PRODUCTIVITY

1987 – 1988

# The productivity link

FM 13/2/87 (247) R

**Increasingly**, fast and effective communications and ready access to information are recognised as key factors in the drive for efficiency and productivity

This has spurred the demand for networking in the local computer industry, there are indications that this market could more than double in 1987 The first step in the process is usually to install a local area network (LAN) which links a company's microcomputers through an operating system grafted to a central machine, or file server

Mike Coppin, GM of Drake Networking Systems (DNS), estimates that the value of the LAN market will double to R8m in the next year "as more companies realise that the exchange of information between personal computers is critical to corporate performance"

He says that with the PC market growing at more than 20% a year to around 80 000 units this year and 100 000 in 1988, the number of networked PCs will more than double from around 12 000 (or 19%) at present to 30 000 in 1988

Confirmation of the trend comes from DNS, sole distributor of operating system Novell Netware in SA, which saw sales rise 200% in 1986 Novell is the system used by both Bank of America and British Rail to link hundreds of microcomputers and help process vast amounts of data

Mackie Glasser, chairman of SA Computer Faire, anticipates that until the end of the century the mainframe market will grow by only 8%-10% — just a quarter of the growth expected in the mini- and micro-computer sector "This means that central mainframe data-processing budgets, which now absorb about 75% of available funds are likely to account for only 50% of available funds by the end of the decade The shift will be to decentralised and distributed data processing using minis and micros"

Glasser says the move towards minicomputers is not driven by a sudden interest in technological developments in the sector, but rather by the fact that end-users are in a position to solve problems and meet challenges using decentralised computing power

"The simplicity of installing and operating small computers works in their favour They don't require air-conditioning, special flooring or plumbing In many cases they operate on standard electrical current and can be accommodated in standard office layouts because they occupy small areas, throw out little heat and are largely noiseless

"On the solutions level, minis are user friendly and allow end-users untrained in electronic data processing to work with a localised computer rather than relying on a centralised processing service"

However, what of the companies which already have large numbers of microcomputers installed? Software developments in the LAN field have ensured they can optimise resources

What's more, IBM's Token Ring system has estbalished a standard in the field and raised the confidence of prospective users

LANs have several advantages over systems based on a central mainframe which drives "dumb" terminals First, end-users now have intelligent workstations through which they can easily access and process information, cutting out delays and increasing productivity

Built-in electronic mail systems make it possible to create, transmit, read and file messages, memos, documents and spreadsheets immediatly This cuts down on paper circulation and prevents document loss

LANs are also much easier to install and maintain than mainframe systems — and, of course, they're far cheaper The cheapest Novell system, for example, costs around R14 000-R18 000 for software and R2 000 each for three IBM-compatible micros Support, too, comes at micro prices

## SPREADING THE NET

**Tour operator** Luxavia is to install computer equipment worth R300 000 in its South African offices as part of a worldwide project to automate administration accounting and reservations procedures

And it has decided to use local area networks (LANs) of IBM PCs rather than a mainframe computer. Initially there will be two identical LANs in Luxavia's Johannesburg and Luxembourg head offices which will communicate through an international link supplied by the post office on the Saponet network

Local MD Jan Blake says the system will expand later to the company's branch offices in Johannesburg, Durban, Cape Town and Pretoria. Major Luxavia offices in London, Amsterdam, Frankfurt and Dusseldorf will be brought on-line with the [illegible] urg head office, form[illegible]

Bl[illegible] ays the move to computerisation [illegible] of compan[illegible] activities "We added hotel, transport and [illegible] to airline bookings and now average 12 trans[illegible] passenger"

[illegible] dropped the idea [illegible] t ran into communication problems between [illegible] and the European centres "It also pro[illegible] to be almost [illegible] expensive as a PC network"

Blake says the network means installation can be phased in, with branches being given stand-alone PCs for data capture immediately and using batch processing methods until the on-line facilities are available

"In addition, we will save on peripheral equipment particularly printers, as much cheaper equipment can be used."

Blake expects significant productivity gains from automation The international link will also ease seasonal booking problems by speeding the information flow

# The way to better production

(247) 16/2/87

ONE of the most effective "perks" in industry requires neither money nor merchandise to prompt people to work better, according to executive director of the National Productivity Institute Jan Visser.

It's the Japanese principle of worker involvement in group problem-solving and resultant management recognition, he says.

At more than 100 SA companies and municipalities, small groups have been formed into productivity and quality control circles. The teams meet regularly to look at ways of doing things more efficiently.

The practice has been particularly successful at Iscor, where it's been implemented at all facilities.

John Riddell, GM Steel Operations says the improvement in Iscor's productivity in the past couple of years has been quite amazing.

"Already more than 1 000 small groups involving more than 8 000 employees have been formed at Iscor," he says

Riddell emphasises that the corporation's Small Group Activities (SGA) programme should not be seen as replacing the management system. "It's directed at the level of supervisor or foreman and lower," he says.

Participation is voluntary and leaders are chosen from within groups usually numbering six to 10 Projects cover a range of issues — from cleanliness and safety to production problems and cost effectiveness

At the end of a project, which normally runs no longer than six months, team leaders give presentations to top management.

Iscor runs an SGA knock-out competition and, in a departure from the original Japanese system, makes small cash awards to winning teams

But the main incentives are still pride, achievement and recognition

"We don't only look at value. We take into account spin-offs like better working relationships that develop in the group," says Riddell

He notes that the programme brings longer-term gains like better education and expertise, and this in turn leads to still better productivity and quality

It has also brought managers and other personnel closer together.

For every R1 invested in the SGA programme, Riddell says, savings of R15 can be attributed to it.

He anticipates that membership, currently around 15% of potential participation, will swell to beyond 65% — more than 25 000 people — in the next five years.

At that level, he maintains, the system tends to run on its own

Then people who are not involved are not part of the team.

(247)

23/2/87 B/Day

# Various comfort factors influence productivity

MIKE ALDRIDGE

PRODUCTIVITY in the office environment can be linked to several factors Comfort, colour, temperature and particularly the amount of plant-life, have all been found to be contributing elements.

Landscape architect Gareth Singleton says "People are subconciously aware of the attractiveness of natural lighting and plant life"

MD of Environmental Design, and vice-president of the Institute of Landscape Architects, Singleton feels he's something of a pioneer in his field in SA, where many are only now becoming aware of the tremendous value of plants in the office environment

The US and Europe provide the lead in plantscaping, and productivity increases of up to 40% have been reported where plants have been used to enhance working environments

Plantscapers work hand-in-hand with architects in designing both the internal and external environment.

And trends of decentralising from CBD-areas has coincided with development of the office park concept

This involves the siting of offices in attractive natural settings, and many architects attempt to bring the "feel" of the out-door environment into interiors as well

Even within the CBDs, new office structures are tending to use plant life to the full in atriums, outside balconies and in open-plan office space

Redevelopment of existing office buildings is also tending towards open-plan offices for increased space-efficiency

And here lies one of the most exciting opportunities for the creative use of plants, with natural foliage being used not only to create pleasant aesthetic quality to the interior-decor, but also as part of its structure

Plantopia MD Robert Michaelmore says "Plants are used as directional guides, accoustical dampers and to provide privacy by closing-off areas while still allowing visual contact"

One marked change in the use of plants in the office environment has been the move from the traditional mixed arrangements, which incorporate a variety of individual plant types, to the specimen plant

The latter is a single, and typically quite large plant type, which stands in its own container This has proved a more practical, cost-efficient and easily-maintainable form of plant decor.

Ideally, plant specialists should be involved from the start of any construction project, to set the design requirements such as lighting levels, temperature and water controls.

Correct lighting is essential for plants to survive They require certain minimum light levels, and can also suffer when office lights are switched off over-night and on weekends. Time switches for lighting and even air-conditioning may be required in buildings

Adequate water supplies are also essential. Most indoor plants provided by the larger companies today are set in a semi-hydroponic environment Here roots grow into a nutrient solution in the bottom of their containers

This solution is easy to maintain and provides efficient nutrition for the plant Automatic irrigation systems can also cause problems, being more subject to failure than the far-from-outmoded watering can

It is possible, of course, to circumvent all this trouble by installing artificial plants, whether plastic or silk

B Day 23/11/

# Productivity and environment ties

MANAGING directors who neglect worker's needs within office environments could be reducing productivity

A consultant specialising in office interior design, Anthea Kohler, says

"While productivity depends largely on the motivation of the employer, most executives seem to feel an office furnished 20 years ago is good enough for the staff

"However the company's performance is not only projected by staff and their productivity, as executives need to create the correct environment in which staff can operate."

New carpets, a coat of paint and a bit of greenery will upgrade an office.

"Furniture and appointments combined with using the company's existing logo and colours in offices and reception areas can transform the environment, so the furniture is functional but at the same time is unique to the company, Kohler says

"However, although colour depends on personal taste, certain colours are taboo in specific situations," she warns

For example, red, black and royal blue do not work in large rooms.

## Subtle colours

According to Kohler, subtle colours are more fitting in an office with 10 or more workers because they are easier on the eye and less conspicious

She explains that a single office calls for different techniques to the open office plan environment

With a single office, an individual's personality and personal taste will be taken into account.

In an open office, it should be borne in mind that each worker is an individual and that dynamic colours and patterns are not necessarily acceptable to most people

"Furnishings should be adapted to practical requirements.

## Texture

"Thus the texture and colour of a desk — for example — should be determined by the amount of light shining on it and the time spent there, rather than by the dictates of the MD

"As far as floor covering is concerned, there is no general consensus as to whether carpets or carpet tiles work better

"However, there is no doubt that tiles are more practical for areas taking a lot of traffic

Kohler explains that renovating an office is not necessarily an expensive exercise.

"Changing the office environment could simply entail lowering a ceiling, putting mirrors on columns to create depth, using artwork and including lots of plants".

# Iscor whips PIP target

(247)

GERALD REILLY

ISCOR'S corporate productivity improvement programme (PIP) target of R75,9m for 1985/86 was exceeded by R23m, or 30,3%.

According to an Iscor spokesman this resulted in a total saving of R98,9m by the steel, mining and headquarters departments.

This was the second time the set targets had been exceeded. The last was in 1981/82.

Mining and headquarters exceeded their targets by 52% and 151%, respectively.

Ideas aimed at cutting costs, improving technical processes, increasing production, extending the life of equipment, saving material and preventing capital expenditure, are encouraged among the staff.

Many suggestions are received, the spokesman said.

The ideas are investigated and implemented if considered practical.

The PIP floating trophy was won by Grootgeluk coal mine's process development plant chief engineer P E Venter for his suggestion on reclaiming and marketing the coarser fraction of coal which does not float.

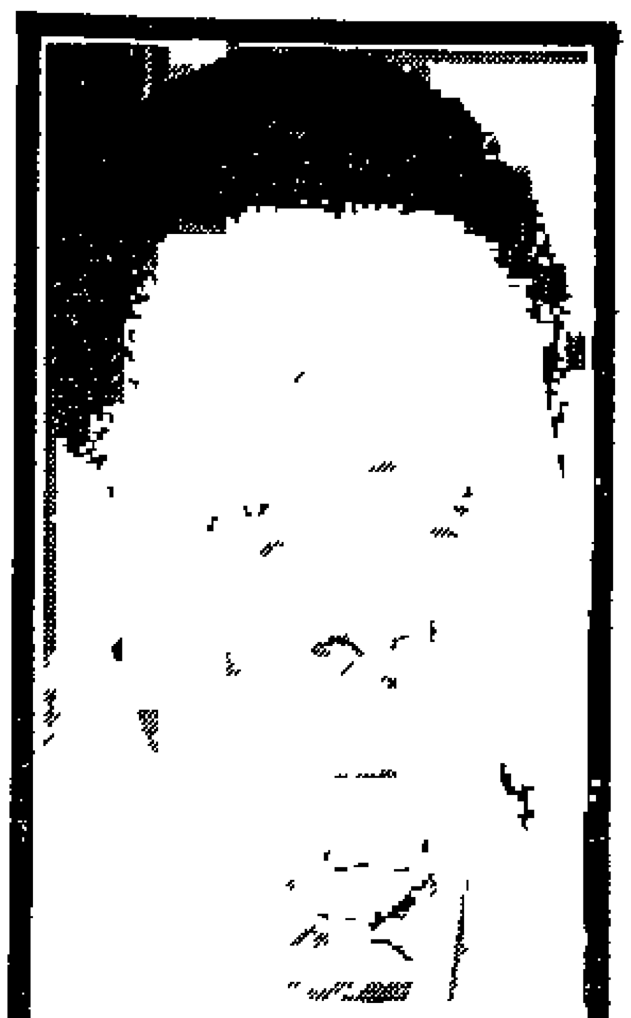
247 Sowetan



# Heart of the matter

## A VERY SMALL GROUP OF HIGH LEVEL SKILLS AND AN ABUNDANCE OF LOW LEVEL SKILLS

FOCUS



IN HIS column today NCEDO MLAMLA, an economist with Barclays Bank looks at South Africa's poor productivity record

LABOUR productivity or output per worker is measured by dividing total output of goods and services by the population of economically active people

The productivity of capital is established by dividing into the output of goods and services the amount of fixed capital stock in the economy

Both of these measures of productivity have been performing very poorly these past 15 years Yet the improvement in productivity is the key to a higher standard of living for all of us

Without it there can be no steady rise in household incomes

### Argument

As a result the argument over how the economic cake should be divided could intensify as those with strong bargaining positions insist on a larger slice of a stagnating cake

Our economy appears to grow mainly by taking on additional members of the workforce , hence providing employment rather than extracting more production out of each worker

This seems to have a cyclical tendency in that during economic upswings more people get absorbed into the system, only to reverse again when the economy goes into a doldrum

It is obviously an important objective to create new jobs and extend working opportunities, with so many people entering the labour market every year

However, the way we have gone about it in recent decades, we have not succeeded in using fully the resources at our disposal and consequently have not maximized our rate of new employment creation

To put it in a nutshell, we have tended to rely too much on capital when creating new production capacity, rather than using available labour

### Reason

There are good reasons for this trend For a long time interest rates were negative in real terms, which made greater use of capital an interesting proposition In contrast, labour demands exceeded the inflation rate, in addition to strike action and industrial disputes

In addition, many companies are staffed with management who have a cultural preference for First World technology which in its very nature is capital-intensive while requiring a minimum of labour to serve it

### Wrong

With capital a relatively scarce resource, and labour a really abundant resource, we have tended to make the wrong use of our available resources, which probably contributed significantly to the poor productivity growth this past decade

Important changes have been effected in recent years that should in time have a positive impact The cheapness of capital was for a period reversed when more market-related rates were allowed, highlighting the scarcity value of capital

SKILLED worker

And the special allowances aimed at encouraging investment were changed fundamentally in the hope of improving the relative attractiveness of labour-intensive processes

What is most important for the long term, though is the current expenditure going into education It is the ultimate long-term investment any society can make, even though its dividends may materialise only over a period of decades rather than years

An important reason for the poor productivity record is the skewed skill base on which the SA economy has been built

A too small portion has always enjoyed full access to education, while a too large group never benefitted As a result the economy has a very small group of high-level skills and an abundance of low level skills

It is an imbalance that cannot easily be bridged in a modern economy, not even with "appropriate" technologies

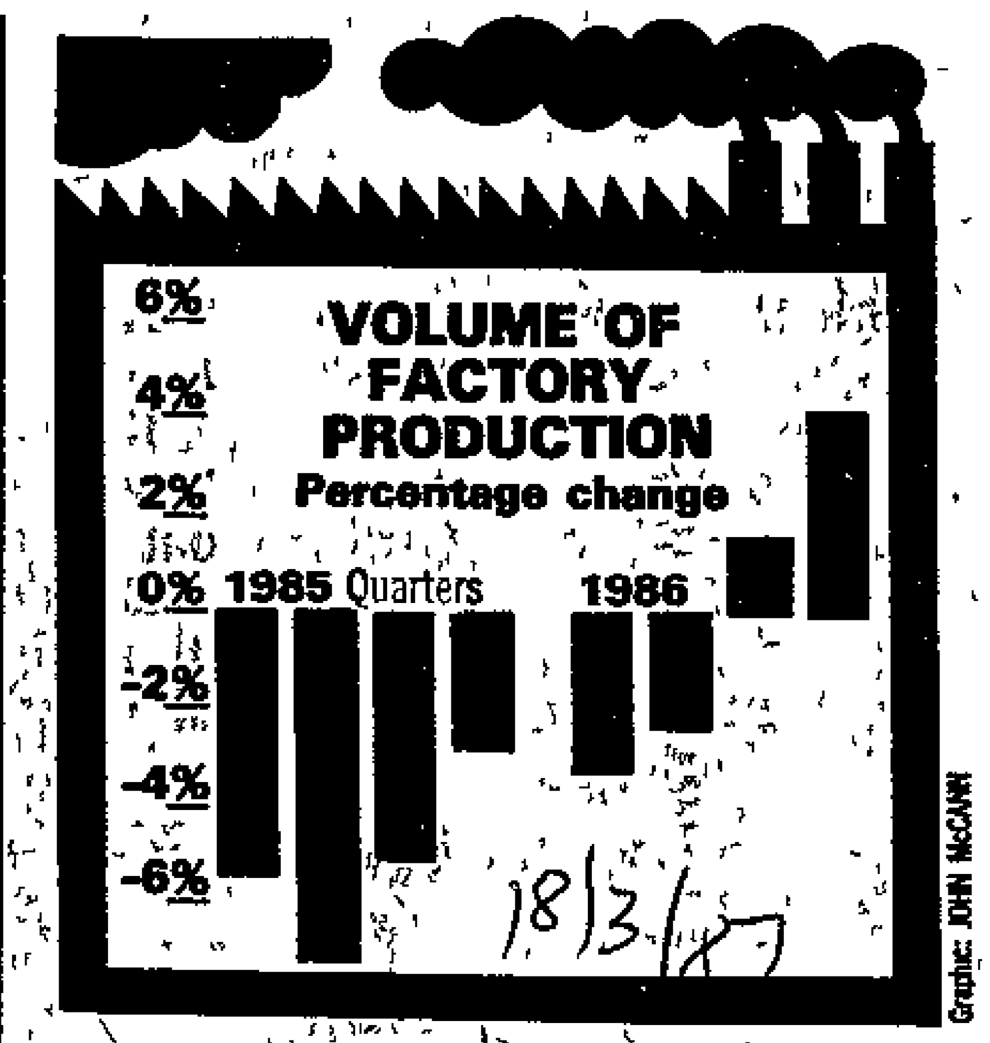
The investment effort underway this past decade, aimed at greatly upgrading educational opportunities for all, is therefore the single most strategically vital action being undertaken by the government to improve the long-term growth ability of the economy

### Skill

By improving the labour skill base, it will be possible to use far more labour, more productively than in the past

It would mean a less pressurised use of the small high-skills group, a greater degree of experience all round, and a consequent greater ability to improve productivity

It is crucial that we are successful on either score, as we need to create employment opportunities for the next generation, while at the same time improving the average standard of living




18/3/87

# Factory production up

B/Day HELENA PATTEN 247

THE VOLUME of factory production has shown recovery in the past two quarters.

After declining sharply by 5,1% during 1985, and the volume of production continuing to drop in the first half of 1986, the latter half of 1986 showed a welcome improvement.

Total factory production was about 1,5% higher in the third quarter of 1986 than a year before, and preliminary figures show an improvement of more than 4% in the last quarter.

# Holidays, stayaways disrupting business

247 DIANNA GAMES

PUBLIC holidays — coupled with worker stayaways — have caused thousands of production hours to be lost in the country's industrial and commercial sectors.

And commerce and industry have warned that public holidays should be spread out so as to cause the least disruption of the economy

By June 1, there will have been 12 non-working weekdays within a two-month period. The spate of holidays — April 6, 17 and 20 and May 1 — have left business with, at worst, four successive four-day weeks.

Ascension Day and the day following Republic Day on Thursday, May 28, and Monday, June 1, may cause further disruption and lead to a huge drop in productivity.

One spokesman said. "How many people will choose to break up a potential five-day weekend by working on May 29?"

Tomorrow and Wednesday could see hundreds of thousands of workers staying away from work in answer to the UDF-supported Cosatu call for two days of peaceful protest.

An Associated Chambers of Commerce spokesman said Assocomm's policy was that it would like to see a more even distribution of holidays throughout the year

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# Productivity boost vital says Botha

BLOEMFONTEIN — If South Africa did not raise its productivity it would not overcome inflation, the State President, Mr P W Botha, told the 74th congress of the National Party of the Free State here at the weekend

Mr Botha said there were too many people who did not play a role in raising productivity in South Africa

Countries in Europe had lowered inflation with large-scale unemployment but this could not be allowed in South Africa, Mr Botha said.

He said the solution had to be found in greater productivity People had to be encouraged to make their contribution, not only formally, but in the informal sector

If productivity was raised, there would be greater responsibility with less uproar and greater stability in the country

Mr Botha said the evil forced upon the country from outside had to be withstood and "we will be an example of a country that has hope for Southern Africa"

"We must develop a message in South Africa that is better than what the communists offer."

Mr Botha told the congress that no economically-viable irrigation land in the Free State would be prejudiced by the Lesotho Highland Water Scheme, while various towns in the Free State would benefit

There would be a greater assurance of water after the inception of the Lesotho scheme, he added

The Lesotho water project was critised last week at the congress of the Free State Agricultural Union.

It was said there would be less water for the Free State after the scheme came into operation than at present

Mr Botha assured delegates that the Lesotho Highland Water Project offered hope and optimism, not worry and fear

He said the possibility of providing Kimberley with water from the Orange River, via the Oranje-Riet system, was being investigated

Speaking of extra-parliamentary actions to get Parliament out of its position of strength and to bring about a new dispensation in South Africa, Mr Botha said that this was nothing new There had been numerous attempts to manage the affairs of South Africa from outside, he added. — DDC

Cape Times 1/9/87 247

Business Report

# Awards for productivity

WESTERN CAPE firms who have increased productivity in the past year will explain their methods tomorrow

Their case histories will be part of the National Productivity Week Cape conference which starts today at the Good Hope Centre with a keynote address by Stephen Rogers, economic affairs counsellor at the US Embassy.

The winners of the Western Cape productivity awards will be announced tomorrow Those on the short list are Atlantis Diesel Engines, Boston House College, Bromor Foods, Ceres Fruit Growers, Escom (Koeberg), Escom (transformer electrical maintenance), GUD Filters, Metal Box (systems engineering and manufacturing), PPC (De Hoek Works), Printpak, Romatex Home Textiles, Seravac and Woolworth (Hangerman)

□ The Woolworth Hangerman project was started in Atlantis last year to provide work for the disabled It was the idea of packaging manager Tom McLaughlin who suggested that as its contribution to the Year of Social Responsibility the chain should set up a factory to recycle used plastic hangers

Atlantis was chosen because it was one of the worst-hit economic regions in the Western Cape

The hangers are sent to Orion, a sheltered workshop for mentally and physically handicapped people, for sorting, cleaning and repacking It now processes about 430 000 hangers a month at 2,2c each and provides work for 40 otherwise unemployable people

19 87

**National Productivity Week Cape Conference**

## Growth rate

SA must aim for an economic growth rate of at least 4%-5% to keep ahead of the population growth and to create job opportunities, the Minister of Budgets and Welfare Dr Dawie de Villiers said at the National Productivity Annual Awards ceremony in Johannesburg last night

De Villiers presented six awards and seven merit certificates to 13 companies for their outstanding productivity achievements in the past year

Speaking to more than 260 businessmen and guests at the Carlton Hotel, the Minister said "Based on SA's economic growth performance in the past, it seems an almost impossible figure to achieve Yet it is within the country's reach

"SA's important trading partners achieved at least 60% of their economic growth from increases in productivity, while this country obtained an average 6% growth for a 22-year period between 1961 and 1983," he said

"An improvement of productivity, however, will have to be concentrated on if we want to achieve success And we will have to work very hard at it"

The minister said the country's productivity growth statistics were miserable

"A productivity growth rate of 1% instead of 2% may not seem like a big problem until we stop to consider that a worker's output — and therefore the national standard of living — doubles in 32 years, assuming a growth rate of 2% But at the lower rate, it takes a full 70 years to achieve the same result," he said

De Villiers said that management was traditionally more concerned with using more resources than with using resources better

"We have not succeeded in reversing this unfavourable trend and at the same time people at all levels must learn to accept responsibility for what they are doing and they must be involved in the process of finding solutions," he said

"I personally believe that the intense resistance to change at this level of management is one of the biggest problems we face in trying to increase productivity," De Villiers added

# Drop in labour productivity

247

12/10/87 B/day

DAVID FURLONGER

LABOUR productivity fell 0,7% in 1986, following a 0,9% fall the previous year

The National Productivity Institute (NPI) says in its annual report the decrease was caused by employment rising 0,4% and output falling 0,3%.

The NPI measures productivity by real GDP per worker in non-agriculutral sectors of the economy.

Comparisons with SA's major trading partners over the past decade show SA had the lowest labour productivity growth and highest wage rate rise.

# Productivity key is in wider spread of share ownership

24/3/88 (247) Star

By Frank Jeans

A wider spread of ownership of shares in larger companies could help to spark greater productivity in South Africa and be a key component of the "engine for growth"

And the sooner the country redirects its efforts away from the "skewed nature of its education set-up" and drives towards more technically based achievement, the better

These points emerge from a memorandum on productivity from Dr Lawrence McCrystal, chairman of the Board of Trade and Industry to the President's Council

"A wider shareholding, along with a greater increase in the number of people owning their businesses will undoubtedly bring about a better understanding of how a modern economy works and also realease much pent-up energy," says Dr McCrystal

Dr Lawrence McCrystal — under-emphasis on technical education.

"Both of these will make for better productivity and must, therefore, be a part of a strategy and action plan"

Referring to South Africa's "abysmal productivity performance" he says that over the 1970-86 period there was an annual improvement in output per worker of only 0,53 percent a year compared with that of Taiwan, for instance, which saw a 4,88 percent rise a year during 1970-84

Dr McCrystal also believes that to get productivity on the move, there has to be a firm commitment to reduce inflation

"A high level of inflation has such a negative effect on the economy in general and on productivity in particular, that it is almost impossible to devise a strategy for productivity improvement without also incorporating in the strategy a plan to cut the inflation to a moderate level — at least below 10 percent a year," he says

He has no doubt, too, that in the workplace there is too much of the attitude of taking as much out and giving as little in exchange as possible

"And when trade union organisers spread the word that the workers are being exploited, they are only too ready to believe it," says Dr McCrystal

"All of this has an extremely detrimental effect on productivity improvement programmes which become difficult to 'sell'

"Third world workers can very easily be persuaded to believe that this is merely another way of exploiting them to the benefit of employers and shareholders, especially if productivity improvement is followed by retrenchments"

On the education front, Dr McCrystal says the emphasis in both school and post-school education in South Africa is heavily oriented towards the academic direction with what can only be described as a "calamitous under-emphasis on technical education"

"There are far more students at universities than at technikons and technical colleges and far more of the university students taking academic, rather than technically-oriented courses," says the memo.

"The need in South Africa today is for fitters and turners who are skilled in handling advanced equipment, agriculturalists, production planners and engineers rather than sociologists and political scientists."

D/D 18/2/88

(247)

# Warning on productivity

Daily Dispatch Correspondent

JOHANNESBURG — Already plagued by sanctions, South Africa is now in danger of pricing itself out of international markets, says the National Productivity Institute (NPI)

In its Productivity Focus for 1988, the NPI says with a productivity and wage track record such as South Africa's, the country will find it difficult to compete overseas

"South Africa no longer has to worry about sanctions for she is in any case, via her wage policies, pricing herself out of international markets"

Figures show unit labour cost — the amount paid for labour per product produced — was 282 per cent higher in 1986 than in 1975, representing an average annual increase of 13,1 per cent annually

The sharp unit labour cost increases in the South African manufacturing sector far exceeded those of her major trading competitors and in turn exerted "tremendous pressure on product prices and inflation"

In addition to low labour productivity growth and high wage increases, South Africa is the only country of those reviewed which shows a decline in per capita output

"Her economic growth rate was the lowest, while her population growth rate far exceeded those of other countries

"The staggering increase in population growth of South Africa exerts tremendous pressure on the economic growth rate of the country which was totally insufficient to ensure an improvement in the standard of living during this period (1981-86)"

As a result, South Africans became poorer between by as much as 2,1 per cent each year

Only Mexico registered a bigger per capita output decline during the same period

Of the countries monitored, only Malawi reflected a higher population growth rate than South Africa

It nevertheless experienced an improvement in standard of living as its economic growth rate exceeded its population growth

DTD 29/2/88

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# Productivity seen as key

JOHANNESBURG — Toyota's SA chairman, Dr Albert Wessels, called on South African yesterday to boost productivity to enable the country to compete against tough competition in the world markets

Speaking at a creative management strategy seminar, Dr Wessels said South Africa's relatively low standard of productivity was a fundamental economic problem which could not be ignored

At present the country enjoyed a favourable balance of payments because of its vast quantities of mineral exports But mining was fundamentally a wasting asset

"Gradually and unavoidably we move towards a situation where exports of minerals will have to be augmented and ultimately replaced by manufactured products," he said

"To export manufactured products you must be in a position to compete on world markets For that there are two simple requirements - quality and price "

For the past 10 years South Africa's average increase in productivity was 1,6 per cent and last year it dropped to 1,1 per cent

"How can we now compete with other countries with this standard of productivity?" he asked

"Increased productivity is initiated in the manager's office and on the planning board, not on the factory floor "

Dr Wessels said the question is often asked whether South Africa, with its limited local market and problems of small scale production, will ever be able to develop the necessary technology to compete on world markets The action of striving towards raised productivity was in itself the best motivation for the creation of new technology, he said

Productivity rested on the creative ability, the technical and technological innovation of management and the capability and involvement of workers

Dr Wessels said young nations did not become effective and profitable just by paying higher wages They only succeed by "developing communal goals, wherein both management and workers feel that their work and their human values are respected".

"If South Africa wants to compete in the world - and we will have to - if we want to make the standard of living for all race groups acceptable, then we must remain aware of the interchange beween productivity and human values," he said — Sapa

# Heads we win, tails you lose in Sandton — Council

**The James Clarke Column**

Sandton highway row is going to be worth watching

It is the boldest municipal exercise in Public Participation in Planning (PPP) in South Africa so far, and its success or failure will decide the future pace of PPP in the urban design process

It represents a break from planning **upon** people, and a try at planning **with** people

Both sides want to see the exercise work for different reasons

● **Council** wants to be able to say at the end of the day that the decision to build (or not to build) the road was entirely the public's choice

Then if things turn out wrong it can say "It was your decision not ours!"

● **Residents** want it to work because they look with increasing alarm at the diminishing quality of life in Sandton

Few homes are beyond earshot of major arterials, once-pleasant horizons are now spoilt by ugly developments and row-houses mushroom

To put the new highway issue in simple terms, Engineers insist that busy South Road, which attracts traffic from east Sandton, needs extending westwards across the central suburbs

At present, it is truncated by Rivonia Road where traffic dams up during rush hours

The town council wants to punch across Rivonia Road and has suggested a number of optional routes

If South Road is extended westards it will mean homes being demolished and some important open space being sacrificed

Either the exclusive "millionaires' golf course" of River Club will have to sacrifice ground or the adjacent Sandton Field and Study Centre park will have to give way

The latter is not only the town's biggest park but is a peaceful and safe place, and much used by the community The park serves the densest area of Sandton — an area becoming even denser

When the public said a resounding "No" to Road Extension, the council held a public meeting at which the chairman of the management committee, Mr Ricky Valente, clearly in favour of the highway, lost his cool and shouted down some public representatives who dared to disagree with him

This week, he assured me he is now totally neutral about the need for the road and that the matter is "absolutely" in the hands of the public

After the public meeting the council appointed a "Section 59 committee"

Let's call it a Public Participation Committee (PPC), for that is what these Section 59 committees are meant to be.

This PPC comprises the leading ... just one councillor Officials attend to answer questions and to advise

On Wednesday last week the PPC's lone councillor, Mr Schalk Visser, told me that the committee had unanimously agreed that a new highway was "essential" and that the next move was to decide upon the "the least intrusive route"

On Thursday a residents' group member of the PPC, Mr John de Villiers of Parkmore, telephoned to say that the committee had decided "nothing of the sort"

He said "It became clear that temporary measures to help the flow of traffic will merely postpone the need for a new suburban arterial for 10 years at most

"Ten years really doesn't help anybody We agreed there was a need for the road"

He confirmed that the only consultants interviewed by the PPC were from two firms of engineers with a vested interest in the new highway going through

"After months of studying the situation we had to accept the consultants' view that ultimately a suburban arterial will have to be built

"We call it a 'suburban arterial' to indicate it is smaller than the M1"

I told him that Mr Visser had said it would be a lot smaller than the Nicol Highway Mr de Villiers was hesitant to agree there

He said "The number one question we were asked to answer was, is there a need for the arterial?

"The next question we have to answer is, is it desirable?

"And before we can answer that, we have to discover what else is desirable. The park is definitely desirable, so is suburban peace

**IMPACT**

"We obviously need some environmental impact studies and for that we need funds," said Mr de Villiers

There is little doubt that powerful people in the council want the highway

Certain people along the proposed route have been told by the council (but not in writing) that they will get commercial rights along the highway

That is why some people in the area welcome the prospect of a highway

Commercial rights — shops, filling stations and blocks of flats — would obviously create traffic volumes quite apart from the volumes the council is worried about

It will mean a wider and noisier road and, in time, a call for another east-west highway

Obviously the public will have to demand from the council a written undertaking that the highway will not come with a commercial rights package.

The public participation process is patently going to be very slow and it remains to be seen how patient the council will be

The danger is that it could ask the Regional Services Council to deem South Road Extension a "regional road"

The RSC has absolute power over the planning of such roads and is not answerable to the voters

247

## SA living standards face new danger with . . .

# Labour productivity threat

(247)

By Michael Chester

South African standards of living, in retreat in recent years due to inflation and recession, have come under new threats because of poor labour productivity

The National Productivity Institute (NPI) has issued warnings in a new survey of world trends that the inflation rate and the international rand exchange rate will worsen unless there are dramatic improvements in performance inside the manufacturing industries in particular

The warning comes as a caution to growing optimism in many economic forecasts about the prospects of curbing inflation and holding the rand on a stable plateau on world currency markets

The NPI economics department voices shock and alarm over the findings of a "Productivity Focus" survey that compares the economic performance of South Africa with trends overseas, especially among key international trading partners

It said it was dismayed to find that while wages in the manufacturing sector rocketed by no less than 352 percent since 1975, labour productivity has crawled forward by a mere 18,5 percent

The result has been that unit labour costs have soared by a staggering 282 percent — in stark contrast with an actual 3 percent decline in Japan over the identical time span

The increase in the average labour cost of each unit produced by manufacturers in South Africa was more than seven times higher than in West Germany, nearly five times higher than in the United States and almost double the rise in Britain

South Africa's meagre 18,5 percent increase in labour productivity compared with jumps of 35,6 percent in America, 45 percent in Germany and Britain — and as much as 92 percent in Japan

### PER CAPITA OUTPUT DROPS

Because of the aggravation of a population explosion and unemployment problems, South Africa's output per capita now stands at only one-sixth of Switzerland's, one-fifth of America's, a quarter of Britain's

Moreover, the comparison is worsening The South African figure is actually shrinking — at an average annual rate of 2,1 per cent — between 1981 and 1986, in which time output per capita in Taiwan was growing at 6,3 percent a year

The NPI economics department warns "Should the productivity, wages and labour cost trends continue to prevail, the rand can only depreciate more and more

"There will also be even bigger threats to inflation as prices of imports will become much more expensive "

One of the most alarming features of the South African economy between 1981 and 1986 was that overall employment levels remained almost static while the total population increased on average by 2,6 percent a year, compared with only 1 percent in the US, 0,6 percent in Japan and no more than a marginal 0,1 percent in Britain

Aside from the tremendous pressures caused by the population explosion, a poor productivity track record had to carry much of the blame for the predicament of low economic growth

On average, the economy grew by a mere 0,5 percent a year between 1981 and 1986, when studies showed it needed to expand by at least 3,7 percent a year even to achieve the ambition of lifting living standards by a meagre one percent a year

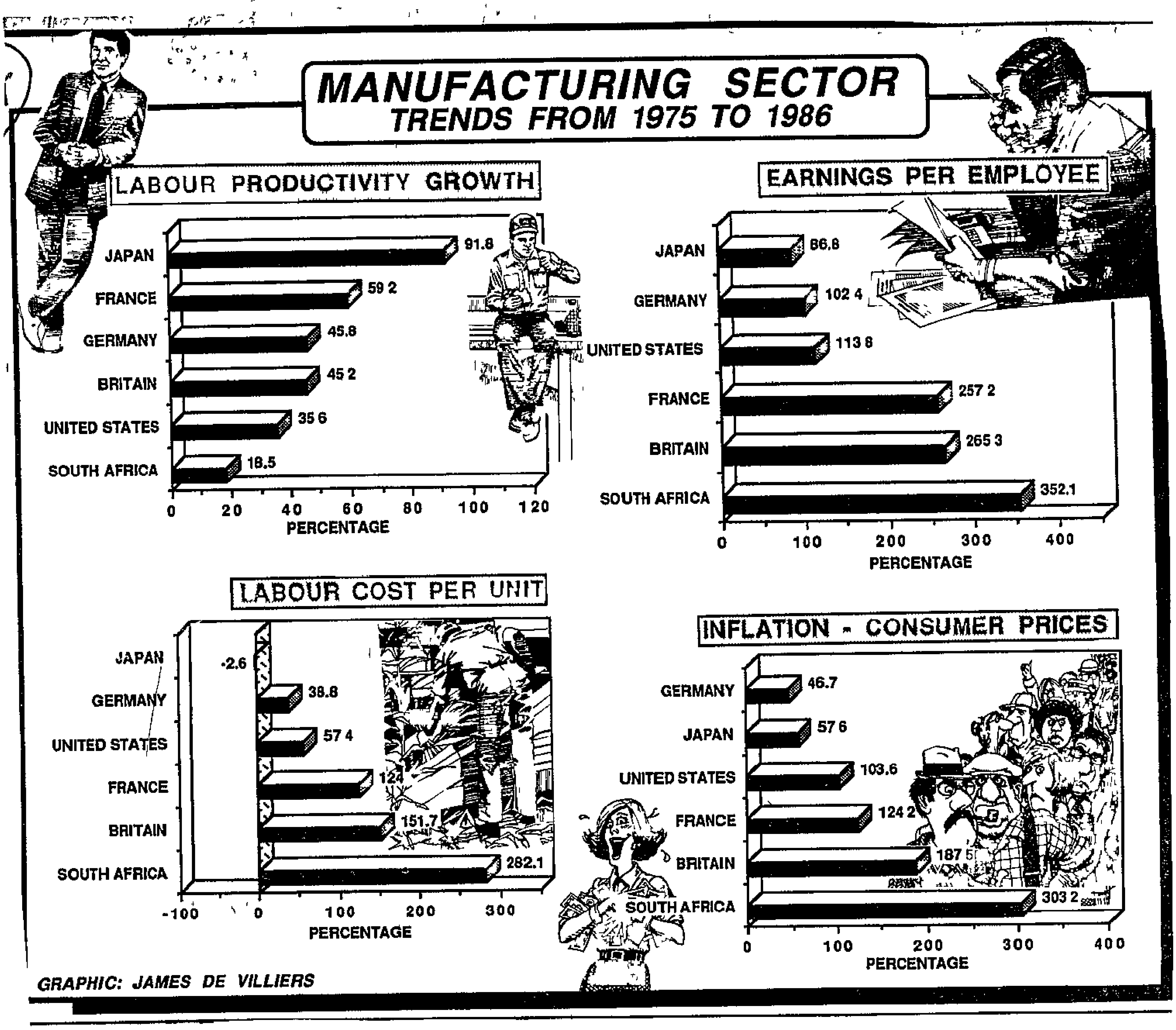
While South Africa neglected the productivity component in the generation of economic growth, the survey found that many overseas trading partners gave productivity credit for as much as 60 percent of overall expansion

Unless trends in productivity/wages patterns improved, South Africa would find it more and more difficult to compete on overseas export markets

The NPI says "In fact, it would appear that South Africa no longer has to worry about sanctions for she is in any case, via wages policies, pricing herself out of international markets "

P.T.O.
For further info.

247


MANUFACTURING SECTOR
TRENDS FROM 1975 TO 1986
LABOUR PRODUCTIVITY GROWTH
JAPAN 91.8
FRANCE 59.2
GERMANY 45.8
BRITAIN 45.2
UNITED STATES 35.6
SOUTH AFRICA 18.5
0 20 40 60 80 100 120
PERCENTAGE
EARNINGS PER EMPLOYEE
JAPAN 86.8
GERMANY 102.4
UNITED STATES 113.8
FRANCE 257.2
BRITAIN 265.3
SOUTH AFRICA 352.1
0 100 200 300 400
PERCENTAGE
LABOUR COST PER UNIT
JAPAN -2.6
GERMANY 38.8
UNITED STATES 57.4
FRANCE 124
BRITAIN 151.7
SOUTH AFRICA 282.1
-100 0 100 200 300
PERCENTAGE
INFLATION - CONSUMER PRICES
GERMANY 46.7
JAPAN 57.6
UNITED STATES 103.6
FRANCE 124.2
BRITAIN 187.5
SOUTH AFRICA 303.2
0 100 200 300 400
PERCENTAGE
GRAPHIC: JAMES DE VILLIERS

# IRS and NPI in project to aid retail industry

B/day 23/2/88

VIVIAN HARTNETT

THE INSTITUTE of Retail Studies (IRS) and the National Productivity Institute (NPI) are co-operating on a project which aims at improving research and education in areas of interest to the retail industry

The project will involve a productivity index monotoring of the retail industry and the indices will help senior management to measure their performance relative to the industry in which they compete, to other industries and internationally, NPI spokesman Mike Brown says

"The more productive use of all resourses can make a major contribution to profitability in the retail trade," says Brown.

"The barriers to such improvements include the absense of measurement of how we currently use those resourses and how we can improve on the status quo," he says

Productivity measures will include the Locmark and the Primer Index and measurements such as sales per linear metre, profit per square metere and sales per person employed.

Participating members will be asked to supply the NPI with monthly turnover and transaction figures which will then be checked and passed on to the IRS for analysis and reporting.

Mike Broom, director of the IRS, says this is a special field in which the IRS is uniquely placed to make major contributions to improved retailing efficiency and to research into retail issues

Further information on the project is available from Mike Brown, NPI (012) 341-1470.

this week of measures to curb credit demand, nally at 1482 from 1485 Sapa-AP

D|1>3|5|88

# Pep Stores profits up 44 pc

(247)

CAPE TOWN — Pep Stores has lifted attributable profits for the year to February by an impressive 44 per cent to R58,9 million (R40,8 m).

Earnings have risen to 128,9c (89,4c) a share

Turnover rose by 28 per cent to R648,5 m (R507,5m) and operating profit by 32 per cent to R70,3 m (R53 m) — indicating a widening of margins.

The interest bill was 54 per cent lower at R2,3 m (R4,9 m) but the tax bill was 50 per cent higher at R9 m (R6 m)

Because the erosion of assessed tax losses will mean an increase in the group's tax rate over the next three years the directors have adopted a conservative dividend policy

The final dividend of 29,5c brings the total for the year to 48c (40c) covered 2,7 times

Part of the growth in profit and turnover has come from the opening of 66 new outlets during the year

This brings the number of stores in the group, which includes the Pep Stores and Ackermans chains, to 655 with nine manufacturing units under its control

"While we expect to maintain the growth pattern experienced by the existing business during the past financial year we are also planning to open at least 24 Pep Stores and 20 Ackermans outlets," the managing director said

"Clearly the country's increasing population and rising standards of living, particularly among the lower-income groups, present us with excellent growth prospects for many years to come," he added — DDC

D|D.3|5|88

# Altron going international

JOHANNESBURG — Allied Electronics Corporation (Altron) is set to go international in the next three years, with plans to set up a network of hi-tech companies abroad

The chairman of the group, which has assets of more than R1 billion, Mr Bill Venter, said the decision to increase its involvement abroad was in the belief that the group had grown to the point where it could effectively compete with the multi-nationals

He stressed the group's strong South African identity however, saying, "the drive will be from here, the technology will be from here and much of the product-sourcing will be from here

"We're now ready to become an international player, and although our interests abroad will not dominate our South African activities, there are compelling reasons to have a presence overseas We live in difficult times and smart companies take steps to maintain their technology base"

Venter's announcement coincided with the release of the group's end-of year results, which showed Altron continuing to perform well in the year to end February 29, 1988

Attributable income was up 29,7% to R58m, or 324,2c a share, on a turnover of R1,56bn — 25,9% ahead of last year's figure

The board has declared a dividend of 98c a share (81c in 1987) putting dividend cover at 3,3 times

MAJOR MOVEMENTS

NEW HIGHS AND LOWS

# Robor benefits from productivity boost

Star 4/5/88 247

By Ann Crotty

Stronger demand and improved productivity have helped Barlow subsidiary Robor Industrial Holdings to report a 67 percent surge in earnings to 49,5c a share in the six months to end-March

The group enjoyed a significant recovery in demand for its products in both local and overseas markets and was able to boost turnover by 26 percent from R213 million to R268 million.

The improvement at the operating income level was substantially greater due to the group's enhanced productivity which saw operating margins up from 5,5 percent to 7,7 percent The improved margins and the increased turnover combined to produce a massive 76 percent surge in operating profit from R10,9 million to R19,2 million

Interest paid was up 89 percent to R1,4 million from R735 000 Managing director Jack Crutchley points out that the higher interest bill is a function of working capital requirements which increased in line with the improved trading position

The group's balance sheet at end-March shows working capital up only 13,3 percent to R96 million(R84,7 million) A 27 percent increase in stock to R130 million was chief reason for the 20 percent rise in current assets

But the surge in interest payments appears to reflect the more than doubling of short-term loans to R44 million (R20,9 million)

Pre-tax profit was up 75 percent to R19,2 million This got a bit of a knock from a 123 percent increase in tax (normal and deferred) to R3,3 million(R1,4 million) Mr Crutchley notes that the more than doubling of the tax bill reflects the greater domestic component in the marketing mix

Attributable profit was up 67 percent to R15,8 million (R9,4 million) and an interim dividend of 16c (10c) a share has been declared

Looking to the second half of the year Mr Crutchley believes that domestic demand in the engineering and construction sectors will show further improvement for the remainder of 1988 but that margins will remain most competitive

"Profitability should exceed that of the first half provided the annual wage negotiations are settled in a responsible fashion"

W/Mail 13-19/5/88 (247)

# An unproductive pair: capital and labour

By HILARY JOFFE

LABOUR productivity declined by five percent and the productivity of capital by 11 or 12 percent between 1975 and 1986, according to the Board of Trade and Industries 1987 report, tabled in parliament last week.

"Had it not been for a considerable over-recovery of rising costs by way of price increases and a decline in interest rates, the effects on profits would have been almost disastrous," the report says. Consumer prices rose by an average 14,3 percent per year from 1980 to 1984 and 18,6 percent from 1985 to 1986

The report pointed to deep-seated problems in the manufacturing industry in particular: low productivity of both capital and labour, a poor contribution to the current account of the balance of payments, and little contribution to growth in the gross domestic product.

The report says despite import replacement having been one of the authorities' economic objectives since the mid-1940s, merchandise imports as a percentage of gross domestic product declined only from 20 to 19 in the 26 years from 1960 to 1986.

"Manufacturing industry has in general failed to source locally its material inputs to a significantly increased extent. The same is largely true of the sourcing of capital equipment used by manufacturers," the report says

Manufacturers' need for imports has not declined but their contribution to exports has: manufactured goods have represented a diminishing proportion of total exports (excluding gold), declining from 25,1 percent in 1980 to 23,6 percent in 1986.

The BTI report says manufacturing's export performance has retrogressed — it has swung to primary ("material-based") products which are vulnerable to adverse price movements in world markets. For the manufacture of final products, South African producers now need to bring in more in imports than they produce in exports

These factors have led to manufacturing's contribution to economic growth declining and, says the BTI, "heavy imports of input materials and relatively small export achievements mean that other sectors of the economy must forego some consumption or investment in order to release other goods or services for exportation to pay for industry's imports so that the benefits of growth are largely lost"

The depreciation of the rand against most of the important world currencies by about 52 percent since 1980 should have made South African exports more competitive but the effect was limited because of high inflation, poor productivity and balance of payments performances, the report says.

Unit labour costs have risen (by about 10 percent in 1987) to equal those of overseas countries But capital costs in South Africa in 1987 were about 44 percent higher than an average of those in the United States, United Kingdom and West Germany.

STimes 17/4/88 (2-41)

# Productivity only part of the problem

By Mark Davison

**THE cry for increased productivity in SA continues to be heard, but it is the wrong call.**

This is the view of Les Newman, a past vice-president and honorary fellow of the South African Society for Quality Control and a member of the SABS quality management advisory committee.

Mr Newman says "Everyone expounds the concept of increased productivity, but what they are not expounding is that it is no use raising productivity if the end product is no good.

"Quality assurance makes a product saleable, useable and wantable. We have to aim for quality."

To achieve this aim, there has to be a total commitment from senior management to quality assurance.

"It is not something that you fob off on the quality assurance manager. That is like saying you have got rid of all crime because you appointed a policeman.

"We have got to get this concept across that productivity is not the responsibility of the worker, but of management. Many problems we are faced with are not due to the lack of capability among workers, but its among management."

Les Newman no room for the amateurs

## Too slowly

Mr Newman believes that the implementation of quality systems in SA is progressing too slowly.

"The ALQS and the listing scheme are too laborious and we have to find another way. It cannot be done through part-time volunteer workers.

"I believe there is a need for the SASQC to be given national recognition and, like Japan, be identified as the formal body for quality matters. We have got to drop this amateur approach — this voluntary society — and have things done by a professional body making all services available."

# No more public holidays in SA than anywhere else

Star 1/6/88 (247)

Despite South Africa's apparent abundance of public holidays, the country is no worse off than anywhere else, say experts.

Assocom's manpower secretary, Mr Vincent Brett, said although every public holiday meant a loss in production, they were planned for by management and "are built into the economy".

Problems arose when workers took a working day off before or after a paid public holiday to enable them to have a long weekend, he said

"A number of employees take leave or are absent, but we have no figures at this stage to show how this affects production.

**LOST PRODUCTION**

"But I do not think it is that great," he said

It has been estimated that each public holiday costs the economy between R200 million and R400 million in lost production and renumeration

Mr Brett said that if there was any disruption in production it was due to businesses having to open and close in a short period of time He pointed out that some gazetted holidays were not observed in the industrial sector and companies remained open

An Assocom economist and statistician, Mr Ed Verburg, said he did not think South Africa had more public holidays — 11 this year, six of which occur in April and May — than in other countries

**EMERGENCY STAFF**

"Many factories and companies who cannot function without employees have contingency plans Emergency staff are often called in on holidays," he said

He said that workers who took May 2 to celebrate May Day which was on a Sunday had also taken Workers' Day as the factories were closed

"An extra day was lost as a result of this but it is difficult to estimate what effect this has had on productivity," he said.

A spokesman for the Econometrics Research Institute said no measurement had been made on production loss as a result of public holidays

"It is difficult to assess as many companies such as the breweries have continuous operation In some cases people get double pay for working on holidays," he said

## Photography museum moves to Civic Theatre

The Bensusan Museum of Photography moved on May 29 from Empire Road, Parktown, to temporary premises in the foyer of the Civic Theatre in Braamfontein

The museum will eventually be housed in its permanent home in the old Newtown Market building where the "Africa Museum in Progress" is already located

For further information telephone Mrs Nagelgast at 836-3787

# Steyn calls for greater productivity

Own Correspondent

Star 21/6/86

DURBAN — The Government has placed responsibility for achieving more productive use of assets squarely in the hands of industry and finance

Danie Steyn, the Minister of Economic Affairs and Technology, likens the blaming of labour for the failure to produce efficiently to "flogging a dead horse"

"Far greater problems may well be in management lapses, in problems of organisation and in outdated methods"

He told delegates to the 10th conference of the SA Production and Inventory Control Society (Sapics) in Durban that greater productivity was within reach if management could succeed in solving these problems

The Minister said the export of minerals, raw materials and agricultural products meant lost opportunities for local manufacture

(247)

BUSINESS DAY, Wednesday, May 4 1988

# Productivity on the decline

SA's productivity performance did not compare favourably with that of its most important trading partners and this held important implications for the competitiveness of SA exports, the National Manpower Commission said in its 1987 annual report tabled in Parliament yesterday

Unit labour costs in SA were also increasing faster than in the US, West Germany, the UK, Canada and Japan

The report said labour productivity, as measured by the GNP a worker in the non-agricultural sectors, decreased by 0,6% in 1986, against a decrease of 0,8% in 1985

The mining, construction and trade sectors experienced a decrease in labour productivity in 1986

Capital productivity in 1986 in the non-agricultural sectors declined by 1,4%

The report also said about 591 000 workers were involved in 1 148 strikes in 1987, resulting in a loss of 5,8-million man-days

In 1986 there were 793 strikes and in 1985 389 strikes

The report said the sharp rise in 1987 was mainly due to extensive strikes in the mining industry, particularly in the third quarter of the year

Not included in the figures for 1987 were the strikes in Sats and the Postal Services

The report estimated that at least 800 000 man-days were lost due to these strikes

It appeared that wages and wage-related problems were the cause of 40,8% of all strikes.

In comparison with other countries, SA was now a country with a high strike intensity — Sapa

# Greater need for workplace identity

5/5/88

247

Own Correspondent

South Africa's internationally low productivity levels will continue to worsen unless companies can counter the disruptive effect of political factors by creating strong bonds of workplace identity

Addressing the Technikon Natal diploma ceremony for Humanities Schools in Durban this week Glyn Taylor, managing director of CG Smith Sugar, said the ideological and political attitudes dividing the country were "deadly ememies of a productive and thriving economy"

Slamming South Africa's productivity record as atrocious, Mr Taylor pointed out thatnational output per head is now about one sixth of Switzerland's, a fifth of the USA's, a quarter of Japan's and a third of the United Kingdom's

Labour productivity taken by itself has achieved real progress with the value of output per head of labour employed improving

The cause of the productivity recession was the under utilisation of factory plant and equipment

"The most telling example of this is, perhaps, the automobile industry where production dropped from a high of 453 500 units in 1981 to a low of 264 700 units, five years later — a decline of 42 percent

He said due to political and ideological divisions South Africa could not hope to achieve the same "economic miracles" of Japan, Korea and Taiwan

"What is common to all of them — national identity, a strong work ethic as part of their culture, motivation and an orientation towards achievement

"Contrast this with the circumstances in South Africa where we wallow in separation, in divided compartments and in fragmented societies throughout the length and breadth of our country"

He said in was essential companies worked at creating a working enviroment which is seen to equate with freedom in the workplace

"This means the complete removal of all race discrimination and the creation of a climate where all employees become free of the constraints of South Africa when they walk through the factory gates"

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# Downward trend in worker production

HELOISE HENNING

PRODUCTION per worker in SA industry has been downward, or sideways, in the past decade, while the manufacturing output of workers in the OECD countries has increased, irrespective of economic conditions, the IDC says in its Quarterly Bulletin

The various SA industries have divergent trends The prepared foods, beverages and tobacco industries, the paper industry and the basic metal industries have had marked improvement in worker production since 1982

IDC concludes the industries exposed to overseas markets displayed a stronger discipline, while those industries dependent on local economic conditions only, such as the textile and clothing and transport equipment industries, were affected by the local recession

In fact, the SA food, beverages and tobacco industries have increased production capacity per worker on average more than the OECD countries, but the other manufacturing sectors have shown a large decline since 1981.

Output per worker in the paper and packaging industry was also good, while basic metal production followed the world trend increase, but was about 20% below the world trend.

The worst output per worker was achieved in the clothing, textile and shoe industries and the metal, machinery and transport industries, which have trends opposite to those of OECD countries

Skr 23/8/88.

# Worker productivity 'cannot be demanded'

(247)

Increased productivity cannot be simply demanded from any worker, author and business consultant Mr Albert Koopman told businessmen at the Five Freedoms Forum conference yesterday

To boost productivity, people must be allowed the freedom to be enterprising, he said

Speaking on "Redefining the role of business and justice in the workplace", Mr Koopman said businessmen could not think for the worker in terms of production Certain principles needed to be applied in order to get workers "involved"

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# No more public holidays in SA than anywhere else

Star 1/6/88 (247)

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**EMERGENCY STAFF**

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The Minister said the export of minerals, raw materials and agricultural products meant lost opportunities for local manufacture

# Call for higher productivity

247. Cape Times 31/8/88

Own Correspondent

JOHANNESBURG. — The National Productivity Institute's symposium, "Productivity — a key to a better future", began yesterday with calls for greater efforts from workers, higher productivity and a call on and for politicians to take note of the economic crisis facing the country

Executive director Jan Visser said 1987 had been a successful year in general, with most industries registering satisfactory productivity gains These in turn had created more jobs

"It becomes clear," said Visser, "that if it were not for productivity improvement, the economic growth rate would have been negigible"

The productivity gain of 2,3% was "virtually fully responsible for the economic growth rate of 2,5%" achieved in the non-agricultural sectors last year, and the standard of living had declined

On top of this the output per capita, or the standard of living, since 1981 has declined by 1,7% per annum, indicating that SA's growth rate was "totally inadequate to ensure an improvement in the standard of living for its rapidly increasing population"

SA's economic growth rate had depended on the application of "more and more resources and very little on productivity growth", which had severely threatened the competitiveness of SA products

The political and economic situation of the mid-1980s had created a climate of uncertainty, and only in late 1987 did confidence begin to return to realistic levels.

Producers had been taking a short-term view of their business, and technology in some cases had fallen behind acceptable levels

Visser warned this tendency needed to be reversed

Although SA's productivity record in 1987 compared to 1986 was adequate, the "momentum gained in the last few years simply must not be lost"

One factor could derail all the work so far achieved, and that was politics

"I want to appeal to all politicians to take note of the economy and accept that the right of existence of politicians is to a large extent determined by what happens in the economy," said Visser

Star 13/10/88 (247)

# 'Degrading paternalism' the wrong way to go

The key to population development was the cultivation of self-respect in people, industrial psychologist Dr Arnold Mol said yesterday at the international conference on population development in southern Africa

He was speaking on the role of productivity in any country's population development programme

South Africa's productivity left much to be desired. The high inflation rate since the 1970s, was caused by among other things, a very slow increase in productivity, he said.

Increased productivity in the application of South Africa's resources was not only a priority for economic prosperity, but for population developmment.

Increased labour productivity could be increased through motivation techniques by creating job satisfaction, a feeling of achievement, giving responsiblity and recognising good work

He said the "worst" form of population development was to "do things for people" or to "be good to them".

This still made people receivers of charity Paternalism degraded people still further, even though it might have good intentions, he said

"If a man develops a basic pride, the need for a higher standard of living arises of itself," Dr Mol said

The absolute focus of all population development activities must be the upliftment of the individual's self-respect

And it was here that work productivity and motivation played a key role

The raising of productivity was not only essential for economic prosperity, it was also the key to social well-being

PRODUCTIVITY

# Action learning

**More capital** and management training are not enough to improve productivity Reg Revans, a British expert in industrial administration and management studies, believes the latent potential of people and their ideas is not always used to its full To rectify this, he has spent much of the past 50 years promoting an approach to management he calls *action learning* He is currently visiting SA at the invitation of the National Productivity Institute, to present his ideas to several organisations

*Action learning* is designed to put a manager into a situation that gives him a fresh perspective on the business

Revans

There are four different approaches depending on the problem and setting, each of which can be either familiar or unfamiliar A method suitable for a large conglomerate, for instance, is to temporarily swap a top manager with a counterpart doing a different job in a company in an unrelated industry This would put the manager in a situation where both problem and setting are unfamiliar and his viewpoint would be fresh

At the other extreme would be a situation where both setting and problem are familiar — like a quality circle in which people involved within the company meet to exchange ideas and get a clearer perspective on a problem Permutations of these approaches can be used to deal with familiar problems in unfamiliar settings, or unfamiliar problems in familiar settings

The system can be implemented by a single manager or by a formal group, members of which are involved in the outcome of the operations In a group situation an "outside expert" may be used to act as a "combiner" helping to set the process in motion

No formula is imposed Says Revans "This would interfere with the exploration and interaction "

Revans wrote his first paper on *action learning* in 1938 In recognition of his work, he was made Chevalier of the Order of Leopold, Belgium in 1971

Star 29/11/88

247

# Productivity 'being neglected'

By Deborah Smith, Pretoria Bureau

South Africa was on the road to disaster if salaries continued to increase without a corresponding increase in productivity, said the Minister of Manpower, Mr Pietie du Plessis, after the Manpower 2000 conference in Pretoria yesterday

About 600 delegates from the public and private sectors and trade union representatives had the opportunity to question the Ministers of Foreign Affairs, of Finance and of Manpower.

Cosatu and Nactu, two of the largest trade unions, were not invited to the conference because they were not registered trade unions, said Mr Du Plessis

Some of their registered affiliates had attended, he said, but he declined to name them

Productivity had been neglected though business had given attention to achieving parity on salaries, he said

He thought industrialists had realised they were outpricing themselves while demands by trade unions, who were maturing, had been more moderate this year

He said labour was just a cloak on the agenda of some trade unions who had revolution on their agenda.

He was sure the majority of their members disagreed with the attitudes and this was illustrated by the trade union's use of intimidation

Issues raised during the conference included the Government being asked to assist with the training of trade unionists, the shortage of skills, illegal strikes and the bad productivity performance

The Minister of Finance, Mr Barend du Plessis, said questions about the total tax burden, inflation, especially in regard to the price of food, the cost of medicine and the formation of cartels were raised.

The Minister of Foreign Affairs, Mr Pik Botha, told delegates of South Africa's position in the world today, which had been helpful because it had brought better understanding of the problems the country faced, said Mr Pietie du Plessis

Mr Barend du Plessis said the Government was hoping the public would respond to its message to decrease the demand for credit He said a lack of response would mean the demand would grow, which would result in further interest rate increases

## SA must utilise informal sector more

# PW blames inflation on poor productivity

Star 24/11/88 247

**By Claire Robertson, Pretoria Bureau**

South African business was yesterday urged by the President, Mr P W Botha, to increase productivity

Addressing the Manpower 2 000 conference held at Unisa yesterday, Mr Botha told the gathering of public and private sector and trade union representatives it was clear that in the face of foreign pressure — which had contributed to capital being even scarcer than in the past — South Africa "must particularly look to higher productivity to increase the economic growth potential".

"In South Africa wages and salaries increased so much faster than labour productivity that unit labour costs in the manufacturing sector were 312 percent higher in 1987 than in 1985," he said

Mr Botha said this disparity was partly to blame for high inflation

The competitiveness of South African industry came under heavy pressure because pay hikes showed little or no relation to increases in productivity

Mr P W Botha SA business must increase productivity.

He said everyone wanted more money, "but we can only get more by working harder"

Japan's unit labour costs for the same period had actually decreased, he said

"We must place South Africa on the road of self-sufficiency, self-confidence and progress There is no alternative," he said

Training was an important means of increasing productivity, and to this end the Government had set aside R365 million to train the unemployed Almost one million had been trained for 720 types of job nationwide

Mr Botha also said South Africa should "make more of our informal sector Those people — or a high percentage of them — must eventually join the formal sector"

And in addressing himself to trade unions — the leading unions apparently having failed to attend the meeting — he said the attempt in some sections to use the sphere of labour for political aims was regrettable, "but is a reality of which we must take note"

The Government was aware of this strategy, and while it appeared that certain sections of the trade union movement occupied itself with pure politics, appropriate steps were being taken to resist this

SATURDAY NOVEMBER 26 1988

247 W/C ARGUS 26/11/88

# Productivity key issue in '89

By DICK USHER
Business Staff

TOP executives in the Western Cape rate productivity as the leading industrial relations issue facing them in the next year

This is the result of a study by the University of Cape Town's Graduate School of Business involving the chief executives of 35 companies based in the region

Other issues with the highest priority were unions and politics, wage demands, union assertiveness, communication, and middle management inability

The study arose from the recognition that in the 1980s industrial relations had become a significant facet of business organisation with managers, especially in larger organisations, spending as much as 40 percent of their time on IR

This parallels the growth in trade union membership to 24 percent of the economically active population at the end of 1987

The study by Professor Frank Horwitz, Mr Leon Malan and Mr Ian Sakinofsky sought to identify issues and priorities to facilitate strategy formation within organisations

It found that there was a growing acknowledgement that IR had a fundamental influence on the achievement of organisational objectives

Pressures such as increasing international economic and political isolation, emergency regulations and government restrictions had led to polarisation of employee attitudes and were reflected in the executives' attitudes

"Many of their concerns could be attributed to the various threats to the status quo that are seen to abound in the economic climate," said the authors

"The top four issues were derived from perceived overt challenges to their business and decision making practises"

## Strong link

The executives saw a strong link between productivity and the pattern of increasingly high wage demands and reflected a serious belief amongst participants that many employees did not realise that greater productivity was necessary to satisfy wage demands

The issue of unions and politics was mentioned more frequently than productivity, but not ranked as highly by participants

They defined this as unions having become the vehicle for expression of political aspirations for disenfranchised workers

Non-workplace issues were being raised, resulting in increasing pressure on employers who felt they had little or no control over them

## Wage demands

If the rating for wage demands were combined with the rating for productivity, it would indicate how highly employers viewed the pressure on wages, the study said

"It is suggested that there is a strong link between the growth of a strong independent trade union movement and pressure on wages," said the study, noting that this should be considered in the context of South Africa's relatively low wage economy and high inflation rate

A recent survey had shown the Western Cape getting higher percentage increases than the national average for the first six months of 1988 which "is reflected in the executives' concern about 'unrealistic' wage demands"

"The executives placed a strong emphasis on the increasing assertiveness of trade

(See Page 5)

247 BDay 1/12/88

# Productivity top concern

CHRIS CAIRNCROSS in Cape Town

THE NEED to get unions to understand the link between improved productivity and wage increases would be the major industrial relations issue of 1989. This is the view of 35 Western-Cape-based CEOs canvassed recently by researchers from UCT's Graduate School of Business. CEOs gave the productivity issue the highest rating in their list of concerns considered to be vitally important to their organisations' strategic planning in the months ahead.

Other issues accorded high priority is the use disenfranchised workers are making of unions to express their political aspirations, pressure on wages; the increasing assertiveness of unions in recruiting new membership, lack of management/worker communication; and the inability of middle management to properly manage.

The survey revealed that there is a serious belief among CEOs that many employees do not realise that greater productivity was necessary in order to satisfy wage demands. The GSB researchers observed that the concern accorded this issue is perhaps not surprising given the current state of the economy. With rising inflation, a deteriorating exchange rate and a shortage of foreign capital, the utilisation of capital has become more important, especially in the light of increasing wage demands.

Concern over the manifestation of political aspirations on the shopfloor is based on the view that it could escalate in the light of existing political realities. Businessmen canvassed commented on the fact that non-workplace issues and events are now increasingly being raised and regarded it as an important development because they felt they had no or little control over its manifestation.

Although the issue of wages was often raised in conjunction with a concern for productivity, executives tended to rate it as a separate priority — because it often was reflected in "unrealistic" demands.

Executives saw a link between these demands and the greater assertiveness of unions in the Western Cape, even though the region already has a long history of unionisation. Their view was that the nature of unionisation has recently changed, and become more militant. It was believed that increased inter-union rivalry and intimidation was likely in the year ahead.

Certain excutives saw unions increasingly attempting to alienate workers and managers by driving a wedge between the groups. They also saw unions increasingly attempting to influence workers to reject the free market system. Communication, or lack of it, was linked to almost all the issues raised.

A concern was expressed that supervisors seemed to have greater sympathy with the workers' cause than with management's cause. There was also concern about a reactionary element among white middle managers, who were intolerant and inflexible when confronted by a more militant workforce.

DECEMBER • 2 • 1988

Financial Mail

(247)

ECONOMIC PRINCIPLES

# Rubbish about productivity

The lamentable economic illiteracy of our top policymakers is well documented by now. But in fairness, how can we expect mere Cabinet ministers to understand economics when the State President himself either cannot, or will not?

High among the misconceptions and half-truths spouted at last week's Manpower 2000 conference (see *Economy*) was a repetition by both P W Botha and Manpower Minister Pietie du Plessis of the theory that inflation is largely the result of low productivity. Somehow, they say, wage increases must be linked to productivity.

We have already pointed out that this is rubbish, but as the message obviously hasn't got through, let's try again. Bluntly, productivity and wage rates have nothing to do with each other. In fact, the State President must already know this, or he couldn't have approved 15% salary increases — ahead even of the official inflation rate — for a sector of the economy that seems to get less efficient by the day.

Productivity is determined by the optimum mix of (necessarily and by definition) scarce factors of production.

Wage rates are generally determined by the supply and demand for particular categories of worker. At its best, that's called collective bargaining; at other levels (like parliament) people sit around a table and decide what to pay themselves. In neither case does productivity have anything to do with it; nor is there any reason why it should.

Low productivity has less to do with wage increases than with real interest rates artificially kept so low that there's inadequate incentive to invest and build up the capital stock, with monetary profligacy that debases the currency (and is, by the way, the main — some would say, only — cause of inflation); with a plethora of unnecessary regulation that stifles entrepreneurial initiative; and with a State sector that (again, by definition) wastefully consumes more and more of our productive resources every year.

Wages are growing faster than output because labour — especially skilled labour — is becoming scarce. Not the least reason is the steady loss through emigration, itself occasioned by this government's disastrous political policies

Freeze wage levels and we will still have a poor growth performance unless these fundamentals are addressed To pretend otherwise is either hypocrisy or ignorance.

The cure to every one of those problems, be it noted, lies with the State, not with the private sector. To adapt the words of the late John F Kennedy, politicians should not ask what business can do for the country, rather ask what they can do for business. ■

'WHITES ONLY'-BOKSBURG

S| Times 4/12/88 (247)

# Another hobby-horse flogging

SOUTH Africa's low productivity rate has become the hobby-horse of many businessmen and politicians, but it really came in for a flogging at the Manpower 2000 conference in Pretoria

Ministers addressed more than 600 delegates on the problems and challenges facing employers and trade unions, but most of SA's ills were blamed on low productivity

The ills included inflation, the balance of payments, the slow economic growth rate and deteriorating relations with foreign nations

President Botha said it was clear that SA should look at higher productivity as a means to increase economic growth.

Wages and salaries had increased to such an extent that labour unit costs had risen by 312% between 1975 and 1988, he said

President Botha said high costs had contributed to inflation and placed SA trade under pressure because productivity increases had shown little or no correlation with pay rises

[redacted]

Manpower Minister Piet du Plessis said the single most important aspect of productivity was the volume of production in a given time, reflected by gross domestic product (GDP)

"SA's output per capita is about a sixth of Switzerland's, a fifth of the USA's and a quarter of Japan's In addition, we registered a 1,7% decline in GDP per capita between 1981 and 1986 while Taiwan achieved a growth rate of 5,7%

"If real wages increase without corresponding increases in productivity, the result is inevitably a general impoverishment of society"

A survey by the National Productivity Institute (NPI) in February this year warned of the effects of poor performance on the economy

The figures are alarming — since 1975 wages in the manufacturing sector have soared by 352% while labour productivity has edged up by 18,5%

Unit labour costs increased by 282%, contrasting sharply with a 3% decline in Japan

The NPI predicted the inflation rate and the rand exchange rate would worsen SA would find it more and more difficult to compete in export markets

The scenario is dismal People are continually calling for "something to be done", but many forget that not only are they comparing themselves with developed nations, but SA's educational system is 30 or more years behind them

[redacted]

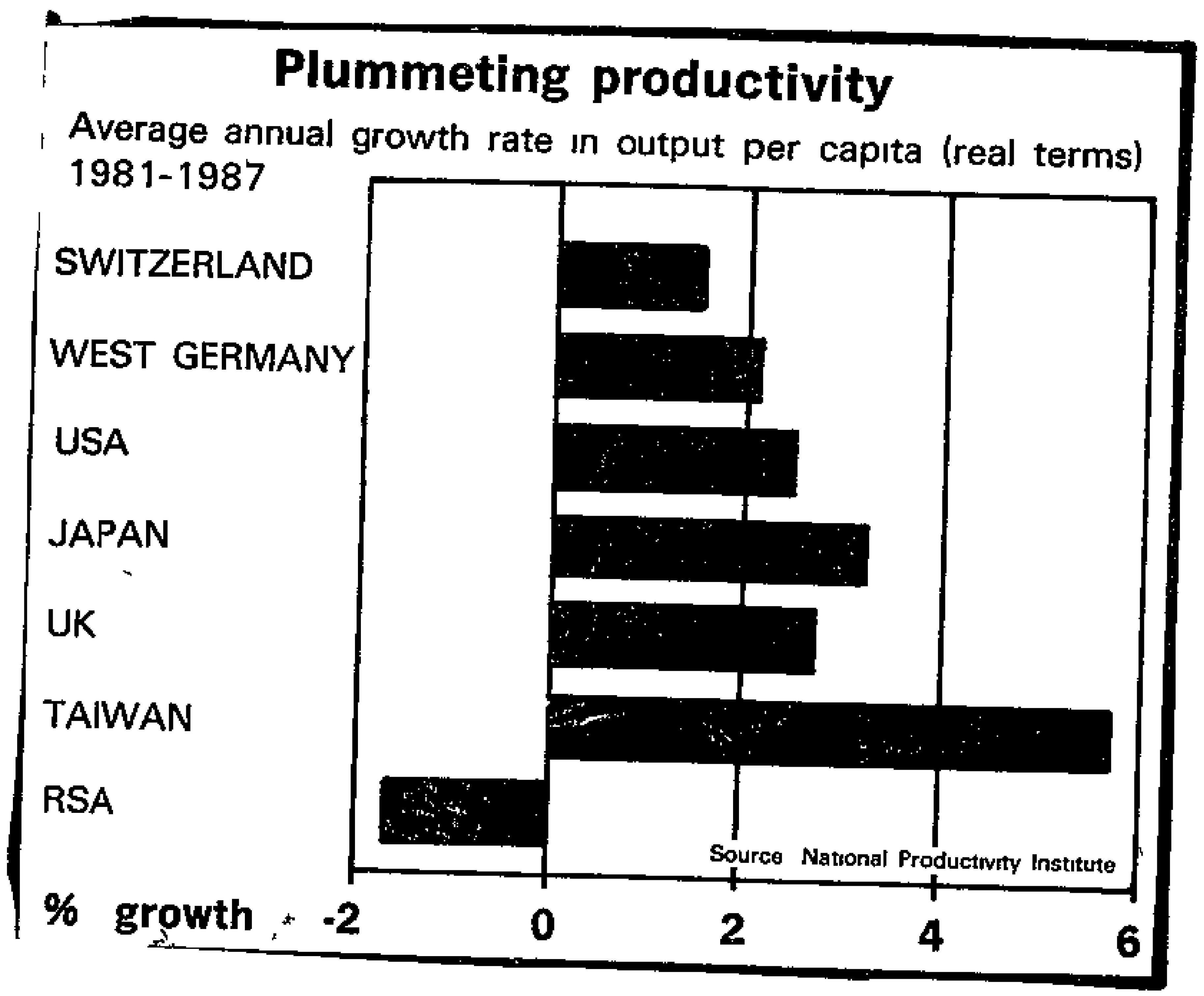
Improved productivity is simply an improvement in the ratio of the value of output per unit of input Government calls for higher productivity are all very well, but surely it is in the interests of every businessman to promote it?

NPI executive director Jan Visser said recently one of the greatest threats to productivity stemmed from management's inability to control business

"It remains an undeniable fact that if productivity improvement is not driven from the top it is highly unlikely it will ever become part and parcel of the jobs of other employees.

"Many managers do not have the skills and knowledge to start and maintain a productivity improvement programme There is a lack of effective competition and some managers can get away without taking any action on productivity

"I have seen enough commitment from management and goodwill from workers and unions to feel optimistic."



— Page 6

# 'Management must lead in boosting productivity'

BRONWYN ADAMS

MANAGEMENT rather than workers was responsible for boosting SA's drastically low level of productivity, Interman training consultant's director Annica Foxcroft said yesterday

She was responding to a report by UCT's Graduate School of Business based on 35 CEO's in the Western Cape, who listed the productivity issue as the gravest problem faced by business

The UCT report said other management concerns included the pressure on wages, lack of management/worker communication, and the alleged lack of union officials' understanding of the link between improved productivity and increased wages

Foxcroft said while she recognised pleas from management to trade unions to attach notions like the drive for a living wage to economic factors such as productivity, it was important companies realised productivity was largely dependent on communication

She said one benefit of communication packages was that workers became extremely motivated when they saw the resultant personal benefits

Increased productivity was a by-product of workers acquiring communication skills. They also gained an understanding of the functions of capitalism Both of these were direct results of literacy training, Foxcroft said

Interman is involved in programmes at Barlow Rand, Anglo American, AECI, Gencor, Sasol Iscorand SA Breweries

247 BDay 5/12/88

PRODUCTIVITY ~~1988~~
1987 — 1988 — AUG.
to be sorted

Business Report

# Unispin earnings up 155%

Cit Times 1/8/88

JOHANNESBURG — Earnings up 155% are reflected in the first annual results form Unispin Holdings since its listing The results are marginally ahead of the prospectus forecasts

Earnings of 39,2c a share compared with 15,4c in the previous year and a prospectus forecast of 38,1c

Recently acquired Patons was largely restructured but contributed little growth to turnover or profits

Comment with the results says. "A sharp improvement in overall productivity combined with effective cost savings more than offset this with the result that operating income for the group rose by 58% on only a 19% increase in turnover — boosting the margin from 14,7% to 19,5%"

Interest was significantly reduced by 77% — a factor of lower borrowings and interest rates

The dividend has been lifted to 14c for the year against the prospectus forecast of 13,7c

The balance sheet has been strengthened with the raising of R10m in preference shares at a very favourable coupon which has combined with a strong cash flow to reduce debt to less than 50% of equity

Funds on call exceed R13m and the company says it has adequate resources to meet requirements for its expansion programme which includes the development of a new short staple cotton spinning division acquired recently.

Unispin acquired the short staple spinning business and plant of Industrex, Port Elizabeth, for R20m, which included funds needed to upgrade production

"Short staple spinning represents about 80% of the total yarn spinning industry and opens a massive market to Unispin in the synthetic and natural cotton sector," said MD Chris Snijman at the time of purchase, reported a week ago.

Looking to the year ahead, Snijman says that Patons is now "fully on track"

"The outlook for the current year is for a further growth in sales and profits."

Unispin shares are currently priced at 150c at which level the earnings and dividend yield 26,1% and 9,3% respectively against actuary index averages for the clothing and textile sector of 17,2% and 6,1% — Sapa

# London office for Three Cities

**A CONCERTED marketing effort to woo overseas customers for SA's top independent hotels will start before the end of the year, says Russell Stevens, executive chairman of Three Cities Hotels.**

**His newly formed management company, which recently took over the management of Durban's Royal and Johannesburg's Carlton, aims to**

# Cusaf profits spurt to R13m

249

**Own Correspondent**

JOHANNESBURG. — A dramatic reduction in personal claims for housebreak and car thefts spurred Commercial Union (Cusaf), SA's largest composite insurer, to raise taxed profits by 54% to R13m in the first six months of this year from the same period last year.

The reduction in personal claims combined with a satisfactory situation on the commercial front resulted in an underwriting surplus of R10m, sharply higher than last year's R3,7m.

An interim dividend of 23c a share was declared, up 28% from 18c in the previous half-year period.

MD Bill Rutherford, describing the results as "most satisfactory", said he was happy Cusaf had managed to push up earnings per share (EPS) in spite of the increase in the company's issued share capital.

Two million shares were issued to UBS Holdings earlier this year, but EPS still rose to 130,3c from 106c in the 1987 half-year period.

Net assets per share also rose, from 1 213c to 1 384c.

The capital inflow from the UBS deal was the main reason why investment income rose by a massive 83%, although this was partially offset by realized losses of R3,2m

The company's life and pensions business showed strong growth, with premium income up by 88% to R108m The life business contributed R970 000 to CU's after-tax profits.

Rutherford, however, do not expect the second half of the financial year to be as good as the first half.

"Competition is already putting downward pressure on premiums, which usually curtail underwriting profits for short-term insurers."

