment, by the International Chamber of Commerce It has the wholesale support of national committees in developing countries and was hailed as a "trail blazer" in 1972

A series of other voluntary codes, guide-



THE [illegible] DECLARATION

THE ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, is grouped under five headings general policies, employment, training, conditions of work and life, and industrial relations The Declaration addresses itself to governments, employers and workers' organisations in home and host countries, and to the TNCs themselves

Its aim is "to encourage the positive contribution which multinational enterprises can make to economic and social progress, and to minimise and resolve the difficulties to which their various operations may give rise, taking into account the UN resolutions advocating the establishment of a new international economic order'

TNC executives, sensitised by years of being accused of corruption, inefficiency and general uselessness to developing countries, have welcomed the Declaration as a balanced document It recognises that multinationals bring "substantial benefits to home and host countries by contributing to the more efficient use of capital, technology and labour,' and that they "can also make an important contribution to the promotion of economic and social welfare, to the improvement of living standards and the creation of employment opportunities"

The pertinent General Policy clause (8) reads "All the parties concerned by this declaration should respect the sovereign rights of states, obey the national laws and regulations, give due consideration to local practices and respect relevant international standards

"They should respect the Universal Declaration of Human Rights and the corresponding international covenants adopted by the General Assembly of the United Nations, as well as the constitution of the International Labour Organisation and its principles, according to which, freedom of expression and association are essential to sustained progress They should also honour commitments which they have freely entered into, in conformity with the national law and accepted international obligations"

The Declaration is up for review this month A proposal from within the ILO urges that Clause 9 should read "Non-collaboration by Transnational Corporations with racist minority regimes in southern Africa' A counter proposal suggests, instead, the strengthening of Clause 8, by adding "and in countries where racial discrimination exists, should support as far as possible positive forces for change towards equal opportunity'

international labour conference in Frankfurt, Germany The theme of the keynote address by the president of the world's single biggest trade union (IG Metall) — *Apartheid must go* . Types of action Douwes Dekker mentioned include co-ordinated international strikes in the parent and sister companies of an affected TNC But he also stressed that positive happenings, such as a firm's recognition of a black trade union, do not go unnoticed either

Foreign monitors

A blessing in disguise

It is rather unnerving to have to see, in black and white, how little visible progress has been made from one year to the next, when filling in those damn forms After the first one, we decided to introduce a firm programme, with targets, training courses and monitoring Come 1981 and we will see some dramatic improvements — Personnel Director of a US food processor, on the Sullivan Principles, February 1980

Q: *Are you lagging behind the multinationals?*
A: *Oh no Most foreign companies until very recently lagged behind major SA companies, not just behind our group Perhaps at the time the general outlook was that it was wrong for them to take an attitude which implied a political stance — it's a very good thing this has changed The idea that SA business has been led by US and British companies to improve conditions is just wrong* — Harry Oppenheimer, in *Survival*, November 1977

The food processor's earlier embarrassment and new-found enthusiasm for labour reforms is fairly typical of the broad middle-range of foreign companies active in SA But Harry Oppenheimer's assessment of TNCs in general as laggards, wasn't really fair if apples are compared with apples *Major* foreign companies, — among them Shell, BP, Caltex, IBM, Unilever, General Motors, Siemens, Metalbox, Mobil, Ford, Nestle and Hoechst — have been among the trendsetters in SA labour reforms

From 1977 on, the foreigners actually started leaving many of their local counterparts behind regarding pay, fringe benefits, training, and specifically by introducing time-tables for goals in upgrading 1977 was a watershed year, marking the introduction of foreign codes of conduct for fair labour practices in TNCs

Much righteous indignation from the business community at large greeted the appearance of the first code specifically for TNC activity in SA That was the Statement of Principles, prepared under the leadership of US civil rights leader and General Motors director, the Reverend Dr Leon Sullivan It was launched in March 1977 with the endorsement of 12 initial signatories, who pledged to report regularly on progress in labour policies and practices, black advancement and outside social responsibility

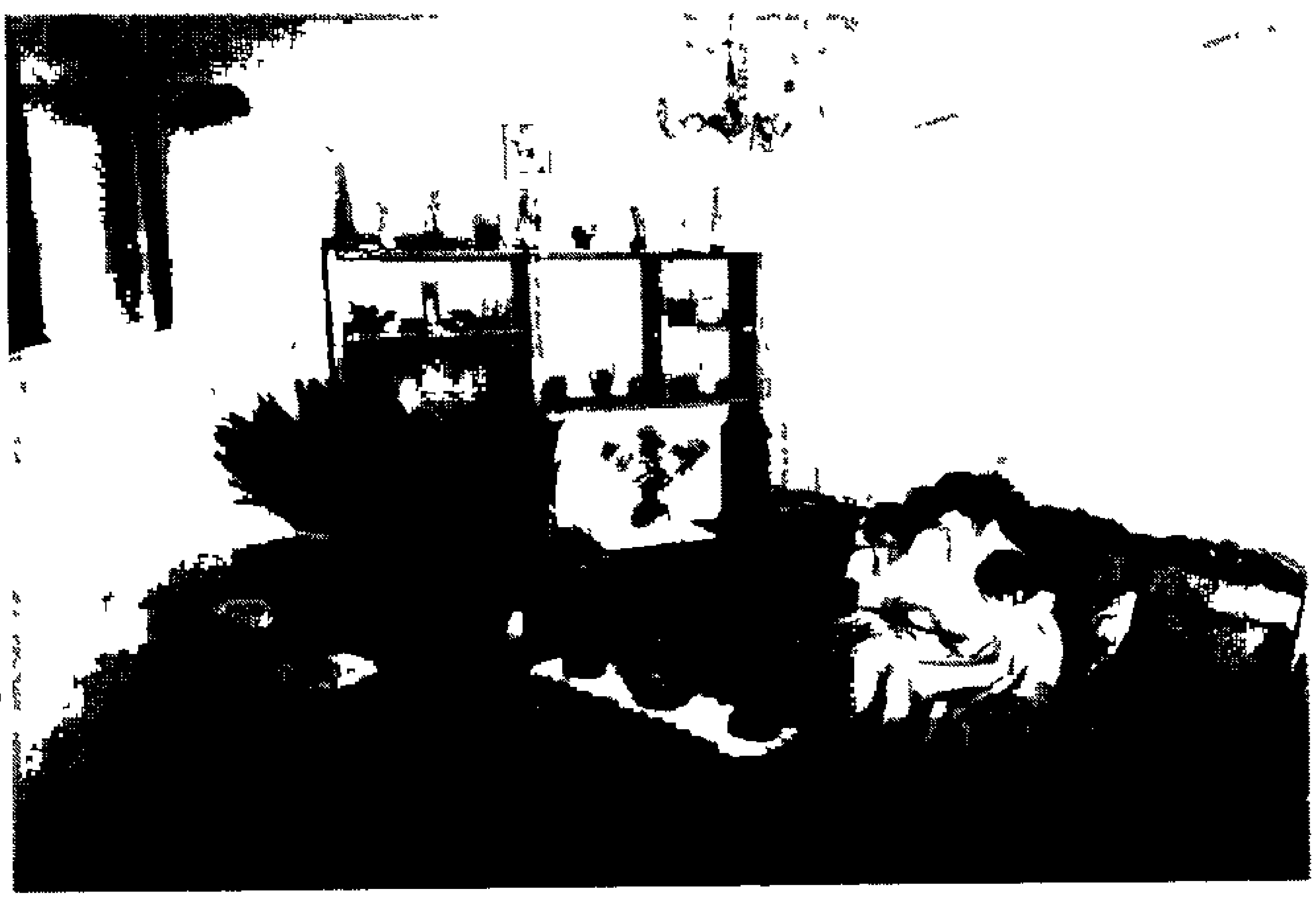
Six months later the foreign ministers of the nine EEC member countries ratified a code of conduct for companies with interests in SA Again cries of "double standard" (justified), "unreasonable demands" and "meddling" abounded Yet today, a mere three years later, top business leaders of both domestic and foreign companies acknowledge the codes as potent agents for social change, while top government politicians privately admit they consider their introduction a blessing in disguise

It isn't just the fact that the Sullivan Principles had 135 signatories by last October or that some 120 European companies report now in terms of the EEC code, that led to this change of heart Nor that within most subscribing TNCs training budgets have doubled and trebled within the last three years and community education projects worth several million rand have been started, particularly by the US business sector Code subscribers account for only 150 000 jobs or less So what counts is the ripple effect in the community at large

The first effect was to accelerate the formulation of a much overdue indigenous code, that of the Urban Foundation/SACCOLA (SA Employers' Consultative Committee on Labour Affairs) and the despatch of its first questionnaire this April That the latter is almost laughably timid compared with the precise format of the Sullivan prototype ("What are the reasons for unequal pay scales?" — six pertinent reasons to tick — "Is there a plan to bring about equality within the next six months?") is a pity but not a disaster It's a start in a country where most bosses consider their privacy grossly infringed when asked what minimum wages they pay

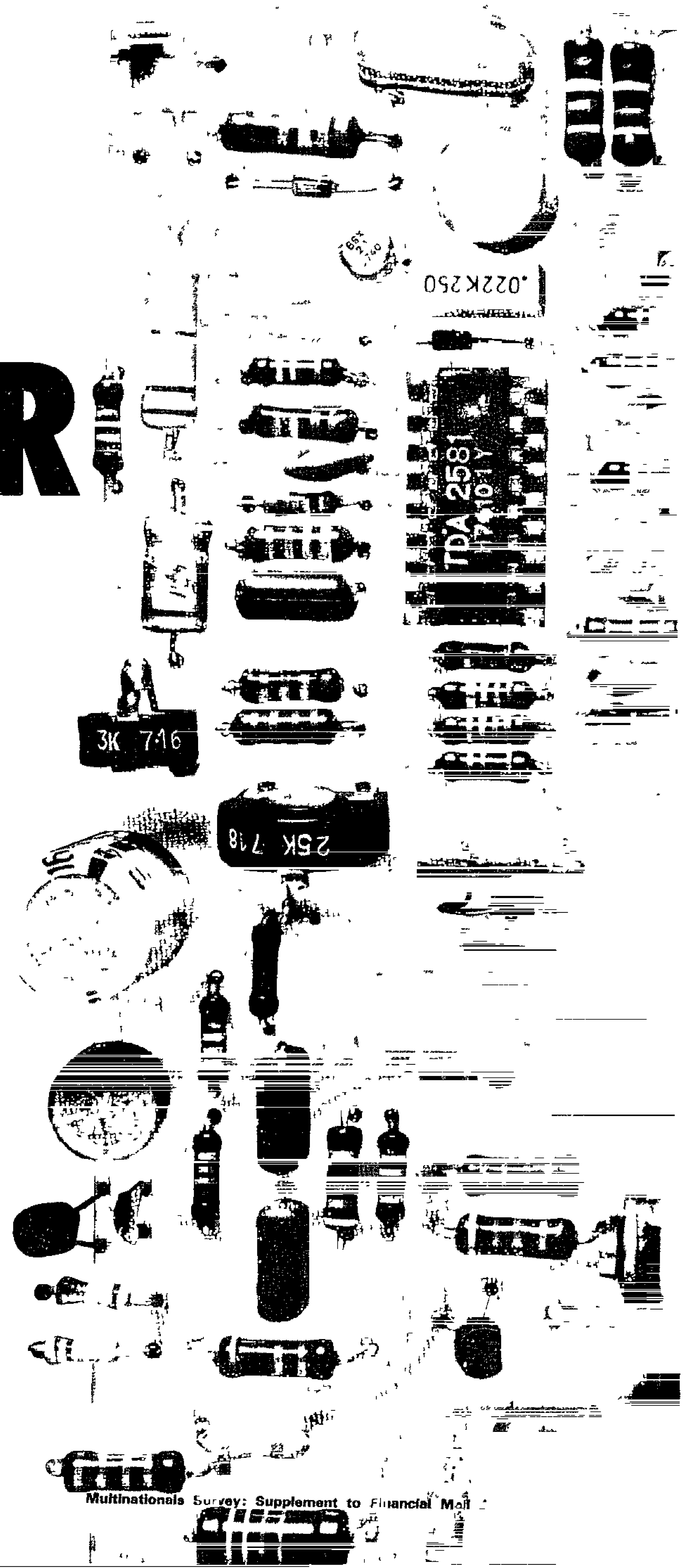
In terms of numbers, easily the most important ripple effect was the establishment last year of an informal labour task force by 10 local and partly European-owned companies as a direct consequence of discussions with Rev Sullivan Together, the 10 account for 750 000 jobs Group members — Anglo American, Anglovaal, AECI, Barclays, Barlows, SA Breweries, Nedbank, Premier Milling, Standard Bank and Tongaat — meet once a month at chief executive and executive personnel management level to compare notes on progress and problems

These organisations, together with the Rembrandt and General Mining groups, and, on a much smaller numerical scale, the Pick n Pay retail chain, had been in



Getting involved in community upliftment . . TNC sponsored housing

MIND INTO MATTER



At Philips, we create superior products from superb ideas

Philips employs more than 4 000 scientists and engineers in research laboratories located in Germany, France, Belgium, Holland, Britain and the U S A Their job is to turn great ideas into very practical products, to serve a wide spectrum of applications in the fields of industry, science and commerce

Lighting

For every conceivable lighting application there is a specific lamp available from the Philips range of over 40 000 different types Research is now concentrating on lamps that conserve energy without reducing lighting efficiency

Telecommunications

From fully electronic PABX telephone exchanges to transmission and public switching equipment, traffic control and mobile radio – Philips covers the whole field

Medical Systems

Philips has a complete programme of medical equipment not only for X-ray radiodiagnostics, but also for radiation therapy, nuclear medicine and medical electronics

Data Systems

Philips is constantly adding to their range of equipment for the modern office — computers, accounting systems, dictation and word processing equipment

Professional Products

Continuous research is applied to test and measuring instruments, analytical weighing and process control equipment, sound reinforcement systems and closed circuit TV

Consumer Products

Innovative research and development puts Philips in the lead with TV, audio and a full range of domestic appliances

PHILIPS

PHILIPS

forefront of local labour reform from the early Seventies The significance of the task force is that the 10 decided to tighten up on their procedures and bring them in line with the standards set by Sullivan

And although, in the words of the personnel director of one of the 10, there s no ways we will ever actually report to a foreign body — which is what Sullivan wants — group members have instigated *internal* reporting along the lines of the Sullivan questionnaire with monitoring by the head offices In at least one of the organisations (accounting for some 75 000 jobs) labour reporting has been integrated into the yearly budget exercise, with full accountability for pre-set targets in training and upgrading

Leaving aside the fact that for a peaceful solution in SA every job counts, this development alone surely makes nonsense of the conclusions of a 1979 UN CTC study entitled *TNCs in Southern Africa Impact on Financial and Social Structures* The study concluded that "given the fact that South African firms today provide viable alternatives in most sectors of the economy, the conventional argument that the transnational corporations' continued presence is necessary to maintain employment of black workers and provide pressure for improving existing employment conditions in their sectors, is not very persuasive

In relation to TNCs themselves, the codes have been criticised as wishy-washy by both foreign and domestic commentators In particular, Sullivan came under attack from labour for initially leaving out principles pertaining to trade union rights for blacks and involvement towards changes in influx control laws This was promptly rectified with additions to Principles 2 and 6 in 1979

As the evaluating consultants Arthur D Little Inc state in the introduction to the Third Report on the Signatories "The Principles are evolving We recognise that any programme is inevitably going to undergo constant revision, because the requirements will become more stringent New requirements for the next round will be detailed progress reports on education training management development and assistance to black business Baseline data for this was gathered in an interim report which signatories had to file by mid-February 1980

Hailed initially as much more comprehensive the EEC Code soon revealed a serious flaw when it became obvious that nobody really accepted responsibility for its monitoring Whereas Sullivan signatories all file to Arthur D Little, European companies report to their parents which in turn are meant to report to the respective governments Except for UK and German companies, not many fulfill the second requirement

Moreover the EEC questionnaire for-

SULLIVAN'S THIRD

Six basic principles make up the Sullivan Statement They are

- Non-segregation of the races in all eating, comfort and work facilities
- Equal and fair employment practices for all employees incorporating freedom of association
- Equal pay for all employees doing equal or comparable work for the same period of time
- The initiation and development of training programmes that will prepare substantial numbers of blacks, coloureds and Asians for supervisory, administrative, clerical and technical jobs
- An increase in the number of blacks, coloureds and Asians in management and supervisory positions
- Improvements in the quality of employees lives outside the work environment in areas such as housing, recreation and health facilities This includes support for changes in influx control laws, to provide black migrant workers with the right to normal family life, and (though the precise formulation is not yet available) to promote and assist black, coloured and Asian business enterprises

In the latest Sullivan Report (the Third), for the six-month period to June 30 1979, 22 companies were rated as making good progress, 62 as making acceptable progress, and nine were listed as needing to become more active Three signatories — Colgate-Palmolive, Merck & Co Inc and Union Carbide — had split ratings (for different locations) between *good* and *acceptable* Those which need to improve are Monarch Insurance, Butterick, Carnation Foods, Femo, Ferro Industrial, International Harvester, McCann Erickson and Tampax

Companies with a straight top rating employing over 1 000 blacks include Caltex, Esso, Ford and Mobil

The evaluators reported that rating for the *acceptable* category was imprecise, as it lumped together companies which almost made it into *good* as well those on the verge of not being acceptable General Motors, for instance, failed to make a top rating because all its facilities from canteens and toilets to lockers were in the process of being rebuilt from scratch

In 75% of units evaluated (ie, each separate plant location of more than 50 employees) all facilities were non-segregated, in 29 units non-segregation was scheduled by the end of 1980, and 11 pleaded that the laws" were against such a move

Another 10 units said they occupied multiple-tenancy buildings in which the landlord provided segregated facilities — but at least one signatory is known to have successfully negotiated the elimination of segregation in such a situation (' The laws' have ceased to be an obstacle in this and other labour-related matters for any determined boss)

Excluding combined reports ("which may present a false picture of integration") 27% of the black workforce, 62% of the white, 54% of the coloured, and 74% of the Asian were in integrated job categories Numerically, those in integrated categories were up from 15 275 to 20 178 since the Second Report

A total of 54% of the integrated workforce had earnings which corresponded to, or were above, the average for their respective grades, breaking down into 43% of blacks, 63% of whites, 48% of coloureds, and 38% of Asians Comment from the evaluators "In those job categories where both races work, the average income is skewed toward the level of the white employees, principally because most whites have been on the job considerably longer than blacks

While in the highest *salaried* job categories whites represented 99% (up 10%) of these employees, the percentage of white top *wage* earners declined from 72% to 61%, with blacks and coloureds filling the gap In the top wage grades, blacks made up 27% (up from 17%) and coloureds 11% (6%) Signatories employed 586 black supervisors (27% of such positions) and 43 managers (3%) and had another 347 supervisors and 52 managers in training Of the total workforce, 12% of blacks, 14% of whites, 15% of coloureds and 17% of Asians were in training at the time of the Third Report

The majority of units provided employee benefits 'equal to or better than whites' " to all groups, 61 units did not extend housing assistance to non-blacks and 25 did not give educational assistance to non-blacks But 14 units excluded blacks from medical aid (This may mean that blacks elected not to join medical aid, this was the case in several companies researched

Trade unions were active in only 18 signatory companies (40 reporting units) and of these, all races were represented in 10 (up by two), whites and blacks in three (two) and blacks-only in two (one) In 30 units (up by two) trade unions consisted of whites only, in six (two) of coloureds only and the rest had various mixes of whites, coloureds and Asians

Roughly 80% of units claimed to have well-functioning grievance procedures and an open door policy The next Report will question whether grievance procedures are written and posted in such a way that everybody can be aware of them (That might not mean much The *FM* saw well displayed grievance procedures in companies yet some elected employee representatives were unable to tell what the procedure was, while others did not know what the questioner meant Two representatives said categorically that there was no grievance procedure — and they were not being sarcastic)

The signatories take their social responsibility seriously In 1978 (according to 12-month budgets) they spent R3 152 077 For the first six months of 1979, the figure was R2 783 678

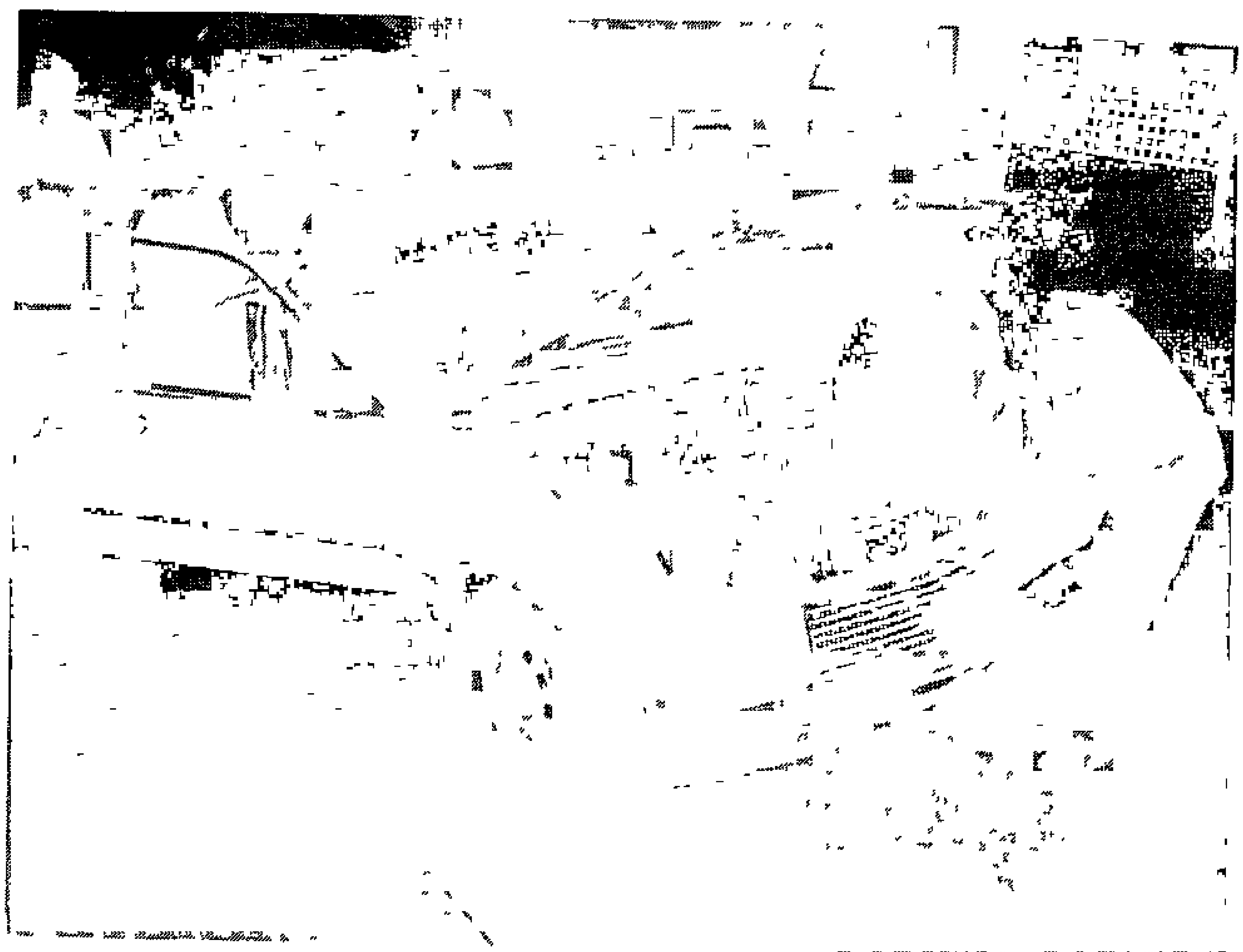
---

mat consists of blanket questions such as "Policy on equal pay and equality of job opportunities for black Africans, action taken to implement that policy and progress achieved?' This, of course, leaves much room for generalities Sullivan, by contrast, asks for detailed quantification of each item, a reason for shortcomings, and requests a timetable for rectification

EEC results come out, if at all, in a jumble of overall anonymous information Sullivan publishes the names of reporting companies in three categories Making Good Progress, Making Acceptable Progress and Needs to Become More Active Rating is on nine issues and those in the "best category are allowed 11 points, equal to two shortcomings only For instance the score on advancement for blacks into higher job categories may add up to a "fair effort ' rather than a "substantial one *since the last report*, or full non-segregation of all facilities may be scheduled (in the October 1979 Report) by June 30 1980 In the next report, rating is then on these targets If a company slips from one report to the next, it can rely on getting plenty of flak in the US, including at the next shareholders meeting

Many foreign critics dismiss the codes because adherence to them is voluntary This, however, underestimates the pressure to subscribe in particular on US UK, German and Dutch companies Much has been made of the fact that some 164 US companies are *not* signatories to the Principles But analysis of names reveals a preponderance of small office operations, including all news services from Associated Press to the Washington Post, airlines, and agents

For the last Sullivan Report, 97 signatories were evaluated accounting for 55 671 jobs Sixteen signatories joined too



late for inclusion, while eight companies filed their first report and have thus not been rated Also excluded were two companies — Pan Am and Engelhard Minerals — which filed inadequate reports, while another eight, including ITT, Phelps Dodge and Revlon, chose not to report for the last round Taken together, these companies account for another 15 000-20 000 jobs, which brings the number of signatories to within 85% of US job providers in SA (The remaining signatories are endorsers of the Principles without enough black employees to warrant reporting)

Similarly, Bundesbank statistics list 187 German subsidiaries in SA with only 46 reporting for 1978/79 But analysis reveals that these 46 account for over 90% (30 488) of all jobs in German companies

Slackest homebase controller is probably France, which also has among the smallest direct investment stakes — about R500m (the biggest single chunk of it Total Oil) against an estimated R2,7 billion for the US, some R2 billion for the UK and about R1 billion apiece for Germany and Holland Typical of the French attitude is probably the experience of an MD of a 100% subsidiary, who was queried about housing assistance for blacks after his progress report a year ago Having to fully finance a relatively young company from locally generated cash, and with his local borrowing restricted to 33,3% of a miniscule investment base, he replied he could only comply if the parent was prepared to put in the necessary funds "I never heard another word from them on the subject," he says

In any event, monitoring pressures will increasingly come from quarters other than parent companies or home country governments Observes Loet Douwes Dekker "The international trade secretariats will maintain a close watch and take action themselves when deemed necessary and national union centres will require their governments to take action short of economic sanctions

"SA is being regarded as an experimental area, for what can or cannot be made generally applicable " He believes that the Trade Union Advisory Committee of the OECD will also involve itself in a watchdog role

The most effective watchdog yet could be local labour Both black trade unions and in-company elected representatives have in the past six months demanded to see and approve code reports — particularly EEC reports — before they are sent off, since companies are rarely identified in any published results

This is a smart move for keeping employers on their toes, and one conducive to increased worker participation However, if it is to be fair on companies as well, the FM's recent experience suggests communication between managements and labour representatives has to be substantially

Philips' Timmer . . . managements may be forced to pay more to fewer people

improved first For instance both Unilever and SA Philips have a demonstrably good record, especially for the last year reported on, in skills training and promotion into higher grades in both factories and offices Some of their worker representatives said that training opportunities in both groups were bad and promotions from within hardly existed

As "proof" of the no-promotions charge, the *FM* was told, after much prodding, that a black assistant accountant and a coloured junior engineer in one of the companies had recently been hired from outside Both of them are graduates with specialised skills that did not exist in the incumbent workforce

Also, *all* factory (as opposed to office) workers interviewed, stated they did not receive equal pay for equal work Managements claimed they did

In six companies, when the payroll was checked for departments/grades with a black/white overlap (all race groups), this accusation proved to be wrong Most blacks *did* cluster in the bottom half of a grade but analysis of the qualifications and length of service of the other incumbents within a grade, made management explanations as to the reasons why credible In two instances of particularly insistent charges of pay discrimination, the actual people concerned were checked on the payroll against the rest in their respective departments Both were in the median range, in each case with some

GERMANY'S SECOND

If people were perfect, the EEC Code of Conduct for Companies with interests in SA would be an ideal base to report on Under seven headings, it states exactly what companies *should* do, but omits to ask precisely what they *are* doing The headlines are

- Relations within the Undertaking,
- Migrant Labour,
- Pay,
- Wage Structure and Black African Advancement,
- Fringe Benefits,
- Desegregation at Places of Work,
- Reports on the Implementation of the Code of Conduct

To be sure, companies are asked for "a detailed and fully documented report on the progress made in applying the Code," with "progress in each of the six areas indicated above fully covered "

But who's to say what "fully covered" means in response to a subclause (under wage structure etc) that reads

"The same pay scales should be applied to the same work The adoption of the principle of equal pay would, however, be meaningless if black African employees were kept in inferior jobs Employers should therefore draw up an appropriate range of training schemes of a suitable standard to provide training for their black African employees, and should reduce their dependence on immigrant white labour'

One of the first official reports available from any of the EEC governments was published in January 1980 by the German government It does not specify which period it covers, but presumably reflects the status quo in German subsidiaries to mid-1979 The rest of the report is similarly ambiguous The best hard statistic a total of 71 companies reported, accounting for over 90% of jobs in German subsidiaries

Thus, on industrial relations, "none of the companies rejects co-operation with black trade unions, should the workforce express this wish to management Some explicitly stressed their positive attitude to black trade unions " One company had recognised a black trade union, one reported it was negotiating towards recognition, "others" that black trade unionists were members of their liaison committees And 29 companies (over 91% of jobs) said they had liaison or works committees which either meet regularly or to discuss specific issues "

Only six companies had any migrant labour These firms said they helped their migrants with housing problems, transport and trouble-shooting with the authorities

On *pay policy*, the evaluators do not specify what baseline is used — household subsistence level? minimum living standards? single? family? — so it is impossible to know whether the statistics are as impressive as they sound In 15 companies (60% of jobs reported) the minimum wages are reported to have reached the "plus 50% ' requirement on the MLL Another 11 companies (20% of jobs) said their minimums were above (or "far above") the MLL, but below the plus 50% clause Nearly all companies stated expressly their pay policy was not racially biased, but based on qualifications and performance

Several of the companies, which do not meet the Code's pay requirement, stressed that they concentrated on improving the skills of their black workers in order to narrow the black/white wage gap One company reported it had made a decision against investment rationalisation in favour of providing as many black workers as possible, including unskilled ones, with a secure job "and job security as a goal is not reconcileable with the immediate raising of minimum wages for all workers to 50% above the MLL '

Under *wage structure and advancement*, most firms "stress their positive attitude towards skills training for blacks, not least out of self interest to eliminate the existing labour shortage " Companies said the accent of training possibilities is on "a form of basic training, and point to the differences in the starting positions of black and white employees, such as schooling and life style, which led to differences in performance, with the result that black employees, until now, are predominantly employed in lower grades " Sixteen companies (62% of jobs) declared they pay equally for equal work, while a partly overlapping 15 companies emphasise access to any job depends purely on the ability to do it

In 29 companies training would seem to be mostly on the job, while 23 offer formal courses from literacy to supervisory "In individual cases the possibility for further education exists, including at the parent company " Black shopfloor representatives at Siemens and Volkswagen, who had spent some months in the respective parent companies told the *FM* these periods were 'the best" or "most interesting" part of their training

It is impossibe to make sense of the section on *fringe benefits*, except that a majority (by jobs) appear to provide medical aid and pensions, housing assistance, and educational assistance to children of employees Seven companies (about 30% of jobs) said their canteens were desegregated

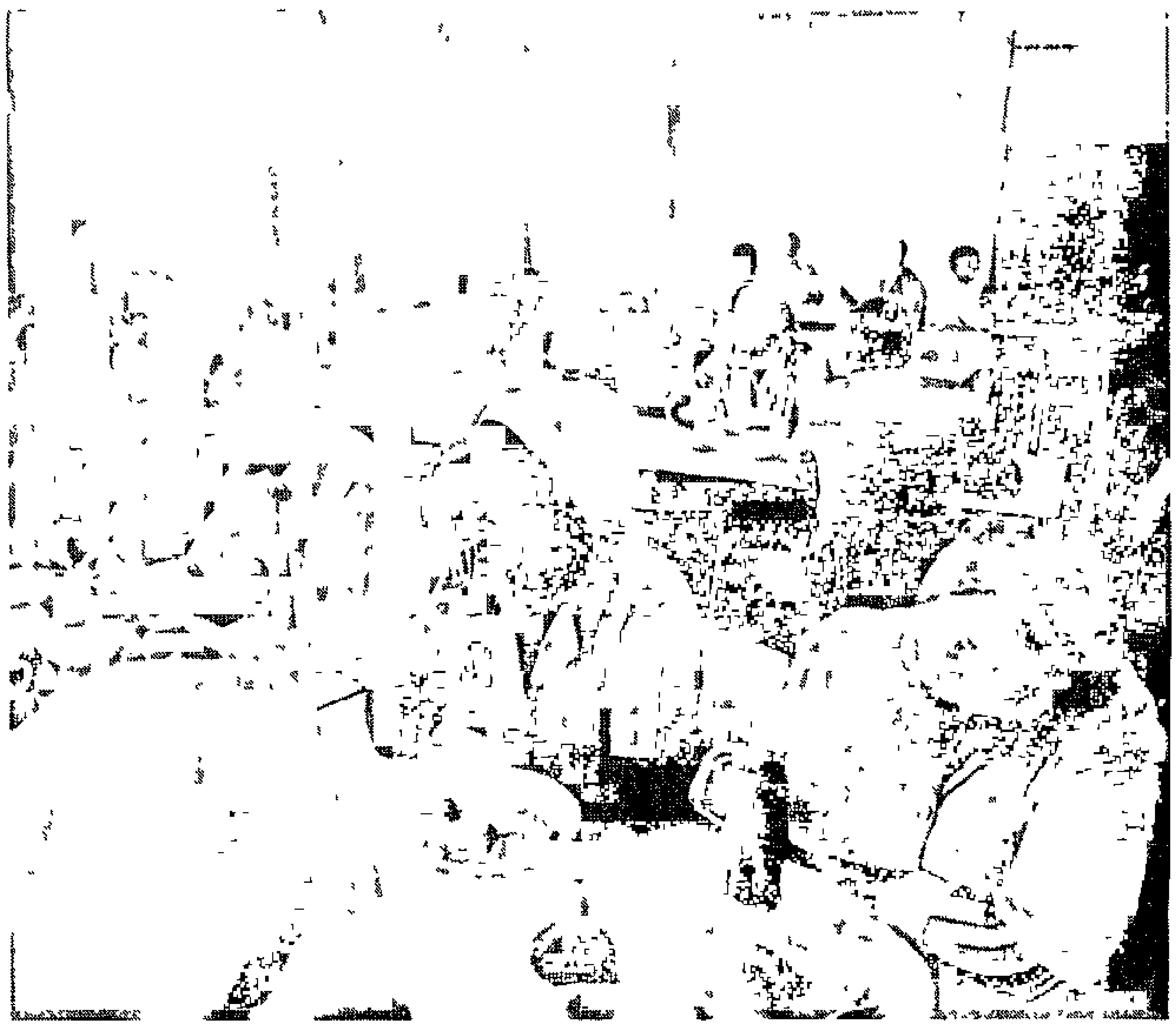
The German government explains that "reports were of varying intensity," and that not all companies expressed a detailed view on each individual clause ' A number of German subsidiaries are and have been among the leaders of labour reform in SA, as well as a positive influence on the Wiehahn Commission So it is doubly regrettable that this format of reporting lays the whole German business community open to suspicion of deliberate fogging, with the good guys submerged among the laggards

These remarks apply equally to UK companies and will apply to Dutch companies soon too — unless the EEC governments choose to change the reporting format And after all, if Sullivan can do it Or is this another demonstration that private enterprise is once again more effective than government control?

whites earning less and some blacks earning more

Lastly, two criticisms of the EEC code from within the foreign business community, which the *FM* endorses The first concerns the code's concentration on "black Africans", when some 20% of employees in *foreign* companies are coloureds and Indians — in the *FM*'s sample of 18 companies, the non-African black component was 25% Sullivan initially made the same mistake, but rectified it in the First Amplification

The second and more serious criticism concerns the requirement that ' the minimum wage should initially exceed by at least 50% of the minimum level required to satisfy the basic needs of an employee and his family' Although the British government's White Paper on the code accepts UNISA s SLL as fulfilling this requirement, local and overseas labour bodies have largely taken this to mean UNISA's MLL plus 50% for a family of six Such a blanket requirement, the equivalent of which is not being achieved in any other non-industrial country, may be a noble long-term global goal It is hardly realistic in a country with some 1,5m unemployed, virtually all unskilled, and where no such requirement pertains to the local competition



There are already worrying results An increasing number of foreign companies are farming out their cleaning services so as to remove the lowest wage earners from the payroll — the contractor may and often does, pay his labour rather less than the R160-R170 pm the foreign employer paid Also, many foreign companies take care to select school-leavers or single females for the lowest paid jobs, in preference to somebody with five kids who might be frantic for a job at *any* pay (Shell is a rare company with a "contractors policy ' that stipulates the latter too, must apply fair labour practices)

Warns SA Philips chairman, Jan Timmer "We live in a competitive environment and there's no denying economic realities The danger of pushing up labour costs without an accompanying increase in productivity may force managements to pay more to fewer people — it's already happening Much better for overseas pressure groups to focus their attention on training ' Philips' rockbottom wage, cleaners included, meets the 50% requirement on top of the UNISA MLL for single males and females in the various geographic regions

There is also the example of the motor industry Until a few months ago, foreign company minimum wages, particularly those of the Volkswagen Ford and General Motors triumvirate in Port Elizabeth-Uitenhage were up to 40% higher than those of local companies including that of Anglo American s Sigma The motor industry as a whole lost some R85m in the last four years most of it by the foreigners And the latter were also forced to lay off proportionately more workers, or work short than their local counterparts

In SA industry as a whole, purely economic pressures of a skills-starved economy will in the end determine the precise pace and volume of training — and the rate at which pay scales increase for the newly skilled coming onstream in the next few years

But no objective observer can deny the important role of the foreign codes as accelerating catalysts, and their value in focusing attention on black management development for which as yet no hard *immediate* economic pressure exists

Protecting tomorrow's markets

Why do we do it? Ploughing the ground and sowing the seeds for tomorrow, when our workforce will look quite different from today's. It's just common sense. In the Western developed countries, populations and hence markets are shrinking. The Third World is burgeoning in both numbers and infrastructure. In our small way we are trying to influence the growth of the Third World component amid the population of this country. We need people to sell to and we intend to stay here — Lou Wilking, Chief Executive, General Motors SA

An awful lot of management time is spent on just explaining where we are at with upgrading, and one gets a bit defensive. Because no matter what one is doing one is being criticised. The reason is partly the massive backlog, partly ignorance, and partly distrust — Derek Jacobs, Managing Director, Metalbox SA

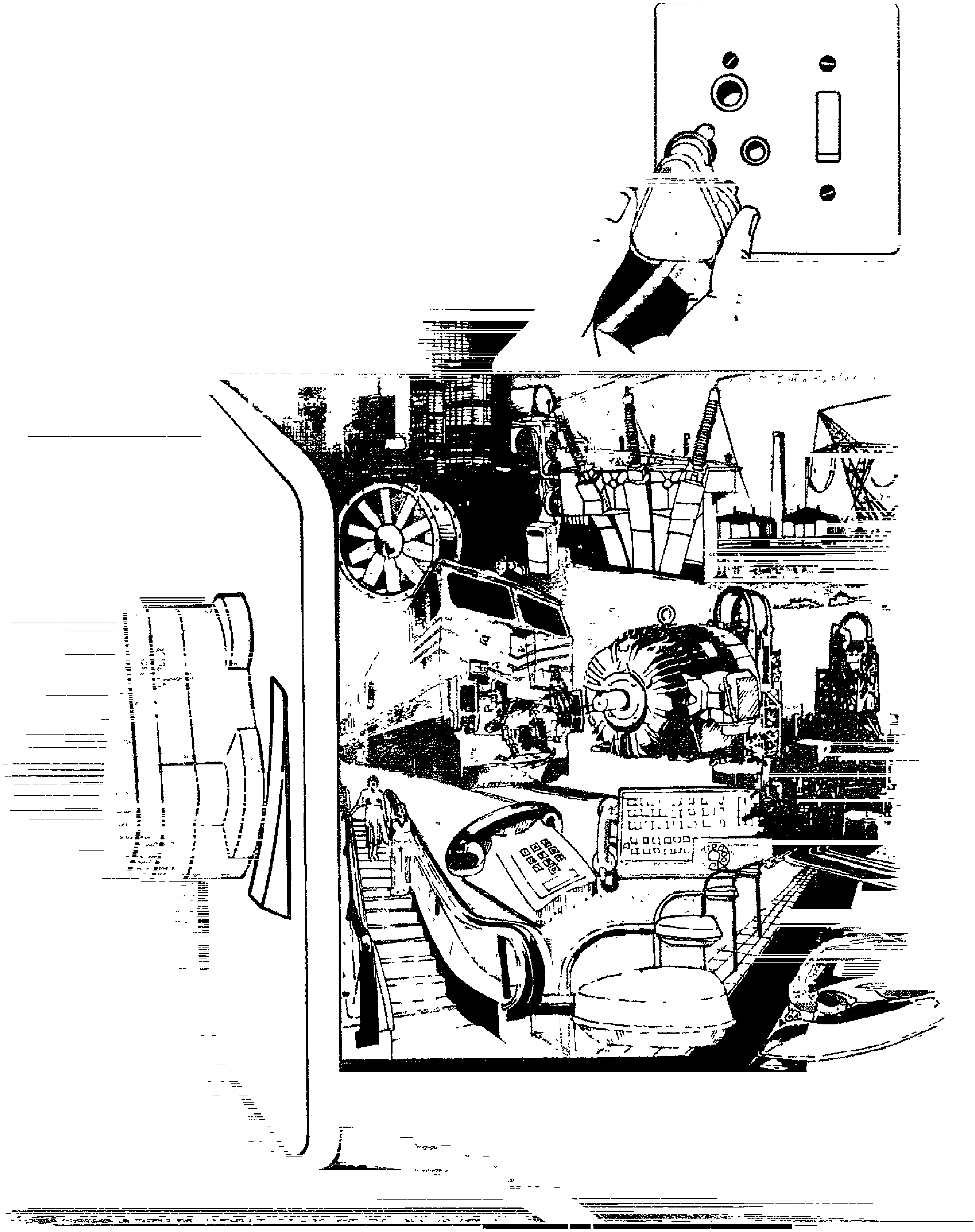
It would be churlish to add "and lack of foresight" to Jacobs' list of reasons. That applies to SA business as a whole and it would surely be unfair to single out the transnationals. Especially since most of them are trying hard to make up for lost time, often using a more structured approach to reach their objective than their domestic counterparts. Besides, a number of TNCs active in SA could rightly claim to have applied foresight ahead of the locals.

Until the early Seventies, "transnational" or multinational really meant US and, to a lesser extent, UK companies in the public mind. This wasn't quite correct, since Dutch giants like Philips (which today generates 10% of the Netherland's GNP) or Swiss giants like Roche (which today is the biggest pharmaceutical company in the US) had also started to spread their wings long before the Second World War. After the war, German, French and Japanese companies joined them in large numbers, with other Europeans following suit.

This development is roughly reflected in the chronological establishment of TNCs in SA, except that for historical reasons the British pipped the Americans. Thus the first wave of corporate foreigners were UK companies arriving at the turn of the century. The accent was on capital equipment for the mines, but some consumer goods manufacturers got in early too. Unilever, for instance, established its first plant in 1911 in Durban, with William Lever showing exceptional vision by buying a parcel of newly-reclaimed waterfront large enough to have accommodated the company's main manufacturing activity to this day.

In the Twenties and early Thirties most of the US companies now active here, arrived. Exceptions include IBM, which only established itself in the Fifties locally — along with most other data-processing companies — and Mobil, which has been in SA since 1897. More typical was General Motors, which sited its first, and all subsequent plants in Port Elizabeth, in 1926. The company responded geographically to a request (and no doubt advantageous terms) of the SA government which was trying to alleviate the then heavy white unemployment in that area.

In subsequent years a sprinkling of Continental European companies put down roots, especially Dutch firms. But the next big contingent to settle were the Germans — from the mid Fifties onwards — and, to a lesser extent Swiss, Dutch, Italian and Scandinavian companies with the French opting in the main for agency representation. The Japanese also opened

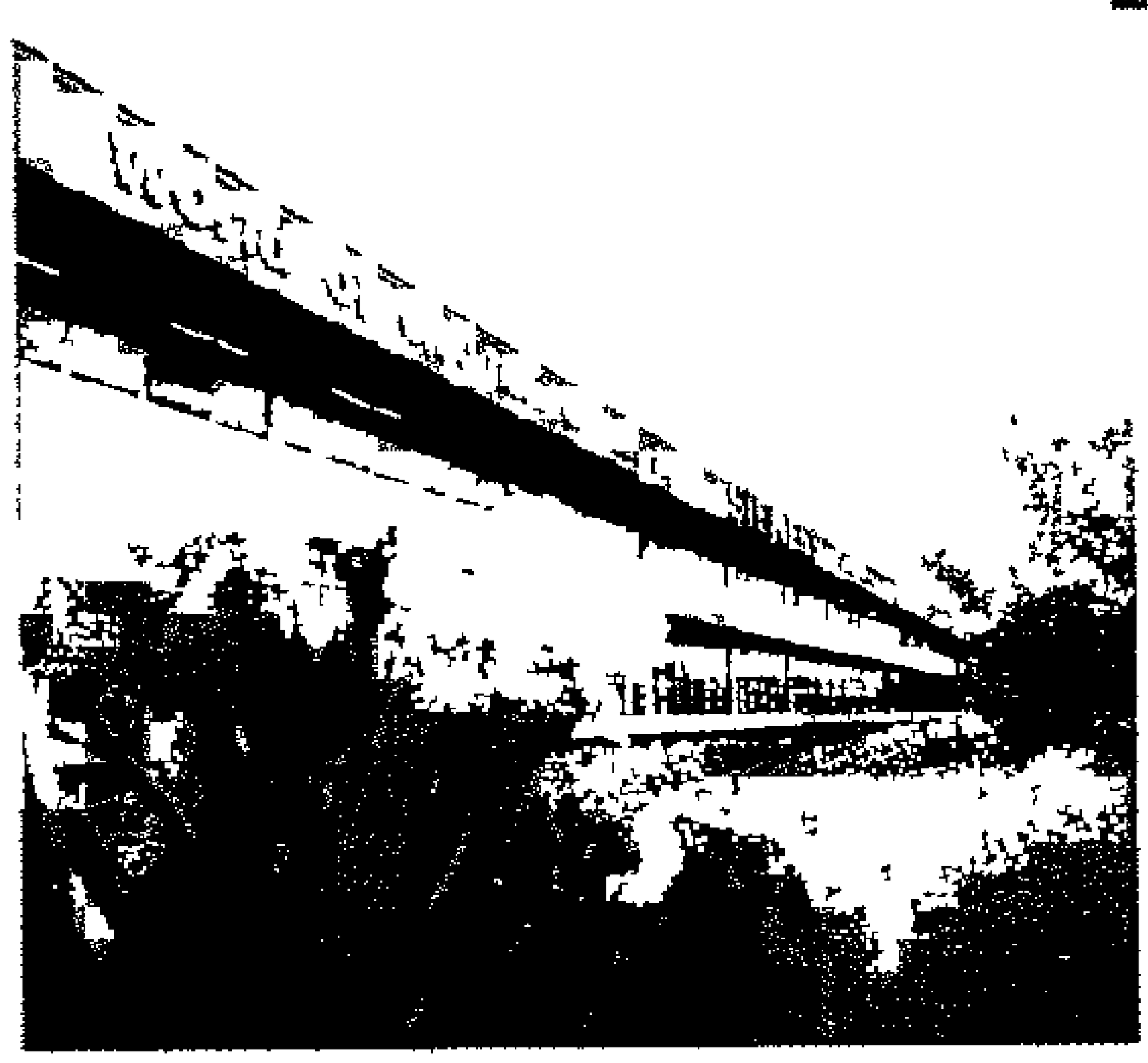


SIEMENS

A local company... experience.

If you think of us as a German company, you're only half right We're as much a South African company, and a vital part of Siemens worldwide 48% of the share capital is held by the Industrial Development Corporation, Federale Volksbeleggings and General Mining & Finance Corporation. The company's turnover of R227 million is based on 80% local content and is proof of the success of our policy of permanent training and advancement of staff. This local content is an area of great achievement Remarkable strides have been made by all eight of our manufacturing facilities They are supported by locally handled functions such as research and development, engineering, marketing, installation, commissioning, maintenance and administration.
So when you do business with Siemens in South Africa you not only get access to international technology, the experience of Siemens worldwide and the reassurance of the highest quality standards You also get the advantages of dealing with a company totally committed to and permanently rooted in South Africa

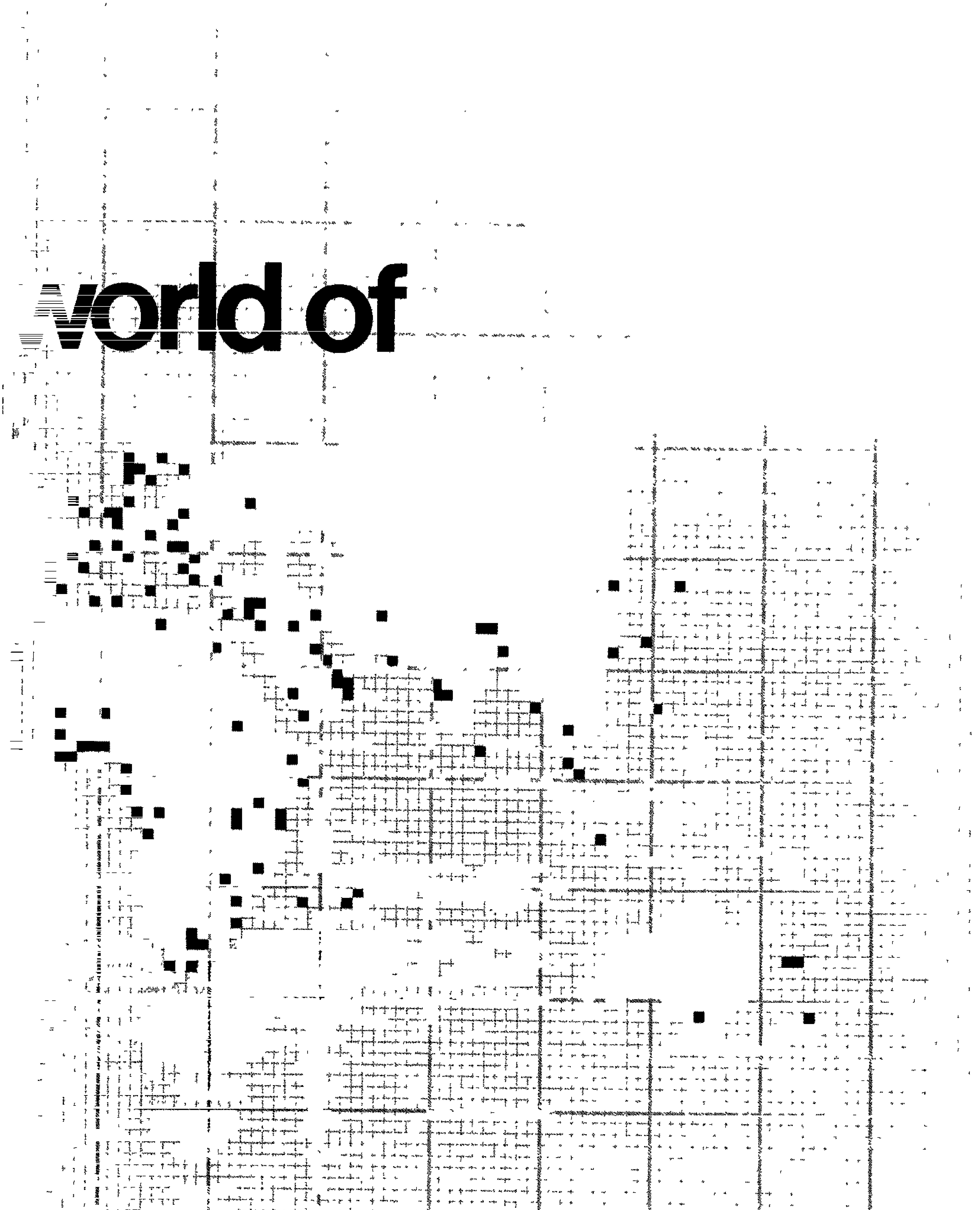
Siemens Limited
Head Office· P O. Box 4583, Johannesburg 2000.
Telephone 715-9111



Siemens. International knowhow for Southern Africa

Siemens in South Africa 52% Overseas capital 48% Local capital – equal shareholding Federale Group (16%), Industrial Development Corporation (16%) and General Mining & Finance Corporation (16%) Foremost in labour relations and conditions Telecommunications Power Engineering Telegraph and Signalling Systems Electrical Installations Data and Information Systems Medical Engineering Components Superior quality products 6 500 Staff members 80% in manufacture, installation, commissioning and maintenance Eight manufacturing facilities Turnover of R227 million Local content 80% 100% Ownership in Siemens Cables (Pty) Ltd and South African Technical Industries (Pty) Ltd Representation for Kraftwerk Union Aktiengesellschaft and Transformatoren Union Aktiengesellschaft

world of



84736/e/80/Rev LS-FCS

"One of the astonishing things about the 305 is how well it handles... always beautifully balanced, its reflexes always correct and predictable."

L J K Setright (British) Car Magazine

Peugeot ... roadability

L J K. Setright, doyen of British motoring writers, is not a man given to overstatement So when he calls the Peugeot 305's handling 'astonishing', you know it has to be exceptional indeed

However, when you take into account Peugeot's background, it would be rather surprising if the 305 didn't have superior roadholding After all Peugeot won the world's first recorded motor race back in 1894 And we've been constantly testing and improving our suspension systems ever since

Today, the 305 has a highly refined and advanced 4-wheel independent suspension that affords superlative road grip, yet is supple enough to soak up the worst bumps with ease

The 305 also has road-hugging front-wheel drive, the 'new' idea sweeping today's automotive world As the first Peugeot with front-wheel drive appeared in the year 1900, you can appreciate that we've had the time to refine our system to perfection In the 305, it's combined with an additional safety factor- an extra-long wheelbase that adds significantly to directional stability

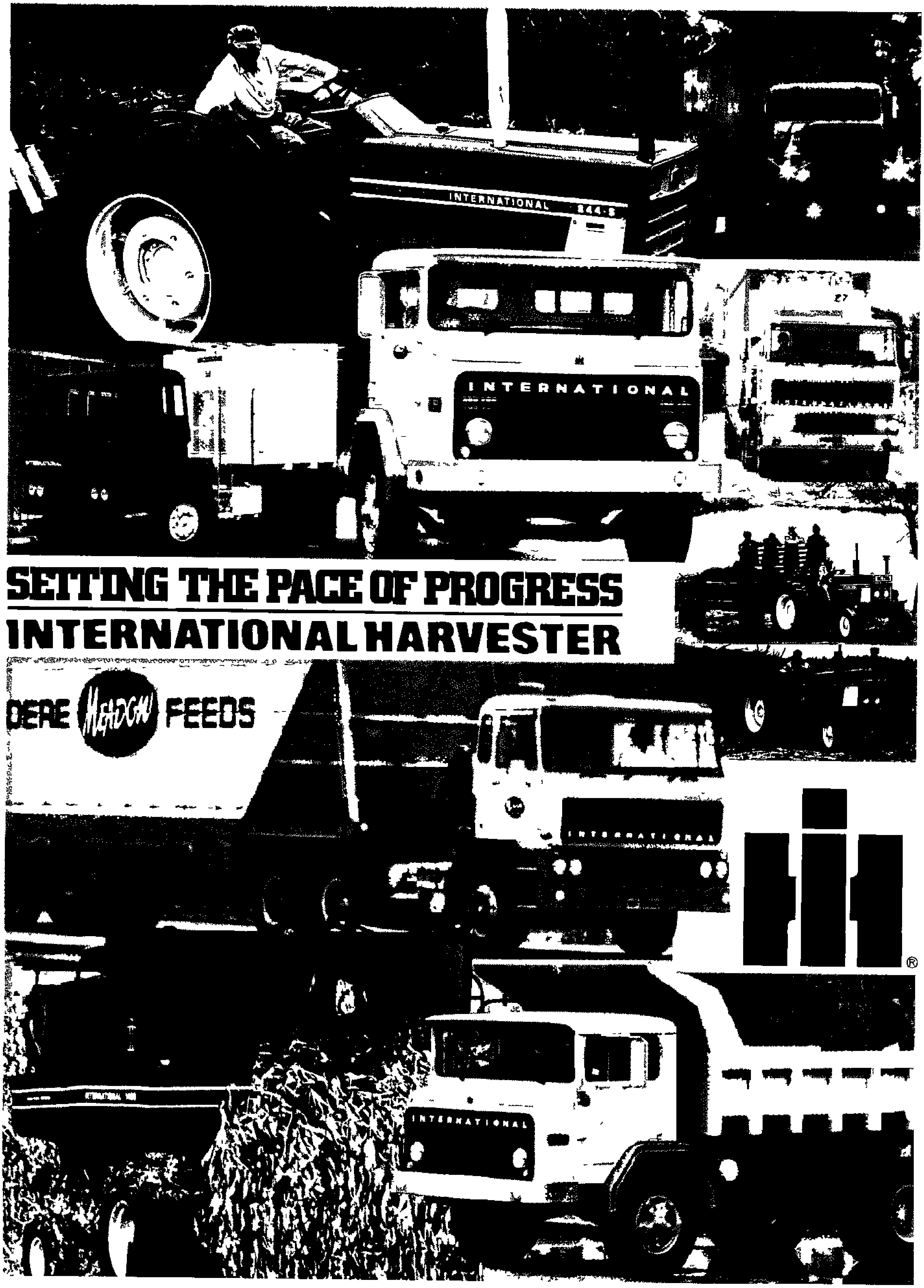
The outcome is what Peugeot engineers call 'roadability' – a unique blend of grip, balance, stability, safety and sheer driving zest Which, come to think of it, is pretty much what Mr Setright himself feels about the 305

Now that you've read his comments, come in to your Sigma-Peugeot dealer And put the 305's handling to the test yourself

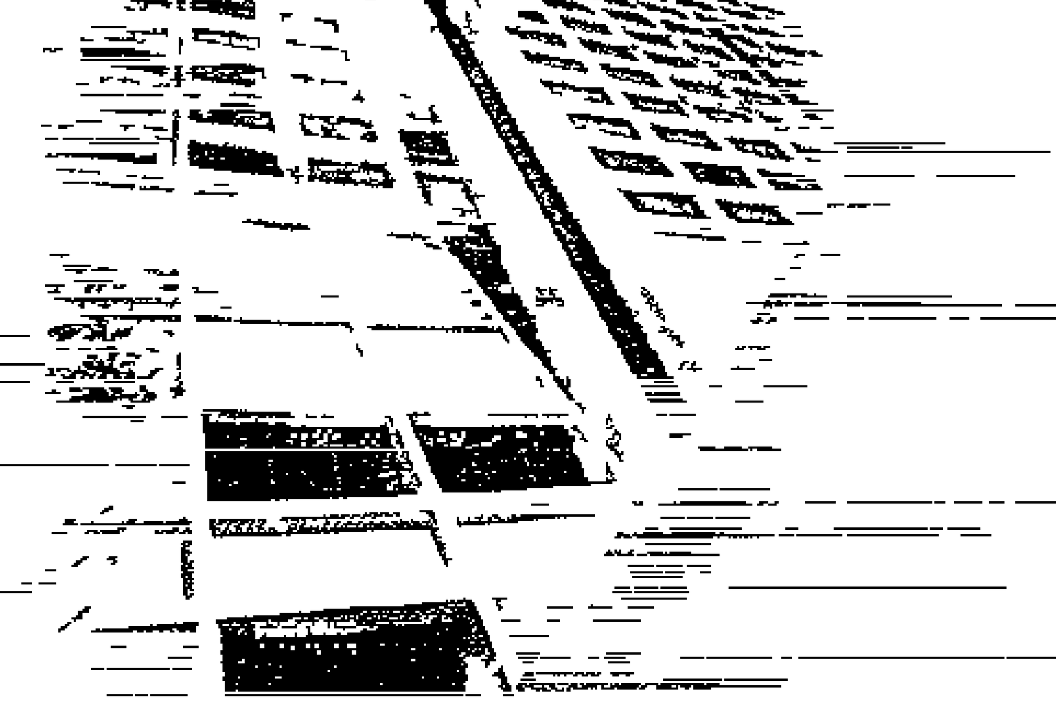
305

THE NEW PEUGEOT

SIGMA


INTERNATIONAL 844-S
INTERNATIONAL
SETTING THE PACE OF PROGRESS
INTERNATIONAL HARVESTER
FEEDS
INTERNATIONAL
INTERNATIONAL

ou can coun
the 5-star hotels
in Durban
on one finger



required for 5-star status

Siemens' Wentges . . . local labour an incentive

trading houses, but lately are said to have become more directly involved through third party (mainly US) investments

Which nationality holds precisely what percentage — and how much in money terms — is virtually impossible to establish The CTC in New York has been trying hard to get precise information, but has to work with estimates like everybody else In the absence of available official information, the dichotomy lies in direct investment on the one hand, and fixed assets current assets or market capitalisation, on the other The most frequently quoted figure for *direct* foreign investment is R11,5 billion, but this is a 1975 estimate

Professor Joseph Poolman of RAU gives the following percentage split for direct foreign private sector investment in 1977

EEC	62%
North & South America	25%
Rest of Europe	8%
Africa	2,4
Asia	1,3%
Oceania	0,7%
Other	0,6%

The CTC's 1979 report on TNC activity in SA states that investment from the UK, the US and the Federal Republic of Germany accounts for over three quarters of the total direct investment in SA, with a percentage split of 50%, 20% and 7%, respectively, based on 1976 estimates With the growth of US and German investments in recent years, these percentages are likely to be changed In any case, Germany's 7% probably excludes Siemens, the SA holdings of which are registered in Switzerland

A 1978 report by the ICFTU (International Confederation of Free Trade Unions) entitled *Investment in Apartheid* shows the foreign company contingent up by 260 between 1974-78, from 1 623 to 1 883 The CTC report gives a string of increases by nationalities, all based, incidentally, on *FM* reports

At the 17th sitting of the ILO s 65th session in Geneva last year, the USSR government delegate, Mr Lissov, told fellow delegates that there are 630 British, 494 American, 132 West German and 85 French firms operating in SA

' The investments of Western countries in the SA economy amount to over $20 billion This foreign capital controls 87% of the productive capacity of the private sector in SA," he said Since this would leave about 3% of productive capacity control for *all other* domestic companies outside the Anglo American group, this percentage is patent nonsense

For practical political purposes — like leverage against SA — existing direct investment is in any case quite meaningless Disinvestment is a non-starter, since it would mean handing SA all these lovely companies on a platter, while the capital investment has in most instances been written off decades ago

Fixed current assets is a more meaningful yardstick by which to gauge foreign involvement, since — in the absence of unduly stringent restrictions on profit remittance — it reflects faith in the SA economy *That* figure is likely to be rather higher than Mr Lissov's $20 billion, although a number of the biggest European TNCs have in recent years expanded by taking in domestic partners, including Siemens, GEC (UK) and Metalbox (At least one Volkswagen, went the opposite route by acquiring 100% control in 1974)

From when they set up shop in SA in the early decades of the century until well into the Fifties, most foreign companies fell into the classic TNC mould Their plants were generally little more than assembly workshops for the parent's products and their managements well down to middle management studded with expatriates They had scant or no R&D facilities but operated on high priced technology agreements with the parent and they remitted out all surplus cash The parent kept tight decision-making control on anything from capex (naturally) to senior staff appointments

Today the picture is dramatically different Average local content, including in industries where no such government requirement exists, is around 60% Expatriates have become very much a management minority and have even declined among chief executives In the 18 companies researched for this survey, for instance, nine chief executives, including six from 100% TNCs, were South African, with two of the remaining nine expatriates

GM's Wilking . . . sowing the seeds for tomorrow

nationals of countries other than the TNC's home base — a New Zealander and an Englishman, respectively, in a British and German company

Few TNCs remit surplus cash these days, not only to avoid running short of investment funds in case the home country government puts the screws on new investment, but also because parent companies consider SA one of the best investment countries around today Most big TNCs have extensive R&D facilities today, used mainly for local adaptations, but some producing original developments To the *FM*'s knowledge, at least one company — Metalbox — has started charging the parent for the local technology that flows back

Says Jacobs "We have to deal quite gently on that, but they are getting reconciled to the fact that other people also come up with new things now and then, and the interchange helps to cut down costly duplication in applied research, which is a group objective worldwide '

Technology agreements themselves, which were once a prime TNC vehicle for siphoning off cash, appear to have come to realistic levels The MD of one of the smallest companies in the sample — R35m sales last year — indicates the trend may even have gone overboard the other way Until recently, the company paid R20 000 a year for a package deal of technology, access to a variety of technical services and a commodity intelligence service that is vital in the industry concerned The price has now been upped to R50 000, being phased in over a number of years "The intelligence service alone is worth at least R150 000 to me," says the MD "For the whole package 0,5% of my turnover would still make business sense"

The extent of local autonomy, however, still varies considerably On the whole, central control is much tighter among US companies, which also tend to preserve 100% ownership (IBM and Coca Cola quit India rather than allow *any* local participation) In some US companies, any capital expenditure or community contribution from R50 000 up, *even after* it has in principle been signed off in the budget, has to get the formal okay from the head office vice president in charge

With the Europeans, once the budget has been approved, spending it is the local subsidiary's concern and the limits for extra budgetary amounts, for which approval has to be sought, are also on average higher than those for US companies Most of the big German and Dutch TNCs have no formal procedure on extra budgetary expenditure, but operate by feel

"The top people in the organisation internationally know each other and know intuitively when it is necessary or politic to consult" says Philips' Jan Timmer "We know what is and what isn't elegant in the atmosphere we work in I would spoil my relationship with people I might need on other occasions if I didn't consult with them And if *you* want to be involved in things then you must not withhold involvement from others"

Local content of capital goods in non-prescribed industries increased not least because all government agencies give premium points in tenders to local manufacture With hindsight, this "gentle persuasion" has turned out especially beneficial for the Germans As Siemens' chief executive Wilfried Wentges explained in March "If we had not pursued local content vigorously, we would be in a real mess now because of the changes in the DM exchange rate Not so long ago the DM stood at 5,60 to the rand, now it is 2,10 But," he adds, "by nature our operation is more favourable for local content than others ITT, STC, GEC have all made tremendous progress With us, electrical motor manufacturing, high and low tension, is virtually 100% local content The trend now is to go into heavier manufacturing also Availability of labour is another incentive for increased local content

Unilever chairman Alex Bury gives another reason why it is smart to buy local ("provided local industry is not *too* far out of line pricewise") even in the absence of either government inducements or exchange rate yo-yos "Keeping in mind the remote possibility of an embargo against SA, we will obviously be on a much better wicket if we rely on local suppliers than a competitor who may import So it's an insurance policy too"

Bury also makes the point that foreign investors are not worried about losing their assets in SA "If they are worried, they worry about losing the potential *earnings* of those assets in the longer term" — tomorrow's markets Which brings us back to the opening quote of General Motors' Wilking, about shrinking opportunities in industrial countries and the need for ploughing the ground to have a local market — and to be *acceptable* to that market — in 10 and 15 years' time

One way big-TNC chief executives try to ensure acceptability is by keeping antennae tuned to the urban black leadership and a few carefully selected rural area (homeland) leaders

The other, more tangible, way, in the ploughing and sowing sense, is to develop training and development, upgrading and pay, and fringe benefits within their companies, and by involving themselves in the uplifting of the community at large Some do it better than others, as the following close up on practices in a cross section of companies shows

Metalbox's Jacobs . dealing gently on charging the parent

A matter of training

Among the 18 companies in the sample, AEG, Cadbury and Fulmen Africa — the three smallest, with about 500, 1 000 and 250 employees respectively — have no or minimal formal training facilities The biggest, Metalbox, which has 18 plants and just over 9 000 employees, has in-plant training centres in Cape Town, Durban, Rosslyn and Vanderbijlpark, plus an off-the-job one in Port Elizabeth The *FM* did not visit any of Metalbox's centres, but they look well equipped from photographs BMW, Ford, General Motors and Siemens all have superb in-plant training centres comparable with the best anywhere, with Volkswagen's almost as good IBM uses Chamdor extensively, which it helped to make the excellent institution it is today both through direct finance and by seconding a top staffer (principal Joos Lemmer)

Oil companies BP, Caltex, Mobil and Shell, whose employees are scattered all over the country, also make use of outside venues, where employees are brought together for periodic training courses, apart from training centres at the respective refineries Of the remaining companies, Hoechst's training set- up was not visited but was described as being in the top league, while those at GEC, Philips and Unilever range from adequate to good, depending on the location

Before giving samples of their training activities, it must be stressed that one isn't comparing apples with apples The difference in turnover between the biggest of the three smallest companies and the smallest, by turnover, of the big companies, was over R100m In the labour intensive industries, among the biggies the turnover range was from R160m to R400m, with a (not corresponding) staff

complement from 1 600 to just over 9 000 Hoechst with a staff of about 1 000 and a turnover in excess of R300m, is in a class by itself So is IBM, because its minimum entry qualification is matric and it has the highest proportion of whites and a high proportion of blacks are graduates Then there are the oil companies most capital intensive of all in the sample and also best equipped financially to pursue corporate excellence

The motor industry has been in the doldrums from 1975 until late in 1979, with the exception of Volkswagen which began to move ahead of the others with the introduction of the Golf and ended up with a record sales year

Siemens reported its best results ever for 1979 and IBM couldn't have done badly either Except for Unilever, all the others said they had just emerged from several years running at spare capacity

These differences are to some extent reflected in the quality and intensity of training programmes and in the calibre and size of their respective Industrial Relations/Personnel departments Although one has to qualify that immediately in that the two companies worst hit by the past recession, Ford and General Motors, have IR directorates comparable with the best in the country and both have probably done more formal shopfloor training than any other companies their size, despite multi-million rand losses

All IR/personnel directors and training managers highlighted the dearth of trainable material This is usually discounted by labour observers, and certainly by blacks, as an excuse to keep blacks out — a rather *verkramp* and totally unproductive attitude under the circumstances Qualitatively defective education is, at present, the biggest stumbling block to black advancement A 'black and a white' matric are *not* the same Nor is a black graduate from a black university, on average, comparable to a white or non-white graduate In this case not because of an inferior degree but because of cultural differences which have been reinforced at university

Moreover the vast majority of incumbent black workers consists of people with education levels of Std 6 at best, the broad mass at Std 4 and below

So what one is looking for is the spirit — and the measures — with which these handicaps are tackled If a personnel manager professes that all jobs are open to everybody and promotion is strictly on merit but no blacks have penetrated into the higher wage and, at least, lower salary grades, there can be only two reasons either lip service only is paid to training and upgrading or training has started too recently to have produced results

By that yardstick, all companies in the sample take their training seriously, since all have blacks in positions of responsibility on the shopfloor, and at least a sprin-

kling in the offices But several of the companies have started systematic training and upgrading during the last two years only, at least one of the big companies still has no development programme for salaried grades and the majority introduced targets into their training programmes only last year

Those who really mean business have started "booster," or special, courses to help black employees over their educational gaps These range from adult education in company time or after hours, through pre-technicians courses for matriculants and extra tuition for apprentices, to intensive classroom instruction periods of three to four weeks to accelerate a black trainee s normal training One company has taken a group of blacks into full-time foreman s training off the job

In addition, all companies offer financial assistance to any employee willing to improve him- or herself through study, be it literacy or post-graduate studies But the extent to which this benefit is publicised within the companies seems to vary The attitude of one chairman was revealing in this regard He said "I will help anybody who wants to help himself, gladly But I ll be damned if I will take a black by the hand and push him into learning I don't do that with whites either On the other hand – this is an area fraught with so many potential pitfalls one has to qualify almost every statement – managers who complain that our blacks aren't interested in improving themselves may have a point too In several companies, workers told the *FM* they were not interested in swotting for higher educational qualifications *unless* they were guaranteed a higher grade job before they started

Fred Sauls, Secretary of the National

Union of Motor Assembly and Rubber Workers, says *all* training must be on that basis "The guys aren't interested in embarking on three years' training and then finding there are no positions We aren't interested in training for training's sake "

From now on it should be fairly easy to give such guarantees Until the end of last year, most companies either had to lay off workers or work short Guaranteeing jobs was obviously not on

In all the companies with in-plant training centres all courses – except the special boosters for blacks - are mixed At General Motors, Ford, Metalbox, Volkswagen Shell (refinery), Mobil, Philips BMW and Siemens this includes African apprentices, who, in these companies, have been trained for several years along with the other race groups Their theoretical training was provided in-house by special tutors, partly through the co-operation of the Department of Training and Development At the time of our plant visits in February and March, only Siemens had its apprentices indentured The

' The quickest way to the foreign exchange market is via outer space.

At Nedbank our satellite link-up to the world's foreign exchange capitals means instantaneous forward or spot rates.

But we don't believe that's the only reason for coming to Nedbank.

What's even more important is the view we take of the market.

How far forward to cover.

What movements to expect.

And what effect fluctuating interest rates will have on you as a customer.

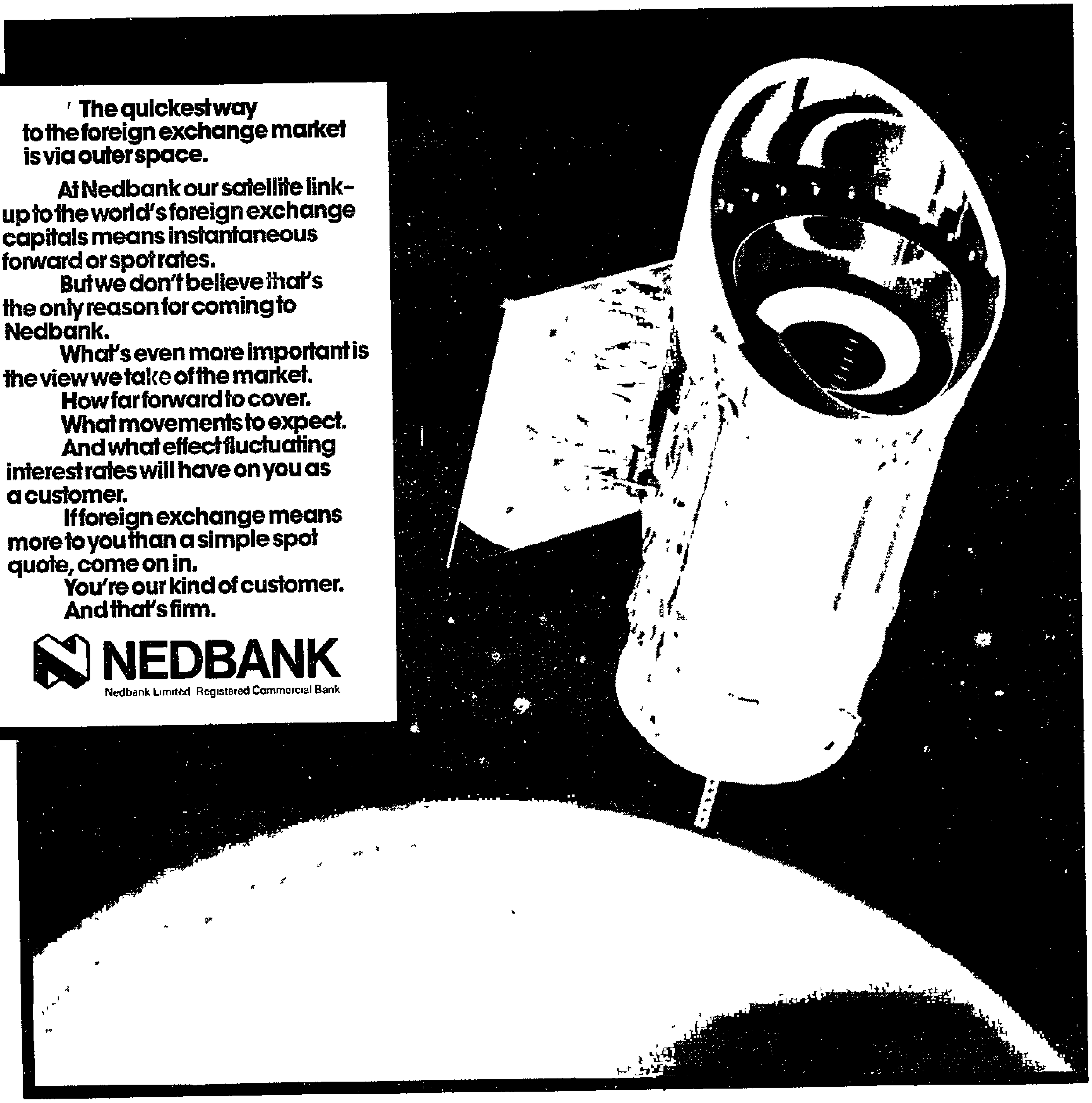
If foreign exchange means more to you than a simple spot quote, come on in.

You're our kind of customer.

And that's firm.

NEDBANK

Nedbank Limited Registered Commercial Bank



As a matter of interest: We can tell you how similar-looking foreign transactions can be affected by very dissimilar rules. We construct individual financial solutions for the various and particular situations confronting our importer and exporter clients. Your local Nedbank Manager is in direct computer link with our dealing room. Contact him.

GREY-PHILLIPS BUNTON MUNDEL & BLAKE 63868 others were confident they would get approval for theirs too General Motors already has qualified black artisans ("and we pay them the rate for the job too"), for whom they had arranged the necessary trade tests in one of the homelands

Overall, the four motor companies (BMW, VW, GM and Ford) and the four oil companies (Caltex, Mobil, Shell and BP), along with IBM and Siemens, were way ahead of the rest in the training field This included training programmes, training targetting, training monitoring, the amount of money spent on training and the capital expenditure on training facilities, or, in the case of the oil companies, on moving people around for courses in central locations (Since Hoechst was only partially investigated, it is excluded from comparisons)

At GEC, shop floor training has recently been beefed up by the introduction of a pre-skills course for blacks, and at Philips a senior manager has been appointed to concentrate exclusively on training proceedures

Unilever, which has in fact been training blacks for 25 years, has done much soul searching recently and has introduced more effective monitoring Metalbox held a conference for all plant managements last November at which MD Derek Jacobs (who only took over in 1979) delivered a hard hitting speech on equal opportunities and the skills shortage, and introduced targets for upgrading with monitoring at head office

There were several features distinguishing the top trainers from the rest early economic pressures by way of skills shortages, a strong commitment to affirmative action on the part of top management, pressure from the parent companies and pressure from home country trade unions (in the case of German companies) Any combination of these was quite definitely more pronounced among the top 10 transnationals

In cash and kind

"When one talks about the quality of wages," says Ford's director of industrial relations Fred Ferreira, "one has to bear a couple of things in mind Firstly, there's a predominance of whites in the higher paid skilled positions, for historical reasons, and that can't be changed overnight Secondly, the coloured and Indian people are predominantly in the middle ranks, because they started to move up before the blacks and they continue, on average, to move up faster So when you look at the average hourly wage within a particular grade, you find the whites are getting more than the coloureds and the coloureds more than the blacks — but only within a few cents (per hour)

"However, when you look at the average for *all whites*, it will be considerably higher than that of the other groups " Ferreira, and every other personnel executive interviewed, was at pains to stress that this did *not* mean the company practised pay discrimination "as outsiders and our labour itself always seem to assume " What then about the historical backlog from the bottom end up?

In Ford, the announcement of equal pay goes back to 1971 "In salaried grades we never did discriminate, either by race or sex, so there was no problem there In the wage grades we eliminated the backlog within a couple of years — mechanically, by freezing the top end of each labour grade and lifting the bottom "

With variations on the " two or three years" theme, this holds true for all the TNC s interviewed But the interpretation of what constitutes a backlog and what is justified as a lower wage varies, regarding the extent to which grades are integrated, whether black trade unions are included among the negotiating partners (as they are in the Eastern Cape motor industry) and the skills content, even in the lower grades (as in, notably, the oil industry)

Already in the early Seventies, the (TNC) motor companies applied to gov-

ernment to make Industrial Council agreements apply to "parties and non-parties" — at that stage all agreements officially concerned "employees" only, a definition that has only included blacks since last October

In all but three of the 18 companies researched, the rock-bottom black minimum wage is now above R200 In 12 of them that includes their own cleaners In two of the oil companies, *average* wages in some of the lower grades are higher for blacks than for whites, and several companies have lower rock-bottom entry salaries (not wages) for whites than black minimum wages But the white school-leavers to whom this applies only stay for some three months at that level

Whites who start at the same level as Africans — but not necessarily coloureds and Indians — still move two to three times faster up the scale, and this is likely to remain so for some time, even in companies with vigorous booster programmes Except at the specialist level, black graduates with an aptitude for business can write their own ticket today, and if they skillfully exploit the poaching game can improve their incomes by about R2 000 a year regularly Incumbent black executives in the companies investigated are earning from R16 000 to R28 000 a year and most of them are nowhere near the very top grades

Black wage earners certainly don't believe they are getting equal pay At least not a single one interviewed by the *FM* did This has prompted companies in the labour intensive industries to think hard about introducing the US system of a straight rate for the job, at least for some grades These rates can then be advertised and otherwise publicised on the notice boards Metalbox already publishes its wage structure on the boards, although it has small ranges at the bottom end of the scale and slightly wider ones at the top to accommodate different geographical regions

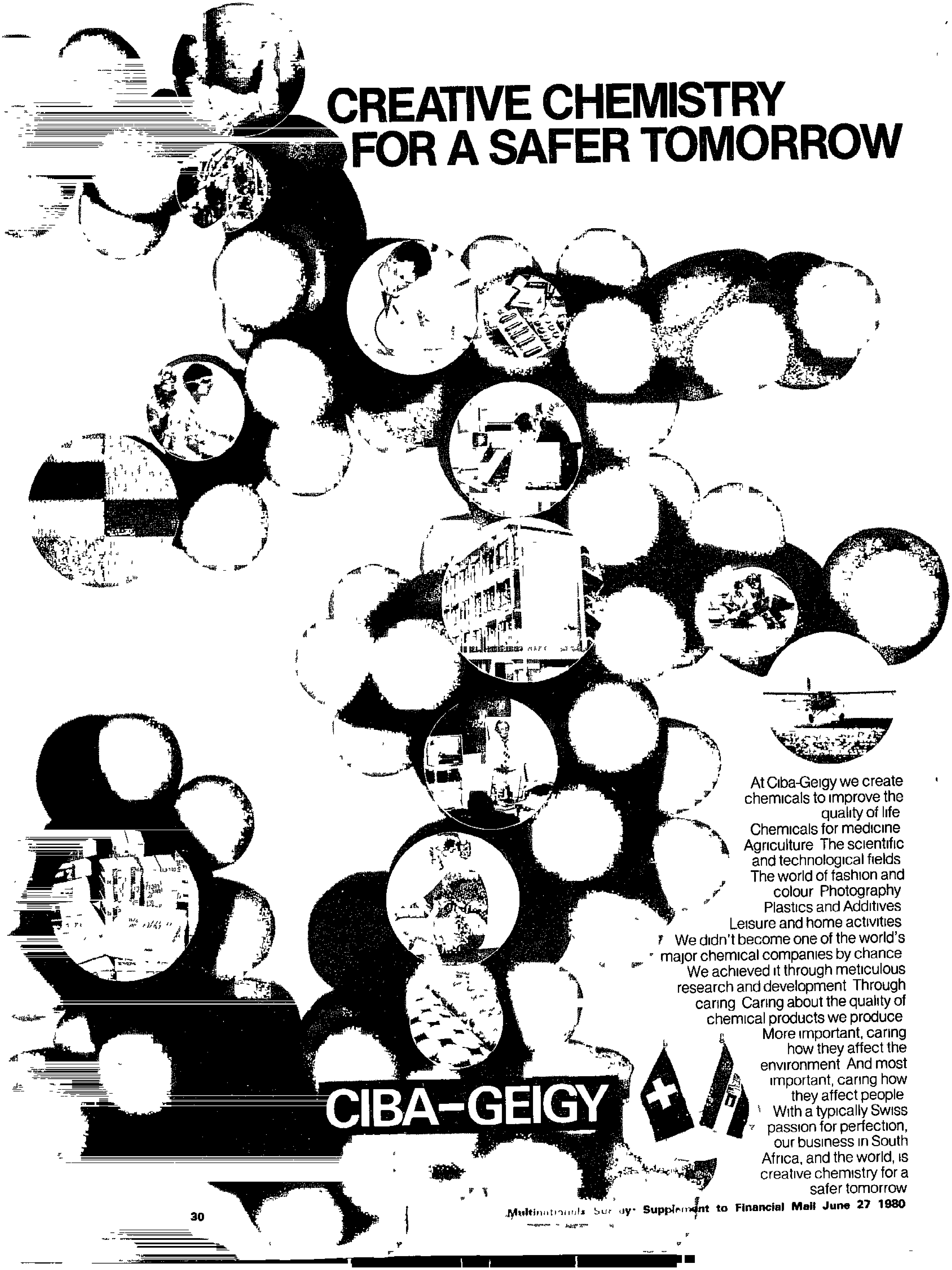
We find it acts as an incentive to motivation," says group personnel consultant Nico van der Walt "Everybody can see what they should get and how near they are to the top of the grade " And it encourages people to complain if they feel they are doing a job that's not in the right category "In a large company it can happen, and we would rather people raise their objections than get bitter and poison the atmosphere ' Metalbox involved employee representatives in the grading procedure when it re-evaluated its jobs last year

All the companies either already offer, or are about to offer, equal fringe benefits for all In some this goes back to the mid-Sixties, although the majority only got there this year Some have difficulty in getting blacks in the wage grades to join the medical aid scheme, so they either make the scheme voluntary for all blacks or compulsory only to salary earners An exception is Siemens, which introduced a non-contributory scheme

Caltex plugged its last unequal hole in fringe benefits 18 months ago, with group life insurance for blacks 'We put it to the vote and got over 90% voluntary participation And because of the high participation, we got an even lower rate than we had already negotiated and everybody was thrilled," says MD Denis Fletcher

For Metalbox, the last benefit to be equalised will be the pension fund This will give the option of different categories of fund For instance, people over 49 and married women may in future opt for lower benefit categories So may blacks The company will match contributions evenly throughout

CREATIVE CHEMISTRY FOR A SAFER TOMORROW



At Ciba-Geigy we create chemicals to improve the quality of life. Chemicals for medicine. Agriculture. The scientific and technological fields. The world of fashion and colour. Photography. Plastics and Additives. Leisure and home activities.

We didn't become one of the world's major chemical companies by chance. We achieved it through meticulous research and development. Through caring. Caring about the quality of chemical products we produce. More important, caring how they affect the environment. And most important, caring how they affect people.

With a typically Swiss passion for perfection, our business in South Africa, and the world, is creative chemistry for a safer tomorrow.

Most companies, including the three small ones, subsidise canteens heavily But Shell has stopped the practise of free meals for blacks "If we pay decent salaries then we must get away from the subsidisation mentality and people must spend their money as they see fit," explains Personnel Director Ken McKenzie When free meals were abolished, blacks had their paypackets increased by the amount saved

Except for the small companies, all offer housing assistance, either through loans at subsidised interest rates, by advancing deposits, or by standing collateral They also offer loans for home improvements Although companies would not admit it, the extent to which use is made of such assistance seems to be in direct relation to the enthusiasm with which it is publicised Big interest-free housing loans are, incidentally, becoming a factor now in the poaching of black

Shell's McKenzie .. no advancement without affirmative action

executives "I wasn't terribly impressed with the R100 a month extra, because my prospects were good with the old company," says a black personnel man "But when they offered me R22 000 interest free for a house, I jumped at it ' In another known case the loan was for R27 000

Where the big companies feel they can, and should, make their biggest contribution with fringe benefits (especially for blacks), is with education assistance, both to employees and their children Almost all declared themselves disappointed with the extent to which employees make use of this facility It may have something to do with the distances blacks travel to and from work, lack of electricity in some areas, and with their not having confidence that extra learning will in the end yield anything

Comments personnel officer Menasse Matau of Philips "I am doing an education audit at the moment to see whom we can advance and who needs extra education And when I analyse the educational levels of some people I agree that they would only frustrate themselves too much in trying to upgrade themselves But they might still complain to somebody else about lack of opportunities

Steady advancement

The usual way of measuring black advancement is by checking companies' senior wage and salary grades for the number of black incumbents Then, finding only a sprinkling of blacks at the more senior levels and, more likely than not, none in the very top salary grades, most observers tend to dismiss any advances as merely cosmetic or at best half-hearted

That's the wrong way to go about it, says Wells Ntuli, labour consultant to the giant Anglo Vaal group, because "progress is a relative thing and I believe it is dangerous in a changing environment to take a snapshot of a given situation "

One should see it as a moving picture, says Ntuli, of which one can say "It started here, now it's there, and this is what happened in between," as opposed to "It's horrible, just look at it "

He says about black advancement "If you look at the moving picture, a lot of progress has been made "

Looking at the moving picture, it was a rare company which had *any* blacks at all five years ago above the middle range of wage grades and the bottom two or three salary grades Since then there's been a steady upward movement Over the next three years, that movement is likely to accelerate substantially

Take Caltex it has one grading system, from one to 10+ The seven to nine range consists of engineers, depot superintendents, sales reps, accountants, artisans and technicians Five years ago there were no blacks from seven up Today, there are 52 in grade seven, 16 in grade eight and four in grade nine The target for 1983 with blacks now in development programmes to reach it, is to have a total of 213 blacks in these grades and four in grade 10+, the first senior management grade

Or take Philips like many other big companies, it has recently re-evaluated all jobs and introduced a new grading scale as a prerequisite for an integrated pay curve Traditionally, the equivalent of the present grades eight to 10 were those in which the majority of whites found their ceiling during their working life — if indeed they got there

Three years ago, these grades were all white Today, 17 blacks have made it into eight to 11 (the top grade being 15), including a marketing manager, personnel officer, internal auditor and several (Indian) engineers During the same timespan, the proportion of blacks working in integrated grades increased from 25% to 47%

BP grades from 13 to one and already had five Africans and nine coloureds and Asians in the seven to nine supervisory grades in 1975 By 1980, their ranks had increased to 14 Africans and 36 coloureds and Asians, while three Africans and one coloured had made it into the 4+ first level of management proper Altogether 294 jobs previously held by whites have been taken over by blacks

Since Unilever's manufacturing techniques are labour intensive, 53% of the total black work force is still in unskilled occupations But in the past five years the unskilled African group went down by 20,3%, that of the semi-skilled increased by 32,4% and the African skilled and supervisory contingent is up by 61,8% Africans in senior supervisory and specialist positions nearly doubled to 74, in management they doubled to 18 incumbents

Moreover, Unilever has a system of twice-yearly salary reviews for those at or near the minimum in a grade, to ensure people don't get stuck at the bottom

Volkswagen used to have a skilled to unskilled wage ratio of 4,8 1 in 1972 At present it is 2,8 1, with the objective of 2,5 1 by June 1981 "When we hit that target, I reckon we will have closed the wage gap says personnel executive Ollie Rademeyer

VW already has 102 Africans and 161 coloureds in the top four wage grades and 53 blacks in salaried positions — two years ago it had only 10 blacks in office jobs "and the spread is getting better too But, says Rademeyer, "the largest number of non-whites is in the factory area and through their eyes and ours this is the area where we have to increase the advancement opportunities They must *see* there are more foremen and supervisors " To accelerate the pace of development, seven blacks are trained as foremen in double quick time (one year) off the job

IBM has only 189 blacks (out of 1 450 employees), but this relatively small group probably comprises the most highly qualified black professionals in the country Therefore, that this contingent went up from 69 in 1972 is in itself significant

More significant is their advance up the organisation chart

IBM has a scale from A to P+. In 1972, the proportion of all blacks in the lowest grade was 43%, today it is 3%. Then it was only 8% who made it into grades D-O, which include programmers, systems engineers, personnel officers and other professionals. Today 45% are in these grades, always keeping in mind that the number of blacks has itself risen by 156%. IBM was one of the few companies which, already in 1972, had blacks in the first level of professional and managerial grades (P+) — 3% then, 7% in 1980.

Still, "most people are looking at the P+ and say this is not good enough" says personnel manager Roly Clark. "But these are very high-level jobs and to expect a faster growth is simply not realistic. We would be getting down to window dressing." To give an idea: in the case of a systems engineer, the standard procedure with whites is to take in a graduate with five to six years' business experience as a trainee and promote him after 18 months into the first qualified level, which is D.

Says Clark: "One can speed this up, but there is a limit."

This point was made over and over again, although different companies find different solutions. "To get into senior management normally takes from 15 to 25 years in the oil industry," says Mobil relations director Berwick Nicol.

However, we are already experiencing shortages of skilled manpower and will find this increasingly in the near future. So we had to create special organisational ladders for blacks to move up faster." Mobil has 35 black supervisors now, will have 50 by the end of the year and "hopefully" 100 by the end of 1981. These are part of a target group set three years ago, creating a new category of management trainee with 40 blacks (predominantly Africans) pulled in from outside.

"We identified the positions, matched people to them, then identified the training and development needs of these people to fill those jobs" explains employee relations manager Danie Le Roux. On the marketing side, whites would normally come in as skilled depot supervisors/managers or salesmen/district sales managers, and move up accordingly. These (white) skills could be bought in — the new management trainee category is going to fill the gap for blacks.

On the refinery side, blacks' upward movement from entry level to process operator (a highly skilled job in the oil industry) is already similar to that of whites, since the first black operators were hired already in 1970.

But these were coloureds and Indians and Mobil, like its competitors Caltex, BP and Shell — who all put the first blacks into skilled jobs in 1970-72 — are now trying to speed up the progress of Africans, who only got in from 1976 onwards. All four took great care in fostering job security among their white employees by assuring them that no white who helps develop a black will lose his job or suffer in any other way.

"The thing I want to make absolutely clear is that, while to upgrade our black employees is certainly one of our most important strategies, I cannot do anything which costs me any of our white labour," says Caltex MD Denis Fletcher. "Because there is no way I can run a refinery and certain other critical divisions *at this stage* without the skills of the white people."

