MULTINATIONAL CORPORATIONS 1993

Address. 3041

Location: SAMKONTSHI

Reference to map: ____

18. **Telephone Number (if respondent will provide it):** NONE

19. **Population group of respondent (circle one):**

African	-1
Coloured	-2
Indian	-3
White	-4
Other (Specify)	-5

20. **Gender of respondent:**

Male	-1
Female	-2

21. **Language of respondent (main language spoken at home):**

English	-01	South Sotho	-07
Afrikaans	-02	Venda	-08
Xhosa	-03	Shangaan/Tsonga	-09
Zulu	-04	Swazi	-10
Tswana	-05	Ndebele	-11
North Sotho	-06	Other (Specify)	-12

Privatisation to fund toll road expansion drive

ST Times (Buss 7) 10/1/93

By CIARAN RYAN

GOVERNMENT plans to accelerate privatisation of toll roads in order to speed up the building of other toll roads and reduce the National Road fund debt of R2,7-billion.

This will help reduce the budget deficit, likely to be more than 7% of GDP this year.

Malcolm Mitchell, deputy director-general at the Department of Transport, says the process of privatisation will not be delayed for fear that it might be overturned by a future government.

"It is in the interests of any future administration to privatise the roads because it reduces the tax burden on the State," he says

Work on the Harrismith bypass and Villiers-Heidelberg section of the N3 and the N17 between Krugersdorp and Springs has been suspended because of lack of funds.

Between R4-billion and R5-billion is required to complete these and other toll road developments. Because of funding constraints these road developments may only be completed towards the end of the decade But privatisation would speed up this process.

About R4,5-billion is required each year to maintain all SA's roads but only R2,3-billion was made available by government last year.

Grant

Toll roads are financed through a combination of loans from the National Road Fund (NRF) and money and capital markets, which are repaid from toll fees. The NRF receives a grant of about R550-million a year from government.

The NRF had paid out R1,2-billion for toll road development by 1991, the latest period for which figures are available These funds are used to build both national and toll roads.

Toll fees collected at the country's 16 toll plazas was R145-million in the year to March 1992, the latest period for which figures are available, compared with R127-million in 1991

Most of this — R75,5-million — was collected at the four toll plazas between Johannesburg and Durban on the N3. A further R50,9-million was collected by the four toll plazas on the N1.

Five toll plazas on the N1 and N3 are managed by Tolcon, a toll road company whose major shareholders are Murray & Roberts, Group 5 and Grinaker.

Despite slightly lower traffic volumes revenues were 14% higher in 1992 because of toll-fee increases and the commissioning of new toll plazas.

The total number of vehicles to pass through all 16 plazas in 1992 was 41,2-million, 15,8-million of which were recorded at the N1 and N3 plazas.

Toll fees are set at around 60% of cost savings on use of toll roads as opposed to alternative routes The costs include wear and tear on the vehicle and fuel

Tolcon managing director Peter Erasmus says privatisation will not result in higher tariffs because of built-in controls.

"Under the previous concession, we were not allowed to increase toll fees beyond 75% of the cost savings of using toll-road routes. This same system could operate in future Furthermore, all toll increases are subject to ministerial approval."

Mr Erasmus says there were 5% fewer motor cars on the N3 and N1 in 1992, but 8% more trucks. An average of 40 000 vehicles pass through Tolcon's five plazas on the N3 and N1 each day (a vehicle travelling from Johannesburg to Durban would be counted several times) He says road traffic is projected to increase by between 3% and 5% a year

It costs at least R4,5-million to build one kilometre of highway, excluding the cost of expropriating land

The committee appointed by government under the chairmanship of Joop de Loor to investigate toll roads is expected to report later this year

Sense

The national road network was thrown into crisis when government withdrew the NRF's levy of 10c collected on every litre of fuel sold in 1989 Road development and upgrading was slowed or halted through lack of funds

Tolcon managing director Peter Erasmus says the government has no alternative but to privatise the toll roads in future

"On a privatised basis, we would intend raising capital for new road developments on the capital market and roads would be built on a fast track basis. But the roads would have to make commercial sense."

He says a real after-tax return on investment of 7,5% is required for new road development.

SA fails investors' test

ST Times (Buss 7) 10/1/93

By CHERILYN IRETON

A MILLION rand, 18-month long probe into potential investment in SA by multinational corporations found no evidence of any plans to inject funds into the country

Not one of the more than 100 multinationals given presentations on SA as an investment prospect regarded the country as a suitable home for their funds at this point.

The research and subsequent briefings were conducted by British researcher Dr Tony Cadman on behalf of the California-based Institute of Management Resources, which boasts a long list of multinational clients such as Ford and Chrysler

"The presentation of the massive data bank on SA was not a happy experience," says Dr Cadman. "None of the big firms found SA even remotely suitable for investment against the countries like Mexico and Argentina, which are competing for funds. SA apparently does not seem willing to compete."

Questions of the ANC's attitude to nationalisation, unhappiness over exchange control and uncompetitive tax rates emerged at all the presentations.

On issues of productivity, levels of management and quality control, SA cannot compete with many countries, Dr Cadman found.

Multinationals that had investigated the possibility of opening up offices in SA had been put off by the levels of violence and theft.

(220)

They would also rather commit themselves to countries that have strong currency prospects, says Dr Cadman.

"They found the labour laws hopelessly biased to the workforce, which has the lowest productivity profile we could find Without a suitable work ethic SA cannot hope to draw investment."

Standard in Madagascar

220 [redacted]

Finance Staff [redacted]

Standard Bank has continued its expansion in southern Africa with the opening of a new bank in Madagascar last week.

The bank, Union Commercial Bank SA, is a joint venture between Standard and the Mauritius Commercial Bank.

Standard says the bank will concentrate on providing letters of credit, foreign exchange and related financial services, mainly to business customers. STAR

Standard Bank last year acquired the African operations of ANZ Grindlays 1/1/93

GFSA to embark on joint mining venture in Ghana

STAR 20/1/93

(220)

By Derek Tommey

Gold Fields of South Africa (GFSA) is planning to mine gold in Ghana in a joint venture with Newmont Mining of the US

GFSA says that exploration rights in respect of mining concessions held by Prestea and Tarkwa Goldfields have been awarded to an offshore subsidiary

"An initial due diligence investigation of these extensive properties, which includes an evaluation of the medium-term viability of the existing mines, is nearing completion."

Negotiations are in progress with Newmont for a 60-40 joint venture is respect of the concessions.

In its interim statement, GFSA says it has declared an unchanged interim dividend of 70c a share, which absorbs R67 million

Income from investments in the six months to December dropped from R123 million to R115 million, while income from fees and other sources fell from R108 million to R104 million However, it made R4 million (nil) on the realisation of investments.

Gross income was R223 million (231 million), while expenditure was R87 million (R77 million), producing a pre-tax profit of R126 million (R154 million) and a taxed profit of R124 million (R139 million)

The directors say they expect the world economy as a whole to continue to be depressed in the short term. As a result the group's earnings are expected to remain under pressure.

GFSA had net current assets of R508 million at the end of last December (R558 million at the end of last June and R547 million at the end of December 1991)

GFSA has large investments in gold shares, and the decline in gold shares prices last year must have been a major contributor to the drop in the market value of the group's portfolio from R7,6 billion at the end of December 1991 to R6,97 billion at the end of last June, and R5,8 billion at the end of last month.

Net asset value of GFSA shares last December was 7 706c (9 038c six months earlier and 9 784c at the end of 1991).

JCI 'exploring' Zambian investments

BIOD 26/11/93 (220)

JOHANNESBURG Consolidated Investment Ltd (JCI) said yesterday it was waiting for clarity from the Zambian government on privatisation of Zambia Consolidated Copper Mines Ltd (ZCCM)

Asked if JCI was interested in investing in ZCCM, which Zambia plans to denationalise, a spokesman said the company had recently opened a small office in Lusaka "for general exploration work".

"Any potential interest in existing mines will not be pursued until there is clarity with respect to the Zambian government's attitude to privatisation," he said

JCI is one of a group of mining houses looking at investing or increasing their investments in Zambian industry, sources say

The Zambian government, which owns 60,3% of ZCCM, has said the company needs medium-term funding of $2bn 26/11/93

Mining analysts say one of the main problems facing potential investors is that ZCCM has grown too big and unwieldy

"It will need to shrink before it can expand again," said Trevor Evans at Deloitte Haskins and Sims in Lusaka "Private owners would get rid of inefficient areas"

"There has been no money for underground development or exploration for many years," said a mining executive who did not want to be named "The result is that they could run out of mineable ore in 15 years unless new development takes place," he added

Analysts said the richest known remaining reserves on the copperbelt were at Koncola and Nkana, with an estimated life span of 50 to 60 years, but that major new shaft systems were needed to develop them

"They need half a billion dollars at Koncola alone," the executive said

He said the Kabwe division had been running at a loss for years but had not been closed because of political pressure to save jobs — Reuter

Financial statements require clarity

BDM 27/1/93.

220

DOUG BROOKING

WITH the possibilities of foreign investment opening up in SA, a prerequisite is that the investor be provided with financial statements which are fully equal to those available to him in his own capital market.

Equal in this sense means comparable as well as equivalent in terms of relevance, reliability and understandability. This places a responsibility on our national standard setters to keep accounting standards at least within striking distance of best international practice, and on our companies to accept the cost and effort of contributing to the standard-setting process and of complying with its output. Local investors, of course, also need and benefit from a programme of continuous improvement in financial reporting.

Mercifully, some leading international capital markets, including London, do not impose their own national accounting standards on foreign companies whose securities they list In the US, however, the Securities Exchange Commission demands that companies seeking equity finance through the New York Stock Exchange comply with the very demanding standards of the US Federal Accounting Standards Board.

Perhaps SA, along with other countries seeking future access to the vast US capital markets, will find a route via the standards of the International Accounting Standards Committee (IASC) which is engaged in a determined effort to achieve international recognition of its standards for the purposes of cross-border capital raising. Three of our leading companies — AECI, Barlow Rand and SAB — already issue financial statements which comply with the international standards, as does Minorco. More will follow.

Thanks largely to the exceptional degree of goodwill which exists among members of the accountancy profession worldwide, SA was able to retain its position on the IASC board throughout the sanctions years. Our experience and close international connections in this area should pay handsome dividends as SA companies enter a new and more open financial era

Given the growing internationalisation of business and finance and the daunting costs of continuing to involve ourselves in both international and parochial standard-setting processes, SA accountants may well become persuaded that the practical approach is for our companies increasingly to adopt international standards, and to phase out the local standards except where overriding and unique objections prevail.

Most affected by such a change in policy could be our mining groups, which have long pursued an original and independent route in reporting for single-venture, wasting-asset situations such as the gold mines.

Producers of financial reports for international consumption will also find value and perhaps even inspiration in a new publication, Financial Reporting in the 1990s and Beyond, issued in the US by the Association for Investment Management and Research (AIMR). This study takes a penetrating look at several current disclosure practices which, from a user perspective, it finds wanting. Unsurprisingly these include accounting for goodwill and other intangible assets, the use of valuations on the balance sheet, segmental data and the income statement in general.

And all company directors occasionally need reminding that, in the words of the AIMR, "users of financial statements are also the owners of the enterprises being reported upon, and it is the users, who in addition to receiving the benefits, ultimately bear the cost of providing financial reports".

Looking further ahead, investment analysts are already pointing out that the globalisation of asset management requires that financial data on all eligible investments should be totally comparable and consistent — suitable for incorporation in a gigantic database through which analysts and global portfolio managers can search and sort at will.

Then at least we may be able to talk about accounting as a universal language of business.

☐ Brooking represents the SA Institute of Chartered Accountants on the IASC board. The SAICA will present its annual CA reporting award next month.

REVIEW

COMPANIES

Platinum needs 'will increase'

MERVYN HARRIS

PLATINUM and rhodium demand for autocatalysts in Europe in 1993 could increase by 25% compared with 1992, says Rustenburg Platinum marketing and planning director Todd Bruce.

He was reacting to a report in Business Day that platinum demand might not receive a boost from European legislation requiring all new cars to be fitted with autocatalysts from January this year

The report said according to analysts most new cars had already been fitted with autocatalysts by August last year and that latest information indicated lower car sales in Europe. BDAY 2/2/93.

Bruce said of all new cars sold in Europe during 1992 only some 60% were equipped with autocatalysts.

"It is estimated that during 1993, the percentage of cars sold with autocatalysts will increase to 85-90%

"The amount of platinum and rhodium consumed in autocatalysts in Europe during 1993 could thus increase by some 25% compared with 1992, taking into account the possible overall reduction in European car sales this year and the car size distributions in each country."

Todd said the platinum market was currently characterised by significant pressure on physical metal supplies. Platinum in the form of "sponge" — the usual form used by industry — was in short supply

"In addition, platinum borrowing rates are at 4,5to 5% a year, levels which further indicate the relative tightness of physical metal availabilities," he said.

EP Building Society and Fedlife in new link

BDAY 2/2/93

ANDREW KRUMM

FEDLIFE is to take up a R25m debenture issue by the EP Building Society, which will further entrench the relationship between the two organisations, a joint statement said yesterday.

EP Building Society CE Trevor Jennings said the debenture issue would provide the building society with a source of secondary capital, and heralded a strategic change of direction on its part.

"The debenture issue will be made possible by an amendment to the Mutual Building Societies Act, which should be promulgated in February

"This will enable the EPBS to generate profits in line with the banking industry and close the gap between ourselves and commercial banks."

Fedlife group CE Arnold Basserabie said it was natural that Fedlife should take up the issue, as a mutual synergy had developed betweeen the groups since 1988, when Fedlife formed an association to offer its life products to EPBS clients

Jennings echoed this, saying the issue would give Fedlife a seat on the building society board, and see the building society give preference to Fedlife products.

"In fact, if the EPBS ever decided to go the equity route and become a deposit taking institution, then the Fedlife group would be very favourably placed to take up a strategic shareholding in the EPBS."

Jennings added that "the new legislation allows more flexibility in the changing financial services environment, and puts us in a position to restructure".

Plans were "well advanced" for the society to move in the direction of a general mortgage bank. This included moving away from retail building society services in all provinces except the Cape

In addition, the installation of a new computer system, and a thorough review of the building society's work processes, required a re-assessment of its staff needs, Jennings said

Talks on Dabi's sale continuing

JONO WATERS (220)

JCI cash shell Dabi Investments chairman Martin Cross said today negotiations were continuing with potential buyers of the company BDAY 2/2/93.

Last year Dabi disposed of its share portfolio, with the exception of 1,82-million Consolidated Metallurgical Industries shares, which were distributed in November as a dividend in specie of 40 CMI shares for every 100 Dabi shares.

The company declared a special dividend of 787c a share at the same time

Cross said the company as a cash shell had a value of about 200c a share

Results for the six months to December 31 1992, showed after-tax profit had declined marginally to R1,07m compared with R1,16m in the same period in 1991.

However, the extraordinary item of R33,9m and R11,7m from non-distributable reserves, had boosted distributable profit to R48,7m (R2,22m)

The company's shares were suspended on the JSE and London Stock Exchanges last November, and the directors have a period of eight months from the date of suspension to realise the residual value of the company.

Syfrets Disa Fund grows

LINDA ENSOR (220)

CAPE TOWN — Assets of Syfrets' offshore unit trust, the Isle-of-Man-based Disa Fund, have grown to R37m from R21m in the past three months, and with an additional R8m committted will top R45m by the end of February

Syfrets senior GM Simon Steward said yesterday recent investors included clients resident in the UK The main reason for the increased flow of funds was the reduction in the cost structure to 1,5% from 1,9% of assets under management and continued strong investment returns, he said BDM 1/12/93

Disa allows offshore investors to invest in SA gilts through the financial rand.

PROPERTY

Ovcon to diversify with operations in Abu Dhabi

BIDAY 3/12/93 (220)

PETER GALLI

OVCON, the Cape-based construction group, is diversifying its operations and has registered and established a fully operational branch in Abu Dhabi in the United Arab Emirates.

"The continuing downturn in the local construction industry has forced us to look for additional opportunities abroad to boost income and keep our staff meaningfully employed," said executive director Jimmy Thomas.

The company had already taken offices, employed local staff and transferred director Peter Groenhof to run the operation.

"It is too early to say what sort of revenue will eventually be generated from this operation, but we hope it will make a reasonable contribution to group profits," he said.

The initial capital investment had been "quite small", but this would increase once contracts were in place and working capital needed to be transferred.

"We are looking to become fully involved in the type of construction we have traditionally handled locally but are also looking to represent any local company that has products they consider marketable in the Middle East," Thomas said.

The potential for the marketing side could be greater than that of the construction side and "considerable attention" was being paid to it. The first tender was in the process of being submitted for a 19-storey central city office building with a value of more than R50m.

"We have already made contact with a British-based retail group with stores throughout the Emirates and the Gulf to sell wine from five Cape estates, but no order has yet been received.

"Although Abu Dhabi is Muslim, the large number of expatriates working in the country make it a profitible outlet for wines and spirits," he said.

Ovcon had formed a partnership with two senior government officials in terms of the stringent requirements that require any foreign company to have reputable resident sponsors who, by law, have to play an active part in the business.

There had been good local interest but manufacturers wanting to compete in this market had to be internationally competitive in terms of price, quality and service, he said.

"Ovcon will also be more than willing to go into joint ventures with other SA construction companies looking to become established in the Middle East.

"We have also established a relationship with a company that specialises in marketing SA products overseas and are looking for any product that can achieve a high turnover," Thomas said.

COMPANIES

JCI postpones release of results

8/10/1 4/12/93.

JCI had postponed the release of its interim results, which were scheduled for release yesterday, until next week, JCI spokesman Amelia Soares said yesterday.

Soares rejected media claims that the delay in the announcement of the results had anything to do with JCI's expected acquisition of part of UK-based Johnson Matthey, one of the world's biggest producers of platinum and platinum products.

Soares said the announcement of the results was postponed because JCI chairman Pat Retief, who normally made such announcements, was out of town.

"He has been out of town all week. We thought it would be proper to wait until he comes back. The delay would have nothing to do with Johnson Matthey," Soares said.

Soares said the results would be announced either on Wednesday or Thursday next week.

220

JCI recently confirmed it had been in touch with Charter Consolidated and Johnson Matthey in the UK since Charter announced plans to sell its 38% stake in Johnson Matthey.

The 70,9-million Johnson Matthey shares Charter wants to dispose of are worth an estimated £360m and financial analysts have said JCI might sell its interest in the CSO to buy Charter's stake in Johnson Matthey. — AP-DJ

220

Star 8/2/93

UAE offers tax-free opportunities to SA industrialists

ABU DHABI — The United Arab Emirates (UAE), keen to lessen its reliance on oil, has urged its new economic partner South Africa to provide technology by investing in its burgeoning industrial sector.

A UAE delegation made the call at an economic conference it held during a five-day visit to Johannesburg

The delegation, which returned on Saturday, was the largest Gulf business mission to go to South Africa since the region informally ended long-standing anti-apartheid sanctions two years ago

It was headed by a member of the ruling family, Sheikh Ahmad ibn Saif al-Nahayan of Abu Dhabi civil aviation, and included more than 50 other officials and businessmen, according to the national news agency WAM

"Our country has made large strides in industries," deputy chairman of the Abu Dhabi chamber of commerce and industry, Mohammad al-Fahim, told the conference, attended by more than 1000 South African businessmen

"But we still feel we need more investment in the industrial sector There are great opportunities for South African companies in this field."

The UAE has launched an industrialisation drive in its bid to diversify from oil, which provides the bulk of its income. It has also joined other Gulf oil producers in seeking Western technology to expand their industries.

An average one billion dollars a year have been pumped by the UAE into the industrial sector over the past decade. Industries include aluminium, cement, chemicals, paper, garments, food and other light products.

Several firms from Japan, the United States, France, Britain, Germany, South Korea, Taiwan and other industrial nations have opened distribution and manufacturing centres at Dubai's Jebel Ali free zone.

Authorities have urged more firms to join the zone and set up heavy industries.

Fahim told South African businessmen the UAE had become a major transit centre for goods, re-exporting to large markets such as Iran, India, Pakistan, and Saudi Arabia.

He also said the UAE imposed only token customs tariffs on imports, ranging between one and four percent "There are no restrictions on currency and profit transfer in the UAE, and there is no intention to impose taxes," he said.

WAM said he had invited South African companies to participate in an international fair in Abu Dhabi in April. More than 100 South African firms staged their first Middle East exhibition in the emirate of Dubai last October. — Sapa-AFP.

Group Five part of Mauritius project

B/Day 8/2/93

(220)

ANDREW KRUMM

A JOINT venture between Group Five International and Mauritius-based General Construction has been awarded a R145,5m contract to build a new headquarters for the State Commercial Bank in Port Louis, Mauritius.

Group Five CE Peter Clogg said at the weekend the group's order book required around R200m in monthly orders to keep resources fully occupied.

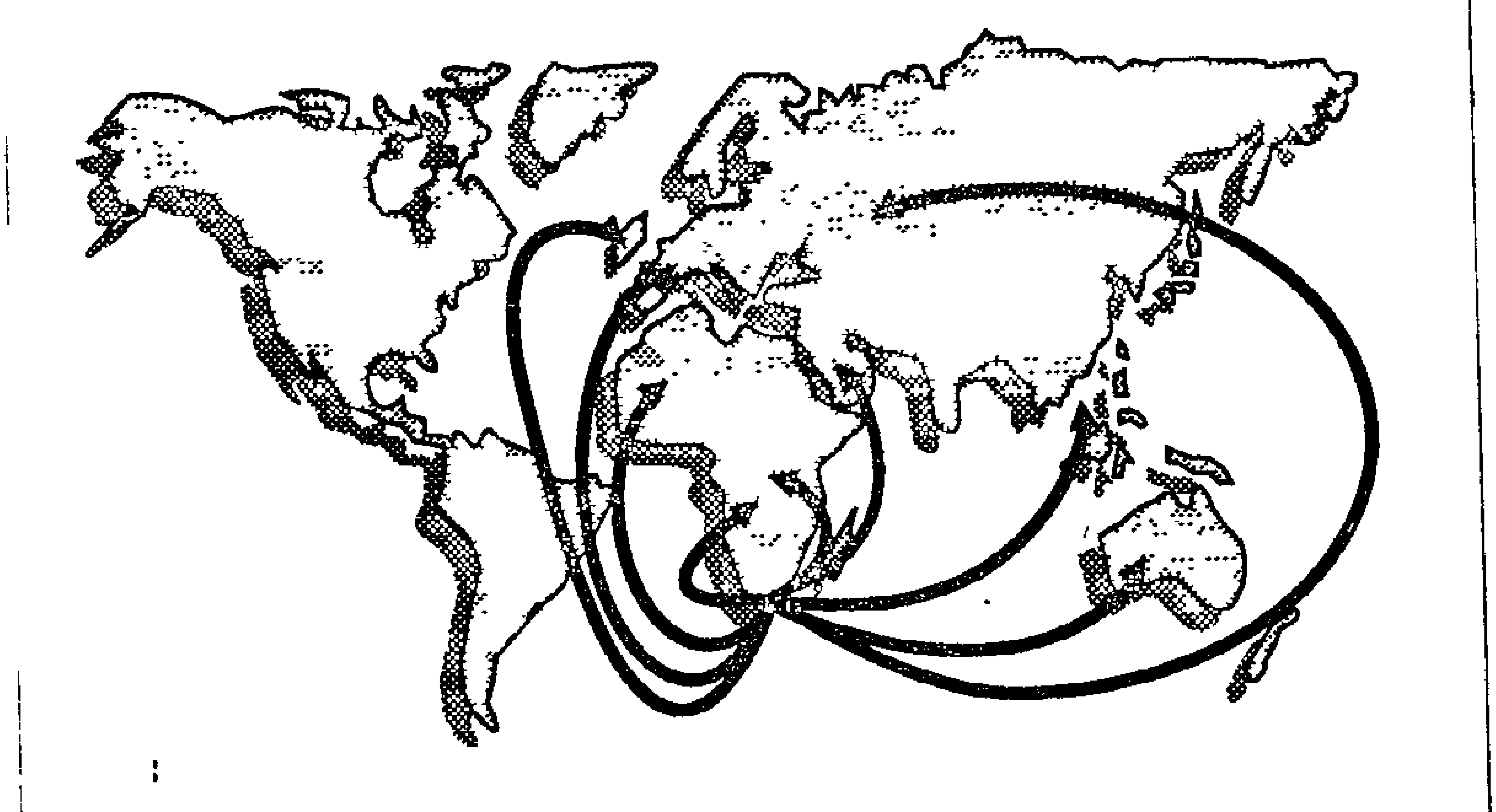
"So the award of the Mauritian contract is good news. And when taken with the recent award of a R126m contract to build Standard Bank's new south block in Johannesburg, the group has had a good start to the year."

He said the joint venture partners, who had previously worked together on a number of projects, had won the State Commercial Bank project against some hefty international competition. This included Bouyges, Europe's largest construction group, who beat the partners on price, but not quality.

The 16-storey office block project was the largest private sector contract awarded on the island to date. The building would have a gross internal floor area of 18 000m², and incorporate basement parking, retail and corporate banking facilities as well the State Commercial bank headquarters.

Two Group Five International companies — Goldstein Coastal and R H Morris — would handle the project in conjunction with General Construction. Work was to start immediately.

SA BANKS EXTEND THEIR NETWORKS



How not to burn one's fingers

S Times (BUSS) 14/2/93 (220)

MANY South African companies have burnt their fingers moving into Britain for the first time because they have misjudged how its banking system works.

David McDonnell, national managing partner of Kessel Feinstein's associate Grant Thornton UK, says that while the situation is slowly changing, British banks much prefer to lend on the secutriy of assets, particularly property

They take less account of potential income flow — an area in which they are less skilled at assessing "The obvious implication of lending against property values is that, if the company's property values becomes weak, the banks become nervous and withdraw support," says McDonnell

Waiver

"When that attitude is combined with a severe recession in property generally, then a rapid downward spiral of confidence can quickly lead to widespread business failures"

Another problem is that South African business often assume that if their British subsidiary has got into difficulty its bankers will be prepared to negotiate the waiver of part of the loan — on the basis that, if the business had to be broken up, they would get even less McDonnell says British banks are seldom prepared to do this, other than through the formal machanisms of UK insolvency legislation.

"That legislation is not very helpful in allowing a company with a reasonable future, despite its difficulties, to recover and be restructured"

When property values are rising in Britain the banks will not merely lend but use every inducement to persuade business to take money

The day the property market turns downwards the relationship is in jeopardy, even though British banks know that property values usually go up

The current downturn has knocked British property prices and has resulted in a situation where banks are not lending very much at all

Over the past two years, the position of British banks has weakened. Many have lost a lot of money in big companies, such as the late Robert Maxwell's Mirror Group

Trend

They have also absorbed enormous bad debts from smaller companies which have unsaleable properties in the current climate

However, McDonnell says present conditions offer South African businesses a host of acquisition opportunities if they act quickly

There are a number of good businesses in financial difficulty and a trend of larger businesses streamlining their operations and getting rid of non-core businesses

Star 10/2/93

JCI's overseas interests may get separate listing

(220)

By Sven Lunsche
and Stephen Cranston

JCI is considering listing its overseas interest separately after buying a 10 percent stake in UK platinum marketer and refiner Johnson Matthey (JM).

Minorco and JCI yesterday settled their apparent dispute over control of JM, by acquiring a joint 20 percent interest from Charter Consolidated.

JCI chairman Pat Retief said at a press conference yesterday that its purchase consideration would be settled in two tranches of £48,6 million each, one on completion of the deal and the second three years after that date.

Retief said JCI would finance the acquisition from existing offshore resources and from offshore borrowings and had received Reserve Bank approval for the transaction.

A separate listing for its overseas interests would allow it to finance future borrowings and serve as a vehicle for its offshore activities.

Platinum

The deal was significant for both JCI and JM "because of the shared interest in the future development of the market for platinum group metals."

JCI's equity earnings could improve slightly as a result of the acquisition.

Charter Consolidated, in which Minorco holds 36 percent, will receive a total of £188 million (about R880 million), equal to 490p per JM share, from JCI and Minorco.

Charter's remaining 18 percent stake in JM will be bought by merchant banks Barlays de Zoete Wedd and UBS Phillips & Drew for about £154,6 million to be placed in the London market.

In a statement Minorco said it would pay £90,6 million in cash for its 10 percent stake.

Chairman Pat Retief — JCI unlikely to cut dividend.

The announcement of the deal coincided with the release of JCI's interim results for the six months to end-December.

Retief said the group had performed reasonably given the poor state of commodity markets.

Attributable earnings fell by over six percent to R155,6 million (R166,1 million), while equity accounted earnings were 7,4 percent lower at R176,5 million from R190,6 million.

Earnings were buoyed by JCI's industrial investments such as SA Breweries, Premier, Argus and Times Media — all of which reported increased earnings — but depressed by lower earnings from its platinum interests.

JCI's diamonds interest reported a 19 percent earnings decline, while coal's earnings were disappointing and gold mines were forced to continue with strenuous cost-containment efforts.

Attributable earnings a share for the period dropped 7,1 percent to 105c (113c), while equity accounted earnings fell 7,8 percent to 119c (129c).

An unchanged interim dividend of 42c is being paid.

Retief said results for the full year were likely to be significantly lower but the group was unlikely to cut the dividend.

INTERNATIONAL BANKING

Banking on SA's future in the world

220

ST Times (Buss) 14/2/93

SOUTH AFRICAN banks embarked on a major expansion drive last year, buying up foreign banking operations and establishing offices abroad

The catalyst was SA's reacceptance into the international community as political reform gained momentum The aim has been to better service clients as new markets and opportunities opened up to South African businesses

A major focus of the drive has been Europe, ahead of the single European market But some South African banks have rapidly increased their presence in Africa even though foreign banks are generally shying away from this continent.

Much new activity took place in southern Africa, where local banks are expected to become a vital force because of their sophistication and advanced technology

To cater for SA's growing trade relations, South African banks have also been rapidly increasing their correspondent relations with banks throughout the world

The expansion, however, has been contary to world trends International banking has been contracting over the past few years. Many foreign banks have their own problems at home and are focusing internally and are consolidating

A Business Times SURVEY

As international trade opens up for South African manufacturers and exporters, so too does an associated tier of international banking and financial services Because of South Africa's isolation these services were, for obvious reasons, not fully exploited by our local market But now South Africans are represented strongly at trade fairs the world over and, with the gradual renewal of foreign investment in South Africa, the role of the international financier is coming into its own. ZILLA EFRAT reports

Cold

Nonetheless, the drive has enabled local banks to tap into the latest international developments and fast advancing technology after years of isolation

Even during the years of sanctions and in spite of the debt moratorium, banks like ABSA and Nedbank continued to operate previously established subsidiaries in Britain

Other major banks, such as Standard and First National, were left out in the cold when their parent companies left SA However, both have been quick to take advantage of changing circumstances

In May last year, Standard acquired the Isle of Man and Jersey interests of British merchant bank Brown Shipley Holdings It also became the first SA bank to be granted a banking licence from the Bank of England since the debt moratorium and opened a wholly owned subsidiary in London in September

Two months later, Standard bought the African operations of ANZ Grindlays Bank, a move that gives it representation in Zimbabwe, Zambia, Kenya, Uganda, Zaire, Ghana, Nigeria and supplements its bank in Botswana, also established last year

Standard's latest move has been to open a new bank in Antananarivo, Madagascar, called Union Commercial Bank, in partnership with Mauritius Commercial Bank.

It says these moves are part of its intention to be a major regional force in international banking and further strengthen its capacity to facilitate trade flows in Africa

The new African operations will form part of Standard's Africa Banking group, which co-ordinates its interests in Namibia, Swaziland and Botswana

FNB also jumped to action as SA began losing its pariah status It was the first bank to move into Africa when it bought the branch network of BCCB bank in Botswana towards the end of 1991

Benefit

In March last year it initiated a rights issue to raise money, some of which would fund its internationalisation drive.

In November, FNB announced that it had made an offer to buy UK merchant bank Henry Ansbacher Holdings The Ansbacher group will form the nucleus of FNB's European operations and help it re-establish its international capabilities Ansbacher, in turn, will benefit from the flow of business from FNB's client base.

Investec Bank also strengthened its position in Europe by acquiring Allied Trust Bank in London from Barclays Bank in September Investec already has a 30% stake in Amsterdam-based banking group Integro, and its unit in Zambia will be expanded to develop business in Africa Directors say about half the group's income is now dollar based

Nedbank — which has been operating its London office since 1906 — has opened a representative office in Taipei It will augment its subsidiary in Hong Kong, which it established in 1984.

Nedbank says its trust company in the Isle of Man, which is jointly owned by Syfrets and UAL, is expected to provide a springboard for further growth of financial services in the European Community

The bank has also been establishing close working relationships with correspondent banks in key African countries

Banking spinoff for SA computer industry

BDay 18/2/93 (220)

THE Bank of England's decision to grant three banking licences to SA banking institutions is having positive spinoffs for the local computer industry.

Investec Bank and Absa use SPL's asset and liability management system, and SPL recently installed the system at Absa's London branch. Investec is now evaluating the system for use in Britain.

SPL banking division head Daan Mare says the system allows banks to evaluate funding decisions taken by overseas subsidiaries and branches.

"It enforces critical disciplines which must be taken into account when involved in funding and investing operations anywhere in the world," he said.

Mare says a number of SA banks with direct links to counterparts in Europe get more than 50% of their funding from overseas resources. "For this reason, acceptance of SA banks by the international community is essential.

"Although the facilities always existed, the volumes have increased, as have related risks such as interest rates, liquidity and currency risks.

"Treasurers need accurate information to decide when to draw money overseas depending on the actual rates, the shape of the yield curve, covered costs, swap costs and availability of funds compared with local conditions."

Absa uses the asset and liability management system to calculate risk exposure per individual division. Also, the system allows the bank to look at a consolidated position, thus tracking the exposure of different divisions and multiple currencies.

Investec Bank merchant banking division MD Stuart Ham says his bank's strategy is to implement the system in London on the same basis as in SA.

Sappi will use Hannover as launching pad into Europe

STAR 24/2/93

(220)

By Stephen Cranston

Germany is an attractive place in which to invest as management is loyal and honest and assets are almost always undervalued, according to Sappi chairman Eugene van As

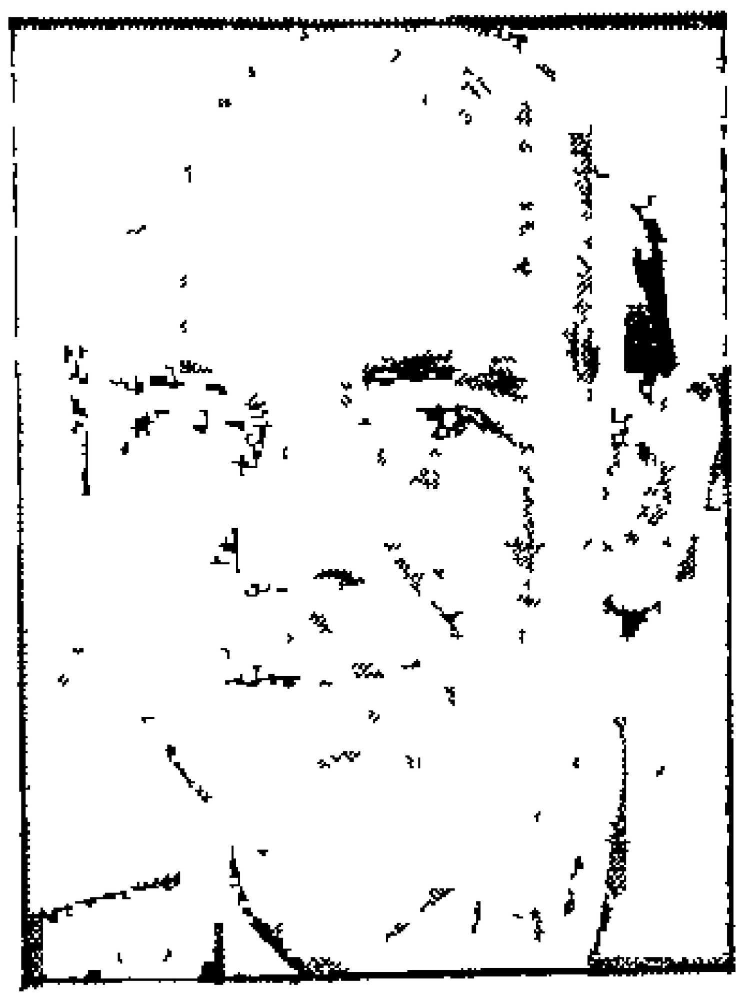
Speaking on his experience of taking over the German papermaker Hannover Papier to the SA-German Chamber of Commerce, Van As said that Hannover's management saw Sappi as its least unattractive suitor when it was put up for sale by its Swedish parent.

Van As said that Hannover management accepted Sappi because it operated from a long way away, it was not American and it was not strong in Europe

Sappi assured Hannover that it would be used as the prime vehicle for its thrust into Europe It would not not be integrated into Sappi and made to lose its identity Sappi has not appointed a single South African manager at Hannover.

Van As said that Sappi found German accounting standards totally different For example, German companies wrote off equipment which it built but found did not work but then two years later found it worked and would write it back again

The book value of the business was Dm140 million and Sappi was criticised for buying the business for R800 million (Dm400 million). But the valuation of assets provided to the banks was Dm1,4 billion



Chairman Eugene van As . . . German middle management is superb.

The book value was particularly low even though most of the equipment was less than seven years old

He said it was important to come to terms with Germany's corporate tax which was calculated on a group basis. One of Sappi's competitors which sought non-German advice on tax after an acquisition paid R400 million in unnecessary tax.

Van As said that German top management operated on a five-year contract unlike in South Africa where a three to six month notice period was standard

German middle management was superb and was well trained for the job but Sappi's marketing was more creative, it offered strong financial engineering and, surprisingly, was more sophisticated in research and development

The Reserve Bank was unlikely to approve of another deal along the lines of the Hannover acquisition, which involved paying with equity. A little over 30 percent of the deal was financed from equity capital raised in Europe

In any case, the collapse of the financial rand made such deals less attractive.

There is no obligation to make an offer to minorities in Germany after a takeover but Sappi wanted to wholly-own Hannover Its offer to minorities in November was accepted by almost all shareholders, bringing Sappi's shareholding up to 98,5 percent Acquiring the remainder of the equity was now a technicality.

Sappi was forming a joint European marketing company between its British and German subsidiaries It was difficult to penetrate the German market as non-tariff barriers such as quality controls and environmental standards were imposed

Van As, though, was confident that Sappi's South African and British products would meet such standards.

Sappi set to absorb Hannover by April

SAPPI expects to gain all of the outstanding equity in German-based Hannover Papier by April.

Sappi executive chairman Eugene van As said yesterday the paper and pulp group now had a 98,5% stake in Hannover Papier following the offer to minorities in November last year.

He told an SA German Chamber of Commerce function in Johannesburg the outstanding interests would be attained "technically" so as "to proceed with the full integration of the business into the Sappi group". Sappi would then "penetrate its British and SA products into the German market, and its German products into the rest of Europe". 220

Sappi purchased 90% of the equity in Hannover Papier last May, placing it among the world's 15 largest forest products groups. BDM 24/2/93.

Van As said the R825m acquisition was proceeding well. — Sapa.

Sanco highly critical of foreign acquisitions

BIDAY 25/2/93. (220)

WILSON ZWANE

THE acquisition of foreign banks and businesses by local banks had done little to build confidence that they were ready to invest in a new SA, SA National Civic Organisation (Sanco) president Moses Mayekiso said yesterday.

Mayekiso said his organisation had completed research showing that capital flight from SA — in the form of offshore investments — involved tens of billions of rands.

Absa, Standard, FNB, Investec and Nedcor had purchased foreign businesses.

Mayekiso said if purchases of foreign businesses by SA banks continued unchecked, it could open new opportunities for those engaged in an "illegal export of capital made during the apartheid years".

He said by purchasing foreign businesses banks were sending a clear signal to foreign investors not to invest in SA once an interim government had been installed.

Such purchases undermined prospects for renewed confidence in the SA economy, he said, adding that the purchases also undermined the country's attempts to build a stable macroeconomic framework "to provide the basis for growth and redistribution (of wealth)"

He said SA's "primitive" exchange controls would have to be "policed extensively as part of attempts to resist any scorched earth response to the emerging new SA"

Sanco was to have made its concerns known at a meeting with the Association of Mortgage Lenders yesterday.

GRETA STEYN reports that bankers responded to Sanco's accusations by saying foreign investment was needed to facilitate foreign trade and encourage foreign investment in SA.

A Nedbank spokesman said banks did not follow an "either, or" approach to investing in SA or overseas — both were necessary and dictated by clients' needs

FNB GM Viv Bartlett said SA was again part of the international community and it would be a disservice to clients not to have an offshore presence Standard Bank Group spokesman Graham Bell said foreign investment by SA companies created wealth by enabling trade expansion

The group had a major presence in Africa because it was SA's hinterland and trade with the continent was growing.

US bank, Investec in Zambia deal

[redacted]RETA STEYN

INVESTEC and the US bank that triggered SA's debt crisis in 1985, Chase Manhattan, have signed an $80m deal with the Zambian Central Bank to provide oil [redacted] trade finance to Zambia. (220)

Investec and Chase are lead managers of the financing arrangement which also includes Société Générale, Générale Bank, Banque Belgolaise and Générale de Banque.

Bankers yesterday described the agreement as a landmark deal that underlined SA's return from the financial cold.

The London-based specialist banking magazine International Financial Review reported the deal was signed after seven difficult months of negotiations, during which Swiss bank UBS put up fierce competition. The magazine said Zambia would rely on Chase's $80m facility to pay for its total annual supply of crude oil and other essential imports. BIDAY 25/2/93

The manager of Investec's emerging markets division, Andrew Smith, yesterday confirmed the deal and explained it had significant benefits for SA exporters. While the main reason for the finance facility was oil imports, the deal was structured in such a way that available finance not used for oil could be used for other imports. The portion of the facility left

☐ To Page 2

Investec

BIDAY 25/2/93 (220) [redacted]

☐ From Page 1

after oil imports had been financed would be used to confirm letters of credit for SA suppliers. [redacted]

Investec would be providing finance only for SA exports. Smith expected the facility to finance trade totalling about $25m a year.

Investec executive chairman Bas Kardol said: "This deal flows from our memorandum of understanding that Investec signed with the Zambian authorities shortly after the new government was formed in October 1991."

The deal was attractive to international banks as Zambia provided copper as collateral, Smith said. The Review reported Chase was awarded the mandate in June last year, beating UBS in close competition, for refinancing an existing UBS-arranged facility which had matured in May. UBS put together the first deal after the Iraqi invasion of Kuwait upset existing arrangements. However, the Zambian authorities were slow to sign with Chase while UBS hoped to secure the contract for a second year. The contract will be renegotiated after a year.

Gordon builds up his British empire

(220) STAR 26/2/93.

By Derek Tommey

Donald Gordon's outstanding ability to create wealth for his shareholders has been recognised by British investors.

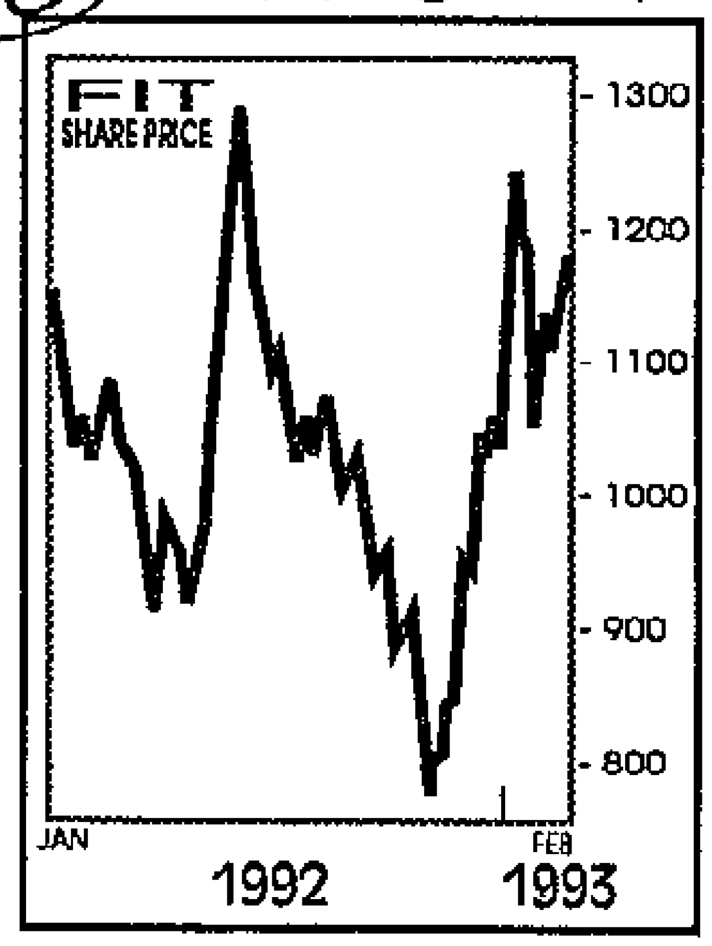
They have been extremely strong buyers of Gordon's British operation, TransAtlantic Holdings (TAH) in recent months, pushing up the share price by more than 73 percent

South Africans know Gordon well He is the man who built up the insurance giant, Liberty Life, from scratch into one of the country's top four insurance companies with assets of more than R22 billion.

With the release today by TAH of its preliminary profit figures for 1992, it is clear that he is well on the way to creating another major financial empire in Britain — a view which Britons appear to fully support

They ignored TAH — which has major property and life insurance interests — when it was listed in London at the end of last July and the share price slid from 197p to 166p by October However, since then they have bought it up to 288c

South African investors are



The FIT share price has risen in recent days on the back of the strongly performing UK investment TransAtlantic

not excluded from sharing in TAH's potential JSE-listed First Investment Trust (FIT) has a 36,8 percent stake in TAH Its shares too have recently experienced a strong rise, moving from 775c in October to around 1100c yesterday Liberty Life has a 17,4 percent stake in TAH

The major interest in the preliminary figures issued today by TAH is how well the company has survived Britain's worst post-war recession which has resulted in a devasting slump in the property market The figures show that TAH has survived extremely well

TAH's profit before interest and taxation rose 41 percent from £68,6 million (R341 million) to £96,4 million (R479 million) This included a £7,9 million (R39 million) increase in property investment income, primarily because of new lettings arising from the shopping centre development programme, and a full year's contribution of £36,7 million (R93 million) from its 50 percent interest in Sun Life Holdings

Profit before tax was £60,7 million (R302 million), down slightly from the £61,2 million (R304 million) in 1991

The net interest charge rose from £7,4 million (R37 million) to £35,7 million (R177 million) which reflects the reduction in interest capitalised on property development projects

After advance corporation tax, which relates to dividends paid, earnings dropped to 9,93p from 14,52p a share But excluding this tax earnings amounted to 13,01p (16,58p)

Dividends totalling 12p (11,45p) have been declared

Shareholders' funds before minorities rose from £775 million (R3,6 billion) to £948 million (R4,4 billion)

The "savage" environment for property development resulted in the net assets being written down from 310p to 274p causing Gordon to complain about the way business property is valued in England.

But because the company's property flag-ship, Thurrock Lakeside Shopping Centre, has "increased its retail dominance", and the emerging signs of a return of consumer confidence holds out the prospect for exceptional growth at the centre, it was revalued from £325 million (R1,5 billion) to £380 million (R1,8 billion).

Thurrock is substantially larger than Eastgate, which is also a Liberty Life development, and boasts that it has all the Bond Street shops but with parking.

It is in Essex just off the M25, and has a catchment area containing 11 million people

FIT reports a drop in earnings from 36,3c to 27,5c a share However, Gordon says these earnings are not readily comparable in the light of the major structural changes at TAH.

An unchanged final dividend of 13c has been declared making an unchanged total of 20c for the year

Interest charges blight TransAtlantic's profit

BDA 7 26/2/93

LONDON — A rise of nearly 400% in interest charges blighted the profit of TransAtlantic Holdings, the UK property insurance group 54% owned by Liberty Life.

The first full year figures for the group since it was listed in London and acquired 50% of Sun Life insurance (in partnership with the French Union des Assurances de Paris) are not comparable with 1991 TransAtlantic then held only 27,7% of Sun Life and 83% of property group Capital and Counties (Capco), which became wholly owned last year.

Chairman Donald Gordon said there were now "definite signs of improvement" for companies which had survived the "property debacle" left by the speculative boom of the 80s

Insurance was also showing signs of recovery but escalating costs needed to be cut and "unsustainably high and overcompetitive policyholder bonuses" declared during the previous decade could have "adverse implications" if, as probable, equity markets capital growth slowed

(220) JOHN CAVILL [redacted]

Yesterday's report showed TransAtlantic lifted gross property profit by £10m to £59,7m while Sun Life contributed £36,7m (£18,7m) to produce a pre-interest surplus of £96,4m — 41% up on 1991

But net interest payable jumped from £7,4m to £35,7m — chiefly because of a fall in the mount of interest capitalised into the value of property projects Pre-tax profit emerged £500 000 lower at £60,7m After tax and minority interests, net equity earnings showed a 4,4% increase to £35,7m.