# Gold closes slightly easier

LONDON. — Gold closed slightly lower in very quiet trade yesterday afternoon due to some light professional selling which reflected the anti-inflationary impact of easier crude oil prices, dealers said.

Gold closed at $433/$433,50, down from Wednesday's closing level of $433,50/$434 and also down from yesterday afternoon's fix of $433.10.

Trading was subdued throughout the day with market sentiment slightly depressed by easier oil prices resulting from Opec's failure to agree any measures at yesterday's price panel meeting to support the oil market, dealers added.

Platinum closed slightly firmer at $532/$533,50 an ounce, up from Wednesday's closing level of $527/$528,50.

- In Zurich, gold ended marginally easier at $433,10/60, and silver steady in thin trading as prices drifted in narrow ranges before today's report on

# Cashworths income rises 57%

Cape Times 11/8/88

Financial Staff

CAPE TOWN-based Cashworths Fashion Holdings reported an increase of 57% in attributable income to R1,2m (R732 000)

This is lower than the projected income in the group's prospectus, published before its listing last year, due to an extraordinary loss of R514 000 on the disposal of its 50% shareholding in Microstitch Clothing (Pty).

Turnover for the year to April 30 was R19,9m, 39% higher than in 1987

Earnings per share were 11,1c (1987 7c), and the directors have recommended a maiden dividend of 2,5c for the six months to April 30. This represents, on an annualized basis, a return of 15,6% on the share's current market price.

In the year under review Cashworths, which shortly before its listing obtained a 50% interest in both R Sassoon and Microstitch Clothing, decided to seek control of companies in which it held an interest.

As a result, the group disposed of its share in Microstitch Clothing and has acquired the remaining 50% shareholding in R Sassoon

Commenting on this development, chairman Norman Schutz said the loss incurred on the disposal of the company's share in Microstitch Clothing is adequately compensated for by the benefit of gaining full control of R Sassoon

Prospects looking good . . .

CAPE TIMES 12/8/88

# Seardel lifts earnings 31%

By AUDREY D'ANGELO
Financial Editor

SEARDEL — the Cape Town-based manufacturing group with interests ranging from clothing to toys and microwave ovens — lifted earnings by 31% in the year to June, to 105c (80c), and the total dividend by 35% to 17,5c (13c) The final dividend is 10,8c (7,8c).

This was achieved on a 27% increase in turnover to a record R566m (R447m). Operating income was 32% up at R40m (R30m) and pre-tax income by 30% to R30m (R23m)

But although the group has benefited by the upturn, and executive chairman Aaron Searll said its factories were booked up with production for next summer and prospects for winter were also looking good, the directors are clearly preparing for possible bad times ahead

The dividend is covered six times. And Searll pointed out at a cocktail party last night, at which the results were announced, that the ratio of borrowings to group equity had improved to 77% from 114% the previous year. Return on assets had improved to 15,6% from 12,4%

The group was hard-hit three years ago, when it was highly geared at the time prime rate soared to 25%, and the lesson has been learnt.

Searll told staff and guests that R11m had been ploughed back into the business in 1987 and R14m in the past year.

"Hopefully next year it will be R18m or R19m," he said

Warning that interest rates were likely to rise further, and that import restrictions might be announced today, Searll said SA's reserves of foreign currency had been depleted seriously

"We do not know what surcharges or restrictions will be announced But somehow we have always managed to do well when times were hard and I am not greatly concerned."

The group had budgeted for sales of R700m, "and we are going to make every effort to achieve that".

Searll said that about 20% of the fabrics used by the group were imported. But the quality and supply of locally made fabrics were improving.

MD Mike Getz said import controls would push up costs and fuel inflation Discussing future prospects, he said the upturn in the economy had created about 4 000 jobs in the Cape Town clothing industry

Although the economy was cooling now he did not expect the industry to be hit as hard as in 1985 because retailers now carried smaller inventories.

## Pre-tax income soars by 201%

# Offshore arm a boost for Sasfin earnings

269

CAPE TIMES 16/8/88

By AUDREY D'ANGELO
Financial Editor

PROFITS by overseas subsidiaries "domiciled in low tax jurisdictions" helped to boost attributable earnings by trade and equipment financing group Sasfin Holdings in the year to June. They rose by 138% to R1,1m compared with R465 000 last year.

An increasing number of SA companies with offshore interests are making similar disclosures, as the weak rand helps to boost profits made overseas.

And Sasfin, with an overseas confirming division able to offer finance to SA companies, expects to do more such business in the current year as a result of sanctions and the credit squeeze.

The group, listed on the Johannesburg Stock Exchange last year, turned in results well ahead of those forecast in the prospectus.

Earnings were 90% higher at 11,1c (5,8c) a share and the maiden dividend 2,5c. The net asset value per share has risen to 32c (24c).

Pre-tax income was 201% higher at R1,1m compared with R381 000 the previous year and the tax bill sharply lower at R26 000 (R84 000).

The directors explain that "the low tax arises from export allowances and the fact that 50% of net income was earned by the group's overseas subsidiaries."

They say the increase in earnings was achieved in spite of a gearing ratio of 1,6·1 — "low in relation to industry norms".

Discussing the present, and future prospects, MD Roland Sassoon says that from the beginning of the current financial year "the capital and earnings of the group's overseas operations were converted from Swiss francs to sterling"

He continues. "Increases in the cost of imports through the levying of surcharges will increase the rand value of individual transactions in the instalment finance division.

"As Sasfin's instalment finance division focuses solely on business requirements, the changes in legislation relating to deposits and repayment periods affecting consumer goods do not affect our market."

In spite of the levying of surcharges, Sassoon expects increased growth in the coming year from the group's confirming division which is able to offer importers off-shore financing through its London office.

"The credit squeeze being applied to importers through the reluctance of overseas suppliers to extend trade finance to SA importers has increased demand for our off-shore finance facilities — a trend we see increasing in the future, particularly with political pressure on foreign credit insurers and suppliers to apply sanctions against SA."

Sassoon says the confidential invoice discounting facility offered by the group has been a further growth area.

He says Sasfin's export division is continuing to perform well.

"Plans are underway to develop new markets for this division and to improve its service in the sourcing of goods on behalf of its clients."

### Closing gold prices

(In $ an ounce)

LONDON:
430,80/431,30
Fixing am: 430,25
Fixing pm: 431,15

ZURICH:
429,50/432,50

— Reuter

# De Beers posts sparkling results

CAPE TIMES 17/8/88 (910/649)

KIMBERLEY — De Beers Consolidated Mines yesterday announced record net attributable earnings (excluding its share of retained profits of associates, before extraordinary items) of R819m or 216c a share (comprising the "S" ordinary and deferred shares).

This was more than double the R393m or 109c a share earned in the corresponding period last year. Including its share of retained profits of associates, earnings were R1 258m (R589m) or 331c (164c) a share.

Attributable earnings excluding the share of retained profits of associates converted at June 30 1988 rate of R2,3170 (1987 R2,0483) amounted to $353m (1987: $192m).

Including the share of retained profits of associates earnings were $543m (1987 $288m). Comparatives at December 31, 1987, were $536m and $777m respectively.

An interim dividend of 45c a share (1987 27,5c) has been declared payable to the "S" ordinary and deferred shareholders.

The diamond account improved from R469m to R956m reflecting increased diamond sales and the lower rand exchange rate.

Income from investments outside the diamond industry increased to R243m (R207m) and other interest income to R108m (R61m).

Prospecting, research and general charges increased to R92m (R75m) and interest payable was higher at R29m (R16m).

There was a net recovery of R6m in respect of amounts written off fixed assets and loans (1987 R8m write-off).

Taxation and mining lease considerations absorbed R264m (R188m) leaving a profit after tax of R929m (R451m).

After deducting the profit attributable to outside shareholders in subsidiaries and preference dividends, the net profit attributable to equity shareholders amounted to R819m (R393m).

The group's share of retained profits of associates was R439m (R196m) and in addition its share of extraordinary profits of associated companies (mainly through Minorco and Anglo American Corporation) amounted to R398m (R15m loss). — Sapa/

CAPE TIMES 17/8/88 (249)

# GFSA increases profits to R332m

JOHANNESBURG — Goldfields of SA (GFSA) has announced that after-tax profits for the year to June 30 were R322m compared to R311,8m

However, minority shareholder interests and an extraordinary item wittled the figure down to R307,9m attributable to ordinary shareholders (R300,9m)

The extraordinary item was an amount of R13,4m on the realization of an investment and is to be transferred to non-distributable reserves

Income from fees, interest and other sources declined by R8,1m because of the lower cash balances held by the group and lower interest rates

Earnings per share was at 377c (368c), while a final dividend of of 125c was declared, bringing the total for the year to 190c — Sapa mained minimal. Mining ... close. — Sapa

Cape Times 17/8/88

# Simmers lifts income

JOHANNESBURG. — Simmer & Jack Mines (Simmers), an associated company of Johannesburg Mining and Finance Corporation (JMF), reported increased pre-tax profits of R2,236m (R1,932m) for the six months ended June 30, 1988.

This emerges from the interim report published yesterday, which reflects a marginal increase in turnover to R3,598m (R3,4m) compared with the previous corresponding period.

Operating income increased by 30% to R2,885m (R2,219m), with profit after taxation having increased to R1,133m (R986 000).

This is equivalent to earnings of 16,8c a share (14,6c).

A director of Simmers, Tony Netto, said a loan of R9m bearing interest at current overdraft rates security by a cession of the company's right to royalties, repayable by February 28, 1990, resulted in interest payable amounting to R649 000 (R287 000).

"The loan was raised to finance the company's obligations in respect of the Simmergo project, a joint venture with East Rand Gold and Uranium Co (Ergo) at Simmers' Germiston operations.

"Royalties paid to Simmers in respect of this joint project were higher at R2,352m (R2,277m). — Sapa

# Prosure income rises by 82%

CAPE TIMES 17/8/88 249

Financial Editor


Tony Crank

CAPE TOWN-based composite assurer Protea Assurance Co (Prosure) lifted underwriting income by 82% to R5,5m in the six months to June, in spite of claims resulting from the Natal and Free State floods Investment income has also risen, to R6,1m (R5,1m).

The interim dividend has risen by 36% to 15c (11c) a share But attributable profits are slightly down at R7,1m compared with R7,4m in the first half of last year.

The directors say the drop is due to a higher tax bill The amount is not disclosed but they explain that previous assessed losses have been eroded by higher profits in the past two years and the group is now paying tax at the full rate.

Although the higher interim dividend reflects improved profits to some extent, the main reason for the rise is to equalize the interim and final payouts.

The directors point out that the group's solvency margin, or ratio of free reserves to net written premium expressed as a percentage, stands at a healthy 98% — more than eight times the statutory minimum

The shareholders' share of life profits is lower at R187 000 (R245 000) But MD Tony Crank says the 1987 figure included part of the profit transferred from the 1984 three-year valuation of the life fund Since 1985 the fund has been valued on an annual basis.

Crank says that eliminating the effect of the final tranche of profit, the distribution from the life fund would have been 25% higher.

He says the life division "continues to perform extremely well and is likely to make a steadily increasing contribution to the bottom line in the years ahead"

Discussing future prospects, Crank warns that the recommendations of the Melamet Commission of Inquiry — that statutory reserves should be increased by 50% coupled with the creation of a catastrophe reserve — would put local short-term insurers at a disadvantage compared with overseas competitors

"While Protea is in full agreement with the underlying philosophy propounded by the Melamet Commission, the recommendations proposed will, as they stand, place an additional financial burden on the industry and on direct insurers and re-insurers in particular

"The debilitating effects of overseas competition on SA insurers have already been seen and the rise in operating costs that will inevitably flow from the commission's recommendations, if implemented, can only exacerbate the situation

"Clearly, if overseas competitors are to continue to be allowed to operate in the local market, they should not be allowed to do so at an advantage

"The SA insurance industry welcomes competition, provided that the playing fields are level, and this is not the case at present."

1988

Business Report

# Klipton beats forecast — profit up 153%

CAPE TIMES 17/8/88 (249)

JOHANNESBURG — Klipton, the industrial holding company listed in September last year, increased attributable profit 153% to R2,2m in the year to June 30, 1988

Earnings per share are 37,6c (27c forecast in the prospectus) and a dividend of 12c (9c forecast) has been declared

Turnover of R40,5m, was 34% higher than forecast

Better margins and lower finance costs resulted in pre-tax profit of R2,7m.

"This was accomplished in spite of a fall in gold mining capex and signs of a levelling off in the industrial market in the last quarter," Klipton's joint chairman, Nigel Matthews, said

"The three operating divisions of the group — Sapco, Gardwel and Harvey and Russell — experienced good organic growth, and their four acquisitions performed well"

The acquisitions were Rockweld and Champlas, effective October 1, 1987, HBI Valves, effective March 1, 1988 and McKinnon Hoist, effective April 1, 1988

The cost of these acquisitions was R6,8m, financed from group resources and bank facilities — Sapa

# T & N posts 38% higher earnings

249 CAPE TIMES 18/8/83

DURBAN — Turner & Newall Holdings (T & N) has posted a 38% increase in attributable earnings and a 47% increase in the interim dividend for the six months ended June

A dividend of 11c was paid and the directors anticipate dividends totalling 44c will be declared for the year, which reflects an increase of 28% over the 34,5c paid last year

The increase in earnings — from R6,5m to R9m — has arisen primarily from an 83% increase in trading profit which, to an extent, was offset by a higher interest bill

The investment in Everite yielded a 75% improvement from the R1,6m reported last year

"This positive start to 1983 is based on major restructuring of the group last year," the directors said

The automotive division boosted turnover 115% over last year A large part of this was attributable to the Silverton Engineering and Silverton Services which were acquired last October

Ferodo and Belaco-Beral, the friction material units, also achieved significant growth with substantially increased profits as has Payen, the gasket manufacturer, according to the directors

SHE, one of the T & N's automotive divisions, is committed to a vigorous export programme which augurs well for the future

Exports from the new brazed aluminium plant have begun and record profits are predicted for the unit for the third successive year. — Sapa

## SAICA supports accounting for inflation

-dope worldwide showed

Business Report

CIT-TIMES 19/8/88 (249

# Rubenstein income soars

JOHANNESBURG — Rubenstein Holdings, whose subsidiaries provide financial services and manufacture plastic packaging, lifted attributable income by 135,7% to R4,28m (R1,81m) for the year ended June

A maiden dividend as a listed company of 5c (2c) represents a 150% improvement.

Earnings per share increased by 80% to 13,8c (7,6c).

Pre-tax income was 151,4% better R5,08m (R2,02m)

Chairman Jeff Rubenstein says that earnings exceeded the prospectus forecast by 27%

"This performance is due in large measure to the excellent trading performance from all divisions

"Our plastics division, which was acquired in December 1986, experienced phenomenal growth and has achieved market penetration beyond our expectations," he said

"The division now supplies almost all the chain stores with retail check-out bags, is a major supplier of shrink wrapping to the beer and beverage industries, the brick and tile industries and also provides heavy-duty bags to the chemical industry."

The group's fixed assets increased by 92% to R22,48m (R11,69m) reflecting capital goods bought to keep pace with the demand of the plastic division

Rubenstein says that, despite the expected decline in the growth rate of consumer spending and further upward pressure on interest rates, earnings per share will show further real growth during the ensuing financial year

He added that the group was well-positioned to benefit from further penetration of all its markets — Sapa

Cape Times 19/8/88

# Conshu posts 41% rise in earnings

269

JOHANNESBURG. — Following a year of acquisitions and organic growth, footwear manufacturer Conshu Holdings posted a 41% rise in earnings for the year ending June 30

The increase in earnings per share to 43,8c from 31c in the previous year enabled the final dividend to be increased to 10c from last year's 6c.

This made a 2,5-times covered total payout of 17,5c

The group's turnover, at R329m, was more than double the R152m posted for the previous financial year, with much of the increase coming from the merger with SA Footwear but also substantial growth from the existing Conshu operations

Pre-tax profit rose to R35,8m from R19m, with operating margins slightly down on the previous year both as a result of the integration with SA Footwear and management efforts to keep selling-prices down for market-share purposes

Subsequent to the year-end, the group strengthened its position by acquiring a rubber plant in Port Elizabeth. — Sapa

# Increased sales boost Assmang

CM-Times 19/8/88

INCREASED sales volumes and higher prices for its ores and ferro-alloys brought about an impressive improvement in the consolidated interim results of the Associated Manganese Mines of SA.

The distributable profit for the half-year ended June 30 rose by 537% to R17,8m from R2,8m during the first half of 1987.

The company has lifted its interim dividend by 200c to 350c a share

The board expects demand and rand prices for all products to remain satisfactory in the second half of the year.

Turnover rose to R207,9m (R95,8m) as a result of increased sales volumes and higher US dollar prices for manganese and iron ore, and for subsidiary Feralloys Limited's ferro-manganese and ferro-chrome. Another factor contributing to the rise was the lower value of the rand against the dollar.

Net operating profit was R29,0m (R9,8m) With interest paid rising to R3,8m (R3,0m), the consolidated pre-tax profit was R25,2m (R6,8m).

(2,038 000). The current ratio is 1,2:1. rose to R3,8m They forec ings for the

# Palabora profit 75% higher than 1987

CAN-Time 27/8/88

(249)

JOHANNESBURG. — Palabora's consolidated net profit after tax for the six months ended June 30 was 75% higher than the same period last year.

Writing in the interim report, the directors said this increase — R71 421 000 compared with R40 855 000 — was "almost totally attributable to the increase of R2 214 per ton in the average price received by the company for the sale of its copper during the first six months of 1988 compared with the same period in 1987".

A second interim dividend of 100c a share was declared. (The first interim dividend was 65c.) Earnings per share were R2,52 (R1,44).

Copper quotations on the London Metal Exchange averaged £1342 per ton for the first half of 1988 compared with the average of £918 for the same period last year, an increase of 46% in rand terms. The company received an average price of R5 236 per ton of copper sold during the period (R3 022).

rt



# Wider margins boost Penpin earnings 71%

GMB Time 19/8/88 (249)

**Financial Editor**

WIDENING profit margins helped Cape Town-based building materials chain Pennypinchers Holdings (Penpin) to achieve a 71% rise in earnings in the six months to June to 7,13c (4,18c) a share.

Turnover rose by 79% to R47m. Financial director Percy Bishop said this was in line with the forecast R110m for the year as a whole

"Historically, Penpin's turnover and earnings for the first six months have contributed about 40% of the group's annual total

"So with the traditionally better results in the second half of the year the company should have no difficulty in meeting forecasts"

The group's net operating income rose by 98% to R2,23m compared with last year's R1,15m, "which indicates that we have improved our margins substantially," Bishop said.

The interim dividend is 3c a share. The directors say they expect to declare a dividend of 6c for the whole year, raising the cover to 2,7 times compared with 2,4 times last year

They expect Penpin's earnings per share to rise to 16c (9,62c) for the year.

Net current assets rose to R3,8m (R538 000). The current ratio is 1,2 1.

Bishop said expansion into the Transvaal was going well, with Penpin opening two branches in Pretoria and subsidiary Pennypinchers Boards (Penboard), which specializes in basic lines of timber, boards, and associated cabinet hardware, opening Pennypinchers Laminates (Tvl) in Jeppestown with two additional stores in the pipeline, a boards branch in Pretoria and a boards and building materials branch in Johannesburg

He said further expansion plans included opening a bulk boards store in Parow and a truss manufacturing division in Port Elizabeth

Bishop said the opening of a branch in Crossroads was "a major milestone," since the black informal sector was "without doubt the target market for the future"

● Penboard lifted earnings for the six months by an impressive 165% to 4,33c (1,63c) a share

Its turnover rose by 78% to R11,7m (R6,5m). Net operating income rose by 129% to R823 000 (R359 000)

The maiden interim dividend is 2c a share and the directors expect to declare a total dividend of 4c for the year, giving a cover of 2,4.

They forecast that Penboard's earnings for the year will be 9,4c (6,08c).

## Total dividend for year at 21c

Cape Times 19/8/88

# Metro lifts income by 87% to R29,9m

249

By AUDREY D'ANGELO
Financial Editor

THE acquisition of Frasers in July last year helped Metro lift attributable income for the year to June by 87% to R29,9m

The consolidated results, which include those of Jazz Stores — in which Metro has a 62,3% stake after the injection into it of Frasers supermarket and general dealers' businesses — show a 29,6% rise to 45c (35,5c) in spite of the issue of more shares when the acquisition was made

The total dividend for the year is 21c (17c) with cover increased to 2,2 times

Turnover is 66,9% higher at R2,7 billion (R1,6 billion), and operating income rose 72,9% to R54,9m (R31,8m-million) But the tax bill rose only to R21,5m (14,3m)

MD Cecil Smith disclosed that this proportionately small rise was due to "an export venture"

Discussing the current financial year and future prospects, Smith forecast 5% growth in real terms

He said the group plans to expand in Botswana and the Transkei

"Although we operate in a highly competitive, yet stable, sector our market share continues to grow," he continued "We expect inflation in our basket of commodities to remain at the consistent 12% of the past few years"

Explaining why the dividend cover was slightly higher than the promised 2 times, Smith said "The nature of the group has changed The increase in dividend cover to 2,2 is advisable because of changing financial needs and market conditions"

Smith said the integration of Frasers cash-and-carry, wholesale and mine store outlets had proceeded well "There is still more synergy to be exploited in joint buying and other areas

"In the current year we stand to benefit from a full trading year from all five trade centres, two of which were opened only during the past year

"No further trade centres will open this year, but other expansion is planned in Botswana and Transkei while refurbishment and upgrading of existing stores will see capital expenditure at a higher level than last year"

# New Nellie owner has $1,4bn assets

LONDON — The Bermuda-based Sea Containers, which bought the Mount Nelson Hotel from the British Commonwealth Company in a £6m deal on Wednesday night, has total assets of $1,4 billion

It is quoted on both the New York and London stock exchanges and at current share prices the group is valued at $284m.

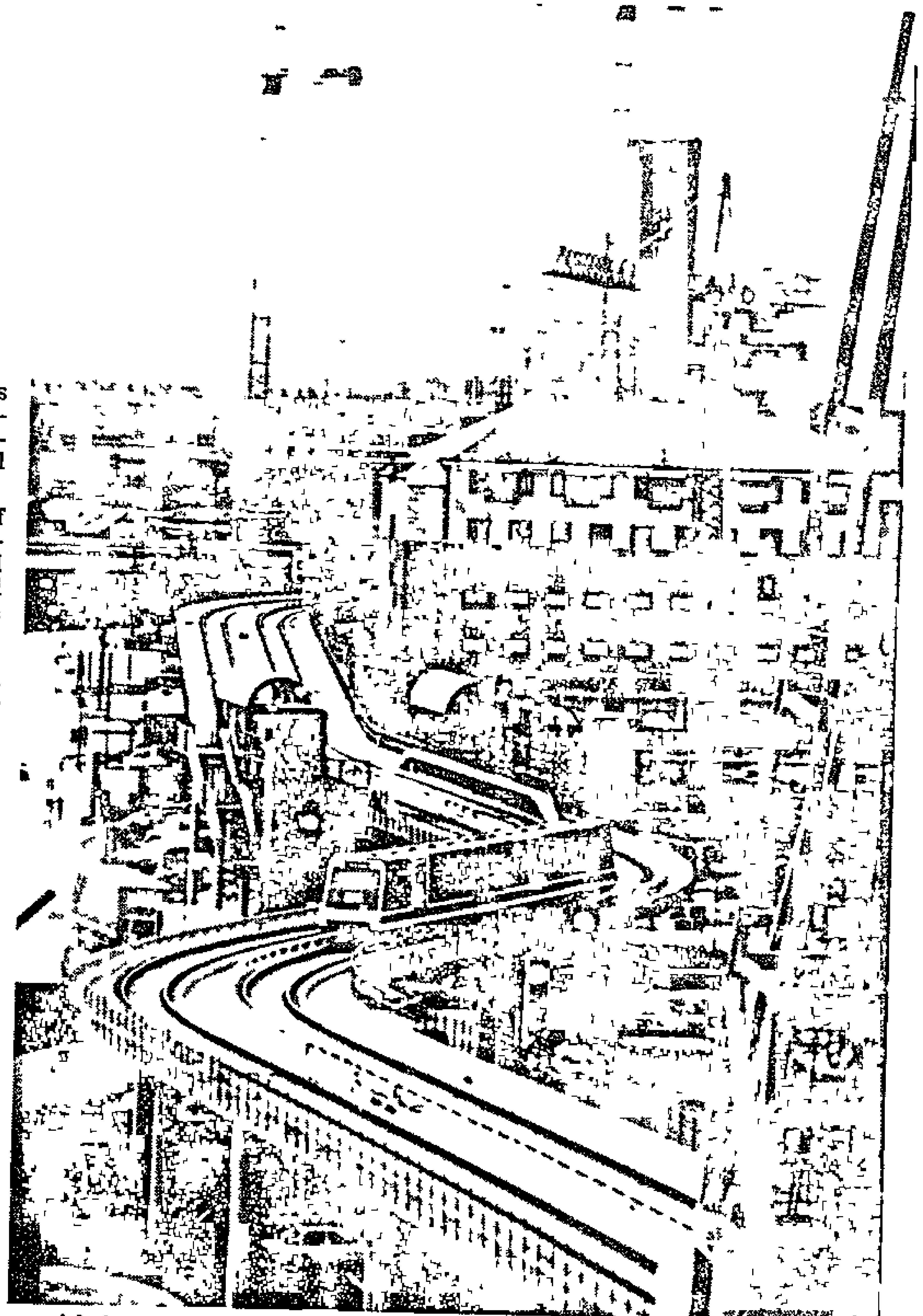
The group's main business is the leasing of marine containers, containerships and cranes and it has operations in 95 countries At the end of last year it owned 280 000 containers, 12 vessels and 15 cranes

Sea Containers also operates the main ferry services between Britain, Ireland and the Continent with a fleet of 44 ships and hovercraft.

Last year the group paid $16,6m for a 42% stake in Orient-Express Hotels, which owns six luxury hotels in North America and Europe and manages the Turnberry Hotel and golf course in Scotland

Reporting profits for the first half of 1988 this week, Sea Containers disclosed a sharp recovery from a loss of $1,3m to net profits of $38,2m Turnover for the period was up from $315,6m to $380,6m

Sea Containers president James Sherwood forecast a record year in 1988 with net projected earnings of up to $110m



Light Rail Transit (LRT) — like this line in London's dockland — could be used to carry commuters to Cape Town's proposed harbour and power station site redevelopment, suggests Rod Bailey, marketing manager of GEC Traction Co. He points out that, with traffic and parking problems expected to get worse as "the affluency of the major ethnic group increases", LRT could provide cost-effective solutions to many transport problems facing major SA cities. Bailey says one of its main advantages is that its building costs are lower per kilometre than other systems.

## Krugerrand

JSE Closing

| | Buyers | Sellers | Sales |
|---|---|---|---|
| 1 oz | 1195 | 1200 | 1195 |
| 1/2 oz | 600 | 610 | 600 |
| 1/4 oz | 30000 | 30300 | 30300 |
| 1/10 oz | 12000 | 12100 | 12100 |

S Times 2/8/88

249

# Profits overstated as firms ignore inflation

By David Carte

**TWO Stellenbosch University Business School researchers have found that by failing to provide for inflation in their accounts, listed industrial companies have exaggerated their earnings on average by 2,6 times.**

In other words, on average, for every R100 of taxed profit they reported, they should actually have said R39

W R Gevers and W D Hamman adjusted the results of 208 industrial companies listed on the JSE for inflation, as recommended by guideline AC 201 of the SA Institute of Chartered Accountants, for 1982 to 1986

## Capital

Inflation was found to reduce historically reported income by more than 60% on average

Dividend covers based on "real" earnings were calculated

About 75% of the companies did not have a real dividend cover on an accumulated basis in the five years

The number of companies that paid dividends out of capital increased from 29% in 1982 to 60% in 1986

Mr Gevers and Professor Hamman provided additional depreciation and made a cost of sales adjustment From this they deducted the effect of diminished debt to discover the extent of exaggeration

For the sample of 208 companies, the average additional depreciation came to 43,1% and the average cost of sales adjustment was 41,2% From this a 23,2% leverage effect was deducted The upshot, they found, was that earnings had been overstated by 61,1%.

A profit of R10-million therefore should have been stated as R3,9-million

Sectors in which inflation had the most marked effect were furniture and household (122,3%), clothing 106,9%, motors (98,9%), engineering (88,7%), electronics (84,1%) and printers and publishers (81,1%)

The most inflation-proof sectors were beverages and hotels (34,1%), steel and allied (33%) and fishing (30,1%)

The number of companies that paid dividends out of capital rose from 60 in 1982 to 124 in 1986

Another finding was that many companies that paid dividends out of capital either had to reduce or cut payments in subsequent years

The study will to be updated to incorporate 1987, taking in the economic upturn The researchers will investigate whether companies that have paid dividends out of capital have had to hold more rights issues The effect of dividend policy on share prices will also be looked at

The findings will be received with considerable interest because Tony Norton, president of the JSE, and the SA Institute of Chartered Accountants are putting pressure on listed companies to conform to Guideline AC 201

Coincidentally, in his inaugural speech at the University of Cape Town, accounting professor G K Everingham, was also critical of accounting conventions which were "escaping reality"

Professor Everingham says the Accounting Practices Board has not been forthright enough in treatment of rising prices

"The fact that less than a dozen of SA's top 100 companies provide inflation-adjusted information is appalling Furthermore, those that do provide the information do not do so in a consistent manner"

## Barlows

He says Barlows statement that it will refrain from inflation accounting until a method is developed which is meaningful, standardised and generally accepted is "an extraordinary apology for inaction"

Professer Everingham applied AC 201 rules to Barlows Its after-tax income from operations amounted to R677-million in its most recent financial year

"If one adjusts its depreciation charge by 33% and its average stocks by 12%, profits would be reduced by R121-million and R272-million respectively The gearing adjustment amounting to some R109-million in the other direction leaves a net reduction of profits of R284-million, some 42% of profits One is surely entitled to suggest this is non-trivial infomation"

Because inflation accounting reduces profits and increases equity, return on shareholders' funds falls even more

Professor Everingham doubts that companies that provide inflation-adjusted figures will be downrated on the JSE He believes the market values companies efficiently and itself adjusts for inflation and other information He appeals to Mr Norton to press companies to make inflation adjustments

## Nettle

Professor Everingham criticises the Accounting Practices Committee for failing to grasp the nettle on contentious issues

"Instead of prescribing what it regards as the correct accounting treatment of a particular item, it has tended to allow alternatives"

Examples are those statements dealing with deferred tax (AC 102), finance leases (AC 105), depreciation of buildings (AC 106), definitions of associated companies (AC 110), forex losses (AC 112), capitalised interest (AC 114) and provision of segmental information (AC 115)

## Scathing

Professor Everingham is particularly scathing about the practice of writing off foreign-currency losses over several years and the way companies going for a listing on the JSE are permitted to adjust their profit histories on an "as if" basis

# Joshua Doore income up 60%

Cit Tm 22/8/88 249

JOHANNESBURG — Tight control of overheads, coupled with an aggressive marketing drive, enabled Joshua Doore to turn a 30% increase in turnover into a 60% gain in operating income in the year ended June

The audited profit announcement shows that turnover of the nation-wide furniture retailer rose from R119,9m to R155,7m, while operating income was up from R9,2m to a record R14,7m

Chairman Les Mankowitz says "In line with national and international accounting developments, a decision has been taken to adopt the partial method of providing for deferred tax

"Based on future projections, the company will not be liable for taxation in the foreseeable future.

"However, the directors have taken a decision to provide for deferred tax at 50% of the current tax rate. Prior year figures have been adjusted accordingly"

On this basis, earnings showed a 60% gain to 13,8c a share

Dividends have been increased by 50% from 2c to 3c a share and dividend cover has been increased to four-and-a-half from three as a result of the change in the tax policy.

MD David Sussman says "The record results achieved in the 12 months ended June are a tribute to the energy and dedication of the entire Joshua team nationwide, both management and staff"

Referring to the announcement that Joshua is to acquire 100% of World Furnishers and Bradlow's Stores from Homemakers Holdings, with effect from July 1, 1988, Sussman says "Joshua will continue under the direction of its autonomous management team, which will continue to have significant personal stake in the company

"Had Joshua owned World and Bradlows throughout the 12 months ended June 30, 1988, there would have been no significant impact on Joshua's earnings per share Net tangible asset value at June 30, 1988 would have increased by 17,4% to 66,2c a share based on the increased number of shares that would have been in issue, but before any savings from rationalization are taken into account." — Sapa

BD Times 22/9/88 (20/249)

# Barnetts posts 47% higher income

JOHANNESBURG — Furniture retailing group Barnetts posted a 70% increase in turnover for the year to June and a net income, before extraordinary item, of 47%.

A 4c final dividend was declared which, together with the interim of 2c, makes a total of 6c for the year.

Net income after extraordinary item — goodwill written off — was R1 189 000 compared with R1 775 000 for the same period last year.

The directors said full provision had been made for deferred taxation, but had the partial method of accounting for deferred taxation been adopted, earnings per share would have been 39,7c (20,1c) and net asset value per share would have been 151c (109c)

The changes to legislation announced by the Minister of Finance, Barend du Plessis, on August 12, did not include the sale of furniture, "and as the core business of Barnetts is furniture retailing, these measures should have only a limited effect on our earnings," the directors said. — Sapa

CAfTimes 23/8/88

# African Cables earnings soar

89 269

JOHANNESBURG — African Cables (Af Cable) attributable earnings for the 11-month period to June 1988, increased by 265,6% over the prior 12-month period, the preliminary statement shows

Earnings were R10 095 000 (12 months to July 31, 1987 R7 851 000). Earnings pre share were 42,4c (33,5c).

Turnover was R109 577 000 (R104 464 000)

The directors said the improvement in the group's profitability continued due to increased turnover, effective cost control and the income benefit derived from a positive cash flow

A final dividend of 18c a share (1987 12c) which brings the total dividend for the year to 28c a share (1987: 22c) was declared The dividend was covered 1,5 times. — Sapa

CAPE Times 23/8/88

# Pleasure Foods earnings up 38%

269

JOHANNESBURG — Pleasure Foods, Anglovaal group's operator and franchisor of fast-food outlets which was formerly Juicy Lucy, has announced earnings of R3,4m for the 13 months ended June 30 — equivalent to 8,4c a share based on the weighted average of shares in issue — has increased its dividend to 3c (1987 2,5c) a share and expects a significant improvement in the current year's results.

For the year ended May 31, 1987, the attributable profit was R0,5m or 6,1c a share, on the old capital.

Thus, the 13-month earnings reflected a 38% rise.

Consolidated turnover was an impressive R68m (1987 R9,2m) and this resulted in a pre-interest and pre-tax profit jump to R5,2m (R1m)

The board reports that the Wimpy division returned exceptionally good results, but the Pizzaland/Pizza Hut rationalization was more disruptive than expected on trading results and led to a loss.

The Juicy Lucy division reported improved results as did BJ's Pantry.

With interest-bearing debt increasing to R6m (R0,6m), the interest paid factor rose to R0,5m (R0,1m)

The pre-tax profit was R4,7m (R0,9m) but the tax bill absorbed R1,3m (R0,4m)

Pleasure Food's share of associated company earnings was fractionally above its minority interests payments, leaving earnings totalling R3,4m (R0,5m).

In spite of the acquisitions and increased business activity, gearing was still a very commendable 11,9%, while net worth at the year-end rose to 133c (35c) a share. — Sapa

Cape Times 23/8/88

# Weak rand boosts Swimline earnings

249

JOHANNESBURG — Swimline, the Ciskei-based manufacturer and distributor of swimming pool chemicals, pumps, filters and pool accessories, has raised attributable income by R673 000 to R2,65m following exchange rate gains on the goup's foreign loan

This represents a 154,2% increase which allowed the group to raise earnings a share by 92,8% to 13,3c (6,9c).

After-tax income was raised by 89,8% to R1,98m for the year ended June 30 This was achieved off a modest 9,6% increase in turnover to R20,4m (R18,6m) after floods affected a large part of the group's market

John Puttergill, chairman of Swimline Holdings Limited, in his chairman's review to shareholders, said it was only at the sliding rand exchange rate that sufficient investment would take place in both import replacement and export orientated projects for the economy to show real growth — Sapa

## For fifth successive year . . .

# Trencor hits record profits

Cape Times 23/8/88

By AUDREY D'ANGELO
Financial Editor


Neil Jowell

CAPE TOWN-based Trencor, the transport, tyre and manufacturing company which did well even in the recession, h7a7s achieved record profits for the fifth successive year.

Turnover for the year to June 30 is up by 29% to R514m, and attributable income has risen by an impressive 64% to R36m (R22m).

Earnings rose to 253,7c (154,3c) a share and the final dividend is 40c (22c) a share. This makes a total of 50c (30c) for the year, an increase of 67%, with the cover an unchanged 5,1 times.

Chairman Neil Jowell, whose comments are always cautious, said that what he had identified a year ago as "a modest upturn" in the economy had proved much stronger

And although he warned that domestic prospects were uncertain he said that the international container market, which made a larger contribution than expected to export earnings, "is expected to remain buoyant in the year ahead"

Jowell said that although the dividend cover remained high "the board feels it is appropriate bearing in mind the large increase in dividend this year and the stage we are at in the business cycle"

He said the ratio of interest bearing debt to equity had increased to 33% from 24% the previous year, largely as a result of increased working capital requirements and expenditure on fixed assets. But it was nevertheless at a satisfactory level.

"Our strong financial position will enable us to capitalize on growth opportunities likely to occur in the present financial year."

● Mobile, which owns 48% of Trencor, has also achieved record results

The directors say its 74% subsidiary Mobile Acceptances, which is engaged in financial and leasing activities, "had a good year in the face of strong competition"

Mobile lifted pre-tax income to R4,7m (R3,3m) and after-tax income to R4,1m (R2,8m).

Its share of Trencor profits rose to R14m (R8,5m) and attributable income to shareholders was R17,9m (R11,1m)

The final dividend was 11,40c (6,70c) a share, making a total of 13,75c (8,57c) with a slightly higher cover of 4,6 times (4,5 times)

**New trend in property development** **Closing gold**

# Rand Merchant Bank shows 31% growth in income

Cape Times 24/8/88 (249)

By BRUCE WILLAN

RAND MERCHANT BANK has recorded an increase of 31% in net income to R17m (R13m) for the year-end to June 30 1988.

The bank's asset base increased to R1,102m (R677m) which was due largely to greater credit demand

Earnings per share were increased by 27% to 101,3c (79,7c) and dividends increased by 27% to 35,5c (28c).

Earnings per share have been calculated on a weighted average due to the issue of shares to the holding company

The directors say that although higher profits are projected for the 1988/1989 financial year, the merchant bank industry is going to be hard pressed to maintain the growth in after-tax profits as the industry becomes more competitive with the establishment of three new merchant banks, which will also sharpen competition for skilled staff.

The holding company of Rand Merchant Bank, Rand Merchant Bank Holdings has reported earnings of 32,8c a share for the eight months ended June 30, 1988 and a dividend of 8c a share

Net income after tax and transfers was R17m

Comparable figures are not available as the holding company has only been in existance for the past eight months.

Business Report

# Platinum tops in JCI stable

Cape Times 24/8/88 249

From REINIE BOOYSEN

JOHANNESBURG — The improved performances of Johannesburg Consolidated Investment Co's (JCI) platinum, diamond, industrial and base metal interests overshadowed a decline in income from gold, coal, share dealing activities and fees

Attributable income rose by 21% to R323,8m, representing earnings a share of 4 392c

The final dividend of 1 150c takes total distribution for the year to 1 750c — 16,7% higher than last year.

Platinum — the primary source (about 40%) of JCI's income — performed exceedingly well on account of a once-off distribution, in the form of a special dividend to shareholders by Rustenburg Platinum of the proceeds of hiving off to Lebowa Platinum its Atok operation

This accounted for R36,8m of the R52,6m (75%) rise in JCI's income, to R123,2m, from this source Discounting this extraordinary event, income from Rustplats (in which JCI has an unchanged 32,6% stake) rose by 20%

Diamond income (constituting about 13% of JCI's income) rose by 34% to R47,3m

"By far the most substantial portion of this derives from our interest in the Central Selling Organization's diamond marketing activities"

Income from JCI's stake in De Beers was R3,6m.

Income from quoted industrial shares rose by R12,4m The most important of these include a "major" stake in SA Breweries via JCI's 32,9% stake in Premier Group Holdings; an effective 26,4% stake in Toyota, a 49,9% stake in Consolidated Metallurgical Industries, a 16,5% stake in The Argus Printing and Publishing Co, a 19,3% stake in Times Media

On the negative side, JCI's income from gold declined by 37% to R21,6m The major portion of gold income comes from Randfontein Estates and Western Areas

Randfontein's distribution declined by 34% or R6 to R11,50 a share

JCI director Vaughan Bray attributes half or R3 of this decline to the fact that Randfontein made a once-off distribution in the previous financial year (to June 1987) in respect of the proceeds of selling certain mining rights to West Wits

He attributes the rest of the decline (R3) to strike action which debilitated the mine in July/August last year

Western Areas made no distribution in the year to June (after only declaring an interim dividend of 16c in the previous year), but Bray says "the mine appears to have overcome most of its problems"F

JCI also recorded an R8m decline in income from share dealing activities (after tax); R2m decline in fees income (after tax); and a R3m rise in exploration expenditure

Bray says the total exploration expenditure of R60m "reflects the group's ongoing commitment to exploration"

He describes the group's cash position as "very sound".

"We have access to about R1bn in the form of floating deposits and short-term investments by group companies."

# Cullinan earnings soar by 41%

CAPE TIMES 25/8/88

249

By AUDREY D'ANGELO
Financial Editor

CULLINAN HOLDINGS — the diversified industrial group with interests ranging from cables to porcelain — lifted earnings for the year to June 30 by 41% to a record 127,6c (90,5c) a share Turnover rose to R414,9m (R262,4m)

The total dividend for the year is 15% higher at 45c (39c) a share

After-tax profit rose by 106% to R21,9m (R10,6m) Operating profit was R43,1m (R20,6m) but the tax bill soared to more than R16,5m (R6,3m)

The increase in earnings, the highest since the 120,6c a share reported in 1981, was achieved in spite of an 11% increase in the average number of shares in issue

Chairman Neil Cullinan said that the consumer-led economic recovery which began in the second half of 1987 and continued into the first half of this year was showing signs of weakness in some areas

"Efforts to combat inflation may further dampen demand in the rest of this year and the country's economic growth rate in 1989 may be curtailed "

However, he went on, "Cullinan holdings is strongly positioned to counter these factors and I am confident that as a technology-based industrial group we will continue to prosper "

Cullinan said all operating divisions in the group had met or exceeded their targets in the past year

"Outstanding performances at all operating levels mean that the balance sheet continues to be very strong with a further reduction in gearing during the year from 38% to 20,2%."

A change in the group's accounting policy, which was introduced at the time of the interim report in December, was a switch from equity accounting to a system taking group interests in partnership ventures into account

"By adopting proportional consolidation for partnerships, a more accurate reflection of the real dimensions of the group is shown as it sets out our share of the assets, liabilities, turnover and profits of these operations"

But, he stressed, "the change does not affect the bottom-line in profits and thus it does not have any effect on earnings per share The figures we have presented for 1987 have been adjusted to the same accounting method and are directly comparable with those of 1988 "

Cullinan said African Cables had been consolidated from September 1 last year when the company became a subsidiary of Cullinan Holdings

The outstanding performances of all the operating divisions reflected the benefits of the group's concentration on expanding its successful core businesses as well as selective growth in new areas.

Healthy forecasts for current year

# Grinaker, Globe turn in strong results

Gm Times 26/8/88

(2 ... 9)

By AUDREY D'ANGELO
Financial Editor

CAPE Town-based Globe Engineering and construction and electronics group Grinaker — both in the Anglovaal stable — have turned in improved results for the year to June And both make optimistic forecasts for the current year.

**Grinaker** has lifted earnings by 83% to R23m, equivalent to 71,4c (39,2c) a share The dividend has risen to 22c (14c) a share with cover increased to 3,2 times (2,8 times)

This was achieved in spite of a higher tax bill, which more than doubled to R31,9m (R15,3m)

Turnover rose by 41% for the second successive year to R886,3m (R629,3m) Operating profit was up by 81% to R66,8m (R37m), showing margins have improved, and pretax profit was 103% higher at R67,9m (R33,4m)

Investment income was higher at R5,3m (R1,8m)

The directors say the amount of work in hand "bodes well for the current year Not only is it at a higher level than at any time during the past four years, but the margins are also better"

**Globe Engineering** lifted after-tax profits for the year to June by 54% to a record R6m (R3,9m), equivalent to earnings of 172c (112c) a share The annual dividend is 10c higher at 70c a share with increased cover of 2,5 (1,9) times.

Operating profit rose by 74% to R2,3m (R1,3m). Investment income also rose, resulting in a pre-tax profit of R3,2m (R2,1m)

But lower export incentive allowances and timing differences almost tripled the tax rate And although the marine repair division reported higher profits than last year — due mainly to a large casualty repair — its margins were tighter

The electrical division also had lower profit margins so that in spite of a higher turnover the directors say its profits remained static

However, the industrial division and Cape Diving and Salvage reported higher profit margins, the shipwright division had an almost full order book throughout the year and the Walvis Bay operation returned to profitability

The directors disclose that Globe has entered into a joint venture agreement to provide fabrication services for some portions of off-shore contracts

They say the marine engineering industry is still highly competitive because of an international over-supply of services But prospects for general engineering work "seem positive"

They forecast profits for the current year "much in line" with those announced yesterday

# M & R bounces back on profits

CT Times 26/8/88 (269)

Financial Editor

THE good times are definitely back for shareholders in Murray & Roberts The huge diversified group, which recovered last year after apparently facing disaster in the worst of the recession, reports attributable profits of R82m (R44m) and earnings of 303c (166c) a share

The final dividend is 55c (35c) a share making a total of 80c (42c) for the year.

Turnover is R3 039m (R2 447m) and operating profit after interest and tax R94 802m (R45 401m).

The largest contribution to group earnings came from the industrial division, with R71,2m R41,8m) M & R Construction and Engineering came second with R40,3m (R29,7m), M & R Suppliers and Services second with R33,9m (R14,1m) and M & R Properties fourth with R4,1m (R4,9m)

The directors say they are "pleased to report that the group has achieved its objective of significantly increasing operating profits with continued growth in total earnings and dividends"

But they add that although the return of 16% on assets shows an improvement on last year "it still does not meet the group's objectives "

Murray & Roberts' net earnings recovered to 166c a share last year after plunging to 55c in 1986 from 165c in 1985 and 243c in 1984.

# Rex True lifts profits

CAPE 7/10/85 27/8/85 249

AFRICAN & OVERSEAS ENTERPRISES, which has as its main investment the Cape Town-based clothing manufacturer, Rex Trueform, lifted after-tax profit for the year to June to R13,277m (R10,454m)

Net income to ordinary and "A" ordinary shareholders was R6,544m (R4,933m), while a dividend of 60c has been declared (52,0c) Earnings per share rose from 197,3c to 261,8c

Rex Trueform itself announced after-tax profits of R12,957m (R10,268m) while income attributable to "A" and ordinary shareholders was R11,845m (R9,055m)

Earnings per share increased by 30,8% to 286,8c (219,3c) with a dividend of 75c (65c) being declared

The company said, "improved trading conditions prevailed throughout the year and turnover increased by 18%. — Sapa

First dividend since '85 ...

# Tradegro profits take a 93% hike

Cape Times 27/8/88

249

By AUDREY D'ANGELO
Financial Editor

TRADEGRO, which returned to profitability last year after record losses in 1986, has turned in impressive results for the year to June 30

The upturn in consumer spending has enabled the group to lift operating profit by 93% to R166m (R86m).

A dividend of 5c a share has been declared for the first time since April 1985.

Attributable profit rose by 75% to R53m (R30m) and earnings a share, on a fully diluted basis, to 28,5c (16,3c) Sales soared to R6,1bn (R4,5bn)

Good results were expected from Tradegro because listed companies in the giant retail group had already reported increased profits

Tradegro's own results show that the unlisted companies also performed well, particularly Checkers

The once-ailing supermarket chain lifted pre-tax profits to R14m (R6,5m) on sales of R2,3bn (R2bn)

The directors say that it wrote off R3m of its opening expenses in expanding its Warehouse chain of stores during the year

"In highly competitive trading conditions Checkers maintained its market share."

Property owning group Coreprop, which made a loss of R5,5m last year, made a profit of R492 000

The Stuttafords/Greaterman's group lifted pre-tax profits to R6,2m (2,9m) Smart Centre, which was not among the group's assets last year, achieved profits of R6,9m on sales on R82,9m

The directors forecast "satisfactory growth for the year ahead provided that the economic and political environment does not deteriorate"

Chairman Mervyn King said the integration of the Frasers businesses into the comparable Tradegro companies was extremely complicated from a legal and accounting point of view and had been finalized only in June

Benefits flowing from the merger of the various businesses would be fully felt in the current financial year

Summing up, the directors say that Cashbuild, after the acquisition of the Frasers Buy 'n Build division, is starting to contribute positively to group profits and exceeded the targeted growth of 25% in earnings per share for the year

Checkers improved profitability "in spite of continued pressure on margins and higher than budgeted shrinkage" Profitability is expected to continue to improve

Coreprop achieved the substantial saving in interest forecast in the interim profit announcement

"The improvement also results from a more favourable letting pattern"

Jazz, which acquired the Frasers Fairways chain, increased turnover by 171% to R335,6m and profits before tax by 55,6%

Metro, excluding Jazz, lifted turnover by 48,9% and profitability by 45,6%

CAPE TIMES 31/8/88

# Beares profits surge

DURBAN. — The surge in consumer spending in the first half of the financial year to June 30, enabled furniture retailer Beares to post a 37,5% increase in attributable earnings for the year to June 30

Attributable profit was R13,3m compared with R9,7m for the same period a year ago.

An increased dividend of 10,25c (1987: 8,50c) was declared which, with the interim of 5c (2c) gives 15,25c for the year.

Executive chairman A Rogoff, warned that steps taken by the government would curtail consumer spending.

"The first half of the year saw a surge in consumer spending which slowed after the government announced measures in March 1988 to dampen the economy.

"The latest steps announced will further affect consumer spending." — Sapa

# M & F profits surge by 80%

CAPE TIMES 3/8/88

By BRUCE WILLAN

MUTUAL AND FEDERAL INSURANCE (M & F) has announced an increase of 80% in net after-tax profit for the year-end June 1988, to R64,3m (R35,8m).

The group has increased its final dividend by 3c to 16c a share bringing the total dividend for the year to 22,5c.

Earnings per share rose to 138c compared with 77c in the last financial year.

Growth was 10% on the year with the groups assets at market value standing in at R899m, but the net asset value dropped from 1 026c a share to 943c due to the October crash on the JSE.

MD Ken Saggers said that he was delighted with the considerable improvement in the group's overall performance.

The past financial year also saw the group exposed to some R50m claims due to the floods of Natal and the Free State but managed to claim R35m of this from reinsurers.

He attributed the increased net after-tax profit to the 49% growth in investment income which rose to R58,3m (R39,16m) and the substantial improvement in the underwriting surplus of R45,4m (R13,6m)

Gross premiums increased by 31% to R743m (R567m), while net premiums rose to R593m (R424), an increase of 40%. The group's investment portfolio advanced by R79,2m to R805,6m.

He stated that the future was clouded by uncertainty and that this would impact on the short-term insurance industry, nevertheless he is confident that Mutual and Federal has the necessary infrastructure, human resources and financial strength to meet the challenges of the future.

# Gencor mines improve profits

Cape Times 21/7/88 ~~...~~ 249

JOHANNESBURG — The rise in the average gold price in rands — from R29 991/kg in March to R31 729/kg in the latest quarter — has helped Gencor's gold mines produce generally improved profits for April to June

In the case of St Helena, Kinross, Grootvlei, Marievale and Winkelhaak, improved gold output also helped, says Gencor.

At **Beatrix**, minor technical problems in the metallurgical plant — now resolved — combined with a slight drop in grade and tonnage milled to shave gold output by 130 kg

However, the higher rand gold price boosted working income by 5% to R46,6m.

Although tonnage milled at **St Helena** remained the same, gold recovery increased by 62 kg to 2 467kg due to an increase in the yield from 4,6 g/t to 4,7 g/t

This resulted in an increase of 28% in working income, from R11,2m to R15,6m

The higher taxation on the mining income lifted after-tax income marginally from R10,2m to R10,6m

At **Leslie**, gold production decreased by 33 kg due to a drop in the tonnage milled and the yield which remained the same at 2,4 g/t

Income after taxation increased by 10% to R3,1m

In spite of a higher recovery grade, gold production at **Buffelsfontein** dropped by 35 kg to 3 791 kg as less tonnage was milled

Gold working revenue increased by R6,4m

Income after tax and State's share of income increased from R16,4m to R20,8m

At **Stilfontein**, the yield declined from 4,7 g/t to 2,3 g/t, with a decrease in gold production of 712 kg

Tonnage milled at **Unisel** slipped 46 000 tons and the yield declined from 5,7 g/t to 4,8 g/t

Thus gold production decreased by 465 kg to 1 222 kg, which led to a decrease of R10,4m in working revenue

Income after taxation and State's share of income decreased from R10,7m to R7,2m

**Winkelhaak** lifted gold production by 103 kg to 3 018 kg This boosted working revenue by R8,9m to R96,6m Accordingly, after-tax income rose by 24% to R31,4m

Tonnage milled at **Kinross** edged up to 516 000 tons which, with an unchanged yield of 5,7 g/t, pushed gold production from 2 931 kg to 2 944 kg

This led to an increase in pre-tax income from R40,6m to R42m

Taxation and State's share of income was R5,2m higher than for the previous quarter, which cut after-tax income from R18,4m to R14,6m

At **West Rand Cons** higher tonnage milled did not prevent gold production slipping 24 kg following a decrease in the recovery grade from 2 g/t to 1,9 g/t

The loss for the quarter, at R344 000, was R0,5m less than in the previous quarter.

At **Bracken** an increase in yield from 2,9 g/t to 3 g/t a ton was not enough to stop gold recovery sliding 67 kg as tonnage milled shrank

Working revenue dropped by R1,9m to R18,2m and income after tax was R1,6m — R0,4m less than in the previous quarter

In spite of lower tonnage milled, gold production at **Grootvlei** was slightly higher due to an increase in the yield from 3,2 g/t to 3,3 g/t

Together with a decrease in working costs, this lifted working income from R1,5m to R4m.Income after taxation was R2m higher.

At **Marievale**, yield declined from 2,4 g/t to 2,2 g/t, but gold recovery was 9 kg higher on the back of an increase in tonnage milled.

However, working costs up R0,7m dropped after-tax income. — Sapa

## In spite of major shutdowns

# AECI share earnings rise

249 Cape Times 20/7/88

JOHANNESBURG — In spite of two major plant shutdowns, earnings a share from AECI rose from 53c to 61c in the half year to end-June compared with the same period last year.

MD Mike Sander yesterday declined to detail the impact of the shutdowns on earnings But he revealed the cost of refurbishing plant during such closures was between R10m and R30m — even before accounting for the lost contribution to income

The shutdowns involved the Chlor Alkali plant — down for six weeks longer than expected after a major explosion — and the main Ammonia plant

Attributable earnings rose to R94m (R81m) on net income of R97m (R84m)

Net trading income climbed to R173m (R153m) on turnover of R1805m (R1479m)

Sander said most divisions performed well, and exports, in particular, were helped by the falling rand

The directors note "Domestic sales volume increased by 11% relative to the first six months of 1987

"Demand in agricultural markets improved somewhat from a lower base while substantially higher levels of activity were evident among many users of plastics, industrial chemicals, fibres and paints

"Production difficulties in the Coalplex plants at Sasolburg, following a scheduled maintenance shutdown, limited the availability of a range of products, particularly PVC and caustic soda, for an extended period

"However, with the return to normal operating conditions at Coalplex and the increase incapacity, profits from this sector should improve significantly in the second half of the year, particularly as the firmer trend in the international prices of chemicals and plastics is expected to be maintained"

Financing costs were reduced, in spite of a higher average level of borrowings and a hardening of short-term interest rates

On prospects, the directors comment "Given continued moderate growth in the domestic economy and normal weather patterns in the summer rainfall region, the rate of improvement in profits should at least be sustained in the second half"

Sander says explosives and chemicals are trading well, while plastics are "going very strongly indeed" since the re-opening of the Chlor-Alkali plant

SA Nylon Spinners has had a 'great year" and fertilizers should do well in the second half, when demand is at a seasonal peak, especially since the maize price has risen strongly following the US drought

The go-ahead on the R600m Botswana soda ash plant is finally imminent

He expects the group to build up dividend cover in coming years to provide greater contributions to new projects from own funds — Sapa

Cape Times 20/7/88

# Loraine star performer in Anglovaal stable

249

JOHANNESBURG. — All four gold mines of the Anglovaal Group reported increased prices for their gold sales in the June quarter, while their total gold production rose by 113 kg to 11 205 kg.

Star performer was Loraine, where the taxed profit jumped to R14 085 000 from R6 499 000 in the March quarter.

The after-tax profit of ETC was R500 000 higher at R11 880 000, while Village Main's figure rose to R1 845 000 (March quarter: R719 000)

However, Hartebeestfontein's profit was adversely affected by a loss from the sale of by-products and year-end adjustments, the net result being that its after-tax profit was reduced to R52 976 000 (R62 112 000).

The total taxed profit from all four mines therefore reflected a slight increase at R80 786 000 (R80 710 000).

Hartebeestfontein's low-grade gold plant operated at rated capacity for the first full quarter, milling 367 000 (340 000) tons of ore to produce a working profit of R12 781 000 (R12 892 000).

Costs were generally well contained, especially in view of the fact that they included certain wage and salary increases that become effective prior to June 30.

The converse applied at ETC where problems at Agnes — now largely resolved — reduced mill throughput and led to a sharp rise in unit costs.

Village's tonnage was also down a little and therefore influenced costs, but Loraine contained its previous labour shortage problems to a large degree, leading to a substantially higher tonnage milled which brought about a 4% reduction in unit costs.

Grade at Loraine and Harties was slightly lower, but it improved at ETC and was unchanged at Village.

Ore milled by the copper/zinc producer, Prieska, declined to 364 000 (510 000) tons, reflecting the previous announcement that this would reduce to 110 000 tons monthly as the mine nears the end of its working life

After adding in non-mining income and a tax credit, the after-tax loss was R4 653 000 (R5 921 000 — profit).

A marginal increase in volume sales of antimony, combined with higher gold production and prices, led to Consolidated Murchison reporting a working profit of R1 574 000, as against the previous quarter's loss of R599 000.

With little change in non-mining income and prospecting expenditure, there was a pre-tax profit of R2 073 000 (R75 000 — loss) and an after-tax profit of R1 663 000 (R635 000 — loss). — Sapa

# Rand Mines lifts gold production

GAG Times 19/2/88 269

JOHANNESBURG — The four major mines in the Rand Mines group showed an after-tax profit of R24,7m for the June quarter compared to a loss of R8,1m in the March quarter

The group says the two main features were the R20m profit turnaround registered by Harmony and the fact that ERPM has whittled down its loss by R9m and is heading towards becoming a profit centre again

Total tonnage milled was up by 600 000 tons to 4,4m tons Although the group battled with lower grades, gold produced was up 720 kg to 13 645 kg.

Because of the higher tonnage milled unit costs fell from R119,32 to R100,80 a ton milled

**Harmony** bounced back from March's R1,5m after tax to show a R21,8m profit

Rand Mines gold division chairman Clive Knobbs said Harmony had come close to beating its record for ground broken in June

He said the figure would been much better had it not been for the continuing shortage of miners

Gold production at the mine rose slightly to 6 679 kg (6 362kg) which generated revenue of R215,8m (R192,6m)

Uranium revenue rose from R7,2m to R7,6m, bringing total revenue to R223,4m

Total costs were R202,9m (R200,1m)

At **ERPM** the loss fell from March's R18,976m to R10,072m

Gold production rose by 227 kg to 2 160 kg

The mine has been hedging its production and a total of 4 190 kg has been sold forward between the third quarter of this year and the second quarter of 1989 at prices between R32 501 and R35 527 a kg

At **Blyvooruitzicht**, the performance was steady with after-tax profits rising from R11,1m to R13,8m

Gold production rose to 2 696 kilograms (2 597), which, coupled with an increase in the average gold price, took gold revenue to R86,9m (R77,4m)

At **Durban Deep**, grade problems resulted in a less happy quarter and the mine ended the quarter with a loss of R819 000 (loss R1,7m)

However, costs came in at R61,8m (R58,4m) leaving a working loss of R3,1m

The mine hedged 2 597 kg of its production for the next four quarters at prices ranging from R31 908 to R36 839 a kg

Although tonnages sold on both inland and export markets declined, Rand Mines Witbank Colliery reported a 39% increase in after tax profit at R19,7m (R14,2m for the March quarter)

Tonnage sold fell by 9% to 4 586m tons in the quarter

Capital expenditure at Barbrook and Barplats rose in the quarter At Barbrook, the total was R9m (R5m) and at Barplats the figure reached R15,5m (R6,2m)

Barplats showed an after-tax profit of R5,5m (R2,4m), while at Barbrook a figure of R248 000 (R358 000) was recorded — Sapa

Cape Times 12/7/88

# Rising PPI indicates higher inflation rate

249

By AUDREY D'ANGELO
Financial Editor

RISING salaries and wages, widening profit margins and the impact of the weaker rand on the cost of imported components sent the producer price index (PPI) for the 12 months to May, to 13,2% — the highest since September

Economists pointed out yesterday that this would inevitably send the consumer price index (CPI) up, ending the downward trend of recent months.

The Central Statistical Services announced yesterday that the rise in the PPI between April and May was 1,2%

It said the year-on-year rate of increase for locally produced products was 14,3% in May, up 0,6% from April

The annualized rate of increase for imported products was 10% up on the figure for May last year

Production costs for coal were up 11,2%, other mining and quarrying by 6,7%, beverages by 2% and materials used in the building industry by 2,7%

Boland Bank economist Louis Fourie commented "From this month on we shall see a flattening out of the CPI, which will soon start to rise."

Pointing out that SA had enjoyed relief from imported inflation in a period when the exchange rate had been fairly stable, he said the weakening of the rand in recent months inevitably pushed up the cost of imported components

Other cost-push factors included higher salaries and wages without any corresponding increase in productivity. The lack of competition in some sectors of the SA market also tended to push up prices.

Southern Life economist Mike Daly said the PPI had bottomed out at the end of last year "and we are going to see the trend continuing up"

This was inevitable because the average cost of the basket of currencies with which SA paid for imported goods was more than 13% higher than at this time last year

Daly pointed out that the pressure which increased consumer demand had placed on SA's industrial capacity, and the fact that many manufacturers were now paying overtime, had also played a part in increasing production costs

There was also a technical factor The PPI had risen from a very low base in May last year

Standard Bank economist Nico Czypionka said that although the rise in the PPI "obviously had implications" for the CPI, he did not think there would be "an explosive rise in prices" as had happened in 1985

The cost pressures from outside this country were not as great as they had been then, when the rand plummeted

And although SA manufacturers might have widened their margins while the market was buoyant they would tighten them again if the market lost its buoyancy.

"The rise in the PPI obviously has implications for the CPI, but it will not go up at such a rate as in 1985"

Business Report

# Ovbel forecasts higher earnings

Cape Times 21/6/88

249

By LAWRENCE TOTHILL
Investment Editor

OVBEL HOLDINGS forecasts an increase of about 25% in attributable earnings to around 15c a share in the year ahead.

The three major subsidiaries of this Cape Town-based property, home-building and construction group, are Ovland, Ovcon and Bellandia, and chairman Andrew Ovenstone, writing in the annual report released yesterday says that the group is looking forward to the current year with some enthusiasm.

In particular he says:

- Ovcon's order book is at an unprecedented level for this time of year;
- Bellandia's participation in the Blue Downs development and several smaller projects is promising;
- Ovland's participation in the Blue Route Mall development is exciting.

The group has provided a breakdown of profit sources and this shows that construction and building development contributed 40% of profit, although only 21% of capital was employed in these activities. The bulk of capital employed (79%) is in property and this division contributed 60% of profits.

Ovenstone says that "all divisions either achieved or exceeded their targets in an economic environment which improved in the year.

"Ovland, Sun Trail Resorts, Ovdeco Properties and Bellandia benefited from the major buoyant demand.

"However, the recovery in the construction and civil engineering industry occurred too late to have any material effect on Ovcon."

Looking ahead he says there is a fear that the marked upturn in economic activity may not be sustainable.

"Although the political situation appears calmer than in the past few years, this may be misleading. We believe that employment, education and housing for all population groups are vital elements in any peaceful solution to the problems of our country.

"It follows that a renewed recession induced by dramatically increased interest rates would be most unfortunate," says Ovenstone.

He warns that the industries in which the group operates are of a cyclical nature and that the group's results will inevitably follow these economic cycles.

Overall Obvel is committed to the release of funds through the disposal of its fixed property portfolio and during the year properties were sold for a net consideration of R10 913 000.

As a result, fixed propertires have fallen from R15 147 000 to R4 513 000 in the balance sheet and long-term loans are down to R9 185 000 from R22 431 000.

This is a healthier position from a gearing point of view, and since the year-end R1 500 000 worth of preference shares (held by Premier Group) have been redeemend leaving only R2 500 000 to be redeemeed in 1989 and 1990.

The improved gearing suggests that the dividend policy might be reasonably generous — or, at least, not restrictive.

With anticipated earnings of 15c for the coming year, a total distribution of 7c a share seems indicated. This would be in line with the declared policy that shareholders should receive steady growth in dividends. It would also allow for the distribution to be covered more than twice by earnings.

On a forward projection of 15c earnings and a 7c dividend, Ovbel, which trades at 70c would give an earnings' yield of 21,4% and a dividend yield of 10%,.which is well above the average for the sector.

CAPE TIMES 20/6/88

# Hudaco earnings rise by 42%

(249)

**Own Correspondent**

JOHANNESBURG. — Hudaco Industries achieved a strong profit advance in the first half of the year and, with 1987's acquisitions now fully integrated, is looking for a major strategic acquisition

Earnings for the six months to May increased by 42% to 33,4c a share (23,6c a share) while the interim dividend has been raised by 50% to 15c (10c)

**All three divisions** — Deutz Dieselpower, bearings and power transmission — contributed to a 33% rise in turnover to R119,96m (R90,43m) with operating profit up 22% to R11,2m (R9,17m)

The group incurred net finance costs of R1,1m (R83 000 income in 1987 half-year). The tax rate was 44%

Hudaco's continued earnings growth, coupled with strong cash generation in the past six months resulted in borrowings being cut substantially to R9,5m at the end of May from R20m at the end of December 1987.

The group is now in trim shape following integration of acquisitions, including restructuring of the power transmission division through the disposal of both Terraquip and the Frencorp listed shell to Duros

Stock turnaround has improved — stocks are down at R34,3m (R47,2m at the end of December) — and management's handling of the restructuring augurs well for an acquisition.

Hudaco directors say in the interim report that further earnings growth is expected in the second half of the yar, which is traditionally better than the first half

The shares have lifted off their low and are currently trading at 490c.

Star 17/6/88

# Oil's well as Shell SA hits a R3-bn gusher

249.

By Tom Hood

Shell (SA) has lifted the lid off a secrecy-ridden industry and disclosed record turnover for last year, rising about R200 million to exceed R3,2 billion

This puts Shell among the largest companies in South Africa — on a par with Sasol, Premier and Anglo American Industrial Corporation and bigger than giants such as, Sappi, AECI and Tongaat

Turnover has soared from about R1,8 billion in 1983, according to the company's report for 1987, which, however, conceals what the company paid for materials such as oil

Turnover hit R3,2 billion in 1985, then dipped about R200 million in 1986, mainly through a fall in oil division sales

Biggest business last year was oil, with sales of about R2,3 billion, followed by coal, chemicals, business ventures and metals.

John Wilson says in his chairman's review that Shell's growth in petrol sales at 14,6 pecent was significantly above the industry average.

The oil division registered a 5,3 percent growth for the year compared with an industry average of 5,7 percent and maintained its position as market leader Major product contributors to industry growth were paraffin (12,7 pecent), liquid petroleum gas (10 percent) and petrol (nine percent).

"The increase in consumption of these products can be ascribed to rapid urbanisation, growth in the informal sector and an apparent decline in social unrest," he said

The report for 1987 discloses operating costs rose about R50 million to top R400 million

However, finance director Kees Lenders says group financial and operating results increased significantly over 1986

The oil division increased its sales volumes, although gross profits came under pressure because of the decline in world oil prices, inflation and improved exchange rate levels, he said

"The relative stabilisation of oil prices ensured that the 1986 stock losses were not repeated," says Mr Lenders

Coal and metals divisions' performances were ahead of target as a result of tighter control over costs and volume-margin movements

The chemicals division also performed well against target. Business ventures performed better than in 1986 but profits were down for a number of companies in the portfolio

Operating costs rose by 14,34 percent — well within the inflation rate of 16,1 percent Manufacturing costs were held to 1986 levels but marketing costs increased by 15,5 percent

Overall capital employed at just over R1 billion rose by only 4,1 percent from 1986 levels but was below the 1985's R1,1 billion because of the continuing lower level of working capital in the oil division

Average working capital dropped by 14 percent to R650 million in line with the group's strategy of keeping working capital levels to a minimum, reported Mr Lenders.

Because of the stabilisation of the dollar price of crude oil and the relatively constant rand rate against the dollar, 1987 stock levels were held close to 1986 average value.

Capital expenditure of about R110 million was slightly down, although the R30 million spent on forestry reflected the acquisition of more land

BUSINESS

INDUSTRY

MC443 16/6/88 249

# Oil's well as Shell SA hits a R3-billion gusher

By TOM HOOD
Business Editor

SHELL South Africa has lifted the lid off a secrecy-ridden industry and disclosed record turnover for last year, rising about R200-million to exceed R3 200-million

This puts Shell among the largest companies in South Africa — on a par with Sasol and Anglo American Industrial Corporation and bigger than giants such as Premier Group, Sappi, AECI and Tongaat

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Coal and metals divisions' performances were ahead of target as a result of tighter control over costs and volume-margin movements

The chemicals division also performed well against target Business ventures performed better than in 1986 but profits were down for a number of companies in the portfolio

# Fast-growing Pepkor has R100-m cash pile

Star 4/6/88

(249)

By Maggie Rowley

Investment Holding company Pepkor is sitting on a cash pile of R100 million, chairman Christo Wiese discloses in the group's annual report

In a dramatic turnaround this year, the group, which derives its income primarily through its investments in Pep Stores and Shoprite, saw net profit climb from R7 million to R39 million while operating profit was up R16 million at R72 million

In spite of the number of shares in issue rising from 8,4 million to a weighted average of 10,6 million as a result of a rights issue in July last year, earnings a share increased by 331 percent to 370c enabling the company to resume dividends with a total payout for the year of 130c.

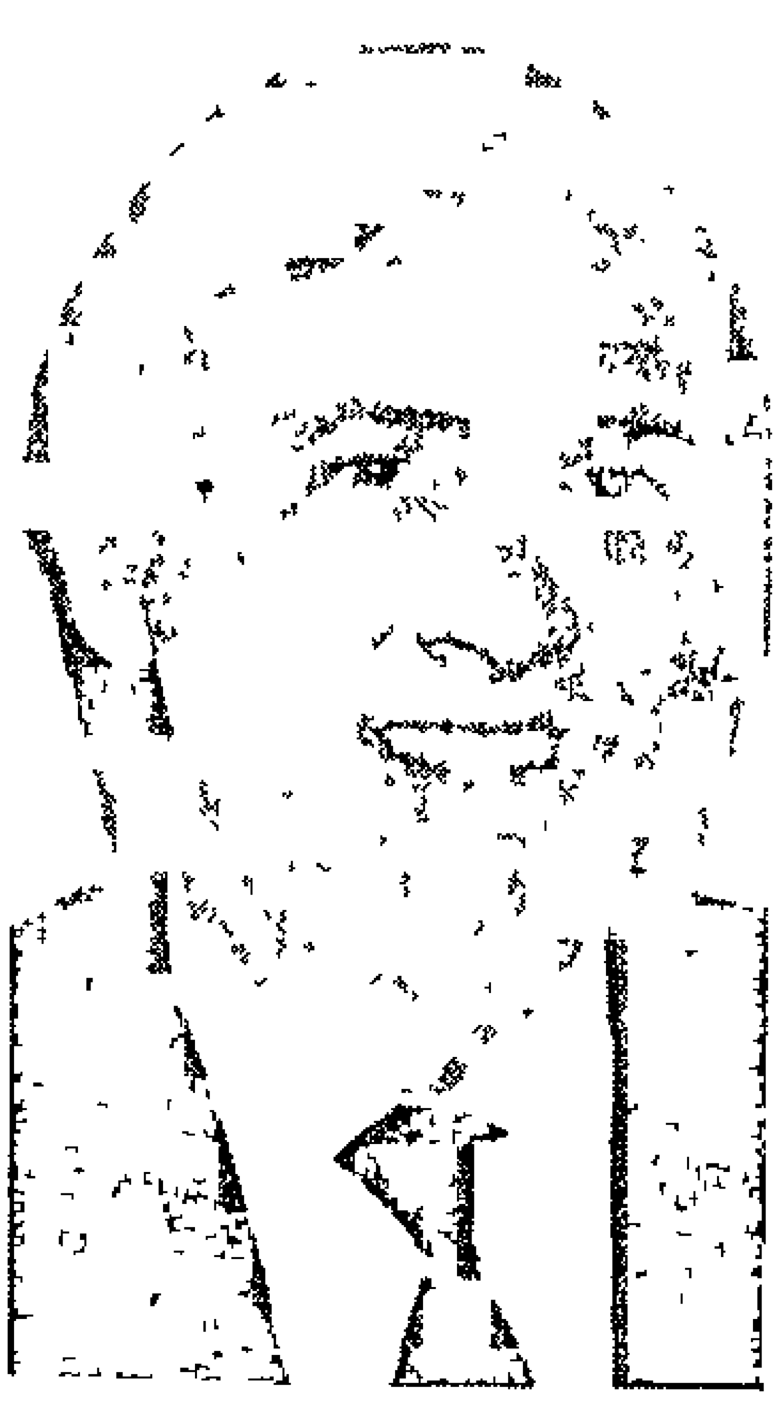
The most dramatic evidence of the group's turnaround can be seen in its gearing. The group has reduced its borrowings from R140 million at the end of last financial year to a mere R14 million and in addition has about R100 million in cash at its disposal, Mr Wiese said

These funds were raised through retained profits, improved asset management, the sale of Pep Stores shares to meet the JSE's spread requirements, the rights issue which raised R53 million, and the sale of non-core businesses

Budget Footwear, Rich Rags and the House of Monatic were sold to Lenco Holdings for R46 million In addition, the group disposed of Knitwear Industries, Titan Textile Indsutries and Cravateur

The debty/equity ratio now stands at 6 percent against 135 percent last year

Mr Wiese said that although the sale of the non-core businesses resulted in group turnover increasing only marginally from R877 million to R939 million, the group's retained businesses increased their sales by a creditable 29 percent



Christo Wiese — "severe trouble with exports".

He said that Pep Stores, which opened 66 new outlets during the year bringing the total number of its stores to 620, had by no means reached its saturation point and it had excellent growth potential due to accelerating urbanisation and improving living standards among the lower income groups

Arnold Louw, group managing director, said that in order to broaden its market spread, Pep Stores was forming a public company controlled by shareholders from the black community with a view to opening outlets in black residential areas

Mr Wiese said the 35-outlet Shoprite had continued to gain makret penetration and the move from the traditional trading areas of the Western Cape had proved more successful than anticipated, indicating enormous grwoth prospects in untapped terrorities

"Indeed, immediate growth will come from outside the Cape with three stores planned to open in the Free State this year, one more in the Transvaal and another in the North Western Cape," Mr Wiese said

He said a strategic planning committee had been assembled from head office management and supplemented with the skills of external specialists to develop a strategy to ensure the company's future growth within its existing mission

Mr Louw said new targets set by the group included a debt/equity ratio of 50 percent or below and a return on captial employed of at least 30 percent under prevailing conditions

Discussing exports Mr Wiese said that following the imposition of sanctions last year, the group had run into severe difficulties in the US where they had been supplying a chain of clothing outlets with products from the House of Monatic

"During the course of this year, the situation was further exacerbated by an embargo on the import of textile goods into the US and our disposal of the House of Monatic

"As the chain was dependent on South African merchandise and also in its infancy within the American market, it could clearly not survive under the changed circumstances and had to be liquidated However, the losses incurred were adequately provided for," he said

Mr Wiese said the group's residual export programme was under review The Board of Trade was currently investigating new export incentive systems for the clothing and textile industry and, depending on the outcome, they would decide whether or not to pursue the programme

# Bullion a useful stabiliser in portfolios

Star 7/6/88

LONDON — A leading British economist says gold has an important role as a post-crash portfolio asset.

Writing in the May issue of Gold Update, published by the World Gold Council, Jeffrey Mizrahi, Director of Economics and Global Strategy at SBCI Savory Milln, says "Fund managers world-wide are becoming increasingly aware that sustainable economic and financial trends are a thing of the past and that gold bullion is a useful 'stabiliser' in portfolios in the prevailing turbulence

"Also, there is a growing realisation that modest holdings of gold often help to reduce portfolio volatility and increase portfolio returns"

Mr Mizrahi says that in the next few years the degree of predicability of financial markets is likely to remain low, market volatility is set to remain high and the global financial fabric will probably remain exceedingly accident-prone

# Stiebel turnover up 70% since buy-out

249 Star 9/6/88

By Stan Kennedy

Stiebel Eltron SA reports a 70 percent increase in turnover since the management buy-out of the West German company a year ago

With the recent signing up of Kwikot, South Africa's largest manufacturer of hot water systems, as sole distributor for the Stiebel Eltron range of water heaters, the three directors are confident that its share of the small capacity water heater market will improve significantly.

Says director Dereck Mocke "The greater availability of these popular products, along with a rejuvenated and streamlined staff, a substantial stockholding and our move to easily accessible premises in Selby, bodes well for the next 12 months."

In the first few months after the take-over, the company was plagued with historical problems of unavailability of stock, lack of communication facilities and a long lease on unsuitable premises.

"Our progress has been applauded by Stiebel Eltron in Germany, who are giving us the full support," Mr Mocke says.

"Although we are only a small portion of their worldwide business, an indication of their commitment is their willingness to make major adaptions to a new heater to meet SABS requirements for the local market."

The new management, which comprises Mr Mocke and fellow directors Mr Tony Youell and Mr Peter Langworth, is considering additions to the range to sell to existing and new customers.

"It makes sense to handle synergistic products in those areas in which we are already strong," Mr Mocke says.

Mr Mocke, with a background as a property developer/broker in the Vereeniging area, manages the administrative portfolio Sales are handled by Mr Youell, who has been with the company for five years and the technical side by Mr Langworth, who has 20 years experience in the electrical wholesale field

COMPANIES

Argus 7/6/88 (249)

# Meritex beats forecast

By MARTIN WELLS
Business Staff

MERITEX, the Parow-based clothing and textile manufacturer, has increased turnover 11 percent ahead of forecast in the first quarter Exports were also substantially ahead of budget.

The group's chief executive, Mr Ed Gordon, said unaudited after-tax earnings were even better than 11 percent due to improved manufacturing recoveries.

"Our fabric division (Tide Fabrics) has been up on budget by 20 percent for the first quarter and we expect turnover for the current financial year to be some 10 percent ahead of budget," Mr Gordon said after the annual meeting in Cape Town yesterday.

He said Meritex as a matter of policy was not prepared to make major capital investments in textile manufacturing equipment until the Board of Trade and Industry had completed its textile and clothing "pipeline" study and the Government had given clear long-term policy guidelines for the textile and clothing industries

Steps were, however, being taken to augment Tide Fabrics' productivity and output

"While 1988-89 exports are expected to be about 30 percent ahead of budget, they will nevertheless be contained at under eight percent of total group turnover," said Mr Gordon.

The future policy on exports also hinged on the Government report and possible support for foreign selling.

First quarter profits from the commission printing division, Ital Print, were also ahead of budget.

A rotary printing facility is to be installed and Mr Gordon said this would lead to further improvements in the second half of the year.