Perceptions about the pace of black advancement naturally differ between blacks and whites. Shell commissioned the Centre for Intergroup Studies early last year to assess employee opinions on a range of subjects. It emerged strongly that many blacks are sceptical about line

managers' commitment to black advancement while whites feel there is discrimination in reverse and the company is doing too much too quickly for blacks Both perceptions are probably right

Explains Ken McKenzie, Shell's director, personnel, services and public affairs "In the initial stages, for every black man you want to promote you can probably find half a dozen better qualified whites So what you have to say to yourself — if you mean business with the upgrading of blacks — is the only way to make this effective is to have an affirmative action programme But it is difficult to handle that without causing resentment in whites, because it is the white middle manager who has to bear the brunt of the development task At the same time, blacks see whites moving ahead faster"

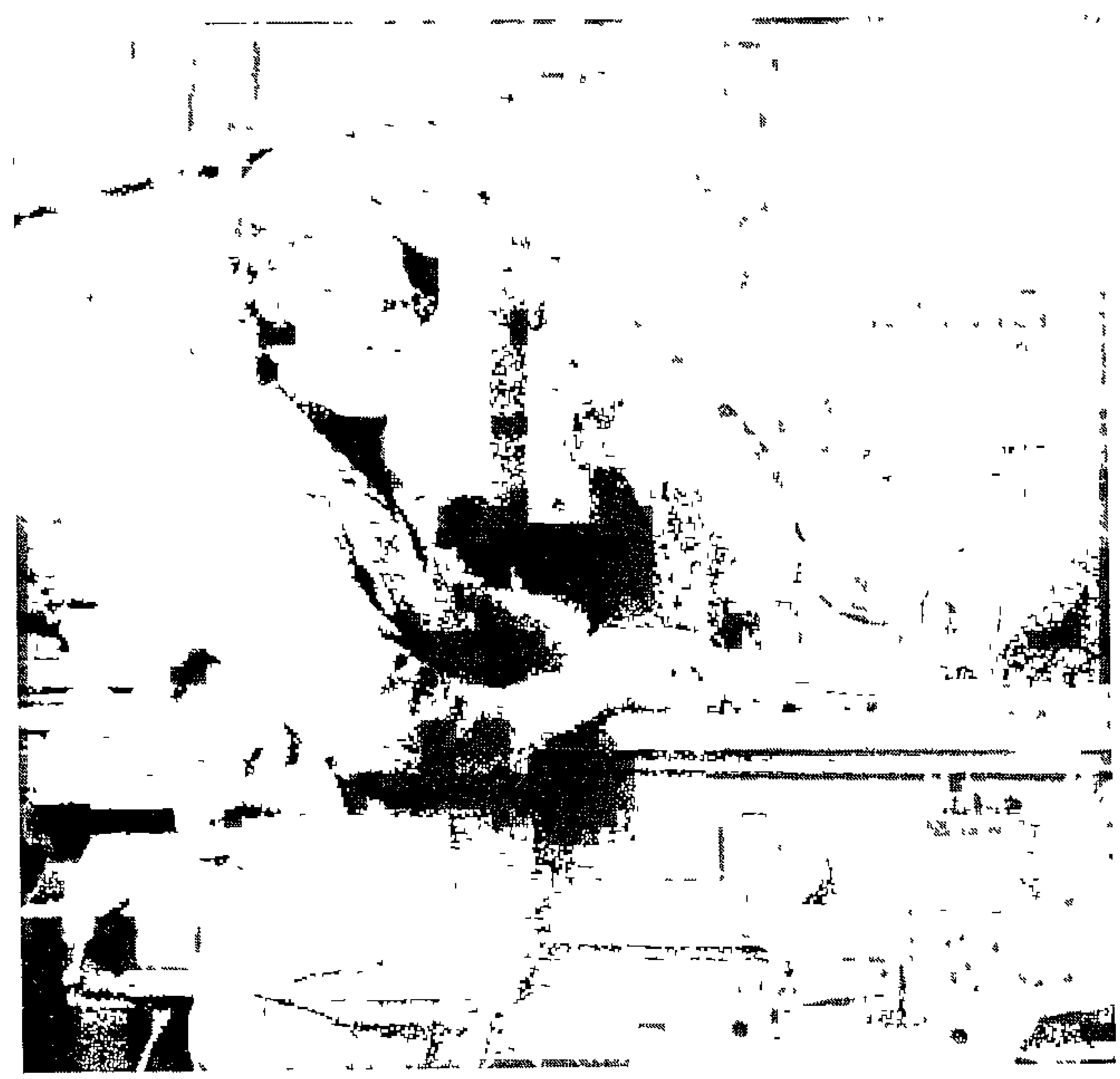
Shell grades from 14 to one with grade four the lowest level of middle management and supervisory levels starting at grade seven At the beginning of this year, it had three Africans and three coloureds in grade 4, and one coloured training for promotion into grade three

The company had a total of 32 blacks in grade seven and above in 1977, then set itself the target for another 50 by 1981, for whom specific jobs were identified At present, there are 68 incumbents, slightly ahead on target But Shell found it necessary to form a special development committee last year, which ensures, *inter alia*, that line managers consider black management development their responsibility, just as they are responsible in the case of whites "Until then, line managers seemed to think they were doing us in personnel a favour" says McKenzie

Where advancement counts most in black perceptions is on the shop floor There the TNCs in the motor industry, which pay the highest minimum and average wages within SA's manufacturing industries have made the biggest contribution often to the detriment, as the Volkswagen example shows of the white-collar area

At General Motors, 21% of coloured and 4% of African employees held semi-skilled jobs in 1972 By 1979, the respective proportions had increased to 47% and 23% The company grades wage levels from one to 12 with 11 being the artisan level and 12, technicians, while 10 is a bridging grade There were neither coloureds nor Africans above grade nine in 1972, today there are 78 coloureds and 9 Africans in grade 10, 34 coloureds and three Africans in grade 11 and one coloured in grade 12 Since May 1976, GM also promoted 670 blacks into the semi-skilled grades "We move people out of the bottom grades as fast as we are able to," says Rod Ironside director of personnel

Ironside and MD Lou Wilking are contemptuous of employers who hide behind the lack of technical government facili-



ties, trade unions and laws as an excuse for not developing blacks "The latest is people saying there are no aptitude tests for blacks When I served my apprenticeship says Ironside, who was previously GM's production manager, there were no aptitude tests either Somebody decided I was mechanically inclined and they made an engineer out of me We took the same approach here and found the aptitudes we wanted

Until recently there was no technical facility in the Port Elizabeth area, where Africans could acquire theoretical technical training GM, Ford and Volkswagen took the view they would provide such training in house if necessary (which they do) but that they also had a vested interest in providing a facility

Ford was the initiator, the three companies also got Firestone and Natcoe involved, raised R6m and built the New Brighton Technical Institute It opened its doors in January The Department of Education and Training, which staffs and runs it now, became so enthusiastic it is now planning 14 more such institutions in the country — another TNC ripple effect

Coloured and black trade unionists described Ford to Institute of Race Relations researchers last August as probably the best employer in the Port Elizabeth-Uitenhage area Since then, the IRR report (which Ford itself commissioned) has slammed the company for anything from pay policy to advancement opportunities and the handling of its social responsibility budget Ford also suffered the series of strikes that have become part of SA management vocabulary as the "Ford watershed because they had little to do with labour affairs

Ford has fewer blacks than GM in top hourly grades -- 29 coloureds in 11 and 12 — but 15% of its supervisory positions are held by blacks and it had 225 Africans and coloureds in high-skills full-time training by March 1980 It also held on to as many people as possible during the critical years from 1975 opting in 1979 for working short rather than laying off, a joint decision with the unions while GM decreased its hourly paid component by 44 4% in the four-year period

In terms of advancement into supervisory positions, BMW at Rosslyn is ahead of all its competitors By the end of 1980, more than 50% of first-line supervision will be black It already has 18 black assistant foremen (whose average wages rose from R260 to R560 on appointment) and at the beginning of 1980 more than half of its white quality control inspectors had been replaced by blacks

Siemens has long been acknowledged by its peers in SA industry at large - dozens of whom have been making on-site inspections during the past year - as a leader in the upgrading of blacks and integration on the shop floor At the end of 1979 blacks

made up 52% of the semi-skilled, skilled and apprentice categories, 10% of non-managerial salary earners and the first black had been appointed into management

Compared with numbers in, say, the oil industry, this does not sound terribly impressive What *is* impressive at Siemens is what looks like completely natural mixing on the shop floor and acceptance of black supervision, the result of careful nurturing of attitudes over a period of years

There were more whites on the shop floor — and white women at that — in GEC Machines than in any other plant visited The women do a lot of the heavy and more skilled work, including crane driving, while some strapping black men are occupied with the less skilled, but lighter, jobs

The reason is, of course, that the more skilled work carries higher rates "We have a totally integrated work force up to just below artisan level,' says chairman Tony Charles, 'but in the heavy engineering field you are working with a different set of people from electronics, or oil, or even the motor industry, and we have to go slow with advancement beyond that "

Metalbox, which employs almost twice as many people as the next biggest company in the sample researched, should see an upsurge in black advancement over the next three years At least this is what's planned now, with a whole battery of senior positions identified and training put in motion to fill them 'We are very conscious of the fact that blacks don t yet believe the really senior jobs are open to them and that's probably demotivating

'Therefore, the sooner we get a black into a very senior position, the better," says MD Derek Jacobs, "because there s no doubt that an actual example will demonstrate our good intentions far better than just talking about it "

At AEG-Telefunken, one manufacturing unit is completely black-run, except for a white quality controller who reports to a black manager "He is our first and it works well," says MD Peter Huetz, adding 'We make sure that the people we upgrade are able to fulfil their jobs For every recently upgraded man, a number of people are responsible to give support and apply subtle controls If you make an appointment which breaks with tradition, you have to make doubly sure that it is a success '

Industrial relations

A chasm in communications

How is one going to overcome this feeling of distrust? We do not go around victimising people So, "stopping to victimise people " is obviously not the answer — Alex Bury, chairman, Unilever

If you are black you know in your bones that you mustn't stick your neck out Because if you, stick your neck out, somebody is likely to chop it off — black worker at Unilever

And, similarly, black workers at GEC, Volkswagen, Cadbury and Philips

The calibre of the top employee relations men in the major TNCs visited was impressive They are a new breed of personnel executive, that only came into its own in the Seventies, lightyears away in stature from the traditional backroom-boy personnel manager of old Outstanding, even among this elite, were Ford's Ferreira, GM's Ironside, Johan Trotskie of Siemens, VW's Rademeyer and McKenzie of Shell

The new top personnel men work closely with their chief executives, are members of top management themselves, come mostly from senior line management, and are imbued with a zest for making a contribution to positive change, not only in their companies, but in the country at large It is perhaps no coincidence that the majority of them, as well as of the IR and personnel managers under them, are Afrikaners

After discussions with them — and with chief executives like Shell's Ken Geeling, Philips Timmer, Metalbox's Jacobs, Wentges of Siemens and Hoechst's Arno Baltzer — one came away feeling that labour affairs are well taken care of Especially since they reinforced their philosophies with documentary proof such as manpower development programmes, pay scales, structures of in-house communication channels, and so on That relations might not be quite as harmonious as it seemed, only came through in their invariable reference, at some stage, to the Ford report," usually with the rider 'if it can happen to *them*

There were also many heartening signs of good interracial and management-labour co-operation in the plants visited Easily *the* most heartening sight, was training centre workshops full of black, white and brown boys learning new skills together — the first generation that will take such togetherness for granted And canteens (not many) where people of all skin shades sat together as if they had done so all their lives

At Unilever's Maydon Wharf complex, it was obvious from the friendly banter that general works manager Dan Sterling enjoys good rapport with the workers At Ford where, at the time, workers had just returned to their jobs after strikes protracted over several months, the atmosphere was palpably wary Yet IR manager Dirk Pieterse got some smiles and greetings of an almost conspiratorial manner

Men of very different management styles — such as quick-tempered Pierre Fouche of Philips' Martindale plant, autocratic Tony Ewer of Fulmen, fatherly Robin Bullen-Smith at GEC Machines, or the more aloof Germans, like Huetz of AEG and Udo Pelzer at the Waltloo plant of Siemens — were all able to demonstrate they are no ivory-tower managers, but know their workers well Or so it seemed

It was when listening to the workers in their, and other TNC, plants that any cosy notions about satisfied labour were quickly dissipated Virtually without exception, black workers condemned working conditions relating to training advancement opportunities and pay, but on closer questioning did not know what these conditions were or how to avail themselves of any opportunities going

They were convinced of victimisation and discrimination "even if we can't prove it," and, when prodded, would throw their hands up and explain why blacks shouldn't stick their necks out *Had* anybody's neck been chopped off that they knew of? Not at *this* plant, the *FM* was always told — but everybody said they knew of somebody somewhere In Durban and Johannesburg some workers mentioned Thozamile Botha, the Pebco leader, about whom the strikes at Ford revolved and who was subsequently banned by the government

Shell's Geeling . companies must be part of the transformation

In most companies, workers had little or no idea of the function or functioning of trade unions, including — in two plants — trade union representatives themselves Nor were they aware what company policy is towards unions and union membership Yet policy statements to that effect were hanging on the notice boards for all to see

All worker representatives interviewed had had some training in company policy, labour legislation, workers' rights and negotiating techniques Yet, with some notable exceptions, most appeared ill equipped, in some instances woefully so, to represent anybody in a negotiation

In one plant, worker representatives insisted that management "never ever" takes note of any suggestions the committee makes for changes in working conditions, and that this was proof they had no status and were not taken seriously Since management had just told the *FM* how seriously it does take its committee, the visitor insisted likewise on some examples After much mutual consultation, a spokesman said workers had asked to have working hours rearranged so as to have Saturdays off "Management rejected it out of hand" They could not think of any other examples

Perusal of the minutes of the last five meetings revealed that the suggestion had been made at the second last one, and that, at the last meeting, management had offered two alternatives of reaching that objective, asking the representatives to canvass their constituents on which they preferred The latter minutes were dated a fortnight before the interview took place

Examples like this abounded in other companies Wherever workers mentioned a case of an individual they thought may have been victimised by his or her superior (almost always by not getting promoted), it was between two and four years old The same applied to situations where a white got a job the workers thought a black should have been appointed to Their bitterness when relating such cases, was real and strong

None of these grievances had ever been brought up in a committee, either because the person didn t want us to raise it," or because ' we are not allowed to discuss individual cases But all constitutions explicitly state that the *principles* involved in individual cases *can* be raised Maybe it was ommitted to explain what that means? In most committee sessions issues revolve around things like airconditioning, the quality of food or the cleanliness of toilets Said an IR manager ' At a recent meeting, a representative demanded to see and discuss the training schedule worked out for one of the people in his department I was so pleased I could have hugged him Maybe from now on we'll be getting somewhere "

A seasoned coloured trade unionist explained in a little more detail why workers are reluctant to speak out "We've been kept down all our lives, we aren't used to speaking up for our rights We have been conditioned to think what's the use, nothing will be done, we will get nowhere It's going to be hard to make people un-learn this feeling It can be overcome in the factory context, we see it already happening But it is going to be a slow process To expect the non-white to just get up and speak for his rights, when we never had that opportunity, is a bit unfair "

There were exceptions, like the union representatives on the VW multi-racial factory committee They have all been exposed to the *Betriebsrat* (works council) system at the parent plant and are certainly not shy about speaking out They want to get into participation in management decisions on capital and other expenditure and on promotion, and they want profit disclosure

However, the fact that here, too, workers are at a very early stage of knowing what is and what is not feasible, was revealed when they asked management when they would get their share of the announced first phase R35m expansion programme in their pay packets VW arranged a session with a finance expert from VW Germany for the committee last year He explained the formation of company funds and how they are allocated "Yeah," said a black trade union representative to the *FM*, "they told us how they *spend* their money, not what they put into their pockets We want to know the net profit, what goes into their own pockets, so we can know how to put our wage demands "

From this, and discussions with other workers — who, for instance, dismissed the value of low-cost housing loans as "no assistance at all, whom are they kidding? We have to pay it back," — it was obvious that the notion of money costing money is still foreign to black workers

When workers said "they" it wasn't always immediately clear whom they were referring to, since they usually specifically excluded "management" or "the IR people " More often than not it turned out they meant their immediate supervisors One of the workers put it succinctly "When you go to talk with management, you come back feeling you have really achieved something Then you talk to those guys on the shopfloor and everything breaks down, they understand nothing "

BMW MD Dr Eberhard von Koerber, whose 1 250-strong plant at Rosslyn has probably the most sophisticated multi-racial employee council in the country, notes that black employee representatives can out-talk white shopfloor labour, including supervisors, in any discussion on labour affairs "The whites just don't know what hits them," he says In most of the companies IR training for white first-line supervision has been recently introduced or intensified

In none of the companies, except Ford, was top management aware just how angry and dissatisfied black workers are Though most IR managers said they suspected it, but were rarely able to get personal proof ("Are we getting the wrong signals?" asked then-Shell-BP Refinery chairman Louis Walker in March 1973, when workers at a Durban plant walked out within hours of the black personnel officer assuring management there was no real dissatisfaction among workers) It was precisely this feeling within the Ford IR directorate that prompted the company's commissioning of the survey by the Institute of Race Relations

The researchers' conclusions on how Ford should have reacted in a situation where the alternative to working short was laying off some 1 000 blacks, revealed their limited knowledge of the economics of business and the necessary structure of management However, they did forcibly home in on workers' real feelings, highlighting the worst problem areas and revealing at least one genuine discriminatory practice Ford's requirement, since abolished, that blacks have a Std 8 education to qualify for a certain higher grade, while white incumbents had lesser educational qualifications

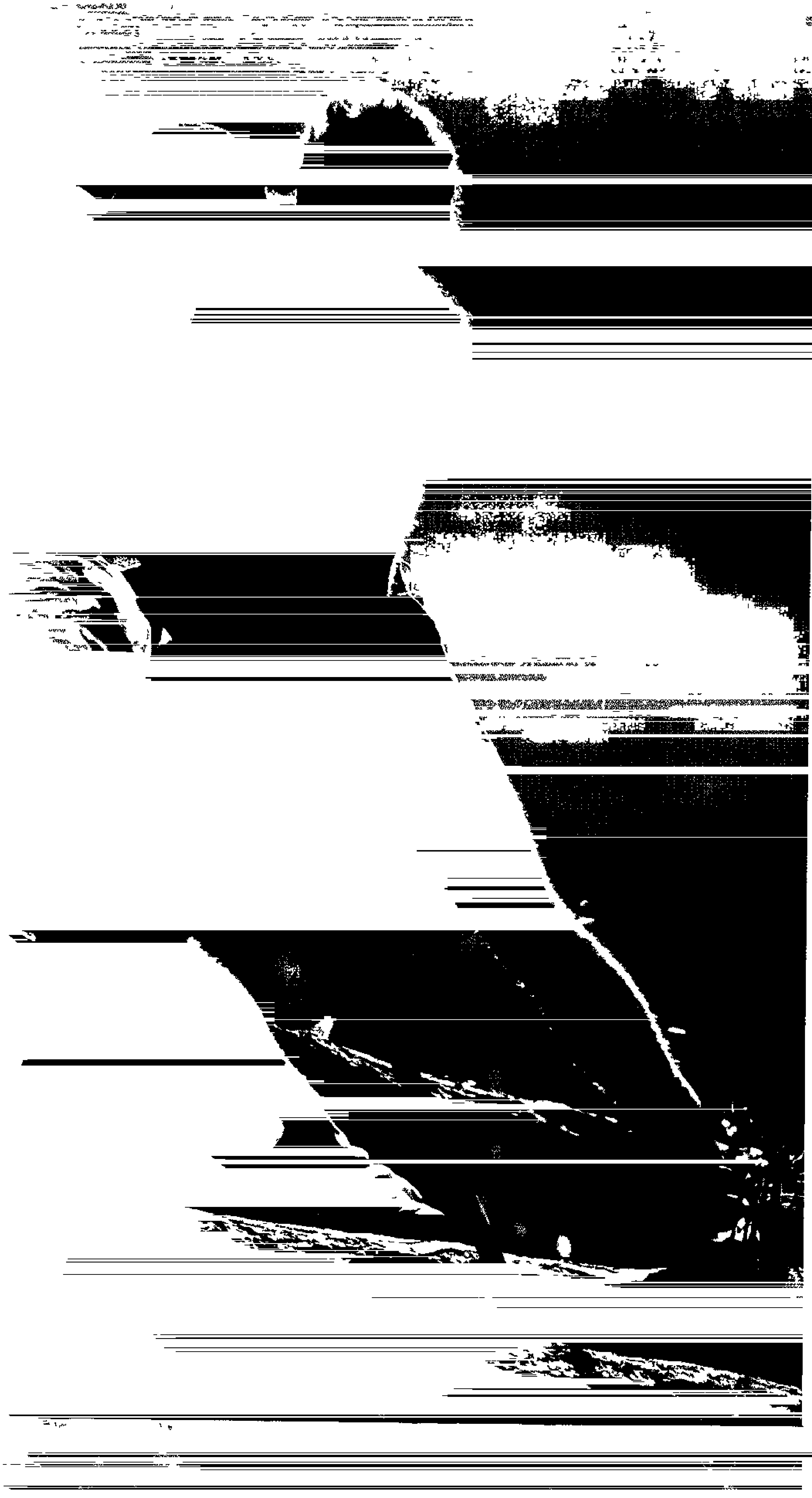
Most of the companies in the *FM*'s sample have a reputation of being progressive employers and, on inspection, most of them confirmed that reputation So if the vibrations among wage earners are this bad in "good" companies, one shudders to think what they are like in less progressive ones *Unless* this is a demonstration of what social scientists call "relative deprivation", the principle that raised or rising expectations (in this case because of above average working conditions) stimulate subjective deprivation to a critical level

Clearly, workers are bringing their frustrations and dissatisfaction with the political system into the shopfloor environment and managements will increasingly have to bear the brunt of that, no matter how much they may improve the working conditions Just as clearly either new channels of communication will have to be found or the established ones must be infinitely broadened if any improvement is to come about

Education and training — much more training — in negotiation procedures, company policies and trade unionism are critical factors As long as companies continue to rely mainly on workers' representatives to filter their policies down to the shopfloor, they are inviting further misunderstanding, distrust and anger

This realisation had, in fact, dawned on most of the big TNCs visited Metalbox was the one furthest on the way to changing its whole policy communication system to put the responsibility back on line supervision "But it will take time," says Jacobs You can't saturate people with such training — doing industrial relations one day, followed immediately by interaction management and team building next Somebody also has to look after the shop "

Ford's Ferreira . . . the years ahead won't be easy



ploughs move in, the land must be
with implements as old as farming itself

Manpower: True measure of this nation's strength.

In spite of technology, the human body is still our most valuable asset.

The brawny arms of men have cleared veld, made roads and built South Africa's cities Today, technology has given us the means to make our tasks easier

And BP is there Energy at work, striving to supply and develop resources to keep South Africa on the move With products that fuel and lubricate machines — and help man to feed himself

South Africa's greatest resource remains her human wealth and BP is committed to helping make a better life for all Because we need healthy minds as well as healthy bodies, BP, in 1975, set up the BP Education Trust In 1980 alone, 239 bursaries and scholarships have been awarded

BP is more than petrol.

BP

We like to keep you moving.

BatesWellsRostron 9155 C

It's fun living in a cardboard box ...unless you have to.

These children love their cardboard house But they are only playing Too many really do have to eat, sleep and grow up in something just as basic, or little better
Hoechst's scientists are making invaluable contributions to improve house construction in order to satisfy a growing world With plastics and fibres, paints and pigments
They are also involved in new perspectives in architecture, like textile structures using Trevira® high tenacity polyester Already pedestrian precincts, sports arenas and swimming pools can be covered to render them independent of the weather Tomorrow, perhaps, it could be entire cities in areas like the Arctic or the Sahara
In fact, in every continent, Hoechst is at work on the great problems of our time raw materials and energy shortages, hunger, disease
To solve them, Hoechst invests no less than R490 million every year in research

Your child needs our research.

Hoechst

Hoechst South Africa (Pty) Ltd
3 Caxton Street Industria
P O Box 8692 Johannesburg 2000

TC/CORP/0068

COPPER

Lonrho takes over Zambian mine

Sime 29/8/80

220

From The Guardian

LONDON — The ownership of the Nyaschere copper mine in Zambia, subject of detailed criticism in the Department of Trade investigation into Lonrho, has finally been resolved.

Lonrho has taken complete control of the mine by paying R750 000 for the 50 percent currently owned by Borma Holdings, a company which is ultimately 70 percent owned by the group's chief executive, Mr "Tiny" Rowland.

A further 20 percent of Borma is thought to be owned by another Lonrho director, Mr Alan Ball, while the balance is held by a former director, The Hon Angus Ogilvy.

Mr Rowland is believed to have initially acquired his interest in Nyaschere in 1958 for £1 000 The Department of Trade inspectors also criticised the fact that the development costs of the profitable mine appeared to have been funded entirely by Lonrho, with no contribution having been made by the other shareholders.

The price to be paid by Lonrho for the outstanding interest in the mine has been determined by an independent firm of accountants, Peat Marwick Mitchell, and the theoretical purchase was approved by shareholders at the last annual meeting.

Mr Rowland, in the meantime, has increased his overall interest in Lonrho to just over 17 percent of the equity by purchasing the 2,7m shares not taken up in the recent rights issue at 91p

Accounting move by multinationals

Rom 8/9/80 (220)

NEW YORK. — **An unprecedented transatlantic initiative has been launched to standardise the method of translating foreign currency operations in the accounts of multinational companies. Within a year, it could bring similar accounting rules for currency translations in financial statements in the US, the UK and Canada**

The proposed accounting method, known as the net investment approach, is already practised by Unilver, the Agnlo-Dutch multinational It involves, for all foreign currency items in financial statement, the use of exchange rates current at the time the accounts are prepared instead of historic rates relating to the time the transactions took place

The method implies that a holding company would view its foreign subsidiaries as separate, semi-independent entities Accordingly, it would account for the subsidiaries' net assets in the group accounts instead of for each asset and liability item separately

The result is that all differences on converting the net assets into domestic currency would bypass the profit and loss account and be taken direct to the balance sheeet Only differences relating to trading transactions during the year and to foreign currency borrowings by the holding company would affect annual earnings

The initiative envolves the US Financial Accounting Standards Board, which has launched a draft accounting standard on currency translation, as well as the Accounting Standards Committee of the Canadian Institute of Chartered Accountants

The UK ASC plans to publish its own proposals within the next month which will be similar to those published in the US If these three countries agree, the proposals would be likely to be adopted increasingly thoughout Europe

The FASB proposals are largely the result of a year of negotiation and discussion with the ASC and the Canadian accountancy profession — the first time accounting rulemaking bodies have co-operated on such an important issue

The proposed US standard amounts to a major revision of the existing foreign currency accounting rules in statement FAS 8 which applies to US quoted companies raising money in the US — Financial Times

14.7.1980 SMM

Domination of corporations

220

Own Correspondent

SALISBURY — Multinational corporations posed problems for emerging countries and could interfere with progress towards economic independence, a University of Zimbabwe economics lecturer, Miss Mutungwazi, warned this week

Addressing delegates to the Zimbabwe Economic Society symposium she said the corporations were powerful enough to influence the direction of government policy because of their global interests

"The power of the corporation in Zimbabwe cannot be over emphasised It is estimated that 300 foreign companies now operate in the main sec-

Foreign capital had over the years increased its hold on the economy and despite sanctions during UDI, there was evidence that its interests had strengthened, with South Africa playing an important role during the period.

"We may also note that in this whole process, the role of foreign capital has been to work very closely with the local minority interests to build an economic structure, that discriminates against the majority of the population'

Miss Mutungwazi called for the building of an economic structure that would stop the corporations from interfering and influencing the government More than 65 percent of the country's total stock was known to be owned by companies conntrolled from Britain, South Africa and the United States, she said

Foreign interests were most prominent in mining, banking, finance and plantation agriculture.

increases, as the particle penetrates deeper into the medium The density of energy deposited ($-dE/dx$) is therefore highest at the end of the range (fig 25).

Relatively heavy particles such as the p or α are not significantly deflected in their collisions with ... electrons in matter and the maximum energy

different media ...

Air	Aluminium	Lead
20 0	0 0126	0 0106

... with the nuclei in atoms and ... tistical process. If we place ... ess x ... N_o ... fig.26) ... m is ... ction and ... ts with ... number N of neutrons emerging per second is given by

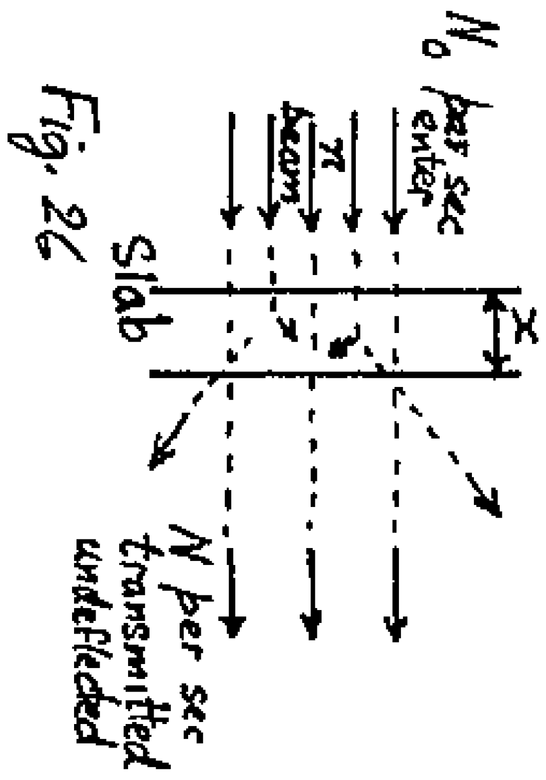


Fig. 26

$$N = N_o \exp(-\alpha x) \quad \ldots\ldots\ldots\ldots (33)$$

where α is the neutron interaction coefficient of the slab and depends on neutron energy and on the species and density of nuclei in the slab.

The neutron-nucleus interaction is either a nuclear scattering process, in which the neutron transfers some of its energy to the resulting (charged) recoil nucleus, or a nuclear reaction which usually leads to the emission of charged particles or gamma rays. Thus the secondary particles resulting from neutron interactions in matter are often charged particles and these particles then interact with the matter as described in (a). Hydrogenous media such as wax, water or plastic are of particular interest because a neutron can lose any fraction (0-100%) of its kinetic energy in a

single elastic collision with a proton. The maximum nuclear recoil energy E_{max} resulting from elastic scattering of neutrons (of mass m_n and energy E) on a nucleus of mass m_N is given by

$$E_{max} = 4m_n m_N E/(m_n+m_N)^2 \quad \ldots\ldots (34)$$

.../E is much smaller for heavy nuclei than for hydrogen.

...na rays

...e most important effects in the interaction of gamma ...n matter are the photoelectric effect (described in ...2 1), the Compton effect (section 2.1,p.5) and ...duction (section 2.3,p 8). Energy is transferred ... incident gamma photon to a photoelectron, a ...electron or an electron-positron pair respectively. ...arged secondary particles then interact with the ...s described in (a). As in the case of neutrons, ...raction of gammas with matter is a statistical process ...overned by an exponential absorption law of the form ...eq.(33) but with α representing the gamma ray ...n coefficient. This coefficient can, in turn be considered as the sum of components α_{PE}, α_C and α_{PP}, corresponding to the photo-, Compton and pair effects Thus

$$\alpha = \alpha_{PE} + \alpha_C + \alpha_{PP} \quad \ldots\ldots\ldots (35)$$

The absorption coefficients are largest for the heaviest elements (e.g. lead) and α_{PE} usually dominates for gamma energies below 0.5 MeV, α_{PP} for energies above ~ 10 MeV and α_C for energies around 1 MeV.

A convenient measure for gamma interaction calculations is the half-thickness, analogous to the half-life in radioactivity. This is defined as the thickness $x_{\frac{1}{2}}$ of the particular medium required to reduce the fraction N/N_o (eq.(33)) to one half for a particular gamma energy.

Thus $N/N_o = \frac{1}{2} = \exp(-\alpha x_{\frac{1}{2}}) \quad \ldots\ldots\ldots (36)$

Some values of $x_{\frac{1}{2}}$ are given below (in mm)

Energy	Lead	Concrete
1 MeV	9 0	47.0
5 MeV	14 5	100.0

S.Post 19/9/78

Companies slammed

THE Organisation of African Unity claims unnamed multinational corporations are helping oppress the black majority in South Africa

"The martyrdom of the black South Africans is the results of the sinister strategy of the transnational corporations which co-operate with the racist regime," the OAU in Addis Ababa said in a statement to mark Africa Martyrs Day

The statement said 18-million blacks were being deprived of their fundamental rights by the minority whites of South Africa

The OAU said Pretoria's new strategy to create a constellation of Southern African states, dependent on South Africa, represented an attempt to undermine African unity and cause confusion — AFP

<u>NOTE</u> :

<u>MARKETING RESEARCH 1</u>, which replaces Economic Statistics, consists of

	(a)	Survey Design (Semester 1)
and	(b)	Analytical Techniques (Semester 2)

<u>MARKETING RESEARCH 11</u> consists of

	(a)	Advanced Analytical Techniques (Semester 1)
and	(b)	Experimental Design and Model Building (Semester 2)

J.D. HAMPTON
PROFESSOR OF BUSINESS SCIENCE

28th July, 1980
JDH/ms

Capco profit

SALISBURY — The Central African Power Corporation made a profit of ZD5,5-million in Zimbabwe for the year ended June 30, an increase of ZD3,1-million over the previous year — Sapa.

NOOSE BITES IN BID FOR LABOUR REFORM

By KEVIN JACOBS
in New York
and CONNAL VICKERS
in Durban

S Tribune
220

THE noose around multi-national companies in South Africa is tightening as overseas pressure groups step up their campaign for labour reform.

The chief protagonist for change, American civil rights campaigner the Rev Leon Sullivan, met 20 international company representatives in Europe last month to review the implementation of fair labour principles.

Mr Sullivan, architect of the Sullivan principles for fair labour practice that have been signed by 140 American companies with interests in southern Africa, is pushing for more stringent measures against companies that refuse to sign.

French, British, American and at least one South African company attended the meeting where Sullivan again called for legislative sanctions such as tax penalties and the withholding of federal contracts from recalcitrants.

He also discussed possible amendments to the principles that could be introduced next year.

[illegible] on employers to pay wages "well above the appropriate local minimum economic living level". This provision will probably be extended to specify a stated percentage "say 30 percent", above the minimum living level.

South African industrial sources spoken to viewed the amendment as unreasonable and uneconomic.

"South Africa is moving very well in the upgrading of wages," said Mr Roland Freakes, executive director of the Natal Chamber of Industries. "At the moment we are talking about an average wage of R170 for unskilled black labour. This has increased far more rapidly than the cost of living index and wages will still increase further.

"I don't think that anyone in this country would not like to meet that kind of request but we have to be realistic. These people must be reasonable. We need a little more time as productivity has to increase as wages do.

"South Africa has a code of conduct

for labour, the Sarcola code, and this comes fairly close to the provisions laid down in Sullivan's code"

It is thought Mr Sullivan's European conference could lead to a combining of his principles with those laid down by the European Common Market. This code is in theory mandatory but monitoring has been haphazard and company's performances are not publicised.

Mr Sullivan said he hoped that this would be the beginning of a broader and more worldwide effort to work against discrimination in the workplace in South Africa.

Similar meetings could follow

Neither the EEC nor Sullivan codes are enforceable, although both Mr Sullivan and the EEC countries have spoken of applying all pressure possible on companies not voluntarily embracing the codified principles.

Under the provisions of Mr Sullivan's code, each signatory is committed to.

- Non-segregation in eating, comfort and work facilities
- Equal and fair employment practices for all
- Equal pay for all employees doing equal or comparable work for the same period of time.
- Training for blacks and other non-whites in management and supervising
- Increasing the number of blacks and non-whites in management
- Improving housing, transportation, schooling, recreation and health

See Tribune Finance

220

~~60~~

SULLIVAN PUTS ON THE SQUEEZE

S. Tribune Finance

21/12/80.

Special Finance Correspondent

THE pressure on foreign-owned companies in South Africa to improve their employment practices is quietly but steadily being stepped up.

One of the main forces behind the new pressures is the Rev Leon Sullivan, the US civil rights campaigner and architect of the so-called Sullivan principles of fair labour practice which have been signed by 140 American companies with interests south of the Limpopo. Sullivan visited South Africa two months ago.

He met twenty multinationals in London last month to review the implementation of the principles and to examine ways of improving them.

Interestingly, not all the companies were American, French and British firms and at least one leading South African group were also represented.

The presence of EEC-based companies at the meeting has prompted speculation that efforts are being made to combine the Sullivan principles and the code of conduct drawn up by EEC countries into one code.

Unlike the Sullivan principles, the EEC code is in theory mandatory, but monitoring has been haphazard and individual companies' performances is generally not publicised.

According to a London-based international newsletter from multinational executives, Sullivan envisages more stringent measures against American companies which continue to refuse to sign the principles.

Earlier this year he asked Congress to apply legislative sanctions such as tax penalties and the withholding of US federal contracts from the recalcitrants.

In a covering letter with the questionnaire sent to signatories earlier this year, Sullivan warned of steps he intends taking to step up the requirements of the principles.

As formulated at present these principles call for employers to pay wages "well above the appropriate local minimum economic living level". But from next year, Sullivan expects to amend this provision to specify a stated percentage, "say 30 percent" above the minimum living level.

Sullivan also now urges companies to contribute to the National African Federated Chamber of Commerce (Nafcoc) by becoming associate members. In this way, they can assist in the development of black business.

There are approximately 355 companies in South Africa which have a substantial number of American shareholders. The largest in terms of numbers of employees is Fluor, the construction and engineering group, which is the main contractor for Sasol two and three. Fluor employs about 14 000 people in South Africa. It is followed by Tsumeb Corp, a subsidiary of Newmont Mining (5 000) and Ford (4 700).

TABLE 4: (continued)

(c) Employment as a propo[illegible] of m[illegible] [illegible] of women 15-59, 1960 and 1970

1 9 6 0	Male 15-64	[illegible]	[illegible] employed	% Females employed
Metropolitan	1 156 589	664 23[illegible]	90,[illegible]	40,6
Urban	529 725	[illegible]	71,5	56,8
Rural	979 [illegible]	857 2[illegible]	91,[illegible]	23,1
Homelands	960 477	1 341 3[illegible]	85,[illegible]	16,8
TOTAL	3 626 520	3 079 171	8[illegible],9	26,6
1 9 7 0				
Metropolitan	1 414 070	[illegible]		

- [illegible] -

TABLE 13: CAPITAL-OUTPUT RATIOS, 1971, 1976 AND 1978

a) All Sectors: K,Y measured in millions of rand, 1970 prices)

	1 Agriculture	2 Mining	3 Manufacturing	4 Electricity	5 Construction	6 Commerce	7 Transport etc	8 Finance	9 Services	All
1971 K	2 403	1 885	3 174	2 182	178	1 702	4 726	6 479	7 545	30 274
Y	1 154	1 170	2 847	329	576	1 912	1 215	1 520	1 821	12 543
	2,08	1,61	1,11	6,63	0,31	0,89	3,89	4,26	4,14	2,41
1978 K	2 848	2 825	5 046	3 615	231	2 468	7 613	8 868	12 027	45 541
Y	1 351	1 257	3 342	507	591	2 420	1 801	1 867	2 418	15 554
								4,75	4,97	2,93
								11,5	20,0	21,6

27/1/80 Bus Argus 220

Doctorate for oil executive

THE faculty of commerce at the University of Cape Town has awarded the degree of doctor of philosophy to Cape Town oil executive John McKee for his thesis on multinational financial management

This was the only Ph D degree awarded by the commerce faculty at the December graduation

Dr McKee is responsible for the finances in South Africa of the oil division of a major oil company

In his thesis he develops systematic approaches for financial management in international business

He told Business Argus today that he hoped that his work would constitute a reference for South African businesses and assist them in understanding the nature of the risks and requirements of international financial management

With South Africa being divided into separate states and local companies increasingly operating overseas, more and more companies were facing multinational financial problems

	K	Y	K/Y	Reserve Bank - 1976 K	Y	K/Y
Food	717 679	849 507	0,84			
Chemicals	953 378	1 156 606	0,82			
Primary & fab.metals	2 292 580	2 116 716	1,08			
Machinery	379 266	1 041 443	0,36			
Transport, equipment	319 248	564 812	0,57			
Other	1 595 530	2 163 022	0,74			
TOTAL	6 257 681	7 892 106	0,79	4 643 000	3 393 000	1,37
	(1976 prices)			(1970 prices)		

Companies blamed for help to SA

3/11/81 STAR

220

Own Correspondent

SALISBURY — The role of transnational corporations (TNC) operating in South Africa has come under scrutiny at a meeting between non-government organisations and the United Nations Special Committee against apartheid.

According to the last issue of the United Nations journal, "Development Forum," a meeting held in The Hague last month was attended by 155 representatives from Belgium, Luxemburg and the Netherlands.

Mr John Gaetsewe, secretary-general of the South African Congress of Trade Unions, said "No TNC could be dissociated from the support it brought to the military power of the South African regime"

BELGIAN ROLE

Mr Semi Faltas of the Dutch anti-apartheid movement, described Philip's role in the field of military electronics. He said South Africa imported approximately 80 percent of its electronic equipment needs, and in view of the strategic value of such components "it becomes clear that the UN arms embargo contains at least one major loophole"

Mrs Berthe Hanseme of the Belgian Justice and Peace Commission said Belgian banks lent more than R1 200-million to South Africa out of a world total of R67 800-million coming from 22 countries

Mrs Hanseme said that since 1978 her commission had been advocating a boycott in all cases where banks were unwilling to end their collaboration with the Pretoria regime

With the help of other Belgian non-government organisations the commission had taken part in shareholder actions and tried to develop alternatives for the savings people had withdrawn from the banks

One case sadly dealt with the role of Royal Dutch Shell which is associated with one of the five main oil companies operating in South Africa.

The South African activities have extended to include oil, chemicals and metals Present estimates place the company as the Netherlands' prime investor in South Africa, "Development Forum" says.

RDM 24/2/81 (220)

Rise in oil profits levelling

LONDON — A sharp rise in the profits of the major Western oil companies appears to be levelling off as the increase in world crude oil prices slows, according to oil analysts with leading stockbrokers.

Profits could well be up in 1981, but there would probably be nothing so dramatic as Mobil Corporation's 40% increase in 1980, they said.

They suggested that recession could continue to affect sales of refinery products, although some improvement was possible, while those companies which had gained from higher crude prices would possibly not see substantial new increases this year.

The two European-based oil multinationals, the Royal Dutch/Shell group and British Petroleum (BP), have yet to report 1980 figures, but United States majors all turned in higher profits.

Exxon Corporation, the world's biggest oil company, said profits rose to 31,8%. Gulf Oil Corporation trailed the others with only a 6% gain — it is the only US major without access to Saudi Arabian crude oil.

Despite the higher 1980 earnings, a look at the oil companies' performance in the final quarter of 1980 shows possibly a changing picture, oil analysts said.

The profits of Exxon were down by 1,1% on the same October-December period of 1979. Those of Texaco and Gulf were also down — Gulf's by 17% — and the increases for Mobil and the Standard Oil Company of California were more modest.

Looking to 1981, oil analyst Ms Carol Ferguson of British brokers Wood MacKenzie, who specialise in oil matters, said she foresaw a steady growth in earnings among the majors generally, but probably not as spectacular as last year's.

"We are looking for an average, across-the-board 10% growth in earnings among the US majors and significant growth in Shell," she said.

Analyst Mr Richard Saville of London brokers Phillips and Drew said "Profit overall may be up on 1980, but not dramatically."

The oil companies have mostly done well on the production side of their business.

But recession, partly induced by the 160% rise in the price of crude since early 1979, has hit sales of petrol, industrial fuel and chemicals in the United States and Europe.

"Although earnings from our energy-producing operations increased by one-third during the year (1980), our downstream businesses suffered during the recessionary economy in the second half of the year," Gulf chairman Mr Jerry Mcafee reported.

"Our ability to compete effectively in a weak economy is being hampered by our dependence on a crude oil slate that carries a higher-than-average cost," he added, referring to the other US majors' access through the Arabian-American Oil Company (Aramco) to Saudi crude — now priced at R24 a barrel compared with an Opec average above R26.

London analysts said higher US domestic crude prices should benefit US companies, although these had been partly offset by the windfall profits tax and lower downstream earnings.

The Aramco companies would be hit if Saudi Arabia raised prices or trimmed output, they added — Sapa-Reuter

FACULTY OF ENGINEERING

Corporation Medals

For the best student in each of the 2nd, 3rd and final years.

Second Year (Bronze Medal)

Miss G C Littlewort

Third Year (Silver Medal)

Miss N C Davidson

Fourth Year (Gold Medal)

P M Salmon
T J Cumming
D P Weeks
J H Rens
B F McClelland

Professor George Menzies Prize

Awarded on results of final examinations to the best male student in Land Surveying or Civil Engineering.

J H Rens

Sammy Sacks Memorial Prize

Awarded to the student with the

Millions made by Rhodesia oil firms

RDM 27/2/81 (220) (272)

SALISBURY — Five of the world's biggest oil companies which broke international sanctions against Ian Smith's Rhodesian government made tens of millions of Zimbabwean dollars, according to official figures released in the Zimbabwe capital for the first time

The local subsidiaries of Shell, British Petroleum (BP) California Texas Oil Corp (Caltex), Mobil Oil and Compagnie Francaise des Petroles (Total), all traded throughout the 15 years of sanctions, with Shell, BP and Caltex the main sources of supply

The information, obtained by Zimbabwe's Business Herald, does not give the complete picture because of the different accounting policies of these companies, but sufficient data has been collected to give a broad view of their activities

Before 1965, the local petroleum market was divided between the five companies as follows Shell 39,1%, BP 12 3%, Mobil 20%, Caltex 20%, and Total 8%

From 1969, BP's net profits averaged between Z$500 000 (R660 000) and $700 000 (R890 000)

For the years 1970-1974, Shell made comfortable net profits exceeding Z$2 million in 1973 and 1974 The accumulated balance on retained earnings in the last year reached Z$11 396 000 (R14,2m)

While there has been a dearth of information since then Shell Zimbabwe capitalised Z$6 5-million (R8,1m) of reserves in November, 1978 by way of a share issue to the Consolidated Petroleum Company and Melrose Oil Trading Company The latter took over BP's local interest in 1964

Caltex Oil Zimbabwe (Pvt) Ltd, although operating since its incorporation in 1961 has only presented accounts for the three years to 1979

Turnover grew from Z$26 290 415 (R33m) in 1977 to Z$44 916 527 (R56m) at December 31, 1979 Net profits increased from Z$615 573 (R769 466) to Z$1 113 436 (R1,39m) and retained earnings from Z$5 632 922 (R7m) to Z$7 639 888 (R9,5m) over the same period

Profits of the other American-owned company Mobil Oil Zimbabwe (Pvt) Ltd, have been fairly consistent since 1973, ranging between Z$600 000 (R750 000) and Z$700 000 (R875 000) until 1979, when after-tax figures topped Z$1-million (R1,25 million) for the first time Retained earnings stood at Z$7 584 000

Unlike its competitors, the French-owned Total Zimbabwe (Pvt) Ltd ran at a loss for some years and only began to make profits after 1975

For the 1979 year, Total had a turnover of just over Z$18 million (R22,5m) which produced a net profit of Z$707 131 (R883 913) Accumulated profits stood at Z$1 871 323 — Sapa

Lonrho loses R199-m action for damages

Argus 9/3/81

220 ~~272~~

Argus Bureau

LONDON — Three Appeal Court judges have ruled unanimously that there is no legal basis for Lonrho's R199-million (£166-m) damages claim against oil companies Shell and British Petroleum

Lord Denning, Lord Justice Eveleigh and Lord Justice Fox rejected Lonrho's argument that it had a right to sue if it could prove that Shell and BP conspired to breach sanctions orders against Rhodesia.

They also held that a 1965 agreement between Lonrho and a number of oil companies, including Shell and BP, did not contain implied terms that the oil companies would put oil into Rhodesia only through a Lonrho pipeline and would do nothing to prevent or impede the use of the pipeline.

Lonrho will challenge yesterday's ruling in the House of Lords on May 5 If it loses there it will be the end of the complex and bitterly fought litigation that has been before the courts about a dozen times since 1976

Lonrho had appealed against Mr Justice Parker's ruling in the High Court earlier this year on a series of preliminary legal questions that had initially been argued at the private arbitration of the dispute.

Mr Justice Parker found for Shell and BP on all points

Holding that Lonrho could not sue for damages resulting from the alleged conspiracy, Lord Denning said yesterday that the lack of any interest on the part of Shell and BP to injure Lonrho was fatal to the latter's claim.

Any conspiracy had been solely to the benefit of Shell and BP's commercial interests and the Rhodesian people The fact that Lonrho might have been damaged as a result did not give it a right to sue the oil companies

The key man in Vorster's detente bid

RDM 17/4/81

~~337~~

220

A LOCAL director of the multi-national Lonrho company, Dr Marquard de Villiers, has been revealed as the mystery man who kept former Prime Minister Mr John Vorster briefed on the imminent collapse of Portuguese power in Mozambique in 1974, and who laid the foundation for Mr Vorster's Zambian detente initiative in the mid-Seventies

Up to now former Information Secretary Dr Eschel Rhoodie and former BOSS chief General Hendrik van den Bergh have been given most of the credit for the detente excercise

But a book on the Zimbabwe independence struggle* by two journalists, David Martin and Phyllis Johnson, has disclosed that it was Dr De Villiers and the head of Lonrho, Mr Tiny Rowland, who kept Mr Vorster briefed on Mozambique and did most of the ground work for his historic links with his Zambian counter-part, Dr Kenneth Kaunda

Dr De Villiers is described by the authors as "an urbane Afrikaaner of the verligte school who occasionally played golf with Vorster"

He briefed Mr Vorster on the imminent collapse of Portuguese resistance to FPLM guerrillas after this information had been passed on to him by Mr Rowland, who had in turn been briefed by Dr Kaunda

In an interview with the authors in Pretoria last year, Dr De Villiers said he met Mr Vorster at his office in the Union Buildings on March 29, 1974 and informed him that the Portuguese Government was negotiating in Lusaka for a handover in Mozambique

In another meeting with Mr Vorster on April 23 — two days before the Portuguese coup d'etat — Dr De Villiers said that, on the basis of his latest information, a major change could be expected in Mozambique within two weeks

Gen Van den Bergh, who was at the meeting, said he doubted if the information was correct There had been rumours to that effect every few days and they were being ignored by BOSS

"But," says the book, "Mr Vorster took it seriously"

According to Dr De Villiers, Lonrho's intention from the outset was to bring Mr Vorster and Dr Kaunda together

He told the authors " our appreciation at that time was that it was in the interests of South Africa that there should be a settlement in Rhodesia that would bring some stability to the area I think that when Tiny (Rowland) told me that Mozambique had thrown in the towel, it became obvious that it would be very bad for South Africa for a black victory in Rhodesia

"In fact, may I quote Mark Chona (a political aide to Dr Kaunda) on this, and he was quoting President Kaunda President Kaunda said that a white victory in Rhodesia was impossible A black (military) victory was not only possible but he thought undesirable' This impressed Mr Vorster enormously and it was one of the key phrases that made him appreciate that you had to have a settlement here that was not through the barrel of the gun"

Among the preliminary detente meetings was one between Mr Chona, Gen Van den Bergh and Dr De Villiers in Paris in July, 1974

According to the book, Mr Chona handed Gen Van den Bergh a copy of the "Manifesto on Southern Africa" adopted by the Fifth Summit Conference of East and Central African States in Lusaka in April, 1969, which clearly stated the attitude of the states to the Portuguese colonies, South Africa, South West Africa and Rhodesia

Dr De Villiers told the authors that the general refused to accept the document because it had not been presented "officially" to the South African Government

The book notes "Amazingly this important policy document had never been read by Vorster or his Foreign Ministry, and if Van den Bergh had ever seen it he had failed to pass it on"

Dr De Villiers took a copy personally to Mr Vorster who was amazed by the document's "conservative" position Parts of the manifesto became the central point of Lonrho's approach in the detente negotiations

The book reports that Mr Vorster was extremely anxious to make contact with Dr Kaunda, and contrary to later claims by Dr Rhoodie, did not have to be "dragged kicking into Africa"

The book adds "His problem was how to make contact with Kaunda, and it was Lonrho who provided the bridge and not Rhoodie — who was to claim responsibility for detente with Van den Bergh — or Harry Oppenheimer the head of Anglo American, or his man in Zambia, Dr Zac de Beer, who were both wrongly credited with responsibility"

Dr De Beer told the authors in Johannesburg last year that neither he nor Mr Oppenheimer were involved in the detente exercise or knew what was going on

According to Dr De Villiers Dr Kaunda wanted Mr Vorster to take all the credit for the detente excercise The Zambian leader believed this would make it possible for him to "sell" Mr Vorster to Africa as a moderate and reasonable person

A detente "scenario" was drawn up by Mr Chona Dr De Villiers and Gen Van den Bergh It was entitled "Towards the Summit An Approach to Peaceful Change in South Africa"

Details of the documents are published for the first time in the book the authors claim

The preamble to the "scenario" states the willingness of Zambia and other black states to work towards peace in Southern Africa and their commitment to dialogue — if results could be obtained It provided for a programme of undertakings by the governments involved before the summit could be held

Some interesting clauses in the document — particularly in the light of recent developments in relations between the two states — were the following points with regard to South Africa and Mozambique

South Africa would undertake to

- Prevent mercenaries and other groups attacking Mozambique
- Adopt a policy of non-interference in Mozambique
- Discourage Rhodesia from aggressive action against Mozambique
- Generally contribute to stability in that country
- Initiate action to re-negotiate terms on harbours railways and port charges the supply of hydro-electric power from Cabora Bassa, migrant labour and any other South Africa interests in Mozambique

Mozambique in turn had to undertake to "assess ties inherited from Portugal" reaffirm "its policy of non aggression against South Africa and will not allow its territory to be used by mercenaries and insurgents against South Africa", and reaffirm its decision of non-interference in the internal affairs of other independent countries including South Africa"

The summit at which Mr Vorster would achieve his sought after meeting with Dr Kaunda was scheduled for the second half of December 1974

Major speeches by the two leaders in the build-up to the meeting were orchestrated as part of the "scenario" These included Mr Vorster's now famous "Give South Africa six months" speech in November

Soon after the "scenario" was drafted Dr De Villiers and Lonrho reached the end of their dramatic involvement in the detente excercise

During a lunch hosted by Dr Kaunda on October 28 and attended by Dr De Villiers and Mr Rowland the Zambian leader showed them a message from Mr Vorster saying that he wanted Gen Van den Bergh to take over the contacts

The book states that the general "greatly resented" Lonrho's prominent role in the operation

But the summit to which the various parties had been striving was postponed Mr Vorster could not meet the deadline for the withdrawal of South African policemen from Rhodesia which [illegible] They were not finally withdrawn until August the following year

After months of [illegible] negotiations Mr Vorster finally got his meeting with Dr Kaunda at the [illegible] Victoria Falls bridge conference in August 1975

*The Struggle for Zimbabwe by David Martin and Phyllis Johnson (Faber and Faber R23,80)

Labour laws crucial in Vaal area

STvin 23/4/8

ELECTION '81

By Melody McDougall
Vereeniging Bureau

Crucial issue at stake in the industrial constituency of Vereeniging is the new labour dispensation now taking form

Mr F W de Klerk Minister of Mineral and Energy Affairs and sitting MP in the constituency for nine years acknowledges that a large percentage of voters is directly involved in industry and therefore affected by the new laws

He says "I believe that the new labour dispensation offers security to the white worker and combines with that opportunity for the workers of colour

"Our opposition tries to make out that the Government has relinquished its concern about the interest of the white worker This scare which they want to put into the voters of Vereeniging rests on a misrepresentation of the new labour dispensation, which has built into it more effective safeguards for group security than those which were offered by statutory job reservation"

Statutory job reservation, he says, affects only one in 500 workers

During an interview with Mr de Klerk, the following questions were posed.

Q How will the Government control trade unions to prevent them from striking?

A Our labour legislation ensures that by recognising the autonomy of the trade unions But the lifeline and the basis of labour legislation is to prevent strikes and to ensure that before a strike even becomes possible, one has to go through intense negotiations, which usually solve the problem.

We have always had this principle in our legislation and that is why we have had such a marvellous track record

Q Is the recent increase in the national speed limit a ploy by the Government to win votes in the coming election?

A I would totally like to dispel the propaganda trick which presents this as a ploy In November last year, I made a statement that the Cabinet had considered the possibility of raising the speed limits after receiving requests from the private sector, but required more time to clarify the situation

Mr de Klerk has represented Vereeniging unopposed for the last nine years since he was elected during the by-election in November 1972.

He received his first portfolio in April 1978 as Minister of Posts and Telecommunications Services, Social Welfare and Pensions. This was followed by the portfolios of Sport and Recreation, Mining and Environmental Planning and Energy. At present he is also the vice-chairman of the National Party in the Transvaal

Among his special achievements is his decoration for meritorious service awarded to him by the State President.

Tax savings finance merger to form giant mine

Argus 25/4/81 220

Investment

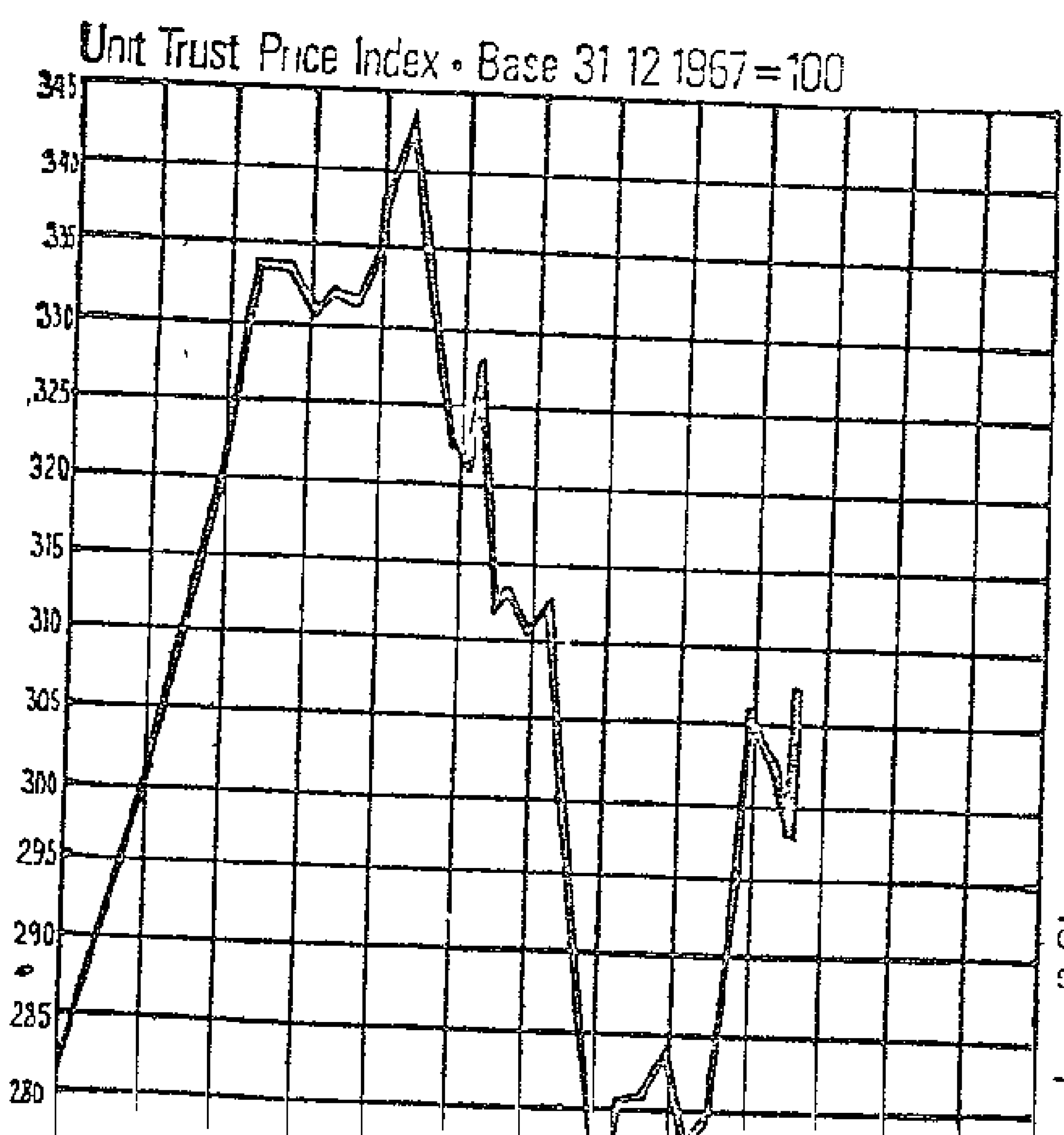
By DEREK TOMMEY

THE plan to create a giant gold mine around West and East Driefontein and Rembrandt's proposal to sell half its stake in Rothmans to one of America's two big cigarette companies has given investors much to speculate about this week.

It is planned to merge West Driefontein the world's richest gold mine, with East Driefontein and then use their combined resources to open up the North Driefontein lease area.

The resultant mine will be a giant by any standards. Every year it will mill about 5.7 million tons of ore, produce about 80 000 kg of gold and, at current gold prices earn revenue of around R1 100 million and have a working profit of R800 million.

The move makes good sense. The mining industry can benefit from mass production as can manufacturing. The economics of scale resulting from working the three mines as one will be considerable.



However, perhaps the greatest benefit to be derived from opening up North Driefontein this way is that the Government will be footing the bill.

Gold mines are heavily taxed paying up to 66 percent of their profits to the Government. But against this they can write off for tax purposes against their profits all capital expenditure in the year it occurs.

Moreover if their capital spending exceeds their profits they can carry the balance forward with accrued interest.

In consenting to the merger the Government has in effect given the enlarged company the go-ahead to finance the development of North Driefontein out of revenue which should have gone to the Government.

All funds expended on North Driefontein will now be written off against the profits of West Driefontein and East Driefontein.

RISK CAPITAL

With money tight and risk capital in short supply this seems a much better way to finance a new mine than the old way of raising capital from individuals and institutions.

This latter course has been followed at Deelkraal and Elandsrand.

It is salutary to note that Elandsrand has already had to find R224 million and is now coming to the market for an extra R120 million.

How much simpler it would have been for these two companies if they could have been financed directly out of other gold mines' profits.

However, the method of financing to be employed in opening up North Driefontein does not work in all cases. The mine providing the finance must be making worthwhile profits and paying heavy taxes otherwise its dividends could suffer.

There is no risk of this happening in this case.

East Driefontein and West Driefontein paid about R700-million between them in taxes to the Government last year so they should have ample funds to finance North Driefontein without affecting their dividend payments.

DIVIDENDS

Taking a long view, an investment in East Driefontein which is to be the holding company, would seem to have interesting possibilities.

As a result of the merger, East Driefontein's profits and dividends should rise without any help from the gold price.

So when the gold price starts increasing again holders of East Driefontein shares should doubly benefit.

East Driefontein's shares unfortunately, are expensive now standing at R33.25 each. To buy 100 shares would involve the quite high outlay of R3 325.

An investor could overcome this through buying odd lots — that is in numbers less than 100 — but would have to pay a little extra for the shares.

HALF INTEREST

THE SALE by the Rembrandt group of a half interest of its stake in Rothmans International for 350 million dollars should not surprise anyone who has been following the fortunes of this group.

It is clear that its founder and chairman, Dr Anton Rupert, has been aggressively seeking new interests for the group so as to sharply lessen its dependence on tobacco.

In the past two or three years the medical profession has amassed a most impressive weight of evidence on the harm that smoking does.

Consequently it must be faced that governments throughout the world are likely to be under increasing pressure to take steps to curb it.

Dr Rupert is undoubtedly aware of this and has been taking positive step to lessen the group's dependence on income from this product.

IMPRESSIVE

In this situation the sale of a half interest in Rothmans looks a sensible move. If the buyer Philip Morris gives Rothmans a boost the Rembrandt group will share in the growth and Rembrandt will have 350 million dollars to invest in non tobacco interests.

Rembrandt's investments outside of tobacco are extremely impressive. They include a 20 percent stake in Total Oil, a 25 percent interest in Federale Mynbou one of the country's major mining houses, a 20 percent interest in Volkskas, a 30 percent stake in Cape Wine, and a share in Henkel's South African operations.

Rembrandt has always had a high investment rating. The deal with Philip Morris could further enhance it.

Dr Anton Rupert . . . diversifying 220

S. Tribune 26/4/81

RUPERT HAS HIS SIGHTS ON MINERALS

Special Finance Correspondent

TOBACCO and liquor magnate Anton Rupert is laying the groundwork for a spectacular entry into the international energy and minerals business.

The sale this week of a portion of the Rembrandt group's holdings in British-based Rothmans International to the US tobacco giant Philip Morris, is another step in Rembrandt's emerging strategy of lowering its dependence on booze and fags in favour of areas with more long-term growth potential

"The Rupert company has changed its shape dramatically in the past five years and is emerging as a diversified investment company," one stock market analyst observes

The Philip Morris deal will provide the Rembrandt group with an extra 350-million dollars in foreign exchange, presumably to finance new acquisitions

A Rembrandt group spokesman in Stellenbosch said it would be "highly speculative" to guess what the funds will be used for.

There are plenty of clues, however Through its interest in Rothmans of Canada, Rembrandt already has a stake in an energy company, known as Star Oil and Gas.

Rembrandt formed an overseas investment company two years ago, in partnership with an unidentified European group

According to Dr Rupert, the object of the venture is to invest "in resource-based industries" The company's investments totalled about R100-million towards the end of last year, almost double the figure earlier in 1980

So far, most of the investments have consisted of building up a portfolio of stocks in various companies But Dr Rupert is rumoured to be keen to take a sizeable share in a leading international mining or energy company.

Public transport and postal services barely continued to operate, while Municipal employees from all departments were used to maintain the sanitary and refuse-collection services[28]. On 4 October it was decided that all but the most urgent cases before the Cape Supreme Court would be postponed for a week.[29] By now, of course, the 'Engagements Postponed' column in the Cape Times was a regular feature

In short, Cape Town was fighting for its life, fighting to keep at bay the threat of a total collapse of the community in the face of an epidemic of unprecedented virulence and magnitude. To this everything had to take a second place.

Slowly, from about the middle of the third week of October onwards, the situation began to ease, the 'flu to loosen its grip on the Peninsula. Whether this was because of the vigorous campaign launched against it or the extensive use of disinfectants to cleanse the streets and slums or just the natural course of the epidemic is unknown, but as the number of deaths and new cases reported fell and the demand for relief lessened, so did confidence return. "I consider that the epidemic is under control", announced Dr. Jasper Anderson on 15 October.[30].

The City Council was less sure. Fearful lest the 'flu revive as people congregated in the relieved atmosphere, on 18 October the Mayor closed down all places of public entertainment and followed this up with a request for churches to suspend their services.[31] Few churches actually acceded to his request, feeling that the comfort of religion was a must at such a time, but most did curtail their services.[32]

These clo
picking u
firms re-
and trade

"Th
mis
to
les
we
ple

As more n
down the
cised ove
taken to
house-vis
hours and
serious c
ary hospi

By the en
of relief
people we
has passe
of its ci
days of t

'Black Oc
it had le

Statistic
gathered

RDM 29/4/81 (~~232~~ 220)

Tobacco man in surprise attack on Anton Rupert

By NEIL BEHRMANN

LONDON. — An astonishing attack on Dr Anton Rupert, chairman of the Rembrandt group, was made publicly yesterday by Mr Paul Sticht, chairman of R J Reynolds, the US tobacco giant.

Mr Sticht also suggested that the R300-million deal announced last week between Rothmans International, controlled by Dr Rupert, and Philip Morris of the US might be illegal.

The Philip Morris deal — under which the US group is to get control of Rothmans with Rembrandt of South Africa — was announced by Dr Rupert only hours after negotiations between Reynolds and Rothmans had been called off

Mr Sticht has effectively accused Dr Rupert of bad faith

He suggested that the proposed Philip Morris/Rembrandt partnership proposal for Rothmans might

- Break the laws of the European Economic Community in general and West Germany in particular
- Encounter strong opposition from the take-over panel of the London Stock Exchange and from the authorities in Canada

Mr Sticht said Reynolds had considered agreeing to a deal with Dr Rupert similar to that now agreed Philip Morris but had been advised it could be unlawful

In a letter to Mr Sticht, now released by him, Dr Rupert said last week that "it is universally known that we have always followed a policy of partnership our previous discussions collapsed because your group was unwilling to put your brands into a partnership deal

"After the Press announcement of our preliminary discussions (with Reynolds) I was immediately approached by four other parties, approaches which I had not solicited

"I thereupon consulted lawyers who impressed upon me that I had the obligation to my shareholders to listen to any firm offers made

"A firm offer of partnership was received which would not disturb any of our partnership companies but indeed protect them and be of great benefit to the workers and peoples of many countries

"I believe that I have done my duty "

Mr Sticht has replied that "my clear view of the events is different from yours in several material respects

"During our early discussions dating back to November in London we expressed complete willingness to enter into any partnership arrangements with you or Rothmans International with only two conditions the first being that such a partnership provide that we be able to gain ultimate control at some point in the future and second that such a partnership arrangement be lawful

"We considered in depth what is apparently the same arrangement which you have now undertaken with Philip Morris and informed you in London in March that we had been advised firmly by counsel that such an arrangement would be unlawful under the anti-trust and cartel statutes in both the EEC and Germany, and that for that reason alone we considered it to be unfeasible

"We also informed you that it would raise serious questions with the London panel and the foreign investment review agency in Canada

"Our view then was that you understood these difficulties, and we suggested that you confirm them with your own attorneys " prescribe treatment with confidence. Diabetes is another condition lending itself to such involvement. The pharmacist notes refill dates of prescriptions and can monitor compliance by calling delinquent patients who have not repeated their prescriptions by due date or alternatively counsel those who inadvisedly increase their own dosage.

GERIATRIC PATIENTS·

The problems of control of chronic ailments are exacerbated in the geriatric patient who because of forgetfulness, poor eyesight and altered metabolism frequently ends up in hospital because of the treatment, not the disease. Such a situation was highlighted in the Valkenberg study.[4] I quote: "It is by no means unusual for an elderly person to be admitted to the unit on 8 or 9 drugs for different physical and psychiatric conditions, and the lack of proper instruction to the patient and his relatives by doctors regarding drug dosage was very apparent."

By becoming more involved in the health team which cares for the aged, the pharmacist's knowledge can be utilized so that medication is to the patient's benefit and not to cause of his demise.

PAEDIATRICS·

At the other end of the scale the ready availability of pharmacists should be capitalized on by developing in each pharmacy an information and guidance centre where advice and direction can be given on the many problems that face the young parent and her infant. Feeding problems, nappy rashes and many other difficulties can often be resolved through correct counseling without resorting to expensive medication.

FAMILY PLANNING

It follows that while counseling on infant feeding and other problems, family planning can be and often is discussed. Once again the ubiquitousness of community pharmacy can be utilized to provide not only a distribution centre for contraceptives, but a full counseling service.

HOSPITAL SERVICES.

Up to this point, the discussion has centred around the general practice, community or as is currently termed, retail pharmacist The potential of the pharmacist in hospital services has not yet been realised The lack of involvement

Rupert denies double-cross

RDM 30/4/81 (220)

By HAROLD FRIDJHON

AN emphatic denial that Dr Anton Rupert was guilty of double-dealing in his negotiations with R J Reynolds, the American tobacco giant, was made yesterday by Mr Johan Rupert, managing director of Rand Merchant Bank, which was involved in concluding the Philip Morris deal.

Mr Rupert was reacting to the attack on Dr Rupert by Mr Paul Sticht, chairman of R J Reynolds, who in a published letter accused Dr Rupert of acting in bad faith

Mr Johan Rupert said that three weeks ago when he was in New York he called on the merchant bankers, Lehman Brothers, Kuhn, Loeb, on business unrelated to Reynolds or Philip Morris He saw an old friend, Mr Mario D'Urso, a partner in the firm who acts for Philip Morris.

When the announcement appeared in the Press that Rembrandt and Reynolds were talking, Mr D'Urso phoned Mr Johan Rupert and asked him whether there was any way in which Philip Morris could get involved with Rembrandt

Mr Rupert suggested there was no reason why the Americans should not fly to South Africa and discuss the matter He did not raise the issue with his father

Mr D'Urso flew to South Africa with a team from Philip Morris. They arrived at Stellenbosch shortly before the Easter weekend They were unable to see Dr Rupert for several days Rand Merchant Bank and the Americans put the proposition which eventually led to the Philip Morris deal.

Mr Rupert stressed that Rembrandt did not know the American party were coming to this country until 24 hours before they arrived His father was not in the know

He added that the Reynolds negotiations had been dragging on for some seven to eight years without getting anywhere near a conclusion.

The basic issue on which discussions had always broken down was on the question of partnership To Dr Rupert, partnership meant only that, but the Sticht viewpoint was a partnership which would lead ultimately to control This was entirely unacceptable to Dr Rupert

Mr Rupert makes the point that if Mr Sticht doubted the legality of the transaction, this should have been settled before negotiations reached what appeared to be an advanced stage

In any case there was no question of Dr Rupert's double-dealing Philip Morris and the two merchant banks came up with a straight-forward proposition on their own initiative It was not a situation of Dr Rupert's seeking

Before Dr Rupert concluded anything with Philip Morris he had notified Mr Sticht that he could see no purpose in furthering the discussions, primarily on the partnership issue, and on the question of rights to brands and licences

has made the pharmacist a vital person in the deliverance of health care It remains to capitalize on this by including him in the health team Those areas such as hypertension monitoring, family planning, emergency medicine, etc do require additional training This can be presented as post-graduate modules through the divisions of continuing medical

Likely outlets for Rembrandt cash

RDM 30/4/81 (220)

By NEIL BEHRMAN

LONDON. — City analysts believe that Rembrandt's sale of half its holding in Rothmans International for $350-million indicates that the group will accelerate its diversification into the mining and energy sectors.

"Rembrandt's latest annual report states that the company is in partnership with a European concern aiming at investing in resource-based industries," says Mr Peter Temple, tobacco analyst at brokers Hoare Govett.

"Current activity has mainly been directed to metals, minerals and energy investments which are spread geographically"

Investment by this company is about R100-million and includes R48-million after March 1980

"The identity of the European partner has not been disclosed, but it would seem probable that this venture could represent a major channel for future cash, and that strategic rather than portfolio investment is the ultimate goal"

Mr Temple speculates that Dr Rupert may have his eye on Rio Tinto-Zinc There has been no confirmation from the market, although there have been rumours that RTZ is ripe for a predator

Mr Temple says that in 1976 the Rembrandt Group bought a 25% stake in Federale Mynbou, holding company of General Mining

"The broad trend in recent years, epitomised by Rothmans International's acquiring Rothmans of Pall Mall Canada in 1978, is for Rembrandt's interests outside South Africa to be concentrated in Rothmans International Parallel to this, surplus cash will be invested in outside areas which include mining oil and other natural resources."

Genmin's annual report shows the group is taking part in several oil and gas syndicates in the Gulf of Mexico and the North Sea. The group has a 6% interest in one natural gas discovery and 5% in another. A 10% interest is held in a North Sea gas block and "considerable further expenditure will be required to establish the viability of this deposit", says the report

Mr Temple believes it is unlikely that R J Reynolds will make a counter-bid for Rothmans International, but in the longer term Philip Morris will try to buy out the entire company.

"There is very little Reynolds can do It was outmanoeuvred by Morris," he says

Mr Nyren Scott Malden, de Zoete Bevan's tobacco analyst, reckons that any bidder would have to 120p a share for Rothmans The 170p a share which is the payment to Rembrandt includes goodwill for various cigarette trade marks

REMBRANDT/REYNOLDS FM 1/5/81 (220)

Exploding cigarette barons

Failure of the talks between Rembrandt, Rothmans International and US tobacco giant R J Reynolds, and Rothmans' subsequent tie-up with Philip Morris (*Fox* April 10 and April 24) has led to an unprecedented public wrangle between Rembrandt's chairman Anton Rupert and Reynolds' chief executive J Paul Sticht. Sticht, who is highly put out by what he believes was Rupert's duplicity in negotiating with Philip Morris, launched his attack on what he felt were Rupert's business methods in the following public statement

"First I was shocked Our clear understanding with Dr Rupert during discussions over these past several months was that our negotiating position was exclusive and that he would not engage in discussions with other companies while they were ongoing

"Secondly, I was most surprised at the form of the transaction, as we had been advised by counsel that such a joint venture would be unlawful under the cartel authority statutes in Germany and the anti-trust statutes of the EEC This continues to be the view of our advisers

"Lastly, I am very disappointed for the public stockholders of Rothmans International, as they are not participating in the economic benefits of the transaction in the same way as the majority shareholder, Rembrandt Group During our several discussions with Dr Rupert, we advanced proposals that would have enabled the minority public shareholder to sell his shares at a fair value contemporaneously with the disposition of his own interests — that is, an offer to purchase the entire company, RIL "

Rupert reacted by telex to Sticht (see box), stoutly defending his operating methods and particularly his "policy of partnership " But that was far from being the end of the matter

Sticht's "Dear Dr Rupert" answer to Rupert's telex makes several startling claims He begins by saying that from the outset Reynolds made clear it was prepared to go into partnership with Rupert on condition that it would "be able to gain ultimate control" when Rembrandt left the scene and if any such deal was lawful

He finds it difficult to accept Rupert's claim that he had "stuck to his guns" on the principle of partnership "At both meetings (in London in March and Madrid in April), we had substantive discussions regarding the acquisition of Rothmans International (RIL) as a whole, and spent considerable effort and time at your prodding on the question of having to achieve the maximum value to your group, while at the same time paying fair value to the public shareholders in RIL You will recall we discussed the necessity of satisfying the London takeover panel with respect to fair treatment of the minority and our expressed willingness to make any offer within the expressed total value that the RIL board would be willing to endorse "

Sticht says that while Rupert is "technically correct" in saying no firm or final offer had been made by Reynolds, he has ignored other developments "We put proposals and alternatives for the acquisition of RIL at our January meeting in SA, and with much greater specificity at our March meeting in London Since Alex Orlow managing director of RIL, was present at these, he can confirm this These proposals were renewed in April in Madrid

The Reynolds chief also reminds Rupert that "we considered in depth what is apparently the same arrangement which you have now undertaken with Philip Morris " But he claims Reynolds informed Rupert in March that ' such an arrangement would be unlawful under the anti-trust and cartel statutes of the EEC and Germany and for that reason alone we considered it to be unfeasible ' Reynolds also says it pointed out difficulties with stock market requirements in London and Toronto 'Our view then was that you understood this,' says Sticht

He then reveals a deal proposed by Rupert "Further to our willingness to undertake joint ventures where they would be lawful, you asked us in Madrid to consider a joint venture with Rembrandt in southern Africa on a 50-50 basis and at a very substantial price We expressed willingness and you promised to supply information to help us reach a judgment This was never forthcoming "

But what Sticht finds "most puzzling" in Rupert's message to him this week was that the Rembrandt chairman "undertook not to approach other parties " He says: "You know the words were never used "

Sticht says the exclusivity agreement on negotiations happened this way "As you will know, I offered to put a total valuation on RIL on the table if you would give us an undertaking of exclusivity You agreed and I put our valuation on the table This understanding was confirmed in March in London and on April 2 in Madrid Immediately following the letter, we issued the statement (that negotiations were taking place) which you both drafted and suggested You must recall we asked

RUPERT'S RESPONSE

"I have noted your comments about our discussions which I believe to be unfair for the following reasons

☐ It is universally known that we have always followed a policy of partnership wherever we have gone

☐ Our previous discussions collapsed because your group was unwilling to put your brands into a partnership deal

☐ In September 1980 you visited me at the Dorset Hotel, New York, and showed me, with great pride your presentation to a national meeting of security analysts at the Grand Hyatt Hotel and pointed out to me your statement that day that you were now prepared to enter into partnership deals As a company, we are well aware of the importance for R J Reynolds and the entire country that US business learn to grow and prosper outside our borders through mutually beneficial partnership agreements '

☐ At our subsequent meetings set up as a result of your statement, I stuck to my guns as regards partnership, as I have consistently done in discussion with other interested parties

☐ At our last discussions in Madrid, I undertook not to approach other parties although there had been no firm or final offer from your side What was clear, however, was that, once again you were unwilling to enter into true partnership in spite of our pleas that you do so and your previous statement to the analysts

☐ After the press announcement of our preliminary discussions and a comment attributed to someone from Reynolds that R J Reynolds was buying Rothmans, I was immediately approached by four other parties — approaches which I had not solicited I thereupon consulted lawyers who impressed upon me that I had the obligation to my shareholders to listen to any firm offers made A firm offer of partnership was received which would not disturb any of our partnership companies, but indeed protect them and be of great benefit to the workers and peoples of many countries

I believe that I have done my duty and remain yours sincerely Anton Rupert "

P.T.O

CCS 1 (Continued

8. Increase in Outside Shareholders' Interest

Equity of Lad Ltd at	30.6.04	30.6.05
Share capital	50 000	50 000
Share Premium	5 000	5 000
Unappropriated profit	13 000	28 000
Profit for the year	15 000	45 000
	83 000	128 000
20%	16 600	R 25 600

∴ Increase in minority share	R 9 000
Less 20% of stock profit (R3 000)	600
	R 8 400

9. Schedule of changes in working capital

Increase in stock
Decrease in debtors
Decrease in sundry debtors
Increase in cash
Decrease in trade creditors
Increase in bills payable
Decrease in tax
Increase in sundry creditor
Dividend payable to outside
shareholders in subsidiar
Net increase in working cap

for the exclusivity to be continued and you responded in the affirmative, after you had agreed to open up the tax structure of RIL to us so that we could determine the final optimal deal You had already promised to send us information for the southern African partnership which you had proposed," alleges Sticht

Says Rupert in rejoinder "They have been negotiating for eight years and have had the opportunity for true partnership for a while The first paragraph of Sticht's statement, saying that they were only interested in a partnership leading to ultimate control, says it all I am happy for my partners' sake worldwide that it did not happen "

Meanwhile, as the *FM* was going to press, the shareholders in Philip Morris were being told by their president what the $350m deal entailed Wall Street analysts expected the company, which has been tight-lipped about the affair since the bald announcement, would open up at the annual meeting in Richmond, Virginia In the meantime the deal is to be investigated by the London Stock Exchange's takeover panel

But analysts are not convinced by the Philip Morris claim that the stake in RIL is purely "an investment" Jack Pickler, tobacco analyst at Wheat First Securities in Richmond, said passive investment roles were "absolutely not the style of Philip Morris" He predicted that an exchange of trademarks would follow and that Philip Morris's "very aggressive management would not sit idly by for long They will want to make the most of this deal for their own company and I would not be surprised to see Philip Morris make a move soon"

The deal appears to offer a lot to Philip Morris on the international market, where it is currently running second to British-American Tobacco Diana Temple, tobacco analyst at Salomon Brothers in New York, said the value to Philip Morris of the Rothmans brand names could be considerable, especially in Latin America where it is hard up against BAT

'Unions are the real challenge'

LONDON — Black unions present the South African Government with its most serious challenge, says an article in a major survey on South Africa published by the London Financial Times yesterday

The black unions constitute a threat both to the working of apartheid and the power of the predominantly white business community

While the union leaders insist that they are trying their best to avoid involvement in political activities, they have to concede that "the whole context in which we live in South Africa is interwoven with politics", illustrating the degree to which political issues intrude and create the tensions within the country's labour force, which revamped industrial legislation cannot contain

The article states that the growth of the black union movement highlights the ultimate incompatibility of conceding bargaining rights — albeit painstakingly slowly — while providing no comparable shift in the system of exclusive white political power,

Other aspects of the South African way of life discussed in the comprehensive, 14-page survey include

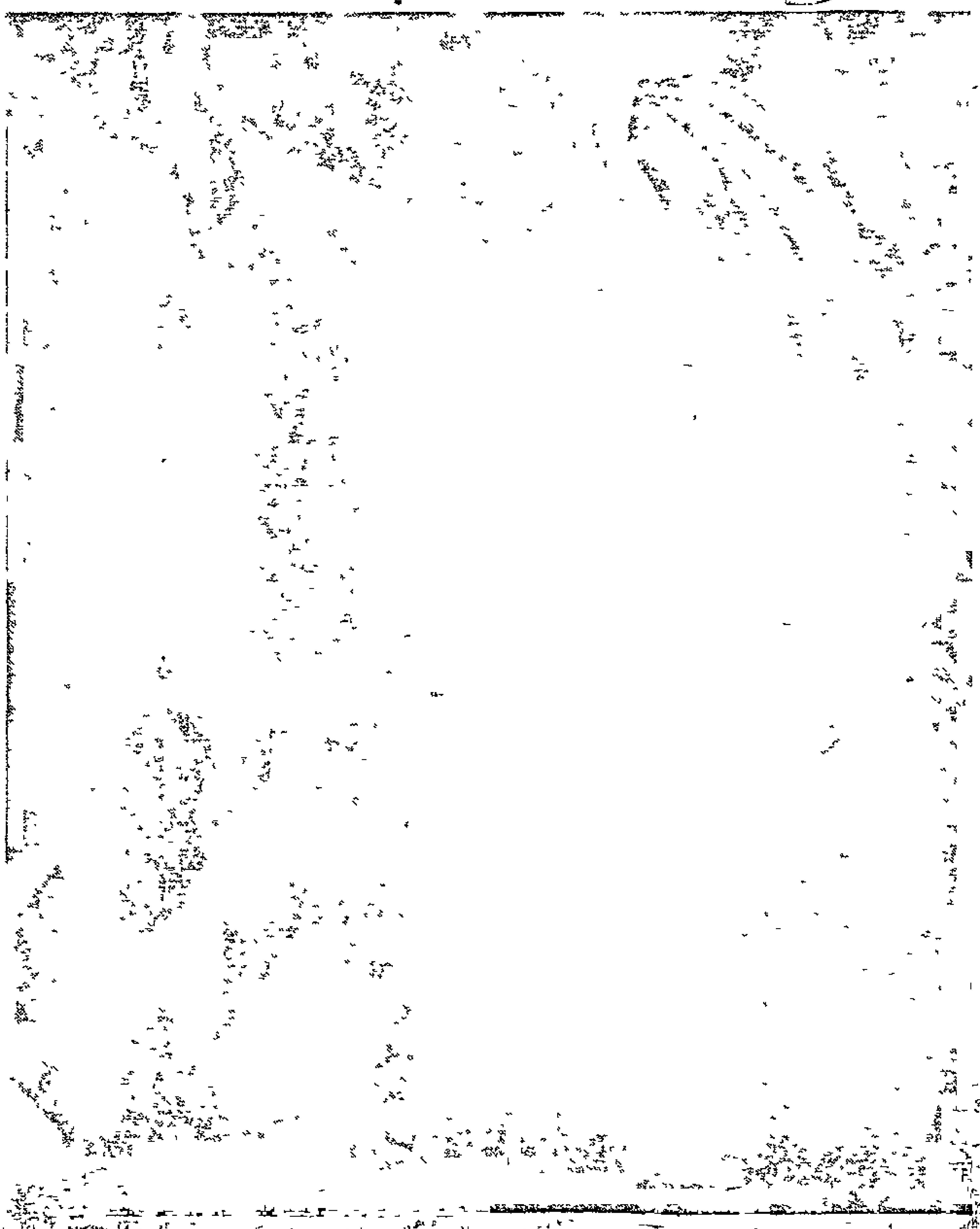
- The economy and South Africa's inflation problems,
- The homelands policy — and the fact that the government is today rethinking Dr Verwoerd's grand design, mainly because the economic pillar of the separate development policy is tottering,
- South Africa's increasing state of military preparedness The article states that the armaments industry provides lucrative business throughout the engineering industry, with 600 companies involved in addition to Armscor's own 14 factories in which about 3 000 are employed

The article adds that the national defence budget has virtually quadrupled in the last decade, now standing at almost R2 000-million, with another estimated R1 000-million hidden in the budget estimates of other government departments.

- The boom in imports.
- The efforts of the anti-apartheid campaigns,
- Coal output which is expected to double in 10 years,
- The Sasol projects, and the fact that in South Africa anything to do with oil is shrouded in secrecy,
- Gold: the economy's vital asset is "good for many years" The article points out that every 10 dollars shift in the price of an ounce of gold alters South Africa's gold revenue by just under R200-million.

On Krugerrands, the article says that more than 30 million coins have been sold by Intergold, accounting for up to 27 percent of South Africa's output in recent years,

- Platinum and diamonds, and a brief reference to speculation that Russia and South Africa agree on platinum, diamond and gold sales;
- Uranium According to California-based Nuexco, at a price of 25 dollars a pound of uranium dioxide, South Africa has 412 000 tons — about a quarter of the non-communist world's reasonably assured uranium reserves,
- SWA/Namibia: " It is an abiding irony that one of the most fiercely anti-colonial peoples of Africa the Afrikaners, who fought bitterly to resist the might of the British Empire, should end up as one of the last occupying powers in Africa",
- The politics of trade. South Africa's exports to Africa rose by 66,6 percent in 1980 — from R73-million the preceding year to R1 102-million "For officials in Pretoria the politics of trade often reveal more about regional realities than a succession of hostile resolutions passed by the world body " and
- Tourism Britain remains South Africa's largest source of tourists outside Africa, with more than 120 000 visiting last year, compared with 50 000 Germans and 48 000 Americans Africa still provides the most visitors 300 000 last year



A union member during a recent strike.

Call for boycott in support of union

Sowetan 26/5/?

By ZB MOLEFE

THE Federation of South African Trade Unions (Fosatu) has called for a complete boycott of the products of the multinational Colgate Palmolive Company in protest against the company's refusal to recognise their union.

And the bitter dispute at the company's Boksburg plant took another turn at the weekend when management said it was prepared to negotiate further in order to avoid a strike

This is contained in a management statement which added that "management believes that in the end the company, its factory workers and their families will all suffer."

The statement follows the bitter recognition dispute between the company and the Chemical Workers Industrial Union (CWIU) which resulted in the union calling off negotiations at a Conciliation Board hearing last Monday and Wednesday.

"The company supported the application for a Conciliation Board because it sincerely believed that formal negotiations would help resolve differences of opinion that existed between itself and the union, the statement added

"The company was not prepared to jeopardise these negotiations in any way and that is why it did not enter into any form of public debate in the Press, unlike the union," the statement continued

"However, it has become apparent that the union had no real intentions of negotiating whatsoever. this becomes quite clear when one reads the opening sentence of a booklet issued by the union after the Minister had approved the establishment of the Board, and prior even to the first meeting of the Board

"The opening sentence of the booklet states that the booklet was produced in furtherance of a contemplated strike "

The fona fides of the union in applying for the Board must be questioned if they were contemplating strike action, the statement goes on Also, it would have served the interests of the union members better to have contemplated conciliation

The statement argued "It is not surprising that the actual wages paid by the company were not an issue, as the company wage levels are the highest in the industry in which it operates — at a minimum of R401-plus per month for the lowest grade shift worker and over R700-plus per month for a grade one operator "

(183)

220

SUNDAY TRIBUNE, JUNE 7, 1981

S. Trib 7/6/81

Multinationals extend a hand

220

Finance Correspondent

THE multinational industrial and mining companies in Zimbabwe have not been slow to get into the government's good books through large donations to various state schemes and officially approved technical and educational projects.

The latest move is by the bete-noire of business — Lonrho — which is giving the state news agency Ziana the money to set up its own operations This involves payments to other news agencies to buy their services — with Ziana becoming the sole distributor in the country of foreign news — and foreign exchange to buy equipment

Lonrho's record in getting smartly on the right side of African governments is second to none. Kenya is a prime example

The other big mining house, Anglo American, has also made well publicised donations in cash and kind.

The question arises as to what effect these forms of ingratiation will have on the government Lonrho's success comes just a year after cabinet ministers said the company would never succeed in its bid to become politically acceptable

On the other hand business took a severe bashing at the recent chambers of commerce annual congress. The multinationals were not mentioned by name but there were implied references as government officials slammed profiteering and exploitation

Yet despite an increasing number of hot-headed statements which depend more on emotion than logic, sense is still prevailing in official circles

So, when the head of the largest trade union organisation, called for total nationalisation of mines, citing the boringly familiar accusations of low pay and large profits which are supposedly smuggled out of the country, the response was a firm "no" from the government

Nonetheless, the pressure is on the international business houses They have got to be seen to be helping the people and the country voluntarily, not just reacting when official policy is announced.

To this end the chamber of mines has gone a long way to showing its faith by working out a new minimum wage level which is above the official scale That is the type of concrete action of which the government takes notice

Obvious manoeuvres like Lonrho's do not win friends for any length of time But perhaps the company knows best after all It is still acceptable in countries where many multinationals have been nationalised.

220

Inves Tnb 7/6/81

Government wants to keep key industries under local ownership

Finance Correspondent

A QUESTION mark has been raised over foreign-owned companies' participation in key sectors of the South African economy In one of the clearest statements of Government policy on the subject, Defence Minister Magnus Malan has spelt out Pretoria's eagerness to keep strategic industries safely under local ownership.

General Malan made a little-publicised speech in Boksburg while opening Allied Technology's new cultured quartz production facility, the first of its kind in Africa.

After pointing out that Altech was until a few years ago a foreign-controlled company, the minister noted that "in the light of the 1978 arms embargo, as well as various other threats of sanctions against South Africa, the Government is anxious that strategic industries, such as the electronics industry, should be in South African hands"

General Malan added that boycotts and sanctions provided an incentive for local industry to accelerate its import replacement efforts The Government has been willing to pay a premium for locally-made strategic items, and "industry should be prepared to provide for our country's requirements in as many fields as possible," he said.

Pretoria's keenness to promote local ownership of key industries has seldom been translated into active arm-twisting up to now Several strategic sectors, including oil, pharmaceuticals and computers, are still dominated by multinationals.

One of the few known cases where the authorities did give a foreign shareholder a friendly nudge was Racal, the British-owned electronics group, which is now owned by Grinaker Electronics The company openly advertises itself as a defence supplier, and there is little doubt that this side of its business was one reason why the authorities encouraged the British company to sell in 1978.

The electronics industry is vital to South Africa's defence capability General Malan noted that the "pioneering work" being done at Altech was of "greatest importance to the country, especially in the military field".

Most of the leading electronics companies are now locally controlled. Besides Altech, they include Barlow Electronics (part of Barlow Rand), Kentron (an Armscor subsidiary) and Grinaker Electronics (Grinel)

But there are several with majority shareholdings abroad. Siemens, Plessey, the major computer suppliers, such as IBM, ICL and Burroughs and Marconi (in which Barlows has a 50 percent stake) are examples It remains to be seen whether the authorities take any further action to compel these companies to increase their local shareholding.

Despite General Malan's warning, the policy will probably depend on the importance of each company and its record as a reliable supplier It's worth noting that most of the electronics companies, with the notable exception of the computer companies which have preferred to withdraw to mother countries rather than accept local ownership already have substantial local shareholders.

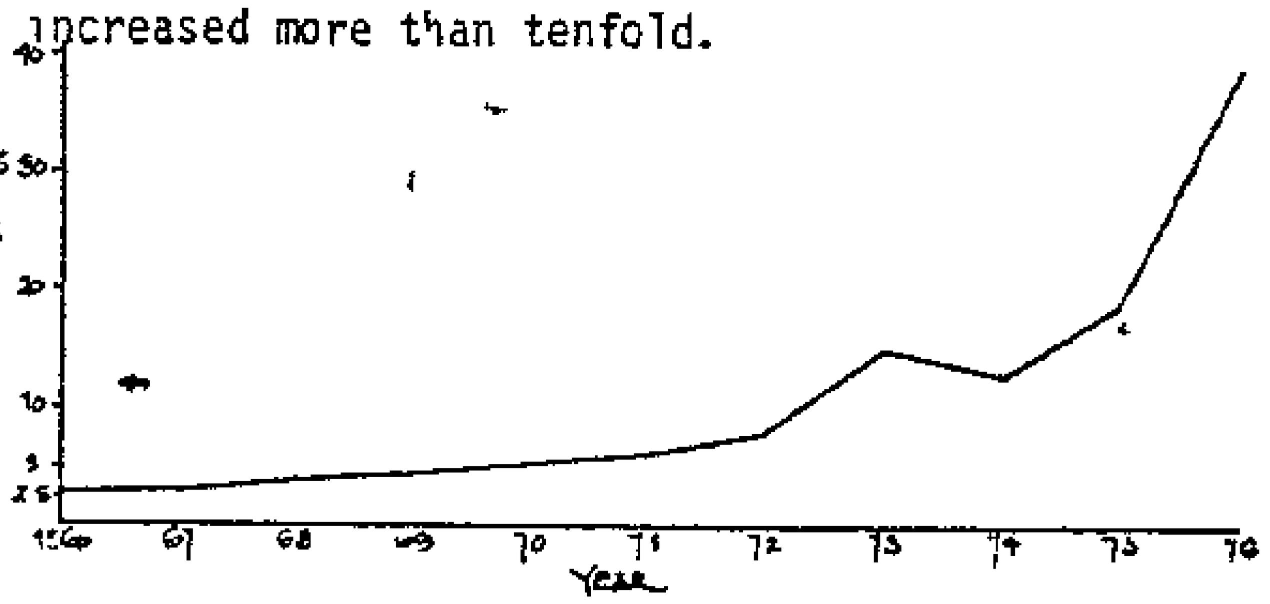
These shareholders, which include such staunchly South African companies as General Mining (in the case of Siemens) and Sanlam (which has a minority interest in Plessey), can presumably be relied on to keep a close watch on their foreign partners' intentions and actions in this country

7/6/81

220

In 1966 there were 28 657 outpatient attendances. By 1976 this figure had increased more than tenfold.

GRAPH 3
NUMBER OF OUT-PATIENT ATTENDANCES AT ALL MENTAL HEALTH INSTITUTIONS 1966-1976 (x10⁴)



The outpatient services comprise two sections:

a) Outpatient department psychiatry clinics i e. patients attend at hospital clinics.

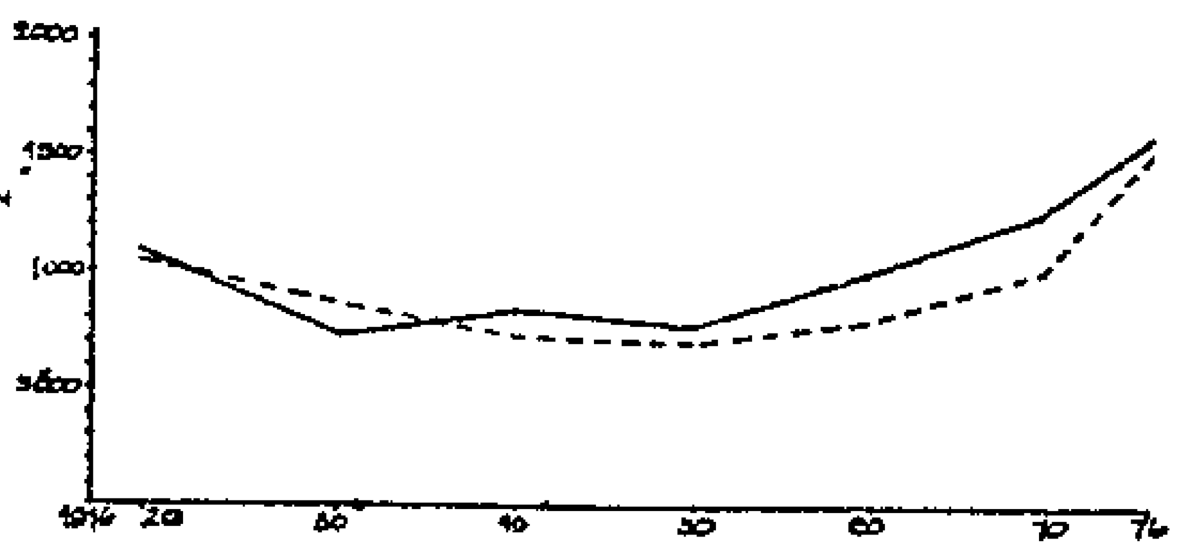
b) Community services Trained sisters travel to the patients in their home environment. This service has been available since 1963 at provincial hospitals, but only since 1974 at state hospitals

Community Statistics

In 1919 there was a psychiatric bed for every 1 088 people in the country. By 1976 there was a bed for every 760. (This figure includes all beds of all category I institutions).

If the 1976 figure for beds at state mental hospitals only is used, then there was a bed for every 1 500 people in the population, i e. an overall decline in the number of beds at state psychiatric hospitals per head of population.

GRAPH 4
--- NUMBER OF INPATIENTS RESIDENT IN STATE MENTAL HOSPITALS AS FRACTION OF POPULATION (%)
— NUMBER OF BEDS AT STATE MENTAL HOSPITALS AS FRACTION OF POPULATION (%) 1919 – 1976



In 1919 one in every 1 080 people were patients in psychiatric hospitals. By 1976 one in every 300 were resident inpatients.

. / ...

Admissions 1919-1976

In 1920, 1 750 patients were admitted to state hospitals. In 1976 at least 39 700 patients were admitted to state, provincial and homeland hospitals. The number of admissions grew more than 20 times. The discharges mimicked the pattern of the admissions.

Workers win new rights at Kellogg

R. Rom

By RIAAN DE VILLIERS
Labour Correspondent

IMPORTANT new features have been incorporated in a re-negotiated recognition agreement between the multi-national Kellogg company and the Sweet, Food and Allied Workers' Union

The agreement supercedes a preliminary agreement reached between the two parties in August 1979, when the Fosatu-affiliated union was still unregistered

The new agreement allows shop stewards to attend to union and company business in working hours

Retrenched workers are to receive increased benefits through redundancy pay as well as a system for preferential re-employment

Maternity benefits have been introduced, described by Fosatu spokesmen as "totally novel"

The agreement provides for a senior shop steward to be elected by shop stewards, who will have access to workers throughout the company on approval of plant management

He will be entitled to an amount of company time to attend to his duties in the plant, also to be agreed to by plant management

Shop stewards will be allowed a monthly caucus meeting during working hours The company has undertaken to consider employing retrenched workers in other departments when possible

Workers with less than 18 months service will receive one months' wages in redundancy pay, those with between 19 months' and 30 months service two months' pay and those with over 31 months' service three months' pay

Pregnant women leaving their jobs are to have priority whenever possible if they want to return after their confinement

Women with more than a year's service will receive a third of their wages for 12 weeks, up to a maximum of R250

Mrs Maggie Magubane, union secretary, described the agreement as a "breakthrough" She said this applied especially to the maternity clause as women workers had been struggling for a long time for some form of protection

greater rate of inpatient turnover.(6)

6. e.g. If hospital A with 800 beds has 300 inpatients in a year, none of whom improve and qualify for discharge, then a total of 800 patients would be resident in that hospital annually. If, on the other hand, hospital B discharges all its patients every 6 weeks, then a total of 6 900 patients would be resident in that hospital annually. Thus nearly 9 times as many patients rotate through hospital B compared to hospital A annually.

. / ...

S Times Bus 21/6/81

Rembrandt deal on the cards

By John Spira

THE mighty Rembrandt Group (Remgro), which is currently sitting on cash totalling $850-million, is believed to be on the verge of announcing a substantial international deal

South African sources close to the company comment that the mooted deal could absorb a large slice of the group's liquidity, $350-million of which has been recently generated via the sale of half of Rembrandt's 44% interest in Rothmans International to the US Philip Morris empire

Johan Rupert, a Remgro director, was reported to be abroad when comment was sought from him yesterday

Business Times sources reveal that a possible target for Rembrandt is the giant UK-based mining house, Rio Tinto Zinc (RTZ) — a major producer of copper uranium, iron ore, tin, aluminium, gold and other metals

It has interests in the US Canada Britain, Papua New Guinea, Zimbabwe and South Africa Its main South African interest is a 39% stake in Palamin It also has a 47% interest in Rossing Uranium in South West Africa

A bid for 20% of RTZ would, it is estimated, require funds in the region of $800-million

Rembrandt would probably not wish to acquire a stake much larger than 20% because of its policy of building up only strategic investment interests (and not management control) in companies involved in areas other than Rembrandt's traditional spheres of activity (tobacco and liquor)

It already has 20% to 25% holdings in several other companies, including Federale Mynbou — a stake which was recently increased from 25% to 30% and which dovetails with Rembrandt's stated policy of acquiring investments in mining

It is this quest for investments in mining which has spotlighted RTZ as a likely candidate for Rembrandt's next investment move

Early last month, RTZ shares firmed on rumours that it was about to be taken over This was denied by the company's chairman, but London brokers believed that, in spite of the chairman's denial, a US oil company was interested in acquiring RTZ

EP 23/6/81

Bosal announces big expansion in Uitenhage

Post Reporter

THE world-wide industrial group, Bosal International, one of the largest producers of exhaust systems in the world, is to increase its investment at its Uitenhage plant by about R2,5 million in the next four years

This will make the Uitenhage plant one of the largest tube and exhaust systems factories in Southern Africa

Mr Will Schoeman, managing director of Bosal Afrika, announced that plans for extensions and improvements to the present buildings to the value of about R1 million are well advanced

This will include up-grading the present canteen and ablution facilities as well as the addition of a new office block which is planned for completion by early 1983

As part of Bosal Afrika's national re-equipment and mechanisation programme, more than R750 000 will be spent on the installation of the latest mechanical systems for the manufacture of exhaust systems in the Uitenhage factory

This is planned as soon as the factory area has been extended, early in 1983

A further R500 000 will be invested in the expansion of the tube manufacturing facilities in the Uitenhage plant over the next two years

Part of the investment of Bosal Afrika in Uitenhage will be in the form of in-house training

According to Mr Schoeman, Bosal Afrika is very conscious of the gap which exists between technical training in South Africa and the ever-increasing need for trained people in industry

The training programme will concentrate largely on basic training, closely integrated with Bosal's own needs in Uitenhage, leaving the more advanced training to the technikons

Guinea sidesteps De Beers

STAR 1/8/81

The Star Bureau

LONDON — A new diamond venture of about R70-million planned for Guinea, West Africa, intends to sell its output outside the auspices of De Beers central selling organisation

Bridge Oil, the Australian oil and gas producer, will have a stake of 45 percent and the Republic of Guinea one of 50 percent The remaining five percent will be shared by Simonious Vischer of Basle, Switzerland, and Industrial Diamond Company of London

Marketing of the Bridge consortium's 70 percent share of production will be handled by Aredor Sales, managed by Industrial Diamond Corporation which already purchases a proportion of the diamond output of Sierra Leone and Zaire

Production is scheduled for August 1983 with an output of approximately 200 000 carats in the first year and a progressive rise to 500 000 carats a year by 1985.

The projected output is tiny compared with production at the De Beers group mines which amounted to 14,7-million carats last year

But the diamond market worldwide remains depressed

229

Behind the Phibro-Salomon merger

Rom

Anglo in a great new trading house

4/8/81

By NEIL BEHRMANN

LONDON — The merger between Phibro, the commodities trading company in the Anglo American Corporation group, and the giant US brokerage house of Salomon Brothers could form one of the most formidable trading houses in the world

This is the view of several dealers in commodities in New York and London The new concern will combine skills in virtually all commodities and a client list that includes governments and most of the biggest international companies

Analysts reckon that the deal is worth $550-million

The new giant will have assets of $1 650-million compared with the US brokerage house Merrill Lynch's assets of $1 100-million The basis of the deal is that Phibro Corp, a New York listing formerly known as Philipp Brothers, will merge its business with Salomon Brothers

Phibro technically buys Salomon Brothers through the issue of $250-million 9% convertible debentures The capital account of Salomon Brothers will be distributed to the partners and the debentures will be convertible into Phibro common stock (ordinary shares) in 1991

In terms of New York Stock Exchange regulations, Salomon will become an autonomous subsidiary of Phibro Phibro's commodities trading unit, Philipp Brothers, and Salomon Brothers will be independent operating units

Anglo American Corporation has a 43% stake in the international resources company Minorco, which in turn has a 27% holding in Phibro Anglo's indirect stake in the commodities and financial services house will thus be 11,6%

Philipp Brothers was founded in 1914 Its headquarters are in New York, and it has 60 offices in 45 countries in Europe, North America, South America, Asia and Australia Phibro has 4 600 employees and markets 150 commodities, including ferrous and non-ferrous metals, ferroalloys, steel, coal, crude oil, and oil products, fertilisers, petrochemicals, sugar, grain, cocoa and other raw materials It also has investment and banking interests in Europe and Asia

Last year Philipp Brothers turned over $24 000-million in commodities and earned $467-million In the first half of 1981 Phibro had a turnover of $12 650 million and profits of $129-million At June 30 this year, Phibro's share capital and reserves exceeded $1 350-million

Under its old name Philipp Brothers, Phibro was the commodity marketing division of Engelhard Minerals. Earlier this year Engelhard's industrial and commodity divisions were split Phibro and Engelhard Corp, the New industrial unit, are now separate quotations on the New York Stock Exchange

Minorco has a 27% interest in Engelhard Corp

Salomon Brothers was founded in 1910 and will begin its operations as Phibro's autonomous subsidiary with a net worth of more than $300-million It will continue its traditional business of underwriting, issuing and trading securities, corporate finance, municipal financial services and the servicing of domestic and international clients

For the first 10 months of its financial year to July, Salomon reported record operating profits The firm was ranked second among US investment bankers for the first six months of the year with 86 issues totalling $9 700-million Trading volume for the first nine months of the fiscal year was $870 000-million, or an average of $7 000-million a day

Salomon Brothers employees 2 400 people The firm has memberships on the New York Stock Exchange and most other US stock and commodity exchanges Its headquarters are in New York It has offices in London, Hong Kong and Tokyo

Salomon Brothers business is almost exclusively institutional and unlike Merrill Lynch it does no business with the public

It boasts one of the most outstanding credit analyst teams in the United States, headed by interest-rate guru Henry Kaufman.

Phibro's chairman and chief executive officer, Mr David Tendler, will be co-chairman and chief executive of the enlarged corporation He says "We will be the world's leading merchant banker"

Mr John Gutfreund, managing partner of Salomon Brothers, who will be the other chairman said: "We are on the threshold of major changes in Wall Street This combination places us in the most prominent and competitive position for the changing world of the Eighties"

~~232~~ ~~337~~ ~~558~~ 220

Booming Abercom zooming higher

RDM 19/8/81

By DAVID CARTE

ABERCOM, the international engineering group, easily beat its optimistic interim forecast in the year to June

Reporting improved profits in all divisions and earnings 51% higher at 77c (1980 51c), the directors take a bright view of the next five years

The group lifted sales 40% to R229 672 000, pre-tax profit 62% to R21 378 000 and taxed attributable profit 53% to R15 135 000

A final dividend of 17c has been declared, making 31c for the year — a 29% improvement on the 24c paid last year This means dividend cover rose from 2 1 to 2,5

The directors say "Budgets prepared in May indicate further improvement in all areas for the year ahead and little slackening in our markets is yet visible

"Lower rates of growth in the SA economy are forecast for this year and next, however, and this may cause some reduction in our currently high growth rate

"Nevertheless, our view of the five year future remains optimistic We expect average real GNP growth at 4% to 5% pa over this period and we are continuing to prepare ourselves to supply the expanding markets which will result "

The group is well positioned to take advantage of upturns in the US Europe and South-East Asia and important orders have been received for fans from Australia

The results were achieved in spite of losses on contracts in Consani and Metter These could not prevent the heavy engineering division, like all the others, improving profit

The chairman, Mr Peter Herbert, said the losses were not large in group terms and their non-recurrence next year was not significant for earnings prospects

Mr Herbert said the tax rate was bound to rise in 1982 Asked how much, he said "somewhat"

Asked how high dividend cover could go, Mr Herbert said "Our aim is to improve the dividend year by year by more than the inflation rate Within that effort, we will let cover fluctuate according to prospects and the financial situation It would be about 3 at the highest and 2 at the lowest "

Mr Herbert had high hopes for American Davidson, a 30-acre factory acquired recently at the knock-down price of R4 800 000 Davidson Fan, he says, is performing well He is also pleased at Hunslet Taylor's turnaround in a sluggish mining equipment market

The light engineering division also came up with much improved figures with Hubco Metal and Almaks important contributors Abercom Central Africa did well, but Giant Security had another difficult year

The metal component companies were outstanding, almost doubling profits thanks to buoyant demand increased penetration and better productivity

Capital expenditure last year totalled R15-million, funded out of cash flow of R26-million Capex this year should top R20-million

Asked how vulnerable Abercom was to a takeover attempt in the present acquisitive climate, Mr Herbert said it would be foolish for anyone to make a contested bid as Abercom s strength was its management team If this were upset and the team fell apart, the group would be unlikely to perform again as well

He said Sanlam had a 16% direct and probably a 2% or 3% indirect holding and Gencor had 5% Standard Nominees representing a dozen UK holders had 11% and Volkskas about 4%

COMMENT. Earnings growth will have come as a pleasant surprise to the market Not many companies recently have been further ahead at the year-end than at the interim

Particularly gratifying is that Abercom's post-Herbert revival has been organic not acquisition-based. This suggests sound management and efficiency down the line

The dividend is more or less what the market expected At the current 415c, the shares yield 7.5%, which is attractive considering there is still momentum in engineering and that foreign business — already 20% of sales — is set to improve

TERMINAL

dis

3.3. EN

3.3.1.