The impact of last year's £149m rights issue and acquisition of 100% of Capco meant that a marginally higher dividend (up 4,8%) of 12p a share cost £45m against £28m in 1991. This left net earnings a share 32% down at 9,9p.

Sun Life, said Gordon, had defended its new premium income successfully after 1991's "exceptional increase". It totalled £1,49bn against £1,5bn in the previous year and net profit after tax rose nearly 9% to £46,7m.

Minorco hopes to buy Aussie mine dashed

220

JOHN CAHILL

LONDON — Minorco, the £1,5bn international arm of Anglo-De Beers, has been thwarted in its ambitions to buy 49% of Olympic Dam, the giant copper-gold-silver-uranium mine in South Australia BD BM

Yesterday Western Mining Corporation of Perth, which owns 51% of Olympic Dam, said it will exercise its pre-emptive right to buy the 49% stake from British Petroleum (BP) for which Minorco had bid $455m ($240m equity and $216m loans) 3/3/93

Olympic Dam would have been Minorco's second-biggest investment since it launched its worldwide buying spree after its takeover of Consolidated Gold Fields was aborted in 1989

Minorco reached agreement with BP on November 4 last year but in terms of the joint venture agreement Western Mining had 90 days in which to consider taking up its pre-emptive option for the 49%.

A spokesman for Minorco, which holds £1,8bn in cash, yesterday said "We are naturally disappointed — we were looking forward to being a partner in one of the word's major copper mines.

"But we are not really surprised We obviously obtained such a good deal with BP that Western Mining could not resist the opportunity to buy complete control at our negotiated price," the spokesman said.

Lonrho/Gencor 'deal' confusion

BDM 3/3/93

MATTHEW CURTIN

CONFUSION surrounding the future of Western Platinum, Lonrho's debt-heavy platinum mines, intensified yesterday as the troubled international trading company denied a report that a deal between Western Platinum and Gencor was imminent.

Reuter reports Lonrho deputy chairman Paul Spicer said the report by the London Financial Times — which said Gencor might be about to increase its 27% stake in the platinum mines to 49% — was "purely speculative" He would not comment on whether talks were in progress, but dismissed suggestions, which the Financial Times said had come from a senior Lonrho source, that discussions had narrowed to three options, one involving a deal with Gencor

Although Gencor and Lonrho spokesmen in SA remain tight-lipped, it is not the first time conflicting accounts have emerged about the future of two parties' relationship in SA. Lonrho said it had walked away from a possible merger with Gencor last year, opting for the involvement of German businessman Dieter Bock

In contrast, Gencor has argued it was interested only in increasing its stake in Lonrho's SA platinum assets and other African mining interests, rather than any deal involving Lonrho's varied non-mining interests which range from hotels, and vehicle distribution to tomato farming.

Analysts said yesterday the irony of the situation confronting Western Platinum, Gencor and Impala Platinum was that while the depressed platinum market was putting pressure on Western Platinum to lighten its debt-burden, weak market conditions prejudiced the chances of a rights issue succeeding and Gencor/Implats' ability to pay a satisfactory price for an increased share in Western Platinum

Frankel Pollak Vinderine analyst Peter Davey said Western Platinum was struggling to cover interest payments The group reported sharply reduced after-tax profit of R81m (R149m) in 1991/92, and passed its dividend payment, R97,1m in 1991

Davey said doing a deal with Gencor, as opposed to trying to list the platinum mines on the JSE in their own right or via a quoted mining holding company, would be "the cheapest route out of their troubles"

However, cash-strapped Implats was unlikely to be willing to inject the finance Western Platinum would want It could argue that investing in Western Platinum was sound in the long-term, but parent Gencor would be required to put up the necessary cash at a time when it faced multibillion rand capital commitments in Alusaf and the Columbus Stainless Steel joint venture

Simpson McKie analyst Rodney Yaldwyn said. "Both sides are in a pickle."

Star 4/3/93

Companies warned to invest or face losing market share

By Tom Hood

CAPE TOWN — South African industries will have to be international players even if they are not exporters.

That is the message from Bill Cooper, chief executive of diversified industrial group T&N Holdings, which in the year to end-December lifted its earnings a share 23 percent to 86c, its dividend by 41,7 percent to 34c and its operating profit by 21,5 percent to R48,5-million.

These results, says Cooper did not happen by chance

"In South Africa, the thrust is to grow your business through exports as the local market is dormant"

Although the group's local markets shrunk, its market share and volumes increased, suggesting that competitors took the brunt of the recession

But most South African companies tend to be introverted rather than outward looking, he says.

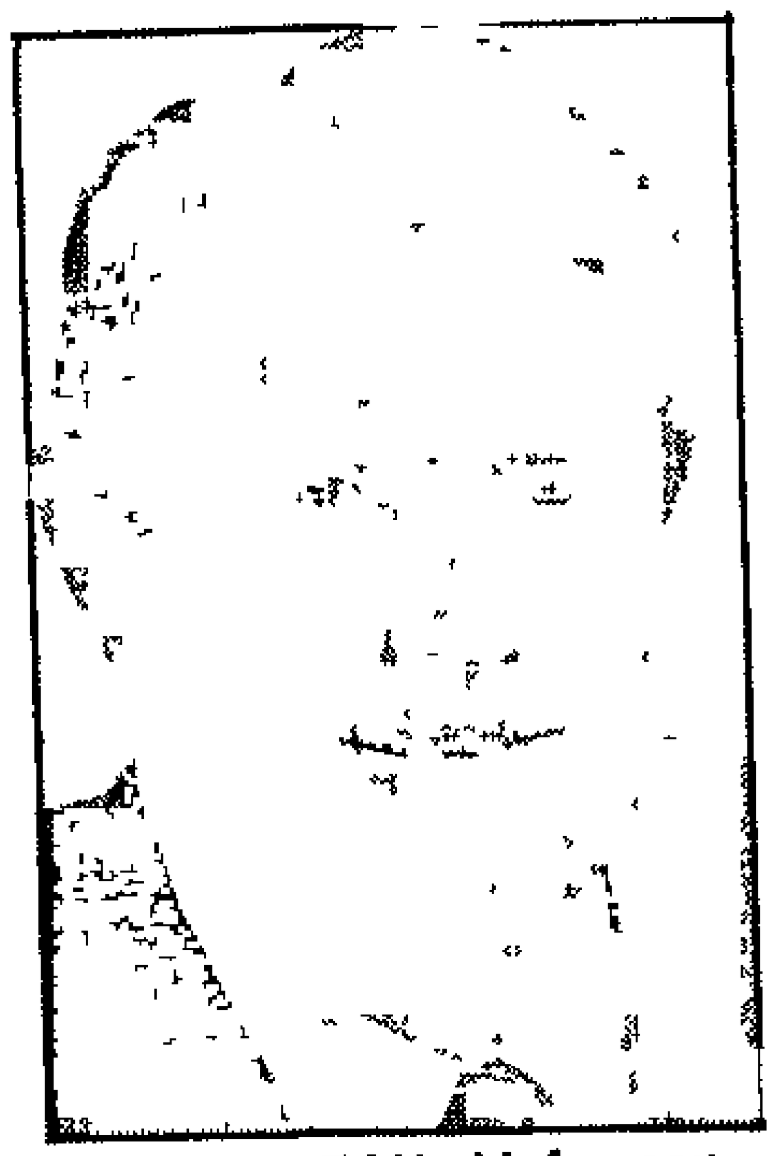
As tariff and political barriers drop, there will be new international competitors in the domestic market

"Things could turn up more quickly than people expect Usually, when this happens, there's a trebling of uptake If people start importing, we will lose our market share"

The key here is not to hold back on investments T&N has committed more than R10-million in the past financial year

Ferodo, which made a particularly good showing was allotted R2,5-million to increase disc brake capacity by 25 percent

"We are surprised by our own success. We seem to have got the marketing mix right"



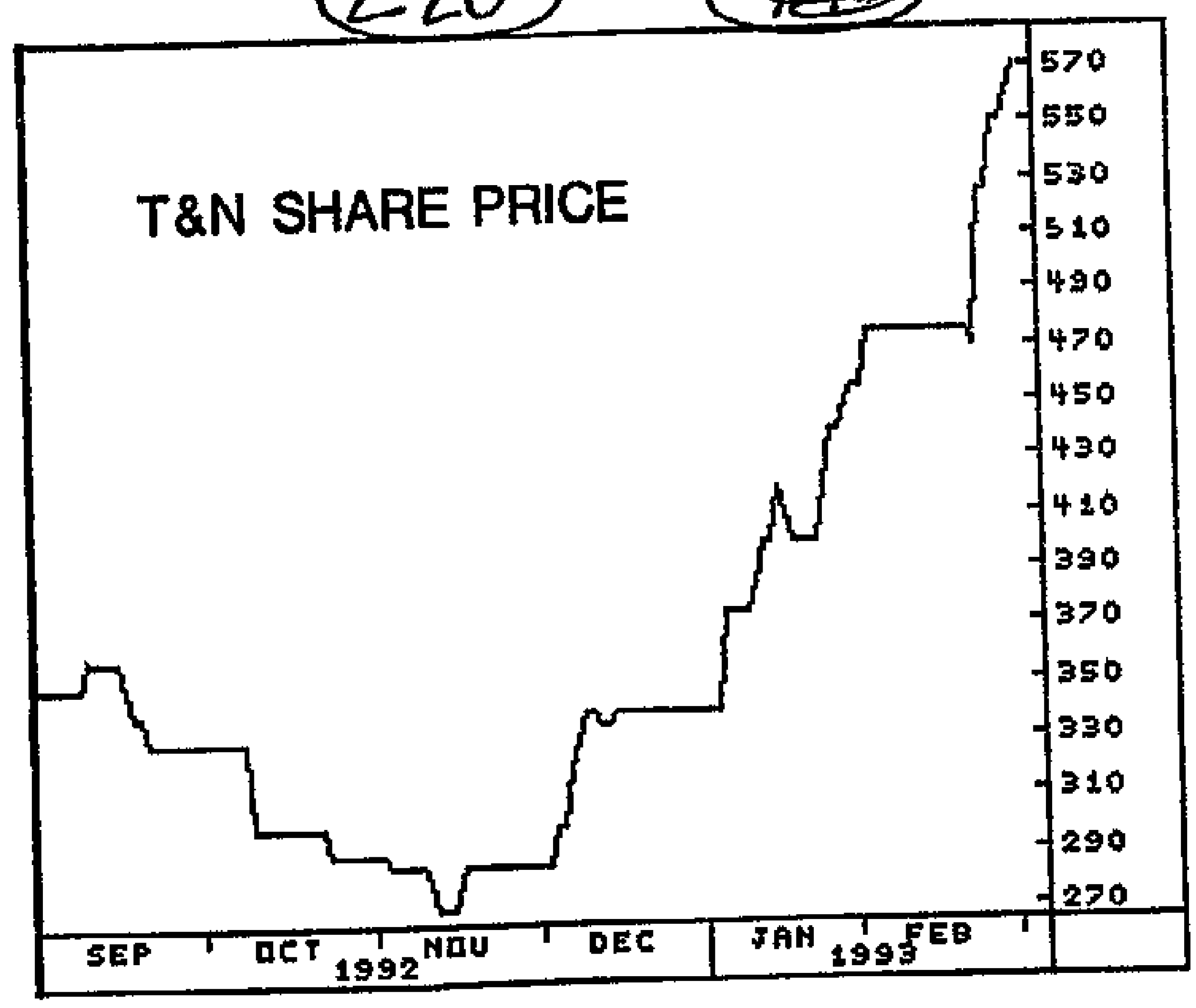
Bill Cooper, T&N chief executive . "surprised at our own success"

Cooper says the group is budgeting for a 50 to 70 percent increase in turnover at FHE Automotive in 1993

The company has expanded to incorporate a number of technologies and now provides a full range of heat exchange products

Last year, two injection moulding machines were installed at a cost of R3-million and the investment in a new plant for automotive heaters has been justified by two major contracts from Nissan

A joint venture with an air-conditioning company later this year, to be known as Ebcon, entails an investment of R4,5-million. This will facilitate the manufacture of a full range of fully packaged cooling systems



AE Bearings in Pinetown operated at 100 capacity throughout last year Shortly before Christmas, the company installed a new bearing line and will add another "in the not too distant future"

Another major development — a R3,2-million investment in AE Sinterline in Pietermaritzburg — will give the company both a local and international edge. Raw material for high quality bearings which was previously imported from Australia can now be produced locally

Glacier Bearings invested R800 000 in upgrading high precision machinery and TBA Industrial is installing a new calendar at a cost of R300 000 to replace antiquated equipment dating as far back as 1920.

Cooper emphasises that T&N has invested in products with a long-term strategic importance which has meant significant changes in operations and management input

Because of this T&N disinvested from loss-making Pinetown-based resin business British Industrial Plastics for a tidy R2,3-million profit in September.

The related moulding powder plant was another grey area

"When they lifted import controls, we took the full brunt of international competition The plant had to operate differently

"We invested R1,3-million in additional machinery and revamped the whole plant" tor Danie Hough yesterday

as much labour as technically possi- tion

BIDAY 4/3/93

R520m Post Office loss

BUSINESS Day incorrectly reported yesterday the Post Office suffered a loss of R30m more than budgeted for In fact, the utility incurred a loss of R520m, compared to an expected R570m loss Business Day regrets the error

Japan steel exports up

JAPAN's steel exports in January rose 3,9% from the same month a year ago to 1,24-million tons, marking the ninth consecutive month of year-on-year gain, the Japan Iron and Steel Federation reported in Tokyo yesterday A spokesman said sharp increases in exports to China helped offset plunging exports to the US in the wake of anti-dumping duties on carbon steel imports

REPORTS Sapa Business Day Reporters AP DJ

China spends R9m on office block

BIDAY 4/3/93.

TRACY SCHNEIDER

THE Great Wall Group, a trading company founded by the mainland Chinese government, has bought a R9m office block in Bedfordview to start its business venture in SA

The office will be opened officially at a function this evening

China s trade with SA previously was conducted discreetly through Hong Kong until political changes in SA prompted it to introduce direct trading links last year

Exhibitions are now planned in both countries, starting in Johannesburg in April with a trade expo organised by the China Council for the Promotion of International Trade

The Great Wall Group will be involved in an exhibition in SA in September, when 100 corporations will display a variety of goods including textile, industrial, chemical and hardware products SA businessmen will be invited to exhibit in Beijing in March 1994

"We came here with the express purpose of facilitating trade and economic co-operation with SA," said the group's business manager Qingguo Jiang "Apart from the Bedfordview offices, we have R2m in other assets and are looking into other real estate opportunities and joint investments with local businessmen We also are hoping to invest in factory and manufacturing plants"

And China and SA Trading GM Chenxiong Liu said "About 200 Chinese businessmen will come to SA to meet their counterparts and discuss business"

'Tax hike will slow economy'

BIDAY 4/3/93.

GERALD REILLY

PRETORIA — The tax hike to be imposed in the March 17 Budget will slow down an almost static economy further and stagnation will continue into 1994, economists say

Stellenbosch Bureau for Economic Research economist Nils de Jager said yesterday consumer confidence was at a low ebb anyway and would be depressed further as disposable incomes shrank

Sales would decline further, spare industrial capacity, now at about 20%, was likely to increase, as would unemployment and crime

The conventional Keynesian medicine for a rundown economy, De Jager said, was to increase state spending directed at creating jobs and to reduce taxation However, in government's present Catch 22 situation, this was impossible

It could be said taxation was being raised to pay interest on government's massive debt which had reached 9% or nearly R30bn

Interest on the debt was the largest single Budget item, even exceeding the education vote

De Jager said the debt problem had been aggravated by government writing off R3 6bn in drought aid in the coming financial year instead of over three years as first intended

But, De Jager added, perhaps the most worrying consequence of higher taxation was the impetus it would give to greater unemployment

Absa senior economist Adam Jacobs said tax hikes would contract the economy further and could result in government's tax take from companies and individuals actually decreasing in spite of the hikes

"We are caught in a vicious circle with company profits and taxpayers' incomes threatened by declining consumer demand and growing unemployment," he said

Jacobs said another serious consequence would be a further shrinking of personal savings

De Klerk rejects mine loss claim

BIDAY 4/3/93

220

CAPE TOWN — Government was not liable for losses suffered by SA company Swissborough Diamond Mines, President F W de Klerk said in Parliament yesterday

Replying to a question by Luwellyn Landers (LP Durban Suburbs), he said government had told Swissborough director Josias van Zyl there were no acceptable grounds for the appointment of an independent inquiry into the alleged confiscation of the company's interests when the Lesotho government revoked its mining leases as part of the Lesotho highlands water scheme

Van Zyl had been told to direct any claims to the Lesotho authorities The Swissborough issue is pending before the Lesotho high court

The question had been why government had not intervened after SA nationals had suffered a R1bn loss De Klerk said it had to establish if the loss had been suffered, and then if intervention was required — Sapa

Chamber call for wage restraints

MARIANNE MERTEN

THE Northern Transvaal Chamber of Industries had urged that wage restraints be included in Finance Minister Derek Keys' model for economic restructuring, it said in a statement yesterday BIDAY 4/3/93.

The Keys model, due to be published next week, is thought to address economic restructuring to promote the productivity of resources

Wages had risen over the past three years despite negative growth to such an extent that it had increased the unit cost of production, a chamber spokesman said.

Wage increases had created a structural economic problem which could not be addressed by only looking at wage restraints, but other factors such as export incentives and government control needed to be examined

Etam wins respite from Oceana's bid

8/3/93

MARCIA KLEIN

ETAM, the UK company subjected to a hostile takeover bid by Stanley Lewis's Oceana, has won a respite with a change in the British takeover panel's rules on "creeping control".

London's Daily Mail reported on Friday that a holder of between 30% and 50% of a company can buy only 1% of its shares a year, compared with 2% previously.

Oceana, which gained 34,4% of Etam in the failed takeover bid, took up its 2% in December. Now, instead of falling to "creeping" control in 2001, Etam "can stay free for at least eight years longer"

Lewis would be 88 years old by the time he gained control of Etam

(220)

(2) ±83%,

(3) no

Certain high school declared Model D school

21 Mr L LOUW asked the Minister of Education and Culture:†

Whether he recently declared a certain high school, the name of which has been furnished to the Minister's Department for the purpose of his reply, to be a Model D school, if so, (a) why, (b) (i) on what date was the school so declared and (ii) how many White pupils were enrolled at the school as at that date, (c) (i) how many (aa) White pupils and (bb) pupils of colour are currently enrolled at this school and (ii) in respect of what date is this information furnished and (d) what is the name of the school concerned? B272E

The MINISTER OF EDUCATION AND CULTURE:

No, a Model D school was opened in unutilized buildings at Brandfort With the amalgamation of the Hoërskool Staatspresident Swart, Brandfort and the Laerskool Brandfort in the buildings of the Laerskool Brandfort, the terrain of the Hoërskool Staatspresident Swart became available On 1 January 1993 the new Model D Hoërskool/High School Brandfort was opened on this terrain On 25 February 1993 it was attended by 70 pupils from other population groups and had no white pupils

HOUSE OF REPRESENTATIVES

QUESTIONS

†Indicates translated version

For oral reply

General Affairs

State President.

President's Council: moratorium on appointments

*1 Mr P A C HENDRICKSE asked the State President

(1) Whether, in view of his announcement on 29 January 1993 that the President's Council is to be phased out, he will impose a moratorium on further appointments to this Council; if not, why not, if so, what are the relevant details;

(2) whether persons appointed to the Council after 29 January will receive the same compensation in respect of early termination of services as will members of the Council appointed prior to that date, if so, why; if not, why not? C29E

†The MINISTER FOR PUBLIC ENTERPRISES (for the State President)·

(1) To the extent that I have the constitutional authority to decide on the appointment of members of the President's Council, it is my intention, subject to the quorum requirement in section 74 of the Constitution, not to make any further appointments In my capacity as leader in Chief of the National Party I wish to state, subject to the afore-mentioned reservation, that no new appointment will be made either by means of decisions by the respective Houses in terms of section 70(1)(a)–(c) of the Constitution. For purposes of section 70(1)(d) of the Constitution I urge opposition parties to follow the same approach

To the extent that the above-mentioned approach may require corrective legislative measures, the intention is to provide for them in the legislation concerning the final dissolution of the President's Council.

(2) No, because it is foreseen that the term of office of any member of the Council will play an important part in the determination of the extent of any compensation payable because of the Council's final dissolution

Ministers

Company in Lesotho: diplomatic protection for SA shareholders

*1 Mr L T LANDERS asked the Minister of Foreign Affairs

220

(1) Whether he or his Department has provided diplomatic protection in respect of South African shareholders of and investors in a company whose interests in Lesotho have allegedly been confiscated and whose name has been furnished to the Minister's Department for the purpose of his reply; if not, why not, if so, (a) when, (b) what was the (i) nature and (ii) extent of this protection and (c) what is the name of this company;

(2) whether he will make a statement on the matter? C8E

The DEPUTY MINISTER OF LAW AND ORDER (for the Minister of Foreign Affairs)

(1) No No request from the South African shareholders of and investors in the company concerned for protection of their interests in Lesotho has been received by my Department

However, the former South African Representative to Lesotho did entertain a request from a South African shareholder of the said company to enquire when judgement in an urgent application brought by the company and others against the Military Council of Lesotho and others in the High Court of Lesotho may be expected.

(a), (b) (i), (ii) and (c) fall away

(2) This matter has been dealt with in the State President's reply to question No 1 of 19 February 1993

Mr L T LANDERS Mr Chairman, is the hon the Deputy Minister in a position to reply to any questions?

PTO →

Star 10/3/93

Invest in SA, urges US envoy Andrew Young

220

By Jo-Anne Collinge

It would be wiser for multinational corporations to "get back into South Africa when the time is right" than for them to invest in Taiwan, Moscow or other parts of the old Eastern bloc, predicts Andrew Young, former US super-champion of economic sanctions

Sporting the five-ringed badge of the Atlanta Olympic Committee, of which he is vice-chairman, Young delivered an unscripted and candidly optimistic talk to the Media Forum in Johannesburg yesterday

"It's sort of unpopular in South Africa right now for white folk to be optimistic," he observed, as he challenged the conventional wisdom that foreign investment was headed almost exclusively to the former Eastern bloc and Asia.

Asserting that southern Africa was an attractive option for capital, he drew on a range of experiences and a fund of anecdotes to argue the point.

Speaking as vice-president of an international engineering group, Young said he had found former communist countries often lacked the institutional capacity to use foreign capital.

In Africa, where his firm had engineering projects from Somalia to Swaziland, business was profitable There was a shared language and a cultural affinity Much as the ANC used socialist concepts, its leaders "do have a sense of profit and a sense of business", said Young

The people in South Africa were here to stay and would surely realise that living together with a chance for peace and prosperity was better than "fussin' and fightin'," he said.

Last time he was in Zimbabwe he visited Ian Smith, Young related. In contrast to other Harare notables, there were no guards at Smith's gate. "The front gate was open . . I walked up the porch — and the front door was wide open!"

Young walked away struck that "this man — responsible for UDI — was living in peace with his doors wide open", on a Zimbabwean government pension, "probably better off than when he ruled the country"

Young hoped the Clinton administration would display a quality long lacking in US national politics — an ability to make foreign policy and economic investment work together. Angola was a critical area where this should be brought to bear, said Young.

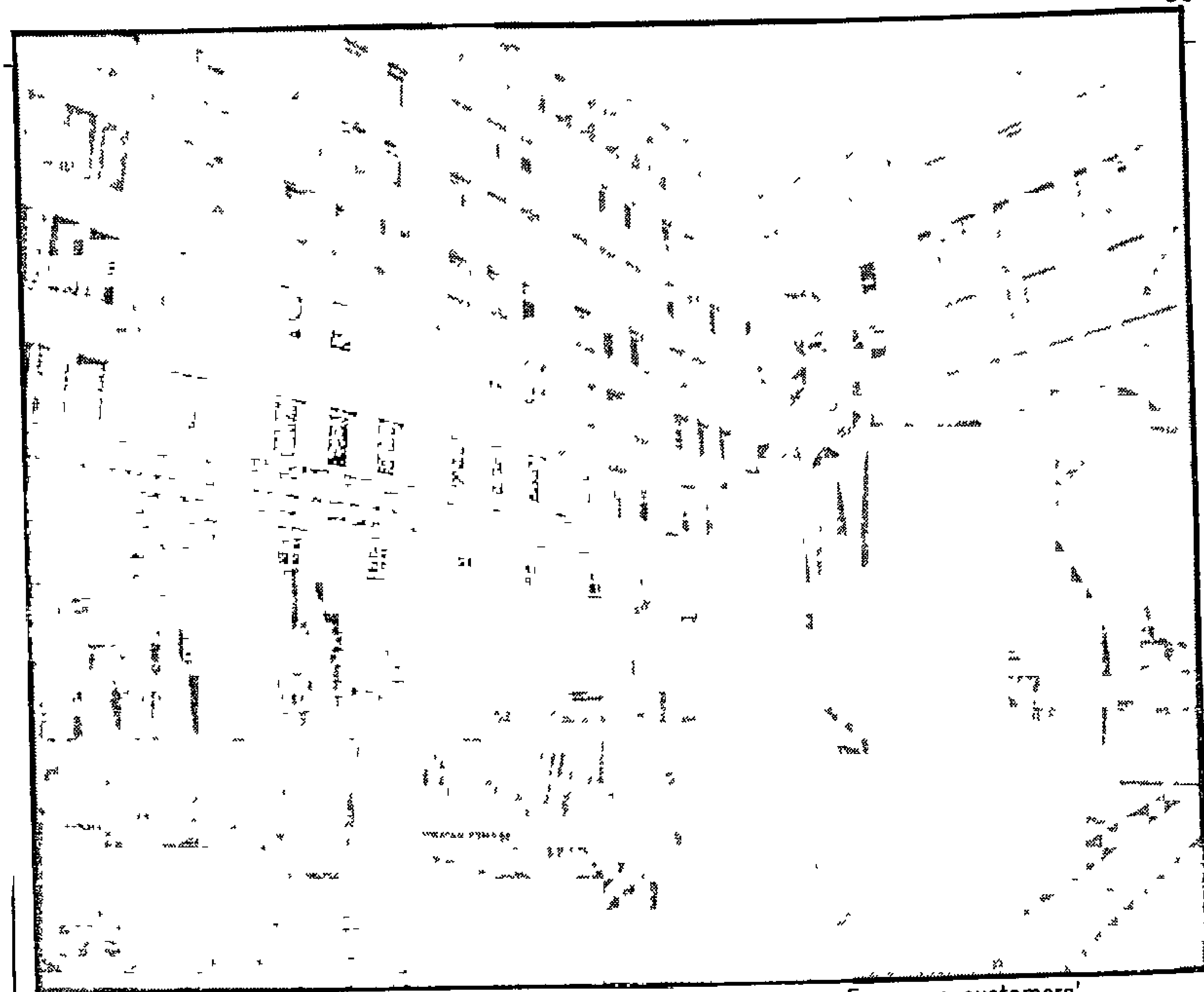
He asserted that Clinton should not only recognise the MPLA government, but should give it military and economic assistance.

In the course of preparations or the 1996 Atlanta Olympics, Young said he was repeatedly asked by sponsors when South Africa would be "opening up" for investors

● Peter Davies reports that Young, one of South Africa's most bitter critics during the '70s and '80s, yesterday pledged his support for a South African bid to host the 2004 Olympic Games

Young also presented an Olympic flag to National Olympic Committee chairman Sam Ramsamy at Olympic House in Johannesburg.

Young said Ramsamy had stood by him in the years when Atlanta was known only as the city that housed the headquarters of Coca-Cola and CNN



BARRY SWART . 'Zurich is an ideal location for servicing European customers'

220

FNB rolls into Switzerland

S/Times Buss 14/3/93

By CHERILYN IRETON

FIRST NATIONAL BANK is speeding up its international expansion with the opening of a branch in Switzerland in July. FNB claims to be the first SA bank to open a branch in Continental Europe following its successful application to the Swiss authorities for a full banking licence.

"The new branch — in Zurich — represents a great step towards achieving our overall internationalisation plan," says FNB managing director Barry Swart. "Zurich is an ideal location for servicing European customers"

The move follows FNB's £57,8-million acquisition of British merchant bank Henry Ansbacher Holdings, which is the base from which the FNB Group will spearhead its operation in the European marketplace

"Although the Zurich operation will function as a full branch of FNB it will not enter the personal retail banking market," says Mr Swart.

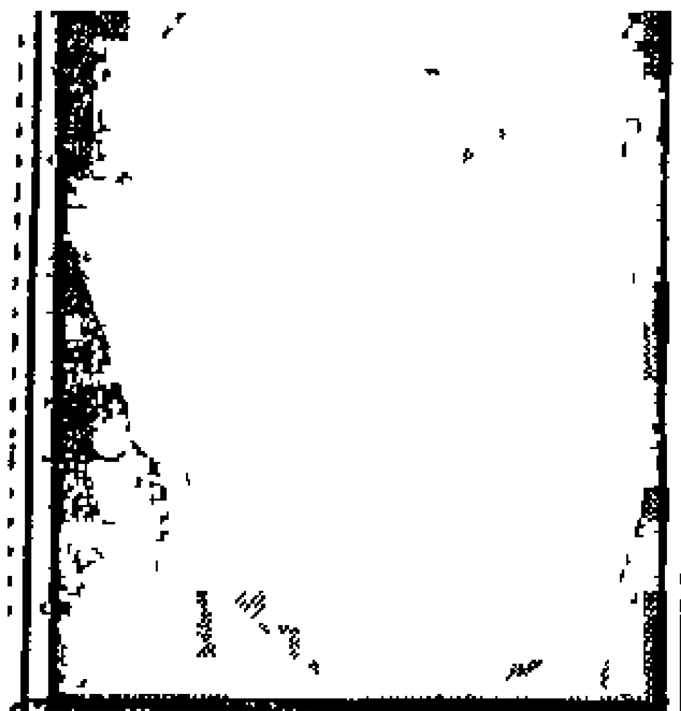
"We will concentrate instead on international trade finance and servicing the needs of our southern African customers with foreign interests and international customers with business links to southern Africa."

Monies raised in FNB's rights issue last year were earmarked to fund the offshore expansion. However, Mr Swart says that the Zurich operation, being a branch, will not be subject to capitalisation requirements.

"We established a representative office in Zurich many years ago and have maintained this presence ever since. We now need only convert that operation rather than establish one from scratch," says Mr Swart

The Zurich branch will be headed by a Swiss local, Peter Siragna, and Pieter Myburgh, of FNB's International Division, will be seconded to Zurich as deputy chief manager.

The branch is expected to be fully operational by July



RON HAYWOOD

SACOB LOOKS ABROAD

220

By ZILLA EFRAT

SACOB and its chambers are set to play a more significant role in international trade development.

Sacob deputy director-general Ron Haywood says his organisation has decided to focus more strongly on interfacing with the international chamber of commerce network. S Times Buss 7

Sacob is also going to become more involved in outward missions and the promotion of trade fairs 14/3/93

It will support an initiative in the Ivory Coast later this year and has other local and international exhibitions in mind Its larger chambers are also setting up international departments

Organised

Mr Haywood says this is because the chamber movement has become a prime vehicle for business interaction in many countries, especially in Europe, Central Europe and Africa.

Many of the recent trade delegations to South Africa, including those from Thailand and Bahrain, have been organised by chambers of commerce

In addition, there are now 17 bilateral chambers of commerce in SA. Recent additions include those with Canada, the Netherlands and Zaire and a Finnish-South African chamber is about to be formed

First National to open Zurich branch

TRACY SCHNEIDER

FIRST National Bank (FNB) had been granted a full banking licence by the Swiss authorities and would open a branch in Zurich by July this year, FNB MD Barry Swart said at the weekend

FNB had a representative branch in Zurich and this would be converted to the new branch, Swart said

"Although the Zurich operation will function as a full branch of FNB, it will not enter the personal retail banking market Instead, we will concentrate on international trade finance and servicing the needs of SA customers with foreign interests and international customers with business links to southern Africa."

Cash raised in FNB's rights issue last year was to fund the organisation's international expansion However, Swart said, the Zurich operation — being a branch — would not be subject to capitalisation requirements FNB's recent acquisition of British merchant bank Henry Ansbacher Holdings gave it a base to spearhead its European operation.

Angolan fighting scuttles LTA deal

220 ANDY DUFFY

CONSTRUCTION group LTA has scrapped plans to buy into Constrei, the contractor owned by the Angolan government

LTA says it has now drawn up alternative acquisition plans in other, unnamed, southern African states.

The terms of the Constrei deal had been agreed, but the recent upsurge in fighting in Angola killed the sale

Although talks between LTA and the MPLA government have now been closed, LTA refused to detail the terms of any proposed deal. B/DAY 15/3/93

LTA group MD Colin Wood said the group was still considering the plan

But shareholder Anglo American Industrial Corporation (Amic), which is to increase its stake in LTA to 72% at the end of this month, confirmed the deal was off.

"There is no question of going ahead," said Amic chairman Leslie Boyd. Neither Boyd nor Wood would comment further.

Talks between LTA and the Angolan government had been under way since last year. The contractor wanted to use Constrei — Angola's largest contractor — in its strategy to seek work outside SA as a cushion against a declining domestic work.

LTA's cross-border operations are based in Lesotho and Botswana.

● See Page 2

National Health and Population Development	1 224,0	2 243,0	83,2
Police	5 644,7	6 451,5	14,3
Environment Affairs	207,0	221,0	6,7
Water Affairs and Forestry	389 0	409,3	5,2
SA Communications Service	51 6	54 0	4 6
Constitutional Development Service	41 2	66 3	61 0
Local Government and National Housing	977,5	841,6	−14 0
Regional and Land Affairs	21 647,0	25 193,0	16,3
State Expenditure	606,2	682,0	12,5
Central Economic Advisory Service	4,3	4,9	14,0
Public Enterprises and Privatisation	7,5	8,2	9,3

(In some cases the allocations for 1992-1993 do not match the allocations as originally printed in the Budget estimates This is due to a shift in functions and a reclassification of expenditure)

COMPANY TAX (320)

Shock to the system

FM 19/3/93

The revision of company taxes is major and unexpected The company tax rate of 48% will be cut to 40% with the simultaneous introduction of a 15% tax on distributed income

Kessel Feinstein tax partner Ernest Mazansky says the proposed secondary tax on companies (STC) is based on sound international precedents It will be payable even if a company has an assessed loss This could arise, for example, where companies with tax losses issue preference shares as a tax-efficient form of funding working capital

But there is no mechanism to make a company declare a dividend to trigger STC, as the old Undistributed Profits Tax had

There are particular concerns about foreign companies operating in SA A branch established by a foreign company will be subject to tax at 40% If the head office then declares a dividend, the branch will be liable for STC on part of the dividend, pro rata to the SA-sourced profits

The same rule already applies to non-resident shareholders' tax (NRST) So, if the foreign head office declares a dividend, it should pay SA NRST on so much of the dividend, pro rata, as is attributable to the SA branch profits In practice, says Mazansky, this does not happen

Unless Revenue becomes more diligent, not only will the dividend continue to escape NRST but STC will also not be paid

Deloitte & Touche tax partner Anne Bennett says the formula for taxing dividends paid by foreign companies with SA branches could contravene important double tax treaties Foreign shareholders in SA companies may be harmed if their domestic tax law, or a double tax treaty, do not allow them to claim a credit for STC paid in SA

FM 19/3/93 (320)

As STC must be paid even if there are no taxable profits, it is classifiable as a withholding tax on dividends This creates the risk of contravening certain treaties (such as UK/SA) which cap the rate for SA NRST

Bennett says government seems to be encouraging foreign investors to reduce their tax liabilities by resorting to loan finance, which generates tax-free interest

Mazansky argues that owner/managers of private companies will set their salaries at a level where their personal marginal rate is 40%, to correspond to the new company rate, rather than be taxed at the personal maximum marginal rate of 43%

Any additional funds for personal use will be obtained by drawing down the credit loan accounts frequently established since March 1992, when tax on dividends was abolished

Deloitte & Touche tax partner Willem Cronje argues that such a transaction could be challenged by Revenue, perhaps under the general anti-avoidance Section 103 of the Income Tax Act This would apply especially where the transactions were done through journal entries without an actual cash payment of the dividend

To deter avoiding STC by borrowing from a company or dividend stripping, S8B, S8C and S8D will be reintroduced and tightened S8B deemed loans by a private company to a shareholder to be a dividend S8C dealt with the sale of shares in a company with distributable reserves, deeming those reserves a dividend in some circumstances S8D was an antidote to dividend stripping in private companies It is confusing, says Cronje, to group this with 8B and 8C

Bennett notes there will be no relief for profits earned before March 17 This could tempt private companies to backdate dividend declarations credited to a loan account rather than paid in cash

Companies which have realised exceptionally large capital profits should consider the

continue

FM 19/3/93

(220)

SA's BALANCE SHEET

Portfolio shifts

A sharp swing in the nature of foreign investment in SA during the Eighties, which should give cause for concern to both policymakers and investors in general, has been revealed in a document published with the latest Reserve Bank *Quarterly Bulletin*

It is the Bank's fourth census of foreign transactions, liabilities and assets It comprises an analysis, by type of investment and sector, of direct and indirect foreign investment in SA and SA investment abroad as at December 31 1989

The census shows a big shift in the relationship between direct and indirect foreign investment between the end of 1980 and the end of 1989

Over this period, direct foreign investment fell from 48,3% of total investment to 23,7% This movement reflects the wave of disinvestment associated with official sanctions and voluntary withdrawals.

The substitution of indirect (portfolio) investment for directly managed investments kept overall statistics at a reassuring level. But the decline of direct investment caused incalculable damage to the economy The Bank points out the direct foreign investor hopes for a variety of benefits, over and above dividends and interest, from its holding These include management fees, the expansion of markets and securing a source of raw materials

The spin-off for the host country is an injection of state-of-the-art technology and diffusion of upmarket skills

The census shows that, at the end of 1989, SA's foreign assets (excluding gold reserves) were about R48bn Of this the non-monetary private sector owned R39,3bn in foreign assets — amounting to 81% of total foreign assets (excluding gold reserves) At the end of 1980, the non-monetary private sector held R8,5bn in foreign assets.

On the other hand, the composition of SA's overseas holdings shifted strongly towards direct investment — to 69% of total foreign assets (excluding gold reserves) at the end of 1989, compared with only 50% at the end of 1980

About 70% of total foreign assets (excluding gold) at the end of 1989 were in the EC and 11% in North and South America Of total foreign investment in SA, 50% came from the EC in 1989 — though this percentage had declined from 58% in 1980

All these values are given in money of the day So relating the various trends to GDP will be useful The Bank provides figures for 1973-1989. Total foreign liabilities stood at R86,4bn at the end of 1989 which was 37% of GDP This compared with R10,4bn, 54% of GDP, at the end of 1973 Foreign assets, including gold reserves, amounted to R51,2bn, 22% of GDP, at the end of 1989, compared with R3,4bn, 18% of GDP, at the end of 1973

The ratio of total foreign liabilities to total foreign assets shifted from about 3.1 to 1.1,7 over this 16-year period. Foreign liabilities grew 8,3 times while foreign assets grew 15,1 times. This comparative analysis shows the debt crisis was one of liquidity rather than solvency

The long delay in producing the census, despite the availability of computing systems, is attributed to the problem of getting about 80 000 recipients of the Bank's questionnaires to complete and return them

At the editing stage many returns were incomplete or contradictory, which meant a further round of correspondence and analysis ■

INTEREST RATES

Not very accommodating

FM 19/3/93

Banks are facing higher costs as the Reserve Bank attempts to simplify its accommodation procedures which could cause the general level of short-term interest rates to firm despite sagging demand

Banks are accommodated at the Reserve Bank discount window to finance their cash shortages at the end of each day. The rates at which they are allowed to borrow depend on the liquidity of instruments offered as collateral Together with the size of the shortage, the rates charged and the instruments available for discounting at each rate are important cogs in the Bank's monetary policy

Now, amending legislation to the Deposit-Taking Institutions Act, to be known once more as the Banks Act, strips bankers' acceptances (guaranteed bills of exchange) of liquid asset status This deprives the banks of a security which can be rediscounted with the Reserve Bank at a favourable rate.

Further amendments have been proposed which will put banks at an even further disadvantage by forcing them to pay even higher penalty rates

Under the present system banks are accommodated over a spread of seven rates Treasury and Reserve Bank bills at Bank rate, while penalty rates, 4,75 percentage points above Bank rate, are charged on long-term gilts. Until the amending legislation was passed this month the 91-day liquid bankers' acceptances played a crucial role in banks' financial management as they were rediscounted at only one percentage point above Bank rate.

The Bank now proposes to narrow the spread to three rates Liquid Treasury bills, Reserve Bank and Land Bank bills, with a maturity of up to 91 days, will be accommodated at Bank rate. The same bills, with maturity between 91 days and three years, will be accommodated at a rate "to be set by the Governor " But all other instruments (including BAs) will be accommodated only at a higher, penal rate — above prime

Rates could tick up because banks, which are short of liquid assets just prior to seeking assistance at the discount window, would have to bid up their deposit rates to avoid

US subsidiary gives big boost to Telemetrix

BDAY 19/3/93. (220)

Business Day Reporter

TELEMETRIX, the London- and JSE-listed electronics and information systems group, increased earnings threefold after doubling profits in the 1992 financial year

The group announced yesterday that pre-tax profits doubled to R45,5m, after a net exceptional charge of R4,2m, from R19m

The group overcame difficult economic and trading conditions, particularly in the UK and Europe, to increase turnover 17% to R455m.

Earnings a share increased from 8c to 23c, mainly as a result of a doubling in attributable profit from the group's US listed subsidiary GTI

The dividend for the year was increased to 3,7c from the previous 2,8c

The directors reported the net exceptional charges of R4,2m were made up of costs of R20m relating to the closure of loss-making businesses reported at the interim stage, and the disposal of surplus properties, less a gain of R15,8m from the sale of 329 000 shares of common stock in GTI Corporation.

Chairman Arthur Walsh said after restructuring the group was more clearly focused on its core businesses, supplying specialised electronic components and test equipment.

The group's net cash at the year end was R5,1m against borrowings of R22,3m in 1991.

Walsh said the improvement arose from the sale of GTI shares for R33m and cash generated from operations.

GTI continued its sales and profit growth during the year under review. Profit before tax increased 104% to R37,6m on sales up 37% to R283m

Zetex, the UK-based specialist semiconductor manufacturer, nearly doubled profit before tax from R5,1m to R9,7m on sales which were 31% higher at R73,9m.

Altron has a 7% stake in Telemetrix.

There's a direct banking link to East

SI Times (Buss) 21/2/93

FRENCH Bank of Southern Africa can offer local companies a direct link into Singapore and South-East Asia through its parent Banque Indosuez's international network

Banque Indosuez, one of France's largest banks, transferred its Asian headquarters from Paris to Singapore in mid-1990, enlarging its functions and scope at the same time

The headquarters supervise branches and affiliates in Hong Kong, Indonesia, Malaysia, People's Republic of China, Singapore, Thailand, Taiwan, the Philippines and Vietnam It also covers Burma, Cambodia and Laos

Renamed

220

Banque Indosuez's ties to Singapore go back to 1905, when Banque de l'Indochine first opened its doors at Raffles Place Banque de l'Indochine was merged with Banque de Suez in 1975 and the group was renamed Banque Indosuez in 1981 It is now one of 23 fully licenced foreign banks operating in Singapore

Banque Indosuez has a 51% stake in FBSA and an active presence in 65 countries Because of this network, the transactions of SA companies can be handled in-house by FBSA with clear cost and speed advantages, says FBSA assistant general manager Jean-Michel Caffin

Further ties between FBSA and Banque Indosuez's Asian operations also exist Eric Maurin, who spent seven years as head of FBSA's corporate banking division, is now managing director of Indosuez Vietnam And Mr Maurin's predecessor, South African-born Bruce Fraser, now heads the bank's corporate banking international desk in Hong Kong

FBSA has been in SA since 1949 and operates largely as a wholesale corporate and merchant bank. Its customers are mainly large corporates, multinationals and parastatals

Minorco shake-up continues

STAR 23/3/93

220

Another senior executive has suddenly quit Minorco, the Luxembourg-based overseas investment arm of the Anglo American Corporation.

Geoff Mortimer, 49, was recruited two years ago as managing director of Minorco's industrial mineral division after the company paid $108 million for the Elbekies sand and gravel business, near Berlin, in former East Germany

His departure follows Minorco's top-level shake-up in December

Then, Roger Phillimore, a joint managing director, left, having lost a contest for the chief executive's role to Hank Slack.

Departure

Minorco made no mention of the departure of Mr Mortimer, formerly managing director of ARC's UK aggregates operations, when it released its half-year results recently

These revealed a sharp jump in operating earnings from the industrial minerals business — from $0,3 million to $23 million in the six months to December

Minorco said Mr Mortimer had "gone back to consulting We are very sad to see him go." He will be replaced by another former ARC executive, Mr John Draper.

Minorco reported that its financial income, plus earnings from equity-accounted investments, more than offset its operating losses in the half-year to December. — Financial Times.

COMPANIES

Minorco buys Spanish group

JONO WATERS

MINORCO has bought the Spanish aggregates group, Steetley Iberia SA, from Redland for £55m.

The company said yesterday that Steetley Iberia, which had been acquired by Redland as a result of its takeover of Steetley in 1992, would be incorporated into Minorco's Industrial Minerals Division

The division had shown a profit of $23m on sales of $75m in its six months to end-December 1992.

Minorco CE Hank Slack said he was "extremely pleased" to make the acquisition which had extended the company's European industrial minerals activities into a third core country

In the past two years Minorco had purchased gravel pits in Germany and specialist stone operations in the UK.

"This continues Minorco's policy of investment in sound, well-managed and profitable aggregates businesses in areas of forecast growing demand," Slack said

Steetley Iberia operated 14 quarries and gravel pits and 21 readymixed concrete plants in Spain It was the leading supplier of aggregates and readymixed concrete to the Madrid market where most of its operations were based

Steetley Iberia's total capacity was in excess of 6-million tons of aggregates and 1,3-million tons of ready-mixed concrete a year

220

The company's statement said that although sales were currently below these levels, which reflected the general European economic downturn, operating profit was satisfactory

BDM 24/3/93

"Medium-term prospects for construction in Spain are promising with significant infrastructural work planned for the Madrid area in particular," Minorco said

Steetley president Jose Astorqui and all other senior management executives would retain their management responsibility, the statement said

Toyota SA moves into cental African market

EDWARD WEST (220)

TOYOTA SA would officially move into the central African market for the first time after an agreementto supply Mobile Motors in Malawi with SA-built vehicles, Toyota SA said yesterday.

The move into central Africa came in the wake of changing attitudes towards SA and the acceptance of the country as an economic and manufacturing force in Africa, said CE Bert Wessels. BDM 26/3/93.

The group's export opportunities into Africa previously were limited by Toyota Motor Corporation in Japan to countries within the SA Customs Union. The agreement, which Wessels hoped would be the first of many in Africa, had the backing of Toyota in Japan.

SA-built Toyotas would substantially reduce the delivery time, about 6-12 weeks from date of order, against about 25 weeks from Japan, said Wessels.

The range to be supplied included the Corolla 1,3l sedan, selling for 104 000 kwacha (R77 000), and the Toyota Stallion pick-up at 80 075 kwacha (R59 314) It would be expanded to include the Venture. The vehicles would be fitted with a "Harsh and Dusty road" package for the harsher road conditions.

Toyota's SA's annual production of about 85 000 vehicles — about a third of SA's market — amounted to half of all vehicles sold on the continent outside SA. Sales volumes in Malawi were expected to be relatively low and could be affected by a lack of foreign exchange, a spokesman said.

Credit Guarantee business development manager Richard du Toit said Malawi's forex reserves were so low Credit Guarantee would not cover exports to that country. It had closed its offices there.

Protea clinches Nairobi hotel contract

LINDA ENSOR

CAPE TOWN — Protea Hotels has been awarded the management contract for a top hotel in Nairobi, Kenya, being chosen ahead of major, well-known international hotel groups for the deal

Protea Hotels executive chairman Otto Stehlik said yesterday the contract to manage the R30m Nairobi Protea Hotel was a further step in the group's plan to penetrate Africa Protea had a resort in Swaziland, two hotels in Mozambique, four in Mauritius and had recently taken over two hotels in Zimbabwe

"We believe the future of tourism to Africa will revolve around an axis spanning from Kenya via Tanzania and Zimbabwe into SA," he said

Stehlik regarded the Nairobi project as a stepping stone for other contracts, adding that Protea was negotiating with hotels in Mombasa and camps in Kenyan national parks and would be meeting the Tanzanian government soon

Stehlik believed SA's foreign tourism could grow significantly by the diversion of tourists from Kenya to SA An estimated 800 000 foreign tourists visited Kenya annually compared with SA's 250 000

The Nairobi Protea Hotel, which would open in mid-June, was a first class international hotel built to SA five star standards, Stehlik said The hotel was owned by the Trade Bank of Kenya and was part of a shopping centre which included a high-rise apartment block already under Protea management

(220)

S/Times (Buss) 28/3/93

Absa to buy in Frankfurt

ABSA is close to buying a bank in Frankfurt, Germany, to strengthen its European influence.