The company's staff share incentive scheme was a success

More than 200 staff members had acquired nearly 600 000 ordinary shares in Meritex Holdings Ltd

About 40 percent of Meritex's budgeted capital for 1988-89 (beginning February 1) had been committed. An annual sales increase of more than 10 percent was anticipated, Mr Gordon said

● Earnings of the Trans Hex group rose 43 percent from 54,3c to 77,8c a share in the year to end-March.

The final dividend is being raised to 15c (11,5c) making a total for the year of 27c (20c)

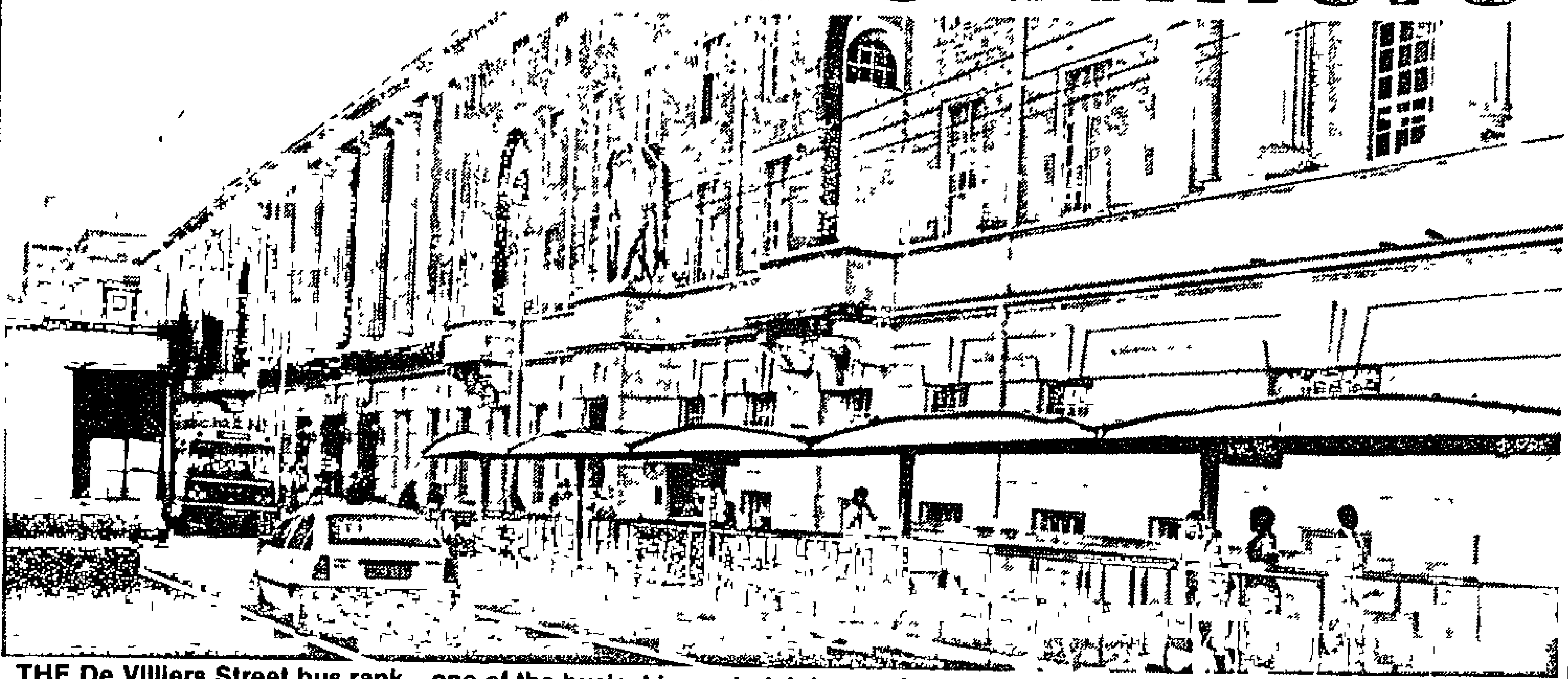
Net profit before tax rose 36 percent to R18,8-million and attributable profit was R11,3-million, up 43 percent.

● Wankie Colliery's dividend has been held at 12,5 Zimbabwean cents a despite a drop in earnings from 47,5 cents to 36,6 cents

In the year to end-February, coal sales jumped to a record 4,5-million tons (3,4-million) but coke sales were down almost 70 percent at 51 914 tons

Pre-tax profit declined to ZD17,5-million (ZD21,5-million) and attributable earnings were llower at ZD11,8-million (ZD15,0-million)

# No life on De Villiers



THE De Villiers Street bus rank – one of the busiest in central Johannesburg on any given day – was lifeless yesterday when thousands of workers on the Reef heeded the first day of protest action called by Nactu and Cosatu in opposition to the disputed Labour Relations Amendment Bill. Pic JOE MOLEFE

# DAY TWO

# Thousands heed trade unions' stayaway call

Sowetan 7/6/88 140A 143 166

**SOWETAN Reporters, Sapa and Own Correspondents**

**THOUSANDS of workers in various areas of the country, particularly in Johannesburg and the East Rand, stayed away from work yesterday, the first day of a three-day protest campaign called by Nactu and Cosatu.**

Among the few violent incidents reported were·

railway coaches were damaged by an explosion, and

- A house was attacked with a hand grenade in Mamelodi

An unexploded limpet mine was found at a section of the railway track in Dube The police in Pretoria said that the limpet mine was found during follow-up investigations after the earlier blast No injuries were reported

## 80 percent

# Argus maintains strong growth and profit record

Star 3/6/88 (249)

By Ann Crotty

The excellent performance reported by the Argus group at the half-way stage was sustained during the second half and has enabled management to report a 74 percent surge in taxed income on a 23 percent increase in turnover for the 12 months to end-March.

A final dividend of 425c a share has been declared bringing the total for the financial year to 600c

The strong improvement in margins, from 6,8 percent to 8,6 percent, and a sharp reduction in interest payments, from R9,4 million to R5,4 million, meant that the group was able to report trading income of R84 million on a turnover of just over R1 billion.

A hike in investment income to R7,8 million from R2,8 million lifted the improvement at the taxed profit level to 76 percent, equivalent to R51 million After stripping out minority interests, attributable earnings showed an increase of 77 percent to R27,9 million (R15,7 million). To this was added R12,6 million (R5,6 million) representing the group's share of retained earnings of associated companies

So bottom line attributable earnings at the Argus were up a massive 89 percent to R40 million (R21,3 million). On a per share basis this is equivalent to R20,29 (R10,98) and puts the share on an historic price/earnings ratio of a meagre 4,4 times on yesterday's share price of R90 This compares with a sector average of 6 times, which means that an upward revision of the share price must be on the cards.

The strong improvement in operating margins was due chiefly to the rationalisation of production and distribution facilities between TML and Argus Newspapers. In addition margins benefited from a general improvement in asset management The sharp drop in interest payments in part reflects CNA—Gallo's healthy cash position but also the generally enhanced cash-generating ability of the group

With the exception of Hortors, which reported a loss for the period, the group's major subsidiaries, Argus Newspapers, CNA-Gallo, and CTP Holdings, each contributed to the sharp improvement in performance

The Argus Newspapers, which remains the strongest single contributor, enjoyed an 86 percent increase in earnings Management reports that advertising demand was "firm and strong circulation gains were achieved by the Star, Sowetan and Pretoria News"

CNA-Gallo, in which the group has a 33 percent stake, saw a 76 percent increase in its earnings Attributable earnings at 46 percent-held CTP Holdings, were up 80 percent

The group's major associate interests, which contributed a massive R12,6 million (R5,6 million) to earnings, include a 25 percent stake in Maisters and a 40 percent stake in TML with TML accounting for about R10,5 million

For financial 1989 management seems "cautiously optimistic" and believes that provided there are no adverse changes in the political and economic environment earnings should again increase "but not at the rate of the two previous years"

## Separate listing for newspapers

**Although it is difficult to get any sort of enthusiastic response from market players in the current investment climate, plans to get a separate listing for Argus Newspapers are likely to be well received.**

Argus group management has announced that as a result of the group's development over the past 10 years it now feels that it is both "logical and commercially beneficial to its shareholders to rationalise its newspaper business by incorporating it into a separate company."

Initially the newspaper company will be wholly owned by Argus, but at a later stage Argus shareholders will be given the opportunity to become shareholders in a separately listed company through a rights issue.

The stated benefits of such a move include·

- To enable the existing newspaper division to be readily identifiable as a newspaper publishing company,
- To allow for the concentration of specialist management expertise in newspaper publishing, and thus improve profitability;
- To provide taxation benefits and savings;
- To facilitate employee share participation and;
- To provide cash reserves for Argus, through the listing of the newspaper company, for further desirable acquisitions and/or expansion programmes.

This is the sort of talk a healthy market likes to hear

But given current market conditions, a listing looks some way down the line However, management is in no hurry and is in the comfortable position of being able to await a strengthening in market sentiment to implement its plans

MC45 3/6/88 BUSINESS 249

PUBLISHING

# Argus profits surge, turnover tops R1-bn

From ANN CROTTY

JOHANNESBURG. — The excellent performance reported by the Argus group at the halfway stage was sustained during the second half and has enabled management to report a 74-percent surge in taxed profit on a 23-percent increase in turnover for the 12 months to end-March

A final dividend of 425c (275c) a share has been declared, bringing the year's total to 600c (375c)

The strong improvement in margins, from 6,8 to 8,6 percent and a sharp reduction in interest payments — from R9,4-million to R5,4-million — meant that the group was able to report trading income of R84-million on a turnover of just over R1-billion.

A hike in investment income to R7,8-million from R2,8-million lifted the improvement at the taxed profit level to 76 percent, equal to R51-million

After stripping out minority interests, attributable earnings showed an increase of 77 percent to R27,9-million (R15,7-million) To this was added R12,6-million (R5,6-million) from the group's share of retained earnings of associated companies

So bottom-line attributable earnings soared by 89 percent to R40-million (R21,3-million)

The strong improvement in operating margins was due chiefly to the rationalisation of production and distribution facilities between Times Media Limited (TML) and Argus Newspapers In addition margins benefited from a general improvement in asset management

The sharp drop in interest payments in part reflects CNA-Gallo's healthy cash position but also the generally enhanced cash-generating ability of the group

With the exception of Hortors, which reported a loss for the period, the group's major subsidiaries, Argus Newspapers, CNA-Gallo, and CTP Holdings, each contributed to the sharp improvement in performance

Argus Newspapers, which remains the strongest single contributor, enjoyed an 86-percent increase in earnings

Management reports that advertising demand was "firm and strong circulation gains were achieved by the Star, Sowetan and Pretoria News"

CNA-Gallo, in which the group has a 33-percent stake, saw a 76-percent increase in its earnings

Attributable earnings at 46 percent-held CTP Holdings, were up 80 percent.

The group's major associate interests, which contributed R12,6-million (R5,6-million) to earnings, include a 25-percent stake in Maisters and a 40-percent stake in TML, with TML accounting for about R10,5-million

For financial 1989 management seems "cautiously optimistic" and believes that, provided there are no adverse changes in the political and economic environment, earnings should again increase, "but not at the rate of the two previous years"

# Unchanged dividend from Anglo

Star Times 2/6/88 249

Own Correspondent

JOHANNESBURG. — Anglo American has cautiously elected to pay an unchanged dividend despite satisfactory growth in equity accounted earnings.

Although equity accounted profits grew 20% growth to R1,8bn, the dividend of 225c a share is unchanged This represents an increase in dividend cover from 2,92 to 3,5 times

Nevertheless Anglo's attributable earnings showed only a slight growth on account of the fact that the corporation and its subsidiaries such as Amcoal endured extremely difficult conditions

Associates, on the other hand, collectively achieved vastly improved results A glowing performance from associates such as De Beers, JCI and Minorco overshadowed the lower revenue from Amgold.

Although the results are slightly better than market expectations, some analysts believe income for the next financial year may be disappointing

In view of the pipeline effect which results in a lag between Anglo's receipt of dividends from associated companies and distribution to its own shareholders, the good equity accounted year may not accurately reflect current trading conditions, said an analyst.

The past year has been gloomy. The poor performance of Anglo's coal and gold interests are the major cause for Anglo's caution

Anglo American Gold Corporation dropped its dividend by 11%, reflecting the general decline in gold mining profitability as result of poorer grades and increasing mining costs.

Anglo American Coal Corporation fared even worse largely as a result of the industry-wide depression brought on by coal sanctions on the part of the USA, France, Denmark, Norway and Sweden

Nevertheless, the frailty of these sectors is counter-poised by the strength of Anglo's diamond, platinum and industrial interests Good dividends from these sectors were largely responsible for the 7,6% growth in net income from investments to R1,015bn

Anglo says the 35% drop to R274m in trading income reflects the adverse trading conditions experienced by the coal sector

## Anglovaal: Final divs

**HIGHER rand prices from gold sales and increased gold output are cited by Anglovaal as the main reasons for improved final dividends from Hartebeesfontein and Eastern Transvaal Cons.**

**Village Main has declared an unchanged final for the year to end-June, but the total is higher thanks to an increased interim.**

**Harties has lifted its final from 80c to 90,5c for a year's total of 153c (140c)**

**Eastern Transvaal Cons has lifted its final to 185c (155c) for a year's total of 310c (280c).**

**Village Main's unchanged final is 12,5c which, with the higher interim of 12,5c (10c) gives a total of 25c (22,5c).**

# Interboard's turnover boosted 79%

Cape Times
1/6/88

249

JOHANNESBURG. — An increase of 79% in both turnover and net income are reflected in the results for Interboard for the 12 months to end-February.

Turnover improved from R53,2m to R95,4m while net income was up from R8m to R14,3m.

Earnings a share before extraordinary items rose 32% to 9,98c (7,57c) and the final dividend is 3c (4c) to give a total for the year of 6c (4c).

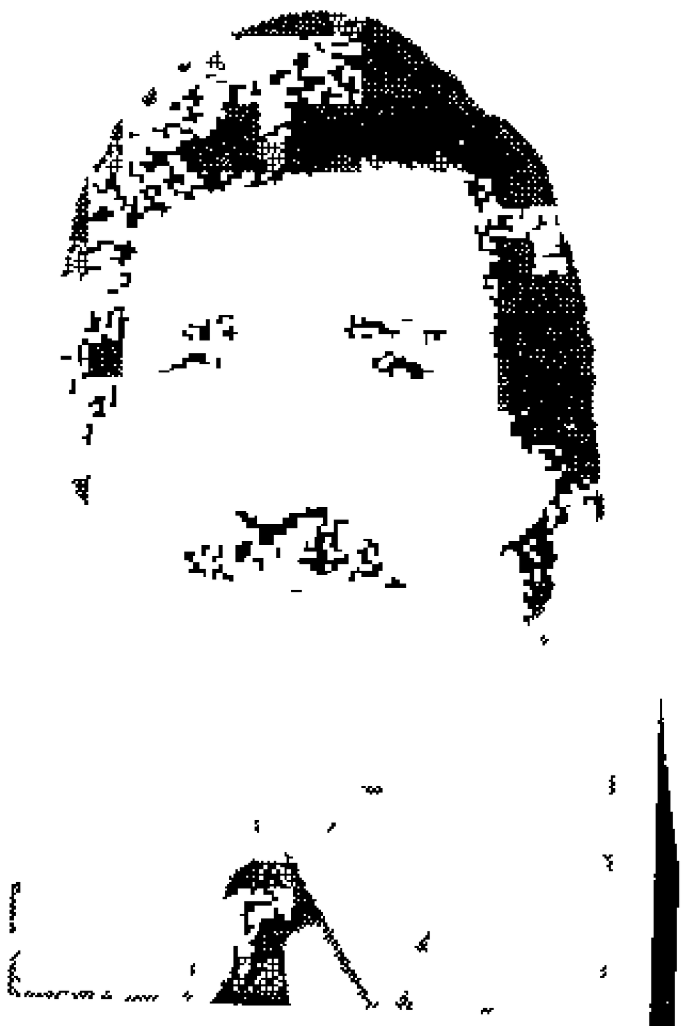
Shareholders interest rose from R55,4m to R132,9m Net asset value a share doubled from 43,5c to 87c — assets at historical cost.

The building materials manufacturing division, Buildcor, was listed separately on the main board of the Johannesburg Stock Exchange in November last year and Interboard holds 80% of the shares.

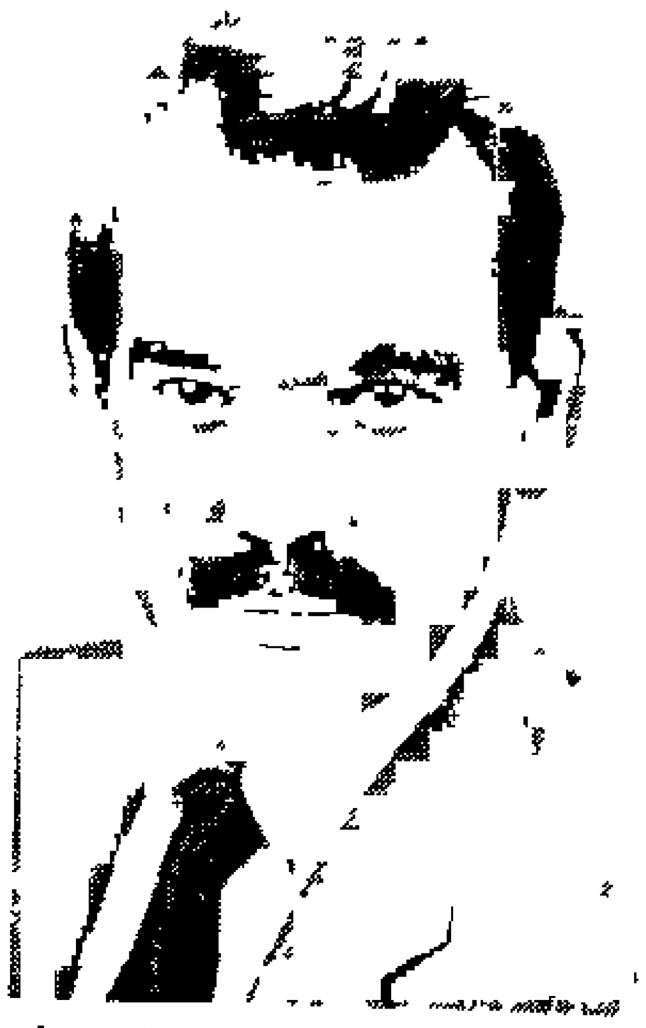
During the year, the flatboard interests were expanded by the acquisition of Interboard Swaziland which provided Interboard with a 60% increase in its particle board mnanufacturing capacity.

The directors note that some of the major manufacturing units have been operating for less than 12 months and contributed "minimal returns".

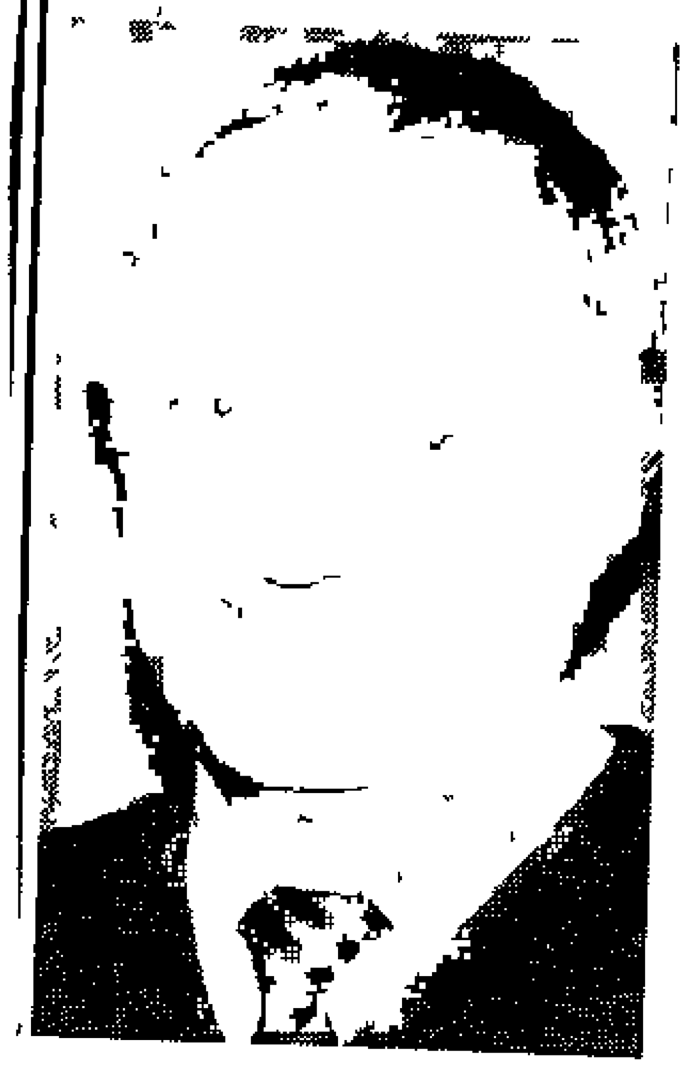
Since the year end, the directors report that Interboard has formed a new division, Fasterect, which manufactures components for the home and prefabricated housing industries. — Sapa



Tony Cilliers has been appointed a director of Interoffice Designs



Jos le Roux has been appointed as KWV's manager of public relations.



Bill Cooper-Williams has been appointed as manager of the KWV Wine Centre in Johannesburg.

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COMPANIES

ARG 30/5/88

# IGI doubles profits, lifts dividend 150 pc

A MARKED improvement in underwriting profits helped composite insurer, IGI Insurance, to more than double its profits and increase its dividend by 150 percent in the year ended March 31.

Net income after preference dividends was R21,4-million, an increase of 130 percent on the R9,3-million earned in 1986-87.

Earnings a share, assuming the conversion of all the convertible preference shares into ordinary shares, rose 77,9 percent from 105,0c to 243,2c.

The company is paying a final dividend of 20c, making 30c (12c) for the year.

Short-term premium income rose 17,7 percent to R377,1-million while net preium income increased by 3,9 percent to R292,1-million. Long-term premium income rose 41,5 percent to R50,0-million.

● WORLD of Music, listed last October, increased its profits by 157 percent in the year ended February from R419 000 to R1 078 000. Turnover increased 76 percent from R756 000 to R1 214 000.

Earnings on the increased share capital rose 135 percent from 4,8c to 11,3c and a maiden dividend of 2,0c is being paid.

The two acquisitions, Pop Paraphernalia (Pty), which markets pop merchandise, and World of Music Retail (Pty), which has four record stores, contributed to profits.

But the purchase of Educational Media Services (Pty) was cancelled on the grounds that certain waranties were breached. One of the vendors is disputing this act.

Production problems at its Lebowa factory limited the increase on Skirtskip Clothing's pretax profit to 29 percent in the yearneded ended February. Pretaxed profit R1,3-million (R1,0-million) equal to 7,7c (5,4c) a share. A maiden dividend of 3,75c has been declared.

● The Natal floods and the absorption of a loss caused Bakoven's earnings to drop to R444 000 (R570 000) in the 12 months ended February. No dividend is to be paid.

CURRENCIES

# Forex dea

HONOLULU. — Maybe t about soaking up the sun a the wold's foreign-exchang convention held in Hawaii ing to have to work harde

Now that most major cu narrow ranges,"Money is n ripe for plucking by maki ther fall in the dollar.

Instead, dealers are hav tion and take greater risks

# Plessey S A leads the pack

W/E Argus 28/5/88 249

By DEREK TOMMEY

PLESSEY S A, the Cape Town-based electronics company, has tended to keep a low profile But this week it has been blowing its trumpet — and what a sweet tune it plays

Information released by the company shows it is one of the Western Cape's biggest industrial organisations It is also one of the country's fastest growing electronics firms with a sales growth much better than most of the other majors And, in addition to this, it is a leader in research and development, both in expenditure and, most importantly, in results

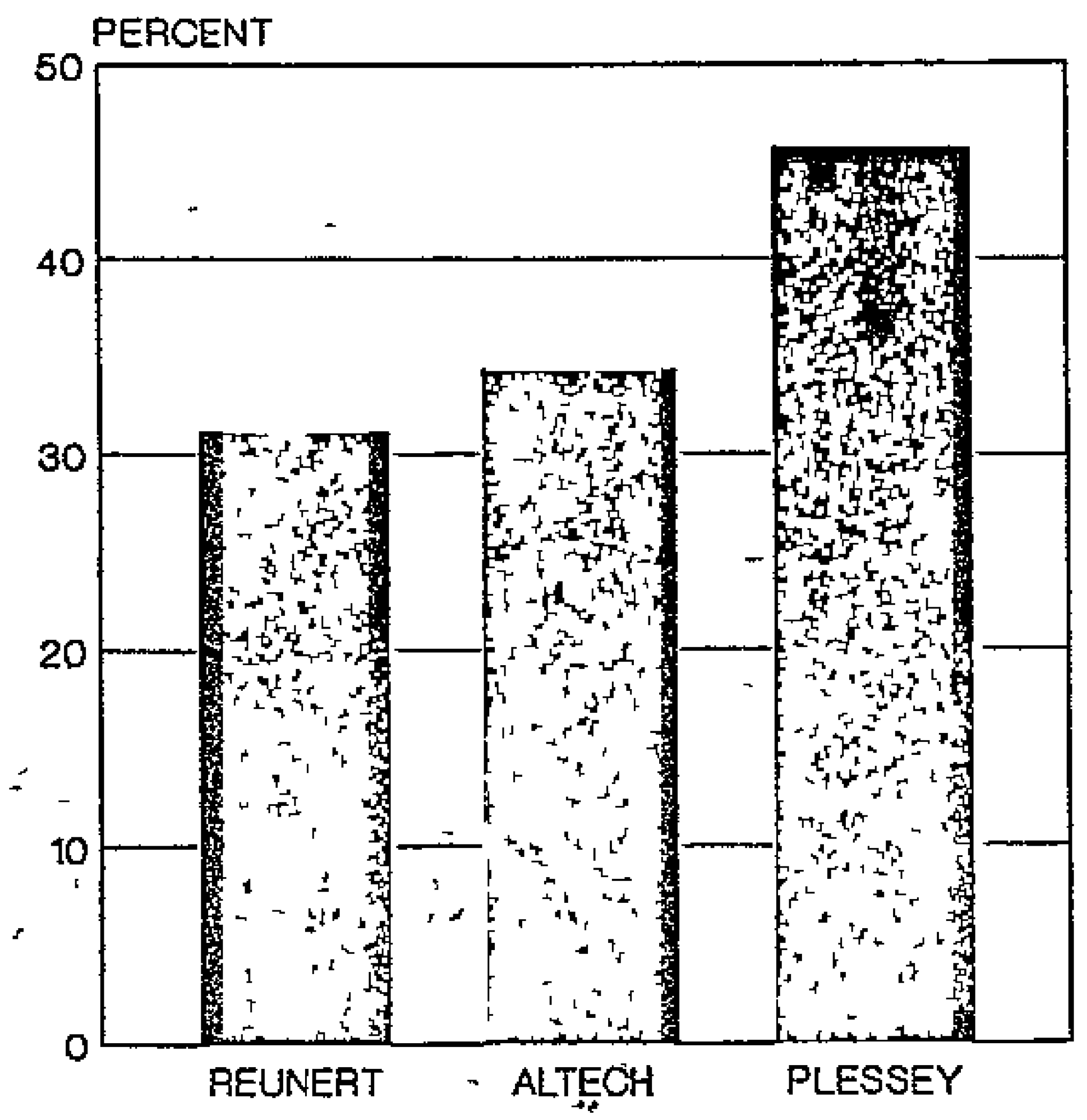
In the year ending March the R85-million company had earnings before tax of R27,2-million, the managing director, Dr John Temple, reported this week This is an increase of 34 percent on the 1986-87 profit figure if an extraordinary item made that year is excluded, or 17,4 percent if it is included.

Plessey's taxed profit was R14,1-million But this is increased to R20,5-million when its share of the profits of Telephone Manufacturers of South Africa is included

The R20,5-million is 29,5 percent higher than last year's figure before the extraordinary item, and 18,0 higher after taking it into account.

In the past three years Plessey's pre-taxed profits had grown by an average of 21 percent a year, Dr Temple said

These increased profits came from a 21 percent rise in sales for Plessey alone and an almost 30 percent rise if sales of a recent acquisition, Renak, are included




The graph shows the extent to which the local "value added" proportion of Plessey's output exceeds that of its competitors.

Of Plessey's major competitors only Reunert, with a 25 percent sales growth, showed comparable progress The other companies showed much smaller sales growth, one barely reaching double figures and some reporting increases of less than five percent.

Advanced Systems, the components division, the communication systems division and Renak achieved record sales

### Rising costs

"Only exports were disappointingly down, partly as a result of rising labour costs," said Dr Temple.

A feature of the 1987-88 figures was the 58 percent jump in expenditure on reseach and development. Money spent here accounted for 7,2 percent of turnover

Had this expenditure been limited to the industry norm, Plessey's earnings would have risen by 37 percent

R and D will receive a further boost this year. Plessey is planning to increase the number of technical personnel from the present 100 to 150 before the year end — and all will be based in Cape Town

### More productive

The number of technically skilled people working at Plessey would steadily increase, said Dr Temple In the past two years the number of employees in manufacturing had fallen from 55 percent to 42 percent, and this trend would continue this year

"In the future we'll need a higher level of education, more creative skills in our workforce and everyone will have to be more productive," he said

The heavy emphasis at Plessey on research and develop-

(Turn to page 3)

## Plessey leads the pack

W/E Argus 28/5/88

(From page 1)

ment is paying off handsomely. Its order intake last year jumped 90 percent, against 20 percent the previous year. And Plessey is budgeting for an increase in sales of more than 30 percent

"This includes more than R60-million in orders for PABX's and a R15-million traffic control system order from Durban."

New products recently developed in Cape Town that are expected to boost Plessey's turnover this year include a highly advanced PABX for the Post Office, an air traffic control system and also its road traffic control system.

Dr Temple also pointed to another achievement of Plessey. This was its higher level of local content in its products than its competitors

He said the percentage of value added by Plessey SA was around 45 percent, which compared with around 34 percent by Altech and 31 percent by Reunert

"Which company is more South African?" asked Dr Temple, an old boy of the Pretoria Boys High School

Sowetan 17/5/88

# Egoli lifts earnings 100%

JOHANNESBURG. — Egoli Consolidated Mines (Egoli) reports earnings up more than 100% to R17m (R8,33m) for the year to March 1988

The final dividend is 7,5c (7,5c) which, together with the interim of 7,5c gives a total of 15c (12,5c) for the year

No further details are provided about the group's performance

However, in commenting on the Taiwanese deal recently in the news, deputy chairman, Don Grant-Hodge, says in the statement that, as the sale of Egoli's shares in its holding company, Johannesburg Mining and Finance Corporation (JMF) to a Taiwanese investment company was not fully implemented, the increased earnings reflect only that part of the surplus "resulting from those shares sold for which the full cash payment had been received

"The appropriate legal action has, however, been taken to recover the outstanding balance of R30,03m "

Shareholders' funds have also substantially increased, says Grant-Hodge

Egoli's main listed subsidiaries are Carrig Diamonds, Waverley, Westwits

Its main investments are Simmer and Jack Mines, Wit Nigel and Energy Resources and Mining Corporation (ERC)

Waverley's dump recovery operation is nearing completion and its future operations will be mainly Brakpan Van Dyk Mines

"Egoli has recently acquired additional surface reserves of dump material which will extend the life of treatment operations by more than 20 years," says Grant-Hodge — Financial Staff and Sapa

COMPANIES

MCGS 25/5/88 249

# Waltons shareholders give all-clear for Osa purchase

By MAGGIE ROWLEY, Business Staff

SHAREHOLDERS of Waltons Stationery — which has turned in sparkling results for the year ending February 29 — have given the go-ahead for the group to purchase the entire issued share capital of Osa Holdings (Pty) for R44-million

In an interview following the shareholders meeting yesterday, MD Frank Robarts said the acquisition was expected to boost turnover by 25 percent

It would be funded by cash reserves and loans from banks and institutions which would have to be repaid within two to three years.

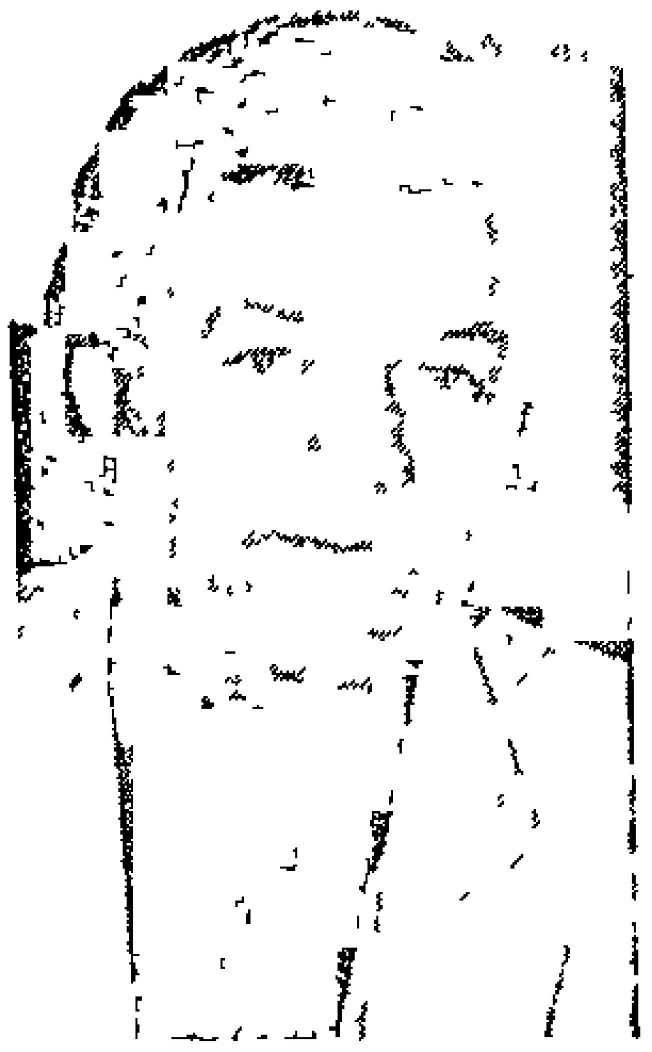
Waltons has been on the acquisition trail in recent years, and further acquisitions were in the pipeline, he said

The company acquired Osa Holdings and its subsidiary Ozalid from its Dutch parent company, Oce Van Grinten, which has been under pressure to disinvest The Dutch company owned 87 percent of Ozalid while Old Mutual had a 13-percent stake

Ozalid manufactures and distributes drawing office equipment, labels, markers and photocopiers

In its 10th year as a listed company, Waltons reported an 84,6-percent increase in after-tax profits to R24,3-million on a turnover of R329,6-million, up 54 percent on last year's R214-million

After an extraordinary item of R2,3-million, which represented the net effect of profits on disposal of investments and goodwill written off on acquisition of subsidaries, profit attributable to shareholders amounted to R22,1-million (R12,6-million).



Frank Robarts

While new acquisitions accounted for 30 percent of turnover, they only brought in 10 percent of profits, Mr Robarts said.

Earnings a share soared 81,4 percent to 39c from 21,5c last year.

A final dividend of 9c, up 80 percent on last year's 5c, brings the total payout for the year to 13c, almost double last year's 6,9c

Taxation at R19-million was 17 percent higher than last year's R16,7-million. However, finance costs dropped marginally to R2,2-million from R2,8-million.

Current assets stand at R148,8-million (1986. R94,2-million) while current liabilities total R82,4-million (R62,6-million).

Mr Robarts said that, while it was too early to tell how trading was going this year, the group expected earnings to show a further improvement.

Waltons Consolidated Investment Holdings, which has a sole investment of 50,2 percent in Waltons Stationery, lifted operating profit before taxation by 95 percent to R4,5-million (R2,3-million)

# TML has massive profit rise

Times Media Ltd (TML) has reported a rise in pre-tax profits from just over R10 million last year to R26,83 million for the year to March.

Since no tax is due for the last financial year, profit before extraordinary items rose by 167 percent

Earnings per share jumped from 501c to 1 335c.

A final dividend of 200c (100c) has been declared, bringing the total for the year to 300c.

Turnover increased by 28 percent to R154 million (R120,8 million ) and operating profit as a percentage of turnover rose to 15,4 per cent (11,1 percent).

The disposal of assets and the much-improved level of profitability enabled TML to repay all debt, thus reducing interest charges

Star 24/5/88

**BENEFITS**

Managing director Steve Mullholland says "The benefits of the recent rationalisation programme have now been realised and profits cannot be expected to grow at the same rate in the future.

"However, it is expected that pre-tax profits and dividends will increase in the year ahead Tax losses will be exhausted in the coming year and the group will move into a tax-paying position," he says — Sapa

CAPE TIMES 24/5/88 249

# Barlows posts 31% earnings rise

By LAWRENCE TOTHILL
Investment Editor

INCREASED profits from industrial and food interests enabled Barlows to absorb the fall in the contribution from its mining activities and still show a 31% rise in earnings for the six months to March, 1988.

The interim dividend has been lifted to 39c (30c).

Barlows is by far the largest industrial group in SA, and its results are often seen as a yardstick for industrial performance. During the leaner years of 1981 to 1985, Barlows made virtually no progress, but now it has taken full advantage of the more favourable economic climate.

The industrial sector was the major contributor to the impressive growth rate, boosting its taxed profits by a sparkling 72%, to R233,9m, and constituting 41% of the group's total, against 31% a year ago.

All the major divisions in this sector — electronics and electrical engineering; computers; earthmoving equipment; motor and appliances; building materials; steel and paint; packaging and paper; and carpets and textiles — performed well.

The food sector, represented by CG Smith Foods, also enjoyed a good year, adding 37% to taxed profits and providing 27% of the group's total.

The international division experienced mixed fortunes, but the lower trading profits were offset by favourable conversion of profits into rand.

The company achieved a 30% increase in operating profit, at R894,3m (R686,7m), on a 23% rise in turnover of R9 899,6m (R8 077,3m).

Although borrowings at the half-year end were higher, interest over the six months was virtually unchanged, at R125,9m (R125,1m).

Income from investments rose by 22% to R93,9m (R76,8m), and pre-tax profits were up by 35%, at R862,3m (R638,4m).

Tax took R300m (R216,2m), leaving the after-tax profit 33% higher, at R562,8m (R422,2m).

A slightly higher average number of shares in issue reduced the growth at the earnings per share level to 31%, at 172,3c (131,6c).

The acquisition of new interests and a marked increase in capital expenditure, which totals R452m for the half-year against R656m for the full 1987 year, has not affected gearing materially.

## R35,9m turnaround in two years

CAPE TIMES 24/5/88

# Times Media profits up 76%

249

From GERALD PROSALENDIS

JOHANNESBURG. — Times Media Ltd increased operating profits to R23,7m for the year ending March 1988, a turnaround of R35,9m in just two years.

Operating profit was up 76% from the last year's R13,5m. A loss of R12,2m was registered for fifteen months to March 1986

Profit before extraordinary items rose 167% to R26,8m from R10m the previous year, with investment income of R4m, mainly from Robinson & Company (Pty) and interest on surplus funds. This equates with earnings of 1 335c (501c)

The final dividend is 200c, making a total dividend payment for the year of 300c.

The sharply-higher operating profits were achieved on an increase in turnover of 28% to R154,3m compared with R120,9m for the previous year.

### Debt repayed

Operating profit as a percentage of turnover rose from 11,1% to 15,4%, indicating improved efficiencies and cost containment.

Interest payments were reduced to R886 000 compared with R4,2m the previous year.

The company has now repayed all debt, say the directors, and has cash in hand of R21,1m. This contrasts sharply with debt of R42m at the end of March 1986, a turnaround of R63m in two years.

Says MD Stephen Mulholland: "We want the market to perceive us as a decent payer of dividends.

He said dividend cover of 4,4 times was high.

"Even if one assumes a normal rate of taxation, dividend cover would still be a healthy 2,2 times. This gives us room to move in providing shareholders with a steady and increasing stream of income."

The directors say the benefits of the recent rationalization programme have now been fully realized and profits cannot be expected to grow at the same rate in future.

Lawrence Clark, financial director says: "We are extremely satisfied with the performance of all of our publications.

### Major contributor

The Sunday Times remains the major contributor to group profits, followed by the Financial Mail.

"Business Day has shown the biggest percentage improvement and is now an established contributor to profits.

"The Port Elizabeth papers raised profitability in a very tight market and the Cape Times has shown an encouraging improvement."

The groups newest publication, The Executive, was not expected to contribute to profits this year, but the directors were confident of its long-term potential.

"We have attributed improved operating profits to three things: the remaining benefits of rationalization; the continued careful control of costs; and, after fixed costs are covered, additional revenue net of direct expenses, such as newsprint, printing and distribution, flow directly to the bottom line," said Clark.

Cape Times 19/5/88

# Tongaat show 90% higher earnings

249

By AUDREY D'ANGELO
Financial Editor

BETTER trading conditions, rationalization and a lower interest bill enabled the Tongaat-Hulett group to achieve a record performance for the year to March 31.

Earnings rose by 90% to 162c (85,3c) a share — well above the 150c forecast in the interim report — and the final dividend is 36c (24c) a share. This makes a total dividend for the year of 54c a share, 59% above the 34c paid in 1987.

Turnover was 20% higher at R2,6bn (R2,1bn). The group was hit by a 63% higher tax bill of R64,9m (R39,8m). But the interest bill was 26% lower at R51,4m (R70m), resulting in an after-tax profit of R124,8m (R67,1m).

Attributable profits were R119,2m (R2,6m).

The directors say prospects are encouraging and a further improvement in earnings is expected.

Pointing out that the strong earnings recovery reported at the interim stage has continued into 1988, they say all divisions performed well "with notable achievements by the aluminium and textile divisions".

The building materials division has benefited from increased demand as the market strengthens and there has been "a significant improvement in profitability".

The food, starch and sweeteners and transport divisions have all reported "satisfactory profit improvements".

But although the sugar division also performed well, the directors say it was hit by higher taxation "and consequently its contribution to group profits is similar to last year".

BARPLATS

# New strategy boosts SA Drug profits

By AUDREY D'ANGELO
Financial Editor

AN increase in its manufacturing interests helped SA Druggists — part of the Federale Volksbeleggings Group — which was relisted on the Johannesburg Stock Exchange last year to achieve attributable profits of R32m for the 12 months to March 31

Earnings at share level were 22,7c, well above the 21,9c forecast in the listing prospectus.

The final dividend is 4,75c a share, making a total of 8c for the year.

## Strategy

Turnover was 19% higher at R675m (R567m) and operating income was 23,2% higher at R64m

MD Tony Karis said SA Druggists had continued its strategy of changing its portfolio balance with a heavier bias towards manufacturing and marketing its own products rather than wholesaling those of other companies

As a result, he said, about 60% of group operating profits now came from manufacturing and marketing companies compared with 45% three years ago

Forecasting further growth in earnings this year, Karis said "With our core business firmly established, our entry into the field of medical diagnostics and investment in long-term biotechnology, SA Druggists begins the new financial year with a strong base for sound, sustainable growth"

## Management

The group's total assets rose by 16% to R257m in the year with the finance ratio remaining above 50% at 55% and the gearing ratio falling to 13% from 22%.

The interest bill was R3,3m which Karis said was "materially lower as a result of good asset management, lower interest rates and the conversion of some loans into share capital"

The group spent R13,6m on capital expenditure in the year, mainly on the Lennon facility at Port Elizabeth, now believed to be the biggest pharmaceutical manufacturing plant in the southern hemisphere, and on a distribution centre in Heriotdale, Johannesburg.

# Santam lifts earnings 41%

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Cape Times 18/5/88

**By LAWRENCE TOTHILL**
**Investment Editor**

SANTAM INSURANCE has announced an after-tax profit of R18,4m for the half-year to March 1988, which is 41% up on the corresponding year ago figure of R13m

Earnings per share equal 26,3c (18,6c) for the half year and the company has increased its interim dividend to 8c from 6c a share — a rise of 33%. Some of this increase should be seen as bringing the interim more in line with the final dividend

Reflecting the trend which had become apparent last year, Santam Insurance showed an underwriting surplus for the period of R11,7m which was 31% up on the R8,9m in the same period last year

Investment income also reflects the better cash flow arising from the improved underwriting surplus and stood at R17,4m (R12,7m)

MD Oosie Oosthuizen, said the underwriting surplus was after providing fully for the Natal floods (R6m) and the more recent floods in the Orange Free State and the northern Cape (R12m as an outside figure)

"Our premium levels were such that we were able to absorb the losses arising from these 'catastrophes', keep our premiums frozen for the year, and still show a satisfactory underwriting surplus

"It means that we are doing the scientific underwriting which is expected of a responsible insurer"

A feature of the interim report is that gross premium income at R326,5m has hardly risen from the year-ago R323,7m, while net premium income reflects a similar modest rise to R295m (R291,4m)

Oosthuizen said this was due to the loss of certain personal group scheme business which had accounted for about 8% of premium income

"When I say 'loss' I really mean we relinquished that business, and we have been able to replace it with better business This is reflected in the improved underwriting results The profit margin is up on last year but still within internationally accepted standards"

The interim report shows that insurance funds at R233,6m are sharply higher than the R142,5m of a year ago

Oosthuizen says these are so satisfactory now that the company is well placed to satisfy any new proposals which might flow from the Melamet Commission which is expected to recommend some quite stringent reserve requirements for short-term insurance companies

CM Times 17/5/88

249

# Premier Group earnings up 36%

From LIZ ROUSE

JOHANNESBURG — The Premier Group kept up a cracking pace in the year to March, moving to a higher plateau

The group closed the year with a 36% hike in earnings to a record 317c (1987 233c a share) and raised the dividend total by 33% to 140c (105c), with the declaration of a 90c (69c) final dividend

Tony Bloom, in his last preliminary statement as Premier chairman, said it was a spectacularly good year and it was particularly pleasing to note that the good results had been achieved across the board by all the group's divisions, subsidiaries and associate companies.

Premier's 35% holding in booming SA Breweries obviously helped boost profits, but the feature is that its other interests are now advancing at a fast pace, loss-incurring areas have been eliminated and their contribution to profits is much larger than in previous years

The group's year-end figures are above market expectations, which put earnings at about 300c and the dividend total at 135c. As total payout has exceeded 135c, the preferred ordinary shares automatically convert into ordinary shares, this has happened well ahead of expectations

Turnover increased by 19% to R3,2bn (R2,7bn) on aggressive marketing and merchandising, while higher output in plants, strict cost control and improved operating efficiencies resulted in a 32% increase in operating profit to R206,5m (R156,5m)

Bloom said it was interesting to see that the turnover increases which had recently been posted by the four major listed food companies indicated that price inflation in basic food products had been kept well below the rate of inflation.

The inflation on Premier's shopping basket of food products was around 11%, a figure which seemed to be confirmed by the other companies results are well

Cape Times 17/5/88

# Allied profits R60,9m

JOHANNESBURG — The Allied group has reported an after-tax profit of R60,9m for the financial year to March 31.

The addition of an extraordinary item brought the final figure to R67,7m

Total income was R886,3m made up of R830m from interest on advances and other investments.

Earnings per share were 20,7c while a dividend of 10c a share has been declared

The group states that in spite of intense competition all financial targets were reached and advances increased by 23%

The forecast after-tax profit was R60m. — Sapa

Business Report

Citizen 17/5/88

# Bonuskor div, earnings soar

249

JOHANNESBURG — In its first set of results since announcing the merger with the Hunt Leuchars & Hepburn Holdings group, Bonuskor has reported earnings a share for the year to end-March up no less than 170% to 101,8c (37,5c)

The final dividend has been lifted more than 200% to 24c (7,5c) which, with the better interim of 9c (5c), gives a total of 33c (12,5c)

The results should be read in the context of the first full year in which the 56% interest in CGP Investments, holding company of Robertsons, has been brought to account.

The CGP stake was acquired on April 1 last year, the same date on which the sale of the 14,4% stake in Total SA became effective

Transvaal Sugar became wholly-owned on October 1 last year The sale of the stake in Total brought a profit of R2,5m, but this is not included in the EPS

Operating income moved off the relatively very low base of R4,98m to R64,5m, yielding net pre-tax income of R59,6m (R8,4m).

Tax took R20,3m (R409 000) to give net after-tax income of R39,4m (R7,98m)

Attributable income before the profit from the sale of the Total stake, and amortization of trade marks, totalled R31,9m (R11,8m)

In their brief comment with the results, the directors make no mention of prospects. — Sapa

# Bonuskor earnings up 170%

ST 17/5/88 249 (06)

**Finance Staff**

In its first set of results since announcing the merger with Hunt Leuchars & Hepburn (HLH), Bonuskor has reported earnings a share for the year to March up 170 percent to 101,8c.

The final dividend has been lifted more than 200 percent to 24c (7,5c), which, with the better interim of 9c (5c), gives a total of 33c (12,5c)

The results should be read in the context of the first full year in which the 56 percent interest in CGP Investments, holding company of Robertsons, has been brought to account The CGP stake was acquired in April last year, the same date on which the sale of the 14,4 percent stake in Total became effective

Transvaal Sugar became wholly owned in October last year The sale of the stake in Total brought a profit of R2,5 million, but this is not included in the earnings per share.

HLH has reported an attributable income increase of 28 percent on a turnover increase of 20 percent for the year

Earnings per share amounted to 48,4c (38,4c) while the total dividend was raised by 24 percent to 10c

Huntcor, whose only investment is its holding in HLH, increased earnings per share by 27 percent to 95,4c A total dividend of 36,5c (29,25c) has been declared.

special situations.

249

# Premier trading profit up 32% to R205,5m

STD 17/5/88

JOHANNESBURG — The Premier group has had an excellent year with after tax profits up by 48 per cent to R161,3 million (R108,8 million) while trading profit was up by 32 per cent to R206,5 million (R156,5 million).

Earnings per share rose by 36 per cent to 317c per share (233c).

Dividend for the year moved up by 33 per cent to 140c a share (105c) while the final dividend was 90c (69c).

Group turnover was up by 19 per cent. Turnover rose by 19% to R3 204 million from R2 690 million the previous year.

The chairman, Mr Tony Bloom, said in his annual review that the good results had been reflected by all the group's divisions, subsidiaries and associated companies.

He said that the turnover increases that had been reflected in the four major listed food companies indicated that price inflation in basic food products had been kept well below the rate of inflation.

He said that as dividends had passed 135c a share, the prefrerred ordinary shares automatically converted to ordinary shares.

Mr Bloom said that in the Premier group it had been calculated that inflation on its shopping basket of food products had been about 11 per cent.

Premier Foods had posted imporved earnings with the broiler division back in profitability. The restructuring of the Ovenstone fishing interest had gone well and managment had produced "very satisfactory profits".

Investments in both South African Breweries and CNA Gallo had posted good returns in line with their good results

Twins Pharmaceuticals produced, on an annualised basis, profits of over R30 million and Mr Bloom felt the outlook for the industry was promising.

He said Gresham Industries had a good year with an earnings increase of 52% on an annualised basis. It had a takeover in the pipeline of the South African Pharmaceutical Development Corporation, which was awaiting approval from the Competitions Board.

Mr Bloom said the Premier group's balance sheet was in an excellent state with all financial objectives having been met Gearing was at 22 per cent while working capital had been very effectively maintained.

As far as the future was concerned, Mr Bloom said further good progress should be made during the year, subject to stable industrial relations and no further deterioration in the economic and political environment. —Sapa

CAPE TIMES 13/5/88 (.249)

# ICS shows 41% rise in profits

JOHANNESBURG — The ICS (Imperial Cold Storage) group has posted a 41% increase in attributable profits of R25,1m for the six months to March 1988, confirming the strong recovery trend reported at its last year-end

In a statement yesterday, ICS said that the results, off a stronger base, show earnings per share at 77,7c — up 17% — notwithstanding the creation of 5,4m more shares following the conversion of half the preference shares during the year

However, measured on the number of ordinary shares in issue prior to the conversion, the increase in earnings per share was 33%

The reduction of 12% in the tax charge arose from the utilization of assessed losses from previous years, and from the change in the basis of accounting for defered taxation

A dividend of 15c a share, up 15%, has been declared

Turnover, at R837,9m, was up 16% Volumes increased by 4%, while operating profit was R28,6m, an increase of 14%

Commenting on the results, MD Russell Chambers said "Improved efficiencies and cost controls resulted in increased margins

"However, this did not apply in the fresh milk operations in Cape Town and Clayville, due to severe price competition, or in fresh meat, where margins remained under pressure because of high producer prices

"Our associate companies took advantage of improved market conditions to increase profits "

Chambers expects the company to "continue showing further improved results" in the next six months

As disclosed in the 1987 annual report, ICS has changed from the comprehensive to the partial method as the basis of accounting for defered taxation The change will not affect comparative figures, and a restatement is unnecessary

The effect for the half year has been to reduce the tax charges, adding R2m (equivalent to 6,3c per share in earnings) to the bottom line, the statement concluded — Sapa

# Edgars exceeds expectations with 50% rise in profits

JOHANNESBURG — Edgars Stores exceeded expectations in the 12 months to end-March with a 50% rise in earnings to 141,7c a share from 94,7c in the previous financial year

This has allowed the final dividend to be lifted to 37,5c (29,2c), raising the total by 34%, to 53,5c (40c)

Cover has been widened to 2,6 times — according to a statement on the results, "in anticipation of the dilution which will occur on the conversion of the automatically convertible debentures to ordinary shares"

Pre-tax profit climbed from R77,7m to R117,7m on 27% higher turnover of R1,2bn (R929,7m).

Attributable income rose from R40,8m to R61m and net asset value was up more than 20% from 409,8c a share to 499c

CE Vic Hammond, says in yesterday's statement that by concentrating in the areas it knows best, maximizing resources and tightening its focus on specific categories, the group was able to assist its two main chains (Edgars and Sales House) to increase market share in the year

The statement says that, besides the opening of new stores and upgrading of existing outlets, a major development has been the move into speciality stores "a trend that has gained wide acceptance overseas"

Turning to the balance sheet, Hammond points out that with negligible gearing and tight cash management there was considerable scope for expansion

He notes that "While acquisition opportunities were limited, there was still enormous scope for organic expansion

"The opening later this year of the largest store in the group to date, the 17 000m² Edgars outlet in Pretoria, is expected to be followed by extra sales of more than R100m in its first year"

A major challenge remains the financing of the debtors book as turnover increases

In the year under review working capital requirements rose by more than R300m and an increase of another 20% in expected in the current year

On the manufacturing side, Hammond says "It is pleasing to see the Celrose textile operation beginning to establish itself as a solid supplier to third party buyers — both here and overseas — as well as to group companies

"It is already testing the possibility of a significant expansion in production which will have a minimal impact on fixed cost overheads" — Sapa

# Afrox lifts profits by 25%

**Financial Staff**

AFROX has reported a 25% increase in earnings per share for the six months to end-March

According to chairman and MD Peter Joubert, growth in the second half should match the first six months

The interim dividend has been increased from the 24c recorded last year to 30c

Earnings per share moved from 53,4c to 67c following a rise in turnover of 26% and an increase in trading profit of 41%

Profit attributable to shareholders moved up from R15,7m for the same period last year to just over R20m this year

Joubert says that the improved profit was the result of greater market penetration, the development of new applications and a continued tightening of controls on costs

"Our smaller businesses are making an increasing contribution to our overall business mix which is changing to a higher percentage of specialized applications"

# Sappi predicts better profits

Cape Times 10/5/88

249

**Financial Staff**

SAPPI'S chairman Tom de Beer is bullish about the giant pulp and paper company's prospects for 1988

Speaking at Sappi's AGM held in Johannesburg yesterday, De Beer gave shareholders some indication of the latest trends in the business

He said "The flash results for the first four months of the current reporting period indicate that Sappi's attributable profits are more than double those attained in the same period last year

"While I do not expect this rate of growth to be maintained for the full year, I expect earnings for the eight-month period to be significantly better than in the comparable period in 1987"

As far as markets are concerned, De Beer noted that the domestic pulp and paper markets have shown encouraging signs of growth.

"The decision to go ahead with the R70m expansion of Novobord's facilities and create a state of the art particleboard plant in the Eastern Transvaal, looks as though it was well-timed and the plant should come on stream in time to benefit from the boom in housing which is expected later this year and early next year"

He added that in international markets prices continue to rise

"Bleached kraft pulp is now trading at 30% about the dollar prices attained in the same period last year in the contract market, while in the spot market prices are 50% above last year"

He told shareholders that linerboard prices are 20% above those achieved in 1987 and fine paper prices have shown a steadily increasing trend with a further 10% price increase in the first quarter of this year

With the rand declining against the dollar, De Beer said that the current level of the rand value of exports is significantly higher.

In the domestic market price increases have been modest after the rapid rises in 1986/87

He added that the commissioning of the new turbine at Ngodwana, which is scheduled for August this year, should introduce greater stability in the mill and add a further 15c a share to earnings in a full year

He repeated that the introduction of minimum tax on companies will not affect the group's dividend policy and reiterated that Sappi will continue to cover its dividend 2,5 times by attributable earnings

Sappi, which has indicated that it will be changing its financial year to August 31, to coincide with that of its holding company, Gencor, plans to rephase its dividend payments so as to minimize the impact of changed dividend payment dates on shareholders income stream

For this reason no interim dividend will be paid for the current period, but a final dividend for the eight months ended August 31, 1988 will be paid in October

Future interim dividends will be paid at approximately the same time as the final dividend was paid in the past, that is in April

**London stocks afterhours** Blyvoors 538, Bracken 125, Driefontein $10\frac{3}{8}$, E Rand Pro 5, Freegold $8\frac{5}{8}$, Grootvlei $1\frac{1}{2}$, Harmony 7, Leslie GD 133, Randfontein $71\frac{1}{4}$, Southvaal 33, Stilfontein $4\frac{1}{8}$, Venters $2\frac{3}{16}$

| | |
|---|---|
| **Commodity Index** | **1728,3** |
| **Platinum** | **$527,00** |
| **Palladium** | **$122,00** |
| **Raw Sugar** | **£120,90** |

# Prospects brighter for Pick 'n Pay — Ackerman

Cape Times 10/5/88 249

By LAWRENCE TOTHILL
Investment Editor

PICK 'N PAY's prospects for the year ahead are brighter than they have been for some years, says chairman Raymond Ackerman in the company's annual report

He confidently forecasts growth in profits of an even greater percentage than achieved last year

Since the earnings per share as well as the dividend increased by about 22% in the past year, shareholders might expect earnings per share in the current year to rise from 67c to perhaps 83c, while the dividend might rise from around 33c to 40c

Pick 'n Pay is celebrating its 21st anniversary this year and it has proved to be one of the best stocks as far as growth in earnings and dividend are concerned throughout its period on the JSE

Spelling out the policy of the company, Ackerman says, it "is to keep to what we know best and to expand our business by organic growth".

This growth is spelt out in the number of new stores which will be opened in the current year as well as those which will be refurbished

While saying that the company's mission is consumerism and simply interpreting the needs of customers, Ackerman recognizes trade unions and the need for collective bargaining in respect of wage increases and working conditions

"Although we have not been immune to problems in the workplace, the strenuous efforts we have made over the past few years have been worthwhile and we have recently concluded our wage negotiations for the coming year on a basis satisfactory to both parties," said Ackerman

Statistics provided in the report show that Pick 'n Pay's total trading area is 276 173 m² and the company has 24 072 employees — a formidable taskforce

More important than the pure statistics is their interpretation

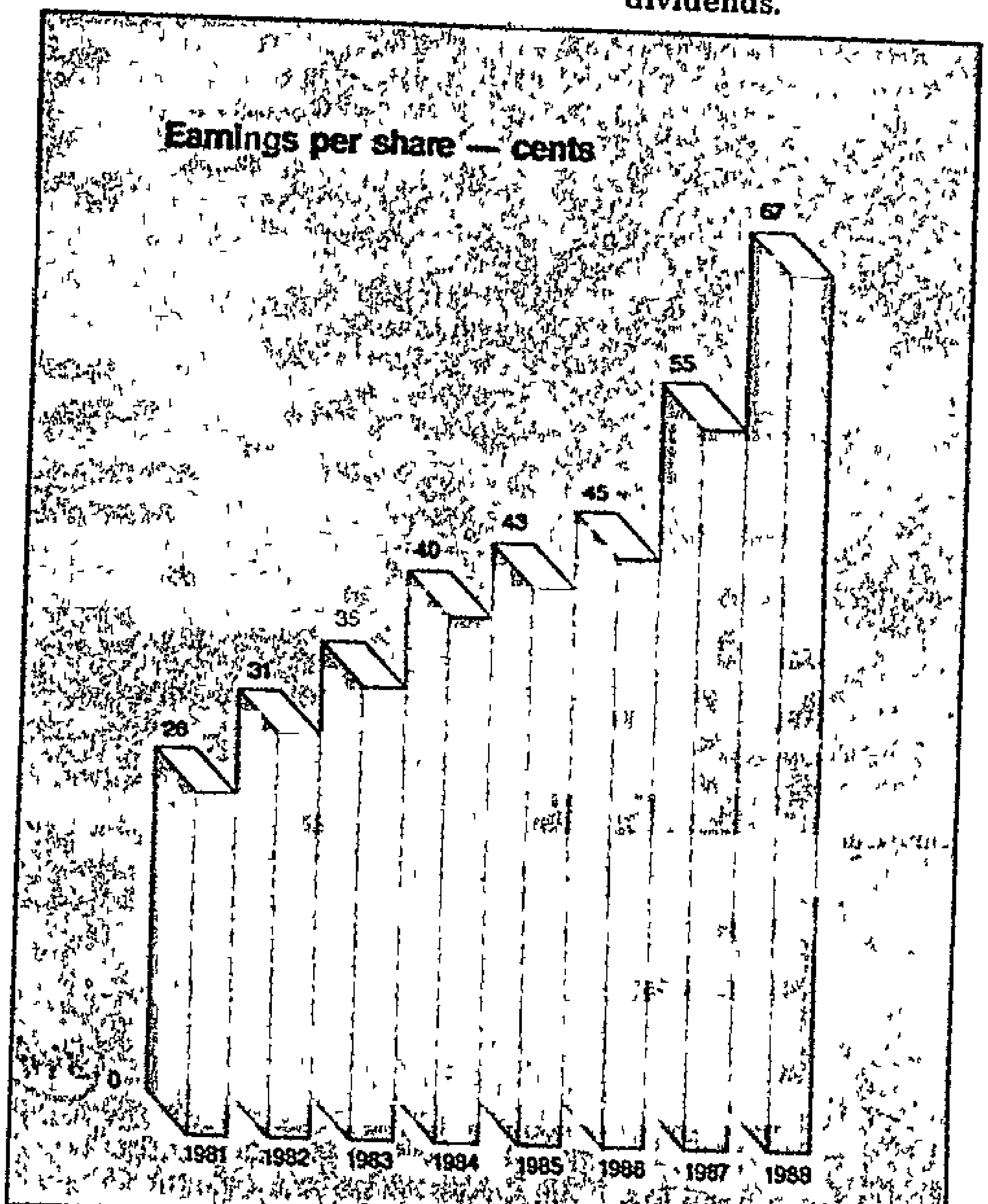
For example the group's turnover which was R5 953 per m² in 1981 rose to R8 950 per m² in 1985 and to R11 164 per m² in 1988

Raymond Ackerman

Profit per employee gives the picture that in 1981 each employee produced a profit of R2 784 for the company. This rose to R3 872 in 1985, took a hiccup down to R3 690 in 1986, but in 1988 jumped up to R4 652

A breakdown of the wealth created by Pick 'n Pay (R637m), shows that the State took the largest portion in various taxes at R337m and employees were the next most important, being paid R225m.

By contrast shareholders received a more modest R26m by way of dividends.




The reliable performance of Pick 'n Pay over the years is clearly shown in this graph of the company's earnings per share over the period 1981 to 1988.

Business Report

# PPC profits surge, div sharply higher

Cpt Times 9/5/88 2-9

From LIZ ROUSE

JOHANNESBURG — Pretoria Portland Cement's (PPC) profits have surged with a sharp upturn in the construction industry in the six months to March

PPC earnings are way ahead of market forecasts and the interim dividend has been raised by 56% to 25c from 16c — thanks to the higher profits and a decision to reduce the disparity between the interim and final dividends

Bottom-line profits are up 42% to R31m from R21,9m, equivalent to earnings of 79,6c a share compared with 58,4c previously — an increase of 36% after taking into account the dilution following the recent conversion of some of the outstanding debentures.

The strong interim results sprang mainly from a signficant improvement in the cement division's performance, a sharp drop in finance costs and an increase in investment income.

The prognosis for the full year is a satisfactory increase in earnings over 1987.

Turnover for the six months rose by 17% to R261,2m from the previous comparable half-year's R222,4m — with the cement division accounting for most of the increase, thanks to higher volumes, prompted by increased economic activity

Group operating profit was 25% up from R44,8m to R55,9m.

It is clear from a divisional analysis in the interim report that cement margins were up in the half year, although Wrogemann points out that cement price increases were below the rate of inflation and, to a degree, offset by increased costs of administered services, such as railage.

PPC's interest bill came down by R3m from R5,6m to R2,6m — a drop of 53%, reflecting the lower borrowings now that the bulk of the group's capex programme is behind it

Investment income rose to just under R7m from R4,7m, which Wrogemann ascribes to satisfactory improvements in the performances of associated companies.

Tax took R28,4m compared with R21,4m in the previous half year.

The balance sheet is even stronger than last year, showing that PPC is well poised to take advantage of any opportunities which may arise Gearing is low, with the debt-equity ratio down from 10,3% to 6,7%

# Rand Mines' profits drop 18%, to R68,4m

Cape Times 6/5/88 249

By LAWRENCE TOTHILL
Investment Editor

RAND MINES has had an extremely difficult half-year to March 1988, with an 18% drop in bottom-line profits from R83m to R68,4m.

This is equivalent to earnings per share of 610c (740c), but the mining house has maintained an interim dividend of 105c.

The fall in earnings comes as no surprise to the market, which is aware of the difficulties that confronted the group in the six months, including:

- Tonnage, cost and grade problems at Harmony Gold Mine, which recently had to pass its interim dividend
- A weaker performance by Witbank Colliery, which saw its after-tax profits drop in the six months, mainly as a result of increased rail tariffs and a 7% stronger rand.
- A continued weak property market, which limited the contribution from the property division of subsidiary Rand Mines Properties, but stronger results from sand treatment offset this.

For the rest of the year, Rand Mines expects improved performances in the coal and property divisions. While earnings for the full year are expected to be lower than last year, the percentage decline will be less than the 18% for the first half

Turnover to March was marginally lower at R386m (R390m), but operating profit dipped from R119,3m to R94,6m Dividends from investments were almost halved from R22m to R11,4m, showing the effects of a passed dividend from Harmony and underlining what a key investment component it is to Rand Mines

After taking exploration expenditure of R5,2m into account, against R8,3m, Rand Mines was left with pre-tax profits of R100,8m (R133m)

The balance sheet shows long-term loans up from R367,5m to R406,7m, and an increase in outside shareholders interest from R81,9m to R260,4m.

The effects of the October 1987 JSE crash — which, as shown in the last annual report, reduced the value of the group's listed investments by 36% before the end of November — comes through in net asset value, which drops from 11 585c to 8 175c per share.

# Ocfish income surges by 123%

CAPE TIMES 5/5/88

By AUDREY D'ANGELO
Financial Editor

OCEANA FISHING GROUP (Ocfish) lifted net operating income for the six months to March by an impressive 123% to R23,9m (R10,7m) and earnings by 60% to 141,1c (88,3c) a share The interim dividend is 64% higher at 45c (27,5c)

Turnover was 54% higher at R127,8m

In spite of escalating costs, net income after tax, including income from associated companies rose by 53% to R15,2m (R9,9m) and attributable income to R12,8m (R8m)

The year has got off to a good start for Oceana and other fishing companies because of a 200 000 ton increase in the anchovy quota, bringing the total allowable catch in SA waters to 500 000 tons

But Oceana chairman and CE Walter Lewis said yesterday that the increase in earnings in the first half of the financial year was due mainly to improved efficiency and to a considerable carry-over of fish meal and oil from the previous season — most of which was sold in the period under review

"The group maintained and improved its past performance," he said

It is still able to export lobster products, the range of which has been extended, and has found new markets for these

"As a result of these steps and continuing demand from local and international markets the group should be able to dispose readily of all its output at favourable prices," Lewis continued

"Landings of pilchard and anchovy to date, and yields of fish meal and oil, are satisfactory The group has already completed the catching of 89% of its total rock lobster quota No difficulty is anticipated in completing the quota"

Lewis said he estimated group earnings for the year to September would be in the order of 240c, assuming that performance in the second half was in line with projections

As previously reported, Sea Products (SWA), in which Oceana has a stake lifted net income by 22% to R4,8m (R4m)

The directors say the Blue Continent group "continued to perform satisfactorily with encouraging results from the trading and shipping divisions"

# Tafelberg lifts profit

Star 5/4/88

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Finance Staff

Tafelberg Furniture Stores yesterday reported a sharp rise in taxed profits of 97 percent to R648 082 (R329 412) for the ten months ~~to February~~.

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A final dividend of 1,6c has been declared, bringing the total for the year to 2,6c.

The profit improvement was 8 percent higher than the prospectus forecast made before listing in April last year

Turnover of the Cape-based chain rose 39 percent from R13,9 million for the corresponding 10 months in 1987 to R19,311 million Operating profit virtually doubled to R1,262 million (R658 824). Earnings per share of 5,2c were ahead of forecast

Cit Times 5/5/88 (249)

# Afcol pays 30% higher dividend

JOHANNESBURG — An increase of more than 30% in Afcol's final dividend to 40c (30,5c) has lifted the total for the year to end-March by 45% to 72,5c (50c), the company's annual results show

The much improved payout has been made possible by earnings up 44% to 144,8c a share (100,4c)

Attributable profit rose to R35m (R23,8m)

The directors say in comment with the results that the strong growth in turnover (up 31% from R388,5m to R510,2m) has been maintained

They say "The rate of growth in private consumption expenditure is expected to slacken somewhat in the coming year, as a result of rising interest rates and likely action by the authorities to dampen credit demand

"Provided this does not result in serious setbacks attributable earnings are expected to show further improvement, but at a lower rate than that achieved in the past year" — Sapa

Business Report

# The Board boosts profits despite stockmarket crash

CAPE TIMES 5/5/88

249

By LAWRENCE TOTHILL
Investment Editor

THE Board of Executors has increased its earnings per share for the half year to March 1988 by 22% from 10,8c to 13,2c in spite of the stockmarket crash.

It has also increased the interim dividend by 20% from 5c to 6c.

After-tax income rose by 103% from R606 000 to R1 231 000, but some of the increased profit has been applied to service interest on the 5,6m convertible loan stock units issued in September 1987.

The Board's chairman, Paddy Wilson, said that the October collapse of world stock exchanges and the subsequent sharp decline in share prices on the JSE had impacted adversely on revenues earned from portfolio management — the core of The Board's traditional business.

"Against this background the increase in earnings per share of 22% is indicative of the strong performance from other activities within The Board's diversified range of financial services," he said.

This highlighted the success of The Board's strategy in recent years of expanding its activities from those of a traditional trust company to incorporate a wider range of financial services to both private individuals and corporate clients.

Wilson singled out the performance of The Board's property and money market activities as having been "particularly pleasing" in the period under review.

The Board was continuing to increase its property involvement and was currently engaged in a private placing of R50m worth of linked units in Boardprop, a property owning company due for listing on the JSE on June 13.

He said that higher interest rates were likely in the short to medium term and both The Board's money market and its participation bond scheme were well positioned to take advantage of the trend

The six months to March 1988 is the first full period after the issue in September 1987 of the convertible loan stock units

While noting that income does not accrue evenly throughout the year, Wilson forecasts satisfactory growth in profits for the full financial year.

# Metal Box SA shows growth

Cape Times 5/5/88 249

**LAWRENCE TOTHILL**
**Investment Editor**

AHEAD of the Nampak deal, Metal Box SA, in what is probably its swan-song, has announced a continued high rate of growth for the first half of the current financial year with operating profit up by 33% at R56m (R42,1m).

The net attributable profit for the half year is R34,6m (R27,2m) and earnings per share 50,8c (39,9c).

The interim dividend has been raised to 16c (12c) a share

Nampak, already a majority shareholder of Metal Box has made an offer to acquire the 25% holding in Metal Box SA held by the British Metal Box PLC, and is making a similar offer of R8,60 a share cash or 35 Nampak shares for 100 Metal Box shares to the minorities.

If accepted Metal Box SA will become a wholly-owned subsidiary of Nampak and will disappear from the JSE list.

Sales in the six months experienced strong growth rising to R574m (R488m)

Commenting on the results, MD Peter Campbell says, "I find it particularly pleasing that most divisions contributed to the better performance through higher sales volumes and better productivity, with operating profits up by 33% on an 18% rise in turnover.

"Current trading suggests that the growth in earnings should be maintained in the second half of the year."

A non-recurring amount of R11,8m has been provided below the line to meet settlement of foreign loans resulting from a long-standing guarantee

The balance sheet remains strong, with borrowings standing at only 8% of shareholders' funds.

Cash resources have shown a considerable decline and a R28m outflow is reported as being due the payment of tax.

# CNA-Gallo increases earnings 74 percent

STAR 24/5/88

(BD) 24-5

By Ann Crotty

An outstanding second-half performance from CNA helped boost turnover at the CNA-Gallo group by 22 percent to R429,8 million from R352,6 million in the 12 months to March

A sharp increase in group operating margins and a surge in liquidity helped translate this into a 74 percent surge in earnings to 73,6c (42,2c) a share A final dividend of 23c (14c) a share has been declared, bringing the total for the year to 29c (18c)

While the entertainment division, which deals with the production and distribution of music and video tapes, was the star performer at the half-way stage, the second six months saw the retail division (CNA) enjoying strong benefits from the Christmas and back-to-school periods

MD Doug Band says the retail division was the outstanding performer at both the profit and turnover levels, adding "The Gallo Entertainment Division, including the recently listed Video Lab Holdings, together with support and associate companies, all showed strong profit growth."

On the 22 percent increase in turnover, operating income was up 55 percent to R36,9 million (R23,8 million), reflecting the surge in margins from 6,7 percent to 8,6 percent The improvement in margins was due to better capacity utilisation in group manufacturing interests and to tight management of mark-downs and shrinkage

The improvement in margins was achieved despite the decision to increase substantially expenditures in the marketing and sales areas and the extra costs associated with expanded late-hour trading at CNA

The tighter asset management boosted trading cash flows and this, combined with the surplus of R5 million from the sale of properties, raised liquidity and allowed the group to cut back its interest bill to R181 000 (R2,4 million)

Taxed profit showed a 69 percent increase to R20,6 million (R12,2 million) Added to this was a R4 million contribution from associated companies, which was 79 percent up from the previous year's R2,2 million

The balance sheet shows the excellent position the group currently enjoys and indicates that it is poised for organic or acquisitive expansion

Tighter asset management is reflected in the inventory level, which is up only 15,7 percent. And the massive improvement in liquidity can be seen in the surge in loans to the group's holding company from R2,6 million to R28,8 million. In addition, cash holdings are up to R6,2 million (R4,5 million) and medium- and long-term borrowings are down to R4,6 million (R6,5 million)

## Dramatic turnaround in second half

# Suthsun lifts profits fourfold

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Cape Times 3/5/88

**From MERVYN HARRIS**

JOHANNESBURG — Southern Sun Hotel Holdings (Suthsun) should surprise the market by its dramatic turnaround from a first-half loss to a fourfold increase in profits over the previous year

Boosted by better-than-expected occupancies from a buoyant local economy and a rise in foreign tourism, the country's largest hotel group turned a first-half loss of 5,4c into earnings of 14,9c (2,7c previous year) a share for the year to March

The final dividend has been raised from 2c to 10c a share, the highest dividend payout in three years, and MD Bruno Corte is cautiously optimistic over prospects for the current year

Shareholders should, however, expect a small seasonal loss in the first half of the new year, he says

The peak holiday season in the second half of the year lifted occupancies to 61% against 54% in the same period a year ago, giving the group an average occupancy of 57% for the year compared with the industry average of 54%

This was reflected in the 19,5% turnover rise from R262,9m to R314,2m The big improvement came, however, at the operating level where better margins enabled profits to jump 46% to R58,3m (R39,9m).

The continued impact of inflation on operating costs is expected to exert additional pressure on margins in the current financial year.

After deducting R44,2m (R31,1m) for rentals and leasing charges and R8m (R9,4m) for interest paid, pre-tax income was R6,1m against last year's R600 000 loss

Improved earnings from both Sun International and Southern Sun Timesharing and with TFC returning to profitability, the group's share of earnings of associated companies more than doubled from R4,3m to R9,3m

Bottom line earnings jumped R8,5m, from R1,9m to R10,4m.

Investment in refurbishing the group's properties, particularly the Holiday Inn group, sharply increased, including short dated preference shares

However, Corte says the year-end gearing ratio of 34% (28,4%) is well within the group's self imposed constraint of 50%

The group now seems firmly back on the recovery trail after two tough years But it still has a long haul ahead to match 1984's earnings of 53,1c a share and the dividend payout of 40c a share.

# Verref lifts pre-tax profit

Star 31/5/88 (249)

Vereeniging Refractories improved earnings a share to 196,1 cents (156,6 cents), for the year to end-March.

Attributable earnings rose 25 percent from R8 million to R10 million on after tax profit of R13,4 million (R9,1 million)

Pretax profit was up 54 percent at R22,8 million (R15,6 million) on turnover of R206,7 million (R165,3 million). Tax rose to R10,4 million (R6,5 million)

The higher final dividend of 51c (44c) has boosted the year's total from 65c to 75c, with cover slightly widened to 2,6 (2,4) times — Sapa.

# Longrail increases taxed income 209%

Star 3/5/88

Listed In March last year, Longrail has boosted taxed income by 208,8 percent off a turnover increase of 41,1 percent in the year to February.

A statement yesterday on results for the group, which has subsidiaries in both the regulated and deregulated sectors of the transport industry, did not disclose turnover.

The increase was calculated on the basis that interests in subsidiaries were held throughout the current and comparative accounting periods.

Taxed income rose from R1,2 million to R3,8 million and earnings a share were 42 percent up from 5,2c to 7,4c.

Earnings per share climbed 23 percent on the forecast for the year of 6c.

Following an interim dividend of 1c, the final dividend of 2c makes a total of 3c.

Acquisitions during the year resulted in the group more than doubling in size.

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## CASH PAYMENT

An 80 percent stake was taken in Cape Town-based DJ Breytenbach Transport in March last year.

Payment was by way of an issue of 797 100 shares and a cash payment of R450 000.

In July last year the company acquired all of Railit for R4,6 million via an issue of 30 million shares.

Joint managing director, Marius Els, said the company was looking to sustained organic growth for the coming year and was not actively looking at further acquisitions. — Sapa.

# All expectations exceeded . . .

Cit Times 2/5/88

# Pepkor share earnings up 331%

269

THE sweeping changes made by the retail investment holding company Pepkor have had spectacular results, the company said in a statement yesterday

The group's audited results published today, reveal net profits of R39,2m for the financial year to February 29, 1988, compared to the R7,2m of the previous 12 months

Operating profit is up from R55,8m to R71,8m

In spite of the number of shares in issue rising from 8,4m to a weighted average of 10,6m as a result of the rights issue held in July of last year, earnings per share rocketed from 85,9c to 369,9c, an increase of 331%.

While the turnaround in the group's fortunes was already evident at the half-way stage — with the group chalking up attributable profits of R12,6m — the performance of the second half — which saw attributable profits of R26,6m — has exceeded all expectations

At the interim, chairman Christo Wiese anticipated a final dividend of between 50c and 60c a share in fact, the group has declared a final of 93c, bringing the total for the year to 130c.

The balance sheet has also been transformed beyond recognition

Debt including repayable outside preference share capital has plummeted from R139,2m to a mere R14,3m against permanent capital of R176,7m and, in addition, the group has R100m in cash on hand

The debt equity ratio now stands at 6,3% against last year's 134,8%

Although the sale of the non-core business resulted in group turnover increasing only marginally, from R876,7m to R939,2m, the businesses retained by Pepkor increased their sales by a hefty 29%

The reduction in debt naturally had a substantial positive impact on the bottom line with finance charges dropping by 58% from R40,6m to R17,2m

Two principal factors contributed to the outstanding turnaround the group's new focus as an unencumbered, cash-rich investment holding company and the outstanding performance of its two main subsidiaries

Last week, Pep stores — 87% owned by Pepkor — reported a 44% increase in earnings

Shoprite — Pepkor's 79%-owned food retailing outlet also published its results last week, posting an 86% rise in earnings to R5,1m

Wiese said "An aspect of the business which has caused me particular pleasure is the fact that while other retailers and textile manufacturers are reported as intending to lay-off substantial numbers of staff, we, as a group, succeeded in creating an additional 800 new jobs in the year.