Each cl ... l is
transmi ... d in a
buffer. ... The
compute ... hed by
sending ... next
input l

Sometime ... sing a
parity c ... age:

the line

BUSINESS

R3 700-m under control of Rembrandt

Star 28/8/87 (188) (220)

Own Correspondent
CAPE TOWN — The Rembrandt group and its associated companies controlled assets worth R3 700-million and had an annual turnover of more than R6 600-million, Dr Anton Rupert, chairman and founder of the company, said in Stellenbosch yesterday.

In addition the group had substantial investments in mining, banking insurance engineering and petro chemicals, he told the annual meeting.

The sale during the year of half of the group's interest in Rothmans International for 350-million dollars and other disposals had given the group substantial liquid funds.

Suitable investment opportunities were being continually reviewed and Dr Rupert said that in the past five years the group had greatly diversified its interest in South Africa.

As a result it now owned 30 percent of Federale Mynbou, 20 percent of Volkskas, 49 percent of W and A Gilbey, 20 percent of Legal and General Volkskas Insurance, 50 percent of Henkel SA, 20 percent of Total South Africa, 63 percent of Trans Hex, 20 percent of Metkor, 10 percent of Stewart and Lloyds South Africa and 30 percent of Cape Wine and Distillers.

All these companies had shown sustained growth in the past year.

The sale of H. Back would have no significant influence on Rembrandt's financial results. Dr Rupert said that a successful longterm investment in the clothing industry called for a substantial investment in chain stores or retail tied financing in order to secure turnovers

If a mistake is made while entering a line (before <CR> is pressed) the line may be edited in one or two ways before it is operated on by the computer. If the line is to be deleted the line deletion key must be pressed (normally <CONTROL X >). This action is achieved by holding the <CONTROL> key down then typing 'X'. If characters are to be deleted the character deletion key: <DEL> (on STN type terminals), <BACKSPACE>, or <CONTROL> and 'H', or <CONTROL> and 'Z' must be pressed once for each previous character to be erased. Examples of terminal runs using line editing are shown in chapter 6.

3.3.2. U100 Terminals

The method of correcting lines is different in that any string between the <SOE> character and the cursor can be sent to the computer. To do this there are four keys with arrows on them, indicating the direction in which they move the cursor, enabling the cursor to be positioned anywhere on the screen. Any character in a line can be changed by superimposing the cursor on the character to be changed and then typing in the correct character. The line can then be transmitted by moving the cursor to the end and pressing the transmit key. Additional characters and redundant characters in a string may be inserted or deleted before transmission by means of the <INSERT> and <DELETE> keys. If the <INSERT> button is pressed once, the right-hand part of the string starting at and including the character position where the cursor is situated will be shifted to the right by one space, thus making space for one additional character. If the <DELETE> key is pressed the character over which the cursor is situated will disappear and the right-hand side of the line will move one space to the left to close the gap.

No Rupert men on Rothmans board

SA/ 10/9/81

220

Financial Correspondent

LONDON — Sir David Nicolson, chairman of Rothmans International, says there are no "Rupert-Rembrandt" representatives on the RI board.

He was answering a shareholder who asked the chairman to identify which RI directors were Rembrandt representatives, and which of these had "gone behind the board's back" during the Reynolds - Rembrandt-Philip Morris talks earlier this year.

The shareholder added that such persons "should do the honourable thing and resign."

However, Sir David said there were no such representatives. There were non-executive and executive directors on the Rothmans International Board and those owed their responsibility to Rothmans.

Sir David said he could not say whether Reynolds was prepared to make a full bid for Rothmans, as talks with Reynolds were held by Dr Anton Rupert.

"But Dr Rupert did say he was never interested in a deal which would involve a full bid. He was interested only in a partnership arrangement," Sir David said at yesterday's annual meeting.

Philip Morris and Rembrandt Group now own an equal number of shares in Rothmans Tobacco (Holdings) Limited, which owns a 44 percent stake in Rothmans International.

Sir David said RI's trading performance since the beginning of the financial year had been encouraging, and earnings were expected to show an improvement.

It was, however, difficult to forecast the outcome for the current year as a whole because of the uncertainties in international trading conditions and exchange rate movements.

CAPI ... CAPITAL

Financial accounting is sup ... he economic realities of a business.[1] ... ng measurements cannot be entirely co ... nomic principles due to the fact that a ... ents are required to be objective, w ... ement is relaxed for economic purposes ... t financial accounting should not be at ... nomics unless there are compelling reason ... counting does not recognise the interest ... ital at all, because to do so would not ... ith GAAP. Anthony feels that this con ... nted.[3]

SA investments 'undermine UN'

FOREIGN investments by transnational companies and banks in South Africa have risen sharply in the last two years, undermining United Nations efforts to weaken Pretoria's apartheid policies, according to a UN report discussed in Geneva yesterday.

The report by the Centre on Transnational Corporations says foreign money is being poured into key South African industrial sectors including coal, oil, electronics, computers and chemicals.

The assets of the Barclays group rose by 20% to reach $9 460-million (£5 200-million) in mid-1980 compared with a year earlier, while those of the Standard Bank group increased by 18% in 1979 from $5 000-million in 1978.

Both groups are diversifying from commercial banking to a wide range of financial services, including merchant banking, hire purchase, leasing, credit cards, management services, insurance broking and unit trusts.

But some Governments' delegates at a meeting in Geneva of the UN Commission for Transnational Corporations, which is preparing a far-reaching code of conduct for transnationals, said the report was inaccurate and misleading.

The British delegate said the report's derogatory references to the EEC's code of conduct for transnationals operating in South Africa were incorrect. — Financial Times.

In this chapter I propose to discuss briefly the Proprietary and Entity theories of Accounting, and then to highlight various of the arguments both for and against capitalising an imputed interest on equity capital. I will conclude by examining some of the major problem areas involved were such a policy to be implemented.

5.1 Proprietary vs Entity Theory

The proprietary theory of accounting views the enterprise as being owned by the proprietor himself. He is the centre of all accounting - all the assets are his, and the liabilities are his obligations, and any excess of assets over

Rio Tinto profits fall

7/9/81

(240)

LONDON — Rio Tinto Zinc, the international mining and industrial corporation, reported yesterday that its profits fell nearly 122-million pounds (about R207-million) in the first half of this year.

The London-based company, which reported an 80 percent drop in profits from its Conzinc Rio Tinto of Australia subsidiary, said its pre-tax earnings were 173,5-million pounds (about R295-million) compared with 295,2-million pounds (about R502-million) in the corresponding first half of last year. — Sapa-AP

MADISON ACADEMIC COMPUTING CENTER PROGRAM CROSSTABS
THREATENED COMMUNITIES - BASIC HOUSEHOLD TABULATIONS

TAB 24
COLUMNS....CATEGORIES OF RESIST

TAB 25
COLUMNS....CATEGORIES OF OTHERPH

YES NO CONTINGENCY TOTAL

OTHER MISSING

TAB 26
COLUMNS....CATEGORIES OF YEARS

TOTAL

If the Holding Company were onl   ts superior borrowing powers to obtain a lo   ly acting as a conduit pipe in transferring   subsidiary company, at 10%, the problem wo   [t is sub- mitted that the FASB treatment   practical.

In the separately issued financ   the subsid- iary companies, the amount of i   e capital- ised is limited only to the int   urred by the particular entity.

Controversy may reign where, fo   e of its superior standing, the holding   e to borrow at say 8%, whereas the subsidia   nly obtain the same finance at 10%, and the   8% and lends to the S Co at 10%. The   talising interest in the group accounts a   ng, but I feel the cost to the group is on   oup's position is being shown in the c   So the application of FASB 34 would be justifiably consistent.

RDM 22/9/81

Minorco final again 16c US

220

282

By ADAM PAYNE

MINORCO, which has succeeded Charter Consolidated as the overseas arm of Anglo American Corporation for investments and enterprises in North America, has declared an unchanged final dividend of 16 US cents, making a total of 22c (20c) for the year to June

The results are not comparable with those for the previous year because investments acquired by Minorco in December 1979 were held for only part of 1980 and because of further acquisitions in February this year

However, the notable feature of the report is the total value of investments which has risen to $1 875-million ($1 016-million)

The additional investments acquired in February this year were in Consolidated Gold Fields, Charter Consolidated, Anglo American Canada and the Hudson Bay Mining & Smelting Company

Mr H F Oppenheimer, in his review as chairman of Anglo American Corporation, said these investments had significantly enhanced Minorco's position as a major international mining finance group 'able to take advantage of attractive investment opportunities, primarily in mineral and other natural resource industries in North America".

Bermuda-based Minorco's earnings from operations in the year to June were $28 200 000 ($14 696 000)

The share of undistributed earnings of investments accounted for by the equity method was $158 741 000 ($87 713 000)

Net earnings were $171 768 000 ($114 815 000) and net earnings a share were $1,43 ($1,28)

Further problems arise in accounting for less than 100% owned subsidiary companies, unconsolidated subsidiaries, and associated companies.

4.8.2 Minority Interests

The problem of how to deal with minority interests in the

Minorco's earnings increase by 65%

Star. 22/9/81

(220)

Minerals and Resources Corporation's (Minorco) earnings before extraordinary items leapt by more than 65 percent in the year to June 30.

However, the results are not strictly comparable with those of the preceding year because investments acquired by Minorco in December 1979 were held for only part of the 1980 financial year and there were further acquisitions which took effect last February 24

Earnings from operations rose from 24,7-million dollars to 28,2 million dollars.

However, after adding a whopping 158,7-million dollars (87,7-million dollars) earnings before extraordinary items amounted to 186,4-million dollars compared with 112,4-million dollars a year earlier.

Extraordinary items absorbed 14,6-million dollars — last year they added 2 4-million dollars — leaving net earnings at 171,8-million dollars (114,8 million dollars)

A weighted average of earnings a share reflects earnings from operations are slightly lower at 23c (27c) while net earnings are much higher at 1,13 dollars (1,28 dollars)

However, the directors have declared an unchanged final dividend of 16c which makes the total for the year 22c — only slightly up on last year's figure of 20c

The total number of Minorco shares in issue has increased from 99 8-million to 151 9 million

MULTINATIONAL CORPORATIONS

1982; 1983 — 1984 — DEC

Cell death brings comment from Anglo

220

Star 11/2/82

Anglo American Corporation South Africa's mining and industrial giant, has joined the growing anxiety in business circles over the Government's sweeping powers of detention without trial.

The corporation's comment came after the death of Dr Neil Aggett, a prominent trade unionist who was found hanged in a cell last week. Dr Aggett was one of about 130 people in detention under anti-subversion laws.

In a rare statement on a specific socio-political issue Anglo American said yesterday that Dr Aggett's death had a "serious impact" on industrial relations.

"The very regrettable consequence of events such as Dr Aggett's death is to invest industrial relations with political tension," the company said.

Similar views were expressed earlier by two leading business organisations, the Federated Chamber of Industries and the Association of Chambers of Commerce. — Financial Times News Service.

Vera Beljakova

Boart goes deeper

220 ~~234~~ 12/9/84 ~~187~~ ~~210~~ S. Times

By Vera Beljakova

BOART International has now moved even more deeply into the European — particularly the German — coal and soft-rock mining markets since its new acquisition, West Germany's HWF Wallram plant, has proved a success

The new plant has grown to a point where it expects to show a turnover of more than R8-million this year from manufacturing hard-metal cutting tools When Boart bought this Burghaun-based plant for R2-million, it was the operating mining division of Wallram, which also owns factories in the Ruhr producing industrial wear parts and carbide

The new acquisition, now operating as Boart HWF and employing a staff of 150, produces 50 tons of tungsten carbide and 50 tons of TC powder a year

One of Boart's other West German companies, Offenbach-based Boart GmbH, markets the full range of hard-rock tools produced at Boart's Shannon plant But in the not-too-distant future this company could be consolidated with the Burghaun operation, which in addition to producing coal mining picks and borers also manufactures industrial wear parts, particularly spray-gun nozzles and — a new item on the list — rotary drill bits

Boart will also operate a repair shop and sales office in Essen to serve the European coal industry

Boart deep into U.S., Australia

220

S Times 28/3/82

By Andrew McNulty

THE R528-million Boart International group, wholly owned by Anglo American Industrial Corp (Amic), is spreading widening tentacles overseas — but is also feeling the pinch of weak international metal markets

Already the largest exploration drilling and related equipment company in the world with its holding of the US-based Longyear, Boart's South African contribution to earnings declined to 43% in 1981 while North American and Australian earnings rose to total 37%.

In the year to December 31, Boart's sales rose by 30,7% from R404,1-million to R525,5-million and attributable income rose by 30,6% from R29,7-million to R38,8-million

The group chairman, Hylton Davies, says in his annual statement that major contributors to growth were exploration drilling equipment and contracting operations in the US, Canada, Mexico and Australia, and percussion drilling activities in Canada

"These performances were achieved despite the overall depressing effect of low prices for most metals, including uranium

"In general, the effect of metal prices on exploration activities is delayed so that we have been benefiting from price levels ruling in previous years," he says.

Mr Davies notes that the group has been through a major growth phase with substantial expansion in facilities

Major capital expenditure programmes have been undertaken in the US, Canada, Australia and Mexico, and at several centres in South Africa

"I expect the recent surge in expenditure to decline as we enter a quieter period of consolidation"

Conditions in 1982 will be difficult, Mr Davies says, because of low prices of precious and base metals, the depressed state of the world economy and continuing high interest rates.

A further boost from the rand/dollar exchange rate looks unlikely

Reviewing operations, Mr Davies says that exploration drilling equipment, tools and services — which accounted for 52% of sales last year compared with 47% in 1980 — showed gains in North America, Mexico, Canada and Australia that strained the company's resources at times

"In Australia the Adelaide and Melbourne based operations were fully stretched and both achieved unprecedented levels of sales and earnings"

The percussion drilling equipment and tools division — responsible for 24% of sales — remained buoyant despite metal prices, but suffered from pressure on margins due to increased competition

The orientation towards the mining industry has shielded this business area from the effects of drastic reductions in construction activity in North America and Europe, Mr Davies says

"In South Africa, after a slow start due to overstocking and stricter cost control on the mines, the larger companies performed well but without the significant growth of previous years"

● R3 000-m GIANT POISED FOR OVERSEAS EXPANSION

SAB in offshore thrust

S. Times 16/5/82 ~~1563~~ ~~331~~ 220

BY ANDREW McNULTY

SOUTH African Breweries seems poised for a major offensive overseas. With growth in the South African economy braking almost to a standstill, offshore ventures look like the next logical avenues for growth by the R3 000-million group.

This was the conclusion reached by Business Times after an interview with SAB managing director Dick Goss.

Mr Goss confirms that if "unique situations" occur overseas and such situations present appropriate new growth avenues for its beverage and hotel devisions, SAB would be a willing investor

Geographic diversification overseas could become almost unavoidable

Mr Goss says the group has a well-established philosophy of remaining based in mass-market consumer goods

In South Africa it is strongly represented in beer, wine and soft drinks, retailing and food (OK Bazaars), hotels (Southern Suns), furniture manufacturing (Afcol), furniture retailing (Amrel), footwear (Cuthberts, Barnes and Select-a-Shoe) and clothing (with the recent acquisitions of Scotts and the giant Edcon group)

After a trail of takeovers and mergers in the past few years, these areas are now largely carved up between the giants SAB, Coki and Kirsh Industries, Pick n' Pay.

If the proposed offshore ventures come to fruition, they would clearly have to be of a type and size to have a meaningful impact on SAB's prospects

As such, they could involve investments amounting to millions of rands

In the local market, with the acquisition of Scotts and Edcon to be digested, the group's strategy — "unless any unique opportunities" arise — will be to return to a phase of following organic growth of its business

"We see no point in acquiring more companies for the sake of bigness Instead we are going to rely on the fact that we have a good base with tremendous growth opportunities," Mr Goss commented after announcing results for the year to March 31 1982, which included

● Turnover up by 28,7% to R3 057-million

● Attributable earnings up by 38,3% to R167-million

● Earnings per share up by 38,3% to 75,1c

● The final divided is 24c for a total of 34c, up 25,9% on last year's dividend of 27c

With the economy entering a stage of little or no real growth, SAB's earnings per share are forecast to rise at a more modest rate in 1982

A big factor in the 38%

● To page 3

16/5/82 (220) S Times

SAB in offshore thrust

● From Page 1

growth in turnover — well ahead of the estimated private consumption expenditure growth of 20% last year — was the performance of the beer interests, whose sales volume rose by 21%

But Mr Goss points out that last year's beer sales growth was well down on the 30% achieved the previous year, and could fall significantly, possibly by as much as half — to about 10% — this year

"We couldn't complain about that because it would give us a breathing space

"We have been under a lot of pressure to supply the market and have been barely succeeding"

Commenting on the general outlook, however, Mr Goss says that he has not yet seen the more pessimistic growth levels that had earlier been expected to emerge by now in consumer fields, other than in durables, which are showing negative real growth.

"I find the market very difficult to predict right now

"In some of our business we are doing better than expected, and if the economic commentators are to be believed then we are due for a very sudden downturn"

SAB is expecting to outperform average economic growth levels because all its activities except hotels are pitched at mass markets aimed at lower-to-middle-income spenders

This group is expanding with the growth of black spending power, fuelled by efforts to close the wage gap, by the greater muscle of trade unions and by the movement of blacks into better-paid positions

Mr Goss adds that consumer spending generally could be fuelled by pay rises, many of which may still be awarded at levels of about 15%

1970					
1971					
1972					
1973		98	320	418	x
1974		28	294	322	x
1975		26	305	331	x
1976		21	201	222	x
1977		30	347	377	x
1978				..	
1979				445	$
1980				460	Fosatu Annua Report 1980/81

Address: 201/4 City Centre
Corporation Street
Cape Town
8001

Telephone: (021) 433658

Officials: Secretary: A.Frazer

Area of Operation: Western Cape

Founded: 1939

Registration: Yes

1974 affiliated to TUCSA and had disaffiliated by 1977/78 and with other unions formed FOSATU in 1979

220

224

210

Anglo again THE major foreign force in America

S. Times 13/6/82

ANGLO American, *already the largest foreign investor in the US in 1980, was again in top spot in 1981,* according to a further report just released by the American Committee on Africa.

To clinch this financial position, Anglo shouldered Royal Dutch Shell from first place into second. British Petroleum followed in third place.

The report asks the questions "What will the effect of South African investment in the United States have on US policy toward South Africa?

"Will it pave the way for growing US acceptance of South Africa, helping strengthen the already powerful lobby favouring closer relations with this economic powerhouse?"

By John Spira and Stephen Orpen

A total of 143 separate Anglo investments in North America are identified — 106 of which are in the US (in 32 states) and 37 in Canada (in seven provinces).

Of the total North American investments, five are in agriculture, 10 in the chemical industry, 16 in energy, eight in marketing, one in investment banking, five in mineral processing, 24 in manufactured steel products, nine in construction and 23 in industries unconnected with Anglo's traditional spheres of business activity.

In addition, eight more are trading companies and 10 are holding companies.

The report has been unable to identify the economic activities of 25 Anglo investments.

It comments "Anglo's choice of investing in North America is no accident. North America offers a stable area politically and economically, it is an area rich in mineral and energy resources.

"The sector-wise and geographic diversification of its investments will cushion Anglo American from the fluctuations in prices in any one specific natural resource.

"Anglo American will realise a high return on successful investments because it can export more of its profits than it could in countries with exchange controls or nationalisation plans."

Significantly, through its holding in Phibro (the world's largest publicly owned commodity trader) "it has access to the major resource that South Africa lacks — oil".

Phibro is acknowledged to

● To Page 3

5

S. Times 13/6/82

Anglo's U.S. lead

● From Page 1

be the world's largest trader in oil on the spot market.

In 1980, 50% of Phibro's total revenues of $23 700-million came from the sale of crude oil and oil products No other product or material contributed as much as 10% to the company's revenues in that year

Minorco is identified as having "the greatest wealth of any of Anglo American's overseas subsidiaries"

The report claims that "the choice of Bermuda as Minorco's headquarters becomes all the more important because it is a tax haven for businesses *and because of its perceived image as a neutral country or an English colony*".

"Anglo has placed itself in the position to become an important broker between the United States and South Africa."

The conclusion: "Anglo's investments significantly strengthen US economic and political relations with South Africa and its undemocratic political system."

Plastics firm sets up in US

220

D. Dispatch 22.7.8?

JOHANNESBURG — One of South Africa's leading plastics manufacturers, Gundle Plastics, is busy commissioning a new R11,4 million plant in Houston, Texas

Based on South African technology, the facility will produce up to 8,5 million square metres of plastic sheeting per year

The US plant, which is to be officially opened on September 2, has opened up new markets for Gundle — notably in South America The company has already landed two contracts in Chile.

One contract is at the Chuquicamata copper mine and the second involves the use of hyperplastic material at the Mantos Blancos copper mine, in which Anglo American has an interest In this instance material is being supplied direct from South Africa

Another interesting overseas export contract on Gundle's books is for the supply of lining for brine ponds in Israel. — SAPA

220

Australia accepts Pick 'n Pay

By Geoff Kitney

CANBERRA — The Australian Government has given approval to a major South African retailing company to begin operations in Australia.

The government announced last night that the Pick 'n Pay chain had been given approval to launch a joint operation with an Australian company to establish its hypermarkets in Australia.

OPPOSITION

The decision was made despite strong opposition from Australian companies, deeply concerned that the Pick 'n Pay method of retailing will seriously damage local companies, particularly small retailers.

There was also some opposition to the proposal on political grounds. Some opponents argued that the government would have to bar the proposal if it was to be consistent about discouraging relations between Australia and South Africa.

FLATLY

The Government flatly rejected this argument. It said that government policy was non-discriminatory in terms of the country of origin of the foreign investor. It claimed that the decision could not in any way be seen as representing a conflict with the government's attitude to South Africa.

The Pick 'n Pay hypermarkets will be a joint operation with a major Sydnye-based company J G L Investments, parent company of a retail company Permewan Wright

The first hypermarket will be developed in a suburb of Brisbane It will be owned two-thirds by the Australian group and one-third by Pick 'n Pay.

The Australian Treasurer, Mr John Howard, said that the government had considered numerous objections against the proposal. Most of the objections were related to concern that the hypermarket would have adverse effects on small businesses in the region.

Mr Howard said that originally the Queensland State Government of Conservative Premier Mr John Bjelke-Petersen had indicated that it was not in favour of the proposal — on economic grounds, not political grounds

The Queensland Government had now changed its mind and recommended that the project be given approval subject to the final approval of local government authorities for the establishment of the hypermarket building.

Mr Howard said that the national government had accepted this advice after it had also accepted that the proposal involved predominantly Australian ownership of the proposed retailing service and associated new investment

- 5 -

care area — vis. self-help in the maintenance of health and the treatment of minor ailments at home. To draw another analogy — motor cars need regular checks and servicing, but due to the high cost of these ...

... less than full professional qualifications. Single purpose auxiliaries have minimal education and are taught single or limited range of skills. General purpose auxiliaries are trained in a variety of skills. It is hoped that having covered some sort of curriculum that these auxiliaries may progress from single to general purpose auxiliaries.

The/...

- 6 -

The actual 10 auxiliaries recruited came from people associated with two community projects in the area. Five were connected with the Early Learning Centre and five with BABS (Build a Better Society). The background to these 2 organisations is as follows :

The Early Learning Centre was established as a research project to formulate a nursery school curriculum for the socially disadvantaged or deprived child. As part of its parent education programme it gave birth to the HELP (Home Early Learning Programme) scheme. As part of its social programme it gave rise to BABS, which matured rapidly and soon left the roost to fend for itself, due mainly to physical accommodation problems as well as to move itself into the heart of the community.

The 5 Early Learning participants form the staff of the HELP scheme. This is a service whereby the home visitor goes into the home to play with the infants enrolled in the programme and teach the mother "how to parent" from the view of stimulating physical and cognitive development. Each child is visited for 1 hour per week and each visitor covers 17 children. Even before they became auxiliaries they were distributing booklets on child care, arranging health ... ng mothers advice ... rs were given a ... amily planning and ... HELP scheme. ... cities and are ... ll as being ... n Day Hospital were ... of 1972. BABS is described as an organisation which employs social workers to organise the community into self-help groups which are eventually left to function on their own. BABS undertook a full sociological diagnostic survey of the Kew Town housing scheme in 1972. Regional committees were established and each of these were represented on a central committee.

Each/...

Just call him 'T' from now on . . .

220

RDM 1/9/82

FORMER British Prime Minister Mr Edward Heath, whose favourite activities recently have been sailing his yacht and sniping at Mrs Margaret Thatcher, has taken on a new business role as a sort of electronic James Bond,

More accurately he has become the super-computerised equivalent of 007's boss, M

He is the R100 000-a-year chairman of the international advisory council of International Reporting Information Systems (Iris), the private sector's answer to the CIA

Incorporated in the Netherlands, based in Washington and formed at the request of "a group of European businessmen," Iris will provide political and economic information for multinational businesses

The bold and imaginative project is, as far as can be understood from Mr Heath's close-mouthed colleagues, modelled on the CIA pattern by influential — and rich — businessmen who have reason to mistrust the CIA's track record

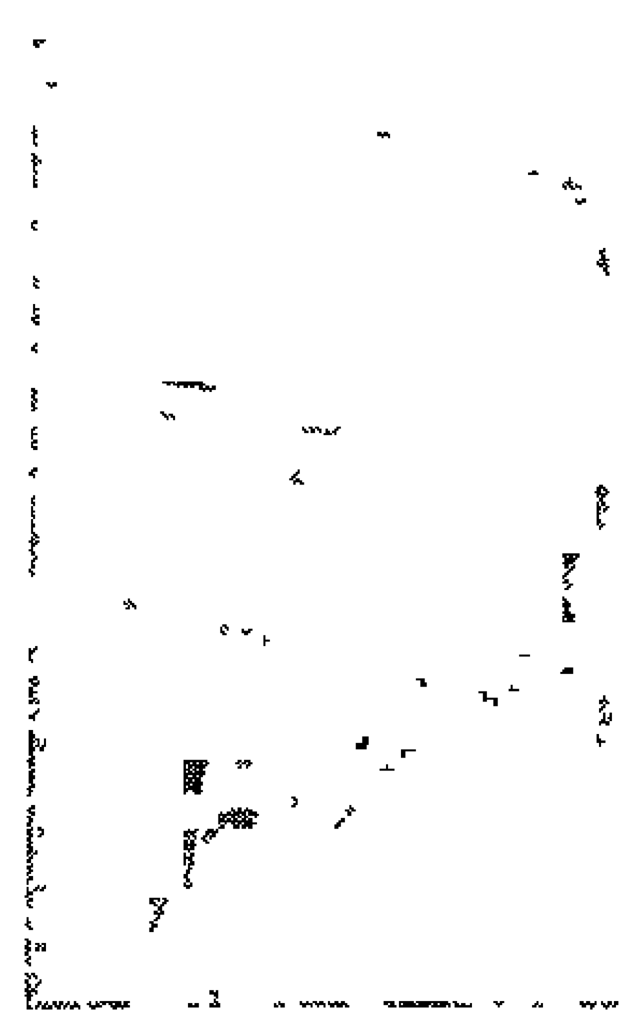
Through a worldwide network of agents (or correspondents as Iris prefers to call them) and by using the most up-to-date electronic machinery available it will gather economic and political information from which it will supply assessments and forecasts to businessmen around the world — in particular to world insurance businesses — for a fee

Mainly through his membership of the Brandt Commission, Mr Heath has for many years been active in trying to foster and develop international trade He believes that lack of reliable information has inhibited trade and commerce and has at times cost the West thousands of millions of dollars One example is the CIA's disastrous forecasts on the stability of the Shah's regime in Iran

Iris intends to provide reliable information and believes that a huge and growing market exists for this service

Despite the proliferation of newspapers, magazines, radio stations and news agencies around the world, it seems the business world is still rather in the dark as to what goes on.

"I saw, through my work on the Brandt Commission, how inadequate information



MR EDWARD HEATH
Super snooper

BRUCE STEPHENSON reports from London on Mr Edward Heath's secret new career.

is about many parts of the world," Mr Heath told a Press conference earlier this year

"What appealed to me about Iris was its objective to give businessmen as full and an impartial picture as possible."

The idea of forming Iris, and the financial muscle of more than R10-million, was largely that of Mr Charles Williams, chief executive of the London Merchant bank, Henry Ansbacher, which in turn is controlled by Lissauer, the world's largest private company

Iris plans a major insurance link with Lloyds of London. This is believed to involve the creation of an underwriting group which for the first time in insurance history will provide international investors with insurance cover against the political and economic risks of investing around the world

The Iran lesson has made businessmen increasingly wary of investing long-term funds outside their home territories and has virtually choked off investment to the developing world

This has left private banks providing most of the money at increasing risk to themselves and at great cost to borrowers

The field of information gathering, through 96 correspondents worldwide, will be sub-contracted to the thriving Washington political analysis agency, GRC At its heart will be a Burroughs B7807 dual processor mainframe computer reckoned to be the largest computer in the world, even larger than the CIA's machinery

For the technically-minded this computer will have six million bytes of main memory and 1 500-million bytes of disc storage

Iris has also enlisted the services of what is called a Kurzweil Omniont optical character reader, a truly amazing piece of space-age technology which can read any publication in any language, select, store and retrieve the information at the touch of a button The company intends to read every publication produced in the world and monitor every radio broadcast made 24 hours a day, all year round

The real star of the outfit is a computer genius by the name of Lee T Feldman When he was 15, Feldman took a special course of studies in immunochemistry at the Rockefeller University of New York He then went on to the Skylab programme before joining an engineering company to develop new methods in petroleum processing. Lee Feldman is now 27

The company will operate through six subsidiary companies in Africa, Asia, the Middle East, Latin America, Western Europe and the United States

The supervisory board, which Mr Heath heads, will provide basic policy guidance, and according to published information in Britain he will be responsible for recruiting additional directors "of public prominence" internationally.

SAIIA CONFERENCE

220

Doing business

FM 10/9/82

Five hundred of SA's top businessmen were this week exposed to a salutory array of international perspectives on "Foreign Powers and Africa" This was the theme of the second world outlook conference organised by the SA Institute of International Affairs (SAIIA)

It was evident that SA is inextricably part of the continent But, of course, the problem was apartheid Foreign speakers, led by former US Secretary of State Henry Kissinger, while sympathetic to SA's "complex" internal racial situation, urged the need for political change

"If it were not for the political problems, SA and the rest of Africa would have greatly benefited from a mutually-advantageous and useful relationship," said John Sewell, president of the Washington Overseas Development Council

In his eloquent outline of the role of multinational corporations (MNCs) in Africa, Sewell contended that mutual suspicion between African governments and the MNCs was breaking down, and made a plea for enlightened understanding by both parties of each others needs He also stressed the urgency of increased MNC investment in Africa and expressed confidence in its future notwithstanding its enormous problems — compounded by the current harsh world economic climate

Optimism about Africa's future was shared by PFP deputy-leader, Colin Eglin, who sees a new pragmatism evolving in Africa He did not share the view of "those who, apparently with a degree of macabre satisfaction, enjoy playing the theme 'Africa is dying' "

Evidence of Africa's dire economic ills was spelled out, perhaps predictably, by SA Foreign Minister Pik Botha, who opened the first day's proceedings SA was willing to share with Africa, said Botha — a theme reinforced by conference chairman, Harry Oppenheimer, who said while SA had the material ability to help Africa, it also needed the moral and human ability

In a somewhat mystical, but nonetheless incisive, survey of Africa's needs, former Zimbabwean cabinet minister David Smith reminded delegates of the basics of the development task A sensitive appreciation was needed of African aspirations and "dignity" in what are young, ambitious nations "awakening to the impact of external forces upon its people"

Smith made a plea for understanding by critics of the plight of the "master standing on the bridge of that great ship of State who has to chart a course through the turbulent seas that lie ahead" More practically, most speakers on economic matters concurred with Smith's identification of food production as a fundamental prerequisite of African development Other essentials include water (an aspect dealt with in detail by CSIR president Chris Garbers), responsible land use, and education Africa has a wealth of natural resources, human and material, but needs development capital as well, he said

PFP's Eglin . . optimistic over Africa's prospects

In his paper on international organisations and the development of Africa, Albert Bressand, deputy director of the French Institute of International Relations suggested that a "broader pattern of economic co-operation is required, involving the world community at large, both at public and private levels"

Bressand was, however, not optimistic about this happening in the near future

Chilean R250 000 loss provision hits Barendsz profits

14/9/82 C Times 220

By PAUL DOLD
Financial Editor

A R250 000 provision for a loss in the Chilean fishing venture marred a much improved first half from Willem Barendsz with pilchard canning resumed and earnings per share dived from 4c to 2c.

At trading profit level Barendsz profits were well ahead at R767 239 as against R650 648 but outside shareholders' interest (up from R99 762 to R149 838) and the higher tax rate pared profits to R409 606 (R412 886)

The R250 000 Chilean provision depressed profits to R159 606 (R412 886)

The interim dividend has been cut to 3c (4c)

The chairman, Mr Robert Silverman, says that subject to the anticipated movement of stocks and pool realizations taxed profit for the year ending December should be around R730 000 as against last year's R978 024

As with most South African companies operating in Chile, Barendsz was hit by the low price for fish meal on international markets

"Hopefully, there will be an improvement in the near future", he adds

The feature of the report is the resumption of pilchard canning United Fishing Enterprises, in which the company has a 20,9 percent stake, packed 701 850 cartons against nil last year

Total fish landings at Walvis bay were down at 58 000 tons (77 014), fish meal production was 12 200 tons (18 920 tons) and fish oil 2 600 (7 359 tons)

The results confirm that the pilchard stock is recovering and fishing shares could be well worth watching, particularly when the pioneering Chilean ventures improve

Swafish profit

Multinational under scrutiny

Third World firms mushroom

(2-20)

Stars
16/11/82

GENEVA — Third World countries, while attacking Western transnational corporations for hindering their economic development, have been quietly developing international companies of their own.

In most cases, technology used by the "Third World multinationals" was obtained from the very Western corporations which were criticised.

The International Labour Organisation says that at least 2 000 companies in developing States have opened subsidiaries in other Third World countries. Half of them are involved in manufacturing.

"The know-how of most Third World parent firms was acquired originally from advanced countries," it says, "but the technology they transfer to their subsidiaries is adapted for their own home markets and scaled to small-volume manufacturing."

"Often, labour is substituted for machines, which results in lower operating costs."

The subsidiaries of Third World multinationals often use second-hand machinery as well. They also use more locally available materials than industrialised corporations.

There's no stopping SA 'hyper' in Aussie

230

Star 14/2/83

By Frederick Cleary

Pick 'n Pay chairman Raymond Ackerman does not think any possible change in government in Australia next month will affect his plans to open a hypermarket in that country

"The present Liberal Party Prime Minister, Mr Malcolm Fraser, has long been anti-South African, so, even if Labour's Bob Hawke does win, I do not expect any problems," he said in an interview

"Anyhow, Australia has a federal system and I have been dealing with the Queensland State Government and have their blessing."

The Australian venture has, understandably, been fraught with problems from the start, many of them political and racial, but everything was now on course, said the Cape Town businessman, who introduced the hypermarket concept to this country in 1975

BRISBANE

"Some Australian financiers are coming over next month to tie up details, and we hope to open in Brisbane at the end of 1984 or the beginning of 1985."

The hypermarket, in a northern suburb of Australia's third-largest city, will be called Pick 'n Pay, of which the Ackerman organisation will have a third financial interest, the balance coming from prominent Melbourne retailer Mr Jack Lieberman

It will be an Australian-registered company, but the top management will be shared between executives from both countries, with general manager-elect being Mr David Goldenberg, head of Pick 'n Pay's Brackenfell hypermarket in Cape Town

"David Goldenberg will be on his own out there," said Mr Ackerman. "He will be running his own operation, as I will not be able effectively to control that as well as our South African interests.

NINE MORE

"He will have a team of our top management people with him, as the whole hypermarket concept is foreign to Australians"

If the Brisbane exercise succeeds, Mr Ackerman and Mr Lieberman plan to open nine other hypermarkets across the country in the next decade, but with Mr Ackerman having a 50 percent interest.

"I have never been so nervous in my life as over this deal," said Mr Ackerman

"We were told hypermarkets would not work in South Africa, but we proved our critics wrong when we opened first in Boksburg in 1975 and then in eight other centres.

"There was such a lack of confidence in us then that we had to put up most of the capital ourselves

"We are only putting R3 million into Brisbane, and as we have reserves of more than R60 million we can afford the gamble."

WIDE OPEN

Mr Ackerman said he had been thinking of venturing abroad for some years

"Although we still have lots of growing to do in South Africa, with room for at least another 30 or 40 stores, my planners and I do see problems in the next decade unless we do something different

"We examined several areas — manufacturing, jewellery, clothing and other ideas But we decided to remain in the field we know best — mass marketing

"So, it was a case of looking for another country. And keeping to English-speaking areas, we looked first at the United States, Ireland and the United Kingdom

"We decided that Australia was wide open and had a good look around."

Mr Ackerman ran into much opposition from Queensland retailers, who showed pictures of a barn in the Free State, saying it was a Pick 'n Pay operation

RESPONSIBILITIES

"They introduced politics and race by criticising my being a South African and Jewish, and this anti-semitism I could not tolerate Our lawyers soon stopped this nonsense," he said

ALL RACES

"I countered all this adverse propaganda by going across there last July, talking to State Government officials, showing slides of our operation and explaining how we saw our social responsibilities in South Africa and what many of us were trying to do for all races

"We soon swung them over to our side and gained official approval

"Things have worked well so far, and if we can finalise matters next month we will start building in April or May

"The Brisbane hypermarket will be about the same size as our Boksburg and Brackenfell branches, covering 20 000 sq m and will employ about 500 staff"

After Australia? "We have a challenging and exciting 10 years ahead of us But if all goes well I would like to tackle the very home of mass-marketing — the United States"

RDM 220

Charter raises offer

24/2/83

Mining Editor

CHARTER Consolidated is making a new offer for Anderson Strathclyde after the UK High Court's decision to allow Charter's takeover bid to go ahead.

The offer is 200p a share, worth £95-million, for all Anderson and compares with Charter's bid, made last June, of 135p a share.

Charter is going for the 71,6% of the company it does not already own after a dawn raid on the London Stock Exchange in 1980 when it increased its stake in the Scottish mining equipment company to the 28,4% it now holds.

Charter's first bid was initially outlawed by the UK Monopolies and Mergers Commission This decision was overruled by the UK Minister for Trade and his decision was upheld by the High Court following an appeal against it by Anderson Strathclyde.

According to Charter, Anderson's profits over the past few years have benefited from a boom in mining equipment orders. But the boom is ending.

It believes Anderson will be hard put to maintain, let alone increase, profits in the year beginning April 1983 even without taking into account the effects of Anderson's acquisition of 51% of National Mine Service Company (NMS)

Charter considers the NMS acquisition will adversely affect Anderson's profits and cash flow and its gearing

The NMS shares will cost Anderson about $33-million, financed by borrowings

Cash flow to compensate for the estimated $3 300 000 interest charges on these borrowings is forecast at only $1 400 000 by Charter, assuming NMS pays an annual dividend of 56c, the highest level paid by the company in the past 10 years

"NMS' current annual dividend is 32c a share. Even this level of dividend must be in doubt in view of the results which NMS is reporting"

Charter estimates its offer is more than double Anderson's net asset value at the date of its last published accounts

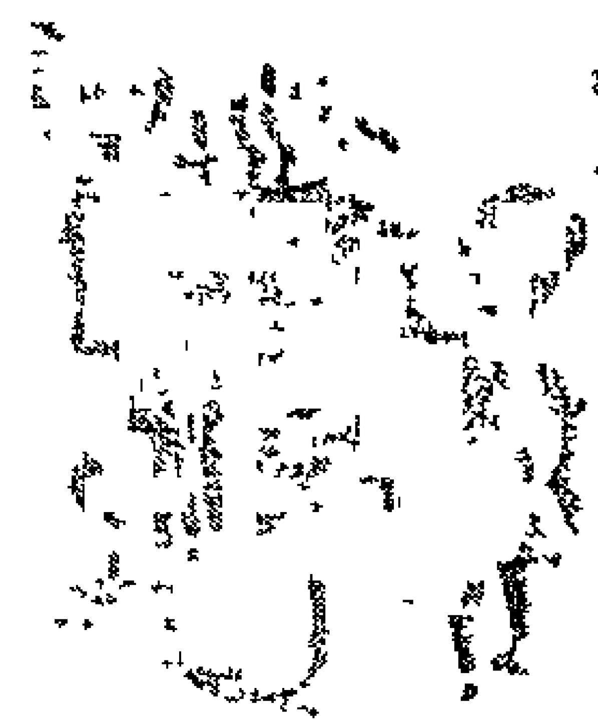
Because of the poor immediate outlook for profits and dividends from both Anderson and NMS, Charter believes its offer fully values Anderson

Tim Patten reports on a new book which claims that European companies in Africa are responsible for much of its food shortages.

220

Big business takes away Africa's food

Star 24/2/83



LONDON — European multinational companies have been blamed for much of Africa's chronic food shortages

The accusation is made in a book published in Britain which exposes big business companies as cashing in on Africa's agricultural misfortunes with a callous eye on their profits

It points to the past and present policies of foreign companies in the diversion of much of Africa's food potential to the crop demands of Europe, and of shaping countries' agricultural produce to suit their own needs

The book, titled 'Agribusiness in Africa", was researched by two authors under the auspices of the London-based Earth Resources Research organisation

But the criticism is not aimed at big business alone

The book questions the approach of African governments who have been willing to use the advice and technology offered by the companies, knowing that their demands would be at the expense of their own people

The companies involved are international household names, including Unilever, Tate and Lyle, Brooke Bond, Nestle, ICI Shell, BP and Hoechst

Their interests span the whole spectrum of agricultural business as they own plantations, processing plants, shipping companies, agricultural suppliers, management companies, distribution combines, warehouses and retail outlets

The book shows the enormous potential power the companies have over food production, and their ability to step in at any stage of the product chain

It analyses the agricultural business of many of Africa's more prosperous countries — excluding South Africa, which it admits is in a league of its own — and gives reasons why Africa is the number one hunger continent

The authors, Barbara Dinham and Colin Hines examine the companies which already dominate trade in Africa's traditional crops of coffee, tea, cocoa, palm oil and rubber

But they point that the companies are now opening new markets and growing fruit, vegetables flowers and even "fluffy green foliage for bouquets" to fly to the cash-ready European markets

It is argued that, in the past, food production has not been profitable enough for big-time agricultural business, but the potential has been seen, and they are now moving into staple food crops like maize and rice

This has been made possible by low interest loans to African governments, usually in the form of aid

The book claims that companies sell themselves on the basis of increasing Africa's profits from agriculture and meeting food shortages

But, in reality, the large-scale, technologically complex and massively expensive schemes which they promote bypass peasant farmers who make up the mass of Africa's population

It is argued that large schemes inevitably affect the control of the land, and eight out of 10 of the continent's rural labour force is already thought to be landless

The multinational promoted schemes, it is claimed, profit the companies but do little to improve agricultural self-reliance — and often cost more to maintain than justified by returns

It is pointed out that sugar schemes are spreading across Africa despite enormous overproduction and low prices But companies see the potential for producing fuel from sugar in order to replace costly oil expo[illegible]

These schemes have been shown to be a costly luxury in hunger-ridden countries One in Kenya had to be abandoned because the fuel to run the plant would cost more than the fuel produced

The conclusion drawn by the authors is that the interests of "agribusiness" cannot coincide with those of most of the african population

African governments, it is argued, must build up their own expertise and capacity to assess agricultural development Evidence suggests that reliance on agribusiness to generate capital for development has increased dependence on industrialised countries

African governments will have to realise that it is they who will have to feed Africa in the end, not big business

26/2/83 220 C-Times

Pick 'n Pay may open in US

By PAUL DOLD
Financial Editor

THE retail trade is waiting anxiously for the start of the biggest supermarket battle ever seen in South Africa as Pick n Pay — the country's most profitable chain and Checkers — the largest clash head on

While there has traditionally been strong rivalry between the two groups a gigantic tussle will develop this year as Gordon Utian, now rid of the millstone of the loss-making department stores, prepares for a return to profitability in the next economic upswing and Raymond Ackerman throws the full muscle of Pick 'n Pay into the fray to prevent Natie Kirsh from reaching his goal

This week Raymond Ackerman described the looming battle as a head-on clash.

"I now regard Checkers as our major competitor I see a terrific head-on clash between Checkers and ourselves. American retailers believe there is insufficient room in the South African market for three major chains by the end of the eighties We are going to make damn sure that we are around"

Gordon Utian says Checkers morale is high, with continuing progress being made in restructuring operations Noting Checker's strength at consumer level he said

"We are the largest supermarket chain in the country and recently in a poor trading week had more than 2,5m customers through our stores"

Raymond Ackerman has been touring the country boosting staff morale and honing the group for this battle

Pick 'n Pay will be releasing its year-end figures soon which are likely to show sales up 25 percent and a similar increase in profits

In spite of the recession, the group is trading strongly and claims to have raised market share considerably at the expense of competitors

In this interview Mr Ackerman discloses for the first time that Pick 'n Pay is considering opening a chain in the United States and he gives a deep insight into the group's overall strategy

Business Report Retailers generally are slashing margins as sales growth falls sharply Has Pick 'n Pay been affected by the recession?

Ackerman: Sales for the past year appear in line with budgets The Christmas figures were 30 percent up on last year which we were very happy with — sales were R30m up exactly

January was R2,9m above budget. February has been slower but enough to reach the budgetted turnover. We should achieve profits in line with sales

Obviously, the mix has not been as strong, due to the downturn But gross margins have held up extremely well on the food side in spite of price cutting

The expenses are well in hand Everything depends on the shrinkage for the year end Tax rates are higher this year and there are also additional shares to be serviced through the pref conversion The after-tax earnings will not show the same growth

BR. Are you taking any steps to minimize tax?

Ackerman· We are wrestling with the problem of a switch to lifo which effectively reduces pre-tax earnings and taxed earnings but keeps more money within the group More funds being retained through the lifo switch, could mean more resources available for dividends It is only a thought — no decision has been made

BR· What of leveraged leases?

Ackerman: We are looking at this closely.

BR. Pick 'n Pay appears to be trading extremely well

Ackerman. We adopted a very aggressive stance early last year depressing margins to get sales. the sales have come through with expenses going down percentage wise

The bread issue brought market share People poured into the stores Let me imediately add I did not take this step as a marketing stunt to merely boost sales We would have welcomed the other chains joining us in cutting bread prices by 15c — 16c a loaf In the end we held our prices for four months at a cost of R1m and unquestionably made heavy gains in market share

Overall, the group was particularly aggressive in the second half We have never been so aggressive in our marketing

BR· Can the group become even more efficient?

Ackerman. Yes, this is why I am so confident of growth

BR What trends do you see in supermarketing over the next few years?

Ackerman· We are spending a great deal of time studying trends The greatest change will be scanning with a sophistication of systems and expense control

The trend is firmly towards superstores — the larger supermarket with judicious hardware and DIY

The third area we are watching is the growth of cable TV, what will happen to supermarket shopping, how much shopping will be done from home Appliances and clothing are already being sold via home buying on TV — a trend which a retailer ignores at his peril

BR. Checkers' problems over the past few years must have helped you gain market share?

Ackerman. Far be it from me, and I really mean this, to wallow in anyone else's problems but we, as an act of policy, went out to gain market share, we would be fools if we did not We have also widened ranges while some of our competitors narrowed theirs

BR: Have you ever considered bidding for Checkers?

Ackerman· Obviously it has gone through my mind I would not be in favour but there are some people in my company who would see advantages for Pick 'n Pay in such an acquisition

However, we could run into anti-monopoly legistlation I feel it would be a bad move for Pick 'n Pay We should rather concentrate on what we are doing I have never tried to be a conglomerate Mr Kirsh has to concentrate on Dions, Russels and Checkers.

I do not want to become so big that Pick 'n Pay looses its thrust and cohesiveness I would rather be big through internal growth Ten years ago I never thought we would be as large as today

BR· The expansion to Australia appears to be taking longer than anticipated?

Ackerman. There is an enormous upside potential and very little downside risk to the project. We are only going in with a partnership — one third with our Australian partners holding two-thirds It is a R9m company where we put in R3m

Our first problem was to obtain forex permission, which we received The second to find a partnerhip, and the third to obtain Australian Government permission which we thought would be automatic, and, fourthly, the finance.

Government permission proved difficult, due to vested interests smaller and larger chains trying to keep us out An overflow of these problems is now creeping into the financial sphere Many of these traders are on the boards of financial institutions

We are having problems in raising the finance But it looks ever so much brighter after a recent trip by Hugh Herman but it is still not settled

BR. Will you put in more of your own funds?

Ackerman· No Another alternative is for our Australian partners to finance the project. This was one of the initial schemes My original timing for opening was Easter 1985 or Christmas 1984 These dates are still possible The plans are drawn and zoning has been approved

BR· If Australia does not flow through for one reason or another would you switch your expansion elsewhere?

Ackerman· If Australia falls through, and this is unlikely, I already have an alternative plan in the United States We have approached two to three companies who are very keen to talk something out with us similar to Australia but I certainly will not launch the two simultaneously

BR· In what American cities would you open stores?

Ackerman: I would rather not disclose this at this stage

BR· Your son Gareth is working with the Pantry Pride group in Florida Would you link with this chain?

Ackerman: We have had talks with three chains The group is being extremely cautious So many European companies have burnt their fingers in America — chains who went too big

BR. Is the overseas growth a priority area?

Ackerman South Africa is our major priority From the point of view of personal challenge I would be delighted to see Pick 'n Pay trading successfully in the US or Australia

If by 1990 we can have two-thirds of the business in South Africa and growing and one-third running well in Australia and the US this would be an enormous achievement.

BR. Would you set up another chain in South Africa?

Ackerman· We have another hyper opening in Pretoria giving us 10 and there is still scope for another five to six supermarkets and super stores a year until 1990 without overstoring

Our field is mass marketing There are planned areas for expansion in our own business We are extending builders' yards into some of our super stores like Kenilworth and also opening more garages as part of our superstores They are very profitable We have so much potential for more bakeries, garage, diy around our centres

The group is undertaking an enormous amount of internal diversification extending bakeries — we want more — plus large scale renovation, gutting the older stores and redoing them in a new image Our whole goal for the eighties is a very real South African involvement

BR· The South African programme is clearly on its own a major expansion Can Pick 'n Pay continue to achieve profit rises in the 30 percent range?

Ackerman· Growth is likely to average 15 to 20 percent and in good years 20 to 25 percent I do not think we can go on at 30 — 35, but growth in relation to our size will remain strong

BR· Could Australia alter these forecasts?

Ackerman· Yes, but only in about five years when the chain is established We hope to have a 50 percent stake in the remaining stores after the first is opened

BR· Some time ago you disclosed negotiations were underway to buy a stake in Clicks — would a diversification of that type still be considered?

Ackerman. At the time I liked the idea of expansion in this direction Jack Goldin runs a first-class company and if he wanted to sell a strategic stake we would have been very interested Unfortunately, the negotiations have fallen away completely I think we have talked two or three times

BR· What about the theory SA is overshopped?

Ackerman. I do not accept it I heard that view when we first expanded Pick 'n Pay from the Cape to the Transvaal Checkers have 170 stores doing less turnover than we are in 69 stores We have earmarked openings through to 1990 in areas where we are not represented at all If it means competing against their older stores so be it This is what competition is all about. Equally, we must watch our older stores We are not overstored South Africa has a lot of stores

BR· What still remains for you to achieve?

Ackerman. I have never been goaded on by money or power A sense of achievement, yes Americans are amazed at what we have achieved in 15 years there it would take them 30 to 50 years

I realize we have an enormous amount to do to consoldiate what has been achieved I would like to hand this business over to my successor as managing director whether it is now or three or five years time and be chairman of the board

This will not happen yet. I have a great deal to achieve over the next three to five years Pick 'n Pay is sound but it has grown so quickly and consolidation is needed

BR I presume your son Gareth will succeed you?

Ackerman Gareth is now 25, working in the US. Certainly I would never practice nepotism He has to prove his worth and earn his spurs If I decide to appoint an md before he is ready — assuming he is able — I have people in the business who could be very talented managing directors with me a chairman of the board

Gareth will only succeed me if he is able and has a good many years tucked under his belt of South African experience I may well appoint a managing director before he is ready.

Mr Raymond Ackerman

Masses will be jobless, SA is warned

Star 4/3/82

220

By James Clarke

Unless South Africa can dismantle its enormous bureaucracy, break up some of its "job-destroying" corporate giants and go flat out to encourage smaller scale private enterprise, it cannot avoid massive unemployment.

"There are at least 800 laws inhibiting private enterprise in South Africa," says Mr Andre Spier of Syncom His "think tank" organisation is advising Network, The Star's campaign which is seeking practical solutions to South Africa's classic problem areas

"Economic freedom of the individual is an essential precondition to solving the problem of fewer jobs," he said

Mr Spier advocates the breaking up of monopolies, especially where these have cornered the markets providing basic commodities such as food, clothing, furniture and houses

He warns that the cult for big business mergers does not create jobs — it destroys them

Then, because it becomes more difficult selling goods to a population which has less and less money because of joblessness, the giants begin to invest outside the country

"This is in fact happening Going multinational in a saturated economy is defensible but in a sea of local poverty it is a poor show of economic policy and responsibility"

Mr Spier, who has for years been involved in South Africa's economic and futures research, urges that every effort be made to encourage small enterprises among all races

● See Page 7 of the Metro section

220

Hudbay control moves to US firm

By BRENDAN RYAN

CONTROL of Hudson Bay Mining & Smelting Company of Toronto is to be vested in a United States company which is now a 50% subsidiary

This will follow a reorganisation of Hudbay's joint interests with Minerals & Resources Corporation (Minorco)

Minorco, the Bermuda-based foreign arm of the Anglo American Corporation-De Beers groups, will hold 60% of the equity of US-quoted Plateau Holdings which is to acquire Hudbay

Care has been taken to ensure Plateau will not be seen as a subsidiary of Minorco

Minorco has agreed to restrict its voting rights in Plateau to below 50% and will elect a minority of the enlarged Plateau board

Minorco is owned 41% by Anglo American Corporation, 22% by De Beers and 10% by Charter Consolidated

Plateau Holdings owns Inspiration Consolidated Copper, Terra Chemicals and Inspiration Coal

Hudbay shareholders other than Minorco (which controls 44% of Hudbay) can exchange their Hudbay common shares for special shares in Hudbay at 1,1 special shares for each Hudbay common share

As an alternative they may convert directly to Plateau shares at 1,15 Plateau for each Hudbay

The Plateau shares will be listed in the US and the Hudbay special shares in Canada, each to receive the same dividend payouts

Hudbay special shares can be converted to Plateau ordinary shares on a one-for-one basis at any time over the next 10 years after which they will automatically be converted

COMMENT The latest reshuffle of the United States-Canadian operations of the Anglo American group has a company being taken over by one of its subsidiaries and another, with nominal control over the creature, shying away from it

AAC, which is sensitive to its North American image, is doing its best to avoid being accused of controlling companies in this area

This move and those before it are part of a build-up of business in North America

The Hudbay announcement says the deal will enable improved access to capital markets in Canada and the US as well as simplifying corporate and management structures within a single entity.

Minorco watchers say the company is building a large equity base, fulfilling long-term strategy dictated from 44 Main Street

With Minorco at a price of R12,75 a share and a dividend yield of 1,5% there are better buys around — unless the investor can see capital gain to be made from the company's future role in the machinations of the AAC-De Beers empire

S Times 13/3/83 (220)

Big squeeze on Consgold

SOME U.S. INDUSTRIAL OPERATIONS BEING SOLD AFTER DISASTROUS YEAR

By Neil Behrmann: London

CONSOLIDATED Goldfields, the major shareholder of Gold Fields of South Africa, is selling several US industrial operations after a disastrous year.

The London-based mining finance house has been forced to set aside £87-million after the collapse of its Texas-based oil-drill-rig operations

In the fiscal first half ended December 1982, Consolidated Goldfields earnings fell to £13,9-million compared with £42,7-million a year earlier.

Including "extraordinary provision against possible losses" of Skytop, there was a net loss of £73,1-million.

Rudolf Agnew, Consgold's chief executive and chairman, admitted that the foray into the oil-drill business had been an expensive mistake

He said that the group's North American division, Amcon, bought Skytop early in 1980 for £40-million

Mr Agnew said that David Lloyd-Jacob, a previous chairman of Amcon, had recommended the acquisition, but it "was a board decision and we must all share the blame"

Mr Lloyd-Jacob was sacked last November and received "substantial" but undisclosed compensation

Other industrial investments — mainly in the United States — involved in the steel industry were "hard hit" by the recession. Some incurred losses

"Several executives were critical when we bought industrial companies, saying that we should stick to mining, the business we know best," said Mr Agnew. "That view now predominates"

Although Consgold and David Lloyd-Jacob have been extensively criticised by the City and Press for the investment in Skytop Brewster, they were caught by a sharp turnround in the oil business

Amcon bought Skytop Brewster after the oil-price explosion in the late 1970s.

There was an oil-exploration boom in the United States, and Skytop Brewster was making oil and gas drills which could go down further than 9 000m

Profits of Skytop soared during 1980 and also contributed to the group's profits in 1981. Suddenly, however, there was a dramatic collapse in oil exploration.

At the end of 1981, there were more than 4 500 drilling rigs working in the United States There are now about 2 000

In March 1982 Skytop had a $200-million order book. By June that was zero

Star 31/3/83 (220)

SA retains stranglehold on African economies

NEW YORK — South Africa's flourishing trade with Africa, which the black countries would like to pretend does not exist, points up the harsh realities of a continent struggling to cope with world recession, sagging agricultural production, and severe drought.

Next month nine Southern African countries will mark the third anniversary of a regional effort to break South Africa's stranglehold on their economies.

SUBTERFUGE

But South Africa's economic tentacles reach so far into the hinterland of black Africa that its economic grip has in some respects tightened rather than weakened

"Made in South Africa" labels may be discreetly removed in black Africa for obvious reasons, but from Zimbabwe to Nigeria tins of canned guava, fresh meat, piles of fresh vegetables, rolls of tiolet paper, and an array of household goods make their way to the supermarket shelves from the farms and factories of South Africa

The subterfuge is sometimes achieved through double invoicing and false certificates of origin

Despite an African ban on trade with South Africa, some 46 African countries turn to it for goods and services

To spare their African customers political embarrassment, South Africa does not provide a breakdown of the individual countries with which it trades

TRADE DOUBLED

But figures for the whole continent show that South Africa's trade with black Africa more than doubled between 1978 and 1980.

Official trade figures published by the South African Commission of Customs and Excise establish the value of exports to Africa at $1 200 million for the first 10 months of 1980.

To some extent Africa finds it has little choice but to trade with a country whose apartheid is anathema to blacks, but whose economic muscle cannot be ignored. — Christian Science Monitor News Service

Southern Sun still looking at US venture

(220) 4/4/83

By JOHN MULCAHY

SOUTHERN Sun is conducting a feasibility study of the $250-million Camelot hotel-casino project at Atlantic City, New Jersey.

The group's managing director, Mr Sol Kerzner, says: "The thing will either go or it won't go come May. If the conditions are met, I think we've got a great scheme."

Mr Kerzner says Southern Sun was approached to participate in Camelot in the middle of last year, and examined the proposals at length before deciding in November to reject the approach

The first offer was rejected for reasons related to the pitfalls later highlighted in a New York stockbroker's report

The New York firm, Drexel Burnham Lambert, in a report to clients on Southern Sun's proposed link with American Leisure Corporation (ALC), expressed misgivings about the alliance, pointing to ALC's chequered history

Mr Kerzner says "The so-called revelations by Drexel are not news to us — we have been aware of Jacobson's background for some time"

(Mr Nate Jacobson, ALC's chairman, was indicted in 1971 by the Securities and Exchange Commission, and the Nevada Gaming Commission later decided to rescind his casino licence in Lake Tahoe In 1980 he, together with ALC and other parties, were charged with violating Federal securities laws relating to an ALC share offer)

Mr Kerzner says the proposals first put to Southern Sun were too loose, providing no protection against a repeat performance by ALC

"The very doubts raised by Drexel rendered the possibility of a partnership with ALC out of the question, and Southern Sun's board turned down the offer in November"

Southern Sun was again approached in January this year, by a different investment broker, who had penned an agreement that took heed of all the pitfalls, but provided Southern Sun with an opportunity to participate in the Atlantic City development.

"The bank that came up with the revised deal understood our reasons for withdrawing from the original offer, but they believed the deal could be structured to overcome these problems

"They set out the reasons for Southern Sun turning the deal down and realised there had to be a way to cope with the problems"

In terms of the new agreement the best ALC will get is a minority stake in a new company, with Southern Sun deciding who will be offered the rest of the minority stake

Mr Kerzner says "We have the power to insist on the resignation of directors from ALC's board, not to mention control over Sun Resorts

"ALC will not be a partner in this venture — they will have a minority stake with no say in the direct management"

If ALC wants representation on Sun Resorts board its proposed representatives will have to submit to investigations by Southern Sun into their backgrounds

"We will have to be satisfied that these people can never be under question in terms of integrity"

Applications for gaming licences are made only when a casino has been completed, and the New Jersey Gaming Commission is empowered to investigate every proposed manager and employee

Sun Resorts is the company to be formed to control and manage Camelot, with Southern Sun holding 60% of the equity and the balance split between ALC and other as yet unidentified parties

Mr Kerzner regards the Drexel report as a feather in Southern Sun's cap "If you study our agreement with ALC alongside the Drexel report you will find there is not one loophole that has not been plugged"

On the question of cost overruns — Drexel's report says the Hilton and Golden Nugget groups have announced plans for 600-room hotels each costing about $250-million — Mr Kerzner says there is no obligation to continue with the project if the results of the feasibility study suggest otherwise

ALC has a history of announcing schemes which have never materialised, and Drexel's report quotes an example of a contractor who confronted ALC with the option of renegotiating a contract or stopping construction and fighting the case in court

But, says Mr Kerzner, "there is no way we make an announcement when we are not serious about it"

Camelot is a 1 000-room venture, but Mr Kerzner says the schemes are not strictly comparable, as communal facilities, such as the casino, bars and restaurants, absorb a disproportionate slice of the cost

In response to Drexel's claim that the land for Camelot has been overvalued at $26-million, Mr Kerzner says the price paid is at the lower end of Drexel's estimates

The brokers have overlooked the fact that with the ground comes a string of permits and approvals, as well as complete architectural, mechanical and interior designs, and full sets of plans

The permits alone represent two years of hassle, says Mr Kerzner, and the value of the plans — "they are excellent, and I foresee few changes" — while difficult to assess, is at least $6-million

"If you consider the holding costs of the ground for two years — a conservative estimate assuming one is starting out fresh on the project — the actual effective cost of the ground is probably about $15-million

"If Drexel says there are other sites available for between $15-million and $25-million then I think we have got a good deal here"

May 1 is the deadline — Sun Resorts will either embark on an ambitious project, propelling Southern Sun into the cut-throat world of American gambling, or the whole deal will merely have been a passing fancy

220

Kerzner's happy with Atlantic City

By JOHN MULCAHY

THE gambling industry in the US has changed significantly over the past few years, and major corporations may operate casinos in Atlantic City, New Jersey, on a legitimate basis.

This is the view of Mr Sol Kerzner, managing director of Southern Sun Hotel Holdings, who says investigations undertaken by the New Jersey Gaming Commission are detailed and highly regulated

Pointing to the investments of the Hilton Group and Resorts International in Atlantic City — "they are both highly reputable organisations" — Mr Kerzner says he is convinced such high-profile corporations would not be operating in a Mob-controlled environment

Mr Kerzner was asked to comment on the existence of organised crime in the Atlantic City area where Southern Sun and SA Breweries propose to develop a $250-million casino-hotel complex

Reports in recent years have pointed to a bloody battle for control of Atlantic City's underworld, with victims including trade union officials, a judge and the former godfather of the Philadelphia Mafia family, Angelo Bruno

Bruno's reputed successor in Philadelphia, Philip "Chicken Man" Testa, has a close associate, Nicodemo Scarfo, who has been dubbed "the Philly Mob's capo at the shore" by the Pennsylvia Crime Commission

Scarfo and his colleagues have featured in police investigations into four murders in Atlantic City since 1976, including that of Judge Edwin Helfant

Scarfo was in 1981 put on trial for the murder of Vincent Falcone, a cement contractor in Atlantic City, and the State appeared to have an open and shut case, with an eyewitness placing Scarfo and his two partners at the scene of the crime

However, at the last minute Scarfo's defence produced a policeman who provided an alibi for Scarfo at the time of the killing

One report, published in Life magazine in 1981, summed up the criminal developments in Atlantic City. "As far as the Mob is concerned, Atlantic City today is a banquet about to be enjoyed Its six operating casinos have won close to $1 000-million since Resorts International opened over two years ago

"Projections are that by 1985 over 18-million gamblers will pour into the resort every year By next summer six new casinos are scheduled to open and their presence will generate a payroll of over $500-million for casino employees alone

"The lure of all this money and development on a town that had only 42 000 permanent residents in 1976 has led every organised crime family on the East Coast to target Atlantic City for infiltration

"Most have already sent representatives there to explore possibilities for opening legitimate businesses or to wangle themselves into organised labour or the political system."

Although there has been no suggestion that the Mob is, or has been, directly involved in casino operations, its efforts have been aimed at trade unions in the area, as well as peripheral industries, such as garbage disposal, laundry services and cigarette distribution, all lucrative businesses

Soon after the legalisation of gambling in Atlantic City, New Jersey's Governor Brendan Byrne announced the establishment of the Casino Control Commission as a warning to organised crime to keep out

However, while Governor Byrne was making tough speeches about Atlantic City's crime-free future, state police investigators were disclosing that the chairman of the Casino Control Commission, Joseph Lordi, had close links with the powerful Genovese Mafia family in New York

Mr Kerzner says the Gaming Commission must be satisfied with casino-hotel employees as well as those operating in ancillary industries

The commission can force a company to dismiss employees whose background may be suspect It can also rescind gaming and other licences

He believes the invitation to consider an investment in Atlantic City was made to Southern Sun because the group has developed a reputation as an operator of quality hotels, resorts and gaming operations

Conceding that not all operations at Atlantic City have been successful, Mr Kerzner says 90% of the casinos there are producing extremely good results in spite of the lengthy recession in the US

"I have full confidence in moving into Atlantic City as I believe we will be able to adapt to the US market place

"There are many areas that are related, and the strengths we have developed at Sun City will prove beneficial"

459

(1)

220

Call to bar SA hotel bid

~~288~~

11014

8/4/83

NEW YORK — The head of the United Nations Special Committee Against Apartheid urged yesterday that authorities in Atlantic City, New Jersey, prevent a South African hotel chain from building a casino complex there

The Nigerian Ambassador Mr Yusuff Maitama-Sule, issued a statement noting a report that the Southern Sun hotel chain had decided to develop such a complex in the old seaside resort city He called the report "shocking"

He said the building of "Sun City" in Bophuthatswana by the same investors "bolstered the policy of the racist regime to dispossess the African majority of all its rights and confine it in so-called 'independent' states in scattered reserves"

"I urge the authorities concerned," Mr Maitama-Sule said, "to take firm and urgent action to deny approval of the project" — Sapa-AP

BUSINESS TIMES AT THE MARKET

DIAGONAL STREET

David Ross

220

S. Times 10/4/83

SA giants: Time to watch offshore profits

SA industrialists are looking forward to the next boom

It should produce splendid cash flows, they believe, during 1985 and 1986.

The problem then will be what to do with the money?

With control of the great majority of leading companies already established, expansion by acquisition becomes increasingly difficult

One way out of the dilemma is likely to be investment overseas

The SA private sector already has considerable overseas investment

Anglo American, most obviously, with 42% of Minorco, which in turn owns 36% of Charter Cons, is a major offshore investor

Market value of these holdings at the end of 1982 was $432-million for Minorco and £84 million for Charter Cons

Another major in this field is Rembrandt group, with its 50% of Rothmans This tobacco giant last year had sales of around $2 000-million, and made the 219th spot in Fortune magazine's list of the major 500 companies outside the US

On a lesser scale, but still very much in the big league, Liberty Life holds 24% of British insurer Sun Life and 29,6% of UK property development company Capital and Counties

In the latest annual report, chairman Donald Gordon was expecting that Liberty's international expansion will be of increasing importance to the company's development in the future

SA Breweries is another heavyweight that has clearly set its eyes on overseas expansion That is likely to show results soon in such areas as soft drinks

Currently, SAB is undertaking a marketing exercise in the UK of its successful Appletiser, and there are plans for Liquifruit

One company that has already fulfilled a long-term ambition to expand overseas is Plate Glass (PG)

Last year it acquired for R7-million the equity of Doulton, the largest UK glass marketer

Together with its interests in Australia and the US, the acquisition means that around 50% of PG's turnover in glass will derive from outside SA

The main problem for SA companies wanting to grow offshore has always been exchange control

PG, for instance, had to borrow all the funds for the purchase of Doulton in the UK Mike Scott, financial director of PG, agrees that funding purchases entirely with borrowed money is "not entirely satisfactory"

At the time of the Doulton purchase, on the other hand, borrowing rates in SA were very high — around 20% compared with 11% in the UK

At the same time, interest is a tax-deductible expense in the UK This is also the case in the US, unlike SA, where this expense is not allowable So it made sense for PG to borrow overseas funds

Even more to the point, at the time of the Doulton purchase PG would have had to export funds from SA through the financial rand — thus adding 17% premium to the cost of the deal

With the abolition of the financial rand in February, that obstacle to overseas investment, at least, has been removed

Mr Scott points out, too, that by financing its UK purchase in sterling PG avoided exchange risks

But for Mr Scott the main question to be settled is do you believe in geographic diversification rather than moving into businesses which you may not know much about?

That idea seems to be an important one, too, in the plans that SA Breweries has in mind, such as the $250-million-$300-million casino that Southern Sun is investigating in Atlantic City, New Jersey

As things stand, significant buys abroad require increasing gearing to the full extent of the money involved

Some companies have been allowed to export funds from SA. For example, fairly minor sums needed by Bromain for takeovers in the US of Salton Corp, and a small business in Israel, got Reserve Bank approval for export of the money

In that case not only were the amounts small, but it seems likely that Bromain was able to argue that these developments might lead to the creation of extra jobs in SA

Bromain's Max Brozin has plans for manufacture of part of the Salton range of kitchenware in SA

Similarly, the ill-fated Enyati got permission for the export of funds to the US for its oil venture on the grounds that it might help to secure a strategic resource for SA

But the cases where exchange control for SA companies is relaxed have been few and far between

That could change, of course Thus far it has been generally expected that if exchange controls are further relaxed the major immediate beneficiaries will be SA institutions

Is it too much to hope that within the next two years SA industry and commerce will be permitted some foreign exchange to play with?

One pointer in that direction has been the decision early in March to allow SA banks to hold R600-million instead of just R300-million in foreign exchange

The move was made by Pretoria specifically with the intention of developing a full-scale market in foreign exchange in SA That market is already growing apace

Of course, exchange problems are not the only ones to be faced There may be political ones too, for SA overseas investors

Pick 'n Pay has already encountered some of these in its Australian venture But it certainly looks as though a new fashion may be capturing the thoughts of SA businessmen

Being a successful conglomerate has already proved beyond the capacity of most managements The new line is rather grow by doing what you do well somewhere else

If it catches on — and I believe it will — the next five years will see a new brand of SA management one with a worldwide view of investment

Coal shares to look for

TEN years ago coal shares were rated by investors in much the same way as fixed-interest stocks

Since then the development of Richards Bay following the energy crisis of the early Seventies has changed all that thoroughly

Coal shares have become the most highly rated of SA's primary product producers

Recently, however, the news has not been good

An oil glut, falling demand in the depressed economies of the West and less-than-expected demand from such major SA customers as

Coal profits split

	Share price (c)	Yield (%)	% contribution Exports	Local sales
Amcoal	2 450	5,9	56	44
Apex	2 500	10,4	82	18
Clydesdale	940	8,5	—	100
Trans-Natal	895	7,3	21	79
Welgedacht	285	11,9	66	34
Witbank	4 250	9,4	50	50

What causes the drop in demand for coal in the world — apart from such special situations as re-establish-

an examination of the figures to see that the market is rating major exporters much more highly than those rely-

Closing dates for admission in 1984

SA set for diplomatic links with Comores

220

RDM 16/4/83

By DON MARHSALL
Pretoria Bureau

A NEW tropical holiday playground is to be developed in the Comores using South African financial and technical assistance as a forerunner to Pretoria establishing diplomatic ties with the Indian Ocean islands' government in Mornoi.

The islands are of considerable strategic importance to South Africa — politically, economically, and from the point of view of defence.

In order to foster better relations with the government of Mr Aahmed Abdallah, South Africa is prepared to

- Open a direct air link between Jan Smuts and the Comores capital,
- Organise an agricultural development scheme using South African farming experts,
- Launch a crash housing aid scheme in the islands,
- Organise a R23-million loan from the Industrial Development Corporation to enable the islands' tourist industry to get off the ground

There is also talk of South Africa sending experts to help the Comores people establish their own fishing industry

South African Government officials have worked carefully during the past eight years to develop closer ties with the Comorian people

Mr Ahmed Abdallah was reinstated as leader in a coup in 1978 after having been deposed in 1976 by a Leftwing group

France and South Africa have been blamed for the coup, but this has been denied in Pretoria.

Relations between South Africa and the Comores Islands Republic have since developed excellently.

A Government source yesterday praised Mr Abdallah's government for what he called "being the first" of several African countries to have the courage to advertise their links with South Africa

"We have similar relations with several other African countries and at least some of them are expected to follow the Comores' example in the near future," the Pretoria source said.

Visits last year by more than 50 000 businessmen from black Africa was evidence of South Africa's growing ties with Africa, the source said

Mr Abdallah, through his Muslim faith, has strong connections with the Middle East, notably Kuwait and Oman, and this in itself would be sufficient to stir Pretoria's interest

Developments in the Indian Ocean islands will have important ramifications for the security of both the Indian Ocean region and Southern Africa

Remgro buys Cartier

220

S Times 17/4/83

By Elizabeth Rouse

THE Rembrandt Group is getting "classier and classier", adding luxury product holdings to its investment portfolio

The latest is Cartier the famous 136-year-old Paris jewellery firm now Luxembourg-based

Rothmans International PLC, in which Remgro has a 22% stake with US tobacco group Philip Morris also holding 22%, is paying $45-million for a 20% interest in Cartier

With sales of $4 900-million last year, Rothmans has the financial muscle to help Cartier, which chalks up annual sales of around $250-million, expand its product line

Besides jewellery, the Cartier name can be found on watches, lighters, pens, handbags, and other luxury items

Anti-apartheid rhetoric not only threat to Kerzner's Camelot

28 APR 1983

D. DISPATCH

220

Mr Sol Kerzner and the Southern Suns hotel group plan to participate with an American corporation in the building of a R320 million casino-hotel in Atlantic City, New Jersey. RICHARD WALKER surveys the Atlantic City scene and describes the threat to casino owners from gangsters and mobsters.

Mr Sol Kerzner — Atlantic City is assuredly not Sun City.

Sol Kerzner, meet Nicodemo "Little Nicky" Scarfo and Philip "Crazy Phil" Leonetti and Lawrence "Yogi" Merlino and the Luchese, Colombo, Genovese, Gambino and Bruno boys

Meet also Colonel Justin Dentino, New Jersey's top organised-crime investigator, who fears Atlantic City will become a Mafia "open city' as casino owners capitulate to the mob "families" A state enquiry commission has accused the casinos of "fawning" submission to "notorious criminal elements" defrauding them of millions of dollars

The slot machines may jingle as merrily, but Atlantic City is assuredly not Sun City and anti-apartheid rhetoric is not the only threat to Mr Kerzner's Camelot

Gambling is nothing new to this dilapidated "queen of resorts," whose heyday was the turn of the century when high society paraded under parasols along the beachfront boardwalk Al Jolson was a lifeguard here and Frank Sinatra sang here 44 years ago

The mob also has its memories Al Capone and Lucky Luciano held their "conventions" here and some citizens still fondly recall Enoch "Nucky' Johnson, the town's Mafia-tied political boss of the 1940s who would peel off hundred dollar bills for street bums

The big difference now is that gambling is legal Five years ago, Atlantic City was the undisputed, if insignificant, territory of the Angelo Bruno mob Then came the big break and the injection of 2 000 million dollars in private capital, to render the seedy old sand spit the Mecca of vice A shotgun blast vlew away Don Angelo and Bruno's successor was blown up by a bomb Soon there was nobody left but a minor mob soldier named Scarfo, who had been exiled here for incurring the displeasure of the Philadelphia bosses

Picture it — New York just 200 km to the north and more than 20 million suckers a year surging south They range from high rollers willing to wager R20 000 on one throw of the dice to 200 000 busloads of trippers, each dropping an average R60 into slot machines that in the case of one casino stretch the length of two rugby fields

Little Nicky Scarfo is "a throwback to the Al Capone days" says Dentino, one of many lawmen scrambling to keep the mobsters out "With Scarfo, people operate with complete disregard of law enforcement " A messy murder seemed to prove the point before Little Nicky was snared on a weapons-possession charge, but by then the mobs had done a deal and declared Atlantic City open range — "a kind of free-trade zone", a state official called it

The Mafia moved into Las Vegas from the top by controlling the casinos New Jersey averted this, but the mobsters are using the back door — the service entrance "We headed them off," said Dentino "Now labour racketeering is their way in "

His explanation "The unions promise peace for money There are nine casinos operating and a tenth being constructed There's a lot of money in the construction They have to meet standards, they have to build a 500-room hotel that costs something like 300 million dollars

"Once the casino is up, they average half a million a day Interest rates are high to pay off what they borrowed to put the place up They can't afford work stoppages If organised crime controls the unions, they have the hammer

"Put yourself in the casino's position What's it worth to know you won't have labour problems? A hundred thousand a year? A hundred thousand a month? It might be a good business arrangement "

A random sample of casino records found the names of 25 mobsters who had obtained R1.2 million in casino credit last year — complimentary everything, including gambling chips A single Gambino associate got R220 000 from the Sands, Nugget, Caesars, Playboy and Harrah's Even Scarfo, who does not gamble and lived a block away, received R3 000 in rooms and dinners

Then there is the curious example of Joseph Pejulla, convicted in connection with the shooting of a Scarfo associate and found to have deposited R500 000 at one casino, in a manner that raises questions about the casinos' usefulness as laundries for hot money

The inquiry commission cited a "staggering" increase in casino credit last year to R1 500 million, or about 30 per cent of what was wagered at the tables It also observed that more than R25 million was written off as bad debt

Southern Sun arrives on the scene at an awkward moment Atlantic City residents, almost 60 per cent black and Hispanic, have been largely excluded from the R750 million pay bonanza enjoyed by the commuting casino workers The resident population has dropped by a third to 40 000 since the 1960's, while major crime has soared 171 per cent and business in the decayed town centre is down 20 per cent since the casinos came There is not one supermarket and the only cinema shows porno movies

"Gamblers don't shop," an old-timer reflected "There ain't no Atlantic City This is a jungle,' an 82-year-old survivor of the parasol days declared "The whores come right up to our porch," the rector of St James Episcopal Church complained Now a fellow Episcopal rector is bottling the bitterness and squirting it on Kerzner and his Camelot

The Rev Sipo Mzimela, a South African with — surprise, surprise — an Atlantic City parish, claims mass opposition to the Southern Sun project, but says he fears "the almighty dollar" and the power of Kerzner money in this den of thieves

Mzimela is particularly wary of the construction bosses, one of whom has stressed that "my guys need" the Camelot work He pins his hopes on the casino control commission denying the Camelot a licence, rather than on the city council In Patrick T McGahn, Kerzner has a very powerful lawyer who has worked wonders for casino interests through his council connections

Adventure is certainly guaranteed The Camelot site is in the marina area to the north, a rough sector of gutted buildings and vacant lots, but with the lure of easy access and plenty of parking space Harrah's is the only casino there now

There are business uncertainties Bosses of the Bartenders' Union, for example, include, or have included, Scarfo cronies, a convicted extortionist and a man accused of ordering the death of a building trades boss, shot six times by a gunman posing as a flower deliveryman The flowers were poinsettias

The casino operators must tread gingerly A jury last month awarded Scarfo's lawyer R1,5 million in damages for the indignity of being bounced from the Golden Nugget

But money there is Mounds of it Harrah's, the Camelot's future neighbour, reported a pre-tax profit of R42 million for 1982 and though three of the casinos had a combined net loss of R61 million, the other six cleared a profit of well over R120 million

Now a word for the bad guys "They been investigating us for five years and they have not come up with anything," boasts Lawrence Merlino, who has an acquittal for murder and helps tend family affairs while Scarfo serves his sentence

"You got any idea how many different kinds of police are watching us? State police, local police, FBI — there's eight of them, I think You got any idea how much money they make on us just in overtime?"

Charter sells its stake in RTZ

By NEIL BEHRMANN

LONDON — Charter Consolidated has sold its 4% stake or 9 100 000 shares in Rio Tinto Zinc for £57-million (R97-million)

The company says that the after tax proceeds of £38 600 000 (R66-million) will be used to reduce borrowings and finance investments in Charter's subsidiaries

Charter's dividend from RTZ was £2 330 000 (R3 970 000) in the year to March 31, but against this loss of income the group will be able to reduce interest on borrowings and use the capital to buy companies such as Anderson Strathclyde

The sale took a matter of hours and the shares were placed at 560p a share, a discount of more than 50p on RTZ's market price

Charter has held shares in RTZ since the mid sixties It reduced its initial holding in RTZ by 10-million shares, valued at £18 300 000 (R31 200 000) early in 1976

In 1980, Charter sold its holding in selection trust following the BP bid Mining finance investments, although still substantial are now mainly in the ambit of Mineral and Resources Corporation (Minorco)

In the six months ended March, Charter's net attributable profits amounted to £16-million (R27-million), equal to 15,2p a share, against an adjusted £21-million (R35 700 000) last year

From Sun City to Sin City . . .

220

SOL KERZNER, meet Nicodemo "Little Nicky" Scarfo and Philip "Crazy Phil" Leonetti and Lawrence "Yogi" Merlino and the Luchese, Colombo, Genovese, Gambino and Bruno boys.

Your new neighbours, you might say Colonel Justin Dentino, New Jersey's top organised crime investigator, fears Atlantic City becoming a Mafia "open city" as the casino owners capitulate to the mob "families"

A state enquiry commission has accused the casinos of "fawning" submission to "notorious criminal elements," defrauding them of millions of dollars

The slot machines may jingle as merrily, but Atlantic City is assuredly not Sun City and anti-apartheid rhetoric is not the only threat to Kerzner's Camelot

Gambling is nothing new to this dilapidated "queen of resorts," whose heyday was the turn of the century when high society paraded under parasols along the beachfront boardwalk

Al Jolson was a lifeguard here and Frank Sinatra sang here 44 years ago

The mob also has its memories Al Capone and Lucky Luciano held their "conventions" here and some citizens still fondly recall Enoch "Nicky" Johnson, the town's Mafia-tied political boss of the Forties, who would peel off hundred dollar bills for street bums

The big difference now is that gambling is legal Five years ago, Atlantic City was the undisputed, if insignificant, territory of the Angelo Bruno mob

Then came the big break and the injection of R2 000-million in private capital, to render the seedy old sand spit the Mecca of Vice

A shotgun blast blew away Don Angelo, and Bruno's successor was blown up by a bomb

Soon there was nobody left but a minor mob soldier named Scarfo, who had been exiled here for incurring the displeasure of the Philadelphia bosses

Picture it New York just 200km to the north and more than 20 million suckers a year surging south

They range from high rollers willing to wager R20 000 on one throw of the dice to 200 000 busloads of trippers, each dropping an average R60 into slot machines that, in the case of one casino, stretch the length of two rugby fields

Little Nicky Scarfo is "a throwback to the Al Capone days," says Dentino, one of many lawmen scrambling to keep the mobsters out

"With Scarfo, people operate with complete disregard of law enforcement"

A messy murder seemed to prove the point before Little Nicky was snared on a weapons-possession charge, but by then the mobs had done a deal and declared Atlantic City open range "a kind of free-trade zone," a state official called it

The Mafia moved into Las Vegas from the top by controlling the casinos

New Jersey averted this, but the mobsters are using the back door the service entrance

"We headed them off," said Dentino "Now labour racketeering is their way in"

He explains "The unions promise peace for money There are nine casinos operating and a is 10th being constructed

"There's a lot of money in the construction They have to meet standards, they have to build a 500-room hotel that costs something like $300-million

"Once the casino is up, they average half a million a day Interest rates are high to pay off what they borrowed to put the place up

"They can't afford work stoppages If organised crime controls the unions, they have the hammer

"Put yourself in the casinos' position What's it worth to know you won't have labour problems? A hundred thousand a year? A hundred thousand a month? It might be a good business arrangement"

A random sample of casino records found the names of 25 mobsters who had obtained R1,2-million in casino credit last year complementary everything, including gambling chips

A single Gambino associate got R220 000 from the Sands, Nugget, Caesars, Playboy and Harrah's

Even Scarfo, who does not gamble and lived a block away, received R3 000 in rooms and dinners

Then there is the curious example of Joseph Pedulla, convicted in connection with the shooting of a Scarfo associate and found to have deposited R500 000 at one casino resort, in a manner that raises questions about the casinos' usefulness as laundries for hot money

The enquiry commission cited a "staggering" increase in casino credit last year, to R1 500-million, or about 30% of what was wagered at the tables

SOL KERZNER . . . moving into Atlantic City

RICHARD WALKER reports from New York

It also observed that more than R25-million was written off as bad debt

Southern Sun arrives on the scene at an awkward moment

Atlantic City residents, almost 60% black and Hispanic, have been largely excluded from the R750-million pay bonanza enjoyed by the commuting casino workers

The resident population has dropped by a third to 40 000 since the Sixties, while major crime has soared 171% and business in the decayed town centre is down 20% since the casinos came

There is not one supermarket, and the only cinema shows porno movies

"Gamblers don't shop," an old-timer reflected "There ain't no Atlantic City This is a jungle," an 82-year-old survivor of the parasol days declared

"The whores come right up to our porch," the rector of St James Episcopal church complained

Now a fellow episcopal rector is bottling the bitterness and squirting it on Kerzner and his Camelot

The Rev Sipo Mzimela, a South African with — surprise, surprise — an Atlantic City parish, claims mass opposition to the Southern Sun project, but says he fears "the almighty dollar" and the power of Kerzner money in this den of thieves

Mzimela is particularly wary of the construction bosses, one of whom has stressed that "my guys need" the Camelot work

He pins his hopes on the Casino Control Commission denying the Camelot a license rather than on the city council

In Patrick T McGahn, Kerzner has a very powerful lawyer who has worked wonders for casino interests through his council connections

Adventure is certainly guaranteed The Camelot site is in the marina area to the north, a rough sector of gutted buildings and vacant lots, but with the lure of easy access and plenty parking space

Harrah's is the only casino there now

There is also the uncertainty of the project partner, American Leisure Corporation, whose president's business ethics have been called into question over past activities in Las Vegas

Other relationships offer other uncertainties

Bosses of the Bartenders Union, for example, include or have included Scarfo cronies, a convicted extortionist and a man accused of ordering the death of a Building Trades boss, shot six times by a gunman posing as a flower deliveryman The flowers were poinsettias

The casino operators must tread gingerly. A jury last month awarded Scarfo's lawyer R1 25-million in damages for the indignity of being bounced from the Golden Nugget

But money there is Mounds of it

Harrah's, the Camelot's future neighbour, reported a pre-tax profit of R42-million for 1982, and though three of the casinos had a combined net loss of R61-million, the other six cleared a profit of well over R120-million

Now a word about the bad guys "They been investigating us for five years and they have not come up with anything," boasts Lawrence Merlino, who has an acquittal for murder and helps tend family affairs while Scarfo serves his sentence

"You got any idea how many diferent kinds of police are watching us? State police, local police, FBI there's eight of them, I think You got any idea how much money they make on us just in overtime?"

Sun's R4,5-m for Mauritian facelift

220

S. Times 8/5/83

By Elizabeth Rouse

MAURITIAN Southern Sun Hotels, in which the South African hotel group has a 17% holding, plans to spend R4,5-million on expansions to and refurbishing of its three hotels.

Mauritian Southern Sun recently bought the Touessrok and La Piroque hotels on the east and west coasts of the island for around R10-million

The well-known Saint Geran will be refurbished and facilities like the casino and discotheque improved

The Touessrok, some kilometres down the shoreline from the Saint Geran, will be an upmarket resort Fifty bedrooms will be added to the 100-room islet complex

La Piroque, set in a landscaped garden of 18,2ha on the western shore of the island, is the ideal family hotel, with a 600m beach and full facilities for land and water sports

■■■

This hotel's public areas, set in the centre of 200 twin-bedded air-conditioned cottages, will be refurbished, as will its casino

Paul Jones, who has been general manager of the Saint Geran for the past seven years and has taken over management of all three hotels, tells Business Times that the group is now in the position to be highly competitive in the international tourist market.

Southern Sun Hotels now controls more than 500 rooms on the island and can cater for all pockets and all tastes in island vacations

Mr Jones says the acquisition of two hotels was a logical step for Southern Sun It places the group in a stronger position — too much fragmentation of the market led to the recent uneconomic price wars.

South Africa ranks second among Mauritius's tourist-generating countries, providing more than 20% of its annual visitors

The Mauritian Association of Hoteliers and Restaurateurs, of which Mr Jones is president, has launched a campaign in Europe and the UK to promote the island's unique facilities.

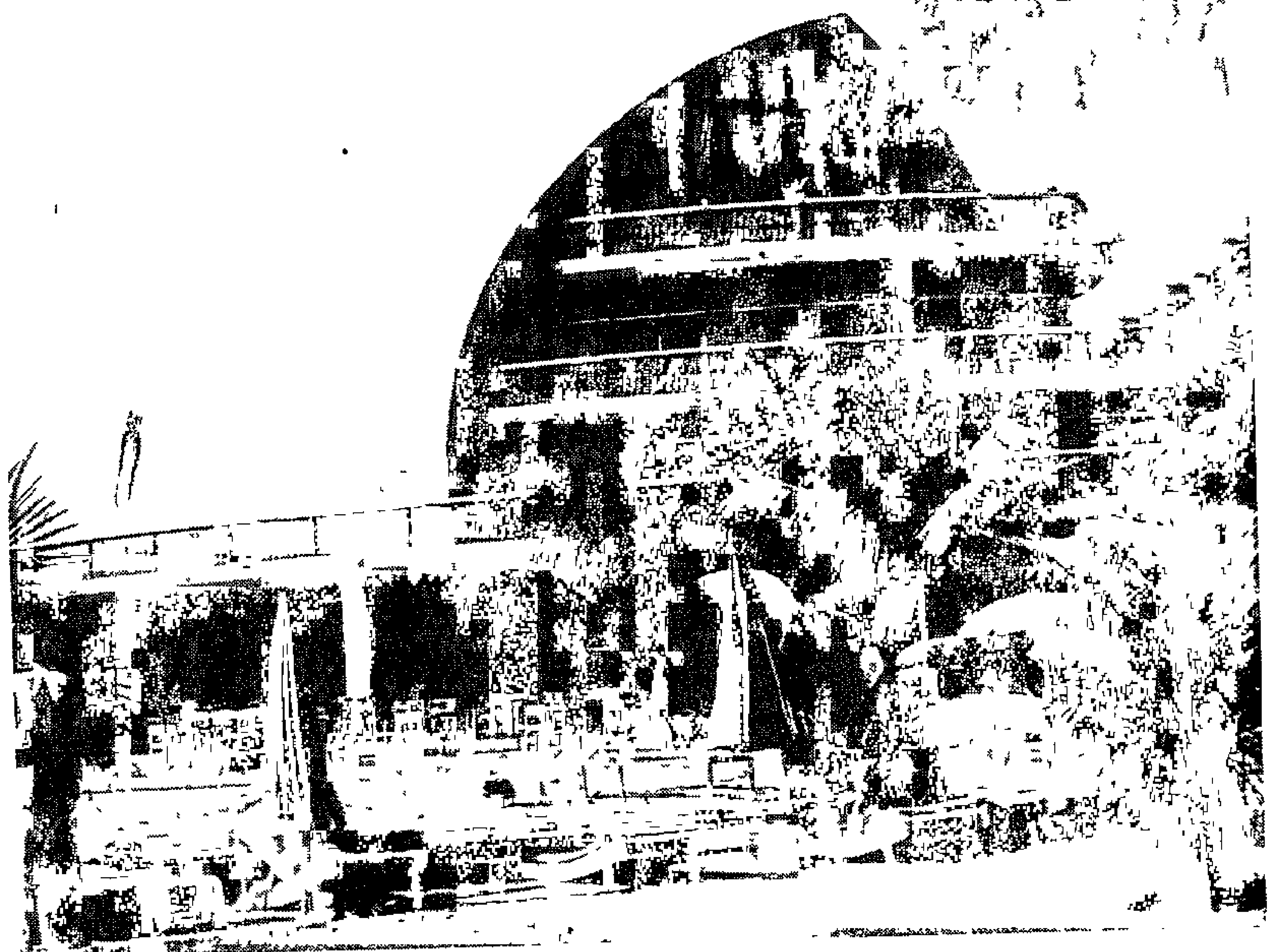
■■■

The temporary loss of the French tourist trade — individuals have a pathetically small foreign-exchange allowance this year — could well be counteracted by drawing tourist trade from the Caribbean, where tourism has slumped because of political unrest, and from the Seychelles.

Mr Jones believes that the South African market has not been fully tapped, hence the high-powered promotion staged by a 26-man-and-woman team from the Saint Geran in Johannesburg, Cape Town and Durban from April 19 to the end of this week.

The promotion has been well received by travel agents, who now have fresh incentive to market Southern Sun's various holiday packages at its hotels.

The promotion tour marked the end of the "undercutting" battle between Southern Sun and the retail travel industry.



The central entertainment, dining, conference and casino building of the La Piroque Hotel in Mauritius

15 MAY 1983

P 'n P expands, modernises — all this, Aussie too

220

S.TIMES

By Don Robertson

A MAJOR expansion and five-year modernisation programme, together with the planned entry into the Australian market, are the exciting developments in the Pick 'n Pay group which should "satisfy shareholders and justify its present high rating"

In a most informative and well-illustrated report for the year to February last, chairman Raymond Ackerman spells out the group's future plans, although his projections are tempered by general "uncertainty"

In his report, which celebrates a record turnover of R1 235-million, Mr Ackerman announces plans to open a new hypermarket in Pretoria and four new supermarkets in other centres

In addition, a five-year, R15-million programme aimed at upgrading design and fittings at all the stores will be undertaken

The problems associated with the opening of a hypermarket in Australia have now been overcome, and the first store is expected to be opened in Brisbane by the end of 1984

Referring to operations last year, Mr Ackerman says that operating costs increased considerably, but the profit margin was nevertheless held at 3,58% of sales compared with 3,61% previously.

This produced attributable profits of R27,5-million compared with R23,5-million, for earnings of 141c against 123c

The total dividend was raised 24% to 61c from 49c

The balance sheet was further strengthened, with total assets rising to R254-million from R212-million, while cash balances rose sharply to R35-million from R24,6-million

Wearing his economist's cap, Mr Ackerman, says that, although the country as a whole was still in a recession, "I believe that a recovery is possible before the end of 1983"

He concedes, however, that the economy is far from buoyant at present.

SAB to put millions into juice venture

STAR 20

12 MAY 1983

By Alec Hogg
Assistant Financial Editor

SA Breweries is on the verge of investing between $10 and $20 million on establishing its fruit juices, Appletizer and Liquifruit, in the US and in Britain

Group managing director, Mr Dick Goss, told The Star yesterday that SAB has conducted an intensive market research project in Britain and is "looking towards investment in North America in the near future"

This would fulfill a forecast made to The Star in November last year when, discussing the group's interim results, Mr Goss said SAB might soon make overseas investments in the hotel and beverage divisions

Most observers mistook the "beverage" side of the statement to mean the acquisition of a brewery

"This will prove that when we say beverages we do not necessarly mean beer," Mr Goss said yesterday

The preliminary results of the group to end-March, released yesterday, show that the non-beer beverage division is growing in stature

Group financial director Mr Selwyn MacFarlane told The Star that roughly R21 million of the attributable income came from this source in the past year — equivalent to 10,6 percent of the group's total

Despite this healthy support, beer remained the group's stabilising influence in the year

Volume of beer sales rose by nine percent for the 12 months as a whole, although Mr Goss said this growth declined in the second half Growth for the first six months was 11 percent

This growth helped improve the contribution to earnings a share from the beverage interests by 11 percent from 41,2c to 45,8c

This offset the decline from 33,9c to 32,2c a share from "diversified" interests which include OK Bazaars, Southern Sun, Amrel and Afcol

Together these accounted for the four percent increase in group earnings in the year to end-March

SA BREWS

12 months to	31 3 82 (Rm)	31 3 83 (Rm)
TURNOVER	3 057,4	4 341,6
PRE TAX PROFIT	271,2	321,1
TAX	93,1	108 2
ATTRIBUTABLE	167 0	198,3
EPS	75 1	78,0
DPS	34,0	35,0

Looking ahead, Mr Goss was not confident the target of maintained earnings would be met, particularly in the light of recent economic developments

"We started to feel a sharp drop in private consumption expenditure from November last year and, if anything, the extent of the decline is still accelerating," he said

This does not augur well for the group's non-beverage interests

"I believe we will continue to have growth in the sales of beer but not at the same rate as in 1982/82 — it could well be half that figure at about 4,5 percent," Mr Goss said

Another interesting announcement, coinciding with the release of the preliminary figures, is the resignation of Edgars chief executive, Mr Adrian Bellamy

Mr Goss said "I can assure you it is with great regret that we see Adrian go He has become part of the team and fitted in well with the group's philosophy

"He discussed his reasons for leaving with me a few weeks ago and his decision to accept an offer he received from abroad is entirely personal "

On the appointment of OK Bazaars chief executive Mr Meyer Kahn to the post of deputy managing director of the group, Mr Goss said "There has not been enough contact between head office and the work face

"With Meyer here we should be able achieve a better working relationship with the individual chief executives within the group "

Kerzner's hazard

Southern Sun in the city of sin

Mercury 27/4/83 220

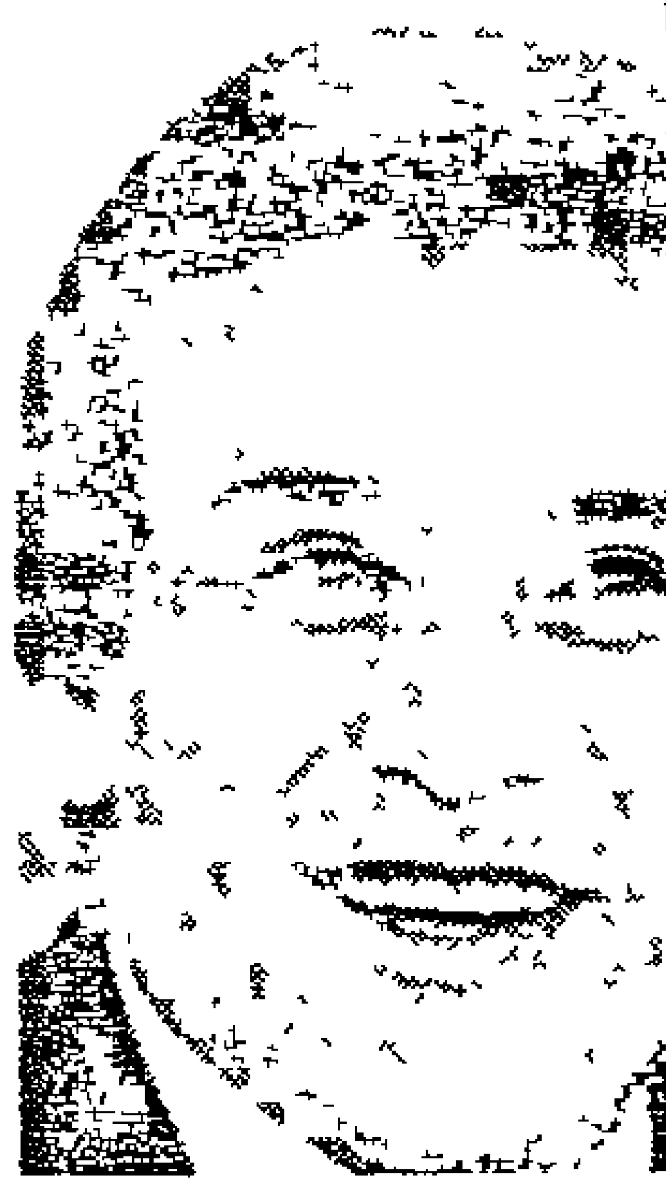
Richard Walker
ATLANTIC CITY

OL KERZNER, meet icodemo 'Little icky' Scarfo and hilip 'Crazy Phil' eonetti and Lawnce 'Yogi' Merlino and the Luchese, olombo, Genovese, ambino and Bruno ys —

Your new neighbours, .. might say

Colonel Justin Dentino, ew Jersey's top organised-crime investigator, is Atlantic City becoming a Mafia 'open city' as the casino owners capitulate to the mob families' A state enquiry commission has accused the casinos of 'fawning' mission to 'notorious criminal elements' defrauding them of millions of dollars

The slot-machines may ngle as merrily, but Atlantic City is assuredly not Sun City and anti-apartheid rhetoric is not the only threat to Kerzner's Camelot.



Sol Kerzner .. a hard row to hoe

Gambling is nothing new to this dilapidated queen of resorts whose heyday was the turn of the century when high society paraded under parasols along the beachfront boardwalk. Al Jolson was a lifeguard here and Frank Sinatra sang here 44 years ago

The mob also has its memories Al Capone and Lucky Luciano held their conventions' here and some citizens still fondly recall Enoch 'Nucky' Johnson, the town's Mafia-tied political boss of the 40s who would peel off hundred dollar bills for street bums

The big difference now is that gambling is legal Five years ago Atlantic City was the undisputed, if insignificant territory of the Angelo Bruno mob Then came the big break and the injection of R2 000 million in private capital to render the seedy old sand-spit the mecca of vice .

A shotgun blast blew away Don Angelo and Bruno's successor was blown up by a bomb Soon there was nobody left but a minor mob-soldier named Scarfo, who had been exiled here for incurring the displeasure of the Philadelphia bosses

Picture it — New York just 200 km to the north and more than 20 million suckers a year surging south They range from high-rollers willing to wager R20 000 on one throw of the dice to 200 000 busloads of trippers each dropping an average R60 into slot machines that in the case of one casino stretch the length of two rugby fields

Little Nicky Scarfo is 'a throwback to the Al Capone days,' says Dentino, one of many law-men scrambling to keep the mobsters out. 'With Scarfo, people operate with complete disregard of law enforcement.' A messy murder seemed to prove the point before little Nicky was snared on a weapons-possession charge, but by then the mobs had done a deal and declared Atlantic City open range — 'a kind of free-trade zone,' a state official called it.

The Mafia moved into Las Vegas from the top by controlling the casinos New Jersey averted this but the mobsters are using the back door — the service entrance 'We headed them off,' said Dentino, 'now labour-racketeering is their way in'

His explanation should send a shiver through many a S A Breweries shareholder The unions promise peace for money There are nine casinos operating and a tenth being constructed There's a lot of money in the construction.