A source tells Business Times that although Absa has a representative office in Germany, it plans to increase its influence in this centre The company, however, would not comment on any plans to expand its operations overseas.

220

Absa already has an office in Frankfurt, but it is believed its presence will be enhanced by the purchase of a small bank. Absa recently consolidated its TrustBank and Volkskas Bank activities in London and also has a subsidiary in Hong Kong

Star 29/3/93

Protea wins hotel contract in Nairobi

220

Finance Staff

Protea Hotels is moving into Kenya.

The group has pulled off a major coup by wresting from several contenders the contract to operate Nairobi's newest international hotel.

The R30 million Nairobi Protea Hotel at Hurlingham on the outskirts of Nairobi opens in mid-June.

Protea executive chairman Otto Stehlik says the development is a result of the group's determination to use the more positive political climate to export know-how and expertise and to open doors into Africa.

Protea Hotels has in the past two years rapidly expanded its activity in Southern Africa.

It now operates a resort in Swaziland, two hotels in Mozambique and four in Mauritius, and has recently taken over two hotels in Zimbabwe.

Plan One, Protea's subsidiary company, has been involved in the planning, conceptualisation, development and procurement of the Nairobi project.

This has resulted in export orders for South African fixtures, furniture and equipment worth R11 million, with more to follow

Star 29/3/93

Minorco agrees to fund purchase deal in Ireland

Minorco has agreed to provide funding for the Irish exploration company Ivernia West, in which it has a 24,5 percent stake, to enable it to buy a 52,5 percent interest in Ireland's Lisheen project.

(224) (220)

Minorco said on Friday that in accordance with Ivernia's joint venture agreement with Chevron Minerals of Ireland (CMCI), the latter had invited Ivernia to buy its 52,5 percent interest in the project for $56 million.

"Minorco has been informed that Ivernia's directors are considering CMCI's offer and have resolved to take the necessary steps, including obtaining the required consents and approvals, to enable Ivernia to exercise its right to acquire the CMCI interest, should it decide to do so," it said.

The agreement between Minorco and Ivernia is subject to a number of conditions, including regulatory approvals and the approval of the shareholders of Ivernia. — Sapa.

COMPANIES

Minorco to expand Irish mining stake

BIOAm 29/3/93.

LONDON — Minorco, the Anglo-De Beers international resources group, is poised to take a 62,3% stake in a major zinc-lead-silver project in Ireland

Minorco announced on Friday that Ivernia West, the Irish exploration company in which it holds 24,5%, had been offered the option of buying out the interest of its partner, Chevron Minerals Corporation, in the Lisheen prospect in County Tipperary

Drilling has shown that Lisheen has reserves of 10-million tons with an average grade of 12,2% zinc and 31g/t silver

Chevron is offering its 52,5% share in

220 JOHN CAVILL

Lisheen to Ivernia (47,5%) for $66m

Minorco has agreed to put up the money which will lead to a joint venture with Ivernia in which each will hold 50% of Lisheen This will give Minorco a direct and indirect interest of 62,3%

In addition Minorco, which will be the operator of Lisheen, has agreed to provide Ivernia with its share of the pre-production costs up to a maximum of $18m

Zinc is Ireland's most valuable mineral product Output totalled 187 000t in 1991

IDT defends its development role

B|DAY 29|3|93

KATHRYN STRACHAN

AFTER coming under the spotlight in recent weeks, with protesting university students calling for its disbandment, the Independent Development Trust (IDT) is fighting back.

The SA Students Congress claims the IDT has failed hopelessly to meet students' funding needs — and their criticism is echoed by other organisations which say that despite the R2bn of taxpayers' money used set up the trust two years ago, housing and education backlogs are still staggering

But IDT communications director Jolyon Nuttall said in an interview that most of the trust's projects aimed at assisting "the poorest of the poor" were well under way

While the trust itself could not be the solution to SA's housing, education and unemployment problems, it had far exceeded its original brief by setting up community structures to take projects forward well after the trust's funds had expired.

"Sound development is not the speed with which you dispense money, but the sustainability of what is developed," said Nuttall.

The success and durability of projects — such as preschool care, school building, primary health care and the capital subsidy scheme — were dependent on the lengthy process of getting community involvement and acceptance.

"It is more important that communities have a sense of ownership of projects, rather than that they have development projects thrust on them."

However, where the quick deployment of funding was crucial, such as for drought relief projects, the IDT could and did act with speed, he said

The trust had also found that its mission — due to end in mid-1995 — could become permanent

Nuttall said because so few organisations had the IDT's capacity and expertise to administer such large amounts of money and to set up necessary community structures, the trust's new policy was to make its ventures permanent, using funds from initiatives such as the national housing forum.

He said that by the start of this year, R2,1bn had been allocated to 450 projects ranging from massive school building to teaching patchwork to prisoners' wives in KwaZulu. Of this amount, R900m was already in use.

The IDT's capital subsidy scheme would result in 110 000 poor people, each with an average of seven dependants, owning a piece of serviced land. However, this R800m project will meet only 10% of total need.

Nuttall said that through a R300m venture, the trust hoped to reduce the backlog of 50 000 classrooms over the next two to three years. It also aimed to fund the building of 100 new clinics in rural areas, and to grant R120m over three years to welfare projects related to development.

The IDT had earmarked R70m over three years for pre-school facilities in the absence of government funding Drought relief received R100m and tertiary education loans R80m

By January, 92% of the projects were off the ground, and the 8% still to be activated were in "unreachable war-zones" such as Phola Park and areas near Maritzburg.

Call for export policies probe

220

ADRIAN HADLAND

PRETORIA — The export policies of multinational corporations now doing business in SA should be investigated by government, the SA Consumer Union has resolved. B|DAY 29|3|93.

Union chairman Lilibeth Moolman said the dumping of harmful or shoddy goods into SA could be detrimental to the health and safety of local consumers.

There was the possibility that some "global companies now operating across national boundaries may be infringing consumer rights", Moolman said. This was likely where a company's export policies did not comply with the stringent laws operating within the country of origin.

Among problems identified by the union were multinationals exporting substandard technology with poor environmental and health effects, together with a lack of "genuine motive" to create jobs and stimulate production

"All governments must be sufficiently alert to the possible situation where ethics are sacrificed for profits and when long-term consequences prove to be detrimental to the environment," Moolman said.

The consumer union called on government to sign and implement the 1985 UN guidelines for consumer protection.

"We need fair rules and minimum standards to be established to promote the good conduct of transnational corporations, to preserve our natural resources and to safeguard the health and safety of consumers," Moolman said in a statement.

The union recently resolved to request Trade and Industry Minister Derek Keys to urge government to sign the UN guidelines.

COMPANIES

Paper dumping adds to 'catastrophic' Mondi year

BIOM 31/3/93

BIOM 31/3/93

220

MATTHEW CURTIN

A JUMP in the amount of paper dumped in SA, in spite of existing tariff protection, during a year of already poor domestic market conditions has added to the woes facing Mondi Paper, the paper and pulp producer 53% held by the Anglo American Industrial Corporation

Executive chairman Tony Trahar says the year was "a catastrophe" for the paper and pulp markets

The plight of Mondi's business was exacerbated by a relaxation of import controls, without corresponding increases in tariffs on imports Market sources suggest Mondi and Sappi may have made anti-dumping applications to the Board of Trade

Mondi reported a 54% fall in earnings to R51m (R110m) in the year ended December 31 1992, compared with earnings of R172m in 1989

The fall in profitability follows a R454m capital injection by Anglo and De Beers in 1990, and the completion of a R1,4bn modernisation and expansion programme in the same year Mondi has a 5% share of Mondi Europe which acquired significant Austrian paper interests in 1990 and 1992, and the group has benefited from significant adjustments to its deferred tax provisions with cuts in the company tax rate

Mondi contributed more than 16% of Amic's earnings in 1989, but Mondi and NTE, the forestry company which became a wholly owned subsidiary on January 1, contributed only 7,6% in 1992

Analysts agree 1992 was bad for the sector abroad, to which Mondi is exposed through its investment in Mondi Europe, its supply of pulp to its Austrian associates, and exports, responsible for a third of turnover

The European market, experiencing steady growth for paper products, was blighted by overcapacity among the main producers and the willingness of governments to support loss-making operations to preserve jobs Currency devaluations in Finland and Sweden improved the competitiveness of their forestry output Trahar notes the Austrian schilling was not devalued, affecting the competitiveness of the Frantschach businesses controlled by Mondi Europe

The domestic recession took its toll on Mondi's business, with the group temporarily closing between 10% and 20% of its overall 1,5-million ton a year capacity

Talk of tariff protection in the teeth of the recession and trough in commodity markets might smack of whingeing, but Trahar says Mondi has a good case One analyst says it is difficult to quantify the impact paper imports have had but they may have taken up to 20% of the local market

Trahar says these imports affect Mondi's core business packaging, A4 copying paper and linerboard

He notes rival overseas paper producers receive much "subtle" protection in the form of loans and subsidies, in addition to favourable tariffs

Trahar says these range on average from 9% to 25% against uncoated fine paper imports, compared with zero to 10% in SA. On top of the weak tariff structure, the authorities are slow to react to claims of dumping

Mondi has benefited from the General Export Incentive Scheme (GEIS), "crucial" for enabling the group to sustain its newsprint exports in the late '80s and early '90s

Whether paper processors, who have had little alternative but to buy paper from the Mondi/Sappi oligopoly, will see new tariffs on imports in the same light is another matter

In the meantime, Trahar says there are signs paper and pulp markets are recovering Newsprint and timber prices in North America have firmed this year, pulp prices may have bottomed, and with so many overseas mills unprofitable and facing closure, the industry's problem of overcapacity may improve

Mondi's exports to Africa and the Middle East are rising, with more potential in India and Australia, because of SA's geographical advantage

Trahar adds, without divulging figures, that Mondi is "in good shape" as it waits for the upturn

W&A subsidiary AAF in £7,65-m rights issue

STAR 2/4/93 (220)

By Stephen Cranston

AAF, the London-listed subsidiary of W&A, has announced a rights issue to raise £7,65 million

It will issue 4,6 million new shares on the basis of one new share for every four existing shares at 175p per share It has been fully underwritten by merchant bank Hoare Govett.

The proceeds will be used to finance capital expenditure and additional working capital.

The manufacturing capacity at Alloy Wheels International will be increased to meet expected orders.

W&A will not take up its rights, which will reduce their holding in AAF from 53,8 percent to 43,1 percent.

AAF's pre-tax profit for the year to December was up 20 percent to R4,8 million.

This includes an exceptional profit on the sale leaseback of the Rochester property worth £650 000

Earnings per share increased from 21,4p to 25,2p and to 22,2p before the exceptional item The dividend has been maintained at 11p.

Deputy chairman Hilton Schlosberg says AAF has performed steadily in a tough business and economic environment.

The group has demonstrated its ability to acquire good asset-backed business and to generate satisfactory returns from these investments.

Star 2/4/93

SA faces big rivalry for foreign cash

By Des Parker

DURBAN — South Africa's prospects for international investment hinge directly on the attitude a new government takes towards the domestic business sector, says Old Mutual's London-based investment director Kevin Carter

He says perceptions of SA held abroad are likely to continue to be dominated by its political situation

A new regime will need to make a special effort if it is to attract investment dollars because competition is growing rapidly for capital among newly-emancipated developing economies

Durban-born Dr Carter said in a presentation to financial journalists here that an unprecedented overhaul of the world economy was taking place as a result of the freeing up of once centrally-controlled ~~developing~~ economies

Because their wage rates were much lower than those of developed countries, these countries were increasingly attractive as investment destinations, which would lead to rapid growth in their economies.

By contrast, developed countries were stagnating, with structural unemployment a growing phenomenon and low and falling inflation a consequence.

This "mobilisation of low-cost labour" combined with falling money supply growth would result in low global inflation stretching at least into the next century

On an index where expensive German manufacturing labour was 100 and low-cost China was one (Russia was below one), South Africa would probably weigh in at 10 or less.

It had competitive advantages in a number of areas, such as tourism and natural resources, but the key lay in a government sympathetic to the needs of business

Worldwide

"Because investors have a choice, there is tremendous competition going on worldwide for the investment dollar.

"Countries which are unable or unwilling to make themselves attractive to foreign capital simply get none, or very little.

"So emerging countries typically attempt to outdo each other in the deregulation and liberalisation stakes in order to make themselves as relativeldy appealing as possible."

Dr Carter forecast a notable decline on Wall Street towards the end of the next 12 months as price earnings ratios fell back to the 10-12 region in response to the reduced potential of American companies for recovery as a result of the changing world economy.

At the same time, institutional investors worldwide would look increasingly at the growth opportunities in developing countries.

They would place special emphasis on markets where they could get the best possible return for the least amount of risk.

He estimated they would shift increasing amounts of their portfolios to areas giving returns of 20 to 30 percent a year.

(220)

Uniserv ends the year with a bang

STAR 5/4/93

United Service Technologies (Uniserv) more than trebled operating income to R15,96 million, while taxed income rocketed from R1,44 million to R12,4 million in the year to February.

Attributable income before an extraordinary item of R4,78 million was R11,47 million, against only R16 000 the previous year

Earnings a share on a fully diluted basis totalled 22,8c (2,7c). Annual dividends have been resumed with a 7c payment.

The directors expect the improved performance in all divisions to continue.

Burlington Air Express and Burlington Ocean Express having continued to show improvement, despite the poor economic climate.

Contribution

Sun Couriers, working off a reorganised infrastructure, had a better second half, while Mounties made a better contribution to profit

The export division continues to present problems, though these have been eased after downsizing

Losses nevertheless continue as a result of poor trading conditions in Africa, resulting primarily from the drought and limited foreign exchange.

Although improved results are expected, this division is budgeting for a loss in the current financial year.

Because of the uncertainty of currency remittances from some countries, Uniserv has decided to account for the results of these subsidiaries only on the basis of dividends received.

The extraordinary item is a reflection of the write-down of investments in these territories.

Overnight Express continued to trade poorly, despite the closure of certain operations.

Further rationalisation has begun and the investment in this company has been written off and shown as an extraordinary item.

Uniserv's balance sheet reflects the benefits of the improved earnings performance, with gearing reduced. — Sapa

FNB acquires Hong Kong bank

620 GRETA STEYN

FNB has acquired Hong Kong-based bank Midlantic (Asia) Ltd for $15m in a cash deal that completes the SA bank's overseas expansion drive. BDAY 15/4/93

FNB senior GM Viv Bartlett said the East Asian bank, which had an asset base of $75m, was profitable It concentrated primarily on trade finance and its focus in this area would naturally shift more towards SA trade finance than had been the case in the past Midlantic was formerly a wholly owned subsidiary of the Midlantic National Bank of Edison, New Jersey.

Bartlett said the deal was done through the financial rand with finrands that had been accumulated The FNB ownership takes effect immediately and the operation's name and corporate identity will be changed to reflect its SA parentage.

The acquisition follows FNB's purchase of Henry Ansbacher in London and the establishment of an FNB branch in Zurich

Bartlett said the latest purchase completed the bank's current overseas acquisition drive Asked whether opposition to foreign expansion by the SA National Civic Organisation (Sanco) had played a role in decisions, he said the banking group believed it would be doing SA a disservice by not expanding overseas.

It was also announced yesterday that Eddie Keys would be the MD of the new operation Keys was FNB's representative in Hong Kong in the early '80s.

BUSINESS Seminar on the workings of the World Bank

Business looks north of the Limpopo

Sowetan 22/4/93.

220

AFRICAN OPPORTUNITIES The continent opens up for South Africa:

By Mzimkulu Malunga

SANCTIONS are steadily becoming history and more South African companies are looking up-north and exploring business in Africa.

A two-day conference to enlighten local companies on business opportunities north of the Limpopo is to be held at the Sandton Sun on May 6 and 7.

Officials from the World Bank — institutions and organisations associated with it will be participating — will for the first time send representatives to take part

The gathering is being organised by the South African Institution of Civil Engineers with the support of the South African Foreign Trade Organisation

Though interest exists, many South African businesses are adopting a wait-and-see attitude before getting involved in ventures in Africa

Logistics

Insights regarding procedures and logistics when doing business in Africa will come under the spotlight

The World Bank spends more that R61,6 billion on development projects in Africa About 30 000 contracts are awarded to companies by African governments every year

About 70 percent of the money injected into Africa by the World Bank is spent on buying equipment for projects, 20 percent on civil works activities and 10 percent on consulting services

"The conference will not only provide information on the opportunities of dealing with the World Bank but also the pitfalls," says Saice president Professor Fred Hugo

World Bank operations in Africa could offer lucrative business contracts to local business but certain procedures have to be followed to gain access

World Bank projects range from nurturing agricultural output and infrastructural construction to the supply of basic needs like water and electricity

Survey of African employee benefits

BIDAM 28/4/93

LINDA ENSOR

CAPE TOWN — Old Mutual has prepared itself for the move by SA corporates into Africa by undertaking a major comparative survey of employee benefit schemes in 11 countries.

Old Mutual assistant GM Henk Beets said the aim of the survey was to enable the life assurer to provide a consultancy service for companies planning to set up operations in other African countries.

The completed survey — which covers Botswana, Egypt, Lesotho, Nigeria, Kenya, Swaziland, Zimbabwe, Malawi, Zambia, Namibia and SA — would be expanded to incorporate other African, and possibly European countries, and would be updated every two months to take account of new developments

Beets said business decisions demanded a careful analysis of local conditions and arrangements, and the employment environment.

"In the case of employee benefits, it is crucial to have a thorough understanding of relevant legislation, employment practices, the investment environment and foreign exchange regulations Only then can an effective and coherent employee benefits strategy be developed"

He said the survey would prove an invaluable guide to companies poised to expand into Africa, adding that SA could learn valuable lessons from Africa in terms of social security, health care and housing systems. Systems specific to Third World conditions where the average income per capita was low had to be found

Beets said it was more feasible to extend employee benefits in the context of an AIDS epidemic, as unlike individual life assurance products, rates were reassessed on an annual basis to reflect the claims experience

Comparing the social security schemes in Kenya, Egypt and SA, the researchers found that in Kenya and Egypt national social security funds were funded by employers and employees whereas in SA the social old age pensions were funded from tax revenues The benefits offered in Egypt and Kenya were far more comprehensive than in SA.

More emphasis was given in these African countries to private sector funding for social service benefits.

Beets said the advantage of a compulsory national contributory scheme was that it was a more explicit form of taxation than income tax and led to a greater sense of ownership and responsibility on the part of the contributor.

Mine equipment firms eye China

JONO WATERS

SA's mining equipment manufacturers will be trying to capture a share of the $50m China spends each year on mining equipment imports, at SA Minetech '93 in Shanghai later this year.

More than 70 SA firms are taking part in the August 31-September 4 exhibition. Delegates from about 300 Chinese mines are expected to attend.

Exhibition organiser John Thompson said he expected SA mining executives would attend to gain experience of Chinese mining practices.

Shanghai Exhibition Centre deputy director Xia Guo Liang said the Chinese investment code allowed for the setting up of joint ventures, co-operation in the manufacture of technology and direct investment in some mining operations.

SA has a Centre for Chinese Studies in Beijing. Director Robert Moodie said China's geology and mineral resources ministry "strongly supports the expo and is keen to establish mining industry business exchange through this and other avenues".

BDM 3/5/93.

220

Picture ROBERT BOTHA

SA chapter of IMC would communicat...

Motor industry 'terminally ill'

EDWARD WEST

THE motor industry was in so much trouble it could help neither itself nor the motorist in the quest for afforable new cars, National Association of Automotive Component and Allied Manufacturers (Naacam) director Denzyl Vermooten said at the weekend. BDM 3/5/93.

Speaking at the opening of the Cape Motor Show in Goodwood, Vermooten said the love affair that once flourished between SA motorists and their cars had been soured by high prices

The R38bn-a-year automotive industry was employing 150 000 people whose livelihoods were at stake due to the steady deterioration of the industry

He said 24 000 employees in component production and 7 000 in the retail trade had lost their jobs over the past three years. New car sales peaked in 1981 at 300 000 units, but last year's sales of just more than 180 000 was lower by more than a third.

The downturn started with the sharp drop in the rand in the '80s because the local content programme had failed to curb imports. This, the economic downturn and flaws in the local content programme had caused car prices to escalate

Seifsa employers opt for industrial councils

BDM 3/5/93.

ERICA JANKOWITZ

ABOUT 75% of Seifsa employers wanted the existing industrial council system to continue, although there was a trend towards decentralised bargaining over the past few years, a survey conducted by the Innes Labour Brief found.

Significantly, half of Seifsa's Natal respondents was opposed to the continuation of the council compared with only 17% of PWV companies, 28% from the eastern Cape and 27% from the western Cape

Innes found that 64% of the Natal companies opposed to centralisation wanted regional bargaining, with only 32% supporting plant-level bargaining

In contrast, 65% of PWV companies who oppose centralisation would support plant-level bargaining

Last year there was another decrease in the number of industrial councils operating in SA, to 87 from 89, the latest National Manpower Commission report said

Councils only covered 873 000 workers in 1992 compared with a million in 1991. So far this year, the building industrial councils seemed to be under threat of closure with major employer bodies withdrawing

Last year's Seifsa agreement was the first to discourage the long tradition of two-tier bargaining in the sector.

Previously, unions would try to win additional benefits to those contained in the council agreement by bargaining with individual employers.

Innes found 33% of respondents still operated plant-level bargaining structures, mainly in the western Cape In 60% of cases Numsa was involved.

Plant-level bargaining usually covered conditions of employment, wages, productivity, training and benefit funds

Innes said this was important in that issues which were previously regarded as part of "management prerogative" were now being negotiated with the union

"Discussions are under way at Numsa's initiative to reform the current process, nature and content of the industry's collective bargaining arrangements," Innes said.

Mine equipment firms eye China

JONO WATERS 220

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Reserve Bank 'helped to scupper Gencor strategy'

BIDAY 5/5/93.

(220)

MATTHEW CURTIN

RESERVE Bank exchange control policy and the politically sensitive and shaky finrand have combined to undermine the drive by mining house Gencor to establish itself as an internationally based resources group

Chairman Brian Gilbertson admits the group "failed" in the past year to achieve what remains a key objective ensuring Gencor becomes a conglomerate internationally diversified in its assets and shareholders The group's increasingly high profile new business team has little to show for its efforts

Coal producer Trans-Natal almost clinched a deal to acquire a controlling stake in Australian colliery Oakbridge Coal in December last year The deal would have turned the coal group into one of the world's biggest coal exporters But Trans-Natal was unable to get Reserve Bank approval for financing the deal from SA.

After a Finance Ministry directive in late November aimed at curbing the alarming descent of the finrand, the Reserve Bank said it would approve only offshore acquisitions yielding an immediate benefit to SA. New investments or deals already signed would have to be financed with loans raised abroad

Gilbertson says resources projects, by their nature, have a long lead time before they generate cash, there are few commercially viable deposits up for grabs, while Gencor's limited financial resources overseas make raising funds offshore difficult He says a second deal was also scuppered by the Bank's new policy

In contrast, Anglo American and JCI already have significant offshore interests, Gold Fields has strong links to the US gold mining industry, while Anglovaal has moved towards consolidating its successful industrial and consumer businesses in SA.

Sappi's successful acquisition of German paper producer Hannover Papier in June 1992 was a step forward for Gencor

However, the subsequent collapse in pulp and paper markets, the finrand's plunge and a crash in Sappi's share price sent foreign investors scuttling Analysts believe most of the new Sappi shares acquired by European institutions have returned to SA investors

However, Gencor is pressing on even if the current exchange controls amount to "a blanket veto on finrand deals", says one analyst. The policy leaves mining houses in an unenviable position because significant local opportunities — Gencor is already involved in new aluminium, gold and steel projects — are limited. Their gold and coal operations will "waste away" without gaining access to new offshore resources.

Minerals projects which provide immediate returns are rare, but they do exist, and Gencor theoretically has no difficulty in handling an offshore acquisition financed 100% by borrowings. The problem is it is impossible to service the debt from SA

Finding a project which has a significant self-funding component is not impossible, but such a venture is likely to be high-risk, exposed to fluctuations in commodity prices, and deterring commercial banks from providing necessary finance.

The World Bank's private sector arm, the International Finance Corporation, has backed new gold projects in Ghana and Zaire, but its resources relative to major new developments like a Columbus or Alusaf are small

Exploration can be financed through the commercial rand, and management services can be supplied in exchange for equity in a project However, greenfields mining projects are likely to take at least three or four years to develop

IB Joffe sells off three loss-makers

ANDY DUFFY

BESIEGED retailer I B Joffe has sold three loss-making businesses as part of its strategy to strip itself back to the core.

The company, which in the 12 months to December 1992 suffered attributable losses of R2m, raised R1,75m by selling kitchen furniture manufacturer Telek, leisure chair subsidiary LLB, and the operations' holding company Joffe Saddlery to private individual Goos Lustig. BIDAY

I B Joffe, which had flagged up the disposals in its year-end results, said Telek had underperformed since its acquisition in 1988. The poor economic climate had led to the other sales.

Had the sales gone through during 1992, Joffe said this would have cut its losses a share from 12,8c to 4c. Net asset value would have slipped from 33,2c to 23,2c.

The disposals, effective from January 1, reduce I B Joffe to a manufacturer and seller of leather, camping, backpacking and outdoors products. 5/5/93.

Experts expect Nedcor to record strong growth

BIDAY 5/5/93.

NEDCOR is expected to report strong growth in first-half earnings tomorrow and may declare an alternative scrip dividend to a higher interim cash payout, analysts said.

"We'll see good results from them," Doug Ellish of stockbroker Anderson Wilson Partners Inc told Reuter.

Wider interest rate margins before the current squeeze affecting the second half, and recent tax changes, would more than offset its continued high level of bad debt as the recession dragged on, analysts said.

Analysts forecast growth in share earnings of at least 15% to 117 cents plus in the six months to March 31, 1993

The interim dividend was expected to be increased to 24c per share from a previous 21c

Analysts said Nedcor may offer a scrip dividend as an alternative to the usual cash payout as this would escape the new 15% secondary company tax on distributed profits (cash dividends)

The recent reduction in the company tax rate to 40% from 48% would be a windfall for Nedcor, as seen recently in First National Bank Holdings Ltd's first-half results, they said

An analyst who declined to be identified said although Nedcor had half the size of First National's deferred tax reserve, the corporate tax change would allow it to release a substantial amount "The final results depend how they show the tax windfall They will be cautious anyway in the first half"

David Southey of Edey Rogers Co forecast continued heavy growth in expenses because of its computerisation programme despite the fact that its three-year rationalisation plan was coming to an end Expenses were R846m in the previous first half

Analysts did not expect a major increase in Nedcor's specific and general risk provision from last year's R103m.

"The Perm Building Society is not the problem child it used to be, although it is not out of the woods yet," Ellish said — Reuter

J Bibby's half-year takings plunge

12/5/93.

JOHN CAVILL and MARCIA KLEIN

LONDON — Losses by its newly acquired Spanish and Portuguese earthmoving operations helped send half-year profit crashing at J Bibby, the UK multinational conglomerate which is 79% owned by Barlow Rand

While sales jumped by 49% to £416m during the six months to March 30, pre-tax profit dropped by 63% to £6,5m.

Earnings a share after tax were harder hit, at 2,1p they were 87% down on the previous year and the interim dividend has been cut from 2,85p to 2p

Last year's £82m takeover of Finanzauto, which is the Caterpillar dealer in Spain and Portugal, was the main factor.

As the Spanish economy slid into recession, Finanzauto's deficit hit £7m which could not be offset against Bibby's other profit for tax purposes This pushed the tax charge up from 33% to 50%

High Spanish interest rates also quadrupled Bibby's charges to £8,2m

Among Bibby's other businesses the devaluation of the pound increased raw material costs in the agricultural division where profit dropped by £1,9m to £2,5m.

But recovery and expansion in the US saw Bibby's Hyster material handling operation return earnings up 22% to £7,3m.

Barlow Rand Industrial division chairman Clive Parker said yesterday that the number of units of construction equipment sold in Spain had dropped by more than 50% during the year, after remaining fairly constant over the previous three years.

Although the group had expected a small decline in units sold, the market had collapsed in the past year

In the six months since Bibby assumed control, it had put new management information systems into place and significantly reduced staff and management numbers Stocks have been reduced by about 40% and costs by about 20% Finanzauto had increased market share to about 25%

All of these measures meant the capital equipment division did not require a lot of activity to show an improvement, and it could be profitable by September at current levels.

The division needed to reduce debtors, the major debtor being the Spanish government, which owed contractors the equivalent of R22bn The division was looking at placing some of its debtors' books with banks

Parker said the EC Cohesion Fund would spend £7,5bn over the next four years to provide a transport infrastructure for Trans-European networks. The funding would be made available to common market countries whose GDP was below 75% of the community average, and this included Spain

He said the group hoped the division would make a significant contribution in the next financial year This would be dependent to some extent on when Spain started to spend on construction.

Manufacturers, are you ready?

FM 14/5/93. (220)

Nick Charissis is the director of Deloitte & Touche Management Consultants.

SA's reacceptance by the international community has not been well received by most local manufacturers Many view international competition with trepidation instead of gearing themselves up for the tremendous opportunities it could represent

But SA manufacturers cannot and should not avoid international competition A strong manufacturing sector can be the main driving force in achieving the growth in GDP that is essential for the development, if not the very survival, of our economy

Clearly, local manufacturers must become competitive This is essential in protecting their local markets against international players and to ensure that those which aspire to it can become international players Relying on the false sense of security provided by government protection policies is both short-term and short-sighted in thinking

To find out how SA manufacturers are faring in key areas compared with their international competitors, Deloitte & Touche is conducting an International Survey of Manufacturing Organisations It will cover critical success factors, the degree of global focus, manufacturing technologies and techniques, human-asset development, performance measures and the state of SA organisations Other countries participating include the US, Canada, the UK, Germany, Japan, Mexico and France The *FM* will publish the results later this year and plans call for repeating the exercise annually

What can local manufacturers do to remain successful as SA becomes a normal member of the international community? Based on our experience in assisting manufacturing organisations to improve their competitiveness in both local and international markets, successful re-engineering of the organisation must address three broad categories

- ☐ Achieving a complete focus on customers,
- ☐ Reorganising for success, and
- ☐ Integrating information systems

The process is challenging and time-consuming That momentum, however, can be maintained by avoiding lengthy planning and reports and concentrating on implementing the changes

Obviously, not all manufacturers aspire to becoming world players Some may prefer to remain successful in niche markets locally But all manufacturers will benefit by going through a process of self-evaluation to address the three key issues and integrate their business around a focused objective

The major difference for those with their sights set globally is that they must identify and address the needs of their international markets These needs will not necessarily be the same as those of their local customers Let's look at each of these three broad categories more closely

Achieving customer focus revolves around customer service, a concept not extensively implemented in SA The key issue is that customer service is not the responsibility of sales or marketing but of the whole organisation Identification of the main order-winning criteria in each of a manufacturer's customer segments must be matched by the ability of the whole organisation to meet those order-winning criteria Of equal importance is for the entire organisation — not just sales or marketing — to decide which segments it does not have the capability to compete in

Reorganising for success means looking at the organisation from the customers' point of view — across the traditional functional areas How should each and every part of the chain, from forecasting to selling, planning, manufacturing and distribution, be organised to meet the customers' needs? Organisation of all resources is important, not just where management has problems

A reorganisation is based on the facts at a given point in time In today's rapidly changing environment, however, how does an organisation remain relevant and competitive on an ongoing basis? Sustainability is achieved via flexibility and information

Effective information — both inside and outside the organisation — is the nervous system that enables management to monitor and react to events Reacting quickly can be achieved only if flexibility has deliberately been built into as many aspects of the operation as possible A constraint is the amount of funds available for investment

As a result of isolation, SA manufacturers have tended to focus internally when attempting business improvements It is time we focused on our customers and reorganised to give them what they want

May 14 1993

Gencor may pay premium to Shell

Bday 14/5/93. (220)

MATTHEW CURTIN

GENCOR may be willing to pay over the odds for Billiton, Shell's mining and minerals division, which has a book value of $1,8bn, reports from London say

Gencor shares rose a meagre 20c in heavy trade on the JSE yesterday, in contrast with the gold-inspired rally in leading mining stock, as the market continued to digest news of the group's unbundling and proposed acquisition of Shell's mining interests

The stock closed at R12 as nearly 1,4-million shares changed hands, the most interest investors have shown in the counter for more than a year

Chairman Brian Gilbertson reiterated that it was too early to comment on the possible size of the deal It is understood Gencor and Shell have struck a strict confidentiality agreement regarding negotiations

The London Financial Times said "Some of the juiciest mining and metals assets which Gencor wants to buy might slip from the SA group's clutches because other companies have pre-emptive rights to them"

Billiton would have to give partners in joint ventures an opportunity to match any terms it was willing to accept from a third party

The report said much would depend on the prices Gencor was ready to offer and the group could be offering more than $1,8bn because "the move is of tremendous strategic importance to the SA group"

The Financial Times said Shell had given Gencor and its adviser London merchant bank S G Warburg 120 days to sort out what, as Gilbertson has already admitted, would be complex financing arrangements given Reserve Bank exchange control policy

An analyst at London stockbrokers Credit Lyonnais Laing said it was rumoured Gencor could be offering up to $2bn for Billiton "While Shell has stuck with its mining interests long after most oil companies have sold out their metal sides, Billiton is not a slumbering jewel waiting to be unlocked as one could have argued was the case with RTZ and the purchase of BP Minerals"

He said Gencor would have to avoid creating a large vehicle that, "like poor old Minorco (Anglo American's offshore natural resources group), is of little interest to foreign investors and persistently sells at a large net asset value discount"

Billiton's assets include the Boddington gold mine in Western Australia, which produced 352 000oz of gold in 1992, of which it owns 30%, together with US aluminium group Reynolds Metals (40%), Australian mining group Newcrest (20%) and Kobe Aluminium Associates of Japan (10%)

The same shareholders own the associated Worsley Alumina business, while Billiton has 40% and 41,5% stakes in Brazilian aluminium producers Alumar and Valesul

The Collahuasi copper project in Chile is jointly owned by Billiton, Canadian metals group Falconbridge, and a subsidiary of Anglo American South America

Some juicy assets may elude Gencor

Star 19/5/93

(220)

By Kenneth Gooding

LONDON — Some of the juiciest mining and metals assets which Gencor wants to buy from the Royal Dutch/Shell group might slip from its clutches because other companies have pre-emptive rights to them.

This means that Shell's mining and metals business, Billiton, must give its partners in the joint ventures an opportunity to match any terms it is willing to accept from a third party.

The assets involved are.

- The Boddington mine, Western Australia, which last year produced nearly 352 000 ounces of gold.

Billiton owns 30 percent and its partners are Reynolds Metals, the US aluminium group with 40 percent, Newcrest, the Australian mining company, 20 percent, and Kobe Aluminium of Japan, 10 percent.

- The Associated Worsley Alumina business, which mines bauxite and aluminium ore, and refines it into alumina, an intermediate product.

Worsley's annual capacity was recently expanded to 1,5 million tons of bauxite. The shareholders and their holdings are the same as those for Boddington.

- Alumar of Brazil, which produces about one million tons of alumina and 350 000 tons of aluminium a year.

Billiton owns 40 percent of the alumina refinery and 47 percent of the aluminium smelter. Alcoa of the US owns the rest.

- Valesul, a Brazilian aluminium producer (annual capacity 92 000 tons)

Billiton owns 41,5 percent, Cia Vale do Rio Doce of Brazil 49,5 percent and Multisilicon nine percent.

- The Collahuasi copper project in Chile, expected to start up in 1996-97

Low prices

A company owned by Minorco and its parent Anglo American recently paid $190 million for a one-third stake in Collahuasi. The rest is shared equally by Falconbridge of Canada and Billiton.

While Billiton's partners in these joint ventures are suffering financially because of low metal prices, they might be reluctant to pass up the opportunity to acquire more of these assets.

Much will depend on the price Gencor is ready to offer — there are indications that these might be what other companies would consider to be on the high side.

Other interests Gencor has bid for include

- The Cadjebut lead-zinc mine in Australia (Billiton holds 42 percent).
- The wholly owned Selbaie copper and zinc operations in Canada
- Cerro Matoso nickel (52,3 percent) in Colombia.
- The Bogusu gold mine in Ghana (81 percent).
- The Lerokis gold mine in Indonesia (90 percent)
- The Pering lead-zinc operations in South Africa (100 percent).

Gencor obviously has great faith in the future of aluminium — it is backing a $2 billion project in South Africa for Alusaf to build a 466 000-ton smelter, the West's biggest ever — and so, apart from the operations in Australia and Brazil, it has also bid for Billiton's other alumina operations: Paranam in Surinam (76 percent) and Aughinish in Ireland (35 percent).

Gencor also wants Billiton's global metals trading and marketing network — which would certainly help sell some of the extra aluminium from Alusaf

South African exchange control rules prevent Gencor exporting cash to pay for the Shell assets, so it will have to borrow a great deal if its offer succeeds. — Financial Times

Broadcast union to seek interdict

LLOYD COUTTS

THE SA Broadcasting Staff Association (Sabsa) is expected to seek an interdict this week preventing the SABC from retaliating against industrial action at the corporation by withholding members' May salaries

Sabsa's industrial action began on Friday after a dispute was declared when SABC's management refused to move from its salary increase offer of 7,5% Sabsa was demanding a 10,5% pay hike. BDAY

SABC group labour relations manager Christo Pretorius said yesterday the association could be in breach of a strike agreement, which could negate the protection granted the industrial action 25/5/93

Pretorius said the SABC was investigating the possibility that the disruption of Saturday's rugby final on TV1 had been "sabotage".

He said the SABC was awaiting a response from Sabsa by Thursday to its proposals for settlement, but was unsure of the significance of Sabsa's weekend announcement that it would suspend industrial action until legal steps against the corporation were formalised

Sabsa spokesman Valerie Hopper yesterday refused to comment

Seeff ties up with UK estate agency

BDAY 25/5/93.

(220)

LINDA ENSOR

CAPE TOWN — Seeff International Properties has formed an association with UK-based real estate agency Hamptons International, a step which is expected to generate mutual referrals of business between the two companies

Seeff Residential Properties chairman Samuel Seeff said yesterday that an estimated 300 families in the UK were looking to emigrate to SA once they were able to sell their homes The Seeff group had recorded sales of about R150m to foreign investors during the past five years, he noted

He said the Seeff group was optimistic about the future of the new SA and felt it was time to lay the foundation for a future association with Hamptons Already Seeff properties had been marketed to Hamptons' exclusive client base by means of brochures

Seeff International Properties MD Carmella Seeff also believed that there were a growing number of British people considering a property investment in SA. Adding impetus to this trend was the favourable exchange rate and the close historical ties between the two countries

Hamptons' referral relationship with Seeff was the first of its kind with a foreign estate agency, Samuel Seeff said Hamptons had more than 100 offices in 16 countries and territories including Jersey, the US, Guernsey and Hong Kong as well as associated offices in France, Spain and Portugal It was represented throughout the UK and in Scotland, serving the upper end of the property market

Hamptons was a separately managed subsidiary of a leading financial institution offering services such as lettings and management, surveying, relocation, and commercial services The Hamptons International division offered advice on the financial, insurance and legal implications of buying and selling property overseas.

High incidence of rape in SA fuels the rapid spread of HIV

KATHRYN STRACHAN

THERE is growing concern among medical experts that SA's extraordinarily high incidence of rape — amongst the highest in the world — is fuelling the country's AIDS epidemic

Panos WorldAIDS reports in its latest publication that in SA a rape is carried out every 83 seconds on average. Victims of sexual abuse are increasingly worried about the risk of contracting HIV

Johannesburg AIDS Centre spokesman Melanie Sacks said the violence involved in rape meant that the threat of contracting the virus was greater "As the prevalence of HIV in the population rises, people who are raped will be at increased risk of infection," she said

About half the rape victims seen at Baragwanath Hospital's special abuse unit in Soweto were less than 15 years old, and 40% of them were very young children, unit district surgeon Dr Thamsanqa Bomvana said.

Patients attending the unit were not screened for HIV because the test was considered too expensive. However, staff were pressing for routine testing because the risk of contracting HIV during rape was high and increasing steadily The virus spread at a rate of 400 to 500 new infections a day

A recent study by the National Institute for Crime Prevention and Rehabilitation of Offenders (NICRO) reached some stark conclusions one in four SA women would experience rape, there were 380 000 rape cases in SA each year; and 95% of victims were black

According to Wits Centre for the Study of Violence director Lloyd Vogelman gang rape, known as "jackrolling", had become a cult in certain deprived communities "In a society that condones violence, the more extreme the violence, the higher the status And gang rape is the worst kind of violence," he said

Refiloe Serote of the Alexandra AIDS action committee said child abuse was increasing in overcrowded townships as poverty, unemployment and despair undermined family life However, it was widely denied and rarely challenged

Arrest warrants for witnesses

SUSAN RUSSELL

A RAND Supreme court judge issued warrants for the arrest of two of Gary Beuthin's witnesses yesterday after they ignored warnings to be in court.

Soon after Judge M J Strydom issued the warrants, one of the pair, Edward Jacobs, arrived

He said he had been delayed at a business meeting.

Meanwhile, the court was told the State and investigating officer had been unsuccessful in locating a number of people Beuthin wished to call as witnesses.

Beuthin had furnished the court with a list of more than 20 witnesses he wished to call.

He has pleaded not guilty to kidnapping and attempting to murder Jill Reeves, 33, on May 10 last year

Beuthin admits assaulting Reeves at her Melrose flat, but claims he did so under the influence of steroids, cocaine and alcohol after she provoked him and took his car without his permission

HOWARD PELL: The two associations played a crucial role in maintaining communication during the sanctions era

S Times [BUSS] 30/5/93

Sabrita, Uksaba channel business

THE SA Britain Trade Association (Sabrita) link with the UK South African Business Association (Uksaba) has helped greatly in the promotion of trade and investment, says Sabrita executive director Howard Pell

Sabrita was formed in 1965 by SA businessmen with connections in the UK. Like its mirror organisation Uksaba, Sabrita's prime objective is to encourage bilateral trade and investment.

It helps members by providing business contacts, organising trade missions to and from the UK and supplying British businesses with objective commercial and other data about this country It also works closely with the SA and UK chambers of commerce

Sabrita has nearly 300 members which include Anglo American, Sasol, Gencor and most major banks. Membership is open to any SA company or organisation with investment or other business links in Britain.

Balanced

Mr Pell says that particularly during sanctions, the two associations played a crucial role in maintaining communication between business in the two countries

"During the sanctions era Sabrita's role was largely to provide a balanced view of circumstances in SA.

"Because of the political change SA is undergoing, our emphasis has shifted more to promotion of trade and investment This will be achieved through high-level missions and participation in trade fairs in the UK."

The formation of the EEC as a single trading market has required Sabrita to broaden its activities across Europe

"SA has an adequate First-World infrastructure and a fairly sound economic system to attract foreign investors."

But Mr Pell sees the present mass unemployment problem in SA as a major stumbling block to securing social and political stability

In the current world recesssion, "limited investment resources are available and, unless SA gets its act together sharply, we could miss the boat"

Fairs

Mr Pell says the close cultural ties between SA and the UK could prove favourable for British investment in this country

However, international media coverage of events in SA has led to misconceptions by foreign investors about circumstances.

Safto, in conjunction with the Department of Trade, distributes business publications to 25 000 companies worldwide The association is also involved with organising SA trade missions and participation in trade fairs.

Safto senior manager, international division, Mike Veysie, says the association is looking at establishing an on-line computer data base through which 1,5-million companies will be able to access business and trade data relating to SA.

Natrawl negotiating with Swiss firm

BUSS DAY 3/6/93

EDWARD WEST

NATAL Ocean Trawling (Natrawl) was negotiating with Swiss-based Megafish and its associate Eurotrade for a joint fishing venture off Mozambique's coast, chairman Jack Walsh said yesterday.

The multinational wanted to send 10 trawlers to Mozambican waters.

Megafish planned to re-evaluate its investment with Natrawl in July. Walsh was confident the joint venture, Ocean Trawling of Southern Africa, would go ahead.

The expansion of Natrawl's Mozambican fishing activities had been necessitated by the recent liquidation of associate Natal Ocean Trawling (Mozambique), as Natrawl lacked the infrastructure to fully exploit its fishing rights.

Megafish was considering establishing a base for its African operations in SA

Buss. Day 4/6/93

Boart joins Polish group

MZIWAKHE HLANGANI

MINING equipment manufacturer Boart International had signed a joint venture agreement with Poland's state-owned copper mining company KGHM Polska Miedz SA, Boart chairman Hilton Davies said

The joint venture would trade as Boart Lena. Boart would contribute R11m to the venture in return for a 51% stake in the new company, which would manufacture and market mining equipment in Lena, Poland

In terms of the agreement, Boart would provide equipment, technology and finance for the project, Davies said (220)

Davies said the venture signalled a strengthening of Boarts's presence in the eastern bloc.

Prospects for growth were good, and new products would be developed for Polish and other eastern European markets, he said

The plant would start operating in October

Gordon moves on UK firms

Own Correspondent

LONDON — Transatlantic Holdings, the £800m group controlled by Liberty Life, has taken a 3% strategic stake in Sun Alliance, one of Britain's biggest general insurers

The stake, representing 400 000 shares bought on Wednesday, makes Transatlantic one of Sun Alliance's largest shareholders At Sun Alliance's current market value of about £3,25 a share, the deal would be pegged at about £1,3m

Transatlantic and Liberty Life chairman Donny Gordon said "We see this as a strategic investment in embryo We will obviously give it more attention"

He said that Transatlantic's involvement in Sun Life had begun similarly in the mid-'80s In 1991, in partnership with France's biggest insurance group Union des Assurance des Paris, Transatlantic took over Sun Life, having held a minority stake of 27,5%

Observers predict Gordon may soon move to increase his stake in Sun Alliance "If I was Sun Alliance I would feel nervous Donald Gordon takes a long-term view," said one merchant banker

Gordon said Sun Alliance had suffered heavy losses in recent years, but it still had "the highest solvency ratio, an excellent portfolio and a lot of potential".

The group was well placed to benefit from recent rises in insurance rates and from the appointment last month of Sir Christopher Benson as its new chairman

Gordon was sure that Sun Alliance had "taken precautions" which would avoid the kind of losses from domestic mortgage indemnity business which had dogged the company in recent years

(220)

23/6/93 Business Day

SA banks ready to grow in UK

B/DAY 7/6/93

SHARON WOOD

LONDON — Absa and Nedbank both have plans to expand their London branches, with Absa looking at the possibility of establishing a retail network in Britain and Nedbank transferring skills and key SA staff to the UK.

Absa UK GM Jan-Arne Farstad said the group was looking at ways of enlarging the business.

It was considering entering the UK retail banking market. "We are very keen on this market and our business here will undoubtedly grow."

From a strategic point of view, it made sense for the group to use its expertise in retail banking in Britain

Farstad would not be more specific about Absa's plans, but believed the group had the capital base necessary to operate in the UK market

The other three major SA banks in Britain have no immediate plans to enter the retail market

Farstad said corporate banking was the most promising area of the London branch's business, but its treasury, trade finance and corporate finance divisions were following closely behind

The London branch had become profitable only in the last half of 1992, through a combination of cost cuts and increasing revenue.

Nedbank GM Frank Le Roux said there was a drive to improve the skills in the branch and a senior marketing person from SA would move to London

Competition in the UK market between SA banks had become vigorous, but he believed there was enough business for all the SA banks.

Nedbank's London branch was still largely a trade finance bank with a large treasury department.

Corporate finance was handled by UAL, but Nedbank would soon become involved in this area and would build their skills there.

The bank was also seeking non-SA business to comply with supervisory requirements limiting home country exposure

Le Roux said although the group had a representative office in Frankfurt, it was reviewing its needs there and could expand its operation.

The official opening of Absa's representative office in Frankfurt is on June 17.

Farstad said the group would look at whether a full-scale banking operation was needed in Frankfurt

Oceana profit sinks by 13,2%

Buss. Day 8/6/93

MARCIA KLEIN

OCEANA Investment Corporation, the UK group which is 35,3% held by Foschini, dropped its profit after tax by 13,2% to £3,3m (£3,8m) in the year to end-March

The results include attributable income from three major investments, UK fashion retailer Etam, European restaurant chain Gioma Group and Australian bag and travel goods retailer Handbags International

The drop in earnings largely reflected lower contributions by Etam and Handbags International.