"Indeed, our planned growth for the current financial year should again enable us to take on several hundred new employees" — Sapa

# Debonair delights

Star 12/5/88

249

Finance Staff

Cape-based bedroom and household textiles manufacturer Debonair group has increased both turnover and earnings by 162 percent for the year to end-February 1988.

The company's results published today shows turnover, up from R5,8 million to R15,2 million, while earnings per share have risen from 3,3c to 8,5c, despite the weighted number of shares in issue rising to 12,9 million against last year's 8 million.

The board has proposed a maiden dividend of 3,5 cents per share for the year

Pre-tax profits for the year of R1,96 million have increased by 488 percent, which, after tax, has increased the company's distributable reserves from R365 000 to R1,49 million.

Debonair MD Ian Foster attributes the much improved results largely to improved trading and the absorption of Transvaal-based household linen manufacturer Dreyer and Stratham.

Foster believes that the current economic upswing will continue throughout the current financial year and is thus optimistic that Debonair will maintain its growth path.

"In addition, we plan to continue seeking suitable acquisition opportunities with an eye to achieving further market penetration and broadening our product range" subsequent marketing of platinum num," says Buchan.

Cape Times 29/4/88

# OK Bazaar lifts profits by 31,8%

From CHERILYN IRETON

JOHANNESBURG. — OK Bazaars' commendable rise in profits for the year to end March underline the upturn in consumer spending

An increase in demand for big ticket items filtered through to attributable profits, which at R19,9m (1987 R15,1m) are 31,8% higher than those earned in the 1987 financial year

This tranlates into earnings of 162c a share (123c), from which a total dividend of 89c a share has been declared The dividend represents a distribution of 55% of earnings, against 59% in 1987, and reflects the move towards the targeted payout of 50%

Commenting on the results, MD Gordon Hood said a reasonable improvement in the economy fed through into the retail sector and more particularly in to big ticket business

Together with the increase in hire-purchase demand, this resulted in particularly good sales in the first and fourth quarters

In all sales rose 20,8% to R2,9bn from R2,4bn But for the first time OK has provided a turnover figure which increased 21,2% to R3,1bn. Turnover reflects all items that have gone through OK's tills, including such items as meat sales from its leased butcheries and finance charges.

The results are more or less in line with market expectations, although some analysts believed greater progress would be made towards strenghtening the balance sheet, and particularly the gearing ratio which rose marginally to 0,49 from 0,48 at the 1987 year-end

Hood says the foundations have been laid to improve this in the current year.

"We have taken very positive steps to implement our plan which should pull our interest bill down and improve our borrowing situation "

At the year-end interest bearing debt had risen from R171,3m to R180,1m

Based on yesterday's closing price of R12,00, OK now stands on a price earnings ratio of 7,4 times

The share yields 13,5% on earnings and 7,4% on dividend compared to the retailers and wholesalers sector which offers an average return of 8,1% on earnings and 3,3% on dividend.

Commerce Department efforts to promote invest-

Sharp rise in earnings . . .

# Nedbank Group posts 50% higher profits

CAL TIMES 29/4/85

269

From HAROLD FRIDJHON

JOHANNESBURG — Nedbank Group has published exceptional results for the half-year ended March with taxed profit more than 50% higher at R93,4m and with the interim dividend up 2c a share to 13c from 11c.

Net earnings rose sharply to 59,9c a share from 37,2c

The present interim is covered 4,2 times Last year's interim was covered 3,2 times and total payout was covered 2,6 times

This suggests that the final dividend for this year will be much higher than last year's 22c a share

In their report, the directors say that prospects for the balance of the financial year are promising and that the improvement in profitability will be maintained

Operating income rose to R140,6m from 107,2m and the bad debt provision was reduced to R26m from 29,9m

The increase in profits would appear to be a paradox as advances showed only a marginal growth to R10,1bn from R9,7bn

CE Piet Liebenberg said that this apparent anomaly resulted not only from tighter management control with a stringent grasp on costs but also from converting non-performing assets into performing assets

Loans and advances which had gone sour during the past difficult years had in many cases been swung around.

Liebenberg said that Nedbank MD Anton van der Merwe-Vance and his team had done an exceptional job and that the profit figure represented excellent asset management

The balance sheet was clean, Liebenberg added, with all the previous problem areas a things of the past

Contributing substantially to profits were improved results from the Treasury and from fee-earning in corporate business There had not been excessive off-balance sheet transactions

Nedbank, responsible for two thirds of the net profit, exprienced intense pressure on margins, particularly on corporate business

The lower yielding wholesale advances increased significantly but retail and commercial advances were below budget

A strong increase in home loans is expected

The other subsidiaries, with the exception of Finansbank had given a good account of themselves, with Nedfin trebling its profit and UAL increasing its net to R12,7m from R11,1m

## Expanding market penetration

# Pep Stores posts 44% higher profits

Cape Times 28/4/88 249

**By AUDREY D'ANGELO**
**Financial Editor**

PEP STORES — the huge Cape-based retailing and manufacturing group — has lifted attributable profits for the year to February by an impressive 44% to R58,9m (R40,8m). Earnings have risen to 128,9c (89,4c) a share

Turnover rose by 28% to R648,5m (R507,5m) and operating profit by 32% to R70,3m (R53m) — indicating a widening of margins

The interest bill was 54% lower at R2,3m (R4,9m) but the tax bill was 50% higher at R9m (R6m).

Because the erosion of assessed tax losses will mean an increase in the group's tax rate over the next three years, the directors have adopted a conservative dividend policy The final dividend of 29,5c brings the total for the year to 48c (40c) covered 2,7 times

Part of the growth in profit and turnover has come from the opening of 66 new outlets during the year. This brings the number of stores in the group, which includes the Pep Stores and Ackermans chains, to 655 with nine manufacturing units under its control.

The directors say the expansion was achieved in spite of serious problems in procuring adequate supplies of textiles, and has created an additional 200 jobs

Pep Stores MD Basil Weyers said yesterday that the rapid expansion would be continued in the current financial year.

"While we expect to maintain the growth pattern experienced by the existing business in the past financial year we are also planning to open at least 24 Pep Stores and 20 Ackermans outlets, thus increasing our market penetration further.

"Clearly the country's increasing population and rising standards of living, particularly among the lower-income groups, present us with excellent growth prospects for many years to come."

Increase in

PO Box 623

Marshalltow

COMPANIES

ARGUS 28/4/88

(249)

# Pep Stores div payout up 20 percent

FACED with a major expansion programme and the end of its tax holiday, Pep Stores is cautiously raising its final dividend by 5c to 29,5c a share.

Total payout for the year to February 29 is up 20 percent to 48c (40c).

Managing director Basil Weyers says the group plans to open "at least" 24 Pep and 20 Ackermans outlets this year.

The group opened 66 new outlets during the year, creating jobs for 200 people. This brings the total number of stores in the Pep/Ackermans chain to 655. The group also has nine factories.

The board cautioned at the interim stage that the erosion of assessed losses would result in an increase in the group's tax rate and opted for a conservative dividend policy as a result.

The Cape-based retailing chain boosted turnover by 28 percent to R648-million and operating profit by 32 percent to R70,3-million.

Net profit jumped by 44 percent to R58,8-million, which translates into earnings of 128,9c a share (89,4c).

Wednesday, April 27, 1988

Business Report

CM Times 27/4/88

# Drop Inn profits boast 58% boost

269

By LAWRENCE TOTHILL
Investment Editor

THE highlight of the Drop Inn results which are published today is the turnaround in the fortunes of its Transvaal acquisition, Benny Goldberg's, which turned in a pre-tax profit of R1,2m in its eight months under Drop Inn control, compared with a loss of R203 000 for the previous year.

Chairman Sam Berk, points out that this reflects an annualized return of 27% on the R6,6m purchase price. He attributes the improvement to the introduction of the Drop Inn management and its marketing skills.

The overall audited results of the group for the year show turnover at R86m — up 88% on the previous year's R45,7m; pre-tax profit at R5m is up 146% on the previous R2m, the after-tax profit is up 147% at R2,6m (R1m).

Earnings per share increased from 4,22c (based on the 25m share in issue) to 5,97c based on a weighted average of 43,7m shares in issue.

This is Drop Inn's first year on the JSE, and ignoring the Benny Goldberg influence, the results of the group subsidiaries, including several property and trading companies acquired on March 1, 1987, reflect a very satisfactory increase of 71% in turnover and 58% in pre-tax profits

In line with the forecast in the prospectus a maiden dividend of 2,6c a share has been declared.

As far as the future is concerned the directors say that provided there is no adverse change in the economy, the trading results for the six months to August 1988 will continue to reflect sustained growth.

# Franchising boosts Romens' profits

CAPE TIMES 27/4/88

249

**Financial Editor**

THE success of its new franchise operation helped Romens Holdings, the Cape-based men's outfitters, to achieve a net after-tax profit of R743 000 in the 12 months to February.

This is 127% higher than the after-tax profit of R328 000 the previous year. But the directors say a comparison would be inappropriate because the company has existed in its present form only since March 1987.

The results reported yesterday were interim figures because the year-end has been changed to June 30 and annual figures will be reported soon.

An interim dividend of 1,25c a share has been paid and a final of 1,75c is expected to be declared in August.

The interim report shows a total turnover of R7m, of which R5,8m came from the retail operation.

The wholesale turnover was R974 000 and the export turnover R284 000.

The company was listed last year in the development capital market (DCM) sector of the Johannesburg Stock Exchange. Before the listing it consisted of two retail outlets and a wholesale operation supplying some other outfitters as well as its own stores.

Now it has six franchised operations in the Western Cape and Namibia and the directors say "substantial growth through the granting of further franchises can be expected".

Gross profit in the year to February was R2,8m compared with R2,3m the previous year.

Total income, after R185 000 derived from franchising and other sources, came to R3m. After expenditure of R1,8m and taxation of R390 000, earnings a share were 5,5c

The directors say the growth of the franchising operation exceeded expectations, leading to a significant improvement in wholesale operations, and an improvement in the sales mix boosted profits.

Export allowances helped to cut the tax bill.

Now they are looking at ways of increasing retail turnover, including the acquisition of larger trading premises.

Cape Times 26/4/88

249

# Lenco lifts profits to R8,2m

**Financial Editor**

INVESTMENT holding group Lenco, which acquired Budget Footwear, Rich Rags and the House of Monatic in the year to February, has lifted attributable profits to R8,2m from R600 000.

Doug de Jager

Earnings were 21,2c a share — above the forecast 18c — on the weighted average of 38,5m shares in issue and a maiden dividend of 5c, covered 4,25 times, has been declared.

Turnover was R120m and operating income R11,6m

The directors say the dividend was not higher because "the group intends continuing its policy of growing the business through further strategic acquisitions".

Lenco, formerly Romanda Investment Holdings, was listed on the main board of the Johannesburg Stock Exchange (JSE) in July.

It consisted only of Lysta Zip and Elvinco Plastics at the beginning of its last financial year.

CE Doug de Jager said that although the acquisition and disposal of subsidiaries, and capital expenditure, meant a cash outflow of R28m in the year, a strong cash flow from operations "reduced this to R12,5m or 35,9% of shareholders' funds."

Net asset value at the end of the financial year was 85c a share

And, anticipating a hardening of interest rates, "we will critically examine our asset management and I believe that by the end of the current financial year the group will be in a substantial net cash position with only a small balance of instalment debt outstanding."

First results after listing . . .

# NBS Holdings profits ahead of forecast

Cit. Times 26/4/88 (249

By LAWRENCE TOTHILL
Investment Editor

IN its first year as a listed company NBS Holdings has come up with profits well ahead of forecast and the dividend distribution is better than was estimated in the prospectus last year.

The results are all the more pleasing when viewed against the intense competition in the financial services sector, which has lead to rumours than non of the "building society" companies were doing very well.

Attributable profit for the year to March 1988 was R24,24m which is 15,1% better than the previous year's pro forma R21,06m.

There was a 17,6% increase in group assets to R3,29bn on March 31, while advances climbed by 21,1% to R2,72bn.

MD John Gafney says the change in the structure of NBS has altered the composition of group earnings

"Dividends now comprise a substantially higher proportion of income, which has led to a lower tax charge and increased earnings per share."

The building society still dominates the group as might be expected and in the year to March 1988 contributed 64% of the group's earnings. The diversified interests contributed the remaining 36%.

Interestingly enough Gafney indicates that in the current year these other interests will contribute as much as 48% of earnings which gives some idea of how rapidly NBS Holdings has carried out its diversification.

Earnings for the year to March 1988 translate into 42c a share against the pro forma earnings of 36,4c a share of last year. A final dividend of 11,5c has been declared which, with the interim of 7c, makes a total distribution of 18,5c for the year.

This comfortably exceeds the 17c dividend which was forecast ahead of the listing on the JSE on April 7 last year.

At the current market price of 270c NBS Holdings shows an earnings yield of 15,6% and a dividend yield of 6,9%.

ARGUS 26/4/88

COMPANY FOCUS

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# C G Smith Foods still riding wave of prosperity

From MICHAEL MENOF

JOHANNESBURG. — For the past five years, food industry leader C G Smith has risen above the recession and weathered the long drought to produce steady and impressive results year after year.

In 1982, the company posted a bottom line of R45-million while in 1987 profits had risen to R216-million.

Shareholders' interest grew from R572,4-million in 1982 to R1,4-billion in 1987, while net assets of R858-million in 1987 now total of R2,12-billion

C G Smith Foods has vast and varied interests in the South African food industry The company has a 53 percent interest in Tiger Oats which has Adcock-Ingram and Oceana Fishing as subsidiaries.

### SUBSIDIARIES

Other important subsidiaries in the group are wholly-owned C G Smith Sugar and 69 percent of Imperial Cold Storage. All companies are listed on the JSE except for C G Smith Sugar.

During the year the group successfully reversed the declining trend in operating margins and continued to apply tight asset management.

Certain of its earlier strategic decissions are now beginning to bear fruit and the company is poised to take advantage of any slight shift in consumption patterns away from basic foodstuffs and into the substitutes offered by eggs, rice and pasta, says chairman Robbie Williams.

Poultry is also expected to be important in the future and the company has increased its shareholding in Country Fair Foods, a producer and marketer of added-value poultry products from 50 to 100 percent.

### SIX-YEAR REVIEW

Tiger also acquired the outstanding 50 percent in King Food Corporation which dominates the sorghum malt market.

The group's past six-year review in the 80s reflects a consistent growth pattern which is even more remarkable considering the recession and the effects of the drought At end-September 1987, the next asset value per share was 915c. The JSE price is currently around R12.

With the rest of Africa in an advanced state of starvation and degeneration, C G Smith Foods has demonstrated that South Africa has both the know-how and the potential not only to fend for inself, but also to export its produce.

In 1987, turnover rose to an impressive R5,9-billion (R4,95-billion), with operating profit before interest of R331 million (R264 million) Interest expense declined to R58,6-million (R65,5-million)

The effective tax rate was virtually constant at 38,2 percent (37,3 percent), resulting in tax of R125,7-million (93,8 million). Profit after tax including associated companies' income was R216,1-million (R167,4-million).

### BOTTOM LINE

Outside shareholders' portion of profit was substantial (mainly Tiger Oats) at R98,7-million (R78,8-million), leaving a bottom line of R117,4-million (R87,6-million)

Earnings per share were 124,4c (97,5c) and dividends 61c (40c) Below-the-line extraordinary items, chiefly goodwill arising on consolidation of R19,4-million (R25,5-million), were deducted.

The group's substantial interests in food, fishing and pharmaceuticals all performed well

Adcock-Ingram's results were further enhanced through a minority stake in SABAX Wholesale division E J Adcock expanded successfully into the Western Cape

Oceana's sanctions-hit fishing markets, were effectively substituted and proceeds from its export sales of lobster products remained at satisfactory levels.

Imperial Cold Storage showed greatly improved results, reversing a four-year downward trend

C G Smith Sugar reported good profit growth helped by the significant recovery in the world sugar price and the weak rand, resulting in higher export realisations. All profitability ratios improved operating profit to turnover was up from 5,3 percent to 5,6 percent, return on average ordinary shareholders' equity improved from 11,6 percent to 14 percent, return on average total assets was 13,6 percent, up from 12,3 percent.

### INCREASED PROFIT

Each company produced increased profit contributions during 1987 — Tiger Foods R56,3-million (R47,8-million), Adcock-Ingram (R6,8-million (R4-million), Oceana Fishing R6,1-million (R4,7-million), Smith Sugar R29,9-million (R23-million), Imperial Cold Storage R25-million (R6,2-million)

The consolidated balance sheet was equally impressive, with total shareholders' funds standing at R1,39-billion (R1,31-billion). Working capital improved to R419,8-million (R376,2-million), which included healthy cash resources of R306-million (R307-million).

Total debt declined to R605-million (R717-million) Tax losses of R97,7-million (R65,3 million) are available to reduce future tax Capex during the year totalled R155-million (R141-million).

The impressive earnings performance is set to continue Mr Williams predicts steady earnings growth. Export earnings could affected in the short-term by a stronger rand, but this should be more than compensated for by increased earnings from other parts of the business, he says.

The group is owned 82 percent by JSE-listed C G Smith which, in turn, in owned 60 percent by Barlow Rand With the country's increasing population the food industry must continue to expand.

Fortunately, the country is self-sufficient and has little need to import food The recent soaking rains should help matters If only the world would give South Africa some credit, it could help feed the starving masses in the rest of Africa.

The wisdom of "success breeds success" certainly applies to C G Smith Foods with its increasingly healthy bottomline trend

To what extent the lavish profits have aided inflation is of secondary imporance so long as the country remains self-sufficient and keeps the wolf of starvation from the door

# Bolwear profits leap 62%

Grk Times 25/4/88

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JOHANNESBURG. — Bolton Footwear (Bolwear) has shown some excellent results with after-tax profit jumping by 62% to R4,6m (R2,8m) for the year to February, 1988.

The rise in net income means a maiden dividend of 5c and a jump in earnings per share from 13,08c to 22,78c.

Turnover rose from R78m to just under R95m.

Deputy chairman Brian Puchert says the strong performance resulted from a number of factors, but was mainly due to the efforts of management to contain costs, increase sales and as a result increase factory production.

He said: "Because of the leaner position, the company is well placed to maximize the benefits of stronger consumer demand and a shift in buying habits to better quality merchandise." — Sapa

# AAC's Tvl mines profits decline

CAPE TIMES 22/4/88 269

Investment Editor

THE operating results of the Transvaal gold mines administered by Anglo American Corporation (excluding SA Lands and Ergo) gold production for the quarter increased by 6% to 30 794 kg. The gold price dropped by almost 1% to R29 933 kg and average unit working costs increased by 6% to R107,74 a ton milled. In addition, uranium oxide profit decreased following the re-scheduling of deliveries effected in the previous year.

These factors combined to cause total operating profit to drop by 7% to R454,4m.

**Vaal Reefs:** The reduced profit after taxation of R125,8m when compared to the previous quarter can largely be attributed to a decrease in uranium oxide profit following the re-scheduling of deliveries and the dividend from Southvaal Holdings in the previous quarter.

**South Lease Area:** A 7% increase in grade to 8,23 g/t and an almost unchanged tonnage milled at 1 117 000 tons accounted for a gold production increase of 520 kg to 9 195 kg.

**Afrikander Lease Area:** A higher tonnage milled resulted in a 20% increase in gold production at 171 kg although the grade fell to 1,14 g/t. Uranium production continued on a limited scale and 2 903 kg were produced.

A small loss was again recorded.

**Western Deep Levels:** While the gold price was slightly lower at R29 885 kg, profit from gold was slightly higher at R96,5m. After deducting tax of R21,4m and capital expenditure of R52,4m, profit available for distribution was marginally down at R26,6m.

**Elandsrand:** The slightly lower gold price of R29 876 kg and higher working costs of R50,5m resulted in gold profit dropping by 5% to R41,6m. Profit available for distribution increased by 25% to R26,4m or 27c a share.

Should the budget proposals to levy a Minimum Tax on Companies (MTC) be legislated, this company would become liable for the tax and dividends for the current year would be adversely affected by approximately 25c a share.

**Ergo:** Turnover increased by 8% to R105,0m reflecting the increased gold production and cost of sales was slightly down at R59,2m. As a result operating profit increased by R8m to R45,8m. After deducting royalty, purchase price of slime and provision for taxation, profit after tax increased by R4,1m to R28,1m.

Should the budget proposals to levy a Minimum Tax on Companies (MTC) be legislated, this company would become liable for the tax.

**Sallies:** Both tons milled and grade were lower, resulting in lower profits of R1,2m compared to R1,9m in the December quarter.

MINING

# Anglo steps up gold output, but profits fall

From TEIGUE PAYNE

JOHANNESBURG — Gold mines in the Anglo American stable stepped up production in the March quarter but this failed to stop a modest fall in profits at almost every mine

Generally strong performances were reported and gold production increased on all mines except Sallies Although attributable profit was lower on all mines except Elandsrand, the decreases were mostly moderate

**Freegold:** Gold production increased to 24475kg (24384kg), reflecting a 2,5 percent increase in tons milled to 5,8 -million tons However, grade was lower at 4,21g/t (4,30g/t).

Freegold scored particularly by reducing unit working costs to R96,59 (R96,70).

Pre-tax profit declined 4,7 percent to R203,2-million (R213,3-million), mainly as a result of lower gold revenues at R729,4-million (R743,9-million) Taxed profit was only 2,4 percent lower at R190,2-million Capex decreased to R125,1-million (R130,5-million)

The **Metallurgical Scheme** raised profit by 74,3 percent to R18,3-million (R10,5-million), mainly due to the phasing of uranium sales

However, gold production was lower at 586kg (662kg), a decrease of 11,5 percent.

Operating results of Anglo's Transvaal gold mines, excluding SA Lands and Ergo, reflect a return to normal production levels after the August 1987 miners' strike.

Aggregate gold production for the quarter rose six percent to 30794kg

The rand gold price dropped by almost one percent and average unit working costs increased by six percent to R107,74-a-ton milled

Uranium oxide profit also decreased and total operating profit declined by seven percent to R454,4-million

The remaining financial results are not comparable with the December quarter as that quarter reflected the half-yearly dividend receipt from Southvaal Holdings

**Vaal Reefs** Gold production increased by six percent because of three-percent increases in tons milled and gold grade to 2,7-million tons and 6,87g/t respectively.

Early ordering of equipment for the year resulted in working costs rising by 12 percent

The reduced taxed profit of R125,8-million (R148,8-million) was largely due to lower uranium oxide profit after re-scheduling of deliveries and the dividend from Southvaal Holdings in the previous quarter

The South Lease Area recorded a seven-percent increase in grade and the Afrikander Lease Area increased gold production by 20 percent, although on lower grade

**Western Deep Levels:** Area mined was 21 percent higher than the previous quarter Tonnage milled, of which a higher proportion was reef, increased four percent to 1,58-million tons Average grade was also higher at 5,59 g/t, despite lower reef grade As a result, gold produced increased seven percent to 8836kg

Unit costs were contained to a two-percent rise at R105,06 per ton milled After tax and capex, profit available for distribution was marginally down at R26,6-million

**Elandsrand:** Tons milled and gold grade were both slightly higher, resulting in three percent higher gold production

The lower gold price resulted in five percent lower gold profit. But after 33 percent lower appropriation for capex at R15,9-million, profit available was 25 percent higher at R26,4-million

## MINIMUM TAX

The company says if the proposed Minimum Tax on Companies (MTC) is legislated, Elandsrand would be liable and that dividends for the current year would be adversely affected by about 25c a share In the year to December 1987, 95c was paid in dividends.

**Ergo:** The Ergo and Daggafontein divisions performed well, but Simmergo division, although better than the previous quarter, still performed below expectations due to continuing problems with the grinding mills which required extensive repairs Material treated remained above nine-million tons, while gold production increased by 271kg to 3107kg, due mainly to increased output and gold from process inventory at Daggafontein.

Turnover increased eight percent to R105-million, reflecting increased gold production

Taxed profit increased by R4,1-million to R28,1-million, but because of the planned increased capex, profit available fell by R5,9-million to R10,4-million.

The company would be liable for MTC, but this would be an advance payment of tax which would be recovered against the current year's liability and would not therefore impact on future dividends

Cape Times 21/4/88

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# Most Gencor gold mines show lower quarterly profits

IN the first quarter of 1988 Gencor's gold mines' results have declined generally, mainly because of the lower rand gold price received, and in several cases because of lower grades milled

The most significant changes are at Buffelsfontein where after-tax profit was halved as a result of a major fall in uranium income, while Stilfontein has recorded a R3m loss for the quarter.

**Beatrix Mine**· Tonnage milled remained the same while yield increased from 6 g/t to 6,2 g/t Income After tax increased by 5% to R19,1m (R18,29m) for the December quarter

**St Helena:** In spite of a drop in tonnage milled gold recovery increased by 75 kg to 2 405 kg Working income increased by 15% to R11,2m (R9,7m)

After-tax income dropped by R2,6m to R10,2m (R12,8m)

**Leslie:** Gold production increased by 27 kg resulting in an increase of after-tax income of 6% to R2,8m (R2,6m)

**Buffelsfontein:** Gold production dropped by 274 kg, and the situation was aggravated by a drop of R22,3m in uranium working profit. After-tax income therefore fell to R16,4m (R32,1m)

**Stilfontein**· Tonnage milled and gold production was well down as a result of scaling down of operations As a result, a loss of R3m was recorded compared to an after-tax profit of R5,2m in the previous quarter

**Unisel:** Gold production fell by 83 kg This was as a result of a drop in grade from 5,9 g/t to 5,7 g/t

This combined with a lower gold price and a 3% increase in working costs resulted in a drop in after-tax income to R10,7m (R13,1m)

**Winkelhaak:** Gold production was 186 kg down because of a reduction in tonnage milled This, combined with the lower gold price resulted in a decrease in after-tax income to R25,4m (R29,9m)

**Kinross:** Grade decreased from 5,9 g/t to 5,7 g/t and gold production fell by 77 kg As a result of a decline of R4,7m in tax and State share of income, after-tax income was up slightly to R18,4m (R17,1m)

**West Rand Cons:** Operations were scaled down as planned and a net loss of R844 000 was recorded for the quarter (R998 000)

**Bracken:** Operating results were much the same as the December quarter and an afer-tax profit of R1,9m (R2,2m) was recorded.

**Grootvlei:** Production was slightly higher in spite of a lower tonnage milled. The yield rose from 3 g/t to 3,2 g/t After-tax profits were slightly down at R1,4m (R1,6m).

**Marievale:** The recovery grade fell and as a result gold production dropped by 12 kg After-tax income therefore fell from R1,1m to R600 000 — Financial Staff and Sapa

Lack of skilled labour, milling of lower grades blamed

cyrt 7/11/88 19/4/88 (  ) 24.9

# Rand Mines sees loss

By AUDREY D'ANGELO
Financial Editor

THE four major mines in the Rand Mines group — Harmony, Blyvoor, Durban Roodepoort Deep and ERPM — have ended the March quarter with a loss of R8,1m compared with a profit of R17,8m for the previous three months

The directors say a shortage of skilled labour was one reason for lower production Another was the milling of lower grades. And the average gold price received was lower.

But Clive Knobbs, chairman of the gold, platinum and uranium division, forecasts better results to come

"It hasn't been a good quarter, but the group has now come out of the trough and will report a comparatively healthy June quarter — thanks to strong turnarounds by mines like ERPM and Harmony"

Total tonnage milled by the four mines dropped by 3% from 3,9m tons to 3,8m This, and lower grades at Harmony and Blyvoor, resulted in a 4% drop in gold production, from 13 493 kg to 12 925 kg

The average gold price received was R30 205 per kg compared with R30 381 in the December quarter.

However, capital expenditure for the quarter was R6,3m lower than the previous quarter at R53,3m

The group reported for the first time on its two newly listed ventures, Barplats Investment Ltd and gold company Barbrook Mines. Income from investments gave Barplats net profits after tax of R2,4m compared with R1,5m the previous quarter

Barbrook reported after tax profit of R358 000 compared with R48 000 rand

● Harmony Tons milled at the mine fell by 71 000 tons to 2,2m while the grade dropped from 2,96 g/t to 2,92 g/t resulting in a fall in gold production from 6 657kg to 6 362kg

The directors say the shortfall in tonnage resulted partly from an ongoing acute shortage of miners They hope this situation will be resolved when the new Mines and Works regulations permit discussions on introducing blacks into previously reserved jobs

Gold revenue fell by R9,5m to R192,6m (R202,1m) Uranium revenue fell from R10,1m to R7,2m bringing total revenue for the quarter down by R12,3m to just under R200m After tax profit was R1,55m

● Blyvoor: Tons milled dropped from 558 000 tons to 529 000 tons and this combined with a fall in grade from 5,07 g/t to 4,91 g/t brought gold production down from 2 830 kg to 2 597 kg.

Knobbs states that the drop in grade was expected and was in line with long term plans to mine as much Main Reef as possible in order to optimise the life of the mine

Because of lower gold production and a fall in Blyvoor's gold price, gold revenue fell from R85,6m to R77,4m Working profit was R14,3m compared with R22,3m the previous quarter

Pre-tax profit was R15,7m (R24,1m) wand after-tax profit R11,1m (R14m)

● ERPM The working loss was R4m higher than the previous quarter at R18,4m The directors say this figure would have been lower if it had not been for problems, now sorted out, at the sand plant and the Far East Vertical project.

Losses have been reduced from R8m in January to R4m at the end of March

Tonnage milled dropped by 46 000 tons to 502 000 tons because of delays in commissioning the Far East vertical cooling plant and because of the rationalisation programme which concentrates on higher grade reef

As these problems have been resolved, tonnage is expected to show an increase

Grade dropped from 3,93g/t to 3,85g/t with a resultant drop in gold production from 2 152 kg to 1 933 kg

Revenue fell from R68,4m to R63,6m, which fell far short of meeting costs of R82m

ERPM is continuing to hedge some of its production and sold 2 414 kg forward between the second quarter of this year and the first quarter of 1989 at between R30 481 and R32 483 per kilogram

● Durban Deep This was the only mine in the group to show an increase in production Tonnage milled rose from 541 000 to 568 000 tons while grade remained constant 3,27 g/t Gold production rose from 1 769kg to 1 858kg

The gold price for the mine increased by R37 to R30 540 and this, together with increased production pushed revenue up to R56,8m (R53,9m) This however was R1,6m short of covering costs

After sundry revenue and the tax bill there was a net loss of R1,7m against a previous profit of R6,7m when state aid of R5,5m was claimed. There was no aid in the March quarter

Durban Deep also sold gold forward with a total of 1 555 kg at prices between R30 662 to R32 978 per kg.

# Ominia profits surge by 204%

CAC Time 15/4/88 249

Own Correspondent

JOHANNESBURG — More stable prices in the fertiliser industry contributed to Ominia Holdings 204% surge in earnings a share to 25,46c for the year to December and the resumption of dividend payments for the first time since 1983.

A dividend of 5c a share has been declared and directors anticipate a further dividend increase in the current year depending on weather conditions and providing reasonably stable market conditions prevail

In spite of a fall in direct fertilizer sales in line with reduced demand — the fertilizer market fell by 11% last year — turnover grew 11,4% to R181m as nonfertilizer sales, exports and sales to bulk blenders increased

Operating income rose 60% to R16,7m with margins improving strongly from 6,4% to 9,2%, largely as a result of diversification into higher added value products and increased capacity

Lower financing charges saw pre-tax profits soar 233% to R10,9m. No tax was payable and distributable income rose 209% to R11,9m, boosted by a R972 000 extraordinary item which relates to foreign exchange profits on redeemable preference shares

GM-Times 15/4/88
lecture

# Anamint profits, dividend up 33%

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By LAWRENCE TOTHILL
Investment Editor

IN line with the better profits and dividends announced by De Beers, Anglo American Investment Trust (Anamint) has boosted its profits by one-third and has raised its final dividend for the year to March 1988 so that it is distributing 33% more than last year.

The final dividend announced today is 1 280c a share (960c last year), which with the interim of 320c (240c), makes a total distribution of 1 600c for the year (1 200c)

Anamint derives a major part of its income from its shareholding in its associate company, De Beers Consolidated Mines in which it has a 25,86% shareholding

In the year under review, its dividend from this investment increased by 37% to R108,0m (R78,6m).

Income from other investments increased to R53,9m (R43,1m) which, together with interest earned less administration expenses, provided Anamint with a net income before taxation of R160,8m (R120,8m) — a 33% increase

After deductions for taxation and the payment of preference dividends, Anamint's earnings attributable to ordinary shareholders, excluding its share of retained earnings of its associate, amounted to R160,0m (R120,2m), equal to earnings of 1 600c (1 200c) a share

Earnings, including Anamint's share of its associate's retained earnings of R280,1m (R235,6m), rose to R440,1m (R355,8m).

Anamint's share of its associate's retained earnings is transferred to a non-distributable reserve

The market value of De Beers, Anamint's listed investment, amounted to R3 044,2m (R3 903,4m) at the year-end and Anamint's net asset value per share, after providing for the dividend, was 33 940c (41 835c).

This sharp decline in net asset value reflects the plunge in the price of De Beers following the October 1987 sharemarket crash

Anamint has traded recently on the JSE at 35 000c which is slightly higher than the disclosed net asset value, but it must be remembered that Anamint's own valuation of its unlisted investments is highly conservative

At the price of 35 000c and a dividend of 1 600c Anamint offers a dividend yield of 4,57% which is considerably more attractive than the 3,5% yield offered by its main investment — De Beers

The growth in dividend income from Anamint has been nothing short of spectacular in the past two or three years As recently as 1985 it was distributing only 590c; in 1986 810c, in 1987 1 200c, and now in 1988 1 600c a share

MINING

# Tax knocks Black Mountain profits

ARGUS 12/4/88

By TOM HOOD
Business Editor

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BLACK Mountain, the Northern Cape base metal mine, managed to restrict lost production to only four days when the Orange River floods deprived it of water and forced a week's shutdown

The floods threatened to damage its pump stations at Pella but the stations were stripped to avoid damage.

A planned maintenance shutdown was brought forward so that only four days' production was lost, say the directors in their report for the March quarter.

Sales revenue increased by R9-million to R56-million in the quarter but costs were up R5-million at R30-million

Net profit of R14-million was marginally higher after a sharp rise in tax to R14-million from R13,2-million

Ore production was stepped up at O'okiep Copper but sales revenue recorded fell to R30-million from R55-million Net profit was halved to R9-million

Improved sales and lower tax liability in the quarter to March brought a 163 percent jump in Gold Field Coal's taxed profit.

Its mines produced slightly more coal and sold 6,7 percent more at 2,3-million tons and sales and other revenue increased 5 percent at R47-million

Unit cost of sales declined marginally and pre-tax profit was 16 percent higher at R5,8-million Tax was cut by more than half to R1,5-million and taxed profit rose to R4,4-million (R1,6-million)

Among Gold Fields' other base metal companies, Rooiberg Tin had a disappointing quarter, returning to losses

Slightly less ore was treated, but an 8 percent rise in unit cost of sales outweighed a 4 percent rise in unit sales revenue, so that the R41 profit a ton sold was turned to a R498 loss

Sundry revenue allowed it to record a net profit of R85 000 (R267000)

● Mining and finance holding company New Central Wits recorded a3,6 percent fall in net earnings in the six months to March to R1,1-million, with earnings easing to 62,7c (65,1c) a share.

The interim dividend is unchanged at 47c

The market value of investments dropped to R42-million from R56,5-million a year ago.

Deep-level drilling for gold will now need 10 boreholes instead of eight planned in the Potchefstroom district, say the directors. Boreholes have been drilled to as deep at 3 388 metres

The drilling target of R9,45-million has already been exceeded

The prospecting, undertaken jointly with Anglo American Corporation, has still to establish whether it will be worth while continuing to Phase 2, which would be aimed at proving ore reserves.

The company will have to pay for half of the costs of Phase 2 if it wants to maintain its 50 percent stake in the joint venture, the directors add

Cit-Times 8/4/88 (249)

# Gold Fields mine profits drop

JOHANNESBURG — Generally lower yields by Gold Fields' precious metal mines, together with lower-rand gold prices compared with the December quarter, resulted in lower overall net profits in the March quarter

Higher working costs also contributed to the lower bottom-line returns

The quarterly report, released yesterday, shows that the group's precious metal mining companies had a combined after-tax profit of R309,2m, which was 8,2% down on the December quarter figure of R336,7m

The average price per kg for the quarter was R29 944, against R30 435 previously Average yield was 8,2 grams per ton (8,8 g/t)

Total gold production was 30 614 kg (32 988 kg)

Gold revenue was down at R917,9m (R1 005,5m) Working costs were 2,3% higher at R415,7m (R406,4m)

Aggregate pre-tax profit amounted to R547,4m (R639,6m).

Capital expenditure for the quarter declined to R149,2m (R155,1m)

Recording lower net profits in the March quarter compared with the previous quarter were Driefontein Consolidated (Dries), Kloof, Deelkraal, Libanon and Venterspost, while only Doornfontein and Vlakfontein achieved higher profitability.

Dries had a net profit of R146m (R154,5m). The grade at East Dries dropped to 11,6 g/t (13,5 g/t) with 8 178 kg of gold being produced (9 518 kg). At West Dries the pattern was similar with grade down to 10 g/t (11 g/t) and gold production of 7 197 kg (7 920 kg).

Kloof's net profit amounted to R102,1m (R113,2m) Gold yield was 13,5 g/t (13,8 g/t) and gold production amounted to 7 290 kg (7 470 kg)

Deelkraal's after-tax profit was R35,9m (R36,1m) on a higher yield of 5,9 g/t (5,8 g/t), but higher working costs and a lower rand gold price Gold production amounted to 2 301 kg (2 235 kg)

Libanon's net profit was R12,1m (R18,9m) with grade well down at 4,5 g/t (4,9 g/t) and gold production of 1 958 kg (2 132 kg)

# P&P notches record R3bn turnover

CN4 1/m/s 31/3/88 249

By AUDREY D'ANGELO
Financial Editor

ONCE again Pick'n Pay has turned in impressive results for the year to February 29 with profits well ahead of the inflation rate — and a turnover of more than R3 billion.

Announcing yesterday that the R3 billion mark had been passed, chairman Raymond Ackerman said: "I believe this is the first time this figure has been reached in retailing in SA. This really is a milestone."

Ackerman also pointed out the coincidence that, in its 21st year of existence, the company lifted turnover, earnings and total dividend by between 21% and 22%.

Trading income was R85,3m compared with R69,9m the previous year which, on a turnover of R3 037,6m, shows profit margins have not been allowed to rise with increasing demand and that the high earnings figure results from the volume of sales.

In spite of this and the fact that the company has agreed to an across the board increase of R140 a month for members of the Commercial Catering and Allied Workers Union (CCAWUSA) — R40 more than its original offer — the directors say they are confident of maintaining the rate of growth achieved last year.

The results show pre-tax profit rose by 20,4% to R91,2m (R75,7m) and after-tax income to R52,8m (R43,2m).

Earnings were up 21,9% to 67,1c (55,1c) a share. The final dividend is 26c a share making a total of 38,2c (27c).

The directors point out that comparative earnings per share, dividend per share and shares in issue have been restated to reflect the four-way split in shares at the beginning of the second half.

Ackerman said yesterday that the 100th store, which will be the 13th hypermarket in this country, will open in Highgate, in the west of Johannesburg, in April.

So far three openings have already taken place this year. They are a supermarket in Mabopane, s superstore in Pietersburg and the third cash and carry Price Club at Devland near Soweto.

Five new supermarkets are due to open during the current financial year including one in Mossel Bay. The others are at Pinetown in Natal, Walmer in Port Elizabeth, Hatfield in Pretoria and Secunda.

Ackerman said the home improvements chain, Boardmans, has "swung into a good profit situation" and the butchery operation, Blue Ribbon, performed very well in a difficult year for the meat industry.

● Pyramid company Pick'n Pay Holdings (Pikwik) lifted earnings per share to 16,05c (13,34c) and the total dividend is 16,06c (13,34c) a share.

D/D 3/3/88

# Frame group up 59 per cent

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JOHANNESBURG — The Frame group, manufacturers of textiles and clothing, has substantially increased net earnings in the six months to December, compared with the same period of 1986.

Holding company Frame Group Holdings increased earnings before extraordinary items by 53,1 per cent from 20,9c a share previously to 32c, while Consolidated Frame Textiles showed a 42,6 per cent improvement from 14,1c a share to 20,1c.

Turnover of the reorganised group improved only eight per cent to R318,4-million, while operating income was R13,1-million (R10,8-million).

Frame Group Holdings' attributable earnings, at R6,1-million, were 27 per cent higher than the comparable period, which the directors said reflected some of the benefits of the reorganisation initiated at the end of 1986.

Attributable earnings of Consolidated Frame Textiles were up 22,4 per cent to R11,1-million.

The directors say that sales and profits in Consolidated Waverley Textiles, mainly boosted by good blanket volumes, showed a healthy increase

However, Consolidated Cotton Corporation and Consolidated Apparel Manufacturers, together comprising over 75 per cent of group sales, were badly affected by the Natal floods in October, as well as by the strike action which followed

"These events combined to cause the loss of several weeks' production. The knock-on effect of the re-planning and re-scheduling of orders will continue to impact on our business until March 1988," they state.

The board said the heavy inventories of imported fabrics and garments tended to curtail order books for apparel fabrics throughout the textile industry and that the company would not be immune to those influences In the light of these factors, the board felt it prudent not to forecast an increase in earnings for the year to June, 1988 — Sapa

BUSINESS

DD 31/3/88

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# Pick 'n Pay notches R3 billion turnover

by Matthew Moonieya
business editor

EAST LONDON — Pick 'n Pay turnover has reached over R3bn for the financial year — a possible record in South African retailing annals — the chairman, Mr Raymond Ackerman, has announced

Delivering the chairman's report on the results of the company for the year ending February 1988, Mr Ackerman announced a pretax improvement of earnings amounting to R91 million This represented a 20,4 per cent hike

Turnover went up by R550 million or 22,1 per cent and the final dividend of 26 cents represents an increase of 21 per cent Pikwik final is 12,68 cents

"The dividends and earnings a share must be reviewed with an understanding that the company split its shares four ways, both in Pick 'n Pay and Pikwik just after the half year result," Mr Ackerman said

He said the result coincided with the company's 21st anniversary after four stores were bought in 1967 from Mr Jack Goldin, executive chairman of Clicks, which has now been taken over by Score

Mr Ackerman said he was confident that the growth of the past year could be maintained and that there was a strong possibility that a profit increase of 20 per cent would be achieved

He said the final stages of the wage negotiations with CCAWUSA were in progress and it looked hopeful that the company would reach a negotiated settlement of this important part of its affairs amicably

Mr Ackerman welcomed the government's announcement on privatisation and deregulation because he said he felt that economic development in the private sector would be the cornerstone of the social, economic and political peace in the country

"We have to fight disinvestment and sanctions from abroad strongly because unemployment will be an enemy of economic growth and the economic growth is at the cornerstone of our future development and happiness in South Africa," he said

Mr Ackerman

This expansion was over and above three other openings this year in Mabopane, Pietersburg, and in Devland, near Soweto

Dealing with the future expansion of the company, Mr Ackerman said five other supermarkets — in Pinetown, Port Elizabeth, Hatfield (Pretoria), Secunda and Mossel Bay — would be opened

"Our 100th store, which will be our 13th hypermarket in the country, opens at Highgate in Johannesburg on April 11

"The company actually operates a 14th hypermarket in Australia, but as mentioned in the last report, the company does not own any shares in this operation, but is merely providing management expertise"

# £3bn building the tallest

LONDON — A 244-meter tower with 49 floors will be Britain's tallest building in a vast new construction project in London's former docklands

Construction will begin next month on the £3 billion commercial project that will transform London's skyline

The tower will be the centre piece of the 28-hectare Canary Wharf project on the Isle of Dogs in east London It will be 61 meters taller than London's present highest building, the National and Westminster Bank Tower in the city financial district — Sapa Ap

Since restructuring and transformation . . .

# Unidev show 388% earnings growth

Gm. Trib 30/3/88 269

By AUDREY D'ANGELO
Financial Editor

CAPE TOWN-based banking and financial services group Unidev has lifted earnings for the year to December 31 by 388% to 12,2c a share, compared with 2,5c in the previous 18 months on an annualized basis

In its first financial year since its restructuring and transformation from a property company, it has achieved attributable profits of R9,5m — 98% ahead of the forecast in its transmuted listing statement

## Forecast

A dividend of 4,5c a share has been declared This is 80% ahead of the forecast 2,5c and is the first dividend paid since 1983

Operating profit has risen to R10,3m compared with R961 000 in the previous 18 months, when the property company was hard-hit by the recession

The directors emphasize that net asset value per share has risen by 75% to 61,8c

Chairman Geoff Grylls said this was "significant with regard to the sector of the market we are in

"People have the impression that companies operating in the financial services sector of the Joannesburg Stock Exchange (JSE) have a low net asset value Unidev, however, has substantial assets to back the group's activities"

Total capital employed is R74m and net assets amount to R53m Total interest-bearing debt is R18,8m and Grylls describes the debt equity ratio of 35,5% as "healthy"

Properties acquired from Retco in January 1987 on which it was expected to make R1,1m profit after tax made, instead, a loss of R512 000

But the group received a tax credit of R43 000 compared with a bill of R432 000 in the previous 18 months

Forecasting a further meaningful growth in earnings in the current year, Grylls said the full benefit of acquisitions made in 1987 had not yet been felt

As anticipated, the financial services division comprising Quantum Finance and Quaestor IV produced about 40% of the income attributable to Unidev in the past year

## Disinvestment

But Grylls said disinvestment had provided the group with opportunities to acquire companies with above average growth prospects and more were under consideration

The group had "found that the injection of capital and the utilization of our financial and administrative abilities have a significant effect on accelerating the growth of companies we have invested in

"This provides the base for companies to grow and, as they mature, they are able to continue their growth pattern through the acquisition of complementary businesses"

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Own Correspondent

JOHANNESBURG — Government is to abolish its C and D export incentives in favour of an export market development assistance (EMDA) scheme, Deputy Economic Affairs Minister Theo Alant said here last night

The C and D incentives make provision for reimbursement of market-

Cape Times 30/3/88

# Malbak earnings surge by 95%

From CHERILYN IRETON

JOHANNESBURG. — Malbak's interim results — with earnings a share up 80% — reveal some of the strength and dynamism of the enlarged group.

In the six months to end February earnings surged to 39c from 21,7c a share, or by 95% to 36,2c from 18,6c on a fully converted basis.

Shareholders will receive more than a quarter of the earnings in the form of an interim dividend of 10c a share. This compares with 7c paid at the same stage in 1987 and gives a cover of 3,9 times (3,1).

Aided by strong performances from its packaging and paper, electronics, motor and farm machinery divisions, sales increased 183% to R2-bn (R713m) while pre-tax profits rose to R145,1m (R38,8m).

The tax rate was 31,7% compared with 45,2% at the comparable stage, leaving attributable profit at R67,2m (R17m).

Thomas says the results indicate what Malbak can do with assets — "make them work for shareholders".

# Record profits at Afrox after inflation accounting

(249) Star 28/3/88


Blue chip Afrox has once again reached record sales and profit levels.

Disposal of certain hospital interests boosted cash flow by R20 million Interest declined significantly Capex was high and will increase further in 1988 The hospital division, having made major strides in past years, suffered as increased costs of staff and equipment were not recovered due to meagre tariff increases granted by the Association of Medical Schemes

A significant guarantee of R85,6 million has suddenly reared its head Note 16 to the financial statements states Afrox guaranteed loans of an associated company to finance the construction of two gas plants This associated company was not consolidated so the amount escapes being shown as borrowings. Nothing is said about the exposure save that "no loss is anticipated under this arrangement."

The group's excellent performance in 1987 reflects Afrox as a balanced group of businesses with strong, defensible market positions It is capable of meeting the challenges of economic downturns and is also relatively isolated from business cycles which bedevil so many SA companies, says outgoing chairman Paul Bosonnet.


New chairman Peter Joubert

Afrox last week announced that Peter Joubert has been appointed chairman of the group He would continue to act in the capacity of managing director.

Afrox believes that its published results should eliminate, where possible, the impact of inflation on its reported earnings and financial position. Accordingly, fixed assets are revalued and the current cost of consumption is charged against current revenue

A major depreciation adjustment — being a depreciation charge based on revalued fixed assets rather than the historic cost of fixed assets — is made before net income is finally determined.

Inflation accounting remains a contentious issue and is the subject of frequent debate within the accounting profession Such debate centres on both the benefits derived from the inflation accounting and the principles applied in the preparation thereof Afrox's conservative approach ensures that when its fixed assets have to be finally replaced there are funds in the bank for the purpose rather than having to borrow

Turnover reached R448,4 million (1986 R390,9 million) Trading profit was 20 percent of sales and totalled R89,4 million (1986 R70 million) reflecting improved margins Net interest expense declined by 70 percent to only R3,3 million (1986 R10,5 million) The effective tax rate increased to 47,5 percent (1986 41,2 percent) and tax totalled R42,5 million (1986 R26 million) The normal depreciation charge of R22,13 million was increased by R11,74 million to reflect the current cost of assets consumed (inflation adjustment) and totalled R33,87 million for the year (1986 R18,95 million plus R8,92 million).

Profit before extraordinary items was R34 million (1986 R27,4 million) Earnings per share were 113,6c (1986 91,5c) with dividends increased to 61c (1986 50c) A R15 million extraordinary gain from the sale of hospital interests boosted profits to R49,2 million (1986 R26,7 million)

The current year's record performance was achieved in a very difficult time for the country with continuing unrest and both local and overseas pressures on the business environment. Upturn has been slow, mainly in the consumer area, and there has been a lack of confidence, says Mr Bosonnet.

The two key business areas of Afrox — gases and welding — performed well. The hospitals had a trying year. The private hospital industry is in the onerous position of having to accept prescribed tariffs Increases in tariffs have legged behind cost increases

The highlight in the gas division was the erection of two 700 tonnes-a-day air separation plants at Iscor Nothing was said about the R85 million guarantee in the gas division's review but I suppose Iscor is sound enough to minimise any exposure.

Today Afrox's 18 gas production units supply oxygen to every steel maker in the land The gas and welding division produced 81,8 percent of the profits (1986 78,8 percent. The hospitals division contributed only 13,1 percent of profits (1986 19,3 percent) However the sale of Magnolia Clinics and Nedbank Clinic produced R20 million valuable cash flow

Afrox continued to export various tanks to Hong Kong during the year but gave no figures Capex was high at R47,7 million (1986 R26,3 million) and promises to be up 15 percent in 1987/88

The balance sheet has improved and shows a net asset value of R11,24 (1986 R8,98) per share at end September 1987 Shareholder's funds totalled R337 million (1986 R269 million) Total debt is down to R57,3 million (1986 R64,1 million) Working capital is unchanged at R39 million (1986 R42,6 million) and includes substantial cash resources of R35,2 million (1986 R22,9 million)

Afrox's inflation accounting policy will enhance growth largely through the developments of existing business and markets rather than by acquisition, says Mr Bosonnet who is predicting increased earnings and dividends once again in 1988

Current JSE market value is R14,50 a share The price earnings ratio is one of the highest in the engineering sector and almost double the sector average. The confidence of the large number of institutional investors is assured.

UK holding company BOC, with its 60 percent stake, must be more than happy with their investmentas after all their share of the dividend received in 1987 of R11 million was more than the R9 million cost of their investment. This fact alone makes a mockery of the disinvestment advocates and proves that if an investment in a country is making money and helping to employ the masses, why should the company withdraw?

# 63% rise in attributable profits

Cape Times 24/3/88

# Kanhym back in the black

249

JOHANNESBURG. — Kanhym has got itself firmly back on to the profitability road.

This is reflected in the results for the six months to February released yesterday, which show a 63% increase in attributable profits for the half-year, compared with the same period of 1987.

### Pref dividends

Turnover rose by 38% to R342,5m while operating profit was up 40% to R16,2m (R11,6m).

Attributable income before extraordinary items amounted to R11,6m (R7,1m) and earnings per share, after taking into account payments of preference dividends, were 8,7c against an earnings per share loss of 1,8c previously.

The directors comment in the interim report that the contribution of the coal mining operation declined by R1,2m in the review period, "which underlines the profit achievement of Kanhym's core activities"

"Kanhym Estate benefited from improved margins in its feed operation, while the increase in cattle prices more than compensated Karoo-Ochse for a drop in volumes," they state

"The Enterprise processed meat division increased its market share significantly and also improved its production efficiency

"However, Kanhym Fresh Meat still had to contend with unsatisfactory low margins"

### Future prospects

Discussing future prospects, the directors say a programme of increasing decentralized management of operating divisions is being implemented which is expected to lead to substantial head office savings in the current financial year.

"Kanhym's recovery momentum is now firmly established and, given current conditions, the existing level of profitability should be maintained in the second half of the year"

Until all dividends on the preference shares had been paid, the payment of ordinary dividends would not be resumed — Sapa

# Sage profits rise by 17%

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Cape Times 24/3/88

JOHANNESBURG. — Financial and investment group Sage Holdings recorded a 17% increase in attributable profits in the year to December.

Dividends for the year have been increased by 16%.

The preliminary results, released yesterday, show that pre-tax profit was up 26% to R38,6m and after-tax profits were up 27% at R26,3m (1986: R20,7m).

Attributable profits amounted to R21,8m (R18,6m) and earnings per share were 100c compared with 86c previously.

The group has declared a final dividend of 38c a share (32c), bringing total distribution for the year to 58c (50c).

The directors comment that the earnings growth in 1987 emanated from both the financial services division and the property and construction division.

"In line with the re-orientation of the group's sources of earnings in recent years, the financial services division again contributed approximately 75% of group net earnings."

Consolidated group assets rose by 25% in the year to R1,3bn, representing a more than fourfold increase over the past five years. — Sapa

D/D 22/3/88

# Kohler profits up 92 pc

249

JOHANNESBURG — Packaging group Kohler shook off the burden of an increasing tax rate to achieve a 92 per cent increase in attributable profit for the six months to end February.

The Malbak controlled company lifted earnings to R16,1 million (R8,4 million previous period), which — on the increased number of shares in issue — translates into earnings of 115,5c a share — 56 per cent up on the comparable period.

An interim dividend of 35c a share has been declared, compared to the single dividend of 40c a share paid for the eight months to end-August 1987.

Operating profit climbed 91 per cent to R28,4 million (R14,9 million) a feat which the newly promoted chairman, Mr Ian Willis, attributes to an increase in operating margins from 6 per cent to 1987 to around 7,7 per cent.

Turnover rose 50 per cent to R370,7 million (R246,9 million), reflecting a combination of improved volumes and the contribution from newly acquired companies including Bakke Industries, Budpac and Sylko.

DID 19/3/88

249

# Blue Circle doubles

JOHANNESBURG — Following the increase in earnings a share from 72,6c to 151,2c cents last year compared with 1986, Blue Circle forecast further increase in earnings this year

The chairman, Mr Trevor Coulson, says in the annual report that it would be unrealistic to expect the same again But he nevertheless expects profits and dividends to rise faster than the inflation rate

The major increase in the group's profit has come from its materials division Income before interest and tax, here, rose from R5,3 million to R23,3 million — and now accounts for 32 per cent of group income

This 336 per cent increase came on turnover 38 per cent higher The turnover increase resulted from a combination of selling price increases and improved sales penetration

The cement devision also enjoyed better operating efficiencies Turnover rose by 17 per cent as a result of slightly higher cement demand, increased sales volume of pulverised fuel ash and diversification into the lime market

There was a 29 per cent increase in operating income

Mr Coulson notes that the cement industry has been granted a further exemption — until end-September — to complete consultations with the Competition Board

"I remain convinced," he says, " that the existing market sharing practice is reasonable, sensible and practical for the industry, customers and the country and should be left intact

"It is particularly inappropriate to propose any fundamental change while the cement industry has such considerable excess capacity "

Reduced borrowings and lower interest rates combined to drop the group's finance charges but tax charges absorbed more of profits — Sapa

# Blooming Protea

17/3/88

JOHANNESBURG — Composite insurer Protea Assurance more than doubled net profits in the financial year to December 31

Attributable profits amounted to R10,7-million, compared with R5,1-million the previous year

The improvement was principally due to a substantial turnaround in the underwriting account which showed a surplus of R2,6-million at year-end compared with a deficit of R4,9-million previously.

The board has declared a final dividend of 25 cents (1986 17 cents), bringing the total for the year to 36 cents (23 cents) — Sapa

Business Report

# Milly's boosts profit, turnover

CAPE TIMES 14/3/88 209

By AUDREY D'ANGELO
Financial Editor

CAPE Town-based fast foods chain Millys reports substantially improved results for the six months to December, following the sale of the loss-making Sea Point Carousel.

After-tax profits have risen by 77,23% to R358 000 compared with R202 000 in the first half of the previous year. And turnover has risen by 69,5% to R4,3m.

But there will be no interim dividend. MD Michael Bruchhausen says the group intends to expand nationally and is currently negotiating for the acquisition of further manufacturing facilities. He hopes to make an announcement in the near future.

Bruchhausen says that in order to conserve funds for acquisitions only one dividend will be paid annually, at the end of the financial year.

Millys lost R103 000 on the Carousel restaurant, sold in July to Juicy Lucy, and Bruchhausen admitted that it had been a mistake to diversify out of the core business of manufacturing and retailing food.

But the business has continued to expand since then, outgrowing its manufacturing premises in Maitland and moving to Retreat where production capacity was increased.

Bruchhausen says: "Our focus is now solely on our core business, which is growing very satisfactorily."

He says that although the additional manufacturing facilities have made a contribution to results "a certain period of consolidation was necessary and it will be only during the second half that we will reap the full benefits".


Michael Bruchhausen

## 'Firing on all cylinders'

# Foschini lifts earnings, div

CAPE TIMES 11/3/88 249

**By LAWRENCE TOTHILL**
**Investment Editor**

FOSCHINI has turned in a really excellent set of results for the year to December 1987, with sharply higher earnings and dividend, or as chairman Stanley Lewis put it "the group fired on all cylinders".

The group probably did even better than shown since it has adopted the retail accounting calendar and the 1987 accounting year is 52 weeks or four days shorter than 1986

This has become accepted practice and is employed by Wooltru and Edgars among others.

Turnover was up 23,3% at R407m in 1987 against R330m in 1986, and CE Hugh Mathew says this was not just inflation showing up since there was a substantial increase in the number of units sold

Pre-tax profit has jumped by 42,8% to R65m from 1986's R45,5m, but perhaps more impressive is the margin on turnover.

The pre-tax (post-interest) margin is no less than 16% which is the highest in the history of the group and well up from the 13,8% margin achieved in 1986

This improvement was due to improved productivity as reflected in the staff complement and the sales per employee

In 1982 Foschini employed 5 505 people and in 1987 4 822

Sales per employee last year was R84 300 against R41 600 in 1986

The cost of the people, however, fell back from 121% of profits in 1982 to 103% of profits in 1987

Tax at R32,7m has taken a much larger slice than the R20,9m in 1986, but this was due to special one-off situations in 1986 when the tax was abnormally low

Bottom line earnings are R32,3m (R24,6m) equal to earnings per share of 332,6c (253,6c)

The final dividend has been increased to 118c from 90,2c making a total distribution of 141,4c (107,7c) for the year (The strange amounts of the dividends arise as a result of the share split — the company intends ignoring decimal points)

If a slightly longer view is taken it is worth noting that in the past two years dividends have risen by a total of 75% from 81,2c to the present 141,4c a share

Mathew says that the group has planned 1988 with cautious optimism, anticipating an extension of the success of 1987, but already he sees signs which cause concern not only as far as Foschini is concerned but the economy as a whole

Aspects which might hold the company back include the earlier than expected rise in interest rates, political uncertainty — he would like to see much greater direction being given; the rapid drop in the gold price, and the performance of the rand on foreign exchange markets All these give cause for concern

**Lefic:** In the case of the pyramid company, Lefic, everything is up by about 31% which is in line with the increase in the Foschini dividend

After-tax income was R6,8m (R5,2m), total attributable earnings were R16,1m (R12,3m) giving attributable earnings per share of 168,7c (129c) The final dividend is 59,8c (46c) making a total distribution of 71,5c (54,75c) for the year.

# Clicks shows growth

CAPE TIMES 11/3/88 249

**By AUDREY D'ANGELO**
**Financial Editor**

CLICKS STORES lifted attributable profit for the six months to December by an impressive 27,3% to R6,1m (R4,7m) and the interim dividend is 25% higher at 10c (8c) a share

Turnover was up by 22,71% to R146 7m (R119,5m) and operating profit before tax by 25,13% to R11,8m (R9,5m)

Earnings per share were 30,54c (23,91c)

MD Trevor Honneysett said these results, "which are considered to be most satisfactory", had been achieved in the face of fierce competition

He said consumer demand remained strong and the group "maintained buoyant sales figures in January and February 1988, showing continued growth against the same period in 1987."

It was planned to open a further seven stores between July and December 1988

● Pyramid company Clikdin, which holds 50% of Clicks Stores, lifted net income to R980 000 (R766 000) and earnings to 4 90c (3,83c) a share

The interim dividend is 4,80c a share

# FSI shares tripled

1988 249

JOHANNESBURG — FS Industries' interim results — the first since the acquisition of W and A — reflect earnings a share more than tripled to 41,8c (13,4c) in the six months to end-December compared with the same period in 1986.

FSI says earnings for the 12 months to end-June will "materially" exceed the annual report forecast of 69c a share.

A maiden interim dividend of 10c is to be paid — close to the 12 cents for the whole of last year, when the 1986 payout was doubled.

FS Group, the FSI pyramid, is to pay a maiden interim of 5c.

Operating profit at FSI leapt from R15m to R62,4m in the six months and pre-tax profit climbed more than 400 per cent to R47m (R9m).

Attributable profit was up from R5,1m to R17m — barely R750 000 below the total for the whole 1987 financial year. — Sapa

## Liberty Life major contributor

# Liberty's growth best in more than 10 years

Cape Times 10/3/88

209

JOHANNESBURG — Exceptionally good earnings performances have been achieved by Liberty Life companies Liberty Holdings and Liberty Life Association of Africa in the year to December

Chairman Donald Gordon, releasing the results here yesterday, said that the percentage increases achieved overall by Liberty Holdings in earnings and dividends per share represented its best performance in the past 15 years.

In the case of Liberty Life, which contributed 76% of the group's taxed earnings in 1987, the results reflected its best performance for the past 12 years

"It is particularly pleasing that these record results were registered in a year in which Liberty Life celebrated its 30th anniversary," he said

Liberty Holdings increased attributable profit by 32,2% from R59m in 1986 to R78m last year

Earnings per share were up 31,5% to 171,2c (130,2c) and the total dividend for the year was 28% better at 96c a share (75c), with a final dividend of 58c (45c) having been declared

Liberty Life had a net taxed attributable surplus of R107,8m, which was 30,5% better than the 1986 figure of R82,6m

Net taxed surplus per share for 1987 was 618,3c (500,6c), a 23,4% increase, and total dividend for the year was 22,2% better at 440c a share (360c) The final dividend was 260c (210c)

The R10-bn asset target set by Gordon in 1982 and which he predicted at that time would be achieved in 1990 was achieved in 1987

Liberty Holdings' total assets at the end of the year stood at R11,7-bn, compared with R7,9-bn in the previous year, while Liberty Life's total assets amounted to R11,4-bn (R7,6-bn)

Liberty Holdings' total reserves and capital employed amounted to R2,1-bn (R1,9-bn) and for Liberty Life this total was R1,9-bn (R1,8-bn)

Gordon said that non-distributable reserves rose in the year by R161,5m in the case of Liberty Holdings and R265,6m for Liberty Life as a result of the acquisition by Liberty Life of Prudential, "being the excess of the consideration paid over net assets acquired"

This reduction in shareholders' interests had been partially compensated in 1987 by the further uplift in Liberty Life from the revaluation of its offshore investments in the Trans-Atlantic Holdings Group, which accounted for about 50% of shareholders' net equity

Delivering his chairman's statement for 1987 yesterday, Gordon said the "remarkable impact" of the growth of the group's UK holdings had been achieved with limited financial support from local resources

"The real success of our international strategic moves has been achieved by way of innovative financial strategies, extensive offshore borrowing and substantial equity funding by a wide spread of international investors," he said — Sapa

# Amgold profits fall, div cut

Cape Times 10/3/88 249

By LAWRENCE TOTHILL
Investment Editor

THE unhappy influence which a combined low gold price and soaring costs at the gold mines has on the economy of SA is brought into sharp relief by the results of Anglo American Gold Investments Co (Amgold) which reports a fall of R31,5m in its pre-tax profit for the year to February 1988, and a final dividend which has been slashed by 175c a share.

The only thing the Amgold figures do not show is the lower tax the government is receiving from the gold mines. Amgold is mainly an investment company and as such does not pay tax on dividends received.

Amgold's investment income for the year was R355,9m — down 7,1% on the previous year's R383,2m, reflecting the lower dividend income from the gold mines.

Interest earned less administrative costs rose from R6,7m to R7,1m.

Clearly the group, like others, is anxious to discover new mineral deposits and, as a result, prospecting costs jumped by R4,6m to R21,2m.

Tax took a modest R500 000 (R700 000) and the net profit after tax stood at R341,3m against the previous year's R372,6m.

Earnings per share declined by 8,4%, to 1 555c from 1 697c.

Whereas at the interim stage things were looking reasonable and the interim dividend was held at 700c, the final now declared has been cut to 725c (900c) making a total distribution of 1 425c (1 600c) for the year — a drop of nearly 11%.

The dividend distribution absorbed R312,8m leaving retained earnings of R28,5m.

Amgold's investments at market value were R5 099m at the end of February — 35% lower than the previous year and reflects all too clearly the crash on the JSE.

Net asset value stood at 23 475c a share (after providing for the dividend) against 36 123c a year ago, so the share is trading at a small premium on NAV.

It must be understood that Amgold is not a share dealing company, but one which normally makes an investment and then keeps it.

Many are strategic investments of the Anglo stable and additions are usually made through following rights issues.

## Further spurt in earnings seen

# Sunpak doubles after-tax profits

CMC Times 10/3/88 249

By AUDREY D'ANGELO
Financial Editor

ATLANTIS-based Sun Packaging Holdings (Sunpak) has almost doubled after-tax profits for the six months to February, to R2,6m (R1,3m).

And the directors forecast a further spurt in earnings in the second half of the financial year as a result of two new projects starting soon.

Operating income in the first six months rose by 64% to R4m (R2,4m) and pre-tax income to R3,9m (R2,2m).

### Interest bill

Earnings at share level were 95% higher at 6,7c (3,4c) and, although the tax bill has risen to R1,2m (R913 000), the interest bill is down to R84 000 (R160 000).

The directors say they have revised their earnings forecast for the year to August upwards to 16c a share, compared with 10,1c last year, "which is above our target of 50% growth per annum".

One reason for the rise is that the company will start exporting its new Foamtek synthetic papers from June and "all production of this exciting new venture has been sold ahead.

"In August/September we will consider doubling the Foamtek plant capacity."

From May the company will be the first in the Southern hemisphere to produce polystyrene free from chlorofluorocarbons (CFC).

The directors explain that the conversion to CFC-free blowing agents will benefit "the environment, the customer and our bottom line.

### CFC-free material

"Increasing concern about the destruction of the earth's ozone layer has already led to many large consumers in the US and Europe insisting on CFC-free material."

Chairman Tubby Gericke said that "due to our imminent entry into the export field it is no longer in the best interests of Sunpak to reflect turnover figures."

But polystyrene food tray sales continued strongly "and we have increased our market share".

D17. 10/3/88. (249)

# Autoquip up by 115 pc

JOHANNESBURG — The newly-listed sellers of motor accessories, Autoquip Group, increased net earnings by 115 per cent in the six months to December, the interim report shows

After-tax income for the period was R602 000, compared with R280 000 for the same period of 1986 Turnover increased 52 per cent to R10,1-million, which the directors attribute both to aggressive marketing and the continued buoyancy of the new and used car markets

"In addition, margins have improved and finance charges have reduced as a result of the group's listing"

With an increased number of shares in issue earnings per share were 68 per cent up on the previous period at 4,2 cents (2,5 cents)

The group, which has plans to increase the number of its distribution outlets as well as its range of products, expects to exceed the projectd net profit of R1,1-million, or eps of 7,9 cents, for the year to June 1988 — Sapa

BUSINESS

WP 9/3/88

# Vehicle sales up 22 per cent

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JOHANNESBURG — New vehicles sales in South Africa have surged ahead with a 22 per cent increase overall being recorded in February, compared with January, while car sales are up 20 per cent on the previous month.

Figures released yesterday by the National Association of Automobile Manufacturers (Naamsa), show an increase from 25 284 vehicles sold in January to 30 807 units last month. Total sales for last month were 34 per cent better than the 22 976 vehicles sold in February 1987.

In passenger vehicles, the February total was 19 820 units, against 16 518 in January and 15 162 in February last year (31 per cent).

Overall leader Toyota sold a total of 8 783 vehicles last month, followed by Samcor with 6 097 units and Volkswagen with 5 052 In car sales, Toyota had a tally of 4 818 sales, VW sold 4 321 units and Samcor 3 685.

In light commercials, the sales of 9 767 units was 23,5 per cent ahead of January and 46 per cent better than February last year.

In light commercials Toyota sold 3 634 units, Samcor 2 227 and Nissan 1 838.

In medium commercials, sales at 504 units was 54 per cent better than January and 11 per cent higher than February 1987 and in heavy commercials sales amounted to 716 units, 35 per cent higher than January and six per cent higher than February last year.

The director of Naamsa, Mr Nico Vermeulen, said yesterday that the steady uptrend in new vehicle sales in recent months gained considerable further momentum in February. He described the improvement in new car and light commercial vehicle sales in particular as "quite exceptional".

The recovery in medium and heavy commercial vehicle sales had, however, been off an exceptionally low base.

"The sharp increase in new vehicle sales was largely due to the fact that manufacturers were able to satisfy a considerable backlog in orders which could not be met during December and January," he said.

Now that sales had returned to more normal levels, Naamsa did not envisage further dramatic increases from current sales figures in the short to medium term. — Sapa

# Union Wine scores

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# Earnings up for Picbel, Pichold

By LAWRENCE TOTHILL
Investment Editor

THE strong growth reported by Picapli last week is the main reason for the sharp advances in operating profit made by both Pichold and Picbel, but its tax hike also accounts for both of the top companies showing more modest bottom line improvements.

The top company, Picbel, reports turnover for the six months at December 1987 at R244m — 42% up on the previous R171m. Profit before interest and tax was R24m (R15,4m).

Interest paid and lease charges remain high at R7,4m (R7,3m), and tax (nearly all payable by subsidiary Picapli) was a whacking R7,3m against R500 000. Bottom line profits attributable to ordinary shareholders amounted to R4,8m against R4m, equal to earnings of 107,9c (90,7c) a share.

Picbel's main investment is its holding in Pichold and this company reflects a similar position with its profit before interest and tax sharply higher at R23,8m (R15,1m), but the bottom line earnings are up more modestly at R7,6m (R6,4m). Earnings per share amount to 125c (110,8c).

Pichold says that as far as the full year is concerned, the management is optimistic that it will achieve earnings of 255c a share. Since the end of 1987 there has also been the creation of the financial service arm, SAGIN and the Cape Investment Bank.

The third Pickard company reporting results is Union Wine. In this case the saving of interest and lease charges helped in the improvement of profits at the bottom line to R573 000 (R466 000) equal to earnings of 4,6c (4,1c) a share.

Although turnover rose 19,6%, operating income slipped slightly to R3 544 000 from R3 555 000. The interest and lease charge is a heavy burden at R2 575 000, which is a little down from the previous R2 697 000 and help the bottom line profits. No tax was payable.

Union Wine says it has maintained its growth momentum and prospects for the rest of the year are promising and an increase in earnings per share is expected.

Star 5/3/88

# Rex Trueform shows healthy profit rise

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Clothing group Rex Trueform has shown a healthy profit increase in the six months to December, with net earnings improving by 25 percent.

On turnover which was 14 percent up on the comparable period, operating income improved 16 percent, amounting to R6,5 million. Attributable income was R5,5 million, equivalent to earnings per share of 133,1c (106,1c).

"The sustained demand for our products and continued tight control of assets and expenses has resulted in a further increase in earnings during the period," the directors comment.

"Production capacity is booked for the remainder of the financial year and present indications suggest the likelihood of moderate growth in the economy during 1988.

"Provided the present trend is not disrupted, earnings for the second six months are expected to exceed those for the corresponding period of 1987."

Net income of Rex Trueform's holding company African and Overseas Enterprises was 28 percent higher in the half-year to December, with earnings per share of 122,3c (95,6c). Turnover was up 15 percent and operating income was R6,8 million (R5,7 million). — Sapa.

# FS-Team makes a promise

Star 4/3/88 (249)

By Ann Crotty

FS-Team Distributors, the FS Group's electronics subsidiary, has reported a sharp 96 percent increase in earnings for the six months to end-December from 10,9c a share to 21,4c and has declared an interim dividend of 5c a share. Shareholders are promised at least a further 10c dividend payment for the second half.

A comparison with the December 1986 figures shows a massive improvement at all levels. However the earlier figures relate to Litecor, which underwent considerable restructuring in the period after December 1986 to form the existing FS-Team, and so are not directly comparable with the December 1987 figures.

Since December 1986 Litecor was acquired by the FS Group and in turn acquired Keens Electrical and, National Bolts' distribution branches from FS which led to a name change to FS—Team. Last September FS—Team sold off its electrical wholesaling and distribution activities to Elcentre in exchange for 34,6 percent of the enlarged Elcentre.

December 1987's operating profit of R9 million includes the earnings contribution from the stake in Elcentre. The results do not include a figure for turnover, presumably because the equity-accounted Elcentre investment could not be included at this level and would therefore have prevented any reasonable estimation of the group's operating margins.

It was this problem that encouraged the Cullinan management to change its accounting policy to one of partial consolidation.

FS—Team MD Michael Marcus notes that during the review period the company strengthened and expanded its role in providing distribution services to customers in industry, construction, mining and the DIY marketplace.

Chairman Jeff Liebesman adds "Results for the six months are consistent with attaining the forecast earnings of at least 45c a share for the 12 months to June 1988. On this basis, dividends totalling at least 15c a share will be declared."

# Shell's profit rises by 13pc

(249)

DID 5/3/88

LONDON — Oil giant Royal Dutch-Shell Group said yesterday that its pre-tax profits rose 13,5 per cent to £2,883 billion last year.

A company spokesman said demand for oil grew slightly more last year than it had anticipated but it expected demand this year to be "relatively flat."

Its pre-tax profits rose 14 per cent to £858 million in last year's fourth quarter compared with £752 million in the same period a year earlier, it said.

The fourth-quarter profits reflected higher earnings from exploration and production activities, a strong performance by the chemicals sector and gains from the sale of consumer products, the company said

The earnings were based on historical cost accounting.

If the earnings are based on the current cost of supplies, net profits show a 15 percent fall to £2,865 billion last year, the company said

The current cost figures do not include after-tax inventory holding gains, which amounted to £18 million last year, it said.

The company proposed a final dividend of 31,5p a share for the British arm of the Anglo-Dutch group, Shell Transport and Trading Co. PLC, up from 29.5p (51.9 cents) a year earlier.

That raised the dividend for the full year to 48p (84c) a share from 43p (77c) — Sapa-AP

BUSINESS

DD 5/3/88

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# Consgold chief tells of cutback in SA stake

LONDON--South Africa did not loom at all large in Consolidated Goldfield's future, the chairman and chief executive, Mr Rudolph Agnew, said yesterday

Mr Agnew was speaking at the release of Consgold pre-tax profits for the six months to December 31, up sharply by 87 per cent to £182,7 million

Consgold, he said, would soon achieve a complete reversal in the contributions to profits of its South African and non-South African operations

Whereas previously South African operations had contributed 70 per cent, they would soon contribute just 30 per cent This would not involve a further sale of its stake in GFSA, rather an expansion of non-South African operations Consgold now had less than 20 per cent of its investments in South Africa

Asked about the latest clampdown in South Afrcia, Mr Agnew said "The policy of sanctions and agitation against the country is bearing the fruits that those of us who opposed it said it would "

The South African government was reacting as any government would when it was pushed into a corner and its interests were threatened

It was sad that instead of seeing that what they were doing was having the wrong effect, sanctions proponents were now suggesting a further dose of the same medicine

"We have worked hard to isolate ourselves financially from that problem Modestly, I am suggesting that we have done it with a certain amount of skill "

Mr Agnew said the average cost of producing gold in South Africa had risen dramatically in recent years to about $270 and ounce as opposed to $200 in the US

"It is inevitable You cannot have wage and other inflation rates rising at 15 per cent a year and expect to keep costs down,"

GFSA, however, was largely protected from this in that it had four of the six lowest cost mines in South Africa with average working costs in the region of $130 It also had two new precious metal mines coming on stream and a vigorous exploration programme Other houses had no such development programmes

"They are mainly mining ageing mines "

A total of £81,8 million of Consgold's £211,1 operating profits came from the sale of 10 per cent of its stake in GFSA

Actual mining profits were down by 25pc to STG52 6m

Its share of profit from Newmont Mining Corporation was down by 36 per cent to £8,7m while GFSA's contribution to profits was down by 20 per cent reflecting the reduced shareholding

Mr Agnew said the fall in ConsGold's share of profits from Newmont was a result of increased interest charges on borrowings to pay off the speciall $33dividend as well as the heavy one-off cost in seeing off the takeover bid by the T Boone Pickens led consortium, Ivanhoe Partners

Profits from Renison Goldfield Consolidated in Australia were down by 6 percent to $6,6 million and the Goldsworthy Iron operation in Western Australia showed a loss of £2 1 million (£5 million profit) The reduced profit from Renision was due to the management taking a position on precious metal prices and getting it wrong, Mr Agnew said

Goldsworthy was hit by adverse exchange rate movements

Profits from Cons Gold's construction materials operations were up by 38 per cent to £57 million Investment profit, including the sale of the GFSA stake, totalled £101, 5 (£8, 1)

Mr Agnew said the outlook in the second half for its construction operations was excel lent Short term predictions for the mining operations in the current climate of uncertainty was difficult He hinted that both Consgold and Newmont could soon record profits from financial transactions Already Consgold had sold exploration propects in Chile for $30 million

The company declared an interim 10p dividend (9 5p) — DDC

D|D 5/3/88

# New record level for wool price

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PORT ELIZABETH — At the latest auction here the wool market reached a new record level when the Wool Board's market indicator closed at 1 826.

This is an increase of 1,2 percent on the previous week's sale The latest price increase saw the market strengthen for the ninth consecutive auction. Although wool prices in Australia strengthened slightly, the latest increase here can be attributed mainly to the decrease in the value of the rand against the Australian dollar.

However, the main reason for the high world wide price levels remains the good demand for the relatively limited world offering Prices for merino fleeces in the 22 and 23 micron categories rose by 2,5 and 1,5 per cent respectively, while prices for the most other types remained firm unchanged. Competition was brisk and 93 per cent of the offering of slightly more than 16 300 bales of merino and other wool was traded. The merino selection consisted of 66 per cent long wool, 14 per cent medium, four per cent short wool and 16 per cent locks. The highest greasy wool price achieved at auction was R34,75/kg paid for two bales of ah wool, with a fibre diameter of 17,5 micron and a clean yield of 70 per cent.

Next week approximately 16 600 bales of merino and other wool, and 850 bales of karakul wool will be offered. — Sapa

# New vehicles boost sales

Cape Times 5/3/88

# Porter raises income 71%

By AUDREY D'ANGELO
Financial Editor

BRIAN Porter Holdings, the Cape Town-based motor trade investment company which did well even during the recession, achieved further improvement in the six months to December.

After-tax income rose by 71% to R1,1m (R683 000) on a 38% increase in turnover to R106,9m (R77,7m).