They have to meet standards, they have to build a 500-room hotel that costs something like 300 million dollars

Once the casino is up they average half a million a day Interest rates are high to pay off what they borrowed to put the place up They can't afford work stoppages If organised crime controls the unions, they have the hammer

'Put yourself in the casino's position What's it worth to know you won't have labour problems? A hundred thousand a year? A hundred thousand a month? It might be a good business arrangement.'

A random sample of casino records found the names of 25 mobsters who had obtained R1 2 million in casino credit last year — complementary everything, including gambling chips A single Gambino associate got R220 000 from the Sands Nugget Caesar's, Playboy and Harrah's Even Scarfo, who does not gamble and lived a block away, received R3 000 in rooms and dinners

The enquiry commission cited a 'staggering' increase in casino credit last year, to R1 500 million, or about 30 percent of what was wagered at the tables It also observed that more than R25 million was written off as bad debt.

Southern Sun arrives on the scene at an awkward moment Atlantic City residents, almost 60 percent black and hispanic, have been largely excluded from the R750 million pay bonanza enjoyed by the commuting casino workers The resident population has dropped by a third to 40 000 since the '60s, while major crime has soared 171 percent and business in the decayed town centre is down 20 percent since the casinos came There is not one supermarket and the only cinema shows porno movies

'Gamblers don't shop,' an old-timer reflected 'There ain't no Atlantic City, this is a jungle,' an 82-year-old survivor of the parasol days declared 'The whores come right up to our porch,' the rector of St James episcopal church complained Now a fellow episcopal rector is bottling the bitterness and squirting it on Kerzner and his Camelot.

The Rev Sipo Mzimela, a South African with — surprise, surprise — an Atlantic City parish, claims mass opposition to the Southern Sun project, but says he fears 'the almighty dollar' and the power of Kerzner money in this den of thieves

Mzimela is particularly wary of the construction bosses, one of whom has stressed that 'my guys need' the Camelot work. He pins his hopes on the Casino Control Commission denying the Camelot a licence rather than on the city council In Patrick T McGahn, Kerzner has a very powerful lawyer who has worked wonders for casino interests through his council connections

The casino operators must tread gingerly A jury last month awarded Scarfo's lawyer R1,25 million in damages for the indignity of being bounced from the Golden Nugget. But money there is Mounds of it Harrah's, the Camelot's future neighbour reported a pre tax profit of R42 million for 1982 and though three of the casinos had a combined net loss of R61 million the other six cleared a profit of well over R120 million.

Now a word for the bad guys 'They been investigating us for five years and they have not come up with anything, boasts Lawrence Merlino, who has an acquittal for murder and helps tend family affairs while Scarfo serves his sentence 'You got any idea how many different kinds of police are watching us? State police, local police, FBI — there's eight of them, I think. You got any idea how much money they make on us just in overtime?'

8 SUNDAY TIMES, Business Times, May 15, 1983

'Get strong U.S. base' advice

220

SA FIRMS TOLD TO PREPARE FOR AMERICAN IMPROVEMENT

Business Times Reporter

SOUTH African entrepreneurs and companies should prepare themselves now so that they can exploit the expected improvement in the United States economy later this year.

So says Global Broking Services managing director Michael Sifris, back from a fact-finding visit to North America on behalf of local clients

"There are now many signs of a definite improvement in business conditions in the United States, and we are experiencing a growing interest from South African businessmen in positioning themselves to take advantage of this," says Mr Sifris

"In many cases South Africans are taking a protective position by setting up American subsidiaries and tackling the necessary immigration procedures so that they can get work permits in the United States

"One of the most positive signs is that establishing an American base no longer just reflects a desire for a possible future alternative to operating in South Africa.

"The 'chicken run' mentality is being replaced by an awareness that a company or individual who has succeeded in the very tough South African business environment stands a good chance of broadening into an international operation"

To meet this new pattern of demand, Global Broking Services now has associates in New York, Los Angeles, Texas and Miami, broadening the geographical area it covers because there are proving to be specific advantages to some of its South African clients in establishing themselves in various states and not automatically in New York.

"While, in general, South Africans should form a subsidiary in the state where their principal business will be conducted, there may be additional advantages and privileges from incorporating in another state," says Mr Sifris

"Some of the factors involved are fees and taxes, the residence of directors, convenience of operation, ease of making corporate changes, requirements on the issuing of shares, power to declare dividends, etc.

"Delaware, for example, has extremely liberal company laws, but each case must be considered on its merits

"The American corporation and immigration legislation is very complex, and expert professional advice is essential

"Nevertheless, incorporating a subsidiary in the United States and obtaining work and residential permits is not expensive now — in most cases less than R5 000 for the total package"

From the many inquiries Global Broking Services is receiving, Mr Sifris discerns a growing confidence among South African businessmen, especially the independent entrepreneur, that they can do well overseas.

"For too long we have tended to view the Americans as being much slicker and more competent in business," he says

"But anyone who succeeds in our smaller and very competitive market could well have the flair and product or services to do well in the much bigger and, in some ways, easier American business environment.

"A significant number of South African businessmen have already done well in the US, and more will follow, especially now that inflation and interest rates are coming down"

~~~ projects would be scrapped

Phibro boosts Minorco

16/5/83 ~~210~~ 220 mom

By NEIL BEHRMANN

LONDON — A dramatic increase in the share price of Phibro-Salomon, the giant commodity and securities trading house, has boosted net assets of Minerals & Resources Corporation

Shares of Phibro have soared from a low of $20,13 to $73 in the past year

London broker Scott Goff Hancock estimates that Phibro-Salomon Brothers represented about R10 of Minorco's net assets of R17,60 at the end of April Minorco's current share price is about R14,25 Anglo American holds 40,9% of the shares and De Beers has nearly 22%

Phibro-Salomon's two autonomous subsidiaries, Philipp Brothers and Salomon Brothers, operate on a worldwide basis.

Philipp Brothers markets precious metals, crude oil and oil products, minerals and metals to the ferrous and non-ferrous industries, fertilisers petrochemicals agricultural products and other raw materials

Salomon Brothers is in investment banking and market making It serves corporations state and local governments, sovereign and provincial governments, supranational organisations, central banks and other financial institutions

The latest annual report of this mammoth company, in which Minorco has a 28% interest, lists its assets at nearly $40 000-million

Total revenue in the year to December 1982 was $26 703-million

Helped along by the dramatic rise in Phibro's fortunes Minorco's shares have appreciated

Even though the dividend yield on 1983 projected earnings is less than 2% a share Scott Goff recommends Minorco It believes that the company's exposure to the international oil and financial markets as well as metal mining and trading markets in North America will sustain investment demand for the shares

"Minorco has now been clearly established as the North American arm of the Anglo American group and will continue to benefit from future reorganisations — particularly if exchange control is relaxed in South Africa"

A large proportion of this expansion will take place through a 50%-held associate company, Plateau Holdings, which may be listed on the New York Stock Exchange in July

Plateau will control Hudson Bay Mining's oil, coal and copper interests

T4M
~~~

Kerzner jets ~~out to~~ save R270m US casino project

~~288~~ 220 RDM 17/5/83

By JOHN MULCAHY

SOUTHERN Sun Hotels managing director Mr Sol Kerzner has flown to the United States to try to salvage the group's proposed investment in a R270-million casino/hotel complex at Atlantic City, New Jersey

Two months ago, Southern Sun tied up an agreement with American Leisure Corporation (ALC) to buy for R28-million the land for the Camelot complex, as well as various associated licences and permissions

The deadline for finalising the agreement was early May, and it has now been established that not all of the pre-conditions have been met, and the agreement with ALC has lapsed

ALC owns the land on which the proposed 1 000-room hotel is to be built, and it also has detailed architects' plans for the complex, as well as various licences

Mr Kerzner is re-negotiating some aspects of the original agreement with ALC, in the hope of arriving at a deal that will allow the project to go ahead

Southern Sun's chairman, Mr Dick Goss, said yesterday that while in the United States, Mr Kerzner would also assess the depth of opposition to the Camelot venture by anti-South African groups, and attempt to "put our side of the story"

'Opposition to Southern Sun's planned entry into the US hotel and gambling industry was aired in the United Nations General Assembly last month, when the UN Apartheid Committee's chairman, Mr Yusuff Maitama-Sule, issued a statement urging "firm and urgent action" to scupper the scheme

The mayor of Atlantic City and the city council have also voiced their opposition

Mr Goss said yesterday a feasibility study into the Camelot project was still going on, and indications were that, from a financial viewpoint, the scheme would be profitable

At this stage, all efforts would be concentrated on trying to reach agreement on the Camelot project, although other options at Atlantic City would be considered if they were offered

Mr Goss said he could not comment further at this stage because negotiations were at a delicate stage.

It is not clear which of the conditions for the agreement were not met, or whether ALC reneged on its side of the deal But at the time of the initial announcement in March, Southern Sun said the conditions included the acquisition of various licences and the raising of finance

Life insurers would face problems to invest abroad

Star 19/5/83

220

By Duncan Collings

The trend towards less stringent foreign exchange regulations has raised expectations that South African institutions will soon be allowed to invest more funds overseas.

Reserve Bank officials themselves have recently hinted at this course following the highly-acclaimed relaxation of foreign exchange controls on non-residents earlier this year

Embarrassing riches

The life insurance industry is one likely to benefit from any such relaxation

The industry attracted funds for investment of nearly R13 million every working day in 1982 and is finding it increasingly hard to find suitable homes for this embarrassment of riches

It recognises its obligation to invest within the South African infrastructure where possible, but also has a commitment to provide the best return for policyholders

Investment in South Africa does not always offer this

But any freeing of restrictions on offshore investments is not likely to see a flood of funds moving out of the country unless the rules and regulations governing the industry are changed at the same time

Small proportion

Mr John van der Linde, general manager of Commercial Union Assurance, says that in terms of the Insurance Act local companies must hold assets in South Africa sufficient to cover their rand liabilities and "all our policies are written in rands"

Because of this, only a relatively small proportion of total assets would be available for investment overseas.

Industry sources estimate that five to 10 percent of total assets could be freed for investment offshore. The industry's total book value assets at end-1982 were about R18 000 million, which means that R900 tod R1 800 million could find a home overseas

But investing overseas would require levels of expertise not generally found locally and some feel the industry should "look carefully before it leaps" into international investment

Life insurers, apart from the stock market and prescribed government stocks, have generally favoured commercial property for investment.

Such investment overseas would offer no benefit over what is available in South Africa, they say

Speculation in currencies is equally unlikely because of the high expertise required And the need to act swiftly — sometimes on an hour-by-hour basis — goes against the grain for an industry that has always looked for long-term growth investments

This leaves among traditional investment mediums the commodity markets and overseas stock exchanges or government bonds

Expertise needed

To invest in any of these, says Mr van der Linde, the industry would need the services of local experts

If this were to happen the insurance companies with strong overseas connections or parentage would be in a better position than the purely South African companies

As the South African companies - Old Mutual and Liberty for instance — control by far the biggest slice of the market and have the greatest sums available for investment, Mr van der Linde does not foresee a scramble to take advantage of any relaxation

Rather it is expected that any trend towards overseas investment would be a slow but steady one as expertise builds up.

This applies particularly while the world recession continues

Worldwide spread

But if, as expected, the major industrialised countries start to recover this year, overseas investments could become more attractive and offshore investment more tempting to life insurers

Mr van der Linde says that, all other factors being equal, insurers could look for a geographic spread of investments worldwide and does not see any single market being favoured.

But traditional "home" markets such as Britain and the US would be natural first options.

16/6/83

Southern Sun drops casino venture

R20M

220

Financial Reporter

SOUTHERN SUN'S R270-million casino/hotel complex plans at Atlantic City, New Jersey, are off

The group is not now moving into the US — or at least not for the time being

Southern Sun said yesterday that negotiations with American Leisure Corporation (ALC), announced earlier this year, had been terminated

Three months ago the group made a provisional agreement with ALC to buy for R28-million the land for the "Camelot" complex and for various licenses and permissions

Last month, however, Mr Dick Goss, the chairman of Southern Sun, announced that provisional agreement with ALC had not been finalised and had lapsed

He said, however, that Southern Sun and ALC were still talking

Mr Sol Kerzner, the managing director of Southern Sun, flew to the US to see if the venture could be salvaged

Last night, however, Mr Goss said.

"Despite serious efforts agreement could not be reached, and negotiations have accordingly been terminated"

The Southern Sun plan ran into heavy opposition from anti-apartheid groups

Their supporters included the Mayor of New Jersey and a majority of the City Council

Protest rally in US to go on

Jubilation at end to Sol's casino project

17/6/83 RDM (220)

By RICHARD WALKER

NEW YORK — An Atlantic City protest rally will go ahead as scheduled on Sunday — transformed into a celebration by Southern Sun's decision to pull out of the R325-million Camelot Casino project

Licensing difficulties were at the heart of the decision, a spokesman for American Leisure Industries indicated

He declined to give details but said he believed "some restructuring" within SA Breweries, Southern Sun's parent company, had made it unlikely a gambling licence would be granted by New Jersey state

American Leisure will now seek another partner to develop the Brigantine Boulevard site

Anti-apartheid activists quickly proclaimed a victory and claimed credit for repulsing Southern Sun's attempt to establish an American beach-head in the nation's East Coast gambling mecca

Atlantic City Council was to meet next Wednesday to hear Southern Sun officials put their case before voting on a resolution calling on the state's casino gambling commission to deny the Camelot a licence

But already opposition had been registered in other New Jersey cities and Atlantic City Council president Mr Henry Tyner had written to all 40 New Jersey senators asking them to back a resolution asking the state to refuse any South African business investment

The fight against Southern Sun had reached "national proportions", Mr Tyner said this week

Aides to Atlantic City Mayor Mr Michael Matthews warned that even if the licence were granted, the campaign against the Camelot would be maintained, if necessary even after it opened

This week the Philadelphia Enquirer, the largest newspaper in the region, ran an editorial that leaned strongly against letting in Southern Sun

"This is a victory, but we do not intend to let down our guard," said Mr Jonathan Davis, an aide to the mayor and key figure in the campaign against Southern Sun

"We will be watching for any other move from them, maybe disguised in some way or using some front company"

Mr Davis predicted that the outcome would bolster the withdrawal of the investment campaign, under which many states are considering Bills to stop the investment of public funds in companies active in South Africa

The weekend rally had been planned for months as a climax to the drive against Southern Sun, which has politically activated Atlantic City's large but previously dormant black community

Participants will include the African National Congress, which was quick to exploit the issue, and various state and national civic and church figures

The Camelot project was in trouble from the start, when Wall Street analysts questioned its viability and the record of cash-short American Leisure

S-Times 19/6/8

220

Southern Sun will continue to foray in U.S.

By Don Robertson

FAILURE to reach agreement on the development of a casino complex in Atlantic City will not hinder Southern Sun's expansion plans in America

Negotiations between Southern Sun and American Leisure Corporation for the development of a R325-million project were called off this week after three months of cut-and-thrust discussion which at times had political undertones.

American Leisure has officially stated that the reason for the collapse of the negotiations was because of pressure from anti-apartheid groups, including the Atlantic City Council, and extending as far as the United Nations

Had this been the case, it would almost certainly have halted any plans Southern had for further expansion in America.

However, Southern Sun's director of planning, Eugene Joannides, describes this statement as "totally incorrect", although he refuses to give exact details of why the project failed.

A full statement is expected when Southern Sun's managing director, Sol Kerzner, returns from an overseas visit this week.

Mr Joannides concedes that there was some pressure from anti-apartheid groups, but says that this could have been overcome with "improved public relations"

A group from the state agency, which issues the essential gambling licences, visited South Africa recently for an on-the-spot assessment of Southern's standing, and, says Mr Joannides, their report was favourable. A second team was due to make a follow-up visit.

An encouraging factor, says Mr Joannides, was that the full financial package, amounting to $160-million, excluding equity capital, had been successfully raised, confirming Southern's credibility. This facility has now been cancelled.

These factors have prompted Southern actively to seek other investment opportunities in America, because "it is a good market to be in".

Top men didn't block US probe, says SAB

~~187~~ ~~217~~ ~~288~~ 220 RDH 21/6/83

By JOHN MULCAHY

SOUTH AFRICAN BREWERIES denied yesterday that any of its directors had been approached by the New Jersey State Gaming Commission regarding investigations for a licence to establish a casino in Atlantic City

An SAB spokesman was reacting to a Sunday newspaper report which claimed that the Southern Sun plan to develop a R270-million casino/hotel complex at the American resort city fell through because of the refusal by some SAB directors to submit to investigations into their backgrounds

He said negotiations were terminated for a number of reasons

Agreement with the American Leisure Corporation (ALC) which owns the land, plans and various licences and agreements at Atlantic City, was dependent on various conditions and the point arrived where it was clear that some of these conditions would not be met

"There were a lot of complexities, and at the end of the day we realised we were not going to get anywhere with ALC" the spokesman said

During the recent visit by a team from the New Jersey Gaming Commission led by Mr Tom O'Brien, it was understood that the directors of Southern Sun would be investigated but there had been no mention of an investigation into the affairs of SAB directors, other than those who were also on the Southern Sun board

The Southern Sun spokesman also expressed surprise that Mr O'Brien had confirmed the allegations made by Mr Nate Jacobson, of ALC, because as far as the hotel group was aware the commission had not finished its investigations or reached the stage of preparing a report.

The Sunday report claimed problems developed when new SAB directors, appointed after the recent deal which gave the Premier Group 34% of SAB, refused to submit to investigation

But the SAB spokesman said that as of yesterday the composition of the SAB board was no different to what it was before the Premier deal

The only envisaged change was the appointment of Mr Tony Bloom as a director, and he had not yet formally been appointed

The SAB directors who are also on the Southern Sun board are Mr Dick Goss, Mr Selwyn MacFarlane and Mr Sol Kerzner

Mr Kerzner, who has headed negotiations for the Atlantic City venture, is in Mauritius and is expected to elaborate on the scheme when he returns to South Africa tomorrow

Southern Sun still looking at US

By JOHN MULCAHY

THE United States is an area that ought to have potential for Southern Sun's international development and the group will continue to look at opportunities

Mr Sol Kerzner, managing director of Southern Sun, was commenting yesterday on the collapse of negotiations on the Atlantic City development

He said the size of the abortive Camelot hotel-casino project was such that had negotiations been successful the group's resources would have been concentrated on Atlantic City at least until the complex was operational.

Because of this any proposals made in the five months of the Atlantic City discussions had been put aside.

Mr Kerzner clarified the events leading up to the decision to end negotiations

In mid-May, when it became clear that some of the conditions for the first agreement would not be met and that it had lapsed, Southern Sun resumed talks in an effort to formulate a new agreement with American Leisure Corporation

"We finally concluded just before last week's formal announcement that there was little point in continuing negotiations"

Mr Kerzner said Southern Sun stipulated "right up front" that the Southern Sun directors, including those on the South African Breweries board, should be investigated

"We did not see any reason why the directors of SAB outside the Southern Sun board should be investigated, but that was one of only many of the conditions on which agreement could not be reached"

There were a host of reasons for the talks foundering

There were no specific plans for international expansion, and these would depend on opportunities

~~Assum~~

Minorco's Cons Gold chance

M1

220 ~~232~~ ~~210~~ RDM 24/6/83

IF MINORCO intends going for control of Consolidated Gold Fields this is a good time to do it.

By BRENDAN RYAN and NEIL BEHRMANN

That is the opinion of Johannesburg Stock Exchange share analysts who are weighing the possibility of such a move after speculation in London, New York and Johannesburg that it is a likely move.

Speculation has led to above-average buying from Johannesburg of Cons Gold shares in London

A London jobber says that a 50 000 Cons Gold share purchase from Johannesburg is normally a good order, but in recent days orders have been for at least 500 000

rate of interest

Principal reason for the speculation is the weakness of Cons Gold shares in relation to those of 48%-held associate Gold Fields of South Africa

In June last year Cons Gold shares stood at R8,75 compared with GFSA at R46,25 a share

Since then GFSA shares have soared with the improving fortunes of the gold market and Cons Gold shares have marked time

At yesterday's close on the JSE, Cons Gold stood at R9,80 a share and GFSA at R147,50, which dropped the Cons Gold-GFSA ratio to 6,6%.

On a market capitalisation basis the Gold Fields element in Cons Gold amounts to more than 600c a share, putting a value of only 380c on the investments in Newmont Mining, Renison, Deelkraal, Driefontein, Kloof, Black Mountain and Cons Gold's other investments

The main reason for the weakness in Cons Gold has been the group's disastrous move into the oil-drilling business in the United States

Cons Gold bought a company called Skytop Brewster in 1980 — just in time for the bottom to fall out of the oil-drilling market in the United States

The result was a write-off of £87-million in Cons Gold's results for the six months to December 31, 1982, and a decision to sell Skytop Brewster

Johannesburg analysts believe the market's disenchantment with Cons Gold has been overdone to the point where the share is now in a good buy situation

"Skytop Brewster was a disaster, but it has been provided against and if losses from it have been neutralised there is a lot of room for improvement in the share," said one analyst

Given this scenario, the possibility of Minorco, which holds 29% of Cons Gold, going for control has been raised

An analyst said "If you want control of a company the time to go for it is when the shares are underpriced and the outlook poor rather than wait for conditions to improve when the same company will cost a lot more"

Although some London brokers believe the situation has some logic, others are sceptical

Mr Julian Baring, mining partner at James Capel, said 'The market is frothy, they are matching a story to fit the moment"

Minorco, which is the overseas arm of the Anglo American Corporation-De Beers group, acquired the Cons Gold shares in 1981 Anglo holds 40,9% of Minorco and De Beers 22%

At the time of the deal, Mr Harry Oppenheimer, then chairman of Anglo, denied any intention of raising the group's stake in Cons Gold above 30% — at which level an offer for the entire company would have to be made

M2

Mr Tony Lea, Minorco's vice-president for finance, said yesterday "That's an interesting theory However, it is a market rumour and it is not our policy to comment on market rumours"

Minorco's chairman, Mr Julian Ogilvie Thompson, is in England and could not be reached for comment

Minorco's role in the plans of the Anglo-De Beers group has been the subject of speculation since the restructuring in 1981 which gave Minorco most of the group's overseas interests and a mandate to expand its business

There would considerable advantages for Anglo-De Beers if Minorco were to gain control of Cons Gold

One of the group's main aims is to increase its business in North America and Cons Gold would be an ideal medium through which to do it

Cons Gold holds 22% of giant Newmont Mining Corporation and has its own mining operations in North America

M2

Income

Looking long-term control of Cons Gold carries the possibility of a bid for Newmont itself

Cons Gold has 49% of an Australian mining company, Renison Goldfields Consolidated, which could be useful in bringing to production any mining projects Anglo-De Beers might plan in Australia.

The cherry on the top is Cons Gold's 48% holding in GFSA which controls arguably the finest stable of gold mines in South Africa

The result of a deal would be an enormous concentration of international and South African mining power in the hands of the men on the first floor of 44 Main Street

Figure ii MONEY MARKET EQUILI

$Ms = kY + L(i)$

(The total Money supply being 7 ... ant).

(220) ~~210~~ RDM 25/6/83

Minorco to raise $200m

By BRENDAN RYAN
Mining Editor

MINERALS & Resources Corporation is raising more than $200-million through the sale of about 6% of its stake in Phibro-Salomon Inc.

Phibro-Salomon is a commodity trader and investment banker and had revenue of $25 109-million in 1981 and net earnings of $289-million. Minorco holds 28% of the company.

Yesterday's Minorco announcement speculation on the Johannesburg, New York and London Stock exchanges that Minorco might be going for control of Consolidated Gold Fields of which it holds 29%

Minorco said yesterday it was offering 3-million shares of Phibro-Salomon common stock through a syndicate to be led by Lazard Freres and Salomon Brothers

Phibro-Salomon is implementing a two-for-one stock split, so the offer will amount to 6-million shares after the split

The offer will reduce Minorco's holding in Phibro-Salomon to 22,3% and, on a fully diluted basis, to 20,4%

The Minorco statement did not give a price at which the shares were to be offered and no Minorco executives or directors could be reached in Johannesburg to confirm the offer price

The shares were trading yesterday aboutt $78, putting a market value on the offer of $234-million

Minorco intends maintaining its equity interest at above 20% and will continue to equity account its share of Phibro-Salomon's earnings

Minroco said the offer would improve the balance of its overall portfolio, increase its liquidity, and put it in a position to take advantage of investment opportunities as they might occur

An investment opportunity being suggested by Johannesburg share analysts is control of Cons Gold

The speculation has led to above average buying of Cons Gold shares in the London market by Johannesburg purchasers The price of Cons Gold shares rose 25p to 605p in London yesterday, and only 15c to 995c in Johannesburg yesterday

The main reason for the speculation is the weakness of Cons Gold shares in relation to those of 48%-held associate Gold Fields of South Africa

In June last year Cons Gold shares stood at R8,75 on the JSE compared with GFSA at R46,25

Since then GFSA shares have soared with the improving gold market, but Cons Gold shares have marked time At yesterday's close GFSA shares were R148

The value of Cons Gold shares expressed as a percentage of GFSA shares has dropped over the year from 19% to 6,7%.

Yesterday's announcement can be seen in two ways The markets may have got wind of something brewing with Minorco, and mistakenly come up with the Cons Gold takeover scenario instead of the Phibro-Salomon stock offer

Alternatively, the offer could be viewed as a cash-raising step by Minorco as it gears up for a major aquisition

Control of Cons Gold would fit in neatly in with the international expansion plans of the Anglo-De Beers group which controls Minorco, holding 63% of its equity

Lesotho in drive for industry

220 RDM 27/6/83

By JOHN MULCAHY

SEVERAL South African manufacturers have established factories in Lesotho to take advantage of the tax holiday, duty-free access to European Economic Community markets and the availability of "competitive" labour

Industries that have been set up in Lesotho include clothing footwear, umbrellas and handbags, all of which are labour-intensive

Lesotho's drive to attract investment has been hampered by decentralisation concessions being offered in SA homeland areas, but the open export door to Europe, the US and West Africa is a carrot that cannot be matched in SA

With a gross national product of R442-million in 1979/80 (up from R75-million a decade earlier), Lesotho is one of Africa's poorest countries The Lesotho National Development Corporation (LNDC) is wooing industrialists in the Far East and Europe

The LNDC will, if requested, take an equity stake in a project, and it will provide loan finance for projects that can prove their potential for long-term profitability

Basotho labourers are recognised for the quality of their work, and all the manufacturers I spoke to on a visit to Lesotho remarked on the particularly low level of rejects on production lines

A spokesman for Lesotho Clothing, which opened at Mapoetse in 1980 with 50 machinists, said the company had 154 employees at its two factories and hoped to reach 200 by the end of this year

Lesotho Clothing has developed a large export operation, 80% of its production going to the US, Canada and Europe It produces about 1 200 swimsuits, shorts and casual trousers a day, and has started a pilot plant which produces 20 to 30 wetsuits a week

The spokesman said the target for wetsuit production was 150 a week by the end of the year

A manufacturer, building contractor or hotel/casino operator approved for Pioneer Status qualifies for a tax holiday of up to six years or special tax allowances

Pioneer Status is awarded by the Pioneer Industries Board, which operates under the control of the Ministry of Commerce, Trade and Tourism

The special tax allowances include a 145% write-off of machinery and equipment in the first year; a 75% write-off of factory buildings in the first year, with another 50% written off over the next 20 years, 45% of employee dwellings written off in the first year, and 80% over the next four years, an annual allowance of 15% of the actual cost of electricity, water and sewerage services, transport within the SA Customs Union of raw materials and finished products, and annual allowance of 110% (up to five years) of actual cost of tuition, room and board for Basotho employees attending courses and an annual allowance of 10% of the wage bill for Lesotho citizens for not more than 10 years

Backing the industrial development in Lesotho is the Lesotho Bank, which has evolved as a commercial-cum-development bank

The bank was established about 10 years ago, and a World Bank representative was seconded to oversee the development aspect

Lesotho Bank has provided home-loan financing for several years, and one of the achievements of which it is proud is the success it had in an appeal to the Lesotho Government to amend land tenure legislation

Its lead in the home loans market eventually forced the expatriate banks — Barclays and Standard — to follow suit

The Lesotho Bank is staffed entirely by Basotho, from its board members and senior management to the banking hall, and the only expatriates have operated in an advisory capacity

A potentially exciting venture the LNDC is negotiating is the establishment of a Taiwanese electronics factory, which it is hoped will be operating by the middle of next year

Some Basotho will go to Taiwan for training, and the plant will initially assemble television sets, but this is seen as the starting point for a range of electronic goods

A spokesman for LNDC said the industries that could benefit from establishing in Lesotho were assembly and light engineering, as well as textiles

In 1982 nine industrial projects were established in Lesotho, which at full production will employ 1 200 people

210

Pick 'n Pay eyes US market

Financial Correspondent

CAPE TOWN — Pick 'n Pay will expand steadily throughout the 1980s at a rate of five stores a year in this country, says its chairman, Mr Raymond Ackerman.

After that it will grow in Australia, where building is due to start of its first hypermarket in partnership with the Australian chain Half Case.

And after that — America.

Mr Ackerman, who was the first in the new breed of supermarket men in South Africa who see mass retailing as a challenge and an adventure, says: "I have always wanted to succeed in the United States".

He foresees Pick 'n Pay entering the US market in partnership with an American company in an arrangement similar to that for the Australian venture.

"There is a risk in going to Australia," he admits. "We know there is a likelihood of trouble with staff and unions and are going into this with our eyes open.

"But if you don't tackle trouble you don't get anywhere. A company needs the challenge of a certain amount of trouble and stimulation.

"And we believe we can stimulate retail trade there. It is less efficient than retailing in South Africa".

The hypermarket in Brisbane is intended to be the first of 10 and Mr Ackerman thinks that after this Pick 'n Pay may extend its partnership with Half Case into a new chain of supermarkets.

He denied the suggestion that the overseas expansion was "funk money" or an insurance against any future trouble in South Africa.

The group had a tremendous investment in South Africa which it planned to increase. With only 70 stores in existence against 170 or 180 of the larger

Pick 'n Pay chairman Raymond Ackerman...steady expansion in SA plus entry of the Australian and US markets.

competitors, there was still room for growth.

"We are going to build supermarkets, superstores and hypermarkets. Our 10th hypermarket will open this year and there are three or four more to come

"The second thrust in our growth will be to open supermarkets in black and coloured areas with black and coloured shareholders, as we hve done in Mitchell's Plain, near Cape Town

"We sold shares in our Mitchell's Plain store to people living there as an experiment and it has succeeded".

There were also plans to expand the do-it-yourself section. With rising costs, this was becoming an increasingly popular activity. D-I-Y departments were being planned in more of the group's supermarkets

It was also intended to have a chain of garages. Cars were almost as important as food to many people. The fight to be allowed to sell cut-rate petrol continued. So far only in Boksburg had this been allowed.

It was ridiculous that the Government should protect the interest of oil companies in South Africa when price-cutting on petrol was widespread in Europe.

He believed that by the 1990s there would be no further room in South Africa for the group to expand, hence the need to look abroad

"I would not deserve my position as chairman if I did not look ahead to future growth outside this country."

The group would expand into other Southern African countries if allowed to do so. Its money and know-how could help develop the economies of Zimbabwe, Mozambique and Angola. But it was necessary to look abroad as these countries "do not want us".

On the state of the economy, Mr Ackerman believes that farmers, the Government and retailers should get together to discuss how to avoid disastrous rises in food prices as a result of the drought.

He proposes a levy on people whose telephone, water and electricity bills are above a certain limit. Funds raised like this from the more affluent would be used to assist the jobless.

1204 220 15/7/83

Rothmans looks around

By NEIL BEHRMANN

LONDON — Rothmans International intends to extend its diversification programme into non-tobacco products

Sir David Nicholson Rothmans chairman, told the Wall Street Journal "I hope to see us with 50% in non-tobacco within 10 years"

Rothmans net profits rose from £47 400 000 (R80-million) to £70 900 000 (R120-million) in the year to march 1983 Sales climbed 23% to £3 412-million

A £30-million gain from currency fluctuations contributed to the sharp improvement in operating profits But excluding non-recurring gains underlying profits rose £18-million nearly 13%

Rothmans is 44% owned by Rembrandt Group and Philip Morris

The market has speculated that Philip Morris might increase its stake in Rothmans, but the company denies that its aware of any such plans

Tobacco accounts for 85% of Rothmans sales and 67% of operating profits before interest payments Brewing, notably the Carling division in Canada, contributes 12% of sales and 27% of operating profits Brewing operating profits in the past year more than doubled from £16 500 000 in 1982 to £35 900 000

Rothmans says Carling boosted its market share by one percentage point to 25% This year the company will upgrade its Western Canada breweries and market more of Philip Morris Miller brand beer in Canada

Earnings of Dunhill, Rothman lighter and luxury consumer goods division, rose 11% to £6 300 000

In April Rothmans bought 20% of Cartier Monde the jewellers and suggested it might increase its stake Cartier's results will have an impact on this year s earnings

Rothmans cigarette sales volume declined 3%, but prices increases helped it to increase revenue The West German market was poor, but the United Kingdom gained slightly

The West German Monopolies Office recently challenged Rothmans link with Philip Morris Rothmans concedes that there is a "remote chance" that the two companies might be forced to separate in West Germany

PE company helps keep Britain clean

(2020) E. Post 16/7/83

A PORT ELIZABETH company has secured a multi-million rand export contract cleaning up old baths in the United Kingdom

And in the process Mend-a-Bath International (Pty) Ltd, jointly managed by Mr Rob Hamilton and Mr Ivor Bennm has become the first South African company to franchise a system outside of the country, Mr Hamilton believes

Key to the success of the novel export was a R300 000 research and development programme which went into the chemical formulation and application processes required in re-enamelling old baths.

Developed in conjuction with German chemical company Bayer, the formulation upon which the process relies has rocketed Mend-a-Bath into international prominence from a modest launch in Port Elizabeth in 1979

The franchise agreement sealed in April this year in the United Kingdom will generate a licence fee on a "master franchise" of R800 000 over the next five years, plus exports of "bath kits" targeted to generate export earnings at today's prices of around R1,5 million by 1986, and twice that over the following few years

By 1980 Mend-a-Bath was operating from three branches — one each in Port Elizabeth, Cape Town and Johannesburg

The following year the company began enfranchising its branches and today there are 19 such franchised operations (a market-feasibility study indicated that the country could be carved up into 20 viable marketing sectors, which means one franchise opportunity remains)

Mr Hamilton believes the market is worth some 1 000 baths a month in the country and claims to be doing 600 via all the branches at present

Price of a reconditioning job is some R160, compared with an initial price of R220 to buy a new bath and the cost of removing the old bath and refitting the new one

Mr Hamilton says contracts with two major South African hotel groups may account for the fact that he has had numerous unsolicited inquiries from as far afield as Bermuda (possibly from a visitor to South Africa who saw the results of the reconditioning job)

Once the UK operation has been consolidated a "positive" inquiry from Australia will be pursued, he added

---

THE Evening Post export awards are presented annually in two categories for sustained growth in an existing export market, and for an innovative breakthrough into a new export market Administrator of the 1983 awards is the Port Elizabeth Chamber of Commerce, and exporters wishing to be considered for the awards may direct their inquiries to the chamber, at telephone (041) 337801

SA firms holding their own

S. Times 17/7/83

2 20

By Julian Kraft

SOUTH African companies are becoming comparable in size to multinational corporations — and they are performing better in sales terms than the multinationals

OK Bazaars, for example, with a turnover last year of R1 585,1-million, is about a quarter the size of Coca Cola International, while Pick 'n Pay's sales (R1 236,5-million) equal the world turnover of computer giant ICL

The facts are highlighted in a study undertaken by Johannesburg marketing consultants Perry and Associates

Mike Perry, managing director of the company, says "In the past year the Government has opened the door towards overseas expansion by South African business, and it seems likely it will open it further when the economic upturn arrives"

In the specific arena of consumer packaged goods — covering foods and household goods — the top South African retail chains and food manufacturers have both the size and resources required to compete overseas

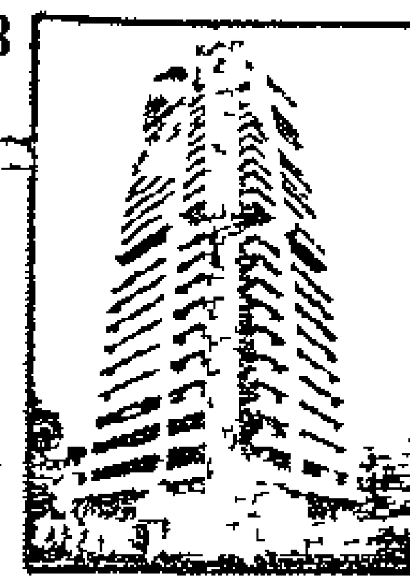
However, if these giants were obliged to continue functioning in a closed economic environment, the intensified competition which would result could lead to undesirable vertical groupings of manufacturers and retailers

But Mr Perry points out that South African companies lack the necessary expertise in industrial relations, and will have to redress this to succeed in the world market.

The study also shows that

- Measured in dollar terms, South African companies in the consumer packaged-goods arena showed growth in 1982, while many multinationals with business links in this country had minimal growth or declined during this period

This illustrates that South Africa in the current climate is an attractive market for multinational companies



PRO

Small start, big hopes for LTA Brisbane office

(320)

S-Express 31/7/83

CONSTRUCTION giant LTA has followed the example of supermarket king Raymond Ackerman and is set to enter the Australian market

TERRY MEYER
Property Editor

Undaunted by fears of political opposition, the company has opened its first office in Brisbane and is ready to challenge the continent's biggest contractor, Leightons

In overall size, the South African LTA group is larger than any similar organisation in Australia, according to group managing director Mike Ridley In terms of civil engineering and road building, LTA (South Africa) is probably on a par with Australia's biggest

This will be the first time LTA has set up a company overseas since less successful efforts with the Murray and Roberts group some years ago to enter the South American market

LTA's efforts in Brazil and Chile, where it built a transmission line, were on a "very small" scale

The LTA Australian move was instigated by former LTA senior executive Peter Owen, who emigrated to Australia and persuaded LTA there was an untapped market there

LTA has acquired a dormant company in Brisbane and changed its name to LTA (Australia) Pty as the basis for the new move The new company, however, has been formed with an established civil engineering company in Australia, Allco, and is set to make its first impact on the local scene

It has entered the market in a low-key way and in its first bid has tendered the lowest price on a cooling tower contract If successful, LTA will start by only leasing equipment, but will export its widespread expertise in this field

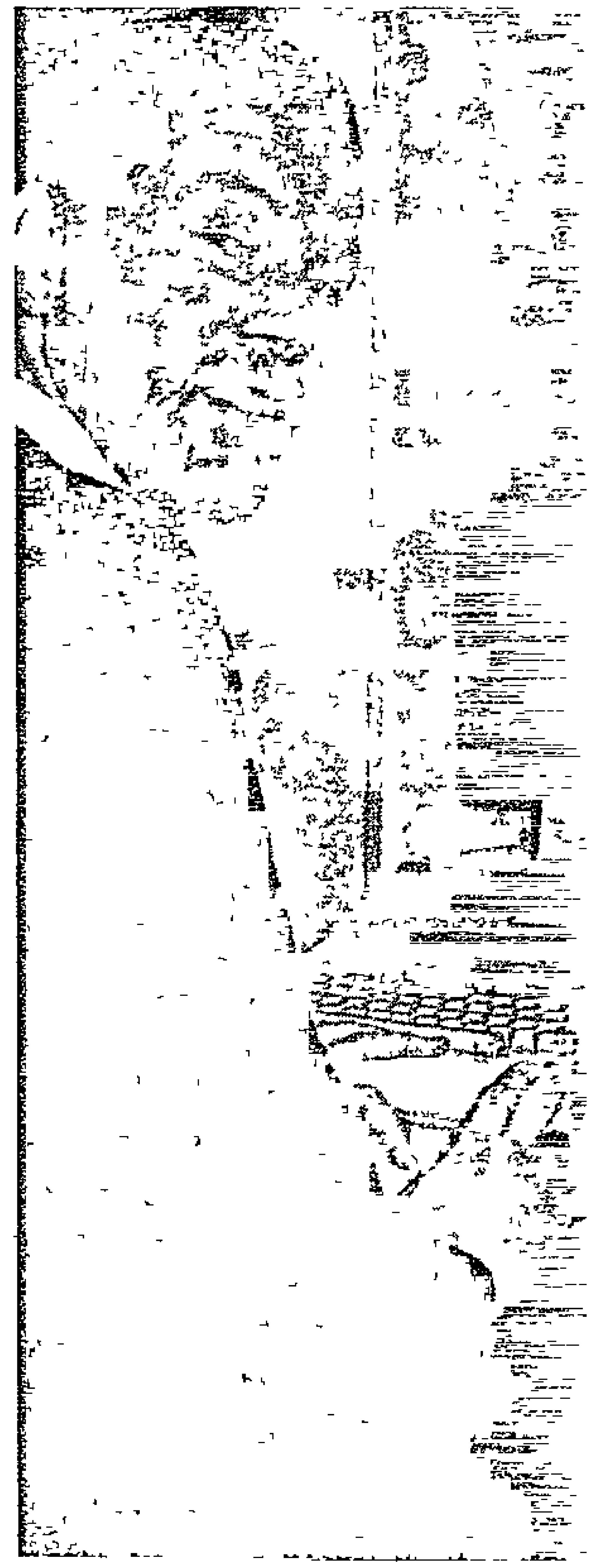
Ridley says that Allco has no experience in cooling towers whereas LTA has considerable experience to draw on No tenders have yet been awarded

The tie-up with Allco means that LTA can minimise the chance of political intervention as well as make use of Allco's local expertise and contacts

On the South African scene, however, LTA's efforts to build in the homelands has proved less than successful, according to its chairman, Dr Zac De Beer

In the latest annual report of the company, Dr De Beer reports that the partnership companies formed in Ciskei Lebowa, Swaziland, Transkei and Venda "have not proved to be particularly fruitful" But the report says that some important contracts were completed

The one flourishing side of LTA's business lies in building and the company is busy on contracts for seven high-rise office blocks, six hospitals, two shopping centres and five colleges



Mr Frank Gross — steeling him
fight against concrete

Prin
up i
in R

ANOTHER p
rights — is up
the Johannes
And with the
area — with g
site is
The site
Bolton Road
undeveloped
and the other 1
A portion of
15m municipal
Road frontage
Although the
council has

Liberty links with US insurer

220

RDM

16/8/83

By STEVE ELLIS

LIBERTY Life has joined forces with a major US insurer for the first time and the association is expected to accelerate Liberty's expansion in the British and American markets.

Lincoln National Life Insurance has acquired a 24,8% stake in TransAtlantic Insurance Holdings — the vehicle through which Liberty holds its British investments — for £30-million cash.

Lincoln, of Fort Wayne, Indiana, is a subsidiary of $10 000-million insurer Lincoln National Corporation (LNC).

To facilitate Lincoln's involvement, the capital of TransAtlantic was increased by £32 250 000 through the issue of 21 500 000 shares at 150p apiece

Lincoln bought 20-million shares, the balance going to Liberty to enable the SA insurance group to retain a controlling 51% interest Previously, Liberty held 66%

TransAtlantic's issued capital now stands at 80 556 000 ordinary shares of 50p

The effect of the transaction is not expected to have a material impact on Liberty's earnings

The executive chairman of Liberty, Mr Donald Gordon, said the partnership with Lincoln did not necessarily mean his group had immediate intentions of breaking into the lucrative US market

"The company we're dealing with (TransAtlantic) is a UK company and the major thrust will therefore be in the UK That doesn't preclude joint activities in the US later"

Mr Gordon said that now the association had been formed with LNC, "hopefully we will co-operate in various ventures in the future"

The £32 250 000 raised through the share issue will be used to wipe off TransAtlantic's debt, placing the subsidiary in a net cash position with £20-million in the bank.

TransAtlantic's borrowings once reached a level which caused concern, but with the share issue and the recent £3-million sale of its 25% stake in Montreal Life, profits will be boosted by net interest receipts

Mr Gordon said the Canadian operation was sold because the operation was "a little on the small side" However, the directors of TransAtlantic "are investigating further investment opportunities"

TransAtlantic was incorporated in June 1980 to invest in insurance, real estate and related investments, predominantly in the financial services industry

"It is TransAtlantic's objective to seek special situations in the aforementioned fields and to limit its portfolio to a small number of strategic investments"

The group's £110-million portfolio is headed by a 24% stake in UK life assuer Sun Life Assurance Society and a 29,6% interest in property group Capital & Counties Both are listed on the London Stock Exchange

The Lincoln group operates in life-health insurance and annuities, property-casualty insurance and title insurance throughout North America

In the year to last December, the latest period for which figures are available, LNC's net income totalled $122-million on revenue of R3 336-million

COMMENT: Mr Gordon's parting comment after discussion about the transaction was. "It's quite an interesting little deal, isn't it?"

That it is

But why, only last Tuesday, did he deny any knowledge of a deal being struck by Liberty involving overseas parties—a rumour which prompted an 11,1% advance in Liberty Holdings share price on the Johannesburg Stock Exchange

"Interesting" the deal may be, but whether its importance warranted the secrecy which surrounded its release is debatable.

SA firm may win Argyle contract

220 ROM

By BRENDAN RYAN
Mining Editor

7/8/83

LOCAL engineering firm, Van Eck and Lurie, may be awarded the design and engineering contracts to set up the world's largest diamond mine in Western Australia

The total cost of developing the Argyle diamond mine, which will produce about 25 million carats a year at full output, has been estimated at R450-million

For the past three years an Australian subsidiary of Van Eck and Lurie has been involved in a joint venture with an Australian company, Minenco, to perform feasibility studies on the Argyle mine

The company, Vel-Minenco, has carried out studies on the entire mining and ore treatment operation for the mine which is controlled by CRA, the Australian division of RTZ which holds 57%

Van Eck and Lurie is a wholly-owned subsidiary of the Boksburg-based E L Bateman engineering group

It has considerable expertise in setting up diamond recovery plants and has been involved in all the major developments by De Beers at Finsch, Jwaneng, Orapa and Letlhakane diamond mines

While industry comment is that Van Eck and Lurie has already been awarded the Argyle contracts this was denied by E L Bateman managing director Mr John Treger

"As yet there has been no final go-ahead on the Argyle project. We have not been awarded any contracts for the work

"There are as yet no formal documents between Vel-Minenco and the Argyle Diamond Mine but there are letters of understanding between the two companies," he commented

Mr Treger would not give details of the letters of understanding or of the work that Vel-Minenco has done for Argyle saying these were confidential matters between the two companies

He said however the studies carried out by Vel-Minenco had been for the entire project including the mining and treatment operations

Argyle announced it had concluded a marketing agreement with the De Beers Central Selling Organisation, (CSO) in December last year

Since then the two main participants, CRA and Ashton, have been arranging the large-scale finance needed to set up the mine

Ashton, which has a 38,2% stake in Argyle, raised US$130-million in bank loans a few months ago while CRA finalised $235-million with a banking consortium earlier this month

With the financing arranged the awarding of contracts must be imminent and Vel-Minenco, having worked closely with Argyle over the last three years, should be a near-certainty for the work

Argyle starting mining diamonds from its alluvial deposits at the beginning of 1983 and the first sale of 200 000 carats was made through the CSO in April

The sales of alluvial diamonds will provide cash flow for the project participants in addition to the loans raised to develop the mine on the main kimberlite pipe

Argyle's production will be about 90% industrial or near-industrial quality diamonds which will provide the CSO with an enormous marketing problem in coping with the new supply

The CSO contract reached with Argyle is unique in that it allows an unprecedented degree of independent marketing by the Australian mine

Once full production is reached in late-1985 Argyle will sell 25% of its industrial and near-industrial stones on its own account

This arrangement reflects the importance of the mine as well as the degree of political resistance to De Beers involvement in Australia

Suspense over Rennies after JSE move

By HAROLD FRIDJHON

SHARES of Rennies Consolidated Holdings were suspended at the beginning of business on the Johannesburg Stock Exchange yesterday at the company's request

This has given rise to considerable speculation because the suspension appears to presage a major move in the affairs of the company No suspension would have been asked for if Rennies were making a minor acquisition which would not materially affect either its earnings or its assets

The popular theory is that Rennies and Mr Sol Kerzner might be talking about some sort of common policy — or maybe a share swap — affecting Holiday Inns' casino interests and those controlled by Mr Kerzner's Newco

The restraint of trade on Mr Kerzner affects only hotel trading in South Africa, he is apparently free to do business outside the Republic of South Africa

One view is that Mr Kerzner is concerned about the proposed Holiday Inns casino-hotel in KwaNdebele but it is difficult to see what trade off can be negotiated He certainly has something to offer Rennies — maybe a share of Newco — on the other hand Mr Kerzner has just negotiated his own "freedom" and it is unlikely that he would yield it so soon

As for inhibiting the KwaNdebele proposition, this does not lie entirely in the hands of the entrepreneurs If Rennies do not go ahead, there is little doubt that the KwaNdebele authorities would seek for — and find — other takers

It might be coincidence but yesterday neither Rennies' top management nor Mr Kerzner were available for comment. They were all at meetings

Another possibility that is being discussed is that Rennies might be considering

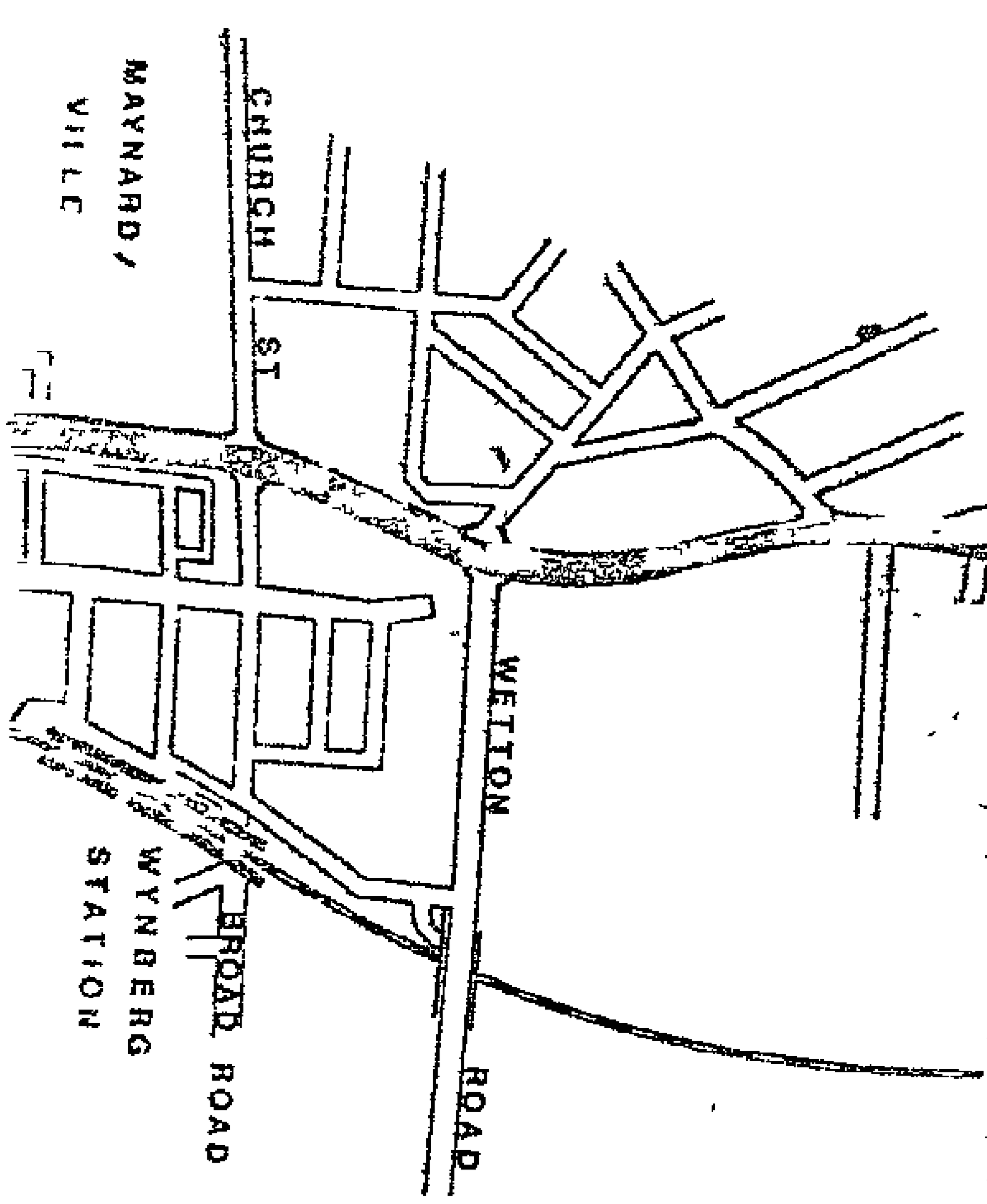
R70m housing loans for market

By HAROLD FRIDJHON

THE National Housing Commission has come to the market to raise R70-million by means of four loans — two longs, a medium and a short-term issue at rates which appear to be reasonably attractive

The loans are re issues of existing stocks, a factor which will add to their future marketability If this policy is continued the Housing Commission should establish a niche for itself on the market

- Loan No 1 25-years is being issued at 14,75%
- Loan No 2 14 years at 14,80%
- Loan No 3 8 years at 14,80%
- Loan No 4 with 4½years to



onstantia Road and South Road proposals.

ɔ and ıe birds

ıose chase . . The ıpposedly trapped ɔrs Mr Edo Meule- ɔudien Toefy could toreroom yesterday ı some droppings

"The pigeons ruined -ı many costumes that we spent R1 000 on chicken wire to keep em out Now Mr Valk- off wants us to remove ne wire so the pigeons an breed in there gain We love animals, ut we are a performing rts board not pigeon- enciers'

ıı for

Asbestos: R13m award

C Times 220 14/9/83 221

DALLAS Texas — A United States federal judge yesterday ordered a British asbestos supplier and its South African subsidiary to pay $12-million (about R13 million) to 160 Texas residents exposed to the mineral

US District Judge William Steger entered default judgments against the two firms who have refused to accept court papers served them lawyers say

The plaintiffs, some of whom are dead, were each awarded $75 000

Mr Blake Bailey an attorney for the plaintiffs said the US State Department had agreed to collect the judgments from the two companies Cape Asbestos Co of England and Egnep Proprietary Ltd of South Africa

Collection costs

"The United States Government agreed to bear the cost of collection of default judgments against the companies," Mr Bailey said "They have retained major law firms in England and South Africa to assist in collection efforts"

Bailey and Tyler lawyers filed medical summaries of 160 East Texas residents exposed to asbestos while working in or near two plants in Owentown

Egnep and Cape Asbestos shipped asbestos to several US companies who in turn supplied the Texas plants

Asbestos fibres have been linked to a fatal lung disease known as asbestosis — Sapa-AP

Painted dogs die for Zia

Own Correspondent

KARACHI — Four hundred dogs painted with the slogan "Zia is a dog" have been shot or beaten to death in the small Pakistan town of Dadu, 225km north of Karachi

Dadu was one of the provincial towns visited by General Zia Ulhaq, the country's military ruler

A martial-law edict to destroy the stray 'pie-dogs' went out and local dissidents of the Movement for the Restoration of Democracy struck on the idea of using the animals

Reports from the town, where protesters also stoned General Zia's cavalcade when he did arrive said it took the authorities a hard day's work to club and shoot the dogs

... ill nor certifiable in terms of the Mental Health Act according to a Valkenberg Hospital psychiatrist's report handed to a Goodwood magistrate

In the report Dr M Quail said Mr Ntyinkala came from a rural background with traditional cultural beliefs Since the death of his mother he had reported depression and had joined religious groups He had attained Standard 6 at school and had worked on a construction site till recently

Experience

"He reports an experience, followed by emotional restriction at the time of the alleged offence", the doctor said

At a previous hearing Mr Ntyinkala pleaded not guilty to murdering Mr Abna Hala in his Conradie Hospital bed on April 18

... take a knife and stab him

Bread-knife

Mr Hala was in another room of the house and he had gone into the room and stabbed him twice with a bread knife

Asked whether he had intended to kill Mr Hala when he stabbed him in the chest in the Conradie Hospital bed the next day Mr Ntyinkala replied "It was something that had to happen"

The hearing was adjourned to September 28

Mr Ntyinkala's bail of R350 was extended on condition he report to the Langa police station on Tuesdays and Fridays

Mr B C van Deventer was the magistrate Mr L P Muller appeared for the State and Mr P I Berthold appeared for Mr Ntyinkala

C. Times 105 14/9/83

Mother dies after school unrest shooting

Own Correspondent

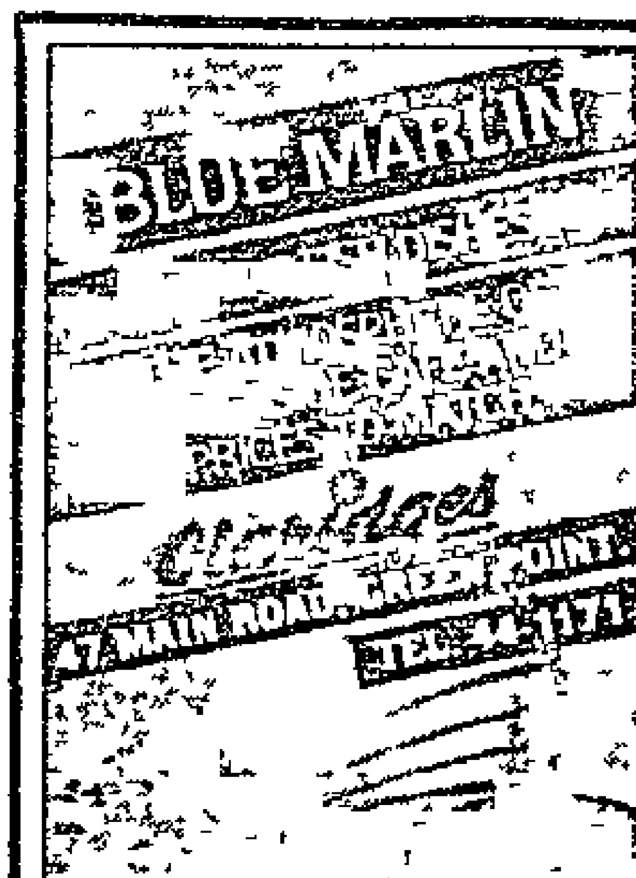
EAST LONDON — A mother of three died after shots were fired by police during the second day of schools unrest in Duncan Village near here yesterday, police confirmed last night

Mrs Guzana Zukiswa Mfazwe 24 of Momoti Street died in the Frere Hospital

The Divisional Commissioner of Police in the Border, Brigadier J R P Bekker, said police had fired three warning shots from a shotgun after a crowd of schoolchildren, joined by adults had stoned motor vehicles

"As always in an unfortunate incident like this, one woman was injured," Brigadier Bekker said

He said it was not known yet what had caused Mrs Mfazwe's death A post-mortem would be held to determine the cause of death and the police would conduct a full investigation into the incident, Brigadier Bekker said



Afex buys US properties

(220) RDM 28/10/83

By PATRICK McLOUGHLIN

AFEX Corporation, the Luxembourg-based successor to Afrex Corporation, has begun its US property investment programme with the purchase of two rent-producing light industrial units for about R7m.

The group announced yesterday that one property each was bought by two wholly owned US subsidiaries formed several months ago The acquisitions would have little affect on group earnings for the year ahead. They were, however, in line with the policy of building a solid base of assets in the US

Afex has equity investments on the New York Stock Exchange and the property purchases represent the second leg of the US investment strategy

The equity and property purchases were funded from dividends from Afex's Southern African operations — currently the major part of its total operations — and it is planned to expand both investment areas using the same method

Afex says "Our portfolio of securities listed on the NYSE continues to be held and it is being added to."

The first property purchase was made through Arizafex which bought a light industrial/warehouse for $2,65m in Phoenix, Arizona

The second was through the Calafex subsidiary and involved a similar property in San Diego, California.

An Afex spokesman said the new properties yielded a return of between 8% and 9%

Afex had exhausted its funding allocations for US property, and more purchases woould not be made for a while The acquisitions reinforced Afex's determination to spread investments geographically

The spokesman said the group was not necessarily moving away from Southern African, although Zimbabwe investments — including farming and equity in gold mining — were a doubtful area

220 ● R20M

Pick 'n Pay eyes US hyper

11/11/87

CAPE TOWN. — Pick 'n Pay has had preliminary talks with US supermarket food chains on opening joint-venture hypermarkets in America, according to Mr Raymond Ackerman.

The chairman of Pick 'n Pay said in an interview that entry into the US market hinged on building up a hypermarket chain in Australia, the group's first overseas venture. Pick 'n Pay's hypermarket in Brisbane is due to open at the end of next year. Two-thirds of the venture is owned by Permewan of Australia and the balance by Pick 'n Pay.

Mr Ackerman said Pick 'n Pay intended to take a 50% stake in later hypermarket ventures with Permewan. "Our aim over the next eight to 10 years is to build 10 hypermarkets in Australia. If it goes well after hypermarket five, we may well pick a country like the US and do a similar deal on a 50-50 basis."

He had had discussions with US supermarket food chains, but he declined to name them. "Americans don't know hypermarkets and there are some interested people who would like to link arms with us and open a group of hypermarkets But it is embryonic. I wouldn't dare touch it until I get Australia off the ground."

He was confident Pick 'n Pay would increase pre-tax earnings to R55m in the year to February from R48,14m in 1983. Mr Ackerman attributed the first-half gains, achieved when other chains were reporting huge drops in profit, to aggressive marketing, an increase in advertising and an improvement in meat and produce quality with better margins.

Figures for the year to date showed turnover up nearly 23%. There were signs from the group's sales and the way consumers were considering buying appliances and hardware that the economic upswing would begin early next year and not in the second half of 1984 as predicted by many people "Even Christmas is going to show the beginning of an upturn."

Pick 'n Pay planned to increase the number of its supermarkets and hypermarkets in South Africa from 72 by five a year until the end of the decade

Mr Ackerman criticised the expansion policy of Checkers, which has about 185 stores. "I would be closing at least five or six a month and concentrating on my good ones."

Pick 'n Pay was anxious to enter the black market and planned on a conservative estimate to open one venture a year in partnership with blacks by 1990.

Pick 'n Pay (Mitchells Plain), 51% owned by black shareholders and 49% by Pick 'n Pay, outperformed the rest of the group in the first half. A joint venture supermarket with black businessmen would open next year in Soweto. — Reuter.

MR RAYMOND ACKERMAN

220

Gencor near decision on gold venture in Brazil

Mercury Correspondent

JOHANNESBURG— General Mining Union Corporation is within months of a final decision on a highly lucrative gold-mining prospect in Brazil.

An article in stockbroker Davis Borkum Hare's latest mining research periodical *Crosscut*, lifts the veil on Sao Bento Mineracao SA, a Brazilian company that owns the mineral rights to properties near Belo Horizonte.

Information gleaned by Davis Borkum's mining research department points to proven ore reserves of more than 5m tons, 'and that it is confidently expected this can be extended to 11m tons'.

The brokers estimate that Gencor has already invested about R40m in Sao Bento, and had recently decided to invest more in exploratory work and in finalising a detailed feasibility study.

Mr Hugh Smith, Gencor's executive director responsible for international operations, yesterday confirmed the proven ore reserve figure, but said immediate indications were that these could be extended to about 6m tons.

There are believed to be four mineable reefs, at shallow depth, and mining conditions are said to be easy, according to Davis Borkum.

The in-situ grade is believed to be about 11 grams a ton, which at South African dilution factors could produce an average recovered grade of about 7,5g/t.

Davis Borkum has calculated that, on an average economic mining life, production would be at a rate of about 50 000 tons a month, with gold production about 4 500 kg a year, and producing revenue of $57,9m a year at $400 an ounce and $65,1m at a gold ~~price of $450 an~~ ounce.

A ~~positive factor for the~~ Sao Bento prospect is that the Brazilian central bank buys internal gold production on a formula which ensures that the price paid in Brazil is higher than the ruling free market price.

This would have the effect of increasing revenue. Mr Smith agreed that the variable paid by the Brazilian government provided a substantial premium to the free market price.

On the downside, Davis Borkum's report refers to the parlous state of the Brazilian economy, with billions of dollars owing to international lenders and with little hope of being able to repay the debts in the foreseeable future.

Mercury

The ~~real~~ problem facing Gencor is whether or not to invest money in a country from which, while it may earn very good returns, it may never be able to remit its dividends.

23/11/83

Mr Smith said Gencor was not concerned about the problem of externalising dividends. While straightforward investments in the country might present difficulties in repatriating income, if money is invested as loan capital dividends were more secure.

He said the rationale behind the move into Brazil was that after the completion of Beatrix Gencor had no new prospects in South Africa, and it made sense for the group to look elsewhere.

220

RCD 4 8/12/83

Oceana looking for profit on Chilean side

By ALEX PETERSEN

THE OCEANA Fishing Group's Chilean venture appears to have overcome its initial difficulties and is budgeting for a profit in the current year, the group's chairman, Mr Cedric Walton, says in the annual report.

Mr Walton, in his first report as chairman of the company, formerly known as Lamberts Bay Holdings, says that its subsidiary, Seaswas, has increased its interest in the Chilean venture, Pesquera Coquimbo dos Limitada, to 44,4%.

"The substantial improvement in the price of fish meal on the international markets and the additional tonnage of fish caught has made a material contribution to the profitability of the Chilean operations during the current financial year.

"Consideration is being given to increasing fleet capacity Should this materialise, the profits are likely to show further improvement."

On the domestic front, however, the outlook is a little more cautious.

While operations of Seaswas at both Luderitz and Walvis Bay have been "most successful and have made an increased contribution to group results", the new quota dispensations in the pelagic fishing industry have caused a significant fall in production and sales volumes for the group

The drop in volumes, compounded by the effect of inflation on production costs and overheads, has had an adverse effect on operating profits.

Pelagic fish catches at group factories in Lamberts Bay, St Helena Bay, Sandy Point and Hout Bay were 105 178 tons in the season from January to June 1983, compared to 148 828 tons between January and August 1982

The group's catches represent 38,5% of the industry total

Marginally offsetting the lower pelagic yield has been a higher price for fish-meal on the domestic market, as well as higher yields of quota-free fish

For rock lobster, a favourable rand-dollar rate, together with higher production of whole cooked lobster, has maintained profit at a satisfactory level

The "stringent conservation measures . appear to be having a beneficial effect", Mr Walton says

He hopes that quotas, drastically cut in recent years, can, over time, be restored to their original levels

Referring to changes in the dispensation of the rock lobster quota, as a result of which 260 tons of the group's quota will revert to private fishermen, leaving a balance of 240 tons, Mr Walton says this will not have a material effect on profitability, "due to the lower cost of catching by company-owned vessels"

He is cautious about the Alant Committee recommendations.

If accepted by Ministers, they are "likely to have far-reaching effects, particularly in so far as the Hout Bay pelagic fishing operations are concerned"

Mr Walton says that wholly owned subsidiary, North Bay Canning, is to begin prospecting operations for precious stones in its shallow water lease area shortly.

But a material contribution to group earnings is not expected at this stage

Yearends to change at W&A

Financial Reporter

THE 10 quoted companies in the W&A group are changing their yearends to December 31 for consolidation purposes

This means W&A Investment Corporation, Bradlow's Stores, Enyati Resources, Waicor and World Furnishers all change from June 30 to December 31 The next financial statements will cover the 18 months to December 1984, says a spokesman

The Williams, Hunt group — Williams, Hunt SA, Aurochs, Autolec and Cap-auto Investments — acquired by W&A as part of the Anglo-African Finance Group, previously reported to February 25 They will also report to December 31.

The four companies in the Williams, Hunt group have a dispensation to report for the 10 months to December 31, 1983 They will not report for the six months to August 31, 1983.

General Tire & Rubber is changing its yearend from February 25, reporting for the 10 months to December 31, 1983.

It is a prerequisite for consolidation that all companies in a group have the same yearends

The Star/BUSINESS

Liberty looks to Europe for expansion

220

24/12/83 Star

By Duncan Collings
Deputy Financial Editor

Liberty Life has still a long way to go before it completes its programme of "internationalisation" and 1984 could well see this maverick of South African life assurers as an active buyer in the overseas markets

According to managing director Mr Monty Hilkowitz, the North American market has little attraction for Liberty

Europe, against the background of Liberty's existing power base in the UK, is a far more likely arena for expansion, he told The Star in an interview

"We haven't looked at Australia or New Zealand in any depth, but it is most likely we will do so in the near future," he said "But there are logistical problems — distance and few aircraft connections for example — and I am not sure just how welcome we would be in those countries against their existing political backgrounds"

On the other side of the globe, the Eagle Star/Allianz/BAT battle for control of Eagle is being watched very closely by Liberty "This is a very great model for us," said Hilkowitz

But the expansion of Liberty into world markets is very much under the direction of Liberty's chairman, Mr Donald Gordon Mr Hilkowitz was at pains to point out that the expansion — and further international expansion is on the cards — will be handled by Mr Gordon

Mr Hilkowitz is far more involved in running the "home operations" of the group which was pushed back into fourth position in the big league with the merger of Anglo American Life and Southern Life from its previous third position

This is an untenable position for the aggressive Liberty Life which, according to Mr Hilkowitz, will make strenuous efforts to regain its position as soon as possible

Monty Hilkowitz learning the tricks of the trade from Master Donny.

Not that 1983 has been a bad year for Liberty Life

Although growth overall during the year was lower than that of 1983, the group has outperformed the market, in the process grabbing a greater slice of the cake

At the halfway stage of 1983 the group's new business was up 15 percent over the previous year and, said Mr Hilkowitz, he would be "very surprised if we are not up 20 percent for the full year".

Next year Mr Hilkowitz sees the South African market for individual and group business expanding by between 15 and 20 percent "I would expect Liberty Life to gain market share again in 1984 and our new business therefore should be higher than the market," he said

Mr Hilkowitz says that the group business area could be very interesting The trend, he said, is for more and more self-administered private company pension schemes to place their business with the assurers.

And if this gains momentum next year "we could see a very big increase in group premium income in 1984"

Policy lapses were much higher in 1983 compared with 1982 and Mr Hilkowitz sees a similar picture for 1984'

In the longer term, Mr Hilkowitz sees the life and pensions industries continuing to expand in real terms for the foreseeable future.

On the product front, 1983 was the year which saw the computer married to a new generation of policies where flexibility is the keynote. Mr Hilkowitz does not see the basic policy format changing in the years ahead, instead the keynote for development by life companies will be the marriage of all financial services — banking, investments and life insurance, and a greater emphasis on the degree of service offered.

MARKETING CHANGE

"Marketing will become more cutthroat as the level of saturation of the market increases and the principle of selling life assurance in today's numbers, rather than relying on inflated telephone-like end-benefit numbers, will be the keynote of selling in the future"

"Although inflation is here to stay, people cannot accept the enormous sums that they will need by the time they retire You have to talk to them in numbers they can relate to — numbers of today," he said

The development of a full range of financial services is now accepted in the industry Liberty and Standard, the new Southern Life and Barclays, The Old Mutual and Nedbank, for example have taken the first steps towards offering a range of "one-stop" integrated financial services

A nagging problem area which remains for Liberty has its source in the field of industrial relations The group has been beset by strikes and go-slows for several months now and this has extended to a black boycott of the group and its associated companies

Talk in the company is that this is resulting in severe administrative problems resulting in the late issuance of policies and, perhaps more serious, late payment of commission to agents

RAND DAILY MAIL, Saturday, January 7, 1984

220

Liquidation interdict granted

By TONI REYNEKE
Court Reporter

AN APPLICATION interdicting an intended liquidation of a Randburg firm of process engineers involved in the construction of a Guatamala cement factory was granted by the Rand Supreme Court yesterday.

Gatx-Fuller (Pty) Ltd, a wholly-owned subsidiary of Fuller Company Incorporated which, in turn, is wholly owned by Gatx Incorporated in the United States, denied in papers that it was insolvent and unable to pay its debts.

Gatx-Fuller designs, manufactures and sells mineral processing plants

The interdict was granted against Shepherd Incorporated, a civil engineering consultancy, of Doornfontein, Johannesburg, who claimed Gatx-Fuller owes R50 000

This amount arises out of a sub-contract granted to it by Gatx-Fuller in connection with a South American factory.

Mr Justice F N Kirk-Cohen simultaneously granted an order of provisional sentence against the major contractor of the factory, Trade and Project Management Services (Pty) Ltd (TPMS) of South Africa to pay Gatx R502 662 for services rendered in the contract.

Mr George Bethwaite, a senior executive, said in papers his company is at present working on a contract valued at about R9 600 000.

Gatx-Fuller has also R4-million on call with its bankers and its assets exceed its liabilities by a substantial amount.

Neither of the parent companies will permit their South African subsidiary to be liquidated, Mr Bethwaite said.

The court heard TPMS, a management services company, entered into a contract with a body corporate in Guatamala to execute and complete feasibility studies for the construction of a cement factory during 1979

The contract also made provisions for TPMS to build the factory. As a result, TPMs formed a consortium of which Gatx-Fuller formed part

Gatx-Fuller entered into a contract with TPMS during 1980 in terms of which TPMS would pay it R1-million for certain services rendered regarding the Guatamalan contract.

Gatx-Fuller subcontracted with Shepherd to complete certain work during the first phase of the building project against payment of R130 000.

Gatx-Fuller had already paid R80 000 of the amount and R50 000 was still outstanding

Mr Bethwaite said his company only invoiced TPMS of Sauer Street, Johannesburg, for about R800 000, of which R300 000 had been paid

TPMS acknowledged a debt of R502 662 in a letter to Gatx-Fuller dated October 23, 1981

Mr Bethwaite said Shepherd instituted legal proceedings against Gatx-Fuller during April 1982 for the payment of R50 000 despite an oral agreement between them that Gatx-Fuller would not pay its subcontractor until it had been paid by TPMS.

Mr Bethwaite said Gatx-Fuller has considerable goodwill and reputation in South Africa.

An application for its liquidation and the resultant publicity would be extremely detrimental and harmful to the company, its ongoing affairs and its parent companies

Mr Justice Kirk-Cohen interdicted Shepherd from instituting winding-up proceedings pending the outcome of the dispute between the two companies as to whether the R50 000 is due and payable by Gatx-Fuller.

Anglo takes share of London broker

220 ~~210~~ E. Post 12/1/84

Special Correspondent

LONDON — Anglo American's international arm, Minorco, will have indirect interests in major London and New York broking firms, now that Charter Consolidated has bought a significant stake in London brokers Rowe and Pitman

In a series of stunning announcements this week, Charter said it planned to take a 29,9% interest in Rowe and Pitman, one of the 10 largest brokers on the London stock exchange

At the same time Akroyd and Smithers, one of the two leading jobbers or market makers on the London stockmarket, said that it would form a international dealing company with Rowe and Pitman

Minorco owns 36% of Charter's shares and has a 22% stake in Phibro-Salomon, the huge American commodities and securities firm

A Charter spokesman insisted however that the purchase of Rowe and Pitman did not imply that there would be a link with Phibro-Salomon

Charter is paying £16,2 million (R29 million) for the stake in Rowe and Pitman This puts a price tag on the stockbrokers which act for the Queen and for Anglo American at £54 million (R97 million)

Rowe and Pitman which employs 400 people worldwide, including South Africa, is one of the top firms dealing in British equities Over 35% of its business is generated from international stock dealings After Vickers de Costa it is the second largest overseas broker in London

The firm has been dubbed the "Richthofens of the dawn raid", and a few years ago worked with Davis Borkum Hare in helping Anglo American acquire shares in Consolidated Gold Fields

The international dealing subsidiary of Rowe and Pitman and Akroyd will be capitalised at £17 million (R30,4 million)

In November, Mercury Securities, the parent company of London merchant bank SG Warburg, bought a 29,9% stake in Akroyd for £41 million (R73 million)

The international dealing company will have powerful connections SG Warburg and Akroyd have already formed a joint company in New York to develop their trading and distribution activities in international fixed income securities, especially in the Eurobond market

The joint venture will combine Akroyd's office in New York with Rowe and Pitman's offices in San Francisco, Boston, Hong Kong and Johannesburg

For Charter, bugged by a dismal profit record in recent years, the interest will provide earnings from the booming financial services business

Charter deals actively in the mining share markets

The company also has a 27% holding in Johnson Matthey, leading London precious metals dealers Johnson Matthey is one of London's five bullion houses and is also the agent of Rustenburg Platinum

Even though Charter insists that its new London broking interests will remain separate from Phibro-Salomon, it cannot be denied that Anglo American through Minorco now has an important foothold in the international dealing business Phibro-Salomon is a significant broking firm with dealing links and an intelligence network all over the globe

Handbook hits at multinational business in SWA

220 RDM 18/1/84

UN council preparing to blacklist 45 'illegal' firms

NEW YORK — A United Nations group is preparing a "blacklist" of multinational companies "illegally exploiting the resources of South West Africa and bolstering South Africa's presence there"

A draft handbook, prepared by the United Nations Council for Namibia, lists 11 such companies based in Western Europe, 10 in North America and 24 in South Africa

"It is the objective of this book to expose the activities of those foreign corporations which exploit the Namibian resources and whose investments continue to support the illegal South African presence there," the introduction says

"It is hoped the revelations contained in this study will convince the governments of states whose corporations operate in Namibia of the illegality of such operations and enable them to take appropriate measures to discourage the continuation of such investments and related activities"

Among the European multinationals, the booklet lists
- Rio Tinto-Zinc and Consolidated Gold Fields of Britain, two of the 10 largest mining corporations in the Western world
- Barclays Bank of Britain and Dresdner Bank of West Germany, two of the largest international banking companies
- British Petroleum and Shell Transport and Trading of Britain, two of the seven largest Western petroleum companies

Britain leads West Germany and France as the European nation with the most multinationals operating in SWA, the booklet says

The most important North American-based corporations operating in the territory are listed as Newmont Corporation of the United States and Rio Algom of Canada

Both are said to have minority shareholdings in mining operations

"Other North American corporations with significant operations in Namibia include Standard Oil of California and Texaco (through Caltex Petroleum), Mobil Oil Corporation, and Hudson's Bay of Canada", the handbook says

"Among the South African-based corporations involved in Namibia the largest investment comes from the Anglo American Corporation through its affiliate De Beers'

De Beers Consolidated Mines controls 80% of the world's diamond output

Other major South African companies in SWA include Federale Volksbeleggings Iscor and the Industrial Development Corporation

Most of the South African corporations involved in the territory are interwoven with each other and their subsidiaries

This through a complicated network of intermediate companies minority or reciprocal shareholdings and overlapping directorates the handbook says — Sapa Reuter

Plane plunged as fabric tore, inquiry told

Pretoria Bureau

FABRIC that tore from the wing of a plane seconds before it crashed, killing two passengers, had not been fitted according to prescriptions, a civil aviation board of inquiry heard in Pretoria yesterday

The board is investigating the crash of a Champion light aircraft at a military airfield near Baltimore on September 1, last year

The pilot, Mr Rolfe Borchers, 40, and a passenger, SAAF Captain J C Mathews, were killed after the plane spiralled 900m to the ground shortly after take-off

Mr B Jordaan, who investigated the crash, told the board it was obvious that Ceconite fabric covering the left wing had broken loose in flight

The stitching had torn through reinforcing tapes and covering, he said

Witnesses at the airfield said they heard a clapping noise "like a parachute opening" when the plane went into a tight spin from which it did not recover They also heard an accompanying flutter of fabric during the five to 10 seconds the plane took to crash

Mr Errol Ferreira, who fitted the fabric on March 20, 1982, admitted he did not adhere to the prescriptions of a Ceconite fabric manual

He said that at one spot on the wing, corroded screws did not hold anything so he stitched the fabric instead

He also did not use the normal stitching cord or the prescribed knots, a fact which the board chairman, Mr C Oberholzer, found disturbing'

A section of Mr Ferreira's licence for replacing fabric on aeroplanes which he has held for 24 years was suspended

The board's findings may be made public by the Minister of Transport

etoria

How to use your weather guide

Use the colour key to see today's high temperature range on the big map and tomorrow's forecast below The numbers under the towns are minimum and maximum temperatures

% CHANCE OF RAIN
10-33 / 33 66 / 66 90 / 100

Type of rain
D Drizzle S Showers R Rain T Thunderstorms
Snow in white

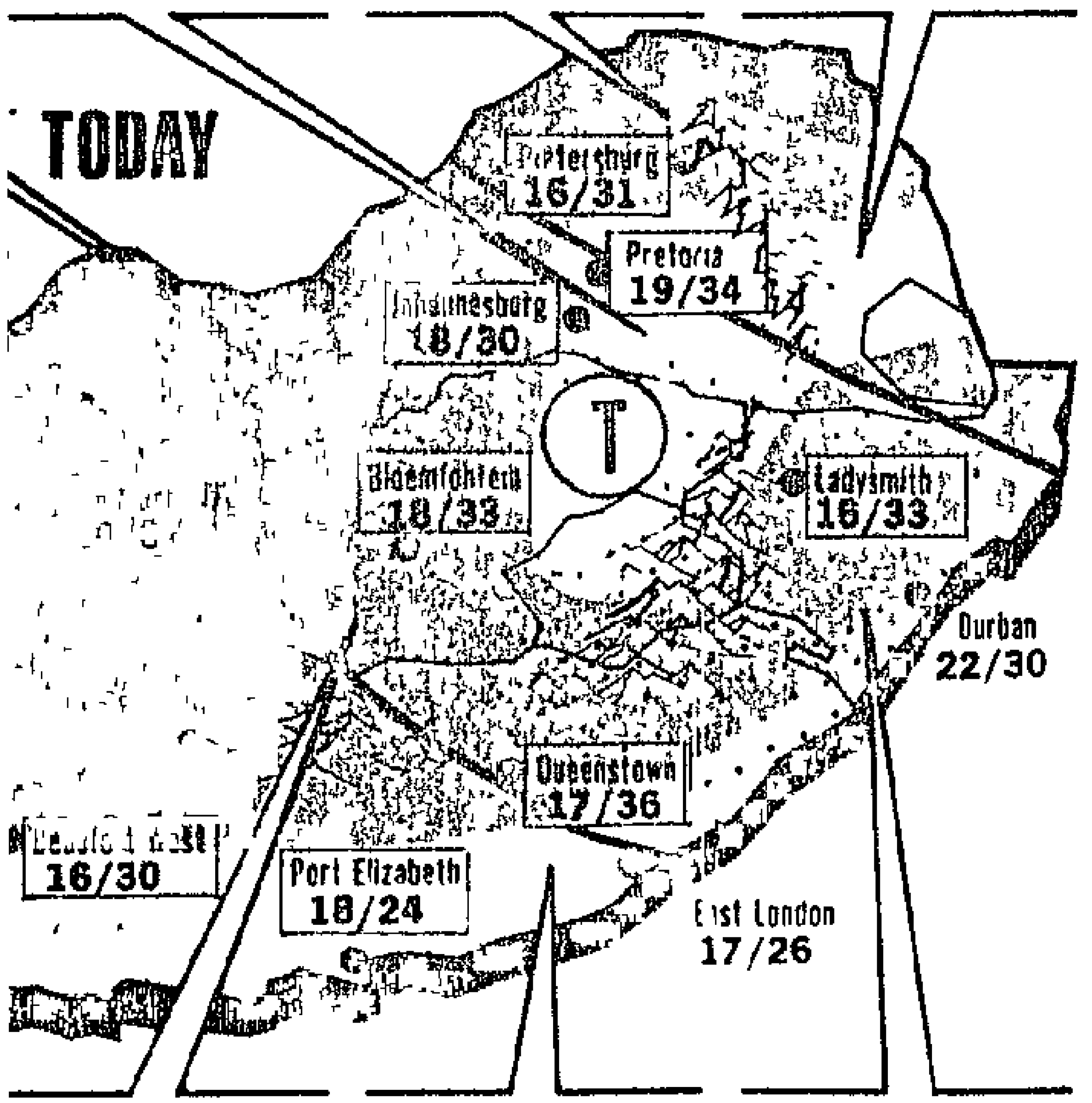
TEMPERATURE RANGE in °C
BELOW 10 | 11 15 | 16-20 | 21-25 | 26 30 | 31-35 | 36-40 | ABOVE 41

ransvaal S SE INE to partly cloudy and ot

Transvaal N NW FINE to partly cloudy and hot

Transvaal Lowveld FINE to partly cloudy and hot

TODAY



range Free State INE to partly cloudy and ot

Eastern Cape FINE to partly cloudy and warm

Natal FINE to partly cloudy and hot

an Smuts Airport
Temperatures
100 14h00 21h00
°C 28°C 24°C
Humidity
% 30% 45%
x temp 29°C
n temp 16°C
In 24 hours to
100 Nil
iset today 19h05
nrise tomor
r 05h32

RAIN 24 48 hrs ago
Fouriesburg 6

~~SWA~~ (220) D. Dispatch 25/1/84

Legend became world's biggest uranium mine

NEIL LEWIS: Swakopmund

There is an ancient legend among the Damara tribespeople around Swakopmund of a cave in the nearby regions of the Namib Desert in which women would spend the night in order not to have any more children

The area encompasses what is now the site of the world's largest uranium mine owned by Rossing, a member of the Rio Tinto Zinc group

Rossing officials acknowledge the tale with sceptical amusement, stressing that the level of radiation at their operation is extremely low

"There could be no such place," insisted Dr Wotan Sweigers, head of health services at Rossing "If there were, it would glow in the dark"

Dr Sweigers' sophisticated clinic, with its advanced occupational health monitoring equipment to ensure that no one is exposed to excessive radiation is just one aspect of the company's strenuous efforts to place its controversial presence in SWA-Namibia beyond criticism

"We are everybody's favourite target" said assistant general manager Mike Bates "We mine uranium we do it in Namibia and we are a multinational"

The Rossing uranium deposit was discovered in the 1950s by a local prospector who tried in vain to interest major mining companies in its exploitation

Eventually, his sons persuaded RTZ, an international mining giant, to develop a huge open-pit mine to take advantage of what seemed like an inexorable turn to nuclear power by the world's industrialised nations

Rossing began exploration work in the Namib in the early 1970s Production was delayed by technical problems caused by the unexpected hardness of the granite-like ore called Alaskite Full production of about five million tons of uranium ore a year was reached in 1979

But it has lost its position as one of RTZ's star performers largely due to the current depression in the uranium market which managing director Colin Macaulay said in an interview he expected to continue for the rest of the decade

Few new nuclear power plants are being planned in these times of public uncertainty about their safety

Rossing's share of RTZ group profits was about 26 per cent in 1982, but has been averaging less than half that for this year according to company figures

However, the main cause of criticism of Rossing's operations is the fact that the mine is in SWA-Namibia

Rossing mines and sells SWA-Namibian uranium in direct defiance of a 1974 United Nations decree that no minerals should be extracted from the territory without UN permission Swapo has warned in official statements that companies like Rossing will be held liable for reparations after independence for "stealing" the country's resources

Rossing has been the subject of an intense campaign centred in Britain itself a Rossing customer to persuade countries to cancel all SWA-Namibia uranium contracts

In response to the criticism, the company has provided good wages and housing, eliminated migrant contracts and provided enviable social amenities and health facilities — as well as job training and promotion opportunities for its mostly black workers

It funds the country's principal centre for adult education a much-needed facility in SWA-Namibia through the Rossing Foundation

In other words it has tried to adopt the stance of a non-political company which is a good citizen of SWA-Namibia, no matter who controls the government

"The fact that we are operating at all is bad to our critics" Mr Macaulay said in an interview at the company's Windhoek headquarters 'It's one of the reasons we try harder"

During the early years of Rossing's operation critics focused on the housing conditions said to be dreary, and on wages and work regimes said to be dreadful But nowadays Rossing pays wages that are handsome by local standards and the company housing is neat and comfortable

The housing was originally divided into three towns, one each for blacks coloureds and whites But when the Group Areas Act was dropped in SWA-Namibia in 1978 the residential limits became blurred

The right to live in a town depends on a worker's income Arandis, a "manufactured" town in the middle of the Namib, is for the lowest grades and is almost exclusively black It boasts clean and modern homes as well as tennis courts and a club which is a social centre

A senior Swapo member said in an interview recently that he had seen Arandis and was extremely impressed with the quality of life there

Rossing officials say that Swapo's attitude to the company is not as strident in private as it is in public Mr Macaulay said RTZ officials in London have discussed with Swapo Rossing's future in a post independence SWA Namibia and "they don't find them shrill" but rather pragmatic

"After independence I think we will be encouraged to expand" Mr Macaulay said "When a new government comes in they will be short of revenue and as for how we have behaved no one will be able to say we got away with something — Sapa - RNS

Bateman has plans for Mauritian sugar revamp

(220) Star 8/3/84

By Duncan Collings

Preliminary discussions are taking place for South African involvement in refurbishing the Mauritian sugar industry

A spokesman for E L Bateman says that for the past 10 years the company has put forward proposals to revamp the industry.

But Mauritian sugar officials say a recent preliminary United Nations Conference on Trade and Development (Unctad) survey and losses sustained by the industry last year may now precipitate a decision on revamping the industry

No firm decision can be taken, however, until the final Unctad survey is received. It is noted that a revamping of the industry could result in further unemployment on the island.

Also, the sugar mills are now in the hands of private investors who would have to be consulted before any rationalisation could be proceeded with

The E L Bateman spokesman says that the Mauritian sugar industry is based on a many fairly small, old sugar mills — an essentially uneconomic base.

E L Bateman's proposals have included refurbishing the existing mills and increasing their capacity

The company has been involved with the Mauritian sugar industry for a long time supplying mill plant and equipment.

The spokesman says that should the current discussions come to fruition the company would look to South African government export financing in the normal way

But at this stage no such approach has been made because of the preliminary nature of the discussions.

The Star's correspondent in Port Louis, Mauritius, reports that Mauritian sugar officials are particularly keen on the proposals of E L Bateman.

The officials say that the plan to restructure and centralise sugar production is intended to revitalise the industry and add fresh impetus to the Mauritian economy

Last year's sugar sales of R282 million accounted for 62 percent of Mauritian exports but the industry ran at a loss of R45,5 million.

The Unctad survey says it would cost at least R36,6 million to implement the refurbishing plan

Unctad suggests the number of sugar factories be reduced from 21 to 15.

SA businessmen welcome peace

220
24

RDM 19/3/84

By MIKE JENSEN

SOUTH AFRICAN businessmen have generally reacted with enthusiasm to Government peace moves which culminated in the signing of the Nkomati Accord last week.

But there are still grounds for caution.

The attendance of the country's top business leaders at the signing of the treaty in Komatipoort underlines the positive reaction of the business community to the peace pact

Among many others, Mr Harry Oppenheimer, Mr Gavin Relly, Mr Donald Gordon, Mr John Maree, Mr Basil Landau, Mr Sol Kerzner and Mr Meyer Kahn were among those to accept invitations to witness the signing of the treaty

Some investment analysts believe the business community's positive sentiment has been partly responsible for the record-breaking rises in industrial share prices on the Johannesburg Stock Exchange

On Monday last week the Rand Daily Mail 100 index stood at 1 044,3

By Friday it was at a record 1 070,3 in spite of a mild setback in the gold price

The new diplomatic initiatives in Southern Africa have also apparently helped lead to renewed overseas interest in South African industrial equities.

In recent years the overall trend has been clearly towards net equity disinvestment from South Africa on the industrial side.

Sometimes, however, the reasons have been more financial necessity — the sale by Jardine of Hong Kong of control of Rennies to Old Mutual — than political

Sometimes the two factors have gone together

But Barlow Rand, Sasol, Anglo American Industrial, Liberty Life and several other major industrial companies have all attracted renewed buying from London, New York and Frankfurt

Foreign investors had previously tended to be wary of industrials, while continuing to take their chances in the more volatile mining stocks in which potential rewards could be that much greater.

But the prospect of greater peace in Southern Africa, at least in the short- to medium-term, is apparently removing some of the doubt attached to industrial equities

Sasol, particularly, has been eagerly sought after from abroad

Apart from suggestions that the treaty with Mozambique will result in greater political stability in the region, and so make it a better investment prospect, it is obviously hoped peace in the area could curb the need for ever-expanding demands for real increases in Defence spending

Mr Owen Horwood, the Minister of Finance, would certainly find that a relief now with Government finances under heavy siege

However, the Defence Force may well argue it is only because of the country's high degree of military preparedness that the Nkomati Accord has come about

What the private sector is definitely hoping is that Pretoria's peace moves will allow it to take a bigger role in the economy of the whole Southern African region

"If the latest developments bring economic stability to the region, the prospects for future growth in the area are distinctly brighter A better environment in Southern Africa can only be beneficial for private enterprise," says Assocom's chief executive, Mr Raymond Parsons

"In particular, I believe that the settlement in Mozambique can open up new opportunities for the business sector. The scope for economic co-operation is increased in Southern Africa as a whole," he adds

However Mr Parsons warns that the peace pact does not necessarily herald an automatic reduction in Defence spending and warns against a general over-reaction

There are still too many imponderables in the sphere of Defence Optimism must be guarded against as it is still early days, he says

According to Professor David Welsh of the Department of Political Studies at the University of Cape Town, there is little doubt blacks have been "massively alienated by the referendum's enshrinement of their exclusion from a common political system"

The signing of the Nkomati Accord could add to this by suggesting to them that support for their cause will no longer be forthcoming from outside South Africa's borders

Getting down to terms of the Accord

By BRIAN POTTINGER
Political Correspondent

THE South African Government is to co-ordinate attempts to translate the words of the Nkomati Accord into concrete terms — jobs and progress for Mozambicans and profits for the businessmen.

A top-level Department of Foreign Affairs delegation led by the deputy director of Foreign Affairs, Mr A van Zyl, is to visit Maputo for discussions with Mozambican counterparts on how best to handle the flood of investment inquiries from South Africa.

It is hoped to create a high-powered trade delegation comprising representatives of the South African Chambers of Industries, Handelsinstituut, Agricultural Union and Chamber of Industries to handle liaison.

Once the investment inquiries have been channelled and processed by the Mozambicans it would be up to the individual companies to go ahead and make further arrangements.

Security

The Government initiative — jointly undertaken by the DFA and the Department of Industries, Trade and Tourism — flows from a meeting between Prime Minister P W Botha and organised commerce, industry and agriculture in Cape Town on Monday at which the business chiefs were informed of the Government's intentions.

This week, Mr van Zyl said it was vital that the momentum of the Nkomati Accord be maintained and allowed to prove the benefit of mutual co-operation

One of the most important issues which has been raised by South African business interests is that of security of assets.

Although the Mozambican Government has apparently given private assurances on this point, major South African companies require tighter guarantees.

It is understood that the Mozambican Government is preparing legislation which will formalise its private sector — only recently emergent after years of state socialism — and give the necessary security to foreign investors

Since the beginning of the initiative, one of the main concerns of Pretoria, Maputo and developmental economists has been that a flood of "carpetbagging" enterprises in Mozambique could jeopardise their delicate steps towards greater free enterprise and create domestic political problems for the Mozambican Government

Spotlight

It would also rebound badly on the diplomatic gains made by the Nkomati Accord

Meanwhile, the infrastructure within Mozambique — harbours and railways — is coming under the spotlight.

A spokesman for the South African Transport Services, which has provided technical assistance to Maputo, said this week there were no immediate moves to upgrade their technical assistance

But industrialists have apparently made clear that a functioning Maputo Harbour and increased capacity on the Maputo-Komatipoort railway line would be essential before any major investments are undertaken.

RDM, 2/4/84

Pick 'n Pay may open in Maputo

220

By PAUL DOLD

CAPE TOWN. — Pick 'n Pay is keen to to open supermarkets in Maputo following the Komatipoort accord.

The group, however, would first seek guarantees from the Mozambique Government that foreign assets would be sacrosanct, Pick 'n Pay's chairman, Mr Raymond Ackerman, said.

"Mozambique needs cheap food and we believe we can make a substantial contribution."

Disclosing he had already had talks with one Maputo businessman, Mr Ackerman hinted he and director Mr Hugh Herman might visit Maputo soon.

Before South African groups were prepared to enter Mozambique guarantees would be required to prevent nationalisation of their assets, he said.

Once these guarantees had been provided Pick 'n Pay would be one of the first South African groups to move into Mozambique.

"I am most encouraged by the Nkomati accord and this could lead to not only a more peaceful Southern Africa, but a chance to develop our economy where more of our people will be better fed, better housed and better clothed.

"This is the challenge facing the private sector and Government in South Africa and I believe we must heed this challenge as our greatest chance to make our country more peaceful and a fairer and happier place for all."

Business Day

RDM 3/4/84

(220)

Waltons for Aussie

Own Correspondent

CAPE TOWN. — Waltons — the country's largest commercial stationers — is to move into the Australian market.

Talks have already been conducted in Sydney with several Australian groups and it seems that like Pick 'n Pay, Waltons will be choosing to set up a major operation in partnership with Australian business interests

Waltons' managing director, Mr Frank Robarts, returned from Sydney last week and forecasts Waltons will move into Australia this year. While talks are still in progress and no deal has been signed, Waltons is confident of agreement being reached soon

Mr Robarts believes Australia will be a major new growth area for the group, with the South African stationery industry far ahead in terms of development

A city such as Sydney, with a larger population than Johannesburg, has far fewer stores than its Reef counterpart Initial investment is likely to be substantial and the project will be financed internally with no use of bank finance.

In spite of the recession, Waltons' stationery business in South Africa is continuing to show high growth and clearly the group has been looking for an investment to use the cash flow

While Mr Robarts declined to comment on second-half profits — results are due early in May — earnings are likely to again reflect a growth trend similar to the previous year when fifo earnings per share rose 27% from 110c to 140,1c

Waltons recently switched to lifo and presumably the group may switch back to fifo for the current year's figures The May results will include the first earnings of new listed pyramid, Walcon

Waltons' first-half profits were up 24% and the dividend was raised 21% to 20,5c Sales rose by 16%. Mr Robarts says turnover in the second half has been reasonably buoyant but margins have improved

Last year's dividend was covered three times and with cash flow particularly strong, Waltons is considering paring cover down to 2,75.

The DRG manufacturing arm, bought in conjuction with CNA in July last year for R11m, is now profitable.

RDM 9/4/84 220

Business failures rocket by 21%

Financial Reporter

COURT judgements on debt for the first 11 months of 1983 rocketed 54,1% to R227m compared with 1982

Judgments against businesses rose 58,3% up during this period

And, according to the latest Government figures, the number of liquidations and sequestrations of businesses increased by 20,8% to 3 263 compared with the same period of 1982

Further growth in the number of judgments — and in rand values — is expected, says KreditInform

The Randburg credit information company adds that outstanding amounts owed in the textile, construction, footwear and electrical industries aggregates more than R100m.

"In the textile industry the worrying factor is the startling upward trend in the number of accounts that are going overdue from a low of 25% in July 1983, to 43,7% in January 1984"

"This factor is cause for grave concern in the industry as it indicates that the small debtor is running out of liquidity after the difficult period over the last two years"

The March KreditReview bulletin says that with stricter credit control the building industry has shown a slight improvement with overdue accounts in the Western Cape dropping from 18,2% in 1981 to 16,2% in 1983.

"But in the latest indices produced by the Standard Bank, it is all too obvious that the amount of building completed has far outstripped the amount of building plans passed," adds the bulletin.

The indication is that building contractors who have been inundated with work will soon be facing fiercer competition and smaller margins.

"A number of them will surely be forced out of business or have to reduce the scale of their operations There is certainly a mounting air of nervousness in the industry and most suppliers are now taking a far more conservative, or restrictive, view on credit granting"

The footwear industry is another where attitudes to debtors are hardening as overdue accounts have gone from an average of 13,7% in 1983 to 17,9% in January

The credit information system for the radio, television and electrical appliance industries has been introduced only recently and "already indications are that 29,6% of the total outstanding in the sector is overdue"

Decision sparked by US investment laws

Nedbank sheds all of its Sage holdings

RDM 13/4/84

220

By HAROLD FRIDJHON

NEDBANK has sold its entire investment of 5 668 510 shares in Sage Holdings to the Mines Pension Funds, Remgro and Mr Louis Shill.

The current market price of the transaction is R46m.

The Mines Pension Funds — the officials' fund and the employees' fund — have bought 2 451 872 of the shares

This will increase their holding to about 34% of the issued capital

The Rembrandt group, a pillar in the Anton Rupert empire, and Mr Louis Shill, the executive chairman and founder of Sage Holdings, have jointly bought 3 216 638 of the shares, giving them a joint interest in Sage of 4 716 638 shares — about 33,8%.

Mr Rob Abrahamsen, the chief executive of Nedbank, and Mr Shill say the sale of Nedbank's 40,7% interest in Sage was sparked by the requirements of American authorities such as the Federal Reserve and the Securities Exchange Commission (SEC) in connection with the activities of the two groups within the US.

A bank holding company in the US may not have any significant investments in property, financial planning and similar companies

In 1983, Nedbank's Northern Hemisphere operations were expanded with the formal establishment of a New York branch

The Sage group, on the other hand, has been active in the US for the past six years through Finplan of America, a wholly owned subsidiary of Sage International BV.

From its initial base in Dallas, Texas, Finplan has established itself in the financial planning services field.

Finplan has also been associated through a technical and management agreement with Lucy Dulin, a Dallas specialised life assurance brokerage operation

In 1983, Finplan took a major interest in a newly established company, Independent Financial Services (IFS), which has opened its first office in White Plains, New York State.

Finplan's partners in IFS are a group of highly experienced American executives who are managing the company, and Marine Midland Bank, a major US banking group controlled by the Hong Kong & Shanghai Bank

The Sage group's property activities have also been extended to the US where Finplan has entered the real estate development field with American partners.

Rembrandt's investment in Sage is a further diversification into financial services and industry.

Sage Holdings earned a group profit before tax of R30m in 1983 The assets managed by the group are in excess of R1bn They generated a total net taxed income exceeding R60m last year.

Mr Louis Shill said last night that in an environment of concentration of control in the South African corporate sector, Sage had been committed to retaining its absolute independence in the financial services industry.

"We are pleased to have entrenched that independence in association with two influential and respected organisations."

SA investment groups are a major force in London

(220) Star 13/4/84

By Christine Moir

LONDON — South African investment groups are emerging as a major force in the changes now sweeping the London securities markets.

Gencor Investment Corporation has just announced it is to team up with top London gilt-edged brokers W Greenwell to form an international dealing company specialising in natural resource stocks.

The new dealership, which will clearly draw on Greenwell's dealing strengths and institutional clients, and Gencor's knowledge of mining and fuel stocks, is expected to become a major influence in the market.

London analysts are already speculating that the partnership, which under stock exchange rules is free to trade both as principal and agent, will shortly develop unit trusts and other investment vehicles specialising in natural resources for the securities market retail end.

The new dealership will certainly have the muscle

Greenwell has just linked up to Samuel Montagu, the 60 percent-owned merchant banking arm of Midland Bank, one of Britain's "big four" clearing banks.

Gencor is the second South African group to take a strategic stake in the new-look London securities industry

In January Charter Consolidated took a 29,9 percent stake (maximum at present permitted) in Rowe and Pitman, one of the most prestigious stockbroking houses

At the same time Akroyd and Smithers, the second largest jobbing firm, linked itself to R and P to form an international dealership like that Gencor has now formed with Greenwell.

When the floodgates opened last autumn in London and traditional professional divisions began to break down, locals feared an invasion from the giant US and Japanese securities houses.

They were looking West and East for the invaders Now it seems the live wires have come from the South.

Apart from Charter and Gencor, South African-born Mark Weinberg (who has now linked up with investment banker Jacob Rothschild) is also being toasted as one of the driving forces of change in the City.