Oceana is Etam's largest shareholder with a 36,37% equity interest Directors said Etam's decline in operating income was partly responsible for the decline in net earnings According to an international report, Etam's profits rose 3% to £10,9m in the year to end-January.

Results were also affected by lower rates and lower interest income in the group's cash balances, and a disappointing perfomance by Handbags.

Despite recessionary conditions in its markets, Gioma showed good progress in sales and profit.

Earnings a share dropped by 35,2% to 16,2p (25p) due to a higher number of shares in issue following the August 1991 rights issue

A final dividend of [illegible]p a share brought the full year dividend in line with the previous year's 11p a share

220

Directors said despite lower earnings, Oceana's sound financial position has enabled the board to maintain dividends at the same level as last year.

Net assets at book value take into account a £1,6m write-off of goodwill relating to the acquisition of a further 2% of Etam.

COM

Amic tight-lipped on offshore plans

220 Buss. Day 9/6/93

MATTHEW CURTIN

AMIC, Anglo American's industrial subsidiary, is keeping its offshore business development plans firmly under wraps, six weeks after confirming it was considering a multimillion-rand venture with South Korean conglomerate Daewoo

Chairman Leslie Boyd declines to comment on the group's overseas ambitions, although a study is planned to investigate the establishment of a R600m colour TV tube plant in SA with Daewoo.

In March, Boyd said the group was pursuing possible joint ventures with Korean and Japanese partners.

Market sources canvassed yesterday on the likely merits of a tie-up with Daewoo were nonplussed about the benefits for Amic or the Korean group

Daewoo is one of Korea's four major *chaebol*, or conglomerates, which have become increasingly ambitious globally The groups are radically restructuring their businesses — Daewoo plans to compress the 20 companies it controls into five by 1994 — while stealing a march on Japan's industrial giants, hit by domestic economic malaise and the impact of the strong yen on Japanese exports

Daewoo's sales stood at $29bn in 1992, ranking it below Hyundai ($52bn), Samsung ($50bn), and Lucky-Goldstar ($31bn)

Daewoo, Samsung and Goldstar are the three making the most progress in competing with Japan in consumer electronics, underpinned by strong domestic sales, new markets, and new production facilities in Latin America and Europe

Their combined exports to Japan rose 40% to $153m in the first quarter this year

Daewoo has started marketing its products in Russia, Uzbekistan and Vietnam, and recently completed a $197m colour TV and microwave oven factory in France.

The conglomerates enjoy a good measure of government support, with subsidies recently offered to companies to develop high-definition TV tubes

Samsung has set up strong links with US and Japanese partners in its key aerospace, petrochemical, consumer electonics and computer businesses

What bemuses local analysts on the Amic/Daewoo move is what the Anglo subsidiary and SA can offer a fast-moving Korean industrial group which it cannot find in Southeast Asia, Europe or Latin America They agree the local market for consumer electronics is small, and from a business point of view, the only competitive advantage SA may have is the weakness of the rand, and the prospect it will weaken much further in the years ahead.

Boyd's frank presentation of year-end results, in which Amic earnings a share fell nearly 16% as it bore the brunt of depressed commodities markets and the recession, and promise of restructuring to make the group more financially efficient lifted the thinly traded shares in March

However, despite some good bookover deals at lower levels recently, the shares resumed their steady four-year underperformance of the industrial index

Local brands go into fire

220

By JOHN FARQUHAR

ISOLATED from international competition for almost 30 years, local companies with purely local brands as their stock in trade never had it so good. With mediocre marketing strategies these companies have managed to dominate the market segments in which they operate.

Running a "one horse" race, local boys got promoted way beyond their ability. Today there are companies at the top of the hit parade run by chief executives who, as Ross Perot said of US President Bill Clinton, only have middle management ability.

As the CEOs of these companies encounter an increasing number of international exploratory teams investigating the potential of the South African market-place, their stress levels are rising.

The internationals are only waiting for a democratic government to be elected before they launch their attack.

When this happens local companies with only local brands in their portfolio which are quoted on the stock exchange are in for a torrid time. Now is the time to dump those shares.

The more astute local operator is talking about joining rather than fighting the internationals when they arrive. It is rumoured that Leisure Foods, the local franchise holder for Wimpy, is talking to Burger King.

Far-sighted Royal executive chairman Vivian Imerman probably had this thought in mind when he made the deal with Anglo, Del Monte and Mars.

The next five years are really going to separate the men from the boys. And when the battle for market share intensifies, creative advertising will be out in the cold. The big international players want sales and market share. They want ads which get the consumer to buy. Creative advertising, they say, is for the little boys.

FM 11/6/93. (220)

TRANSATLANTIC (220)

Another strategic stake

FM 11/6/93.

Talking in February about TransAtlantic Holding's plans for expansion in the UK insurance market, chairman Donald Gordon was quoted in the *Financial Times* as saying that several British companies were "looking for a big brother."

TAH, Liberty Life's UK life insurance/property arm, was setting its sights on "the larger end of the market The bigger they are, the better the bargain" He proved as good as his word last week In terms of London Stock Exchange rules, TAH disclosed it had picked up just over 3% of Sun Alliance, the UK's biggest writer of general insurance business

Sun Alliance fits the TAH bill Capitalised at more than £2,8bn — three times TAH's market worth — Sun Alliance has a £2bn property portfolio split between its life and non-life funds, and is recovering from a horrendous three years shared by all short-term insurers in Britain, especially those involved in property

From pre-tax profit of £319m in 1989, Sun Alliance slumped to losses of £181m and £466m in the following two years, pulling back to a £130m deficit in 1992.

Better times are expected all round in the UK insurance sector, as rates have hardened and the worst disasters of the housing market seem over for companies which wrote domestic mortgage indemnity business and were hit by the negative equity crisis. Sun Alliance's mortgage indemnity loss was still high at £186m last year, but that was a big improvement on the £320m knock suffered in 1991.

This is clearly an attraction, but so too is the recovery potential of the property portfolio — Sun Alliance's net equity assets have fallen by 47% to £1,67bn, excluding the value of long-term business, in three years. TAH's property assets (via Capital & Counties) are valued at £1bn even after the downward valuations imposed, which have seen NAV per share dive by two-fifths since 1989 — much to Gordon's chagrin.

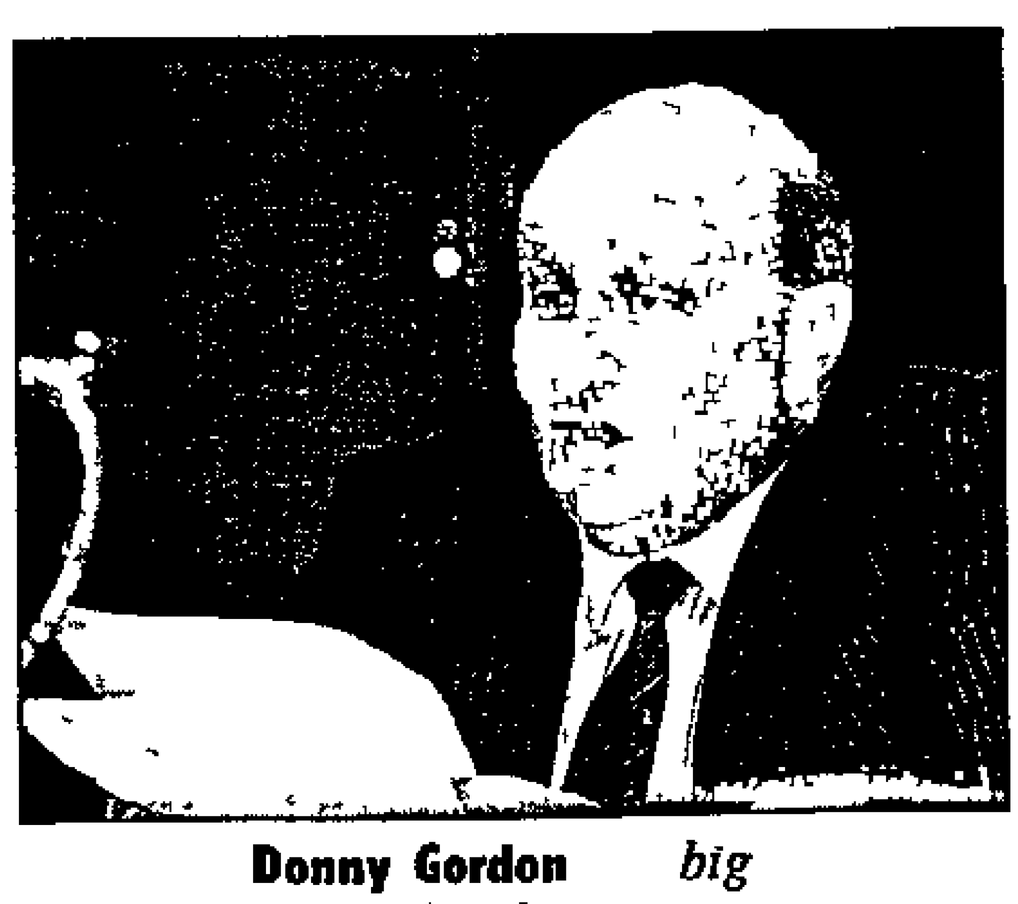
Gordon specifically mentioned his acquaintance with, and respect for, Sun Alliance's new chairman Sir Christopher Benson, former head of Britain's biggest property group MEPC.

The interest in Sun Alliance matches the dual insurance/property strategy of Gordon and of the 50.50 partner in Sun Life, Union des Assurances de Paris (UAP), which owns 18% of TAH

As a "strategic stake" it seems like a small beginning, but so did the initial foray into Sun Life 13 years ago, when TAH was then an unquoted relative minnow. Gordon has friends on the Sun Alliance shareholders' register, Guardian Royal Exchange, which grubstaked Liberty in 1964, with 3,8%, making it the second biggest investor after Chubb Corp with 9%.

The London market clearly took the deal seriously Just 24 hours earlier, US Quantum Fund's George Soros — who made up to US$2bn by selling sterling short last year and who set gold alight by putting £400m into Newmont Mining — announced a £284m investment in the battered UK property sector It was enough to add 6,6% to the property sector index in a flagging equity market

Not to be outdone, the TAH stake in Sun Alliance had seen the composite insurance sector index gain 5% on Tuesday TAH was already showing a paper profit on the holding — at £86m, equivalent to 10% of its own market capitalisation — with Sun Alliance up 6,3% London market opinion was: don't hold your breath because Gordon is a patient man and UAP has domestic pre-occupations in France, but watch this space *John Cavill*



Donny Gordon *big brother*

Anglo lifts lid on the secret years

C/Press 13/6/93.

(110)

NOW that sanctions are receding into the background SA companies are beginning to lift the lid on some unusual activities they are involved in

The giant of the SA business scene, the Anglo American Corporation is, for instance, heavily involved in the development of a high-energy battery.

The aim is to develop a cheap, safe and efficient battery to power electric cars of the future

Work on the battery began in the mid-1970s with the assistance of the Council for Scientific and Industrial Research (CSIR).

As development work progressed a partnership was formed with AEG and Daimler Benz of Germany in 1989

For the past two years a Mercedes Benz car has been used to test the new battery.

The car travelled 43 000 km without any major maintenance work.

The battery generated up to five times the power of a conventional lead-acid battery and a top speed of 130 km/h and a range of 150 km at 80 km/h was achieved.

A pilot plant to manufacture 300 of these unusual batteries next year was being planned and by 1996 a decision was expected to be taken on whether to embark on full-scale production

If the project was indeed as successful as presently anticipated, it would help revolutionise motoring in the world's polluted cities

It is interesting to note that Anglo American owns a ceramics manufacturing and cathode preparation plant in

MONEY TALK

Derby, England, as part of the project Its ownership was kept secret until now because of sanctions.

But the most significant international project the group is tackling at the moment is the development of a major copper project in South America

Situated in Chile and Peru, Anglo American's 75-percent-owned South American mining company, Mantos Blancos, is planning to invest about R1,4-billion in the development of the deposits.

The money is to be spent over a period of five years and will lay the groundwork for a copper output of a massive 500 000 tons a year by the end of the decade.

Meanwhile, Anglo is still investigating the rehabilitation of the Zambian copper belt, which will require an investment of several billion rand to bring output up to acceptable levels

New prospects in politically troubled Zaire are also receiving attention.

A big investment was made a few months ago in Del Monte Royal Corporation, a SA food group that was created out of companies bought by the Imerman family from disinvesting American groups.

With the backing of a cash injection of almost R800-million by Anglo, Del Monte Royal now controls important food companies in SA and Europe.

COMPANIES

A glimmer of hope from Japan

MATTHEW CURTIN

HOPES that last week's royal wedding in Japan will revive diamond sales in what is one of De Beers' major markets may have been realised with reports of jewellery sales improving sharply in May

A recent report in Tokyo newspaper Nihon Keizai Shimbun said that at a leading department store, diamond-mounted engagement rings, priced at 400 000 to 500 000 yen (about R13 600), were "selling well, and sales in May doubled by year-to-year comparison". BiDay 14/6/93

Better diamond jewellery sales were accompanied by improved demand for pearl jewellery and imported luxury goods, the report added, ascribing the change to price cuts and signs of improved consumer confidence,, although Japanese economic recovery was "spotty"

Market sources said at the weekend the news was encouraging because there had been little good news on the demand side of the diamond trade even if the Central Selling Organisation had stabilised supply in 1992.

They said De Beers was expecting the marriage of Crown Prince Naruhito to former diplomat Masako Owada to encourage other Japanese couples to take the plunge, bolstering diamond ring sales, now the standard engagement gift in the country

Japan is the major consumer of diamonds after the US, with sales worth $2,12bn in 1992. But sales have fallen steadily in recent years, as retailers ran down stocks. There was also slack demand in jewellery stores. (220)

Strong US diamond sales over Christmas have ensured that overall retail demand for De Beers' product has remained flat in spite of falling consumer spending in Japan and Europe

Toco acquires 50% of its major US customer

EDWARD WEST

TOCO Holdings had acquired a 50% stake in its major international customer, New York-based Park Plus Corp, for $8,85m, chairman Paul Todd said yesterday.

At the announcement of the group's sixth consecutive annual earnings increase since listing in 1987, he said the acquisition would give Toco a stake in agreements with distributors in 16 countries in the Americas, Europe and the Pacific Rim.

Park Plus is a distributor of automotive parking lifts. About 15% of its annual $100m purchases of parking lifts was manufactured and supplied by Toco last year. Park Plus generated a turnover of about $130m a year, said Todd.

In the year to end-March 1993 earnings a share climbed 12,4% to 21,7c from 19,3c in 1992. Because of the acquisition, dividends were suspended until they were consistent with the group's ability to finance its expansion.

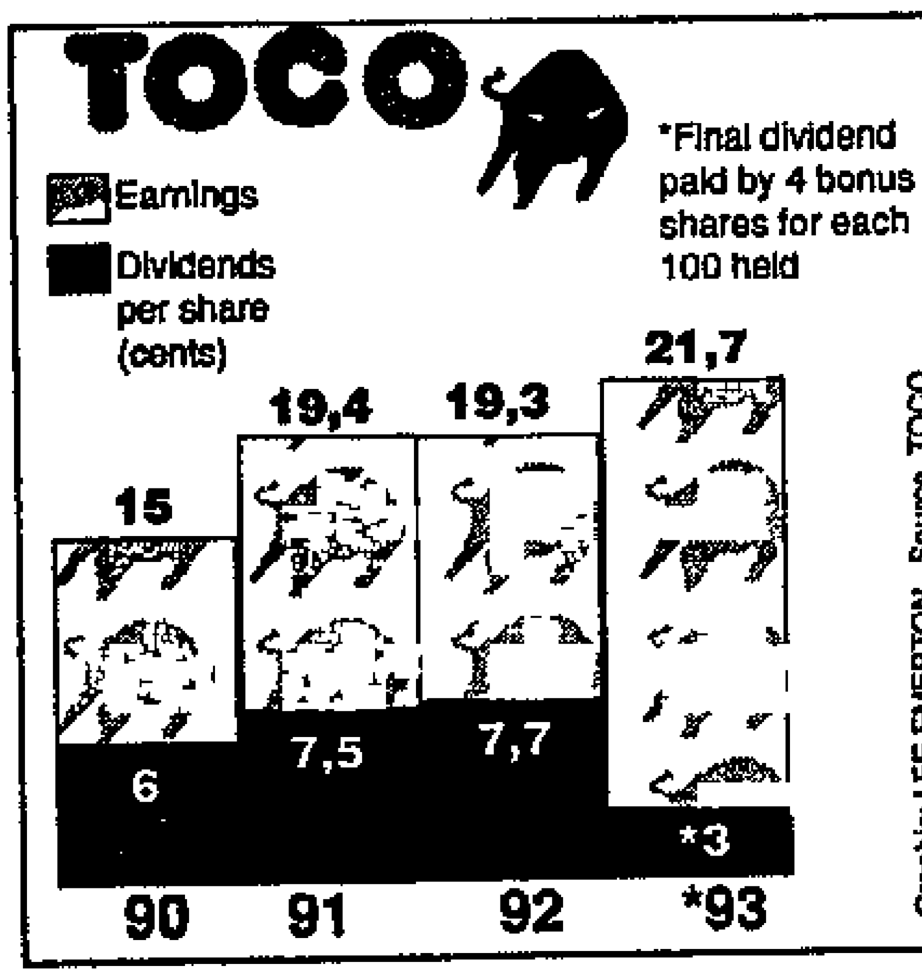
Bonus shares would be offered once a year. For the year just ended four bonus shares would be issued for 100 held at the close of trade on August 13 1993.

Turnover climbed 25% to R191,2m (1992: R153,6m). A third of this comprised exports compared with 25% last year. Exports could increase to 45% of sales this year, said MD Adrian Goodman.

Operating income was 16% higher at R23,9m (R20,6m). Interest paid climbed 73% to R4,5m (R2,6m) which reflected a build-up of funding required to fulfil the building division's exports.

Long-term liabilities, which included the cost of acquisition, rose substantially to R55,6m (R6,3m) and gearing was 56% (39%). Although the acquisition would not lift gearing above the group's self-imposed ceiling of 60%, financing growing export volumes might do this, Goodman said.

Cash flow improved to R16m (R10,3m). The tax rate fell to 9% (12%) due to exports and was expected to remain below 20%.



Attributable profit, which increased 14% to R16,3m (R14,4m), grew at an annual compound growth rate of 30% since 1987.

The acquisition would be funded from dividends received from Park Plus's trading activities because the Reserve Bank refused funds to be remitted abroad. Although export incentives had been held over from the year under review and would boost this year's results, the acquisition would be profitable without export incentives, said Goodman.

The group was confident of increasing earnings above inflation this year and the acquisition was expected to have a positive effect on its building division.

Todd said the deal would secure the long-term future of its existing manufacturing contract, create the opportunity to provide other Toco products to the Park Plus network and provide potential for Toco to become a global manufacturing centre for the entire Park Plus range.

Toco was also involved in manufacturing gaskets and pressings, special steels, lifting equipment and automotive refinishing products. Its vitreous enamel-cladding operations had sufficient work for 10 years with the award of export contracts in the Far East, said Goodman.

Consumer confidence falls to eight-year low

B/Day 21/6/93

CAPE TOWN — Consumer confidence has plummeted to its lowest level in eight years, Stellenbosch University Bureau for Economic Research (BER) says in its latest survey released on Sunday.

The composite consumer confidence index for whites fell to its lowest level since 1985 in the second quarter of this year.

Black consumer confidence also dropped to its lowest level since 1986, particularly with respect to consumer confidence in the employment-creating ability of the economy

This reflected a "drastic drop" in black expectations since 1990, when the confidence level was relatively high

Cape Town consumers were relatively more optimistic, but pessimism reigned in the Durban/Pietermaritzburg area.

The bureau said the employment deterioration rate had, however, slowed in the retail sector and was recovering in the wholesale sector.

While statistics from the SA Race Relations Institute showed that political violence had subsided in the first few months of the year compared to 1992, crime and violence remained at unacceptably high levels.

"This, amongst other things, has caused consumer confidence to plummet in the second quarter," the BER said.

" Retailers, wholesalers and motor dealers reported poor sales and were not optimistic about conditions in the third quarter of this year

Despite the increase in the VAT rate in April, inflationary expectations were still moderate and the bureau's survey indicated that both wholesalers and retailers had come to terms with more moderate price increases

(320)

This indicated that, in spite of the 40% rise in the VAT rate, inflation should remain relatively low for the next two years

The bureau maintained its view that the economy would "at best" bottom out this year and that GDP would probably fall by about half a percentage point. But a real growth rate of about 2% was forecast for 1994 — Sapa.

Lonrho lifts profit 74 pc

(270) Star 25/6/93

By Neil Behrmann

LONDON — Rising gold production and prices combined with a reduction in debt contributed towards Lonrho's 74 percent jump in pre-tax profits to £87 million in the six months to March

Gearing, or borrowing as a percentage of shareholders funds, fell to 35 percent.

The arrival of Dieter Bock, the German financier, as a major shareholder and joint chief executive has also helped Lonrho.

Earnings a share recovered to 7,9p from a loss of 2p a year ago The interim dividend is pegged at 2p.

Profits of £87 million, however, included disposals, notably the sale of the Volkswagen-Audi franchise in Britain.

More recently, but not reflected in the figures, the ~~cash~~ draining Observer newspaper has been sold.

Although Lonrho's rehabilitation is in progress, stockbroker analysts are still cautious.

Profits might have soared, but sales of the mining, commodity and hotel conglomerate tumbled 21 percent to £1,56 billion.

Lonrho's results were higher than analysts' estimates, but the dividend was in line with market expectations.

Platinum

The company says that profit was higher because of better profitability in its South African platinum and Ghanaian gold mines. This was achieved despite the slump in the price of rhodium.

The performance of its international hotel business also rose in the first half.

"Trading has improved since last year and, provided commodity prices do not deteriorate, the board views the remainder of 1993 with optimism," says a statement from Lonrho's joint chief executives Tiny Rowland and Bock.

Profit attributable to shareholders has risen to £56 million from £13 million, after taking account of exceptional items.

Profit in its German trading concern, Krupp, fell because of rationalisation provisions and the slowdown in the economy. However, it expects the business to post higher second-half results.

The company also expects better profits from its sugar businesses in the second half.

Table Top moves into the Gulf

Star 25/6/93

Foodcorp's Table Top division, has spearheaded the group's latest export initiative with the successful launching of a number of its products in the Arabian Gulf region

Branded garden peas, mixed vegetables, cut and sliced beans, baby carrots, sweetcorn, corn-on-the-cob, broccoli and potato chips were introduced to the retail, wholesale and catering trade in Abu Dhabi, Bahrain, Dubai, Kuwait and Muscat in Oman

"Follow-up orders have been good," says the group's exective director for international marketing, Gert Schoonraad. "In fact, retailers in Bahrain were sold out on the first day.

"Our aim is to capture at least a 10 percent share of their frozen vegetable category in the first 12 months and then to grow this over the next three years to 25 percent," said Schoonraad.

Vietnam appoints SA firm to plan R75-bn export zone

Star 25/6/93

By Tom Hood

A South African firm of engineers and planners has won a contract to prepare the master plan for a R75 billion development at Hai Phong, the largest harbour in North Vietnam

The firm, Van Niekerk, Kleyn and Edwards (VKE), claims to be the country's first to undertake consulting work in Vietnam.

It is acting for a giant Hong Kong investment company, Verygood International, which will invest about $25 billion (R82 billion) in a joint venture with the Vietnamese government to develop an export processing zone.

Other South African companies could also become involved, says Shirwell Kipps, a partner in VKE

About 540 factories are to be built in steel, prefabricated and shipped to Vietnam and South African firms could be asked to make them.

"We might also export our bricks there as well," he said.

The Hai Phong development covers about 3 000 hectares The first phase includes 200 ha of industrial factories and 100 ha of bonded warehousing.

The other 700 ha will contain commercial, business and residential areas, with recreational facilities such as a holiday resort, hotels and a golf course.

Model built

Today the firm completed an architectural model of the project and airfreighted it to Hong Kong.

Kipps said the investment group had been invited by various other governments to develop similar projects.

He and town planners Nico Malan and Alan Simonic returned recently from a visit to Hanoi, Hai Phong and Ho Cho Minh City (formerly Saigon).

Vietnam was poised for tremendous growth, with Japan and Taiwan also planning huge investments there, said Kipps.

A Chinese contractor was expected to build the development.

The Cape company will supervise the construction, civil engineering and other works.

Kipps said Vietnam was a poor country that had seen no development since the war started in 1966 and the communist government was encouraging capitalism to develop the country so it could compete in the Pacific Rim.

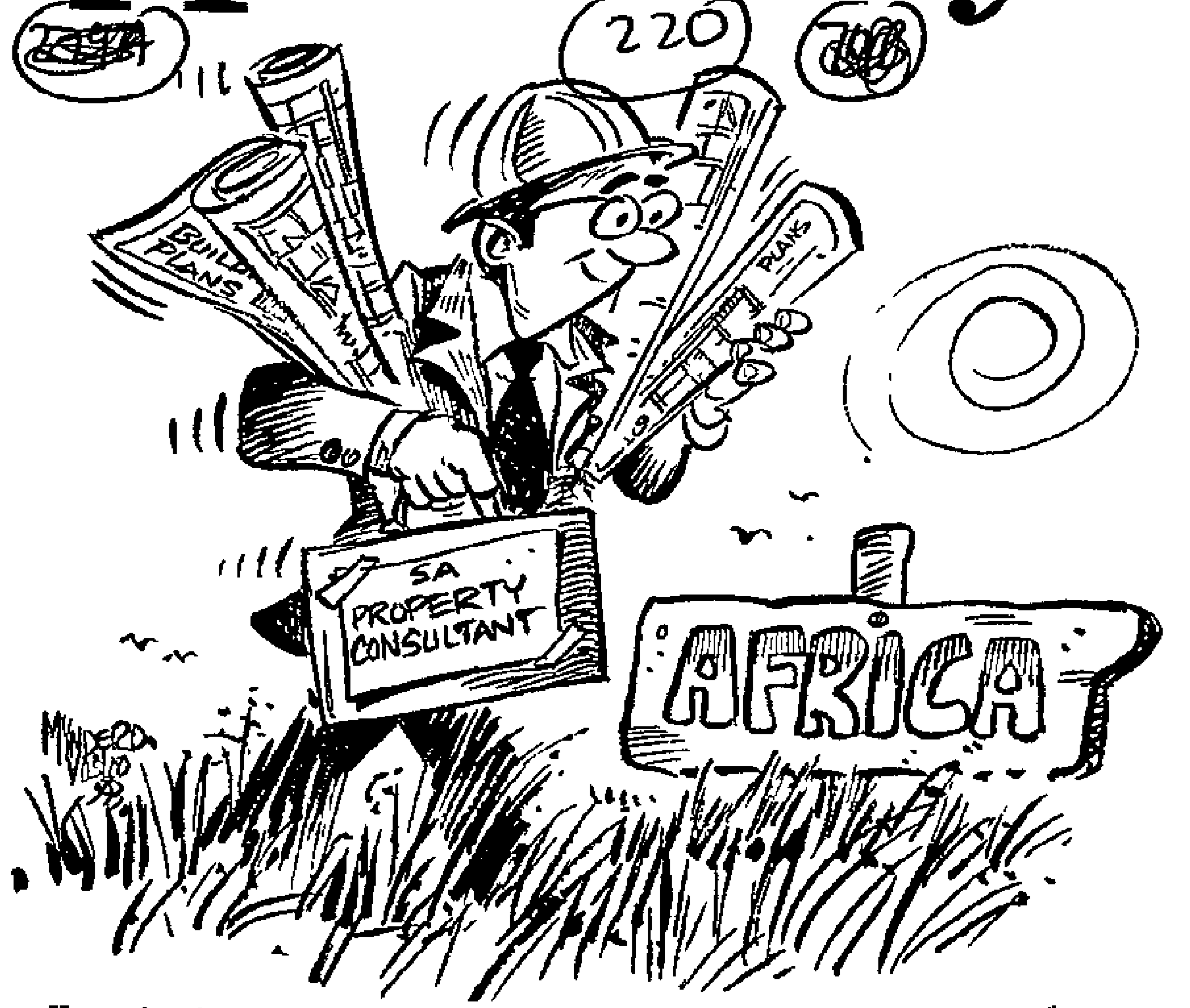
VKE was experienced in this planning work through developing 10 new towns, including Khayelitsha, he added.

"In terms of sheer capital investment, South Africa has had nothing to touch this development."

Neighbours offer SA opportunity

S/Times (Buss) 27/6/93

220



PROPERTY developers have their eyes on doing business south of the Sahara.

JHI subsidiary Downtown Development Corporation (DDC) managing director Dave Marais says African and other foreign markets are opening up to SA

"Many neighbouring states suffer from a shortage of qualified people and capital So the potential for South Africans to offer consulting services is enormous

"Countries such as Mozambique, Zimbabwe and Zambia are finding it increasingly difficult to tap to world aid agencies because donors demand a high level of management skills to be attached to funded projects"

DDC provides consulting services for the rehabilitation of buildings, leasing, sales and valuations

South African Foreign Trade Organisation (Safto) Africa director Paul Runge says the opportunities for SA firms to consult in Africa are huge

Donors, such as the World Bank's private-sector arm, the International Finance Corporation (IFC), seek to stimulate free enterprise in African countries heavily dependent on aid

Stake

The IFC and the African Project Development Facility (APDF) will consider only projects that are financially worthwhile

The IFC will take up to a 30% stake in a joint venture to ensure the project does not go stale It wants a partner with strong management skill

Mr Runge says technology, skills and training can be found in SA

Investec Property Group (IPG) has concentrated on looking for developments in neighbouring countries

IPG managing director Sam Hackner says these efforts have been made in Botswana, Namibia, Swaziland and Zambia

IPG commercial letting arm Kuper has been active in Lesotho, which has a newly constituted government and is politically stable

Mr Hackner says most retail developments are strip shops of about 6 000m² In most cases, 85% of the space is let to national retail chains and provision is made for space to be allocated to entrepreneurs from the areas

The returns on such developments are higher than would be achieved in CBD or regional areas, taking into account all the risk factors

"In our experience, all these developments have been solid, reliable income producers They have been funded by private syndications and by banks"

Mr Hackner says Reserve Bank approval is required for a development outside the rand monetary area

IPG has received inquiries from investors outside Africa They are attracted by high yields from money placed in African countries

Mr Marais says only countries, such as France, which have an understanding of Africa and how things work are willing to invest here

Finding the money is the hardest work "Many African currencies are worth zilch Institutional finance, readily available in SA from insurance companies, is non-existent in most of Africa

"We have to find finance from multinationals that have a base in Africa, or from European-based quasi-government aid agencies and banks"

Mr Marais says a multinational operating in Africa may finance construction of its commercial buildings as well as for blocks of flats for staff members

However, a problem is that most of the land is held by the state which is unwilling to relinquish it

"The state owns most of the flats that are rented out at exorbitant prices"

It may often take years to obtain land ownership in Africa

Mr Marais says much patience is required because things do not move fast African bureaucracy and business systems are not geared to commercial property development.

Toco acquires 50% of its major US customer

220

EDWARD WEST

TOCO Holdings had acquired a 50% stake in its major international customer, New York-based Park Plus Corp, for $8,85m, chairman Paul Todd said yesterday.

At the announcement of the group's sixth consecutive annual earnings increase since listing in 1987, he said the acquisition would give Toco a stake in agreements with distributors in 16 countries in the Americas, Europe and the Pacific Rim.

Park Plus is a distributor of automotive parking lifts. About 15% of its annual $100m purchases of parking lifts was manufactured and supplied by Toco last year. Park Plus generated a turnover of about $130m a year, said Todd.

In the year to end-March 1993 earnings a share climbed 12,4% to 21,7c from 19,3c in 1992. Because of the acquisition, dividends were suspended until they were consistent with the group's ability to finance its expansion.

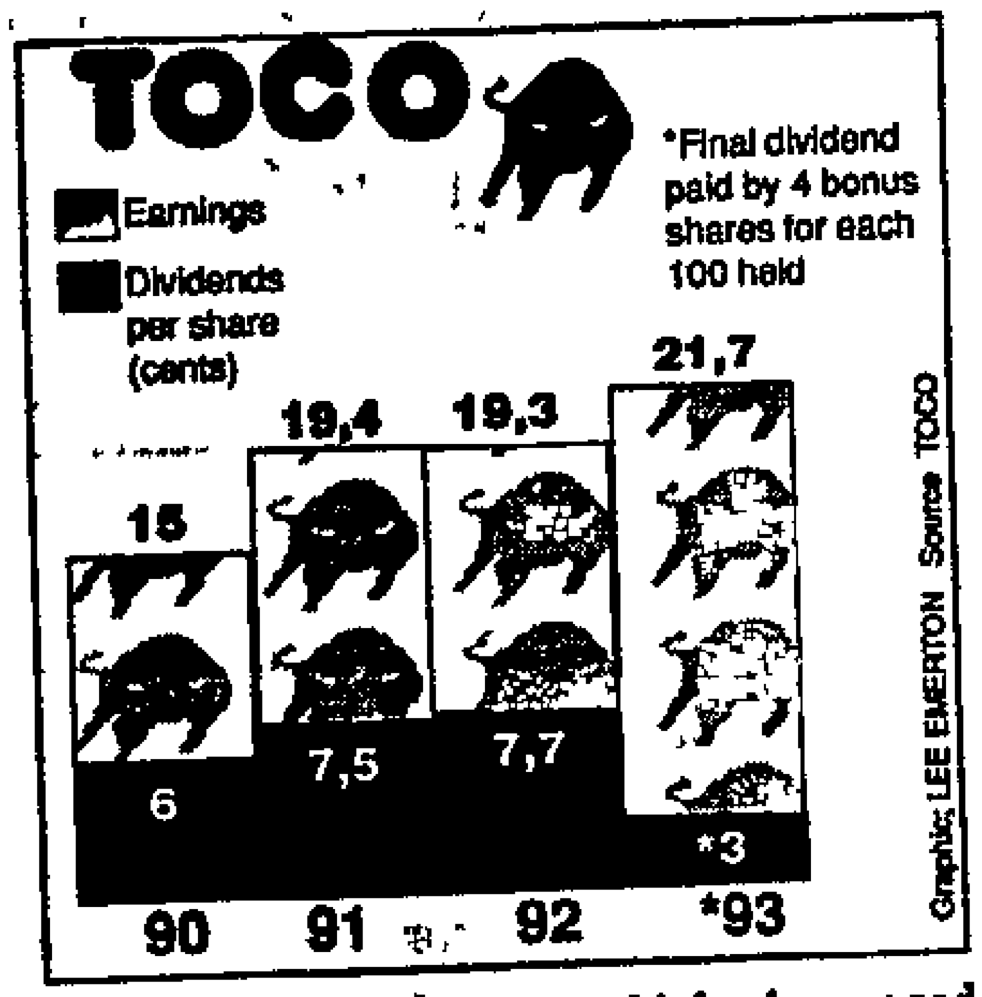
Bonus shares would be offered once a year. For the year just ended four bonus shares would be issued for 100 held at the close of trade on August 13 1993.

Turnover climbed 25% to R191,2m (1992: R153,6m). A third of this comprised exports compared with 25% last year. Exports could increase to 45% of sales this year, said MD Adrian Goodman.

Operating income was 16% higher at R23,9m (R20,6m). Interest paid climbed 73% to R4,5m (R2,6m) which reflected a build-up of funding required to fulfil the building division's exports.

Long-term liabilities, which included the cost of acquisition, rose substantially to R55,6m (R6,3m) and gearing was 56% (39%). Although the acquisition would not lift gearing above the group's self-imposed ceiling of 60%, financing growing export volumes might do this, Goodman said.

Cash flow improved to R16m (R10,3m). The tax rate fell to 9% (12%) due to exports and was expected to remain below 20%.



Attributable profit, which increased 14% to R16,3m (R14,4m), grew at an annual compound growth rate of 30% since 1987.

The acquisition would be funded from dividends received from Park Plus's trading activities because the Reserve Bank refused funds to be remitted abroad. Although export incentives had been held over from the year under review and would boost this year's results, the acquisition would be profitable without export incentives, said Goodman.

The group was confident of increasing earnings above inflation this year and the acquisition was expected to have a positive effect on its building division.

Todd said the deal would secure the long-term future of its existing manufacturing contract, create the opportunity to provide other Toco products to the Park Plus network and provide potential for Toco to become a global manufacturing centre for the entire Park Plus range.

Toco was also involved in manufacturing gaskets and pressings, special steels, lifting equipment and automotive refinishing products. Its vitreous enamel-cladding operations had sufficient work for 10 years with the award of export contracts in the Far East, said Goodman.

Merger, acquisition values increase by 7%

BDay 29/1/93

MARCIA KLEIN

DESPITE the severity of the recession, SA businesses increased their takeover activity in 1992 with a 7% rise in the value of publicly announced mergers and acquisitions to R13,4bn (R12,5bn)

Ernst & Young corporate advisory services director Dave Thayser said the figures showed that the local business community's appetite for creating mergers and acquisitions "continued undiminished" in the year under review.

The upward trend, identified in Ernst & Young's annual mergers and acquisitions survey, stood in contrast to the UK "where takeover activity has fallen to a third of the level experienced in the 1991 boom.

A significant trend was "the rapidly accelerating involvement in offshore activity by local companies".

A major deal was the R2,17bn acquisition by Royal Corporation of Del Monte Foods International.

Other notable cross-border transactions were Sappi's acquisition of Hannover Papier and Mondi's acquisition of Austrian company Frantschach.

First National Bank, Standard Bank and Investec all acquired UK banks during the year.

But all this activity, as well as several deals which were being negotiated at the time, "came to an abrupt end when the Reserve Bank announced its reluctance to sanction further offshore transactions towards the end of last year", Thayser said.

The future ability of companies to invest overseas had been severely restricted.

According to the survey, acquisitions by foreign buyers continued to represent less than 1% of the total value of merger and acquisition transactions.

While R4,7bn was invested offshore, publicly announced inflows amounted to only R111m.

There were 57 delistings from the JSE, a third of which arose as a result of financial difficulties or voluntary winding up

More than 20 of the merger and acquisition transactions announced last year had led to or would lead to delistings.

Unbundling was likely to represent a new trend in the survey for 1993, Thayser said.

Investment 'carrot' defined

BDay 29/6/93

TRACY SCHNEIDER

MULTINATIONAL corporations were eager to invest in SA, but urgent structural readjustments were needed to create an environment conducive to investment, a report by the UN Economic and Social Council said

Economic policy measures highlighted by the report included scrapping the dual exchange rate, pushing for privatisation, expanding the manufacturing base and liberalising industry regulations

Published in the latest journal of the RAU Institute for American Studies, the report said SA needed foreign capital that could be channelled into labour intensive industries

(220)

SA had seen 51 new investments since 1989 The cumulative value of 20 exactly measured investments amounted to over $700m These were concentrated in the motor sector (27,5%), beverages (19,65%), electronics (15,7%), chemicals and oils (11,8%) and engineering (11,85%) The balance were in construction, pharmaceuticals, paper and packaging and steel and allied industries.

Investments by non-American multinationals in 1992 were even greater, with 508 corportations having direct investments or employees in SA, compared with 454 in 1991

However, political uncertainty since February 1992 had made foreign investors cautious. Major deals to be announced by Apple, Pepsi, Heinz and Sara-Lee were put on hold following political uncertainty and heightened violence in June 1992

The report said companies were looking to SA's long-term potential and high profit yields. US investments of $900m in 1991 yielded profits of $126m.

A single exchange rate system would lower the commercial rand, making exports more price competitive abroad

Removing distortions, including artificially high levels of liquidity and oligopolies, would encourage inward investments by transnational corporations.

Anglo aims for top spot in copper league

Star 29/6/93

(220)

Anglo American Corporation is switching its sights from gold and diamonds to copper. Kenneth Gooding of the Financial Times reports on the group's expansion plans, focused mainly on South America.

LONDON — Anglo American Corporation, best known for its gold and diamond operations, is laying the groundwork for a huge copper business in South America that will place its subsidiary in the region among the world's leading producers.

The group also has the right of first refusal when Zambia privatises its copper business, Zambia Consolidated Copper Mines, scheduled to go ahead by 1998.

If all goes to plan, Anglo would jump from about fifth place among the world's leading copper producers possibly to challenge Codelco in Chile, which currently leads the field with annual output of more than 1 million tons.

Anglo has been focusing attention primarily on its South American projects in presentations to analysts and institutions in South Africa and Europe.

Flotation

The group's interests in the region are held by Anglo American Corporation of South America (Amsa), a 50 percent owned mining, finance and industrial company that Julian Ogilvie Thompson, Anglo's chairman, describes as a mini-Anglo in South America.

He says the stock market flotation of Amsa is a possibility when its development projects are more advanced.

In Chile, Amsa's most important interest is a 75 percent stake in Mantos Blancos, which is already producing about 78 000 tons of copper a year.

Mantos Blancos is embarking on four projects in Chile and Peru which will cost $442 million.

Some $85 million will go to expand open pit copper output at Santa Barbara in Chile from 30 000 tons a year to between 35 000 and 40 000 tons.

Another $56 million may be spent on installing a modern solvent extraction-electro winning processing plant at Santa Barbara.

A second feasibility study is close to completion for the Mantoverde copper project in Chile, which is expected to produce 37 000 tons of open pit copper a year and cost $150 million.

Mantos Blancos recently paid $12 million for the Quellaveco copper deposit in southern Peru, in which about 24 million tons of copper has been identified.

Mantos Blancos and Anglo's subsidiary Minorco also recently bought between them one-third of the Collahuasi copper project in Chile from Chevron for $190 million.

Dave Deuchar, Anglo's chief metallurgist, says Collahuasi will become one of the world's great copper mines. Production is likely to start in 1998 and reach about 300 000 tons a year.

The Royal Dutch/Shell group owns another third of Collahuasi but is at present considering an offer for most of its metals and mining assets from Gencor of South Africa.

In Brazil, Amsa's interests are held largely in association with the Bozano Simonsen group through Mineracao Morro Velho which has mines that last year produced about 12 tons of gold.

Morro Velho recently won a tussle with RTZ Corporation of the UK for a stake in a world-class copper deposit at Salobo in the Carajas region of the Amazon, owned by Companhia Vale do Rio Doce, Brazil's biggest state-controlled mining group.

The project is expected to cost $750 million.

60 pc stake

Meanwhile, Ogilvie Thompson says Anglo has first refusal rights on the Zambian government's 60 percent stake in ZCCM. "We are getting on well with the new management and would buy the government interest on the right terms and conditions."

Anglo already owns 27,3 percent of the Zambian copper producer. The rest of the shares are in public hands.

ZCCM has also been talking to analysts in London and says it needs $2 billion over the next 15 years to keep production from falling any further.

Larry Hanschar, ZCCM's consultant metallurgist, says, however, that a big chunk is needed almost immediately.

He says ZCCM is ready to go ahead with financing for the $600 million Konkola deep mine project where it has an estimated 344 million tons of ore containing 3,8 percent copper. — Financial Times.

Russian gems delivered to De Beers

B1Day 30/6/93

MOSCOW — Russia's leading diamond company had delivered its third batch this year of stones worth hundreds of millions of dollars to De Beers, it was reported in Moscow yesterday.

The Russia-Sakha Diamonds joint-stock company, formed last July with Russia and the diamond-rich region of Yakutia as primary shareholders, distributes 95% of its uncut diamonds through De Beers

Russia is midway through a five-year, $5bn agreement with the diamond cartel, in which Russia can sell only 5% of its rough stones independently

The Yakutia region mines 98% of all diamonds in Russia, which accounts for about one-fourth of the entire world supply of uncut diamonds.

The chairman of the Russian committee on precious metals and stones said last month the country's five-year contract with De Beers should be renegotiated to allow Russia to sell 20% of its diamonds independently — AP-DJ (220)

Metcash expands into Israel and Russia

BIDa7 30/6/93

MARCIA KLEIN

METRO Cash and Carry (Metcash), SA's major wholesale group, would set up operations in Israel and Russia, CE Carlos dos Santos said yesterday.

Metcash's current offshore operations are largely concentrated in Malawi, where it has 23 cash and carry and 65 retail stores. It also operates in Lisbon and Hong Kong It hoped to open in Mozambique within the next few months and was also looking at Zimbabwe. (38)

Dos Santos told the Investment Analysts' Society that Israel and Russia represented the latest venture into globalisation. He hoped to have two cash and carry operations in each country by mid-1994. They should be profitable at the end of the first year of operation, excluding start-up costs

In Israel Metcash had established a partnership with Koor Industries, which already had an interest in retail chain Co-op Metcash also had two partners in Russia, a steel mill and a bank. These partners made it possible to export and to facilitate the conversion of currency. (220)

Wherever possible, Metcash would export SA goods. If not, it would look at sourcing from elsewhere, and its operations in Lisbon and Hong Kong would stand it in good stead.

READY FOR TAKE-OFF: One of SAA's fleet of Airbus A300s

SA will be Airbus launch pad

S Times (Buss) 4/7/93

By ROGER MAKINGS

SOUTH AFRICA's changing political situation will make it a strategically important base from which aircraft manufacturer Airbus Industrie will launch a multimillion-dollar sales drive into Africa

The French-based European consortium says that SA's new-found political acceptability and its high level of technical ability ideally positioned it to become the focal point of aviation for most of Africa

(220)

Vice president of sales for Airbus, Pierre Carpent, said in Paris recently that the aviation related infrastructure in SA was without doubt the strongest and most versatile in Africa, which Airbus would actively use as a marketing tool in its sales drive

"It is no longer taboo for African countries to be seen doing business with South Africa — in point of fact it is becoming the smart thing to do We need a really strong foothold in the region and South Africa is our best bet

"SAA does all the maintenance on its A320 and A300 fleets, which will be a boon to potential southern African customers looking for cheap, speedy and reliable maintenance for their new aircraft, rather than sending them to Europe or the US"

Mr Carpent said that Airbus had identified a possible market worth about $700-million in southern Africa which included six long-range A340s (mostly to SAA) and up to 12 of its smaller A321s, A320s and A319s to surrounding countries

"A big plus in our favour is the commonality between the types making it possible to maintain all types," he said

Long-range Boeings, although excellent equipment, were too big and expensive for African operators — who would in any event have to lease new aircraft rather than purchase them

"With exception of Namibia, we see the long-range role falling largely to SAA — the other operators in the region have neither the money nor the passengers to warrant flights to Europe But they will need smaller commuter aircraft to replace ageing fleets that are becoming too expensive to maintain

"And this is where I think we will have the edge over our competitors in that SAA has an established Airbus maintenance facility on the region's doorstep and the A320 is the sort of aircraft that suits most sub-Saharan carriers' needs," said Mr Carpent

He said that if SAA was to expand its maintenance facility to accommodate Airbus aircraft, Airbus would consider giving logistical and financial assistance to the project.

Cuts in tax allowance would boost economy

S Times (Buss) 4/7/93

By CIARAN RYAN

A REDUCTION in tax allowances for industry and agriculture would allow the Government to drop corporate tax rates below the current 40%, providing a major shot in the arm for the economy.

A recent report by the General Agreement on Tariffs and Trade highlights the fact that SA's tax system favours capital-intensive industries at the expense of labour-intensive industries because of generous depreciation allowances

It says most companies paid an effective tax rate of close to 30% in 1991 when corporate tax rates were [illegible]

in terms of Section 37E of the Income Tax Act have been approved. Section 37E was created for a short period only to encourage capital investment in manufacturing

Manufacturing industries [illegible]

pany's taxable income, the use of an asset is a legitimate business expense like any other cost," says Estian Calitz, deputy director general at the Department of Finance

"The depreciation allowed for tax purposes should ideally reflect the annual cost of utilising the asset over the

SACC unveils business code

220

CT 7/7/93

JOHANNESBURG — The South African Council of Churches yesterday unveiled a code of conduct for businesses in South Africa

The proposal was tabled for discussion by the SACC's 25th national conference.

The code outlines ways in which business could play a constructive role with workers and communities to lay foundations for a prosperous country.

SACC secretary-general the Rev Frank Chikane also asked the conference to endorse the maintenance of economic and financial sanctions

The conference was also asked to ratify a proposal for a code of investment to ensure that future reinvestment empowered the disadvantaged.

In his report to the conference, Mr Chikane said sanctions could not be lifted because a transitional executive council with joint control over armed forces had not yet been established

"We are .. convinced that the economic crisis of this country cannot be divorced from, and be solved independently of the political crisis which undergirds it," Mr Chikane said.

The proposed investment and business codes had been strongly recommended by an ecumenical task force on economic justice Local and foreign business leaders would be asked to commit themselves to the codes — Sapa

BiDay 16/7/93

Rumours boost Minorco shares

JOHN CAVILL

LONDON — Minorco shares leapt more than 10% yesterday as rumours of a possible major deal swept the London market

Stockbroker analysts said there was no obvious reason for the sudden rise which started in Johannesburg with a R4 jump and was followed in London by a climb of nearly $2 to $18,78 at one stage

Traders reported that investment houses linked to the Anglo American-De Beers grouping which controlled Minorco were involved in the activity Davis Borkum in Johannesburg, Warburgs in London and Lazards in New York.