The directors say the higher turnover was due mainly to a 43% increase in sales of new vehicles which pushed operating profit up to R2,4m (R1,7m)

Earnings rose by 62% to 41,4c (25,5c) a share before an extraordinary item — the write-off of R98 000 for goodwill on acquisition of a subsidiary, in accordance with group accounting policy

After the extraordinary item, earnings were 37,9c a share The interim dividend is 38% higher at 11c (8c) a share and the net asset value has risen to 559c (528c) a share

Chairman Brian Porter says he is confident that earnings for the current six months will "at least match" those of the first half of the financial year, in spite of the fact that new car prices are expected to rise by about 20% this year

He says there is now a shortage of new cars, caused first by the break in production over the Christmas period and subsequent slow start-up and now by the floods, which are causing delays in deliveries.

"This means that people are sometimes having to wait for delivery of the car they prefer, which can cause problems if another make which would be their second choice is available now

"This is particularly unfortunate if waiting for their first choice means they will have to pay more because prices are going up

"But we are in a strong position because we hold a number of franchises and can offer a wide choice Our acquisition of the Nissan franchise in Rondebosch, which did not affect our results to December, and of the Toyota franchise in Somerset West will help in this"

Porter expects the company to continue doing well

BUSINESS

DID: 4/3/88

# Earnings up for Rex Trueform

2-49

CAPE TOWN — Rex Trueform Clothing Co has reported a further substantial improvement in results for the six months to December

Earnings have risen to 133,1c (106,1c) a share, and the outlook for the rest of the year seems good.

Operating income is up by 16 per cent to R6,4 million (R5,5million).

Because of an assessed loss from previous years, the company was not liable for taxation and the interest bill was down to R408 000 (R593 000)

Net income was R6 million (R4,9 million), and income attributable to holding company, African and Overseas Enterprises R5,9 million (R4,9 million).

Turnover was 14 per cent higher than for the same period the previous year, and the directors report "a sustained demand for our products"

They say continued tight control of assets and expenses has helped to push up profits

"Present indications suggest the likelihood of moderate growth in the economy in 1988.

"Provided, therefore, that the present trend is not disrupted, earnings for the present six months are expected to exceed those for the corresponding period of 1987."

● African Overseas Enterprises reports operating income of R6,7 million (R5,7million) Pre-tax income was R6,3 million (R5,1 million) and net income R6,2 million (R5 million)

Attributable income was R3 million (R2,3 million) and earnings at share level 122,3c (95,6c) — Sapa

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## Earnings rise by 12%

Cape Times 4/3/88 249

# AVI boosts Anglovaal profits

By LAWRENCE TOTHILL
Investment Editor

ANGLOVAAL LTD has reported a 12% increase in its consolidated earnings for the six months ended December 1987 at R70,2m, compared with the 1986/87 first-half figure of R62,6m, and it is clear that industrial interests, through AVI have ousted gold and other interests as the main contributor to this mining house's income

The bottom line improvement in profits looks modest when viewed against the impressive jump in operating profits and should also be viewed against the strong profit rises of the last couple of years

### Main booster

Yesterday Anglovaal Industries (AVI) reported a 69% increase in its earnings for the first six months, and is clearly the main booster to its parent's income

Anglovaal's gold mine investments showed limited growth, being restricted by higher working costs and a firmer rand/US dollar exchange rate which led to lower rand revenue

Furthermore, there was a sharp fall in equity-accounted income from associated companies, largely because of Associated Manganese Mines' reduced profitability and losses connected with the start-up of operations at the Klipspruit Coal Mine

The consolidated income statement shows that Anglovaal's operating profit rose by 71% to R186,7m (R109,1m)

Income from investments was a little lower, but taxation was sharply higher

After adding in the equity accounted earnings figure of R8,1m — down 58% from R19,2m in 1986 — the after tax profit was R138,2m (R105,1m)

Preference shares and minority interests were 60% higher at R68,0m (R42,5m), leaving attributable earnings 12% up at R70,2m (R62,2m)

This translates into earnings of 1 641c (1986 1 464c) a share, from which an interim dividend of 200c (195c) has been declared and paid

### Subsidiaries

In the half year, Anglovaal and its subsidiaries spent a further R16,6m on the purchase of mineral rights in selected areas of the Northern Orange Free State, where the gold exploration programme is continuing

The market value of listed investments, mining, subsidiary and associated companies on December 31 was R1 250,2m (R1 313,2m), giving a net asset value of R322 a share (R317 a share) at the end of December

Allowing that there have been share price movements since end-December, the share is currently trading at around 80% of NAV

# R550m trade surplus

PRETORIA — South Africa recorded a trade surplus of R550,3 million in January this year, down from December's surplus of R779,2 million and a R930,0 million surplus in January last year, the Commissioner for Customs and Excise reported here yesterday.

Exports during January decreased to R3 268 million, from R3 435 million in December and R3 337 million in January last year.

Imports increased to R2 718 million, from R2 655 million in December and R2 407 million in January last year.

The figures are not seasonally-adjusted, but have been adjusted to bring them into line with the requirements for compiling the balance of payments.

The export figures include gold bullion sales and the import figures purchases of oil and petroleum products. —Sapa

BD 3/3/88

# AVI up 69pc

249

JOHANNESBURG — Industrial group Anglovaal Industries (AVI) improved net earnings by 69 per cent in the six months to December, compared with the same period of 1986.

Earnings a share R65,6-million, against R38,9-million previously, the interim report shows.

Earnings per share rose 40 per cent to 264 cents (188 cents).

On a 29 per cent improved turnover to R1,8-billion, the group increased operating profit by 60 per cent to R182,6-million (R114,4-million).

The half-year saw strong growth within the group.

"All sectors increased their profit contributions as the economy strengthened and business conditions improved," the directors state.

"Results were favourably affected by a drop in interest rates on reduced borrowings, a slightly lower effective tax rate and an increased contribution from associated companies."

They expect earnings for the full year to June to exceed those of 1987.

AVI's balance sheet also remains very strong. The debt/equity ratio was reduced to 19,6 per cent (29,8 per cent), thereby giving adequate scope for future borrowings for expansion purposes. — Sapa

DID 1/31/88 249

# Sasol's profit down R82m

JOHANNESBURG — Sasol's net profits in the six months to December dropped by R82-million — or 28 per cent — compared with same period of 1986, but the giant fuels and petro-chemicals supplier has maintained its interim dividend at the previous level

The interim report released yesterday showed attributable earnings of R207,1-million, compared with R288,9-million in the comparable period, equivalent to earnings per share of 36,8c (51,4c)

The interim dividend has been maintained at 22,5c a share

The directors explain that virtually unchanged product prices combined with domestic production cost increases had a detrimental effect on the profits of Sasol's synfuel activities

"In addition, an increase of 30 per cent in rand crude oil prices compared with the corresponding six months of the previous year, reduced our oil-refining profits.

"Since production cost increases at Sasol during the past few years were kept well below the inflation rate, there was less room for further cost rationalisation during the six months under review"

However, good production was achieved by the main operations

"The negative developments in the fuel industry were partially offset by benefits derived from the group's policy of increased diversification for the purpose of adding value to existing products," they state

"The most important of these benefits were higher prices in the international markets for chemical products and the improved operating results of the fertiliser division"

Debt was further significantly reduced, they add

"It is clear that the synthetic fuel industry is temporarily in an unfavourable position For this reason government has been requested to increase the protection for the indigenous industry against products derived from the refining of imported crude oil," the directors state

The prospects for higher petroleum product prices in the foreseeable future were not encouraging

They say however that they expect to be able to maintain the total dividend for the full financial year at the same level as previously

"During the first three months of the second half of the financial year the rand prices of our main products are more than 5 per cent lower than those of the first half This is due to a stronger rand and a further fall in the average dollar prices of petroleum products," they point out

"Favourable international prices of chemical products as well as expected higher production at Sasol Two should, however, have a positive effect on the results for the second half of the year"

At Sasol One increased attention was being given to the upgrading and modernisation of the plant Sasol Three's profit before tax during the period under review amounted to R96,7-million and the after-tax profit was R50-million, the same as that for the half-year to December 1986

Sasol's turnover (including excise duty and levies) during the review period was 13,8 per cent up at R1,7-billion, while net operating income was down 29,6 per cent at R354,4-million (R503,7-million) — Sapa

Short-term insurance improves

Cape Times 1/3/88

249

# M & F lifts underwriting profits to R15,2m

By LAWRENCE TOTHILL
Investment Editor,

IN line with the improving trend in the short-term insurance market, Mutual & Federal (M & F) was able to post a comfortable underwriting surplus for the half year to December 1987 in spite of having had to absorb the massive losses of last year's Natal floods.

The company's underwriting surplus for the six months was R15,2m against only R486 000 in the same year-ago period

With investment income up at R25,9m (R17,4m), the company's pre-tax profit is sharply higher at R41m (R17,9m) This is equal to earnings of 56,6c (27,7c) a share.

## Premium income

Gross premium income for the half-year grew by 37% to R343m (R250m) and net premium income was R273m (R187m)

An interim dividend of 6,5c (4c) has been declared

The company says it believes it is necessary to achieve a better balance between the interim and the final dividend, while the improved results have also been taken into account

Commenting on the results, MD Ken Swaggers echoes what has been said for some while by the MD of Santam Insurance, Oosie Oosthuizen, that the primary objective is to write business at rates and terms which give a reasonable prospect of a surplus and to operate in such fashion that shareholders and policyholders both benefit from the final result

The collapse of the AA Mutual is still very much in the minds of the insurance industry and this is surely the only policy which is reasonable — even if the public has the strange feeling that insurance companies are not allowed to make profits

It was widely believed that M & F carried a major chunk of the insurance cover on the large losses sustained in the Natal floods, and Swaggers confirms that M & F's share was more than R40m

Re-insurance cover, however, allowed for the recovery of R33m of this figure

## Industrial fire

Apart from the floods, only one large industrial fire occurred and M & F's exposure was small

A lower incidence of household burglaries and vehicle thefts flowing from more effectice surveillance and patrols, as well as policyholders becoming more security conscious, influenced the results favourably

He says that the ratio of expenses to net premium income is now running at some 10% lower than in the previous financial year

Interim dividend maintained

# Sasol profits drop by 28%

CAPE TIMES 29/2/88

JOHANNESBURG. — Sasol's net profits in the six months to December dropped by R82m — or 28% — compared same period of 1986, but the giant fuels and petro-chemicals supplier has maintained its interim dividend at the previous level

The interim report shows attributable earnings of R207,1m, compared with R288,9m in the comparable period, equivalent to earnings per share of 36,8c (51,4c).

## Interim dividend

The interim dividend has been maintained at 22,5c a share.

The directors explain that virtually unchanged product prices combined with domestic production cost increases had a detrimental effect on the profits of Sasol's synfuel activities

"In addition, an increase of 30% in rand crude oil prices compared with the corresponding six months of the previous year, reduced our oil-refining profits.

"Since production cost increases at Sasol in the past few years were kept well below the inflation rate, there was less room for further cost rationalization in the six months under review."

However, good production was achieved by the main operations

"The negative developments in the fuel industry were partially offset by benefits derived from the group's policy of increased diversification for the purpose of adding value to existing products," they state.

"The most important of these benefits were higher prices in the international markets for chemical products and the improved operating results of the fertilizer division"

Debt was further significantly reduced, they add.

"It is clear that the synthetic fuels industry is temporarily in an unfavourable position.

"For this reason government has been requested to increase the protection for the indigenous industry against products derived from the refining of Imported crude oil," the directors say.

The prospects for higher petroleum product prices in the foreseeable future were not encouraging.

They say however that they expect to be able to maintain the total dividend for the full financial year at the same level as previously.

"In the first three months of the second half of the financial year the rand prices of our main products are more than 5% lower than those of the first half

"This is due to a stronger rand and a further fall in the average dollar prices of petroleum products," they point out

## Chemical products

"Favourable international prices of chemical products as well as expected higher production at Sasol II should, however, have a positive effect on the results for the second half of the year"

At Sasol I increased attention was being given to the upgrading and modernization of the plant. Sasol III's profit before tax in the period under review amounted to R96,7m and the after-tax profit was R50m, the same as that for the half-year to December 1986

Sasol's turnover (including excise duty and levies) was 13,8% up at R1,7-bn, while net operating income was down 29,6% at R354,4m (R503,7m) — Sapa

DID 27/2/88

# Tradegro up by 59pc

249.

JOHANNESBURG — Retailing group, Tradegro, which among other things completed rationalisation of the Frasers operations during the six months to December, achieved a 59 per cent improvement in net profits during this period

The interim report shows attributable profits for the period amounted to R26,9-million, compared with R16,8-million for the 1986 half-year, equivalent to earnings per share of 14,45c (9,11c)

The directors state that the marked increase in profits was achieved through the Frasers rationalisation as well as improved trading by existing companies

Pre-tax profit increases of the various subsidiaries, compared with the half-year to December 1986, are Checkers from R1,2-million to R3-million, Department Stores (Stuttaford/Greatermans) from R1,8-million to R3,6-million, Jazz from R2,3-million to R5,3-million, Cashbuild R2,6-million to R3,2-million, Metro R11-million to R18,6-million and Rusfurn from R15,6-million to R32,9-million

The directors say the full benefit of the Frasers rationalisation would would be felt during the financial year ending June 1989

The chief executive, Mr Mervyn King, of Tradegro commented. "With Checkers and Metro having their better six months in the latter half of the financial year and the positive effects of the rationalisation of the Frasers operations being felt to an increasing extent, I am confident that the results should continue to improve"

Coreprop is the only division which recorded losses during the period under review

Tradegro's turnover increased by 38 per cent during the period under review to R2,1-billion, while operating profit was up 89 per cent to R86,6-million (R45,8-million).

No interim dividend has been declared — Sapa

Business Report

CAPE TIMES 26/2/88

# CU sees 65% rise in profits to Dec

249

JOHANNESBURG. — Composite insurer Commercial Union has announced 65% higher after-tax profits for the year to December

Net profits were R15m (R9m) Earnings per share rose from 112,7c to 187,1c.

The final dividend is 39c (previously 32c) giving a total payment of 57c for the year — a 21,3% increase on the previous year's total of 47c.

The good performance is largely due to the turnaround in the short-term underwriting result, where a R2,7m deficit in 1986 has been turned into a R10,9m surplus for 1987.

Investment income has increased by 45,3% to R18,1m and the release to shareholders of their share of life fund profits after tax is R1,8m (R1,4m).

The company's fast-growing life and pensions business has exceeded expectations with new life premiums up 30,3% to R91,3m. Premium income and investment income have also advanced steadily to R142,1m and R78m respectively.

The life fund now stands at R763,2m, but is backed by assets with a market value of R970,4m.

Managing director Bill Rutherford said: "The company carried its fair share of claims arising from the Natal floods and the severe hailstorms that battered the Reef towards the end of 1987, but prudent reinsurance arrangements cushioned the effect of these.

"The growth of the investment income reflects creditably on the efforts of the investment team They took advantage of the improved short-term cash flow and, with active trading, the gilt area turned in a first-class performance,

"Even after the stock market collapse in October the market value of shareholders' fund at december 31 increased by 8% over the year to R87,7m." — Sapa

Cit Times 24/2/88

# AECI lifts earnings 21%

269

**Investment Editor**

THE giant AECI looks as if it is well and truly out of the trough in which it had been stuck for the years 1982/1985 with profits and dividends for 1987 both well ahead of the 1986 figures, although the year was not without is problems.

Turnover for the year to December 1987 rose by 16% to R3 276m (R2 819m), which was only keeping pace with inflation. Included in sales were exports of R251m (R236m).

The company says that the volume of domestic sales was 7% higher with increases having been achieved in plastics and speciality chemicals.

The second half of the year was adversely influenced by the mine strikes which reduced the sale of explosives and a fall in fertilizer sales.

The operating profit at R369m was a modest 11% up on the previous year's R332m, but then a better position as regards financing costs, share of associate companies' income and a lower tax rate resulted in the bottom line profits improving to R213m from R175m.

Earnings per share at 138c for the year are up 21% on the previous year's 113c and the final dividend has been increased to 41c (35c) making a total of 66c (60c) for the year. Dividend cover has been raised to 2,1 from the previous 1,9.

Looking to the future, and with the usual provisos of normal climatic and social conditions prevailing, the company expects a further growth in earnings in 1988.

(249) D/D 23/2/88

# T. W Beckett up 4 per cent

JOHANNESBURG — Tea and coffee distributors, T W Beckett and Company, has posted a modest four per cent increase in net profits in the six months to December, compared with the same period of 1986.

The interim report shows nets earnings of R4,9-million (R4,7-million), equivalent to earnings a share of 82c (79c).

Turnover was up two per cent to R100,2-million, while operating profit was down five per cent on the comparable period from R10,8-million to R10,3-million.

The directors comment that more stable retail prices — lower prices in the case of coffee — resulted in increased demand for tea, coffee and rooibos.

"The company strengthened further or maintained its share in all its markets and consequently reflected sales volume growth. Turnover did not reflect this improved volume growth as the cost of imported tea on world markets was virtually static and that of coffee lower.

"In these circumstances the company did well to increase profit before taxation by four per cent."

They state that no significant change in raw material costs is expected.

"In this event the directors expect that trading results for the second half of the year will be similar to those already recorded" — Sapa

## Total dividend for the year 50c

# Blue Circle doubles earnings

Cape Times 19/2/88

249

By LAWRENCE TOTHILL
Investment Editor

BLUE CIRCLE has shot out of the trough it has been in for a few years with earnings way ahead of forecast, more than double what they were in 1986 and more than 10 times what they were in 1985

At the half-way stage Blue Circle forecast earnings of 140c a share for the year to December, 1987, the figure now released is 151,2c, which is an incease of 108% on the previous year's 72,6c

The final dividend is 30c, making a total of 50c for the year, covered three times

### Welcome change

This will be a welcome change for shareholders who have seen their dividend pegged at 38,5c since 1981 (except for 1985 when it was slashed to 11c)

Turnover at R378m is 25,6% higher than 1986 and the profit before tax and interest is 75,4% higher

Both the cement and engineering divisions bettered their performances in the year, but the major improvement to profits came from the considerably enhanced results achieved by the materials division

With the strong cash flow from profits, borrowings are down by some R44m to R101m, and a combination of this reduction and the lower interest rates led to a saving of R5,6m in the group's interest bill

### Borrowings

The balance sheet shows considerable strengthening with borrowings to shareholders' funds having been reduced from 78,6% to a much more satisfactory 48,1%

The share trades on the JSE around 1 000c and the latest figures put it on an earnings yield of 15,1% and a dividend yield of 5%, which are both a little higher than the average for the building sector

## Capital requirements exceeded

Cape Times 18/2/88

# Trust Bank sees 20% income rise

249

By LAWRENCE TOTHILL
Investment Editor

TRUST BANK shareholders should not fear a rights issue in the near future, as the bank says in its interim report that the requirements in terms of the Banks Act that 75% of new capital requirements had to be met by December, 1987 was "exceeded substantially"

Equally pleasing is the announcement that net after-tax income for the half year to December 31, 1987 increased by 20% to R24m from R20 in the same year-ago period after transfers to contingency reserve

This was equal to earnings of 18,1c (15,1c) a share In line with the higher earnings, the bank has declared an increased interim dividend of 5c (4,5c) a share and looks well set to increase the total distribution for the yeai

During the six months the bank's total assets grew by 20% to R11,1bn from R9,3bn Deposits grew to R7,9bn from R6,5bn Shareholders' interests now stand at R307m against the previous R290m

Net asset value increased to 231c a share from 218c six months ago Trust Bank shares trade around 185c on the JSE which is a considerable discount on NAV, but that is not unusual in the banking sector at present

Commenting on the results, the bank says "advantage was taken of the stronger demand for credit by vigorous marketing innovation, appropriate new products and services, the home loan market is being exploited with success"

"Interest margins came under pressure towards the end of the period, but operating costs, kept in check by effective cost management, have been rising significantly slower than the inflation rate "

Bad debts experience — always a threat, as shown in recent years — has continued to improve, and the bank says that disinvestment from nonbanking interests has progressed successfully

P/D 17/2/88.

# Cashbuild profits grow

249

JOHANNESBURG — Tradegro's building materials subsidiary Cashbuild increased attributable earnings by 5 per cent to R1,2 million in the six months to December, compared with the 1986 half-year, the interim report shows.

However the directors point out that the acquisition of Buy 'n Build as part of the Tradegro acquisition of Frasers impacted adversely as far the results were concerned If Buy 'n Build's results had not been consolidated with Cashbuild's, attributable earnings would have been up to R1,8-million, or 56 per cent better than the comparable period.

The actual results reflect earnings a share of 5,7 cents (5,8 cents), the decline being due to an increased share issue

Turnover increased 60 per cent to R97,4 million

Managing director Gerald Haumant says the Buy 'n Build deal will yield benefits in the longer term.

"Our network of outlets has been strengthened considerably, with inroads into many new areas As management control of the Buy 'n Build outlets begins to take effect, our previous overall profit-growth will be restored," he said — Sapa

# Hotels, gambling boost Kersaf profits, divs

Cape Times 17/2/88

(249)

By LAWRENCE TOTHILL
Investment Editor

THE reports of considerably improved circumstances in the hotel and tourist industry are reflected in the all-round improvement in the interim results of Kersaf Investments for the six months to December 1987

Most important for shareholders is the bottom-line where earnings per share have increased to 48,5c from the comparable 37,3c — an increase of 30%, and the interim dividend has been increased to 29c — 32% up on the previous 22c

But that only tells half the story since turnover at R446m was 47% up on the previous R303m, and operating profit up a massive 67% at R123m from R74m

Tax took a much larger slice and minorities also lept ahead with the result that the earnings attributable to ordinary shareholders of Kersaf at R36m were a more modest 34% up on the previous R27m

Net asset value per share has increased to 588c from 518c

Commenting on the results, the company says that all divisions contributed strongly to the group's improvement, saying "the SA hotel industry showed good recovery in the period with occupancies regaining some of their previous losses

Sun Hotels International once again produced excellent results with occupancy levels of 70% and revenues from both hotel and gaming activities substantially up on the corresponding period of the previous year"

They add that the newly formed Interleisure group made 'commendable progress in the consolidation of its various operating interests,' and results for the period were satisfactory

BUSINESS

DD 17/2/88

# A bullish trend for the Beares

249

JOHANNESBURG — Beares has again demonstrated that it is not simply turnover that counts but how the bottom line profits are achieved with a stunning improvement of 95% in pre-tax income on the back of a 23% increase in turnover in the half-year to December 31

The interim dividend has been lifted to 5 cents from earnings a share of 41,8 cents and in contrast with the 1986 interim of 2 cents from eps of 22,2 cents Eps rose by 88%

The directors are optimistic about prospects "The past six months has seen an increase in consumer demand, particularly during the last three months of 1987 With the government taking steps to ensure continued growth in the economy, we anticipate that customer demand will be maintained, and the present trend of improved profits will continue '

Figures for January are up on January 1987

Turnover for this furniture and discount store operation at R296m was up on the 1986 half-year figure of R240m and approaching the full year figure, to June 1987, of R427m

Interest at R6,3m (R7,4m) was down on 1986 but with rates rising this improvement may not be sustainable, the full year interest bill was R13,9m

Pre-tax income was 95% up on 1986 and stood at R19,7m (R10,1m) and R18m for the year to June 1987

Heavy provisions for tax, both current and deferred, have slashed this total to net income of R9,725m which is fractionally lower than the full year figure of R9,773m and contrasts with the R5,1m at December 1986 — DDC

Star 16/2/88 (249)

# Consol boosts earnings 73%

Finance Staff

Consol, the packaging subsidiary of Anglovaal, has announced a 73 percent increase in taxed profit to R24,8 million for the half-year to December

This compares with R14,3 million earned a year ago and is equivalent to 390c (1986 229c) a share

The company says the increase was brought about by higher sales, a high level of liquidity and better contributions from recent investments

Turnover rose 22 percent to R322,6 million (R263,8 million), resulting in better loading of manufacturing facilities

Operating profit rose 60 percent at R47,5 million (R29,8 million) With higher earnings from funds on deposit and lower interest paid on substantially reduced borrowings, pre-tax profit was R46,7 million (R26,7 million) Tax absorbed R22 million (R12,4 million)

Profit growth in the glass packaging division resulted from a general increase in sales Glass tableware sales also grew

Rigid plastics showed improved turnover and profit. The new plant in Ciskei is operating profitably, says Consol, and a major profit turnaround has been achieved in the two industrial flexibles plants from the Gundle purchase

Major restructuring and management efforts have reversed the losses of the past and a breakeven position has been achieved Prospects are favourable, says Consol

The group's other industrial and consumer flexibles operation showed encouraging sales and profit trends However, bags and sacks showed a small loss despite selling total output because production inefficiency caused a manufacturing bottleneck

Profit in the paper packaging division improved with increased demand for corrugated boxes.

Total borrowings decreased from R42,3 million in December 1986 to R26,8 million In addition, there were surplus funds invested of R34,1 million (1986· R3 million)

# Transun's earnings enhanced

SW 16/2/88

249

By Sven Lunsche

Allegations about a possible involvement in the Transkei corruption scandal must still be worrying shareholders of Sun International's subsidiary Transun.

But there is some consolation in the latest interim figures which show that attributable earnings were up 37 percent to R18,1 million for the six months to end-December 1987, on a 43 percent rise in turnover to R53,4 million. Operating income improved by 48 percent to R23,3 million

Earnings a share rose by only 12 percent to 12,5c, recognising the dilution effect of the additional shares issued when the company was listed in February 1987 The interim dividend was raised from 9c to 10c.

The directors said that the results were satisfactory taking into account the disruption to trading caused by the Natal floods as well as the construction activities that continued throughout the year

"Despite the disruptions, the Wild Coast Sun achieved an occupancy of 81 percent for the period, which was considerably higher than that experienced by the hotel industry," they said

# Curnow seeking main board listing

Star 16/2/88

269

By Teigue Payne

Having reported higher-than-forecast earnings in the year to December, Curnow has applied for a transfer of its listing from the DCM to the Retailers and Wholesalers sector

Income attributable to ordinary shareholders was R1,25 million, equivalent to 6,4c a share (5,1c forecast in the prospectus last April). A dividend of 3c (2c forecast) has been recommended.

For a listing on the main board, a company must have pretax profits of over R1 million Curnow's is R2,4 million

Chairman Mr Brian Joffe says four companies acquired last year have strengthened Curnow's position as the largest supplier of automotive finished products

Curnow is still hungry for acquisitions, he says. However, the acquisitions were in Curnow's normal business area and he is now looking to expanding Curnow's horizons in associated fields. Curnow has the major share of the R60 million-a-year market for automotive paints supplied to the refinish market. Of its share capital, 72 percent is held equally by EW Tarry, a member of the W&A group, and AECI.

# Cashbuild posts a 5% increase in earnings

Star 1/4/88

(2349)

**Finance Staff**

Cashbuild, Tradegro's cash-and-carry buildings materials wholesaling subsidiary, increased attributable earnings by five percent to R1,2 million in the half-year to December.

Interim earnings per share declined fractionally to 5,7c (1986: 5,8c) on an increased share issue of 21,4 million shares (20 million shares).

Turnover increased 60 percent to R97,4 million, according to the interim report.

**ACQUISITION**

The directors say the acquisition of Buy 'n Build as part of the Tradegro acquisition of Frasers temporarily impacted adversely on the results.

If Buy 'n Build's results had not been consolidated with Cashbuild's, earnings attributable would have increased 56 percent to R1,8 million.

Managing director Mr Gerald Haumant says the Buy 'n Build deal will yield benefits in the longer term.

"Our network of outlets has been strengthened considerably, with inroads into many new areas.

"As management control of the Buy 'n Build outlets begins to take effect, our previous overall profit-growth will be restored," he says.

# Interest costs stifle Lion earnings

Star 16/2/88 (249)

Lion Match showed a 5 percent improvement in net earnings in the year to December, the second interim report shows.

Turnover was up 21,7 percent to R179 million and operating profit rose 26 percent to R19,1 million (R15,2 million)

However, a substantial rise in interest costs because of increased borrowings was responsible for the relatively low increase in net earnings

Earnings per share were 20,82c (19,84 c).

With SA Breweries taking over control last July, the year-end has been changed to March 31 this year

The directors say that in view of traditionally slower trading conditions for group products in the post-Christmas quarter, the level of earnings for the 15-month financial period to March is likely to be little different from that reported for calendar 1987. — Sapa.

# Morkels' turnover up 34 pc

16/2/84

Reflecting the continued upturn in consumer expenditure, especially among durable goods, furniture group Morkels increased turnover for the first nine months of its current financial year by 34 percent, to R115,27 million.

This is almost identical to the figure achieved in the previous financial year. Taxed profit for the period rose by 195 percent to R5,87 million and is 79 percent ahead of the R3,28 million achieved in the previous year.

2.49

CAPE TIMES 5/2/88 (204)

# Rusfurn earnings up 67%

**Own Correspondent**

JOHANNESBURG — The Rusfurn Group has firmly established its class among the recently listed furniture chains by achieving a 67% increase in earnings for the six months to end-December.

Much of the rise — to 18,4c a share (from a pro-forma figure of 11,4c for the comparable period in 1986) — can be attributed to the purchase of Dion and the furniture interests of the multi-million-rand Frasers chain

An interim dividend of 2,5c a share has been declared, giving a conservative cover of 7,4 times The directors say this is approximately one-third of the expected full-year dividend, suggesting a total payout of 7,5c a share

Turnover increased by 21% in the period under review, although operating profit rose by a more impressive 43% from R27,4m to R39,1m

CE Geoff Austin says while turnover may appear to be lagging behind the increases recorded by competitors, Rusfurn's objective is to manage growth in turnover with a correspondingly higher growth in profits

"We appear to have beaten most competitors in earnings growth for December 1987 and expect earnings to increase to about 74% for the year"

Austin says the gross debtors' book now exceeds R450m and stressed the importance of increasing collection rates and optimising the funding base

"As a result of close attention to asset management, gearing improved from 0,82 1 at June 1987 to 0,45 1 six months later"

Because of the cyclical nature of the trade, borrowings are, however, expected to increase in the second six months of the year

Having cleaned up the group since its listing, Austin says Rusfurn is now in a position to look for acquisitions Although he would not comment on speculation that the group is stalking Morkels, he did concede that the speculation "is justified"

Although Frasers contributed to earnings in the six-month period, full benefits from the Frasers/Wanda merger are still to flow through

# Barnetts in good form

Star 12/2/88 (249)

By Finance Staff

Reflecting the benefits of the recent upturn in consumer spending on non-durables, household furniture retailers, Barnetts Group, reported a vastly improved taxed income of R1,4 million in the six months to December

Reporting for the first time since its listing on the JSE in November last year, this represents an increase of 44,5 percent on the comparable half-year's figure of R989 000

Turnover was R18,4 million, a 42,4 percent increase An interim dividend of 2c per share on earnings of 11c was declared

These results are well on target for meeting the forecast results for the full year, the directors say

# Group Five recovers to show profit

(249)

12/2/88

By Finance Staff

Star

In its first year as an independant company, Group Five made a dramatic return to profitability and resumed dividend payments during the 1987 financial year.

The construction group's attributable income was R11 million compared to a loss of R11,4 million in 1986. A total dividend of 35c was declared.

While turnover rose by only nine percent to almost R500 million, the group's effective rationalisation and improved margins pushed operating income to R10,4 million compared to a loss of R10,3 million previously.

The directors report that all divisions performed satisfactorily and the group was now well placed to take advantage of the improving conditions in the industry and therefore maintain the after-tax level during 1988.

They added that a pyramid holding company for the consortium — formed in August last year by SM Goldstein and Group Five — would be proposed to shareholders soon.

# Motor manufacturers tool up for a bumper sales year

Star 12/2/88 (249)

By Stan Kennedy

New investment projects approved or implemented in the last quarter of 1987 by car and vehicle manufacturers amounted to more than R36 million, reflecting the growing confidence of the industry in the economy

Most of the money has been, or will be used, for new model and assembly tooling, production facilities, warehousing, computer facilities, expanding research and development facilities and increasing local content.

With the recent steady uptrend in car and commercial vehicle sales, the utilisation of production capacity edged higher in all four sectors — car 79 percent, LCV 76,4 percent, MCV 62,3 percent and HCV 66,2 percent

To cope with the rising demand for vehicles, most of the seven major manufacturers increased their staff in the last quarter of 1987.

At the end of December, the industry employed a total of 32 737 compared with 31 275 at the end of September — an increase of 1 462 jobs or 4,6 percent

But compared with the 29 178 employed at the end of December 1986, the gain was 3 559 jobs or a 12,2 percent improvement

A statement from the National Association of Automobile Manufacturers of SA (NAAMSA) says an expected further improvement in the local economy and new vehicle sales, in particular, in the first half of 1988 should result in a further modest expansion of the industry's employment level

Most manufacturers worked a single shift during the quarter, with only one manufacturer operating a 9-hour shift and double shifts in selected areas Some manufacturers are currently operating two 8-hour shifts in their paint shops

No problems were experienced in the availability of imported raw materials and components Because of low inflation rates overseas, prices of imported components remained relatively stable

However, the effect of the rand's depreciation against the mark and yen resulted in an average price escalation of 1,58 percent for the quarter or 6,32 annualised

Local components were often in short supply because of constraints experienced by the steel foundries The average price increases of locally manufactured original equipment components ranged from 2,01 percent to five percent

NAAMSA says the the underlying economy, despite the recent stock market crash, remains poised for further modest expansion in the short to medium-term

On the assumption that the economy is set to record a three percent growth rate in real terms, in 1988, and based on the expectation that this year's budget will be structured to manage the economy to ensure business activies, generally, will remain positive, NAAMSA makes new projections

It forecasts that sales of cars this year will be 216 500 (1987 200 824), LCVs 106 500 (96 346), MCVs 5 300 (4 738) and HCVs 8 500 (7 242)

# Micor posts higher taxed profits

By Teigue Payne

249

Micor Holdings reports 21 percent higher taxed profit in the half-year to December and says indications are that the more favourable conditions will be maintained for the rest of its financial year.

If that happens, says Micor, its freight, finance and travel operations should produce substantially better results than in the previous year.

Turnover was 10 percent higher at R192 million (R175 million in the same period in 1986). Although the increase was modest, the company says it not only derived from the economic upswing but from increased market shares, particularly in the transport and travel sectors.

Taxed profit was R1,3 million and earnings per share were 47,8c (35,8c).

The group says closure of the fabricating plant reduced trading losses. Further improvement of this division depends on its ability to increase turnover in the "continuing difficult competitive conditions".

Star 12/2/88

SD 12/2/88

# Property fund ups profits

249

JOHANNESBURG — CBD Property Fund was the only one of the three property funds under the control of Sage Property Trust Managers to show an improvement in net distributable income last year

Nevertheless, the directors of the company say results for the second half of the financial year confirmed their statement at the halfway stage

They added that there were signs of recovery in the property market and prospects for a revival in income growth from 1988 were encouraging

The preliminary profit statement shows that CBD's net distributable income for the year under review was R16,7 million, compared to R16,6 million in 1986

A final dividend of 14,65c per unit has been declared, bringing total distribution for the year to 27,10c as against 27,05c in 1986

Federated Property Trust's distributable income was R15,4 million, down R0,7 million, with a final dividend of 12,82c and a total distribution of 22,7c from 1986's 24,52c

Pioneer Property Fund showed distributable profits of R21,2 million, down R3,5 million, a final dividend of 11,97c and a total distribution of 22,87c — Sapa

# Apparel accounts for 76% of income

# Seardel lifts earnings, div

Cape Times 12/2/88 2V9

By LAWRENCE TOTHILL
Investment Editor

THE results of Seardel for the six months to December 31, 1987 show that the company is in great form with earnings per share up 26,1% at 60c (47,5c) and the interim dividend up 30% at 6,5c (5c).

Seardel's turnover for the six months rose 19,5% to R294m (R246m); operating income was up 29,2% at R22m (R17m); after-tax profit attributable to ordinary shareholders was up 26,1% to R10m (R8m).

## Dividend cover

With earnings of 60c and a dividend of a modest 6,5c, dividend cover is a massive 9,2% times

A breakdown of the various divisions of the group shows that apparel accounted for 76% of both turnover and operating income; consumer electronics for 16% of turnover and 17% of income; toys accounted for only 8% of turnover but 15% of income.

It must, however, be remembered that toys do extremely well in the first six months of Seardel's financial year.

Presenting the figures last night, chairman Aaron Searll said trading conditions were satisfactory and things are looking good for the current six months

"Provided that the political and socio-economic factors which have a major bearing on economic activity in the country improve, it is anticipated that economic growth will continue

"Subject to the above, earnings could approximate between 85c and 100c per ordinary share for the year to June 30, 1988."

## Interest rates

The hope is also expressed that the monetary authorities will ensure that the trend of interest rates increases is not allowed to gain momentum This is a logical hope since Seardel is relatively highly borrowed and financing costs are considerable.

A big hike in the final dividend should not be anticipated in spite of the improved profits as the company says dividend cover will remain consistent with past policy.

In the case of the pyramid company, Searcon, whose major asset is its shareholding in Seardel, earnings per share amounted to 6,5c and the dividend is 6,4c.

There are no comparative figures because the company was only incoporated in March 1987

# Profit up at Anglo-Alpha

249

Star 11/2/88

Higher sales, better profit margins and a reduction in finance charges saw cement producer Anglo-Alpha return a 33,4 percent increase in earnings per share to 96,1c for the year to end-December. A total dividend of 70c, 16,6 percent up on 1986, was declared

Turnover rose by 20,6 percent to R418 million, with most divisions enjoying the trend, but the costs involved in extending the employee shareholding scheme obscured margins and reduced the growth in net income from 24,1 percent to 16,8 percent

Lower interest rates, an improvement in the cash flow by 27,2 percent and a subsequent R54,7 million decline in borrowings to R225,7 million brought down finance charges by 29,3 percent and helped to boost pre-tax profits by 40,8 percent to R81,3 million

# Interleisure in right direction

Star 11/2/88

249

By Sven Lunsche

Kersaf's entertainment group Interleisure concluded its first six months of trading with a substantial 41 percent rise in attributable earnings to R10,9 million. A dividend of 3,25c for the second half of 1987 has been declared.

The directors cited the upturn in consumer spending as the major reason behind the good performance, as it increased cinema attendances by 12 percent and boosted sales for the group's food and retail sport outlets.

They add that all other divisions have also been trading satisfactorily as evident in the 55 percent rise in turnover to R120,6 million and 53 percent increase in operating profits to R17,7 million.

Since its formation and subsequent listing on the JSE in August, Interleisure has made a number of acquisitions which had the effect of pushing up earnings per share from 5,5c to 6,5c and the net asset value by 18c to 63c.

The acquisitions included Combined Caterers, Porterhouse, Bimbo's, The Pro Shop, The Sweat Shop and various retail and wholesale sport outlets. The expansion has led to the restructuring of the group into five divisions and now that the group has settled down the directors expect the current earnings growth to be continued in the second half of the financial year.

# Wooltru increases interim dividend

Star 11/2/88

Finance Staff

Wooltru has reported 35 percent higher profits in its half-year to December and chairman Mr David Susman predicts at least the same for the full year, if consumer confidence remains high

Turnover of the group, boosted by a lively Christmas, jumped to R860 million (R448 million in first half of 1986-1987), but the 92 percent increase is not comparable because of the acquisition of Makro on January 1 1987 Excluding Makro, turnover was 27 percent higher at R570 million

Taxed profits were R27 million (R20 million) and earnings per share were 77c (56,1c) A 30 percent higher dividend of 35c (27c) has been declared

Wooltru says sales gains by the group's retail companies were 27 percent for Woolworths, 24 percent for Truworths and 22 percent for Topics

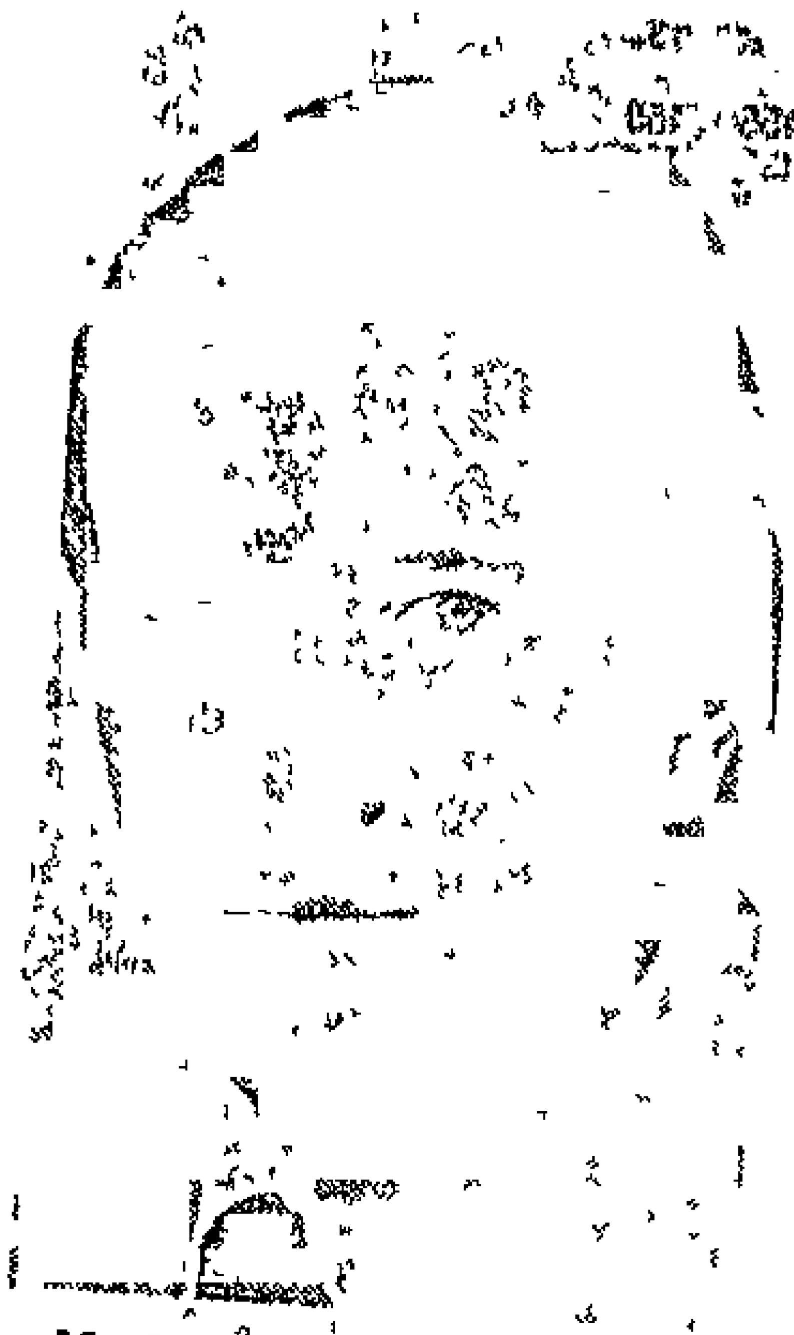
All trading companies except Makro reported improved profit performances Although Makro's turnover rose by 17 percent, its contribution to group profits in this financial year is expected to be modest, says Mr Susman However, he says present actions to improve profitability reinforce confidence in its future

Mr Susman expects that trading will remain buoyant in the second half, and that the 35 percent profit growth will be at least maintained

Cape Times 11/2/88

# Wooltru profits up 35%

269



Keith Allorto has been appointed to the board of Hillsdale Trust, the property management company within the HCI group.

**Investment Editor**

A LIVELY Christmas period helped to boost Wooltru's trurnover to R860m in the half-year to December 31, 1987, and pre-tax profits show a healthy 35% increase to R53m (R39m).

The acquisition of Makro in January 1987 distorts comparisons, but excluding Makro, turnover at R570m was 27% higher than the R448m in the corresponding period of 1986

The after-tax profit was R27m (R20m) giving earnings of 77c a share — 37% up on the 56c a share earnings of 1986

A dividend of 35c — 8c higher than the previous year — has been declared

Chairman David Susman says that the company is still in the process of re-instating a more traditional cover, and dividend cover for the whole year will be about 2,1 times.

The group's retail companies all showed meaningful increases in turnover in the six months — Woolworths increased sales by 27%, Truworths by 24%; Topics by 22%

Susman says all trading companies except Makro reported improved profit performances

Makro's turnover rose by 17%, but in spite of this, its contribution to group profits in the present financial year is expected to be modest Susman says present action should improve its profitability and reinforce confidence in its future

Susman expects trading to remain buoyant in the second half of the year Should customer confidence remain at its present high level, profit growth for the year will at least match the 35% achieved in the first half

# MMG increases income by 56%

8te/10/2/88

(249)

Finance Staff

DCM-listed Market Motor Group (MMG), whose interests include the Cape's largest Toyota dealership, boosted net pre-tax income by 56 percent to R3,1 million after a 32 percent increase in turnover to R69,4 million for the six months to December.

Earnings attributable to shareholders was R1,95 million (R1,61 million) MMG has declared an interim dividend of 2,1c, exceeding the forecast of 1,9c.

Chairman Barney Sank says a more profitable trading policy and tighter control of overheads helped to increase margins, with operating income up from 3,7 percent on turnover to 4,4 percent.

Mr Sank is optimistic that the forecast pre-tax earnings of R5,2 million for the full year will be exceeded.

"All MMG's divisions operated exceptionally well, and we expect similar earnings for the second part of the year With no debt and a strong balance sheet, MMG will not be affected by increases in prime interest rates," he says.

Mr Sank believes the buoyant conditions in the motor trade will continue throughout 1988

MMG is one of the largest motor organisations in the Western Cape, covering a wide range of motor-related undertakings Apart from the Cape's largest Toyota dealership, it has one of the largest used-car operations and is also involved in repair, service and parts supply

"Next month, the company will open what will probably be the largest used car facility in the Western Cape Situated at Newmarket Street, Cape Town, where MMG first opened its doors, the facility will offer customers on one site a comprehensive range of economy, luxury passenger and commercial vehicles.

"We believe that this concept will reduce overheads, increase turnover and improve profitability," he says.

# NEI ups earnings, dividend

219

Star 19/2/88

**Finance Staff**

Northern Engineering Industries Africa (NEI) achieved an 18,5 percent increase in net income before extraordinary items in the year to December, the preliminary profit statement released today shows.

This amounted to R24,7 million, compared with R22,5 million in 1986 Net operating income before tax showed an even better increase of 25,5 percent to R40,7 million

Earnings per share were 450,3c (391,9c). The company has declared a final dividend of 130c (119c), bringing total distribution to 180c (160c).

Turnover was up 20 percent to R391,8 million and operating income increased 21,3 percent to R45,6 million (R37,5 million).

Holding company NEI African Holdings has declared a final dividend of 65c a share (59,5c), bringing the total dividend for the year to 90c

Cape Times 10/2/88 (249)

# NEI Africa sees 25% income rise

THE engineering group NEI Africa has celebrated its 10th year of operations in appropriate style, with a 25,5% increase in net income to R40,7m on a turnover of R391,8m for thhe year to December 31, 1987

In spite of a 49% increase in the tax bill to R113m, net operating income was 18,5% higher at R26,7m (1986.R22,5m) and a final dividend of 130c (1986. 119c) has been declared

Earnings per share, on 5,9m shares in issue, were 15% higher at 450,3c (1986 391,9c) The group has a strong base in the Cape through boiler manufacturer John Thompson Africa, transformer and substation manufacturer Power Engineers and diesel engine remanufacturer Probuilt Diesel Formed in June 1978, NEI Africa has gained a reputation as a steady performer in the engineering sector. Over the past 10 years, turnover has increased from R65m in the first year of operations to R392m this year — an annual compound growth rate of 22%

Over the same period, net operating income before tax has grown from R5,6m to R40,7m, reflecting a compound annual growth of almost 25% Earnings per share, which have risen from 70c in 1978 to 450c this year, also reflect an annual compound growth rate of 22%

## Acquisitions

NEI Africa chief executive Blitz Bieber said all nine operating companies within the group, were profitable and overall the group performed ahead of budget

The mechanical division contributed 53,0% of turnover, the electrical division 25,8% and the diesel division 21,2% "The year was largely one of consolidation and for the first year since the formation of the group, there were no major aquisitions we concentrated instead on improving productivity and efficiency and this will be an ongoing exercise," said Bieber

He added that although ICAL has a workload through to 1993 in manufacturing pressure parts for Kendal power station, a major concern is the lack of capital investment in both the public and private sectors "No orders for industrial boiler plant were placed in South Africa during 1987 and work that may stem from the few major projects that have been initiated is not likely to filter through into the engineering sector until the second half of this year

"High raw materials and transportation costs are hampering the export activities of the manufacturing sector and this, coupled with high rates of taxation, means that re-investment opportunities are limited "He went on to say that in spite of the lack of investment, the group was fairly well set "If the group companies continue to perform at the pace they achieved in the last quarter of 1987 then growth could be well ahead of our expectations "

NEI Africa Holdings is the pyramid company of NEI Africa

# Earnings per share rise to 225c

# SBIC profit up 23% in 1987

CAPE TIMES 10/2/88

249

By LAWRENCE TOTHILL
Investment Editor

STANDARD Bank Investment Corporation (SBIC) increased its pre-tax operating profit in 1987 by 23,2% to R329,4m from R267,3m in 1986. Earnings per share rose from 215c to 225c. Total dividends of 82c per ordinary share have been declared (1986: 78c) and dividend cover, at 2,5 times, is unchanged.

Total on- and off-balance sheet assets rose by 10,1% to R27 618m. This was in spite of weak demand for credit which, persisting through most of the year, saw advances and other accounts grow by only 5,8%.

Net income attributable to ordinary and preferred ordinary shareholders increased by 5,3% to R220,1m. A drop in dividend income, which is untaxed, was the main reason for a sharp rise in the effective rate of taxation from 26% to 37%.

Among the operating companies, STANNIC substantially raised its contribution to group profits. The other banking subsidiaries posted small profit increases.

Bad debts, net of recoveries, showed a dramatic improvement and declined from R164,2m to R52,2m, which is a welcomed change from some of the bad debt write-offs by several banks in the recent past

Extraordinary items total R49,2m and include a provision for a reduction in the value of trade-related foreign investments due to the fall in international stock markets in October 1987 and appreciation of the rand against the US dollar.

Group Chairman Henri de Villiers and MD Conrad Strauss consider that current economic and political circumstances make a forecast for 1988 problematical The group has, however, budgeted for a rise in earnings in the current year

For some while SBIC has stood on a lower dividend yield basis than most shares in the banking sector of the JSE and certainly lower than those of the obvious competitors — First National, Nedbank, Trust Bank and Volkskas. The improved results could well entrnch the bank as a favourite in this sector.

# Prosperous times ahead for construction industry

(249)

The construction industry is well set for a prosperous future — and that prediction comes from a company at the "grass roots" of any building job, scaffolding and formwork group, Form-Scaff.

Managing director, Mr Lee Koch, believes that the next nine months will see strong activity in construction and building, although much depends on a favourable gold price and exchange rates

Apart from the State President's general remedy for the economy, particularly by way of privatisation measures, the big contracts — still some way down the line from actual starts — such as the Lesotho Highlands Water Scheme and Mossel Bay offshore oil project will be further boosts

## Major projects

"Building activity is expected to be revitalised as major projects come off the shelves," says Mr Koch.

"Indeed, should the gold price move up we could witness a further 60 percent rise in construction activity over and above the 51 percent increase revealed by our survey"

The Form-Scaff graphs are made up of a number of composite leading indicators iclud-ing building plans passed

The company is also contributing to labour-cost saving through new scaffolding handling methods

## Uniformity

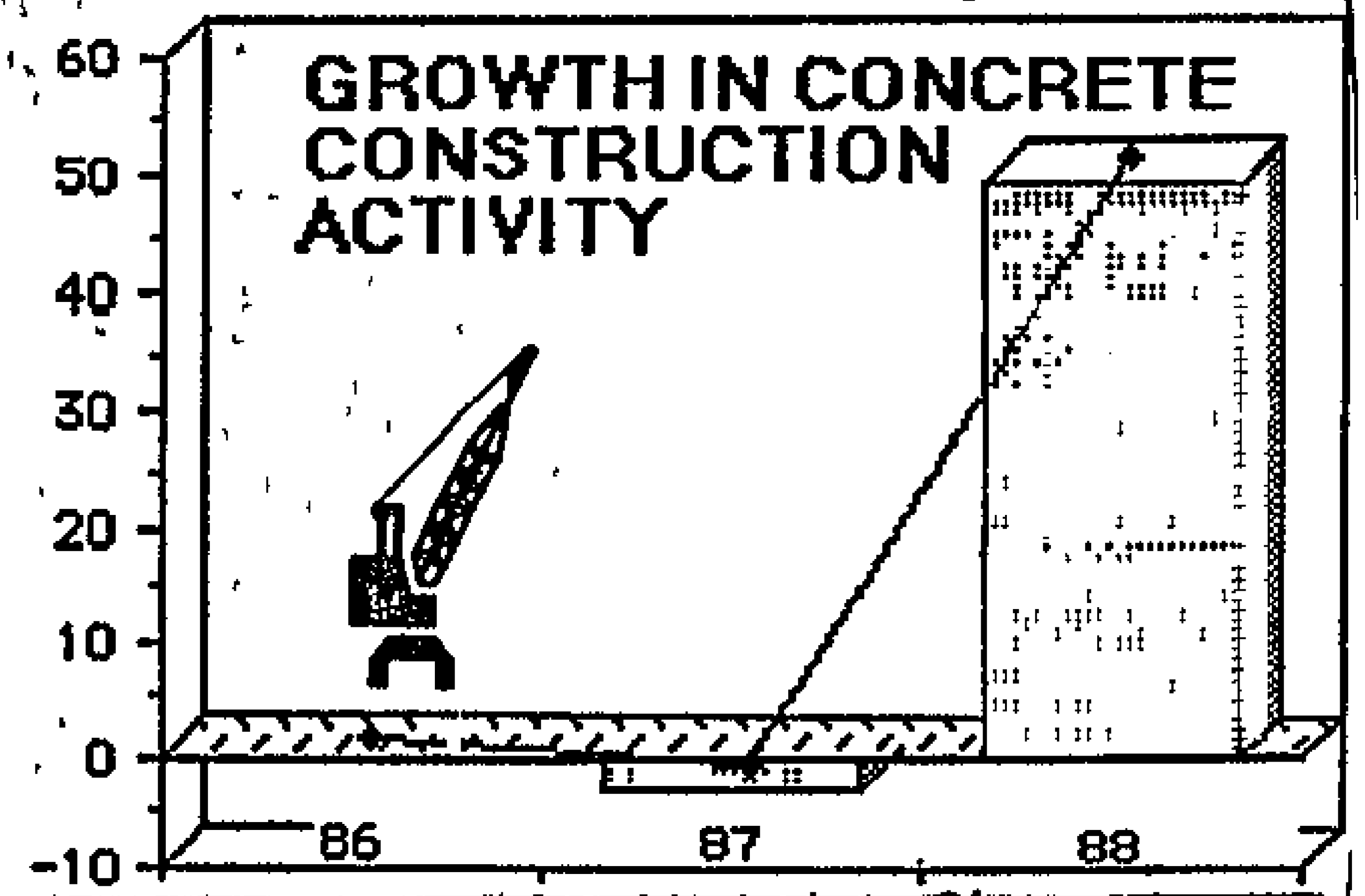
"We are approaching the Scaffolding Association of SA to introduce product handling uniformity in the industry which, we believe, could achieve a 10 percent saving in labour," says Mr Koch

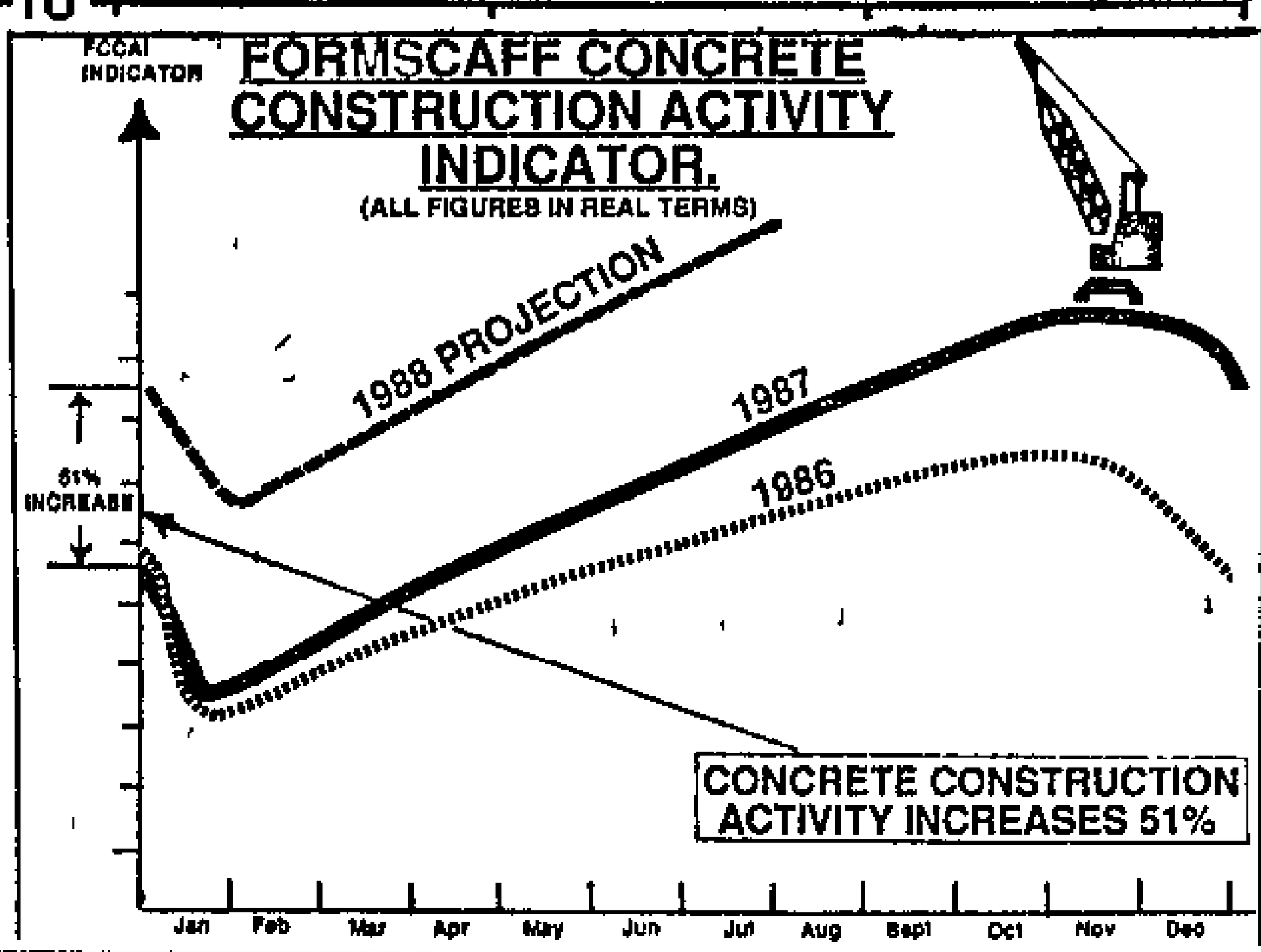
Also bullish on the prospects for construction is Mr Kees Lagaay, executive director of the South African Federation of Civil Engineering Contractors

"Civil work at Mossel Bay and Lesotho is due to start this year," he says in the latest Safcec review of the industry.

"While these projects are important, of particular relevance to the civil engineering industry's workload in the coming years will be the Government's privatisation policy

"This is particularly true in the area of private toll roads and the contracting out of civil work which is currently undertaken by the public sector's construction units."



# SA Eagle Insurance earnings continue their flight to heights

(249) 9/2/88 Star

By Magnus Heystek

The profits of the SA Eagle Insurance continued to soar in the year to end-December 1987, with earnings a share rising by 80 percent from 117,6c (1986) to 211,8c

A final dividend of 91c (1986 54c) a share has been declared, which increases the total payout to 125c a share, compared with 75c a share in the previous year

The highlight of the results is the dramatic turnaround in underwriting activity, which ended the year with a surplus of R8,32 million after recording a deficit of R5,4 million the preceding year

This performance was managed despite the adverse effects of the Natal floods, hailstorms in the Transvaal and several large fire and explosion claims

Investment income was again the mainstay of the company and rose by a sterling 29 percent from R24,25 million in 1986 to R31,3 million as a result of higher dividends earned on equity investments, together with increased interest received from the greater cash flow resulting from the rise in premium income

Operating income rose by 112 percent to R37,46 million, but the tax bill was significantly higher at R12,048 million (1986 R3,49 million), leaving attributable income at R25,414 million — 80 percent higher than the R14,1 million earned the previous year

The dividend cover has been increased from 1,6 to 1,7

# I&J lifts interim 93%

(249) 8/4/88 9/2/88

Irvin & Johnson, Anglovaal group's frozen food company, has announced excellent interim results, with a 93 percent increase in earnings in the six months to December, compared with the year-ago period.

The directors say if business conditions are maintained, satisfactory growth can be expected in earnings over the previous year's 122c a share.

In the half-year, I&J's attributable earnings rose to R19,9 million (1986: R10,3 million), equivalent to 71,1c (36,8c) a share — a 93 percent increase.

Group turnover rose by 21 percent to R422,5 million (R349,1 million). Growth in both the economic environment and consumer spending noted in the latter part of the previous financial year continued into the period under review.

Market conditions enabled the company to restore margins to historically acceptable levels. Consequently, operating profit was 71 percent higher at R34,4 million (R20,1 million).

# Sappi boosts profit — and more to come

Star 9/2/88 219 1889

By Finance Staff

Sappi results soared by a record 173 percent to 317c a share for the year to end-December and favourable market conditions are expected to further boost profits in the current year.

Because of the substantially improved results and the buoyant outlook for 1988, the directors have declared a final dividend of 90c a share, making a total of 130c for the year, compared to 40c in the previous year.

Looking at the year ahead, MD Eugene van As says the world market for most pulp and paper products continues buoyant and the prices for the main commodity grades have continued to firm. In South Africa there are signs of improved consumer confidence and the demand for the group's products is strong.

"However the world scene is uncertain and it is difficult to predict earnings levels for 1988."

He adds, however, that if current market conditions continue and if the rand maintains its present position against other currencies, there should be a further material improvement in attributable profits this year.

The results show turnover up 19 percent from to R1,312 billion and a 170 percent increase in operating income to R283,9 million — largely as a result of firm markets, both domestically and internationally, improving world prices for pulp and paper and a better performance from the Ngodwana mill.

A stable rand exchange rate, however, impacted marginally on export earnings.

Results were largely unaffected by the Natal floods and the explosion at Ngodwana as insurance covered lost profits and damages.

# Anbeeco posts huge earnings rise

ster 9/12/88 249

Finance Staff

Anbeeco, the sole importer and distributor of Seiko, Pulsar and Lorus watches and clocks, reports attributable earnings of R2,582 million in the year to December 1987 (R690 000 in 1986) — a rise of 274%.

Earnings per share were 20,1c (7,5c in 1986).

A dividend of 5,5c a share has been declared, making, with the interim, a total of 7c a share. This gives dividend cover of 2,87 times, compared with the prospectus forecast of 2,5 times.

At a current share price of 135c, Anbeeco is on a P/E ratio of 6,7. The dividend yield is 5,2%.

Chairman and MD Mr Tony Brookstone says the group had "a very good trading year and profit growth has been exceptional"

The group received a further boost from the acquisition of Supalek Holdings from July 1 1987

Cape Times 9/2/88 (269)

# Sappi profits soar

By LAWRENCE TOTHILL
Investment Editor

THE giant pulp and papermaker Sappi increased the pace it set in the first half and achieved record earnings for the year ended December 31, 1988, and today's results from Sappi indicate that the company has fully recovered from its setback of a couple of years ago and once again is firmly on the ascent.

Attributable earnings per share have soared 173% to 317c a share compared with the 116c earned last year while on a distributable income basis, earnings are 248c a share, 97% ahead of the 126c a share achieved a year ago. Further good news from the company is that the preferred ordinary shares are to be converted into ordinaries earlier than expected.

Because of Sappi's substantially improved results and the buoyant outlook for 1988, the directors have declared a final ordinary dividend of 90c a share, making a total of 130c a share for the year.

In the 1986 financial year Sappi's total dividend was 40c an ordinary share. This enhanced dividend is equal to the increased preferred ordinary share dividend and in terms of the conditions of the issue of the preferred ords, this means that the preferred ords will be converted to ordinary shares from the start of 1988.

The results published today show that on a turnover that increased 19% from R1 100,9m to R1 312,3m, Sappi achieved a 170% increase in its operating income.

This rises from R167,0m to R283,9m largely as a result of firm markets, both domestically and internationally, improving world prices for pulp and paper and a better performance from Ngodwana.

Finance costs declined substantially, to R28,9m (1986 R61,3m,) and pre-tax income is 138% ahead at R256,7m (1986 R108,1m).

Sappi has made a provision for normal tax of R287 000 (1986 R454 000) which leaves a net income of R256,5m compared with the 1986 figure of R107,6m.

However, at the attributable level, after taking account of income attributable to outside preference shareholders in subsidiaries and preference dividends, Sappi's income amounts to R207,0m a massive 235% improvement on the previous year's R61,8m.

Sappi's MD Eugene van As says: "This level of increase is not evident in the distributable profits which are up 142% on last year at R162m because of the effect of a deferred tax appropriation of R44,9m.

In 1986 the deferred tax was a benefit of R5,3m. Sappi had no tax liability in the year and its attributable earnings were, therefore, R207m or 317c a share."

CAPE TIMES 9/2/1988

249

# I & J nets 93% higher earnings

IRVIN & JOHNSON (J & J) — the Anglovaal group's frozen food company has announced excellent interim results with a 93% increase in earnings in the six months ended December 31, compared with the year-ago period.

The board states that if present business conditions are maintained, satisfactory growth is expected to be seen in the company's earnings over the previous year's 122c a share.

In the half-year, I & J's attributable earnings rose to R19,9m (1986: R10,3m), equivalent to 71,1c (36,8c) a share — a 93% increase.

Group turnover increased by 21% to R422,5m (R349,1m)

Market conditions enabled the company to restore margins to historically-acceptable levels

Consequently, operating profit was 71% higher at R34,4m (R20,1m).

Investment income was also sharply higher, while interest paid was little changed, leaving a pre-tax profit of R33,4m (R18,4m).

The tax charge rose by 68% to R13,4m (R8m) and left an after-tax figure of R20m (R10,5m).

I & J's share of associated companies' earnings was R6 000 lower at R9 000, while minority interests absorbed R124 000 (R176 000), thus leaving consolidated earnings of R19,9m (R10,3m)

# Fenner group proves a point

249 Star 8/2/88

Fenner is a typical new entrant to the JSE with sparkling current results compared with the previous year's low Additional capital raised on its debut of R9,3 million less the heavy listing expenses of R737 500 is the platform to first fund any acquisition, strengthen the capital base and provide the working capital for the enhanced state of the group

Shareholders and investors need to look more closely at management and establish whether they have the experience and skills to bat in a higher league or not The proving time is not year one when management knew full well by May, eight months into the year, whether they were on line with projections, but rather years two and three in which management must prove whether they are capable of handling a bigger ship

The Fenner group was listed on the JSE during May last year at the height of the listings boom with a prime objective of becoming the country's major suppliers of mechanical products and specialised engineering services

Management has decided "in the interest of the shareholders" not to publish divisional results as this would lead to the group's competitive position being compromised " The annual report fails to disclose the competitors

The group's ultimate holding company is J H Fenner (Holdings) PLC incorporated in England

The annual report is silent as to the UK's percentage holding Nevertheless against the background of all the disinvestment nonsense it is gratifying to note that foreign shareholders are still active.

In its first year of operation as a listed company the group exceeded expectations Turnover increased significantly to R104,6 million (1986 R63,8 million) Margins improved with net operating income R10,7 million (1986 a disappointing R2,6 million) representing just over 10 per cent of turnover

After deducting tax, preference dividends and outside shareholders interest, the net income attributable to ordinary shareholders totalled a respectable R2,97 million (1986 R528 000) giving 29,9 cents earnings per share

The annual dividend — forecast at 6 cents in the prospectus — was increased to 6,5 cents This absorbed R1,98 million of profit leaving an amount of only R990 000 (less than one percent of turnover) retained income for the year

The improvement was achieved against a background of sanctions affecting the mining industry, some mine closures, a general lack of major projects and a greater degree of labour unrest resulting in more lost production time than had occured in previous years, says chairman Mr P J Ibbotson


To meet the challenge of the present economic climate, one of management's major objectives was to maintain healthy balance sheet ratios To achieve this, close attention was paid to assist management and sound improvements were achieved in the areas of stock turn and debtor collections in all companies

The group comprises Fenner SA (Pty) Limited with its divisions — Power transmission, conveyor belting and Fluid power, Control Specialists (Pty) Limited, Furmanite Africa and 50 percent of KSB Pumps (SA) Limited

In the power transmission division the 22 existing outlets were increased with one new distribution point opened at Evander to secure the Secunda complex The conveyor belting division passed another milestone by producing the 1,5 millionth metre of belting

Conveyor belting is promising with new power stations and mines under development and the restoration of coal exports The mining industry has provided the most significant growth for KSB Pumps Export sales to African countries have continued to increase

The group's balance sheet at end August 1987 has a sound foundation for growth Shareholders' funds total R26,7 million (1986 R20,6 million) The working capital position of net current assets has grown to R17,83 million (1986 R11,7 million) The ratio of current assets to current liabilities is 1,73 to 1 (1986 1,94 to 1) Bank overdrafts of R5 million (1986 R1 million) represent the only significant borrowings The preference shares are redeemable in three instalments of around R1 million each in 1988, 1989 and 1990 and should present no repayment problems

While it might be early days to judge the group, chairman Mr Ibbotson is confident all companies are well-placed to assist in various large-scale projects including Mossel Bay and the proposed synthetic fuel plants Let's hope that Mossel Bay will indeed turn out to be the pot at the end of the rainbow that everyone expects

Demand for the group's products remains good and provided the economy continue to show modest growth Mr Ibbotson expects higher earnings next year The net asset value is R1,57 per share and the JSE current price hovers around R1,60 The next two years could be testing for management

8/2/88

COMPANIES 249

# Garlicks sales, profits soar

By TOM HOOD,
Business Editor

A 20 percent rise in sales helped Garlicks to boost its after-tax profit by almost 25 percent to R2,4-million in the half-year to December 31.

Earnings rose to 80,1 a share from 63,9c a year ago.

However, the interim dividend is being kept at 18c, although the directors believe the final payout will be increased and total dividends will exceed the 44c paid last year.

Turnover grew by more than R10-million to R63-million and operating profit of R5,3-million, up 30 percent, is as much as the total profit for the full 1987 year.

Chairman Mr John Garlick says the directors' forecast of a minimum profit improvement of 30 percent for the year to June 30 is likely to be exceeded.

● **Supalek Holdings** reports a turnover of R2-million for the six months ended December 31 — almost as much as for its previous financial year.

Though no dividend was forecast before October 1988, a maiden dividend of 1,5c a share is being paid.

Mr Cyril Cohen, managing director, is confident the prospectus forecast of R2,3-million after-tax profit for the full year will be exceeded

Sales so far are 56 percent ahead, he says

● Watch and clock importer **Anbeeco**, which was listed last April, reports that earnings jumped by 274 percent to R2,6-million for 1987 from R690 000 in 1986.

Earnings a share were 20,1c compared with 7,5c in 1986 and the forecast of 17,5c.

The final payout of 5,5c makes a total of 7c.

● Malbak subsidiary **Protea International and Van Reenen and Nicholls** have joined forces to form Protea VRN Steel, a major new merchant operating from the Reef.

Protea VRN will initially specialise in all qualities of steel plate before branching into other areas of the steel industry.

Protea VRN will start off with an investment of R10-million and expects to obtain a significant stake of the steel plate market within a short time.

● **Mercedes Datakor** has acquired a shareholding in the **Dimension Data** group and the two companies say they expect to capture the major share of the R100-million data communications market this year to make them the dominant data communications systems suppliers

Dimension Data forecast in its prospectus that turnover would reach a record R17-million in the year to December 1987, with net income rising from R1,2-million to R2-million.

● **United Spinners**, the country's largest worsted yarn spinning mill, is paying a maiden dividend of 4c after earnings more than trebled in the six months to December 31.

The Port Elizabeth company earned R4,1-million after tax on a turnover that rose 18 percent or R45,3-million to R28,2-million.

Unispin more than doubled its net operating profit from R1,7-million to R4,8-million.

No tax was paid because of tax losses brought forward from previous years

The bulk of Unispin's sales and profits occur in the second half of the financial year which includes the winter months

Chairman Mr Robert Wachberger says there was real growth in turnover where market gains were achieved.

The effect on sales of the Patons and Baldwins acqusition will only be felt in the coming six months.

The big profit improvement came from greater operating efficiencies as a result of new equipment coming on stream and continuing increases in productivity, he added.

Buy Sell Yield

ECONOMY

STel 5/2/88

# Penpin bullish about its prospects

(MR) (249)

Finance Staff

Pennypinchers (Penpin), the Cape-based building materials chain, reports a 58 percent increase in turnover to R65 million for the year to December 1987, writes Anne Crotty

The group, which came to the Development Capital Market (DCM) in December 1986 and moved over to the main board last year, is bullish about prospects for financial 1988 MD Fasie Malherbe is looking to a 70 percent increase in turnover to R110 million in the current year, with sales boosted by expansion initiated in 1987.

"We will break through the R100 million barrier with ease and without opening any new stores". he says.

Penboard, a Penpin subsidiary listed on the DCM last November, boosted its contribution to group turnover by 125 percent to R17,3 million Management is expecting this figure to double in financial 1988.

In the last financial year, a new division, Pennypinchers Properties, was formed to give the company exposure to the property market Penprops acquires strategic properties to accommodate Penpin branches and on an investment basis.

Penpin is currently trading at around 120c a share, off its 12-month low of 90c and well below the high of 200c In the current market climate it may take more than the full announcement of the results in March to move the price.

D/D 29/1/88

# Bank down R342m

PRETORIA — The Reserve Bank's gold holdings decreased by R342 million during December to R4 904 million, according to the bank's monthly statement

Total gold and foreign assets decreased by R327 million to R6 139 million on December 31

Reserves were valued at R841,13 per fine ounce compared with R840,54 the previous month

Foreign investments and other assets increased by R15 million to R1 235 million

Notes in circulation increased to R5 981 million at December 31 from R5 867 million on November 30

Government deposits decreased to R2 234 million from R2 578 million and provincial administration deposits decreased to R224 million from R374 million

Deposits by banks fell by R20 million to R474 million

The ratio of gold reserves to liabilities to the public less foreign assets decresed to 62,5 percent from 71,0 percent — Sapa

D/D 29/1/88

# Delswa up 70 per cent

249

JOHANNESBURG — Before-tax profits up 70 per cent, from R975 000 to R1,7 million, in the six months to end-October 1987, compared with the comparable period the previous year, were announced by Delswa yesterday

The interim dividend has been lifted 50 per cent from 20c to 30c

P/D 29/1/88 (34) (249)

# Delswa up 70 per cent

JOHANNESBURG — Before-tax profits up 70 per cent, from R975 000 to R1,7 million, in the six months to end-October 1987 compared with the comparable period the previous year, were announced by Delswa yesterday.

The interim dividend has been lifted 50 per cent from 20c to 30c.

(241) • B/day 25/11/88

# Everite turnover has risen by 44%

LIZ ROUSE

EVERITE'S turnover soared by 44% to R162,46m in the six months to December, boosted by the takeover of Turner & Newall's building division and improved activity in the building industry.

The interim dividend has been raised by 25% to 4,5c from 1,5c, based on the higher turnover level, a strong balance sheet and expected rationalisation benefits following the acquisition

However, bottom line profits were only 5% higher at R6,19m because of a change in revaluaing and depreciating fixed assets at replacement cost instead of at historical, plus a 50% rise in tax charges.

Earnings a share on the increased issued share capital declined slightly to 7c from 8,8c in the 1986 half-year. Dividend cover has been reduced to 1,5 from 2 times.

Historical valuation would have added R3,4m to profits and earnings would have been 10,8c a share.

An extraordinary profit of nearly R3m — not reflected in earnings — was realised from the sale of the concrete division, further strengthening finances.

The higher interim dividend signals

● To Page 2

HEALTH

1981

NOVEMBER

# Hudaco's profits rise 51% on acquisitions

B/day 29/1/88 (249)

HELOISE HENNING

HUDACO Industries has completed a year of acquisitions with profits up by 51%.

Reporting results for the year ending November 1987, bearing and transmission-engineering group Hudaco has notched up earnings a share of 61,7c, up 40% from the previous year's 44,2c and marginally ahead of the 61c EPS forecast after the acquisition of Frencorp in September.

Frencorp's results for the nine months to November 30 have also been reported.

Hudaco has declared a dividend of 28c (20c) a share.

At the year-end, four strategic businesses — Abes, Swift, Frencorp and Henaven — had been acquired at a cost of R28,1m. This boosted equity and borrowings on the balance sheet to R56,5m. This is 52% up on the previous year-end R27m.

Directors forecast the enlarged Hudaco Industries stable should bring in turnover of about R250m in the current year.

Profits attributable to shareholders was up 46% to R12,5m (R8,5m). In addition a non-trading item of R431 000 brings profit after non-trading items to R12,9m to contribute to the 51% improved profit.

The 1987 year began with cash deposits of R8,5m and ended with net borrowings of R5,2m, which makes for very low gearing against shareholders equity of R51,3m.

Chairman Bruce McInnes and CE Kevin Clarke report that the large consumption of cash is in line with expectations because of the acquisitions and strategic stockpiling.

Listed Frencorp, which was bought for R18,1m, has declared a 8,8c final dividend for the nine months ending November 30, 1987, compared with the 2c declared in the previous year.

Earnings a share of 19,1c for the nine months represent an annualised improvement of 33% compared to the previous 19,2c.

Profit after taxation for the year rose by 37% (annualised) to R1,7m (R1,6m) and after non-trading items increased by 60% (annualised).

Frencorp chairman McInnes and CE G E Gardiner reported that increased sales and greater operating efficiencies boosted by slightly improved margins resulted in the good results.

The strong positive cash flow from operations enabled the group to repay short-term borrowings and, at the year-end, cash resources exceeded long-term loans outstanding, putting the company on a quick-asset ratio of 2:1.

CAPE TIMES 22/1/88

# JCI raises div to 600c on 21% profit increase

Own Correspondent

JOHANNESBURG. — Johannesburg Consolidated Investment Company (JCI) has raised its interim dividend to 600c (500c) on a 21% increase in taxed profit to R137,3m (R91,9m) in the six months to December.

The group scored on a lower tax rate, higher investment income and a special non-recurrent dividend from Rustenburg Platinum arising from the flotation of Lebowa Platinum.

Income from investments rose by R8,8m to R81,2m (R72,4m) as a result of increased platinum and industrial dividends. However, dividends from its gold mines declined.

The profit from Lebowa's flotation brought in R36,8m.

Attributable earnings of operating subsidiaries fell to R10m (R12,4m) because of adverse conditions in its coal division.

However, any further decline in the coal market will have a minimal effect on the group as it accounts for only around 5% of group profits.

Other net revenue increased by R1,7m to R10,65m (R8,9m).

JCI's interest in profits retained by non-subsidiary companies in which it has substantial investments amounted to R44,3m (R50,3m).

These retained earnings are net of any dividends received from these companies in the past six months.

At the end of the year investments were valued at R840m in the balance sheet, compared with R722m at the end of 1986.

JCI's net asset value has declined sharply from R778 a share at the end of June to R608 at end-December.

Sharp rise in borrowing

CPT 7(48) 20/1/88

# Anglovaal: 25% profits increase for quarte

269

From CHERILYN IRETON

JOHANNESBURG. — A solid performance from three of Anglovaal's four gold mines resulted in a 25% increase in group profits to R91,8m (R73,2m) for the December quarter.

Hartebeesfontein (Harties), Village Main and ET Cons managed to raise working profits considerably over the three month period thanks to a higher gold price, well contained costs and marginally higher grades.

However, Free State producter Loraine was not as fortunate, with higher costs outweighing the benefits from increased gold production.

⊛ Harties taxed profit was 25% higher but earnings slipped to 37,8c a share (39c previous quarter) after a R19,8m increase in capital expenditure.

This was largely on the new low grade plant which it started commissioning during the quarter. In all 158 400 tons were milled at the new plant at a grade of 0,62g/t.

At the year end the mine had long term borrowings of R8,2m and outstanding capital commitments of R14,97m.

During the quarter pulp treated for uranium oxide totalled 804 000 tons (810 000) but sales dropped from the previous quarter, leaving profit from this source and pyrite and sulphuric acid sales, R5,2m lower at R1,76m.