RDM 14/4/84

220

SA links with black Africa even stronger

FOUR years after the Southern African Development Co-ordination Conference was formed to make black Africa economically independent of South Africa, trade and transport ties with Pretoria are even stronger

South Africa's far-reaching trade links reach almost every black-governed country on the continent despite angry demands for international economic sanctions against the white-controlled republic

Seven of the nine conference members, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe, grudgingly admit Pretoria is still their biggest single trading partner

Only the Marxist MPLA regime in Angola and socialist Tanzania publicly declare they are economically independent of South Africa Even there, observers say, a little business is certainly done under the counter

South African trade – in goods ranging from apricots to air-conditioners – continue to boom with Marxist Mozambique, Zimbabwe and Kenya

An official of the 51-member Organisation of African Unity said "South Africa's obnoxious racial policies constitute one of the few points of total agreement among African nations

"But it is also, privately, a point of agreement that South Africa is an invaluable source of cheap goods"

At a recent SADCC conference in Lusaka, hosted by President Kaunda of Zambia, observers said South African rock lobster was on the menu for the delegates at the Intercontinental Hotel, and Drakenstein wine from Cape Province, at £28 a bottle, flowed at lunches and dinners

Outside, street hawkers were selling Cape apples and some of the 79 Mercedes-Benz cars bought by Dr Kaunda's near-bankrupt government for £1,3m from a company, called Benz Union, in Pretoria, were on show

Mozambique was entrusted by SADCC with the cost of replacing South Africa as the main gateway for the area's trade

Sabotage of railroads by anti-government guerrillas of the Mozambique Resistance Movement, inefficient handling of freight and antiquated facilities, have meant that millions of pounds worth of cargo has been stranded at the Indian Ocean port of Nacala and Beira

Malawi has cargo worth £80-million — one-sixth of its total annual imports and exports — stranded at the two ports

State-owned South African Airways flies into all but two of the conference countries — Angola and Tanzania — and South African charter aircraft, often flying at night, are said to land at a host of black African capitals

On board are businessmen, engineers and holds packed with anything from penicillin to power drills

More than 140 000 young black men leave their homes in SADCC states each year to work on South Africa's gold mines Wages are remitted as millions of pounds in foreign currency to their home countries

Business Day/TRADE

RDM. 18/4/84 (226)

Trade missions a boost for exports

By ELIZABETH ROUSE

ALMOST 50% of participants in Johannesburg Chamber of Commerce trade missions have either secured export business or are about to conclude contracts.

This is the finding of a survey conducted by the JCC among businesses that have previously participated in its trade missions.

JCC chief executive, Mr Marius de Jager, says the survey confirms that participants have been successful in establishing contact with potential business partners abroad.

That means that the basic objective — to allow small and medium-sized manufacturers the opportunity of assessing the market for their products at first hand and on an organised basis — has been achieved.

Products now successfully exported to countries in Europe range from sophisticated industrial products, including valves and pumps, to consumer products such as table lamps and nail varnish remover.

In each instance the product had a distinguishing feature that made it attractive Price and quality were also important considerations, says Mr De Jager.

More than 30 missions from Britain and France alone will be visiting SA this year in stark contrast the JCC's sole September-October mission to Europe

Mr de Jager says. "Considering the assistance and support which trade mission participants are given in the preparation of their trip, to the extent of arriving abroad with a programme of fixed business appointments, as well as significant financial support from the Government, it remains a source of amazement that not many more South African manufacturers take advantage of this opportunity.

"It is imperative for the small or medium-sized manufacturer to get to know overseas markets as well as his competitors from the Far East if he is to survive and grow."

The intinerary for the chamber's next mission allows two days for business in Madrid, three business days and a weekend in Paris, a business day each in Antwerp and Brussels, three business days and a weekend in London, as well as a full week in West Germany.

April 21 1984

The Star/BUSINE

Nedbank growing internationally

By Peter Farley

Nedbank is well on its way to becoming a fully fledged international bank headquartered in SA, a fact underlined by its interim figures

And although chief executive Mr Rob Abrahamsen declined to give a breakdown of the bank's individual profit contributors, it is clear from his comments that international operations earnings were a major underpin for the 13% profit growth in the past six months

220

Star 21/4/84

Many sceptics have expected Nedbank to crack, but after a string of strong profit performances Mr Abrahamsen says with 13% growth in a bad period longer-term potential must be even stronger than before

Nedbank's traditional operations have, however, been under severe pressure in recent months High interest rates have precluded substantial profits on the bank's money and gilt market operations, and retail sector competition has pushed Nedbank's market share down from the 11% peak achieved in mid-1983

But Mr Abrahamsen thrives in this environment, and he accepts that while the bank has kept growing it could have been paying more attention to retail banking in urban areas

With Barclays making a massive push in this sector it's highly unlikely Nedbank will be content with just sitting still

But Mr Abrahamsen says the bank will continue to concentrate on quality accounts rather than volume business

A major factor is the bank's tie-up with the Allied Building Society The Allied had long had close links with Barclays, and switched to Nedbank at the beginning of this year

Now Nedbank customers can cash cheques at Allied and Perm branches In future it is likely more innovations will cement this relationship

Mr Abrahamsen says current accounts represent less than 10% of the bank's total assets Profit contribution from this source must be even lower, particularly as it costs R20 million a year in interest on those accounts

Last year some 70% of group earnings were generated by the commercial bank, with about 10% each from UAL and Nedfin

In the short-term Mr Abrahamsen sees little change here, but he expects stronger performance from Nedfin to gradually produce a bigger slice

He says there are signs that Nedfin is writing a bigger volume of business in the highly competitive leasing market

Nedbank has also achieved a major success in the local foreign exchange market where it was weak a couple of years ago Mr Abrahamsen estimates that in contrast to only 15% in 1981 Nedbank now handles more than 40 percent of the total business traded.

But foreign activities present Nedbank's biggest opportunities in the longer-term

The bank is writing substantial business through its London and New York offices Mr Abrahamsen reckons that in the past six months it was involved in raising over R500 million overseas for the public sector alone

Nedbank now plans to develop in Switzerland, it recently opened a finance company there aimed at raising money on the Swiss capital markets for SA clients This could develop into a much larger operation

Clearly there will be expansion into other countries, but Mr Abrahamsen would not disclose those plans now

Barclays and Standard's SA operations have made few inroads, but nonetheless the field is intensely competitive

There are advantages

Mr Abrahamsen admits Nedbank has probably been able to secure certain fund-raising operations, particularly in the US, because of the reticence of some foreign banks to handle fund-raising for SA corporations

But he is confident this aspect of business would still be growing at a similar rate had this advantage not applied

Such confidence at senior level permeates the bank, and has consistently attracted the attention of the investment community This has resulted in Nedbank's market capitalisation on the JSE rising to around R1,5 billion, well in excess to that of all other listed banks

As Mr Abrahamsen says, "We may not be the best in every single area, but the sum total is certainly better than any other bank" And on the basis of the past five years there will be few who bet against Nedbank over the next five

Rob Abrahamsen . getting the competition in his sights

R100m office project in the pipeline

Sage sets sights on US markets

RDM 24/4/84 (220)

By JOHN MULCAHY

SAGE HOLDINGS is poised for substantial growth in the US and is flexing its muscles in the land development sector there and in South Africa.

After announcing a week ago that Nedbank's 40% stake in Sage had been sold — to the mines' pension funds, the Rembrandt group and Mr Louis Shill — the group has disclosed in its annual report several significant developments, both in the US and SA.

Finplan of America Inc, a wholly-owned subsidiary of Sage International BV, has acquired a major interest in a new company, Independent Financial Services (IFS), which has opened an office in White Plains, New York State

Sage's partners in IFS include a group of US executives and Marine Midland Banks Inc, one of the biggest banking groups in New York State.

Sage directors say IFS will, subject to formal registration with various US authorities, provide comprehensive financial services. IFS is "well capitalised, has a sound management team and the strong support of Marine Midland"

If the office in White Plains proves successful, the intention is to expand IFS into a national operation.

"Senior executives of Sage Holdings and FPS Holdings (Pty) and other group subsidiaries will be providing support in the establishment of this new venture, which we believe could make a significant contribution to the wider Sage group in the future."

Through Finplan and with the active involvement of Sage Properties, Sage Holdings has bought a building and an adjoining 30-acre site in Virginia Beach, Virginia

The purchase price was about R22,5m.

A Sage spokesman said at the weekend that the final project would have a value of about R100m

The Virginia project is being developed in partnership with US institutional and real estate interests

On the domestic scene, Sage's annual report shows that the construction and land development division achieved turnover of more than R100m for the first time last year.

The division's turnover has more than trebled over the past five years. In a comment on the short-term prospects, Sage directors say the housing industry faces a difficult year, especially considering the cost and shortage of mortgage finance

They warn that the authorities and the housing sector "still face the daunting challenge of assisting first-time home-buyers to overcome the initial funding barriers to ownership and of finding solutions to the problem of suitable accommodation at the lower end of the market"

The division's net earnings rose to R6,222m last year from R4,371m in 1982 and contributed 50% of the group's consolidated earnings.

Institutional Land Holdings (Pty), Sage's land development arm, reflected a surplus of more than R23m over the R27,6m aggregate book value of its holdings at the end of December

Prospects for Institutional Land Holdings, say the directors, "remain most encouraging and it is currently involved in a number of innovative large development schemes in prime growth areas"

Sage's chairman, Mr Louis Shill, and the directors say there is sound potential for continued organic growth in each of the four operating divisions — investment and management services, insurance and financial planning, construction and land development and property investment and management.

In 1983 several milestones were reached:

- Total assets rose by 41% to exceed R400m,
- Pre-tax profit was almost R25m,
- Assets managed reached R1bn, generating taxed income of more than R60m

The 15-year-old group has now completed three five-year cycles, including the initial five-year stage of establishment, growth and diversification, the second stage of consolidation and rationalisation, and the third five-year stage of sustained strong growth, further diversification and management de-centralisation.

"At the same time, we believe there is considerable scope for expanding and broadening the existing framework of the divisions by way of acquisitions and new ventures

"We believe that 1984 will be an even more difficult year for the economy as a whole, while the group is also facing higher costs of borrowing and increased taxation"

In spite of these constraints, Sage's directors believe the group has the financial strength and structure to produce "satisfactory results in these circumstances".

RDM 27/4/84 (220)

Row in Turkey over rail deal with Iscor

By STANLEY UYS
London Bureau

LONDON.— A major controversy is emerging between the Turkish Foreign Ministry and the Turkish State Railways Organisation (TCDO) over a R28-million contract awarded to South Africa's State-owned Iron and Steel Corporation (Iscor).

The contract — to supply 77 200 tons of rails for the modernisation of the Turkish railway network — was awarded to Iscor earlier this month against stiff competition from Voest Alpina of Austria, Empresa National Siderurigia of Spain, General Steel Export of Switzerland, Stahl Export of Poland, Progress of Yugoslavia, Marubeni of Japan, Materiaux de Voise of France, and Sunkyong of South Korea

The Turkish Foreign Ministry has strongly opposed the contract award, saying it may jeopardise Turkey's lucrative trade with the Middle East countries and harm Turkey's relations with African countries.

According to Turkish political sources, the Foreign Ministry is trying to have the contract declared void and put the tender to re-bid.

The Ministry has also made strong representations to the Supreme Co-ordination Board for Economic Affairs

The companies who lost the tender have also entered the controversy by filing a law suit against the TCDO in the state court for alleged "administrative and financial mistakes made during the tender process"

The Turkish Finance Ministry is also investigating allegations that one of the bidders received special treatment.

Iscor was apparently awarded the contract for its unit price of R199 but a detailed account of the bids issued by TCDO shows that the actual price was R231.

The financing for the Iscor contract has not been revealed

Last month the Saudi Industrial Development Fund (SIDF) agreed on a 312-million Saudi rails loan for the modernisation and electrification of the 577km-long Iskenderun-Divrigli Railway, which includes the construction and laying of new rail tracks

Whether the funding of the Iscor contract is to come out of the SIDF loan is not yet clear

Iscor's Instanbul representative, Mr Ibrahim Senyay, has denied this, saying each bidder brought his own credit offer

Business Day

RDM 3/5/84 (220)

R14m shipyard deal

Financial Reporter

SANDOCK-AUSTRAL has landed a R13,9m contract to build a shipyard in Chile.

The Gencor-controlled engineering company won an international tender for the turnkey project at Punta Arenas at the southern end of Chile.

Export credit cover has been provided the Export Credit Guarantee Corporation

On completion, in 15 months' time, Sandock will operate the facility on a 50/50 basis with State-owned Asmar company which commissioned the project

Sandock's managing director, Mr Pierre de Villiers, said yesterday the company had been able to beat international competition because of the reputation it had developed with its Durban shipyard.

"Our repair and shipbuilding operation at Maydon Wharf has dealt with ships from all over the world and we have built up a strong standing in this market. Our good relations with Chile helped as well as our relatively close position."

The project involves the manufacture of the launching and recovery system and all the technical equipment, which will be shipped to the construction site for erection by Chileans

The docking facility will be able to cope with ships of up to 4 000 tons.

The nearest alternative facility is 2 000km away in central Chile. The new Punta Arenas yard in the Straits of Magellan is virtually assured of most of the repair work in the Cape Horn region

"We will be starting with a small staff and then see how it develops. A market survey shows tonnages rounding the Horn are increasing and we could be employing 1 500 people in five years from now," says Mr De Villiers.

Rennies bid for game lodge, but no casino

(228) Star 5/8/84

By Bill Levitt

Rennies Consolidated Holdings Co has an agreement in principle to buy thousands of hectares of land in Botswana which will be developed as a massive game farm for tourists, the company has confirmed

Mr Ted Steyn, the company's vice chairman and deputy chief executive, rejected earlier speculation that a Sun City-style hotel and casino operation would be built

The company plans to make a major announcment as soon as the Botswana and South African governments give their approval

"But it's definitely not our intention to build a casino," Mr Steyn said, adding that it would be difficult to get the volumes of people necessary to make such a venture profitable

"We're interested in wildlife-centred tourism," he said "It's a diminishing resource with an increasing demand . and we believe it has potential for tremendous growth"

Rennies has agreed to buy 75 percent of certain companies owned by Mr Brian Gilfillan, a local tour operator, which control more than 25 300 hecatres of land in Botswana.

Mr Steyn denied that Rennies had made an unsuccessful attempt to purchase Botswana's world-known Tuli Lodge for R1,3 million, a deal which would have given it a well-established wildlife resort and large airstrip in the area

Mr Steyn admitted that Rennies had asked Tuli owner Monty Fuhr for an option to buy — something that Mr Fuhr never granted

Rennies has not closed the door on acquiring Tuli, Mr Steyn said, although at the moment no talks are taking place. The Botswana deal involves land located just north of the border, about 530 km north of Johannesburg.

Confidential documents show that Rennies had tried to put together a R5,4 million deal involving Mr Gilfillan, Mr Fuhr, the Botswana Development Corporation and itself

Mr Steyn said the figure was incorrect and that the deal was considerably smaller He refused to give the amount

Mr Gilfillan has admitted that he was negotiating with Rennies on a joint venture to increase tourism in Botswana but he described the documents as "totally, absolutely and completely wrong

"I know nothing about a R5,4 million deal"

Mr Gilfillan said he has never seen those documents He refused to say how much his deal with Rennies involves, although he did say "it's not on that kind of level at all"

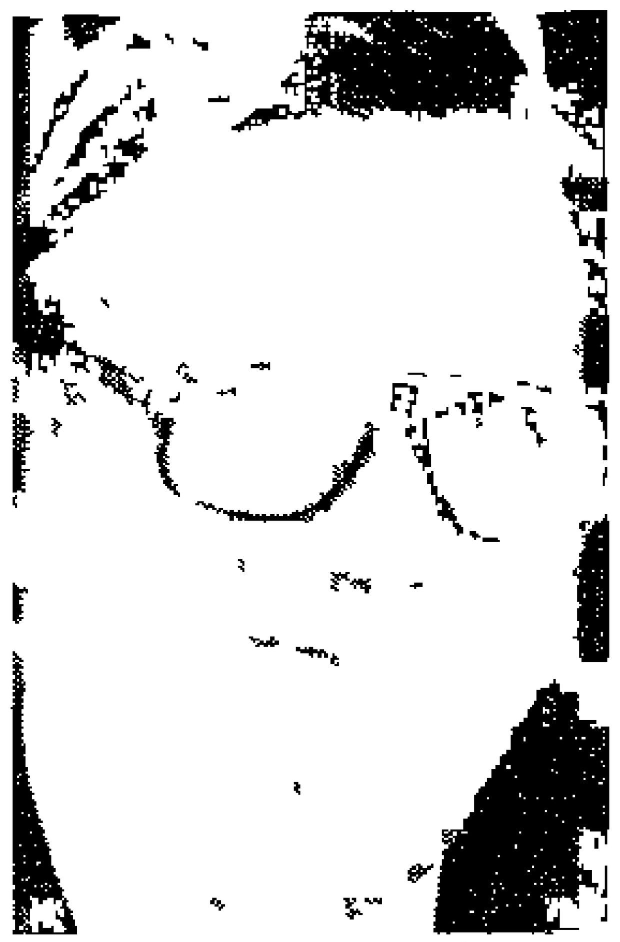
Officials of the Botswana Development Corporation were unavailable for comment

Business Day

Steel move delights Iscor

Rdm 9/5/84

(220)



Mr R J Goss has been appointed to the board of directors of Old Mutual

By PRISCILLA WHYTE

The decision by US Steel Corporation to drop dumping charges against South African steel exporters has delighted Iscor.

The decision follows the announcement that South Africa is cutting steel exports to the United States to 0,42% of the American steel consumption on the basis of a voluntary restraint agreement

Mr Nols Olivier, senior general manager, steel, of Iscor, who has been at the front of the protracted negotiations says "This export level of 0,42% of the United States consumption negotiated for the next three years will be monitored by strict control of export permits"

The agreement is operative for the period April 1, 1984 to March 31, 1985

It means in volume terms South Africa's total exports to the United States will be 409 000 metric tons, according to Iscor

The affected products are of a primary and secondary class and include plate, hot rolled sheet, cold rolled sheet, galvanised sheet, structurals, wire rod, reinforced bar, bright bar, pipes and tubes, drawn wire rope and pre-pressed concrete wire strand

Mr Oliver says the package does not include semis, billets, slabs and other unworked products.

The implication of this is that South Africa has reserved the right to consult with the United States steel industry to supply these products if demand in the United States requires import accommodation

Main-line heavy rails of carbon and quality manganese ranges are also open to export negotiation outside the present three-year voluntary restraint agreement

Mr Oliver says Iscor is "delighted" about the resolution of the United States export issue and that it is felt that South Africa is contributing in a voluntary manner to alleviate the strained situation the world steel industry finds itself in

He says South Africa has been ensured a reasonable market share in the United States in line with its track record

He points out that the withdrawal by US Steel Corporation of its anti-dumping petition and countervailing duties complaint against South Africa means that South Africa is no longer grouped with other Third World countries such as Brazil, Australia and South Korea, which have been accused of dumping

South Africa is now in a separate category

The United States has been a very important market for Iscor for the last 22 years

Mr Olivier says that the 409 000 tons represents over R150m a year in foreign exchange to South Africa and with the depreciation of the rand against the dollar, there there has not been much difference in the earnings from the United States over the last three to four years

Mr David Roderick, chairman of US Steel Corporation, said when announcing the charges would be dropped, that the company's decision was prompted by the South African Government's announcement that it would limit steel exports to the US to the 1979-1981 levels, which averaged 372 000 tons annually

He believed the restriction would limit South African steel imports to the US by about 23% in the first year

During 1982-1983, Mr Roderick noted that South African steel producers accounted for 0,72% of domestic steel shipments

Star 16/5/84 (220)

Nedbank set on bolstering its international operations

By Bill Levitt

Mr Michael Klingman (42), a widely travelled US banker and former Foreign Service officer, has joined Nedbank's international staff in another move to boost its operations abroad

Nedbank recently opened a branch in New York and a finance company in Switzerland

Its foreign activities present substantial opportunities in the longer-term and other moves are being contemplated

Mr Klingman, now deputy general manager of Nedbank's international division, has 12 years of banking experience in the US and the Far East and important international links with businessmen

He lived in South Africa in the late 1960s, has many friends here and thinks the anti-South African feeling in the US is overblown "and of little or no consequence" to business.

"When someone needs finance, it doesn't matter what the political issues are"

After leaving university with a master's degree in finance, he had a short stint with General Electric before joining the US Foreign Service

Mr Michael Klingman

Six months later he was sent to South Africa as a political and economics officer, spending three years before moving to Peru

In 1972 he returned to the US to become a junior banking officer with RepublicBank in Dallas, the country's 20th largest with assets of $20 billion

Rising quickly up the ladder, he helped develop the bank's international division. By the end of 1974, he was off to Hong Kong to establish RepublicBank's Asia/Pacific operations

Four years later, he returned to the US as deputy head of its European division In 1980 he became senior vice-president responsible for Asia/Pacific

But the world debt crisis, precipitated by Mexico's default a couple of years ago, made regional banking difficult

When his predecessor, Mr Jan Van der Horst died suddenly and he discovered that Nedbank was casting about for a replacement, Mr Klingman eagerly applied.

"I got tired of the pessimism and the reaction to the global debt crisis," he said "This is the one of the principal areas of the world where internationally there is a future"

Mr Klingman discounts the anti-South Africa movement in North America

"They are provoking emotional responses for irrational reasons They have neither inhibited nor prevented any major corporations from continuing to do business with this country," he said

"Banking is an apolitical issue and not an instrument of foreign policy"

While he feels it is too early for him to make definitive statements about SA banking, he believes Nedbank is truly an international bank headquartered in Johannesburg

Phibro split leaves Anglo in the cold

220

S. Times

27/5/84

By Neil Behrmann: London

MINERALS & Resources Corporation, Anglo American's international investment company, is likely to lose a strategic stake in the world's top commodity dealers.

David Tendler, joint chairman of Phibro-Salomon Brothers, and a group of senior executives and employees intend to buy Phibro-Salomon's commodity trading operations

Wall Street estimates that the deal could exceed $500-million. If it comes off, Phibro-Salomon would be left with the securities business and oil division of Salomon Brothers Phibro-Salomon is quoted on the New York Stock Exchange

Network

The deal would be significant for Minorco, which holds 22% of Phibro-Salomon Philipp Brothers, the commodity side of Phibro-Salomon, includes a strong precious metals unit and has a world-wide intelligence network

Share prices of Minorco and Phibro-Salomon dropped after the announcement.

Last year Phibro-Salomon's pre-tax profits were $617 million on revenues of nearly $30 billion

Salomon Brothers, the other autonomous subsidiary, is a worldwide investment banking, market-making and research firm It made pre-tax profits of $415-million last year — the highest in its history.

Philipp Brothers, an international marketer of crude oil and oil products, precious metals, ferrous and non-ferrous minerals and metals, fertilisers, petrochemical and plastic feedstock, agricultural products and other raw materials, made a profit of $260-million in 1983

Timing

J Clarence Morrison, a vice-president of Dean Witter Reynolds and a Phibro-Salomon watcher, estimates that the non-oil commodity operations of Philipp Brothers contributed $9 000-million of revenue last year Pre-tax profit was about $165-million

Chris James, a partner of Scott Goff Layton in London, believes that Minorco unwittingly stands to lose an opportunity in the world's leading commodity business.

Reg Eccles, chairman of Metals & Minerals Research, a London consulting firm, says Mr Tendler's "timing could be superb".

Mr Eccles forecasts improved commodity markets next year The new independent trading unit would be able to take advantage of dealing opportunities, leaving Minorco out in the cold

Optimistic

But other analysts are more optimistic about a new Phibro-Salomon entity

They say international commodity activities are falling because of disinflation Phibro-Salomon would improve one stripped of commodity dealings.

Last year Salomon Brothers, which has interest-rate guru Henry Kaufman as chief economist, was first in the ranks of US investment managers

Besides its oil-dealing division, Phibro-Salomon has an investment in the North American Beaufort Sea oil and gas prospect.

A report to the Securities and Exchange Commission says oil trading contributed more than 50% of Philipp Brothers profit in the three years to 1982 "Commodity markets have been depressed for more than two years, reducing worldwide consumption of many commodities and putting pressure on profit margins," says the report.

Tough man

Theories abound on why Mr Tendler, who was paid $2,08-million last year, and several executives earning more than $1-million, wish to leave

Some gold dealers say there was acrimony between Mr Tendler's traders and Salomon Brothers.

A London gold trader says "Mr Tendler is a tough man who likes his own way. He prefers independence"

Other dealers say Salomon Brothers wants to drop the commodity division Mr Kaufman is forecasting rising interest rates, which could lead to a further downturn in the world economy, and under those conditions bond markets would be a more profitable than commodity dealings

Nedbank opens up in Cayman Islands

(220) Star 6/4/84

By Bill Levitt

Nedbank has opened overseas branches in the Grand Cayman Islands and Jersey in the Channel Islands in another bid to strengthen its international operations

Nedbank recently expanded abroad, opening a branch in New York and a banking company in Zurich.

The bank's foreign activities present substantial opportunities in the longer term and other moves are being contemplated, said a senior Nedbank spokesman

These latest moves follow the addition of Michael Klingman, a widely travelled American banker and former foreign service officer, to the bank's international staff.

The new Jersey branch is in a prime Euro-currency area which also has a highly developed Euro-sterling market

This addition will enable the bank to price finance packages more competitively

Although the Channel Islands and Grand Cayman are internationally known as tax havens, Nedbank's decision to open branches in those areas is a basic banking decision to extend its activities on an international scale.

Mr Rob Abrahamsen, Nedbank's chief executive, said the bank has established itself in all the major currency centres in the Western world

"If a client needs to borrow in Euro-currencies, sterling, dollars or domestic rand, Nedbank can assist him "

Two other SA-controlled banks also have representation abroad

Trust Bank has a banking office in London and a representative office in Hong Kong. Volkskas and the Volkskas Merchant Bank bought a bank in London which carries out banking operations as a wholly-owned subsidiary.

Plate Glass rates as first industrial multinational

020 Star 8/6/84

By Peter Farley
Investment Editor

12months to March 31	1983 (Rm)	1984 (Rm)
TURNOVER	560,0	886,1
PRE-TAX PROFIT	58,9	99,9
TAX	23,3	42,8
ATTRIBUTABLE	29,2	32,6
EPS	183,3c	204,6c
DPS	95c	100c

Plate Glass and Shatterprufe Industries graduated to the big league last year and established itself as SA's first truly multinational industrial company.

And, although the figures for the year to end-March are far from startling, the transformation of the group through its recent foreign acquisitions and domestic merger has laid the platform for future earnings growth.

A 12 percent earnings lift and a less than six percent dividend hike are spot on market expectations. But this represents only a small part of the story.

The move into glass manufacturing in SA, through the merger with Pilkington and the formation of Glass SA, was the biggest development last year. But the consolidation of its Australian interests and the establishment of an integrated merchanting business in the UK was probably more significant.

On the domestic front the most important internal factor was the improvement at PG Wood, which increased sales by 30 percent and operating profit by 25 percent. This resulted in a R5 million turnaround Much of this can be attributed to the continuing buouyancy of the building sector, but also because of reduced overheads Although not detailed this does suggest greater internal efficiencies.

What was a disappointment, however, was the wood operations in Central Africa — Zimbabwe, Zambia and Malawi — where profits tumbled. And although the group is not giving up hope that earnings growth can be restored in this sector it is nevertheless budgeting for another fall this year.

International growth on the wood side should consolidate operations this year, with attention being primarily focussed on the more successful procurement of raw material — additional worldwide buying offices are already being established — and an extension of the group's shipping charter operations.

The year ahead is seen as one of consolidation, particularly on the international front. But this does not preclude further acquisitive expansion.

The most likely direction appears to be an extenstion of Solaglas's US subsidiary West Coast Glass. Until now it has confined itself to the merchanting of replacement autoglass and a move into flat glass appears the most likely development

An expansion through the purchase of a listed Florida-based company was almost concluded in the past couple of months. But the required earnings multiple and the strength of the inherent management meant that the potential deal fell through

It is this latter factor which has been the cornerstone of the group's international development. This has been particularly noticeable in the UK. Through the relatively cheap purchases of James Clark and Eaton and the later addition of Windshield Enterprises and Cresstoll, Solaglas has become the largest glass merchant in the UK — four times bigger than its nearest competitor.

There are again unlikely to be any real earnings surprises this year from the Plate Glass group. The joint chairmen expect a fairly flat earnings performance on the domestic front to be complemented by a slight improvement overseas — which should make for a similar type of growth to that produced last year.

One area on the local scene which may impair earnings is the imminent entry of Wesglas to the autoglass market With the backing of three major manufacturers this is certain to make a dent in sales

In the future the group will no do be listing the glass and wood operations separately on the local market But for the time being it has no need for the capital, so sees no justification in hiving off more of the profits.

Already it has a pyramid in Placor, which by its nature would complicate further down the line listings. There is also some extremely complicated arithmetic to be concluded before the two operating divisions could be separated

But it woul not be a surprise to see the newly formed UK holding company, also named Solaglas, to seek a listing in Britain. There is certainly more need for a capital injection there — given SA's exchange control limitations — than here

The share stands on an historic 5,7 percent yield at the current 1 750c share price. The latest developments should ensure further investment potential.

Ackerman expects to cobber 'em down under

220

Star 9/6/84

By Peter Farley

Pick 'n Pay looks set to at least match the 14 percent earnings growth achieved last year in the 12 months to the end of next February

And although chairman Mr Raymond Ackerman will only go on record as saying he is cautiously optimistic about the current year and that sales should rise by 15 to 20 percent, turnover in the first quarter this year is already 21 percent above the corresponding 1983 period

But the most exciting development this year will be the beginnings of an international expansion, when the group's first Australian hypermarket opens in Brisbane in November

Mr Ackerman is not letting it rest there and reckons that there is a potential in the country for at least another eight hypermarkets Negotiations are nearing completion for the acquisition of site for a second store and a third property purchase looks like following

A decision on whether to go ahead with the second store will, however, only be taken after the first one has opened But this could happen as quickly as January next year

In the further distant future Mr Ackerman envisages an expansion into the US, but says that this development is at least a couple of years away.

The decision to go into Australia was prompted by the knowledge that retailing techniques were superior in SA He says that there is still much to learn before the group can compete in the US

Back at home Mr Ackerman has consistently produced a growth record that has been the envy of other retail outfits

This was initially built around the establishment of a strong cash flow, but now more moves are being made to strengthen the balance sheet Always clean of any significant amount of debt, it needed more assets

In the past few years the group has been gradually moving away from leasing its stores to owning some of them The property portfolio now stands at around R60 million, representing some 20 percent of the total trading space

But this does not mean a complete switch away from leasing Mr Ackerman says that probably only one store out of the six scheduled for construction this year will be owned

He says, however, there will be a slight negative impact on cash flow this time due to the withdrawal of lifo and the availability of participation in leverage lease finance schemes

But, he points out, the company only used lifo for the first time last year, when a R3 million benefit was drawn down The money loaned to Sappi was taken out of deferred tax requirements and had no impact on the bottom line

He says the increased trading income will more than compensate for any losses in this area It will also have no effect on the tax rate as in the recent past the group has paid the full 46,2 percent tax rate

The company's dividend cover came down to 2,25 last year and, as this is closely tied to cash flow, Mr Ackerman expects it to fall further this year However, while the long-term intention is to bring it down to two, it will probably only slide to a little over 2,1 this year

Mr Ackerman says that there is no reason for shareholders not to share in the group's success and says that if Pick 'N Pay does not need the cash it should be distributed in dividends

He says that although retailing margins dropped last year this is not a result of price cutting It has occurred as the food side grows at a faster rate to hypers That split currently stands at 85 15 on sales and could rise a bit further

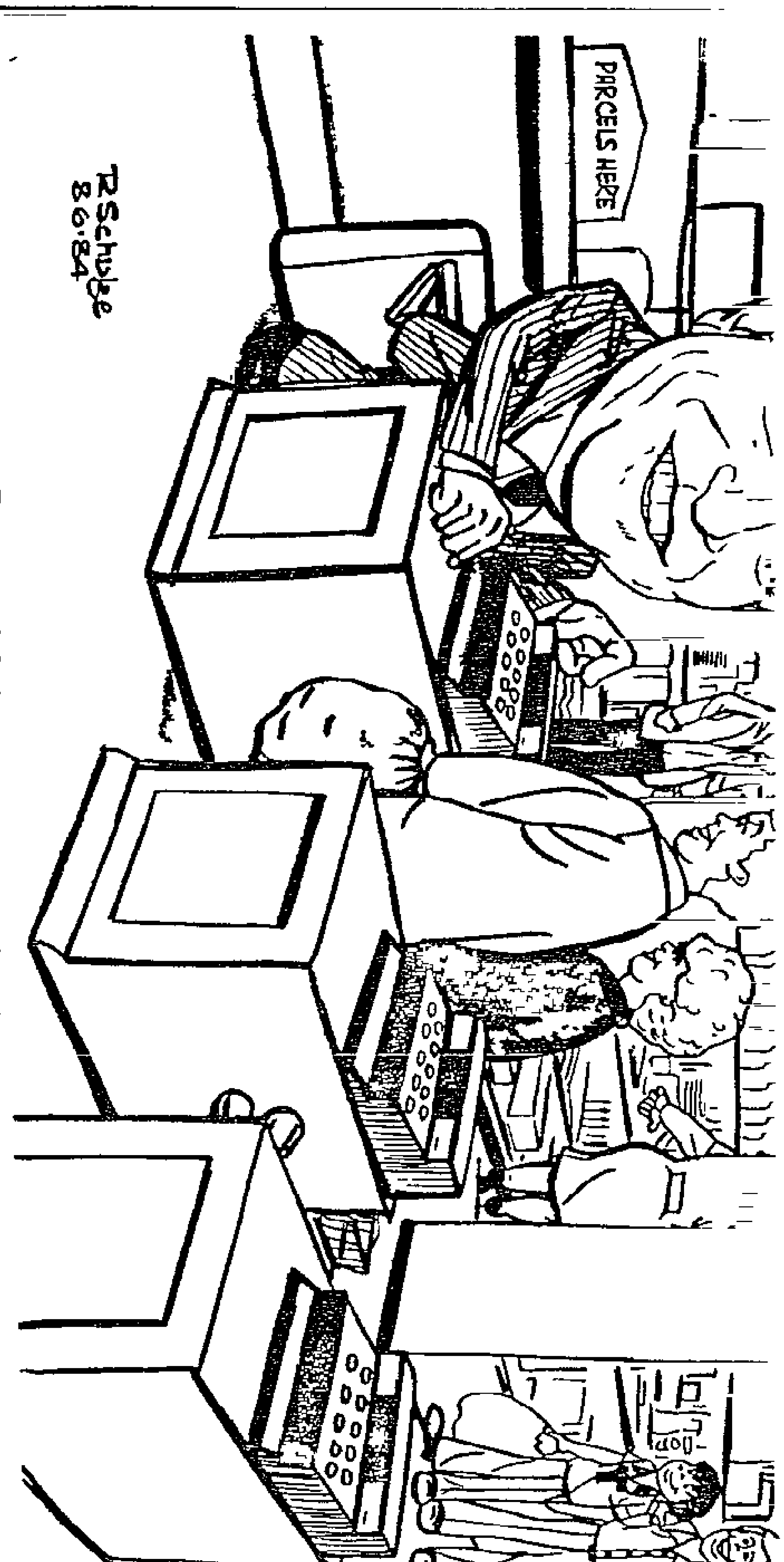
Assuming the group raises earnings by 15 percent this could result in the year's total dividend rising to 90c from last year's 72c With the share price having fallen back almost to 2 700c from 3 100c at the time of the preliminary results this puts the company on a 3,3 percent forward yield

With newly listed Score on a forward yield of under 2,3 percent, for the same year-end, there must be room for an improvement to over 3 500c

In a surprisingly frank discussion on allegations that the store group has the appearance of being a one-man band, he said that there is a likelihood of a management restructure in the next year or two

For the time being, he says, the directors agree on the need for a strong, and identifieable front man But with the group growing at its present rate, it is becoming too much for him to handle

To this end he envisages the appointment of a chief operations officer, much on the lines of US companies



Raymond Ackerman...preparing for the outback

220

NEW BOOK PUTS GIANT SOUTH AFRICAN GROUP UNDER THE MICROS

'Growth of Anglo is a product of apartheid

By Deon Delport

FORMER Prime Minister John Vorster allowed Anglo American Corporation to continue controlling much of the economy and suppressed a Government commission's findings on the group in exchange for the multi-national's aid in his diplomatic initiatives, claims the author of a new book *Anglo* to be released this month

In a highly critical analysis of South Africa's biggest company, Dr Duncan Innes, a senior lecturer in industrial sociology at the University of the Witwatersrand, claims the "growth of Anglo is a product of the system of apartheid"

Given Anglo American's enormous economic power, Dr Innes asks how the company has used its economic and political influence to maintain the status quo or bring about change, and he concludes "There is no evidence Anglo wants fundamental change"

An Anglo American spokesman comments "AAC's efforts in working towards a merit-based society in South Africa are a matter of record

"Mr Oppenheimer, when chairman of the corporation, stated that our profits, far from being bolstered by apartheid, would be higher in its absence"

The book says that in 1964, under Prime Minister Hendrik Verwoerd who was in favour of Afrikaner Nationalists taking over the economy, a Government commission was established to look at the group's strength and influence in the country's economic and political life

"The Hoek Commission tried to look at Anglo as I attempted to do, in detail, and to analyse where its power bases were and to what extent it controlled the economic resources of the country

"Hoek saw this as running against the interests of Afrikaner Nationalism because what the Afrikaners wanted was to control the economy

"It was all very well for Sir Ernest Oppenheimer to hand Gencor over to Afrikaans interests to give them a share in the gold mines, but that was not enough.

"The commission tried to identify what economic areas Anglo controlled and then to raise the spectre of Hoggenheimer control of the economy

"Unfortunately for the commission, Verwoerd was killed and John Vorster, with a much more pragmatic approach, came to power

"Unfortunately for the commission it overlapped with Vorster who was looking for a deal, and part of the deal was that the Hoek report be suppressed "

Anglo has since acted as an "informal diplomatic service" for the Government through its large-scale investments in Southern Africa

Current Anglo leadership has said although the Nkomati Accord is important, the stablising influence comes from the economic links that are forged, Dr Innes says

"Anglo plays a tremendously important role here because it has massive investments in Zimbabwe and Zambia, large investments in Namibia, and very significant investments in Botswana and Swaziland

"But the question is Are these sort of links going to bring about stability and does that mean these links will play a part in coercing African states to accept the status quo in South Africa or that through these links Anglo will press for change?"

Dr Innes claims a group as powerful as Anglo has been ambiguous in the extent to which it has tried to bring about change

"Anglo has taken quite a progressive position in regard to labour relations and pushed for higher wages for mine workers in the 1970's, against the opposition of other mining groups

"I feel that Anglo does not go nearly as far as it could do and when you look at it, it is not doing anything that goes significantly counter to Government policy

"Anglo's recognition of black unions went hand in hand with the Government's Wiehahn Commission recognition of unions It has never gone out in advance and taken up a stand on this

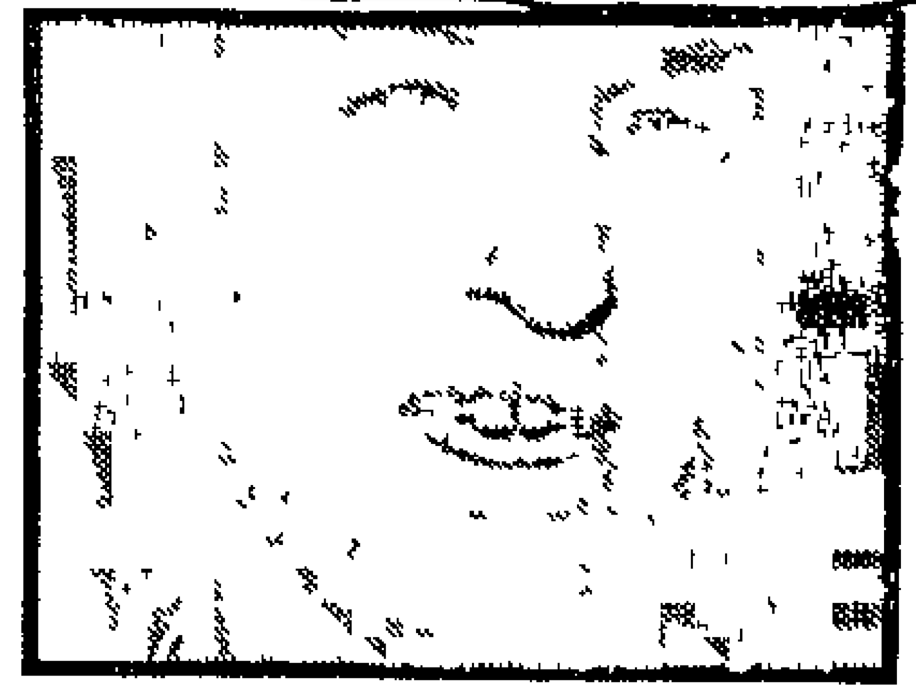
"During the period of the Sharpeville unrest and flight of international capital, Anglo stepped in and bought up shares

of
ies
tid
nat
mu
fai
cap
thr
ing
An
re
Af
In
ov
Ar
So
ha
so
is
th
ha
va
w
w

SUNDAY TRIBUNE, JUNE 10, 1984

UTH AFRICAN GROUP UNDER THE MICROSCOPE

of Anglo is a of apartheid system'



DR DUNCAN Innis ... highly critical analysis of South Africa's biggest company

"Hoek saw this as running against the interests of Afrikaner Nationalism because what the Afrikaners wanted was to control the economy

"It was all very well for Sir Ernest Oppenheimer to hand Gencor over to Afrikaans interests to give them a share in the gold mines, but that was not enough

"The commission tried to identify what economic areas Anglo controlled and then to raise the spectre of Hoggenheimer control of the economy

"Unfortunately for the commission, Verwoerd was killed and John Vorster, with a much more pragmatic approach, came to power

"Unfortunately for the commission it overlapped with Vorster who was looking for a deal, and part of the deal was that the Hoek report be suppressed"

Anglo has since acted as an "informal diplomatic service" for the Government through its large-scale investments in Southern Africa

Current Anglo leadership has said although the Nkomati Accord is important, the stablising influence comes from the economic links that are forged, Dr Innes says

"Anglo plays a tremendously important role here because it has massive investments in Zimbabwe and Zambia, large investments in Namibia, and very significant investments in Botswana and Swaziland

"But the question is Are these sort of links going to bring about stability and does that mean these links will play a part in coercing African states to accept the status quo in South Africa or that through these links Anglo will press for change?"

Dr Innes claims a group as powerful as Anglo has been ambiguous in the extent to which it has tried to bring about change

"Anglo has taken quite a progressive position in regard to labour relations and pushed for higher wages for mine workers in the 1970's, against the opposition of other mining groups

"I feel that Anglo does not go nearly as far as it could do and when you look at it, it is not doing anything that goes significantly counter to Government policy

"Anglo's recognition of black unions went hand in hand with the Government's Wiehahn Commission recognition of unions It has never gone out in advance and taken up a stand on this

"During the period of the Sharpeville unrest and flight of international capital, Anglo stepped in and bought up shares of disinvesting companies

"Anglo stemmed the tide by showing the international business community the company had faith in the Government's capacity to see the crisis through," Dr Innes says

Summing up his findings on the nature of Anglo American and its relationship to South African capitalism, Dr Innes concludes "Yet if over the past century Anglo American and South African capitalism have achieved an awesome degree of power it is as well to remember that in the process they have created a countervailing force which may well have the potential to wrest that power from them

'The capitalist class which developed the world's largest goldfields has also produced the largest proletariat in Africa"

An Anglo American spokesman said "As Dr Innes's conclusion indicates, his analysis of the economic history of South Africa is from a particular intellectual standpoint

"Mr Relly (current chairman of Anglo), in speaking to the Free Market Foundation in Cape Town in August last year, said 'We can no longer afford to be held back by policies that serve only the narrowest of sectional interests We cannot allow the free enterprise system to be honoured more in the breach than the observance in so vital a matter as the freedom of movement of South Africans of whatever colour'

"As to Dr Innes's remark that Anglo has never taken up a stand on the issue of black unions, Mr Oppenheimer in July 1974, in advance of the Government, urged the appointment of an expert commission to make proposals for trade union representation of all workers in South Africa At the time the Government dismissed his suggestion It appointed the Wiehahn Commission three years later, in August 1977"

FINANCE

Minorco may be poised for Anglo American bid

ARGUS 18/6/84 ~~232~~ ~~5?~~ 220

Argus Foreign Service

LONDON — The scene is set for a large bid by Minorco, the Bermuda-based holding company for Anglo American, according to an in-depth analysis of the giant by Charles Zorab of stockbrokers Quilter Goodison

He suggests that the bid might be accompanied or preceeded by disposals His guess is that it would be a further move into energy, either coal or oil and gas

Minorco's balance sheet is very strong with virtually no debt and around $209-million dollars held in liquid funds

Interim results showed net profits trebled to $75 400 000, and Mr Zorab predicts the full year — to end June — will double that figure

The main thrust, he suggests, is coming from Phibro Salomon, the investment banking and commodity trading concern

Recently there were dicussions of a proposal to hive off the non-oil trading side of Phibro in a management buy-out and it was expected that the oil trading side would follow

This, says Zorab , was know to be the result of friction between Phibro's top management. The de-merger is now off and Mr Zorab speculates that David Tendler, Phibro Salomon co-chairman, and Thomas O'Malley, president of Phibro, have either settled their differences or have had their heads banged together by Minorco.

Whatever it is, he argues that it is worrying to have tension of ths kind and it does nothing for earnings or investor confidence

.. offers a jug of water to be blessed by the Pope at an outdoor mass at the ..ities have launched several water development projects in Africa

Picture: UPI

New campaign against SA products in UK

RDM 18/6/84

220

London Bureau

LONDON — The Anti-Apartheid Movement (AAM) launches a massive new campaign in Britain next week to dissuade organisations and individuals from buying South African products The campaign coincides with the AAM's 25th anniversary

And yesterday Mr Mike Terry of the AAM said the recent visit to Britain by the South African Prime Minister, Mr P W Botha, had deeply angered many people and their protests had made others aware of the South African situation

"For many of them the easiest way of taking a stand against apartheid is to boycott South African goods," he said

According to Mr Terry there had been a tremendous diversification of imports of South African-made goods into Britain The new campaign will be aimed at textiles and manufactured equipment such as trucks

Asked how successful he thought the AAM had been in persuading consumers not to buy South African fruit and other agricultural products, Mr Terry pointed out that a recent survey showed that while South African products were the ninth most popular in 1960, in 1984 they ranked as the third most unpopular

But he conceded that despite their impact on public opinion, they had not been able to change government policy regarding South African imports

In the coming weeks the movement will write letters to large concerns such as hospitals and schools urging them to exclude South African products from their bulk purchases

The decision by the South African Government to go ahead with the removal of the Kwangema people in spite of widespread international appeals, amounted to Mr Botha showing "two fingers" to the British Prime Minister, Mrs Margaret Thatcher, who spoke out against the scheme

This attitude had outraged many people who were at first dubious of the activities of the AAM and Mr Terry claimed that their membership had increased greatly since Mr Botha's visit

..e apathetic, say ..f city vandals

.. who ..n and .. dissatis-

..ys, aca- ..s, secre- issued an .., for fear .. further

.. form of and house ..cars being

..h threats, .. for their children ..cept our ..t that we ..ks" the

why they among the

.. than a .. any pro-

..eared to ..inct lack

..e have .. or po-tential witnesses, and in some cases have not visited the scene of the crime to see if there was any evidence worth collecting

Following a meeting with a senior police officer, the group said they did not receive a satisfactory reply to their stated dissatisfaction with the investigation.

A police spokesman said the group should realise that an investigation was an "ongoing process"

The police were responsible to the community to investigate cases thoroughly

"Therefore, the thoroughness of the investigation has something to do with the time it is taking," the spokesman said.

"If the group is not satisfied with the results or the action taken by the police then it should realise that the police doors are always open and that the police hierarchy is always prepared to listen to claims of harassment."

He said the police regretted that the group had not consulted more senior members of the hierarchy with their complaints about the investigation.

Attacks have occurred on the properties of residents in Berea, Yeoville, Bellevue, Kensington, Mayfair, Oaklands, Orchards, Melville, Westdene, Forest Town, Doornfontein, Brixton, Crown Mines, Orange Grove and Parkview — Sapa.

Jackson for anti-SA rally

By RICHARD WALKER

NEW YORK — The Reverend Jesse Jackson and Mr Sam Nujoma head an explosive combination of speakers who today promise the Reagan administration's South Africa policy its most boisterous challenge to date

The firebrand presidential candidate and the Swapo leader will share the platform at the opening session of a North American regional conference on "Action against Apartheid" being mounted by the US Special Committee against Apartheid

Others scheduled to participate in the four-day event include Senator Edward Kennedy, former UN ambassador Andrew Young and Commonwealth secretary-general Shridath Ramphal.

South africans invited include Dr Alan Boesak and Father Smangaliso Mkhatshwa, secretary-general of the Southern Africa Catholic Bishops Conference.

Several ..

Seven killed in Crossroads fire

Mail Correspondent

CAPE TOWN — Seven people, including a mother and son, died in a Crossroads shack fire early yesterday morning

One of the four survivors of the Crossroads tragedy, Miss Zoliswa Majali, 19, said her sisters, Thembakas, 21, Koliswa, 6, Daniswa, 3, and her brother, Stembeli, 20, died in the flames

A lodger, Miss Mtombi Swartbooi, 24, her son, Nxola, 2, and a man known only as "Tommy had been sleeping in another room and had also burned to death

The fire is believed to have started when a candle fell to the ground at about 2am yesterday

"I ran out of the house screaming when I saw the flames all over Three other people in the house got out too," Miss Majali said

By the time the fire brigade arrived the house had already been razed

The fire was over in less than an hour

"We could save nothing from the house All we could do was watch how the flames destroyed everything," she said

Three other people, including a brother and sister died in a fire on a farm near Firgrove this weekend

• Mr Robert Coulson, 46 died when he tried to save a nine-year-old boy from a burning wood-and-iron shack in Third Avenue, Belgravia Estate, early on Saturday morning

Police are investigating the cause of the fire

● Jackie, 2, and Wilhelmina Davids, 3, died when a room in a house on the farm Newlands, near Firgrove, went up in flames early on Saturday morning

According to the Boland police they had been playing with a candle when bedding caught alight and the fire spread throughout the room

..an' Zapu meetings

UDF told no action

RDM 19/6/84 220

SA and US money to finance Lobatse project

R15m vegetable oil mill for Botswana

By BRENDAN RYAN

A R15m vegetable oil and oil cake cattle feed mill is to be built in Lobatse, Botswana, which will make the country independent of supplies from South Africa

It will be financed by American and South African funds and built by an international consortium co-ordinated by Botswana-based Agricultural Enterprises

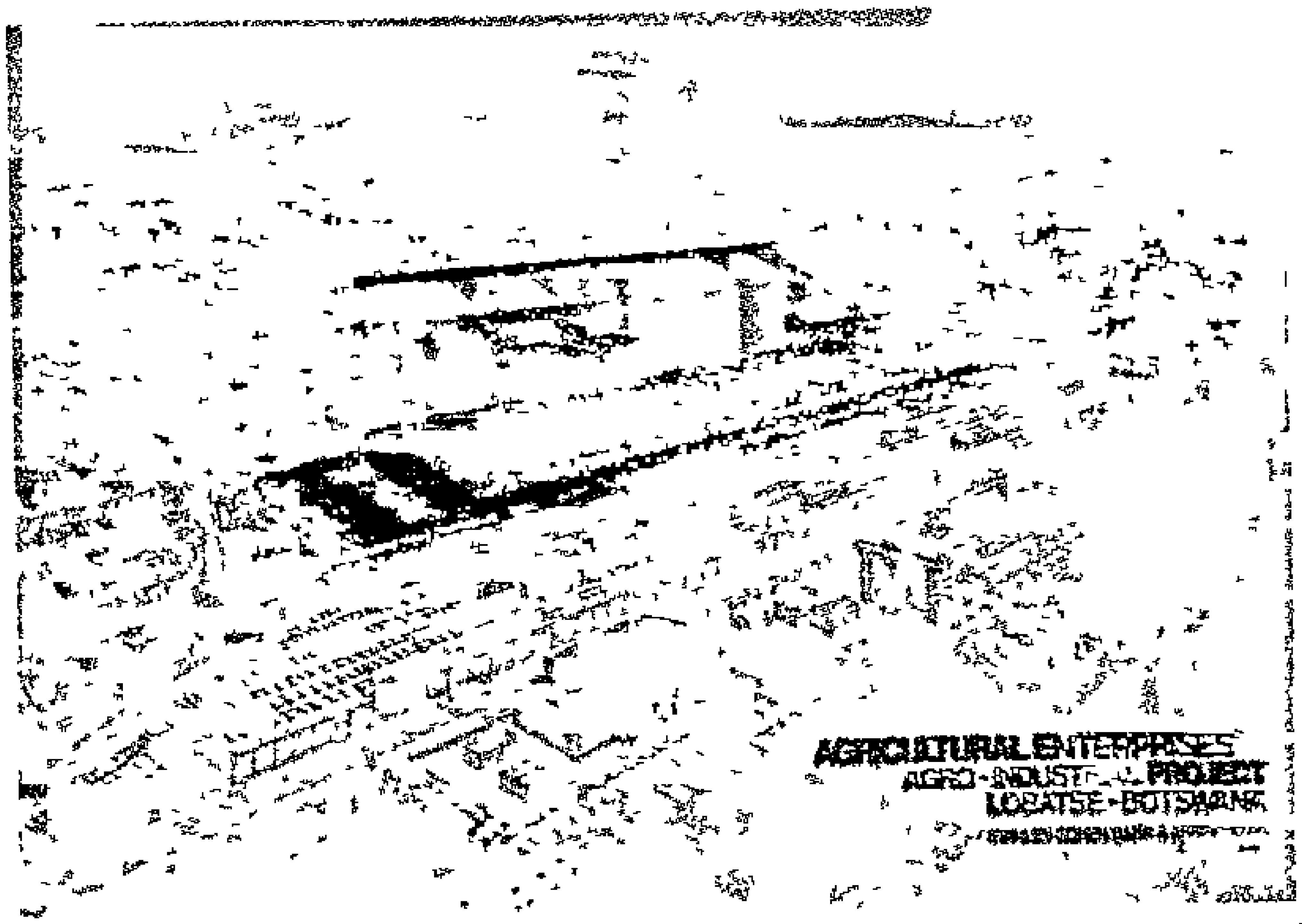
The project was singled out at a recent meeting of the Southern African Development Co-ordinating Council (SADCC), a body aimed at reducing the sub-continent's dependence on South Africa, as one of the most viable proposals put forward

Agricultural Enterprises intends exporting the bulk of its vegetable oil production to the SADCC member countries, while its output of oil cake will be sold entirely inside Botswana as cattle feed concentrate

The mill will have the capacity to treat 60 000 tons of sunflower seed annually to yield about 22 000 tons of oil and 35 000 tons of oil cake

Botswana will take about 2 000 tons of oil annually and the rest will be exported to markets which have already been tied up, according to Mr Michael Lynott, managing director of Agricultural Enterprises

He said in Johannesburg yesterday that the plant would be in production within a year and full output would be reached immediately, working three shifts daily and seven days a week



An artist's impression of the R15m vegetable oil and oil cake cattle feed mill to be built at Lobatse, Botswana.

The mill will be completely self-contained with its own power and water supplies and the capability of manufacturing 20-million plastic bottles a year

The silos and grain-handling equipment are to be provided from Brazil, the feed mill from Italy, the bottle-making plant from West Germany, the refinery from Belgium and the oil expellers and heaters from Taiwan

The mill will be completely computer-controlled ,employing only some 180 shift workers, but it will give a major boost to large numbers of farmers in the area

International financing for the project is being negotiated by the Connecticut-based Equator Bank, which is the merchant banking arm in Africa of the Hong Kong and Shanghai Bank Corporation

Agricultural Enterprises has negotiated export credits in South Africa to cover a loan of R1,846m from the Industrial Development Corporation (IDC)

The IDC loan will meet part of the cost of constructing the mill's R750 000 2km-long railway spur and a six-track siding

The Botswana government, in granting the licence for the production of vegetable oil, oil cake, maize and dairy products, has also granted Agricultural Enterprises a five-year tax holiday

The mill is expected to save Botswana R2,5m annually in foreign exchange

Sunflower seed for the plant will be imported from the US until Agricultural Enterprises manages to build up local supplies

Mr Lynott said about 100 000ha south of Lobatse was suitable for dry-land sunflower farming using drought-resistant seeds

The land is now farmed by subsistence smallholders producing maize and sorghum

Mr Lynott said they were interested in growing sunflowers for the plant and up to 10 000 local farmers, supporting about 70 000 people, would be encouraged to grow the crop

He estimated that it would take about five years to get local production up to the levels needed to meet the plant's requirements

Another important aspect of the scheme is that Agricultural Enterprises will be able to buy cattle from Botswana ranchers and fatten them on feedlots before delivery to the Botswana Meat Commission's Lobatse abattoir

Many cattle are trekked long distances to Lobatse and arrive in poor condition

Final details have yet to be arranged but under the new system the abattoir will take cattle delivered in good condition and Agricultural Enterprises the cattle in poor condition for fattening before sale to the abattoir

The project brings Agricultural Enterprises into direct competition with South African food giants, Premier Milling and Tiger Oats, which have traditionally supplied the Botswana market

Botswana is a member of the South African Customs Union and SA companies will be able to compete freely with Agricultural Enterprises for the Botswana market.

MES, June 24 1984 13

Sol goes shopping for a luxury hotel

220

S. Times

By CAS St LEGER

SOL Kerzner has been shopping again. One of Southern Africa's most prestige hotels may soon be operating under the Sun International (SI) banner.

The Maseru Hilton Hotel, run by the Hilton group and owned by Lesotho Government, was built in 1979 at a cost of R12-million.

Its striking hilltop building of traditional, Lesotho dressed stone offered 240 luxury rooms and a royal suite with opulent accommodation, including log fires and three-sided panoramic views

The Hilton also had a casino, operated on a concession basis by entertainment entrepreneur Mr Ami Artzi's Johannesburg-based Casino International.

The new Hilton looked set to attract holiday and business crowds

Bomb

But — in common with Maseru's Holiday Inn (now Sun International) hotel down in the valley — it was hard-hit by the recession and political tension between Lesotho and South Africa.

Unlike the then Holiday Inn, which attracted a busy local trade, the high-on-the-hill Hilton suffered not only from its comparative isolation but also additional setbacks

In 1981 a bomb exploded in the men's toilets at the Hilton and bookings never looked up after that.

Then, in April this year, the casino lease between the Lesotho Government and Casino International was not renewed

The casino doors were closed by Government seal and the future looked a little bleak for the beautiful hotel

SI's marketing director, Mr Stewart Banner, said negotiations had taken place for the takeover of the whole hotel — not just the casino operation.

"We expect to make an announcement soon."

SA exports forge ahead

Nom 30/6/84 (220)

By HOWARD PREECE

SOUTH African exports bounded up sharply in May to R2 156m, the highest monthly level of the year so far, according to preliminary figures from Customs and Excise

Imports also reached the largest total to date for 1984 at R1 859m

The net result, however, was a trade surplus of R298m — the best performance yet of the year

In April, the surplus was only R92m from exports of R1 650m and imports of R1 558m

The Customs figures include exports of gold, both bullion and Krugerrands, and imports of oil and military equipment

They are, however, only provisional and should normally be treated with caution

The official figures come later from the Reserve Bank

Sometimes, though, Customs comes extremely close to the mark

According to the Reserve Bank, total exports for the first quarter of this year were R5 569m, whereas Customs puts the figure at R5 576m, virtually identical

On the import side, the bank says the quarterly total was R5 027m, against the earlier estimate of R5 113m from Customs

The data from Customs shows that South Africa had a favourable trade balance of R853m for the first five months of this year

This came from exports of R9 383m and imports of R8 530m

Exports have shown a modest 7,8% rise over the level for the same period for 1983, when the figure was R8 704m

In volume terms, that almost certainly represents an actual decline

There must be some hope, however, that the hefty rise in the May figure points to a better performance over the second half of 1984

Imports, on the other hand, have been racing ahead

The R8 530m total for January to May this year was 43% higher than the 1983 equivalent from Customs of R5 960m

It is quite likely, however, that the recessionary conditions that are expected to characterise the economy in the second half of this year will bring about a noticeable slowing in this rate of import increase

But it has always to be remembered that the trade figures are not the same as the current account of the balance of payments

This latter, and more important, figure includes the large net deficit that South Africa runs on services — dividends, interest payments, insurance, shipping etc

This country is at present running a monthly shortfall on services of at least R300m — it was around R340m for January to March

So the overall current account will certainly be well in the red for the first half of 1984

There was an official current deficit of R448m for January to March, which the Reserve Bank reckons was equivalent to nearly R3 000m on a seasonally adjusted annual basis

RDM 2/7/84 (220)

New limits for steel shipments to the US

By PRISCILLA WHYTE

PRECISE tonnages of steel products that may be exported to the US have been published in the Government Gazette.

The voluntary US-SA restraint agreement cuts steel exports to 0,42% of US steel consumption.

Until March the quantities are plate — 55 000 tons, hot rolled coils — 80 000 tons; cold rolled coils/sheets — 55 000 tons, galvanised sheets/coils — 55 000 tons, reinforcing bars 9 000 tons; structural sections — 70 000 tons; and pipes/tubes — 48 000 tons.

No semi-finished products or rails and track accessories may be exported to the US but 10 000 tons of wire rod, 8 000 tons of drawn wire, 16 500 tons of other wire products and 2 500 tons of bright bars may be shipped.

SA's total exports to the US may not exceed 409 000 tons for the 12 months to March.

In 1982, SA steel sent to the US was 507 000 tons, in 1983 it was 484 000.

A judge takes on the mighty gem producers

... THEN LEAVES TOWN ABRUPTLY

By DAVID PIETERS
Windhoek

AN INQUIRY into corruption in Namibia this week developed into open confrontation between Thirion Commission chairman Mr Justice Thirion and the country's leading gemstone producer.

Then the hearing ended abruptly and the judge left town — apparently to write his report on the hearings dealing with the diamond industry

The commission's hearings have been indefinitely adjourned, but it is understood there will be no further hearings on the industry

This week's hearings began with an uncompromising examination of the statutory SWA Diamond Board and developed into a confrontation with the country's leading gemstone producer, Consolidated Diamond Mines (CDM)

Namibia's Auditor-General who doubles as chairman of the Diamond Board, Mr P J Malherbe, was subjected to a three-way grilling in the witness stand this week

Tough

For two tough days he was questioned by commission chairman Mr Justice Thirion, chief investigator Mr A G Visser, and prince of the territory's self-appointed economic ombudsmen, Mr Eric Lang

But when it came to the turn of CDM resident director Mr Doug Hoffe, the giant of the world's gemstone producers fought back with a contingent of lawyers flown in to Windhoek for the fray

CDM's trade secrets were not to be spilt to the public, even at the sessions of a commission into the government's financial affairs CDM applied for the hearings to be held in camera.

The application managed to halt the investigation's exposure of "confidential" facts of gemstone business

The commission resumed its work for the first time in months on Wednesday when Mr Justice Thirion ordered commissioners and police to inspect documents of the Diamond Board

This followed evidence by a special investigator for the probe, Mr Martin Grote, that he could not obtain access to the board's documents

It was found, however, that the board's documentation did not differ from that already gathered from the Mining Commissioner's office in Windhoek

At one stage Mr Justice Thirion remarked that everything surrounding the Diamond Board appeared to be a secret

"What is the point of a commission when all you get are smokescreens?" he asked

Earlier Mr Grote had recommended in a report to the commission that the board should be disbanded because it was toothless

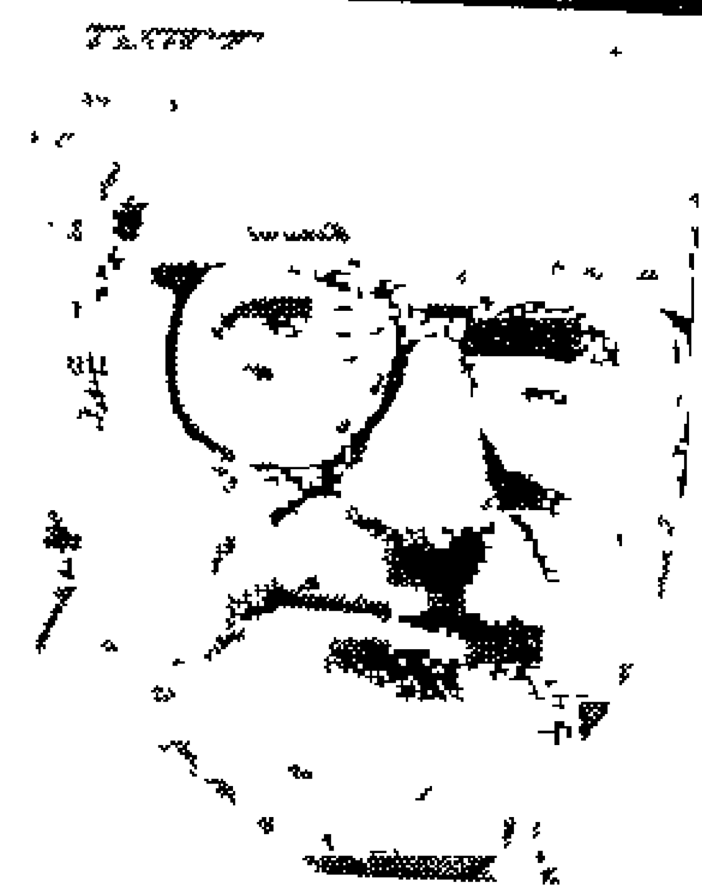
The board did not and could not fulfil its functions while the interests of De Beers, which owns CDM, were identical to those of the board

Essence

The board could not exercise control over Namibia's diamond exports because its most important functions had been delegated to employees of De Beers, Mr Grote submitted

The board had no inspection facilities, no inspection agent and no inspection staff overseas or inside the country other than CDM employees

Because independent figures on the pricing of Namibia's diamonds were hard — or virtually impossible — to come by, inferential statistics had to be used to try to discover if any transfer pricing could have taken place



● Mr Doug Hoffe 'insulting' document

Mr Grote testified that during recent years, apparent discrepancies emerged between prices declared locally by De Beers and sales values abroad

Over five years this meant the state could have lost taxable income on more than R1-billion worth of diamond sales, a loss which could be accounted for by transfer pricing

Mr Grote said he had always believed all Namibia's diamonds were sent to London

But he had discovered from confidential documents that 45% of the stones went to Lucerne in Switzerland

The investigator, Mr Visser, told the commission after a lengthy cross-examination of Mr Malherbe, that he thought virtually every member of the Diamond Board was a member of CDM or De Beers

From the minutes of Diamond Board meetings over the past few years, Mr Justice Thirion picked out a number of items which proved embarrassing to the chairman of the board

It emerged, for example, that there was a growing vendetta by the board against Mr Lang for his incessant investigations into the diamond industry

During exchanges between Mr Lang and Mr Malherbe some dramatic disclosures of Mr Lang's undercover informants on the diamond mines and in government departments emerged

The board had done nothing to check his claims that CDM was engaging in overmining its diamond reserves for the past few years, Mr Lang said

Substantiate

Nothing had been found to substantiate these allegations, Mr Malherbe countered.

On Thursday the judge described a document by Mr Hoffe, rejecting Mr Grote's findings, as "an insult to even the lowliest form of intelligence"

He said he hoped some corrective action would emanate from the commission's findings reported to the Administrator-General over the past two years

Justice Thirion acknowledged that the country had gained a lot in taxation from the diamond industry over the years

But the question remained whether the country had received its full due

● Mr P J Malherbe, chairman of the Diamond Board in Namibia, was subjected to a three-way grilling in the witness stand this week.

RDM 26/7/84 220

Frozen food market growing fast

By PRISCILLA WHYTE

THE R38m-a-year frozen food market is growing at 10% annually — more than twice the rate of the bread and maize market.

Mr Arnold Pretorius, deputy managing director of Associated Bakeries — part of the Premier group — attributes the dramatic growth to changing lifestyles.

"The working housewife is attracted to the frozen food market and the TV dinner is also here to stay."

Associated SA Bakeries entered the frozen food market three years ago. It includes burgers, pizzas, pies, frozen meals and desserts in this sector.

After spending 14 months surveying the market for acceptable ready-made meals, it bought out an existing factory in Cape Town.

Frozen meals, launched in April, have been well received on the Reef, in Natal and the Cape, according to Mr Pretorius.

At the moment the target market is the A and B income groups of marrried females.

Mr Pretorius says growth will come from increased consumption rather than population growth.

The first stage of the marketing strategy is the consumer market but the industrial sector will also be penetrated.

The electrification of Soweto means there is also potential in the black market.

Mr Pretorius says the launching of new products into the retail sector is not plain sailing because competition is fierce

The bread market, he says, is worth R800m a year and has not felt the recession

"But if the downturn continues there might be an increase in consumption as the man in the street finds he has less to spend."

He believes the drought has promoted the bread-eating habit

The shortage of white maize has made the commodity less acceptable to consumers.

SA exports to Italy climb

By PRISCILLA WHYTE

EXPORTS to Italy increased by 5,9% last year, to R399m, while Italian exports to SA slumped 15,85% to R516m

The Italian-SA Chamber of Trade and Industries added that these figures do not include large precious metal sales.

Mr Danilo Benevelli, secretary general of the trade association, says he does not expect two-way trade to improve between SA and Italy before the end of the year.

He notes that the lira appears artificially strong against the rand.

One rand is worth 1 185 lire while only two months ago it equalled 1 380. The dollar/rand exchange rate also favours SA in its trade with Italy.

Major exports to Italy last year consisted of minerals R189m, metal goods R69m, textiles R69m, chemicals R8m, animal products R6m, vegetables R4m, paper and paper products R3m and foodstuffs R3m.

Italian exports to SA consisted in 1983 mainly of minerals R4,485m, chemicals R27m, plastics R20,5m, textiles R45m, tiles and ceramics R34m and machinery R232m

Mr Benevelli says the investment opportunties in Southern Africa are attractive to Italian industrialist

Opportunities are available particularly in the independent states, such as Bophuthatswana, which has a lower corporate income tax rate of 40% compared to 50% in SA.

RDM 10/8/84 (220)

Lowveld agog over Mozambique trade

The signing of the Nkomati Accord earlier this year has opened up exciting trade prospects with Mozambique for Lowveld businessmen. JEANETTE MINNIE spent some time among the Lowvelders to find out just what the problems and prospects are. This is her report.

THE Lowveld is maroela country and most South Africans have come to know of the intoxicating effect of fermented maroela juice.

Some businessmen in the area have become so enthusiastic about the vast economic potential in trade with Mozambique that one could describe the atmosphere as a state of maroela psychosis

The Maroela psychosis has further been inspired by the Mozambican Minister of Tourism, Mr Antonio Materula, whose name has proved to be too much of a tongue-twister for the Afrikaner-dominated Lowveld region

During a Mozambican trade delegation visit to the Lowveld last weekend, led by Mr Materula, his name was quickly converted to "Marula" by many entrepreneurs

Among them was Mr Johnny Henn, the chairman of Repmosa, which is co-ordinating trade in the Lowveld with Mozambique

He is a well-known local businessman and farmer who is also the Mayor of Komatipoort

Repmosa was formed at the instigation of the Chairman of the Tourist Board, Mr Danie Hough, but he is keeping very much in the background, leaving the work to private businessmen The message is clear — it is up to the private sector to co-ordinate trade with Mozambique

Mr Henn's business interests go much wider than farming — from tourism to factories

Komatipoort, he quips, since the signing of the Nkomati Accord, has upstaged Nelspruit as the capital of the region

Komatipoort's economic revival since the historic Nkomati Accord has already begun. Less than a dozen stands had been sold in Komatipoort in the past decade. Since Nkomati earlier this year over a hundred have been sold — some of them on the Crocodile River where at dusk you can watch the hippos wading

But hippos are not the only thing that Lowveld businessmen watch for their pleasure Sometimes they stand on a high koppie near Komatipoort and look longingly at Maputo, which is only 100km away by road, 5 minutes by jet and 15 minutes by light aircraft

"It is amazing that Maputo is so near and yet so far," a businessman sighed over the weekend.

Maputo, however, is coming closer every day. Both Mozambican and South African businessmen are waiting impatiently for the dozens of rounds of trade talks held in the past few months to bear fruit

Even Paul Kruger recognised Maputo earlier this century as a logical regional economic extension of Nelspruit and the Lowveld region when he authorised the building of the Nelspruit/Lourenco Marques railway line.

Maputo harbour is the logical import/export centre for the Lowveld South Africa's trade representative in Mozambique, Mr Collin Patterson, told businessmen at the weekend the harbour was being overhauled and improved to meet this need

"The Mozambican authorities regard improvements to and the streamlining of the harbour facilities as a top priority A lot of work is being done in this regard," he said

Lowveld businessmen are mooting projects worth millions of rands for investment in Mozambique.

Some of these projects are astonishing in their simplicity One businessman is cultivating leather ferns in KaNgwane, but wants to expand the operation to Mozambique where the climate is much more suitable

The ferns are mainly an export product generating valuable foreign currency. The leaves, which sell for between 5c and 10c each, are used by florists in flower arrangements.

The questions being asked by many businessmen are Has Mozambique the capital to invest jointly in projects with South Africa? Is there a threat of nationalisation? How will local businessmen be paid for services rendered? Will they be entitled to the repatriation of their capital investments as well as their profits? What is the security situation like?

Mr Henn has advised businessmen to use only air transport to Maputo for the next year at least

"There is only a slight chance of a terrorist or robbery attack on roads But as far as I am concerned that is still too high," he says

One of Mozambique's main problems is the scarcity of foreign currency so trade will have to be in the form of barter But Mr Henn says this could be highly profitable

Goods obtained by barter could be sold at a handsome profit in South Africa Sea foods immediately spring to mind

But there is another problem Mozambique does not have many goods to barter with There are factories and industries there, but these are not operating at anywhere near full capacity

Factories and industries will have to be brought up to full production with South African aid to generate barter goods

Mr Henn, however, who regularly flits back and forth between Maputo and Komatipoort, feels this will not take long.

Repmosa itself has made firm proposals to Mozambique for a joint multi-million rand tourist investment project.

Mozambique would provide projects such as hotels and game parks for development by South African businessmen. Profits would be shared on a 50/50 basis, but initially all profits would have to be ploughed back to expand the tourist infrastructure

In two weeks' time Repmosa is to begin a regular tourist service to Inhaca Island. Mr Henn hopes many businessmen will join these tours and combine them with business.

Joint proposals have also been made in the fields of civil aviation, agriculture and industry. The Mozambican Government is to study all these

Mozambique is impatient that trade should get off the ground But it is being very careful and all approved agreements will take the form of joint undertakings.

Mr Materula says Mozambique is drawing up an investment code.

"The code is not a new thing thought up by Mozambique It is based on similar codes elsewhere and adheres to the principles of international law.

"But businessmen should not be afraid to enter into contracts with Mozambique before this code has been published. We will honour all contracts, even if they differ in some detail from the final code," he says.

The code will deal with such issues as nationalisation and the repatriation of capital and profits and should go far in answering the questions being asked by local businessmen

But one matter has already been cleared up. Mr Materula says South African businessmen are entitled to their profits in Mozambique

"There is a wrong idea that because we are a socialist country we will take your money and not give it back.

"This is not true. I must emphasise this. We also want profits It is unthinkable that we will grant ourselves that right and deny it to you"

A Nelspruit businessmen, Mr C Christie, has made a realistic appraisal of the situation

"Mozambique is a socialist country. We will have to accept that and operate in terms of that. We must not think we are going to change them — that would be the worst mistake.

"At the same time, it is clear that our interests can be served by investing in Mozambique and to our mutual benefit. We would be fools to ignore that."

220 S. Times 9/9/84

Sasol aids U.S. gas production

A SASOL team has assisted the United States in its first production of synthesised natural gas

Sunday Times Reporter

During the past few weeks the gas, produced from lignite, or brown coal, has been pumped into existing natural-gas pipelines in North Dakota, the culmination of a 10-year co-operation programme between Sasol, Lurgi of Frankfurt and the US syndicate, Great Plains Gasification Associates

Development of the technology, which began in pre-war Germany, has been modified and enhanced by Sasol and Lurgi over 30 years

Sasol currently produces almost 100-million cu m of gas a day When the American plant in Beulah, North Dakota, reaches full production it will produce 3,6-million cu m — enough to heat 250 000 American homes

The South African team of 30 men with their wives and children, most of whom will return home at the end of November, arrived in Beulah to sub-zero temperatures with snow at car-roof level

During their work in the US, the men experienced blizzards so severe that they were forced to remain in specially equipped rooms for up to three days at a time

Rothmans UK future in doubt

Star 20/8/87

220

From Christine Meir

LONDON — Rothmans has lost a "clear identity" in the cigarette war, according to a leading London stockbroker The shares should be sold

For "identity" read ownership Since March when Dr Rupert's Rembrandt Group agreed with Philip Morris to restructure their interests in Rothmans International, the tobacco company has been rudderless

Now rumours mount that Philip Morris has its eyes firmly fixed on taking over Imperial Tobacco (Imps) and that would mean very bad news for Rothmans and Rembrandt

The March agreement left Rembrandt with 44 percent of the votes in Rothmans, while Philip Morris has 25 percent

But if Philip Morris has its sights set on Imps the balance of power at Rothmans would have to be overturned

Either party, for instance, must offer its shares first to the other in the case of a sale And surely Philip Morris must sell if it wants to concentrate on Imps

In trade terms - at least as London observers see it — Imps is a better investment than Rothmans, whose name is inexorably linked to the declining international gasp for cigarettes

To be sure Imps's attempts to diversify into products as far removed from "gaspers" as chicken raising, have not been successful

But Rothmans hasn't diversified its image at all, despite its Dunhill, brewing and domestic applicance businesses

At present the talk is just talk The rumours of Philip Morris's predatory strategies have circulated in the London market for more than a year

But the shares of both Imps and Rothmans International are now beginning to move

It looks as if Doctor Anton will have to play another piece in this chess game

Barlow Rand set to bid R400-m for UK group

(220) Star 3/9/84

By Peter Farley
Investment Editor

Barlow Rand is preparing to bid for UK agriculture and industrial group J Bibby and Sons plc. The move, if successful, could cost more than R400 million

While final details have not yet been worked out, it appears this is just the first step in a major offshore growth phase by SA's leading industrial conglomerate

Although the bland corporate statement issued by Barlows says only that it has "entered discussions that may lead to an offer being made", the result seems to be a foregone conclusion

Such expansion is necessary for Barlows to retain its growth record of the recent past

Barlow Rand has been listed on the LSE for some time, as on other international exchanges, but has chosen not to use this course for acquisitive growth

EXISTING STAKE

The SA marketplace is becoming more finite and industrial companies are now being forced overseas if they are to continue to expand

Not only does Barlow Rand already effectively control 28 percent of J Bibby, through a stake held by subsidiary Tiger Oats, but the Barlows chairman, Mr Mike Rosholt, and his deputy, Mr Warren Clewlow, are on the Bibby board

That 28 percent could net Tiger Oats some R110 million if the deal goes through.

Bibby has posted eight consecutive years of profit growth and reported the equivelant of R17 million pre-tax profit in the six months to end-June on turnover of R261 million

In the last full year, to end-December 1983, the group paid a total 5,84p in dividends on earnings of 21,8p.

This figure will, however, be diluted to the rise in the issued share capital to 90 million ordinaries from 59,7 million at end 1983

Its current London Stock Exchange share price of around 217p places the group on a 15 times earnings multiple

There are now 90 million shares in issue after a one-for-two cap issue last year This gives Bibby a total market capitalisation of £198 million, or R407 million at current exchange rates.

Such rating is well above what local investors are used to pay, considering the 7 and 9 PEs respectively offered by Tiger Oats and Premier Group.

Barlow Rand will, however, pay this kind of money only if it offers a reasonable premium over prevailing rates as it says it would like to see Bibby's LSE listing continue

The retention of the listing will certainly play an integral part in future expansionary development

Besides from then being able to use scrip for acquisitive growth, the higher profile of a listing will assist marketing and promotional exercises.

Bibby in recent years has diversified extensively from its traditional base and now has virtually an equal split of both sales and revenue from agriculture and industrial operations

The agriculture side comprises animal feeds, proteins, seeds and basic livestock and arable farming The industrial side includes paper manufacturing and converting, hospital and laboratory supplies and specialised industrial equipment

Mr Rosholt and Mr Clewlow were not available for comment this morning

But a statement by the company quoted Mr Clewlow as saying "The current negotiations reflect the implementation of our strategic thinking If successful, this substantial overseas investment will provide Barlows with a springboard for significant international expansion

"Barlows is already a dominant force in many areas of the South African economy It is necessary to expand internationally in order to maintain our long-term record of growth and profitability"

He confirmed that negotiations were at an advanced stage and that a further announcement could be expected soon

(220) C Times. 7/9/84

Waltons moves into Australian market

By PAUL DOLD
Financial Editor

WALTONS is going ahead with a programme to open a chain of stationery outlets in Australia The development first mooted several months ago has now been approved and two of the group's senior management, Mr Richard Heseltine and Mr David Hofmeyr left for Sydney this week.

Waltons managing director, Mr Frank Robarts, said the programme is a major expansion for the group.

"We have made in-depth studies of the market on two occasions and are well satisfied that there is substantial potential in Australia"

Waltons is the second Cape group to enter the Australian market — the first was Pick 'n Pay which is opening the first hypermarket near Brisbane in November

Mr Robarts said that Walton's planning is at an advanced stage and the first store should open soon.

Although Waltons is tight lipped on export opportunities it seems more than mere coincidence that the entry into Australia follows the takeover of the DRG group by Waltons and CNA

This effectively brought a huge DRG plant into Waltons — it can more than supply the entire local stationery market — and the group will clearly be looking to export

Waltons is due to announce half-year results in October and while Mr Robarts declines to comment on likely earnings, he said the group is running to budget in spite of the recession

Stationery seems recession proof and the group should be able to repeat last year's 25 percent rise in operating income.

Last year earnings per share rocketted 47 percent on a fifo basis and the three times covered dividend was raised 42 percent

Profits from associates spurted from R327 714 to R1,3m and pre-acquisition taxed losses held the tax rate in check.

Waltons, inspite of its discounting operations, is able to achieve more than satisfactory return on sales through its integrated operation

The group has been expanding its retail division and now has 49 stationery stores A major new market for Waltons is computer stationery and accessories and Mr Robarts says a growing profit contribution is forecast from this segment.

220

SUNDAY TIMES, Business Times, September 9, 1984 5

Embattled Israel draws SA investors

By Barry Sergeant: Tel Aviv

SOUTH African investment in Israel is increasing — in spite of an Israeli economy which at first glance appears to be a shambles.

Israel's inflation rate is 400%, the balance of trade deficit is $5-billion, and the national budget is running into a serious deficit.

A personal overdraft can cost 600% a year, and the shekel falls daily against the dollar by between 0,2% and 1%. The dollar has become Israel's unofficial currency. Its sells on the black market at 20% above the official rate.

Tax reasons

A foreign businessman says investments in Israel are always calculated in dollars. Only for tax reasons are accounts kept in shekels.

Israel's system of indexing, an attempt to cope with inflation, means that salaries rise every month, and so does the price of virtually every commodity.

The economic problem has been compounded by the recent elections. Of the 22 parties in the election, 16 secured seats in the Knesset. The two largest parties, Likud and Labour, failed to gain a majority.

SA businessmen involved in Israel say that in spite of the appearance of crisis, the economy is thundering along and expanding sufficiently to justify increased investment. SA exports to Israel in 1983 amounted to $162-million SA companies involved in this trade include the smallest and the largest. Anglo American and Gencor supply coal, and Mondi supplies much of Israel's paper.

Zvi Levy, director of the Government's investment authority, says most of Israel's imports from SA are raw materials.

Involvement between the two nations includes Iscoor, a joint venture with SA's Iscor. Other examples of co-operation are Unicorn Lines in shipping and South Atlantic Corporation in fishing.

He says that although it is not the best time to invest in Israel, existing companies project growth.

David Mendel, trade attache at the SA Embassy in Tel Aviv, says interest in Israel by SA companies continues as they attempt to find markets.

Manpower

Mr Levy says Israel's prime asset is manpower. Its natural resources are limited to a few minerals which can be extracted from the Dead Sea. Israel's skills add value to imported raw materials which are processed for export.

The $83-million of exports to SA in 1983 consisted mainly of electronics, medical equipment, computer software, security and safety products.

Israel's 4-million population generates a greater gross national product than SA's 29-million population.

Cape Gate, a South African company with assets exceeding $200-million, has been conducting business in Israel for more than 10 years and holds $25-million of assets in Israel. Sources in Tel Aviv say Cape Gate's chairman, Mendel Kaplan, personifies much of SA's confidence in Israel.

Bank deal

Mr Kaplan is chairman of the Israel United Appeal Fund, which drew most of its 1983 income from SA. In 1979, Cape Gate signed an agreement with a listed Israeli commercial bank. In an equal venture, the partners established the Discount Bank Investment Corporation to stimulate investment in Israel.

Using venture capital methods, DCIB has taken over several companies. Its role in the Israeli economy is described as similar to that of the Industrial Development Corporation in SA, the difference being DCIB's independence from state control.

Mr Levy says commercial reasons for investment in Israel abound. He speaks of the 25-year-old encouragement of capital investment law, which offers foreign money an attractive haven.

Grants

Manufacturing investment receives grants and loans up to 75% of cost in some areas, and a company tax rate of 30% is guaranteed for seven years compared with a normal 66%. Last year the scheme attracted $250-million in investment.

SA pays for ignoring early '80s gold price

220

15/9/84 Star

The Star Bureau

LONDON — South Africa is now paying for its failure to abolish exchange controls in 1980-81 when a runaway world gold price provided a fine opportunity, according to *The Economist*

Referring to the recent Barlow Rand-Bibby deal, it says most of South Africa's big business groups would like to have more of their interests abroad, caught up as they are in worsening recession at home

Barlow, it adds, is ahead of the pack in this respect But "there are a host of problems for other South African companies wanting to follow in its traces 'A battery of exchange controls still impede corporations and individuals resident in South Africa"

Even if these were reduced, the depreciation of the rand (down by 35 percent against the dollar in the past two years) is now a deterrent to exporting capital

The Economist predicts the Government may become worried about money flowing out and other governments may be even more worried about money flowing in "from such a source"

"Businessmen think the SA authorities made a bad mistake by not dismantling or at least selectively waiving exchange controls during the 1980-81 gold boom There would still have been obstacles to overseas investment, but almost any South African company that had invested abroad then would be showing a handsome profit now."

15/9/84 Star

SA group to take over Lesotho hotel

The South African hotel group Sun International will take over the management of Lesotho's Hilton Hotel from October 1, it was announced yesterday

The hotel, which is owned by the Lesotho Government, will be renamed the Lesotho Sun

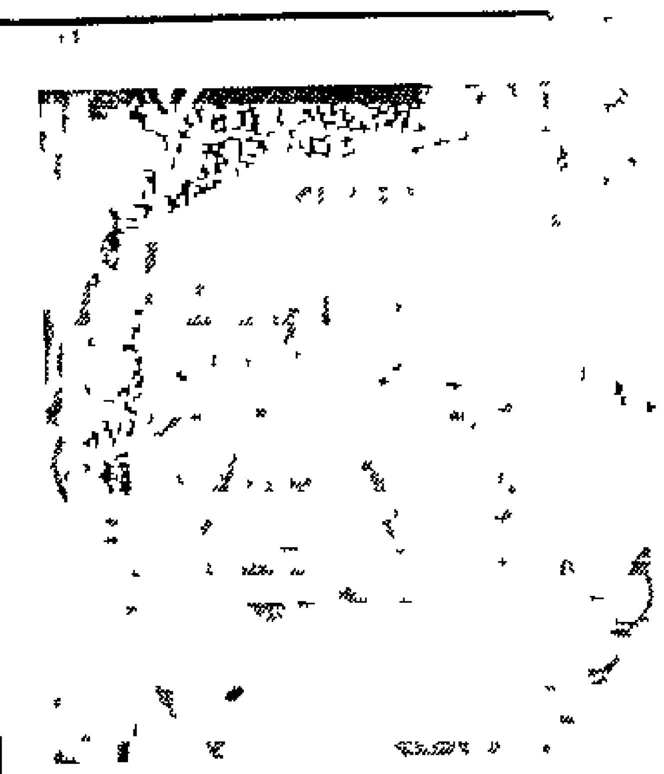
A spokesman for the hotel group said the Lesotho Government and Sun International had formed a joint venture company, Lesotho Sun (Pty) Limited, which would lease the hotel from the Lesotho Government

The hotel was opened in 1979 and comprises 250 bedrooms, convention and banquet facilities and a casino

The spokesman said reservations could still be obtained through the Hilton Hotel's sales office in Johannesburg until September 30 Thereafter enquiries should be made at Sun International's central office in Johannesburg

S-Express 16/9/84 (220)

Burgeoning of SA business across the seas



● Mr Sol Kerzner . . determined to expand

● Dr Anton Rupert ... early international move

By TONY KOENDERMAN
Financial Editor

IN THE past two decades, a couple of dozen South African companies — some of them quite small — have bought or established foreign subsidiaries.

They range from Anglo American Corporation, with its R3,1-billion Bermuda-based Minorco subsidiary, down to Bromain Holdings, a R197-million-a-year group which has interests in the United States, Britain, Netherlands, Germany, Canada, Australia and Israel.

Now the internationalisation of South African business seems to be picking up speed Barlow Rand's acquisition of J Bibby & Sons last week was merely the first step in a carefully planned international expansion programme

Partnership

And Pick 'n Pay will be opening its first Australian Hypermarket on November 7 in partnership with an Australian group, with the intention of building that up into a whole chain A strong international movement also can be expected from Mr Sol Kerzner's Sun International

Barlow Rand's Bibby deal was an important milestone in the development of South African-based multinational corporations Its significance lay not only in its size (Barlows now controls a British company with an annual turnover of R585-million), but also in that it was structured in such a way that no money left the country

This showed that even with the rand nudging record low levels in the international currency markets, it is possible for South African companies to spread their wings internationally

The Bibby deal is a fascinating one Barlows is paying in a mixture of cash and shares, partly from existing facilities in South Africa and partly in Britain.

Tiger Oats, which has had a one-third stake in Bibby since 1974, gets paid out effectively in cash in South Africa In Britain, Barlows is chipping in some Barlows shares, its existing British subsidiary Thomas Barlow Holdings, and some cash which will be financed by long-term sterling loans to be serviced from Bibby dividends

Barlows's chief executive, Mr Warren Clewlow, one of the architects of the deal, outlined the company's long-term philosophy more than a year ago when he said that in 10 years he hoped to have international holdings which would "mirror our South African investments"

He added. "In many of our industries we are dominant, and it would not be wise to make them bigger My guess is that America is the best place for us to expand"

The next big international acquisition seems likely to be made by the aggressive Sun International When Mr Kerzner was still at Southern Sun last year he made a bid to set up a R325-million casino in Atlantic City in a joint venture with American Leisure Corporation

That fell through after opposition by anti-apartheid groups, including the Atlantic City council, but Mr Kerzner's determination to expand internationally is undiminished

Appointment

His recent management restructuring included the appointment of Mr Peter Bacon as joint managing director with responsibility to look for overseas opportunities, while Mr Kerzner himself would "be able to concentrate on the broader issues such as overseas expansion" and diversification of SI and new vehicle Kersaf.

Few South African companies can yet be called true multinationals One commonly accepted definition of this is a company operating in a number of countries, with at least a quarter of its total output coming from outside its country of origin

One that qualifies, by this measure, is Plate Glass & Shatterprufe Industries, which made its first international foray 10 years ago into Australia when it bought O'Brien Glass

Today PGSI, through its two operating subsidiaries, PG Wood Industries and Solaglas International, also operates in Britain, Europe, the US and Central Africa International operations contributed 41% of the group's R1,2-billion in sales — though only 24% of operating profits

In the past year PGSI has increased its international interests through the acquisition of British glass merchants Clarck & Eaton, and additions to its Interwil timber division in Belgium and Germany.

The first big international moves by South African companies came in the Sixties from Anglo and Anton Rupert's Rembrandt Group Anglo's major offshore vehicle is the Minerals and Resources Corporation, Minorco, based in Bermuda

In Anglo's 1984 annual report the equity value of Minorco is put at $1 865-million — about R3 100-million at current exchange rates This is equal to 22% of the total equity value of administered companies (R14 200-million) in the Anglo group

Yet Anglo has never taken money directly out of South Africa for investment abroad Minorco was set up when the Zambian government partly nationalised Anglo's copper mining interests there The money paid in compensation for the compulsory takeover was paid in Bermuda

Anglo has 39% of the Minorco ordinary shares in issue, and De Beers 21% A large share of the two groups' foreign holdings have been transferred to Minorco, which in turn holds, among other things, 27% of Phibro-Salomon (commodity trading and investment banking), 29% of Consolidated Gold Fields (mining, manufacturing), 27% of Engelhard Corporation (metal products, chemicals), 36% of Charter Consolidated (industry and mining), and 60% of Inspiration Resources Corporation (mining, oil and chemicals)

De Beers, like Anglo, is involved in mining operations in foreign countries and also has its interest in the London-based Central Selling Organisation, which markets 80% of the world's diamonds.

Rembrandt, through Rupert International, has holdings in Rothmans International and Carling. Little is disclosed in the Rembrandt annual reports about the international operations, but the group is said to be responsible for one in every seven cigarettes sold in the world

A philosophy of partnership ensures that Remgro never has more than 50% of the equity of an associate company, and management is always local, thus keeping a low profile for the South African connection

Other South African companies with foreign interests include the following

● Trade & Industry Group, which started as a small confirming house, is involved in international and domestic trade finance With a drive into the financial markets of Britain, Europe, the US, the Far East, Australia and Israel, it has stated a target of a world-wide turnover of R1 300-million by 1985

● Allied Technologies has the declared objective of lifting the contribution of foreign business to 20% of turnover within five years The group owns Calvert Electronics in New Jersey, but intends to divest itself of this investment

● Liberty Life chairman Mr Donald Gordon took the strategic decision to go international in 1976 Liblife is quoted on the London Stock Exchange, and according to last year's annual report the group held 50,4% of Trans-Atlantic Insurance Holdings of Britain TransAtlantic had holdings in Sun Life Assurance Society and Capital & Counties

● Gencor's foreign interests include European, British and Australian mining companies

● Macsteel, one of the country's largest steel merchants, acquired the steel stockholding business of the American company, Associated Metals & Minerals, last year

● Bromain Holdings owns Salton Inc of the US and has holdings in other Salton companies, and has 51% of an Israeli electronics firm, Atir

Playing the costly game of going international

GOING multinational can be a painful and costly business Not many companies have the natural advantages that Barlow Rand enjoys.

To reduce the pain, according to Bert Frankenberger, partner-in-charge of mergers and acquisitions at Deloitte Haskins & Sells in New York, you need to.

● Develop a strategic plan.
● Seek outside professional advice each step of the way.
● Study the market and location independently.
● Be patient.
● Obtain an independent valuation of your target.

An ability to raise funds abroad is a vital ingredient, both in the setting up phase and in the subsequent operating phase of the new company

Exchange control regulations are still too restrictive to enable a company to rely on getting funds from South Africa as and when needed.

But the attitude of the exchange control authorities is reasonably positive. Permission is given to invest funds abroad if there is some direct benefit to South Africa, such as fostering imports or securing a future source of supply

Other acceptable reasons are protecting an existing investment overseas, and building up a financial relationship with a foreign financial institution Merely earning dividends, however, is not usually considered a good enough reason.

The first step taken by Barlows five years ago was to obtain a listing on the London Stock Exchange, enabling it to raise share capital.

Of course it helps if a company has a good track record at home, but to capitalise on this it has to build up good relationships with foreign bankers.

Limited local markets are cramping companies

THE most common reason for a corporation to go international is simply that the South African market has become too small for it.

As the Financial Mail said of Anglo American Corporation in its Top Companies survey last year "It seems almost inevitable that emphasis in the remaining years of this century will be placed on developments on the world stage Quite simply, South Africa alone is too small to satisfy Anglo's ambitions"

Companies can feel cramped long before they reach market saturation, simply because it is not considered wise to be seen to be a monopoly. Barlow Rand, for example, seems to begin feeling edgy with a market share of around 40%.

And the small size of the market means that a company specialising in one segment can hit those saturation ceilings at a relatively early stage of its development.

There is a growing realisation, too, that the world economic system is becoming internationalised, largely thanks to technological developments By the mid 1970s, the 140 American multi-national corporations had combined sales of $380-billion.

The sheer size of the American market is a tremendous magnet to South African and other investors. Mr Bob Gorab, partner-in-charge of Deloitte Haskins & Sells's international client services in New York, told a Johannesburg seminar recently "Foreign investors see compelling reasons for investment in the US Its size, its technology, and its development are all significant."

The South African tax system tends to favour overseas investments, as foreign-sourced income is not generally taxed.

Smith wraps up a US deal

C G SMITH, South Africa's fourth largest industrial conglomerate, announced this week that it had acquired a controlling interest in an American packaging company, Princeton Packaging Inc, for R30-million

In expanding its international interests, C G Smith is following in the footsteps of its parent company, Barlow Rand, which a week earlier took over the British company, J Bibby & Sons.

Princeton Packaging, which has annual sales of R350-million has in turn reached a definitive agreement to take over the flexible packaging and retail grocery packaging divisions of St Regis Corporation. This takes effect on or about October 1

Management has been made available to Princeton from Nampak, the packaging arm of the C G Smith group.

The immediate effects of the acquisition are likely to be modestly beneficial to the net asset value and earnings per share of C G Smith, which will consolidate Princeton's results

C G Smith has an American interest in Monitor Sugar, a Michigan beet sugar producer which it purchased two years ago. Monitor has embarked on a R68-million expansion programme over the next four years.

Brazilian move by East Daggafontein

(220)

C. Times 17/9/84

Own Correspondent

EAST Daggafontein has further expanded its considerable exploration interests in South Africa and has moved into Brazil

In May this year the company excercised its right to acquire the entire issued share capitals of TG Exploration and Juno Exploration which were the exploration arms in South Africa of Texasgulf

The original announcement in December last year gave some details of the exploration activity in which the two companies were involved

This was primarily linked to the extensive gold search being carried out by JCI

Interim results reveal that TG Exploration is managing a joint venture with Anglo American Prospecting Services to prospect an area of some 6 000 ha in the Eastern Transvaal

East Daggafontein has also bought for R200 000 "certain strategically situated mineral rights" in the district of Klerksdorp

"Although it is not anticipated that these mineral rights will be exploited in the near future, your directors are of the opinion that they could be of significant value in the longer term," says chairman Mr Adolf Lundin

50 percent interest

East Daggafontein's move into Brazil involves a gold exploration project in the state of Bahia where it holds some 16 000ha of ground under option

"It has subsequently entered into a joint venture with a foreign group in terms of which that group will earn a 50 percent interest in the joint venture upon the expenditure of Canadian dollars 300 000," Mr Lundin says

TG's share capital has been increased by R12,5m since the end of May and the company is to be renamed ED Exploration

East Dagga's taxed income for the six months to end-June dipped to R342 000 from the R399 000 earned in the first half of 1983

The interim statement shows that East Dagga's royalty income from the tributing agreements with Grootvlei and Marievale plummeted to R177 000

A jump in interest received to R970 000 (R133 000) as a result of the inflow of funds after the rights issue in February was the saver for the company in the six months

The rights issue raised some R26m to pay for East Dagga's participation in the Daggafontein dump retreatment operation being set up by East Rand Gold and Uranium

Uncertainty of income

The outlook for the rest of the financial year is poor and Mr Lundin says it is unlikely that a profit of "any significance" will be shown

Reasons for this are the uncertainty of income from the tributing agreements and the level of exploration expenditure likely to be incurred by TG

East Dagga has also advanced R425 000 to Springs Dagga Gold Mines which is its share of shareholder funding of that company's operations since October 31 last year.

Springs Dagga is being managed by Egoli which holds 75 percent of the company with East Daggafontein holding the balance

Egoli has made the development of an operating mine at Springs Dagga a priority and is involved in detailed planning at present.

Egoli hopes to obtain a separate listing for Springs Dagga but at the moment the company is losing money and is a drain on the resources of both Egoli and East Daggafontein

East Dagga's major local interest is its participation in the Daggafontein dump retreatment operation being set up by Ergo

A subsidiary of East Dagga, Dumpco, will sell dump material to the new treatment plant once it is set up

Messina to shed mining interests in Zimbabwe

20/1/84 C-Times
220

Own Correspondent

JOHANNESBURG — Messina is negotiating to sell all its mining interests in Zimbabwe to the Zimbabwe Mining Development Corporation

The group said in a statement released yesterday that negotiations have reached an advanced stage and agreement in principle had been reached whereby Messina would provide certain technical and engineering services to the mines in question for a minimum of three years

The mining interests to be sold include Messina's investment in MTD (Mangula) and consist of three gold and two copper mines

Bonds

Payment will be through the issue of non-resident government bonds bearing interest at four percent per annum and redeemable in foreign currency in equal annual instalments over six years

Messina's financial director, Mr David Dry, said yesterday the deal would have minimal effect on Messina's results

"We have received nothing in the way of dividends from our Zimbabwe operations for the last three years and in our accounts have already provided against the investments in full

"The price we are negotiating will be in the region of Z$4m to Z$5m remittable over six years That means we should get out about R1m a year over the next six years if the Zimbabwe Government meets its obligations"

Mr Dry said Messina had actually negotiated a deal to sell its Zimbabwe mining operations to one of the major public companies based in Harare He declined to name the company

Approval

"However, when we submitted the deal to the government for approval it refused to allow the company involved to borrow the foreign currency outside of the country to pay the purchase price

"The government then said it wanted to buy our mining interests itself

"We had previously wanted to close one of the copper mines down but the government forced us to keep it going through providing emergency loans," he said

Messina's remaining South African copper mining operations are now a tiny part of the group's business which is dominated by its stake in car manufacturer Nissan South Africa

Currently mining provides about R25m of Messina's total annual turnover of around R900m

220 S. Times 23/9/84

R12m smooths the way for edible oil plant in Swaziland

By Roy Bennetts

SWAZILAND could have its own vegetable oil plant if plans are finalised regarding the construction of the plant and underwriters are obtained to satisfy the lending bank

Harry Aspinall, a director of Edible Oil and managing director of Investment Marketing Development, has an agreement with the Banque de Benelux for a loan of 452-million Belgian francs (R12-million) for the building of the plant, providing that this amount can be underwritten

Mr Aspinall claims that the plant, to be built at Matsapa, has the full backing and approval of the Government of Swaziland through the assistance of the Chief Minister of the Ministry of Commerce, Industry and Tourism, Derek Von Wissel

The 10ha site for the proposed plant was selected due to its availability of electricity, water, tarred roads and a convenient rail link to Maputo, Richards Bay and the Eastern Transvaal

At full capacity the new mill is planned to process 365 000 tons of oil-bearing seed, providing 14 600 tons of vegetable oil at a value of R8 550 000, plus animal feed at R420 000 and other by-products producing a turnover of R8 980 000 per annum. The mill will commence on 50% capacity production, building to full output over a three-year period

Swaziland was chosen due to its membership of the Southern African Development Co-ordination Conference (SADCC), the OAU, the benefits of the EEC and other preferential trade areas, plus its developing tax concessions, making the country ideal for this project

At present there is a world shortage of the products planned to be manufactured, and although a Middle East consortium has contracted to take the entire production, preference will be offered to Swaziland and a percentage to the SADCC, stated Mr Aspinall

Bank of England rescues major UK bullion house

(220)

From NEIL BEHRMANN

C. Times 2/10/84

LONDON. — The Bank of England has rescued the banking and gold operations of Johnson Matthey, one of London's five major bullion houses, and a leading international precious metals dealer.