"The Johannesburg market is a notoriously leaky bucket and it is because the buying started there that we believe something is in the wind," said one analyst, "but we haven't a clue what it is"

The rumours included

☐ Imminent denationalisation of Zambia's copper mines (ZCCM) where Minorco already has an indirect stake through its 50% holding in Zambia Copper Investments,

☐ A possible flotation of the unquoted $2,5bn Anglo American of South America (AMSA), controlled by Anglo, De Beers and Minorco, and

☐ A restructuring of Minorco to make itself private

Analysts, however, said it was far from clear how the ZCCM deal — regarded as the most likely of the three stories — would be structured "If Minorco buys back into ZCCM that would fit in with its strategy It lost out in the bid for Olympic Dam, the big Australian copper mine, and while it has stepped up investment in Colahuassi in Chile, Minorco still has plenty of cash (about $1,1bn) after Charter Consolidated buys the group out of its 36% stake," said one

220

"On the other hand, so far Minorco has steered clear of Africa and Anglo has an estimated R350m of Zambian government debt — from the nationalisation — which is pretty worthless but which could be swapped for equity in ZCCM" And "there is the prospect of a bigger interest in Colahuassi if Gencor succeeds in buying Billiton from Shell Billiton has a stake in Colahuassi and AMSA has a pre-emptive right to buy that if Gencor takes over"

Capital market rates react to good news

BiDay 15/7/93

TIM MARSLAND

CAPITAL market rates dropped across the board yesterday after the release of bullish producer inflation data and positive developments on the sanctions front

Dealers said it had been one of the most active days in recent months, with heavy trade taking place The key Eskom 168 bond closed at a nine-month low of 14,27% from a previous 14,43%.

Rates eased initially on news that New York was considering lifting sanctions.

But once the producer data came in well below market expectations at 7% for the 12 months to May, rates fell through key resistance levels, bringing within reach all-time lows set last October, dealers said

The lower producer inflation came on top of comments earlier this week by Reserve Bank Governor Chris Stals that single-digit inflation was possible this year

The dealers said this had again brought into focus the possibility that interest rates would be cut in the next few months

One dealer said the 14,32% level on the Eskom 168 had been a key chart point and breaking through that level had been "extremely bullish"

However, the rate would have to fall even further for it to have decisively shaken off resistance around that level

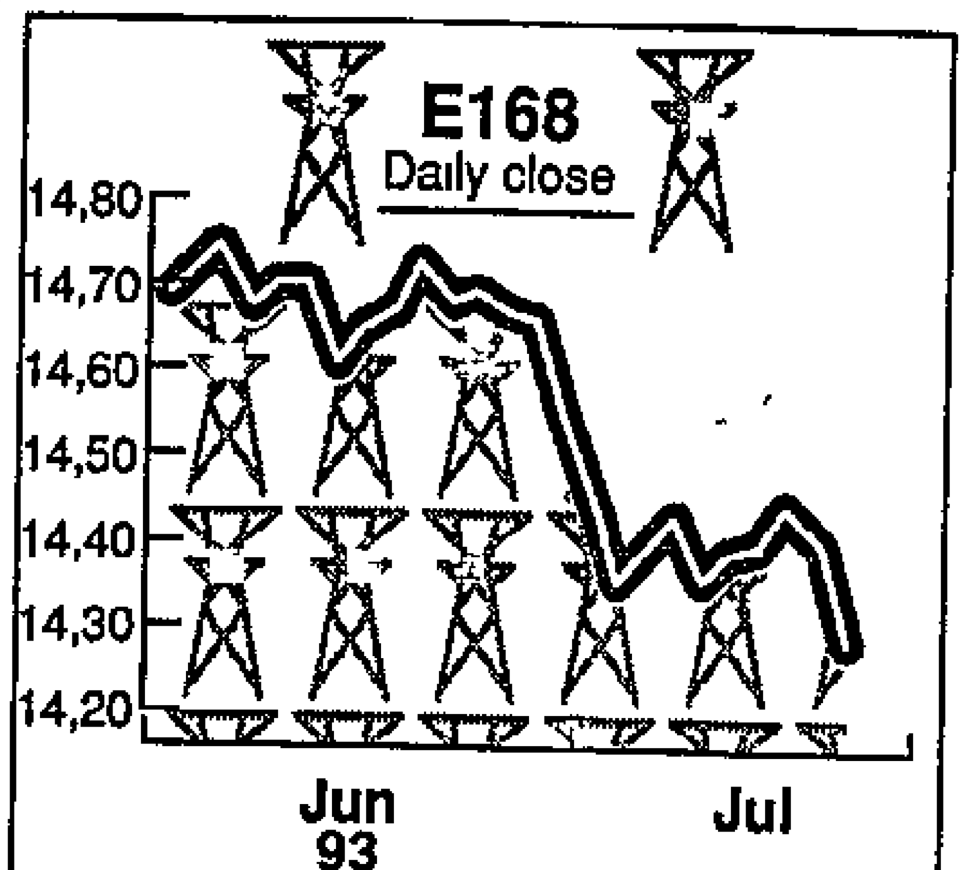
Another dealer said institutions, which had been absent for some time, had been active in the market, as had foreigners

He noted interest from London

Another dealer said a correction was possible in the next few days, and if one did not occur, "then I'll be worried"

This would mean much of yesterday's down move was due to speculators and once that source of buying dried up, there would be "blood on the floor" when they tried to get out of their positions

Dealers reported active options trade yesterday, with many options being exercised



Graphic LEE EMERTON Source I NET

S1 Times (Buss) 18/7/93

Bosal's big outlet in Prague

(220)

BOSAL, SA's multinational exhaust manufacturer, has opened a new factory in Prague in the former Czechoslovakia.

This is the first move by the company into eastern Europe and production will be supplied to surrounding countries.

Bosal, which operastes 13 countries, is now the third largest exhaust manufacturer in the world and the largest in Europe.

S1 Times (Buss) 18/7/93

Indresco takes Tswana stake

US-BASED earth moving giant Indresco has bought a 50% stake in Tswana Equipment, distributors in Botswana of Komatsu, Haulpak and Galion equipment.

Indresco, formerly part of the multinational Dresser Group, manufacturers this equipment at its Dallas plant in Texas and the closer links will improve supply and back up, especially for the diamond industry in Botswana.

(220)

The interest was bought from Amquip, the construction and tyre subsidiary of Amic.

Trans-Natal, Sasol eye Italy's Agipcoal

B/Day 20/7/93

ANDY DUFFY

SA's largest coal exporter Trans-Natal and petrochemicals group Sasol have taken the first steps toward bidding for part of Italy's Agipcoal company

The groups have officially expressed an interest in the state-owned company, which was put up for sale earlier this year as part of Italy's privatisation drive

Unconfirmed reports also said Gold Fields Coal and several smaller SA coal companies were in the running

It is understood the interest is focused on Agipcoal SA, which has an export quota through the Richards Bay Coal Terminal, and 35-year coal reserves Agipcoal SA has an unofficial price tag of at least R100m.

Analysts believe that should Sasol buy Agipcoal SA, this could scupper the plans put forward by the Coalex consortium, of which Sasol is the lead member, to build a R700m rival terminal to Richards Bay

Trans-Natal has said that in the current market conditions, its earnings growth would come only through acquisitions.

Gold Fields Coal's efforts to boost exports have been held back because it has no quota at Richards Bay The company was unable to confirm its interest. (220)

Agipcoal, which is a subsidiary of Italy's ENI energy corporation, operates in the US, Italy, South America and Australia

It set up in SA in 1991 with the effective takeover of Kangra Coal Corporation, which gave it two mines — the 500 000-ton capacity Strathrey pit and the 1,2-million-ton capacity Spitzkop mine — and estimated reserves of 450-million tons The deal also secured it an annual export allocation at Richards Bay of 1,13-million tons, which rose to 1,5-million tons this year

Trans-Natal MD Dave Murray said the company had still to decide if it would make a formal bid for Agipcoal, or how much it would want to spend The Gencor company also had to determine how the cash would be raised. "We'd worry about that when we got there," he said. "It depends how much it would be."

According to analysts, a deal between Agipcoal and Sasol could end plans for the South Dunes terminal. The petrochemical group teamed up with seven other coal companies last year, including Gold Fields Coal, Anglovaal and Agipcoal, to build the terminal as a means to exploit the coal

☐ To Page 2

Agipcoal

B/Day 20/7/93

☐ From Page 1

exports market

Sasol declined to be drawn on how much it would be prepared to spend, but said it would "evaluate the economics of this (Agipcoal) acquisition as and when full details became available" (220)

Several smaller SA coal companies are also thought to be interested in Agipcoal SA, though Amcoal and Anglovaal Collieries say they are not involved.

The Italian government, which is acting through US merchant bank JP Morgan, has called on potential bidders to name a price for Agipcoal, either as a whole or split into its geographic components.

Agipcoal MD Johan Jooste-Jacobs said although a single deal would be the simpler option, "the question is whether there's anyone with the appetite to do that".

At least 20 groups from around the world are thought to have expressed an interest in Agipcoal before the first deadline expired last month. Those shortlisted will be called to begin preliminary due diligence next month. The Italian government wants the sale completed by end-September.

ST Times (Buss) 8/8/93

Health-care giant for SA

By JEREMY WOODS

THREE multinational pharmaceutical companies are linking up to become a force in South Africa's health-care market.

Warner-Lambert, Wellcome and Glaxo have signed letters of intent to "enter into a strategic alliance". (220) (183)

Details of the deal have not been worked out, but the idea is to allow the products made by Glaxo and Wellcome to be marketed by Warner-Lambert.

A Warner-Lambert spokesman says the arrangement will ensure considerable cost savings.

The deal is subject to final agreements, which should be signed later this year, as well as any necessary regulatory approval.

Broker forecasts drop in earnings for Minorco

B|Day 3/8/93

ANDY DUFFY

MINORCO, Anglo American's cash-rich mining and minerals arm, would sustain a drop in earnings this year and in 1994, the company's broker said

Deals worth $750m had left Minorco better focused, but James Capel said falling operating income, particularly from precious metals, could cut earnings this year to $1,19 a share ($1,22) when Minorco reported next month

Poor commodity prices and high costs were expected to have forced the precious metals arm — including Minorco's US-based gold business — into a $12,2m operating loss

A recovery in precious metals and industrial minerals could power Minorco to a 64% leap in operating earnings next year, the broker said

But the sale of its stake in Charter Consolidated could trim 25% from Minorco's associate income, cutting available earnings to $1,17 a share

Capel said Minorco had at least $1,5bn on hand to continue its buying activities, and that Minorco's clearer direction had enabled its stock to outperform other major resources groups, such as RTZ and Anglo American

"The past year (has been) very successful for Minorco," Capel analyst Jon Bergtheil said.

"The next financial year will undoubtedly usher in further acquisitions, while earnings will be enhanced by improved commodity prices."

Minorco's drive to transform itself from a passive investment company to an operating natural resources group has led to several high profile transactions in the last year.

The group, which had a $1,78bn cashpile at the end of financial year 1992, spent $92m on a stake in the Chilean Collahusi copper project, $136m on 10% of UK precious metals group Johnson Matthey, and a further $169m on three other deals. It netted $352m by selling its 36% stake in Charter back to the company.

But sources said Minorco had still to secure an acquisition that would produce an immediate earnings stream.

Income from current operations was limited and benefits of Minorco's cash mountain would be reduced as interest rates fell.

Minorco's $456m bid for BP's 49% stake in Olympic Dam earlier this year would have gone some way to addressing this problem, but the deal was thwarted when 51%-stakeholder Western Mining took up its pre-emptive rights

(220)

The company is expected to target base metal and minerals deals in North America and Australasia

Sources said a tie-up with a mining house such as RTZ, bringing together Minorco's cash with proven management experience, could be expected

Minorco's corporate finance VP Mike Gordon said there were still "opportunist" openings in Europe "Companies are seeking to focus, which is throwing up a lot of assets"

Minorco would take its pre-emptive rights in Collahusi, should Gencor's attempt to buy Collahusi-stakeholder Billiton go ahead.

Other analysts said Capel's forecast for Minorco's earnings this year could prove conservative, given the performance of the gold price

Mathison & Hollidge analyst Barry Sergeant said although the loss of the Charter contribution would "make a dent" in 1994, the build up of acquisitions could compensate

No outflow in wake of swop, say Anglo, Minorco

Cash, assets stay put

Star 29/9/93

THE deal is seen flowing from the re-entry of South Africa into full membership of the world community

BY THABO LESHILO

Minorco and Anglo American have given an assurance that their proposed multi-billion-rand asset swop, announced yesterday, would not lead to the outflow of cash and assets from South Africa

Instead, foreign exchange earnings would be strengthened, Julian Ogilvie Thompson, chairman of both companies, told a press conference in London.

The conference was linked to South Africa by telephone

He said: "I think this deal is a very good one for both Anglo and associates and for Minorco

"It really flows from the re-entry of South Africa into full membership of the world community "

It was this development, he said, which had led to a need to rationalise the way Anglo and Minorco approached new business around the world

Minorco chief executive Hank Slack said the company, which is listed on the Luxembourg Stock Exchange, would acquire all the non-African and non-diamond investments of Anglo and associates as well as those of De Beers

The assets are valued at $1,5 billion, pushing the enlarged Minorco's net assets to $5,5 billion.

In exchange, Minorco would issue 55 million new ordinary shares to Anglo and De Beers and sell them all its African assets.

As a result of the transaction, Minorco would acquire a number of quality gold, base metal and industrial mineral interests.

These included control of Empresa Minera de Mantos Blancos, a copper producer in Chile, interests in gold, nickel and copper projects in Argentina, Venezuela and Peru, and a primary gold producer in Brazil with significant interests in nickel, copper, niobium, carbon black and fertiliser, Slack said. (220)

Ogilvie Thompson said Anglo's interest in the enlarged Minorco would rise slightly, as would that of De Beers

The public would hold 25 percent of the increased issued capital

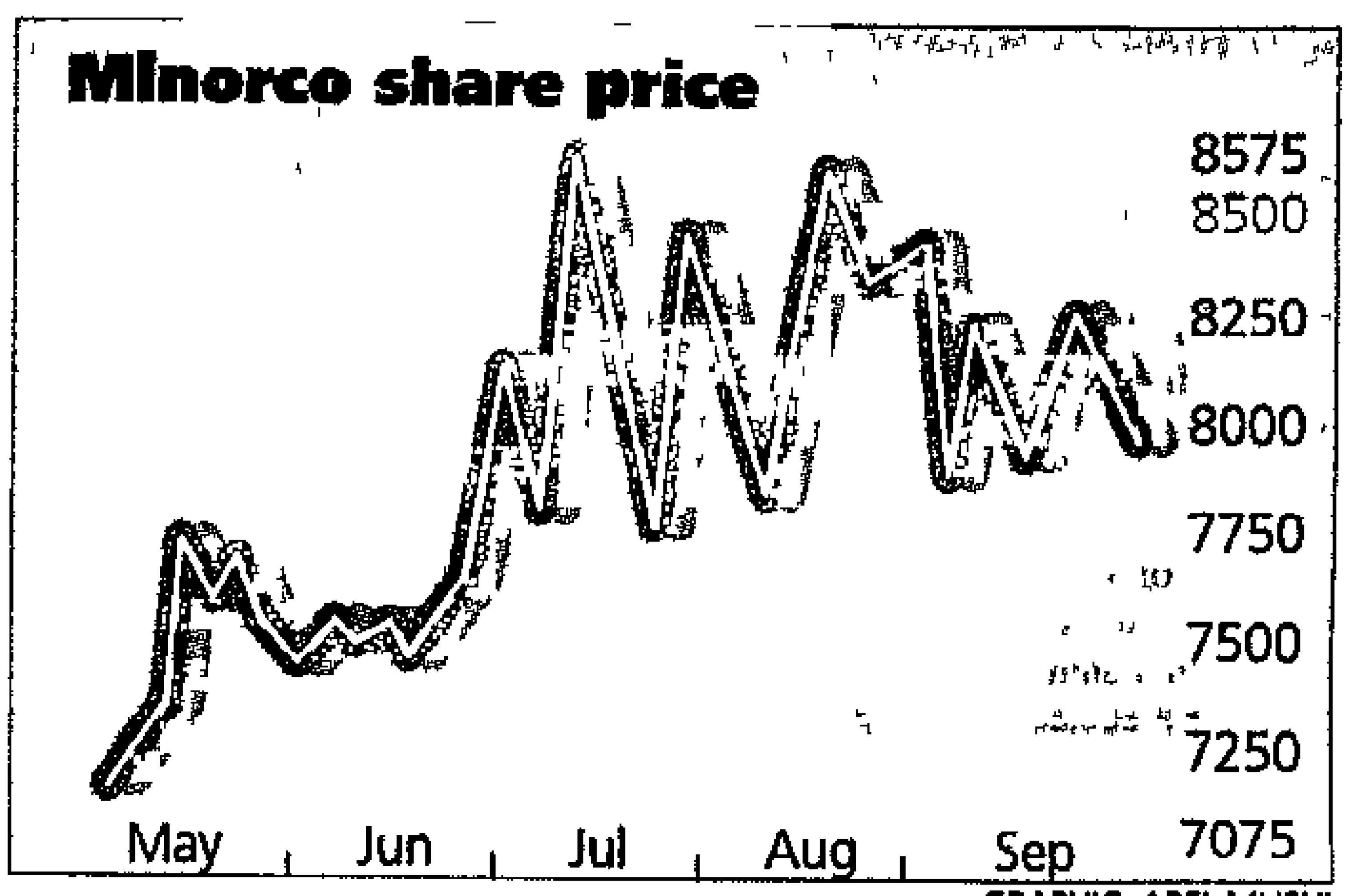
Minorco would also establish a fourth operating business segment in the pulp, paper and packaging sector by acquiring control of Mondi European Holdings

The company would acquire several significant investments, including 19,9 percent of Normandy Poseidon and other strategic interests in Southeast Asia and Australia.

Slack said shareholders would benefit from the transaction, which would broaden Minorco's geographic and product spread, increase earnings derived from operations it controlled and provide opportunities to invest in developing quality resource businesses, particularly in South America

He said with its financial resources and access to capital markets, Minorco was well-placed to realise the considerable potential of the assets it was acquiring.

Gavin Relly, director of both Anglo and Minorco, said the move was expected to have very little impact on the earnings of the companies involved in the short term



GRAPHIC ABEL MUSHI

"But significant benefits are expected to flow in the long term. The timing will hinge largely on the recovery in metal prices which are currently severely depressed "

The market's initial reaction to the deal was negative, with the Minorco share price dropping R2,50c to R79,50c

The price decline was, however, largely attributable to the strength of the financial rand

Star 30/9/93

Minorco near top of league

(220)

BY NEIL BEHRMANN

London — Minorco will be among the 10 largest mining companies in the world, after its assets swop with Anglo and De Beers

Its net assets will rise to $5,4 billion (R18,5 billion) or $24,41 a share

According to brokers James Capel, the largest international mining company in terms of market capitalisation at present is the Australian group BHP, with a value of $13 billion (R45 billion).

Next come:

- RTZ with $10 billion (R34 billion).
- CRA (Australia) $5 billion (R17 billion)
- Freeport Copper in the US $4,3 billion (R15 billion)
- Minorco $4,1 billion (R14 billion).
- Western Mining (Australian) $3,1 billion (R11 billion)
- Phelps Dodge, the US copper producer, $3,2 billion (R11 billion)

The market capitalisations of Alcoa and Alcan, major North American aluminium companies, are $6,9 billion (R24 billion) and $4,3 billion (R15 billion) respectively

Minorco's $1,4 billion (R4,8 billion) deal was well received by analysts But its shares fell one percent to $18,50 after the announcement, although in the past week they had risen from $17,50

Some analysts said a 55 million or 32 percent increase in the quantity of shares would dilute earnings per share unless metals prices recovered

More of Minorco's assets, however, would be consolidated, so changes in accounting could bolster earnings

Jon Bergteil of James Capel believes Minorco is buying excellent minerals assets "at the bottom of the cycle."

Since South Africa is no longer a pariah, Minorco will become a desirable share for international commodity and resource funds

The reorganisation, which must still be approved by shareholders, will mean that 16 percent of Minorco's assets will be in gold mining, 11,9 percent base metals, 13,7 percent industrial minerals and 4,1 percent pulp and paper

The company also owns large stakes in precious metals refiners Engelhard Corporation in the US and Johnson Matthey in the UK.

"The deal makes an awful lot of sense," said Charles Kernot, mining analyst at Credit Lyonnais Laing, London brokers.

"Minorco's huge pile of cash enables the group to develop large mines in South America and elsewhere"

Some analysts such as Ian Lamont of Yorkton Securities, found the timing of the announcement puzzling, considering that President de Klerk and Nelson Mandela were on a campaign to attract foreign investment for South Africa

"Clients are remarking that SA's major resource company is making sure that its international assets are controlled abroad," he said

The business rationale made sense, said Lamont "It is just the timing that is curious."

Analysts here contend that Anglo fears the possibility that an ANC government will force it to unbundle its organisation either through anti-trust legislation or nationalisation.

(220)

less Eventually, a team of Young Turks was put together Hank Slack, now CE, Tony Lea, previously joint-MD with Roger Phillimore, now departed Lea and Phillimore were particularly associated with the efforts to buy ConsGold, supported by Sir Michael Edwardes, who had been brought in as CE — a move which apparently enraged ConsGold boss Rudolph Agnew

All that is another story However, a theme repeatedly heard when Minorco is discussed is that it consistently lacks the right kind of management The great mining groups were launched and driven by men of entrepreneurial spirit Ernest Oppenheimer cannot be denied his mastery of opportunity, first he seized De Beers, then he grew Anglo

Of course, he was both boss and owner For corporate man in the late 20th Century that is almost impossible to emulate Yet many analysts are convinced Minorco's prime need now is for an entrepreneur at the helm, an adventurer who won't be shy to take risks or fear criticism These are men not normally associated with great corporations (though Anglo's had its fair share, most notable currently being deputy chairman Graham Boustred) A senior JSE mining analyst believes Minorco's management reflects Anglo's requirements and style — "but that doesn't mean as a team it's the best for the job that needs to be done"

Until this week, operations were concentrated primarily in three sectors industrial minerals, mostly in Europe; base metals, almost entirely in the American hemisphere, and gold, all of it in the US

Relly calls the investment in industrial minerals, particularly in Germany in the past year, "nothing short of brilliant anticipation" One JSE analyst says this operating division is Minorco's best asset In many cases, margins from quarry production of aggregates used in road building, motorway surfacing and ballasting exceed 30% UK quarry purchases were cleverly executed, generally targeting specific niche markets

In one case, Buxton Lime, the company is developing the use of pulverised limestone in electricity generating stations to pick up increasing quantities of sulphur If successful, this could mean sales of nearly 1 Mt lime a year "at prices, since this is environmentally friendly, they can pretty well dictate"

In base metals, the best runners are Collahuasi, the Chilean copper project with estimated reserves of 1,1bn t, and the Lisheen lead and zinc project in Ireland This is a business area now enlarged by Amsa, which brings to the party ferronickel and ferroniobium production in Brazil, Chilean-listed copper producer Mantos Blancos and a nickel deposit in Venezuela.

Farmers in Kenya's white highlands were thought mad for living permanently above 6 000 ft At 14 500 ft, Collahuasi will present interesting altitude problems, intriguingly, it is one-third owned by Shell mining company Billiton, for which Gencor has its corporate hat in the buying ring. So Minorco and Gencor could end up as partners

Base metals is an area in which management achieved simultaneously its greatest success and most resounding defeat, with a bid to buy BP's holding in Olympic Dam, the Australian copper/uranium project owned 51% by Western Mining Relly describes the negotiations as "extraordinarily well handled." The agreed price of $456m was considered so good that Western Mining exercised a pre-emptive right and dashed Minorco's hopes of rapid entry into Australia

Forays into gold mining proved less successful It bought Independence in March 1990 for $705m — which Slack now concedes was over the top "It was premium money to warrant our entry into North America" It was quite a premium

Frankel Pollak Vinderine research head Peter Davey says the asset has been heavily written down — perhaps to as little as $400m "It won't ever amount to much," he adds

In April, Minorco bought Colorado gold producer Pikes Peak for a modest $21m While the price was cheap and the area is unusually beautiful, Colorado is known as the "tree-hugging" state — very environmentally conscious Whether Minorco will ever get the licences needed to exploit the gold locked in a vast volcanic deposit seems at best problematic. Now, of course, it has added to its portfolio the gold mines within Amsa — Morro Velho, Jacobina and Mineracao — all in Brazil — and Marte in Chile

Preliminary results, released later than usual to coincide with announcement of the substantial asset acquisition programme, are frankly disappointing (though Relly takes issue with this "Considering world commodity markets, I think they're excellent")

Operating earnings fell to $55,8m, fortunately offset by a substantial gain in interest income That means results more or less level-peg with 1992 hardly inspiring EPS before extraordinary items was $1,25 (1992 $1,22) Extraordinary income rose sharply to $68,2m, largely from Charter's sale of its 38% of Johnson Matthey

What continues to stand out is the strength of the balance sheet Net cash — after it's been paid for its Charter shares — is about $1,1bn, despite borrowings of $872m Perhaps surprisingly, the dividend is to be increased 6% to US57c a share

The share is R79 on the JSE, at the upper end of the past 12 months' range of R86-R43,50 The p e on the latest results is 18,2 It is a classic rand hedge stock

There's a sting in this tale for years the group's presence in London was at 40 Holborn Viaduct, a building which dominates its surrounds Next door is 2 Charterhouse, the Central Selling Organisation's home As Charter changed character, shape and size, its need for a large, pretentious office block diminished, till finally it stole away

Guess who took the space last week, waving the flag of the very group whose parentage it once tried, vainly, to deny? *David Gleason*

MINORCO

FM 1/10/93

Rearranging the deck chairs, again

220

Will Minorco be able to manage its much-enlarged asset base effectively?

Minorco, like parent Anglo American, is one of those ultimately family-controlled companies observers and analysts love to hate If this is irrational, it is because success, size and power breed the illogical responses of resentment and envy

In dramatic moves this week, Anglo, De Beers and Minorco chairman Julian Ogilvie Thompson gave critics rather more to chew on when he announced a re-organisation of the greater group's international investments This entails the tranfer of assets into Minorco, which will be paid for by the issue of another 55m Minorco ords

The effect will be to give Minorco a substantially increased asset base of US$5,5bn A side effect will be that Anglo's stake will increase to 45,8% and Centenary's to 22,6%, giving the group a total 68,4% — quite enough to inspire further market criticism

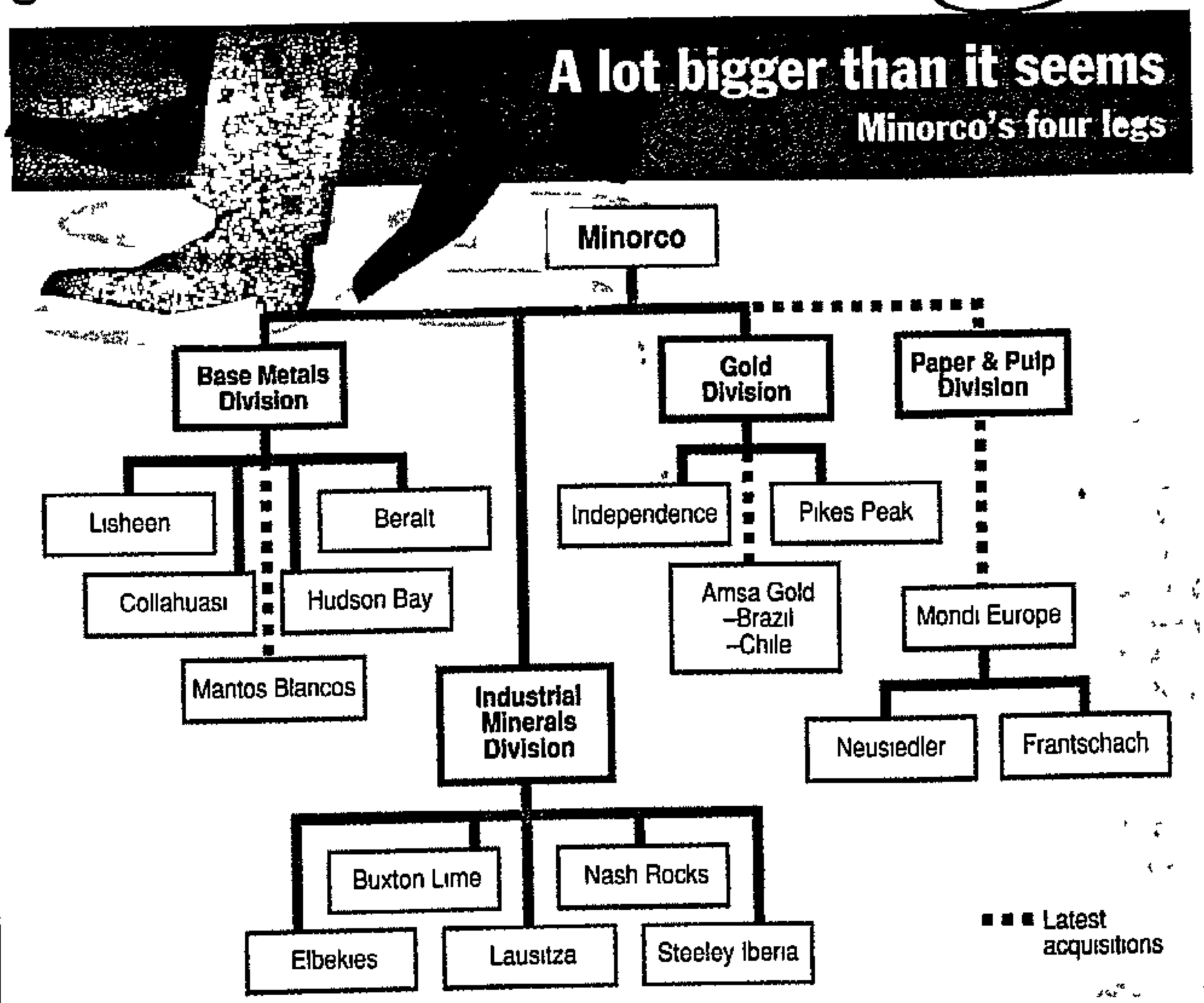
In a series of complex shuffles, Minorco will buy the operational units Anglo American of South America (Amsa), Mondi Europe, Cleveland Potash and the investment companies Eastern, South Sea Investments and Deerstalker Its interest in these will be total (except for Mondi Europe, of which it will own 95%)

The reverse of the coin is that Minorco will sell to Anglo its interests in Africa, principally 49,9% of Zambia Consolidated Investments, through which the group holds its interest in Zambian copper mining Asked whether this presages a firm decision to reinvest in Zambia, executive director Gavin Relly responded "No, but we're certainly talking and we would like to do something "

The scene is set then for a major sea change in the Anglo group's strategic approach to its role as one of the great international mining houses Foreign eggs will now be placed, outside Africa at least, in a single basket An important consequence will be that Minorco will undertake all group exploration activities outside Africa

Transformation from a relatively low-key — though wealthy and cash flush ($1,1bn) — natural resources company into one with a large number of operating units, will stretch Minorco's ability to manage these at current levels. Anglo is providing additional managerial capability through a service agreement and by enlarging Minorco's board to include, among others, Amsa chairman Guy Young as an executive director

Minorco's past is almost as important as its future, no understanding of it can be complete without an appreciation of its history It has always been associated with high drama, from its birth as the successor to Zambian Anglo American, its infancy as the inheritor of the compensation paid for the theft of its Zambian copper mines, through the electrifying events surrounding its failed US$4,5bn attempt to take over Consolidated Gold Fields (ConsGold), the unkind pre-emption of its effort to buy BP's 49% stake in Olympic Dam in Australia and dissent within the ranks of senior executives Whatever else it may be, Minorco isn't boring



Minorco's start in 1974 came when it acquired Engelhard Minerals & Chemicals (EMC) for $155m, capitalising on a long-established family relationship Subsequently, Minorco sold its 30% interest in Salamon Bros, acquired out of EMC, in a deal which culminated just ahead of the October 1987 stock market crash, for $1,4bn

In 1981, Minorco acquired its original holding in ConsGold, eight years later it sold out to Hanson after its bid failed (lapsed, I am told sharply by Minorco managers, is the correct word) for $1,6bn — and scored a profit of $800m in the process

Mixed with these major deals have been transactions with Anglo elements in which Minorco has bought bits and pieces in North America — Inspiration Resources (including an agri-business, Terra and Canadian base metal producer Hudson Bay) By and large, these have been Minorco's least satisfactory travels down the acquisition trail

Two important aspects have always puzzled observers The first is Minorco's strategy its long-term aims By and large, it seems these either haven't been enunciated clearly or haven't been formulated with certainty.

The principal complaint is that Minorco has never been properly focused Even now, following the restructuring, Minorco suddenly acquires another leg — this time, in pulp, paper and packaging in Europe.

"Surely," says Reilly when this is queried, "you consider this a logical acquisition for a natural resources company?" It's a cogent argument, but does paper and pulp really sit easily in a company whose concentration is to dig things out of the ground?

As the group's international arm, what is its role to be? Is its primary thrust to be base metals or industrial minerals? Or both in different places, as now? What role will precious metals play? Is there any intention to become increasingly involved in industry?

After all, having just disposed of control of Charter, the company now owns 10% of major platinum refiner and autocatalyst producer Johnson Matthey Nor can EMC exactly be described as a mining company

These are among the issues which still appear unresolved It's strange, because Ogilvie Thompson is noted for precision; of all directors, he will be most demanding of clear thinking in formulating aims and objectives Maybe, of course, this is a process not yet resolved, if so, the birth has been of uncommon duration

The second aspect is Minorco's managers In the beginning, it was pretty well rudder-

P.T.O.

Minorco restructuring the best for two worlds

S/Times [Buss]

220

By JULIE WALKER

3/10/93

OBSERVERS rate this week's restructure within the Anglo American-Minorco stable as "a fantastic deal" for Minorco.

As Anglo director Nicky Oppenheimer says: what's good for Minorco is good for Anglo American, since it now holds 45,8% directly and controls more than 68% of the international commodities group, counting the holdings of De Beers Centenary and Amgold.

The essence of this week's deal was the sale by Anglo of the bulk of its international holdings, worth $1,428-billion, to Minorco, in exchange for 55-million ordinary shares of $24,41. The market price was $17,50 on the date the deal was concluded.

This ought to reflect well on Minorco, now a $5,5-billion company, and there was some surprise that the share price did not jump up. It actually shed R4 to R78 on the JSE after the announcement.

Anglo director Michael King (who will join the Minorco board) says the values were arrived at after quantifying projected income and cashflow streams of the various projects using consistent and conservative forecasting assumptions on metal prices, country risk and so on. Independent merchant banks S G Warburg, acting for Anglo and Morgan Grenfell for Minorco, advised on the fairness of the valuations.

Mr King says no goodwill arises in Anglo's books. The premium at which Minorco shares were valued above the market price will not be accounted for because it is only an exchange of assets and not a purchase or disposal.

Minorco already had stakes in all but one of these companies, which are mostly unlisted, and will now own 100% of AAC South America, Eastern Investments, Cleveland Potash, and all but 5% of Mondi European Holdings.

The deal allows Minorco to focus its attention on metals, minerals and commodities, and enhances its prospects of finding worthy investments for its $1,1-billion net cash pile.

No cash changes hands in the deal, the other part of which involves the transfer of Minorco's Zambian and Zimbabwean investments to Anglo and De Beers Centenary. These have been valued at $85-million, the bulk of which is ZCI. This deal is designed to allow Anglo to enhance its relationships and extend its geological and technical expertise within southern Africa.

Anglo probably becomes more of a rand hedge after the deal, conditional upon Minorco's managing the assets in a productive way. Minorco pays hard-currency dividends and will contribute nearly 15% to Anglo's earnings in the current financial year.

Anglo will earn fees from a technical agreement in which South African experience can be called on by Minorco. "Perhaps we flatter ourselves, but Anglo American is a depository of world-class mining and technical skills," says Mr Oppenheimer. It will also allow Anglo's people to continue to gain international exposure as the group strives towards global status.

Copper's hitting six-year lows does not faze Minorco from pressing ahead with the Collahuasi copper project in Chile: "It's good to get in at the bottom of the commodity cycle," says Mr Oppenheimer.

Collahuasi has two other shareholders, one of which is Billiton. Gencor is negotiating to take over Billiton's investments, but existing shareholders have the first right of refusal at any price Gencor is prepared to bid for Billiton's share in Collahuasi.

Anglo retains certain offshore investments, notably the developing Zebra battery project, mainly because of the strong SA involvement and because it is impossible yet to put a value on it. An Israeli high-tech venture-capital company, the Destag granite interests — which are mostly within SA in any event through the Impala and Kudu granite companies — and the Del Monte Royal foods group, with its offshore operations, will also be kept in Anglo.

Anglo and Centenary will not vote their holding in Minorco when Minorco shareholders are asked to accept the terms of the deal, and a simple majority will pass it. Mr Oppenheimer says a mini-roadshow will get under way later this month to sell its benefits to Minorco's local and international investors.

Minorco foresees little room for improvement

B/Day 21/10/93

(220)(210)

ANDY DUFFY

MINORCO, Anglo American's offshore minerals and mining arm, expected little improvement in market conditions this year, chairman Julian Ogilvie Thompson said in his annual review

Though there were signs of recovery in North America and the UK, continental Europe and Japan were still mired in recession

Conditions had been made worse by "unprecedented levels" of exports from the former Soviet Union

The company, slated in the past for its apparent lack of direction, had made a string of acquisitions during the year

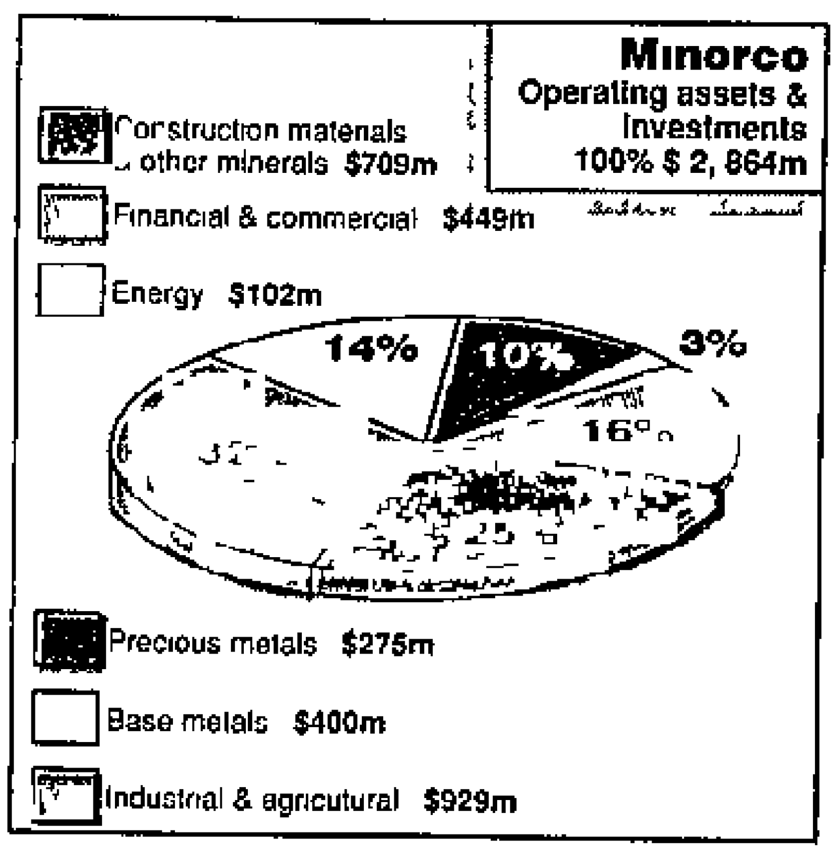
These culminated in a $1,4bn asset swap in September with Anglo and De Beers

This would leave Minorco "well-placed to benefit from improved market conditions", Ogilvie Thompson said

But collapsing commodity prices had hit "even the most well diversified business"

It seemed unlikely that there would be a notable recovery over the coming year

Despite Minorco's attempts to beef up its operating activities, the company was left dependent on its cashpile to post earnings ahead at $211m ($206m) for the year to June



The acquisitions aside, Minorco still sat on more than $1bn at the year end, pushing interest income from $94,7m to $102m.

Operating income from gold, base metals, agriculture and industrial minerals businesses slipped to $55,8m ($63,8m)

Hardest hit was the US Independence Mining Company, pushed into a $17m loss by falling grades and gold revenues

The performance of agricultural business Terra was swamped by flooding in the Midwest US states, which drained its contribution to $22,1m ($32m)

In the current year Minorco would have to improve productivity to counteract "the harsh market conditions," Ogilvie Thompson said.

The company was also looking to reap the benefits of its parent's offshore shake-up

The deal involves Anglo and De Beers passing their South American, Australian and Far Eastern operations, and a major chunk of their European business, to Minorco

Reshuffle

In return Minorco will issue shares worth $1,34bn to them, and hand over its African interests

Ogilvie Thompson said the reshuffle would have "essentially completed the transformation from an investment holding company to an operating group that we have been seeking to achieve over the past five years".

The group spent $629m on other acquisitions and businesses

Ogilvie Thompson said several potential acquisitions were still being discussed.

The restructuring of Minorco's investment portfolio was largely complete, he added

BRAND MARKETING

Multinationals poised to enter SA

FM 22/10/93

Multinationals entering the SA market provide the best chance for ad agency growth in the next year Apart from the election, they could be the only significant source of new business

In the past month, two more US food manufacturers, Pillsbury and CPC International, have joined the flow of global giants into this market, which has already seen the recent entry of companies such as Mars, Apple Computer, Digital Equipment Corp and Microsoft

Many more may follow More than 30 companies are believed to be on the brink of entering or re-entering the market They include Burger King, McDonald's, Haagen Daz, Heinz, Hershey, Campbell Soup, Allied Lyons, Anheuser-Busch, Fosters, Hyatt, Sheraton, Kodak, Polaroid, McGraw Hill, Procter & Gamble, Sara Lee, Carlsberg, Fruit of the Loom, Mattell, Fujitsu, Jardine Matheson, Pepsi and Sumitomo

Hamburger giant McDonald's is said to have plans to appoint black franchisees for three pilot stores by early next year at Johannesburg's Bruma Lake, Cape Town's Victoria & Alfred waterfront and the Durban beachfront Anheuser-Busch is thought to have done a deal with National Sorghum Breweries to produce its Budweiser beer Hyatt is believed to be planning a hotel in Johannesburg's Rosebank suburb

Who will benefit?

Internationally aligned agencies of some major clients

Client	[illegible]
Al[illegible]	[illegible]
An[illegible]-Bu[illegible]	[illegible]
C[illegible] Soup	[illegible] BSB BBDO Saatchi
CPC International	[illegible]
He[illegible]	[illegible]
McDonald's	Leo Bu[illegible]
Pepsi	[illegible]BDO [illegible] FCB
F[illegible]	[illegible]
Pr[illegible]	[illegible]o Burnett DMB&B Grey Saatchi

Multinational companies tend to have a panel of international ad agencies which they use around the world Most of them are represented in SA, but interesting opportunities await local shops which can tie up deals with those that are not Among the biggest of them are BBDO (which closed down here in the mid-Eighties) and Leo Burnett

Though the DDB Needham name is absent from SA, the group has a link with The White House However, BBDO and DDB Needham are part of the Omnicom group, which recently brought TBWA into its fold As a TBWA agency, Hunt Lascaris could benefit from the connection (220)

There has already been some realigning of local accounts Thus international tobacco giant BAT, which controls Utico, has switched its ad account to BSB Bates and Carlton Paper (part of Kimberly-Clark) has realigned with Ogilvy & Mather

"Suddenly," says Hunt Lascaris marketing director Paul Bannister, "global issues are again a factor They had become a negative Now if you are not aligned to a strong international agency with big global brands, you could lose out"

Pillsbury, owner of the Green Giant food range, will establish a new company called Pillsbury Brands Africa in partnership with Foodcorp, which owns Table Top Pillsbury employs Leo Burnett as its international agency, but Table Top's agency is D'Arcy Masius Benton & Bowles Unfortunately for D'Arcy, this is no guarantee that it will benefit. Table Top MD Peter Hewitt has asked three agencies, including D'Arcy, to pitch for the business

CPC has appointed Tongaat-Hulett as its agent to manufacture and market its food brands through a new company, Tongaat Consumer Foods, with an option to acquire equity Major CPC brands include Knorr, Mazola and Hellmann's, but some of them will not be available to the new company because Robertson's (owned by CPC before it disinvested) has the rights

There is no word yet on which new brands will come or on the appointment of an ad agency

The big name on everybody's lips, however, is Procter & Gamble, the world's biggest food and household products manufacturer Companies including Unilever, Carlton Paper, Beecham and others are bracing themselves for its entry, which many believe will be early next year Already some P&G products have been appearing in local stores to test the water

"Pillsbury could spark others into coming," believes O&M Transvaal MD Mike Wellsford "This can only be good for the ad industry Even if you don't benefit from new business, existing clients are raising barriers to entry by embarking on more aggressive marketing programmes Several companies have been conducting research into P&G's methods so that they are prepared"

Most new entries are expected to follow the Pillsbury and CPC examples by establishing partnerships with local companies These may be important to help them break into a somewhat xenophobic market "Multinationals sometimes find it difficult in the retail stores," says Grey Advertising media director Paul Wilkins

"Too few retailers appreciate that competition is good for them and for the consumer Instead of building up the manufacturers, they try to sting them for as much money as possible and raise problems over listing of products As a result, other methods of distribution are being looked at seriously"

Though the changing political environment is behind the interest, Lindsay Smithers chairman John Sinclair warns that investors are still cautious "On a recent trip to the US, it was clear to me that many people will not invest until the violence subsides and until the ANC makes its economic policy clear Many will prefer agency or partnership agreements which do not require big investments"

Tony Koenderman

Hoechst buys Frame plant

B/Day

EDWARD WEST

GERMAN chemical group Hoechst has expanded its SA operations through the R70m acquisition, by subsidiary Hoechst SA, of Frame Textiles' polyester fibres plant, the companies said yesterday 4/11/93

The acquisition involved Frame's operating arm Consolidated Frame Textiles, which reported a loss of 23,8c a share in the year to end-June (220)

Two further acquisitions were being negotiated in SA and an announcement probably would be made by the end of the year, a Hoechst spokesman said in Germany

Hoechst SA MD Reinhard Traub said a major portion of the R70m would be invested in upgrading local fibre production technology The acquisition was part of an investment and development programme to diversify and strengthen local operations and to build up a solid export base

Frame Textiles chairman Mervyn King said the sale was motivated by the rationalisation of SA's polyester fibres business The textile industry was shrinking and production inputs needed to be rationalised

The acquisition by Hoechst would result in foreign exchange savings, as Frame had previously paid royalties overseas for technological advances and innovations which characterised the fibres industry Hoechst had its own substantial fibres research and development programme

The acquisition would boost Hoechst SA's existing production — including its Milnerton plant — to 40 000 tons of fibre a year, which would be taken up by local demand and increased exports The acquisition would be renamed Durban Fibres and would come on line in December

King said the plant's sale would not affect Frame's net asset value or its bottom line Hoechst SA's main competitor for fibres was imports, as Frame's fibres production was primarily for its own use

US giant buys controlling stake in Permark

Proctor & Gamble on the way back

Star 5/11/93

BUSINESS STAFF

Multinational pharmaceuticals and consumer goods group Proctor & Gamble is reinvesting in SA with the purchase of a controlling interest in Johannesburg-based Permark International.

Confirming the purchase, P&G's manager of development markets with the Middle East and Africa division, Colin Webster, said from Geneva yesterday that the US giant was exercising the option to buy back the controlling stake it sold when it disinvested in 1986 from Permark's predecessor, Richardson & Vicks.

Permark, which has a factory at Spartan, Transvaal, makes health-care and cosmetic products such as Oil of Olay, Vicks, Clearasil, Everysun and Milton. It has a workforce of 280.

A number of other P&G products are made and distributed under licence by other producers

THE P&G name will probably be reinstated at a later date

220

Webster declined to disclose the purchase price or the financial performance of Permark, but said a look at its spread of products on supermarket and pharmacy shelves would give some indication of its status

Permark would continue to be run by the local management as a subsidiary of P&G

"In time, we will probably reinstate the Proctor & Gamble name, but that is purely an administrative matter."

Webster would not be drawn on plans for further acquisitions or the introduction of new products.

"We have no experience in SA worth speaking of and obviously we are going to make use of this (acquisition) to understand the market and business conditions better. We will continually reassess our plans."

P&G is believed to be the world's 35th-largest company.