⊛ Loraine's taxed profit fell R4,1m and capex of R5,7m left earnings sharply lower at 5,3c a share, compared with 19c the previous quarter.

The decline was mainly a result of a rise in costs of R4 a ton which counteracted the increase in tonnages milled and consequently, gold production.

Gold revenue declined slightly to R30 494 a kg (R30 544kg) but Loraine has now entered into hedging transactions which should ensure a range price of between $460 and $... for some of its output.

As with Harties, development values were lower on reefs.

A significantly higher gold price of R31 774kg (R29477) contributed to the 38% rise in Cons's net profit. With the increase in capex, earnings were lower at 61c a share (76c).

⊛ Village Main Reef's production returned to more normal levels and this contributed to the 80% rise in net profit.

The higher throughput had favourable impact on unit cost and unit profit rose by R1,85 R7,77 a ton.

CAPE TIMES 20/1/88

# JCI mines boast combined net profit boost of 65%

From MERVYN HARRIS

JOHANNESBURG. — Mines in the JCI fold increased combined net profit by 65% to R55,9m in the December quarter with a strong recovery by Randfontein offsetting poor results from Western Areas

Randfontein, which was hit in the previous quarter when production was disrupted by the August strike, boosted profits 80,9% to R66,7m (R36,8m). Profit after capex was R29,7m against a loss of R5,6m in the previous quarter, equal to earnings a share of 486[illegible]c (loss of 92,6c).

Mill throughput rose 18,4% to 2 050 tons with ore milled from underground sources up 255 000 tons and the grade remaining consistent. The yield was up 7,1% to 3g/t while working costs fell 9% to R59,60 a ton

Uranium production, halted for several days during the strike, jumped from 413 000 tons to 730 000 tons

Director Kennedy Maxwell said industrial relations were not fully back to normal during the quarter

Western Areas reported a bad quarter with production interrupted by two fires — at end October and the beginning of December — in the electrical sub station at the North Shaft metallurgical plant

This resulted in an 8,4% decline in tons milled to 872, the yield was down 2,9% to 3,3 g/t while working costs rose 8,2% to R116,92 a ton Losses were therefore increased from R2,9m in the previous quarter to R10,7m while the loss after capex was R17m to bring the loss to almost R31m in the last two quarters

Maxwell said he was cautio[...] about predicting the futu[...] "Problems such as the fires o[...]cur when you least expe[...] them We hope to rescue t[...] situation and plans indica[...] areas where we could show improvement by opening are[...] with higher grades and bet[...] mining systems"

HJ Joel, the group's n[...] mine south of Welkom, [...]veloped a total of 1 898m dur[...] the quarter (823m) and the p[...]gressive advance is 31[...] (2 419m) lations

Everyone accepts that road safety is essential, but the inherent danger is that the system will be used as an excuse for the replacement of one set of regulations by another — equally overwritten — set

The attitude of Sats is paramount

According to Braun and Byers, there are "various lobbies" within Sats' management structure The rail lobby is in favour of deregulating road transport, while the road lobby is concerned that Sats will lose market share in traditionally profitable areas

Since the White Paper effectively gives Sats control over the timing of deregulation (because of the stipulation that it will have to be compensated for the loss of more than R1,5bn in subsidies), the eventual outcome of this internal struggle is vital to the future of transport

Braun and Byers underline this in their discussion of the possible privatisation of Sats, which is interpreting the concept as a chance to sub-contract or put out to tender much of its work "There is a strategic implication to the whole exercise that could result in the government adopting the same stance it has with deregulation — and that is to do whatever it does against a background of not actually relinquishing control

"It is a pity the DoT is seen by many to effectively be the controlling mechanism of Sats operations rather than paying attention to the entire transport requirement of SA

"This perception has been generated by the actions of the department over the years If the current incumbents of the key transport portfolios can move away from this image, the way will be clear for looking at more innovative transport solutions for SA in the future "

The way should also be clear for an urgent and intensive investigation into the management and future of Sats Last year it admitted forex losses in excess of R1bn and it has also just announced losses on its train services of close on another R1bn (an unacceptable figure — even allowing for the principle of operating high-loss suburban and "homeland" trains as a service to society and apartheid)

Assistant GM of Sats' road and passenger services, Barry Lessing, says tariffs would have to be increased by "more than 33%" to cover costs Whether via Treasury, or the RSCs, Sats is heavily subsidised by the taxpayer

This goes on while it calls the tune on transport deregulation, and manifestly constitutes mismanagement by government (The black transport situation is the direct result of geographic apartheid )

One of the problems — as described by a senior member of the DoT — is that senior government officials tend to listen to the last special pleader There is no single firm policy line — departmental policy swings like a pendulum, now supporting and now doubting the wisdom of deregulation and privatisation

Nowhere is this clearer than in the DoT's attitude to the setting up of two bodies essential to any deregulatory progress in the sector the Transport Advisory Council (TAC) and the Transport Tribunal (TT)

Mechanisms have been in place for months which allow for their implementation Both are designed to have majority private-sector representation, and both are integral to the White Paper programme — the TAC will assist in preparing policy, while the TT will aid in its enforcement

Yet both bodies have been delayed, for no apparent reason other than tremors within the DoT That attitude could destroy the progress expected by everyone in road transport in 1988

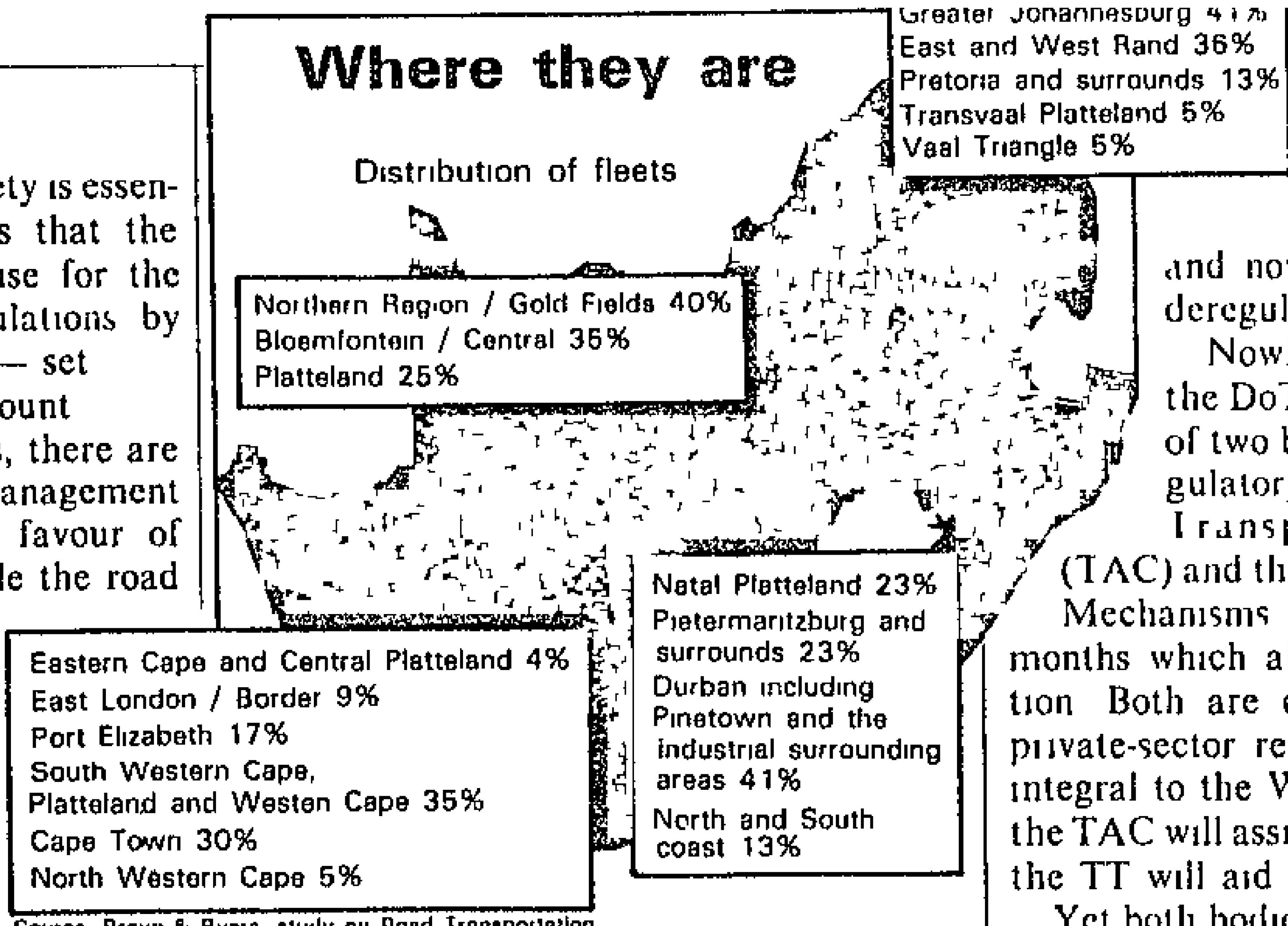
Government actions have not been encouraging even the introduction of the exempted areas was mishandled, with operators given insufficient time to register and testing stations insufficient time to prepare for the heavily increased demand on services Public carriers are still waiting for the hundreds of millions in fuel levy rebates owed to them by the Department of Customs and Excise So it goes on

If SA is to have an efficient transport sector, government will have to choose its policy and follow through with rigour Right now it is merely adding chaos to inefficiency

Clearly, too, a prerequisite for an efficient transport system is for new management at Sats It needs urgently to be reduced radically, as Eskom has done, to workable proportions as a prelude to meeting the real needs of customers — and ultimately privatisation

**Where they are**

Distribution of fleets




Source Braun & Byers study on Road Transportation In SA What is the Future?

CORPORATE PROFITS

# The tough keep going

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**Slack economic conditions and the JSE crash of October have obscured the sound base of many listed companies, and their consistent earnings' growth patterns. This year looks to be as good as last.**

**Corporate profits** have now been firmly in a rising trend for more than 18 months Despite the tepid performance of the economy during 1987, most industrial companies not only maintained the momentum but in many cases also quickened the pace during the second half

Estimates of the average pace of growth in earnings per share run at 30%-35%, with dividends rising at a somewhat slower pace But it is no exaggeration to say that dozens of companies — well over 50 of those listed in the accompanying table — have shown significantly faster growth rates, far outstripping inflation The table summarises a selection of results published over the past six months Those whose figures are not comparable with the previous year have been omitted, as have many of the new listings, pyramid companies, and all of the DCM All but about seven of those listed increased their earnings, even though many are still rising off a low base

Industrial companies are continuing to enjoy benefits from improved efficiencies, even though the benefits from lower interest rates or debt repayments have largely run their course This means that business activity will have to be the main force behind profits during coming months But, with the economy presently on line for a better performance than that achieved in 1987, there is a lot of potential for the average 1988 profit growth rates to exceed many of the forecasts made six to 12 months ago

As always, forecasts on the economy's performance for the current year vary widely and the gold price — which at present is particularly difficult to call — will dictate the vigour of growth Still, gold currently stands above US$480/oz (its low point for last year was $390,25), the firmer rand against the dollar is helping to lessen the costs of imports, consumer spending is looking encouraging, and fixed investment is rising All these should contribute to a perkier economy, with varying effects on the different companies quoted in the industrial sector

Continued on P34

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# CORPORATE PROFITS: THE PACE QUICKENS

| Company | | Reporting Period | Turnover Rm | Turnover % change | Operating Profit Rm | Operating Profit % change | Finance Charges Rm | Finance Charges % change | EPS c | EPS % change | DPS c | DPS % change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **INDUSTRIAL HOLDING** | | | | | | | | | | | | |
| Amic | I | Jun 30 | 1 691 | 15 | 212 0 | 18 | 91 0 | 15 | 253 | 31 | 65 | 18 |
| AVI | P | Jun 30 | 2 832 | 18 | 262 5 | 42 | 28 0 | −22 | 415 | 71 | 75 | 50 |
| Barlows | P | Sep 30 | 16 613 | 14 | 1 428 2 | 17 | 241,3 | −20 | 275 6 | 30 | 100 | 25 |
| BTR Dunlop | I | Jun 30 | 199 | 13 | 22 6 | 30 | 2 1 | 5 | 49 | 29 | 30 | 3 |
| C G Smith | P | Sep 30 | 8 519 | 18 | 629,5 | 32 | 80 6 | −24 | 390 4 | 36 | 163 | 25 |
| Cullinan | P | Jun 30 | 192 | 9 | 14 3 | 8 | 1 8 | −39 | 90,5 | 19 | 39 | 11 |
| Eureka | I | Aug 31 | n/d | — | 3 4 | 80 | 0 8 | 117 | 3 0 | 15 | 1 5 | □ |
| Fed Volk | I | Sep 30 | 1 356 | 12 | 106,5 | 30 | 26,7 | −31 | 26 7 | 145 | 6 5 | — |
| Grincor | I | Jun 30 | 125 | 43 | 7 7 | 61 | 2 1 | 35 | 9 2 | 16 | 5 5 | 12 |
| HLH | I | Sep 30 | 139 | 11 | 22,7 | 5 | 3 1 | 213 | 21 6 | 20 | 8 | 23 |
| Imperial | P | Jun 25 | 219 | 37 | •12 5 | 72 | 3 6 | 16 | 38,7 | 73 | 7,5 | — |
| Malbak | P | Aug 31 | 1 962 | 97 | •133 4 | 118 | n/d | — | 65 0 | 36 | 20 | 33 |
| Messina | I | Jun 30 | 127 | 27 | 6 1 | 24 | 4 0 | −26 | 23 | 360 | — | — |
| Micor | P | Jun 30 | n/d | — | 2 6 | −13 | n/d | — | 85 | 0 | 23 | 130 |
| M&R | P | Jun 30 | n/d | — | n/d | — | n/d | — | 157 | — | 42 | 320 |
| Picbel | P | Jun 30 | 333 | 29 | 34 3 | 46 | 14 2 | 11 | 197 6 | 67 | 32 | 28 |
| Safren | P | Jun 30 | 2 078 | 9 | 394 1 | 20 | ▲30 2 | −34 | 229 | 29 | 110 | 25 |
| Sinclair | P | Jun 30 | 23 | 11 | 3 4 | 23 | 0 4 | −50 | 50,4 | 64 | 16 | 60 |
| T&N | I | Jun 30 | 60 | 2 | 9 2 | 59 | §1 0 | −23 | 28 1 | 105 | 7 5 | −1 |
| W&A | I | Jun 30 | 386 | 27 | 36 7 | 62 | 6 1 | −41 | 225 | 162 | 70 | 180 |
| **BEVERAGES & HOTELS** | | | | | | | | | | | | |
| Kersaf | P | Jun 30 | 625 | 21 | 161 0 | 30 | 8,4 | −8 | 81,6 | 30 | 52 | 30 |
| SA Brew | I | Sep 30 | 3 845 | 19 | 279 4 | 36 | 57 7 | −11 | 40 | 32 | 16 | 28 |
| Sun Bop | P | Jun 30 | 209 | 24 | 42 3 | 23 | 3,8 | −50 | 35 1 | 22 | 27 | 35 |
| Suncrush | P | Jun 30 | 170 | 25 | 27 0 | 40 | 1 2 | −16 | 497 | 41 | 150 | 29 |
| Suthsun | I | Sep 30 | 136 | 17 | 18 6 | 33 | 4,4 | −13 | (5 4) | — | — | — |
| Transun | P | Jun 30 | 82 | 28 | 35 8 | 25 | 1 5 | −54 | 22 8 | 33 | 19 | 39 |
| Union Wine | P | Jun 30 | n/d | 111 | 7 1 | 43 | 4,4 | 15 | 13,1 | 122 | — | — |
| **BUILDING & CONSTRUCTION** | | | | | | | | | | | | |
| Anglo Alpha | I | Jun 30 | 192 | 20 | 43,0 | 15 | 12 2 | −29 | ▼35 1 | 24 | 26 | 18 |
| Blue Circle | I | Jun 30 | 176 | 21 | 27 6 | 89 | 10 5 | −17 | 64 0 | 420 | 20 | — |
| Boumat | I | Sep 30 | 316 | 24 | 17 6 | 54 | 3 7 | 2 | 35 | 75 | 14 5 | 4 |
| Concor | P | Jun 30 | n/d | −10 | •2 7 | — | n/d | — | 6 | — | — | — |
| Everite | P | Jun 30 | 281 | 22 | 23 8 | 81 | 2 2 | −16 | 16,1 | 118 | 8 75 | 94 |
| Goldstein | P | Jun 30 | 302 | 16 | 6 7 | 262 | ▲2 3 | 8 | 27 | 1 186 | 10 | — |
| Grinaker | P | Jun 30 | 523 | 14 | 21,9 | 41 | 4 5 | −15 | 39 2 | 76 | 14 | 56 |
| Group 5 | I | Jun 30 | 246 | 30 | 2 8 | — | n/d | — | 41 0 | — | 10 | — |
| Inboard | I | Aug 31 | 47 | 212 | •8 0 | 149 | 0 5 | −26 | 5,5 | 90 | 3 | — |
| LTA | P | Mar 31 | 1 065 | 7 | •10 1 | −14 | ▲•2 7 | −71 | 22 | — | — | — |
| Masonite | I | Jun 30 | 31 | 10 | •5 1 | 51 | n/d | — | 54 | 46 | 45 | 246 |
| Otis | I | May 31 | n/d | — | 7 1 | 20 | n/d | — | 21 | 17 | — | — |
| PPC | P | Sep 30 | 471 | 12 | 103 9 | 14 | 8 9 | 86 | 130 5 | 12 | 60 | 28 |
| Shoredits | P | Jun 30 | ◇36 | 192 | ◇2 8 | — | n/d | — | ◇21 3 | — | ◇7 5 | — |
| Yorkcor | I | Jun 30 | 12 | 31 | 0 2 | — | 0 4 | −5 | (36 3) | −80 | — | — |
| **CHEMICALS & OILS** | | | | | | | | | | | | |
| AECI | I | Jun 30 | 1 479 | 14 | 153 0 | 9 | 32,0 | −14 | 53 | 18 | 25 | 0 |
| Chemsve | I | Jun 30 | 93 | 24 | 10 0 | 28 | 0 8 | −51 | 92,2 | 35 | 31 | 24 |
| Farm-Ag | I | Aug 31 | 42 | 25 | 3 4 | 30 | n/d | — | 35 3 | 5 | 12 | 0 |
| Omnia | I | Jun 30 | 68 | 21 | (1 0) | — | 3,0 | −18 | (10 9) | 23 | — | — |
| Prochem | P | Aug 31 | 224 | 46 | 18 5 | 62 | 3 0 | −2 | 18 6 | □ | 7 | □ |
| Sasol | P | Jun 27 | 3 109 | −15 | 870 4 | −34 | ▲29 0 | −82 | 93 5 | −9 | 47 5 | 6 |
| Sentrachem | I | Sep 30 | 593 | 10 | 47 2 | 55 | ▲35,1 | −22 | 17,9 | 26 | 5 | — |
| Trek | I | Jun 30 | 304 | −10 | 16 1 | 98 | 0 4 | −22 | 57 3 | −15 | 27 | 8 |
| **CLOTHING, FOOTWEAR, TEXTILES** | | | | | | | | | | | | |
| Adonis | I | Mar 31 | n/d | — | 0,6 | 65 | 0 05 | 35 | 9,7 | 56 | 5,0 | 150 |
| Bolwear | I | Aug 31 | 46 | 35 | •4 0 | 91 | n/d | — | 10 1 | 89 | — | — |
| Confram | P | Jun 30 | 662 | 21 | 51 9 | 34 | n/d | — | 62 6 | 81 | 34 | 0 |
| Conshu | P | Jun 30 | 152 | 43 | •19 0 | 180 | n/d | — | 31 | 142 | 6 | — |
| Da Gama | I | Jun 30 | 95 | 26 | 19 4 | 76 | n/d | — | 32 5 | 97 | 11 | □ |
| Mooi River | I | Jun 30 | 22 | 24 | •1 9 | 55 | n/d | — | 28 | 29 | 12 | 20 |
| Ninian | I | Jun 30 | n/d | — | 2 7 | 421 | 0 5 | 10 | 68 0 | — | 15 | — |
| Rex True | P | Jun 30 | n/d | — | 11,4 | 22 | 1,1 | −51 | 219 2 | 56 | 65 | 18 |
| Romatex | P | Sep 30 | 552 | 13 | 57 6 | 66 | 3 1 | −56 | 125 5 | 94 | 50 | 92 |
| Seardel | P | Jun 30 | 447 | 20 | 30,1 | 55 | ▲7 0 | −29 | 80 | 281 | 13 | 225 |
| **ELECTRONICS** | | | | | | | | | | | | |
| Aberdare | I | Jun 30 | 120 | −2 | 8,7 | 40 | ▲1,0 | 481 | 35 8 | 34 | 15 | 20 |
| Af Cable | P | Jul 31 | 104 | 10 | 14 5 | 68 | n/d | — | 33 5 | 68 | 22 | 83 |
| Altech | I | Aug 31 | 368 | 23 | 61 1 | 25 | n/d | — | 349,2 | 26 | — | — |
| Altron | I | Aug 31 | 733 | 17 | 87 3 | 26 | n/d | — | 140 5 | 25 | — | — |
| C-Matic | P | Feb 28 | 53 | 82 | 5,9 | 154 | 1,3 | 276 | 22 5 | 127 | 10 | — |
| Elcentre | I | Aug 31 | 130 | 251 | 10 9 | 249 | 0 7 | −9 | 25 1 | 264 | 11 | 450 |
| GBS | P | Jun 30 | 48 | 20 | 5 5 | 21 | 0 5 | −75 | 20 | 11 | 8 | — |
| Powtech | I | Aug 31 | 302 | −7 | 21,0 | 9 | ▲1,8 | −43 | 5 2 | 21 | — | — |
| Punch Line | I | Jun 30 | 31 | 359 | •3 6 | 291 | 0 6 | 958 | 9 6 | 146 | — | — |
| Reunert | P | Sep 30 | 1 151 | 25 | 88 0 | 267 | 13 0 | −35 | 120 | — | 40 | — |
| SPL | I | Aug 31 | 16 | 28 | 2 9 | 33 | 0 1 | 1 | 8 8 | 28 | 3 5 | 25 |
| Tedelex♠ | P | Aug 31 | 327 | −3 | 25 9 | −8 | 11 2 | −21 | 11 9 | 126 | 2 | — |
| **ENGINEERING** | | | | | | | | | | | | |
| Abercom | P | Jun 30 | 246 | −12 | •9 8 | −40 | ▲2,0 | −36 | 40 | 14 | 15 | 0 |
| Afrox | P | Sep 30 | 448 | 15 | 89 4 | 28 | 3 3 | −68 | 152 8 | 29 | 61 | 22 |
| Berzack | P | Jun 30 | 247 | 15 | 24,2 | 81 | 4,6 | −17 | 955,4 | 181 | 180 | 260 |
| Cemenco | P | Sep 30 | 273 | 13 | •14 3 | 7 | ▲5 5 | −13 | 46 0 | 3 | 22 | 0 |
| Chubb | I | Oct 9 | 51 | 20 | 3 2 | 21 | ▲0,2 | −50 | 27 5 | 34 | 9 | 29 |
| Claude N | P | Jun 30 | n/d | — | 5,3 | −5 | 0,5 | 19 | 42,4 | −8 | 22,5 | 0 |
| Dorbyl | P | Sep 30 | 2 | 12 | 97 5 | 12 | 19 6 | −15 | 180 4 | 12 | 62 | 13 |
| Ed L Bate | P | Jun 30 | 375 | 2 | 11 2 | 25 | 1 8 | 80 | 322 | 14 | 118 | 20 |
| Fraser Alexander | P | Jun 30 | 70 | 19 | •6 6 | 72 | n/d | — | 49 3 | 62 | 21,5 | 19 |
| Haggie | I | Jun 30 | 375 | 12 | 53 4 | 13 | ▲0,3 | — | 121 | 10 | 27,5 | 10 |
| Hudaco | I | May 31 | 90 | 30 | 9,2 | 14 | n/d | — | 23 6 | 31 | 10 | 25 |
| Landlock | I | Jun 30 | 47 | 36 | 3 6 | 162 | 1 6 | 33 | 10 9 | 891 | — | — |
| Metkor | P | Sep 30 | 2 | 14 | 0 1 | 21 | ▲0,03 | −11 | 26,5 | 89 | 10 | 54 |
| Natl Bolts | P | Jun 30 | 163 | 44 | 19 3 | 40 | 5 1 | −27 | 200 5 | 111 | 55 | 175 |
| Natl Trading | I | Jun 30 | 116 | 13 | 5 0 | 15 | 1 0 | −7 | 55 4 | 36 | 14 | 60 |
| NEI Afr | I | Jun 30 | 171 | 21 | 19 5 | 20 | 2,7 | −20 | 182 3 | 14 | 50 | 22 |

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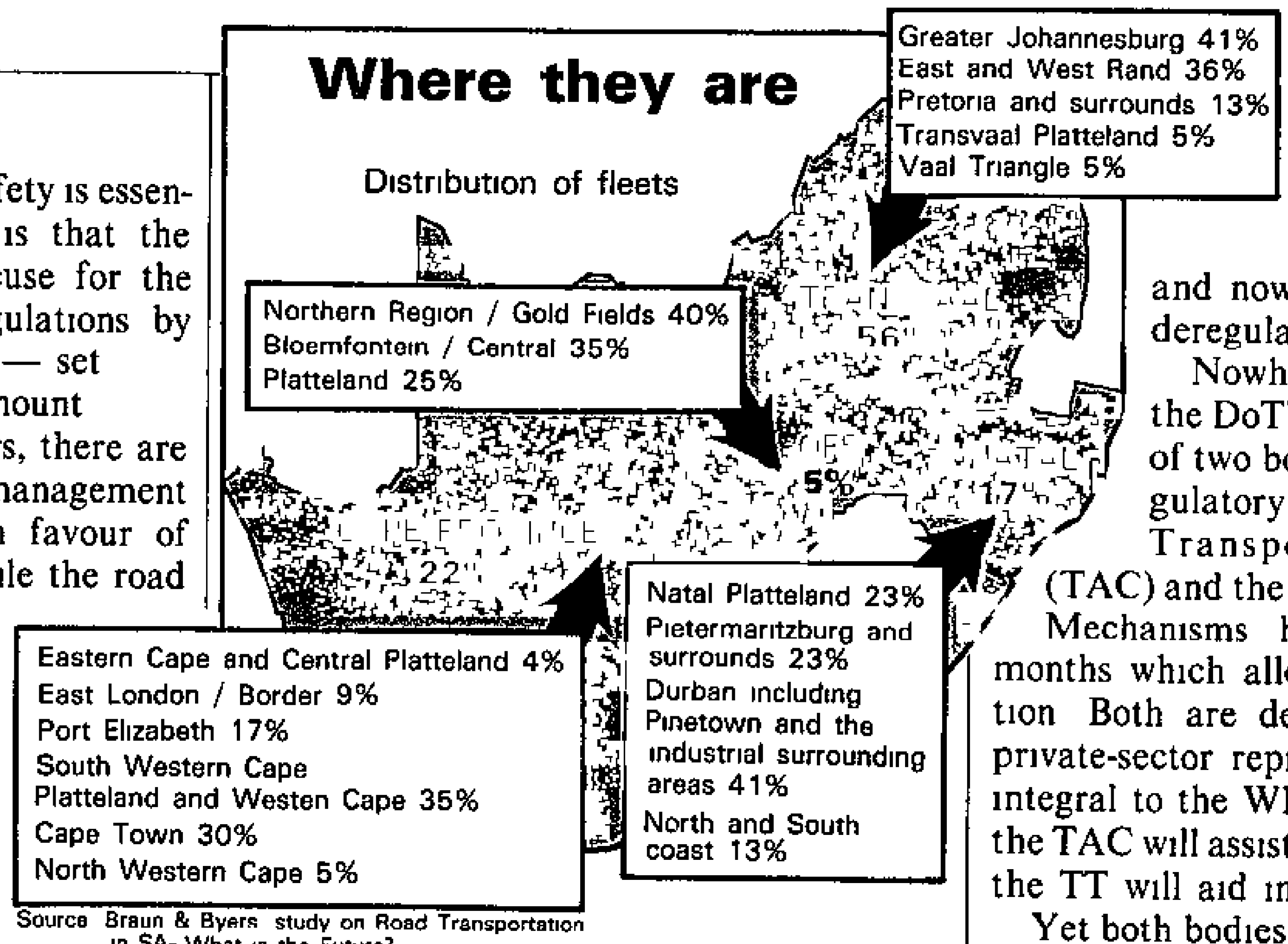

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CORPORATE PROFITS

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Continued on P34

| Company | | Reporting Period | Turnover Rm | Turnover % change | Operating Profit Rm | Operating Profit % change | Finance Charges Rm | Finance Charges % change | EPS c | EPS % change | DPS c | DPS % change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ENGINEERING cont** | | | | | | | | | | | | |
| RIH | P | Sep 30 | 445 | 6 | 29 3 | 5 | 1 8 | −71 | 73 3 | 19 | 32 | 19 |
| Steelmetals | P | Jun 30 | 70 | 28 | 7 0 | 37 | 1 8 | −11 | 78 | 70 | 25 | 67 |
| Unihold | I | Jun 30 | 29 | 3 | 3 6 | 98 | 1 1 | −13 | 6 8 | 258 | 2 | — |
| **FISHING** | | | | | | | | | | | | |
| Ocfish | P | Sep 30 | 174 | 18 | 27 4 | 27 | 0 2 | −21 | 189,1 | 29 | 105 | 31 |
| SWA Fish | I | Jun 30 | 19 | −25 | 8 1 | −19 | n/d | — | 141 | −22 | 65 | −13 |
| Wilbarz | I | Jun 30 | 2 043 | −57 | 1 0 | −54 | 47 9 | −61 | 17 | −15 | 7 | 10 |
| **FOOD** | | | | | | | | | | | | |
| Becketts | P | Jun 30 | 183 | 11 | 18,6 | −10 | 3,1 | −26 | 136 | −11 | 60 | 0 |
| Cadswep | I | Jun 20 | 108 | 84 | 8 4 | 147 | 1 4 | −13 | 91 1 | 89 | 25 | 67 |
| CGS Food | P | Sep 30 | 5 900 | 19 | 330 6 | 25 | 58 6 | −11 | 124 4 | 28 | 51 | 28 |
| Fedfood | I | Sep 30 | 486 | −3 | 32 9 | 12 | 9 0 | −32 | 50 | 47 | 13 | 30 |
| ICS | P | Sep 30 | 1 623 | 19 | 36 6 | 92 | 9,6 | −24 | 121 1 | 301 | 34 | 127 |
| I&J | P | Jun 30 | 737 | 20 | 58 4 | 57 | 4 6 | 26 | 122 | 69 | 38 | 46 |
| Kanhym♠ | P | Aug 31 | 420 | 28 | 14 3 | 75 | 6 0 | −20 | 14 0 | 775 | — | — |
| Prem Group | I | Sep 30 | 1 518 | 19 | 97 3 | 36 | n/d | — | 104 9 | 49 | 50 | 39 |
| Tiger Oats | P | Sep 30 | 4 119 | 17 | 227 1 | 20 | 14 4 | −5 | 951 | 23 | 337 | 25 |
| **FURNITURE** | | | | | | | | | | | | |
| Afcol | I | Sep 30 | 244 | 27 | 18 9 | 85 | 2,9 | −20 | 64 9 | 70 | 32 5 | 67 |
| Amrel | I | Sep 30 | 311 | 6 | •12 6 | 110 | n/d | — | 75 | 121 | 25 | 127 |
| Bradlows | I | Jun 30 | 44 | 15 | 3 0 | 472 | 1 2 | 32 | 65 | — | — | 7 |
| Ellerine | I | Jun 30 | 138 | 16 | 13 0 | 18 | §1,8 | −13 | 88 | 11 | 21 | 11 |
| Picapli | P | Jun 30 | n/d | 154 | 23,1 | 97 | 8 9 | 25 | 46 5 | 170 | 4 0 | — |
| Rusfurn | P | Jun 30 | 518 | 8 | 26 4 | 499 | 11 0 | 4 | 12 9 | — | — | — |
| World | I | Jun 30 | 40 | 22 | 2 9 | 26 | 0,6 | −39 | 14 0 | 39 | 5 | — |
| **MOTOR** | | | | | | | | | | | | |
| Asseng♣ | I | Jun 30 | 49 | 15 | 5 5 | 31 | 0 5 | −17 | 13,6 | 92 | 30 | — |
| Gen Tyre | I | Jun 30 | 147 | 20 | 16,5 | 60 | 1 2 | −55 | 59 1 | 70 | 18 | 157 |
| McCarthy | P | Jun 30 | 1 309 | 28 | 42,3 | 74 | 6 3 | −12 | 120 1 | 98 | 43 | 72 |
| Metair | I | Jun 30 | n/d | — | •4 7 | 52 | 0 06 | −79 | 55 8 | 36 | — | — |
| Port | P | Jun 30 | 164 | −2 | 4 2 | 29 | ▲0 9 | −20 | 56,1 | 43 | 20 | 54 |
| Saficon | I | Sep 30 | 422 | 65 | 17 3 | 66 | n/d | — | 57 | 78 | 11 | 83 |
| Toyota | I | Jun 30 | 831 | 29 | 50 3 | 108 | 8 5 | −50 | 807 | 332 | 120 | — |
| **PAPER & PACKAGING** | | | | | | | | | | | | |
| Carlcor | I | Jun 30 | 107 | 16 | 9,0 | 38 | 1 6 | 22 | 22 3 | 47 | 12 | 50 |
| Coates | I | Jun 30 | 33 | 9 | 2,7 | 24 | 0 1 | −29 | 38 4 | 28 | 8 | — |
| Consol | P | Jun 30 | 504 | 25 | 62 4 | 23 | 6 0 | −32 | 484 | 20 | 175 | 17 |
| Haddons♠ | P | Aug 31 | n/d | — | 15 1 | 35 | 2 0 | −17 | 137 1 | 5 | 45 | 50 |
| Kohler♠ | P | Aug 31 | 386 | 33 | 24 1 | 34 | 5 7 | −30 | 130 4 | 95 | 40 | □ |
| Metal Box | P | Sep 30 | 990 | 19 | 92 3 | 57 | §5 4 | −49 | 72 4 | 30 | 32 | 33 |
| Nampak | P | Sep 30 | 2 067 | 19 | 242,2 | 33 | 18 5 | −40 | 228 | 31 | 100 | 27 |
| Sappi | I | Jun 30 | 601 | 22 | 119 5 | 84 | ▲15 9 | −56 | 101 5 | 287 | 40 | — |
| Sunpak | P | Aug 31 | 20 | 88 | 6 9 | 102 | 0 3 | −14 | 10 1 | 20 | 5 | 127 |
| **PHARMACEUTICAL & MEDICAL** | | | | | | | | | | | | |
| Adcock | P | Sep 30 | 250 | 24 | 32 4 | 19 | 1 4 | −39 | 802 | 37 | 297 | 37 |
| SA Drug | I | Sep 30 | 319 | 22 | 30 | 18 | 2 6 | −56 | 10 4 | 14 | 3,25 | 4 |
| **PRINTING & PUBLISHING** | | | | | | | | | | | | |
| Af Pers | P | Jun 30 | 309 | 17 | •12 7 | 101 | n/d | — | 117 | 83 | 20 | 43 |
| Argus | I | Sep 30 | 461 | 22 | 340 | 63 | 4 3 | 8 | 909 | 88 | 175 | 75 |
| Caxton | P | Mar 31 | 211 | 40 | 21 1 | 57 | §4,2 | −7 | 1 023 | 49 | 146 | 76 |
| Math & Ash | P | Jun 30 | 38 | 29 | •4,9 | 87 | n/d | — | 70 2 | 109 | 23 | — |
| TML | I | Sep 30 | 85 | 23 | 12 7 | 99 | 0 5 | −83 | 705 | 287 | 100 | — |
| **STEEL & ALLIED** | | | | | | | | | | | | |
| CMI | P | Jun 30 | n/d | — | •42 5 | 2 | n/d | — | 99 9 | 2 | 55 | 45 |
| Highveld | I | Jun 30 | 387 | 3 | •36 0 | −14 | n/d | — | 39 1 | −8 | 10 | 0 |
| Un Steel | P | Sep 30 | n/d | — | 19 2 | 143 | 11 3 | −23 | 16 3 | — | — | — |
| Verref | I | Sep 30 | 101 | 18 | •10 7 | 31 | n/d | — | 94 0 | 23 | 24 | 14 |
| **RETAILERS & WHOLESALERS** | | | | | | | | | | | | |
| Clicks | P | Jun 30 | 228 | 24 | 17,4 | 29 | n/d | — | 44 2 | 27 | 21 | 33 |
| CNA Gallo | I | Sep 30 | 180 | 21 | 6 2 | 29 | 0 3 | −77 | 16,3 | 66 | 6 | 50 |
| Edgars | I | Sep 26 | 543 | 28 | 62 1 | 50 | 6 9 | 10 | 1 313 | 54 | 320 | 49 |
| Foschini | I | Jun 27 | n/d | — | •12 | 40 | n/d | — | 63 1 | 40 | 23 4 | 34 |
| Garlick | P | Jun 30 | 101 | 15 | 5,3 | 5 | 0 6 | 22 | 76 4 | 1 | 44 | 0 |
| Jazz | P | Jun 30 | 124 | 199 | •5 6 | 197 | n/d | — | 10 1 | 77 | 4 | 100 |
| J Orr Hld | I | Aug 31 | 59 | 29 | 4 3 | 48 | 1 1 | 6 | 30 2 | 61 | 13 | 30 |
| Metro | P | Jun 27 | 1 629 | 27 | •31 8 | 30 | n/d | — | 35 5 | 35 | 17 | — |
| OK | I | Sep 30 | 1 291 | 17 | •11 7 | 25 | n/d | — | 44 0 | 26 | 24 | 14 |
| Pepkor | I | Aug 31 | 414 | 1 | 26 7 | 14 | 7 8 | −63 | 132 8 | — | 37 | — |
| Pep Stores | I | Aug 31 | 283 | 24 | 26 3 | 22 | 0 4 | −89 | 48 6 | 44 | 18 5 | 19 |
| Pick n Pay | I | Aug 31 | 1 392 | 23 | •32 7 | 22 | n/d | — | 93 | 20 | 27 6 | 15 |
| Score | I | Aug 29 | 439 | 33 | 12 0 | 58 | 0 8 | −32 | 37 4 | 61 | 12 | 60 |
| Spitz | P | May 31 | 36 | 29 | •1 5 | — | n/d | — | 20,8 | — | 7 | — |
| Sterns | P | Mar 31 | n/d | 20 | 3 2 | 94 | 1 2 | −35 | 56 9 | — | 12 | — |
| Tarry | I | Jun 30 | 97 | 29 | 3 5 | 52 | 0 5 | −32 | 28 1 | 104 | 7 | — |
| Teljoy | I | Sep 30 | 31 | 16 | 10 6 | 49 | 1 3 | −29 | 10 9 | 106 | 3 5 | — |
| Tradegro | P | Jun 30 | 4 446 | 20 | 85 8 | 1 186 | 27 1 | −45 | 16 3 | — | — | — |
| Waltons | I | Aug 31 | 136 | 52 | 19 4 | 59 | ▲1 1 | 1 | 12 0 | 82 | 4 | 111 |
| Wooltru | P | Jun 30 | 1 1 | 48 | •84,2 | 37 | n/d | — | 117 9 | 37 | 60 | 15 |
| **SUGAR** | | | | | | | | | | | | |
| Crookes | P | Mar 31 | 22 | 25 | 2,7 | 100 | 0,1 | −67 | 147 3 | 38 | 77 | 13 |
| Tongaat | I | Sep 30 | 1 295 | 25 | 112 0 | 31 | 27 2 | −29 | 69 8 | 101 | 18 | 80 |
| **TOBACCO & MATCH** | | | | | | | | | | | | |
| L Match | I | Jun 30 | 77 | 18 | 6 7 | 0 6 | ▲0 6 | — | 39 9 | −4 | 175 | □ |
| Remgro | I | Sep 30 | n/d | — | •268 1 | 25 | n/d | — | 60 2 | 45 | 6 9 | 25 |
| Utico | I | Jun 30 | 124 | 23 | 11 2 | 39 | 0 7 | −65 | 87 1 | 68 | 25 | 108 |
| **TRANSPORTATION** | | | | | | | | | | | | |
| Laser | I | Jun 30 | 43 | 60 | •6 2 | 131 | 0,4 | −18 | 28 9 | 126 | 10 | 100 |
| Mobile | P | Jun 30 | n/d | — | •3 4 | 26 | n/d | — | 39 2 | 39 | 8 57 | 43 |
| Tollgate | P | Jun 30 | 145 | 14 | 25 2 | 14 | 1 1 | −72 | 32 2 | 46 | 17 7 | 15 |
| Trencor | P | Jun 30 | 397 | 43 | •36 5 | 55 | n/d | — | 154 3 | 39 | 30 | 43 |
| Unitrans | I | Sep 30 | 58 | 24 | 10 7 | 16 | n/d | — | 12 8 | 23 | 3 6 | — |

I = Interim P = Preliminary n/d = Not disclosed • = Income before tax ▲ = Net interest § = Net finance charges ▼ = Current cost basis * = Continuing operations only ◇ = Annualised □ = Not comparable ♠ = 8 months ♣ = 9 months



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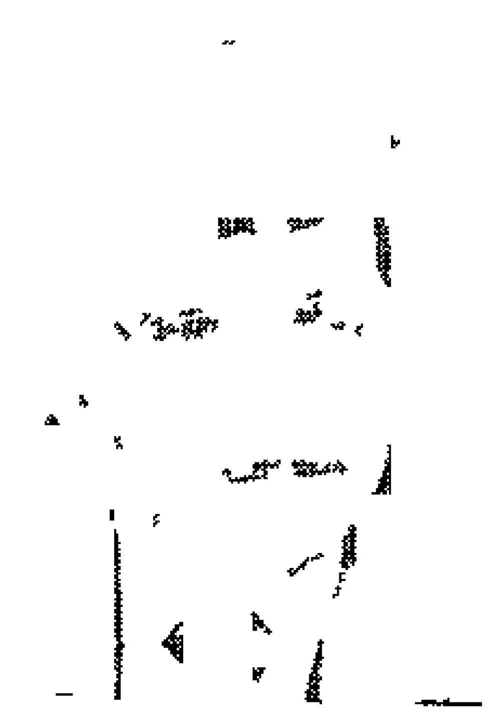
*Continued from P31*

Richard Lomberg, research director at stockbroking firm Davis Borkum Hare, says the firm is forecasting that gdp will grow by 2,5%, but that consumption expenditure will grow by 3,25%, which implies faster sales growth for consumer companies than most other sectors Notably, broker Max Pollak argued in a recent analysis that the retail sector could be due for an improvement in its relative rating against the JSE Industrial index As Louis Geldenhuys, economist at broker George Huysamer, says "What people love most is turnover growth and I think you are going to see it this year Apart from sentiment, the capacity of the consumer to spend is greater now "

Any assessments of the implications of last year's stock market crash must be tentative at this stage The wealth effect of a bear market on the JSE, and the adverse implications for export earnings of a global market collapse, cannot be overlooked, but more favourable developments for South African consumers include the gold price, the cooling of political tension and relatively good wage increases On this scenario, stronger turnover could boost the profits of companies in such sectors as clothing, footwear and textiles, furniture and household, motors, paper and packaging, and retail and wholesalers


**Geldenhuys**

Some importers of components or raw materials should see their cost structures helped by a firmer rand/dollar exchange rate Notable beneficiaries here include motor companies, whose sales could be aided by continued restraint on price increases and companies in the consumer electronics field, which should see better margins

It can be misleading to generalise about the effects of exchange rates The rand has not firmed much in non-dollar currencies, so many exporters will not be as adversely affected as might appear, while many importers will not see the gains recorded by those who import only at dollar-denominated prices Exports are important to Sappi, for example, but its profits should keep rising on the strength of good domestic markets, buoyant demand abroad and internal efficiencies On the whole, for most industrial companies the firmer rand is favourable

Although recovering, fixed investment remains low Geldenhuys points out that, even if gross domestic fixed investment grows at 5%-6% this year it will be about 15% below the 1985 level But any upturn will mean better volumes and capacity utilisation for many companies This year a higher level of fixed investment should breathe more life into engineering, building, construction, chemical and various diversified companies such as Murray & Roberts

Profits of capital-intensive operations such as chemical companies should be particularly sensitive to rising volumes this year These businesses become most profitable when capacity utilisation rises above 80%, and some must steadily be moving closer to this level — although flaccid fertiliser markets may remain a drag on group profits But AECI, for example, is being mooted for its growth potential at present

With benefits from large new building or civil engineering projects still well into the future, some companies in this sector, such as LTA, will probably remain dullards for a while yet But smaller firms like Goldstein, Basil Read, Everite and Grinaker are firmly on the rise even though shares in the building and construction sector were a major casualty of the stock market crash Cement producers, also highly capital-intensive, are seeing very solid profits, and, among these, Blue Circle could double earnings after its excellent interim rebound

Also particularly badly mauled in the crash was the electronics sector, which, at least until Friday, had been been re-rated relative to the market The sector index is largely dominated by Altron group companies, whose outlook appears to be steady growth at least in line with past good performances, with a wide range of figures expected from the other, very diverse companies listed

Volume growth should also ensure that recoveries continue in formerly bombed-out conglomerates like Tongaat Hulett and Federale Volksbeleggings In the food sector, Premier will gain not only from expected good returns from its stake in SA Breweries, but also from better profitability in its food division (which may be listed in a few months), while management changes at Fedfood should have an impact

Fedfood, however, could be indicative of a broad trend that suggests that the dividend growth rate may slow more quickly than earnings growth The food group's more conservative management opted last year for a high dividend cover, which will continue

Apart from the erosive effects of inflation on companies' ability to replace fixed assets, analyst Chris Gilmour at broker Anderson Wilson feels that for a lot of groups, capacity utilisation is approaching the stage where expansion decisions will have to be taken

"Last year a number of companies were very keen to get their dividends up for various reasons," he says "This year I would expect that many manufacturing companies, in particular, will increase cover " Others are not too concerned that rising cover will curb dividend growth Fergusson Bros' William Bowler feels that the swing to higher cover has largely run its course

As far as profits are concerned, though, as long as the volumes are there, 1988 should be another excellent year Companies should continue to achieve some recovery from the battering they've taken from inflation, and there should be enough encouraging numbers announced to provide some support for consumer and investor confidence Among analysts, Geldenhuys does not see any significant deceleration yet

Clearly the massive percentage rebounds from tiny profits or losses notched up by large groups can't continue But if we have not yet reached the stage where average growth peaks, that is no bad thing what companies need most is a steady but protracted growth phase

*Andrew McNulty*

HORSE RACING INDUSTRY

# Going to the dogs

292

**Elizabeth Wilson, the *FM's* racing correspondent, examines the background and significance of the controversial Christie Report into horse racing in the Transvaal and OFS.**

**In January**, the racing man's fancy lightly turns to thoughts of lying on the beach, visiting stud farms and seeing his mates at the Met The Christie Report has probably done more to disrupt this time-honoured pattern than anything since the battle of Magersfontein

In 1984, the Transvaal Provincial authorities formed the Transvaal Horse Racing Development Fund in order to re-invest in the industry a percentage of the moneys garnered from the taxation of racing This taxation is a major source of revenue to the Province — last year's take was R44m

With approximately R10m a year available for distribution, the board administering the fund was inundated with requests for money These were so diverse that it became increasingly difficult to distinguish between the needy, the greedy and the chancers

In an attempt to clarify the position, and amidst growing suspicion that Transvaal racing was without direction or common purpose, the provincial MEC, John Griffiths, commissioned a report on the situation plus a five-year strategic plan for the administration of racing in the Transvaal

The result was the Napier Committee, which completed its investigations and made its recommendations to the provincial authorities in April 1986 The report made clear that change was necessary To achieve the ultimate goal of re-establishing the Transvaal as the premier racing province, a corporate-type top management structure was required to direct matters relating to racing in the Transvaal — the proposed Highveld Racing Commission

The balance of the proposals were as expected and perfectly sensible the development of two training centres, realistic stakes, tighter control of racing, rationalisation of the on-course and off-course tote systems, and so on There were no bombshells, except possibly the exclusion of professional racing executives from the governing body In the opinion of many this was a big mistake — hell hath no fury like a scorned chief executive

The Napier report was accepted in principle by the Administrator-in-Executive But then, in July, he appointed a one-man commission of inquiry to investigate the utilisation of the funds in the Horse Racing Development Fund, based on the goals recommended by the Napier Committee This instruction was later extended to include an inquiry into racing in the OFS

Sandy Christie, retired Turffontein chief executive, was appointed commissioner of the inquiry and, 18 months later, we have his recommendation for the reshaping of the racing industry in the two provinces

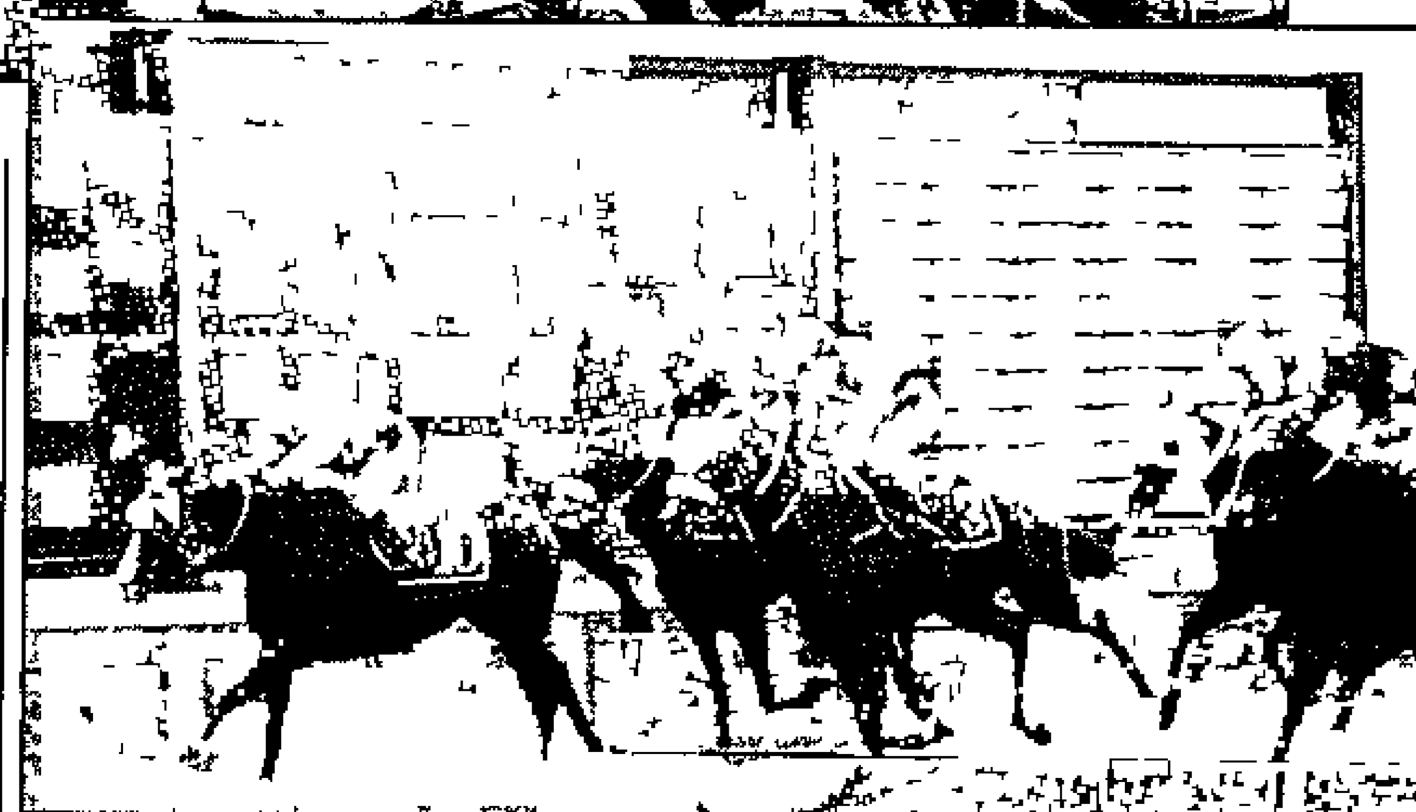
Surprisingly, Christie chose to develop his own views and provide a series of *ad hoc* suggestions rather than build on the recommendations of the Napier Committee, which, after all, reflected the considered opinion of the clubs racing in the Transvaal and OFS

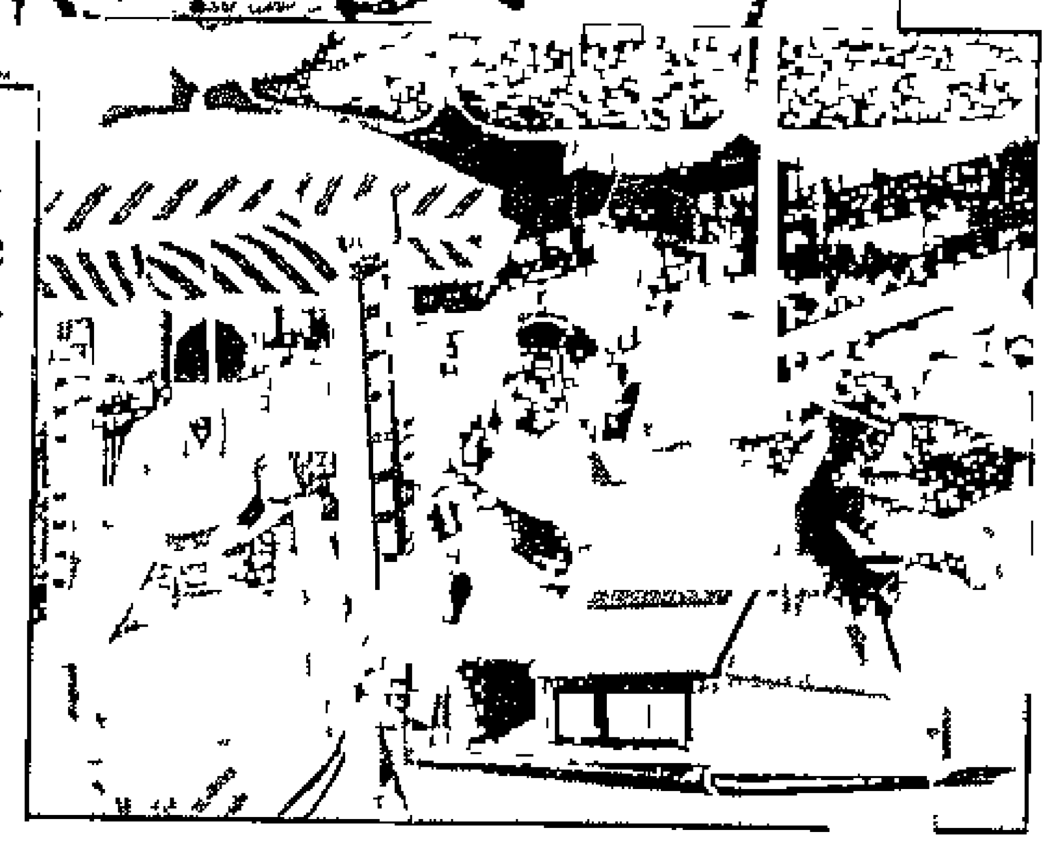
The most startling aspects of the report are those dealing with the recommendations for the creation of a statutory body to take over certain responsibilities from the Jockey Club of SA It is important that the body vested with control of the industry is not only independent, but also be seen to be independent It must be so constituted as to ensure that it cannot be criticised on the grounds of vested interest The commission is therefore of the opinion that the statutory body must comprise persons nominated by the province, and not by any sector of the racing industry

However, the officers of the body should, where possible, be selected from persons with industry experience and these employees should be remunerated at a level which is competitive The Highveld Racing Commission would consist of a board with a minimum of two and a maximum of three members, all appointed by the Administrators-in-Executive of both provinces

There should be a fulltime executive chairman and one or two fulltime commissioners representing both provinces The board would also employ the necessary fulltime employees or consultants to administer and control the horse racing industry

It is interesting that the commission feels that officers nominated by the province would be more effective than those nominated by the racing industry In fact, the record of State-appointed agencies would appear to indicate quite the reverse There are also very few persons with the necessray high degree of industry experience who might be available for the top position — always excepting the commissioner himself





The commission admits there could be problems in that, at present, all officials, trainers and owners alike, are licensed by the Jockey Club Unless the club accepts the rules and regulations of the Highveld Racing Commission, owners and trainers from other provinces would not be able to participate in the industry in the Transvaal and the OFS And Transvaal and OFS owners would be unable to participate in the industry in the Cape and Natal

Furthermore, there would at all times have to be liaison and full co-operation between the Highveld Racing Commission and the Jockey Club In the circumstances this seems — at best — unlikely

With regard to the race clubs, the commission is of the opinion that their operations, and those of the TAB boards, should be rationalised under one common management and should be responsible to the Highveld Commission

While there is obviously a need for a greater degree of rationalisation, this way of doing things seems to be putting a great deal of power into very few hands Tacked onto the end of the report is a suggestion from the auditors that, just possibly, privatisation of the industry may be the answer to all problems

This may well be so, but, at this stage, it is an unformulated idea

In general, the report is poorly presented and falls short of the standard required for a work of this nature

Little effort has been made to distinguish between hearsay and fact — both seem to serve as evidence, as did a variety of press cuttings of dubious value

Of the witnesses listed, approximately three-quarters are either Natal or Cape based and one could be forgiven for thinking that, for the most part, the commission had consulted with old friends and family There are certainly very few witnesses whose opinions could be regarded as serious evidence in "an inquiry into the affairs of the Highveld Racing Industry"

In spite of this, there is a lot of sense in the report and the commissioner is rightly concerned with the perceived lack of Jockey Club control and the financial position of the race clubs, which seem to have spent a great deal of money with not all that much to show to the public Unfortunately the recommendations for the control and management of racing are at best questionable and certainly insufficiently researched

Christie is obviously deeply impressed with the systems in operation in the US and Canada — New York State and Ontario to be precise — but surely our racing more closely resembles the Australian industry?

Jockey Club and race club stewards are uniformly outraged by the report but have only themselves to blame for the dismal picture of mismanagment and inefficiency presented to the public It seems strange that, at a time when everyone is concerned with the best interest of racing, such a load of dirty washing has been exposed to the public view

Surely the report should — initially at least — have been for private circulation among the interested parties?

The Witwatersrand Association of Racing Clubs has until the end of February to reply to the report, and, instead of complaining among themselves, perhaps now is the time to hammer out an immediately workable compromise

It seems the time for talking is over, a little action is needed

Hopefully, those in command of Highveld racing have been sufficiently shocked out of their usual complacency to realise their management leaves a great deal to be desired ■



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BDay 14/1/88 249

# Profits boost for New Wits

LIZ ROUSE

BOOSTED by sharedealing profits, Gold Fields group investment company New Wits achieved a 17% increase in interim earnings but the interim dividend has been pegged.

However, earnings will be lower in the second half of the year as the current market is not condusive to sharedealing. The dividend total should be maintained at 45c.

Earnings were up at 41c a share from 35c a share (adjusted for the sharesplit). An interim dividend of 15c has been declared. New Wits' investment income was virtually static at R8,37m (R8,26m) but the surplus on realisation of investments leapt to R2,63m (R912 000). Attributable profit increased to R9,56m (R8,19m).

## Companies achieve unexpected reductions

# Gold Fields sees lower mine working costs

Cape Times 9/1/88 (249)

JOHANNESBURG — Most of the gold mining companies in the Gold Fields group achieved an unexpected reduction in workings costs in the quarter to December, the group announced yesterday, when it released its quarterly results for its precious metal mines.

Overall working costs were down by 1,5% to R406,4m, compared with R412,5m in the September quarter. Average working costs per ton milled dropped from R110,27 previously to R108,34 in the December quarter.

Five of the eight companies achieved lower unit costs on tons milled, these being Driefontein Consolidated, Kloof, Deelkraal and Doornfontein.

Alan Wright, general manager of the group's precious metal companies, said one of the main factors contributing to this unusual occurrence was that some of the mines had substantial reductions in stores costs.

However, in the case of Kloof, its marked cost reduction to R131,08 per ton from R137,07 in the previous quarter was due mainly to a change in accounting procedures.

A number of "firsts" were scored during the quarter under review.

The companies' gold revenue topped the R1bn mark for the first time in a quarter, reaching R1 005,5m, against R987,2m in the previous quarter.

### Yield improvement

But inflation was a big contributor to this, Wright said.

Aggregate pre-tax profit was an all-time record for a quarter at R639,6m (R614,7m).

After-tax profit was also the highest ever at R336,7m (R315m).

There was also a marked improvement in yields on most mines, with the average yield for the quarter increasing to 8,8 g/t from 8,7 g/t previously.

East Drie, Deelkraal, Doornfontein and Libanon had higher yields while Venterspost and Vlakfontein maintained their yield levels.

Total mill throughput by the gold producing companies was up by 10 000 tons on the previous quarter at 3 751 000 tons, while gold production increased by 349 kg to 32 988 kg.

Average revenue per kg of gold increased to R30 435 (R30 187).

Taxation and state's share of profit increased marginally.

Net profits of the mines were:

- Driefontein Consolidated R154,5m (R147,5m)
- Kloof R113,2m (R104,7m)
- Libanon R18,9m (R17,1m)
- Doornfontein R8,1m (R8,9m)
- Venterspost R5,6m (R5,4m)
- Vlakfontein R221 000 (R999 000) — Sapa

# New year good cheer for beverage and hotel stocks

(249) 8/401

7/1/88

MERVYN HARRIS

BEVERAGE and hotel stocks have started the new year with a flourish and have been in the forefront of the dramatic rise of industrial shares on Diagonal Street this week.

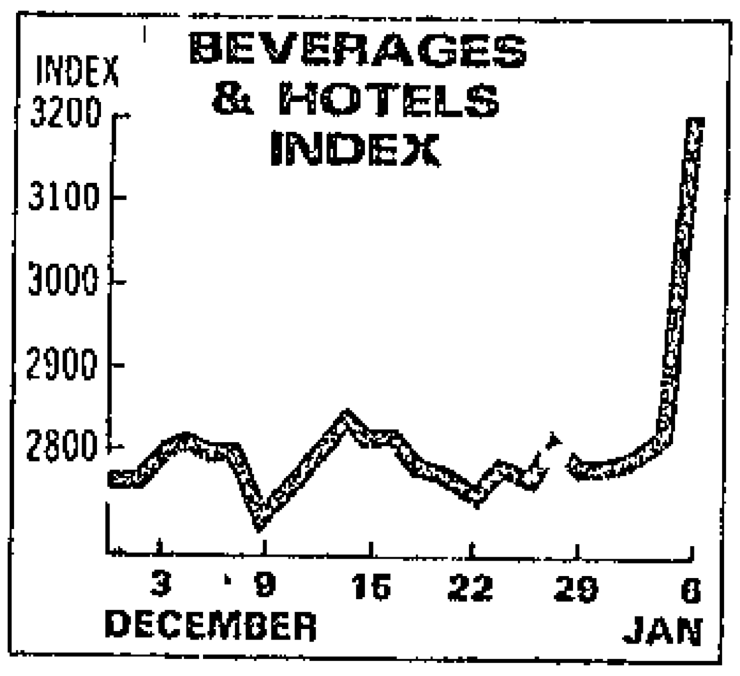
Shares in the sector have featured prominently in the daily list of largest price gainers to lift the index by almost 15% or 407 points to 3 207 in the first three days of trading this year.

The upturn has been led by shares in Sol Kerzner's mushrooming empire, with Kersaf shares shooting up 36,7% (450c) to R16,75 before easing to close at R16,50 yesterday. Average rises of almost 20% were initially registered by the three other shares in the group but, as forecast by analysts, there was selling into strength.

Interleisure, the newcomer to the Kersaf fold, has notched up the biggest rise of 22,8% (40c) to 215c while Sun Bop and Transun — which are expected to report bumper interim earnings — each gained 18,1% in the first two days of trading.

Sun Bop, historically volatile, rose from 550c to a high of 675c before falling back yesterday to 620c. Transun surged 60c to 390c but eased back to 375c.

Hot on their heels has been Suncrush which has jumped almost 20% or R9 to R55, while market




leader SA Breweries (SAB), which forms the biggest component of the index, has chalked up a gain of 10,8% (175c) to R18 and seems set to go higher.

The only share in the sector to go against the firmer trend has been Union Wine which has slipped 10c to 110c. Southern Sun Hotels yesterday advanced 15c to 425c.

After reaching a high of 4 151 points on October 1 last year, the beverage and hotel index slumped to a low of 2 563 towards the end of November. At its current level, the index is on an average dividend yield of 3% and a p e ratio of just over 15 against the industrial average yield of 3,7% and a p e of 9,1.

The highly rated sector was expected to rally after the post October slump but the rapid upward move, albeit on small volumes, took many analysts by surprise.

Kersaf shares were considered to have been oversold while demand for SAB suggested institutional interest in quality stocks with good prospects.

Satisfactory growth expected

Cape Times 3/12/87

# PGSI increases earnings 35%

249

JOHANNESBURG — Plate Glass and Shaterpruffe Industries (PGSI) increased earnings in the six months to September 30 by 35% and raised the interim dividend by 31%

In a press release yesterday, joint chairmen Bertie and Ronnie Lubner say that although a cautious outlook was adopted at the end of the previous financial year, all divisions performed better than expected

Half-year earnings increased to 180,3c a share from 133,5c in the first half of last year, with the interim dividend lifted to 55c (42c)

Although management remains cautious about future prospects, particularly given the international nature of the group and the inter-dependence of the SA economy with other world economies, "it is believed that earnings for the full year should continue to show satisfactory growth," they say

"In this context it must be remembered that exports from SA constitute an important component of group activity"

The group's balance sheet remains strong and, although gearing has increased from 45% to 58%, the ratio of debt to shareholders' funds remains well within self-imposed limits Interest cover has, however, risen to a comfortable 6,5 times

The bulk of the increase in debt, from R224m to R295m, is due to additional working capital requirements with both stock and debtor levels showing sizeable increases over the same period last year

This is principally due to the increased level of sales within the group, with turnover up 24% to R1 035 billion in the six months

The Lubners say that the earnings performance is particularly pleasing given the strong first half in the previous financial year, with which these latest figures are being compared

Commenting on the growth prospects of the business, the Lubners say that the SA operations continue to be in a strong position because of the ability to fund expansion through healthy domestic cash flows being generated

They say "Numerous opportunities are available internationally and, consequently, management continues to study the potential for raising funds overseas to create a more flexible financial platform for the growth of the group's offshore subsidiaries"

However, the addition of more interest bearing debt to the balance sheets of the overseas companies could inhibit their growth

The PGSI share price has been watered down by a third from a peak of R45 in August to R30 earlier this week At this level, assuming that the rate of earnings growth is sustained, the shares are on a forward PE of a shade under 7 1 and offer a prospective dividend yield of slightly over 6%

The group's net asset value has appreciated to R18,50 a share, from R17,65 at the interim stage last year, with group assets now totalling R1,2 billion

Dividend growth is expected to be slightly lower than that of earnings per share as management adopts an approach to dividend cover that should ensure a smoother, long-term, return for shareholders, they say

Cover for the last full financial year was 2,1 and is expected to increase marginally this year — Sapa

COMPANIES (249) ARGUS 9/12/87

# R8-million recovery for Tek

From ANN CROTTY

JOHANNESBURG. — TEK Corporation, the domestic appliances and consumer electronics subsidiary of Federale, has turned a loss in the first six months of its last financial year into an R8-million profit in the six months to September.

The group, which is making a strong recovery from the knock the industry took after the 1985 slump, achieved sales of around R200-million in the first half of financial 1988 and is looking for full-year sales of about R425-million

In the first half it attained an operating margin of around 7 percent and MD Mike Bosworth says that long term, management is targeting an operating margin of 10 percent.

## HEAVY CAPEX

A 7 percent operating margin represents an operating profit of around R28-million. But this was significantly reduced by the interest payments on borrowings of around R90-million

A heavy capital expenditure programme of more than R20-million a year is responsible for much of the borrowings The capex is aimed at increasing local manufacturing capacity as the group continues to reduce dependence on imports.

Mr Bosworth believes borrowings will be reduced from the current 120 percent of equity to 60 percent by about 1990 as improved profits bump up the equity base and improved cash flows reduce the need for external borrowing.

He says the past two years have been particularily difficult and that while a lot has been done to sort out the problems, this effort was not seen at the bottom line until this review period.

The group is being restructured to provide greater focus and a more effective management structure to "respond aggressively and successfully to the business challenges that lie ahead" The change, which will become effective in April 1988, is aimed at creating smaller, more specialised and market-responsive business units within Tek.

Management feels this type of structure will be better able to optimise the opportunities that present themselves within the respective markets served.

● Recently listed **Transvaal Clothing** (Traclo) has reported a 42 percent increase in turnover and a 93 percent increase in operating profit for the six months to October

Although not listed in the last financial year, the group does provide comparative figures for the 1986 financial interim However, it does not reveal turnover figures

Operating profit of R1,3-million was reduced by interest payments and tax to an attributable income of R636 000, which was 170 percent up on the previous interim figure

The performance at the attributable level was helped this year by interest receipts of R61 000 and a cutback in the proportion of income used to finance borrowings.

Earnings a share were 2,9c, based on the total number of shares in issue This eases up to 3,1c if earnings are based on the weighted number of shares in issue in the six months

At the time of the listing, management forecast earnings for the full year of 5,8c a share At this stage it says "The outlook for the second half of the financial year is encouraging and the group's full production is committed, with confirmed customer orders well beyond April 1988."

BUSIN

ECONOMY

ARGUS 9/12/87

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# Soaring profits seen for industrial firms in 1988

From SVEN LÜNSCHE

JOHANNESBURG. — Profits of industrial firms will continue to soar in 1988, after rising by 30 percent in 1987, based on an expected upturn in manufacturing production to meet increased consumer demand.

The volume of manufacturing production for September 1987 showed a seasonally adjusted increase of 2 percent compared with August 1987 Department of Central Statistics' figures also indicate that during the first eight months of this year, production improved by 3,5 percent over the comparable period in 1986.

The only dark spot was a slight downturn in the volume of production in the second quarter this year, when numerous public holidays and strikes affected output seriously.

Economists are optimistic that the upward trend, that started in earnest during the second quarter of 1986, could extend well into 1988.

Says Mike Daley, chief economist of Southern Life. "As private consumption expenditure increases, wholesalers, retailers and suppliers will continue gearing up towards the expected rise in demand and we could see healthy increases in manufacturing production."

In a recent economic report brokers Menell, Jack Hyman, Rosenberg wrote that in 1988 the volume of manufacturing production was expected to grow at an almost identical rate to 1987, namely 3 percent, with some sectors growing in excess of 5 percent.

The Econometrix research institute is forecasting that production will rise by 2,7 percent in 1988, after reaching a peak of 4,8 percent during the second quarter of the year

Further evidence of the renewed strength of companies in the manufacturing sector is a substantial pick-up in the utilisation of production capacity The percentage utilisation in August increased by 2,9 percent compared with August 1986

For the industry as a whole the figure has now moved to 80,6 percent, with some semi-durable sectors reaching 85 percent utilisation According to Old Mutual's economist David Mohr "This bodes well for renewed investment in that area, especially if an increase in consumer spending materialises"

But there is still room for futher improvement and this could well derive from the expected strong company earnings, with the subsequent move towards higher stock levels

Aggregate real inventories in the South African economy have already exhibited a small increase of about R300-million in the second quarter of 1987, after dropping to levels of R1,5-billion in the previous two quarters

The overall rise in the book value of inventories, however, did not prevent a decline in the ratio of all inventories to gross domestic product to a record low figure of 31,5 percent in the second quarter of this year, a figure that, according to Mr Daley, "can only improve in the next few months"

11/12/87

## 'Results justify JSE listing'

# Ovbel chalks up R2m

By AUDREY D'ANGELO
Financial Editor

OVBEL Holdings — formed last year from the property and construction interests of the former Ovenstone group — achieved after-tax earnings of more than R2m in the six months to September 30

Income attributable to ordinary and preferred ordinary shareholders was R1,9m compared with R1,6m in the previous six months

The asset value of each share has risen to 102c compared with 98c six months ago and earnings at share level were 6,7c compared with 5,8c in the previous half year

Total liabilities have been reduced to R46,9m (R55m) with long-term borrowings down to R12,7m (R22,4m)

Chairman Andrew Ovenstone forecasts earnings of 12c a share for the year to March 31, on the basis that the preferred ordinary shares are converted into ordinary shares at a meeting to be held on December 9

He expects the final dividend to be 3,5c a share "which, together with the interim preferred ordinary dividend of 4,5c, equates to approximately 6c a share"

Confirming that it is still intended to seek a listing on the JSE in the first quarter of the New Year "although we reserve the right to withdraw if the situation warrants that," Ovenstone said the company did not need to go to the market to raise money "and therefore the fact that the market has changed should not matter that much to us

"When we put the group together to form Ovbel we indicated that we would go for a listing The results certainly justify it"

Andrew Ovenstone

The results are certain to revive the regrets of former shareholders who were not happy about splitting off the property and construction interests from the rest of the group, in spite of assurances from chairman Tony Bloom that it would be too expensive to continue to hold land and that there was unlikely to be a housing boom in the near future

"We were fortunate to put together the team and the investors to take over these good companies with enviable track records," said Ovenstone

"But they did not fit in with what was required by the former controlling shareholder (Premier group)"

Ovenstone is optimistic about the future, although he admitted that the stock exchange crash might affect time share and resort developer Ovland's up-market schemes These include the third phase of a resort at Cape St Francis, which will be launched this month

"A lot depends on whether the stock market crash encourages people to invest in property rather than the equity market, or whether the loss of their paper profits made in the last year makes them feel less affluent so that they put off purchases like time share units and serviced plots in resorts

"That will become apparent in the next few weeks"

However, Ovland has traded well so far this year, with 25% of the units at its Bantry Bay time-share block sold in the first two months for a total of R5m

The group has sold R17m worth of fixed property Ovenstone explained that this was part of a new policy to concentrate on property trading, with a quick turnover, rather than holding on to assets for long term growth

PRODUCTIVITY

1989

# Labour productivity up 2,7%

HELOISE HENNING

LABOUR productivity in the private sector, excluding agriculture, rose by 2,7% in 1987 compared with a 0,2% improvement in the previous year, the latest National Productivity Institute (NPI) figures showed.

However, the private sector remains more capital intensive than labour intensive. Employed labour fell by 0,2% to 2,485-million from 2,489-million in 1986.

The continued higher usage of capital rather than labour was attributed to the 4,5% rise in capital employed in the mining sector. The gold-mine dominated sector's number of labourers dropped by 0,4% but their real earnings improved by 4,3%.

The capital:labour ratio in the sector rose by 4,9% and output dropped by 3,1%. This resulted in lowering the overall performance of the private sector's productivity because goods-producing sectors outside of mining generally showed improved productivity.

NPI economist Karen Liebenberg pointed out statistics for the mining sector were anomalous because management was influenced to mine lower grade ore when the gold price was strong. This resulted in distortions in the statistics.

Capital employed in the manufacturing sector has shown a decline since the debt standstill. Capital employed in the manufacturing sector showed a decline of 3,8% in 1987, while labour productivity rose by 3,1%, real output rose by 3,9% and real earnings (adjusted by the

● To Page 2

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# Labour productivity up 2,7% in 1987

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16,1% inflation for that year) of employees declined by 0,1%

Liebenberg said the improved use of capital in the private sector did not signal overall improved productivity because of a decline in labour employed in the mining sector.

Employment in the manufacturing sector was at 99,9 on the index, an improvement compared with 1986 when it was 99,1 and comparable to the 100 base in 1985

The manufacturing output index for SA in 1987 was 171,1, compared with 166,3 in the US, 106 in the UK, 263,4 in Japan, 635,1 in Taiwan and 879 in Korea (The indexes had a base of 100 in 1970)

Output an hour in manufacturing in SA was 142,9 (135,2 previously), in the UK it was 185,8, in the US 163,9, in Italy it was 218,6 and in Japan 263,1

In SA, the hours worked in manufacturing were at 119,7 (122 in 1986) compared with 101,4 in the US, 100,1 in Japan, and 57,1 in the UK No index is given for Korea or Taiwan

# PPI up one percent

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The year-on-year production price index (PPI) for November last year increased by one percent compared with October to reach 14,1% This was the highest rate since July 1987, when it also stood at 14,1%

Relatively large monthly increases were recorded in the prices of basic metals (5,0%), non-ferrous metals (11,8%), electrical machinery (5,7%), and transport equipment (4,8%) Decreases occurred in the prices of agricultural food products (2,4%), and "Other" mining and quarrying (1,3%) Star 12/1/89

The annual rate of increase of locally produced commodities for November last year was 14,2% — 1,3% percentage points higher than the corresponding rate for October 1988 The price index of imported commodities increased by 0,9 % to 13,7% — Sapa

Star 9/3/89

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# ..osses to link pay to output this year

By Mike Siluma, Labour Reporter

This year could see greater employer pressure on trade unions to agree to a linkage between productivity and wages, and unions can be expected to increase their campaign for national and industry-wide bargaining.

This was said by University of the Witwatersrand industrial sociology lecturer, Professor Duncan Innes, at a recent industrial relations seminar organised by consultants FSA Contact.

'Many employers are looking to increased productivity as a means of both overcoming the inflationary implications of wage increases and of protecting their bottom line. So far, most black unions have shown little sympathy with this line of reasoning.

"(This year) is likely to see employers putting greater pressure on unions and employees to accept productivity bargaining or deals as part of wage negotiations," said Professor Innes.

## INDUSTRY TALKS

He said black unions would, for their part, increase pressure for employers to accept national and industry level bargaining on wage issues.

This was linked to the Congress of SA Trade Unions' "one union, one industry" goal, likely to be pursued with more intensity this year.

Mr Taffy Adler, a former unionist now working for the Labour and Economic Research Centre, said the withdrawal of the State from the supply of housing and the development of a property market in black areas had contributed to the emergence of housing as a top bargaining issue.

He said, with a few exceptions, company housing schemes were unable to address the problems of the homeless.

This was because such schemes were originally designed for high income workers in the white residential market, and were generally linked to solutions provided by financial institutions.

# SA's productivity declining – report

CAPE TOWN – The productivity performance of South Africa was increasingly declining while it was steadily improving in many of its trading partners, the President's Council Economic Affairs Committee has found

In its report tabled and debated yesterday, it said the situation was even worse than in some developing countries.

The report recommended a national awareness campaign and special tuition at school level to acquaint the public with basic economic and productivity principles

It also recommended that the Institute of Chartered Accountants and the National Productivity Institute should jointly investigate the feasibility of incorporating accounting for productivity performance in annual financial statements to make managers more aware of the importance of productivity

STAR 14/3/89 (247)

**EXCESSIVE TAXES**

The committee said that international experience showed that excessive taxes were damaging to productivity

It was a pity the Margo Commission had set no goals for the ratio between direct and indirect taxes. "Such goals should make an important contribution to the productivity effort and it is recommended that the Tax Advisory Committee investigate the possibility of establishing an ideal ratio for South Africa"

There was wasteful education in South Africa, particularly at tertiary level where too large a proportion of students were educated in skills not directly required by the economy

The committee said that the Government should, in view of the critical role productivity played in the country's social, political and economic well-being, select productivity improvement as the key directive in its national economic policy – Sapa

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The P

# Perception of trade unions 'not correct'

Political Staff

THE general perception that labour unions in South Africa were undesirable and irresponsible was not correct, the President's Council economics committee said yesterday.

It had been authoritatively told that most of the trade unions in South Africa were reasonable and responsible in their bargaining, their actions were not considered newsworthy and they consequently got little publicity.

Although the number of strikes increased dramatically in 1987, the committee was informed that 56% lasted for less than one day and 80% for less than three days. Only 7% of the strikes had lasted for 14 days or longer.

The committee said in its report on "a strategy and action to improve productivity in South Africa", which was tabled in the council yesterday, that it was stated in evidence that "radical demands on the labour front are as a rule made by the trade union federations as opposed to the trade unions.

"These demands get extensive publicity but have no force in the bargaining process between the labour union and the employer."

Job security was an important consideration for many employees, particularly in the public sector, the committee said.