Net assets of Johnson Matthey Bankers were £102m (R212m) at the end of March

The support operation involves Charter Consolidated which owns 27,9 percent of the banking subsidiary's holding company, Johnson Matthey Plc

London clearing banks and bullion houses are also forwarding cash

This is the first Bank of England rescue since the secondary banking crisis in the early 70s

Purchase

And according to city banking analysts the first outright purchase by the "old lady of Threadneedle Street", since the 30s, authoratative sources said that bad and doubtful debts amounted to £150m

The announcement astounded the city, Johnson Matthey's shares were suspended at 240p and Charter's shares dropped from 241p to 216p before recovering to 223p

The Bank of England and other interested parties refused to disclose details of the bank's assets

The bank emphasized that the problems did not involve currency trading activities nor the bullion business of the bank

The Bank of England stressed that "under its new ownership, Johnson Matthey will continue to participate in the London gold fixing and the London gold market will be carrying on its business as normal"

Johnson Matthey is one of the five London bullion houses which meet twice a day and fix the price of gold

The bullion price dipped $2 to $145 in Hong Kong and the market was quiet and subdued following the news, but Mr Robert Guy, bullion director of N M Rothschilds and chairman of the London gold market insisted that the market was sound and that Johnson Matthey would continue to be a member of the gold fixing club

He also stressed that the failure was caused by commercial loan activities rather than bullion business

As part of the rescue Charter will inject £25m of new capital into the bank's parent Johnson Matthey Plc The capital will be in the form of 25m eight percent convertible preference shares and can be converted at any time into 44,5m new ordinary shares

Charter shareholders must accept the new issue On full conversion Charter will own 46 percent of Johnson Matthey's ordinary shares

The chairman of Johnson Matthey, Mr Ron Hewitt, has resigned and has been replaced by Mr Neil Clarke, deputy chairman and chief executive of Charter

Johnson Matthey Plc is itself pumping in £50m into Johnson Matthey bankers

The company also said that the Bank of England is paying a "nominal consideration" for the bank

A consortium of banks will provide Johnson Matthey Plc with "a substantial standby credit in addition to existing borrowings The facility is believed to be £250m

The Bank of England said that the institutions providing the assistance included, the "principal London clearing banks, members of the London gold market and other banks

The Bank of England 'decided that, as a matter of prudence, substantial additional provisions ought to be made against these loans which would have resulted in the loss of most of the capital of the banking group

The latest annual report of Johnson Matthey Plc shows that it lost £69m on jewellery businesses in the United States in the year ended March 1984

The unsecured loans of the company were £90,5m, while bank loans and overdrafts and other provisions were £144m

Capital and reserves of the group were £351,4m

Net assets of Johnson Matthey Bankers at the end of March were £102m and total assets of the banking group were £2 090m

But included in these assets were metal stocks, mainly gold, silver and platinum valued at £1 209m and "debtors" includinng loans and overdrafts of £787m

Net profits of Johnson Matthey Plc which is the marketing agent of Rustenburg Platinum, fell from £34,6m to £20,7m in the year ended March 1984

But after "extraordinary items" of £261,1m notably the United States jewellery business disaster, shareholders incurred a loss of £5,4m

Argus 3/10/84 (220)

Tiger Oats looking for major foreign purchase

Argus Correspondent

JOHANNESBURG — Tiger Oats is looking to return to the international investment arena with another major offshore purchase, following the sale of its stake in Bibby for R164-million

New chief executive Mr Robbie Williams says the recent sale of the group's 29 percent stake in British food and industrial group Bibby to parent company Barlow Rand does not signify a retrenchment by Tiger

Mr Williams accepts that there is insufficient scope in South Africa to perpetuate the growth Tiger shareholders have been accustomed to

While the group will continue to expand locally by both acquisitive and organic means, it will be through a meaningful foreign purchase that long-term growth will be generated

Although some may argue that it would therefore have been wiser to retain the stake in Bibby, Mr Williams does not agree He says the 29 percent was insufficient for Tiger to make Bibby work for it and that Tiger did not have the resources to substantially increase the shareholding

The growing diversification of Bibby away from food more than 50 percent of earnings now come from the industrial operations — and the fact that the investment was on the books at R7-million to yield a net R157-million profit adds further strength to the argument to sell

But while Tiger will be seeking to focus any expansion plans on the food industry, Mr Williams says that the group is looking more towards food related products with higher profit margins.

This trend is already evident in South Africa, with Tiger's bakery division expanding into confectionery Other divisions are also expanding with the addition of value added products that offer a better return than the traditonal, more basic, products

EVERYONE HAS TO EAT

Other areas which Mr Williams said Tiger was examining included sauces, puddings, cereals, sweets and possibly even a return to the softdrink market

Although he accepts that the basic food side does give the group a cushion in difficult economic times — the old adage that everyone has to eat — he points out that the drought has made business difficult

It is also a highly competitive business which, coupled with the restrictions on margins imposed by regulated prices, puts added pressure on profitability

The past year has been an eventful one for Tiger, but with the sale of both Bibby and its Metro stake it has cleared the decks for a more meaningful investment. But Mr Williams says the next 12 months, the current financial year ends in a couple of weeks, will be one of the toughest

Nevertheless, he says that he is extremely relaxed about the high rating the stock market has accorded the company's shares

The shares added 800c to 5100c in the days following the announcement of the Bibby deal, but have subsequently fallen back a little, which places them on a 3,1 percent dividend yield against the sector's 6,5 percent average

Although it will not be easy to continue growth this year the company is certainly starting off on the right foot with a clean balance sheet and money in the bank

At the halfway stage the group produced pre-tax profit up to R62,4-million from R54,1-million on turnover up to R1-billion from R947-million

The injection of cash will not affect the current annual results for the year to end-September, but the market is still looking for an improvement over the 566c a share earned last year

As the group is likely to be almost immediately liquid this month a less conservative dividend policy, cover is now nearly four times, may be anticipated.

Poor prospects, management, so companies look abroad

(220) S Times 7/10/84 (220)

7/10/84

THE REX COLUMN

An economist's view of the South African and world scene

THE SA economy has entered a new recession. Its duration will be determined by policy action, which will be greatly influenced by developments in gold and agriculture.

But as the Government determinedly implements its long-term approach on the political front, its economic policy remains sadly short-term and devoid of strategy.

Barlow Rand's purchase of a majority share in Bibby should be read as an indirect message from the corporate establishment to the Government that, for the long term, clearer thinking and policy action is needed.

The economy attained its upper turning-point in the first quarter of this year, and output has since been coming down in the domestic-oriented sectors.

However, demand continued to be buoyant right up to the end of the second quarter in anticipation of the July GST increase, and under the influence of booming Government spending (financed partly by bank credit).

The divergence between falling output and continuing high demand translated into a considerable stock drawdown during the second quarter, which is likely to have gained momentum during the third quarter, as business adjusted operations to rising interest rates and the realisation of lower sales ahead.

The economy, as in 1982, is again being subjected to a rigorous slimming diet: output is being reduced and stock levels trimmed in an attempt to lower imports sufficiently for the balance of payments to return to surplus.

The successful completion of this exercise will hardly be the moment of joy that many seem to think it will be For when the BoP leaps into surplus in the closing months of 1984, or at the latest in early 1985, it will not have done so because of a major increase in exports

On the contrary, most of the BoP adjustment will occur because of a cut in imports, in turn reflective of an economy at a very low level of activity

Imports will probably again fall to around 20% of GDP by early next year, compared to about 30% in periods of fast economic growth. The SA economy cannot be expected to commence a new growth cycle at present levels of imports in the absence of import controls

To contemplate a new vigorous growth phase requires an increase in imports to more traditional levels, so that fixed investment and higher stock levels can be sustained.

Daunting

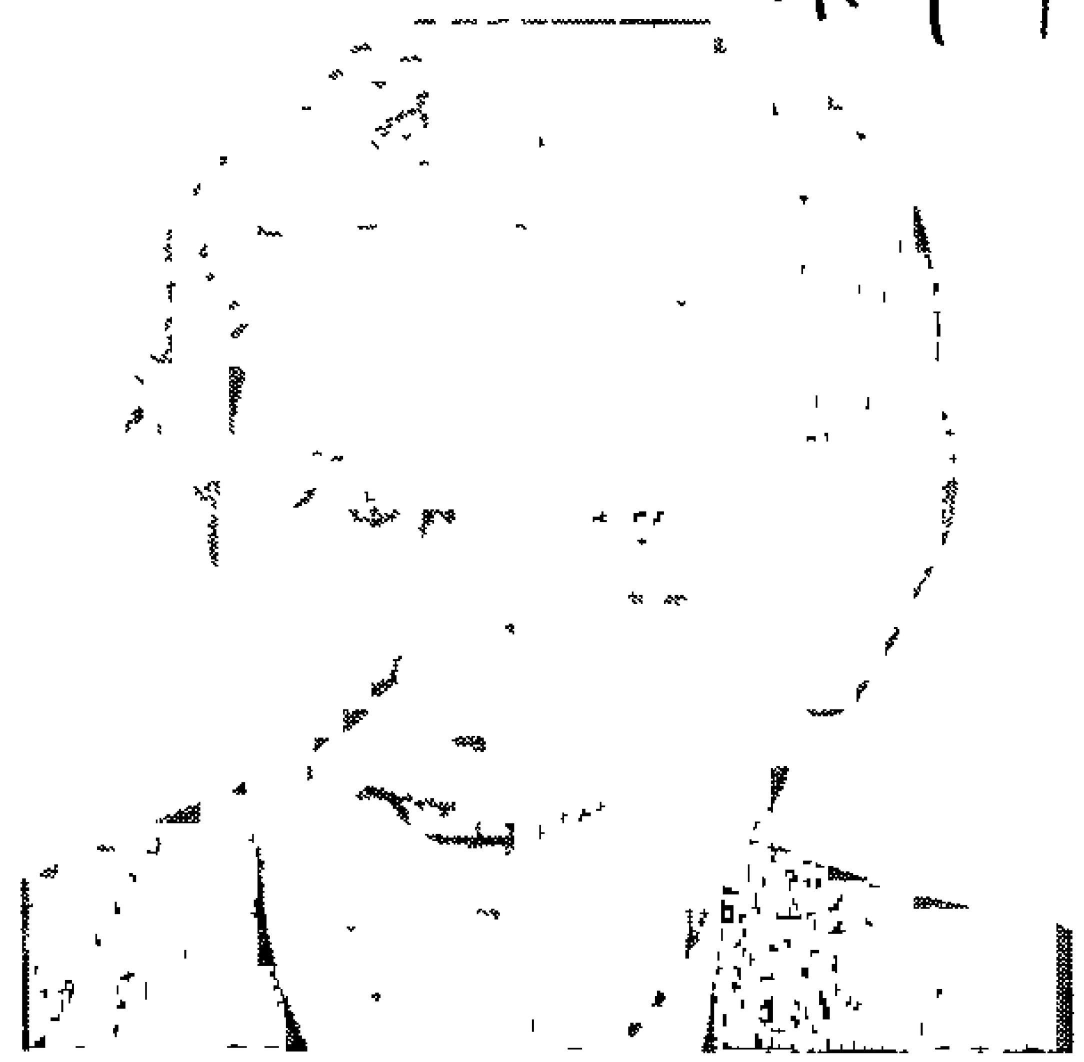
This requirement is nothing short of daunting When the BoP attains surplus, with imports at around 20% of GDP, it will be necessary to obtain foreign exchange to finance an increase in this import ratio equivalent to at least 8% GDP before we can be reasonably sure that a new growth phase is sustainable.

On a GDP of R100 000-million, we need at least R8 000 million of additional export revenues to make it possible to finance the increase in imports that undeniably has to accompany any major recovery in the economy in the absence of import restrictions (and this assumes 1980-1982 exchange rates, import prices and volumes, with our present reality at a very much lower exchange rate a good deal more unfavourable).

At current exchange rates, R8 000-million translates into a gold price equivalent of $240 an ounce When added to the ruling price of $340, it would appear that we need a gold price of at least $580 to sustain a period of high growth at constant 1984 prices.

As prices do not remain constant but continue to inflate alarmingly, so we will need an ever higher dollar gold price in future years to support our BoP and underwrite economic growth

Few observers nowadays dare to mention a $600 to $700 gold price Even so, forecasts remain stubbornly above the ruling market price. With the gold price now already three months trading in the $335-350 range, opinions offered by the Minerals Bureau and UBS last week take $370 as their benchmark for next year



Barlow's Clewlow ... a good corporate citizen spreading his risk.

But even that positive view is inadequate to prepare us for the take-off that so many perceive at the end of this downturn

If we were to be as optimistic regarding agriculture as most farmers seem to be, we could hope for a reversal of agriculture's negative impact on the BoP to the tune of R3 000-million. However, that would still leave us at least R5 000-million short of a sustainable upturn

Short fall

Allowing (optimistically) for a further R1 500-million in non-gold export revenue on account of the improving world economy, our shortfall would still be some R3 500-million. However, it would not necessarily mean a much lesser gold price requirement.

For to gain R4 500-million in improved non-gold exports from a starting point at which the BoP was already slightly in surplus, could only mean a sizeable strengthening of the rand. A favourable 1985 harvest would probably still require a gold price of at least $500 to make any upturn sustainable.

To base one's hope on a fall in the dollar and a rush into precious metals such as gold, is also not everything it is cracked up to be. For a dollar weakening translates into a rand strengthening, and consequently requires a higher dollar gold price to buy a given increase in our import ratio (in terms of the 1980-1982 base relationships.

We are therefore, at present going into recession with no clear idea as to what can pull us out of it. We continue merely to adjust domestically to external developments not of our own making We may have a partial correction of our woes in the short term if agriculture were to correct itself, but a full recovery in that sphere will have to await the wetter 1990s.

Meanwhile, the already low gold price could go lower still if international deflation persists, with or without high (or higher) global interest rates.

Clearly, in the longer term we need a stronger, more diversified industrial base. For Barlow Rand to go international is a rational decision, but it is of itself a vote of no-confidence in SA's economy It may be taken as a reflection over limited potential to diversify our export mix away from our present reliance on gold.

Barlow Rand, following in the footsteps of Anglo American, Rembrandt and Liberty Life, and undoubtedly to be followed shortly by other fast maturing industrial conglomerates, had two options; to obtain finance overseas and buy a foreign company; or to manufacture in SA and export

Undoubtedly, Barlow Rand is a good corporate SA citizen as it already exports from SA (eg Middelburg Steel), but that is not at issue. There are not as yet clear protectionistic reasons why a developing country (SA) should borrow and invest in an industrialised country (UK) in order to circumvent any trade restrictions.

Such reasoning did apply to the Americans just after World War Two, as it does to Japan at present, but it does not apply to SA companies which are part of a developing country

Easy way

Instead of opting for a S Korean, Brazilian or Taiwanese response, ie to develop our local industry and to export (on a far larger scale than is presently the case), we must expect our fast growing conglomerates to opt for the easy way to internationalisation: a quick financial takeover in a foreign country, and no further hassles with SA uncompetitiveness

SA's problems are real:

- An under-skilled and overpaid labour force (compared to 3 000-million Asians),
- A lack of management skills regarding the international market; and
- A Government which still has not fully realised that a small and weak economy like our own needs guidance and incentive to get it to commit to the risks of internationalisation, rather than just one more dose of free enterprise and a flood of cheap imports.

That is not the way the Japanese or South Koreans have rigged their economies either.

Barlows gets 90% of J Bibby

C.7 wires 16/10/84 220

Own Correspondent

JOHANNESBURG — Barlow Rand's bid for control of J Bibby of the UK has been "highly successful" Barlows said yesterday, with its ownership reaching 90,5 percent of Bibby shares at the close of the offer on Friday night.

"That level of ownership suits us very well," Barlows' chief operations officer, Mr Warren Clewlow, said

"We intend to maintain the Bibby listing on the London Stock Exchange, so Barlows has the currency and geographic spread for further overseas acquisitions when suitable opportunities arise

"As a result of the Bibby deal, approximately 10 percent of Barlows shares are now owned by individuals and institutions in the UK.

"This strengthening of our shareholder base will also contribute to the achievement of our International Development plans"

Interests

Bibby — a diversified agricultural and industrial group whose interests are predominately in the UK — this month expanded its industrial base by buying the Barlows materials handling businesses in the UK, Europe and the United States

"The enlarged Bibby is set to perform well in the future," Mr Clewlow said

Because Barlows succeeded in getting control of Bibby by the first closing date of its offer on Friday, British takeover rules require that the offer remain open for a further two weeks Only at the end of this period will Barlows know how much more it owns of Bibby than the current level of 90,5 percent

NEW LOWS

	PRICE	PREV
ERPMO	21	30
WIT CONS	700	706
TRUMCOR	11	12
AMAPROP	300	315
NATPROP	59	60
N KLEINS	285	300
UNIDEV	35	36
BROMAIN	78	80
ENYATI	35	36
OIL	49	50
ADONIS	45	50
PROGRESS	155	160
NATL TRDG	330	335
AFCOL	585	590
WORLD	125	130
WORLD	125	130

220

INVESTMENT

The great capital trek

In the face of recession, as the downside of the cyclical SA economy again asserts itself, local companies, large and small, are looking increasingly at acquisitions and investments abroad SA-controlled subsidiaries are rising like mushrooms in Europe, Australasia and the US, in sectors ranging from construction to stationery.

The present spate of foreign investment flows against the currents of restrictive exchange controls, the wilting rand, and domestic despondency. The Reserve Bank, haunted by visions of capital flight, monitors every deal — and for the most part disallows remittance of funds, forcing companies to borrow offshore Despite all this, the trend to secure subsidiaries abroad has never been stronger, and the confidence of SA companies to establish themselves in foreign lands is at an all-time high

It is a trend that bears stern examination The pay-off, in theory, is considerable — much-needed geographical diversification, footholds in unlimited and otherwise inaccessible markets, increased exports, and eventually a flow of dividends back to SA But in practice the pay-off remains largely unrealised

The economy has already paid a price, in capital losses and diverted resources, for the unbridled enthusiasm with which SA companies have launched themselves on the world Cautions Ronnie Lubner, chief executive of Plate Glass (PGSI), one of the few local companies to profitably invest abroad. "If this trend continues there will be a lot of strewn bodies and burnt fingers"

SA's largest and best-managed groups have long partaken of the international pie To a large extent, the overseas acquisitions

Some major SA companies have been seeking investments abroad — transforming themselves into multinationals. Anglo American led the field Yet it is not only the giants who are seeking fresh havens for their funds. Even in the midst of recession, with the exchange rate against them, managers are keenly seeking out and investigating opportunities. Of course, they don't all come off.

of these giants were simply a function of their scale — domestic markets were too easily outgrown SA's only true multinational, Anglo American Corp (AAC), shook off its SA chains decades ago, establishing itself through a myriad of pyramided holding companies in global markets as diverse as finance and oil

AAC vies with Royal Dutch Shell and Seagram of Canada as the single largest foreign investor in the US But the true extent of AAC's holdings — channelled through Bermuda-based Minorco and UK-based Consolidated Gold Fields — almost defies analysis "If you want to dig up the full extent of AAC's investment in the US," Ruth Kaplan, who researched AAC's US investments for the American Committee on Africa, told me "You'd better be prepared to spend years doing it"

Anton Rupert's Rembrandt also took the international plunge in the Sixties, more surreptitiously and notably less successfully than AAC Rembrandt now holds considerable investments abroad, mostly through its Luxembourg intermediary, Rupert Foundation Societé Anonyme Rembrandt's excessive liquidity has probably sparked more takeover rumours on Wall Street than any other foreign company, and analysts continue to predict that a US acquisition is imminent. But, as far as overseas investments are concerned, Rembrandt's annual reports give no clue as to the past, present or future.

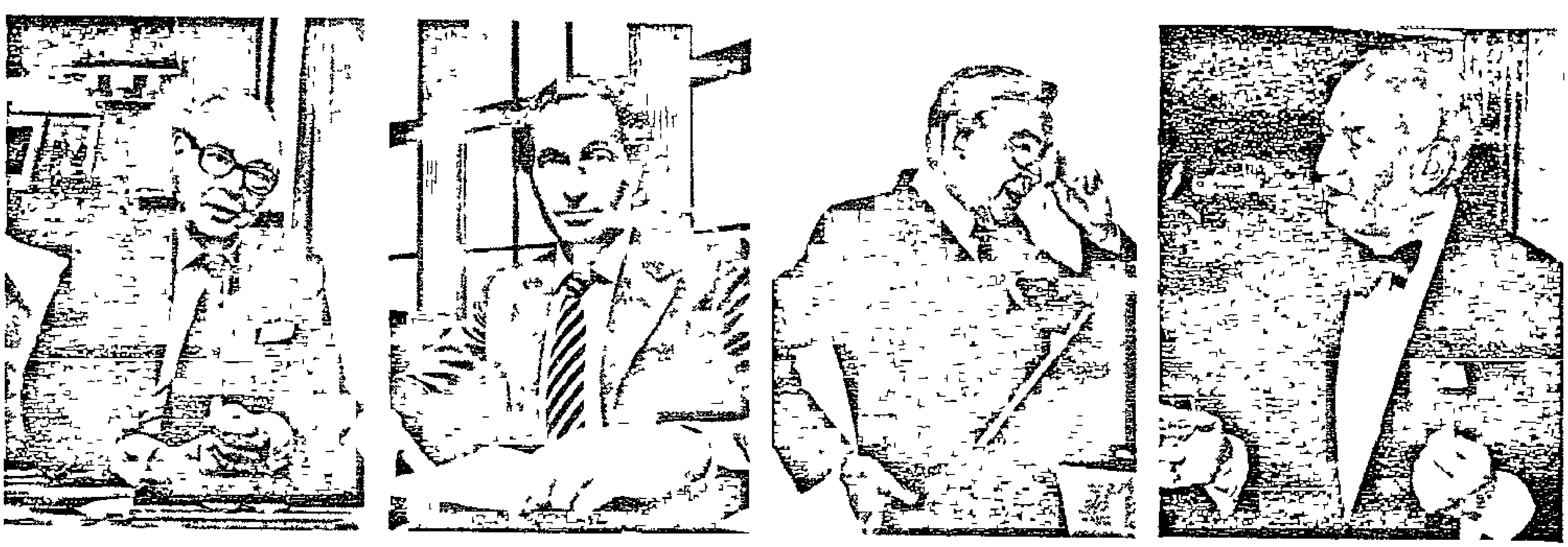
Barlow Rand too has been abroad for years, notably through Thos Barlow (Holdings) Ltd in the UK and Wrenn Handling Inc in the US But the R590m acquisition of UK industrial group J Bibby signals the depth of Barlow's commitment to overseas growth Barlow chief executive Mike Rosholt notes that. "It has always been part of Barlow's long-standing strategy to acquire significant overseas business interest," and also infers that the Bibby acquisition will be used as a springboard for further acquisitions in the UK and US

A place in the sun

Behind AAC, Rembrandt and Barlow stand a host of companies suddenly clamouring for their place in the sun Premier chairman Tony Bloom has made no secret of his wish to expand abroad, and the group is now listed on the London Stock Exchange "It is time SA started developing its own multinationals," says Bloom

Also proclaiming his wish to go "multinational" is Sun International's Sol Kerzner Kerzner is an old hand at purchases abroad, and perhaps should be less anxious to extend that-hand in view of the burnt fingers that have marked his grandest but least auspicious venture — the doomed Camelot casino in Atlantic City, New Jersey

Donny Gordon's Liberty Life has cultivated a considerable international presence through TransAtlantic Insurance, its giant UK holding company Natie Kirsh too is said to be looking to expand his already considerable investments abroad Also hot for overseas acquisitions is newly-created Safren



Anglo's Oppenheimer, Premier's Bloom, Rembrandt's Rupert, Barlow's Rosholt ... investments a function of scale

220

THE SA CONNECTION

SA's expansion abroad has only once encountered real political opposition, caused by a combination of one man's notoriety and an accident of geography

Southern Sun chief executive Sol Kerzner was one of the best known South Africans in the US And Atlantic City was an unwise choice of venue for his Camelot Local political activity was fast and furious, and the white mayor of this sharply divided New Jersey gambling city seized on Southern Sun's (SS) obvious SA connection to boost his support in the black community

When Camelot did fall through, SS put it around that the scheme collapsed because of the corporate restructure in Johannesburg, as South African Breweries (SAB) asserted its control of SS But in the final analysis, political pressure from the anti-apartheid lobby in the US played its part

"There's no doubt that local opposition stopped the deal," Jonathan Davis, a senior aide to Atlantic City Mayor Matthews, told the *FM* "SS wasn't about to come to Atlantic City. It just withdrew before things got really ugly"

Most SA companies in the US, UK and Australia say that their SA origins cause them little trouble But all are aware of the importance of keeping a low profile.

"South Africa's name is bad news," says M & R's Roger Voysey "We don't shout out our origins from the rooftops."

When it comes to profile, Anglo American plays it very low indeed

"Most people have no idea that US corporations like Phibro-Salomon (the commodity-trading and investment banking giant), Engelhard (New Jersey-based precious metals manucturer), Newmont Mining (copper) and Inspiration (natural resources) are SA-controlled," says Michael Goodwin, an analyst in the International Trade Administration of the US Department of Commerce "Nor are they about to. Anglo American is too professional to make a mis-step and find itself in the public eye."

Alongside these heavyweights are innumerable others, public and unlisted, that are already established abroad or looking to be so Some, like PGSI, are enjoying considerable returns from shrewd and well-managed overseas investments Others, like Murray and Roberts (M & R), and Bromain, made initial investments, divested themselves with losses, reinvested in other subsidiaries and are confident of return Still others, like the private Durban-based Beacon Sweets & Chocolates, watch anxiously while their subsidiaries (in Beacon's case a sweet factory in New Jersey) battle to get out of the red. Or like Pick 'n Pay's Australian venture, they overcome teething problems and get off the ground

The most recent investors are, oddly enough, the most optimistic According to Frank Robarts, MD of Waltons, which two weeks ago launched its Australian subsidiary· "If the political thing doesn't hold me back I'm going to make a million" And says Brian Mutch, MD of tiny Trek Scale (estimated turnover R4m) which has just acquired control of its Dutch supplier Jan Molenschot and Zoon. "Our market now is unlimited"

Graveyard scenario

Unlimited markets, however, do not necessarily spell success Indeed the largest of markets, the US, has proved a graveyard for SA capital The most visible debacle occurred in 1983 when, in the glare of the US media, Kerzner and Southern Sun watched their grandiose schemes of a casino in Atlantic City collapse in the face of local political opposition One positive lesson was evident from Kerzner's misadventure "Events in Atlantic City will make SA companies even quieter about their origins," says Sally Miller, a foreign investment analyst at the US Department of Commerce in Washington.

Kerzner is not alone in regretting his raid on the US Bromain, the consumer durables and electronics group, dropped its US subsidiary after an expensive 18 months, and instead chose to establish a now-flourishing subsidiary in the UK Says Bromain chief executive Max Brozin "We feel more comfortable in the UK" M & R is also divesting itself of its last US subsidiary after five costly years Admits M & R joint finance director Roger Voysey "We haven't been very successful in the US"

Altech, one of SA's best-managed groups, took five years to rid itself of an incompatible US electronics subsidiary, acquired in 1979 Says Altech deputy chief executive Ken Maud "We were dipping our toe in the water, and though we made some mistakes, we learnt from them" Bill Venter, chief executive of Altech holding company Ventron, has announced that by 1986 20% of Altech business should be international Venter also stated early this year that the group is actively looking for a sizeable investment overseas

Perhaps the costliest investment in the US belonged to Rembrandt, which invested heavily in the attempt to turn around the fortunes of its 1973 US acquisition Ligget and Myers In 1978 Rembrandt sold its stake in Ligget and Myers for $28,7m

What is it that makes the US market so difficult to crack? "You can make money in the US faster than anywhere else," says Jim Srodes, the *FM*'s Washington correspondent "But you can lose it here twice as fast as anywhere else" Says Walton's Robarts "I wouldn't open anything in the US. Australia is a much closer market to our own" Observes M & R's Voysey "Because they talk a kind of English in the US everyone thinks the market is similar to SA or the UK But it is a completely different environment, very legalistic, and unbelievably competitive If you're not the best you go out of business."

Competition notwithstanding, the latest to launch themselves at the US are the Hosken group, managing aviation insurance for a group of Miami underwriters; and C G Smith, which has acquired a controlling interest in Princeton Packaging for R30m Last month Stocks and Stocks, SA's largest privately-owned construction company, joined Sage, RMS Syfrets, Gallic and LTA in the hunt for spoils in the US real estate and construction industry.

The main factor behind SA companies' surge abroad is perceived opportunity. According to PGSI's Lubner "If you compare the opportunities in SA to those abroad, you go overseas But," he says, "the magic word is exports" Beacon Sweet's chairman Arnold Zulman says he set up his New Jersey operation because "it basically provided us with a more effective platform to promote our exports" Altech deputy chief executive Ken Maud says he believes "that if you operate exclusively in a closed environment like SA you don't get the benefit of volumes, and nor do you get enough opposition If you operate abroad you have to keep up with technology We are looking to see some very real advantages coming back to SA through export volumes, dividend flow and technology"

Furthering financial ties

The Reserve Bank's Jan Senekal says that permission will only be granted to companies to remit funds, borrow offshore, or obtain listings abroad if there are clear advantages to SA by "either fostering exports, protecting an existing investment, securing a source of supply, or furthering our financial ties with the outside world."

To what extent SA's overseas investments have fostered exports is uncertain, but it is clear that to date the flow of dividends has been in only one direction — out of SA And there are also other drawbacks. SA has limited managerial resources, and it is clear that many top managers spend an inordinate amount of time looking out for overseas investments Altech, for instance, says Maud, has "two top executives in the UK and US looking full-time for possible acquisitions." Indeed a casual *FM* ringaround discovered that four of SA's top chief executives were out of the country.

"You don't spend as much time as you should with your overseas operations," says Bromain MD Max Brozin "But you still spend too much time with them as far as your domestic operations are concerned"

220 19/10/84 FM

Rex Trueform chairman Stewart Shub, who, despite his group's London listing, has so far resisted what he calls "some very tempting propositions overseas," notes that if companies "are going to come safely through the present economic gale force winds, all management needs to be concentrating on the home operation."

The recent increase of SA investments abroad is in the final analysis a sign of health, a function of the vigour and ambitions of local business. It does not represent a capital flight, but the principal danger lies in overconfidence and the over commitment of scarce capital and managerial resources.

It is a fact that a number of SA groups are now investigating, and have been for some time, the possibility of removing a good number of their eggs from the politically unstable SA basket. As *New York Times* journalist Joseph Lelyveld concluded in a profile of Harry Oppenheimer, the end-result of AAC's geographical diversification will see the group outlast its country of origin "An historian friend of mine," wrote Lelyveld, "took an even longer view of the tactics and prospects of the Oppenheimer empire. It will be, he predicted, the last pillar to fall."

Charles Ruffel

ROM . 30/10/84 (220)

Portugal woos SA business

By HOWARD PREECE

PORTUGAL is wooing SA businessmen to set up operations in that country, either directly or in joint ventures with Portuguese companies.

A mission led by Dr Jose Baptista, chairman of the Portuguese Foreign Investment Institute, is this week involved in a series of top-level talks in SA to promote this aim.

Dr Baptista has one new, powerful factor on his side.

Portugal has just obtained agreement in principle from the Common Market for the country to join the EEC from January 1 1986

Dr Baptista points out that this would give Portuguese-based companies automatic access to an advanced industrial market of about 350-million people.

Given SA's political difficulties in establishing economic bridgeheads overseas, there may well be considerable interest in the Portuguese initiative.

There are, however, some obvious problems SA imposes tough exchange controls on resident companies. These controls can only be by-passed by special permission of the Reserve Bank.

However, SA has been a through a difficult period on the balance of payments and the gold and foreign exchange reserves have fallen below conventional safety levels.

In these circumstances it will certainly not be easy to get the Government or the Reserve Bank to approve of the export of capital.

One way of meeting this, again with Reserve Bank permission, is to raise a loan overseas to finance foreign investment and to service the interest and repay the capital of the borrowings from the earnings of the investment.

Portugal, however, does not have that kind of capital market facility, so use would have to be made of London or other international financial centres.

At any rate, Dr Baptista will learn more of the SA official attitude in talks this week with Mr Barend du Plessis, Minister of Finance, Dr Gerhard de Kock, Governor of the Reserve Bank, and Dr Dawie de Villiers, Minister of Commerce and Industry

He will get an indication of the degree of private sector interest in Portgual from, among others, Anglo American, Barclays, Volkskas and the Federated Chamber of Industries

But what, apart from the EEC link, does Portugal have to offer?

A key factor, says Dr Baptista, is that wage costs can be as much as 80% less than in West Germany and only half those of the poorer EEC member countries, such as Greece and Ireland

Areas where Dr Baptista sees particular potential for SA companies include textiles, food processing and general mechanical and metal industrial processing.

Portugal allows full repatriation of profits.

Pick 'n Pay Aussie hyper takes R800 000 sales on the first day

220

C. Times

By PAUL DOLD
Financial Editor

8/11/84

PICK 'N PAY'S international expansion plans were given a huge boost this week with the first Australian hypermarket achieving a record opening turnover of more than R800 000.

Speaking from his Brisbane Hotel last night, only hours after the store had closed, Pick 'n Pay's chairman, Mr Raymond Ackerman, said that the group was stunned at the response and is immediately going ahead with its second Australian store

"While we are naturally not being carried away by a single day's trading, we now know we have a dynamic international retailing concept of considerable potential

"I had talks with our Australian partners today and we are definitely going ahead with a second store either in Melbourne or Sydney Mr Hugh Herman (the joint managing director) is currently finalizing the plans"

Pick 'n Pay has also been considering entering the United States market but the early success in Brisbane suggests the group will first open its projected 10-store Australian chain before tackling other markets

More than 10 000 shoppers packed the Aspley (Brisbane) store — Australia's largest — for the opening at 9,30am on Wednesday

The huge crowd led to the store being shut soon after opening until 2pm

By the time the store finally closed at 5,30pm, some 30 000 shoppers had clicked through the turnstyles The crowds were so huge that local police had to appeal to shoppers to stay away from the hypermarket centre

Australian consumers gave the group a tremendous reception in spite of what Pick 'n Pay terms "the severest price cutting by competition ever seen" Pick 'n Pay was reportedly using two-way radios to monitor prices at a nearby competitor's store while stores in the area were keeping a close watch on Pick 'n Pay

The opening was given wide press and television coverage and Mr Ackerman said that the huge response had totally vindicated the hypermarket concept

It has been a nailbiting fortnight for the Pick 'n Pay team as the opening approached — Mr Ackerman himself has had less than three hours sleep a night for the past 10 days Not only were they facing the intense competition from local traders but a boycott or protests by anti-South African groups could not be ruled out

There is little doubt that the intense prelaunch publicity and lobbying by Pick 'n Pay's chairman, who was able to convince Australians that South Africa is changing, neutralized any opposition to the opening

Argus 12/11/84 (220)

'Great future for Pick 'n Pay in Australia'

AN EXTREMELY happy Mr Raymond Ackerman returned to his office in Cape Town from Australia today, convinced that his hypermarket operations have a great future in that country.

Last week's opening of the group's first hypermarket in Australia at Brisbane had been fantastic, almost unbelieveable, he said today

The group had never had an opening like it in South Africa After opening with a bang on the first day turnover on the second day was 50 percent higher.

Within two hours the public had bought more than 1 200 sides of lamb and were buying a ton of tomatoes an hour.

An appeal to the public by the police, broadcast over radio and television, to stay away from the hypermarket because of the congestion had the opposite effect and brought the crowds in ever larger numbers.

A LOT OF BOTHER

Mr Ackerman said before the opening he experienced some of the problems he used to have in South Africa Up to the last moment the competition were saying that the hypermarket concept would not work in Australia and tried to persuade suppliers to withhold stock from the store.

As a result the hypermarket had a lot of bother getting stock at the last moment.

He said there were few signs of anti-South African feelings. He believed his visit to Australia in February, when he had pointed out what his company had done to improve race relations, had helped frustrate attacks on the company.

The hypermarket opening had given him much confidence in operating in Australia and the group would definitely go ahead with opening a second store

The group had budgeted for the Brisbane hypermarket to have covered all its costs and start making a profit within the first 18 months to two years' trading But in view of the highly successful opening it was possible that the hyerpmarket could be turned around in 12 months, even though opening costs were double those planned

Here in South Africa turnover of the group's stores had been good even though conditions had been highly competitive Turnover the past four weeks had been 21 percent above that of the same period last year.

Derek Tommey

Business Day

RDM 15/11/84 (220)

Anglo puts more into South America

By BRENDAN RYAN

THE Anglo American Corporation group is expanding its business in South America by buying out its partners in Empresas Consolidadas Sudamericanas.

AAC, De Beers and Minerals & Resources Corporation (Minorco) acquired a 40% holding in Empresas, registered in Panama, in 1981

These companies, together with Anglo's Brazilian associates Mineracao Morro Velho and Ambras, are now taking up the remaining 60% in Empresas from a company called Consolidated Mining and Industries.

Empresas will be owned by a joint holding company in which AAC and associates hold 50%, De Beers 25% and Minorco 25%.

AAC chief press officer, Mr Errol Symons, said last night the purchase price would not be disclosed and neither would the terms of payment.

It is therefore not known whether the AAC group will pay for the new holdings through funds generated by its existing South American business, based mainly in Brazil, or whether the group must pump additional outside funds into South America.

Consolidated profits of the Empresas group were about US$27m in 1983 and US$15m in the six months to June this year.

The net asset value of Empresas at September 30 this year was about $200m.

Empresas' Brazilian interests will now be owned by Morro Velho and Ambras. These interests include controlling shareholdings in the Codemin ferro-nickel mines, the Copebras/Fosfago carbon-black, phosphate and fertiliser group and the Catalao columbium mine.

Empresas will continue to run its interests in other parts of South America directly.

These include the Mantos Blancos copper mine in Chile, the Petrosur-Agromax fertiliser company in Argentina and a cement company in Peru.

Over the years, Anglo has built up large, diversified industrial and mining business in Brazil.

Ambras (Anglo American Corporation do Brasil Limitada) has interests in gold and nickel mining, banking, food processing, agriculture and steel making.

Ambras' major investment is in Morro Velho, which runs Brazil's largest gold mine and a number of other gold producers, all of which are small by South African standards

Morro Velho is doubling its total monthly production capacity to 100 000 tons of ore.

Ambras also has a 49% stake in a steel mill with the capacity to produce 160 000 tons of steel annually.

Faced with Brazil's foreign exchange controls and the country's galloping inflation rate, the Anglo group's policy to date has been to plough its earnings back into developing its Brazilian business

Argus 15/11/84 (220)

First SA bank in Taiwan plans April opening

Argus Foreign Service

TAIPEI. — The planned opening in Taiwan of the first office of a South African bank is viewed in business circles here as a major step towards furthering economic ties between the two countries.

Standard Bank of South Africa was granted official permission last month to open a representative office in Taiwan. The bank hopes to begin operations around April 1985, with its Taipei officer Mr W E MacKay, at present in Hong Kong

Taiwan has just launched offshore banking operations and is aiming to become one of Asia's major financial centres. In particular, it hopes to lure some of the capital that is now fleeing Hong Kong as the British prepare to hand over the colony to the communist Chinese

EXPRESSED INTEREST

Mr Edward Chien, deputy director of the Department of Monetary Affairs at the Ministry of Finance, said four South African banks initially expressed interest in opening an office in Taipei

"After some talks, two of them put in an application. We approved Standard." He declined to name the other banks involved.

The Ministry has laid down various principles for accepting applications by foreign banks to open a representative office in Taiwan.

One is that over a period of three years the bank should have granted medium-term and long-term loans in Taiwan totalling $30-million (R52,6-million).

Alternatively, the Ministry will allow a new bank to enter the country on the basis of reciprocity, and as it had decided it was time to open an office of a Taiwan bank in South Africa it was prepared to accept the entry to Taiwan of one South African bank.

Foreign bankers generally describe banking in Taiwan as very conservative, hindered by heavy bureaucracy and tight exchange controls

They say Taiwan still lacks much of the infrastructure, such as a fully developed telecommunications network and trained English-speaking personnel, boasted by more established neighbouring centres like Singapore and Hong Kong

Business Day RDM 5/12/84 (220) 5

Clicks in R1,5m deal Down Under

By MIKE JENSEN

CLICKS Stores has become the second major South African retail chain to move into the Australian market.

Following the lead set by Pik 'n Pay, Mr Jack Goldin, the chairman and managing director of Clicks, told Business Day yesterday a deal worth about R1,5m had been concluded with the prominent Australian businessman, Mr John Gandel, for the acquisition of a 50% interest in his retail toiletries and gift chain.

Operating under the name of Priceline, the business was similar to the Clicks concept which had proved successful here, said Mr Gandel.

The group comprised six stores in major shopping centres, all but one of which were in the suburbs of Melbourne.

The acquisition was the outcome of extensive negotiations, which had started a number of years ago when Mr Gandel visited South Africa to discuss the possibility of starting a Clicks-type retail chain in Australia.

On the basis of the existing infrastructure, the investment was expected to prove profitable by the end of the first year of Click's involvement, said Mr Goldin.

"Having looked closely at the group during a number of business trips to Australia, I feel satisfied that Priceline has considerable expansion and profit potential.

"The Australian economy has come out of a bad patch and the prospects for increased consumer spending are good," he added.

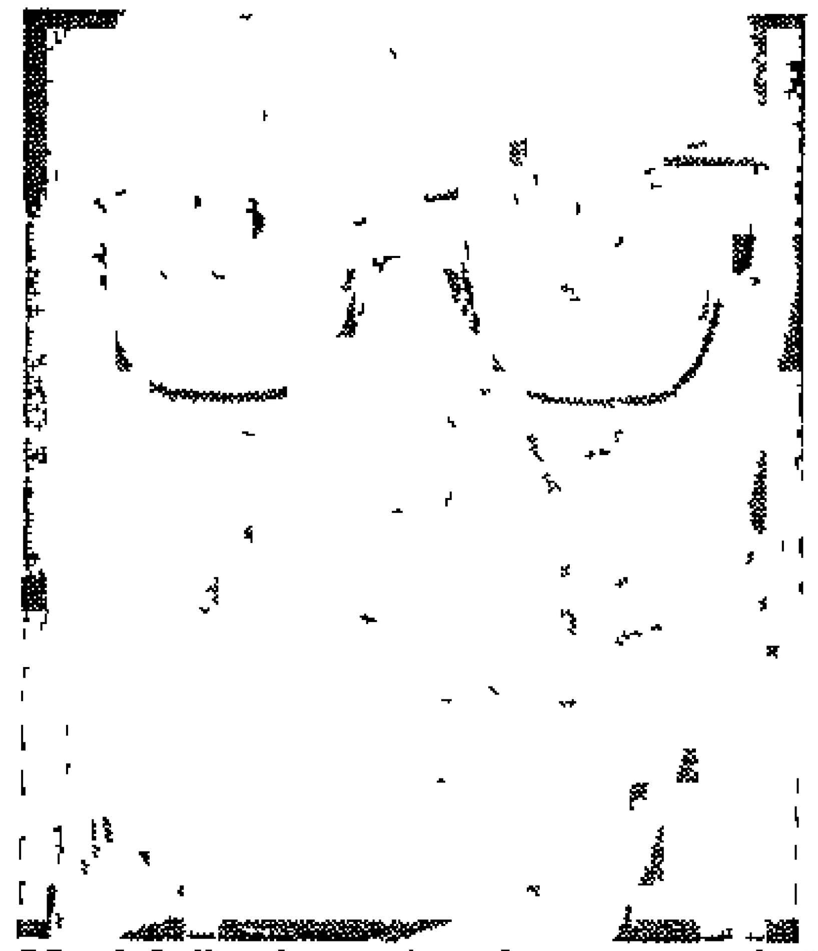
Clicks would have joint management of the chain and Mr Gandel and Mr Goldin were to be joint chairmen.

Clicks' senior marketing executive, Mr Martin Susskind, would act jointly with the Gandel family in the day-to-day running of the Australian corporation.

Mr Gandel had extensive property interests in Australia, particularly in shopping centres. His expertise in this area would assist Priceline in its endeavours to obtain suitable sites for expansion, said Mr Goldin.

Mr Gandel was also the joint chairman of Sussans, a ladies' fashion chain in Australia.

Mr Goldin said the new investment would in no way restrain the expansion plans of Clicks in South Africa or its new Diskom chain.



Mr J A Barbour has been appointed to the board of De Beers Consolidated Mines.

SA 'break-out' investment in UK under the spotlight

Star 10/12/84 (220)

By John D'Oliveira
The Star Bureau

LONDON — South Africa's break-out from the "economic laager" came under the spotlight during a prime-time business television show in Britain yesterday

The business programme on independent television's Channel Four reported that South African investment in Europe had trebled between 1979 and 1984 — and that it now stood at an estimated R5 500 million

Most of this money had been invested in Britain, and a string of major South African companies had bought stakes in British businesses

The programme gave as the most recent example the R500 million purchase by Barlow Rand of J Bibby and Sons

At one stage Mr Peter Curle, executive director of the high technology South African firm Allied Electronics, was interviewed as one of the South Africans who had "joined the hunt" for British companies

Mr Curle said his firm was looking for a "compatible" acquisition in the fields of high technology or telecommunications and that Allied Electronics was prepared to pay about R100 million

The business programme's commentator, Mr Peter Hobday, said South Africa was breaking out of the "economic laager" because

- The gold price had plummeted and was now at a two-and-a-half-year low
- South Africa suffered from high unemployment for both black and white workers
- Double-digit inflation continued in South Africa
- Interest rates in South Africa remained at more than 20 percent

SEVEN BIG GROUPS

The Johannesburg Stock Exchange provided an additional reason for the "break-out"

Almost 80 percent of the quoted shares were in the hands of seven big groups and this concentration of power meant there was very little room for manoeuvre in the domestic market Hence the break-out into world markets

Also interviewed was Mr David Willers, London director for the South Africa Foundation, who said South African investments abroad had doubled in the last two years

Asked whether this was "funk money", Mr Willers said he had no doubt that this was "the kind of construction that will be put on it" because of South Africa's political problems

However, in practice, the biggest South African companies were looking to outside investments because there were very few opportunities left for them in South Africa in their own particular fields of expertise

The commentator said South Africa's "dubious political reputation" was now the main barrier to its businessmen's overseas investment

"Companies need to think hard before they link-up with South Africa and become the target for anti-apartheid demonstrations in different parts of the world"

However, the programme included interviews with J Bibby and Sons employees, all of whom belong to a trade union vigorously opposed to the South African government's policies, and none had any objection to the new ownership

Rdm 12/12/84 (220)

SA electronics giant eyes UK firms

Altech on R100m hunting spree

By NEIL BEHRMANN

LONDON. — Altech, the South African electronics group, is ready to spend over R100m on acquisitions in Britain.

In an interview on UK television, Altech director, Mr Peter Curle, said the company would pay up to £50m (R110m) for businesses in the telecommunications, high technology and electronics field.

In Johannesburg yesterday, Mr Ken Maude, deputy chief executive of Altron, Altech's holding company, said senior staff had been in the UK for the past three or four months with the brief to find a suitable acquisition by mid-1985

He said he believed the size of such an acquisition would be within the range of R20m to R100m

In a UK Channel 4 feature on South African investment abroad, the programme estimated South African investment in Europe, mainly in Britain, had doubled to £1,75bn (R3,86bn) between 1979 and 1982

Statistics, however, have their problems

The latest South African Reserve Bank quarterly bulletin shows that total private sector foreign direct and indirect investment rose from R3,18bn in 1976 to R8,9bn in 1982

These assets increased in line with expansion of the South African economy and also because foreign currencies appreciated against the rand

In the past year alone, the rise of the dollar, sterling and other foreign currencies have raised the worth of South African assets abroad

But liabilities must be offset against these assets

The Reserve Bank calculates that foreign liabilities of the South African private sector rose from R12,7bn in 1976 to R26,6bn in 1982

Several businessmen, including Mr Tony Bloom, the chairman of Premier Group, told Channel 4 they intended investing abroad

Britain, in particular, was an attractive area

The reasoning behind these plans included foreign diversification, generation of export market from an international base, fear of monopoly and limited markets at home, and the desire to enter large foreign markets

Economic circumstances in South Africa, however, could delay or perhaps even mothball many of these plans

For a start, the depreciation of the rand now makes it much more expensive to buy assets abroad

In 1981, only R8,4m was needed to buy $10m

Now R18,5m is required to buy the same assets in the US.

Similarly, just over a year ago R17m could buy £10m of assets

Now companies must pay out R22m

Companies, of course, tend to borrow abroad when they buy foreign assets

This can be ruinously expensive, however, if the foreign exchange rates move sharply against the borrower's domestic currency, unless forward cover has been taken out

In general, South African companies have probably missed the foreign investment boat

The deepening domestic recession and high interest rates are paring profitability, so there is less capital available for local or foreign investment

With foreign exchange obviously scarce, the Reserve Bank is bound to be scrutinising foreign investments with extra care.

There was, of course, an opportunity for more extensive exchange control relaxation during the 1979-81 gold boom.

As it so happens, the relaxation which did occur benefited foreign companies

Because South African institutions and individuals were forbidden to invest abroad, they boosted values on the Johannesburg Stock Exchange.

Foreign corporations, such as Associated British Foods and Jardine, of Hong Kong, were able to sell their South African assets at handsomely inflated prices and withdraw the proceeds from South Africa.

Meanwhile, pent-up liquidity contributed in no small measure to the high inflation rate and problems the economy has today.

Star 12/12/84

SA has invested more than R12-bn in Europe, America

220

By John D'Oliveira
The Star Bureau

LONDON — South African investment in Europe and the Americas is now believed to have topped R12 billion

This is clear from research by the South African Foundation's London office for a prime-time business television programme broadcast last weekend.

The programme highlighted South Africa's dramatic breakout from the "economic laager", but it gave very little by way of statistics

Yesterday a spokesman for the South African Foundation said the latest statistics available from the South African Reserve Bank showed South African investment in Europe had increased from R2,2 billion in 1979 to R4,343 billion by the end of 1982

Total investment in North and South America increased from R1,004 billion in 1979 to R3,345 billion by the end of 1982, bringing the total for Europe and the Americas to R7,688 billion.

This was made up out of R4,934 billion in direct investment and R2,754 billion in "non-direct" investment

In 1979 total "non-direct" investment was R1,616 billion and direct investment was R1,653 billion, a total of R3,269 billion

Observers say they believe the total figure may have doubled again over the last two years — but that it will certainly exceed R12 billion by the end of this year

They also believe that at least 60 percent of South Africa's European investment is placed in the United Kingdom — R2,400 billion at the end of 1982 and something approaching R4,000 billion at present Of course, South Africa's international liabilities must be set off against these increasing assets.

COMMENTATOR EXPLAINS

However, the statistics do show the dramatic increase in the amount of money being invested overseas by South African businessmen at a time when many overseas investors are agonising about investment in South Africa

In the business programme on Sunday, the commentator explained that South Africa was "breaking out of the economic laager" because the price of gold bullion had plummeted, inflation remained at double digit figures, interest rates had topped 20 percent and there was a high rate of unemployment among black and white South Africans.

MULTINATIONAL - CORPORATIONS

1985 - 1988

 Mercury 21/1/85 (220)

Chemical exports climb at Umbogintwini plant

Financial Reporter

DESPITE the general economic gloom, 1984 has been a successful year for chemical company, S A Tioxide, with production records set and substantially higher levels of exports to 'deep sea' markets being achieved

The Umbogintwini-based company, which employs about 500 people, is a specialist chemical manufacturer and the only producer of titanium dioxide pigments in Africa, sold under the trade name Tioxide

Retiring managing-director, Mr Jim Sommerville, says that 1984 had been a year of two distinct halves 'It was a very difficult first half due to the increasing availability of low-priced European imports encouraged by the Government's action in reducing protective duties'

The rand

'But the second half had seen a substantial reduction in import activity as the rand weakened and European producers sought more rewarding markets

'This change was accompanied by a general reduction in domestic demand as the Government's squeeze started to take effect

'On the bright side there was a substantial improvement in returns from the hard won dollar-based exports and volumes improved in this area when they were most needed'

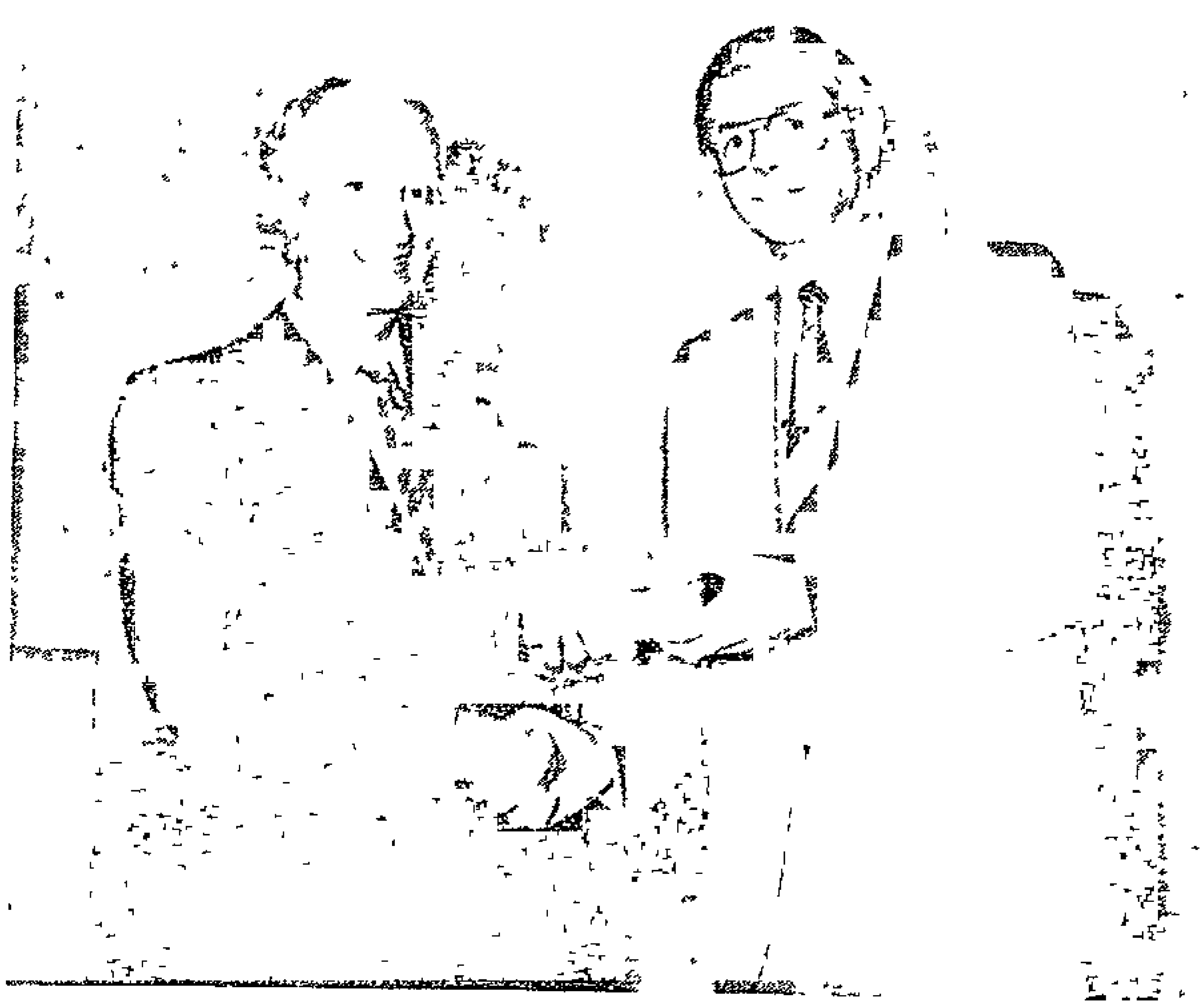
Mr Sommerville is full of praise for the company's team effort, which should result in the budgeted profit for the year being achieved

Although total sales by volume failed by 0,68 percent to match the record year of 1981 when South African demand was at an all time high, some company records were broken

But the real breakthrough came in 'deep sea' exports, which were more than twice those for the previous best year Sales were made to markets in North America and selected markets in Europe

Sales

In 1984 S A Tioxide's 'deep sea' exports accounted for 14 percent of



Mr Jim Somerville, retiring managing director, receiving a farewell gift from his successor, Mr Peter Kerr, at a recent staff party

Africa, sees a number of similarities in the problems facing S A businessmen today and those of U K management in the 70's, when high inflation caused serious damage to industry and the economy as a whole

'South African businessmen must react to the changing business scheme, particularly if the Government sticks to its policy of reduced protection of local manufacturing industry and companies must seriously consider the opportunities the weak rand offers them'

Mr Kerr says they are aiming for full capacity production this year with a minimim target of 20 percent for export

His major concern is how to remain price competitive in 'deep sea' markets and not be forced to increase prices locally to the extent, that despite the weakness of the rand, it again becomes an attractive market to importers

He admits to having made a poor start in this respect as prices of Tioxide titanium pigments — because of the dollar-based raw material, like sulphur — will be increased by about 12,5 percent from February 1

'New contracts for sulphuric acid have had to take account of a 30 percent increase in the U S dollar price of sulphur over the twelve months and when this is translated into rands it has the effect of increasing direct product costs by about R130-R140 per ton

The steep increase in electricity charges, with a further rise expected mid-year, will also have a significant impact on costs markets being achieved.

The Umbogintwini-based company, which employs about 500 people, is a specialist chemical manufacturer and the only producer of titanium dioxide pigments in Africa, sold under the trade name Tioxide

Retiring managing-director, Mr Jim Sommerville, says that 1984 had been a year of two distinct halves 'It was a very difficult first half due to the increasing availability of low-priced European imports encouraged by the Government's action in reducing protective duties '

The rand

'But the second half had seen a substantial reduction in import activity as the rand weakened and European producers sought more rewarding markets

'This change was accompanied by a general reduction in domestic demand as the Government's squeeze started to take effect

'On the bright side there was a substantial improvement in returns from the hard won dollar-based exports and volumes improved in this area when they were most needed '

Mr Sommerville is full of praise for the company's team effort, which should result in the budgeted profit for the year being achieved

Although total sales by volume failed by 0,68 percent to match the record year of 1981 when South African demand was at an all time high, some company records were broken

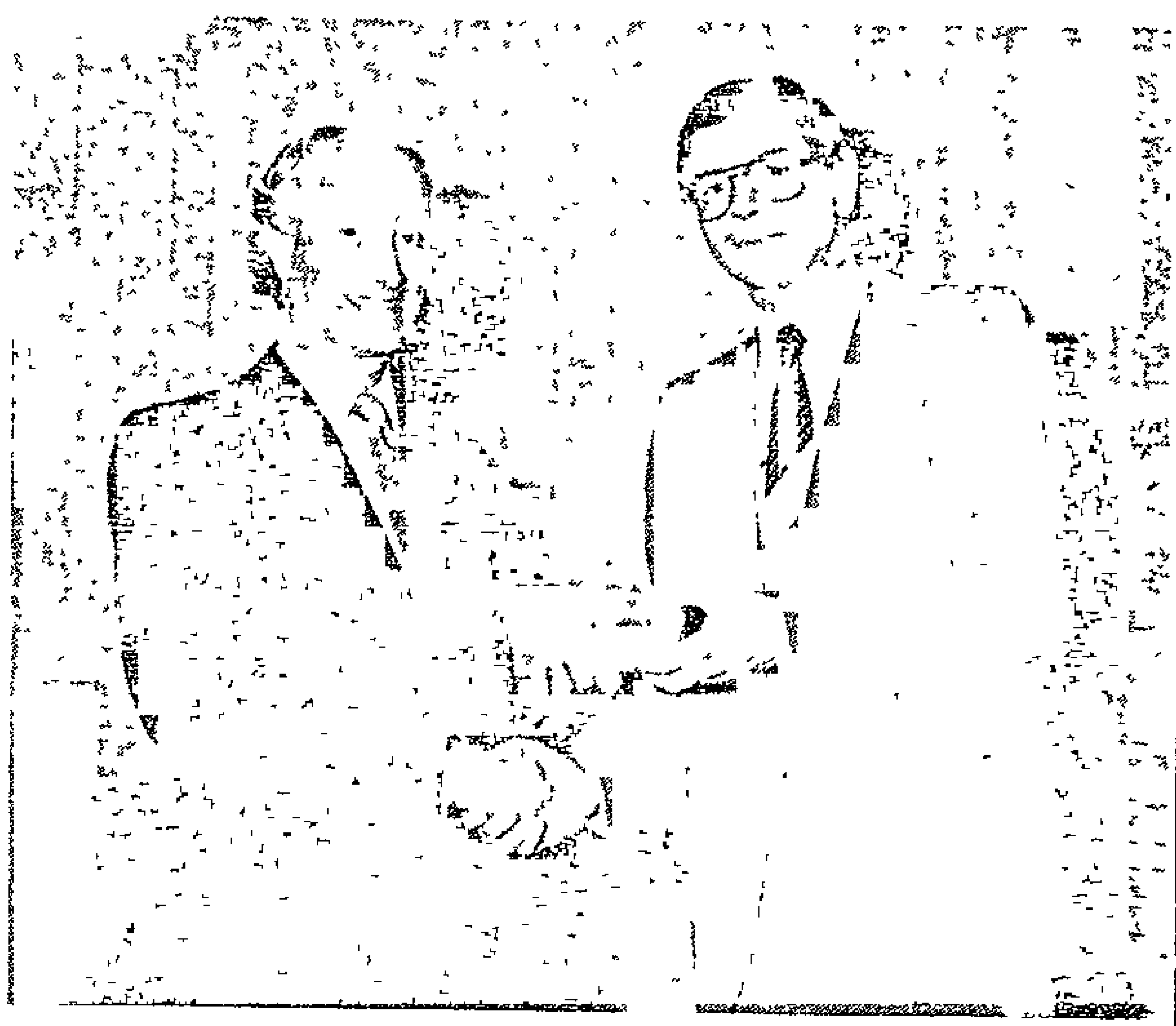
But the real breakthrough came in 'deep sea' exports, which were more than twice those for the previous best year Sales were made to markets in North America and selected markets in Europe

Sales

In 1984 S A Tioxide's 'deep sea' exports accounted for 14 percent of total sales, with a further 5,5 percent being sold in traditional export markets earning R10m in foreign exchange

The year ended on a high note, with December sales well above the monthly average and 45 percent of production being exported

The new managing director Mr Peter Kerr, a recent arrival in South



Mr Jim Somerville, retiring managing director, receiving a farewell gift from his successor, Mr Peter Kerr, at a recent staff party

Africa, sees a number of similarities in the problems facing S A businessmen today and those of U K management in the 70's, when high inflation caused serious damage to industry and the economy as a whole

'South African businessmen must react to the changing business scheme, particularly if the Government sticks to its policy of reduced protection of local manufacturing industry and companies must seriously consider the opportunities the weak rand offers them '

Mr Kerr says they are aiming for full capacity production this year with a minimum target of 20 percent for export

His major concern is how to remain price competitive in 'deep sea' markets and not be forced to increase prices locally to the extent, that despite the weakness of the rand, it again becomes an attractive market to importers

He admits to having made a poor start in this respect as prices of Tioxide titanium pigments — because of the dollar-based raw material, like sulphur — will be increased by about 12,5 percent from February 1

'New contracts for sulphuric acid have had to take account of a 30 percent increase in the U S dollar price of sulphur over the twelve months and when this is translated into rands it has the effect of increasing direct product costs by about R130-R140 per ton

The steep increase in electricity charges, with a further rise expected mid-year, will also have a significant impact on costs

280 337 FM 1/2/85

that counts, it is the unknowable billions of dollars that never got there The main impact of the campaign so far is that it has succeeded in putting the Administration and many large companies on the defensive

It is the fact that US-SA trade has stagnated at $4,5 billion a year and that, while 284 US companies do business inside SA the fact remains that since 1980 fully 30 US companies have abandoned the SA market while only 11 new firms have set up operations there

It also is the fact that while the divestment movement was once confined to liberal bastions and black political enclaves, it is spreading across the country

In the year ahead, the state of Alabama (once a segregationist stronghold) will consider an anti-SA bill similar to the Massachusetts ban Similar state divestment bills are pending in midwestern conservative states such as Kansas, Iowa and Illinois. In California an anti-apartheid group is trying to get a statewide referendum on divestment before the voters in November The number of divestment or pension sell-off motions before various city councils and county commissions is beyond counting even by the divestment groups themselves

But to what purpose?

It is apparent in the accompanying interview with TransAfrica's Robinson, what is next on the agenda (see *Current affairs* page 49)

The US anti-SA Left has given Bishop Tutu the two years' grace he has asked for his country Almost certainly in that time there will be no significant exonomic harm done to US-SA trade or investment flows

But almost certainly in that time the barrage of demonstrations, of resolutions and media rhetoric will have its effect. It will be at that point that SA will be judged to have failed No matter what progress Pretoria achieves, it will be judged to fall short of the mark

How real is this threat? What was unthinkable two years ago is certainly thinkable today And what is thinkable today can be within reach sooner than we think

GENBEL

The big leap

220

Gencor's investment holding company is making an adventurous foray into the Eurobond market in order to finance overseas venture mining projects. Given the weak rand, it's a bold move; but typical of Genbel's strategy of breaking ranks with the traditionally conservative investment policies of SA's major corporations.

After several years of rapid expansion in its industrial division, General Mining Union Corporation (Gencor) is setting its sights on investments in foreign markets Investment holding company Genbel is planning to invest some R75m in overseas venture capital mining projects — and the investments are to be financed by a route so far taken by few other SA groups, a Eurobond issue for DM100m

In other ways too Genbel's management is breaking away from the conservative investment policies most often adopted by the staid SA investment holding companies By using gearing to broaden the capital base, chairman Hugh Smith plans to avoid sitting on a portfolio that rarely changes

The decision to raise DM100m is undeniably a bold move Some might call it foolhardy, considering the rand's present weakness, and the possibility that it will remain soft for years But if Genbel's foray overseas is successful, the pitfalls of currency fluctuations should be avoided

Already several large SA groups which have for some time been saying they would like to invest overseas have remained sidelined while the rand kept sinking For some, the opportunity to go abroad may well have slipped away. As Smith contends, "It makes no sense to invest rands abroad while our currency is so weak"

Others may, however, be encouraged to follow Genbel's funding route if it is open to them With the path largely untrodden by SA groups, Genbel had to feel its way Lead bank Dresdner Bank required a guarantee from Genbel that if necessary it would repay the loan on maturity After approval was given by local exchange control authorities, a wholly-owned Dutch financing subsidiary of Genbel is to raise DM100m on the Eurobond market The bond will have an 8% coupon rate, with a life of six years at an issue price of 99,5% It will be listed on the Frankfurt exchange

Smith notes that the interest rate is in line with that paid by the SA government, as well as the level paid recently by European companies "There is no significant premium because of political considerations," he says The bond is a bearer issue, and interest will be tax-free The terms are attractively pitched considering that the German rate of inflation is only 2,9%, and the taxed real rate of return for holders is an enviable 5,2%

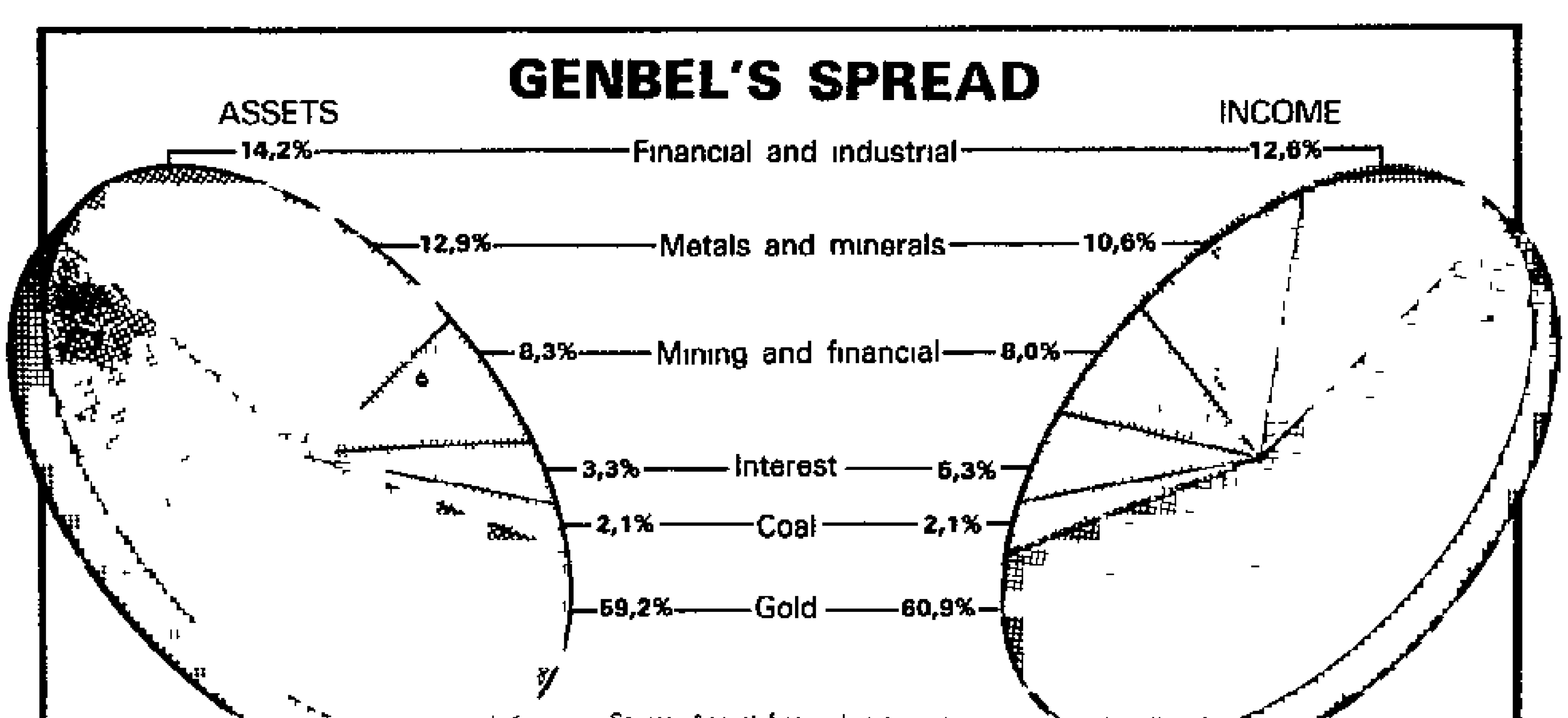
Priority targets for the funds raised by the issue are equity stakes of 20%-40% in developing North American gold mines It could, of course, be argued that the strong dollar does not make this a propitious time to invest in the US On the other hand, the low gold price has reduced the entry price, and narrowed the opportunity field

Developing gold mines in California — which are low grade, low cost, opencast ventures — are an example of the kind of investment Genbel has in mind Australian gold mines are among the priorities But Genbel is not interested in gaining management control of any mine "We have not finalised any propositions," says Smith "We are now going out to look" The finalisation of any deal is probably only a few months away

No Minorco parallel

It seems that Gencor, holding 43% of Genbel, does not aim to reshape the investment company into a new overseas investment arm, along the lines of Anglo's Minorco As Smith puts it "Where necessary we will use Gencor's technical input to assess any viable proposition But Genbel's board made an entirely independent decision to invest abroad, although the move has the blessing of Gencor's board"

Genbel currently has a portfolio worth



(220)

some R600m in SA gold mines It may seem ironic that a SA-based company should want stakes in gold mines abroad But Smith contends that "SA is geologically fully-explored and all known mining deposits are in firm hands Opportunities for risk capital are greater abroad than here" Stakes in oil and gas syndicates are also being contemplated, he adds

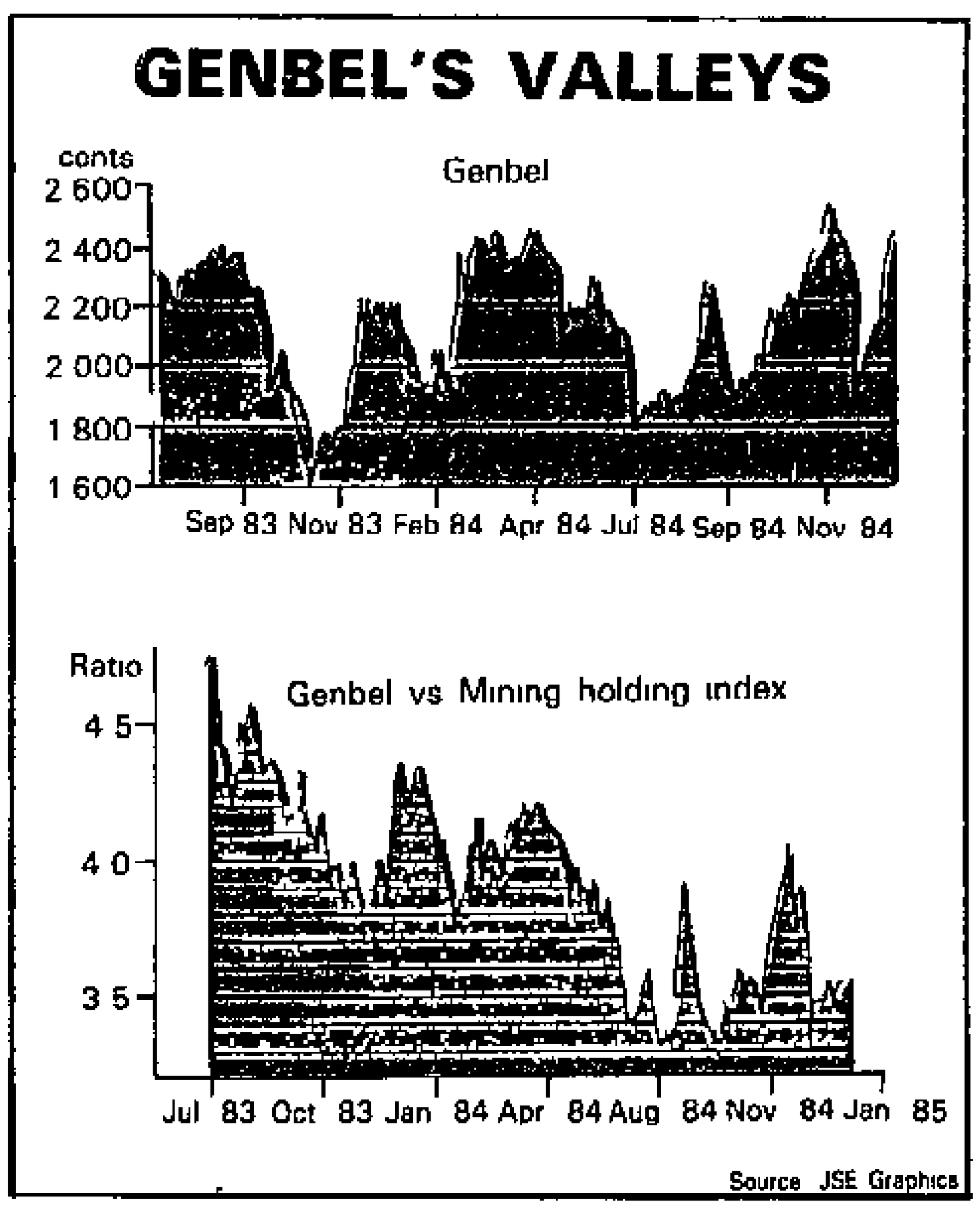
Genbel currently has assets of more than R1 billion, but this should rise as the gearing is increased to a maximum of about 10% Management wants to hold 70%-80% of the portfolio in mining or mining financials

According to Smith, the proportion of overseas-held investments will depend on how successful these new ventures turn out

Initially, interest on the Eurobond loan is unlikely to be fully-serviced by foreign investments, so any shortfall will probably be met by local funds In the next few years, there is likely to be a small dilution in earnings due to negative gearing Of course, if the overeas foray flops, local funds will have to be used to repay foreign debt

Apart from these projects, there are other encouraging developments in Genbel Its largest investment, currently worth some R168m, is in Evander gold mine Winkelhaak. The mine is prospecting on the eastern side of its existing lease area, on the farms Uitkyk and Driefontein, whose mineral rights are held by Genbel Smith candidly admits that "the exploratory work is likely to prove significant"

Genbel has coal mining rights in Evander and the Free State, where coal has been found, although further exploratory work will have to be done to define the



deposit Further drilling for gold is currently being carried out in Vermeulenskraal Noord — held 50% by Genbel — south of President Steyn's Video mine Last year's drilling results in this area were described as "encouraging"

Among other recent developments, last year's 49% stake in an international share-dealing company formed by Genbel and UK stockbrokers W Greenwell (51%-held) might become a money-spinner in future years The company, whose operations are similar to those of jobbers, has capital of about R4m

Genbel was born out of the controversial merger of UC Investments and Sentrust in 1983 Much of its growth into a formidable mining investment company can be traced through Smith's career Smith, 60, spent 29 years, many of them as a partner with Deloitte Haskins and Sells, who are Genbel's auditors, before joining the ill-fated NGF group in 1969 as an executive

After spending two years as MD of Sagit following the NFI debacle, he joined Union Corp's UC Investments (UCI) as MD in 1972. After rising to financial director of Union Corp in 1976, Smith became part of the Gencor group when Gencor acquired Union Corp in 1979 Now one of Gencor's five-man executive committee, Smith describes the merger of UCI and Sentrust and the broadening of Genbel's investment horizons "as an interesting and challenging period of my life"

Chairman Smith ... opportunities lie on foreign shores

Share attractions

Genbel, with a market capitalisation of some R750m, is listed in Johannesburg, London and Brussels The merger, and Genbel's subsequent growth, lifted UCI's dividends over the past decade from 36c to 150c, while net worth more than quintupled to about 3 150c At R21, the share is some way off its all-time high of 2 550c, and stands at a discount of around 30% to net worth

The company has no employees, but pays Gencor a management fee of 3% of dividends declared Its five largest holdings are in quality precious metal mining shares Winkelhaak, Kinross, Impala, Vaal Reefs and South Vaal — totalling roughly 1 850c a share Besides Vaal Reefs, these mines currently yield well below Genbel's current historic dividend of 7,1%

The chart indicates the spread of investments Most of the mines in the portfolio should be able to increase this year's payout by a healthy margin, thanks to the high rand prices of precious metals

At present, the prospective dividend yield is probably about 8% Apart from this forward yield, there are considerable attractions the discount to net worth, the sound investment portfolio, and management's adventurous approach and past track record The share is worth accumulating as a cheap entry into a well-diversified mining portfolio holding some solid industrial interests

Brian [illegible]

Mercury 7/3/85 (220)

The

AAC in Brazil is now financially independent

Mercury Correspondent

JOHANNESBURG— Anglo American Corporation's Brazilian operations are now financially independent and dividends are now being remitting to major shareholders Minorco, De Beers and AAC.

This emerged from a recent interview in Johannesburg with Dr Mario Ferreira and Mr Peter Burnell who between them are responsible for AAC's South American operations

Dr Ferreira is an AAC executive director responsible for the group's Brazilian operations while Mr Burnell, who was recently made a director of AAC, is responsible for the group's South American operations outside of Brazil.

'Our general policy is that we finance the expansion of our Brazilian operations from our own sources.

'If we cannot do this, then it is an indication to me that we must go slowly on whatever we are trying to do,' Dr Ferreira said

Argentina

Mr Burnell pointed out this was not yet the situation in Argentina or Chile, where the development of AAC's business was lagging behind that already achieved in Brazil by some five to eight years.

'Initially, we were set up and funded by the AAC group but over the last four years we have invested US$300m money of our own funds back into our operations,' Dr Ferreira said.

'We started remitting dividends to our overseas shareholders about two years ago The dividends to date have been small and we are building up to achieving a dividend level which will be a responsible return on the investments made in South America,' he added

investment is encouraged by the Government and tax is reasonable

'There is no restriction on the remittance of dividends from the country. Further, we are optimistic over the future political development of Brazil and Argentina.

'Brazil this week will install its first democratically-elected President, which is a particularly important step,' Dr Ferreira said

He said he was aiming at setting up Ambras (Anglo American Corporation do Brasil Limitada) as a mini-AAC.

Ambras has interests in gold and nickel mining, banking, food, agriculture and steel but its major interest is the Morro Velho gold mine, which is Brazil's largest underground mine.

Brazil is estimated by Dr Ferreira to have produced some 55 tons of gold in 1984 but less than 17% came from underground mines as the bulk was produced by the independent garimpeiros (diggers).

Morro Velho is currently in an expansion phase which will double its production capacity to 100 000 tons milled a month by 1986

Dividends

He declined to give precise details of dividends being paid by AAC's Brazilian operations and also declined to give the cost of the deal announced last November when the AAC group bought out its partners' 60pc holding in Empresas Consolidadas Sudamericanas (Empresas).

Dr Ferreira's career with AAC has spanned some 21 years in the group's operations in France and Portugal while he was also involved in managing the Cabora Bassa project in Mocambique He moved to head up AAC's Brazilian operations in 1975.

Potential

Mr Burnell started with Charter Consolidated in 1965 and he moved to the group's Brazilian operations in 1977

AAC was attracted to South America initially by the continent's mineral potential

'Chile, Brazil and Peru, in particular, have tremendous mineral resources. They have the largest reserves of iron ore in the world and the second largest reserves of bauxite.

'Brazil is the world's third largest producer of gold. However, Brazil is also a developing industrial economy with a large population

'More than 50pc of Brazil's exports are industrial products Foreign

SA DRUGS FIRMS IN COURT WAR

W/E ARGUS
27/4/85

220

By IRVING STEYN
Weekend Argus News Editor

DRUGS manufacturers are to take the Pharmacy Board to court for ruling that pharmacists may substitute cheaper alternatives to medicines prescribed by doctors.

The ruling has brought a major split in the industry's Pharmaceutical and Chemical Manufacturers' Association (PCMA) — one of its largest members is siding with the Pharmacy Board

The association has voted financial support to a number of members who are to take the board to court over an ethical rule which allows pharmacists to substitute cheaper brands of the same medicines on doctors' prescriptions

The row, which has been simmering for some time, erupted at a meeting of the association yesterday at which money was voted for the court action

Copied

This led one of the country's largest pharmaceutical manufacturers, SA Druggists, and its subsidiary, Lennon, the largest manufacturer of generic medicines, to withdraw from the association

Generic drugs are those on which the original manufacturer's patent has expired and which may therefore be copied and sold under other names by other companies — generally at prices about 25 percent lower.

The deputy managing director of SA Druggists, Mr Tony Karis, said it was "absolutely nonsensical" for the industry to try to prevent what was happening all over the Western world.

Of the 62 members of the PCMA (out of about 80 drug manufacturers), only five major companies, all South African-owned, make generic medicines

It is estimated that generic medicines account for only 10 percent of the R400-million total wholesale turnover in pharmaceuticals

Statement

If generally implemented, replacement of other medicines with generics will give the local pharmaceutical industry an opportunity to expand considerably.

The Pharmacy Board's ruling, in November last year, came after a statement by the late Minister of Health, Dr "Nak" van der Merwe, in February last year that the pharmacy profession should help the nation by adopting generic substitution.

Opposition to the step has come primarily from the multinational drug companies, which say lower sales of their brand name drugs will reduce finance available for research.

The Pharmacy Board rule permitting substitution was, the PCMA decided, not necessarily in the public interest nor in the interest of the pharmaceutical industry.

Those in the industry say it is a "non-starter" and the minimal saving does not warrant the risk of cheaper drugs being pushed on the market And more important, they say, doctors could lose control of their patients' medication.

CAPE TIMES 29/4/85

Pharmaceutical industry turmoil

By CHRIS ERASMUS
Medical Reporter

SOUTH AFRICA'S pharmaceutical industry is in turmoil over a decision taken at a special meeting of the Pharmaceutical and Chemical Manufacturers' Association (PCMA) on Friday to fight in court against the generic substitution of brand-name drugs

Friday's meeting ratified an earlier recommendation by the PCMA executive to fight against an amendment to one of the association's ethical rules which allows generic medicines to be used instead of patented medicines, where appropriate

The amended ethical rule of the SA Pharmacy Board, published on November 16, 1984, permits substitution of one brand of medicine with another, provided it contains the same ingredients and is cheaper

Withdrawals

According to a statement issued by Mr John Toerien, executive director of PCMA, the amended rule was "not necessarily in the public interest nor in the interest of the pharmaceutical industry in South Africa"

Mr Toerien said individual members of the association would be applying to court to have the rule set aside

But immediately after the meeting, South African Druggists and its subsidiary Lennon, the country's largest producer of generic medicines, announced that they had voted against the move to fight the generic substitution rule and would withdraw from the association Two other companies also voted against the PCMA move

Generic drugs are those on which the original manufacturer's patent has expired, allowing exact copies to be made and and sold under other names by other companies In South Africa patents on drugs expire after 20 years

An example of such a drug is aspirin, which has been copied by numerous manufacturers and is sold under many different names

These drugs, because their marketing has not involved substantial research and development expenses, are generally cheaper, costing about 25 percent less on average

Most of the opposition to the amended rule has come from the multinational drug companies, which say lower sales of their brand-name drugs will reduce finance available for research They also suggest that if profitability is reduced, some of them may withdraw from the South African market

Only five of the PCMA's 62 members make generic medicines and all are South African-owned They are Lennon Limited, Adcock Ingram, Propan, Rolab and Noristan In all there are about 80 drug manufacturers in South Africa

Generic medicines account for an estimated 10 percent of the country's R400-million total wholesale turnover in pharmaceuticals

The Pharmacy Board's ruling in November last year followed a statement by the late Minister of Health, Dr "Nak" van der Merwe, in February, 1984, that the pharmaceutical profession should help the nation by adopting generic substitution

CAPE TIMES 8/5/85 (220)

Multinationals must 'quit SWA'

NAIROBI — The leader of Swapo, Mr Sam Nujoma, yesterday demanded that multinational corporations leave SWA/Namibia as their taxes helped South Africa maintain control over the territory

"Multinationals are exploiting our mineral wealth, while our children are suffering malnutrition," Sapa-AP reported

The world's largest uranium mine — built with British, French and South African investment — is the Rossing mine in Swakopmund

Mr Nujoma specifically cited British-based Rio Tinto Zinc and the Anglo American Corporation of South Africa as multinationals which he said should close down until the territory became independent

"We demand they quit Namibia," he said "All of them are offenders "

SWA/Namibian workers would not suffer from closures because they were being paid subsistence salaries

He also urged economic sanctions against SWA/Namibian exports to put further pressure on the Republic to grant independence to the territory

● **Noel Bruyns** reports from Windhoek that Mr Clive Algar, public affairs manager of Rossing Uranium, yesterday denounced Mr Nujoma's statement

Mr Algar said that more than 2 500 employees and their dependants would have no income if the Rossing mine were to close

He also denied allegations made by Mr Nujoma that workers were paid minimal salaries

Semi-skilled and unskilled employees received between R500 and R1 000 monthly, he said

Kersaf pays R42m for discos, waxworks and gambling hope

(220)

Sol's huge entry fee

S. Times 19/5/85

By David Carte and Neil Behrmann

SOL Kerzner's Kersaf has paid a huge price in an attempt to enter the lucrative UK gambling industry.

In bidding R42-million for 40% of Kunick, Kersaf paid 28 times the expected taxed profit of Kunick In South Africa 10 times earnings is regarded as a good price

British investors, mainly institutions in the over-the-counter market, were so excited about the link with Kerzner they pushed the price of Kunick to 49 times expected earnings The shares leapt from 27 pence to 66p after the deal and the company, set to earn a modest R3,75-million, is now capitalised at R182-million Kersaf paid 38p a share

Kunick is an entertainment enterprise

Strict control

Mr Kerzner and David Hudd, chief executive of Kunick, told Business Times they would like to get Kunick into gambling, but had no immediate prospect

Mr Hudd, who steered Trident Television into gaming, said entry to casinos would not be easy as the industry was strictly controlled He said Kunick would look at all opportunities, including horse racing and football pools

Mr Kerzner said Kunick would probably not be the vehicle for the R250-million casino extravaganza that Kersaf had sought all over the world That would more than likely go into Sun Holdings International, also registered in London

Ownership of club-like British casinos was highly desirable as they did not require an outlay of hundreds of millions But because they were patronised by sheikhs and other serious gamblers turnovers and profits in UK casinos were exceptional

Underworld

Mr Hudd said the number of casinos in the UK was controlled Anyone who wanted to launch a casino had to show there was a need for it, that he had the financial backing and was "clean" with the law Regulations had been tightened up to keep the underworld out

Kunick is small by Kersaf standards, but in the three years of its existence has virtually doubled profits annually.

Mr Hudd said the partnership with Kersaf and Sun International was a "quantum leap" for his company The enormous price earnings multiple his company enjoyed was justified by the earnings performance and outlook

"The expertise of Sol and Peter Bacon is a big gain for us"

The Kunick Group's principal interests are

- Water theme parks in Scarborough (the first in the UK), North Bay Pool and Water Scene Park

Simon Wharmby, of broker Fiske & Co which is an expert on the Kunick Leisure group says there "is huge public interest, well above budget forecasts" in the parks Other parks will open in Wandsworth and Morecamb

- The London Dungeon near London Bridge is a waxworks with tableaux depicting English history and legends and draws 600 000 tourists a year Bought for £1-million in September 1983, profits in the first year under Kunick's management rose by 50% In the first three months of this year the numbers of visitors rose by 20%
- Two discotheques in Scarborough The objective is to have five discotheques by 1985
- An opera house in Scarborough holds popular shows and a pleasure boat Coronia carries 280 people
- A skating rink in Scunthorpe and a "fun pub"

Expansion

Kunick Leisure is headed by by Sir Fred Pontin, the British holiday king In the deal with Kersaf, it received Kersaf shares which were passed on to British institutions for cash Now Kunick has £9,7-million of cash plus another £2,5-million and the ability to issue valued scrip for expansion

Sir Fred will be replaced by Mr Hudd

Mr Hudd is described by Sol Kerzner as "impressive and dynamic" and by London brokers as "ambitious" UK brokers say Kunich would have shown a "quantum leap in profits" with or without Kersaf

Like Kunick, the Kersaf share price discounts fantastic growth Trading at 23 times earnings, Kersaf is one of the highest-rated stocks on the Johannesburg Stock Exchange

Mr Kerzner will have to deliver at the bottom line on some of the promise built into the share if it is not to suffer setbacks

Kardol packs to take on Britain

220 B-Day 27/5/85

Barlow Rand is set to co-ordinate its efforts for a major international thrust. Financial Editor Peter Farley reports

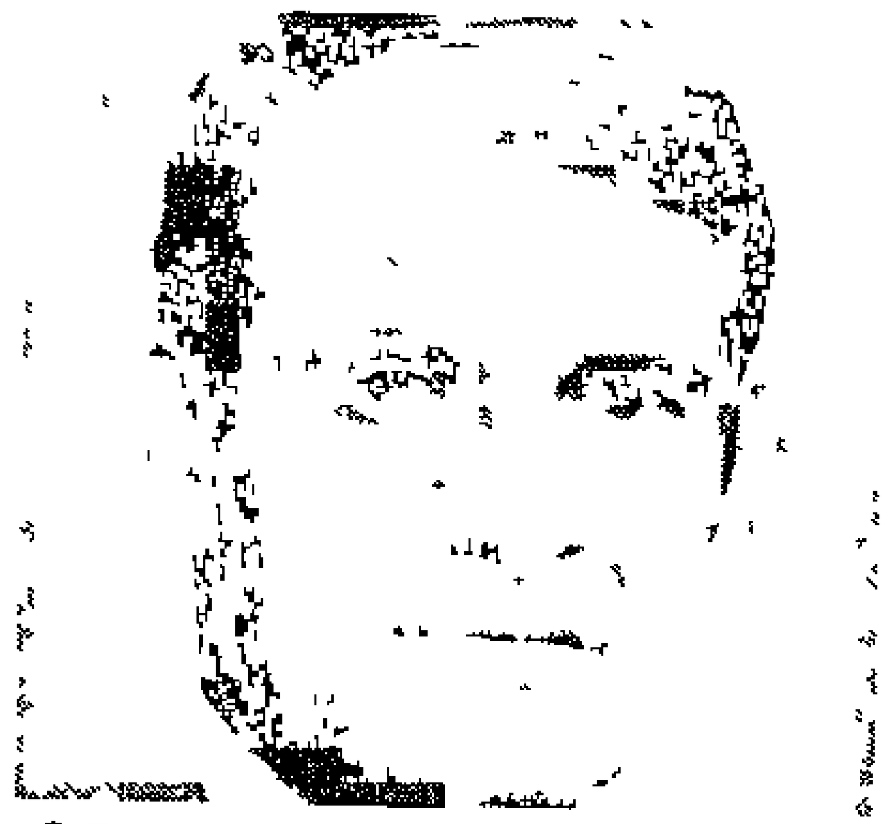
THE INTERNATIONAL aspirations of Barlow Rand will take a major step forward today when its executive director Bas Kardol takes over the chairmanship of recently-acquired UK subsidiary J Bibby and Sons.

Although Barlows has long had offshore investments, such as US-based sugar producer St Regis and UK-manufacturing concern Thomas Barlow, it is only now beginning to co-ordinate them for a major international thrust. As part of last year's takeover deal, Bibby took control of Thomas Barlow and has subsequently bought US packaging group Princeton from another Barlow subsidiary C G Smith. Although St Regis will remain in the C G Smith fold, it will be managed by Kardol's London-based team.

Muscle

This immediately places assets valued at around R700m under Kardol's control But, more importantly, the way in which Bibby is now structured leaves about R500m-plus of spending power to expand the international conglomerate. Now that both the machinery and manpower are in place, Bibby could be in for an exciting time over the next few years.

Originally, Barlows obtained about 97% of Bibby. This has been watered down to around 86% after a rights issue to fund the purchase of Princeton. In addition, gearing is low and the group has cash to expand With this muscle behind him — Barlow Rand are unlikely to be concerned if its shareholding drops to around 55% — and expansionary intentions in front, Kardol will be concentrating on moving as quickly as possible. But though



● BAS KARDOL ... major thrust

chairman he will be leaving the day-to-day running of the company to current MD Peter Wood.

Rather it is the big fish he has set his sights on. Kardol declined to be drawn on what areas he would be examining for potential expansion. But having set himself a target of two years to put the group firmly on its longer-term course, he is unlikely to be slow to move He admits that if he has not been able to structure a strong international trading operation from the existing Bibby base within three years he will have failed in his task.

With packaging and sugar operations in the US already under way — the former under erstwhile Nampak executive Denis Crosby — it seems likely that the European arena will be Kardol's first hunting ground. It is not an area he is a stranger to. The bulk of his formative working years were spent in Holland, and in the Seventies he headed up Reed International's export operations These culminated in the sale of Reed SA to Nampak and the subsequent move into the Barlow Rand fold as Nampak chairman.

Since then he has been instrumental in building Nampak into SA's biggest packaging group, including the complicated purchase of Metal Box, and expanding it into one of the most diverse companies of its type in the world. Given his background, it would not come as a surprise to see Bibby now look to expand into the European paper and packaging markets Kardol adds that other areas under examination include electronics and medical supplies.

On another front, Kardol has also been widely credited with being one of the first Barlow Rand executives to successfully implement a decentralised management structure. But he is far from a hands-off manager. Those who have worked for him in Barlow Rand and Nampak over the past eight years will bear testimony to the fact that downline managers are always given sufficient rope to hang themselves.

Respect

But he is held in high respect by both subordinates and competitors alike. In fact, many other executives in the South African packaging industry — including Kohler's Ian Willis, Haddon's Frits Waldeck and DRG's Graham Armstrong, to name just a few — have all worked for him in past years. And it is interesting to note that in all their respective operations they have implemented the type of management approach so strongly advocated by Kardol.

A repetition of that philosophy can be expected to emerge in the Bibby operation in London and, as it spreads its tentacles further afield, in new acquisitions as well. There are bound to be some ruffled feathers along the way. Not least in some of the diehard establishment executives of Bibby. One of Kardol's first steps will be to shift the group's headquarters to London from Liverpool, where it has been sited for more than 50 years. It is a move that makes sense, particularly when one needs to be in pretty constant touch with brokers and merchant banks if new deals are to be concluded swiftly

Kardol is in an enviable position for a senior executive of a South African company. Not only can he now engineer a major international expansion without the financial constraints imposed on other companies, but will also be operating full time from a base many miles from head office.

He has, however, set himself some difficult targets. Not least of which is the intention to see something like 25% of Barlows' investments offshore. At present the investments under his control account for only a little over 10%. He will have to move both quickly and wisely if he is to double that in the next two years or so. But given his track record, the strength of Bibby's current operations and in situ management and the opportunities now presenting themselves as acquisitions, there is every likelihood he will succeed.

COMPANIES 220

Foreign expansion pays off for PG

By PETER FARLEY

THE benefits of the Plate Glass group's international expansion has been brought firmly to the fore with a near 5% dividend increase in the year to March.

Despite massive disruptions to profitability, given the group's exposure in the depressed building, furniture and motor industries, the group has diluted cover and increased its payment to shareholders.

For the record, earnings fell to 201c a share from 1984's 220c while the dividend was lifted to 105c from 100c Joint chairman Ronnie Lubner said that the strength of the group's industrial operations overseas precipitated the increased dividend, but did not mean that group earnings were set for a marked recovery next year.

He said with the establishment of an international trading base for the group, with companies now operating in Australia, the UK, US and certain third world countries, it was felt the time was right to show some confidence in the future.

The major shift is emphasised by an increase in the contribution to operating profit from the overseas operations to 35% of the R102m total from only 20% in the 1984 financial year

While the UK glass operations, really in existence only for the past year or so, performed rather badly, major impovements in both the US and Australia in the second half of the year more than compensated.

Looking at the SA operations, which account for a little more than half of the R1,2bn total turnover, Lubner said the glass operations had proved particularly difficult last year He estimated that, while the company's SA wood interests effectively held their own in the last 12 months, profits from glass were probably down by about 20%.

On a more technical basis, the group benefited enormously from a huge drop in the effective tax rate which more than offset a near doubling of interest payments.

Lubner said the tax benefits included SA investment allowances and assessed losses but also represented a fairly general spread of tax credits in the international operations.

The increase in the final dividend will actually cost the group less than R1m and is very much a psychological boost rather than a commitment to any long term dividend policy.

In the eyes of the investment community, the group's shares have proved somewhat of an enigma in recent months with the price having dropped to a low of 1 235c in March and bouncing back to 1 675c at yesterday's close.

At these most recent levels they offer a 5,8% dividend yield which, under existing market circumstances and the management's expression of faith in future profitability, should appear reasonably attractive.

There is nothing to indicate that there will be a major swing back into profit growth next year and with dividend cover already paired down to 1,9 times, there will not be a lot of scope for improving payments to shareholders this time around.

It is not a share to sell, but there could well be opportunities to pick it up again at lower levels.

(220) S. Times 9/6/85

Exports make Plate Glass shatterproof

By David Carte

PLATE Glass & Shatterprufe Industries is looking to treble exports to R50-million this year, whether or not the rand strengthens

PG joint chief Ronnie Lubner says "While other companies are looking at exporting because of the low rand, we have done the groundwork over several years, made the inevitable mistakes and can now reap the benefit.

"We have geared our export operations to a much higher rand The fact that it is low is merely a windfall"

Bertie Lubner (left) and Ronnie Lubner learnt the hard way

Biggest

Exports from SA manufacturing plants are only part of Plate Glass's international success It is one of the world's biggest hardwood trading companies — "from forest to furniture"— and it is a major force in glass in the UK, Australia and parts of the US

PG's top men, Ronnie and Bertie Lubner, say 40% of glass sales and 50% of wood sales are overseas This means foreign sales are about R490-million.

Bertie Lubner says "We are commodity dealers in hardwoods of every type. We buy them from certain Far Eastern, South American and African countries that officially don't trade with South Africa They don't turn us away because we can do better for them than anyone else can"

PG's glass is also found in places officially hostile to South Africa

High-tech

The special flush-glazing building glass produced for towers like 11 Diagonal Street has been in heavy demand in spite of the building slump and deliveries can take up to five months. Much of this "high-tech" safety glass that reflects heat and does not distort light is finding its way to foreign markets

Burgeoning exports have boosted capacity use in PG plants

Thanks to good trading in the US and the weak rand, the foreign share of pre-interest profit rose from about 20% of the total to 30% in the year to March this year

This implies foreign profits, before interest and tax rose by about 30%, and SA's contribution fell by 23% At the bottom line, the SA arm would probably have done far worse, for most of the 84% increase in the group's interest bill would have occurred here.

Sales topped R1-billion for the first time, reaching R1 146-million — but because of atrocious conditions in the SA building, furniture and motor industries, as well as crippling interest rates, earnings fell by 9%

As a sign of confidence and to underline its relative liquidity (debt is 32% of equity) PGSI lifted its dividend 5% to 105c

The Lubners have good reason for satisfaction with performance since they took over in the bad old days of 1977 At that time the company was overgeared

Integration

Ronnie Lubner says. "We were so big in glass in South Africa that we had to diversify Our mistake was to decide to go the one-stop route We wanted to provide everything that went into a building

"This took us into building supplies, lighting, fibreglass insulation and all sorts of areas outside our expertise

"In 1977 we decided to stick to the two basic products we knew best — wood and glass We decided on vertical integration within these products and to go international Believe me, we burned our fingers many times but we never made the same mistake twice"

PG today is a case study on what more companies should be doing to reduce SA's dependence on gold

Challenged

Another achievement has been domination of the SA market — now challenged in windscreens by Wesglas The Lubners dispute allegations that PG is a monopolist, saying imports provide competition

Capital spending last year was R149-million, mainly on the Pilkington purchase, but is due to fall to R42-million this year. Priority for the next two years is to achieve better returns on and contol of assets and to build up foreign distribution networks This will entail fairly heavy borrowing, so gearing is likely to rise from current low levels.

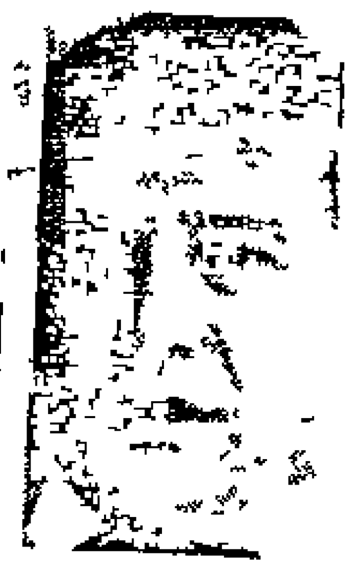
At 1 675c on a PE of 8,3 and yielding 6,2%, Plate Glass is one of the few institutional stocks not overvalued. Placor on 650c yields 3,9% and is 9,4 times earnings Since control is sewn up, the premium on the top company is not justified

Share prices rocket

UK institutions sell R13,5m Kersaf stock

220

10/6/85 B. Day



KERZNER

BRITISH institutions last week sold 1,5% of the share capital in leisure group Kersaf — almost half their total holding — for R13,5m

Yet the price of the shares on the JSE continues to hold around record levels

The shares were sold as the UK institutions took profits of around R2,5m, less than a month after acquiring the scrip

A mad scramble for the shares by SA institutions nevertheless pushed the share price up by 60c over the week to 1 135c at Friday's close. Under normal circumstances an offering of this nature would have severely dented even the strongest company's share price.

By PETER FARLEY

Market sources were unable to identify who was the leading buyer but those close to the transactions pinpointed a Cape Town-based institution

Kersaf chairman Dick Goss supported this theory and emphasised that none of the company's principle shareholders, including himself, Sol Kerzner and Safren — between them holding 92% of the company — had been sellers

Kerzner is overseas and unavailable for comment

During last week almost 1,2-million Kersaf shares changed hands — the bulk being a single deal of 900 000 shares on Wednesday — at a cost of around R13,5m

Stockmarket sources said that while 2,6-million new Kersaf shares were issued to UK institutions in mid-May, to fund the purchase of 40% of Kunick, the premium on the shares meant that a quick turn became highly attractive The shares were issued at 900c each.