Paul Kinsley, chief executive of Permark, said the move was exciting because it would boost the company's competitiveness and growth potential.

P&G operates in 54 countries Among its other products available worldwide are Ariel detergents, Pampers nappies, Old Spice toiletries and Crest toothpaste.

Kinsley said plans had not yet been finalised, but that P&G would probably put one or two of its managers in the South African operation to learn about local markets

MINORCO

FM 5/11/93

New sense of purpose

220

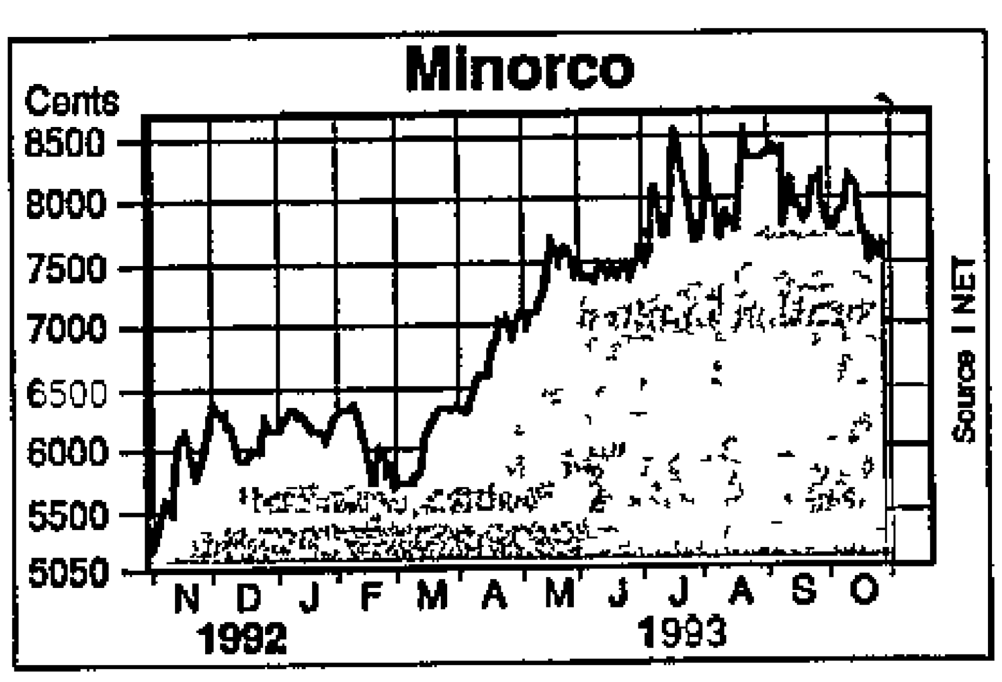
Activities: *European-based natural resources company which is Anglo American's international arm outside Africa*
Control: *Anglo American 39%, De Beers Centenary 21% (will change in Nov to Anglo — 46%, De Beers 22,6%)*
Chairman: *J Ogilvie Thompson; CE H R Slack*
Capital structure: *170,3m ords. Market capitalisation. R12,9bn*
Share market: *Price· R76. Yields 2,5% on dividend; 5,5% on earnings, p.e ratio, 18,1, cover, 2,2 12-month high, R86, low, R52,50. Trading volume last quarter, 3,2m shares*

Year to June 30	'90	'91	'92	'93
LT debt (US$m)	—	287	279	621
Turnover (US$m)	28,9	771,0	1666,6	1725,5
Pre-tax pofit (US$m)	260	244	253	257
Net profit (US$m)	229	194	206	211
Earnings (USc) ...	135	114	122	125
Dividends (USc) .	48	51	54	57
Net worth (USc) ..	1 806	1 687	1 635	—

Finally, it's safe to say Minorco has arrived. This is a company which, for years, has been characterised more by promise than performance. That it hasn't delivered has been due to an unusual combination of circumstances, an astrologer would say its stars were influenced by the conjunction of malign planets and, in the absence of contrary proof, shareholders will be forgiven for accepting that explanation as being as good as any

Now Minorco has been given a new sense of purpose and strategic direction its acquisition of a huge portfolio of natural resource businesses from Anglo American and De Beers Centenary unquestionably stamp it as a prominent global participant (*Leaders* October 1).

Until now it has been dogged by bad luck and ill winds. the long and costly attempt to seize control of ConsGold ended in practical failure (and, in one of those sublime ironies, enormous profit); its endeavour to take control of the Australian Olympic Dam project was thwarted because its managers were too successful; its thrust to develop its base metals industry has been shackled by a global recession and an unusually depressed commodities cycle. These tend to overshadow the successes concentration on industrial minerals in specific and well-considered niche markets across Europe, intelligent husbanding of large cash resources and the preservation of a strong balance sheet.




Minorco CE Hank Slack .. *preserving a strong balance sheet*

Meanwhile, the latest annual report reveals results which are pedestrian in terms of growth (effectively an improvement of 2% in EPS) Executive director Gavin Relly takes the contrary view that, in a year characterised by falling demand and prices and greatly increased supply, Minorco's ability to hold its position is an achievement of note. In fact, this level pegging was derived largely from the clever management of cash reserves· operating earnings declined US$8m and were offset almost precisely by improved corporate income achieved through enhanced interest receipts

But the real action this year is in the balance sheet. Fixed assets improved by more than US$300m while cash reserves stood at $1,656m (1992. $1,778m). Things have changed somewhat since balance sheet date, of course, and the cash is now about $1,1bn Nevertheless, the ability to come through a cyclical downturn as long and unpleasant as this with such large cash resources, bears testimony to underlying strength. Judicious use of long-term debt — now $342m more than last year — but nearly all sourced from unsecured bank loans says something about the attitude of bankers to Minorco

Chairman Julian Ogilvie Thompson is pessimistic about the short-term future He is right to be. Encouraging signs of economic revival in some areas are countered by evidence of continued depression elsewhere This desynchronisation of the global economy is confounding the best forecasts of recovery in demand for Minorco's products And it is proper he should point to the need, in Minorco's business, to judge the company over a full cycle.

Plainly, this share is not for short-term speculation But, with Minorco's new and expanding opportunities, especially in precious and base metals, it offers strong geographical diversification and the potential for some honest excitement *David Gleason*

Minorco u with the giants

Star - 12/11/93

BY DEREK TOMMEY

Minorco stands on the threshold of an exciting and challenging future as one of the world's largest mining groups with assets valued at $5,5 billion spread over four continents.

This is the assessment chairman Julian Ogilvie Thompson gave at the extraordinary meeting of the company in Luxembourg yesterday.

He added that Minorco also had the technical and financial resources necessary to realise the full potential of those assets over the longer term.

The meeting approved the acquisition by Minorco of major mining and other assets from the Anglo American Corporation of South Africa and associate companies in exchange for 55 million new Minorco shares and Minorco's African assets including a 49,9 percent stake in Zambia Copper Investments. (220)

Ogilvie Thompson said that in the near term, however, weak commodity prices and falling interest rates would impact on Minorco's results. (210)

Every effort continued to be made to rationalise its businesses and to trim costs wherever possible.

He said the South American assets acquired by Minorco were of particular interest. In addition to the mines currently in production, several projects spanning five countries are presently the subject of feasibility studies and many are showing great promise.

The transaction means that Minorco will immediately increase its gold and copper production by 50 percent. The figure for copper will rise dramatically as some of the bigger projects, such as Collahuasi, come on stream four or five years' hence.

Minorco will also acquire a fourth operating business leg in paper, packaging and pulp.

Minorco could reduce its dependence on the behaviour of metal prices by producing or establishing businesses within the broader natural resource sector that could be countercyclical.

Guy Young, who has been running AMSA for more than six years, is joining the board of Minorco as executive director with responsibility for South America.

Lonrho Sugar's earnings slide

BDay 17/11/93

MATTHEW CURTIN

LONRHO Sugar has reported a slide in interim earnings to 193c (286c) a share in the half-year to September 30, partly a result of commissioning problems at one of its largest mills, Sucoma in Malawi.

A company spokesman said yesterday the slide would be a one-off occurrence. Management's confidence in strong earnings next year was reflected in the decision to maintain a 110c interim dividend and hold the final payout at 120c (220).

The Swaziland-based company, a subsidiary of UK multinational Lonrho, owns sugar plantations in Malawi, Mauritius, Swaziland and SA, as well a hotel in Mauritius, a Swaziland livestock business, and a distilling plant in Natal. Results are reported in the Swazi emalengeni, on a par with the commercial rand.

Sales improved to E260m (E246m), but pre-tax profit fell a third to E43,6m (R63,2m). Tax provisions rose to E12,2m (E9,39m), contributing to a steeper decline in after-tax income to E31,4m (E53,8m) before reduced contributions from minority interests of E9,6m (E21,6m). Attributable earnings fell to E21,8m (E32,2m).

As forecast by chairman René Leclezio in the company's 1993 annual report, teething problems with the expansion at Sucoma continued to dent profits.

Land under cultivation at Sucoma grew by 2 700ha to 10 500ha in the interim, lifting potential sugar output to 160 000t/year. That left the company well-placed to take advantage of regional markets hard hit by the drought, the spokesman said.

He said Lonrho Sugar's plantations were irrigated and therefore not severely affected by drought. Sales should grow strongly from 1994. Also, the group's Mauritian hotel and sugar businesses were profiting from the thriving island economy.

The spokesman added that the group had not been affected by the struggle for control at Lonrho's headquarters in London between main shareholder Dieter Bock and founder Tiny Rowland.

MULTINATIONAL CORPORATIONS

1994 – 1995

French giant plans massive SA expansion

Rhone-Poulenc's giant stride

Star 7/1/94

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

BY JOHN SPIRA

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

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

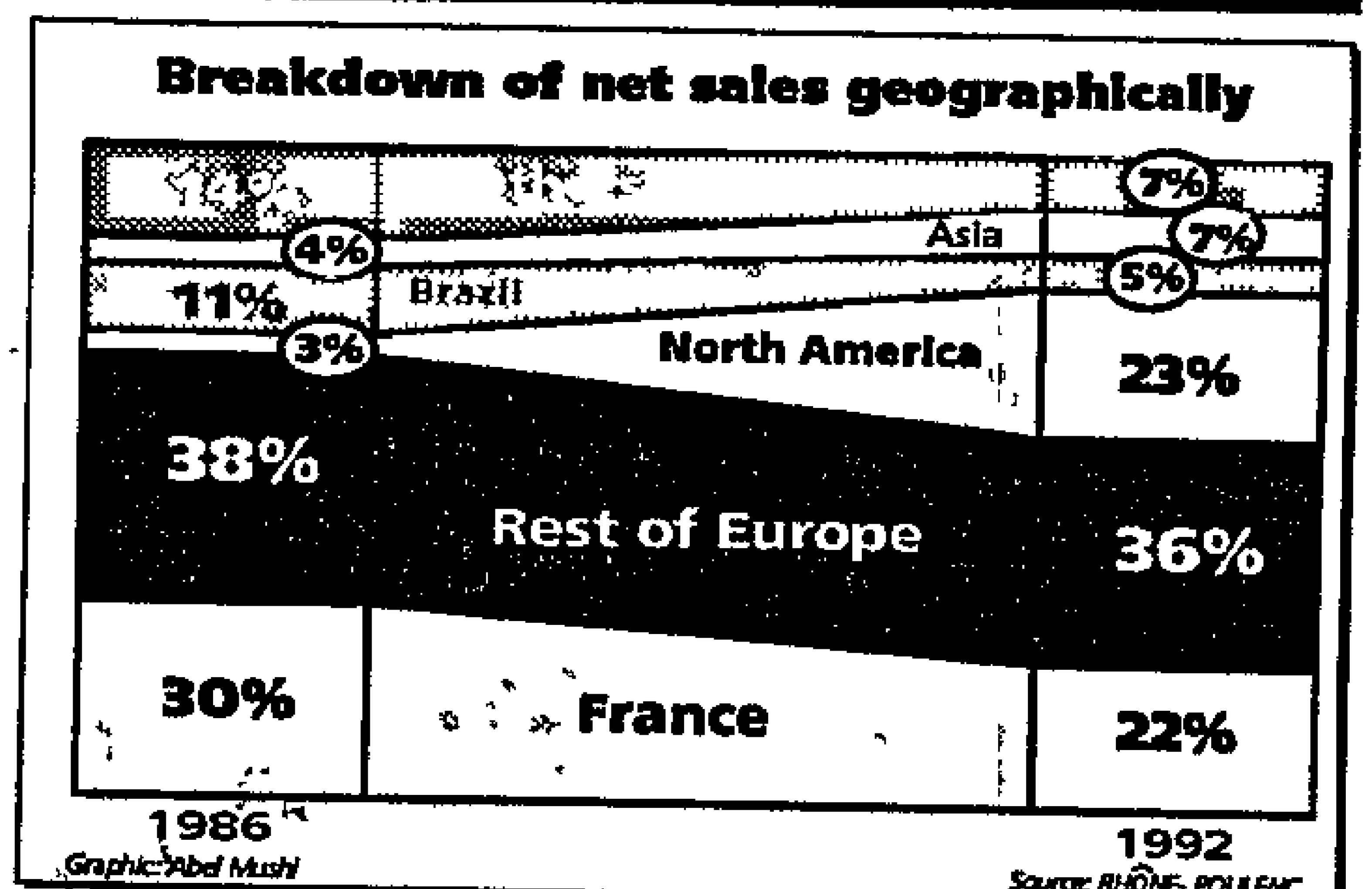
Rhone-Poulenc, with 83 000 employees, generated worldwide sales of R140 billion in 1992, of which only 22 percent was derived from turnover in France itself.

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

Jean-Marc Bruel ... market has great promise.

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

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



The French company's investment in South Africa totals R50 million (220 [illegible]).

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

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

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

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

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

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

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

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

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

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

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

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

R[illegible] expands operations

BiDay 7/1/94

JOHN DLUDLU

[illegible] company [illegible] oper- [illegible] group [illegible] Africa [illegible] country [illegible] natural [illegible] (220) [illegible] activities [illegible] agricul- [illegible] [illegible]ased that local resources were not fully utilised "We think th's spare capacity, especially in the field of chemicals, can only be fully exploited by expanding our operations"

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

To Page 2

Rhone-Poulenc

BiDay 7/1/94

From Page 1

The local company Rhone-Poulenc, formerly Maybaker, has an asset base of R50m and annual turnover of R250m

The expansion plans would go ahead regardless of what government was installed after April 27 "This is part of our long-term vision about the continent."

Rhone-Poulenc has been in the country since 1934, and was one of the few multinationals that remained during the sanctions era. It is one of the 50 French companies operating in SA (220)

The group is ranked third worldwide in the field of agricultural chemicals and is represented in more than 140 countries

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

Bruel said Rhone Poulenc supported generic medicines provided all rules were followed These included that the medicines were introduced after the expiry of their patents and the manufacturers registered with proper authorities.

Multinationals in big battle for pill supremacy

S I Times [Buss]

9/1/94

By DON ROBERTSON

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

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

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

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

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

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

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

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

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

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

However, he is still not satisfied with the IHD service.

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

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

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

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

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

Phil Barrett, managing director of IHD and in charge of distribution in the Transvaal and Free State, concedes that deliveries in December were "chaotic and pandemonium reigned". (220)

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

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

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

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

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

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

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

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

Multinationals accused of bribes

ARG 27/1/94

(220)

JOHANNESBURG. — Multinational corporations were trying to bribe members of the future government to win contracts, the World Council of Churches central committee heard here this week

Evangelical Church of Germany pastor Klaus Wilkens said "They are undermining the government before it starts"

In a statement today the WCC said Mr Wilkens later claimed to have received the information from an official in Germany who had recently visited South Africa — Sapa

Slimmed-down Lonrho announces fatter profit

BIDay 26/11/94

LONDON — Lonrho, the £1,2bn multinational, yesterday announced sharply higher profit and, as expected, the retirement of chairman Rene Leclezio, 74, and senior directors Robert Dunlop, Paul Spicer and Sir Peter Youens.

The sale of assets — which has reduced net debt to £446m or 31% of equity from 57% — saw Lonrho's turnover shrink in the year to September 1993.

Total sales were £1,2bn down at £2,7bn. Existing operations accounted for £1,87bn (£1,89bn).

After a £30m fall to £70m in net interest, pre-tax profit was £172m, up 50% from £114m in 1992.

Excluding gains of £87m from discontinued businesses and their earnings of £12m, and asset sales profits of £9m by retained operations, Lonrho's core interests achieved a 119% rise in pre-tax earnings to £70m — dominated by £40m from its SA platinum and coal mines and Ghanaian gold production interests.

Overall net attributable profits jumped from £42m to £112m.

Core net earnings, after minorities, were £22m against a previous loss of £18m.

Earnings a share were up 136% at 15,1p. The dividend was held unchanged at 4p.

Lonrho's debt reduction programme has propelled mining to the top of its profit-making divisions.

Reporting a 34% rise to a record

JOHN CAVILL

923 000oz of platinum group metals and an increase of 18% to 770 000oz by its 45%-owned Ashanti gold mines, the division's pre-tax earnings were 60% better at £40m.

Sales, however, were only 7% better at £335m.

(220)

The major divisions in terms of turnover continued to suffer small losses.

Motor distribution — sales up 5,7% — had a mixed year in Africa.

Devaluation in Kenya and rising imports of reconditioned cars plus lower-cost Indian and Korean vehicles affected Motor Mart, and erosion of business confidence in Zimbabwe dampened first-half demand there. By contrast Nigerian sales increased 12% and the Mercedes-Benz truck division and Toyota franchise in Zambia enjoyed a good year.

In his report to shareholders, chairman Leclezio said. "A notable proportion of profits now comes from the mining of gold, platinum and rhodium. Our hotel activities, agriculture and general trading offer strong support to the balance sheet."

Lonrho would "concentrate on these central businesses, while being prepared to dispose of other assets sensibly to make for easier management and better understanding by investors who have previously overlooked Lonrho as too diverse".

LONRHO

FM 4/3/94

Becoming leaner and stronger

220

Activities: *UK-based multinational, with mining, agricultural, commercial and industrial interests in 48 countries*
Control: *D Bock with 19% is the largest shareholder*
Chairman: *M J R Leclezio, Joint MDs R W Rowland & D Bock*
Capital structure: *766,5m ords Market capitalisation R7,9bn*
Share market: *Price 1 040c Yields 2% on dividend, 7,4% on earnings, p e ratio, 13,5, cover, 3,8 12-month high, 1 150c, low, 525c Trading volume last quarter, 3,8m shares*

Year to Sep 30	'90	'91	'92	'93
Turnover (£m)	5 476	4 846	3 866	2 700
Pre-int profit (£m)	272	207	179	233
Pre-int margin (%)	5,0	4,3	4,6	8,6
Earnings (p)	23,6	14,2	1,2	15,1
Dividends (p)	15,7	13,0	4,0	4,0
Net worth (p)	216	204	171	138

Just when it seemed the group would display all the signs of profit fatigue for the third successive year, it has returned results which are a huge improvement on those for 1992 In the process it has wrong-footed the market

New joint CE Dieter Bock has cause to feel fairly chipper, both with Lonrho's comparatively handsome bottom line and the effect on his personal finances — after all, he did borrow £UK100m (about R500m) to finance his purchase of a large chunk of the enigmatic Tiny Rowland's stock The results have pushed Lonrho to R10,40 and that makes Bock's personal holding worth about R1,5bn — not a bad appreciation, though he can argue he's had to put up with a lot of abuse to get it

Essentially, turnover has been trimmed by £1,2bn to a modest £2,7bn, however, operating profit from a reduced asset base held up well at £146m, asset sales brought in a profit of £87m and the interest burden was £30m lighter The year's profit comes out at £112m — 1,6 times larger than 1992's dismal £42m and that reflects a big improvement in the trading margin

At 15,1p a share, EPS compares well with the previous 6,4p and the terrible 5,1p of 1991 The dividend is unchanged at 4p, giving cover of 3,8 times — a ratio the group hasn't come close to approaching since 1977 It is certainly indicative of the conservative policy Bock intends to follow

In financial terms, what has really characterised Lonrho over 1993 has been its substantial asset sale It has disposed of VAG, its UK Volkswagen and Audi franchisee (£81m), sold *The Observer* to *The Guardian* for £27m and got rid of Krupp Lonrho for £113m All that is reflected in a decline in fixed assets to £1,7bn and a sharp reduction in long-term loans, now more than halved to £307m (1992 £754m)

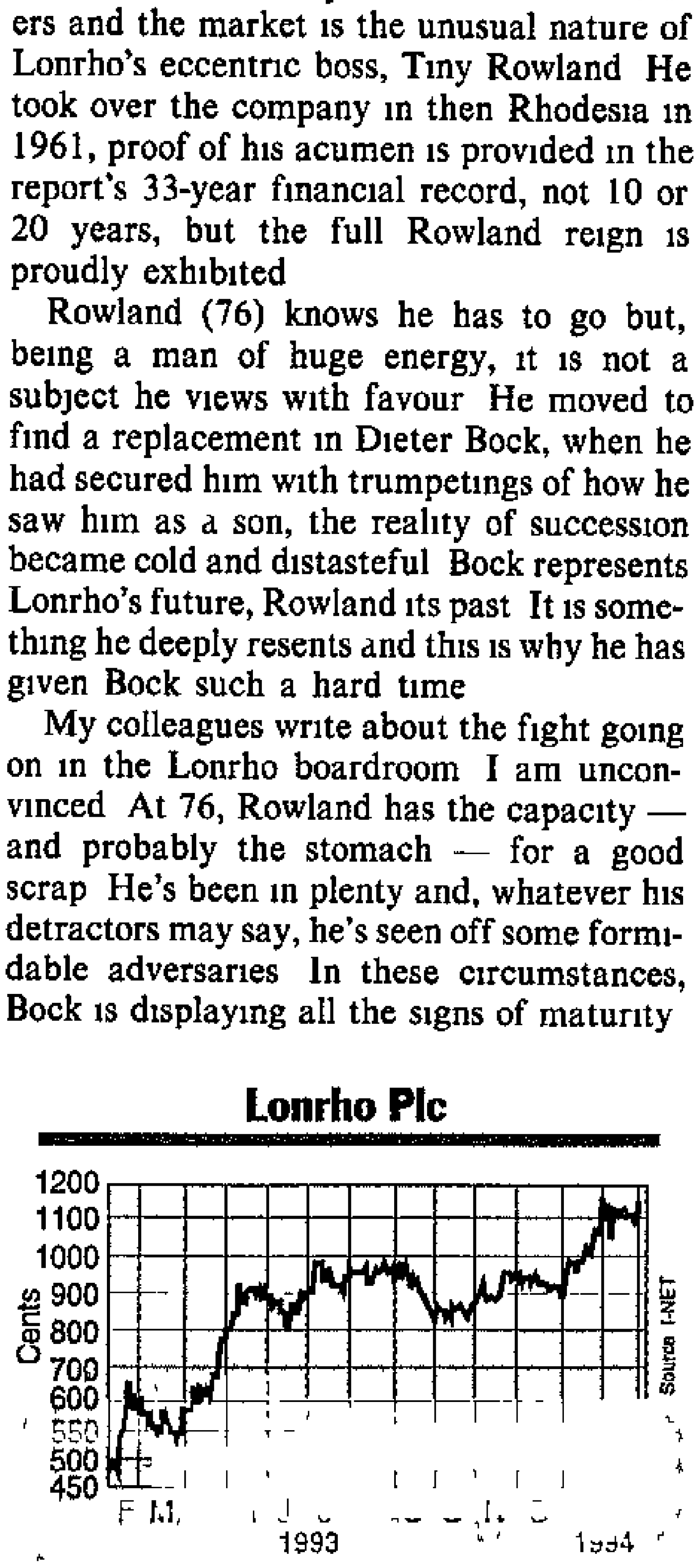
Lonrho's Rowland *still ready for a scrap*

But what has always fascinated shareholders and the market is the unusual nature of Lonrho's eccentric boss, Tiny Rowland He took over the company in then Rhodesia in 1961, proof of his acumen is provided in the report's 33-year financial record, not 10 or 20 years, but the full Rowland reign is proudly exhibited

Rowland (76) knows he has to go but, being a man of huge energy, it is not a subject he views with favour He moved to find a replacement in Dieter Bock, when he had secured him with trumpetings of how he saw him as a son, the reality of succession became cold and distasteful Bock represents Lonrho's future, Rowland its past It is something he deeply resents and this is why he has given Bock such a hard time

My colleagues write about the fight going on in the Lonrho boardroom I am unconvinced At 76, Rowland has the capacity — and probably the stomach — for a good scrap He's been in plenty and, whatever his detractors may say, he's seen off some formidable adversaries In these circumstances, Bock is displaying all the signs of maturity he is keeping calm, presenting as small a target as possible and humouring his famous mentor

Lonrho Plc



In the process, he is getting his own way more often than not Rowland's old gang is on its way to retirement chairman Rene Leclezio (73), deputy chairmen Robert Dunlop (64) and Paul Spicer (65) and non-executive director Sir Peter Youens (78) are to leave during the year The terms of their departure haven't been announced but they are hardly poverty stricken

According to the annual report, Leclezio's holdings in Lonrho are worth about R2,7m, Dunlop's about R3,9m, Spicer's the same and Youens about R2,9m All hold substantial share options and they've been earning well — according to the annual report about £350 000 a year (except Leclezio who went off with £1,6m last year)

For a hugely diversified group with 640 companies operating in 48 countries, its profit contribution is strangely distorted mining contributes a modest £335m to turnover but £72m or 54% of profit from continuing operations Much of that is centred around the contributions made by Western Platinum and Duiker in SA and the Ashanti goldfields in Ghana, which Lonrho intends floating soon and expanding further

Intriguingly, no-one is making any predictions about the conglomerate's prospects for 1994

David Gleason

CLINIC HOLDINGS

FM 4/3/94

Share still lagging

For a group which has consistently grown earnings, in real terms, throughout the recession, it's hard to fathom why Clinic Holdings' share price is so poorly rated compared to other listed medical groups and the sector average

Previously, the separation of Clinic's property and trading operations was seen as a factor hampering the share price, until last year the properties were held in an unlisted company controlled by the directors and which received rentals from the listed company The split of assets certainly attracted criticism, to which management was slow to respond

The merger of the property and operating interests, with effect from the end of 1992, is reflected in the accounts for most of the financial year The transaction, financed through issue of R400m convertible debentures and a R160m long-term loan, has helped push gearing up to 35% (1992 32%), though that has not strained the balance sheet

FM 4/3/94

Clinics' Hurwitz *a pool of potential acquisitions*

That the merger of assets was what the market wanted was shown in the share price a year ago, when it climbed strongly to 420c on news of the restructure Yet, despite solid interim and full-year results, the price has drifted down and, at 275c, compares poorly to its placing price of 200c when Clinics was listed in December, 1987

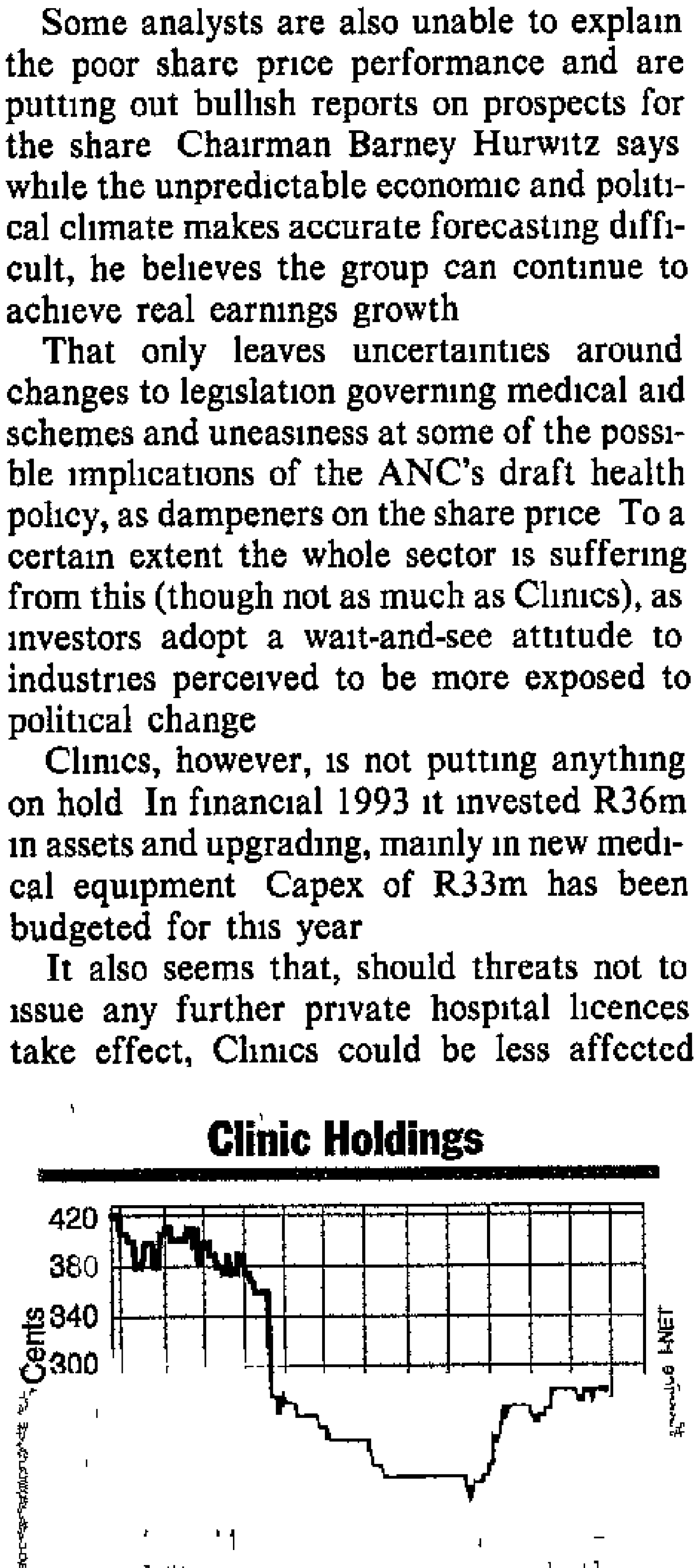
Some analysts are also unable to explain the poor share price performance and are putting out bullish reports on prospects for the share Chairman Barney Hurwitz says while the unpredictable economic and political climate makes accurate forecasting difficult, he believes the group can continue to achieve real earnings growth

That only leaves uncertainties around changes to legislation governing medical aid schemes and uneasiness at some of the possible implications of the ANC's draft health policy, as dampeners on the share price To a certain extent the whole sector is suffering from this (though not as much as Clinics), as investors adopt a wait-and-see attitude to industries perceived to be more exposed to political change

Clinics, however, is not putting anything on hold In financial 1993 it invested R36m in assets and upgrading, mainly in new medical equipment Capex of R33m has been budgeted for this year

It also seems that, should threats not to issue any further private hospital licences take effect, Clinics could be less affected than other hospital groups

Clinic Holdings



FM 4/3/94

Activities: *Owns and operates private hospitals*
(98)
Control: *Hurwitz family and directors 68,3%*
Chairman: *B Hurwitz, MD J L Hurwitz*
Capital structure: *99m ords Market capitalisation R272m*
Share market: *Price 275c Yields 5,8% on dividend, 14,6% on earnings, p e ratio 6 9, cover, 2,5 12-month high, 420c, low, 190c Trading volume last quarter, 4,6m shares*

Year to Sep 30	'90	'91	'92	'93
ST debt (Rm)	—	14 5	3 2	2 9
LT debt (Rm)	25	25	35,9	190,6
Debt equity ratio	0,31	0,43	0,31	0,35
Shareholders interest	0,36	0,37	0,36	0,64
Int & leasing cover	76	30	20	22
Return on cap (%)	27	27	24	12
Turnover (Rm)	314	408	503	564
Pre-int profit (Rm)	48 2	57 8	66 1	95,4
Pre-int margin (%)	15 4	14 2	13 1	16 9
Earnings (c)	23 9	29,8	34,7	40,1
Dividends (c)	11,5	13 5	15,5	16,0
Tangible NAV (c)	65	81	100	127

Since listing, the controlling shareholders have followed a policy of developing or acquiring an interest in hospitals themselves, but not effecting the aquisition by the group until it is felt the hospitals will offer an acceptable return The original thinking probably had more to do with bringing acquisitions on to the books with minimal disruption or strain on resources, but it now means Clinics has a pool of potential acquisitions available

Hurwitz says there is an interest in seven additional developing hospitals, two of which meet profitability parameters and are being considered for acquisition

Low growth in local patient levels is also being offset partly by patients from Europe and Africa, an area which could become increasingly important There will certainly be new pressures on the private hospital sector in future, but Clinics, which tends to service the top end of the market through its specialised surgical and medical facilities, should be able to retain its core market

That would suggest the share is significantly underrated and offers value A lot probably depends on the view investors take of the future of the private medical industry, but anyone scouting around the sector would be foolish to ignore Clinics' share at this price

Shaun Harris

YORKCOR FM 4/3/94

Still dressed in red

Chairman Solly Tucker rightly continues to place much emphasis on the quality of disclosure to shareholders The annual report is a compendium of information, not all of it easily accessible but there nonetheless (199)

However laudable this may be, it shouldn't disguise Yorkcor's real difficulties over the past two years Though things have improved, the income statement is still written largely in red Turnover fell for the second successive year, however, tighter control over costs and a better trading margin resulted in net operating profit of R801 000 (1992 R1,5m loss) FM 4/3/94

Yorkcor's Tucker *successful quest for new markets*

Yorkcor's main difficulty has been cash flow Borrowings climbed over the five years to 1992, and this year the interest bill of R1,9m (1992 R2,3m) wiped out the achievements at operating level But headway has been made the positive turnaround in net cash flow from 1992 to 1993 was nearly R10m (199)

Tucker says three factors contributed to this capital expenditure was contained to R155 000 (R2,7m), money was not absorbed by discontinued operations as was the case the previous year, and working capital management tightened — borrowings fell 19% to R10,6m

Management is bullish on Yorkcor's ability to improve profitability this year It is forecasting turnover up 43% to R50m, EPS of 20c against 1993's loss of 10,8c and a dividend of 10c This confidence stems from the improvement seen in the second half and from an expected release of pent-up demand after the elections

Though turnover fell 28% on year-ago levels in the six months to June, it was nearly

Activities: *Sawmiller and maker of wood products, as well as property investment*
Control: *Max Tucker & Sons (Pty) 45 8%*
Chairman: *S Tucker, MD I S D Tucker*
Capital structure: *9,98m ords Market capitalisation R13,9m*
Share market: *Price 140c 12-month high, 140c, low, 100c Trading volume last quarter, 36 100 shares*

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	1,8	2 0	2,1	0,9
LT debt (Rm)	8,4	7 0	11 0	9 7
Debt equity ratio	0 51	0 36	0 67	0,39
Shareholders interest	0 5	0 6	0 5	0,5
Int & leasing cover	1 6	1,1	n/a	0,42
Return on cap (%)	7,5	6,2	n/a	2,0
Turnover (Rm)	36,9	39,8	36,2	34,9
Pre-int profit (Rm)	2,8	2,5	(1,5)	0,8
Pre-int margin (%)	7 6	6 4	n/a	2 4
Earnings (c)	21 6	2 4	(38 3)	(10,8)
Dividends (c)	14 0	14 0	nil	nil
Tangible NAV (c)	199	240	194	184

Minorco eyes mineral stake

B/Day 7/3/94

ANDY DUFFY

ANGLO American's cash-rich offshore operation, Minorco, may invest $220m in Canadian group Edper Bronfman to gain access to the conglomerate's stakes in minerals companies Noranda and Falconbridge, according to Canadian reports.

The Luxembourg-based company confirmed at the weekend it was interested in Falconbridge, but refused to comment on what it dubbed "market rumours"

Quoting the Canadian reports, Reuter said senior Edper managers were trying to persuade Minorco to take a stake in the privately-owned resources, property and financial services empire

Plans included Minorco taking a minority stake or forging an alliance with Edper holding company Pagurian.

Sources said such a deal was in line with Minorco's attempts to transform itself from a passive investment company into a major international resources player.

The investment would be "petty cash", one analyst said, given Minorco's cash reserves of about $1bn.

Minorco wants to expand its South American minerals business. It holds a one-third stake in the $1bn Chilean copper scheme Collahuasi, with cash-strapped Falconbridge and Royal Dutch Shell's Billiton holding the remainder.

Collahuasi has ore reserves of 1,6-billion tons containing 16-million tons of copper

The Sunday Telegraph reported yesterday that the outcome of the plan would be crucial to the success of Gencor's bid for Billiton (220)

Under an agreement on pre-emption rights, Shell has to offer first right of refusal to Minorco and Falconbridge when it sells the Collahuasi stake

Prospects of a deal over Collahuasi had

☐ To Page 2

Minorco

B/Day 7/3/94

☐ From Page 1

been heightened by the Canadian reports of Edper's talks with Anglo It said the negotiations could see Minorco and Falconbridge dividing the Shell share in Collahuasi which would "shut out Gencor (220)

Gencor director Bernard Smith is quoted as saying "We don't think we can get everything in the Billiton package, but we will get a substantial part of what we want. Collahuasi is still under negotiation"

A Minorco spokesman said Minorco knew Falconbridge very well and it would be interested in buying into the company, should it be approached by owners Noranda and Swedish group Trellborg

Minorco underwent major restructuring last September, through a $1,4bn international asset reshuffle with Anglo American and De Beers

In terms of the deal, Minorco took control of its parents' interests in South America, Australia, the Far East and Europe In return Minorco ceded its African assets and shares worth $1,34bn

Minorco had underperformed before the reshuffle, despite a string of acquisitions. Its earnings were effectively static at $211m in the year to last June, flattered by heavy interest income

Though the asset swap left Minorco's cash reserves intact, there have been no major acquisitions since then

Minorco recently bought a UK printing company

The Collahuasi partners had agreed to fund a feasibility study at the site A decision to go ahead, and full details of the cost, were at least 12 months away, the spokesman said

COMPANIES

Minorco expands in Argentina

ANDY DUFFY

ANGLO American's cash-rich offshore operation Minorco is to push ahead with a $30m scheme to pursue gold reserves in Argentina.

B/Day

According to reports from Buenos Aires, subsidiary Mincorp has bought the mineral rights to an additional 500km² area at the Cerro Vanguardia deposit

Under the terms of the deal signed with the Patagonian province of Santa Cruz, Mincorp will pay provincial mining company Fomicruz a $1m fee, 6,6% of output and 7,5% of profits

The contract, which Mincorp signed in collaboration with Argentinian company Perez Companc, runs for 30 years, with the $30m to be spent by 1996

Mincorp has already invested $12,5m in the area, which is in Argentina's northern Andean provinces.

The company, which is part of Minorco's Anglo American South America (Amsa), said earlier this year that exploration in the region had led to the discovery of "a promising gold property" and that drilling was being intensified

9/3/94

Minorco made clear it planned to expand its South American operations, following last year's $1,4bn asset swap with parents Anglo American and De Beers under which it took 100% of Amsa.

The company is also reported to be in talks with cash-starved minerals group Falconbridge to increase its stake in Chilean copper project Collahuasi The $1bn scheme is jointly owned by Minorco, Falconbridge and Billiton.

(220)

The Luxembourg-based company was unable to comment yesterday.

Minorco to wait for study on Argentinian gold ore

BDay 15/3/94

(220)

ANDY DUFFY

MINORCO, Anglo American's cash-rich offshore arm, was more than a year away from deciding whether to push ahead with a gold mine in Argentina, the company said at the weekend

Exploration on the Cerro Vanguardia deposit in Argentina's Andean provinces last week prompted subsidiary Mincorp, in partnership with local company Perez Companc, to invest a further $30m in further mineral rights and development

Minorco said preliminary drilling since March 1992 had indicated a medium-size, high-grade ore body

But further drilling was needed to delineate the extent of the reserves before Minorco could decide on the viability and size of the project. A feasibility study would start this year and was due to be completed by the end of 1995

Minorco was unable to quantify likely costs, but said that should the plan prove viable, South American company Amsa could use gold loans to fund its 49% share of the scheme.

Analysts said South America could prove to be the future major operating earnings source for Minorco, which had been hampered in the past by temperamental income streams

While Minorco's earnings were effectively static at $211m for the year to last June, Amsa's net income rose nearly 60% to $50,3m in the year to December 1992

Minorco gained 100% control of Amsa through last year's $1,4bn asset swap with parents Anglo American and De Beers.

Analysts believe Amsa accounts for more than half the net asset value of Minorco's mining business But the company, which reports its half year results on Thursday, is still planning to expand Amsa's operations.

Amsa is in talks to expand its 29,2% stake in the $1bn Chilean copper project Collahuasi

Amsa has stakes in two other copper schemes in Chile — Santa Barbara and Mantoverde — and holdings in Peru's Quellaveco and Brazil's Salobo copper projects. It also has the option to lift from 5% to 70% its interest in Venezuela's Loma de Hierro nickel scheme

Minorco said "significant sums of money" would be required to push ahead with such schemes

Lower financial income rubs shine off Minorco

BDay 18/3/94

ANDY DUFFY

ANGLO American's reshaped offshore minerals and mining business Minorco sustained a 10% fall in attributable earnings to $106m for the six months to December, as lower income from its cash pile offset operating gains

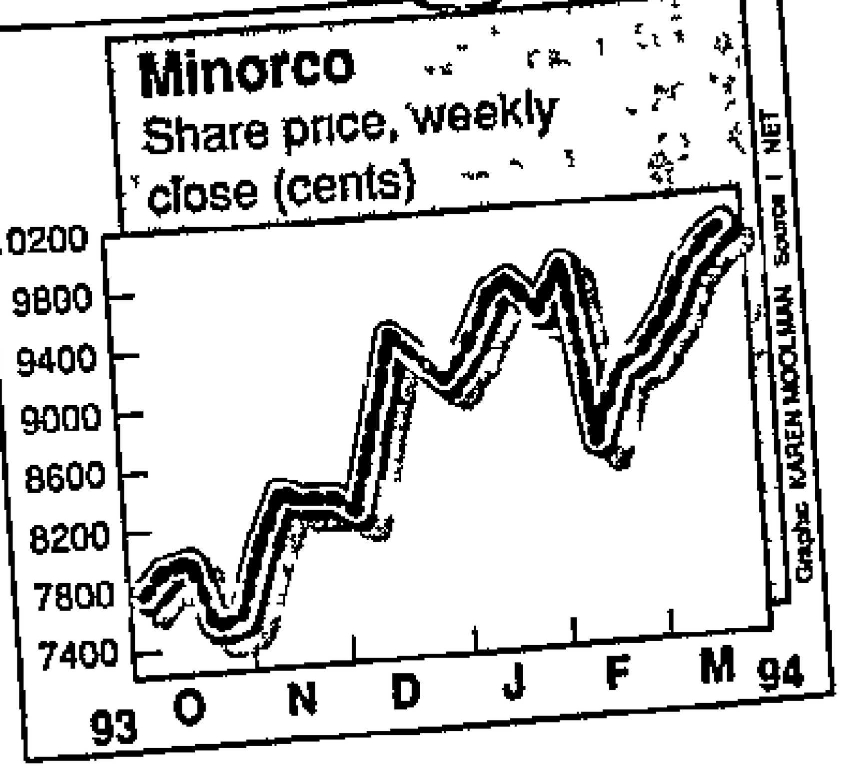
The company — which underwent a $1,4bn asset swap with Anglo and De Beers last year — exploited higher gold prices to lift operating earnings 77% to $66,6m on turnover up just 2% at $1,2bn

But financial income, down more than 30% at $96m, helped cut net corporate income from $64,1m to $16,2m. The bottom line was also suppressed by lower investment income, leaving earnings at 47(US)c (52c) a share. The interim dividend was held at 19c

The figures for last year have been restated to allow comparison following the asset swap.

The deal expanded Minorco's businesses in South America, the Far East, Australia and Europe, presenting it with the steady earnings stream that had previously eluded the acquisitive company

But chairman Julian Ogilvie Thompson said Minorco remained "cautious" in its short-term earnings outlook.



The US economy was expanding, but Europe and Japan remained depressed. Stronger commodity prices might have owed more to investment than physical demand, while base metal price movements were uncertain, he said

(220)

Minorco leaned heavily on its gold business, which staged a $23m turnaround to post earnings of $11,5m, principally through Brazilian mines operated by Mineracao Serra Grande and Mineracao Morro Velho

Production rose 5%, while the average price received rose nearly 8% to $380/oz

Operating income from base metals dropped to $11,6m ($27,6m) as lower prices marred higher copper and nickel output from the Chilean Mantos Blancos business, and the Hudson Bay company in Canada.

Agricultural business Terra Industries remained in the red, but cut its loss from $23,2m to $9,2m

The UK and German aggregates operations enjoyed healthier markets, but a strong dollar reduced their contributions Lower costs left pulp, paper and packaging earnings up at $10,1m ($8,1m)

The figures were further buttressed by a $57,7m ($15,2m) extraordinary gain stemming from the sale of its stakes in Charter Consolidated and Zambia Copper Investments.

Minorco's asset sales netted $450m, while it spent $273m on purchases and expanding existing businesses.

It bought a 50% stake in UK newsprint business Aylesford from Swedish owner SCA for £32,9m.

Aylesford Newsprint plans to invest £250m in new machinery.

Terra spent $31m on fertiliser distributor Asgrow Florida

The balance sheet remained strong. Cash and short-term investments stood at $2,09bn ($1,92bn), against borrowings of $1,2bn.

Ogilvie Thompson said the restructuring had also prompted Minorco to change its year end to December, aligning it with North and South American practices.

The company would issue another interim report for the 12 months to June and an annual report for the 18 months to December this year

Tongaat seeks more partners

S1 Times (BUSS)

By SVEN LUNSCHE

TONGAAT-Hulett's venture with US-based food conglomerate CPC International is likely to pave the way for similar deals by the group's aluminium, textile and sugar divisions.

In the largest US investment since sanctions were lifted, CPC is buying 50% of Tongaat Consumer Foods for R92-million. The deal is in terms of an 18-month option agreement signed with Tongaat last October.

The chairman of the new CPC Tongaat Foods, Simon Dougherty, says major CPC brands, such as Mueller's pasta, Mazola corn oil and Skippy peanut butter, will be manufactured in SA, but most of them will be available only next year.

Many of CPC's other famous names — Knorr, Hellman's, Bovril, Marmite and Maizena — are available in South Africa.

13/3/94

The SA and Namibian marketing rights to these brands were transferred to Rembrandt's Robertson Group when CPC disinvested in 1987.

CPC vice-president for Europe consumer foods, Mohammed Wahby, says there are no plans to change this arrangement.

But "if rationalisation with Robertson makes sense it will be done".

CPC Tongaat will market these products in other African countries. (220)

Mr Dougherty is confident that the group will record turnover of about R1-billion in its first year of operation starting April.

He rules out a JSE listing.

Announcing an expansion strategy for the broader Tongaat-Hulett Group, managing director Cedric Savage said at the launch of CPC Tongaat this week that the textile and aluminium divisions were looking at similar partnerships.

The aluminium division was examining a R1,4-billion expansion and seeking foreign participation in the project. The textile division was discussing a venture with Tolaram Group, a Singapore company.

Tolaram, which last year bought Tongaat's cotton-spinning factory, would also help the textile division in its international expansion and be involved in property deals, said Mr Savage.

Tongaat Sugar was scouting for joint ventures.

Big jump in Minorco's operating earnings

Star 18/3/94

■ BY DEREK TOMMEY

Shareholders in Anglo American's offshore arm Minorco need to remain patient for a little longer

Today's interim report for the six months ended December shows that this major international resources company is making good progress in its drive to transform itself from a dividend-receiving investment holding company to an operating company controlling the cash flow of its constituents — and so having a direct control over its own destiny

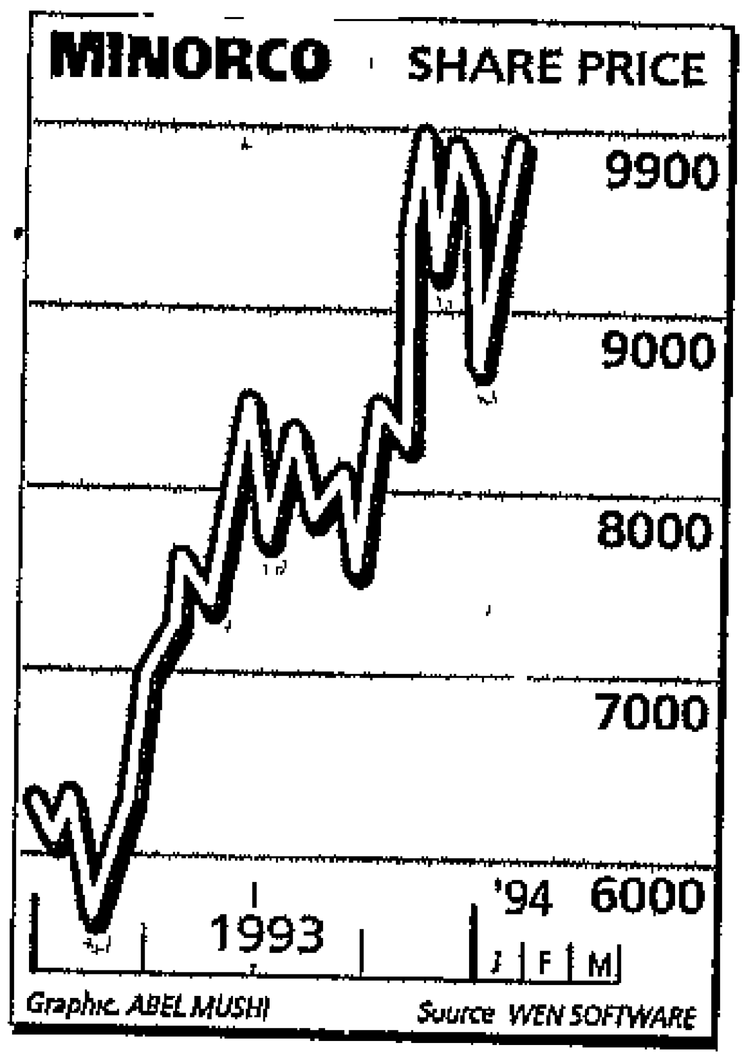
But low interest rates inside the United States and the recession outside it, which is keeping commodity prices low, are currently affecting earnings (220)

Sales in the six months ended December rose only 2,4 percent to $1,2 billion.