In order to foster workers' security, the committee said it was convinced that employers should avoid retrenching workers as a result of increases in productivity. Other ways of reducing staff, such as not filling vacancies, should be preferably be used when the work force had to be reduced, the committee said.

Call for a national campaign B/Day 14/3/89

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# PC unveils productivity action plan

CHRIS CAIRNCROSS

CAPE TOWN — Productivity improvement should become a key directive in government's national economic policy, and a definite productivity growth objective of 3% a year should be set

That recommendation comes from the President's Council (PC) economic affairs committee in a major report released in Cape Town yesterday.

Setting out a strategy and action plan for improving productivity in SA — whose general performance the report describes as "most unsatisfactory" in comparison with its main trading partners ane even many developing countries — it says SA cannot hope to achieve a target growth rate of 5% a year unless a productivity growth rate of 3% can be reached

The national objective of 3% growth in productivity should permeate every action taken by the nation as a whole, the report says

The PC recommends that a major national awareness campaign, based on its report, should be initiated by the State President and executed by his Economic Advisory Council and the National Productivity Institute (NPI).

It further recommends that such a campaign should start with a high-level inaugural meeting called by the President and attended by leaders from all walks of life.

This would be followed by specialist workshop groups to discuss the implementation of the PC recommendations, culminating in a final gathering of leaders to integrate the different stratgies into a national productivity plan.

The PC stresses that unless a strategic decision is taken on this score, the economy is bound to remain as sluggish as it has been since 1982, with a high probability of further deterioration.

Among its many recommendations·

☐ All state subsidies should have sunset clauses stipulating they would be granted for only a limited time to enable the organisation or industry concerned to obtain viability through productivity improvement,

☐ The Tax Advisory Committee should investigate the possibility of establishing an ideal ratio between direct and indirect taxes;

☐ All new legislation and regulations

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## PC unveils productivity master plan

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should be evaluated in terms of their cost escalation impact and, ultimately on what impact they may have in productivity terms,

☐ An investigation should be launched into the desirability of formulating a national technology policy as well as the establishment of a national co-ordinating body for industrial policy,

☐ Company financial statements should not only reflect profitability but also productivity performance and growth, and

☐ The Minister of National Education should appoint a committee with strong representation from the private sector to investigate the desirability of establishing accredited management colleges

GERALD REILLY reports from Pretoria that Assocom yesterday welcomed the report as a major contribution "to what needs to be done on the productivity issue".

● See Page 5

# Maggie's summit in bush

CAPE TIMES 30/3/89

From MICHAEL HARTNACK

**HARARE. — Prospects for a peace initiative in Mozambique yesterday dominated summit talks between British Prime Minister Mrs Margaret Thatcher, Zimbabwe's President Robert Mugabe and Mozambique's President Joaquim Chissano.**

Sources close to the talks said sanctions against South Africa were only briefly touched upon, with Mrs Thatcher warning President Mugabe not to "undo" the good achieved by the recent agreement over Angola and Namibia

In the face of Mr Mugabe's strongly voiced doubts yesterday about South Africa's good faith, Mrs Thatcher reportedly said "Let's hope you are wrong and you and I will be the first to cheer

"In South Africa we must be ready to respond to genuine change"

While much remained for condemnation in South Africa — apartheid, detention without trial and the suspension of basic human rights — changes for the better should be acknowledged, whether within South Africa or in relations with neighbouring countries, she said

Sanctions or South Africa's isolation would not achieve the release of Mr Nelson Mandela, the suspension of violence and the opening of negotiations about the rightful role of blacks in government

After three hours of talks with Mr Mugabe at Harare's State House, Mrs Thatcher flew with him and President Chissano to Nyanga Battalion Battle School, 25km from the Mozambican border, where 27 British instructors are training the Mozambican and Zimbabwean troops who are in action against the Renamo rebels

President Chissano briefed Mrs Thatcher on recent clandestine contacts between top Mozambican churchmen and Renamo "trying to establish what Renamo wants" He urged a two-pronged international peace offensive, simultaneously exposing the savagery of Renamo and bringing pressure on them to accept his current amnesty offer

Mrs Thatcher pledged an extra R84 million in aid to Zimbabwe and Mozambique during her talks in Harare and Nyanga, including an extra R1,8 million to the British Military Advisory and Training Team, R36 million in Programme Aid to Mozambique, R11 million for Mozambique refugee relief and 15 000 tons of food

In an address to the troops at Nyanga, Mrs Thatcher pointedly equated Renamo with the IRA and said Mozambique was torn by terrorism "of a particularly brutal kind"

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# 'Overhaul producer subsidies'

BDay 14/3/89 (247)

Political Staff

CAPE TOWN — Government subsidies should have a limited life span because they interfere with market forces and thus tended to be counter-productive, the President's Council recommended yesterday

It also called for the introduction of an alternative to the subsidy system, such as a voucher system, to assist the needy

In its report on "a strategy and action plan to improve productivity in SA", tabled in the council yesterday, the PC's economic affairs committee said the evidence it had heard on the effectiveness of producer subsidies — whose ultimate aim was to reduce the cost of basic products and services to the poor — was that they worked against productivity.

"It was stated that producers are given an incentive to show higher cost increases in order to claim an increased subsidy

"It was alleged that cost figures could be boosted by incurring unnecessary expenses such as generous entertainment allowances, luxurious offices and expensive vehicles

"Examples were quoted to show that subsidised bread costs more than non-subsidised bread in the informal sector and that the most expensive bus tariffs are on the most heavily subsidised routes

"The committee could not verify these claims but felt that subsidies should be targeted by introducing a voucher system or similar approach to assist the needy, rather than indirectly through the subsidisation of the costs of producers

"However, the administrative burden of various systems of direct subsidisation must be considered

"Subsidies basically interfere with market forces and therefore tend to be counter-productive, which suggests that all subsidies should have limited life span"

The committee said it heard evidence that the agricultural sector should in principle be subject to normal market forces

# PC warns high tax is stifling productivity

BDay 14/3/89

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CAPE TOWN — Government has been warned that high levels of taxation have had a demonstrably negative effect on productivity, and for this reason it has become essential that its pattern of spending should be kept as low as possible

The warning is contained in the President's Council (PC) report on a productivity strategy for SA, released in Cape Town yesterday

## Accountable

The report suggests that one method by which this can be achieved is by eliminating certain government activities, an option which is currently being addressed by the "function accountability programme" being carried out by the public service and through measures such as privatisation and deregulation

The PC report also notes that more directors-general should be made accountable for ensuring that more productive use is made of government resources, as accountability is not clearly assigned at present

The report also recommends that the Treasury can and should play a more prominent role to enhance productivity in the public service.

This can be done by properly assessing the extent to which departments adhere to set budgets and performance objectives

CHRIS CAIRNCROSS

It is recommended that the Treasury should in future assist government departments in setting productivity objectives and require feedback on their performance before the budget allocation for the next year is made

The report notes an important element of state spending takes the form of subsidies, a practice which, it says, tends to be counter-productive

It proposes that subsidies should have sunset clauses in which they would only be granted for a limited time to enable the organisation or industry concerned to obtain viability through productivity improvements

Government spending on capital projects can in certain cases be unproductive, and the PC report recommends that a cost-benefit model be applied in every instance where significant capital expenditure is envisaged

Noting that international experience has demonstrated that excessive taxes are damaging to productivity, the report suggests that many of the proposals contained in the Margo Commission report could materially benefit productivity in SA

They include proposals to significantly reduce the number of income tax brackets, reducing company tax progressively to 40%, making the individual the unit of personal taxation, and changing depreciation on a sliding scale of 50/30/20 over a three-year period

The aim of neutrality of taxation between the main sectors of the economy should stimulate productivity by ensuring that resources are allocated productively, the report says

## Ideal ratio

It adds that it is unfortunate no goals were set by the Margo Commission or the White Paper in regard to the ratio between direct and indirect taxes

The report notes that such goals could make an important contribution to the productivity effort, and it is recommended that the Tax Advisory Committee investigate the possibility of establishing an ideal ratio for SA

It stresses that the aim expressed by Finance Minister Barend du Plessis of reducing total public expenditure from 38% of GDP in 1984/5 to 34,5% in 1991/2 is highly desirable from a productivity point of view

PRODUCTIVITY 247 FMAIL 17/3/89.

# Subsidising waste

**Civil servants** and SA's pampered agricultural sector could be in for a rude awakening — if elements of a new government report on productivity are applied to them

The report, published this week by the President's Council economic affairs committee, pulls no punches It claims public servants have yet to learn the meaning of productivity, and State subsidies to agriculture should be stopped because they are open to abuse and mitigate against efforts to improve productivity

The committee, chaired by Frans Jacobsz, recommends that all subsidies should have "sunset" clauses — granted for a limited time only to allow an organisation or industry to become viable through improved productivity

It calls for productivity goals for the civil service and for directors general of government departments to report on progress towards achieving those goals It also wants intensified effort to scrap remaining obstacles to blacks participating in the economy on an equal basis.

The committee started work in August 1987 Employers' organisations argued that agricultural subsidies were necessary only in exceptional circumstances, such as natural disasters

"It was argued that the agricultural sector should in principle be subjected to normal market forces This approach is in accordance with the committee's view that the marketplace is the natural means to ensure productive performance," the report states

It suggests agriculture consider establishing a joint fund, financed by levies on sales, to be used for relief during times of disaster

Evidence also suggested producer subsidies aimed at reducing the price of end-products, such as bread, work against increased productivity

"It was stated that producers are given an incentive to show higher cost increases in order to claim an increased subsidy It was alleged that cost figures could be boosted by incurring unnecessary expenses such as generous entertainment allowances, luxurious offices and expensive vehicles

"Examples were quoted to show that subsidised bread costs more than non-subsidised bread in the informal sector and that the most expensive bus tariffs are on the most heavily subsidised routes "

The committee holds that a voucher system, or something similar, could be used to help the needy rather than producer subsidies "Subsidies basically interfere with market forces and therefore tend to be counter-productive, which suggests all subsidies should have a limited life span "

247 FMAIL 17/3/89.


The committee maintains there are ways of measuring productivity in the public sector and non-profit organisations and says "productivity accounting" should be introduced in State departments, municipalities and similar organisations and the results disclosed in annual reports

It recommends the Treasury assist government departments in setting productivity targets and should demand feedback on productivity performance before allocation of the following year's budget.

Other recommendations include

- ☐ A national productivity awareness campaign,
- ☐ That the Institute of Chartered Accountants and National Productivity Institute investigate the feasibility of incorporating accounting for productivity performance in annual financial statements,
- ☐ A committee investigate the establishment of accredited "management colleges" to ensure a steady flow of trained managers to the market,
- ☐ That the Department of Manpower and industrial councils investigate the desirability of excluding certain (generally smaller) firms from industrial council agreements, and
- ☐ Action by the Department of Manpower to eliminate the creation of artificial manpower shortages by some artisan-based unions which do so in order to "manipulate the supply factor and bargain for higher wages than would have been possible with the free entry of workers "

Manufacturing sector achieves 85,3%

247

# Production capacity at seven-year high

BDay 30/3/89

HELOISE HENNING

USE of production capacity in the manufacturing sector during the last quarter of 1988 reached 85,3% This was a seven-year high, since the 85,5% reached in the first quarter of 1982.

The figures, released by the Central Statistical Service (CSS) this week, bring the annual average production capacity for 1988 to 83,6%.

Major contributors to the activity, such as plate glass, chemicals and iron and non-ferrous metals, had strong export orders, while the best performer, footwear, indicated the strength of the black consumer market.

The Federated Chamber of Industries (FCI), which conducts monthly surveys among industrialists, estimates production capacity in the manufacturing sector in the first quarter this year at between 85,5% and 86%

The last time production capacity beat this level was in 1981 on the strength of a strong gold price, said FCI consulting economist Gad Ariovich The difference this time was that manufacturing capacity had increased in spite of a weak average gold price for 1988

## Sentrachem

Footwear (95,5%), glass (94,7%), paper (91,7%), printing (89,1%), basic iron and non-ferrous (88,8%), chemicals (88,4%) and wood (88,3%) were the top seven performing sectors Of these, footwear was the only labour-intensive industry. Following closely were furniture (88,3%), textiles (88,1%) and clothing (87,9%)

Fergusson Bros analyst Richard Price said Sentrachem had indicated that its three plants producing artificial rubber had reached an average 70% capacity in the last quarter of 1988, compared with 35% in the first quarter.

One division was functioning at over 100% capacity More than 70% of the synthetic rubber produced was used in tyres, which had become an important export product, Price said Other strong export-led products were ferrous and non-ferrous metals, chemicals and glass, as well as paper and packaging

Analyst Arlene Rosenberg said the labour-intensive footwear industry was one of the sectors that showed low concentration, with small industries being established in homelands, where there were pools of non-unionised labour The strength of this industry was that its low-cost products sold in the local black consumer market

CSS said in its summary that increases in production usage occurred in 22 of the 27 major manufacturing groups The largest increase — 18,5% — was in the motor vehicle sector

It said the under-utilisation of 14,7% in November was attributed to the shortage of raw materials in the food, beverage and metals industries (2%) and insufficient demand in the basic steel industry (9,8%)

'esday April 1 1989

The Star Finance

# Low productivity a major challenge

Star 11/4/89.

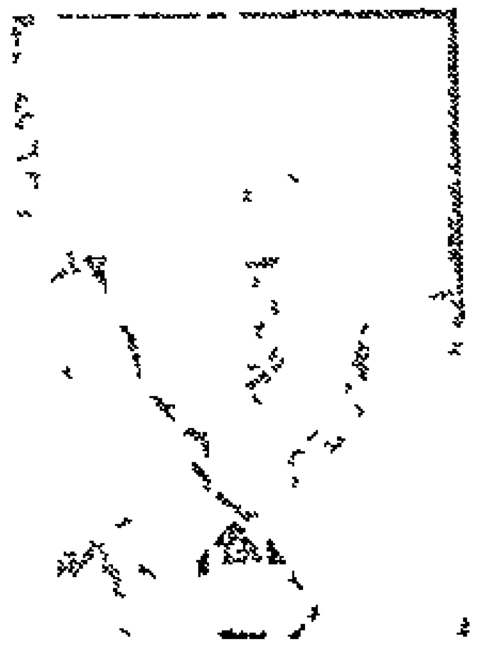
247

Property & Construction

FRANK JEANS

The construction and building industries are being continually hampered by low productivity caused by three main factors — lack of management skills, severe fluctuations in the business cycle and inadequate training at "grass roots" level

This is the conclusion of the National Productivity Institute which, at the same time, believes management has awakened to the fact that they are facing big challenges in the area of output



Jerry Eccles

Mr Jerry Eccles, construction unit manager of the NPI, says "It is imperative that management gets together with the federations and associations of the industry and accept responsibility for meeting the challenge of improving productivity

"It is only through their initiative and dedication that improvement can be achieved"

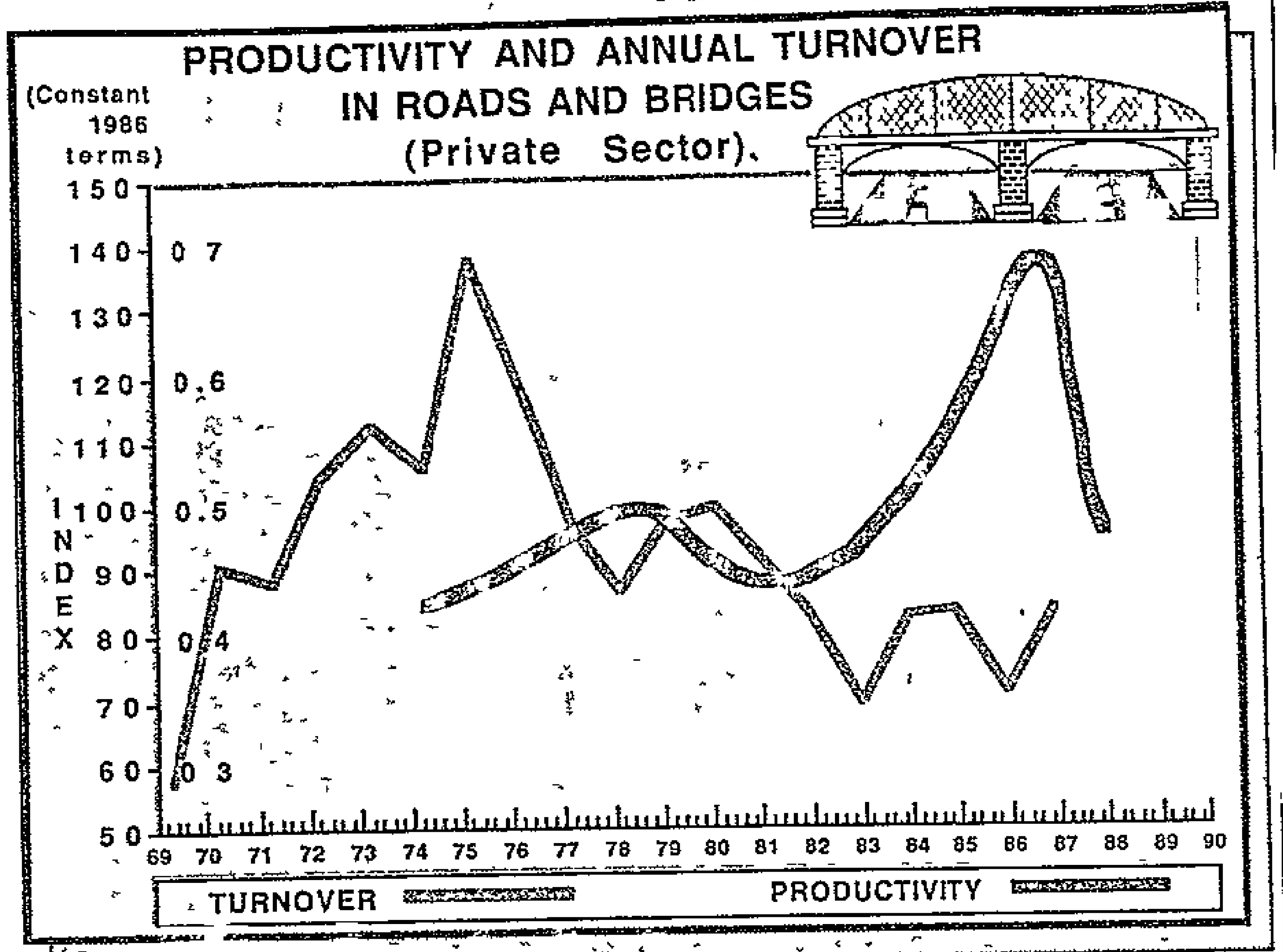
Mr Eccles makes the point that in civil engineering and building, contract prices and to a lesser degree, their productivity, are directly related

This is particularly apparent when one looks at trends in road construction

In times of steady economic growth, tender prices and productivity improve accordingly

However, the boom and bust conditions over the past 10 years have generated wide fluctuations in productivity and prices and the effect of these cyclical swings is seen in the accompanying graph

After the booms years of the Seventies, the industry slid into recession until well into the Eighties and as the slump deepened, productivity rose dramatically, material price increases were absorbed by contractor and supplier alike and profits plunged



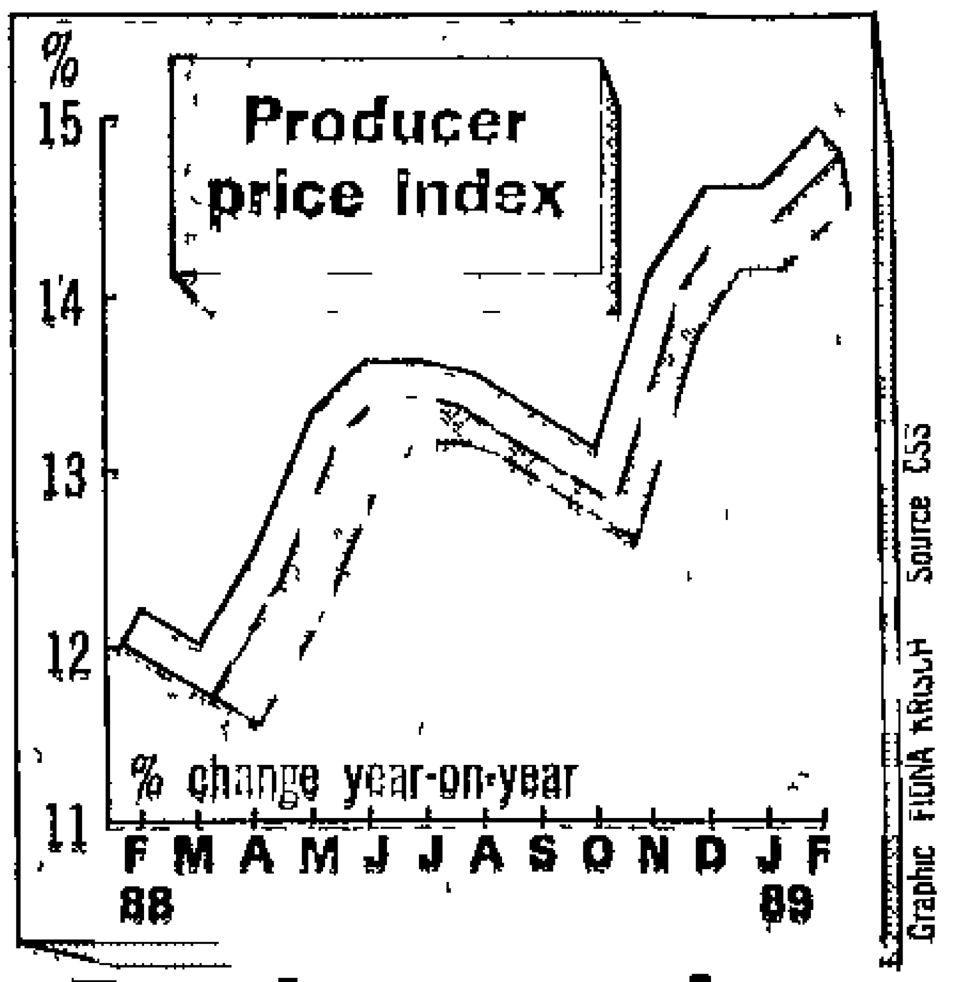

"By 1986, prices were more than 25 percent lower than individual companies and the industry could withstand for long-term survival," says Mr Eccles

"By this stage, plant was being depreciated over longer periods and no provision was made for replacement.

"As conditions improved, prices rebounded sharply as the industry battled to replace scarce resources and had to pay inflated prices to secure by then, obsolete plant

"In the roads section a massive overcorrection is now taking place as the reduced numbers of contractors who survived the cut-throat rates of two years ago now enjoy a relative abundance of work "

Think tanks and workshops have identified other main problems surrounding the low productivity factor — poor planning and programming and poor design, inadequate communication between negotiating parties and lack of commitment to improve within the industries




# Producer prices increase sharply

8 [Day 13/4/89]

(247)

KAY TURVEY

PRODUCER prices have accelerated sharply with the index moving up from 299,8 in January to 305,4 in February, giving a monthly increase of 1,9%.

Central Statistical Service figures yesterday showed the production price index (PPI) rose 14,9% in the year to February, up from the 14,6% corresponding rate recorded for January, and the highest since May 1987 when the rate was 14,6%.

The 1,9% monthly rise translates to an annual rate of increase at 24,9%, indicating considerable momentum in the inflationary spiral and providing strong evidence of an upward turn in the Consumer Price Index (CPI), which has been widely predicted by economists.

Nedbank economist Edward Osborn said the figures revealed pressure on prices was growing.

Imported commodities rose 15,2% for the year to February, while locally produced commodites were up 14,8% for the year.

# 'Produce more and live better'

(247) ZILLA EFRAT

GOVERNMENT must make productivity the single most important long-term objective in SA to improve the general standard of living, says National Productivity Institute executive director Jan Visser

Outlining the findings of the recently published President's Council report on productivity, Visser said in Johannesburg yesterday there would be more for each person to consume when resources were better utilised

Everyone should be involved in productivity improvements and a five-year awareness programme was needed to reach all levels of the economy

Visser said all social, economic and political decisions should be tested against their impact on productivity

Companies applying for tariff protection, decentralisation and export subsidies should show evidence of productivity improvements

He called for a more occupation-based education system which stressed achievement rather than conformity

Star 19/4/89 (247)

# State urged to link the Public Service's budgets with productivity tests

By Michael Chester

The Economic Affairs Committee of the President's Council has been urged to start a crackdown on State over-spending by insisting that all government departments must run the gauntlet of new acid tests on their budgets

The National Productivity Institute (NPI) yesterday listed the excessive cost of the Public Service as a main cause behind the rebellion against high taxation and its impact as a disincentive on initiative.

Executive director Dr Jan Visser told a business seminar in Johannesburg that the NPI believed that radical new moves to curb taxation by boosts in productivity needed to be tackled at State President level.

## First move

A first move should be to instruct the Treasury to insist that all future Budget allocations to government departments should depend on proof of better performance

The exercise should be made one of the spearheads of new strategies to counter South Africa's flagging economic performance and reverse trends of higher and higher taxation which were snuffing out individual enterprise. The Treasury should call in outside experts if necessary to set fixed new targets that the director-general of each government department must reach to justify allocations from the national Budget

In the process, each government department needed to provide proof of better productivity from its team of civil servants

The aim of the exercise, said Dr Visser, should be to scale down the expenditure of the public sector — and in turn scale down the level of direct taxation that was needed to foot the bill

Once the programme inside the civil service was under way, new strategies should be launched to improve productivity at all levels of the economy The urgency was shown in new evidence that living standards inside South Africa had been slipping an average of 1,7 percent a year since the start of the 1980s while standards overseas had surged ahead

In contrast, living standards had climbed by an average annual rate as high as 3,2 percent in Japan and an even higher 5,7 percent in Taiwan — in patterns closely linked to productivity

While average wages in South Africa's manufacturing sector had bounded ahead by no less than 1 500 percent since 1960, static or even slackening productivity had resulted in all the gains being wiped out by inflation Dr Visser argued that wage increases must more and more be linked to productivity — but with stress on assurances that workers draw benefits as well as shareholders and corporate profits

Global studies now proved beyond doubt that productivity was the key not only to living standards but also to the pace of new job creation the Soviet Union was taking more

conflicts which wasted resources and prevented development.

# Jobs pool lags badly behind high birth rate

MARC HASENFUSS

JOBS are getting scarcer as population growth follows an unstoppable upward trend.

The National Productivity Institute reported yesterday the economy was failing abysmally to absorb many more people trying to join the workforce

It said employment in non-agricultural sectors remained virtually constant between 1981-87 while the population increased annually by an average 2,5%

The institute added in its Productivity Focus annual report that unemployment had manifested itself as one of the most crucial dilemmas of the decade.

It also stressed the alarming trend of more jobs being created in the public instead of private sector.

A net total of 233 000 jobs were created between 1980-87.

## Responsible

To achieve this, however, 304 000 more people went to work in the public sector while manufacturing shed 67 000 jobs in the same period.

The NPI felt this was a cause for concern because manufacturing was the single largest private sector employer and the main engine for economic growth

NPI figures showed manufacturing responsible for almost 25% of economic activity and should, therefore, play an important role in creating jobs for a growing population.

A major contributor to unemployment was lack of economic growth which, in turn, was partly due to poor productivity.

## Contribution

"Productivity growth generates economic growth and the latter is a prerequisite for higher employment. Productivity growth creates jobs It is the lack of productivity improvement which creates unemployment and reduces the standard of living," the report said.

It added between 1981-87 the economy had an average annual growth rate of only 0,7%.

The institute said productivity made a very small contribution to overall economic growth whereas in many of SA's trading competitors productivity growth was responsible for almost 60% of it

An annual population growth rate averaging 2,5% needed an economic growth rate of at least 3,5%

The report said the increase in population growth rate exerted tremendous pressure on an economic growth rate insufficient to ensure an improvement in the standard of living during the past decade.

PRODUCTION PRICE INDEX (247)

# Sharply higher

**February's** whopping 1,9% increase in the producer price index (PPI) is the largest in two and a half years and supports predictions of a sharp, rather than mild, rise in inflation

247 FMML 21/4/89.

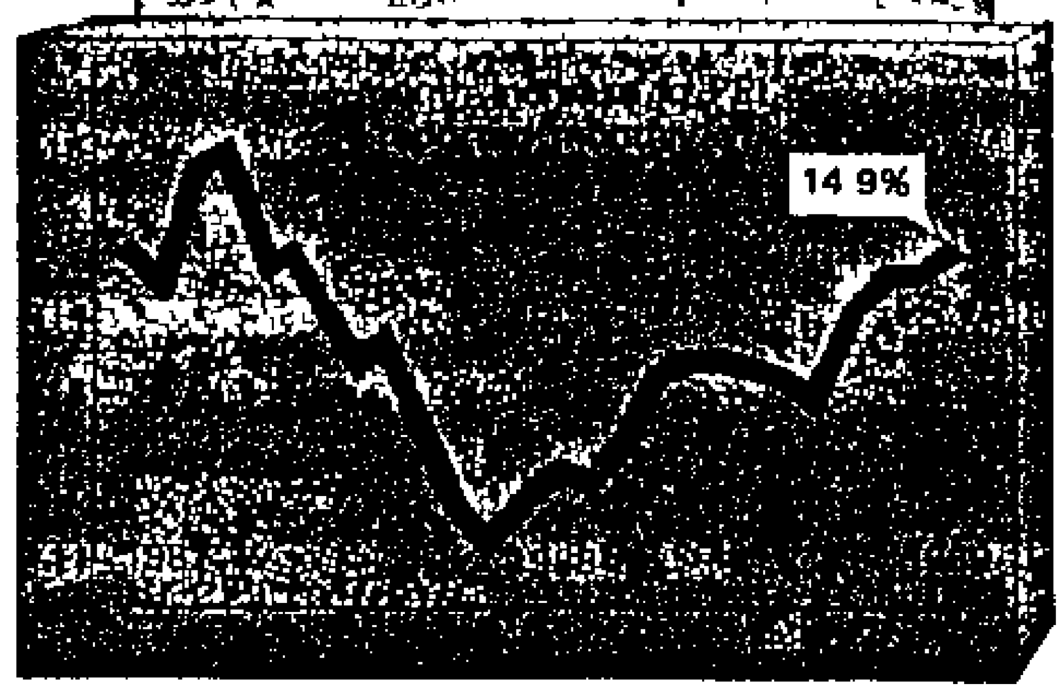
this year

One month's figure doesn't make a pattern after all, 1,9% monthly increases would add up to 25% a year — which is unlikely But in the past three months, producer prices have moved up at an annualised 17%-plus (0,9% in December, 1,3% in January and now 1,9% in March)

February saw both local and imported commodity prices shoot up, by 1,8% and 2,2% respectively

What should be clear from these dreary figures is Pretoria can't print money (to keep interest rates artificially and temporarily low) without fuelling inflation and sinking

**Shooting up**




the currency

As both PPI and CPI pick up, expect new rounds of populist attacks on "greedy businessmen" and "concentrated industry" If we're lucky, we'll enjoy rising, double-digit inflation, as the market tries its best to cope with a debased rand If we're unlucky, a vote-mad government will give us price controls, or "guidelines," and all the disruption and corruption they bring

☐ February's rise, the largest since 2,2% in October 1986, pushes the 12-month increase in PPI to 14,9%, from 14,6% (January and December), 14,1% (November) and 13,1% (October) and is the highest since April 1987's 16,1%. The index rose to 305,4 from January's 299,8 (mid-1980=100) ■

# World's living standards leave SA in the poor house

Star 25/4/89

247

**South Africa's living standards are now eight times lower than Switzerland's, six times lower than the United States and five times behind Britain's MICHAEL CHESTER examines the causes and what can be done to remedy an alarming situation**

Renewed alarm over the chronic decline in the average standard of living in South Africa in the 1980s has been voiced by the National Productivity Institute in a review of global trends

Living standards dropped by an average of 1,7 percent a year between 1981 and 1987 while most overseas countries recorded fresh advances

An NPI publication, "Productivity Focus", released today, shows that living standards in Switzerland now stand eight times higher than in South Africa when overall economic output is broken down to a head count of total population.

The yardstick used to measure the gap is gross domestic product per capita, with prices and exchange rates all fixed in 1980 terms The formula sets out to iron out distortions caused by inflation

Living standards are six times higher in the United States and Germany and five times higher in Japan and Britain.

Starting from still lower levels in 1981, Taiwan and Korea have both overtaken South Africa

The NPI studies also underscore the massive damage suffered by the South African economy as a result of the population explosion that steadily worsens an already critical unemployment problem

When the researchers measure the patterns of gross domestic product on a head count of actual labour forces, they find South Africa made at least a little headway.

It was the size of the unemployment problem that wrecked progress and caused the overall average to topple downhill

## PRODUCTIVITY WELL DOWN

But even with the count confined strictly to workers with jobs, South Africa managed to push ahead by no more than an average 1,1 percent a year compared with 6,5 percent in Korea, 4 percent in Taiwan, almost 3 percent in Japan and 2 percent or better in Germany and Britain

Problems were compounded by inflation — especially when surges in wages intended to keep abreast of the cost of living index were not matched by improvements in productivity

It emerges that while pay packets in the manufacturing sector in South Africa bounded more than 440 percent higher between 1975 and 1987, productivity advances dawdled behind at only 31 percent.

In the sharpest contrast of all, while pay packets in Japan swelled by no more than a modest 91 percent, the increases were more than matched by productivity gains of nearly 95 percent

The repercussions on the labour cost of every product turned out was disastrous In South Africa costs soared by 312 percent In Japan, costs per unit actually declined — shaved down almost 2 percent

The NPI underlines the severity of the inevitable adverse impact on the competitiveness of SA products

Alarm is voiced over the pattern of job creation The study shows that the government sector increased its labour force by a stunning 304 000 employees between 1980 and 1987 — while the manufacturing sector slashed 67 000 jobs from its labour pool

The researchers warn against temptations to juggle with weak exchange rates to try to find a competitive edge in export markets — rather than grasping the productivity nettle

They note that while the rand stayed stable between 1975 and 1979, non-gold exports galloped ahead at 9,8 percent a year When the rand began its slide, exports dropped 6,6 percent a year from 1980 to 1983

## FOREIGN DEBT BOGY

The weak rand appeared to have helped exports since then, but the depreciation of the rand had in turn had a hand in increasing South Africa's foreign debt burden to more than $22 billion — meaning more handicaps for the chances of economic growth.

And as living standards shrank, so did the level of personal savings needed for new investment and expansion — down from around 12 percent of disposable income at the start of the 1980s to 3 percent in 1987

Labour is by no means the only factor in the productivity problem, the NPI stresses Though modest by many international comparisons, labour productivity had at least managed to grow by 26 percent since 1970

But advances on the labour side had been more than cancelled out by the poor productivity performance of capital resources — all the machinery and equipment used in production.

Over the past 12 years, while total employment inside the manufacturing sector remained static, the amount of capital ploughed in doubled.

But the actual productivity of capital since 1970 plunged by more than 32 percent — meaning that when productivity as a whole was measured its overall level was no better than 20 years ago

The NPI concludes. "Improving productivity is fundamentally a function which rests with management.

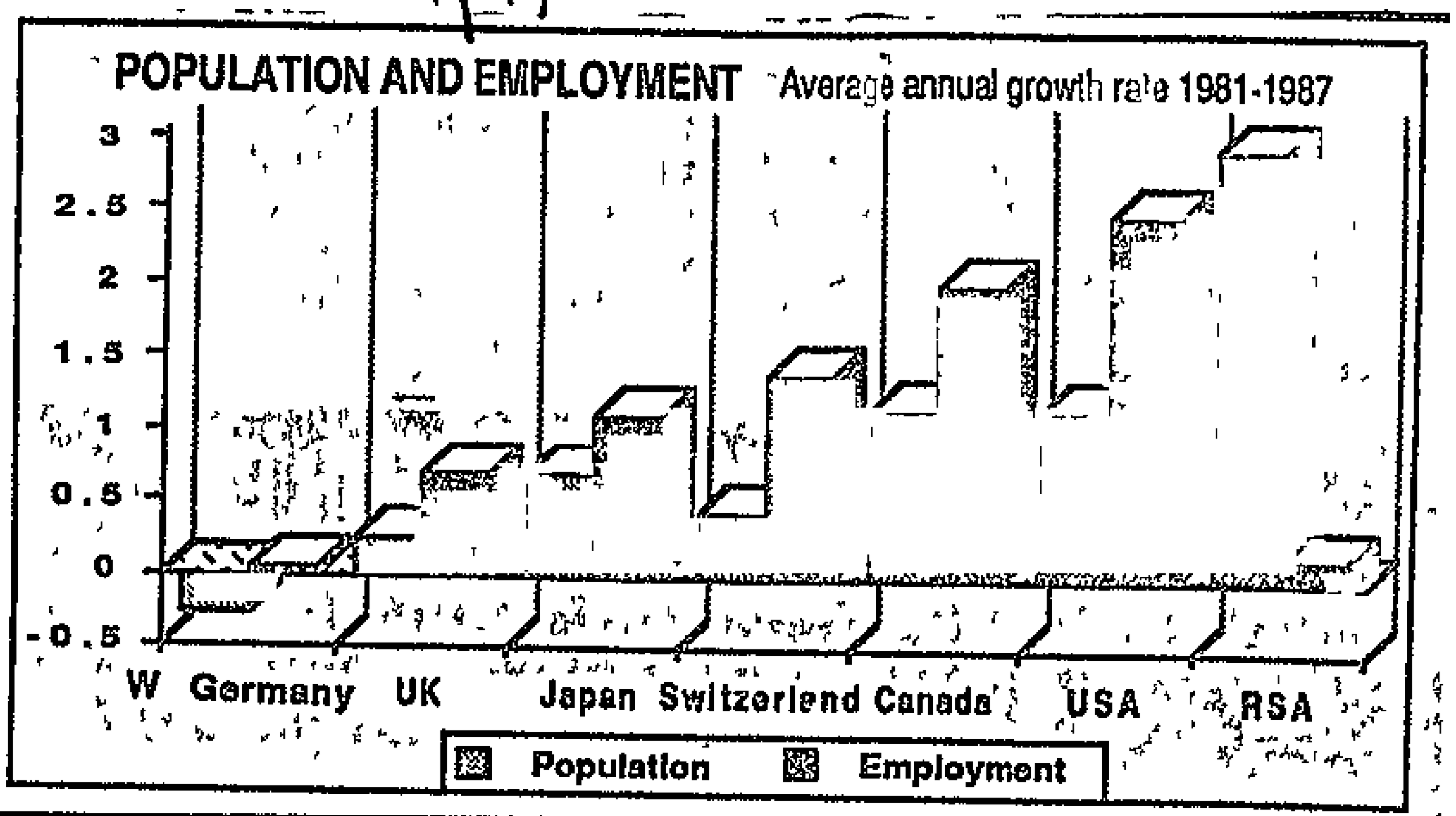
"Employees should attempt to enhance the market value of their skills through training and education

"Producers of capital equipment should strive towards producing more cost-efficient machines, plant and equipment.

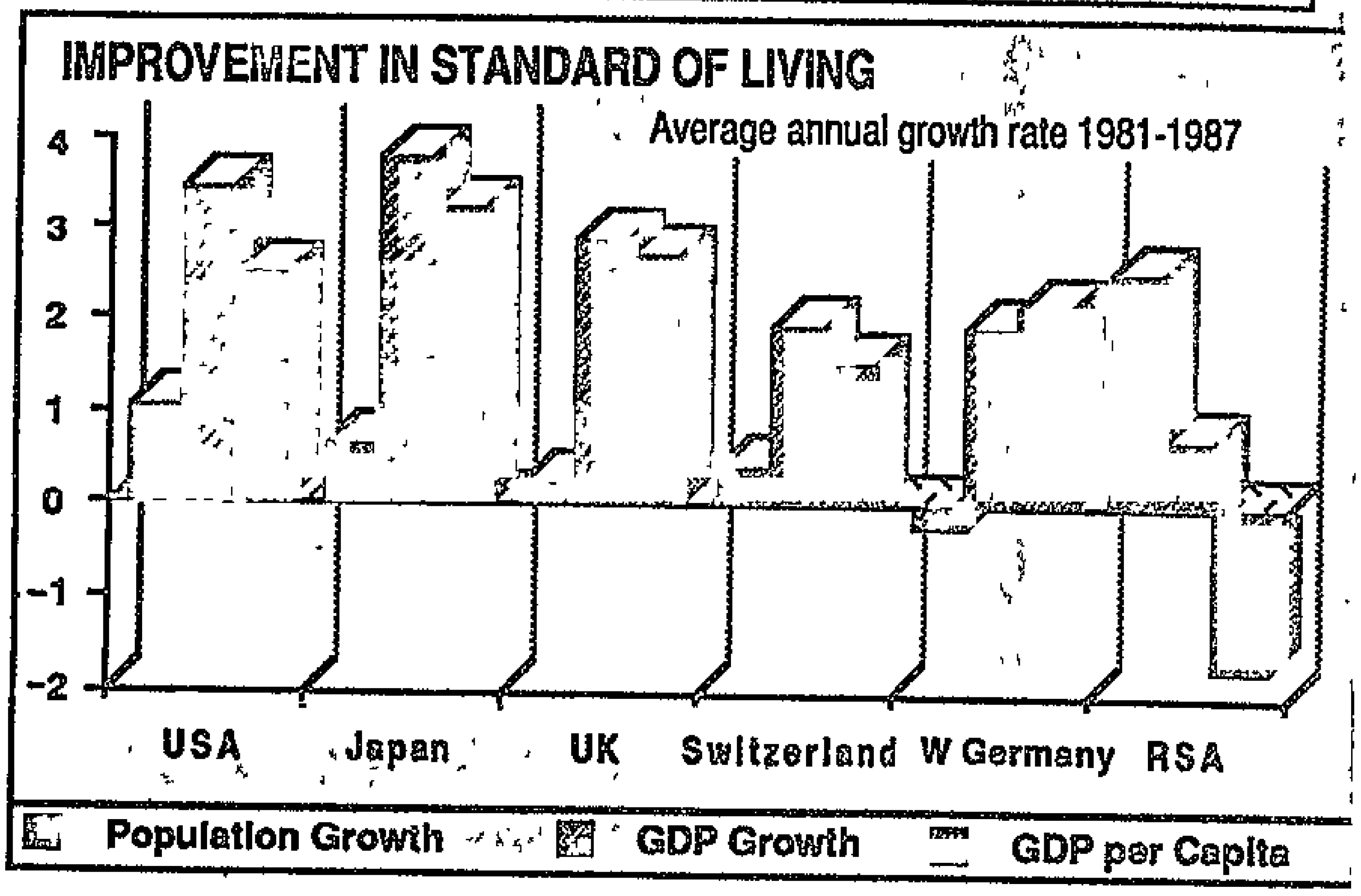
"Management's function of choosing the least cost combination of inputs to produce the desired flow of output is, however, the major source of any economy's productivity growth"

P.TO

25/4/89



POPULATION AND EMPLOYMENT
Average annual growth rate 1981-1987
3
2.5
2
1.5
1
0.5
0
-0.5
W Germany
UK
Japan
Switzerland
Canada
USA
RSA
Population
Employment

IMPROVEMENT IN STANDARD OF LIVING
Average annual growth rate 1981-1987
4
3
2
1
0
-1
-2
USA
Japan
UK
Switzerland
W Germany
RSA
Population Growth
GDP Growth
GDP per Capita


247

# World's living standards leave SA in the poorhouse

Star 28/9/89

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180 247 489

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P.T.O.

# Stock management more productive

ZILLA EFRAT

STOCK management is one of the rare areas in SA where productivity has improved substantially over the past decade

Research by the Federated Chambers of Industry (FCI) suggests the ratio between inventories and sales in the manufacturing sector has declined over the past decade, probably due to better stock management and the computerisation of stock flows in manufacturing operations

The latest FCI opinion survey shows that SA industrialists intend to maintain their present stock levels over the next 12 months, while only a month ago most were thinking of increasing their stocks over the year

FCI industrial consultant Gad Ariovich says that, since January, industrialists have consistently been scaling down their intention to build stocks over the next 12 months as their stocks are too high to satisfy the current demand for their products

The decision to keep stocks at the present level in spite of better sales is probably the result of anticipated slower economic activity and relative high real interest rates

Ariovich says this strategy should alleviate downward pressure on manufacturing activity

PRODUCTION PRICE INDEX 19/5/89

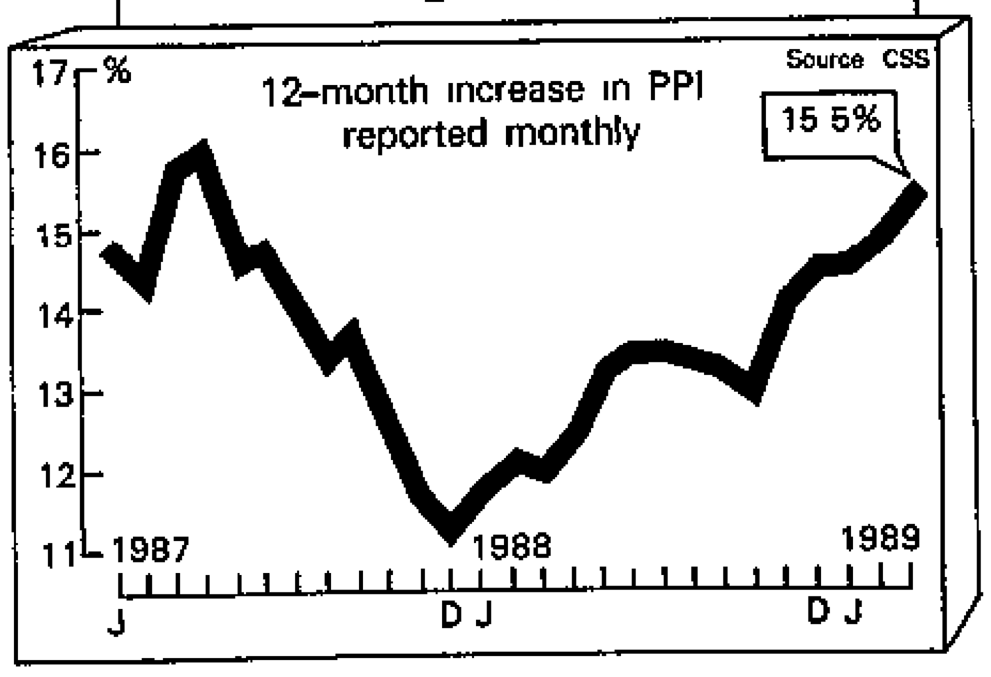
# Import push

247
Fmail

**The impact** of the declining rand, import surcharges introduced last year and rising world oil prices have caused a surge in the Production Price Index (PPI) In March, imported commodities played a major part in pushing prices higher

In the first quarter, producer prices rose almost 4,8% — an annualised rate of 20,5% The monthly increase for all commodities for consumption increased by 1,5% in the month

## Moving upwards




(compared to a 1,9% rise in February) and 15,5% year-on-year (14,9%)

Prices of imported commodities rose 2,1% in the month (2,2%) and 16,7% year-on-year (15,2%) while prices of locally produced

FINANCIAL MAIL MAY 19 1989

247

commodities rose 1,3% monthly (1,8%) and 15,1% year-on-year (14,8%)

However, Econometrix chief economist Azar Jammine points out the rand has not depreciated as much as in 1984-1985 and the increase in the rate of inflation has not yet been as great In May 1984 producer prices increased year-on-year by about 7%, by December 1985 the year-on-year increase was 22% This followed a drop in the rand from US80c in March 1984 to US39c in December 1985 Recent changes have been less severe from a PPI year-on-year 11,3% rate of increase in December 1987 (with the rand at US51c) to March's 15,5% (US39c)

However, the months ahead may still see more serious shifts in the rand and inflation CPI, up 13,8% year-on year in March, is expected to follow PPI's upward path

Says Rand Merchant Bank's Rudolf Gouws "This is the price we have to pay for not allowing interest rates to rise early enough — and then trying to limit the rise HP restrictions and loan levies aren't the way to attack our problems If interest rates had been allowed to rise in response to market forces, spending would be curbed and we wouldn't now need other restrictions" ■

BDay 25/5/94 (247)

# Business Day SURVEY

*The SA Production and Inventory Control Society (Sapics) is holding its annual conference at the Elangeni Hotel in Durban from June 18 to 21. **HELOISE HENNING** reports on the organisation's mission to improve the efficiency in the public and private sectors and its hope of attracting more CEs of companies to the philosophies it propounds.*

## Focus point on productivity and labour

LABOUR unions' attitudes to productivity is one of the topics Sapics is focussing its attention on

Labour's stance has been that workers should not be individually rewarded for productivity, but that all should benefit from improved efficiencies

Sapics publicity vice-president Dave Tootill said productivity remained an ongoing target every company aimed for Sapics wanted to educate its members — most of whom were in the manufacturing industry — on labour attitudes and create a forum for discussion with unions on the matter.

"We are in the neutral position of being neither employers nor government. This means we are able to educate and talk among management and labour on the matter without threatening anybody's position," Tootill said

"Labour has generally adopted the stance that it will not co-operate in improving productivity. Labour academics say the reason for this attitude is that management in SA has always had the upper hand and power," said Tootill

Sapics aims to host a panel discussion between two national representatives of labour unions and two manufacturers on the first day of the conference in Durban

Sapics is affiliated to a parent body in the US called Apics and distributes the latest literature on inventory and production control, while aiming to foster more relevant education

Apart from the monthly seminars and factory visits arranged by the chapters in Johannesburg, East Rand, Pretoria, Durban, Port Elizabeth, East London and Cape Town, the society administered the Certificate of Production and Inventory Management (CPIM), a US qualification with international recognition.

Tootill said Sapics was not a society for "graduates only". It did not concentrate on technology or economics, but aimed to foster relevant education through its monthly seminars, visits to factories, administration of the Certificate of Production and Inventory Control Management, and annual conference.

# The road to productivity

S/Times 28/5/89 (247)

THERE is no magical solution to South Africa's productivity problems

But there are practical ways of improving human productivity, says a report by the Bureau for Economic Reasearch in Stellenbosch As a result of the study, the Institute of Personnel Management (IPM) has drawn up recommendations, based on human resources and general management principles

To find solutions to the problem, IPM says the capital-labour-productivity question must be addressed at both macro and micro levels in organisations

"Macro solutions include deregulation and the promotion of the informal sector on a large scale at a more rapid rate than currently contemplated Real capital investment is essential and the removal of discriminatory legislation while actively promoting reform would be powerful tools in attracting foreign investment

"The resolution of in-company differences, the creation of common objectives, real participation and a sense of mutual satisfaction on achieving successes are the tasks of the businessman and the personnel practitioner

"Consulting the workforce on ways and means of achieving the company's intentions and objectives as well as keeping it informed of progress on how the enterprise is doing, are important"

IPM says management needs to take positive educational action to ensure that a business culture and a work ethic are developed All staff members should be educated to understand that change in the political system is not sufficient to raise living standards

It says management needs to recognise that industrial relations in SA will by definition, have a political flavour

'An aspect hitherto little explored in SA is that of productivity bargaining Representative trade unions should be involved in discussions on the need to ensure the continuity of sustainable business enterprise and be involved in the question of setting and maintaining high standards of productivity, quality, management and behaviour

The private sector will have to spend more money to overcome the low quality of manpower This includes literacy programmes, bridging programmes, skills training and assistance to schools and universities"

PPI 247 Finance

# Heading for 20%

**Production** prices skyrocketed again in May, up 1,5% for the month, 15,8% for the past year and — projecting May's increase — 21,35% for the next year

A year-on-year increase hasn't been this high since April 1987, when the rate peaked at 16,1% before falling to a low of 11,3% at the end of that year Since then producer price inflation has been accelerating and the worst is yet to come

Petrol and coal products (up 6,5% for the

FINANCIAL MAIL JULY 14 1989

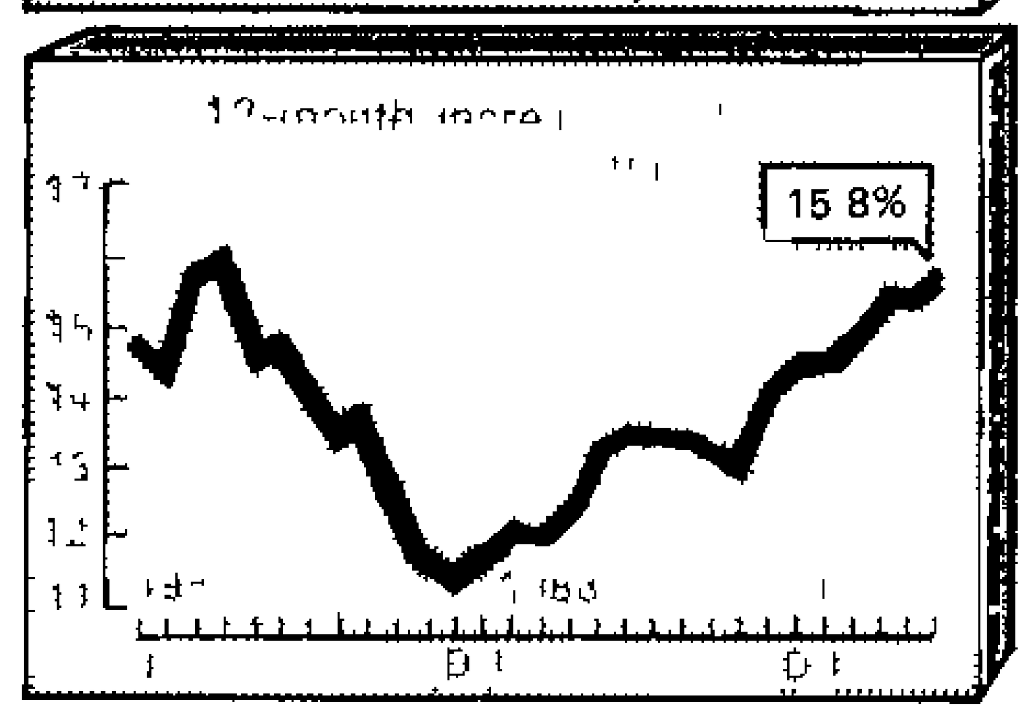
247 Finance 14/7/89.

month), fresh meat (5,4%) and metal products (4,7%) were the main culprits while wool, sugar-cane and hides, skins and furs showed double-digit decreases

Paradoxically, prices for SA products rose faster in May than prices for imports for the first time in several months, despite the rand's rapid depreciation that month Two theories restrictions are weakening the market for imports and keeping prices down, and SA producers — seeing their import rivals becoming non-competitive through tariffs, quotas and the lower rand — are taking full advantage by raising their prices aggressively

This price spiral is all very predictable because the money supply has been out of control for much of the past two years and the entire effect has yet to play itself out through higher inflation

**Higher and higher**




Econometrix believes there is an average of 21 months between the peak money-supply increase and the peak inflation rate. With money-supply growth peaking last August, inflation probably won't peak until around next May, says Tony Twine, an economist with the firm. The lag period is remarkably similar from country to country, with all Western countries showing a lag period of between 20 and 29 months, he says

With each uptick in inflation in the months ahead, "the gap is closing on real interest rates," he says, meaning savings and investment will suffer But Twine doesn't believe another increase in interest rates is wise right now "We must avoid overkilling The May package got pretty close to the margin on overkill An additional interest rate increase will cause as much harm as good "

But an interest rate hike coupled with deep cuts in taxes and government spending would do a world of good — curb inflation, rally the rand, boost savings, spur growth But of course, that's not about to happen ■

APPOINTMENTS



**MANPOWER MIRROR by ROBYN CHALMERS**

**PAGES AND PAGES OF THE BEST JOBS IN SOUTH AFRICA**

# Higher productivity — the distant goal

247 S/Times 16/7/89.

THE President's Council report on productivity says the influence of productivity permeates every aspect of a country's economic, social and political life.

Because productivity is at the base of a nation's standard of living and every individual, all other structures and amenities in whatever field depend on it in the final analysis.

The report was released in Cape Town on March 13. It was handed to the State President a few weeks ago and should be under discussion by the Government. Let's hope it does not land on the back shelf of some Government department

The report recommends that productivity improvement become a key directive in the Government's national economic policy A productivity growth objective of 3% should be set, a national awareness campaign should be launched and a national conference held

*Francois Jacobsz executives pay lip-service to productivity*

Positive response from the private sector has been received by the President s Council economic affairs committee chairman, Francois Jacobsz, who says the length of the report has meant a delay in feedback.

Productivity is a word which springs readily to the mouth of every businessman at almost every meeting All of them know about it, realise the need for productivity improvement and yet it still remains a problem.

Dr Jacobsz puts it in a nutshell when he says executives tend to pay a lot more lip-service to productivity than applying specific techniques to effect change.

Latest figures on labour productivity were given in an Institute of Personnel Management (IPM) report titled Human Productivity The report shows that while labour productivity was decreasing from 1960 to 1985 investors decided to replace people with machines.

[redacted]

IPM executive director Wilhelm Crous says in the IPM Journal that between 1980 and 1988, employment in the formal sector of the economy increased by only 33 500 (0,56%) In the private sector it fell by 26 000 (5,3%) and jumped by 31% in the public sector

"The growth in the civil service must be cited as a major contributing factor to poor labour and employment performance. The civil service attracts relatively highly skilled people from a very small pool in SA.

"As a result of market forces, the cost of highly skilled people is constantly being driven higher One can also question whether a 31% increase in their employed ranks could have been productive at all"

The President's Council report also pinpoints the inefficiencies of the public service, recommending productivity goals for Government employees. It criticises State subsidies for agriculture, saying they are open to abuse and mitigate against efforts to improve productivity

The IPM report says solutions to the productivity problem should be sought on two levels — macro and micro On the macro level, solutions highlighted are deregulation, political stability and reduction of taxes.

Micro solutions include consulting and informing the workforce, developing a work ethic, acknowledging political aspirations of workers, maintaining a high standard of ethical behaviour and nurturing relevant cultural exposure for black candidates outside of business hours.

[redacted]

Three years ago management consultants Money Power International (MPI) conducted a survey on why SA's productivity figures and service were so bad. It found two major factors — there was no way to measure the productivity of a manager and most companies had little interest in employees as people.

MPI director Dimitri Economides says that before an employee becomes productive for an organisation, that individual's needs wants and identity must be recognised.

"There are three types of motivation — fear based on punishment, incentive based on reward and self-motivation brought about by attitude change People perform because they want to and not because they have to

"Up to 90% of SA companies use the conventional methods of training, such as seminars or lectures. This leads to little commitment on the part of the worker, a negative mental attitude, low retention and high costs for the employer"

Star 19/7/89

# Ailing S Steele bought by Supreme

Finance Staff

In its second major acquisition in a year, Supreme Bond Trust has gained control of cash-strapped Sam Steele Holdings, whose subsidiaries make and retail furniture

Supreme is the controlling shareholder in Supreme Industrial Holdings (SI), formerly Mewa Holdings, which was taken over last October for R7,1m

In terms of agreements announced today, Supreme Bond Trust has acquired claims of R45 million by banks against Sam Steele for R38 million.

It has also acquired the 49 percent interest of Johannesburg Mining and Finance Corporation in Sam Steele

Subject to shareholder approval, Sam Steele will issue to Supreme 50 million shares at 20c each by capitalising R10 million of the claims of R45 million

Supreme will offer minorities 20c a share



The Star Finance

# AECI smoothes out problems in production

Star 19/7/89

247

By Ann Crotty

Latest results from AECI show the quality of performance that shareholders can enjoy when the group is free of major production problems. The higher than expected 38 percent surge in earnings to 84c (61c) was also helped by rationalisation in the group's fertiliser division and the generally strong economic conditions

Management capitalised on all of these factors and succeeded in boosting operating margins from 9,5 percent to 11,3 percent When it is achieved on a turnover of R2,26 billion (up 25 percent from R1,8 million), an improvement of this extent has a major impact on the bottom line

The improvement in margins helped to counter the impact of a sharp increase in finance costs and a higher tax rate.

The higher finance costs reflect significantly higher interest rates and to some extent camouflage the improvement in working capital management.

Net trading income was up 47 percent to R255 million (R173 million), financing costs were up from R30 million to R53 million — accounting for 21 percent of operating income compared with the previous year's 17,3 percent.

Earnings rose to R130 million from R94 million An interim dividend of 30c a share has been declared. This is 5c up on the previous interim and reflects an increase in cover from 2,4 times to 2,8 times.

## Higher cover

The higher cover won't surprise many shareholders as it is in line with chairman Gavin Relly's reference in the annual report to "the need to increase gradually the level of dividend cover in view of a continued high level of inflation and the difficulties foreseen in raising finance abroad"

Exports account for R201 million, or 8,9 percent, of group turnover. This is significantly ahead of the previous interim's R97 million (5,4 percent) contribution

Exports accounted for around 7 percent of turnover value for the 12 months of financial 1988. This was down significantly from the 10 percent that exports traditionally account for and was attributed to the production bottlenecks at Coalplex Now that these have been ironed out, MD Mike Sander is optimistic that exports could account for close to 10 percent of turnover for the full financial year This should have a positive impact on margins.

Looking at the divisional performances, Mr Sanders says that chlor-alkali and plastics performed very well — helped by comparatively strong international prices and the weaker rand

## Export performance

Export performance from SA Nylon Spinners more than made up for the higher cost of internationally sourced raw materials

Although there was a softening in demand from the gold industry, overall demand facing the explosives and chemical division was firmer but according to Mr Sander, the week gold market meant that customers were sensitive to cost increases.

Sasol has now become a major competitor in the explosives market but Mr Sander appears confident that AECI's size and its strong technology base will help it to defend its position

Despite the one-off costs associated with the rationalisation of fertiliser production facilities, this division managed to make a positive contribution to group profits.

On a general note he states that demand for most of the group's products was reasonably strong "We saw a fairly good economy".

Management does not expect the rate of growth to be sustained in the second half

This may be a little conservative A number of positive developments could see the group sustain its strong first half performance raw material constraints on the polyethelene plants have been sorted out which will not only improve capacity utilisation but should also lift exports and, the second half of the year is seasonally much stronger for the fertiliser industry

But as Mr Sander points out, much depends on the strength of the economy

# Productivity takes turn for better

By Michael Chester

The motor industry has emerged among the star performers in a new improvement in labour productivity that has carried the national average level of worker effort to its best in almost 20 years

Surveys by the National Productivity Institute (NPI) show that vehicle manufacturers last year boosted overall output 17,4 percent — with no more than a 4,8 percent increase in the size of their combined labour forces.

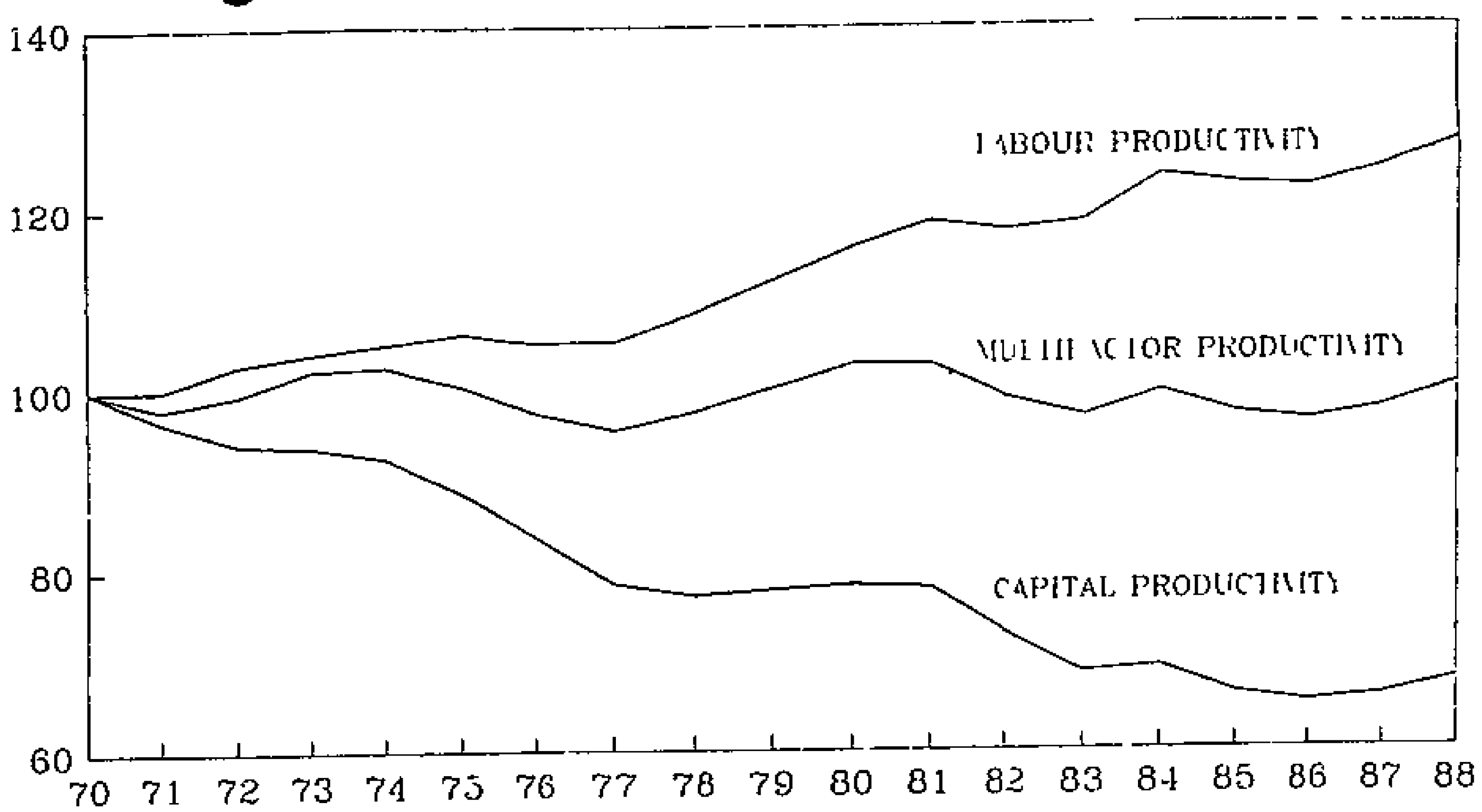
The NPI found that labour productivity on average in all industrial and commercial sectors had climbed more than 25 percent since 1970

The productivity performance of capital resources — transport to factory machinery and office equipment — also improved

This was particularly marked in the manufacturing, construction and electricity industries

But a chronic poor record of capital utilisation that lasted until 1986 meant that total productivity managed only to regain levels no better than 20 years ago

NPI executives have sounded repeated warnings about the failure of South Africa to keep pace with overseas trading partners with its overall productivity track record




Multi-factor productivity, private, non-agricultural sectors (1970 — 100)

The worst performer last year was the financial sector — covering banks, building societies, insurance companies and pension funds

Though the sector increased its labour force by as much as 6,3 percent and its capital assets by three percent more than the inflation rate, the value of its output in real terms crawled ahead by only 1,4 percent

All its productivity measures were negative

By contrast, all other sectors showed advances that lifted total productivity 2,8 percent

Combined with a small increase in employment, it pushed the growth rate of overall production to 3,8 percent

The NPI believes disinvestment and high interest rates may have been responsible for a sharp slowdown in the injection of new capital into business over the past few years

"Because of the abundance of available labour," says the institute, "it is at this stage certainly desirable to have increased employment, instead of a deepening concentration on capital

"Excessively low investment expenditure, however, can have a seriously detrimental effect on productivity in the long term, hampering both job creation and economic growth "

But for the moment the positive trends in labour productivity in most industries last year made its mark by helping to neutralise the impact of sharp increases in average wages and salaries

In the motor sector, a boost in productivity of 12 percent held the increase in unit labour costs to only 3,8 percent — despite a 16,2 percent climb in average wages

Volkswagen SA was one of six companies handed gold medals by the NPI at the presentation of its 1989 National Productivity Awards in Johannesburg last night

The other five were Sats, Middelburg Steel & Alloys, Con Roux Construction, HL&H Mining Timber and Wakkerstroom Apple Farm

Anglo American motor company Samcor won a silver medal, along with Busaf Letaba, Eskom, EMSA, Sasol Fenole Divisie, and the Grootegeluk and Middelbult coal mines ment because of cost considerations

# Brighter for productivity

S/Times 10/9/89

(247)

THE 1989 National Productivity awards indicate that things are looking up.

Between 1987 and 1988, capital, labour and multifactor productivity grew by 2,8% in the private non-agricultural (PNA) sector. This compares with an increase of 2,7% between 1986 and 1987.

National Productivity Institute (NPI) chief executive Jan Visser says companies are paying more attention to productivity, which can be seen by the increasing number of organisations entering the NPI competition.

In addition, the Government appointed a private-sector task force at the end of last month to help upgrade public-sector management skills and productivity.

Although the appointment of this committee is welcomed, the fact that it was announced shortly before the general elections and that the first such committee achieved little give cause for concern.

Administration Minister Dawie de Villiers believes the advisers can help to reduce State spending by implementing proven private-sector management principles and encouraging public-service efficiency.

The advisers, who were approached about a month ago, are Gencor executive director Tom de Beer and ISM chairman Jack Clarke. Both can be expected to do an excellent job — if they are allowed to.

One needs only to look at employment statistics to see how important the work of these two men will be. Between 1980 and 1988, employment in the formal sector of the economy increased by only 33 500 (0,56%).

In the private sector it fell by 26 000 (5,3%) — but it jumped by 31% in the public sector.

The NPI reports, however, that the capital labour ratio in the PNA sector fell by 0,1% between 1987 and 1988. Although employment in this sector rose only marginally faster than capital inputs, it was the first time in almost 20 years that this happened.

SA's poor productivity is most evident in the decline in living standards, which are estimated to have slipped by about 1,7% a year on average since 1980.

Compared with Japan and Taiwan, where living standards have improved by 3,2% and 5,7% annually, this is dismal. The President's Council report on productivity, released in March this year, identifies this as a major problem.

However, we are still waiting for developments on this report, which has been under discussion by the Government for several months.

# SA's low labour productivity retards growth — Senbank

B/Day 12/9/87.

247

GRETA STEYN

SA's "notoriously low" labour productivity is retarding economic growth, Senbank says in its latest Focus on key economic issues

"The huge supply of labour is simply not making its potential contribution towards creating a higher growth scenario"

Indirectly, the low productivity contributed towards structural inflation and induced the business sector to turn to more capital-intensive methods of production

This was a very unfortunate development, since capital was also becoming an increasingly scarce factor of production It was generally accepted that low labour productivity was not necessarily the fault of labour itself.

"The country's economic system, the larger social system and prevailing management practices may all contribute towards it Yet .the fact remains that low labour productivity retards economic growth."

Inefficient allocation of resources between the private and the public sectors also tended to retard growth Government was claiming an increasing share of scarce resources.

Productivity was knocked because more skilled labour moved to the less productive environment of government with no reduction in its average remuneration

The political reform experiments in SA tended to cause more administration and less productive expenditure.

# State pays R12, you pay R100 for same muti

S Times 17/9/89

(247) (183) (2444) (399)

By Don Robertson

MUCH of the blame for rocketing medicine costs is laid at the door of pharmaceutical manufacturers

Poor labour productivity and machinery use, the State Tender Board and controls are the main reasons for soaring prices, says a report by the National Productivity Institute (NPI)

Chemists add a 50% mark-up, so medicines are becoming too expensive for the average citizen

For instance, 250mg of the antibiotic Amoxil, which was sold to the State Tender Board for R12,56 in January 1988 — the latest available figure — is retailed to the public at R100,19

## Rheumatism

Zyloprim (300mg), used by gout sufferers, was sold to the board for R1,30, but retails at R45,95

Antibiotic Bactrim 500 is sold to the Government for R32, but to the public at R497,30 Rheumatism suffers have to pay R40,32 for Brufen (400mg) sold to the board for R15,35

Naprosyn, also used by rheumatics, costs the State R35, but the public has to pay R295,61 for 250mg

The low prices to the Tender Board are related to quantity and better bargaining, say manufacturers

The NPI says most pharmaceutical products have risen in price by 241% since 1980 This compares with the rise in the production price index of 178% and the consumer price index of 198% in the same time

Most pharmaceutical manufacturers concede that cheap sales through the State tender system force them to make the private buyer pay more

About half of the participants in the survey agree that State tender prices are subsidised by the private market, and 30% will not comment Another 17% disagree with the suggestion

The NPI says low productivity is an important reason for rising costs The report says that productivity has shown no increase since 1984 — as evidenced by a 5,4% decline in production volumes, but no decline in the labour complement

It recommends that urgent attention be given to productivity to contain prices

The NPI's research shows that average labour produc-

● To Page 2

● From Page 1

## Medicines

(247)

tivity in the industry is 51,7% compared with an acceptable 68% This suggests that productivity could be increased by 31,5% At the same time labour use could be increased by 13,6% and efficiency by 17,3% (1394)

Average equipment use is only 38,9%, indicating a potential improvement in machine output of 105,7% to a figure of 80% (1683) (2491)

The industry is currently worth more than R2-billion a year and private dosages of medical and pharmaceutical products represented 1,6% of total private consumption expenditure in 1986

S Times 17/9/89

# Industry ups use of production capacity

SA INDUSTRY increased its utilisation of production capacity in May by 3,2% over May 1988, according to figures just released by the Central Statistical Office

Increases in utilisation rates occurred in 15 of the 27 manufacturing groups, with the relatively largest increase in the industrial chemical industry — 19,6%

Reasons for the under-utilisation of 15,1% were a shortage of raw materials, skilled labour, semi-skilled and unskilled

8 Day 26/9/89

TERRY WILKINS

labour and insufficient demand

The food, metal products, motor vehicle and machinery and equipment industries were the main contributors to the 2% under-utilisation — from shortages

Metal products, food, machinery and equipment and electrical machinery industries contributed to the 10% under-utilisation due to insufficient demand

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Star 21/9/89 247

# Production prices of imports rising

By Tom Hood

CAPE TOWN — For the first time in two years, the increase in production prices of imported goods has exceeded that of the locally manufactured, says the Stellenbosch Bureau for Economic Research

This supports sustained increases in the country's inflation, says the bureau's quarterly publication *Trends for September*

Economists at the bureau calculate that steady inflation has reduced the buying power of R1 in 1980 to only 56c now

The prices of non-food items also rose sharply in the second quarter of 1989, especially the price of vehicles which increased by 29,2 percent on the previous year

The quarterly review also comments on different sectors of the economy

Agriculture is still in an upward trend, although real gross income of production dropped in the first quarter due to seasonal factors

Manufacturing confidence is still "satisfactory" in spite of constraints such as high prices, skilled labour and sanctions

The downward trend in the index of new orders placed with manufacturers accelerated after government restrictions on spending

Gross domestic fixed investment continued its uptrend, with the decline in fixed investment by public corporations levelling off

The bureau's building and construction indices all point to a slackening in building activity The confidence index of architects and quantity surveyors has also dropped sharply

The confidence of white consumers, retailers and motor traders is deteriorating, althoyugh not reflected to the same extent by the levelling off in sales volumes

Star 28/9/89

# European trade: SA 'has head in sand'

South Africa needs to plan urgently to remain economically involved in Europe after 1992 when the European Parliament is established, says the executive director of the National Productivity Institute, Dr Jan Visser.

Dr Visser said the Government had its head in the sand when it came to taking into account the changes taking place in Europe that would materially affect the local economy — other countries were already actively pursuing strategies to gain part of the market of a unified Europe.

## Competitive

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He said the European Parliament could feasibly forbid its member countries to trade with South Africa. For this reason, it was necessary to secure speedily South Africa's trading rights by selling quality local products in Europe at competitive prices.

He said this strategy could be managed only if the country's productivity and the quality of its export products improved. — Sapa.

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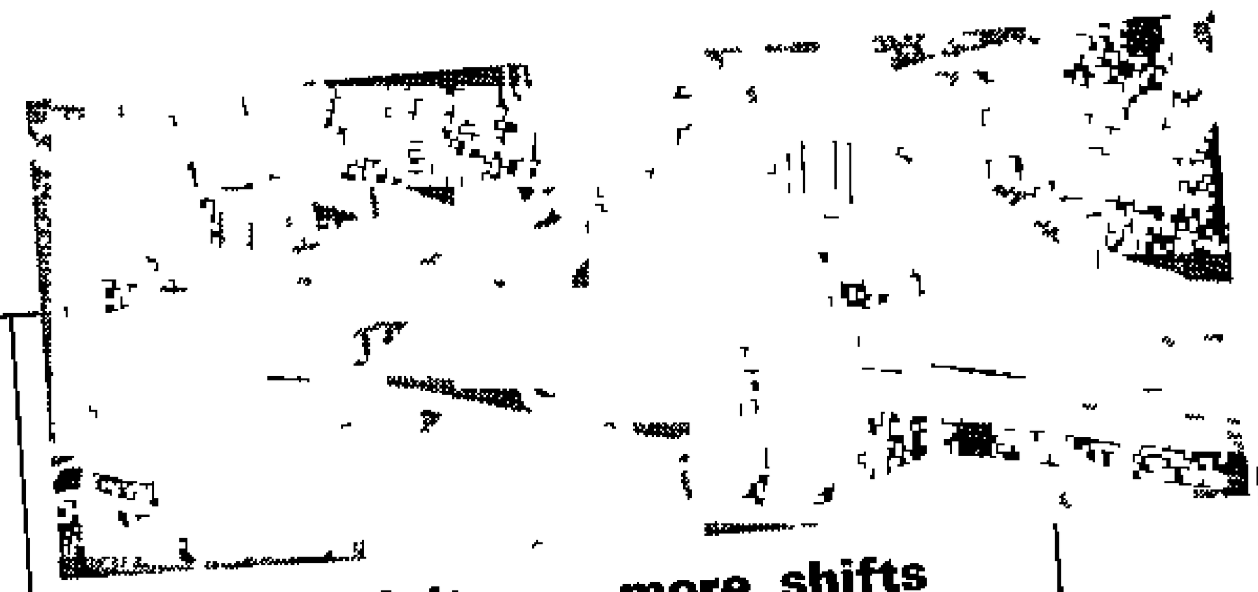
PRODUCTIVITY

# Using the whole day

**How big** is SA's manufacturing capacity? The Federated Chamber of Industries and the Steel & Engineering Industries Federation (Seifsa) are compiling a survey to find out

The Central Statistical Services assumes factories are used for one shift when it monitors the utilisation of industrial capacity The new survey should provide the first detailed information on the capacity and utilisation of factories running at full tilt — several shifts a day The results should be available next month

About 5 000 questionnaires were posted to industrialists around the country earlier this month



**Productivity . . . more shifts mean bigger profits**

The chamber will analyse about 2 500 responses and Seifsa the balance

SA industry is accused widely of a slack

29/9/89 247 Finweek

commitment to long-term exports and notoriously low productivity But official statistics have not helped much to highlight these problems

"Government statistics show 100% utilisation when a company is operating on one full shift a day," says the chamber's industrial consultant Gad Ariovich "But each day constitutes three eight-hour shifts — and we intend establishing how many companies really operate on 100% capacity utilisation"

The three-page questionnaires ask for the number of full shifts a day and the amount of overtime worked by each company, as well as the obstacles to utilising the company's production capacity more fully

The obstacles already revealed include a lack of supervisors, skilled artisans, technicians, catering and emergency staff and unskilled labour Other "obstacles" the survey is turning up include

- ☐ The transportation problems of employees on late and overnight shifts,
- ☐ Trade union objections;
- ☐ The reluctance of women to work night shifts,
- ☐ Insufficient demand for goods,
- ☐ Government regulations,
- ☐ Lack of cost-effectiveness, partially due to excessive taxes,
- ☐ Security, and
- ☐ Lower productivity, careless use of machinery and tools and higher theft rates on night shifts ■

S Times 1/10/89 247

# Muti-makers strike back

By Don Robertson

THE pharmaceutical industry has reacted strongly to a report by the National Productivity Institute (NPI), blaming poor productivity for the rising price of medicine

The Pharmaceutical Manufacturers Association (PMA) says the report has done an injustice to the industry

PMA executive director John Toerien says the news release by the NPI was one-sided because it stressed only negative aspects of the industry

He says the synopsis to the report mentioned that companies taking part in the survey were well managed and operated at a high level of efficiency

In the report, the NPI found that poor labour and equipment use and the effects of the State tender system were the main reasons for rising prices of medicine It was also reported that most manufacturers believe that sales under the State tender system were subsidised by the high price of medicines sold to the individual

The average price of medicines has risen by 241,5% since 1980 — much higher than the increase in the production price and consumer price indices

Mr Toerien says the report claimed that "optimal production productivity in the participating companies is hampered by a number of uncontrollable factors, namely relatively low production volumes, fluctuating demand and rigorous Government control of quality"

"The future of ethical products, the main product range of most of the participating companies, is influenced by the production of generic medicines The latter is obviously more attractive to customers because of price considerations, but its therapeutic equivalence is not beyond doubt

"The industry practices sound labour policies financially the companies perform well, which is also in the interest of the SA economy"

Mr Toerien says it is a pity that these aspects were not highlighted because that would have given a far more balanced view of the industry and would have eliminated unnecessary speculation

Clive Stanton, managing director of Lennon, a member of the SA Druggists group, says production at his company is well above the average for the industry and that in some cases two and three shifts are worked.