With SA minorities holding less than 8% of the company's stock, and local institutions prepared to pay virtually any price, the opportunity for the UK holders to take a quick profit was undeniable

It remains to be seen whether the other shares will be offered for sale But local market sources feel the UK shareholders now want to hold on to the balance.

If the rest are sold back into SA, Kerzner will have effectively sidestepped exchange control regulations — albeit legally — and the entire R24m needed to buy the 40% stake in Kunick will have come straight from SA institutions

The way Kerzner structured the Kunick deal, the 2,6-millon new Kersaf shares were issued straight to Kunick for the 40% stake Kunick then sold the Kersaf shares directly to UK institutions

This meant that Kunick had around R24m for further acquisitions and allowed the group room to expand without diluting existing shareholdings

The UK institutions were, however, expected to be determined holders of the new shares, particularly given the way the scarcity of the shares here has pushed the price to near-record stock market ratings

The sale of the shares could therefore prove to be of greater significance than just mere profit-taking The profit of R2,5m, although significant in such a short space of time, is hardly of any real importance to the institutions

However, the sale of the shares must come as some disappointment to Kerzner, who had hoped to see the beginnings of an unofficial market in Kersaf shares in London. This is particularly important given Kerzner's already-stated intention to list either Kersaf or Sun International on the London Stock Exchange later this year.

Kunick, although it is focused clearly on the leisure industry, was seen by many analysts as a strange acquisition for Kersaf Kunick has a wide portfolio of investments, ranging from pubs and discotheques to waxworks and an opera house — none of which represents an area in which Kersaf management has any real strength or experience

Whatever the outcome, Kerzner has paid a PE ratio of around 20 1 on current Kunick earnings, which discounts growth for at least the next 20 years It is an expensive entree into the international leisure arena and Kersaf management will have to work hard if it is to live up to the current high expectations of the investing public.

MINING

TCL casts an eye overseas in search of rapid growth

TCL is poised for an exceptionally strong growth phase — and deputy chairman Allen Sealey believes the group will find that growth overseas, writes PATRICK McLOUGHLIN.

FEW ANALYSTS and investors can be surprised at the premium market rating accorded to Transvaal Consolidated Land and Exploration Company (TCL) — the 75%-owned mining arm of industrial conglomerate Barlow Rand.

TCL recently posted a strong set of figures for its half-year to March 31 — with earnings up 29% to R51,1m, compared with R39,7m previously — and in so doing provided one of the few bright areas in its parent company's own accounts for the same period.

But the latest figures far from tell the whole story behind TCL's above-average market rating.

Diagonal Street is perhaps now perceiving more clearly that the group, which either controls or manages all Barlows' major mining investments, is poised for an exceptionally strong growth phase; a period of rapid expansion taking it beyond the year 2000.

Says deputy chairman Allen Sealey: "With Bibbys in the UK now in place (following the Barlows acquisition last year) any opportunities for off-shore investments will be closely looked at.

"Looking overseas is a question of chasing further growth. Coal expansion in this country is limited to export coal and Escom projects.

"There could be further synthetic fuel projects, but we don't see them coming to fruition in the next few years. If we want to look for growth beyond that we believe we must look overseas."

TCL, which in the latest Financial Mail Top Companies survey is rated South Africa's fifth largest mining house, above Anglovaal, in market capitalisation (R728,7m) and net profit (last year R81,5m), has a wide range of investments.

These include interests in base minerals, forestry, timber and property. But more than half of last year's attributable earnings of R81,5m came from its giant coal operation and gold mining interests — TCL manages four gold mines, Harmony, Blyvoor, Durban Deep and ERPM — in which it has sizeable equity stakes.

What particularly excites investors who take longer-term views is that TCL is already engaged in massive capital projects in its coal and gold mining operations.

TCL currently has no interests in overseas ventures, so Sealey's statement represents a major extension to its stated corporate development strategy.

On the gold side, this development strategy included ERPM. Last week's announcement of the go-ahead of the R300m rejuvenation of ERPM, one of TCL's "dying" gold mines with a limited life and low grade, represents a major boost for the entire gold division.

The ERPM project will extend that mine's life by another 50 years.

TCL also hopes to prolong the life of its other marginal operation, Durban Deep. Comments Sealey: "Durban Deep has resources which will enable it to go on for years."

Another mine also appears on the cards: two drilling rigs are currently prospecting south of the old City Deep and Crown Mines gold mines.

Some analysts are sceptical about whether the potential mine will get off the ground because of government's negative attitude towards the use by mining houses of existing mines to shield new developments from tax.

Nothing will be known until government's position is further clarified and the viability of the proposed mine further assessed.

Comments Sealey: "We find it difficult to believe he (Finance Minister Du Plessis) would do something that would prevent the creation of 25 000 new jobs."

Coal mining is the other area of major expansion. Current developments include the Escom-tied collieries at Khutala and Majuba.

These collieries will come on-stream in 1987 and 1991 respectively, and should double current total coal production, around 25-million tons, within the next decade.

Expansion apart, the latest interim results would justify a favourable share price for TCL in themselves.

The performance was far better than the conservative outlook given by TCL chairman Dammy Watt in the annual report, in which he looked for static earnings for this year. With the markedly improved earnings environment, TCL now believes second-half profits will be in line with the first half.

Two major factors affected TCL's interim results: the gold price and the value of the rand.

In the first two quarters of this year income from gold production increased as the rand continued to fall against the US dollar.

The other major profit earner, coal, also benefitted substantially from the currency movements. Major coal producers Witbank Colliery and Welgedacht Exploration, both 71% owned by TCL, export a big chunk of their total output.

Contract prices for coal exports, negotiated between October and December, were at about R32 a ton *fob* (free on board). Spot prices have since risen $2 more.

Sealey believes the spot coal price could reach $35 by the year-end.

The base minerals division, which last year lost money, is back in the black thanks to the rand devaluation.

The group plans to go ahead immediately with the ERPM expansion at an initial capital outlay of around R200m.

Khutala and Majuba financing has been finalised and TCL's balance sheet remains strong. Depending on how ERPM is financed, Sealey says that the group should be easily able to fund other ventures, such as overseas expansion via Bibbys.

TCL is apparently most interested in North America, which is currently seeing a rash of new gold mine developments, for overseas expansion.

With the current expansion taking place and the strong possibility of further ventures in the near future, it would appear that a restructuring of Barlow Rand's mining interests is a strong possibility.

220

PROPERTY

Landmark turns to Africa for expansion

MERVYN HARRIS· Property Editor

PROPERTY group Landmark is making inroads into Africa as part of its expansion into international consultancy services.

An office, Landmark International, was opened in London three months ago to service the interests of its multi-national clients in other countries

Since then it has done valuations, mostly of plant and machinery, in Nigeria, Zaire, Zambia and Mauritius.

Upon his return from overseas, Chairman Mark Markovitz said: "We are exporting skills in the form of our specialised services to countries with developing infrastructures and economies.

"Until now, British firms of chartered surveyors and US firms of appraisers have been in this market

But, being part of Africa, we decided it would be a logical extension of our consultancy to market our expertise in valuation services to countries in Africa

"Clients often prefer to use our firm to carry out valuation work for their interests on the African continent because we are from Africa and yet maintain the exacting standards expected in the US and UK.

"We have linked up with British and US firms and hope to get a fair amount of work referred to us by them," said Markovitz.

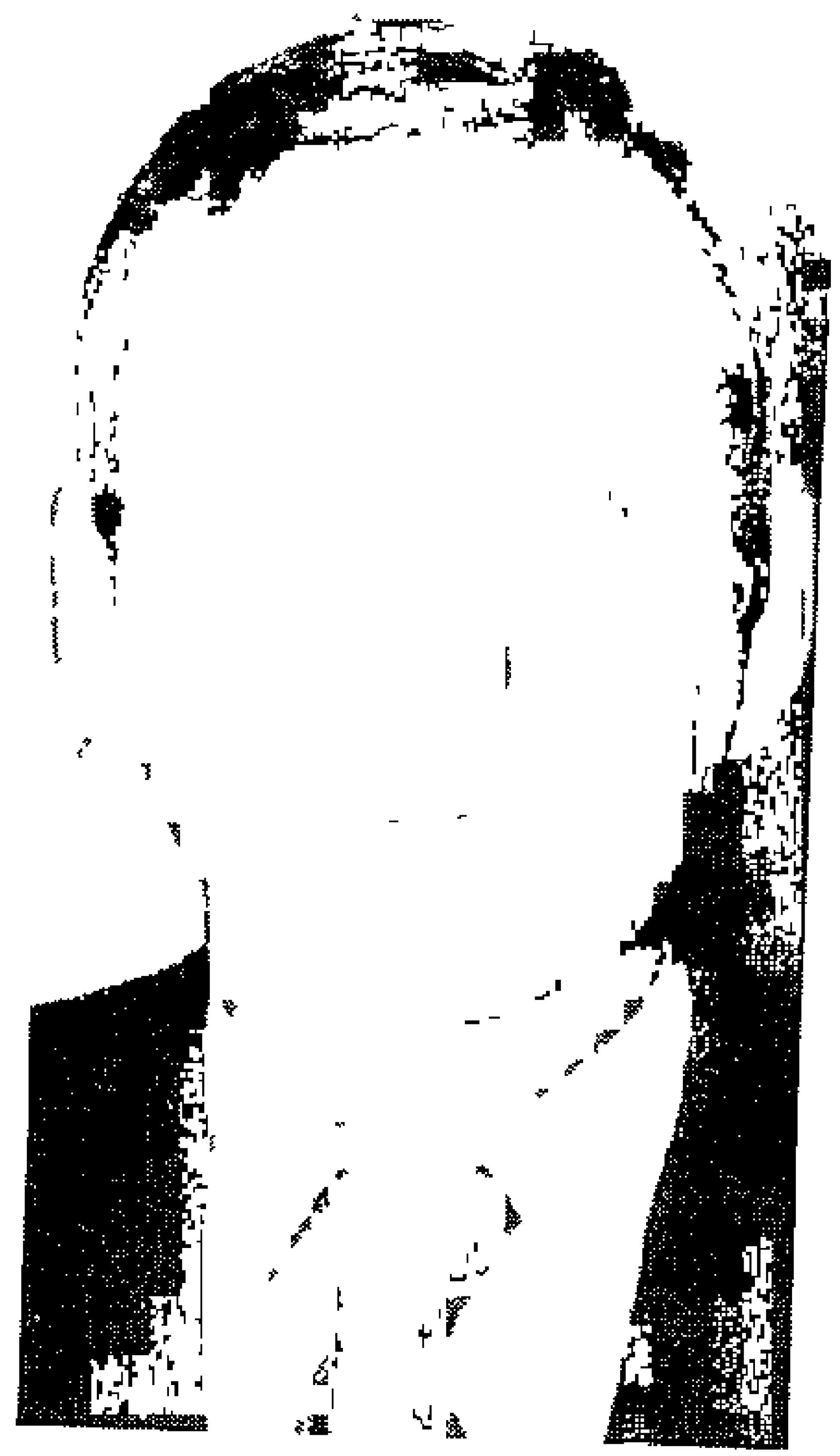
Valuations are carried out not only for corporate balance sheet purposes but also for insurance and, when multi-nationals are involved, in nationalisation and expropriation negotiations.

A new aspect of valuation services being dealt with among local authorities in developing countries is assistance provided to regularise their rating systems and the computerisation of valuation procedures.

Landmark's consultancy practice has grown rapidly in recent years and now includes British-trained as well as South African-trained valuers.

Markovitz says the company is well equipped to expand its business internationally. The methods, procedures and laws employed in foreign countries are not impediments.

Although the consultancy will initially concentrate on English-speaking countries in Africa, a large plant and machinery valuation in Zaire has been completed despite the language barrier.



● MARK MARKOVITZ . . . "We are exporting skills in the form of our specialised services"

R446m deal in offing (220)

Liberty Life poised for UK takeover

B. Day 12/6/85

By BRIAN ZLOTNICK

LIBERTY Life's overseas expansion drive is gathering momentum, with the group poised to take control of London-listed property developer Capital & Counties (C&C) in a £173m (R446m) deal.

Liberty's UK 75%-held, unlisted subsidiary, TransAtlantic, is offering to buy the around 50-million shares in C&C it does not already own at 225p a share.

TransAtlantic bought yesterday an additional 4,8% interest in C&C, to lift its stake to 34,5% As TransAtlantic's holding has breached the 30% level, in terms of the City takeover code it is obliged to make an offer to buy the remaining shares.

Liberty's chairman, Donald Gordon, said in London. "Our objective is not to get legal control of Capital & Counties. We are perfectly happy to stay with our 34,8% holding but it will be equally acceptable to us if we land up with full control."

Gordon, however, stressed TransAtlantic would ensure at least 40% of C&C's shares were in other hands — to keep the London listing alive.

One advantage of the offer if TransAtlantic does not acquire full control in this deal is that it is free to buy up to 2% of C&C's equity each year without extending an offer to other shareholders.

Gordon points out. "We have broken the psychological barrier (30% rule) even if we do not acquire full control."

Certainly, with director Michael Rapp moving to the UK to play a pivotal role in overseeing Liberty's substantial overseas interests, further foreign expansion is on the cards.

Gordon admitted he would like to see TransAtlantic, which has capital employed of £200m, listed on the London exchange. TransAtlantic would be the 137th largest company on the London boards if it were listed there.

Indeed, TransAtlantic has the financial muscle to buy 100% of C&C's equity without the need to turn to its SA parent for funds All the necessary finance for the deal was arranged in the UK within four hours, says Gordon.

Rapp, already on the board of C&C, which is the leading UK shopping centre developer, will take up the position of deputy chairman in July. He no doubt will draw on his considerable experience at Rapp & Maister in his endeavour to guide the UK company to greater heights.

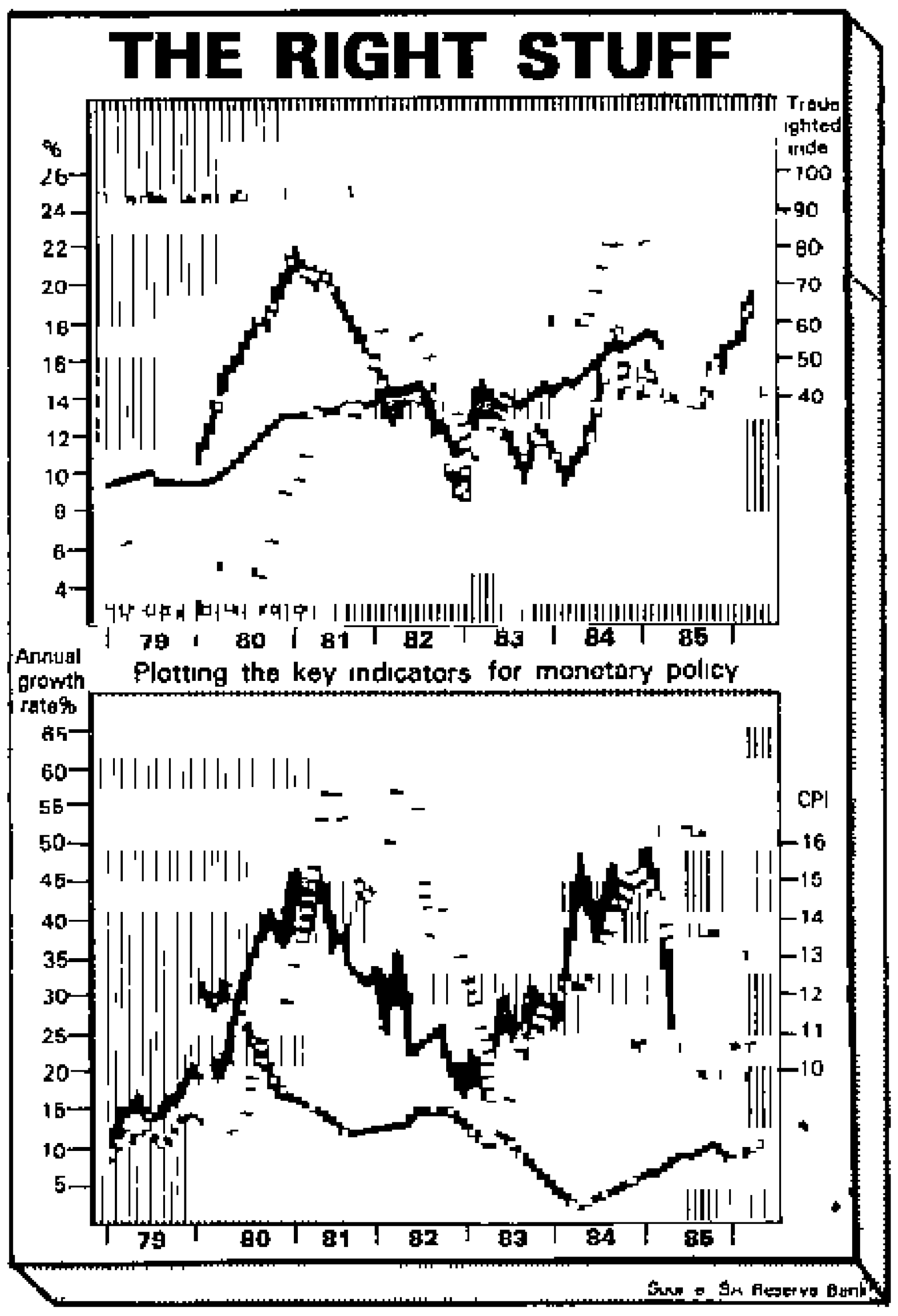
C&C's share price was hovering around a high of 220p two weeks ago. However, it fell back to 195p after the market decided the 1985 financial year's taxed profits of £7m were disappointing

The share is currently changing hands at around 220p a share. The average cost to date of TransAtlantic's 26,5-million shares in C&C is only £1,39 a share with the 22,8-million shares bought in 1981 costing £1,20 each.

FM 21/6/85

distinction between its "discount window," the rate at which it lends directly to banks, and the use of open-market operations

At present, borrowing at the discount window helps smooth seasonal fluctuations in the liquidity of the banking sector In future, however, this will be done by the Reserve



Bank buying and selling Treasury bills and other paper

The role of the discount window will alter It will be used to signal changes in Reserve Bank policy to the market Longer queues at the discount window will mean banks are borrowing excessively and will signal to the market the Reserve Bank's displeasure

The broad monetary policy outlined in the report, therefore, contains both carrots and sticks The benefits of less regulation are counterbalanced by strict sanction for stepping too far out of line Hopefully this report signals the end of *ad hoc* application of policy decisions ■

KEVIN STOCKS

Kevin Stocks, the *FM*'s Senior Editor (Politics), died peacefully at the weekend He was 44

The son of a mining engineer, he was born in Durban in 1941, raised in various parts of southern Africa and educated at CBC Kimberley. He chose journalism as his profession and eventually became an outstanding investigative reporter In covering the Information scandal for *The Star* and later the *Sunday Times*, he travelled widely to countries such as Israel and France

He joined the *FM* in 1980 and soon became head of the Current Affairs department, which entailed direct reporting as well as co-ordination of coverage of political, labour and broad social events. He contributed many highly-regarded cover stories and leaders to our pages — particularly on the growth of the civil service bureaucracy and the hidden perks of that sector He was also an expert in military affairs.

His last printed article for the *FM* appeared on June 7, when he gave his first-hand impressions of treatment at the Johannesburg Hospital as part of a cover story on the increasing privatisation of medical services. He fought valiantly against his protracted illness, and when at home, but unable to be in the office, continued to work to the utmost of his energies and ability.

While he had the relentless curiosity and flair for detail of a top investigative writer, he was also a courteous and sup-

portive departmental head, and a warm family man He also had a contemplative and artistic side which expressed itself in wood carving and an interest in poetry.

He leaves his wife Melissa and a three-year-old daughter Alexandra

ANGLOVAAL INDUSTRIES

Emergent Cinderella

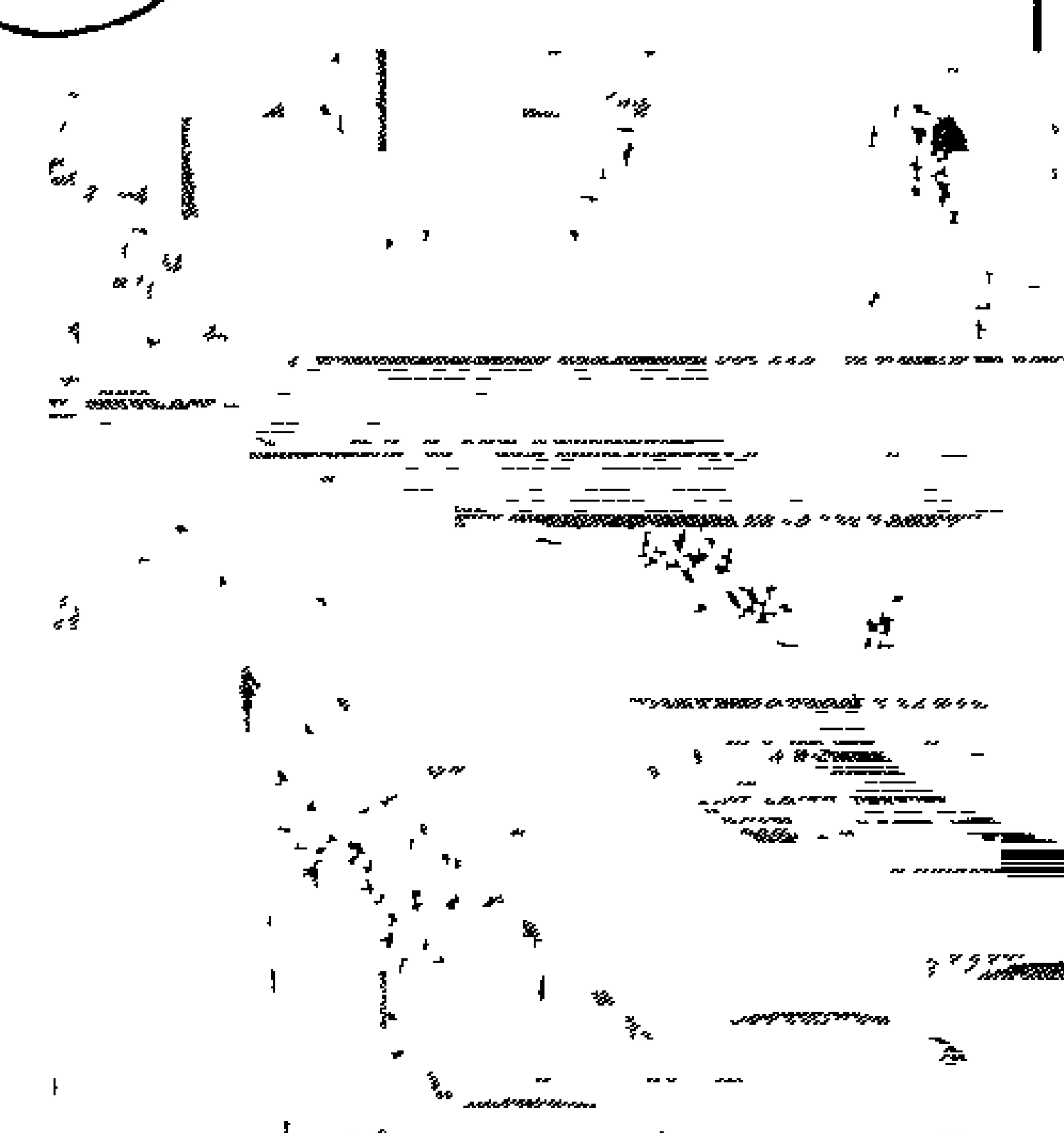
220

Conservative, low-profile Anglovaal Industries has avoided the embarrassing losses that have hurt other industrial conglomerates. Solid performances from the operating companies have led to a favourable re-rating of the share.

Anglovaal Industries (AVI) has the reputation of a well-managed industrial holding group that produces solid if unspectacular results, and stays out of the public eye In the four years to mid-March this year, the share price oscillated around R9, and there was near unanimity among financial analysts and writers that it was fully valued at this level

The knowledgeable, however, were wrong AVI (known as Anglo-Transvaal Industries until last November) has shed its dowdy image and dazzled like Cinderella at the ball A 55% rise from R9 to R14 in the share price in the last three months has produced a 3,3% dividend rating, among the lowest in the industrial holding sector Yet, dividends have been stuck at 46c since 1982, while earnings a share have stagnated in the same period A short-term correction is possible, as some analysts argue that the share has run ahead too fast But favourable prospects in the next few years should underpin the share

Of course, AVI's price rise occurred on thin volumes as shares in Anglovaal group companies are tightly held and generally much in demand From March to mid-June, only 70 000 AVI shares were traded, less than 0,5% of its share capital Most of the buying was institutional, led by bank nominee companies Old Mutual and Prudential (Old Mutual is the second largest share-



The full-roast flavour of success

220

holder in Anglovaal after the Hersov and Menell families)

Arguably, this rise merely brought the share into line with net worth, which at the December interim was R14,50 Anglovaal (with 65,5% of AVI) has seen the share advance in the last three months by 35%, from R66,50 to R90

Other Anglovaal listed companies have also shown stronger share prices, so AVI's rise can be seen in the context of favourable market sentiment on the group as a whole.

Comments one analyst "AVI has strong assets I & J does better than ICS, Consol better than Nampak, Kohler and Metal Box, and Grinaker better than most of the construction companies There are no loss-leaders like Samcor, and a conservative 4,7 times dividend cover means that capex should not restrain dividend growth much There's little cover at Barlow Rand or Amic, and AVI has better medium-term prospects"

Says Jan Robbertze, AVI's MD and Anglovaal's executive director for industries "Our portfolio of interests is balanced and focused and our packaging and several of the food companies are market leaders in their fields We have low gearing and first-class managements in the subsidiary companies."

Management was reorganised earlier this year, and the group companies were divided into six sectors contracting and electronics, dry food, frozen food, packaging, textiles and diversified businesses "Previously," notes Robbertze, "the individual companies reported directly to me. By defining the structure more tightly, we have gained a crisper management focus in our activities And by bringing the subsidiaries' chief executives onto the AVI board, we gain from each other's experience"

This structure creates a better framework to accommodate future expansion But Robbertze sees the most attractive growth prospects in sectors where AVI is already active Growth in packaging will be largely organic, as acquisition potential is all but exhausted, now that the packaging companies are owned by one or another of SA's major industrial groups

Processed food presents takeover and diversification prospects (but AVI will stay out of commodity food trading), and Robbertze believes that growth in the services industry looks interesting But overseas expansion, he says, is unlikely in the near future, and if AVI goes abroad, it would want initially to operate in an industry sector it knows in an English-speaking country and take a majority stake in the targeted company

Speculation that South Atlantic, 75%-owned by AVI, will be constituted as the holding company for AVI's food interests is "logical," notes Robbertze But this option is at present not seriously mooted the costs involved and the absence of a "specific reason" for South Atlantic's restructuring do not make it worth while South Atlantic already holds all AVI's food interests, except Bakers, AVI's second largest food company, as well the controlling stake in Globe, an investment and engineering company. So the cost of a bit more administrative tidiness hardly looks warranted

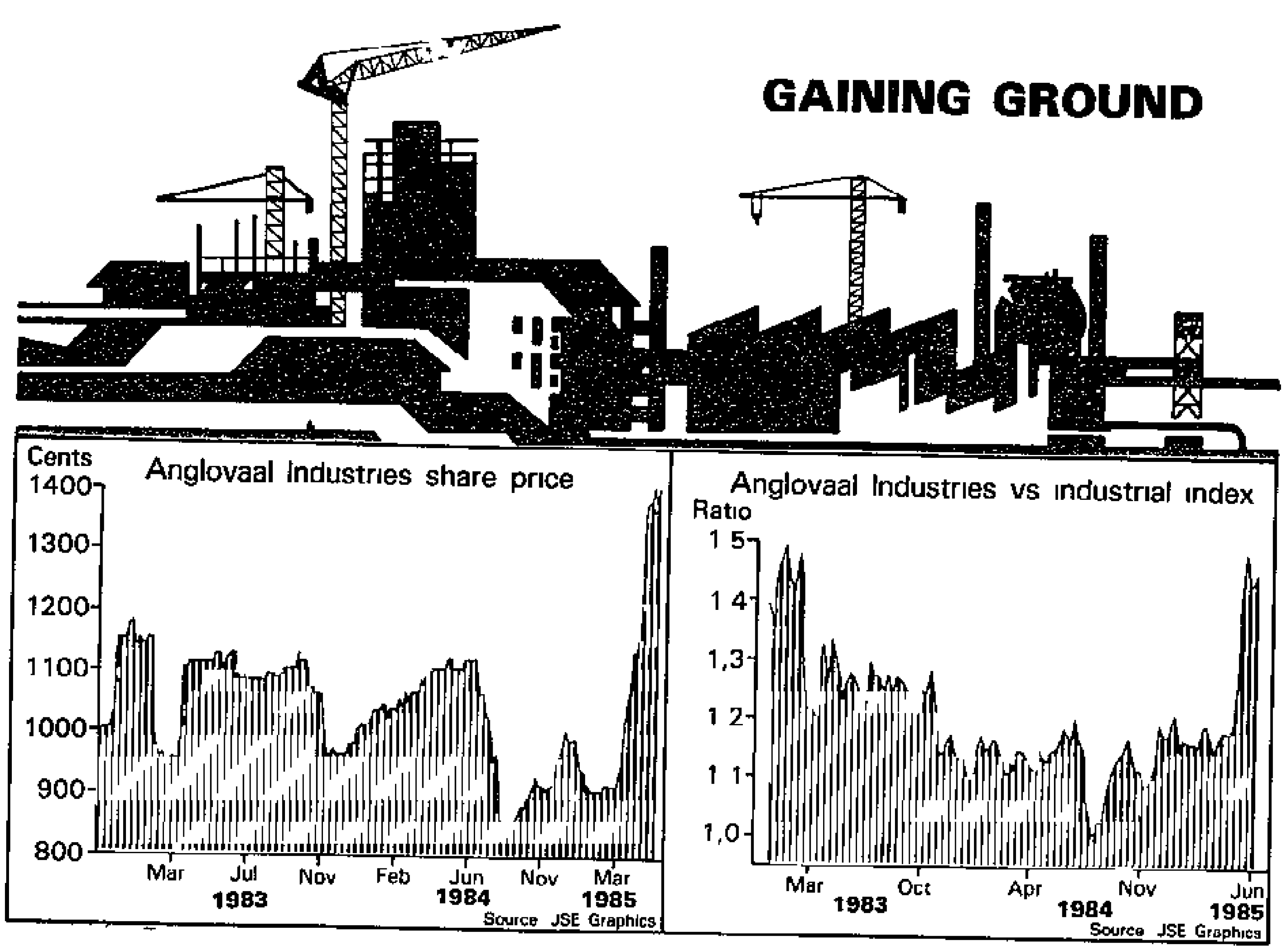
The crucial issue relates to the scale of future profit growth from AVI's mainly low-margin activity Food provides solid and stable profits, but is a low-margin business Engineering and textiles are more cyclical, and margins will improve when the general economy recovers Packaging represents a high-growth area, with some R160m of AVI's R420m planned capital expenditure in the next three years being earmarked for Consol, but fierce competition may pare margins Electronics, however, could become a significant earnings contributor

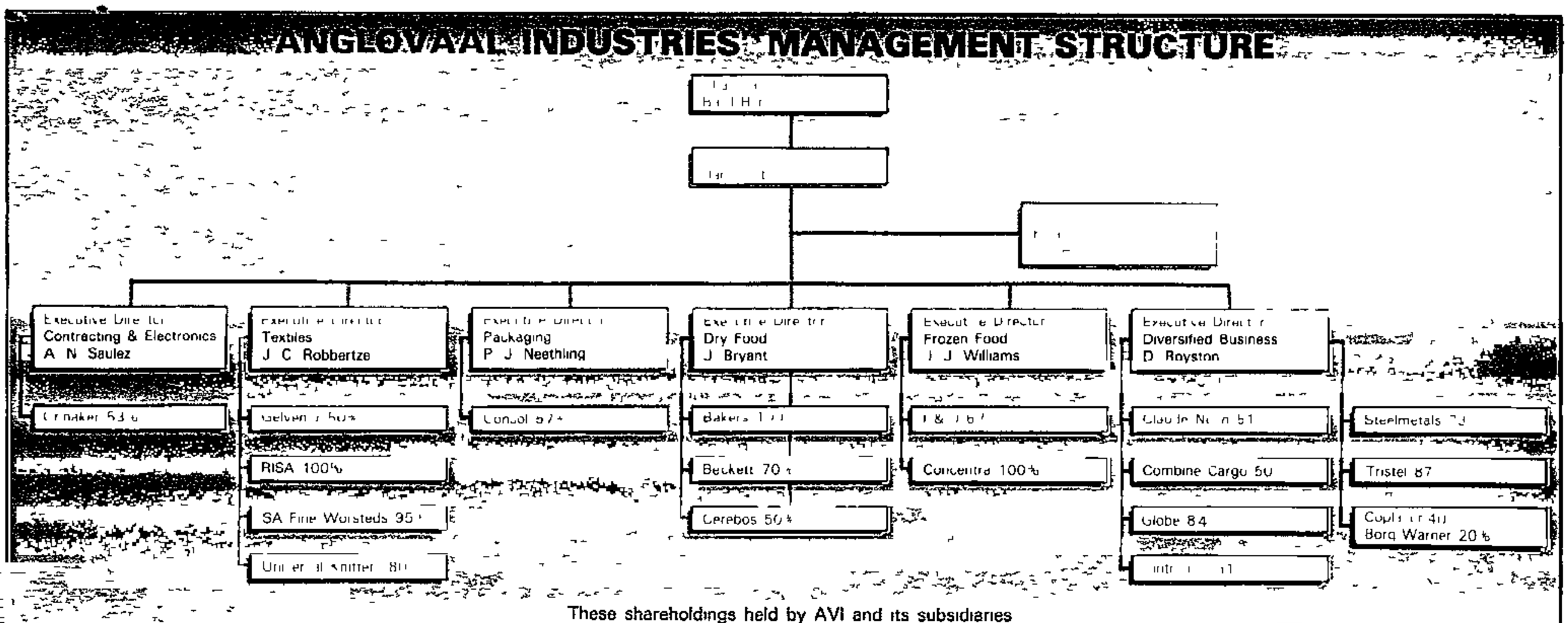
This exposure to low-margin business is reflected in AVI's return on capital employed It has fallen from 19,9% in 1982 to 16,4% in 1984, but this reflects the recession and is a more creditable performance than that of Barlow Rand, Amic, Tongaat or Gencor's industrial division, among others.

But Robbertze does not expect major changes to the present earnings spread, although engineering's share should rise in boom times, and textiles, which lost the equivalent of 16% of attributable profit last year, should contribute about 5% of group earnings when good times return So the strategy will be to concentrate on good management and build on AVI's strong asset base to maximise profit "To be in a low-margin business does not mean low profit," argues Robbertze, "and I'm confident that given AVI's existing portfolio, group results over time will significantly outperform the inflation rate"

In the present business climate, this will be a challenge As Robbertze observes "It is becoming increasingly onerous to excel in real terms, and it is an achievement just to stand still when one considers market conditions, the investment allowance cuts and tax increases Still, shareholders are entitled to some real growth, and we would be dissatisfied if we could not perform to a

AVI's Robbertze . . . management strength



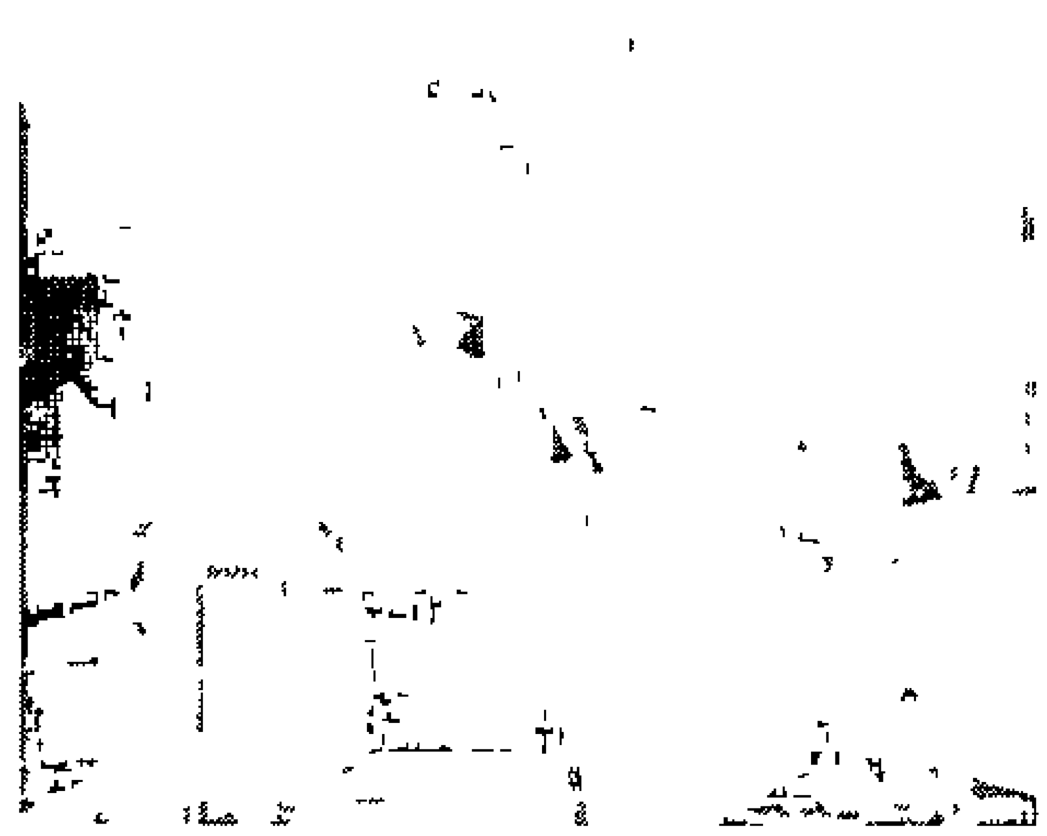


These shareholdings held by AVI and its subsidiaries

level of consistent, real growth in earnings, especially as the economy emerges from recession"

However, I & J, Consol, Grinaker, Bakers, Claude Neon and Tristel rank among the best profit performers in their sectors AVI also aims at keeping competitive and capitalising on the economic upturn with an ambitious capital expenditure programme in the next three years Planned capex excludes the costs of any acquisitions, but the currently favourable debt equity ratios of companies in which the main capex will be concentrated should make it easy to absorb any financial strain. The debt.equity ratio at end-December 1984 at Consol was 21%, at I & J 21%, at Grinaker 20%, at Claude Neon 19% and at Bakers 17%

Consol's R160m capital spending requirement will go on developing plastics expertise, completing the paper-packaging infrastructure and keeping ahead in glass-packaging technology I & J has budgeted some R70m in three years in a significant trawler replacement programme and in developing its

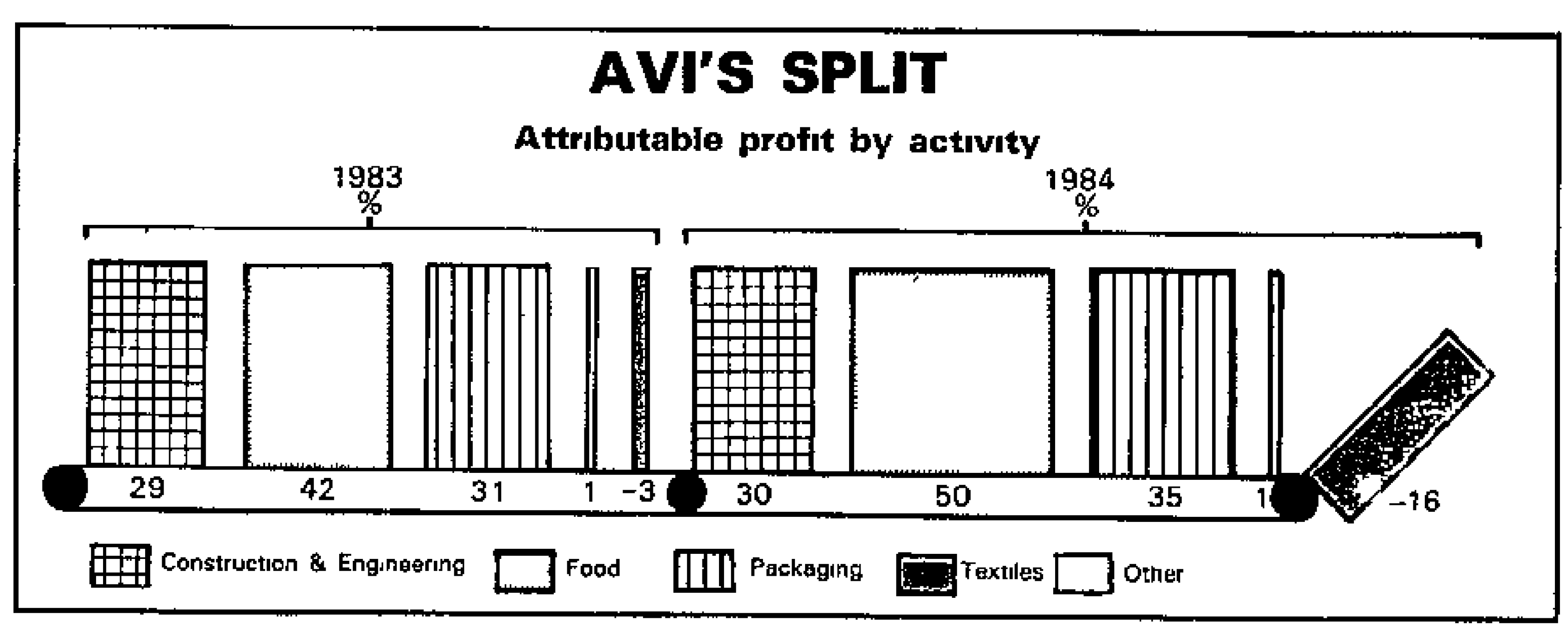

Chairman Hersov . . . solid investment

cold chain distribution facilities Grinaker will spend R80m, of which R60m will go on plant replacement Bakers, which produces about 75% of SA's biscuits, plans to upgrade its Natal bread mills and modernise the Pyott biscuit baking business, which it bought from Premier last year Steel merchant Tristel plans to expand its Roodekop site in order to enlarge its business, and Gelvenor textiles will undertake a R10m modernisation of plant

Earnings for the year to end-June should show AVI's strength Robbertze, at the interim, said he did not expect second-half earnings to match the first half, and this suggests that a relatively modest attributable profit fall of about 5% is on the cards for the year as a whole This would certainly be better than the average profit fall in the industrial sector

Looking at the subsidiaries, one notes that I & J's 44% interim profit advance at end-December stemmed from sound management and a good market share in its fish and frozen foods activities The Diemont Commission is investigating the future management of fish quotas, and this holds promise that I & J will obtain clearer guidelines on which to base its investment in new trawlers

Consol has expanded its presence in corrugated packaging by buying Marathon, Wilder Packaging and Speedbox, and it has broadened its plastics interests with the R13m purchase of Gundle Plastics (which



AECI bought two years ago from Clifford Gundle for R20m), and is increasingly becoming a multi-product packaging supplier

The near tripling of Consol's share in the last three years, from R13,75 to R33, underlines investor confidence, and contrasts in the same period with increases by Nampak from R6,50 to R15,25, Metal Box from R3,65 to R5, and Kohler's slide from R10,25 to R6,50 Construction group Grinaker, says Robbertze, will be used to expand AVI's

(220)

electronics interests, while Claude Neon continues to produce earnings rises

Coffee and tea distributor Beckett is having a much more successful second half as margins have been restored, following their erosion in the second half of last year by sharply rising tea and coffee prices and the rand's fall Earnings should recover from the 37% net profit drop at the interim

Globe Engineering, which is debt-free, could see profits rise over 30% this year, since its ship repair business appears to have improved Steelmetals is holding its own, and unlisted Tristel takes advantage of its relatively low cost structure to continue to trade profitably But Risa Investments remains a problem area

A total 46c dividend should easily be maintained this year on the strength of strong cover This would mark the fourth successive year of an unchanged dividend, and the board, arguably, should increase the payout to take account of inflation But, given the traditional conservatism of AVI's dividend cover, this looks improbable Still, dividend increases can be expected when the economy recovers, despite heavy capex in the next three years

Longer term, AVI is set to continue producing solid profit advances, and the share should retain its premier rating Further short-term capital gains look unlikely, but the outlook for stable dividend growth makes the share attractive as an institutional counter, or for investors looking for assured income

Christopher Marchand

220

NAMIBIA

Always in transition

Namibia's transitional government got off to a shaky start Despite the show of unity, there are serious differences between the six parties in the consortium Its credibility, never high, is low Among ordinary Namibians there is unprecedented apathy

But the government's main rival, the South West Africa People's Organisation (Swapo), has its own headaches and faces probably its worst crisis in years the possibility that the government of the Multi-Party Conference (MPC) will use its new wide powers to win hearts and minds by making popular changes, while the security forces further undermine Swapo's already weak military position

While it does not seem as though SA has worked out a blueprint for Namibia's future at this stage, it is clear in Windhoek that UN Resolution 435 has never seemed less likely to be implemented

Observers believe that the transitional government, in the face of international condemnation, is part of a new and more aggressive SA regional policy SA's defiant attitude after the Cabinda debacle, the Gaborone raid, and repeated warnings by Cabinet ministers and senior officers of possible fresh raids into Angola are seen as further manifestations of this new attitude- which is probably connected to growing external pressure and the fast deterioration of US-SA relations

The new government was inaugurated on Monday The small, official ceremony was attended by State President P W Botha, Foreign Minister Pik Botha and Defence Minister Magnus Malan Very few people turned up for the big military parade, but some 20 000 people, bused in from all over the country, assembled in the sports stadium It was a subdued meeting, overshadowed by the military, and even MPC leaders agreed that it was everything but a spontaneous, jubilant African celebration

The most glaring weakness in the new government is its inability, because of inter-party squabbling, to agree on a cabinet chairman The chairmanship will now rotate every three months, and the first man to hold the post is the little-known leader of the Coloured Labour party, Dawid Bezuidenhout

The cabinet's first press conference painfully showed up the division on this, and other, fundamental issues South West Africa National Union (Swanu) leader and cabinet minister Moses Katjiuongua issued a statement before the press conference calling the rotational system "stupid," and even spelled out preconditions for further participation

Inauguration celebration ... Herero faithfuls in attendance

The new government will have full powers — excluding jurisdiction over foreign affairs and defence The proclamation signed at the occasion by the State President makes provision for a limited veto power by the Administrator General, who is SA's representative, but gives the State President full veto powers

There will be a cabinet of eight ministers with eight deputies, and a national assembly of 62 members The MPC's earlier declaration of Fundamental Human Rights is enshrined in the proclamation

The day of festivities was marred by a late evening outburst of police violence in the black township, Katutura, directed at Swapo marchers and other parties opposed to the new arrangement In a way it saved the day for Swapo, which could only muster some 2 000 supporters, a good half of them from the other opposing parties, at a protest meeting

President Botha gave a glimpse of what may be in store for Namibia in his speech at the inauguration He said "For as long as there is a possibility that the recent international negotiations hold any realistic prospect of bringing about the genuine withdrawal of Cuban forces from Angola, the SA government will not act in a manner irreconcilable with the international settlement plan However, the people of SWA, including Swapo, cannot wait indefinitely for a breakthrough on the withdrawal of the Cubans from Angola

"Should it eventually become evident, after all avenues have been thoroughly explored, that there is no realistic prospect of attaining this goal, all the parties most intimately affected by the present negotiations will obviously have to reconsider how internationally acceptable independence may best be attained in the light of prevailing circumstances"

Another glimpse of Pretoria's thinking on Namibia came from a senior military spokesman at a press briefing on Tuesday He said Swapo and its military wing, the People's Liberation Army of Namibia (Plan), are beginning to part ways because of Plan's weak military performance He foresees Swapo soon becoming "just one of the 35 political parties in the territory"

It has long been rumoured that SA wants to force Swapo to lay down arms, come back as a political party and then deal on an equal footing with the parties in the MPC government

The officer commanding the SWA Territory Force, General George Meiring, said at the briefing that the security forces "are now in the process of winning the counter-insurgency war."

GABORONE RAID

Plus ca change

While SA's international relations nosedived following its reprisal attack on suspected ANC houses in Gaborone last Friday, basic

FM 21/6/85

Clicks intends to branch out in Melbourne

(220) B. Day 15/7/85

CLICKS, the Cape Town-based toiletries and gifts chain, has bought a half interest in a six-store group selling similar goods in Australia.

Price Line six stores in the Melbourne area

It is planned to start expanding the chain early next year. Clicks chairman H Goldin is leaving for Australia this week to inspect sites for new stores.

Goldin said Price Line had tried to copy the Clicks concept but had not performed well.

However, since the acquisition of the half interest in the chain, Clicks has sent a top management team to Melbourne and has introduced many of its systems there.

Additional lines have been added and Price Line is on its feet. According to Goldin the potential for growth in the retail trade in Australia is phenomenal.

Price Line could eventually be a larger group than Clicks which has 57 stores in SA.

Clicks exports toiletries to Price Line. — Sapa.

Safren looks to other lucrative landfalls

220

B. Day 15/7/85

Safren MD Alistair Macmillan talking to Berenice Margolis

The most obvious areas for Safren expansion are offshore In the words of new chairman and CEO Alistair Macmillan. "We're doing a lot of thinking about where we can expand. With expertise in so many related areas, there's the whole of the rest of the world beyond our borders"

Macmillan says the Safren group, which already has "a fairly substantial share of the market" in many activities in Southern Africa, is assessing the pros and cons of a London Stock Exchange listing and that growth abroad is one of the determining factors.

A decision to go for the LSE or not will be made within two to three months This is one reason why deputy chairman Charles Fiddian Green will soon be based in London. One of his most important tasks will be to evaluate the right operations and locations for a Safren presence, a job that might take several years.

Macmillan confirms that it then becomes a not unlikely proposition that we'll be seeing Safren compete with huge international chains in top Mediterranean and other holiday and entertainment spots.

He's not fazed by the idea of giant competition; believes that Safren's personal best is equal to the world's best. SA managers, he says, because of conditions peculiar to this country, are more broadly based than their foreign counterparts.

"As Safren CEO — I've relinquished the executive chairmanship of Rio Tinto; I'm now non-executive chairman — I'd need to be two men to manage both. I'll be involved in policy decisions, looking at where we're going, and company results.

"One of the main things to come out of the rationalisation, or merger, between Safmarine and Rennies is that major theatres of operation are settled

"We have our own management in place, in keeping with the agreed chief objectives of controlling management. We have highly-experienced people who get on with it and who are making sure of offsetting the risks of possible new developments by seeing they are adequately and soundly financed for profitability."

He doubts that Kersaf, Safren's casino and leisure arm, will make another bid for permission to run a US gambling set-up in Atlantic City. Likewise, he dismisses gossip that it could be looking at Robben Island as a future holiday resort.

"Too seasonal," says Macmillan. "And climate is a strong argument for offshore shopping around. You need only think of Portugal for all-year appeal."

According to Macmillan, such countries — and he's not confining himself to the Med the Red or the Dead Seas — are not overtraded. "Tourism is the biggest industry in the world."

The 64-year-old avuncular Macmillan has inherited a "complicated family tree". There's Kersaf, formed from what was once the Johannesburg Stock Exchange (JSE) cash shell Javcor. Safren owns 77% of Kersaf. In turn, Kersaf has a 21% interest in Southern Sun, plus about 75% of Sun International — "purely an investment, not a management situation" — as well as 40% of Satbel, the cinema empire.

To complete this branch, winemaker Douglas Green and soft drink company Sparletta are wholly-owned by Kersaf, of which Dick Goss is chairman and Sol Kerzner MD.

Next in the genealogy is Safmarine, wholly-owned by Safren, involved in container ships, general cargo and bulk carriers, large salvage tugs and, until next month, the cruise ship Astor. "It's been sold to new owners. No comment on their origins."

You suppose it's a matter of flags. Safmarine, however, is building another passenger liner in Kiel, West Germany, due for delivery in January 1987 "There'll be a 16-month gap"

The new ship will be similar to the Astor but slightly bigger, 10 metres longer, and with room for 80 more passsengers — up from 550 to 630, with accommodation ranging from staterooms to four-berth cabins. "Floating casinos are not on our minds."

Third in lineage is Renfreight, the progeny of the original Rennies Shipping and Freight Services, in which Safren has a controlling interest. Fourth in line are other SA and overseas interests, such as property insurance. This branch, again, has its own management in down-the-line operations.

● MACMILLAN ... not fazed

Scottish-born Macmillan — he came to SA at just 15 months — is amiably short-back-and-sides. His training as a chartered accountant has served him well, he says. "If you stay in the profession after 35 there's a danger of becoming hide-bound, but up to then you're still adaptable and flexible"

He served as a wireless operator in the SAAF "up North" during the Second World War. The fleshpots of Egypt seemed to have escaped his attention. "I used to spend my holidays in then Palestine. Much cleaner."

He came to Rio Tinto via the Industrial Development Corporation's (IDC) initial financing of the Palabora copper mine and, in 1974, was appointed deputy chairman and CEO of Rio Tinto SA (RTSA).

As CEO of Safren he'll be commuting between Cape Town and Johannesburg and expects a fair amount of international travel on his business itinerary.

(220) B. Day 19/7/85

Liberty succeeds in taking over London's C & C

By BRIAN ZLOTNICK

LIBERTY Life has succeeded in its £173m (R446m) takeover bid for the London-listed property developer, Capital & Counties (C & C)

Yesterday, British institutions — on the last day of the offer — accepted the cash offer of 225p a C & C share after waiting in vain for a counter bid or an increased offer.

Liberty's British 75%-held unlisted subsidiary, TransAtlantic's stake in C & C rose from 34,5% to 79% following the flood of acceptances. TransAtlantic is heading the assurer's overseas drive

C & C's directors refused the bid for their tiny holding and apparently all board and senior management remains committed to the company

Chairman Donald Gordon said in London: "C & C still has 4 000 shareholders (before the deal 5 000)."

Now that the institutional investors have opted for the cash offer, the small shareholders who in terms of the city code now have another 14 days to accept could well follow the institutions' lead.

When the C & C takeover bid was launched more than a month ago, Gordon stressed that TransAtlantic would ensure that at least 40% of C & C's shares were in other hands — the objective being to keep the listing alive.

Gordon is unperturbed by the high level of acceptance, but concedes that TransAtlantic may now well consider holding in excess of 75% of C & C's equity. He envisages no problems if TransAtlantic is forced to place C & C shares with other insitutions to keep its London listing alive

C & C, which is a leading British shopping centre developer, posted taxed profits of more than £7m in the year to end-March.

The acquisition of C & C is expected to help lift the Liberty group's total assets to around R6bn (R4bn) by the end of this year, according to Gordon.

Edited by Alison Goldberg

31/7/85

LTA Doval sold to gain Aussie contracts

(220)

B. Davy

ALISON GOLDBERG

IN A bid to capture Australian government contracts next time round, LTA Construction has sold off more then 50% of its wholly-owned civil engineering subsidiary in Brisbane

The move follows the loss by LTA Doval Construction of two separate contracts totalling A$11m on Brisbane's new international airport — a direct result of the June ban on bids for federal projects by majority-owned SA firms

The majority share of LTA Doval, explains LTA Construction deputy chairman Mike Ridley, has been sold to an Australian firm of accountants in trust with irrevocable instructions to on-sell to Australians

All was not lost however LTA Doval did manage to hang on to a contact it won before the ban This was a A$12m paving contract for the same airport

And after resubmitting its two previous tenders for the airport following the sale of the company, LTA Doval came third both times in the tendering process

The company which now employs a staff of roughly 100, was bought as a shell in August 1984, and started to win government work in December Its only South African employee — though not for long once his new citizenship comes through — is Peter Owen, who heads up the company

According to Ridley, LTA was going to sell at least 40 percent of LTA Doval in the next two years anyway

"We wanted to do so once the company got into its stride Even at this point, the company will have to win more contracts — both private and government — before it is saleable"

304A 107

bewegıng leader Eugene Terre'Blanche recently told the *FM* his vision is to reinstate the Boer republics of Transvaal and the Free State, while he is happy "if P W Botha and the coloureds in the Cape and the English, the Indians and the Zulus in Natal work out something they are prepared to live with"

In Natal itself, with the possible exception of parts of northern Natal, the idea of joint administration is likely to be supported by many Afrikaners The Afrikaanse Handelsinstituut for instance, has expressed itself against independence of KwaZulu and for closer co-operation between the KwaZulu and Natal administrations

Surveys done in 1981 for the Buthelezi Commission indicated wide support among whites, coloureds and Indians for the commission's proposals Schlemmer who was in charge of these surveys, says this support has increased significantly, especially since the white referendum and the implementation of the new constitution

Says Natal University vice-principal and Buthelezi Commission chairman Professor Deneys Schreiner "The urgency of the SA situation requires bold action by our politicians The public of Natal, of all race groups, cannot afford the passive acceptance by our present politicians of the subjection of local variation to a central policy totally unsuited to this area"

Indeed There will not easily be another chance like this to start the slow process of normalising SA society All that is needed is courage and a leap of faith by government Natal is waiting ■

VOX POPULI

"The Natal/KwaZulu Option" is the talk of Natal Seminars on the topic are being held, local newspapers write about it regularly, it is widely discussed by organised commerce and industry — and even the man on the street is talking about it This is what some Natalians say

☐ **Richard Castle**, chairman of the Pinetown branch of the National Party and prominent Durban stockbroker "The ordinary white in Natal will support it if he knows that the new government is not going to turn Greyville into a soccer stadium He does not want the old colonial lifestyle of Natal to be changed I will support it if law and order is underwritten by the central government and if the new administrator swears his loyalty to the SA State President"

☐ **Grant McCallum**, a Pietermaritzburg accounts clerk "If this is going to keep the kind of black violence we have seen on TV away from Natal why not? Buthelezi seems to be a moderate and responsible leader I can follow him"

☐ **Tony Ardington**, chairman of the SA Cane Growers' Association "We in Natal still have a strong black leadership who can give credibility to new initiatives and who have the strength to look at political possibilities rather than totally uncompromising policies I believe this to be our single greatest political asset I believe we must act quickly to ensure the opportunity and the asset are not lost"

☐ **A young Durban architect**: "The atmosphere in Natal is far more laid-back than elsewhere in SA I grew up with the Zulus and I respect them as a nation I have no problem with Chief Buthelezi being my provincial leader It is in our mutual interest that we have peace and stability in Natal and that standards are not lowered"

220 (183) FM 9/8/85

PLATE GLASS

Global challenger

It's more than timber and glass now — the multinational operations of Plate Glass have reflected burgeoning growth in turnover, profits and share rating. Yet it's very much a tale of two brothers.

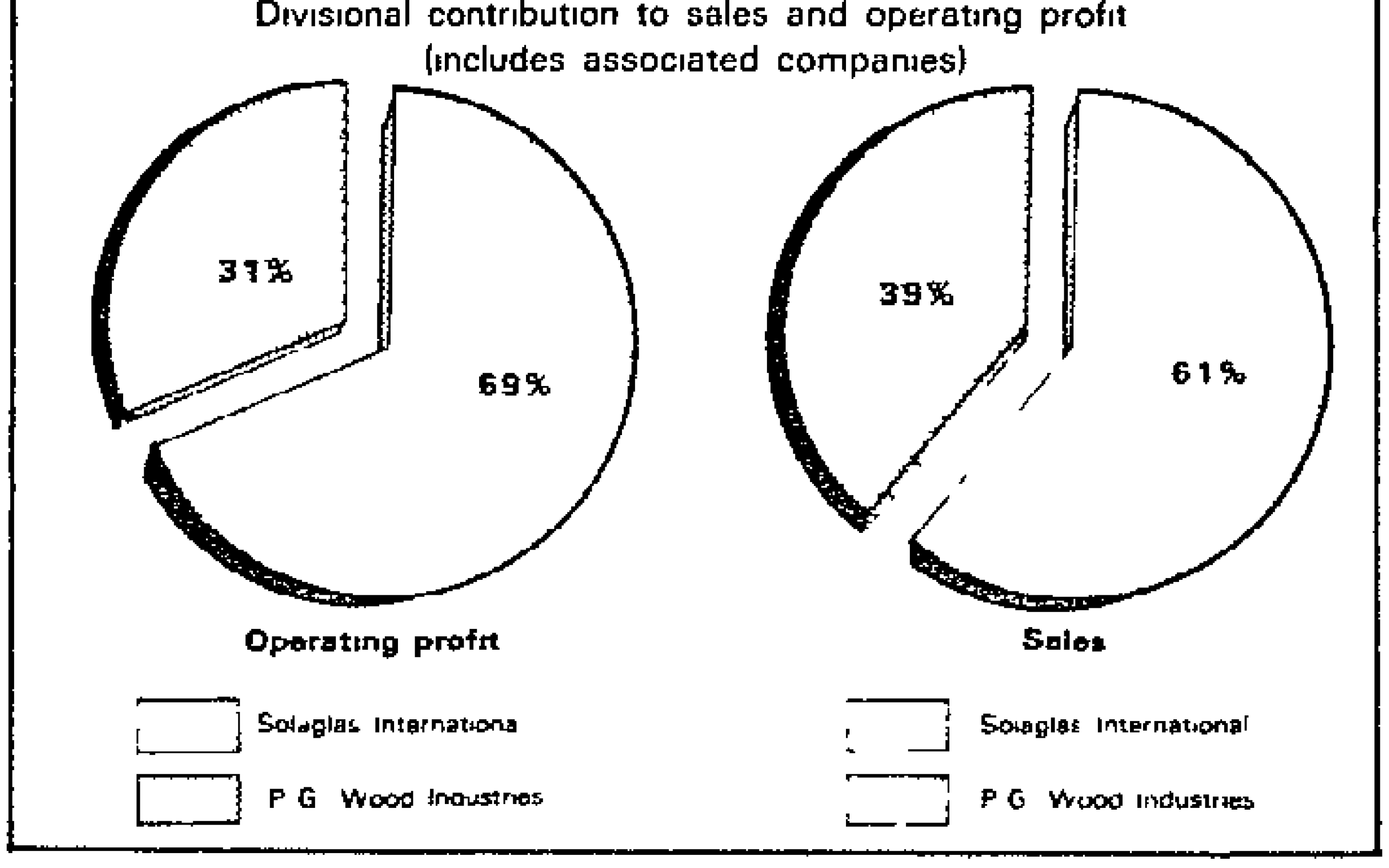
Plate Glass's joint executive chairman Bertie Lubner is regarded as a more conservative man than his brother Ronnie, with whom he shares the chairmanship of Plate Glass (PG) But there is no doubt that the brothers' complementary skills have expanded PG from a local family-run timber and glass business into SA's biggest industrial multinational

The market is impressed and has rerated upwards PG's share and that of its holding company, Placor, which is jointly controlled by the Lubner family and Liberty Life PG has risen from a R12,35 low in late-January to a R23,25 high in July and Placor from 500c to 800c These rises occurred on thin volumes — barely 2% of PG's total share capital was traded and both shares are tightly held But PG is considered soundly run, holds dominant shares of its markets, has attractive international exposure and promises solid and sustained longer-term earnings growth

"Ronnie and I don't run the business," says Bertie, "we motivate it We are getting a better market share because our people are motivated There is a confidence in our executives, there's depth of management We employ top-rate people with leadership qualities We agree on philosophy but the man-

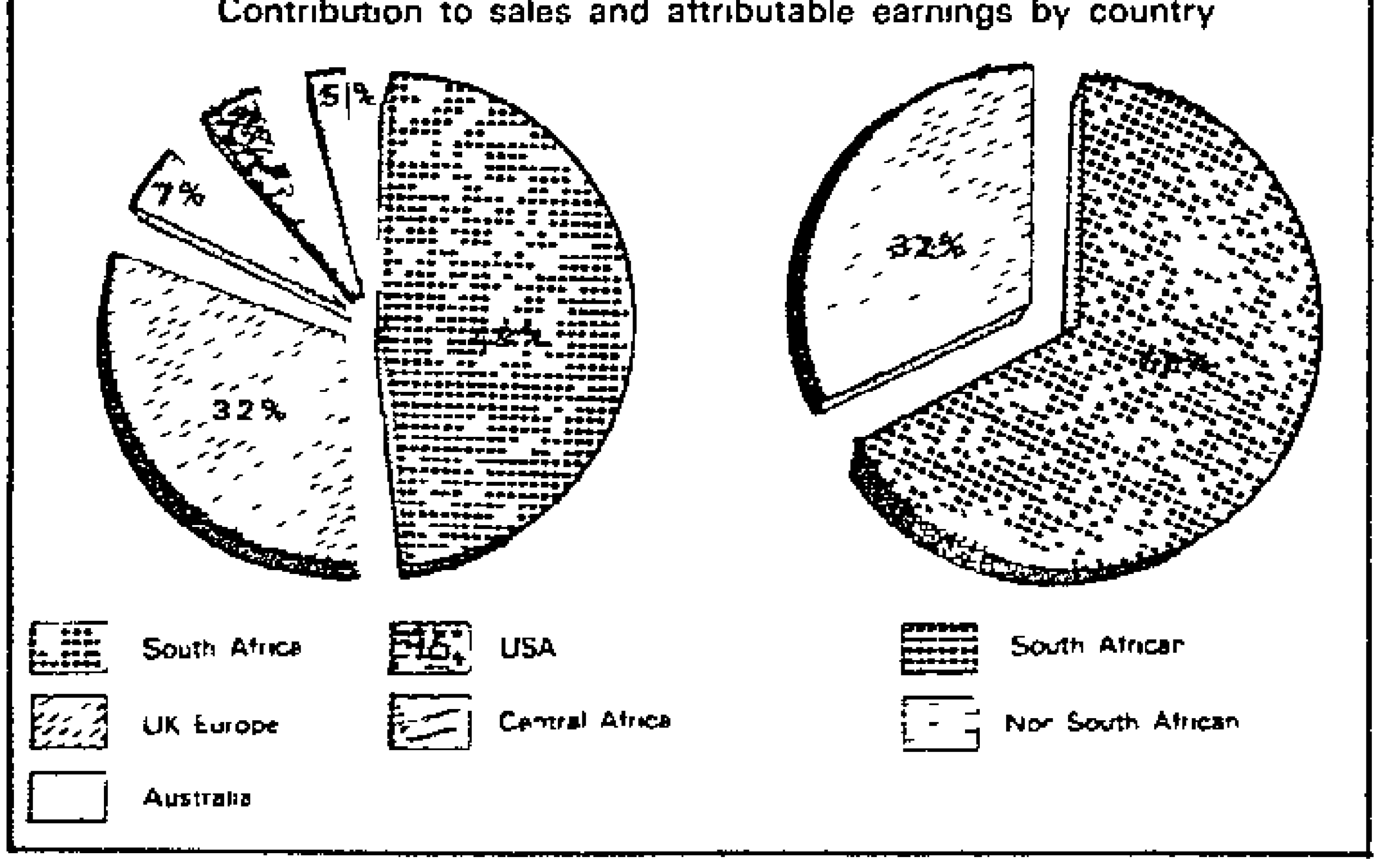
DIFFERENT VENTURES . . .

Divisional contribution to sales and operating profit (includes associated companies)



. . . LED OFF SHORE

Contribution to sales and attributable earnings by country



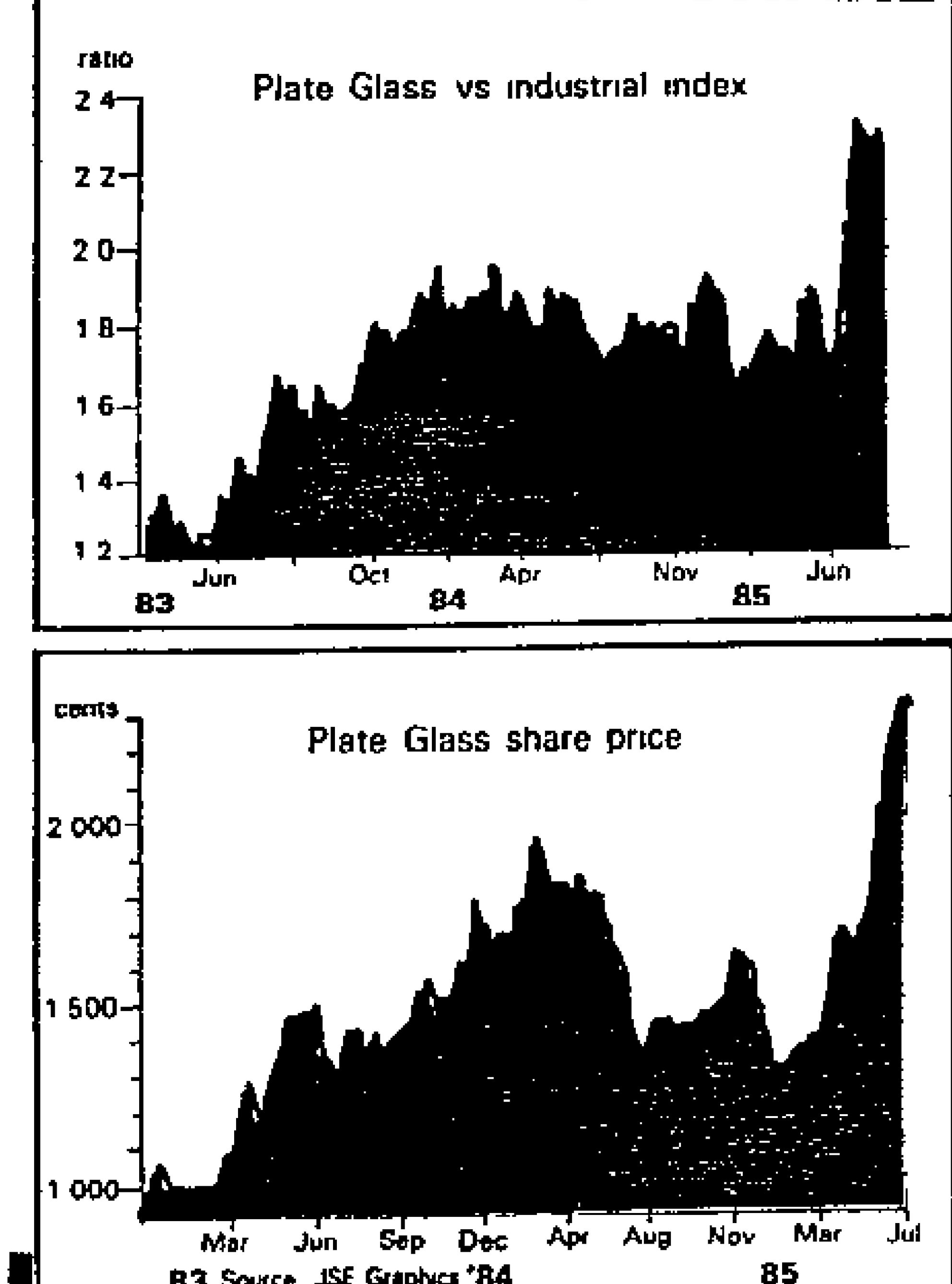
(720)

agers operate with their own styles and create their own individual loyalties A man spends most of his waking life at work and if he's not motivated, the larger part of his life is not motivated"

Lubner would like to see the same inspirational approach followed in tackling SA's political problems The State of Emergency has damaged business confidence, delayed the economic recovery and hurt the fortunes of Plate Glass Lubner believes that a national "board of directors" drawn from the public and private sectors should draft a plan for SA's political and economic recovery Progress should be regularly monitored, so laying the basis for the return of internal and external confidence

He believes that economic recovery would follow and the resultant growth would be good for all — companies, managers, workers, shareholders, the fiscus, and national health Lubner's is a humanistic approach, married to a sense of the practical He and his brother are shrewd businessmen and generous sponsors of charities and educational exchange projects, such as that between SA and Israel's Ben Gurion University, of which Lubner is a governor

SHATTERPROOF SHARE



What marks the brothers' style is the ability to plan and take the long-term view In SA, this means that PG's strategy has been to aim for a dominant market share in the distribution of glass and wood products, the two commodities which it supplies mainly to the furniture, motor and construction industries The deal with Pilkingtons in 1983 gave PG control of the biggest stake in SA glass manufacturing Of the two operating divisions, Solaglas International is the larger, accounting for 61% of sales and 69% of operating profit Wood interests are concentrated in PG Wood Industries

Overseas growth began in the Fifties, based originally on the need to protect timber supplies, since SA suffered from timber shortages, and most of the world's timber is grown in politically unstable areas By spreading its activities to the equatorial forest belts of south-east Asia, Africa and the Amazon jungle, PG sought a spread of sources which would insure it against supply disruptions from any area The group now operates in 13 countries on six continents and its timber distribution arm, Interwil, is claimed to be the largest in the world PG imports about 70% of SA's hardwoods and accounts for some 50% of local timber sales

Foreign expansion in glass was undertaken to protect PG's earnings base from the full fluctuations of South African business cycles It was also a means of ensuring higher growth, once market dominance was achieved in SA, without having to move into new fields of activity Overseas glass operations started in 1972 when PG bought O'Briens, the largest integrated glass business in Australia

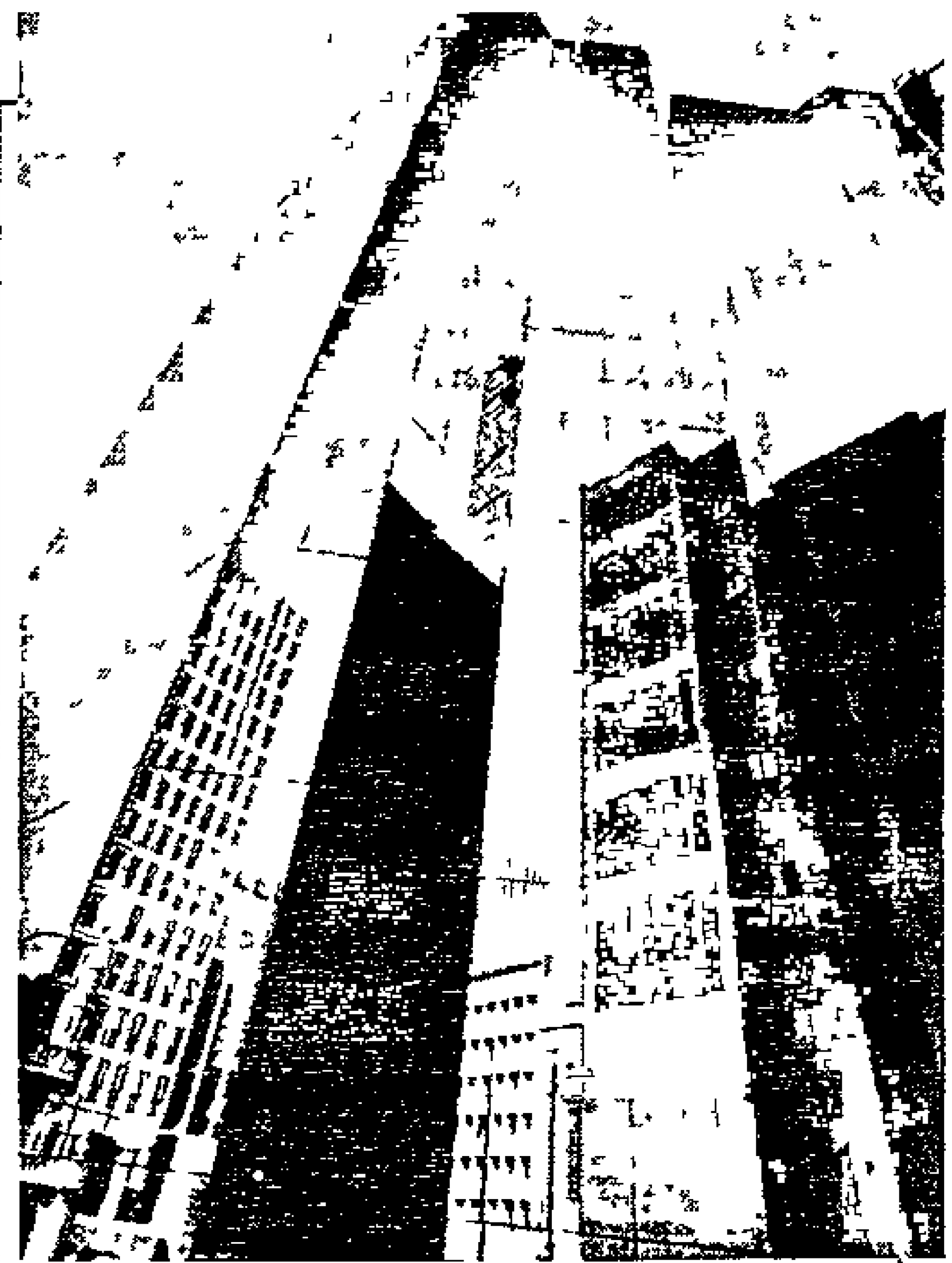


Plate Glass edifice . . . a worldwide presence

PG later expanded into the US and the UK, and the group is now the UK's largest glass trader In running the overseas branches, Lubner stresses that top management needs to consist of local nationals who enjoy full day-to-day autonomy, as the international companies could never be administered from thousands of kilometres away in Johannesburg At the same time, the local company relies on PG for technology, group buying, and financial support

Says Lubner, summing up the international business "There is no group in the world which compares with us in handling the volume of hardwoods and glass materials, or which has such an integrated facility for supplying, shipping, marketing and distributing glass and timber Our tie-up with Pilkingtons, which is a worldwide glass supplier (unlike timber buying where we deal with thousands of small suppliers), gives us buying strength, and there isn't a major city from Sydney to New York, London to Los Angeles, or the cities of Africa and the Middle East, which do not have our glass Maybe Moscow hasn't"

PG's turnover, on the back of foreign expansion, has grown by an annual compound average of 34,7% since 1981 and reached R1,1 billion in the year to end-March Of this, R324,8m was attributable to "indent turnover," the low-margin, high-volume trading activities of Interwil Operating income since 1981 has grown by an average annual compound 16,8%, but earnings a share have remained static, hardly moving from 202,9c in 1981 to 200,7c in 1985 — an 8,9% fall on 1984's 220 2c

The bottom line stagnation in earnings has been attributable to higher gearing and reduced returns on capital employed Interest paid nearly doubled last year to R25,0m from R13,3m (R9,9m in 1983) This situation, Lubner says, derives from the overseas

Bertie Lubner . . . from family business to multinational

(220)

companies' high gearing, as SA exchange controls have limited the export of adequate equity to fund these operations The rand's depreciation has also magnified the interest bill in rand terms

At home, the need to finance a longer-term debtors' book in recessionary times, and higher stockholding costs (owing to the weak rand and inflation), have further raised borrowings Lower interest rates will reduce the interest bill, although progress will be slow, but Lubner stresses that PG's low 0,38 debt equity ratio (0,33 in 1984) places group borrowings within a comfortable margin

Returns on capital

Of longer-term importance is the likelihood of reduced returns on capital employed compared with historic levels Returns before interest and tax on capital employed fell from 28,8% in 1982 to 18,7% in 1985 Much of this decline is, of course, the result of the recession, but Lubner indicates that the previous group target of a 25% return before interest and tax on capital employed may have to be revised

This would largely be the result of lower returns earned on non-SA investments Despite the economic upswing overseas, these last year contributed 51% of turnover but only 32% of attributable profit — and that at a time of a weak rand and SA economic recession Lubner argues that SA historically offered higher returns owing to its higher inflation rate and the group's entrenched position, while in the highly competitive but politically stable markets of the US, UK and Australia, a 25% return is impossible

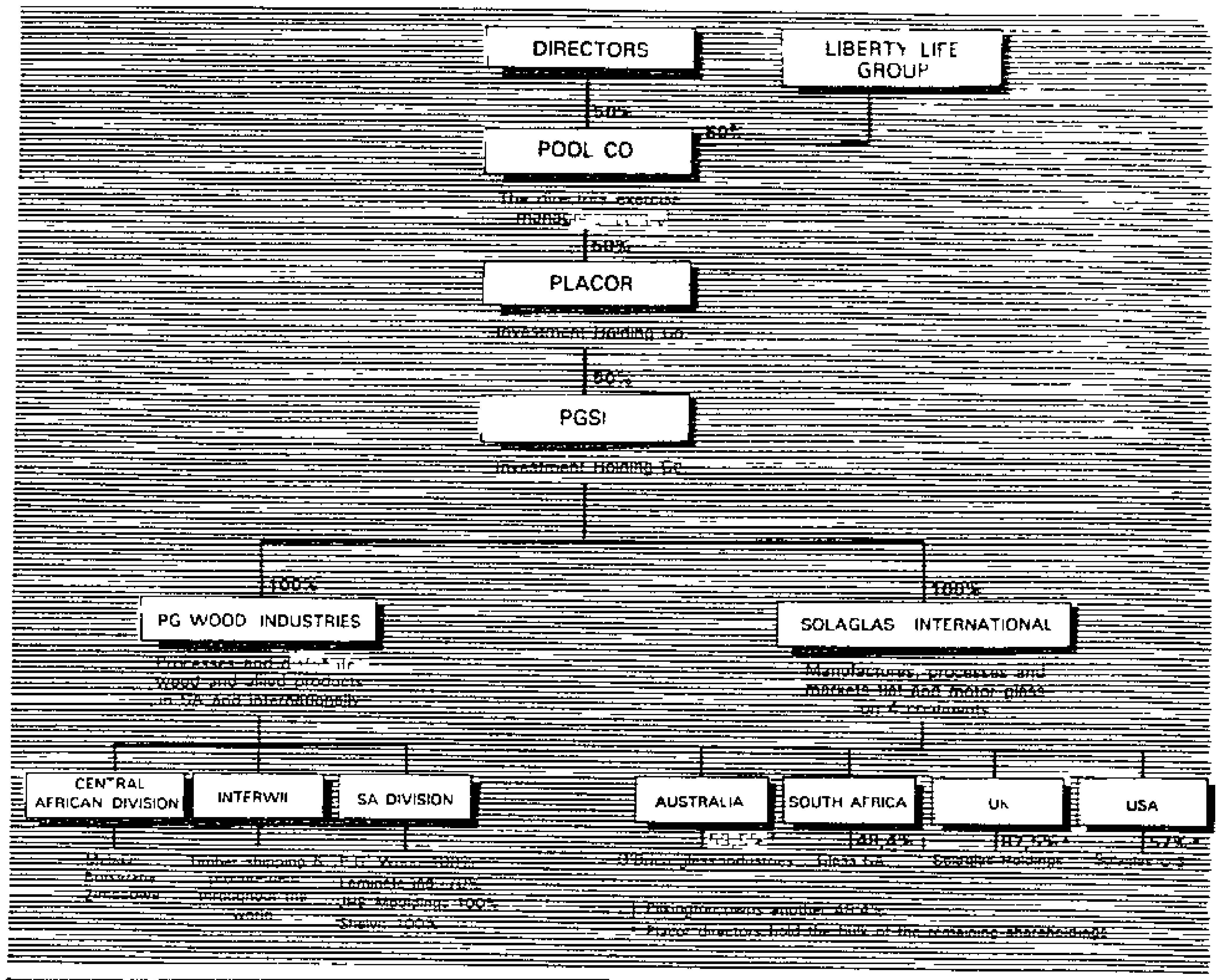
"A strategy of quality and security of earnings," he says, "means lower returns, but we know what we are going to earn The more we go overseas, the more our return on gross assets is going to come down "

Yet overseas earnings certainly bolstered income in the year to end-March, and contributed to results which were better than the market expected Lubner says PG benefited also from the lag situation, in that most timber and glass sales come at the end-stage of construction which was not badly hit in 1984, as construction contracts awarded in earlier years were not yet complete

Earnings in the year to end-March 1986 will look a lot more grim and trading conditions will severely test managerial skill In SA, the sharp slide in demand for wood and glass in PG's main furniture, motor and construction markets has placed margins under severe pressure Abroad, there are signs that the US economy is slowing down and Solaglas's foreign profit in absolute terms may not be as strong as last year

On the wood side, Interwil's margins are being squeezed as falling timber prices and the dollar's volatility have caused customer destocking, delayed purchases, and the need for write-downs to reflect the lower value of timber stocks (These are priced in dollars and Interwil makes its best profits when world timber prices are rising) The Central African division is recovering but Lubner does not expect increased profits this year

PG'S OWNERSHIP CHAIN



Brother Ronnie . . . complementary skills

SA exports will provide compensation and Lubner forecasts that wood product exports could rise from R3m to R10m this year and glass exports from R18m to R40m However, shareholders would do well to brace themselves for an earnings slide

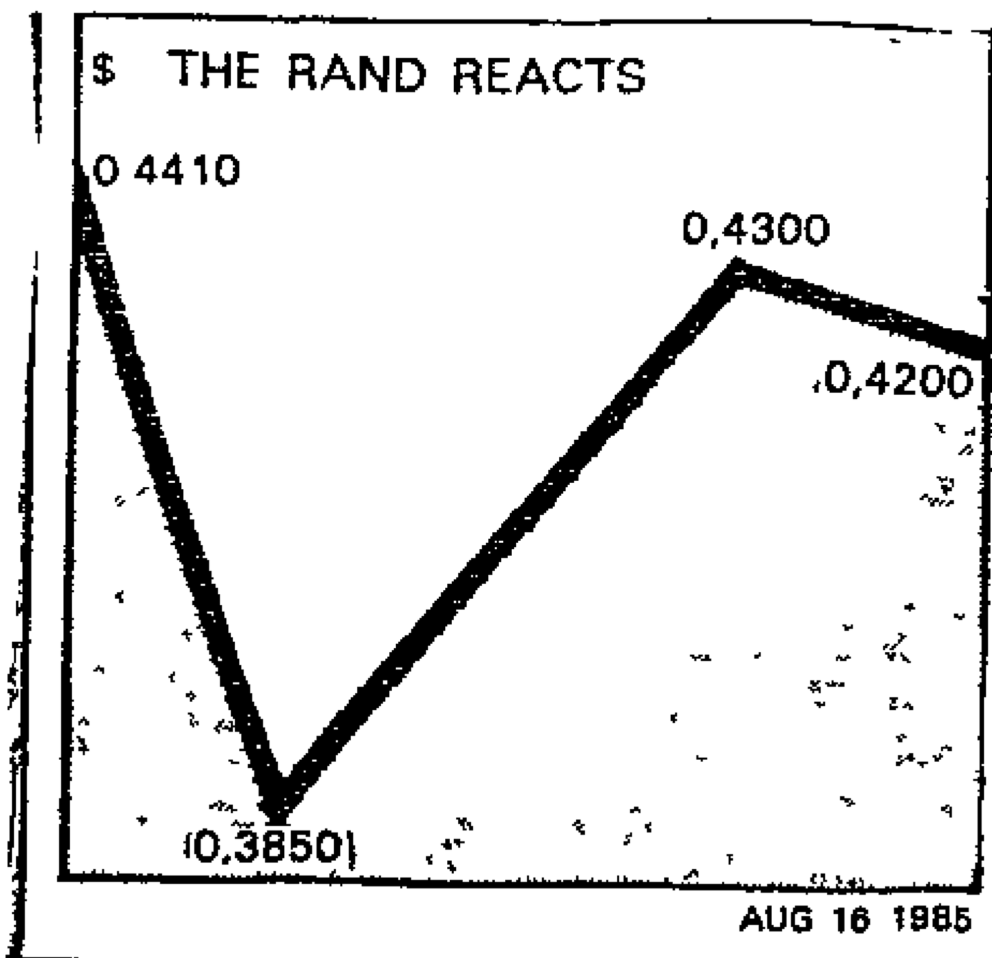
The dividend looks safer as PG's policy is to maintain consistent dividends and cover remains at a fairly comfortable 1,9 times Last year's unexpected rise in the total dividend from 100c to 105c, despite lower earnings a share, was in line with the aim to show at least some dividend improvement The dividend had shown minimal growth compared with 1982, and, unless earnings fall too drastically, this year's dividend should be held

Challenges of growth

Longer-term, the group faces the challenge of avoiding asset growth which outstrips a commensurate rise in profit But overseas-sourced profit will continue to grow and Lubner believes the UK offers exceptionally good prospects as heavy start-up costs are absorbed and Solaglas captures market share Growth in the US will have to come from new activities outside of motor replacement glass and PG recently took over a flat glass trading company in Texas Australia remains very cyclical

As for SA, Lubner sees tremendous profit potential once economic recovery comes "We can absorb another 30% of turnover and the fixed cost element would hardly change," he says "We could produce 15% on SA sales, far higher than any profit increase overseas, compared with a present 8% " Listings of either of the two operating divisions, or of some of the overseas companies, are possible, though not in the immediate future

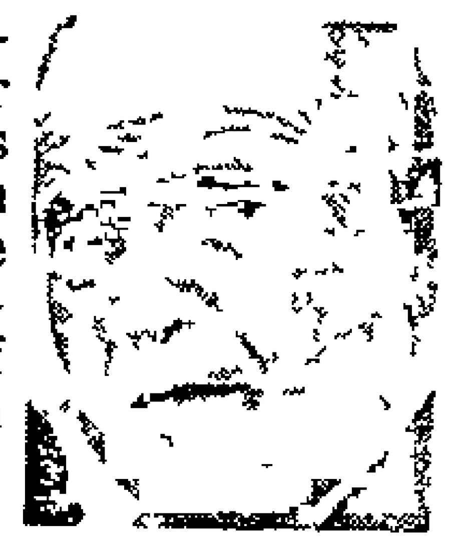
Since mid-July, the PG and Placor shares have retreated as the market declined, Placor falling by a relatively sharp 20% PG's share now stands at R20, which yields 5,3% on dividend compared with the industrial holding sector average of 5,6% After the recent price surge, the shares would appear to represent more long-term value Placor, by virtue of its higher dividend yield, is perhaps marginally more attractive But there is no doubting their potential The problem with buying these stocks is that they are difficult to get *Christopher Marchand*



Ackerman on move in Aussie

17/8/85 (220)

O. Day MARSHALL WILSON



● ACKERMAN

MELBOURNE — Hypermarket pioneer Raymond Ackerman is again on the move in Australia This time his eyes are on Victoria after the success of his $23m venture in Queensland

"It was only natural that we would expand because of the Aspley (Queensland) success," said the managing director of Pick 'n Pay Australia, David Goldberg

"We are confident Victoria is the best place to do it"

Aspley, jointly owned by Pick 'n Pay and the Victoria-based retailer Permewan Wright Consolidated, boasts 75 checkouts and has astounded Australians by its sheer size

Yet while the venture has been acclaimed a runaway success, there is opposition to its emulation in Victoria

Local solicitors Rigby & Fielding have taken out a Supreme Court writ on behalf of a shopping centre developer, Hersfield Holdings Pty Ltd, alleging that the initial permit to develop the site at Taylor Lakes, where the new Pick 'n Pay is scheduled to go, was granted in 1980 to Waltons Bond Ltd for the development of a regional shopping centre

(220) B-Day 28/8/95

US setback for Baracuda

LAWRENCE BEDFORD

POOL-CLEANER manufacturer Kreepy Krauly has won its court battle to keep an automatic model, made by rival South African company Baracuda, out of the lucrative United States market.

The decision does not, however, bar Baracuda from the market.

Kreepy Krauly had fought the issue on the basis of infringement of its patents by Baracuda right up to the final court of appeal in Washington.

Full details of the judgment were not available, Kreepy Krauly chairman Danny Chauvier said yesterday.

The decision is being looked on as a reversal of one in South Africa in the manufacturers' patent battles in the early 1980s.

In that action, Baracuda was the victor. The Washington court is understood to have indicated that it was not bound by the law of another country.

Kreepy Krauly and Baracuda have spent more than $2m on court battles in the US.

Baracuda chairman Helga Schneider said yesterday the company had already replaced the infringing model in the US with a new one.

He said he understood Kreepy Krauly was planning further action against Baracuda for compensation.

This was confirmed by Chauvier.

(220) S-Times 22/9/85

Genbel foreign foray fails to pay its way

By Kerry Clarke

GENBEL says that although foreign investments bought with a R66-million Eurobond issue are not earning enough to cover interest on the loan, they hope to report in a year's time that they were wisely chosen

Chairman Hugh Smith says earnings from foreign investments should be sufficient to cover Eurobond interest within five years, although this will obviously depend on the results of those companies

More than half of the bond's proceeds has been invested in mining and oil and gas securities The balance is in the money market, pending the acquisition of suitable securities

Market value

The investments and their market values include Hampton Gold Mining Areas PLC (R3,3-million), San Juan Basin Royalty Trust (R9,5-million), Permian Basin Royalty Trust (R9,5-million) and the unlisted Charterhall North America PLC with a directors' valuation of R4,7-million

Mr Smith says the growth potential in both earnings and capital value should make the diversification worthwhile Earnings and dividend growth of the foreign investments are about 10% a year

Until income covers the Eurobond interest, the bill will be met by uninvested funds

Badly timed

Genbel has accounted for an ill-advised foray into international dealing and a badly timed venture into the gilts market which cost it R5,4-million in the year to June 1985

Net income after tax, but before investment transactions, rose by 14% from R56,5-million to R64,6-million, but after the write-off, total surplus rose by only 0,2% to R59,2-million

Mr Smith says in the annual report "It became clear in mid-year that our investment in an international dealing company — Greenwell GIC Securities Limited — was not achieving the success of which we had originally hoped but worse was suffering mounting losses In March 1985 it was closed "

The company lasted barely six months and found it was unable to compete with the large US-based brokerage houses, such as Merrill Lynch and Drexel Burnham In its short life, the company dealt in SA mining issues and international resource shares, and experienced shrinking trading volumes in these areas

Mr Smith says the group also hoped that the acquisition of a sizeable portfolio of fixed-interest securities, largely funded by use of overdraft facilities, would realise worthwhile dealing surpluses

Plight

"Clearly, our timing was incorrect because with the country's economic plight worsening, the hoped for increase in values of this sector did not materialise when anticipated

"This fixed-interest portfolio was disposed of without serious loss and the overdraft paid off However, the dealing loss, together with the negative gearing, cost the company more than R5-million "

Mr Smith says if there are no unforeseen adverse trends, the current year's results should improve, although the extent will depend on inflation and the exchange rate

Altron makes a secret offshore investment

(220) B. Day 26/9/85

PRISCILLA WHYTE

ALTRON, the holding company for the Altech electronics group, has made a secret offshore investment.

Chief executive Bill Venter announced yesterday that the financial performance of this new acquisition — a wholly-owned subsidiary — would be accounted for in future Altron group results.

He refused to reveal details because of the sensitivity of South African operations abroad

He said "I am not at liberty to say what business the acquisition is involved in, how much was paid for it, or in what country it is based"

This new offshore acquisition, which was financed from existing capital, now generates about 8% of group sales, together with other foreign activities

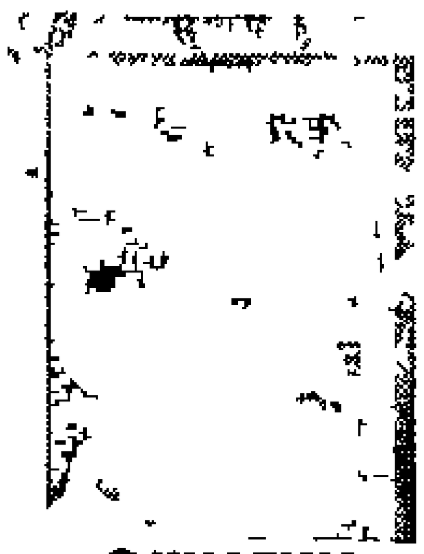
Venter has no intention of stopping there. He wants offshore actvities and exports to contribute 20% to group sales by the end of the decade.

● See Altron Group Results, Page 8

220

Altron ties up foreign packages

B. Day 8/10/85



● KHARWA

● VARACHIA

Industrial Staff

ALTRON, the holding company for the Altech electronics group, is not only making secret offshore investments but it is also signing technical know-how agreements overseas

Its MSN printed-circuit division has a number of agreements with leading overseas licensees.

"The agreements were signed as a result of strategies developed in a study group," says MD Peter Wilson.

For obvious commercial reasons Wilson is tight-lipped about precisely what these strategies entail

"To say more would be tipping our competitors' hands about the future direction we intend to take"

MSN has agreements with Schoeller Elektronik in West Germany for printed circuits, flexi, flexi/rigid and multiflex circuits, and with Israel's Tadiran Electronics for thick and thin film micro circuits.

It is shortly to send senior production manager, printed circuits, Khalid Kharwa, and chemical manager Farouk Varachia to West Germany to initiate an extended programme of know-how transfer under its agreement with Schoeller.

The programme, according to Kharwa, is a logistical type of relationship.

"MSN will benefit — and, indirectly, so will they. South Africa is already a self-sufficient printed circuit manufacturer but it is fundamentally important we keep abreast of new developments and the current state of the art

"The demand by the total electronics industry for smaller and smaller components is in itself presenting the manufacturers such as Schoeller and MSN with a host of new problems that need to be solved if they are to stay ahead in their field"

DIY firm takes over big UK timber supplier

B. Day 16/10/85 220

PRISCILLA WHYTE

PG WOOD INDUSTRIES' wholly-owned British subsidiary, Timber DIY Holdings, has acquired the entire issued share capital of an unnamed UK major wholesale timber supplier for £4,92m.

Payment will be made in two equal tranches

Timber DIY will make a cash payment of £2,46m from offshore loans. The other £2,46m will be paid for by the issue of new ordinary shares in Plate Glass & Shatterprufe Industries (PGSI) and Placor.

The acquisition is not expected to have an immediate impact on the net asset value or earnings a share of PGSI and Placor.

Significant medium- and long-term benefits are, however, expected to accrue.

The name of the newly-acquired UK concern is apparently being withheld, because of possible political repercussions

25/10/85 FM 720

JOHANNESBURG CBD

Mutual shows its muscle

Old Mutual's decision to replace the BP Centre and five adjoining buildings in downtown Johannesburg with a R71m new development may look like bravado to some

After all, OM's decision to go ahead with its biggest property development to date has been taken while the economy is still in retreat Also, of course, downtown Johannesburg is not everyone's favourite office spot at the moment

However, property investment manager Mike Raggett is having no sleepless nights By his reckoning the current glut of office space will be fully absorbed within two years and the OM venture should then hopefully stream into a landlord's market

The new building, on a 3 968 m² site, will offer 14 floors of offices with a net lettable area of 27 313 m² The ground floor is earmarked for 1 280 m² of retail space and there will be parking for 300 cars on three basement levels

The development, bounded by Harrison, Pritchard, Kerk and Loveday streets, has been provisionally code-named 1066 and will be ready for occupation in 1989

"There are no known plans that will impact on the supply of CBD offices until well after our project is completed," says Raggett. "Known new supply of prime office space will also be absorbed and demand should exceed supply by the end of 1987 "

He estimates there is less than 50 000 m² of vacant prime office space in the CBD and Braamfontein, and that only another 34 700 m² will come up in the next three years "Thus," reasons Raggett, "the total take-up in the next three years must be less than 28 500 m² a year if equilibrium is not to be achieved before our project comes on stream

"Given the office-letting performance in the last quarter in a very depressed market, I believe our take-up estimates are conservative "

There can be little doubt that 1066 will provide a psychological boost for the CBD north of Commissioner Street and east of Simmonds Recent development has tended to go the other way — south of Commissioner and west of Simmonds

Raggett continues to see the Johannesburg core as "the most attractive office area in South Africa "

It remains, after all, the most influential business district in southern Africa — and perhaps all Africa — which leads Raggett to conclude that the CBD will follow international trends and command a premium over decentralised accommodation

His prediction, taking inflation into account, is that the going rate for prime space in the area will be more than R20/m² by the end of 1988 "and it is probable that required returns will come down to levels of 8%-10% " ■

OFFSHORE HOTELS

Camores calling

A multi-disciplined South African consortium, headed by Johannesburg architect Peter Bold, is finalising plans for a R25m tourist hotel complex in the Camores Hopefully most of the cash will be coming from the Industrial Development Corporation (IDC) which is expected to confirm the loan this week

The IDC's Dirk van Staden says the corporation has agreed in principle to advance the money, but as it regards the loan as export credit it is demanding credit guarantees It will be the IDC's first ever hotel venture outside southern Africa

Credit Guarantee Insurance Corporation (CGIC) of Africa has been asked to guarantee the loan and, says MD Jan Bouwer, "we are sympathetically disposed to the scheme We are waiting to see what (financial) proposition the consortium will lay before us "

Bold believes the CGIC wants to satisfy itself that the consortium's other financial sources are sound before it agrees to underwrite the loan He expects approval this week

Everything else is in place The government of the Camores Republic, which consists of three islands in the Mozambique Channel (a fourth island is still a French dependancy), has given its blessings to the project Also, a contractor and the professional conultants have been appointed. Bold's firm, Rhodes-Harrison Fee and Bold, drew up the plans

Bold and his partners formed TBS Development Company to put together a package for presentation to the Camores government, the IDC and other interested parties

Landmark International of the UK, which sold the La Pirogue Sun and the Toucssrok Sun in Mauritius to Sun International, is a member of the consortium and will operate the complex A Sun International spokesman confirms that the group was also interested in the area — "but nothing came of it It was so long ago I have forgotten the details "

The scheme involves the building of a new hotel with 150 bedrooms and refurbishing an existing hotel on Grande Camore, the main island The plan is also to build and operate tourist lodges which will have another 30 bedrooms on the other two islands, Anjouan and Moheli

Bold says the Camores are regarded as the poorest country in the world, but the islands have tremendous tourist potential They would appeal mainly to Europeans and South Africans

A weekly SAA flight already links the islands with SA ■

FUEL PRICES

Boost for economy

If the rand can overcome this week's blip (see *Markets*) and get back above US44c, a cut in the fuel price would be inevitable. According to one expert, for every 1c appreciation over 42,5c — the break-even point — there is a direct immediate impact on the price of fuel of about 1,6c/*l*, plus gst

He believes that government, for economic reasons, is keen to reduce the price of fuel as soon as possible, suggesting that the pump price for 93 octane could be cut to 98c/*l* before March.

A great deal of crude has gone under the bridge since the authorities warned of the need to increase the price of fuel by another 6c/*l* from its current 102c/*l* for Reef 93 octane That was only in November, when the rand was struggling around 38c and crude oil was around $27,50/barrel

But now the tide has turned, the rand is strengthening and the price of crude plummeting below $20 A petrol price cut will do much to consolidate the slight improvement in sentiment, buoyed by falling interest rates and the rising gold price With inflation hitting 18,4% for 1985, there has never been a more fitting occasion to give the consumer and businessman a psychological boost

Says Andre Hamersma, chief economist at Standard Bank, "We sit with a severe potential inflationary problem Psychology plays an important role in inflation, it would obviously be a good strategy if we could change expectations It would be a shot in the arm for business, and remove the feeling of doom and gloom that has pervaded the economy for so long "

He points out that a reduction in the price of fuel would bring down cost structures over a broad range of industries "Perhaps we are heading for a period of greater stability, following the hectic price increases of 1985 A drop in the fuel price would be the first indicator that most of the price increases caused by the weak rand have worked through the system."