However, reflecting Minorco's more direct stake in its operations, its operating earnings jumped from $37,7 million to $66,6 million But against this net corporate income dropped from $64,1 million to $16,2 million

Equity accounted earnings of associates held up well at $44,2 million ($47,6 million)

Pretaxed earnings were down 15 percent at $127,0 million ($149,4 million). But helped by a lower tax payment, taxed earnings dropped only 5,6 percent to $110,2 million Earnings were equal to $0,47 ($0,52) a share and an



Graphic ABEL MUSHI Source WEN SOFTWARE

unchanged interim dividend of $0,19 has been declared

These results were further sweetened by a $57,7 million extraordinary item (last year $15,2 million) helping to produce earnings including extraordinary items of $163,6 million ($133,0 million).

Minorco invested $270 million in new and existing businesses in the six months period while realising $450 million from disposals

Assets acquired included a wide range of natural resources and industrial interests in South America; European pulp and paper interests managed by Mondi European Holdings, the UK's largest potash mine, Cleveland Potash; and a portfolio of investments based in the Far East and Australia.

Minorco and Mondi, at a cost of ¢32,9 million, have acquired a 50 percent stake in a fully integrated newsprint business in Britain

Minorco, Mondi and the original owner of the business have agreed to spend ¢250 million building a 280 000 tons a year paper machine. This will be one of the largest in the world and one of the lowest cost producers

Minorco was still fairly liquid at December 31 with net current assets of $2,0 billion against net borrowings of $1,255 billion.

Industrial minerals proved to be Minorco's biggest money spinner in the six months, generating earnings of $30,2 million (year earlier, $37,1 million). Earnings from gold improved dramatically, swinging from a loss of $11,5 million to a profit of $11,5 million.

The agri-business loss was reduced from $23,2 million to $9,2 million, but earnings from base metals slumped from $27,6 million to $11,6 million

Paper, pulp and packaging produced earnings of $10,1 million ($8,1 million).

Minorco's directors say that the prospects for base metal prices remain uncertain and they are cautious about earnings prospects in the short-term

Minorco is to change its year end from June to December 31 It will pay a second interim dividend in September which will be at least equal to last year's final, and a final dividend in March next year, which will also be at least equal to last year's final

Multinationals moving in

BDay 29/4/94

MELANIE SERGEANT

CAIRO — Major multinationals Motorola, Ericsson and NEC are set to move into SA

At the International Telecommunications Union's Africa Telecom '94 conference and exhibition in Cairo this week, many multinationals said they were excited about entering the SA market

Motorola GM for the UK, Middle East and Africa Mike McTighe said the market was a large one, given that it took to new technology more readily than many other developing nations

He said Motorola hoped to have its SA office open by June, and was setting up a "major roadshow" to show off its products.

The company was already appointing distributors for its cellular phones, and other products would be distributed via "various organisations in SA which do not have conflicting product lines"

He said: "We will find the right partners, some of which have already indicated they could drop their brands in favour of selling Motorola products"

He did not rule out local manufacturing, but said the first priority was to supply products through existing channels.

Japan-based NEC is also eyeing SA NEC Africa division manager Koyanagi Yoshiyuki said his group could set up offices in SA next year as 1994 budgets were already allocated

(220)

"We have already tendered for various telecommunications projects for Telkom, Transtel and Sentech, and have an order from Transtel," he said

"We already have offices in Harare, Lagos and Cairo, and SA would be a logical next move into this continent."

□ To Page 2

Multinationals

BDay 29/4/94

□ From Page 1

Swedish group Ericsson, already working closely with SA's Plessey Tellumat in its supply of cellular phone infrastructural equipment, would open Ericsson Project Services in SA Ericsson vice-president Ingemar Nilsson said: "We have plans to open industrial activities in SA, and will look at possible local manufacture if volumes can justify it"

(220)

He said there was significant potential in southern Africa, and it made sense to serve this area from SA rather than Europe as was the case at present.

"SA's new government will probably want to review past policies, and we look forward to seeing what the new priorities will be," said Nilsson.

Strict stand on investment

ERICA JANKOWITZ

MULTINATIONALS thinking of reinvesting in SA would have to comply with international labour confederation codes of conduct and show that they had a real contribution to make to reconstruction, Chemical Workers' Industrial Union general secretary Rod Crompton said last week

B/Day 23/5/94

"We would only encourage investment by blue chip companies which have a real contribution to make locally, are prepared to export, train workers and bring in world class technology," Crompton said.

He said the expansion of companies into other countries was "a global problem that has to be dealt with globally".

He warned that international labour confederations insisted that multinationals implemented even labour policies throughout their organisations.

"They can't have a quality plant in their home country and a series of sweatshops in Mexico, for example"

Crompton said the union movement would investigate the industrial relations history of potential investors and would discourage those with a bad track record, especially if this pertained to their past behaviour in SA

(220)

However, the advent of democracy in SA and the prospect of new labour legislation being passed which enshrined worker rights meant trade unions were not as threatened by bad labour practices in multinationals in SA, he added

Labour analysts said Cosatu looked at a reinvestment code of conduct about 18 months ago, but subsequently dropped this with the realisation that SA labour law and practice offered sufficient protection from exploitation

Minorco cash fuels $230m Chile deal

BDay 17/5/94

JOHN DLUDLU

ANGLO American's cash-rich offshore arm Minorco is to provide the bulk of the cash in a $230m refinancing for subsidiary Mantos Blancos in return for a greater hold on Collahuasi, the giant copper scheme in Chile.

In a deal representing a major step up in Minorco's efforts to expand its South American operations, the company said yesterday it would take Mantos Blancos' 49,9% stake in MMML into its stable for $110m

MMML, in which Minorco already holds 50,1%, was formed by Minorco and Mantos Blancos in December 1992 for the sole purpose of acquiring a one-third participating interest in Collahuasi

Other shareholders in the $1bn Collahuasi copper scheme include Falconbridge and Royal Dutch Shell's Billiton

Collahuasi has ore reserves of 1,6-billion tons containing 16-million tons of copper

Mantos Blancos plans to raise $120m through a rights issue Minorco, which holds 74,9% of Mantos Blancos, said it had already undertaken to follow its rights

"Minorco has indicated to the board of Mantos Blancos that it intends to subscribe for its 74,9% proportion of the new Mantos Blancos shares issued."

The price of the new shares was to be determined at an extraordinary shareholders's general meeting next month. (220) (232)

Funds raised through the deal would be invested in the Santa Barbara pit and SX-EW plant and Mantoverde projects which would increase Mantos Blancos' annual production of copper and enhance the company's long-term future. (210)

Mantos Blancos is expanding its copper mining operation by combining existing pits and the underground mine into a major open pit through the Santa Barbara/SX-EW project

On completion of the project, total mineable reserves are expected to increase to 116-million tons from 53-million tons.

The expansion is expected to extend the life of the mine to the year 2010

The project also involved the replacement of part of the existing oxide plant with a new SX-EW plant This will increase production and copper recoveries and reduce costs

Total capital investment required to implement the project during the period 1994-96 was estimated at $146m

Multinationals in executive hunt

B/Day 26/5/94

AMANDA VERMEULEN

THE scarcity of skilled and experienced senior executives in SA could place constraints on the growth of multinational investment, said executive recruitment company Impact director Roly Boardman

While there was some slack at the top executive level, this would be taken up rapidly as the economy improved, and a shortage would develop then

He said another difficulty for recruitment companies was finding skilled black executives for multinational companies

Foreign corporations were insisting on an affirmative action policy at all levels in their company structure, he said

"Unfortunately, there are few black executives with the required skills and qualifications, and this shortage could seriously inhibit the expansion of multinationals in SA," Boardman said

This obstacle could be dealt with if companies embarked on a policy of employing people with potential rather than looking for candidates with already-acquired skills

"Companies should employ potential management material and embark on a programme to move these people into senior positions rather than idealistically look for candidates who, if they have not already been snapped up, are few and far between," he said

Woodburn Mann director Peter MacIldowie said a number of multinationals had embarked on recruitment drives for middle-management executives who were on the fast track to directorships.

"Multinationals are sending these executives to their head offices in the US, Australia or the UK, and grooming them over an 18-month period to return to SA and step into the senior positions"

MacIldowie said this type of training programme would prove effective in overcoming the obstacles to implementing an affirmative action policy (220) (~~412~~)

He said that although there was still talent in the country, certain sectors, particularly marketing, engineering and finance, were experiencing shortages of people with these skills.

He said a number of qualified and experienced black executives had recently entered the SA job market from Botswana and Zimbabwe and these, he added, were proving to be more attractive candidates than their SA counterparts.

Renwick Management Services MD John Sherratt said he was confident there were sufficient skilled and experienced local management executives to fill positions created by reinvestment.

But he stressed that South Africans did not always have experience comparable with that of their foreign counterparts in running multinational operations.

Sherratt said there was scope for the employment of senior people who had taken early retirement or been forced out of companies because of their age They had an ideal opportunity to make a comeback on the strength of their experience and track records.

Royal Beech-Nut seeks a partner

B/Day 27/5/94

MARCIA KLEIN

SA-OWNED international group Del Monte Royal Corporation was in the market for a multinational partner for local subsidiary Royal Beech-Nut, Del Monte Royal Foods deputy MD Doug Johnston said yesterday

Royal Beech-Nut, whose products include Royal baking products, biscuits and cereals, Lecol, Beechies and Manhattan, previously had a rewarding relationship with international group Nabisco

The company was well placed to embark on a partnership with a multinational company. (220)

And with the possible influx of other international companies following the end of sanctions, Royal Beech-Nut needed new products

Johnston said the terms of any deal would depend on the partner

Del Monte group had bedded down and consolidated the massive R2,17bn Del Monte Foods International acquisition, and was currently looking at further acquisitions

These would most likely be in the UK or Europe

Meanwhile, Del Monte had been expanding its operation through Europe and the Middle East It had a joint venture/licensing arrangement in Israel with listed company Pri'Hamek, which would, from July 1, manufacture and launch its products

It had set up a licensee operation in Saudi Arabia, where its fruit juice would be packed and distributed, and had set up a sales force in Spain.

It also had a presence in Hungary and was looking at Poland. France was a big market which it hoped to become more involved in

There had been some criticism that Del Monte was not involved in the German market. While it had a sales force in the country, and was looking at options to grow that market, Johnston pointed out that it was a low priced market.

Del Monte was also launching its fruit products in SA, and Johnston said they had been well accepted by the trade It was hoping for a market share of about 8% to 10% in year one

In Europe, the group would benefit from pineapple prices, which had been moving up rapidly, with Del Monte fetching $200 to $300 more per ton than previously The deciduous fruit market was strengthening, as were the economies of Europe

There was an overhang of shares on the market, and the group had issued a large number of shares This had worked to its advantage as the share now was tradeable

With more than 80% of earnings coming from offshore, it was attracting interest as a rand hedge stock, Johnston said

Royal Beech-Nut drops Uncle Ben's

B/Day 30/5/94

MARCIA KLEIN

DEL Monte Royal's SA arm, Royal Beech-Nut, would give up its rights to distribute Mars bulk food products in SA, the company said at the weekend

While this would mean the loss of Uncle Ben's rice, the company would retain the confectionery brands, which include major brands Mars Bars, Snickers, M&Ms and Twix

Until now, the only bulk food products launched locally were Uncle Ben's Rice and Uncle Ben's sauces. The rights for these products will be taken over by Tongaat Foods Distributors. (220)

Early in 1992 Del Monte Royal — then the Royal Corporation — announced it had scooped the distributorship of Mars's full product range through subsidiary Royal Beech-Nut.

This included confectionery, pet foods, mashed potato, pastas and spices.

According to Royal Beech-Nut, the incentive to acquire distribution rights was, in fact, the Mars international confectionery brand leaders — like Snickers and Mars Bars — which fitted in with its own product lines, which include confectionery, cereals, cakes, desserts, biscuits and cordials.

The new arrangement "carries the full approval of both companies and Royal Beech-Nut's ties with Mars remain intact in all other respects".

Mars recently launched a strong promotional drive around the World Cup soccer which takes place in the US next month.

Royal Beech-Nut marketing director Cliff Sampson said the move would "free our resources to concentrate on the launch and expansion of our own group's Del Monte canned fruit products into SA which is currently under way and is receiving overwhelming trade acceptance".

Multinationals bet on generics

BIDAY 2/6/94

BEATRIX PAYNE

MULTINATIONAL drug manufacturers had been quietly repositioning themselves in the local generic medicine market to exploit an expected rise in generic use stemming from the ANC's national health care plan, market sources said yesterday

Lennon Generics CE Dave Stubbins said many multinationals in SA had either bought out local generic manufacturers or had started up their own generic businesses.

SA Druggists Pharma Marketing executive chairman Kobus Nel said that generic medicines' share of the local market could jump from its current 15% to as much as 50%.

Analysts said yesterday that multinational presence in the local generics market so far was "fairly" small and unlikely to threaten the business of local generic manufacturers.

SmithKline Beecham, Warner Lambert and Hoescht had all entered the burgeoning local generics market through acquisitions conducted over the last six months

Smithkline Beecham (SB) bought a 100% shareholding in Xixia, previously known as GS Pharmaceuticals, in January (220)

Parke-Davis marketing director Ian Robertson said parent Warner Lambert planned to enlarge the division's range of generic products to 20 by the end of the year.

Ciba Geigy Pharmaceutical division head Johan Niehaus said the company had seen the way the market was developing when it acquired Rolab, which now does a third of Ciba's SA turnover, in 1986.

Minorco sells mine stake

BDay

MICHAEL URQUHART

MINORCO, Anglo American's cash-rich offshore arm, has sold its 80,55% stake in Portuguese tungsten mine Beralt Tin and Wolfram SARL to Avocet Ventures, subject to approval by the Vancouver stock exchange 17/6/94

Minorco will retain an interest of 16%-20% of Beralt's net profit. Avocet will receive 80,55% of Beralt's issued shares and will be assigned 80% of its debt to a Minorco subsidiary.

Beralt owns the Panasqueria tin mine in Central Portugal (220 [illegible])

Abbott will not produce generics

BEATRIX PAYNE

MULTINATIONAL pharmaceutical group Abbott Laboratories plans to increase its market share in SA despite growing emphasis on low-cost generic medicines, says Abbott (SA) CEO Jeff Petersen. BDay

Speaking at the launch of the company's new mission statement last week, he said Abbott did not intend to follow the route of other multinationals and move into the provision of generic medicines 5/7/94

"We are focused on the production of medicines based on original research and generics are not a strategic route for us.

"But we will reinvest money into research and development to produce cost-effective drugs," said Petersen.

The company intended to maintain and develop local and global competitiveness through the development of its on-site facilities and workforce training, he said.

Training would focus on developing literacy, management and team work skills, and manufacturing practices.

The company also intended to improve its on-site facilities and cleanliness

He said the company had a responsibility towards the community and would attempt to control pollution and emissions.

The group manufactured a range of consumer and pharmaceutical products in SA and had achieved an annual turnover of roughly R100m over the last few years, Petersen said. At present this represented less than 1% of the multinational's $9bn annual turnover (220) (~~[illegible]~~)

The main challenge facing health care in SA was to balance the provision of high-tech medical care with the primary health care needs of the broader population.

COMPANIES

Engelhard earnings 12% higher

MICHAEL URQUHART

MINORCO subsidiary Engelhard Corporation posted net earnings of $31,9m for the three months to June, 12% higher than the same period last year

The good figures for the US speciality chemical products and engineered materials company pushed half-year earnings to $54,6m, up 23% from the first half of 1993.

But extraordinary items from the sale of an investment and accounting changes left first-half net earnings at $34,7m

The figures were achieved on net sales of $563,2m for the second quarter and $1,19bn for the first half of 1994.

Engelhard president Orin Smith said the results were especially pleasing as the company was supporting investments on several growth projects

The new projects related to the company's environmental technology, petroleum catalysts and air-conditioning technology The company expected benefits in the second half of the year.

The main contributor to earnings was the chemicals and catalysts section, which significantly increased sales of environmental catalysts for the automotive, truck and bus markets and petroleum catalysts for the refining industry.

The pigments and additives section reported a 14% increase in earnings despite a fall-off in sales

Stronger sales of fabricated products and productivity improvements in the engineered materials and precious metals management section were partially offset by softer industrial demand for precious metals in Europe.

BDay 9/8/94 (220)

... it is now around R4,58.

Foreigners return

(220) WM(BM) 12-18|8|94

Jacques Magliolo

LISTEN closely to rumour mongers at the Johannesburg Stock Exchange and you will hear joyous cries of "The multi-nationals are coming back."

If statistics provided by the Washington-based Investor Responsibility Research Centre are anything to go by, foreign investment is definitely bound for our shores.

Distributed in South Africa by McGregors, the research shows that since the official lifting of federal sanctions in July 1991, 60 US companies have returned. This brings the number of US firms invested here to 164.

In addition, the Centre indicates that 15 new US and eight other foreign companies have re-entered South Africa since July this year. These include Novell, Apple Computer, Lotus and Quickpath Systems.

CPC International, Honeywell, IBM and Sara Lee have announced the reacquisition of some or all of the equity in former South African subsidiaries. Other companies which were previously invested in South Africa and are to return include Cummins Engine Co, Dow Jones, Measurex Corp and Procter & Gamble.

The question being asked by analysts is whether these companies will set up factories and retail outlets or just open up offices to sell products manufactured in their countries.

For instance, Apple Computer has a joint venture with HNR Computers, whereby that company will use its national infrastructure to market and sell Apple products. Only when the company has paid for the product in advance, does Apple ship the equipment to South Africa.

McGregors' figures confirm that total direct assets do not amount to much, but it stresses that a vast number of companies do have a presence in South Africa.

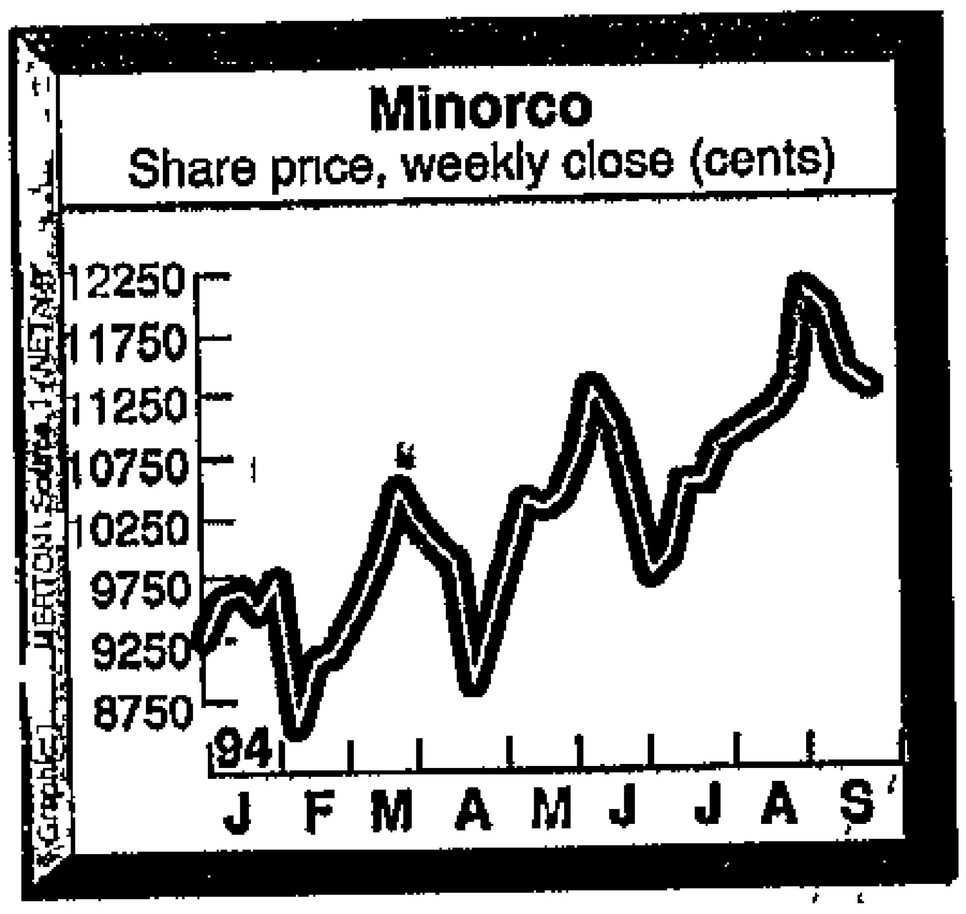
Says McGregors: "Although the total direct assets of US companies are only R844-million, a further 469 US companies maintain a visible presence in South Africa through franchises, agencies, distribution agreements and loans."

A number of analysts are more optimistic. One indicates that Procter & Gamble has "never simply opened up an office in another country. It brings its own staff, marketing agents and other experts and usually rips through its competitors." He adds that, in this case, Unilever would finally have a worthwhile competitor.

Corporate income fall hits Minorco

BDay 16/9/94

MICHAEL URQUHART



MINORCO, Anglo American's offshore arm, reported a 12% fall in attributable earnings for the 12 months to June, as a higher operating income was knocked by a fall in net corporate income and earnings from investments.

Operating income rose 44% to $200m, on a 13% higher turnover of R3,1bn. But the strong performance from the operating side was offset by the lower corporate income and earnings from equity accounted investments.

Earnings a share came in at $0,99 and an interim dividend of $0,38 was declared. Together with the interim dividend declared in March this made a total dividend for the year of $0,57. (220)

The Minorco year-end had been changed to December, making this the second interim period. The final dividend would be declared in March 1995 for the 18 months to December 1994. Minorco said barring unforeseen circumstances the final dividend would not be less than the second interim dividend.

It said the past year had been dominated by the successful completion of the transaction that merged the non-diamond international assets of Anglo American and De Beers into Minorco.

☐ To Page 2

Minorco

BDay 16/9/94

☐ From Page 1

The company said it was committed to increasing the efficiency and profitability of each of its operating sectors, an example of which was the acquisition of Agricultural Minerals & Chemicals by Terra.

In this regard Minorco would be looking for acquisitions in its industrial minerals and paper and packaging segments, and investigating "highly promising" mining projects in South America.

Major developments so far had been the purchase of 50% of Aylesford Newsprint, which had begun construction of a £250m expansion project, the start of a $350m redevelopment of Chilean base metals producer Mantos Blancos and the purchase by Hudson Bay of the remaining 56% in the Trout Lake mine in Canada.

There were significant improvements in all business segments apart from base metals, which suffered from lower metal prices. Acquisitions and favourable agricultural conditions lifted Terra's earnings to record levels, while gold companies benefited from higher gold prices and tighter cost control. Austrian paper interests were boosted by an improvement in international demand for pulp and paper.

Lower financial income and higher exploration expenditure meant corporate income declined from $74m to $34m. Exploration expenditure increased as a result of taking over the full responsibility for certain projects which previously had been shared with Anglo.

Minorco said the main reason for the $18m fall in earnings from investments to $74m was the sale of Charter in August 1993. Main contributors were Engelhard and Johnson Matthey. (220)

Positive economic trends had continued, the company said, and should lead to an improvement in commodity prices. Minorco said it was well placed to benefit.

Six major mining prospects coming to fruition

Star 14/9/94

Minorco sitting pretty

■ BY DEREK TOMMEY

Anglo American must be feeling satisfied because after years of struggling to make overseas associate Minorco a major natural resources company, its efforts have been rewarded.

Minorco reported at the weekend that in addition to considerable growth in other areas, it was now in a position to bring to production six large mining projects within the next four to five years

This achievement would make it one of the world's major suppliers of copper and nickel and an important producer of gold

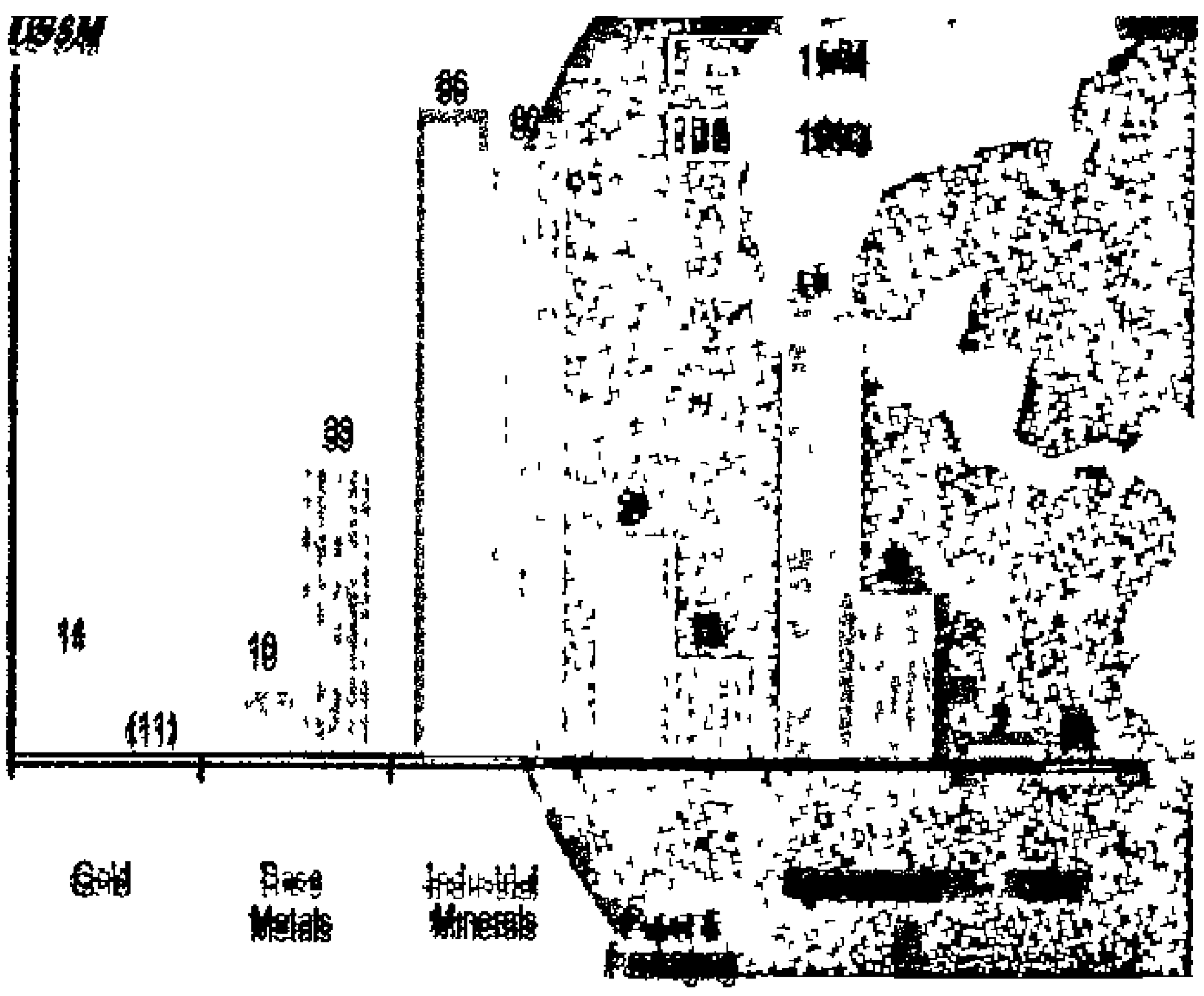
One of the projects is Cerro Vanguardia in Patagonia, Argentina, in which Minorco has a 49 percent stake Drilling has established an ore body containing 2 million ounces of gold and 16 million ounces of silver

"This was a real exploration success for Minorco as Patagonia was not known for gold production," a spokesman said

"We have a mine, but do not know how large," he added.

It could be in production by mid-1998 and would probably produce six to seven tons of gold a year and a large tonnage of silver

Another project is Salobo in Brazil. Minorco has a 37 percent interest in the mine, which contains 1 billion tons of ore with a grade of 0,96 percent copper and 0,52 percent gold.



Minorco's business segments with operating earnings of $201 million. 220

If the project is proved to be viable, it could be operating by 1999 and eventually produce 200 000 tons of copper a year and seven tons of gold.

Because Salobo is in the Amazon jungle, discussions are being held with environmental authorities to ensure that it is cleanly mined.

A third major project is Collahausi in Chile Minorco has a 29 percent stake in the operation, which is estimated to contain 2 billion tons of ore with a grade of 0,9 percent copper

A complication is that Shell is selling its one-third stake in the project. Minorco will not know for another month who its new partner will be or whether it will exercise its pre-emptive right and to take over the Shell stake from the successful bidder

Collahausi could be in production by the end of 1998

A fourth project is Quellaveco, situated near the southern border of Chile, and north of Minorco's 74,9 percent-owned Chilean copper mine, Mantos Blancos.

Quellaveco is estimated to contain 388 million tons of ore with an average grade of 0 90 percent copper. The first phase of the feasibility study should be completed by year-end. It will take another two years to decide on how to treat the ore

Minorco also has a 5 percent stake in a major nickel deposit, Loma de Hiero, in Venezuela. This is estimated to contain 30 million tons of ore averaging 1,5 percent of nickel.

A decision to open the deposits will be taken in the first quarter of next year The mine could be in production in the first quarter of 1998

Ivernia West has won its court case over its pre-emptive right to acquire the remaining 52,5 percent of the Lisheen project in Ireland, which contains 22,3 million tons of ore averaging 11,6 percent zinc, 1,9 percent lead and 26g/t silver.

Although there may be an appeal against the decision, Ivernia is confident it will not succeed

Planning, therefore, can go ahead. Planning should be completed by year-end, and production could start in 1998

ARG. 12-13/11/94

Wooltru eyes Aussie chain

(220)

BRUCE CAMERON
Business Editor

CAPE Town-based retail holding company Wooltru, through its Select Retail Group subsidiary, is apparently near concluding a R120 million (Aus$42 million) deal to take a controlling share in a troubled upmarket 140-outlet retail clothing chain in Australia

The deal, which is the latest foreign foray by a South African company, could be concluded in days.

Neither Woolworth's chief executive Colin Hall nor SRG managing director Eddie Parfitt were available for comment yesterday

Mr Parfitt is in Melbourne negotiating the deal.

Earlier in the week, Mr Hall confirmed that SRG was bidding for the chain, named Sportsgirl, a boutique-type operation selling clothing for the younger set with outlets in all major Australian centres

It has been the flagship of the Bordas Australian family empire

It is understood that banks have called-in loans and are virtually auctioning the business to the highest bidder but under strict secrecy

Australian newspaper sources said SRG appeared to have gained an advantage in developing a working relationship with Frank Whitford, the current chief executive of Sportsgirl

SRG subsidiaries in South Africa include Truworths, Daniel Hechter and Topics, Sportsgirl is in a similar market to Truworths

Mr Hall was reported as saying the move into Australia was part of the group's attempt to become a global player, but had no plans beyond Australia at present

The deal would be financed by money raised offshore.

Over the past two years the Wooltru group has shown remarkable performance after Mr Hall took over in a major restructuring.

Profits for the year ended June 1994 jumped almost 60 percent.

If the deal is concluded it will follow the effective takeover earlier this year by another major Cape Town retailer Pepkor of the UK-based 230-outlet retail chain Poundstretcher. Two years previously Pepkor bought control of the Scottish Your-More-Store chain

And yet another Cape Town holding company Lenco concluded the purchase in August of a rigid plastic manufacturing operation, Peteron Plastics, in Melbourne after Sanlam gave it a R49 million injection of capital

Minorco gets 50% of Irish venture

MICHAEL URQUHART

MINORCO, Anglo American's offshore natural resources arm, had acquired 50% of the Lisheen zinc-lead prospect in Ireland for $77m, the company said at the weekend. B/Day 14/11/94

The acquisition follows completion of the exercise by Irish exploration company Ivernia West of its pre-emptive right to acquire Chevron's interest in the project.

Minorco funded Ivernia's exercise of its pre-emption right in return for a 50% interest in Lisheen and operatorship of the project. Minorco will enter into a joint venture agreement to develop the project with Ivernia, in which Minorco owns a 24,5% stake

Chevron, the original joint venture partner with Ivernia, had put its stake on auction Lac Minerals was the highest bidder, but Invernia claimed it had the right to pre-empt Lac's bid under the joint venture agreement.

The case was referred to an arbitrator, who ruled in favour of Ivernia. This was challenged by Lac, but the action was dismissed with costs by the Irish High Court.

A feasibility study of the project had been completed, and an application for planning permission was being prepared for submission.

Total reserves at Lisheen are estimated at 23-million tons

220/(220)(232)

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Total reserves at Lisheen are estimated at 23-million tons. 220/(220)(282)

Wooltru poised for R129-m Oz venture

AR6.
220
19-20/11/94

BRUCE CAMERON
Business Staff

EDDIE Parfett, managing ~~direc-~~ tor of Wooltru subsidiary, Select Retail Group, has arrived back in South Africa with permission from the Australian government to take over one of the country's prestige retail groups in a R129 million deal

The takeover of a controlling 90 percent share of the 130-store clothing chain Sportsgirl-Sportscraft is the first successful venture by a South African company into retail in Australia since Pick'n Pay's Raymond Ackerman was sent packing at the height of the sanctions era when he tried to open in Australia

The permission of the Australian government was the last important hurdle in the takeover contest, which saw the South African team taking on nine Australian companies for control of the group

The group came on the market after it had been been taken over by two Australian banks when an A$100 million (R263 million) property deal went sour

Former owner of the chain David Bardas said in an interview with the Melbourne newspaper, The Age, on the eve of the sale that he had become so disappointed with retailing in Australia he hoped a foreign company would buy Sportsgirl

"Australia needs the competition and a fresh injection"

By joining forces with the Sportsgirl managing director Frank Whitford the "foreign company" succeeded

And Mr Parfett said in an interview with The Argus the takeover would not only be good for the chain, but also good for his company as well as South African clothing manufacturers

With South Africa being in the same seasonal zone and falling into much the same latitudes tastes were very similar

Although SRG does not have a manufacturing capacity in South Africa it does have dedicated suppliers

Their products would also be exported to Australia

The deal and Mr Parfett's part in it has received substantial publicity in Australian newspapers

The Melbourne Financial Review devoted an entire page to coverage of SRG's purchase of Sportsgirl

Mr Parfett said this was only the first in overseas purchase but SRG would not rush into additional purchases

"SRG moves from a position of strength This happened when the SRG took over Truworths Once it was firmly based the next step was taken in opening Truworths Man"

The same procedure would be followed in operating in Australia

He confirmed Mr Whitford — "an excellent retailer" — would stay on as managing director

Mr Parfett is likely to take over as chairman of the group while other South Africans will fill key positions

"We will put in a deputy managing director from here" Other staff which would be complementary to existing staff in Australia would also be people with skills in operations and information systems and "perhaps someone with a keen understanding of retail property"

Mr Parfett said the Australian company would add about A$170 million (R447 million) to the R900 million turnover of SRG

Multinationals leaving Nigeria

(220)

LAGOS — While Nigerian government officials are busy trying to sell the virtues of the 1995 budget to foreign investment, some unconvinced multinationals are going ahead with plans to pull out of the country, and the rest are wondering when the newly deregulated foreign exchange system will be allowed to work.

The scrapping of some of the limits on foreign majority ownership and the repeal of the Exchange Control Act have had no effect on plans by German pharmaceutical group Hoechst to sell its 40% stake in Hoechst Nigeria to an offshore holding company controlled by Ernest Shonekan, who was briefly head of state in 1993 and is now an informal adviser on the economy to Gen Sani Abacha's regime.

Like many manufacturers in Nigeria who exported informally to the neighbouring Francophone African countries, Hoechst lost about 30% of its sales early last year when the revaluation of the Nigerian currency and the devaluation of the CFA franc eroded competitiveness.

This follows other divestments by multinationals in pharmaceuticals in the past three years, including Wellcome and ICI. Glaxo has retained its stake in a Nigerian affiliate but changed the name to Evans Medical

Foreign partnership in Nigeria's car assembly sector is also under strain. In recent years, the country's three foreign motor car assemblers have survived mainly on orders from government agencies, including the army.

Last month Volkswagen Nigeria closed its plant near Lagos, which assembled Santana cars and which had been almost at a standstill for months.

The lack of foreign exchange to import completely knocked-down kits and the mass of cheaper imported cars meant that Volkswagen could not compete. The remaining two car vehicle assemblers, Peugeot Automobile Nigeria in Kaduna and Annamco, the Mercedes Benz bus plant in Enugu, are suffering from the same problems and operating at low levels compared with capacity

Government regulation of fuel prices and erratic supply from state-owned depots and refineries have also undermined multinationals' profits in the downstream oil sector

Texaco's 60% stake in Texaco Nigeria, which produces and markets petroleum products, has been for sale since 1993. SA's Engen, formerly part of the Gencor mining group, is close to acquring Texaco's 60% share in Texaco Nigeria, Lagos stockbrokers say

The 1995 budget has scrapped the law restricting foreign ownership in almost all sectors of the Nigerian economy except the most important. the oil and gas exploration and production joint ventures in which the parastatal Nigerian National Petroleum Corporation (NNPC) owns 58% and international oil companies the rest.

These joint ventures account for more than 90% of export earnings and government revenue. The government's failure to pay its share of operating costs last year led to arrears of $1,1bn to its minority partners Shell, Mobil, Chevron and the other oil companies that are also the operators.

The government has rejected the oil companies' proposal to dilute the NNPC's equity in the joint ventures

Until they are assured of payment, the oil companies have scaled down investment and warned that, at present levels, Nigeria will be unable to maintain its production capacity, much less increase it as planned.

Late last year Nigerian output dropped below its Opec quota (2,04-million barrels a day, including condensate) and is currently losing 85 000 barrels a day as a result of an explosion at a Mobil platform on January 19

The oil companies want a realistic exchange rate before using dollars to pay for local costs. "Last year," one of the companies' executives says, "we were forced to change dollars at 22 naira (the market rate is around 80 naira) Until we know what is happening we shall continue to borrow locally in naira wherever possible.

The oil industry should be the main source of foreign exchange to the rest of the private sector but under this year's guidelines the oil companies can only sell their dollars to the Central Bank of Nigeria, which will buy them at autonomous rates and sell them on the inter-bank market.

BD 22/2/95

But the bank has not offered to buy nor indicated its intended rate and an oil company has asked it for clarification.

The government's exchange rate policy remains confused. While insisting recently that convertibility of the naira was the ultimate aim, central bank governor Paul Ogwuma promised to restore and defend the international value of the naira through a combination of demand management, supply initiatives and supportive complementary action.

Unless it allows the oil companies' dollars into the system, the bank has little scope for intervention with foreign exchange reserves estimated at about $400m, less than a month's imports. — Financial Times

MULTINATIONALS

End of isolation

(220) FM 17/3/95

With SA no longer the pariah of the international business community, practically all the top IT companies have set up local offices or bought back their distributors So what's changed?

Has the entry of companies such as Microsoft, IBM, Novell, Lotus, Digital, Compaq, Motorola and more recently AT&T and EDS, had an impact on the local market? While there are no figures indicating how much the international companies have invested in SA over the last few years, this is estimated to be in the region of hundreds of millions of rand

Didata group marketing director Richard Came says distribution channels are changing, product prices are expected to plummet even further and the grey market, which thrived under sanctions, is under pressure "On the whole the industry has become more professional and competitive It has also become tougher for local players, who have long been cocooned from cut-throat international competition"

"The days of companies merely shifting products are gone," says group MD of Lattice Technologies Don Smythe "Distributors who are not competitive and not adding value to the supply chain won't survive" He says, however the grey market will continue to undercut official distributors if distribution channels are inefficient In the software arena, US giants Microsoft, Lotus and Novell have launched public campaigns to wipe out piracy and the grey market, which cost them millions in lost revenue every year

But buying from the grey market is legal and therefore difficult to stop Software companies have made it clear that they will not support grey market software or offer any upgrade paths Some are now resorting to tougher methods of dissuasion

Novell, for instance, has taken out copyright for its products in SA This means that any third party vendor which buys a Novell program from outside of the official channels, will be breaking copyright law

While the pressure is on the grey market and uncompetitive dealers and distributors, most regard the entry of the multinationals as positive. Came says international alliances provide new opportunities Closer ties to overseas manufacturers can improve competitiveness

Skills transfers and improved educational and marketing material are other immediate benefits

Overseas newcomers agree that efficient distribution channels and value-added partnerships are needed to penetrate the southern African market and increase market share "You don't need to set up a large

Came *looking for international alliances*

subsidiary office if you have an effective distribution channel," says Cisco manager for Africa Alec Stevens

As customers start to demand more from their suppliers, technical staff are learning new business skills and specialising in vertical industries At the same time, corporates are turning to systems integrators — these companies put together business solutions by choosing the best mix of products and services

Sapsa — the subsidiary of German software giant SAP AG — recently formed a Business Partner Centre at its head office in Hyde Park In this centre, its partners have provided teams of trained personnel and equipment running the SAP accounting and logistics systems for the benefit of corporate customers, who can call in with problems and send staff for user training

A few years ago it would have been unheard of for competing companies, who would normally avoid contact with each other, to open up next to one another Perhaps, with the new co-operative agreements between competitors, customers can look forward to better service

But service in most South African businesses lags behind what many take for granted overseas, says Southern Africa MD for Tandem Computers Alan Barry He says the typical SA oligopoly situation, with a few companies controlling the market, is wrong and should be reorganised A major irritation is Telkom's monopoly in provision of telecommunication services "We would rather use AT&T" With emerging cable and satellite technologies, companies may find that circumventing Telkom's network can be easily achieved ■

PREMIUM SERVICES

No contest

Cellular phone operator Mobile Telephone Networks (MTN) has backed out of a showdown with State telephone utility Telkom over premium rated services

Last year, MTN launched two groups of "0839" number premium rated services, R5,70 per minute for legal and tax advice and R1,48 for a range of services covering sport, horoscopes, travel and weather It threw down the gauntlet to Telkom by saying its premium rated services were "not only to cellular subscribers, but people making calls from any telephone"

However, bullying from Telkom which included a threat to cut MTN's link to the national telephone network convinced the smaller company that discretion is the better part of valour The legal and tax advice lines have been limited to cellular subscribers and the other services are being charged at the standard rate (R1,37 per minute during office hours) for cellular to fixed line telephones

Telkom says it is not prepared to act as a collection agency again for third parties after its experience with its discontinued 087 premium rated service which cost it R77m in bad debts Telkom also claims premium rated services "compromise its commitment to the enhancement of family values"

Telkom MD Danie du Toit cites smut lines as a major reason for closing down the premium rated service market "The vast majority of our customers wanted us to terminate the service and this we did, despite vehement objections by the service providers During the entire episode we never stopped responding to our customers' needs Getting rid of the sex lines and providing customers with barring facilities was a case in point"

However, this argument hardly applies to MTN which has already axed its most unwholesome service — Music Direct Rock

Telkom's motives for leaning on MTN are more likely to be that it hopes to stall competition for about six months, when its infrastructure should be in place to offer premium rated services backed by its new detailed billing system ■

LOHENDRA NAMASIVAYAM

Singer returns to established base

(220) ST(BT)21/5/95

By SVEN LUNSCHE

ONE of the latest multinationals to return to South Africa is the world's leading sewing machine manufacturer, Singer.

The company, which is listed on Wall Street, has faced challenges common to multinationals operating in South Africa.

Singer re-opened its local office in Durban in March this year. The company disinvested in 1984 but its products were distributed locally

"Our return enables us to give a much better service to our customers and our dealership," says Lohendra Namasivayam, who headed Singer Sri Lanka some years back.

He expects a strong expansion of the dealership network from the current 40 to about 100 by year-end.

By the end of the year the group also plans to introduce its line of appliances and television sets

All this would not be possible without strong sales. "We plan to double last year's sales and much of the growth is expected from the black consumer market," he says.

Traditionally, the black market was dominated by Singer's hand-sewing machines, but with 1 000 homes a day being electrified the emphasis is shifting to electric machines.

However, the growth in its high-tech domestic machines has not been as strong as hoped for, says Mr Namasivayam.

Other problem areas include the infringement of its trademark and an influx of Chinese machines which are undercutting Singer products by about 20% to 30% in price.

"The market is competitive but we believe that our quality will carry the day," Mr Namasivayam says.

ST(BT) 220

MULTINATIONALS IN SOUTH AFRICA

ECONOMIC POWER-HOUSES

ST(BT) 21/5/95 (220)

While the supposed lack of new foreign investement in the South African economy is often decried, there are a great many foreign firms well established in our country. Business Times staff writers look at the role played by multinationals in the local economy.

By SVEN LUNSCHE

MULTINATIONAL corporations are not a scarce commodity in South Africa.

Amid the clamour to attract foreign investment it is easily forgotten that many of the leading multinationals have had local operations for years if not decades

Many companies did leave in the late 1970s and 1980s to avoid paying the economic costs back home, but the bulk have returned. Even in the heyday of apartheid their products were available, distributed by appointed licensees

Multinationals play a crucial role in the world economy Their numbers are estimated at 37 000 and they account for over a third of all private sector assets

Annual global investment flows by these multi-

talise the economy, multinationals must be confident that their investments are secure and that the economy will grow

It is up to the government to establish the enabling environment — in essence sound economic policies that enjoy the confidence of both local and international investors.

Multinationals have always played a crucial role in the SA economy although their influence declined significantly during the 1980s.

Reliable numbers are difficult to come by The Washington-based Investor Responsibility Research Center estimates that the US contingent in South Africa amounts to 206 in April this year, just under a

since the US ended the ban on SA investments in 1991

The list of those returning or setting up shop for the first time include General Electric, IBM, Ford, Microsoft, Pepsi, Polaroid, Kodak and Chase Manhatten Others such as McDonalds and Chrysler have investment plans that are well advanced

A big chunk of new investments has come for the first time from the Far East with firms such as South Korean giants Hyundai and Samsung and Malaysia's Landmarks buying property or investing in consumer electronics.

Information technology and consumer electronics have been identified as the sectors with the best growth potential

Other sectors that have enjoyed foreign investor attention — and are dis-

pushing the rate to nearly 60%, more than double that of most competing nations

"Managers base their investment decision on limited risk and long-term growth potential. South Africa does not necessarily offer these at present," Mark Schriber, managing director of Swiss chemical group Du Pont de Nemours, told a recent investment seminar

What can South Africa do to make itself a more attractive place for the

Says trade laywer Gary Eisenberg "Developing countries are vigorously competing with one another for FDI, which has necessitated that governments desiring foreign capital must actively promote investment opportunities"

Such an FDI policy could be a marketing mix of promotional (trade shows, trade missions, etc) and pricing strategies and re-

moving obstacles to inward investment (limits on foreign ownership of privatised entitites, etc)

However, most multinationals realise that the best guarantee for good profits are not special incentives but an economic environment that restricts government's role to administrative, safety, environmental and criminal surveillance For the remainder, leave it to the market

ST(BT) 21/5/95

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nationals — referred to as foreign direct investment (FDI) — was estimated by the United Nations at almost $200-billion last year, a four-fold increase since 1985 (see chart)

But the FDI tide has almost completely bypassed Africa and, until recently, avoided South Africa entirely. Latest available Reserve Bank figures show that for the first time in years SA witnessed net private capital inflows in 1993 (see chart).

A mere $100-million entered that year after years of capital outflows Direct investments have undoubtedly improved markedly since but the bulk of the inflows have been portfolio investments on the equity and capital market.

Diverting even a tiny amount of FDI capital flows to South Africa will be a tremendous boost due to the additional jobs, prosperity and technology

But in order to attract the billions needed to revi-

quarter of total multinationals Germany and the United Kingdom follow with 170 companies each

British companies, however, hold the largest assets in South Africa — 38% of the total value of foreign direct investment at the end of December 1993

The Reserve Bank says foreign liabilities in SA (the closest measure of assets controlled by multinationals) amounted to R29,2-billion in 1993, about 7% of gross domestic product However, this values equity holdings at net worth and not at market value (see chart)

The multinationals employ about 250 000 workers, says the IRRC, listing Britain's Lonrho with 23 000 employees as the largest

Judging by pure numbers the new South Africa has witnessed a strong return by multinationals, led by US firms The IRRC says 50 new US corporations have returned since April last year and 105

cussed in this survey — include chemicals, consumer goods, property, car manufacturing and engineering

The sheer number of new investors, however, hides what has been a fairly modest flow of new capital investment since April last year, although there has been a noticeable uptick in recent months.

Foreign investors have been one of the targets of government policy through the abolition of the financial rand, lifting remaining import surcharges and scrapping non-resident shareholders' tax

But the concerns of foreign investors go well beyond those issues — they essentially mirror the concerns of local businessmen lack of productivity, inflexible labour markets, inefficient management, tariff barriers and high inflation

Most crucially the effective corporate tax rate is a major deterrent with STC and withholding taxes

wave of foreign capital seeking new opportunities?

There are some obvious remedies including the removal of further bureaucratic redtape facing prospective investors This is being looked at by the Department of Trade and Industry in conjunction with the establishment of one-stop investor shops, offering everything from arranging business plans to advice on labour issues

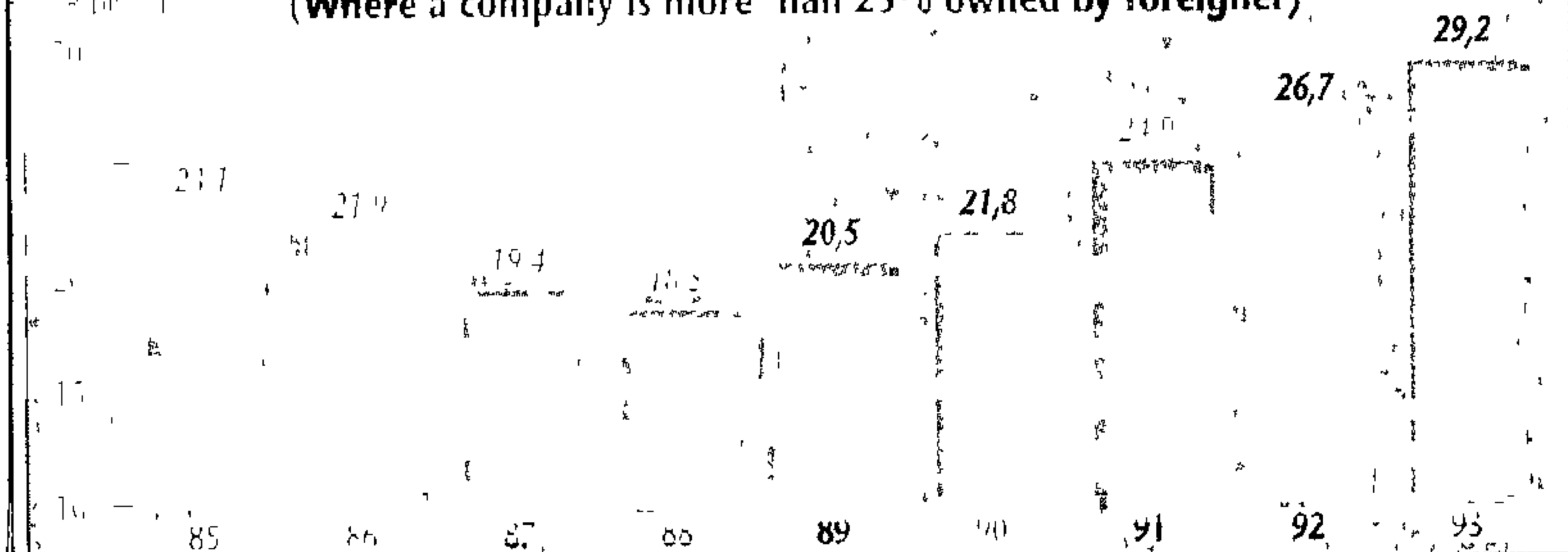
The government should also address as a matter of urgency some of the more pressing concerns of multinationals, such as widespread smuggling of electronic goods, and trademark infringements

Many economists are also calling for a special FDI policy, providing tax, labour and training incentives for foreign investors

Such an approach is controversial as the government has so far stuck to the principle of treating foreign-owned businesses like local ones

TOTAL DIRECT INVESTMENT HOLDINGS BY FOREIGN COMPANIES IN SA

(Where a company is more than 25% owned by foreigner)



Graphic: FIONA KRISCH

Source SA RESERVE BANK

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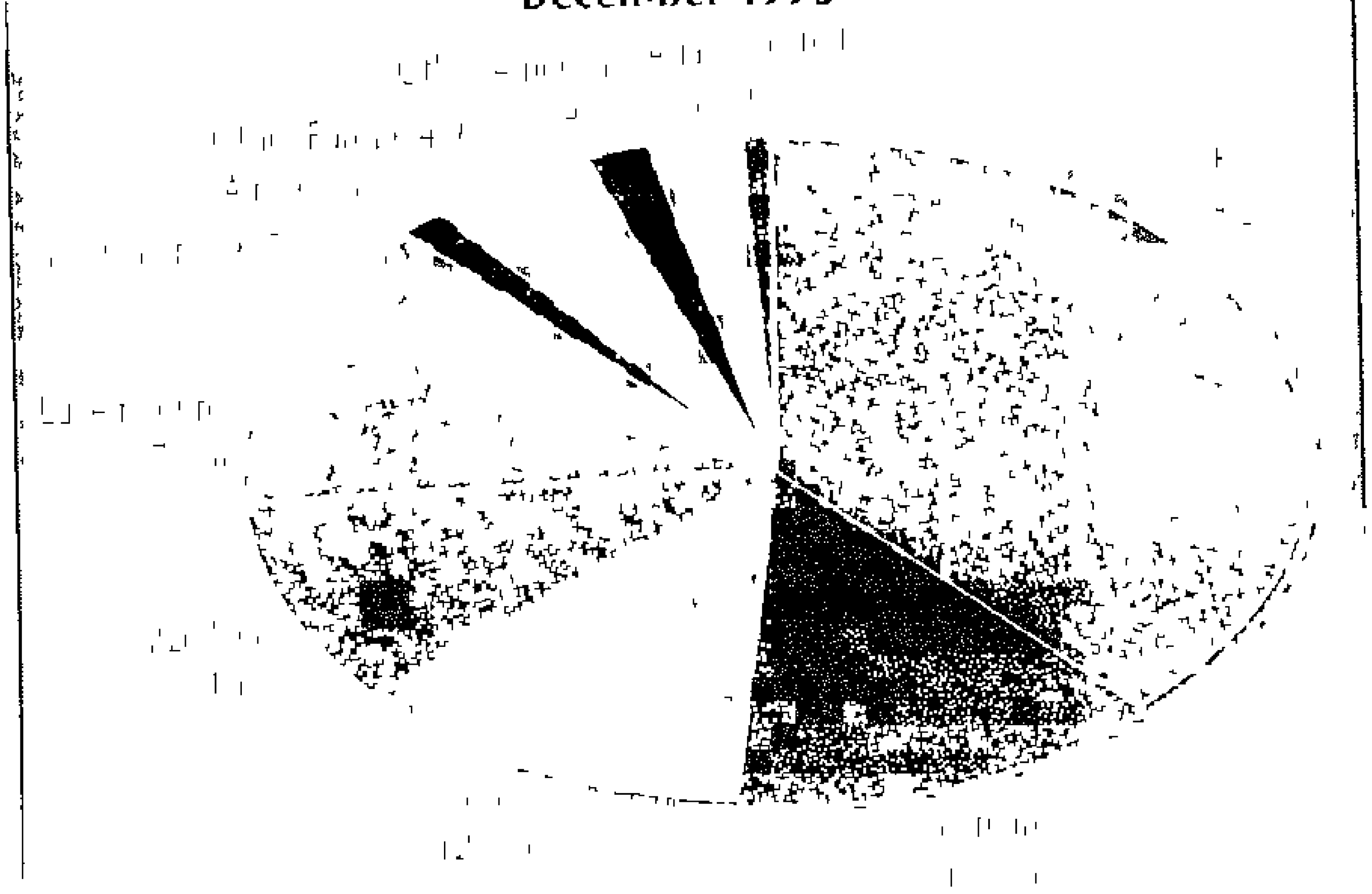
DIRECT INVESTMENT HOLDINGS IN SA BY COUNTRY

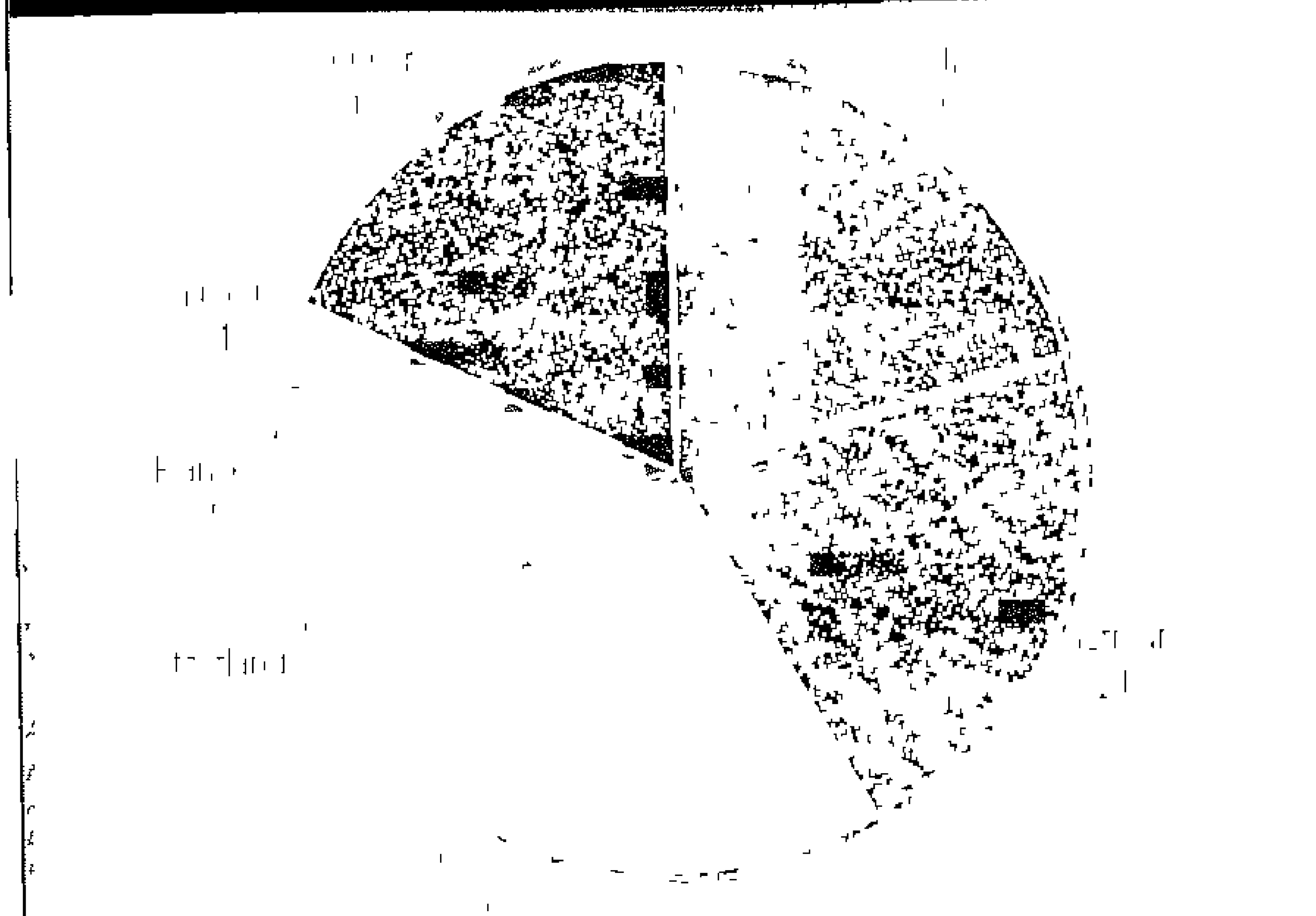
December 1993



Graphic: FIONA KRISCH

Source: SA RESERVE BANK

NATIONALITY OF MULTINATIONALS IN SA



Graphic: FIONA KRISCH

Source: INVESTOR RESPONSIBILITY RESEARCH CENTRE, WASHINGTON DC

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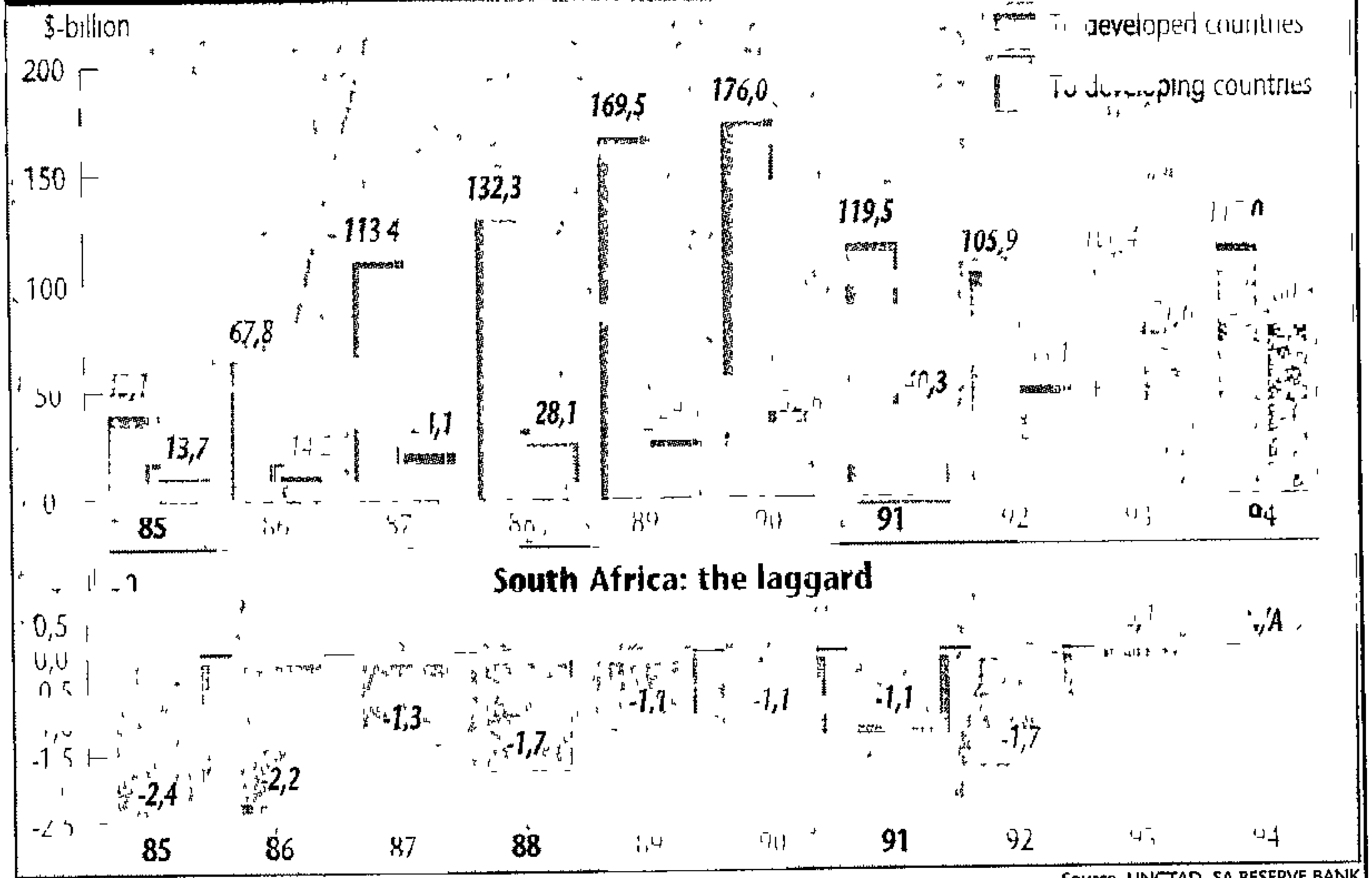
THE RISING GLOBAL TIDE OF INVESTMENT BY MULTINATIONALS



Graphic FIONA KRISCH

Source UNCTAD, SA RESERVE BANK

Cheap labour 'not a priority' for multinationals

(220) BD 31/8/95

WASHINGTON — The image in the US of greedy American multinationals moving production overseas to take advantage of cheaper labour is overstated and at worst flat wrong, according to the Washington-based Economic Strategy Institute

Most overseas investment by multinationals was still directed to industrialised countries and, more often then not, was designed to increase market share rather than exploit cheap labour, the report said

Contrary, to popular perceptions, US multinationals, particularly in manufacturing, continue to be a positive influence on the US trade balance As a group, US multinationals have been running trade surpluses, even during the 1980s, it said However, the report found ownership of production by US or foreign multinationals made a difference to the host economy The benefits of foreign multinational companies in the US tended to be exaggerated, the study said US affiliates of foreign companies imported far more than they exported, adding to the US trade deficit

Affiliate payrolls are growing primarily because foreign multinationals are purchasing existing US firms, not because they are adding new jobs Moreover, most of their cutting edge research and development remains at home

Many of the findings of the report by the institute, which is strongly supported by multinational US car companies, are similar to those in a study last year by the Congressional Office of Technology Assessment It said affiliates of foreign-based multinationals accounted for a substantial portion of US merchandise trade and the greatest share of the merchandise trade deficit Foreign affiliates account for a small but rapidly rising share of all business research and development spending in the US, the Congressional study said Much of this growth, however, resulted from unusually heavy foreign acquisitions of US firms in the late 1980s

The report said US companies had increased their rates of investment in Asia while their investment in Latin America had slowed Multinationals tended to go where markets were growing fastest, said one of the report's authors

Economic consultant Charles McMillion said this trend could be attributed to the development of the global economy as industrialised nations moved away from their traditional spheres of influence

He warned against assuming that companies were not also seeking cheap labour, as well as increased market share

"Very often the best way to preserve your market share is price cutting," McMillion said "Companies look to produce quality products at the lowest possible cost" — Financial Times

MULTINATIONAL CORPORATIONS
1996 - 1998

Avon boosts job options for women

(220) CT(BR) 9/2/96

By Fiona Leney

Johannesburg — The entry of cosmetics multinational Avon into South Africa, announced on Tuesday, will swell a sector that already employs more than 40 000 women

While some of the women see direct selling more as a chance to get out of the house than to make a living — sometimes pocketing profits of as little as R25 — others can earn tens of thousands of rands in commission

The big advantage of the job for women with little or no capital behind them is the low start-up cost Avon representatives, for example, can start from zero

Carrying no stock, they use a brochure and limited samples to sell to the customer, then place their order with the manufacturer, pick up the goods and deliver them from a distribution point

Other companies, such as Avroy Shlain Cosmetics, the market leader in South Africa with a turnover of about R200 million, charge a small amount (R70 to R500) for a starter pack containing stock, brochures and order forms

While by no means all of them do it full time, South Africa's army of direct sellers is already impressive Avroy Shlain has 34 000 "independent operators" About 14 000 of them sell its upmarket product line, while the other 20 000, almost 99 percent of whom are black, work for its mid-range Swissgarde line

Justine, about a quarter of the size of Avroy Shlain in revenue terms, has 10 000 independent sales representatives. Avon, which will finalise its takeover of Justine in March, plans to recruit another 5 000 in July and 10 000 by the end of next year

The enthusiasm of American multinationals (Avroy Shlain was bought by Sara Lee three years ago) for South Africa hints at the opportunities they believe are here

With few formal retailing facilities in townships and rural areas, independent saleswomen working on commission can achieve the sort of market penetration undreamt of by the department store cosmetics counter

Independent sellers can achieve a market penetration undreamt of by department store cosmetics counters

Avroy Shlain, the eponymous founder of the company, says it has a media budget of about R500 000 This is small compared with the big names in cosmetics — word of mouth and the direct selling network does the work for Avroy Shlain

One big drawback for disadvantaged women hoping to get on the business ladder through direct selling is the need for a car to reach more clients and expand the business

However, both Shlain and Veronica Devine, Justine's founder and managing director, say this has not proved insurmountable

Swissgarde's sales representatives generally sell to relatives and acquaintances in a small area, making possession of a car optional, although Shlain concedes that the higher salaries only really start when an independent operator makes the move from commission-based sales into management within the company

Devine says that many of her "consultants" — particularly those supplementing an existing income — use public transport to take themselves and their products into the workplace

Cold calling, however, is another matter altogether, say industry sources

One source, who declined to be named, cast doubt on the effectiveness of Avon's methods, which are based on door-to-door selling, in this market

"The key to success in South Africa is selling by appointment, or between acquaintances," he said "I can't see people in this society warming to door-to-door selling"

Zenex, Exxon's SA heir, remains much of a mystery company

(220) BD 18/7/96

Reinie Booysen

OF ALL the creatures left behind in SA by disinvesting multinationals during the 1980s, Zenex, the fuel retailer, must be the most peculiar

Zenex has studiously resisted publicity over the years, and deflected questions about the precise nature of its residual overseas links This is surprising for a company solely aimed at benevolence towards SA blacks

Some things, however, are well known when US-based Exxon, one of the world's largest companies, withdrew from SA in 1986, it sold its SA subsidiary, then operating as Esso, to a trust based in the tax haven of St Helier, Jersey, in the Channel Islands

The company was renamed Zenex, and its products and service stations re-branded in a livery which still bears a striking resemblance to that of Esso stations around the world

When Exxon withdrew from SA it was under immense pressure from anti-apartheid activists "A great deal of every AGM in the US was spent defending its presence in SA," recalls Zenex MD Paul Richards

The solution, Exxon decided, was to withdraw, but seem benevolent while doing it

Thus a deal to sell the assets to a trust devoted to the "enhancement and improvement of education and training" of blacks in SA.

Exxon naturally wanted to get every last dollar out of SA, so it loaned the trust the money needed to buy Esso SA, and the trust agreed to repay the loan over 10 years — which Richards says it finally did in 1994

The exact size of this loan is one of the many questions about Zenex which intrigue local oil industry people

Neither the trustees nor Exxon have ever been prepared to divulge this information

Indeed, it is not even possible to put the question to the trustees Richards and other employees at Zenex refuse to tell anyone what the trustees' telephone or fax numbers are — although Richards politely offers to relay questions to them

The trustees are scattered around the world Rob Patterson, a Canadian, is a retired vice president of the Royal Bank of Canada; Giovanni Theodoli, who lives in Rome, is a retired CE of US-based Chevron's European operations, and Michael Richardson is a trust law expert resident in St Helier

The "protector" of the trust — a functionary which Jersey law apparently requires — is an Austrian, Albert Celerin.

Flavour

The trustees employ the services of a consultant to advise them on the management and operations of Zenex

Last year the trust was given a "more SA flavour", says Richards, when Sizwe Nxasana, a chartered accountant from Durban and a Development Bank of Southern Africa director, was taken on board

On behalf of the trustees, Richards offers two main reasons why they need not reveal details like the size of the loan from Exxon it is private information, and knowledge of the loan would enable others to calculate Zenex's profitability

Whether this would prejudice Zenex is debatable Engen and Sasol, for example, as listed public companies, break out their profitability in fair detail and it is by no means obvious that transparency has been harmful to their business operations and prospects

But, then again, Zenex's profitability might be so great as to be deeply embarrassing to those in the oil industry who complain about low margins and profitability consequent upon the current regime of tight price regulation

With the last loan repayment instalment being paid in 1994, one could argue that the reason for locating the trust in Jersey no longer exists

But there are no immediate plans to relocate it

"The trustees have consulted many different people, and concluded that it would be prudent to keep the trust in Jersey Once the trust moves to SA, it cannot move back to Jersey again," says Richards "But it is certainly not cemented in stone that the trust will remain abroad forever and a day"

Richards says that, while there is no plan to do so, the trust may in the future wish to sell Zenex, in which case it would be able to repatriate the money to Jersey, where it would be invested and the proceeds devoted to the trust's charitable objectives in SA Essentially, the trust might consider disinvesting a second time

Certainly, there would be no shortage of buyers According to some SA oil executives, Zenex is the best-run little oil concern in the country, producing extremely handsome returns from its tight operations

Nonetheless, with only 2,5% of the SA fuel market, it must be the most vulnerable of local operators in the event of full-scale deregulation — which makes it one of the favourite take-over tar ets in the industry

Richards says he has had several approaches over the years The most intriguing possibility, some oil executives believe, is that Exxon still retains some kind of clawback option, to give it a way back into SA

"My understanding from the trustees is that Exxon does not retain a clawback option," says Richards, but he admits that he has yet to see the trust document, and therefore cannot "categorically rule out" this possibility He argues that this is an unlikely scenario "Wherever you look at Exxon's retail operations in the world, you will notice they take no interest in small bits and pieces

"They either get into a market in a big way, which enables them to have a significant say in the market's development, or not at all On top of that, Exxon has withdrawn from the rest of Africa, so it is extremely unlikely that they have any interest in SA," he says

As the only SA fuel retailer without a stake in a refinery, conventional oil industry wisdom is that Zenex would not survive for long on its own in a deregulated market

Richards disagrees "Deregulation does not scare us We are confident that we would compete and prosper"

While regulations exist, however, it is clear that Zenex's profitability is significantly enhanced by its low overheads, and the regionally focused structure of its network in Gauteng, the Durban-Maritzburg conurbation and the Western Cape

With SA's fuel retail prices set to ensure a 15% average return on the oil companies' marketing assets, Zenex is one of very few companies which do not know the meaning of risk "We don't have the distribution and logistical overheads of our competitors," says Richards

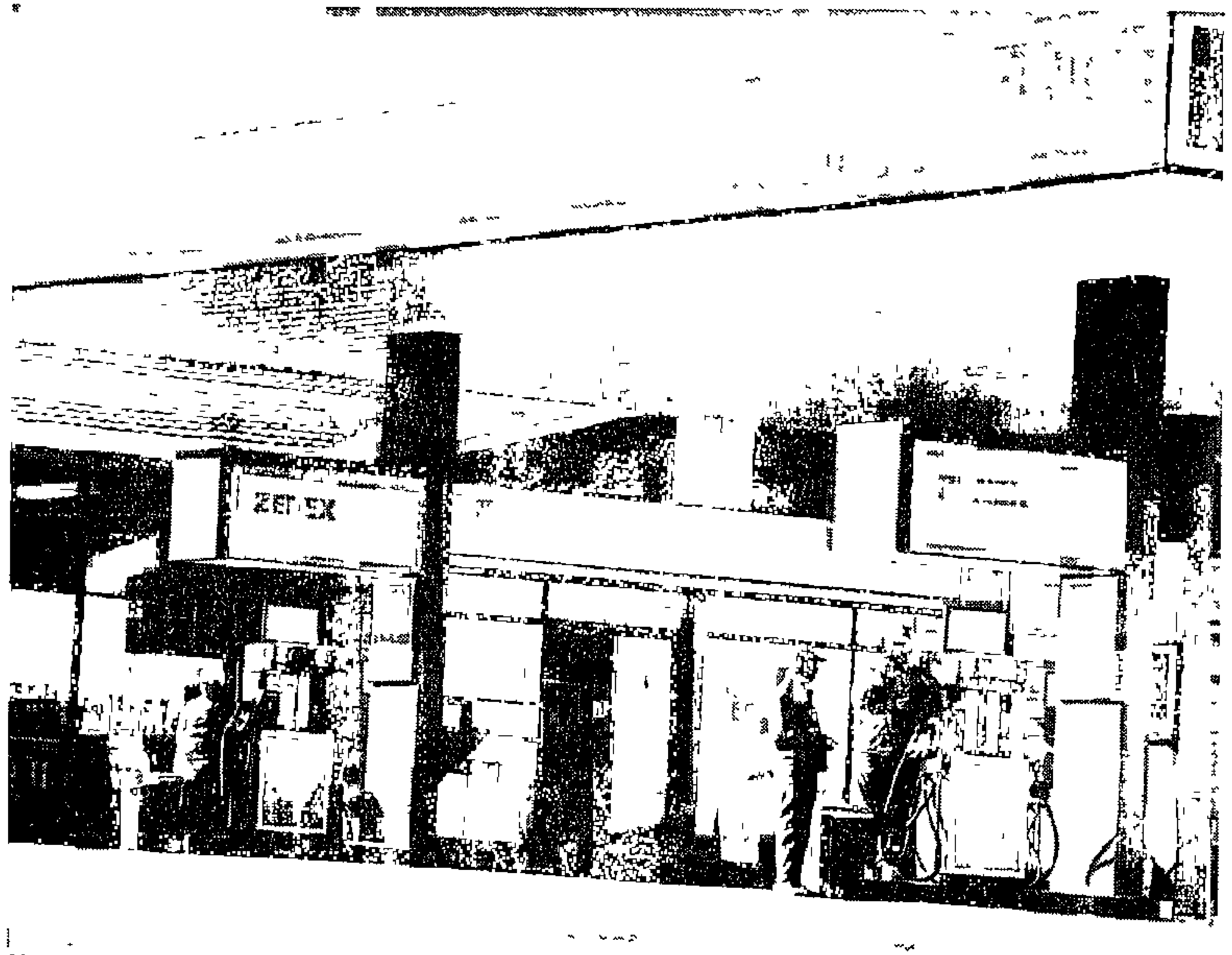
What must be of some concern, however, is the future security of its supply arrangements At present, Zenex gets the bulk of its oil product supplies via "processing contracts" at the Sasol/Total Natref refinery in Gauteng and Caltex's Western Cape refinery — a common arrangement in terms of which refiners effectively rent spare crude processing capacity at their refineries to others Both are so-called "deemed processing contracts", which means that Sasol and Caltex procure the crude for Zenex.

Until mid-1995, Zenex had a relationship with Engen, but this ended when Engen increased its processing fee

In a fully deregulated market, these arrangements will doubtlessly come under strain as price competition intensifies

Competitors eyeing Zenex's most juicy retail sites could severely undermine their value by refusing to supply Zenex with petrol and diesel Zenex might be able to import clean oil products at competitive prices, but in the long run it would probably be too risky.

The most likely outcome, it seems, is a take-over, either by an oil company, or even a retailer, like Pick 'n Pay, planning a major entry into the fuel market Zenex may be only 2,5% of the market, but it is probably the juiciest bit



Unanswered questions about Zenex continue to intrigue local oil industry people Picture TREVOR SAMPSON

In the meantime, the trustees and management are increasingly turning their attention on the original raison d'être of Zenex charity

A local trust — the Zenex Foundation — was established last year, with the aid of a R20m donation from the company for the current year to October Richards says this foundation will in future receive all the non-retained earnings of Zenex — apart from the money remitted to Jersey annually to cover the trustees' fees and other costs — although he declines to give any detailed figures

Charity arm

In the years before the Exxon loan was repaid, Zenex's in-house charity arm was the Zenex Educational Foundation, which received "over R1m a year", derived from a legal provision which permits companies to donate up to 5% of pre-tax profit to charity

Education and adult literacy programmes have been among the major beneficiaries, says Richards This arm has now been absorbed into the Zenex Foundation. Plans to launch and raise the public profile of the Zenex Foundation are being made President Nelson Mandela has had to turn down an invitation to the launch, but CE Kobus Visage is hopeful that Deputy President Thabo Mbeki will be able to make it

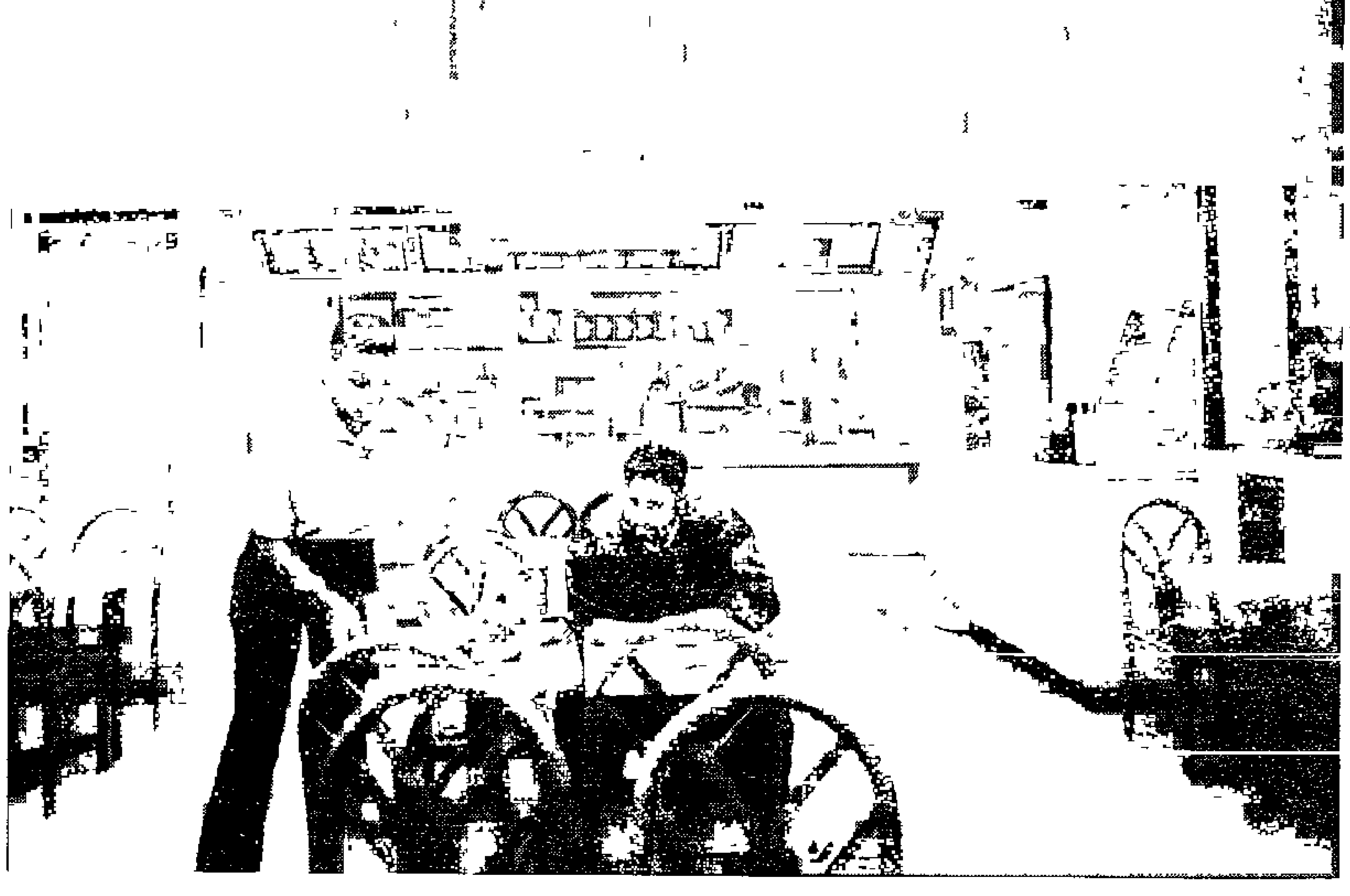
A decade since its charitable purpose was plotted by Exxon, it is an intriguing new beginning for Zenex· 10 years ago Mbeki might well have been among the protesters outside Exxon's AGMs

Now he will be able to celebrate the good that Exxon's heir can do for his people

Meet the new world government

M+G 20-26/2/98 (220)

Multinationals will be able to take governments to court under a new agreement to be finalised this week. **David Rowan** *asks what has happened to democracy*



Free reign: Multinationals such as McDonald's will be able to buy, sell and move their operations wherever they wish around the world, without government regulation

You may not have heard of a new international accord called the Multilateral Agreement on Investment (MAI). There's no reason why you should have the MAI has been debated over the past three years in extraordinary secrecy and none of the parties to it has been keen to publicise the process.

But if you have ever reflected on the growing power of transnational corporations, and feared that at some stage national governments might be forced to bow to their chief executives' demands, you ought to inform yourself that the moment has arrived: we are about to cede to international investors some of our more fundamental democratic rights.

Representatives from the world's 29 richest countries gathered in Paris last weekend to put the final touches to an agreement that will give multinationals power to sue national governments for any profits lost through laws which discriminate against them.

It will put at risk international United Nations treaties on climate change and over-fishing, and will threaten workplace and environmental legislation we have elected politicians to enact. More crucially, it will acknowledge for the first time that corporate capital now has more authority and freedom to act than mere national and local governments.

The MAI is a comprehensive accord being finalised by the Organisation for Economic Co-operation and Development (OECD) and designed to give international investors a "level playing field". It amounts to a new set of investment rules that would grant corporations the right to buy, sell and move their operations wherever they wish around the world, without government regulation. This new investor freedom, the OECD says, will give a new impetus to growth, employment and higher living standards.

The agreement, being prepared for signature by OECD ministers in April, is a logical extension of existing international trade treaties such as the General Agreement on Tariffs and Trade (Gatt) and the North American Free Trade Agreement (Nafta).

But more than those, it seeks to create a world where capital can move entirely free of restriction. As Renato Ruggerio, director general of the World Trade Organisation, put it: "We are writing the Constitution of a single global economy."

The trouble, according to the increasing numbers of groups campaigning against the accord, is that this Constitution's Bill of Rights extends only as far as the investors. It was initiated by business organisations — 477 of the Fortune Global 500 companies are based in OECD countries — in order to make international investment easier.

More than 85% of the world's foreign direct investment flows out from OECD nations, increasingly to developing countries. And the amount is rising rapidly: as business grows more global, foreign direct investment is growing faster than trade flows.

Currently, investors are concerned that they cannot compete on equal terms with nationals of a host country. So the MAI was designed according to three key principles: non-discrimination (foreign investors cannot be treated worse than domestic companies), no entry restrictions (signatories cannot refuse any form of foreign investment, including the purchase of privatised companies, in any sector apart from defence), and an absence of special conditions (such as to ensure local employment or control currency speculation).

"Investment" is defined broadly, to extend to intellectual property, real estate and shares. Once a country signs, it cannot withdraw for five years and will be bound by the agreement for 15 years.

In the case of any breach, a multinational can take the offending national or local government to an international tribunal. There it can sue for past and potential future damages.

Non-governmental organisations — and so far more than 600 from 67 countries have united to oppose it — warn that the MAI will make your vote irrelevant. They talk of "super-citizens", corporations freed from the normal citizens' obligations to the environment or to workers.

They point to an early concrete example of the anti-democratic legal actions likely to result. Last April, the Canadian government banned a petrol additive called MMT, which Canada considers to be a dangerous toxin. The additive's sole manufacturer in Canada is Ethyl Corporation, which responded by filing a $251-million lawsuit against the government to cover losses resulting from the "expropriation" of its MMT production plant.

The case, brought under clauses in Nafta, is still in progress, but even now it is not an isolated one. Two Mexican local authorities are also being sued under Nafta clauses by United States companies prevented from establishing toxic-waste dumps in their jurisdictions.

Signatories to the MAI will also face such actions, held in special international courts, should corporate lawyers identify breaches. "The MAI creates a precedent that elevates the rights of companies over the democratic rights of citizens," according to the World Development Movement.

The group is warning that United Kingdom local authorities, for instance, would be prevented from campaigning against South African wine, as many did during the anti-apartheid boycotts of the 1980s. The South African vintners would simply sue for compensation. Those local battles to stop McDonald's opening a branch — such as is currently happening in Bermuda — would stand no chance.

And what of a national government that decided to prevent an international press baron from pricing his newspapers below cost? Rupert Murdoch's lawyers may well claim that such a strategy sought to discriminate against the multinational News Corporation.

Even the OECD's own guide to the MAI admits that, "as with all binding international agreements, this will moderate the exercise of national authority to some degree".

Then there are the environmental implications. MAI would, according to Friends of the Earth, let companies oppose the Kyoto agreement, under which industrial countries gave developing countries "climate-friendly" technology in return for pollution rights for such rights would be an anti-competitive subsidy.

Similarly, the MAI could challenge the UN Convention on Biological Diversity, designed to protect developing countries' genetic resources, as foreign multinationals demand equal access to such resources.

The greatest concern comes from those who represent developing countries. They will be invited to sign the agreement when completed, but without having influenced its content. And they will find it hard to resist signing if they want the investment that many consider vital of the $112-billion invested in developing countries in 1995, more than 80% ended up in just 12 countries.

The 48 least developed attracted just 0,5% of global investment. Y[...] being "in" will open them up as unlimited new markets for cigarette companies, infant-formula marketers, and those seeking to exploit forests and minerals.

There are, however, indications that the growing opposition to the MAI may be strong enough to postpone its signing. NGOs have made the issue a priority. According to Nick Mabey, economic policy officer for World Wildlife Fund, "this is bigger now than global warming. Type 'MAI' on the Web, and you'll get more than 1 000 sites — virtually none in favour, apart from the OECD sites."

There are also increasing concerns among the signatories themselves. The US, in particular, has sought many exemptions to protect federal and state governments.

Organised labour, too, is concerned that the agreement will override workers' rights. French filmmakers and musicians protested this week amid fears that France and the European Union would have to offer the same creative subsidies to Hollywood under the deal.

Herman van Karnebeek, deputy chair of the Dutch chemicals group Akzo Nobel, who heads the OECD business and industry advisory committee, said last month: "We now hear of disturbing signs that many of the elements we were hoping for may not be possible. What then, is in the MAI for us?"

The NGOs believe they can now exploit the growing divisions. "There's a lot of tension in every European government between the environment and development people and the trade people," says Mabey.

He believes concerned citizens should lobby their governments to urge a delay in negotiations. "The decision to rush it through was taken in 1995, but most of those [Tory] ministers are not around now, so there's no political faith to be lost in delaying

Many nations have laws which will run into direct conflict with the MAI's requirements. As drafted, the agreement will override the following countries' laws:

Australia
Requires foreign investo[illegible] business worth Aus$5-million, or establishing a new one worth Aus$10 mi[illegible]

Taiwan
Forbids foreign investment in "highly p[illegible]"

United States
Some states [illegible] use of public land for grazing and for mineral, oil and gas extraction

Mexico
Bars foreign ownersh[illegible]

Canada
Requires a "bene[illegible] to encourage the employment of Canadians and offer opportun[illegible], before approving foreign investment

Venezuela
Limits the number of foreign employees in companies with more than 10 [illegible], with a 20% payroll limit for foreign employees

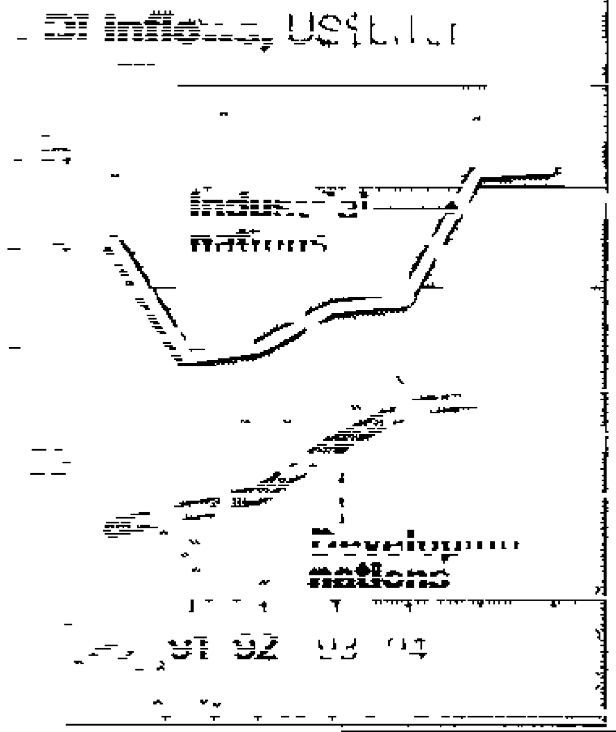
Colombia
B[illegible] in the processing or disposal of toxic or radio-[illegible]

New Zealand
Requires approval for fore[illegible] that results in control of sig[illegible], such as businesses worth more than NZ$10-million

Chile
Bars [illegible] investment is made

Investors' chronicle

[illegible] and the promise of [illegible]



Government against the people

(220) M&G 29/5–4/6/98

Multinationals are moving into hitherto untouched areas, with catastrophic results, writes **John Vidal**

Struggling against the tide: A child looks on as logs are rolled into the Corantijn river in Guyana, where the Amerindian Peoples Association is trying to resist deforestation and mining. PHOTOGRAPH: JONATHAN KAPLAN

Amungme tribal leader Yosepha Alomang a mother of 10, should be in Britain But as she boarded the plane this month in Irian Jaya, Indonesia, to head for London and the Rio Tinto annual meeting, she was stopped by the military

Had she come, Alomang would have told the mining firm's corporate shareholders a harrowing tale of torture at the hands of the authorities Four years ago she was imprisoned without charges, sexually abused and threatened with being shot. Held for a month in a filthy room, she was made to eat her own faeces

Alomang is one of many outspoken critics of the huge Freeport copper mine, high in the mountains of Irian Jaya, which is part-owned by Rio Tinto For years the mine has been the centre of well-documented human rights violations against indigenous groups

It is also an example of an increasingly common trend that sees governments working in the interests of corporations, against their own people The mine subsidises the army by $30-million a year and, like Shell in Nigeria or BP in Colombia, its owners distance themselves from

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atrocities carried out to "protect" its operation

The extractive industries, especially mining, oil and timber, are becoming the new epicentre of human rights violations, land grabs, political destabilisation, environmental devastation and, increasingly, outright conflict. As countries bid to offer the lowest levels of environmental, labour and consumer regulation, abuses are rising.

Forced largely by "structural adjustment" policies, where international banks and leading industrial nations bail out indebted economies in return for access to their resources, 70 countries in Latin America, Africa, Asia and Eastern Europe have reformed their mining and forestry laws in the past six years in favour of international companies

Led by Canadian, Australian, United States and British concerns, the global miners have invested more than $5-billion in exploring developing countries since 1992 They have negotiated long, renewable leases, vast concessions, tax breaks, rights to evict communities and exemption from laws in return for down payments and the promise of jobs and exports

"The link between governments and governed is being weakened . The governed, increasingly, have no role," argues Dr Tony Evans of Southampton University in the United Kingdom "It is precisely those corporations and banks that are increasingly global in scale that have gained influence over state policy "

The human casualties are the people who occupy the lands that the companies are being given exclusive rights to explore and exploit Most of the new mining and forestry is in the homelands of some of the world's poorest people

"The scale of the crisis for tribal groups should not be underestimated," says Richard Garside of Survival International Large-scale mining or logging inevitably involves pollution, often the disruption of water courses and the undermining of subsistence farming The poorest countries are usually the ones with the weakest environmental standards, and are least able to control companies' activities

"This sort of hit-and-run development leaves communities with little option in how they develop," says a representative for the Amerindian Peoples Association in Georgetown, Guyana, which is trying to resist Malaysian and Korean logging companies while fighting for land rights and preparing communities to deal with companies that are exploring their areas

A worldwide pattern of governments and companies working in tandem and using divisive tactics against opposition is emerging Where companies need the permission of local communities to start work, they offer bribes, sweeteners and promises of help that can leave communities with little beyond short-term gain.

"The communities do not know how to negotiate. They do not know their rights or the monetary value of their resources and often sell them for a pittance," says a Filipino development worker And where communities resist their entry, the companies and governments subvert the democratic process, setting up alternative leaders and splitting villages

In many countries, the government evicts communities before companies arrive The companies harass people, block roads, and isolate activists "There have been serious cases of human rights violations and people killed in the Philippines, Indonesia and South America," says Survival International.

The presence of the mining, oil or logging companies is acting as a magnet for separatists and rebels In Colombia, oil companies are such a regular target for guerrillas that Western operators can hardly function They employ the military and provide arms, and the list of human rights abuses has escalated. In the Philippines old leftist paramilitary groups are recruiting and taking up the cause of the tribal groups

The communities are increasingly desperate, having little access to legal help and few people to turn to except the churches and under-resourced non-government groups Many are contemplating physical resistance

The Bontok people of Mainit in the Philippines recently sent a petition to the international community "These [mining] operations will destroy our source of livelihood, like farming and small-scale mining, due to forest destruction and denudation They will destroy our rice fields and rivers, desecrate burial grounds and subvert our customs and traditions. Let this be a warning to those who are trying to intrude in our ancestral lands Blood will be the answer."

In Indonesia and East Asia, where the economic miracle of the 1980s was largely based on land grabs and resource exploitation by businesses in league with politicians, the poorest will be hit again, says Frances Carr, of the ecological justice group, Down to Earth

The economic crisis will make things worse, she says. "Indonesia will depend even more on selling off its resources to all comers The tribal groups, who depend on natural resources more than anyone just to live, will suffer more They will just become further dispossessed "