Tony Twine of Econometrix calculates that with a US45c rand and spot crude oil price of $25/barrel, 93 octane Reef petrol would fall to 90,1c/*l*, a drop of almost 12% The total effect of this on the rate of inflation would be a drop of as much as three percentage points "A US50c rand would reduce the price even further, of course, to 85,6c/*l* and slash inflation by 4,5%," he adds

Even crude at $27,50 would give a pump price of 98c/*l*. But government is playing a cautious game

November increases

After the November increase, the authorities were subsidising the price from the central energy fund, and indeed had transferred almost R200m to oil companies to clear the "slate " Since then it is believed the slate has accumulated another R140m under-recoveries

The slate is a price balancing mechanism used to absorb monthly variations in the landed cost of fuel Debits or credits are applied to reflect under- or over-recoveries respectively. In the long run the motorist ends up paying the full imported price It is believed that with a crude oil price of $27,50/barrel, break-even is at a rand rate at around US42,5c

The manner in which government deals with accumulated under-recovery will, of course, determine the timing of a fuel price cut If the authorities repeat the November policy and wipe the slate clean immediately, full benefits of lower imported prices could flow through to the consumer within a month

But, says Renier Roets, deputy director of the Department of Mineral & Energy Affairs "We must ensure that the current situation is permanent before making far-reaching decisions Besides, we don't yet know what effect the drop in crude oil prices will have on landed costs "

Certainly a falling petrol price would be the first of a number of import items to reflect a stronger rand. And one that could have the most beneficial effect on the economy It would lead to a better price performance generally, prices of imported consumer goods falling soon and intermediate goods and capital equipment reflected in end-products with a 3-4 month lag

But we live in a very uncertain world, says Hamersma. Predictions are vulnerable to political setbacks, and we could move back to square one overnight "High inflation is not out of our system yet We still have another 3-4 months when inflation figures will still be high My feeling is that from May they could start to improve, provided the rand stays strong " ■

FOREIGN DEBT

Tit for tat?

Negotiations could turn sour overnight if mediator Fritz Leutwiler's proposals are rejected by foreign creditor banks. The authorities have only until February 20 when the parties get around a table in London Failure to reach agreement could result in foreign assets being attached by impatient creditors

Despite official reassurances, SA companies have already opened bank accounts abroad to avoid reprisals from angry credi-

NEW MANAGEMENT BUY-OUT GUIDE

Management buy-outs are increasingly common abroad (see *Markets* last week) as a way of restoring managerial initiative and revivifying ossified large corporations The movement has also reached SA, probably the biggest instance being the buying-out from Blue Circle and subsequent successful relisting (as Hudaco Industries) of Hubert Davies, led by Bruce McInnes.

Mick Davis, a senior manager of the international accounting firm Peat, Marwick, Mitchell (PMM), says the main factor inhibiting buy-outs in SA right now is a lack of venture capital. He hopes the Johannesburg Stock Exchange's Development Capital Market will help overcome this, the Small Business Development Corporation (SBDC) will also consider applications that meet its criteria.

Given that the technique is still new and little understood here, potential players of the game will welcome a brief guide just published by PMM Five chapters cover. identifying buy-out candidates; assessing prospects, negotiating the purchase; raising finance; and planning for the future

Davis believes the low point of the business cycle is particularly opportune for buy-outs.

Managements of components of large groups that have cut back earlier in the recession may feel that they could respond to an upswing more positively without the shackles of group policy and group reporting

Such management teams typically comprise two to six people who will have been with the company some time and feel they know it well tors.

"Export proceeds of certain companies will not be channelled into South African accounts and will therefore not be identifiable as belonging to SA. If foreigners are going to freeze all bank accounts owing to SA, private companies do not want to get caught up," says a senior banker.

At present, most export proceeds are paid in dollars in New York and can easily be identified as destined for SA.

The monetary authorities are also believed to have pre-empted possible failure of the negotiations by transferring money held in trust for foreign creditors by the Reserve Bank to the Public Investment Commissioners (PIC)

Creditor bank

So far, a smaller creditor bank is most likely to rock the boat It is hoped that the 30 larger creditors will influence smaller creditor banks, numbering some 370, to toe the line But, says a banker. "One must expect some posturing from smaller banks"

Says another: "A small bank could attach money and write off its loan to SA in one fell swoop However, Swiss and German banks are in so deep this is the last thing they would want Any bank with large loans would be loath to attempt seizure because of the small amount it could recover in relation to exposure."

Opinions are divided on the likelihood of assets being grabbed. Says a senior banker "I believe seizure is very likely" Earlier this week Leutwiler himself spoke of the possibility: his press spokesman emphasised that his stance was not merely "tactical."

Nonetheless, this is still seen by some as part of the bargaining process aimed at scaring SA into repayment and part of a broader war of words prior to the February meeting "Any action of this nature would set a dangerous precedent. I believe a lot of what is being said is considered prudent to say at this stage," says one banker

Creditors have made at least two attempts, both unsuccessful, to get their hands on South African assets in retaliation for money blocked by the standstill

It is believed a group of US investors started litigation late last year to get an order to seize South African assets Another attempt was made by a Swiss bank (this matter has been settled although details are not available)

Meanwhile, officials have failed to respond to *FM* questions regarding rumours that Reserve Bank assets could be seized This fear is believed to have led to transfer of the trust fund — established for foreign creditors who refused to roll over loans — to the Public Investment Commissioners (PIC) (*FM* January 24) Attempts to get answers were blocked by the Treasury.

"The matter is sensitive now that debt negotiations are taking place and I do not think we should react further The action has many implications and possibilities," says a Treasury spokesman

Says another source "Of course the matter is broadly delicate and there was confusion initially about who was the debtor But this problem has been sorted out" The *FM* was unable to get a final answer on who now owes the money to foreign creditors but it is believed the PIC ultimately falls under the Minister of Finance ■

INDIAN BANK EXPANDS

The New Republic Bank (NRB), established in 1970 primarily for Indian clients in Natal, has embarked on a foray into the corporate banking market.

The bank, which has assets of roughly R60m and is 50% owned by Standard Bank, believes that corporate banking offers the most opportunity for growth It will provide corporate services from Johannesburg Durban and Maritzburg, including bankers' acceptances, trade bill finance, leasing and instalment finance, short- and long-term loans, promissory note finance and selected foreign finance

"If large project finance deals are required beyond the bank's immediate resources, NRB will syndicate the finance while retaining management of the account. Standard Bank could provide additional expertise," says MD Tony Botes

The bank is establishing a separate corporate banking division.

It is also looking to expand retail banking services and intends linking into Standard Bank's ATM network in June this year.

TAXATION

Clarifying Lifo

By issuing a statement to clarify details of an earlier document on tax treatment of lifo stock reserves, Inland Revenue may have avoided potential court cases involving hundreds of millions of rands As predicted (*FM* September 13 1985), Revenue botched the fourth example given in its practice note on tax accounting for lifo stock valuation

Revenue issued the original practice note because it was concerned that amendments to the Income Tax Act were ambiguous. When the note was issued, the *FM* suggested that the matter would be solved through litigation rather than the line Revenue has adopted

In terms of the new statement, it is a hard line indeed It will "introduce legislation, with retrospective effect," in the forthcoming parliamentary session "to put interpretation of the provisions in question beyond doubt"

The full statement, issued by Commissioner for Inland Revenue Carl Schweppenhàuser

"Section 22 of the Income Tax Act, 1962, was amended in 1984 so as to provide, firstly, for the withdrawal of the concession to value trading stock according to the lifo method and secondly, to ensure that certain overhead costs are included in the value of trading stock in accordance with Generally Accepted Accounting Practice On September 2 1985 Inland Revenue issued Practice Note No 3, setting out how the value of trading stock should be determined in order to comply with these provisions

"The true intention of the provisions in question in so far as they deal with the situation where the taxpayer did not in the past take overhead ('further costs') into account in valuing trading stock under lifo, is illustrated in Example D in the Practice Note (See *FM* September 20 1985). An

220 FM

OLD MUTUAL OVERSEAS

31/1/86

In a move reminiscent of Liberty Life strategy, Old Mutual has acquired a UK company, Providence Capitol Life Assurance, from US interests for an undisclosed sum.

Part of Providence Capitol Corporation, the life assurance company has 24 regional offices, markets a comprehensive range of unit-linked life assurance products, and five authorised unit trusts

Formed in 1968, it now has total assets of approximately £150m and premium income of £50m

Mike Levett, MD of Old Mutual, wouldn't give the price away, but said "We believe we got a fair deal The acquisition was financed by funds domiciled outside SA, so there were no exchange control considerations."

He said that external funds had been accumulated from various monies transferred overseas For example, emigrants from Zimbabwe took policies to the UK, relative assets being moved into sterling funds. Earnings on such assets had also been retained abroad

Levett says the investment will enable Old Mutual to contribute towards the development of a significant UK life assurer, and provide direct access to innovative developments in the UK financial services industry

For some time, apparently, Old Mutual has been looking overseas to "give it a window into the worldwide financial field, London was considered an ideal centre"

Foreign assets and earnings of life companies are not subject to local prescribed asset requirements

BUS DAY

220

Renewed confidence in SA's ability to pay

JOHN TILSTON

THE financing of international trade by SA companies has just about returned to normality, according to Johannesburg-based bankers

Immediately after the shock of the foreign debt standstill imposed last September, many foreign companies selling goods to SA insisted that they received payment for goods at the same time as the order, despite the fact that trade credits were excluded from the standstill net

Gradually the companies have regained confidence in SA's ability and determination to repay credits and to keep them outside the net

But Standard Bank's international manager Manfred Schutte says, while there is a definite improvement in foreign banks' attitudes to SA, this has yet to extend to a willingness to increase credit lines to the country

And while he confirms that trade finance has become easier since the standstill, he says there has been a greater reluctance on the part of SA companies to take foreign loans.

SA companies have had their fingers badly burnt by foreign exchange losses and by being caught in the whole standstill imbroglio

In addition, the depressed state of the economy is not encouraging borrowing, and so while there are certain foreign banks willing to re-lend the 5% repaid to them in terms of the Leutwiler agreement, some cannot find borrowers

Schutte notes, however, that the disinclination to increase exposure to SA has resulted in credit terms for SA borrowers being generally limited to 90 days Previously importers could get up to 360 days' credit

Hill Samuel's Roly Boardman says that this restriction has not applied to local companies with overseas affiliates These companies have traded on "open accounts", and generous credit terms These have not been affected by the standstill and subsequent events

BUSDAY 220 88

Liberty looks to broaden overseas interests

JOHN BATTERSBY

LONDON — Liberty Life chairman Donny Gordon has made a serious approach to the UK investment trust, Continental and Industrial Trust (CIT), with a view to expanding Liberty's overseas interests

The approach by Transatlantic Insurance (TAI), Liberty's UK subsidiary, was confirmed yesterday by CIT director Peter Sedgwick

But Gordon was more cautious when approached at his London office yesterday, saying "It would be inappropriate for me to comment"

It was reliably understood yesterday that a bid by TAI was imminent.

The approach was announced to CIT shareholders on Monday and led to an immediate 6% jump in the share price to 810p There was no further movement in the price yesterday

TAI already holds a 25% stake in CIT and last month raised £137,5m in a rights issue

The jump in CIT's share price valued the trust at £137m yesterday, against a net asset value of £129m at the end of May 1985

The Times yesterday identified Liberty Life as the bidder for the balance of CIT

Gordon's TAI bid will further boost his image in Britain as one of the sharpest businessmen operating from SA

Local insurance group on expansion trail overseas

STAR 220 25/6/86

By Duncan Collings

Insurance broking group Gamsy Melnick has turned its eyes overseas in search of additional capacity to serve an already-strained local market

And unlike the majority of the other major broking groups in South Africa it is not seeking an overseas partner to take an interest in the local operation, but rather is going to the UK and US markets to set up operations in those countries under the Gamsy Melnick banner

Already in place is an operation in the US — Gamsy Melnick USA Inc — complementing the local national group comprising Gamsy Melnick Insurance Brokers, Gamsy Melnick and Boswell Life and Pensions, Gamsy Melnick Sumner Insurance Brokers and Africover

Talks are taking place to expand the US operation which currently specialises in marine cover by a takeover to broaden the base of operations And negotiations are some way down the line for a share in a British LLoyds affiliated brokerage

Says Mr Denis Gamsy a partner and substantial shareholder in the group, once the new acquisitions are in place the group will have access to the massive US capacity through the Miami based Insurance Exchange of the Americas and the world-wide highly-reputed UK Lloyds market

"The main problem," he says "is that local capacity has diminished to such an extent that if we are to be able to place large accounts in the future, we must go to the international market."

While Mr Gamsy would give no figures, he says that the group has doubled in size each year since its formation at the end of 1982

Funding of the international expansion is 'not a problem" and Mr Gamsy says that Press reports at the time of the AA Mutual collapse and liquidation court hearings that Gamsy Melnick was owed R25 million by the AA Mutual are nonsense

We simply were a backer of Westrust in its efforts to be appointed liquidators Our exposure to AA Mutual is minimal "

And on the local front Gamsy Melnick is not standing still In the process of formation is Gamsy Melnick Glassock Employee Benefit Consultants and another acquisition has almost reached finality

1/10/86 BUSDAY 220

Kersaf going great guns in overseas casino undertakings

MERVYN HARRIS

IN A major effort to establish the group in the casino and resort industries internationally, Kersaf has made significant progress in negotiating projects overseas

But in future international ventures will be the concern of Royale Resorts International, recently formed in partnership with a major UK company Kersaf does not intend to report on the details of overseas projects

Chairman Dick Goss says in his annual review that shareholders will be kept informed on overall progress

The expansion through Royale gives the group a solid base abroad, with investments in overseas associates and cash resources now approaching R300m.

"It is a major group objective, within the medium term, to derive about one half of group earnings from our investments in overseas companies," he says

The enhanced prospects overseas should enable Kersaf to show a moderate growth in earnings in the current year Besides its overseas thrust, Kersaf will continue to expand in Southern Africa wherever practical and expedient

Capital expenditure of about R135m is budgeted for these operations in the current year "International tourism is at present at a low level, and sanctions, if indeed they prove to be effective, are unlikely materially to affect the group

"Until the country's image abroad improves, and particularly the perception overseas of the safety factor within South Africa, no recovery in the numbers of international visitors can be expected, despite the attraction of the cheaper rand"

Goss ascribes the success of Kersaf in bucking the trend of lower occupancies in the hotel industry to the quality of its resorts, the high standard of service and innovative marketing

The group's beverage and cinema interests achieved reasonable growth in earnings

Its ability to expand is enhanced by the current low level of borrowings

While policy is that borrowings should not exceed 60% of shareholders' funds, and interest payments are covered about five times, interest-bearing debt was only 13% of shareholders' funds and interest covered 12.5 times at end-June.

22/10/86 NW 230

Pull-out threats blackmail, says Treurnicht

JOHANNESBURG— Threats by multinationals to pull out of the country unless reform was speeded up were 'a type of blackmail', Conservative Party leader Dr A P Treurnicht said yesterday

In a statement released by the CP Press office in Johannesburg, Dr Treurnicht said

'Threats by multinational companies regarding their pull-out from South Africa unless the South African Government speeds up so-called race reforms is a type of blackmail or extortion which is totally unacceptable to the Conservative Party'

Dr Treurnicht said he was reacting to the recent statement by the chairman of Shell 'who warned his employees that his company may pull out of South Africa if the Government does not speed up "change"'

Desist

'The Shell chairman is abusing his position of authority to dictate political attitudes for his employees This smacks of Oppenheimerism — it is no secret that employees of Anglo American and its huge network of companies are only permitted to adopt a high profile in politics if they are PFP,' the statement claimed

Management of international companies 'must desist from the myth that by investing in South Africa, they are doing the country a favour,' the Conservative leader said

'The CP will not allow employees of Shell nor the vast majority of white South Africans to be intimidated into committing political suicide to placate international finance

Capitulate

'Shell South Africa is in South Africa because they make profits General Motors is leaving because they don't make profits They are both here with the consent of South Africans

'Their type of meddling does nothing to improve the consumer's perception of their companies If they foolishly think that the ANC is going to take over South Africa and that the whites are expendable, they would do well to note the undertaking of the CP that it will under no circumstances capitulate to a black government, Shell and GM or no Shell and GM'

The statement also quoted the CP's spokesman on finance, Mr J J B van Zyl, said that Shell 'must be careful that its behaviour does not alienate the South African consumer'

'Shell must remember that South Africa will not miss them if they leave because many will fill the gap South Africans are actually looking for investment opportunities in their own country as is evidenced by their reaction to the GM pullout.' — (Sapa)

Jobs must not suffer, say unions

NVM 3/11/86

220

PORT ELIZABETH—Three major motor industry unions said yesterday that job tenure should not suffer when multinationals withdraw from South Africa, but rather the companies' profits should 'bear the brunt of the results of apartheid'

In a joint statement, the National Automobile and Allied Workers' Union, the Metal and Allied Workers' Union and the Motor Industry Combined Workers' Union said they condemned General Motors' 'high-handed decision' to refuse to negotiate with GM workers about their future

GM had drawn profits for 60 years from South Africa and now wanted to pull out with no cost to itself, making no provision for the future of workers

The pull-out was of benefit only to the management, the statement said

'Workers are no longer prepared to be the victims of unilateral decisions taken over their heads by capitalists'

The statement said the pressure for sanctions and disinvestment was a result of apartheid Jobs and the safety of workers should not suffer

The statement demanded that all multinational companies in which the unions organised workers and which pulled out or sold out to South African businesses should

Give timeous notice to the unions and workers,

Provide full details of their plans;

Provide adequate information to allow workers and their organisations to make decisions about their future, and

Negotiate the terms of the withdrawal

The departing companies must guarantee that no retrenchment or redundancies would follow from the withdrawal or sale — (Sapa)

n, Mr King arged treat- es. At police

Man shot

Claim to

FOR SUBSCRIPTION INQUIRIES — TELEPHONE EAST LONDON 26141

European companies to stay put—report

220

DD 26/11/86

Dispatch Bureau

LONDON — European multi-national companies will not follow the American example and move out of South Africa, according to a report to be published this week by the Geneva-based Institute for Research and Information on Multi-nationals (IRM)

In an advance statement, the IRM stressed that little attention was being paid to the fact that three-quarters of all direct foreign investment in South Africa came from European multi-national companies (EMNCs) — and most wished to stay

The report, titled European Multi-nationals in South Africa, which was prepared by a political scientist, Dr Geoffrey Hamilton, after extensive consultation with many EMNCs, said European links and capital investment in South Africa had a long history which, was crucial to development and the eventual eradication of apartheid

The Americans, by comparison, had only increased their investment after World War II — and their growth had not altered the pre-eminence of the European involvement

Apart from the social, cultural and historic ties with South Africa, the EMNCs' return on investment tended to be greater, as well as more significant in terms of world-wide activity than the American groups, said the report

Also, the EMNCs could not return to a large home market place like US companies, "they are far more dependent on an international market and cannot, dare not, voluntarily contribute to its shrinkage"

The Europeans felt that by staying and developing liberal employment practices, contributing to an improvement in the quality of life and economic stability, their presence was beneficial and would lead to the peaceful eradication of apartheid

Dr Hamilton argued further that the Europeans did not adopt the same "political campaigning posture" of the US firms whose withdrawals "made news"

The Europeans believed in the principle of non-interference in the domestic affairs of other countries

When it was argued that South Africa should be an exception to the rule, they pointed to "questionable regimes" like the Soviet Union and many other African countries and "South Africa thus does not present a logical justification for being singled out for special treatment"

Europeans also had a different perspective from the Americans towards the sytem of racial segregation The Europeans did not view "liberation" with the same equanimity, fearing that the "heavily tribalised" South Africa was very different from the westernised American black.

The IRM advance statement added "The key to dismantling racial segregation, for the EMNCs, is their employment practices and their wider social role in the local communities, promoting blacks to important managerial positions, providing special training, paying equal wages and recognising black trade unions"

Only sanctions-busting would matter

No law against use by SA of Manx freeport

BUS DAY 23/1/87 220

Own Correspondent

LONDON — SA companies can set up operations in the Isle of Man freeport area as long as they don't infringe international sanctions agreement.

This was made clear yesterday by Whitehall sources reacting to a splash Press exposé in London that the SA government had held secret talks with Isle of Man authorities with such negotiations in mind

Chief Minister of the Isle of Man, Miles Walker, said hat after initial talks in 1985, there had been no continuing contact with SA about the use of the freeport

The report of the approach by SA to Isle of Man authorities was reported as an audacious plan to evade international trade sanctions. It was the front-page lead story in the newspaper, *The Independent*.

The immediate result was that Labour Party spokesmen called for a statement from Home Secretary Dougles Hurd

But Whitehall sources said that if anyone wished to buy the freeport, it was a purely commercial transaction This is what the 1985 negotiations had been limited to.

However, if anybody used it to circumvent international obligations, Britain would have to look into the matter.

They said there was no reason why wine, fruit and other products should not be shipped through the Manx freeport because there were no sanctions against such products

The Independent report claimed that SA's Industrial Development Corporation (IDC) had opened negotiations with Manx authorities, intending to ship SA goods to the island, change labels and then re-export to European Community (EC) countries

It said the freeport, which is undeveloped, would be divided into plots leased by companies ultimately owned by SA, but traceable only to Switzerland.

One of those involved was quoted as saying "The South Africans were taking a pragmatic view and looking ahead as the international situation worsened"

Mauritius a magnet for SA entrepreneurs

24/1/8 Star (220)

Finance Staff

South African businessmen, beset by the sanctions spectre, are eyeing the magic of Mauritius as a way of opening up new export markets

Representative of more than a hundred South African companies recently attended a seminar on investment and trade with Mauritius, indicating that the island paradise is being taken seriously as a manufacturing and trading base

Another seminar in Cape Town this coming Friday has already had the same overwhelming response

The basic advantages of Mauritius, says Mr Jean-Michel de Senneville, the country's trade representative in South Africa, are the cheap cost of an efficient labour force and the duty-free and quota-free access to the large EEC markets

Prospective investors are also offered one of the best packages of incentives they can get anywhere, in exchange for their technical know-how and the cherry on the top is a Government which is doing everything in its power to stimulate the private sector in its effort to achieve the national industrial dream

"We are going through a most exciting period," adds De Senneville, "with a 6,5 percent growth rate combined with a reducing 4,7 percent inflation rate, increased employment, more tourists and a surplus in our commercial balance in spite of an import liberalisation policy

"Mauritius today prides itself on being the largest world exporter of woollen knitwear and to quote a member of the British Foreign Office who recently visited Mauritius "The island must be congratulated for its scandalous success!"

South Africa and Mauritius are two neighbours who do complement each other in many areas and the tangible proof of that is firstly the 32,2 percent increase last year in South Africa's exports to Mauritius and secondly the increasing number of South African manufacturing facilities being established on the island which is an added bonus for South African exports of machinery and raw materials

"Our role is obviously to facilitate this closer economic relationship which will be reinforced once again with our third South African investment/trade mission to the island due to take place in the next few weeks"

Interested parties are welcome to contact the Mauritius Trade Office in Johannesburg for further information

220

MD sees positive side of disinvestment

Pullouts 'have aided entrepreneurship'

HELENA PATTEN

DISINVESTMENT of multinationals from SA had created a new breed of entrepreneurs, Information Trust Corporation (previously Dun & Bradstreet) MD Paul Edwards said.

"Managements of affected companies have, in most instances, leapt at the opportunity to purchase productive assets at a fair value," he said in Johannesburg yesterday at the official launch of the new company.

SA ownership of foreign subsidiaries would result in foreign-currency savings because dividends and management fees would not be repatriated.

Many deals had also been structured to allow employees to participate in ownership.

Edwards said "Our employees will receive 25% of the company, based on their length of service and their level of grading.

"This has already had a positive impact on motivation and productivity, and will, in turn, create new wealth among employees who might never have had such an opportunity."

On the SA economy, Edwards said "The present upturn might just run out of steam unless government is prepared to act quickly and imaginatively.

"Bold action is required by government to rectify the imbalance between corporate and individual tax contributions.

"Bracket creep has ensured that contribution by personal income taxes, perks taxes and GST has increased from 24% in 1980 to more than 50% of the total contribution to State revenue."

Government's expansionary fiscal policies, excessive pay hikes for civil servants and lack of control on spending in 1983 and 1984 had led to government applying the brakes too firmly in August 1984. Government now had to get the economy moving again without pushing inflation through the roof.

4/3/87

Sats unions in debate on new deal

GERALD REILLY

A REVOLUTIONARY wage-bargaining system for Sats' 11 unions will be discussed by the Federal Council of Sats Trade Unions at a meeting in Johannesburg today.

Until now, Sats unions have had to accept the same deal as the rest of the public sector. The recommendation that a labour council be established for railway workers has been made by a committee headed by labour expert Nic Wiehahn.

The council would consist of representatives of the 11 unions and of Sats' management. Federal Council chairman Jimmy Zurich said yesterday it would have powers similar to those granted to industrial councils. If the recommendation is accepted, the labour council would have final authority to determine the extent of pay rises and improvements to other service conditions, without reference to the Minister of Transport.

Zambia reassures SA firms

NDOLA — Zambian Prime Minister Kebby Musokotwane has reaffirmed support for economic sanctions against Pretoria, but said South African-owned companies had nothing to fear.

Speaking at a business seminar in the northern town of Ndola, he said Zambia welcomed investment and it was wrong to criticise a company because of its country of origin. — Sapa-Reuter.

26/6/87

(220)

6/Day

John McIntosh

Sparkling secret out

21/1/87 B/Day

MIKE ROBERTSON

LONDON — De Beers is to set up a R100m industrial diamond plant in the Isle of Man freeport

A deal to take up 2haof the 9ha freeport would be concluded within the next few days, said Isle of Man Freeport Authority secretary Michael Taggart yesterday

News of the plan has renewed speculation about a sanctions-busting deal between the Tynwald (Isle of Man government) and the SA authorities

Earlier this year, it was reported that talks had been held between senior members of the Tynwald and officials of the SA Industrial Development Corporation aimed at using the freeport as a centre for the import and export of goods to and from SA

De Beers at first refused to comment on the deal, referring all questions to the Isle of Man authority, but later a De Beers spokesman in Johannesburg confirmed it.

Taggart said the De Beer's deal had nothing to do with the talks between the Tynwald members and the SA officials

"We only started talks with De Beers after that story had been published," he said

Asked why the Isle of Man authority and not De Beers had released details of the new development, Taggart said it was to offset rumours

"Rumours were going around that the starting of the plant here would result in the closing of an industrial diamond plant in Ireland

"In fact, one newspaper told us it was going to publish such a story Both De Beers and the Isle of Man authority felt it best to clear the air"

The statement released by the Isle of

● To Page 2

De Beers' sparkling secret is out

220 B/Day 21/1/87

● From Page 1

Man authority said De Beers was indirectly interested in three Manx-registered companies, Pacini Limited, Manxtal Cutting Tools Limited and Diamanx Products Limited, which would produce diamonds to be used as cutting tools in industry, mining and high technology fields.

The UK government had been informed of the proposed venture and had raised no objection to development

The move makes De Beers the first firm to take space on the 9ha freeport, which is intended to create jobs on the island.

The De Beers development is expected to create about 150 jobs

Advantages of operating from the Isle of Man include the ability to import, process and export materials and products without any duties, sales or Value Added Tax costs The island also offers an attractive fixed 20% tax rate

Using the freeport will allow De Beers to import, process and export diamonds without VAT being paid or charged locally

Another advantage is Manx corporation tax is pegged at 20%

(220) W/Mail 10-16/7/8

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.

A platinum chain across the globe

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

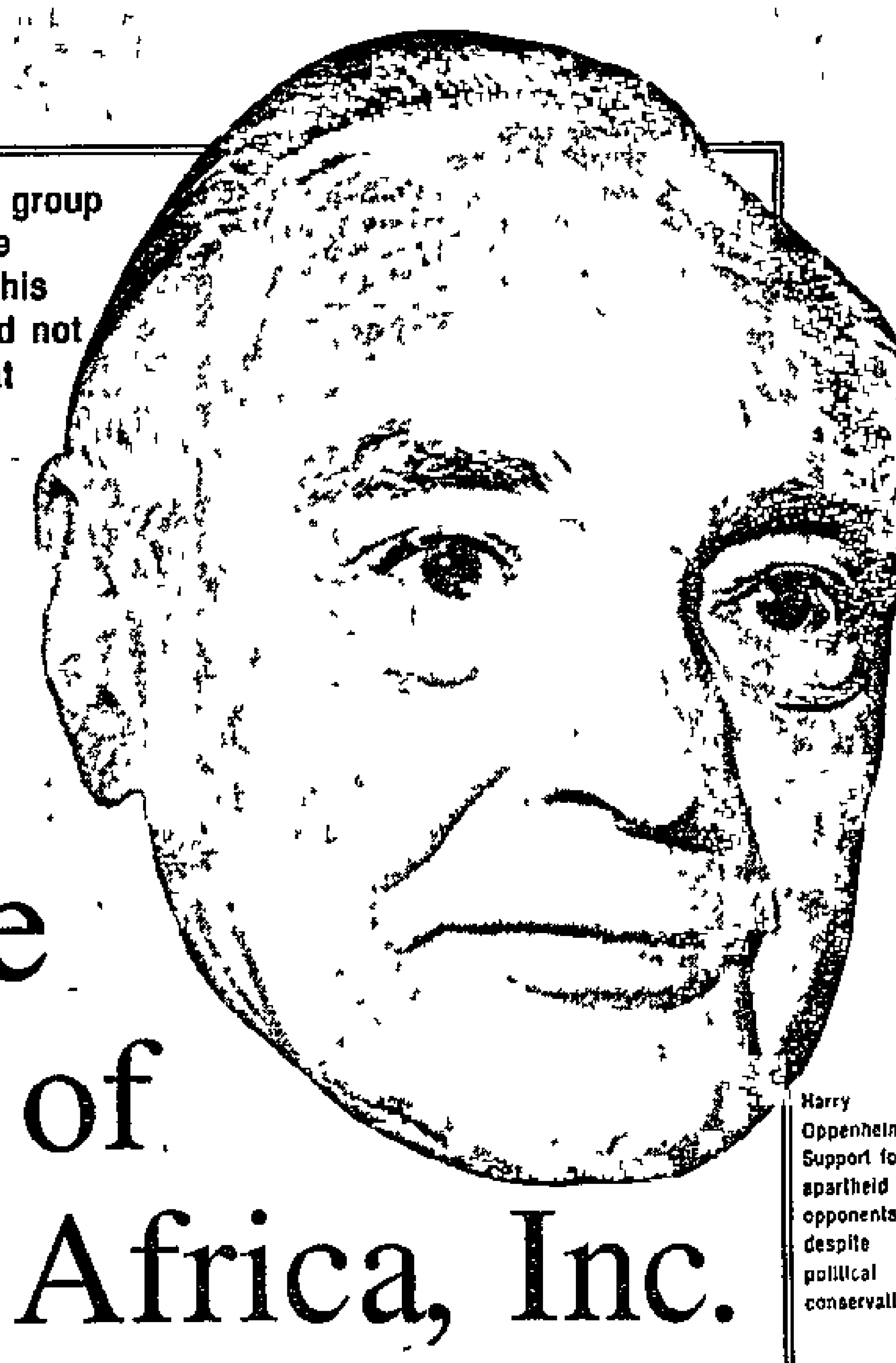
■ Anglo's route into the Brazilian economy was largely assisted by the corporation's long standing links with business interests in the former Portuguese colonies who departed with their wealth when Mozambique and Angola became independent

■ 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 ■

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.

Inside the private world of South Africa, Inc.



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

'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 by 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

The liberal image Children in a science class at a school inside an Anglo-built township, serving mine employees

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 ways 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 Publishers and Media House Publications, R42), will be available in South Africa within the next fortnight

South Africa Inc. — The Oppenheimer Empire By David Pallister, Sarah Stewart and Ian Lepper Available in late July

BIDay 14/7/87

Clothing concerns dodge sanctions

KAY TURVEY

SA CLOTHING manufacturers are increasingly moving off-shore to Mauritius to dodge sanctions and boost exports

SA manufacturers already represent 10% of factories in Mauritius and this figure is expected to rise significantly as sanctions pressure increases

Of the 420 foreign factories in Mauritius, about 40 are SA operations, most involved in textiles, clothing and footwear, said Mauritian trade representative Jean-Michel de Senneville

National Clothing Manufacturers Federation vice-president Terence Kinnear said many of the main exporters who had operated from the homelands had moved to Mauritius, Tahiti, Lesotho, Swaziland or Botswana because US country of origin requirements had closed the market to SA-manufactured clothing

Mauritius is a member of the EC in terms of the Lome Convention, which gives it access to the European market

The country is particularly attractive for the labour-intensive clothing industry With workers each being paid R24 a week, wages are about four times less than in SA and the homelands Working hours are also longer

Textile Manufacturers Federation executive director Stanley Schlagman said Mauritius had no duty on imported fabrics So manufacturers could source raw materials from SA

To promote foreign investment, corporate tax in Mauritius is 15% There is no tax on dividends, which can be repatriated in full, De Senneville said

● See Page 2

Taiwan millions heading for SA

SIT 24/7/87

220

SOUTH AFRICA is well placed for a good bite at the Republic of China's foreign investment cherry.

By Margaret de Paravicini

Driven by its ballooning US$62-billion reserves, which threaten inflation which could rock social stability, the Government has scrapped many foreign-curency controls and is encouraging investment abroad

From July 15, the RoC has allowed individuals and companies to move up to US$5-million each abroad More can be sent out with the approval of the Central Bank of China

Incentives

Johannesburg Stock Exchange president Tony Norton is in Taiwan talking about investment opportunities A steady stream of Taiwanese entrepreneurs visits SA

RoC's economic counseller in Johannesburg, Chucheng Kan, says "SA's incentives are attractive Ther are relocation subsidies, wage subsidies varying from 30% to 95% and a 60% interest subsidy

"However, our total invested capital in SA is small compared with that of some other nations — only US$60-million in 80 factories"

Most are small businesses, mainly in the homelands Many were established with a Taiwanese investment in the form of machinery — but they still needed working capital This problem has now been cleared

Mr Kan says "The new Taiwan dollar has appreciated by 20% against the US dollar in the past year If it continues to do so our exports will be weakened"

Reliant on US

Last year the RoC ranked 14th in total world trade and 10th in exports In the first half of 1987 its total trade increased by 40% This year total trade is expected to top US$90-billion

But the heavy reliance on US business and increasing protectionist legislation is adding to Taiwan's need to look elsewhere

Although SA is Taiwan's biggest trading partner in Africa, 1986 two-way trade totalling US$549-million, it faces stiff competition

Mr Kan says "Many investors in the RoC are afraid of unrest in SA They only see that affairs are stable and calm when they come here."

RoC industries in SA include clothing, footwear, plastics, electronics and information technology

Garment manufacturers producing for export, most of them based in Ciskei, experienced difficulties after last October when US sanctions came into effect However, a successful market shift has been made to Europe and Canada, says Mr Kan

Joint venture

The giant China General Plastics Corporation recently sent a three-man team to SA to investigate investment possibilities

Mr Kan says "They found that the upstream products are now chiefly produced by Sasol, and mid-stream by AECI But the two companies have been unable to meet domestic demand and there have been discussions with AECI about a joint venture"

Queenstown, between Ciskei and Transkei in the Eastern Cape, has approved a R10-million scheme to build a luxury "Chinatown" to house Taiwanese executives

The backer, Hong Kong-registered U&C International Trading, hopes to start work in three months

Three Taiwanese manufacturers have set up shop in Queendustria If the project takes off, there could be 50 Taiwanese factories in Queenstown, a growth point qualifying for full decentralisation concessions, says Peter McEwen, managing director of Jalc Finance, the town's industrial consultant

Chinatown would be expanded to include a school, hotel, theatre, conference centre, recreational area and artificial lake, all with an oriental flavour

Mr Kan says "Its success depends on whether Taiwanese people come to the area"

Similar

Behind the Chinatown scheme is industrial development consultant Patrick Yen, of Johannesburg-based Africasia Resources International, who has been involved in similar schemes in Florida and the Dominican Republic He says the RoC is promoting industries in Thailand, Malaysia, the Philippines, Indonesia and the Caribbean countries

"Compared with South-East Asia and the Caribbean, SA provides a better investment environment

"Advantages, apart from the financial rand, include stability and the economic structure SA is closer to Europe — and one of our most important considerations is to diversify from the US to Europe"

A major investment could be in the jewellery industry About 16 Taiwanese jewellery manufacturers will attend a conference called by the Council for Mineral Technology on Tuesday to discuss opportunities

Taiwan's jewellery industry has expanded It was worth more than US$1-billion last year In five years, it will be one of the world's top jewellery producers, says Mr Kan

Mr Kan is optimistic about SA's economic future

"We do not agree with the politics of some countries in Eastern Europe, but we trade with them The only country we do not do business with is Communist China, our traditional enemy"

Sol makes his own French (gaming) Connection

220

Star 1/8/87

JOHN SPIRA

South African leisure industry magnate Sol Kerzner has pulled off a major international coup — a French gaming connection.

In a deal with a major French company whose shares are listed on the Paris Bourse, Mr Kerzner's group is set to acquire a significant slice of the French gaming industry

Contacted in Monte Carlo yesterday by The Saturday Star, Mr Kerzner said much of the earnings generated from the new venture — and these should run into many millions of rands — would be funnelled through to South Africa via Kersaf, his group's top holding company.

The deal came about as a result of the relaxation of gaming laws in France, allowing for the operation of slot machines.

Mr Kerzner disclosed he had been working on the project for nearly a year and has now snatched the initiative from under the noses of several other international interests

"We took a calculated risk by banking on a change in the legislation. It's paid off and we're absolutely delighted. The new laws take effect from the beginning of next year, at which stage we shall be ready to capitalise on the gaming boom which is bound to eventuate throughout France."

The joint venture with the French company is only part of a

● To Page 2

Profits to come to SA

Star 1/8/87

● From Page 1

multi-faceted deal whereby Royale Resorts International, originally formed in mid-1966 as a 50/50 venture between British & Commonwealth Holdings (B & C) and Kersaf subsidiary Sun International Hotels (SIH), was reorganised to achieve a split of Royale Resorts hotel activities

Under the new agreement, all resort hotel activities in Southern Africa and Mauritius will be grouped under an SIH subsidiary in which B & C will retain a 49 percent interest, while all the resort, hotel and gaming activities in Europe and elsewhere will be grouped under a B & C subsidiary in which SIH will retain a 49 percent interest

Among the new interests falling under the Kerzner wing as a result of these transactions are three European hotels.

In addition to giving Kersaf a firm foothold in the French gaming market, the complex series of deals underlines the burgeoning nature of Mr Kerzner's international interests. And this could well be only the start of a blossoming global empire.

220

Sol hits double French casino jackpot

By IAN SMITH

Times 2/8/87

SOL KERZNER has hit a double jackpot in Europe

He's scooped up a chain of top French resorts and casinos for his Bermuda-registered Royale Resorts International

And a simultaneous change in French legislation which will allow slot machines to be introduced to French casinos for the first time promises a major boost to gaming earnings

Royale was formed a year ago as a joint venture between his Sun Hotels International and the UK's British and Commonwealth Holdings

Says Mr Kerzner "All this opens up an exciting future for all leisure-related activities like resort development, entertainment and sport"

Those are the areas where Sun Hotels International has a wealth of experience

Split

The new deal with B&C means Royale's hotel activities will be split to put all resort hotels in Southern Africa and Mauritius under a Sun subsidiary in which B&C will have a 49 percent interest,

All resort, hotel and gaming interests in Europe and other parts of the world will fall under a B&C subsidiary, which will use the Royale name and in which Sun will have a 49 percent stake

Meanwhile, Royale Resorts has concluded a deal with French hotel magnate Lucien Barriere to transfer some hotel and casino interests to a company listed on the Paris Bourse, Societe des Hotels et Casino de Deauville (SHCD) in return for shares

Control

SHCD already operates the Summer Casino of Deauville and the three top hotels in the city — the Normandy, the Royale and the Hotel de Golfe as well as a 27-hole golf course

In the new deal SHCD gains control of La Societe Touristique, Thermal et Hoteliere de Divonne which operates the Grand Hotel, Hotel de Golfe, Casino and Country Club with an 18-hole golf course at Divonne, La Societe Anonyme du Casino de Trouville which operates the Trouville Casino, the Casino Municipal of Cannes and La Societe Cannes Balneaire SA which operates Palm Beach Casino complex in Cannes, and La Societe d'Exploitation du Casino d'Hiver de Deauville which operates the Winter Casino of Deauville

SOL KERZNER

SHCD's strong financial base also ensures that it is in position to seek new opportunities, and a deal has already been agreed for it to take over a company owning the hotel and casino complex at Enghien, near Paris

The new format SHCD, with Royale and Lucien Barriere each controlling about 38 percent of the enlarged group, will a have strong capital base with a net asset value of about R340-million and almost no debt

Mr Kerzner added "The deal brings together two highly successful management teams complementary to each other, and it opens up many new opportunities"

The original deal, he continued, was struck before the gaming laws were changed

● See Sol Lining Up a Grand Fun Group — Page 1, Business Times

Business Day
0c (45c + 5c tax)
For other prices, see Back Page
Natal, Western Province, Eastern Province 80c (71c + 9c tax)

GREY PERSPECTIVES 330 'THE VITAL VIEWPOINT'

220 BDay 12/8/87

Sol moves to Europe for crack at French casinos

● SOL KERZNER

LIZ ROUSE

SOL KERZNER will spend most of his time overseas as chief executive of Royale Resorts International, the French gaming and resorts group in which Sun Hotels International has a 49% interest.

Kerzner has relinquished his post as group MD of Kersaf and has been appointed deputy chairman, Kersaf chairman Dick Goss said yesterday

Kerzner will be seconded to British & Commonwealth Holdings (B & C), which holds 51% of Royale Resorts International (RRI), to spearhead Sun Hotels International's move into Europe

Ian Heron, currently deputy MD becomes group MD, with Goss devoting more time to Kersaf affairs

Kerzner's move has been prompted by the the rapidly expanding nature and complexity of the group's European operations, following the restructure of RRI, which is now responsible for operating all gaming and hotel interests in Europe and elsewhere outside Southern Africa and Mauritius.

Kerzner says the move is in the best interests of the group as he was already spending 55% of the year in Europe on frequent and protracted visits Now he will be spending 75% of his time overseas, but will return to SA every month

Because of Kerzner's frequent overseas visits, Heron has assumed day-to-day responsibility of the group and is now well-equipped to maintain the momentum of the Southern African operations, says Kersaf's board

Goss will now spend 60% of his time backing up Heron in his larger responsibilities

The official statement says the board is convinced these changes will enable the group to expand dynamically overseas without curtailing the high rate of growth within Southern Africa and to achieve its stated goal of becoming a major force in the international leisure industry

Both Goss and Kerzner say they are confident the SA group's proven expertise in casino/resort development could revitalise the ageing French casinos, once the grand dames of Europe, and provide more jobs

Goss says there have been rumblings about South African involvement in the French leisure industry, but talks with labour associations have so far been satisfactory and the French interests are enthusiastic about the project.

Both foresee an expansion into other European centres, which provide vast scope for modern development after languishing since the 1930s and 1940s

Sol to look after European interests

Star 12/8/87 (220)

By Sven Lunsche

Kersaf's expansion into the European gaming and resort market has forced Sol Kerzner to relinquish his position as managing director of the group

Kersaf chairman Dick Goss announced at a Press conference yesterday that Mr Kerzner is to become his deputy, and will now spend about 75 percent of his time in Europe, handling the group's rapidly expanding interests in the area.

The move follows the recent restructuring of Royale Resorts International (RRI), which is now responsible for operating all the group's gaming and hotel interests outside Southern Africa and Mauritius

Royale recently became a subsidiary of British and Commonwealth Holdings, in which Sun Hotels International has a 49 percent interest

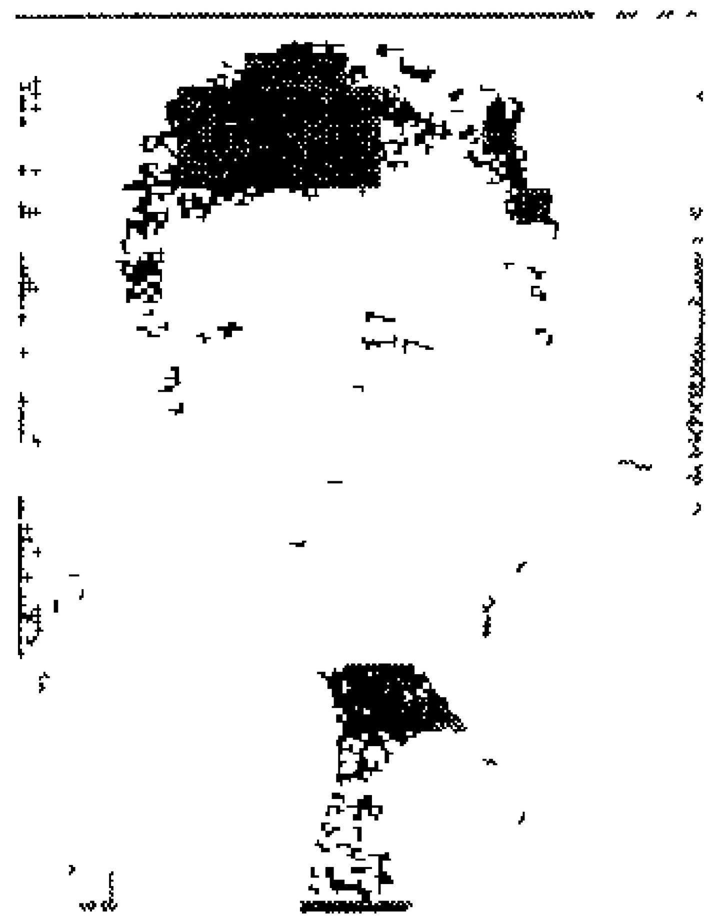
However, Kersaf's ventures into France have already been plagued with problems, as unions are apparently unwilling to work under a South African management team

Mr Kerzner admitted that there were "rumblings" from trade unions and others about the South African involvement in the new French casino set-up, but added "These reactions were not altogether unexpected. However, what has come across even stronger is an appreciation of the part
in reviving the gaming industry in France, which has been going backwards in recent years."

While there had been some negative reaction to the group's moves in France and from some unions, "our people have met with committees of employees in each one of the operations involved, and the feedback has been very satisfactory".

Mr Kerzner, who said he would probably be spending a large proportion of his time in France while the group's resorts were developed, added that he was also looking at the gaming scene in other countries in Europe

"We focussed on Europe some years back because we perceived the opportunities to be far greater there than anywhere else in the world," he said. Many of the great resorts on the continent have been deteriorating in recent years



Sol Kerzner . appointed as Kersaf's deputy chairman.

Kerzner said he would maintain his links with South Africa and would visit the country at least once a month, probably spending about one week per month in the country. He added that he would not be emigrating.

Pointing to the more than R200 million Kersaf had planned for capital expenditure in South Africa during the current financial year, Mr Kerzner said that the expansion drive overseas was not caused by lack of opportunities on the local market

Mr Kerzner's position as Kersaf group managing director will be taken by Ian Heron, currently deputy managing director

Says Mr Goss "During the past year Mr Kerzner has spent more than half his time visiting Europe and as a result, Mr Heron has assumed day-to-day responsibility for the group

"The board is convinced that these changes will enable the group to expand dynamically overseas without curtailing the high rate of growth within Southern Africa and to achieve its stated goal of becoming a major force in the international leisure industry," Mr Goss added.

two entries for the Fun Cycle day at Gold Reef City in October to celebrate The Star's

Casinos staff get dicey on SA links

220 Star 8/8/87

PARIS — French casino workers yesterday demanded details of a planned sale of shares in famous gambling spots in Deauville and Cannes — after newspaper reports that they may go to South African interests.

"It is inadmissable that the casinos become dependent on funds from apartheid," the casino employees' union said in a statement.

Le Matin newspaper said that Mr Lucien Barriere, the majority owner of the Society of Hotels and Casinos in Deauville (SHCD) and of the public casino and Palm Beach Hotel in Cannes, planned to sell shares to British and Commonwealth Holdings.

The British company owns 51 percent of Royal Resorts International, a Bermuda-based holding company whose remaining 49 percent belongs to South Africa's casino and resort owner Mr Sol Kerzner.

But Mr Barriere, British and Commonwealth and Royal Resorts have denied any link between French and South African casinos.

"We have no connection, either direct or indirect," with South African financing, said SHCD managing director Mr Philippe Gazagne yesterday. — Reuter.

Putco deal still on ice

The Carleo family is not expected to reach a decision on the future of Putco, South Africa's largest bus operating company, until September 15.

That is the date of expiry of the first offer for the take-over of the 52,5 percent shares of the company by the South African Bus and Taxi Association (Sabta).

The Public Utility Transport Corporation yesterday denied reports it had reached final agreement with Sabta.

Mrs Cheryl Roxmouth, spokesman for Putco, said: "The deal has not been signed, sealed or delivered and is subject to certain conditions being met."

7/8/87

26/8/Dec

French workers angry at SA links in casinos

220

PARIS — French casino workers yesterday demanded details of a planned sale of shares in famous gambling spots in Deauville and Cannes, following newspaper reports that they may go to South African interests.

"It is inadmissible that the casinos become dependent on funds . . of apartheid," the casino employees' union said in a statement.

Le Matin newspaper said on Wednesday Lucien Barriere, majority owner of the Society of Hotels and Casinos in Deauville (SHCD) and of the public casino and Palm Beach hotel in Cannes, planned to sell shares to British and Commonwealth Holdings

The British company owns 51% of Royal Resorts International, a Bermuda-based holding company whose remaining 49% belongs to Sol Kerzner

Barriere, British and Commonwealth and Royal Resorts have denied any link between French and South African casinos.

"We have no connection, either direct or indirect" with South African financing, SHCD MD Philippe Gazagne said yesterday.

He said Barriere would retain majority control of SHCD.

Sapa-Reuter

24/3/87

Aussie unions stymie Pick 'n Pay

220

MARSHALL WILSON

MELBOURNE — Raymond Ackerman's multimillion-dollar Pick'n Pay foray into the stark Australian consumer retailing landscape appears to have failed because of a trade union ban which limits further building expansion.

Popular with shoppers in the Brisbane suburb of Aspley, where Ackerman's sole branch turned over $50m in the first year and expects to top $70m in 1987-88, the concept has provided the impetus for rivals to hit back.

No less than 28 Super K Marts have mushroomed across the country since Ackerman first showed his hand three years ago.

In 1985 the plumbers and gasfitters' union forced the downing of tools at Taylor's Lake on the outskirts of Melbourne, where a site was being prepared for a second Pick'n Pay store.

Backed by the Australian Council of Trade Unions which actively supports the Labour Government's ban on all contact with SA, the union has prevented Pick'n Pay from gaining ground.

Pick'n Pay general manager in Australia Peter Rice, described the union bans as biased and unfair. He said two thirds of the Australian company is owned by the Liberman family in Melbourne, with only one third in the hands of Pick'n Pay.

220

KERSAF

The big leap abroad

While a TV quiz-show was receiving acres of media space last week, an exceptionally impressive business deal passed with little applause One can only guess at the effort that went into the acquisition by Kersaf, with overseas partners, of a string of European casino resorts At the best of times, casino licences anywhere are jealously guarded As long as investors believed it would be difficult to crack this market, Kersaf shares languished at around R11 for most of 1986, before starting their climb this year to R18 a week ago

Following news of its deal in France, investors pushed the share to a record high of R25, where it trades on a hefty p e ratio of 35 times Good results are expected from the group next week, which could either reduce the p e, or boost the price further

The French deal is being directed through Royale Resorts International (RRI), formed originally as a 50 50 venture between the highly-regarded British & Commonwealth Holdings (B & C) and Sun Hotels International, Kersaf's UK-registered subsidiary Under the new agreement, all hotel and resort activities in southern Africa and Mauritius will be grouped under Sun International, a management company of Sun Hotels International of which B & C will retain 49% (The southern African resort assets are held not in Sun International but as separate investments of Sun Hotels International)

International casino/hotel interests will be grouped under B & C subsidiary RRI, of which Kersaf retains 49% Kersaf MD Sol Kerzner declines to give details yet of RRI's future management structure "A major reconstruction of RRI will be announced soon," he says "At that time the management team will be revealed "

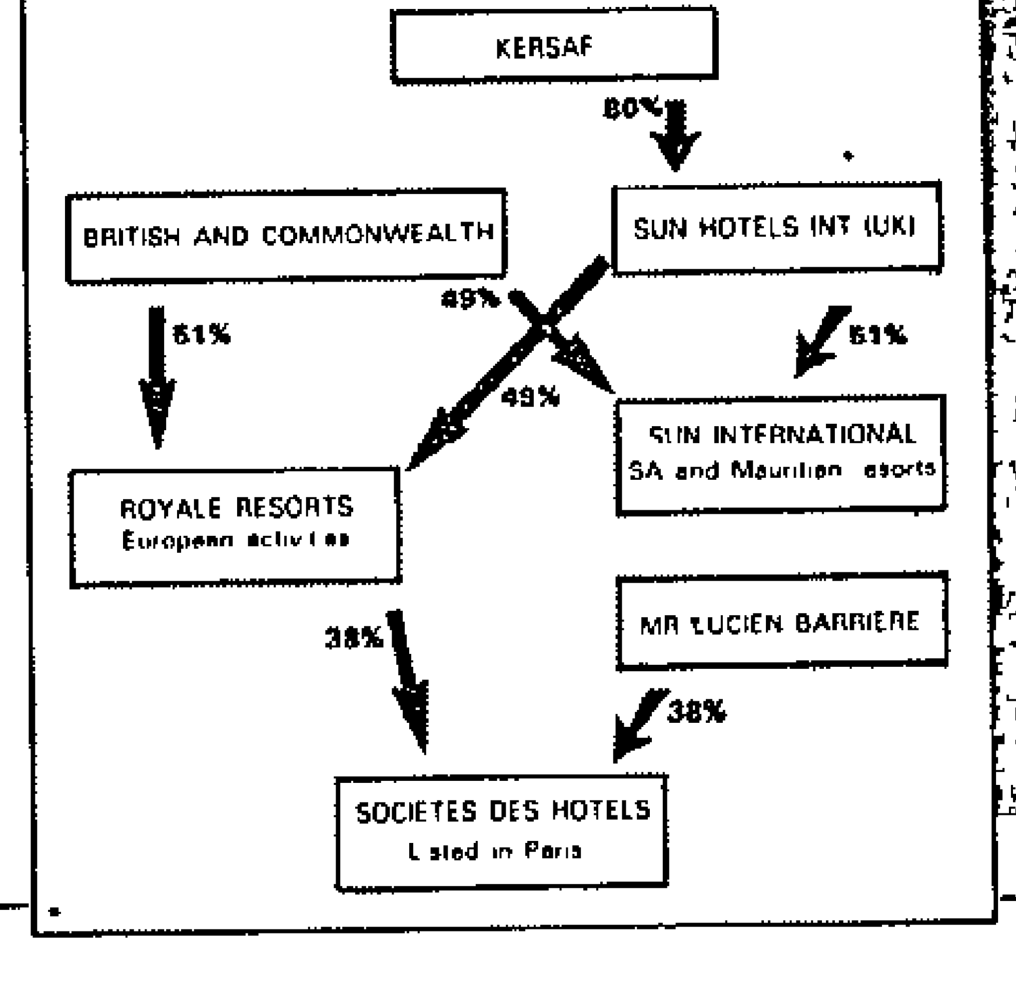
B & C will subscribe for an additional £27,5m equity in RRI, providing RRI with a capital base totalling £110m (R363m) Anybody surprised at the fact that B & C's stake in RRI declines by 1%, although it is taking up £27,5m additional RRI equity, must bear in mind the original terms of its deal with Sun Hotels International The arrangement was that B & C would pay for its 50% stake in RRI by taking up two tranches of equity, the second, costing £27,5m, has now been taken up That B & C decided to take up its shares in RRI long before the contractual date, Kerzner says, "shows how confident they are of their investment in RRI "

With its enlarged capital base, RRI will be positioned for the most important part of the deal, where the French assets of RRI are merged with the hotel/casino interests of hotel magnate Lucien Barriere Their combined assets will be transferred into Societes des Hotels et Casino de Deauville, (SHCD) a company listed on the Paris Bourse, in exchange for shares in that company Barriere now controls 56% of the equity, after the deal RRI and he will each have 38% of the listed company, and Barriere will remain president of SHCD

Kerzner . . . delivering on past promises

SHCD operates the Summer Casino of Deauville, three prestigious hotels in that city and a golf course It will acquire control of two more hotels and a casino and country club with 18-hole golf course in Divonne (presently owned by RRI, which acquired it last year), as well as control of the Trouville casino (owned equally by RRI and Barriere), the world-renowned Palm Beach Casino complex in Cannes (owned jointly by Barriere and RRI), and the Winter Casino of Deauville

However profitable these casino interests might have been, their real potential is yet to be determined, given recent changes in gaming legislation in France, which has only recently allowed operation of slot machines Most analysts of this industry believe that slot machines, occupying little space and relatively cheap to run, are the most profitable component of any casino The casinos RRI is injecting into the French company were acquired, says Kerzner, before the changes in French legislation were made — which seems to suggest that at the time RRI struck excellent deals (with Divonne, for example) based on historic earnings (without slot-machines) that were far below potential profits



With net assets of R340m, a capitalised value of R500m, and no gearing, SHCD intends to revamp a number of existing resorts, as well as looking for acquisitions Already agreement has been reached for the outright purchase of the company owning the hotel and casino complex at Enghein

In France the SHCD share price shot up from Fr2 900 to Fr3 600, when the announcement was made While Kersaf has never been an easy share to assess, its local profitability, added to the currency hedge aspect it now has, places it firmly among the JSE's blue chips

Neville Glaser

ALEX LIPWORTH

Filled with promise

The share is looking quite attractive in the light of its intended role in the restructuring of holding company, Twins Propan (Twins) Twins will be listed through a reverse takeover of cash shell, Fosstik (formerly Triomf) After easing slightly, Lipworths currently trades at R3,85, a level that still fails to take account of all implications of the deal with Twins

Projected earnings of Twins have been forecast at 33c as at March 1988 Assuming Twins to be of the same magnitude and status as the blue chip Adcock Ingram — which chairman Solly Krok claims it is — Twins should trade at a prospective p e of about 15 times, giving it a value of R4,95c In terms of the offer of nine Twins shares for 10 Lipworth shares, this would give the Lipworth share a value of R4 46 — a premium of 61c over the present trading price and R1,21 over the standby cash offer to minorities

Whether Twins' past growth record is as impressive as Adcock's will only become known when the transmuted listing statement is published However, ignoring the R40m in assessed tax losses inherited from Triomf, attributable earnings of about R30m in the year to end-March have been forecast compared to a potential R16,5m after-tax profit for Adcock (assuming 20% growth) Twins' turnover rose about 25% to R135m last year, and trading profit was R12,5m, with this year's forecast rise to R30m due largely to recent acquisitions

KERSAF

The world Sol built

220

The sharp re-rating of Kersaf shares in recent months has its cause — investors are signalling that they have at last caught up with this complex group Or, perhaps more specifically, with its brilliant but volatile MD, Sol Kerzner Since its listing via the then cash shell Javcor three years ago, analysts have not always known what to make of Kersaf One complex deal has followed another, each adding another twist to an already convoluted structure

With its various moves this year falling into place like the missing pieces of a difficult jigsaw puzzle, Kersaf has suddenly begun to make perfect sense It has taken on the look of a cohesive and focused group, with powerful local interests and impressive offshore assets

With concerted expansion into the European gaming market, Sol Kerzner's grand strategy of an international leisure-orientated group — with rand-hedge potential — has begun to fall into place. Investors who believed in the vision are now reaping the rewards.

Those who decided to ride with a talented management team from the stage when the share price was below R4 have been amply rewarded in the three-year rise to R24 If the company is full of surprises, so are its shares Like horses in an arena, they tend to freeze at strategic price barriers — as they did at around R12 for almost 12 months last year — before leaping ahead with renewed vigour Since the beginning of this year they have cantered steadily to R18, before galloping to R24 a few weeks ago when the group announced details of a major and imaginative casino deal in France.

The French deal is being directed through Royale Resorts International (RRI), which is owned jointly by British and Commonwealth Holdings (B & C — which has the controlling interest), and Sun Hotels Inter-

Kersaf's Kerzner . . . off to tackle Europe

national, Kersaf's UK-registered subsidiary.

RRI will inject into the listed French company, Societes Des Hotels et Casino de Deauville (SHCD), various casino assets it acquired last year These include a resort in Divonne and part ownership of the Palm Beach Casino in Cannes In exchange RRI receives shares in SHCD to give it a 38% interest in the enlarged group

With net assets of R340m, a capitalised value of R500m, and no gearing, SHCD is to be the springboard for a Kersaf-B & C launch deep into the European casino market

Kersaf is entering a French gaming industry which is in decline, suffering from neglect and lack of imagination In Kerzner's view, the French casinos are too narrowly focused, relying on a small market of hard-core gamblers. "We do things very differently," he says "We develop entertainment resorts aimed at a broad spectrum of people, while catering (through Salon Prives, for example) for the serious gambler as well."

This is the strategy that worked so well at Sun City and other Kersaf resorts The casino is a magnet, around it thrives an entire spin-off industry of hotels, restaurants and entertainment centres. It is in general entertainment, says Kerzner, where returns are highest, and with a programme of major revamping, this is the direction the French casinos will take As the new CE of RRI, Kerzner will be personally involved in this transformation.

But change has its enemies, as shown by a strike by French casino workers who feel threatened by recent amendments to French gambling laws which now allow the use of slot machines. The threat of mechanised gambling apparently caused the strike, although one union is using the Kersaf connection as an excuse for its actions It certainly represents a vexing problem for the controlling shareholders of SHCD

Kersaf now has three distinct operating divisions, made up of local casino resorts, the Interleisure entertainment group, and its offshore interests contained in RRI and elsewhere It also has a 21% interest in Southern Sun — in recent years a disappointing performer, but still a group which holds a dominant share of the local hotel industry, and which has powerful backers

The main resort casino assets are contained in two listed companies, Sun International Bophuthatswana (Sunbop) and Transkei Sun (Transun). Combined turnover of Sunbop and Transun in the year to end-June was R290,9m, equivalent to 46% of group turnover

The resort subsidiaries have proved themselves recession-proof through one of the worst downturns the domestic hotel industry has seen More than that, by opening one successful resort after another, Kersaf has overturned a perception held until recently by most analysts, who felt the group had reached saturation with mammoth resorts in Sun City, the Wild Coast and elsewhere Kerzner has always claimed, and has yet to be proven wrong, that each new resort opens up a new market in its immediate geographic area

Profits advance

In its 1987 year, Sunbop lifted operating profits by 23% to R42,3m, while Transun advanced 25% to R35,8m. During the same period, Kersaf did considerably better with a 30% operating profit advance to R151m — an anomaly that must be understood in any assessment rating of Kersaf

Apart from the profits it earns from resorts, cinemas and other leisure activities, Kersaf has a growing base of fee income, earned through RRI and Sun International Management Through these companies, the group earns fees for managing all local and certain overseas resorts

Management fees are a material contributor to Kersaf earnings, estimated at over 25% of total income, and growing Because fee income is low-risk, and based on gross as well as net income, this is the area of highest potential growth for Kersaf. It will also be far easier for Kersaf to conclude resort management agreements overseas than to acquire its own offshore resorts The group is thought to be negotiating management contracts with resorts in Geneva and Turkey

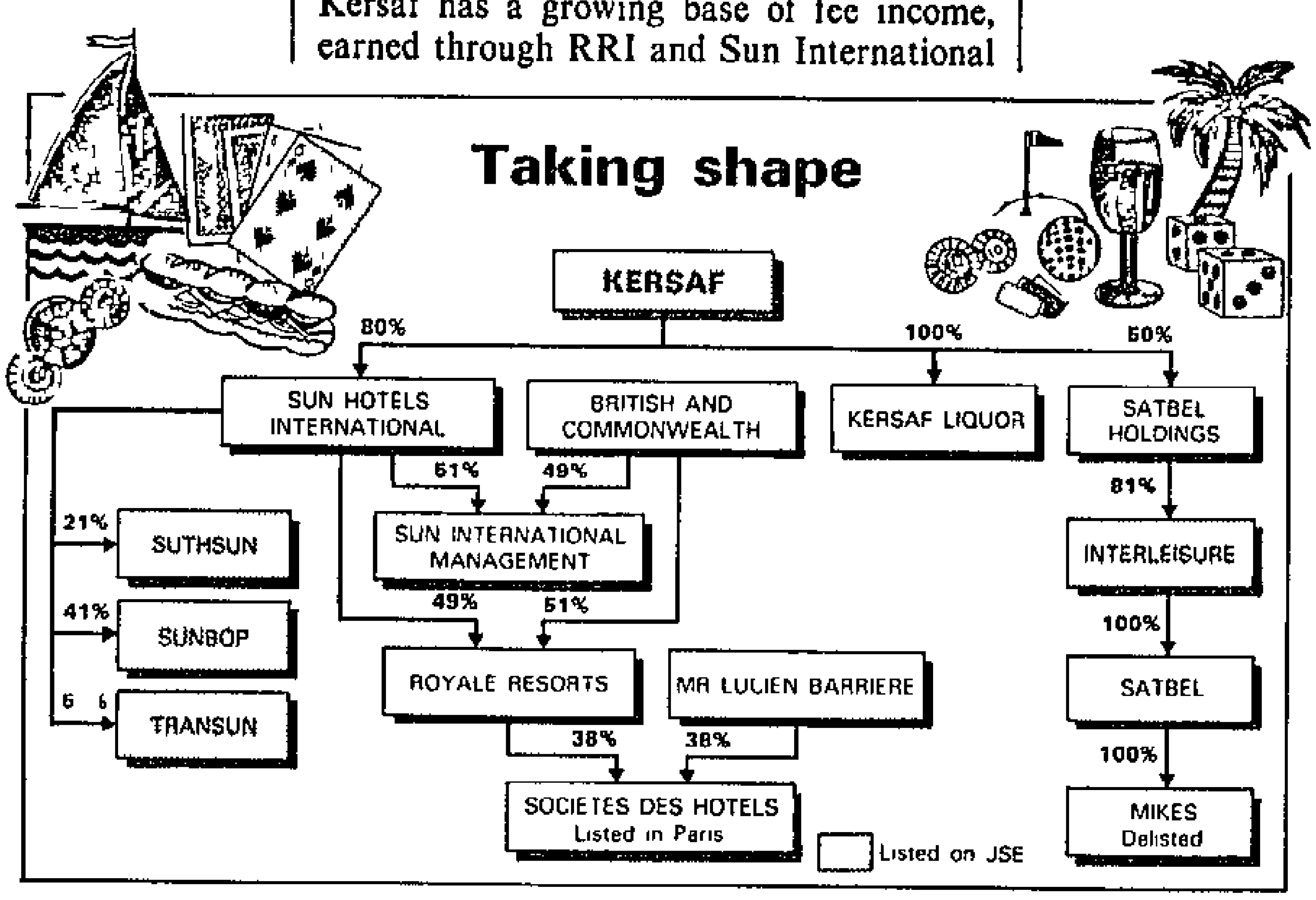
Locally, Kersaf has collected its restaurant, cinema and other interests into a new group called Interleisure. Interleisure made a spectacular debut on the JSE this week, when it opened on a p'e ratio of around 50 times With historic turnover at R155,6m and after-tax profits of R16,1m, Interleisure's future performance is certainly material to Kersaf's results

With Kerzner effectively moving overseas, local operations will be overseen by Ian Heron, who becomes group MD I suspect the culture might change subtly, allowing Heron's more participative style of leadership to come through

Kerzner is a redoubtable, and explosively unpredictable manager, not above moving partially completed swimming pools several metres to a better spot He alone, while with Southern Sun, virtually redefined the hotel industry in this country, lifting it to a level of excellence it could not easily have attained otherwise Associates say he demands from all around him a performance that enters the realm of the superhuman.

A senior Sun International (SI) executive once recounted how he arrived for the opening of a new resort, only to be placed in an empty, unpainted and unfurnished room, the floor still littered with piles of concrete. When he returned from an early lunch a few hours later, his room had been transformed into a luxury suite, spotless and with every frill in place.

It was in the late Sixties that SA Breweries (SAB) decided to back Kerzner's vision of a hotel group of international standing Southern Sun flourished under his direction, but in mid-1983 events starkly illustrated the investment dangers of backing a group whose fortunes are predicated on a single man Premier group acquired some 34% of SAB, as part of a larger equity shuffle involving Liberty, Anglo American and

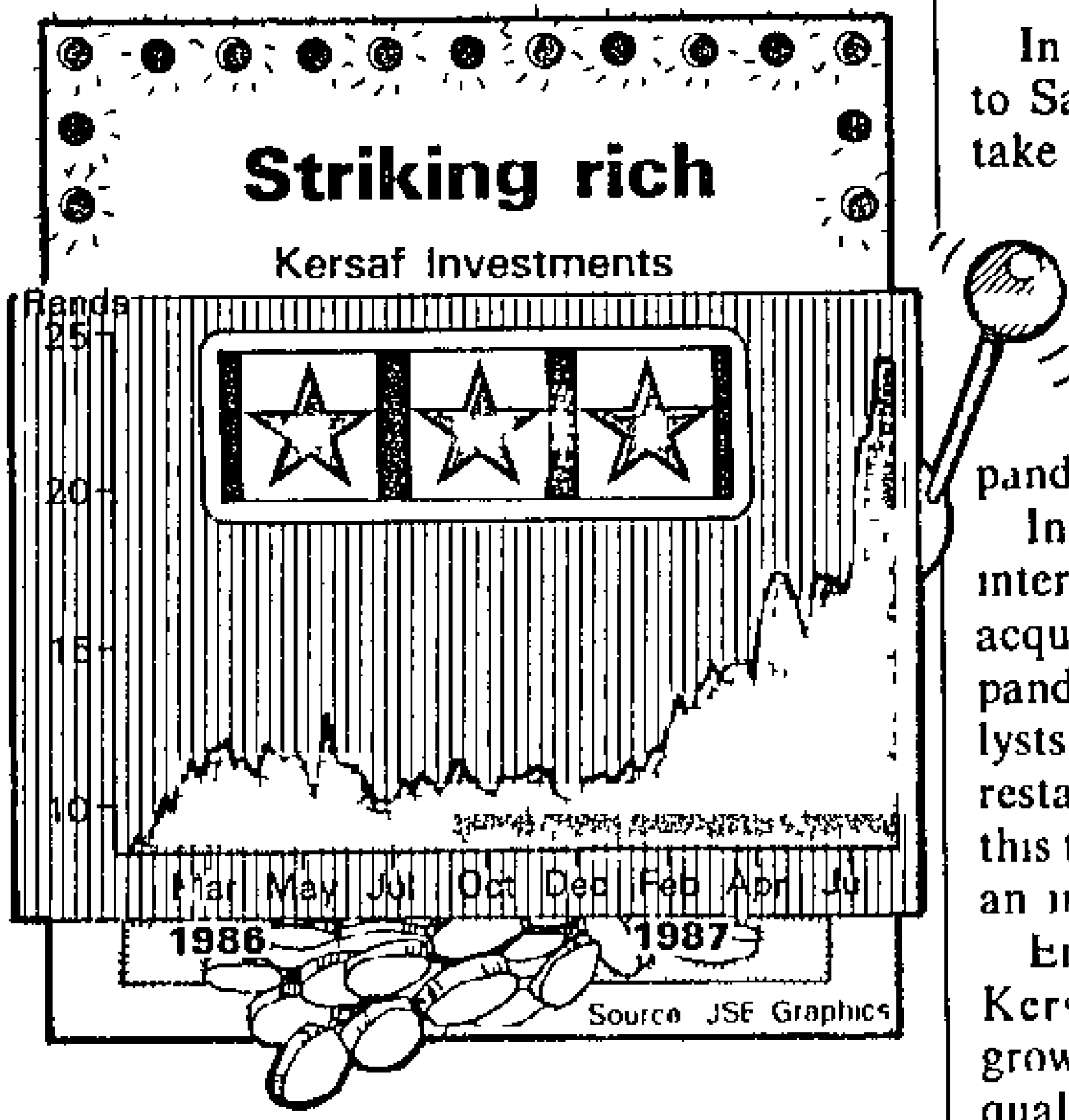


JCI When Premier men walked onto the SAB board, SAB chief executive Dick Goss walked out, and Kerzner — in an act of defiance — followed him

What followed was a deal that still demonstrates Kerzner's personal standing in the industry It was agreed that he should sell his 10% interest in Southern Sun to SAB at a price based on a p e multiple of 12 At the same time, he was allowed to buy 51% of the Southern Sun casino interests — the most profitable part of the entire group — at a price based on a much lower p e multiple

Thus, the Kerzner-Goss partnership walked off with the crown jewels, to form SI Later they acquired Rennies' Holiday Inn casino resorts, and SI became synonymous with casino resorts throughout southern Africa But the new company's name hinted at aspirations that extended beyond the region

The deal with Rennies was structured to allow Kerzner to control SI with a relatively small (18,75%) shareholding. However, Kerzner relinquished control in April 1985, and Safren became the lynchpin on which Kersaf was again transformed Safren sold its 100% interest in Holiday Inns (which many had thought would go to Kersaf) to Southern Sun, and simultaneously sold to Kersaf its 21% interest in Southern Sun, a 36% holding in SI, and various liquor interests



In return, Kersaf issued additional equity to Safren, allowing it for the first time to take technical control of Kersaf, which in turn became the holding company of SI, with a 73% stake Once Kerzner had decided to relinquish his thin controlling stake, both Kersaf and SI were ready to expand rapidly, with paper acquisitions

In 1986 the group began listing its resort interests More recently the bits and pieces acquired from Fedvolks, and since further expanded, were listed under Interleisure Analysts who were bemused at the string of restaurant chains acquired now understand this to be part of a larger strategy of building an integrated leisure group

Emerging from all this is the powerful Kersaf conglomerate, combining high-growth local interests with the rand-hedge qualities inherent in a growing offshore portfolio

At R24, the share trades on a p e ratio of 29 times, a high rating that reflects the potential of a group which now has the shape and the muscle for even more rapid growth

Neville Glaser

French casino staff strike over SA link

B/Day 24/8/87 (220)

CANNES — Staff at the Palm Beach Casino in France have been on strike for three days over a deal they said would link the casino with an SA company

A CFDT trades union confederation spokesman said the strike was called in protest against Royale Resorts International (RRI) increasing its stake in the casino.

The spokesman said the union objected to the move because RRI was partly a subsidiary of SA group Kersaf Investments

Lucien Barriere was also reported as saying two weeks ago it would reduce its 56% holding in Societe des Hotels et Casinos de Deauville, which owns Palm Beach Casino, to 38% in an agreement with RRI

NORMAN SHEPHERD reports RRI CE and Kersaf deputy chairman Sol Kerzner said those statements were inaccurate His information was the strike was related to new games being introduced and had nothing to do with SA.

He said the casino and the strike fell under the control of Luciene Barriere and did not involve SA

The French gaming group has also denied the casino would come under SA control, saying RRI was mostly British-owned — Sapa-Reuter

Unions ban curbs chain in Australia

220

DD 22/8/87

Mr Ackerman

MELBOURNE — Mr Raymond Ackerman's multi-million dollar Pick'n Pay foray into the stark Australian consumer retailing landscape appears to have failed because of a trade union ban which limits further building expansion.

Popular with shoppers in the Brisbane suburb of Aspley, where the South African magnate's sole branch turned over $50 million in the first year and expects to top $70 million in 1987-88, the concept has provided the impetus for rivals to hit back.

No less than 28 super k marts have mushroomed across the country since Mr Ackerman first showed his hand three years ago, of which the Aspley branch was planned to be the forerunner of 10 similar outlets across the country.

But in 1985 the plumbers and gasfitters' union forced the downing of tools at Taylors Lake on the outskirts of Melbourne, where a 16-hectare site was being prepared for the construction of a second $35 million Pick'n Pay miracle.

Backed by the Australian Council of Trade Unions, which actively supports the labour government's ban on all contact with South Africa, the union has prevented Pick'n Pay from gaining ground in a depressed economy well suited to enthusiastic marketing which the Ackerman chain does best

Mr Peter Price, Pick'n Pay's general manager in Australia, described the union bans as biased and unfair.

He said two thirds of the Australian company is owned by the Liberman family in Melbourne, with only one third in the hands of Mr Ackerman's retailers which owns 12 hypermarkets and a range of other retail outlets in South Africa turning over $3 billion annually.

One of four expatriate South Africans in the Brisbane store, of which all will return home by the end of 1988, Mr Rice said the chain had been at the forefront of corporate opposition to apartheid since it was formed in 1967

"When Mr Ackerman started it was illegal for people of different colour to share canteens, toilet facilities or offices," Mr Rice said "But the company ignored all that from day one"

And while the plumbers' union acknowledged Mr Ackerman's 1985 role in joining 92 South African business executives who challenged Pretoria's apartheid laws, as well as recognising that 42 per cent of his management staff in South Africa is not white, they sensed commercial undertones may have led to such pragmatism.

"The sacrifice by the chain is small compared with the benefit to the struggle against apartheid," a union official said.

Mr Rice admits the sacrifice has been massive, as well as frustrating in view of the quick growth of rivals geared to withstand the chain's slick onslaught.

One of the largest stores in Australia with 21 000 square metres of floor space, total staff of 600 and 78 check-out points, the Aspley Pick'n Pay has proved a winner with enthusiastic Brisbane shoppers able to buy everything from lingerie to live lobsters under one enormous roof

CASINO TRADE (220)

Spending millions

Sun International (SI), SA's big-league casino operator, is spending more than R210m on new hotels and refurbishments in southern Africa and Mauritius

Topping the list is a new 150-room, R45m hotel to be built at the mouth of the Fish River in Ciskei Final designs are being delayed as detailed environmental planning is still in progress However, SI's plan is to have it operational in time for the December 1988 season

The casino will have 13 tables and about 100 slot machines, while sporting facilities will include an 18-hole golf course. Parking will be provided initially for 500 cars

A new R30m hotel and casino is being built on the grounds of the country club at Umtata. It is due for completion in the middle of next year and will be a subsidiary of Transun. The club's sporting facilities will be available to guests, and new facilities will be added

Included in the R210m capex is the R20m that SI spends annually on maintenance, the virtually complete R70m expansion and refurbishment of its Transkeian jewel, the Wild Coast Sun (*Business* September 11) and R10m being spent on the Morula Sun, near Pretoria

The decision to expand the Morula was taken on opening day in June when it became clear that it had been under-designed The additions will be completed next month, doubling the casino, allowing the carpark to take 1 300 cars instead of 300, and sporting a new á la carte restaurant and larger service and administrative areas

But even that may not be enough, says SI MD Ken Rosevear. "We are currently assessing whether more expansion will be needed," he says.

Meanwhile the Royal Swazi Spa, which burnt down soon after it was refurbished, is being rebuilt at a cost of R15m

"Being able to restart at grassroots, we took the opportunity to incorporate some new facilities," says Rosevear "The Planter's Bar will be turned into an informal prawn and curry restaurant, while the old Gigi, a classic French restaurant, will be given a new feel. We have also upgraded the rooms and provided many new views"

Another 30 rooms are being added to Touessrok Hotel in Mauritius at a cost of R5m to cope with increased demand for accommodation These will be completed in the first quarter of 1988, bringing the hotel's complement to 160 rooms

In Lesotho the Maseru Sun Cabana's total refurbishment is almost complete, at a modest cost of R2m A similar sum will be spent on adding 20 rooms to the Thabanchu Sun to cope with growing demand These will be ready by June 1988

Demand for accommodation at the Gaborone Sun has escalated dramatically since British Caledonian Airways started flying in twice a week To cope, 44 new bedrooms and suites were built, while the old bedrooms and public areas were refurbished at a cost of R10m

The SI board has also approved plans to build its fifth hotel in Swaziland. Rosevear's not saying exactly where, only that he hopes construction will start next year "It won't be a big one, only about 60 rooms," he says.

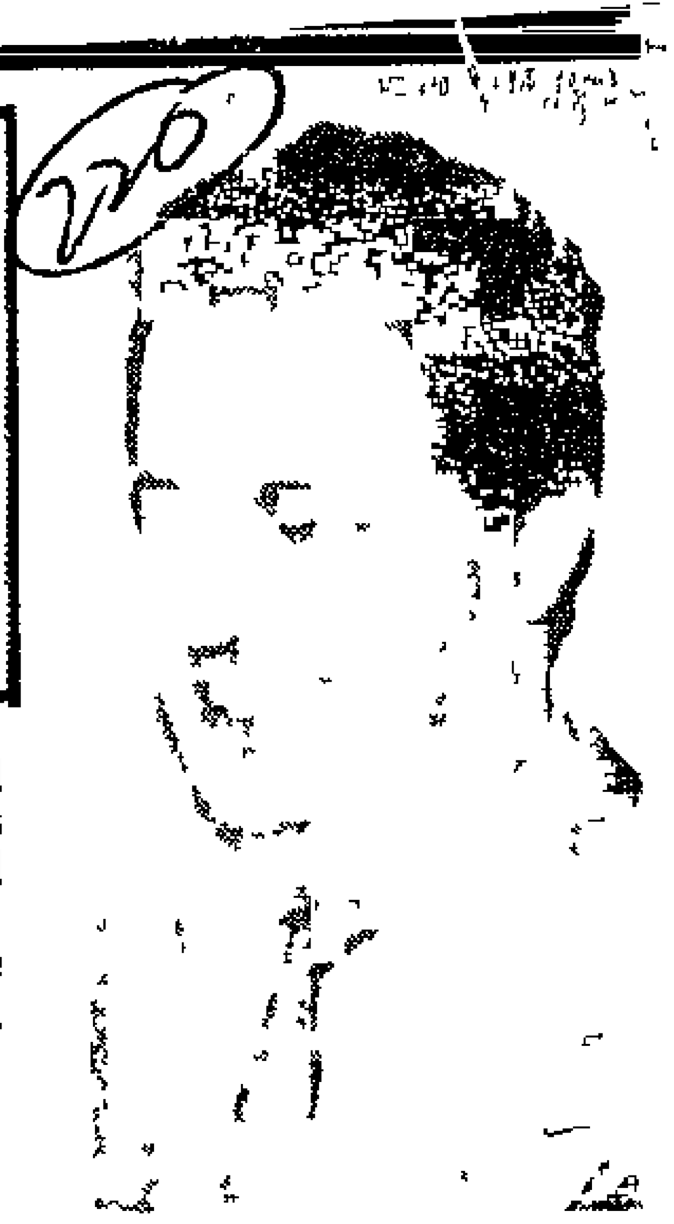
25/9/87

Joe Berardo signs R43m Taiwan deal

ST. 31/1/86

220

Grant-Hodge red-carpet treatment



Joe Berardo look east for capital

By Ian Smith

SOUTH AFRICA's youngest mining house, Johannesburg Mining & Finance Corporation, has pulled off a foreign investment coup.

Spurning the traditional route to London or New York for new capital, chairman Joe Berardo and deputy chairman Donald Grant-Hodge have clinched the placing of 32,5-million shares with major Taiwanese companies, bringing in R43-million

Mr Berardo says "We decided to look east after all the talk of disinvestment in our traditional capital markets

"It would make sense for other SA companies to tap the Taiwanese market The potential is enormous and the Taiwanese are anxious to invest in most raw material suppliers

"We cannot speak too highly of the cooperation we had from all the parties to the deal The basic details were tied up in a week in Taipei"

Board seats

JMFC, the first mining house to be listed since 1959 when it came to the boards last year, is about 25% owned by two major Taiwanese companies, which will have representation on the board

JMFC will also be the first foreign company to be listed on the Taiwanese Stock Exchange

JSE president Tony Norton, who spoke to the Taiwanese securities industry about SA opportunities last August, said "This deal would indicate that we represent real value because the Taiwanese are switched-on operators"

Mr Berardo, who says JMFC is on track to exceed its prospectus profit forecast, adds that negotiations are under way for a major SA institution to take a large holding in the company Interim results to December will be out next month

US pressure

Two factors helped the deal go through smoothly They were US pressure on Taipei to spread the benefits of its trade surplus of more than US$70-billion through foreign investment and the favourable rate offered by investment through the financial rand

"The investors were also attracted by the fact that dividends will go out in commercial rands," says Mr Berardo

JMFC decided to seek foreign investment when the restructuring of the group left the subsidiary mining holding company, Egoli, with a large stake in its parent.

Mr Berardo says "We undertook to eliminate the cross-holding as soon as possible and decided to place the shares outside the group

"We have concluded an agreement to place the shares with Taiwanese companies at 132c a share, close to the ruling price when negotiations started and the same price that we offered minorities when JMFC was reversed into Consolidated Granite"

The deal has wiped out the last cross-holding in JMFC, and it has injected cash into Egoli equivalent to about 165c a share compared with the current price of 290c

London listings

Mr Grant-Hodge says "Our main objective in going to Taiwan was to seek alternative investors We have three companies listed on the London Stock Exchange, but we wanted to break new ground"

Mr Grant-Hodge went to Taiwan with Mr Berardo last November

"We were helped enormously by the Taiwanese Embassy here and by the South African Embassy in Taipei"

They received red-carpet treatment from officials They met the Minister of Finance, the governor of the central bank, the president of the stock exchange and the chairman of Taiwan's Securities and Stock Exchange Commission

"We had a great reception and officials went out of their way to smooth the formalities," says Mr Grant-Hodge

Representatives of the Taiwanese investors visited JMFC operations before the deal was signed

"They were impressed that we hold a high proportion of FFMC shares ourselves," says Mr Berardo "They intend to become closely involved with the company"

The new investment will also have trade advantages. One of the shareholders will provide two-year finance for its consumer products to be sold mainly to blacks through a retail chain in JMFC's industrial holding company, Sam Steele Holdings

B/Day 2/2/87

Sasol sales to US continue as it comes off blacklist

(220)

HAMISH McINDOE

SASOL LTD'S removal at the weekend from Washington's trade blacklist of SA parastatals will ensure the petro-chemical producer continues to be a major supplier to US companies of its petroleum by-products.

But Secunda-based Sasol 3 remains on the sanctions list on the grounds it is still paying off loans to government.

Sale of Sasol products to the US was banned in November when the US State Department put both producers on its list of 166 companies that — in its view — were owned or subsidised by Pretoria.

Sasol, however, was considered to be an early candidate for review because it is a private company and was listed on the JSE eight years ago

A company spokesman would not disclose yesterday Sasol's earnings from its US sales.

About five SA companies had been removed from the blacklist on the strength of their appeals to the State Department, a US Information Service spokesman said in Johannesburg yesterday.

AFRICA RELATIONS 220

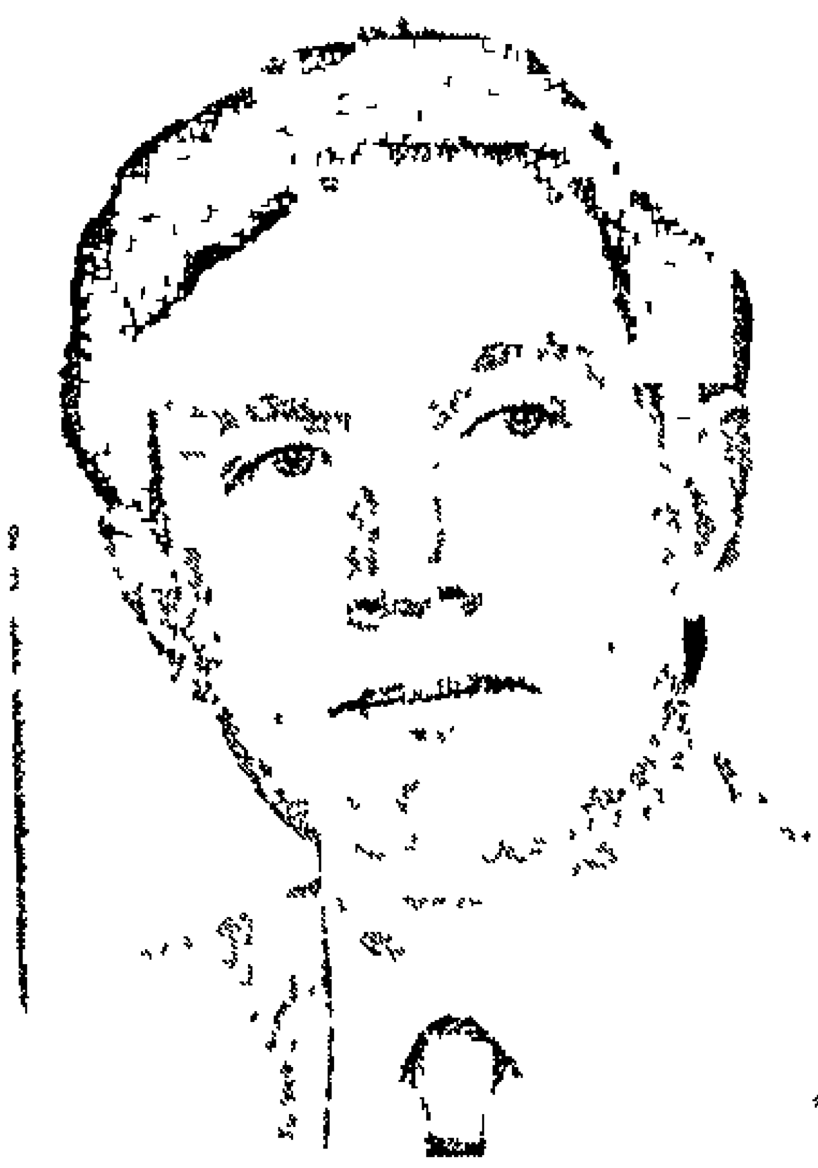
Northern toeholds

Quietly, and despite the clamour for international sanctions against SA, Pretoria seems to be making small but significant inroads into black Africa

In Equatorial Guinea, for example, there's a South African-managed cattle farm and a South African-built hotel, the *Panâfrica*. And SA low-key involvement extends even further in countries like Cameroon, Senegal and Morocco

Predictably, however, it's a subject on which a lot is best left unsaid As Neil van Heerden, head of the Africa section of the Department of Foreign Affairs, explained in an interview with the *FM* recently "If we talk about such projects, they die" His reference was to the Organisation of African Unity's (OAU) strong official anti-SA posture, and the pressure this puts on members to maintain distance from SA

Nevertheless, the department is following the foreign affairs guideline laid down by its former and longest-serving director general, Braam Fourie It holds that "the route to SA's international acceptance lies through Africa."



Van Heerden

Says Van Heerden "We have to make our bed in Africa, with the hope of eventual political dialogue . . So Africa is, in a sense, the judge" He explains that his department has been "trying to cultivate" those African states that are "less diligent" about sticking to OAU strictures on SA. He finds the English-speaking African bloc more receptive than French-speaking or Arab states

"We hope that by talking to individual members we can influence them away from the biased view of the OAU," he adds

"We admit our problems, but say to black Africa, you can help us overcome them With that in mind, we go in to Africa to win friends and influence people

"At times we follow the trade route (to gain political influence), although the fact is that African countries are not strong trading partners But there is a market

"The other channel is to offer our Africanised technical expertise to build bridges So in low-level but substantial aid projects we do it — whether it be farming in central and west Africa, combating mosquitoes or building dams Those are things we are able to do, and we do them," he concludes ■

FM 27/2/87

J BIBBY (220) FM 13/5/88

Sweet and sour

Interim figures from Barlow Rand's international conglomerate, UK-based J Bibby, are a mixture of bad and good news On sales up 12,6% to £295,7m (in the six months to March 26), pre-tax profits fell by 16% to £15m

It would have been considerably worse but for strong growth in two divisions paper and converted products, where trading results gained 30% at £3,1m, and materials handling (put into the Bibby group by Barlows at the time of the takeover) which rose 23,5% to £4,3m The rest were blighted by a combination of factors

Agriculture, the biggest sector (32% of last year's sales and 36% of pre-tax earnings), fell 37% to £4,3m, affected by restructuring but also by the EEC squeeze on farm prices and milk quotas and a glut of pig meat A mild European winter worsened the fall in demand for animal feed.

US operations (37% of sales and 22% of trading profits in 1986-1987) inevitably suffered from the decline of the dollar Last

year Bibby accounted US earnings at an average of US$1,48. The latest six-months' figure was $1,77, a fall of 16% in sterling terms So while the problematical packaging division actually improved its dollar earnings, the sterling level was 8% down To that was added a slump in the security printing operation of Intercheck, acquired in December 1986 It failed to meet expectations from the start, but in the half-year trading profits slumped by 85% to £147 000

The good news is that Bibby is about to get shot of Princeton, the US packaging group (acquired from Barlow Rand for $24m in 1984), and Intercheck The sale of Princeton was blocked by the US authorities for monopolistic considerations after Bibby had agreed a $130m deal. Now Princeton is being sold — subject to statutory approvals — to its management Bibby chairman Richard Mansell-Jones told the *FM* "The price is not final but it will be at a premium to net asset value We hope the deal will be finally negotiated by the end of May and completed by the end of July "

Intercheck, the cheque printing business, is being sold for $40m, a profit of $3,5m on the purchase price 17 months ago Mansell-Jones, however, says the capital gain will be considerably higher because Bibby hedged its position forward against sterling

On balance the group is looking for a better second half, especially as the two major disposals impact on the balance sheet, which will be "in extremely good shape " But Mansell-Jones is wary of forecasts because the real effect of the reshaping of the agriculture divisions and of the new acquisitions will not produce real benefits until next year

Meanwhile, with EPS down 14% at 8,62p, the interim dividend of 2,75p is maintained. For Barlow, the current market capitalisation of £181m for Bibby compares wistfully with a level nearly twice as high when it bought the UK group So, too, does the historic p e of 7,8 Barlow rated Bibby on a multiple of 20 back in 1984 *John Cavill*

Anglo goes for gold in Brazil

19/6/88 S Times

220

ANGLO AMERICAN is set to become the controlling shareholder in a new gold mine in Brazil, which could become the third largest in the country.

By Wim Vanvolsem

The new complex, Serra Grande, in central north Brazil, is a 50/50 venture between Morro Velho, the local Anglo affiliate, together with the Bozano Simonsen group and Canada's Inco Ltd, the world's largest nickel producer

The new complex is expected to produce more than three tons of gold a year from 1990 Known reserves total 70 tons with a grade of 10-11 grams a ton, considered to be above average

Pre-operational investments are estimated to total $70-million

Anglo American is already Brazil's second largest foreign investor in the mining sector and is rapidly, through Morro Velho, establishing itself as one of the most important gold producers here

Anglo American do Brasil is linked to Anglo American Corporation of SA through Meadows Investments in Liberia, which is 100% owned by AAC

Other South American interests of the group are secured through Minerals Resources Corporation, registered in the Bermudas

The Serra Grande complex, Brazil's latest gold ore reserve field, is situated near Crixas in the north of the Goias State

The area might soon be declared a separate new federal state under the name of Tocantinsd

Inco discovered the gold deposits in 1974, through its subsidiary Minerasul In 1983 the group negotiated an option to participate on a 50/50 basis with the US Kennecot Co which is controlled through Standard Oil by British Petroleum

But in 1987 the Anglo American-Bozano Simonsen group through Morro Velho made an offer for the option to particpate, attracted by the promising reserves

Their condition that they had to have the majority of controlling stock through voting shares, and that Morro Velho was to be the operator, was accepted.

Results have so far been promising and $10-million was invested to June, with a total of $34-million scheduled by the end of the year

Another $25-million will be invested next year

The most promising finds have so far come from Mine No 3, where drilling has hit 560 metres Galleries of five kilometres have been built at the 150-metre level to prepare for production

Serra Grande vice president, Luiz de Castro, says that at full capacity of 325 000 tons of ore a year the complex could well produce up to 3,5 tons of gold a year

He confirmed that the company is continuing to explore neighbouring areas, such as Minas Novas where it is estimated that there are reserves of 528 000 tons of ore of good grade to be mined

The South American manager of Inco Gold Company and director president of Inco's Brazilian affiliate Minerasul, Mr Stephen Sopher, says he believes the Serra Grande development is of significant importance to Inco

No official of Anglo American do Brasil was available to comment Anglo American chairman, Gavin Relly, the head of the gold division, Peter Gush and his two managing directors could not be reached in Johannesburg

But last year investments were hesitant and Brazil increased gold ouput from 67,4 tons to about 80 tons, consolidating its fifth place in world rankings

Details of the Minorco offer

By Ann Crotty

Yesterday's announcement by Anglo-American's international arm, Minorco, that it was offering £13,06 a share for the 71 percent of Consgold which it does not already hold, values the whole of Consgold at about £2,9 billion

At this stage the most significant aspects of the deal are the prosposed sale of Consgold's 38 percent stake in Gold Fields SA, and the likely increase in Consgold's stake in Newmont to above 50 percent

Minorco is offering £19 in cash and one new Minorco share for every two Consgold shares held According to Minorco management the offer gives Consgold shareholders substantial benefits as it represents an increase in capital value of 20,4 percent over the middle market quotation of Consgold shares at the close of business on September 20

In Minorco's opinion this level already reflects a significant speculative premium

The deal represents a major change in the operating strategy of Minorco Previously the group operated as an investment manager, it is now set to become a hands-on operational group

According to an official statement 'Minorco will apply its principles of lean central staff and decisive asset management to the management of Consgold and the remainder of its own portfolio, redeploying low-yielding or passive investments to maximise shareholder value"

Management has stated that in future Minorco will not normally hold minority stakes unless they have strategic relevance or unless Minorco is able to participate actively in management For this reason management has planned changes in Consgold's holding in GFSA and Newmont

Referring to the former, the statement notes "On conclusion of a successful bid, Minorco will immediately start negotiations to dispose of GFSA's assets Consgold' 38 percent passive investment in GFSA will be sold in accordance with agreements between Consgold and the Rembrandt Group which give the Rembrandt Group certain rights of first refusal over some 80 percent of these shares and which could well facilitate the continued independence of GFSA within South Africa"

'Minorco will review Consgold's 49,3 percent passive investment in Newmont with Newmont's Board and management and will consider whether to reduce the holding and re-deploy such proceeds more effectively within the enlarged group

"While Newmont is the largest North American gold producer and its long term prospects are considered to be attractive, it is effectively a portfolio investment and Consgold is constrained by a long-term standstill agreement from exercising any reasonable degree of control over it for many years"

In order to implement Minorco's more active policy, the management of the Minorco group has been strengthened "Sir Michael Edwardes, a director of Minorco since 1984, has been appointed deputy chairman and chief executive of Minorco and also succeeds Julian Ogilvie Thompson as chairman of its executive committee'

22/9/88

Sir Michael will be supported by three full-time executive directors one responsible for North American affairs, a group financial director and a commercial director

Star

Minorco has stated that it will immediately reduce Consgold's central overheads so that the overheads of the enlarged group will be significantly less than Consgold's current overheads

Minorco is confident that the enlarged group will have both the management and financial resources to improve the quality of its earnings, enhance its growth prospects and put into effect Minorco's strategic changes in direction

In addition, it is expected that following the acquisition, which is being financed partly by the issue of new shares, there will be a broader international market in the shares of Minorco

Controlling shareholders Anglo-American and De Beers have stated that "in today's climate Minorco can best grow and prosper as an international company if it is properly independent Anglo-American and De Beers will not therefore seek to play any role in the day to ~~day affairs of~~ Minorco

220

If the offer is accepted, the interests ~~of Anglo~~ American and De Beers in the enlarged voting share capital of Minorco will be reduced from the current levels of 39,1 percent and 21 percent to 26,6 percent and 14,3 percent respectively

In September 1987 Minorco announced that its policy was to expand, progressively, the range of its activities into the ownership and operation of resource-based assets and to move away from acquiring minority passive investments

In accordance with this policy, Minorco disposed of its holdings in Salomon and Anglo American Investment Trust for more than $950 million of which some $890 million is currently held in liquid form pending investment

Anglo in row over bid for Consolidated Gold

22/9/88

Star (220)

By Sven Lunsche and Neil Behrmann

Anglo American's battle for control of UK-based Consolidated Gold Fields has sparked a political and financial row that could lead to a long and bitter battle over Britain's biggest mining company.

After leaks that began in Johannesburg and Switzerland, and could set British regulators on to the track of insider traders, Anglo, through its international investment arm Minorco, launched a record UK bid of nearly ? billion (R12 billion) for Britain's leading mining company.

Yet the real political flak is expected to come from the US and UK, because of Minorco's South African connections.

The Minorco bid, spearheaded by the company's South African-born deputy chairman and chief executive, Sir Michael Edwardes, is aimed at buying up the 71 percent of Consgold which it does not already own

Consgold, which has been the subject of take-over rumours in recent years, immediately snubbed the bid, saying it "lacked financial justification and is devoid of commercial logic"

London analysts believe the bid is the first step in a grand strategy of Anglo American and the Oppenheimer dynasty to build up an international empire that could ultimately involve De Beers' huge operation controlled from London

The company is also endeavouring to counter sanctions, they said.

Sixty percent of the world's gold is mined in South Africa. The acquisition would raise South African control to about 70 percent of the non-communist world's production, analysts said.

The *Evening Standard* in London said yesterday that the Minorco move had started a row over ?0 million (R80 million) profits made by speculators in early share trading on Consgold It said Minorco had already made a formal request for a full London Stock Exchange (LSE) inquiry into recent share dealings in Consgold shares.

At a press conference, Sir Michael Edwardes insisted that Minorco, a Luxembourg-based company, would be independent of Anglo American

Sir Michael also said Minorco planned to dispose of Consgold's extensive interests in South Africa if the bid succeeded He said it would negotiate to sell its 38 percent stake in Gold Fields of South Africa to the Rembrandt Group.

● See Pages 11, 12 and 13.

Hostile £2,9-bn bid for Consgold

Minorco gets rebuffed but the fight is on

22/9/88 Sta

2 20

By Ann Crotty

The Minorco bid for the 71 percent of Consolidated Goldfields that it does not already hold looks set to become one of the most controversial take-over battles yet seen in London

Within hours of the announcement of the deal, Consgold management stated that it was opposed to the bid and, suggestions of insider-trading were emerging in London on the back of the massive trade seen in Consgold shares and options over the past week

Minorco is valuing a Consgold share at £13,06 and is offering £19 in cash and one new Minorco share for every two Consgold shares held On the LSE the share reached a high of £15,05 reflecting the market's belief that Minorco would have to sweeten its offer if it wants to succeed

This sentiment was mirrored on the JSE where Consgold gained R17,75 to close at R93 which is the financial rand conversion of the peak London price But significantly, before London's close Consgold had eased back to £13,83

While Anglo American and De Beers appear to be trying to reduce the perception of Minorco as a South African controlled group (their combined holdings in the enlarged Minorco will drop from 60,1 percent to 40,9 percent), overseas analysts and media seem to be stressing the SA link This link is likely to be used extensively in the Consgold management fight against the bid

Local analysts seem confident that this time around Minorco will be successful — in 1981 Minorco launched an unsuccessful attack on Consgold Success for Minorco appears to be all the more crucial this time in view of market talk that the decision led to some dissension within the Anglo camp

Analysts report that Minorco has access to an additional 5 percent of Consgold through the earlier purchase of Consgold options In addition feeling is that Minorco would have canvassed other major shareholders and attempted to ensure sufficient tacit support for their move

Minorco has stated that it will sell off Consgold's 38 percent stake in Gold Fields SA which is estimated to be worth around R1,8 billion This will help to fund the deal and will also avoid possible political problems stemming from Anglo's otherwise major dominance in the SA gold industry

At present it looks as though Rembrandt will be picking up the bulk of this disinvestment which seems set to put major downward pressure on the financial rand

There is considerable uncertainty as to Minorco's plans for Newmont Overseas analysts believe that US-based Newmont will have to be sold off because of political pressures but local analysts feel that Newmont is the major attraction in the deal and that Consgold stake will be increased to above 50 percent in order to give it operational control

Consgold management has opposed the deal on the grounds that it is "devoid of commercial logic" This may be the case if anti-SA sentiment prevented a Minorco controlled Consgold from implementing its new aggressive operating strategy But at this stage local analysts see considerable benefits in the deal and believe that it will significantly enhance both Consgold and Minorco's earnings capacity

Minorco's American interests could be combined within Cons gold and Newmont's interests to form a dominant American gold and base metal group There would be similar synergistic scope in the enlarged Minorco's interests in South America and Australia