As one of the largest manufacturers of generic drugs in the world, high volumes are essential and in January this year, it was possible to reduce or at least maintain prices of some medicines

# Expert warns on 'productivity'

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EDYTH BULBRING

SA INDUSTRY would continue to operate short of its potential until management and unions agreed on the meaning of productivity, says IR consultancy Gillam Brunquel and Associates.

The current definitions of productivity varied and were harmful to labour, management, capital and the country as a whole, said MD Dave Gillam.

Gillam said organised labour thought management's main concern was to keep costs as low as possible to maximise profits. Unions believed management tried to achieve productivity through paying workers the lowest possible increases, lowering wage bills and reducing numbers of employees.

BDay 6/10/89

However a balanced perspective of productivity involved decreasing costs, improving quality, enhanced service, increased market share and growth in the overall business

# 'Increased productivity behind '88 upswing'

Business Staff

IMPROVED productivity played a major part in the 1988 economic upswing, according to the National Productivity Institute

Dr Jan Visser, executive director of the institute, said that 75 percent of the growth had been due to increased productivity and only 25 percent to increased inputs of capital and labour

## Growth rates

But the most pleasing aspect of productivity in 1988 was that positive growth rates had been recorded for capital productivity, a performance that had seldom been seen in the past 15 years when capital productivity showed a downward trend, he said

Most sectors showed increases in labour productivity and employment, resulting in increased production

The mining sector experienced a decrease in capital productivity The impact of sanctions, boycotts and strikes was also reflected in a two percent reduction of job opportunities in mining

"In most cases, the growth in labour productivity led to sharp increases in average wages and salaries

"This was to a certain degree neutralised by the increased productivity, and unit labour costs increased at a lower rate than earnings per worker.

"Labour productivity increases thus made a considerable contribution to decreasing the impact of salary and wage increases on inflation," said Dr Visser

He said the blame for rising labour costs per unit of production had been unfairly laid at the door of blue collar workers, which was one reason why labour was opposed to talking productivity

White collar workers were responsible for 60 percent of the increase in unit labour cost in the manufacturing sector from 1984 to 1988

## Costs down

Salary increases for white collar workers often went unnoticed as they were seldom negotiated at industrial council level and rarely led to strikes with the accompanying publicity

"In the effort to keep costs down, it is not only the blue collar, unionised labourers who must make concessions, but white collar workers must also realise that restraint is necessary and that increased productivity is an effective way of reducing unit labour costs," said Dr Visser

# Support for Soares' visit

Star, 11/10/87

The Star's Foreign News Service (239)

LISBON — The Portuguese, generally ignoring the diplomatic nuances, had followed President Mario Soares's private visit to South Africa to be with his injured son as a painful family drama

But when Angola stepped in with sharp criticism, the Portuguese media rallied to Mr Soares's defence, accusing Luanda of political manipulation

"Luanda dares to criticise Soares," the popular *Correio da Manha* tabloid said on page one yesterday

"The Angolan media give more importance to political speculation than to the love of a father for his son," it added, echoing a general reaction

The tempest broke on Monday when Angolan national television and Luanda's daily *Jornal de Angola* suggested in editorials that Mr Soares's visit came in payment for South Africa's help in saving the life of his only son, Mr Joao Soares, after an air crash on September 26 in Unita-held territory.

The Angolan editorials said there was "no recent memory" of a Western head of state having visited South Africa

"The whole affair leads one to believe that for services rendered" in saving the life of the President's son, "South African diplomacy reaped good advantage", they said.

In reaction, Lisbon's leading *Diario de Noticias* quoted unnamed official sources as saying Angola's criticism was "indelicate" and "out of place"

"A private visit without any official character undertaken under such circumstances cannot be considered in any way to be supportive of the South African regime, which Portugal has always condemned," the newspaper said

It recalled that in speeches made during an official visit to the Netherlands last week, before going to Pretoria, President Soares had denounced apartheid

B/Day 11/10/89.

# Angolan air crash has ivory links — claim

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LUANDA — The plane carrying Joao Soares, son of Portuguese President Mario Soares, which crashed shortly after take-off from Unita headquarters on September 26, was carrying ivory, the Africa News Organisation (ANO) said yesterday

ANO said the ivory consignment on board the plane was confirmed by Portuguese ambassador to the Congo Jose Manuel Duarte, who said an unknown amount of ivory was offered to Soares by Unita

However, Portuguese MPs who were in the plane when it crashed, denied Angolan accusations that there was ivory on board

The Angolan News Agency Angop said yesterday ~~there was~~ no doubt that Unita was the mastermind behind the slaughtering of elephants in Angola to finance its war

About 100 000 elephants had been killed by Unita in the past 14 years for this purpose, the agency said, citing US government statistics

## Denied

"This information, disclosed recently in a meeting of the US government, justifies the preoccupation of various international organisations which accused Unita of contributing to exterminating elephants

"Leaders of this group continue to ignore this condemnation as recently proved when they were caught 'tight lipped' with the plane crash at their sanctuary because of excess ivory cargo," Angop said

Another Portuguese national, had recently been involved in the smuggling of 980 tusks, alleged Angop The haul was discovered in Namibia on September 16

"It could be affirmed that this is 'a mafia of devils'," stated Angop

"The indiscriminate killing of Angolan elephants is an intricate arrangement in which an enemy of the Angolan people will always be found for his own development and well being," said Angop

For the Angolan people, said Angop, "friends of the devil are devils too"

Fmail Fmail 17/11/89

PPI 247

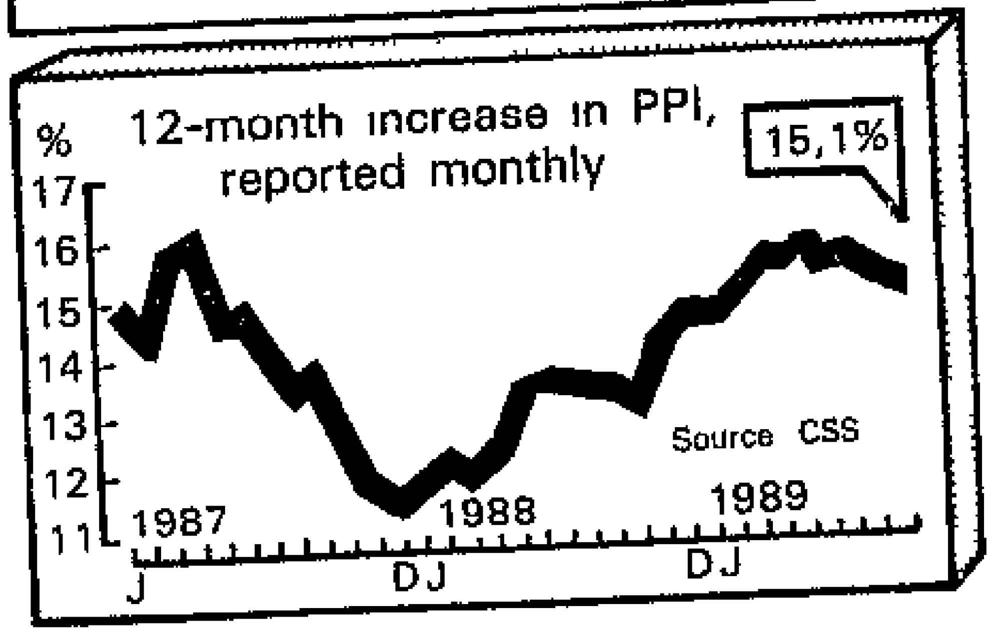
## August revision

To err is human so it is not surprising that, from time to time, mistakes are discovered in official data However, it is disconcerting Policy decisions are made on the basis of information collected, collated and interpreted by official sources When these prove wrong the consequences are incalculable (As Foreign Minister Pik Botha knows only too well after the interception of fake Untag messages this month )

A less dramatic but, in the circumstances, crucial mistake was made in May over money supply figures — when growth later proved to have been seriously underestimated The blame here lay with incorrect entries by a major bank in returns to the Registrar of Banks and Building Societies

Now Central Statistical Service (CSS) has published revised PPI figures for August This was the result of a mistake by Eskom which prematurely included the recently announced increase in electricity tariffs So the 13% increase in electricity, gas and water, previously announced for August, falls to 0,2%. The effect will still be felt when the increase in the producer price of electricity is implemented in January

### New look




Revised figures show monthly PPI increases of

- ☐ 0,5% in September, compared with 0,7% in August (revised from 1,6%) in all commodities,
- ☐ 0,5%, 1,1% (1,9%) in locally produced commodities, and
- ☐ 0,7%, 0,7% (unrevised) in imported commodities

Year-on-year increases in the same periods and categories are

- ☐ 15,1%, 15,4% (16,1%),
- ☐ 14,9%, 15% (15,8%), and
- ☐ 15,3%, 16,9%

Increases in prices of imported commodities peaked in June, with a monthly rise of 2,3% An absolute decline of 0,1% in July has been followed by increases below 1%. The year-on-year rate of increase peaked at 19,3% in June and has declined consistently

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Inflation in September was driven chiefly by large monthly increases in

- ☐ Textiles and made-up goods (3,9%),
- ☐ Clothing (3,6%),
- ☐ "Other" mining and quarrying products (3,9%),
- ☐ Fishing (1,9%),
- ☐ Agriculture (1,3%),
- ☐ Anodised aluminium (12%),
- ☐ Ballbearings (3,5%),
- ☐ Transformer oil (6,8%);
- ☐ Petro-chemical building materials (1,6%), and
- ☐ Resilient floor coverings (1,2%)

There were falls in the price of

- ☐ Fresh meat (0,8%); and
- ☐ Other agricultural products (1,6%) ■

Fmail 17/11/89

B/Day 24/11/89

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# SA prosperity vanishing — CSIR

EDWARD WEST

TO KEEP up with world standards, more money needed to be invested in research and development (R & D) and research equipment infrastructure was crumbling, the CSIR's Foundation for Research and Development found in a recent study.

The report said SA's unchallenged wealth and prosperity were vanishing gradually, and its rich natural endowment and cheap labour were no longer the ingredients of economic prosperity for the country

Internalised markets and increased investment in R & D by SA's competitors were dimishing SA's competitive edge. The export of primary products could no longer support the economy

Producers of primary commodities had to produce 40% more in 1986 than in 1900 to buy the same quantity of manufactured goods

SA's BoP was increasingly strained by high and medium technology deficits During 1987, the deficit in high and medium technology was nearly R10bn, more than 6% of the GDP

Productivity, which depended on R & D, had to be improved In recent years SA's productivity increases averaged a scant 1,1% while countries once in lower levels of development were doing four to six times better, the report said

Australian researchers were endowed with 50% more funds than South African researchers while Canadians received seven times as much Only 18% of research equipment at universities could be considered up-to-date

CSIR president Chris Garbers said yesterday the R & D funding mechanism for universities had as yet not been fully implemented, even though these funds had been increased by around 250% in the past few years

Universities needed to be maintained as centres of excellence, especially considering government rationalisation of spending which had placed universities under pressure

The R & D Foundation report added it was not surprising so many scientists left SA for greener pastures More than 20 000 residents left the country permanently each year, a large proportion of whom took skills abroad

National Productivity Institute (NPI) director for industries Jan Boer supported the view that not enough was invested in R & D Industrialists often purchased technology overseas not suited to SA conditions

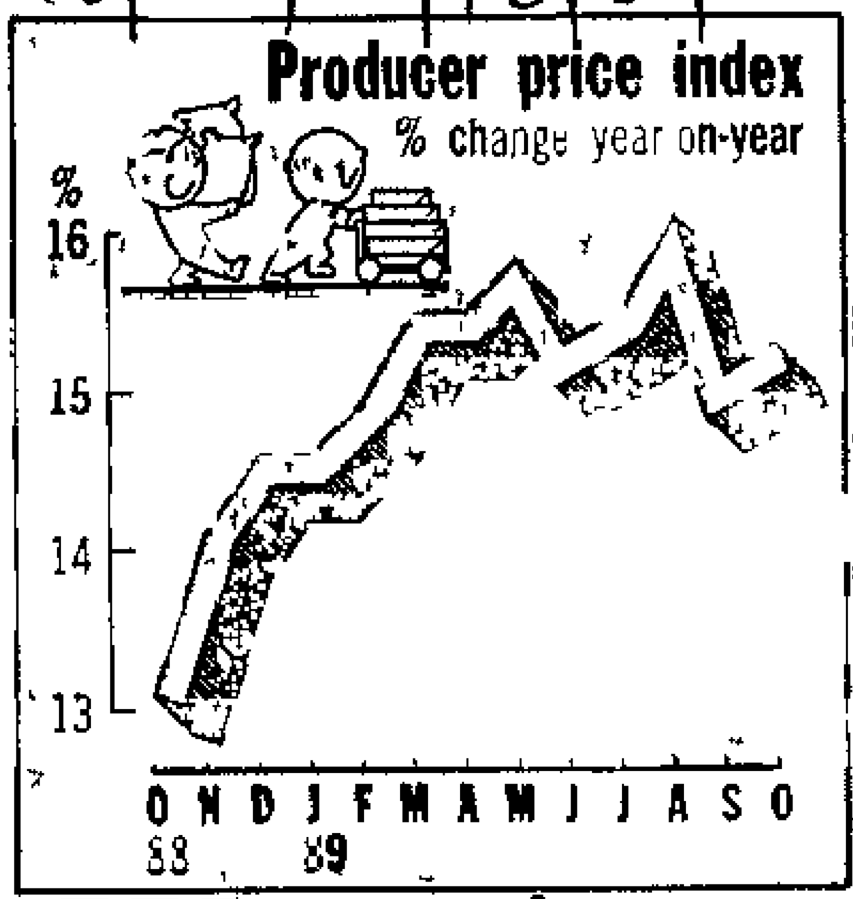
Private businesses and government should work together on R & D programs, ensuring a focussed program which could be practically applied, said Boer.

Science and engineering were SA's only hopes to meet the challenges of international competition, the R & D Foundation report found



Average annual productivity gains

BDay 7/12/89




# PPI rate increase not alarmingly high — economist

FIONA FOURIE (247)

The annual rate of increase in the PPI was 0,2 percentage points higher in October 1989, at 15,3%, from September's 15,1%, according to CSS figures released yesterday.

The PPI showed a 1,2% monthly increase compared with September 1989.

Rand Merchant Bank's Rudolf Gouws said the 1,2% PPI increase was "not as alarmingly high as would appear at first sight" if seen in the perspective of the previous month's "surprisingly low" increase of 0,4%.

He said these monthly statistics tended to be erratic because certain factors were measured in some months and not in others. Also, some commodities such as paper and furniture "all happened to go up at the same time this month".

"The basic trend is a slowing down of the PPI. The annualised rate of increase for the last six months is 17,6% and this has fallen to an annualised rate of 11,6% over the last four months," Gouws said.

CSS said locally produced commodities showed an annual rate of increase of 15,2% for October, 0,3 percentage points higher than the corresponding rate for the previous month.

The price index of imported commodities for October was 0,1 percentage point lower, at 15,2%

Econometrix economist Tony Twine attributed the basic stability of the PPI to the "relative steadiness" of the rand against sterling, the Deutschemark and the yen during October.

He added that the price of meat in particular and food in general were helping to stabilise the domestic price index.

"These figures correspond with the lull in Consumer Price Index inflation, but Econometrix believes this lull to be temporary and that it will begin to accelerate in December or the first months of the new year".

The CSS accredited the PPI's monthly rise largely to monthly price increases for paper, paper products and printing (6,3%).

Also showing monthly increases were furniture (4,8%), ferrous (3,6%) and non-ferrous (4,5%) basic metals and rubber and plastic products (3,9%).

# Increases in producer prices levelling out

Star 7/12/89

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By Sven Lunsche

Producer inflation, as measured by annual increases in the Producer Price Index (PPI), stabilised at 15,3 percent during October compared with 15,1 percent in September.

The rate has maintained levels of around 15 percent in most months this year and economists predict that consumer price inflation, which lags production prices by about six months, will follow the same path next year.

Central Statistical Services figures released yesterday show that on a monthly basis the PPI has risen by 1,2 percent from September to October.

The main pressure on producer prices over the last few months has come from imported products, following on the weakness of the rand during the first half of this year.

By the same token, however, the current more stable performance of the exchange rate, particularly against the US dollar, will eventually lower the cost of imported goods towards mid-1990.

While the annual price increase of imported goods in October ~~at 15,2~~ percent was 0,1 percentage points lower than the previous month's 15,3 percent, the monthly increase was a high 1,2 percent and is a pointer towards further increases in the next few months.

The price of locally produced goods is up 15,2 percent in October over the same month in 1988. This is 0,3 percentage points higher on September's 14,9 percent.

The increase in the index of total output of South African industry remained the same as the previous month, at 15,3 percent.

Detailing the various sectors, the Central Statistical Services says the rise in the PPI was due to relatively large increases in paper and paper products, which rose by a monthly 6,3 percent, furniture (4,8 percent), non-ferrous basic metals (3,6 percent) and plastic products (3,9 percent).

The cost of transformer oil rose by 9,4 percent, aluminium sheeting by 13 percent and uncoated sheet metal by 7,1 percent.

LABOUR AFFAIRS

DICK USHER

W/Areas 9/12/89

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# New term needed for better work

PRODUCTIVITY is a term destined for the scrapheap contends Dave Gillam, MD of an industrial relations consultancy

Mr Gillam, of Gillam Bruniquel said productivity had become a dirty word in industry and needed to be replaced by terminology more acceptable to unions and their members

It had to be discarded because it had become socially unacceptable to millions of workers and was being identified as a serious barrier by large sections of management

**Reductions**

"To unions and workers, productivity only conjures up images of staff reductions and bigger profits

"To management, productivity is being found to be a restrictive terminology with debates revolving round semantics instead of the issues which need to be mutually addressed.

"A new term is needed that implies mutual enhancement for suppliers of capital and labour," he said

**Profits**

Unions were not necessarily against companies making good profits, as long as profitability brought with it better job security and reward for workers

A union point of view on productivity was briefly outlined in the latest issue of *Work In Progress*, in an article on economic policy by Mr Dave Lewis of the Transport and General Workers' Union.

Mr Lewis sees an element of the drive towards privatisation and deregulation from the state as aimed at underpinning unproductive employers by exempting them from collective bargaining agreements

**Collective**

He argues that what is required is a collective bargaining structure that enables unions to pitch their demands and settlements at the "ability to pay" of the most successful enterprises in the economy

Apart from the impact of higher wage levels on effective demand, he says a national high wage policy will impact on productivity.

"A policy that sets wages at the capability of the most successful enterprises will drastically squeeze profit levels in less successful enterprises, either compelling them to raise productivity or forcing them out of business altogether.

**Raised**

"Either way, productivity levels would be raised, providing the basis for a steady increase in wages and investment," he said.

Such a policy would require supporting institutions able to provide information and financial backing to enable workers to relocate from unproductive enterprises that are forced out of business to those that are capable of paying the agreed wage and institutions for retraining workers to enable them to take up new employment in high productivity enterprises

Above all, the policy would require highly centralised collective bargaining structures capable of imposing decisions on all enterprises in a given industry.

# Productivity a dirty word

S Times 17/12/89 (247)

PRODUCTIVITY has become a dirty word in industry and needs to be replaced by terminology more acceptable to trade unions and their members, says an industrial relations practitioner.

Gillam Brunique & Associates managing director Dave Gillam believes the word has to be discarded because it has become socially unacceptable to millions of workers

It is identified by many managers as a serious barrier to harmony in the workplace

"To unions and workers, productivity conjures up images of staff reductions and bigger profits To management, productivity is found to be a restrictive terminology with debates revolving around semantics instead of the issues which need to be mutually addressed"

Mr Gillam believes that "productivity" is destined for the scrapheap in the same way as the words Bantu and plural were cast aside a few years ago because they were seen as derogatory terms for blacks

Unions are not necessarily against companies making good profits, ~~as long~~ as profitability brings with it better job security and reward for workers

"There is a growing belief in the union movement that employers must take on broader responsibility than safeguarding their bottom lines

"In the 1990s, SA employers will be expected to demonstrate their social responsibility through increasing their involvement in housing, education, training, health and safety"

He believes companies will not be able to say that their responsibility stops when employees clock out at the end of the day Companies will be expected to take the pain out of the workers' environment by using profits to create more jobs and improve conditions outside the workplace

A mutual achievement programme is needed, says Mr Gillam, so that both employers and employees can recognise the real meaning of productivity

"As it stands, productivity is an unacceptable word and concept that will only raise the hackles of unions and their members Its use in IR negotiations is likely to be unproductive until its meaning is more mutually acceptable"

PRODUCTIVITY 1990

B/Day 9/1/90

# Optimism of producers is down — BER

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EDWARD WEST

THE manufacturing sector was still buoyant in the fourth quarter of 1989, but expectations for the first quarter of 1990 are less optimistic, says the latest Trade and Commerce survey by the Bureau for Economic Research (BER)

Sales and production were expected to be at lower levels in the first quarter compared with the same period a year ago, and manufacturers' expectations of price increases remained high

The survey of 873 manufacturers said the manufacturing sector still experienced buoyant conditions with 51% of the respondents expressing their satisfaction with present business conditions

The results showed 7% of manufacturers planned to increase real investment in machinery and equipment over the next 12 months This was less than the 11% net polled in the previous survey

A separate survey conducted by the BER found that local manufacturers intended to comply with higher foreign demand in 1990 by better utilisation of existing production capacity

## Volumes

In reaction to a question on fixed investment during 1990, manufacturers considered investment to reduce costs and in new production techniques to be significant considerations

However, the cost of credit for the development of overseas markets and investment to increase production capacity for new product creation was not considered significant, the report said

Sales volumes during the fourth quarter of 1989 were still higher compared with the same period a year ago, but substantially lower sales were forecast during the first quarter of 1990 with a drop in index terms from 119 to 95

Volumes of new orders received remained on a downward trend and were expected to cross the 100 index neutrality level during the first quarter of 1990 Production volumes were expected to be reduced because of lower demand

Fewer factory workers were employed in the last quarter of 1989 compared with a year ago The number of respondents who expected to reduce their workforce during the first quarter decreased in index terms from 92 to 83

Average hours worked by a factory worker, it was forecast, would decrease The significance manufacturers placed on reducing costs pointed to investment in automation and capital goods, signalling further curtailment of labour

The latest lifting of socio/political restrictions by the government impacted positively on manufacturers, BER said

# Unispin set to pour money into productivity

SYLVIA DU PLESSIS

INDUSTRIAL and hand-knitting yarn manufacturer Unispin will maintain a high level of capex in the next few years, say chairman Robert Wachsberger and MD Chris Snijman in their annual review

Their joint report says the aim will be to position the group in the forefront of textile technology and to improve its productivity to make it competitive in an open world market

"We are of the opinion that it would be imprudent to base the company's future strategies (on) import protection, as world markets are continuing to be freer and the group must be competitive on world standards in order to remain a viable long-term business

"Although we are fully aware this will limit growth in earnings per share in the short term, we have no doubt it will bear fruit in the medium and long term, resulting in substantially greater earnings on a compound basis"

Wachsberger and Snijman say 1990 promises to be a successful year for the group in spite of the economic downturn.

(247)

Bday 18/1/90

# CSS changes base for PPI calculation

(247)

The annual rate of increase for the production price index for November 1989 was 15 percent on the 1975 base.

However, Central Statistical Service is to change to a 1985 base and on this basis, the annualised rate of increase for November was 13,2 percent.

The difference of 1,8 percent will phased out over the next 12 months, with 0,4 percent effective in the November calculations

The monthly increase for November on this basis was 14,6 percent compared with 15,3 percent in October. Star 19/1/90.

The annual rate of increase in the index for locally produced commodities declined by 0,9 percent to 14,3 percent while the index for imported commodities decreased by 0,1 percent to 15,1 percent

The index for total output of South African industry was 1,1 percentage points lower than that of October with an annual rate of increase of 14,2 per cent.—Sapa.

# PPI down at 14,6% for November

NEIL YORKE SMITH

THE production price index (PPI) for November 1989 was 14,6% — 0,7 percentage points lower than the corresponding figure for October (15,3%), Central Statistical Service (CSS) figures showed yesterday

However, 1985 has been adopted as the new base year The base year had been 1980 since January 1985

The November figure was based on the index value for November 1988. This was calculated using the 1975 weights and the index value for November 1989 calculated using the 1985 weights

Had only the old (1975) weights been used, the increase for November would have been 15% B/Day 19/11/90

Had only the 1985 weights been used it would have been 13,2%

Producer goods which cost R100 in 1985 now cost R185,6

Econometrix economist Michiel Bester said yesterday the figures did not reflect any material change

"No strong conclusions about the cooling of the economy should be drawn from the figures," he said

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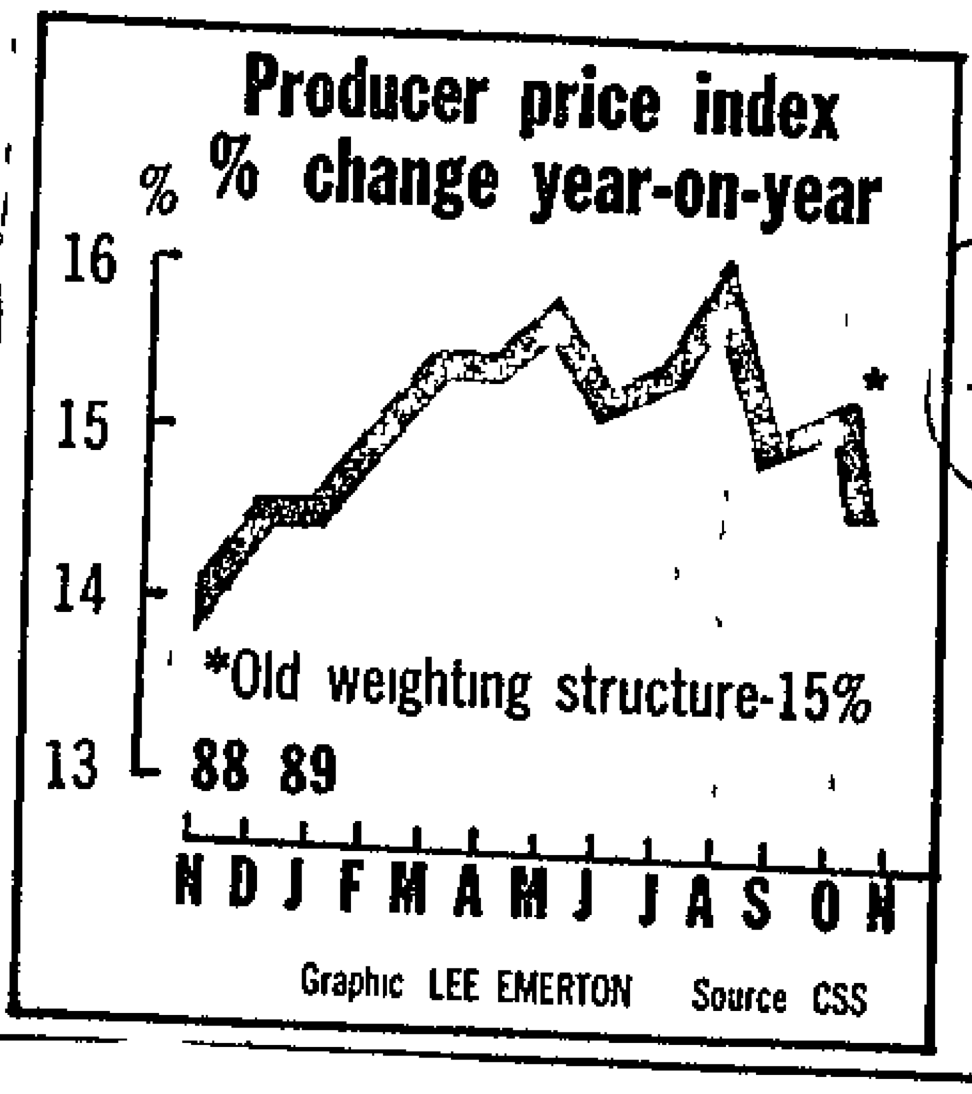
The annual rate of increase in locally produced commodities was 14,3% — 0,9 percentage points lower than the corresponding rate for October (15,2%).

The annual rate of increase in imported commodities was 15,1% — 0,1 percentage points lower than for October (15,2%)

Significant monthly increases were recorded for tobacco products (4,7%), agricultural products (2,1%) and coal (2,6%).

More specifically, large monthly increases were recorded for face bricks (4,2%), crushed stone (3,4%), cut and sawn natural stone (7,9%) and clear float glass (8,1%)



# Long-term prospects 'promising'

BDay 3/1/90

(247)

NEIL YORKE SMITH

INFLATION was unlikely to fall significantly in the short term, but longer-term prospects were promising, economists said yesterday

TrustBank's Nick Barnardt said positive factors would outweigh the negatives and result in significant inflation reductions by year-end

"The positive exchange rate in recent months is a great plus and is always an important leading indicator of overall inflation," he said

This would help offset strong food-price inflation which would result from a poor agricultural climate and reduced supply, he added

Barnardt said interest rates were unlikely to rise further and would probably decline later in the year

"Also, factors like expectations of import surcharge reductions in the next Budget, and lower wage cost increases, indicate an inflation slowdown," he added

"We expect an annual inflation average of 13,8%, with 12,5% achieved at year-end and further declines next year"

Nedbank's Edward Osborne said a year-on-year inflation rate increase was unlikely in the short term but a downturn was expected in the second half of the year

## Stabilised

He said first-half increases would result from upward trends in food prices which were likely to increase in coming months

However, the stabilised rand in the second half of 1989 would bear fruit in the second half of this year.

"The trend towards lower average salaries and wages, combined with an overall slowdown in the economy will improve the inflation outlook," Osborne said

Econometrix economist Azar Jammine said people were overly optimistic in predicting dramatic inflation declines this year

"Far too much money has been printed This means inflation will not fall as much as anticipated," he said

The positive currency situation should not be over-emphasised

"The rand has touched new lows against the Deutschemark and other European currencies in recent weeks This is hardly an anti-inflationary environment," Jammine said

Producer price inflation usually leads consumer price inflation by three to four months The rate of increase for the November Producer Price Index (PPI) was 14,6%, 0,7 percentage points lower than the corresponding rate for October (15,3%)

However, economists said the lower rate of increase should not be seen as a strong indication that the economy was cooling or that inflation was slowing

# Act now, business community told

BDay 31/1/90

(247)

SYLVIA DU PLESSIS

IT WOULD be "a grave error" for the SA economic community to wait apathetically for government action to improve productivity, says National Productivity Institute (NPI) executive director Jan Visser

In the institute's latest annual report Visser says there are "unlimited" opportunities for all managers, workers and consumers to take action to improve productivity.

"There is nothing to stop anybody from adopting a philosophy of 'doing the right thing right the first time' Nothing prevents a board of directors, a top management team, a labour union or a team of workers accepting higher productivity as their credo for the coming year," he says

"Some believe they do not have the knowledge and skills to start programmes to improve productivity

"This is a poor excuse higher productivity is nothing but good management, that is, using resources available for producing goods and services productively in the process of meeting customer requirements and demands"

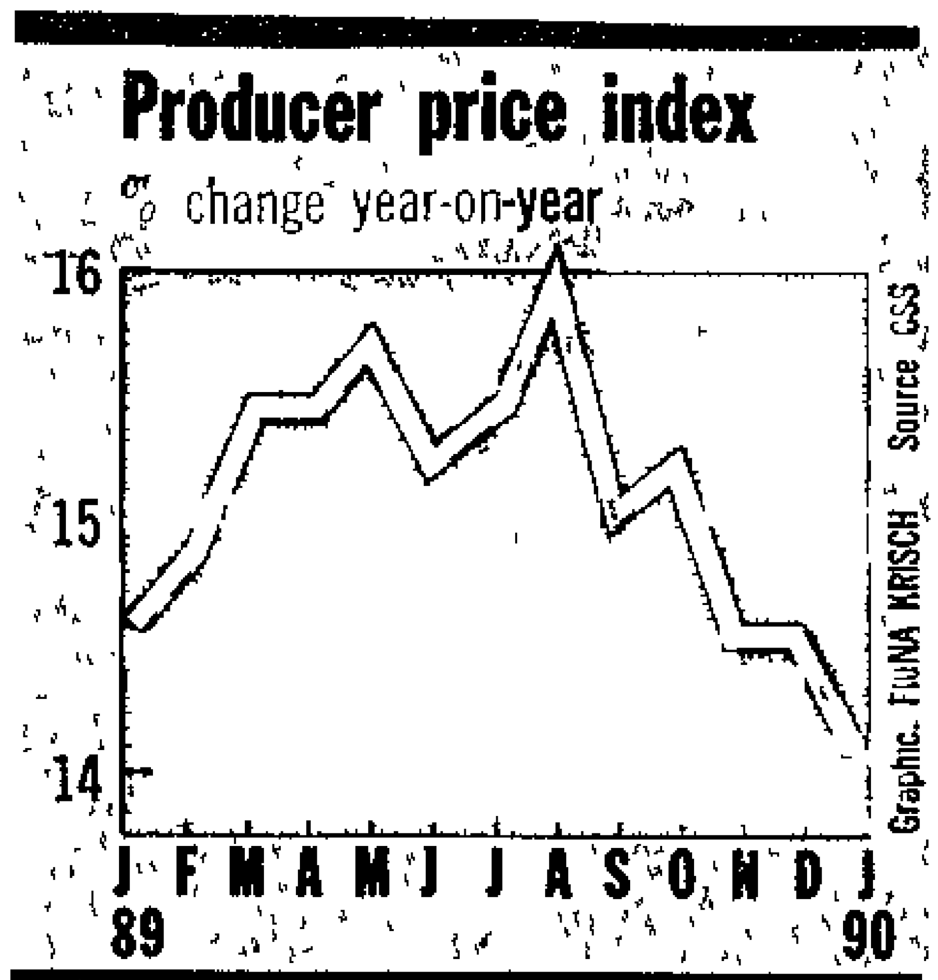
Referring to a President's Council report, published last March, on a strategy and action plan to improve productivity, Visser says it "rightly" states that high quality and high productivity are inseparable

"SA needs a quality movement as desperately as it needs a productivity movement. It will not be possible, for example, to improve our export performance unless we succeed in delivering the right quality products on time and in accordance with previously agreed standards.

"Yet total quality management should be practised by every organisation and not only by exporters. Every participant in the economy has a 'client' — some individual or organisation whose performance will be impaired if your performance does not carry the quality stamp."

Visser says SA has been in a period of political and social transition "for a number of years", and this process is building to a climax

"The outcome will be an enormous anti-climax unless the economy is healthy and sound Wealth must be created before it can be distributed, and wealth can only be created through productivity We cannot wait for others to take the initiative — we must all tackle the problem immediately."




B Day 13/3/90

# Caution over better PPI figures

247

NEIL YORKE SMITH

THE annual rate of increase in the producer price index (PPI) for January was 14,1%, 0,5 percentage points lower than the corresponding rate for December (14,6%)

Central Statistical Service (CSS) figures released yesterday showed PPI for January was 0,9% higher than in December.

The annnual rate of increase for locally produced commodities for SA consumption was 14% This was 0,5 percentage points lower than the rate for December (14,5%).

The annual rate of increase for imported commodities was 14,4%, which is 0,3 percentage points lower than the corresponding rate of 14,7% for the previous month

TrustBank economist Nick Barnardt said the lower rate of increase confirmed views that inflation was on a downward trend But this was largely dependent on the maintained strength of the rand

Econometrix economist Azar Jammine said the lower rate of increase seemed positive. "However, despite good appearances, I remain sceptical about the extent to which improved PPI figures are the forerunner of a dramatic decline in the inflation rate," he said

This was because growth in money supply in SA was far higher than in the US and major European nations Thus, the rand would weaken against world currencies

The index rose to 188,8 This means it now costs R188,80 to purchase the same producer goods purchased for R100 in 1985

PPI FM 16/3/90 (247)

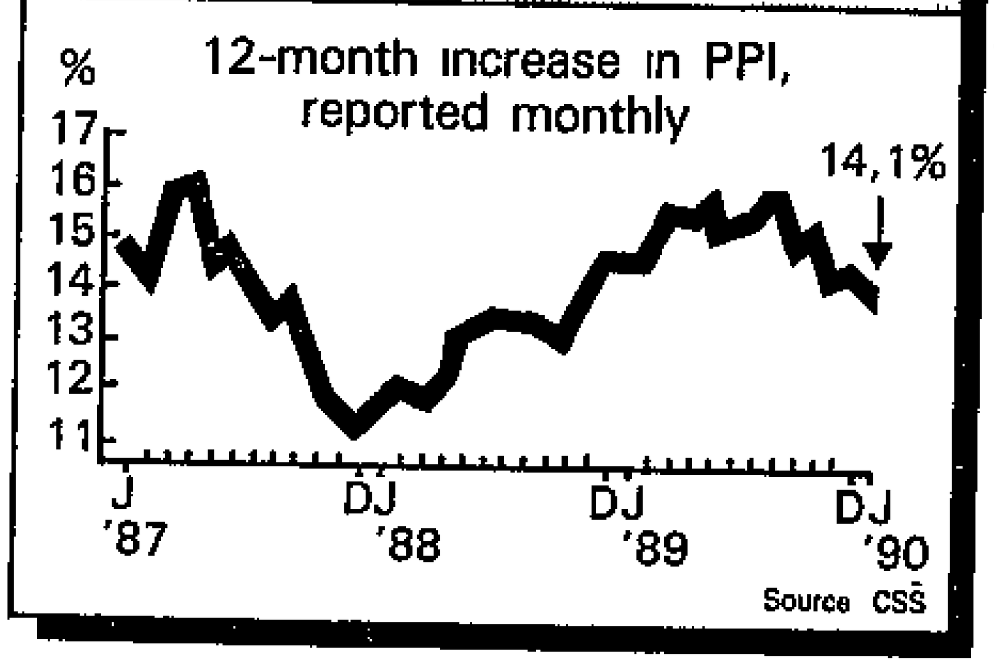
# Is it braking?

**Economists'** views on whether the decline in PPI's annual rate of increase will be sustained depend on how they see the relative importance of growth in money supply The year-on-year rate for January was down to 14,1% from December's 14,6% Over the month the index again rose by 0,9% (as in December and November)

The annual rate of increase in import prices was 14,4% (December 14,7%) and the monthly rate 0,4% (0,3%). The annual increase in local prices was 14% (14,5%) and the monthly rate 1,1% (1%)

Econometrix chief economist Azar Jammine is sceptical about a sustained improvement "PPI is growing more slowly largely because of the rand's recent relative stability However, with the growth in money supply over the past two years, and large wage increases awarded throughout industry on the basis of this growth, it is likely these increases will be passed on to the consumer "

## Further decline?






FM 16/3/90 (247)

He is also doubtful about the rand's ability to maintain its strength because money supply growth significantly exceeds that of many other countries "This will eventually be reflected in a depreciating currency," he says

Trust Bank economist Nick Barnardt is more optimistic, he believes money supply growth is a factor but attaches less direct importance to it than other factors

He says import price inflation, which nudged 20% in the first half of last year, has been declining steadily "With the recent strength of the rand it could fall during 1990, possibly to 10% in the next six months "

The effect of excessive money supply growth on the exchange rate is not always the same "The exchange rate eased much less during 1988-1989 than in 1984-1985 "

He points out import surcharges, introduced towards the end of 1988, had an effect in 1989 and contributed to the high PPI early in that year

The declining PPI will benefit CPI, adds Barnardt "We expect February's to be 15,4%, with a decline to about 13,5% by mid-year and below 13% by year-end, as long as food prices (which are more heavily weighted in the CPI) do not rise sharply "

☐ Main contributors to January's PPI rise were electricity, gas and water (10,4%), forestry products (9,1%), paper, paper products and printing (5,1%), footwear (5%) and wood products (4,4%)

Wood, paper and their products and fuel are included quarterly in January, April, July and October SA pine (14,8%), crushed stone (14,5%) and clear laminated glass (8,8%) recorded big rises Petrol prices fell at the coast (1,5%) and on the Reef, (1,4%) as did transformer oil (4,2%), food and other agricultural products, coal and fresh meat ■

B/Day 12/4/90

# Emphasis on education at production conference

**SYLVIA DU PLESSIS**

IMPROVED productivity, streamlined production techniques and quality management feature strongly at the SA Production and Inventory Control Society's (Sapics) 12th international conference.

Sapics 90 takes place in Durban from June 24 to 27.

247

Sapics president Dave Tootill said in a statement yesterday SA manufacturing companies had been hard hit by the shortage of qualified production, distribution and inventory specialists.

"Improving productivity through education and the latest methodologies will help to raise what is perceived as one of the lowest productivity levels in the world," Tootill said.

# Home building industry needs major surgery, says NPI chief

(247)

GERALD REILLY

PRETORIA — The building industry should take a close look at itself and decide where it was heading against the background of an abysmal track record, National Productivity Institute executive director Jan Visser said yesterday

Speaking at the Home Builders' Conference, Visser said the industry had become known as one of poor workmanship and costly rework

There were few home builders who could sleep well knowing they were producing relatively defect-free dwellings at minimum cost

It was vital for management to want to change for the better, he said

The institute found the biggest single factor hampering productivity was a lack of planning

On top of the list of structural problems was an inadequate supply of well-enough educated and trained workers — from managers down to supervisors, artisans and workers The industry had badly neglected training over the years

One reason for this was the job reservation system which prevented the proper training and development of black building workers

The effects of this fallacy were now more damaging than the fallacy itself, because few trainees were entering the industry The number of apprentices declined from 6 444 in 1972 to only 1 212 in 1988 and only 214 at the beginning of 1989.

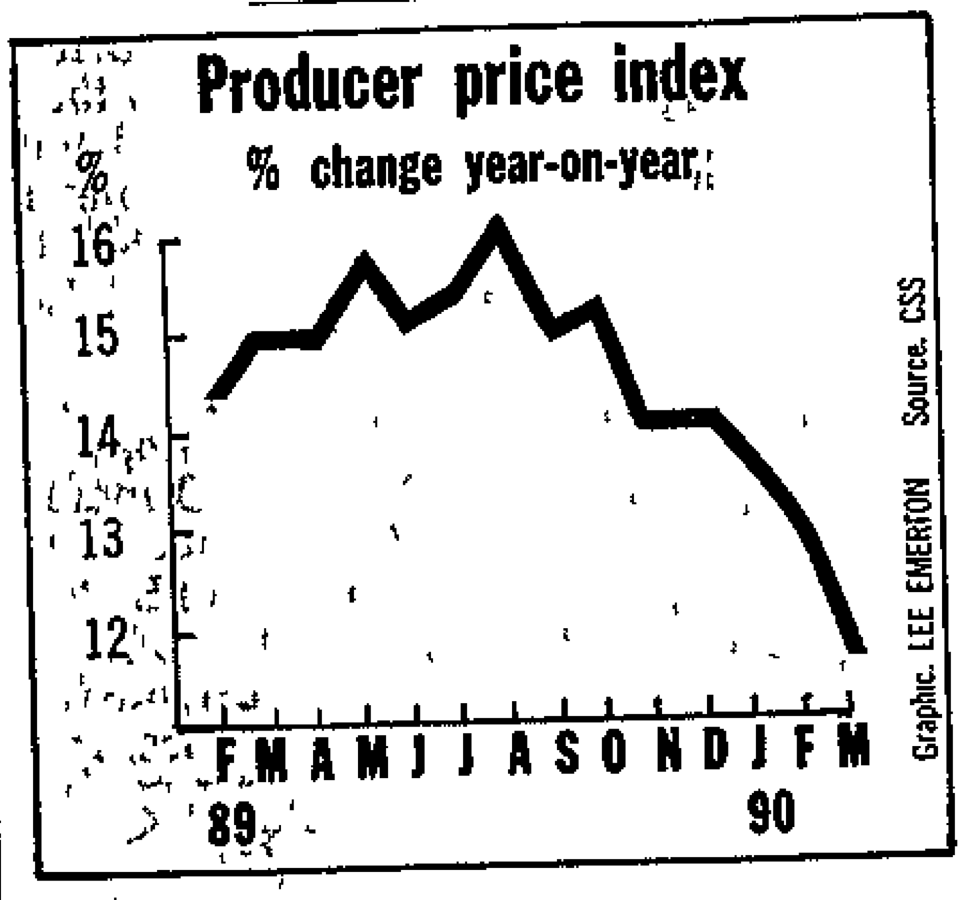
When it was realised the construction industry employed more than 400 000 people in 1988, and if only 230 qualified people were added to the industry a year, the size of the skilled manpower problem became evident

The number employed by construction companies and contractors declined from 327 000 in 1980 to 308 000 in 1988 Earnings of employees increased by 190% while labour productivity declined by almost 8% in the same period

Capital productivity declined too, by 12%, and total factor productivity by 10% Productivity and quality in the building industry were on the wane, but steps could be taken to rectify the situation, Visser said

What was needed was an industry programme to develop productivity and quality performance Not only was it necessary for the industry to embark on major manpower development programmes, but it was within the means of everyone

To effectively meet the challenge of providing quality housing at economic prices, interfacing between government and the private sector was essential




# Drop in March PPI boosts optimism

247

GRETA STEYN

A SURPRISE plunge of 1,3 percentage points in producer inflation in March to 11,6% fuelled bullish sentiment in the markets as optimism grew that rapid progress is being made in the fight against inflation

This is the second successive monthly tumble in the annual rate of increase in the producer price index (PPI) February saw a 1,2 percentage point nosedive from 14,1% BDay 11/5/90

Inflation at the producer level has turned around decisively from a peak of close to 16% in mid-1989.

The inflation developments fuelled bullish sentiment on the capital market, where the yield on the key Eskom Loan 168 shed 10 points to close at 15,63% yesterday.

However, an economist warned an upward correction was likely

"Not all prices are recorded every month. The low rate of increase between February and March (0,3%) is largely the result of no price movements in a range of domestic categories.

"Some of these have remained static for two months now and could be due for measurement soon"

But on face value, the figures show optimism on inflation is justified — especially the trend on the margin.

March saw the fifth successive month-on-month increase of below 1%.

Domestic prices remained virtually static (up 0,1%) while imported commodities reflected the weak rand with a 1,4% rise

On the domestic side, food prices were down between February and March with

☐ To Page 2

## PPI drop

BDay 11/5/90 247

☐ From Page 1

the red meat price dropping 4,6%.

The developments on food are especially encouraging for the consumer price index, where food has a weighting of 22% in the basket

The rate of increase in the CPI has also turned around from almost 16% in mid-1989

Economists have reduced their inflation estimates substantially since the beginning of the year, when the consensus view saw the rate of increase in the CPI at 14% by year-end

This forecast has now dropped to 13% with further declines likely next year

Inflation has emerged as the key indicator on interest rates, and Reserve Bank Governor Chris Stals is not expected to cut Bank rate until there is clear evidence of progress on this front

# WORKING TOWARDS A BIGGER CUT FOR ALL

THE need for improved productivity is obvious to anyone concerned by sluggish economic growth, high inflation and the devaluing rand

Sapics education vice-president John Burmaz says the benefits of greater productivity are an enlarged economic pie with a bigger slice for every one.

Expanding the pie can help avoid clashes between groups fighting for pieces of a smaller pie, he says.

In business, productivity improvement leads to more responsive customer service, increased cash flow, improved return on assets and larger profits

More profits can be used as capital to invest in expanding capacity and creating new jobs, says Burmaz

O Day 30/5/90

## Contributes

(247)

Improved productivity contributes to competitiveness in both local and foreign markets.

Steady growth in productivity is the only way SA can solve unemployment, an unstable currency, balance of payments deficits and soaring inflation

It boils down to how well we use our resources — materials, machinery and manpower — to increase the value of our products, he says.

The challenge of improving productivity is closely related to the way companies are managed. The quality of managers, engineers and technicians will make the difference as we enter the '90s, he says.

# IDC set to boost productivity

SlTimes 3/6/90.

By DON ROBERTSON

THE Industrial Development Corporation (IDC) is again spreading its wings by offering R300-million to boost productivity in SA

It follows the successful completion of a 5% loan which brought a flood of applications

In recent months, the IDC has offered the electronics industry R50-million for development and has raised a first tranche of R175-million of a planned loan from the capital market

The IDC has also disclosed it is to spend R9,5-billion on grassroots industrial developments in the next five years which could spawn additional capital expenditure of R23-billion

When completed, these projects could save SA R4,5-billion a year in foreign exchange and create thousands of jobs

The latest scheme involves an offer of R300-million at a rate of R100-million a year to industrialists able to increase the number of shifts worked at their factories.

The loans, with a minimum application of R150 000, will bear interest at 9% for three years and thereafter at a guaranteed, fixed interest rate Loans may be repaid over five years, with the first payment due one or two years after the first advance

The requirements are that the funds be used to add at least one shift of eight hours to the existing operation, lead to increased employment, have economic merit and that they maintain the profitable structure of the company.

## Shortage

The project has been tailored for small to medium companies with assets of less than R100-million.

The previous offer of low interest loans closed in December with total withdrawals of R315-million

Funds for the multi-shift scheme will be used mainly for working capital, although financing of new equipment will also be considered

Managing director Carel van der Merwe says the finance should be used to employ new staff, fund increased debtors and stocks as well as additional administrators (247)

He is aware of the shortage of supervisory and skilled staff, but insists that industrialists' approach to increased productivity must change

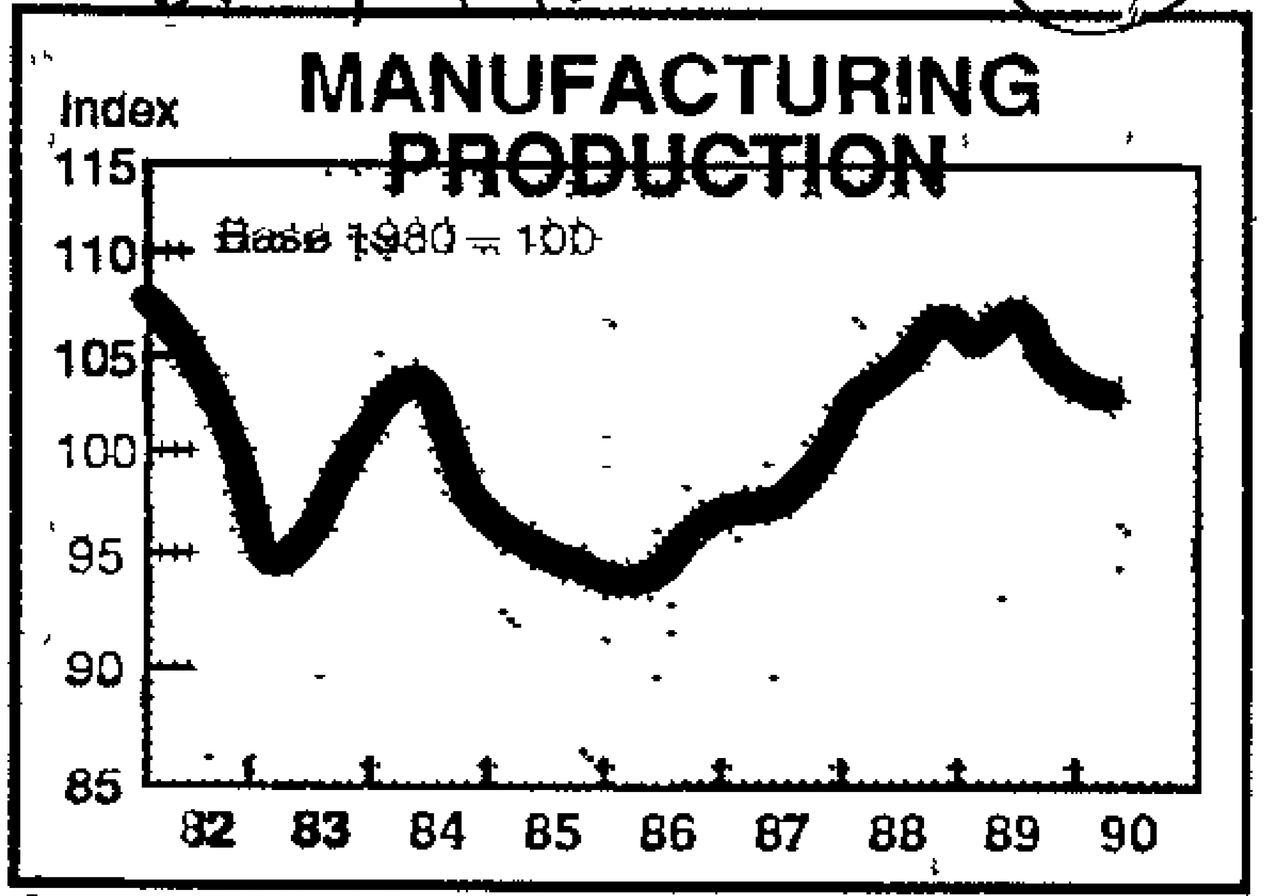
Ben Smith, head of the industrial financing division of the IDC, says "We are adopting a carrot approach If there is a good response to the issue we could make additional funds available, although not necessarily at 9%."

The initial call for the promotion of multi-shift work came from the Federated Chamber of Industries (FCI), now part of the SA Chamber of Business

About 70% of manufacturers work less than two shifts and only 10% work three

Additional shifts will allow capital equipment to be used more productively, will increase job opportunities, reduce the need for import of new equipment to raise production in the current shift system and allow industrialists to dedicate more production to exports

B/Day 6/6/90 (247)




Graphic. FIONA KRISCH Source CSS

**The physical volume of manufacturing production for February, seasonally adjusted, rose by 0,5% over that of January, preliminary Central Statistical Service figures show. CSS says increases occurred in 11 of the 27 major manufacturing groups, with the wood products, other chemical products, pottery, machinery and equipment and "other" industries recording the largest growth**

# Paper intensity puts brakes on productivity, say experts

NEIL YORKE SMITH

MOST institutions are too paper intensive and could boost efficiency and profits by eliminating "paper cycles", say financial industry players.

Improved back office efficiency would enable institutions to increase their client focus and boost profits, they say.

"To avoid situations where people and paper run around in circles, institutions must improve productivity by drastically redesigning paper flows," says Andersen Consulting financial industry chief Wendy Lucas-Bull.

And Nedbank executive GM Willie Boshoff agrees, saying: "carefully planned moves to increase automation and reduce the amount of paper circulating always have positive results".

However, he says rationalisation strategies, including automation, could be disastrous if they are not properly planned.

"New controls must match the sophistication of every new system A formal basis is vital. Doing things ad hoc creates chaos out of every inter-related system.

"Still, the situation where a document is prepared by one person, checked by another, approved by another, data captured by another and the printout itself checked by someone else, is ridiculous," he adds.

Says Lucas-Bull: "Productivity is improved by cutting redundant tasks. There is no need to compromise controls. Effective strategies focus on efficiency, management profile and concentrating on core business."

Good strategic planning and risk analysis have to be matched by the quick implementation of decisions, she says.

Comparing administration areas to "paper factories", Lucas-Bull says: "They provide good opportunities to implement theories like 'Just in time' which improve efficiency and profit."

Boshoff confirms this but says new techniques are only as good as the people implementing them.

"We are always looking for top people. At this level they are not only motivated by commensurate renumeration but by the challenge. A handful of well paid top people will outperform pure numbers"

Lucas-Bull says: "Employees must focus on adding value at every stage. If value is not added a rationalisation opportunity may exist."

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## Sensitive

Strict capital adequacy requirements, tough competition and increased market sophistication put increasing pressure on institutions to make optimal use of capital.

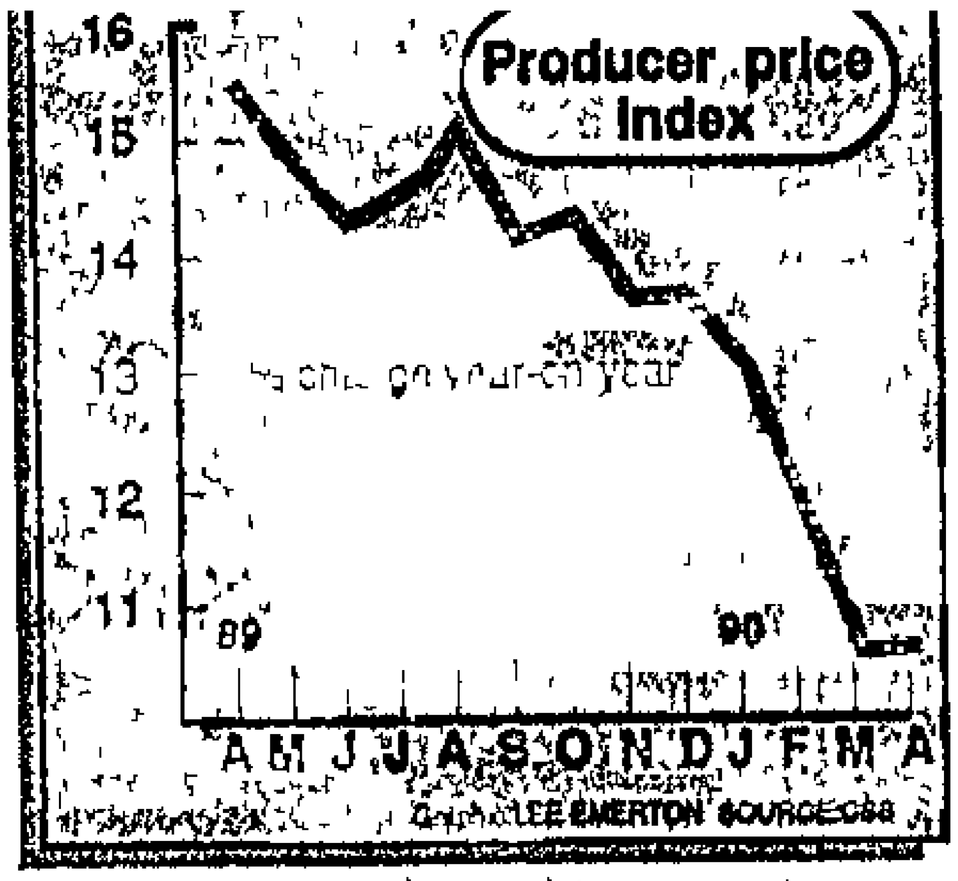
"Many are becoming less risk averse and more sensitive to market information," she says.

"They are focusing on managing risk properly. This means getting excellent market and competitive information."

International business trends, especially the focus on what is the core business, would become apparent in SA, she says.

"Overseas institutions concentrate on what they do well. They refine operations and, where relevant, rationalise."

Lucas-Bull reckons staff prefer these circumstances as career paths are more clearly defined




# Sharp increase in producer inflation

ANDREW GILL (247)

LATEST statistics show that year-on-year producer inflation is unchanged, but month-on-month there has been a sharp increase. B Day 12/6/90

The annual rate of increase in the Producer Price Index (PPI) levelled off in April at 11,6%, the first time since October 1989 the rate has not fallen, Central Statistical Service (CSS) figures show.

But for the first time in six months the month-on-month increase was above 1% — at 1,6% — mainly as a result of locally produced commodities recording the highest month-on-month increase since May 1986 at 2,1%, compared to March's marginal 0,1% increase.

The largest monthly increases were in the coal sector, which shot up 14,3%, and alcoholic and non-alcoholic beverages, which were up 11,3%. Other increases included tobacco (9,3%), ferrous basic metals (5,4%) and wood products (5%).

The year-on-year increase of locally produced commodities was 12% compared to March's 11,3%.

Economists said the scenario could have been worse had it not been for actual deflation in the imported commodities sector. It fell 0,3% on a month-on-month basis and slowed to an annual 10,1% rate of increase compared to March's 12,5%.

Trust Bank economist Nic Barnardt said the high monthly increase in locally produced commoditites was merely a hiccup and the overall trend was still downward.

He said the increase was probably technical after March's minimal increase and

☐ To Page 2

## PPI

B Day 12/6/90 (247) ☐ From Page 1

said the consumer inflation rate would not suffer, predicting it would reach 14% by mid-year, 13% by year-end and 12% by mid-1991

Nedbank's Edward Osborn agreed the import decrease was hopeful

However, he said the sharp local increase was "not pleasing" after the long string of marginal increases and said it was an indication that inflation would remain at a fairly strong rate

Econometrix chief economist Azar Jammine said the overall trend was still downward but admitted it was a significant rise in the local sector

He said deflation in imported commodities was most likely due to the rand's relative strength against the yen and pound

'High levels of intimidation'

# Strike action trebles lost production

BI Day 2/7/90

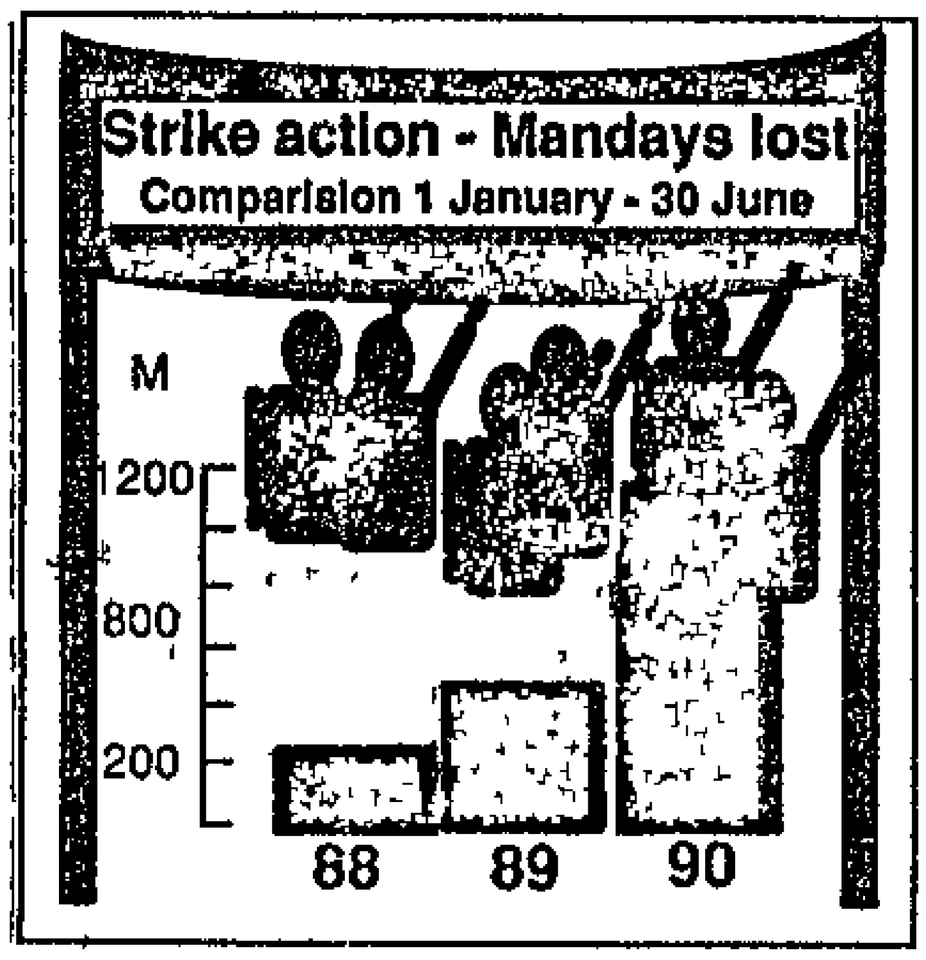
247

NEARLY 1,2-million man-days were lost because of industrial action in the first half of 1990 — almost treble the number for the same period in 1989 (463 864), a recently released labour report said.

Much of the activity was accompanied by unusually high levels of intimidation and violence, said consultants of Levy, Piron and Associates, who compiled the statistics

They expect that "this large scale mobilisation will not abate in the months ahead, in light of the government's decision regarding amendments to the Labour Relations Act and the possible results of annual wage talks now in full swing"

The consultants warned that this could




Graphic LEE EMERTON Source LEVY, PIRON & ASSOC

DANIEL FELDMAN

herald "an unprecedented wave of industrial action which employers would find difficult to counter"

Employer, union and government spokesmen said the significant increase in strikes was due to a combination of heightened worker expectations resulting from recent political changes, and SA's economic problems

Anglo American chief communications officer James Duncan commented "Political changes since the beginning of the year, together with economic constraints, have almost certainly led to mixed feelings of expectancy, uncertainty and frustration in most sections of the population It is probably not wrong to assume that these have contributed to greater levels of industrial disturbances of various kinds"

The report said there had been a dramatic increase in the level of strike action in the public sector The figure jumped from only 0,4% of the total man-days lost during the first half of 1989 to 46,2% during the first half of 1990

"Much of the industrial action taking place in schools, hospitals and local municipalities has succeeded in bringing to the public's attention the plight of public sector workers — an area that has been largely overlooked by the union movement until now — as far as their wages and working conditions are concerned," said Levy Piron senior consultant Brian Allen

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P.T.O.

# Strikes

BDay 21/7/90 (247

From Page 1

Manpower Commission acting chairman Frans Barker said the increase in public-sector action justified the urgent attention labour was receiving from government

Although the actions could be tied to political developments, he noted there had been a "worldwide increase in the awareness of public sector workers' rights"

Wages as a trigger factor accounted for the largest percentage of strikes in terms of man-days lost (63,5%), followed by grievances and/or discipline (26%) and dismissals (1,7%)

The six most active unions with regard to the number of strikes were Numsa (19,1%), Chemical Workers' Industrial Union (CWIU) at 11,8%, NUM (11%), Printing, Paper, Wood and Allied Workers' Union (6,6%), SA Commercial Catering and Allied Workers' Union (6,6%), and Food and Allied Workers' Union (4,4%)

Numsa national organiser Bobby Marie said "We don't necessarily want to go out and start strikes, but they are indicative of our members' frustrations with current wage offers and other issues"

He said the many wild-cat strikes the metal industry had experienced this year reflected the "growing militant attitude of the workers".

Seifsa executive director Brian Angus said while it was understandable that raised expectations from political developments were spilling over into industrial relations, it was worrying that so much wild-cat action had taken place

"It indicates the unions don't have total control over their members," he said

A mining industry spokesman said many of the sporadic work stoppages and sit-in protests at mines this year had been caused by "tensions between black and white workers over black workers' perceptions of racial discrimination"

NUM spokesman Jerry Majatladi confirmed this view, adding that miners were increasingly frustrated by economic factors they had no control over which were given as reasons for "poor wage offers and working conditions"

Saccawu led the field in terms of man-days lost (12,3%), largely due to the prolonged OK Bazaars strike, followed by Ppwawu (10,6%), Numsa (9,1%), SA Chemical Workers' Union (5,6%), CWIU (4,7%) and Transport and General Workers Union (4,1%)

The report noted that a feature of the strikes at OK stores and the Cape Town municipality was the large-scale demonstrations by workers at the various head offices in an attempt to gain public sympathy and support.

It also said sit-ins were emerging as a feature of industrial action, often forcing employers to evict workers from their premises

See Page 3

# Concern over lack of productivity

THEO RAWANA

THE multiplying of legislated and de facto holidays on the political calendar is an area of concern cited in interviews in the Johannesburg Chamber of Commerce and Industry publication Chamber Bulletin.

National Productivity Institute executive director Jan Visser says although all countries have some kind of holiday, "we have to decide what our priorities are — productivity or holidays. (247)

"You cannot consume what you have not produced. We already have many companies that cannot recover because of too many strikes and stayaways."

JCCI president Johnny Frankel says "If SA is to achieve the levels of growth, productivity and job creation that will be demanded of it in the future, then what is urgently required is a national work ethic — more hard work and fewer public holidays Also critical to the development of that work ethic is a free enterprise, market-competitive economy which is not strapped by red tape

"Deregulate and give all people a chance to have a stake in a prosperous and growing economy . . given that (incentive) they will attach more importance to their endeavours in the workplace "

JCCI GM (industrial) Ken Mason says many industrial undertakings need at least 20 working days a month to break even

"In April they did not have that many working days, and operating losses were unavoidable." B104 16/7/90

Mason is a proponent of the "movable feast" concept, in which some public holidays are arranged to fall on Mondays, whatever the date of the holiday. Mondays are preferred to Fridays as many commercial sector employees work on Saturdays.

The bulletin says Sacob places a high priority on rationalising the public holiday situation, which is complicated by the fact that recognised holidays vary according to industrial agreements. Most sensitive are de facto holidays on the political calendar, recognition of which many acknowledge could be part of SA's negotiating process

# Clothing study warns of rapid mechanisation

6 Locn 23/7/90.

247

ACHMED KARIEM

MECHANISATION of SA's clothing and textile industries would accelerate unless labour and management agreed production would not be disrupted by industrial action

This was the finding of a clothing survey conducted by the National Productivity Institute (NPI) into firms which represented 26% of sales turnover and 16% of the workforce

NPI industries director Jan-Henk Boer said from NPI data collected from companies with a year-end of December 1989, it was clear manufacturers' financial situation had led to less than acceptable updating of technology.

"The trend away from labour-intensive industries is purely a function of the industrial relations climate"

The findings showed that the clothing industry's 1989 profits were dismal and the average return on operating assets before interest and tax was 18% and before tax was 12%, Boer added.

He said this was not healthy considering interest was about 3% of sales. Ladies manufacturers had a profit margin of 5,7% before interest and tax

He said the clothing industry found it very difficult to cost, plan and budget garments when it was uncertain whether it could depend on labour.

Consequently, clothing companies would prefer to invest in capital to reduce their dependency on labour. Conditions in terms of profitability were similar in the textile sector

BUSINESS DAY, Thursday, July 26 1990

B/DAY 26/7/90

# Airways deregulation report nearly complete

MANDY JEAN WOODS

FINDINGS on several recommendations by the steering committee which investigated the deregulation of the domestic air travel market will be completed within the next few months.

The Domestic Air Transport Policy document, published two weeks ago, said detailed recommendations on how to implement the steering committee's recommendations should be completed by December "with a view to implementing these on July 1, 1991".

Guidelines for a study of the future of SAA in a deregulated market would be completed by the end of this month with the contract being awarded about mid-September, a Privatisation Unit spokesman said yesterday.

And the investigation into the possible privatisation of the state's nine airports would be completed within the next two months, a Directorate of Civil Aviation (DCA) spokesman said.

The steering committee's report said the Department of Transport should preferably not be involved in offering services such as the provision and operation of airports, and airport and air traffic services.

The department's role should be to set, monitor and enforce safety standards in this regard.

## Functions

DCA director Japie Smit said the department was "very, very keen on getting an independent airport authority which could decide on matters concerning airports, like capital expenditure".

The report also recommended that:

- □ The National Transportation Committee's aviation functions should be abolished from July 1991;
- □ The Air Services Act 1949 should be renamed the International Air Services Act 1949 and be retained for international air services to and from SA;
- □ A new licensing system, based on safety-related criteria, should be introduced and make provision for the licensing and control of operators;
- □ A new statutory body, the Air Service Licensing Council, should be established to judge prospective entrants against the entry criteria to ensure they rendered a safe and reliable service;
- □ Auxillary services such as the provision and operation of airports, airport services and air traffic services should be rendered on a commercial basis and the principle of user-charging should be applied to ensure users paid for these benefits.

Government accepted all the recommendations but reserved judgment on those affecting the position of SAA in a deregulated domestic market, according to the report.

It would only make its position on these recommendatons known once consultants have put forward proposals on how SAA should operate in a deregulated market.

# Hotel industry 'has management skills shortage'

ACHMED KARIEM

THE SA hotel industry suffered from a lack of management skills, National Productivity Institute (NPI) executive director Jan Visser said yesterday.

In his address to the annual Fedhasa congress, Visser said there was a need for solid management development in the industry.

An NPI productivity study of the hotel industry showed that there was an annual labour turnover of about 67% among middle management, 27% of whom left the industry completely.

The study showed many managers were not aware of the extent to which staff were leaving the industry.

Further, management was not focused on industrial relations. "A lack of trust existed between management and unions," he said.

Managers needed to build relationships of trust and to train people properly.

More than 50% of the hotels in the sample had an occupancy rate of less than 50% and barely 23% had an average room occupancy rate higher than 70%, showing a major marketing problem, he said.

Another criticism was that some hotels had no idea where they made their money.

In the decade to 1988 the industry's salaries and wages index had increased from the 1978 base of 100 to 479,7, while the Consumer Price Index had risen from 100 in 1985 to 383,7. Visser said the real standard of living went up.

# Production capacity growth almost stagnant

BDay 9/8/90

MARCIA KLEIN

PRODUCTION capacity growth in the manufacturing industry has remained almost stagnant since 1980, says August's Nedbank guide to the economy (247)

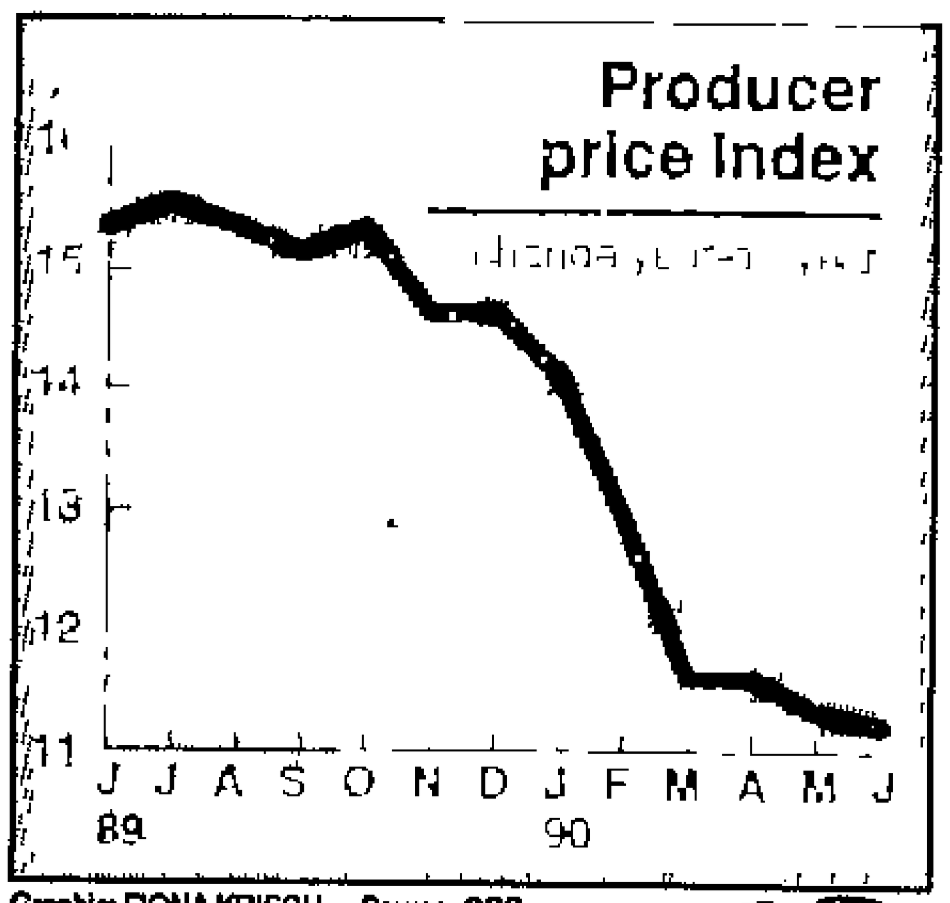
The average growth rate between 1980 and 1989 was 1,17%, with most capital investment used to maintain rather than add to existing production capacity, it said

High equipment import costs, poor performance in labour and capital productivity, and high inflation rates contributed to the erosion of possible growth

Capital investment in manufacturing industries declined an average of 4,59% a year during the period, with the small rise since 1986 still way below 1980's level

The annual decline in capital investment could be seen in the decrease in the level of fixed capital stock, said the report.

While the beverages industry showed a 5,5% average annual production capacity growth, production capacity in 51% of manufacturing industries remained static or declined.




Graphic: FIONA KRISCH Source CSS

Bday 10/8/90 (247)

# PPI chalks up sixth successive decline

GRETA STEYN

INFLATION at the producer level chalked up its sixth successive fall — albeit tiny — in June by sliding 0,1 percentage points to 11,2%, Central Statistical Service (CSS) figures show.

After peaking at 15,8% in August last year, the rate of increase in the producer price index (PPI) has been on a continuous downward trend The slowing of producer inflation has filtered through to consumers with the rate of increase in the consumer price index more than two percentage points down from its peak last year.

Producer inflation has been kept at bay because of the domestic economy slowdown and curbing of imported inflation

☐ To Page 2

# PPI

Bday 10/8/90 (247)

☐ From Page 1

Old Mutual's David Mohr said "The latest figures confirm inflation is slowing decisively. It is especially encouraging that producer prices for local commodities rose at such a slow rate in June"

CSS said the rate of increase in the producer prices of local commodities was only 0,2% between May and June this year — a significant slowing down from the previous month's 1,8% and April's 2,1%

Less encouraging was the rate of increase in producer prices of imported commodities of 1,1% in June from May But this followed two months of decline in imported producer prices

Overall, the monthly increase in the PPI was a low 0,4% but it followed high rates in the previous two months Underlying inflationary pressures picked up again in the second quarter with the increase in the PPI translating to an annualised 12,8% Economists said this indicated that though progress was being made there would be resistance before inflation was tamed.

# Higher productivity must match wages, unions told

(247)

B Day 10/8/90

LESLEY LAMBERT

CAPE TOWN — Finance Minister Barend du Plessis lashed out at the trade union movement yesterday, saying its members would be priced out of the job market if high wage demands were maintained without an improvement in productivity.

Addressing a special President's Council debate on future economic policy, Du Plessis said high labour costs posed a significant threat to the corporate sector and reduced its ability to compete internationally.

If the labour costs were not accompanied by higher levels of productivity, and became prohibitive, companies would have to close down or mechanise their operations bcause workers would have priced themselves out of the market, he said.

But he strongly defended the unions' right to exist after CP President's Councillor Clive Derby-Lewis called for their abolition.

Du Plessis said the unions could not be abolished because every worker had the fundamental right to put his own case.

"If you try to outlaw trade unions you can stop open activities, but you can never outlaw people getting together to state their case. You can put a person in jail or execute him, but you will not kill an idea — the government has experience in this."

## Ideologies

With constitutional and economic negotiations looming, Du Plessis said he believed there was every reason to be optimistic about the future.

However, both parties would have to separate themselves from their fixed ideologies when it came to defining what they wanted to achieve in the new SA. This would draw them together at the start of negotiations.

If the objectives of maximum domestic and foreign investment, economic growth, job creation, a fair tax policy — to encourage savings and mobilise capital — low inflation and a stable domestic currency could be agreed on at the start of negotiations, there would be a chance of success.

Du Plessis said he was concerned at the breakdown in confidence which was inhibiting both domestic and international investment, and said he hoped that what emerged from the negotiations would open up the flow of investment which was crucial for economic growth.

In response to debate on issues related to wealth redistribution and the degree of state intervention in the economy, Du Plessis said the state could not accept full responsibility for the provision of education, health care and housing.

Unless there was greater participation from the communities which needed these services, the highest standards could not be financed by the other taxpayers. "What we want is a reduction in the public sector and a decentralisation of political and economic power."

PPI FM 17/8/90

# Import factor

(247)

Since the start of the year, slowing import costs have made a major contribution to decelerating growth of the producer price index (PPI). That may be about to change with the import component of PPI up 1,1% in June compared to actual declines of 1,5% in May and 0,3% in April

Southern Life chief economist Mike Daly says the turnaround means recent gains from the relatively stable rand and falling oil prices may have run their course — though lower import surcharges have not

Oil prices will now begin working against SA. Sanlam economist Pieter Calitz estimates that every 10% increase in the oil price will immediately push producer prices up 0,5%, with a further 0,5% within a year, as the hikes filter through the economy

In addition, even if the rand manages to hold its own against the dollar (which is possible), the currency continues to weaken on a trade-weighted basis, losing ground against sterling, the D-mark and yen Re-

FM 17/8/90

sulting higher import costs (weighted at 20% of total PPI) are unlikely to be offset by lower local input prices, despite a rise of only 0,2% in June, lower than the 1,8% in May

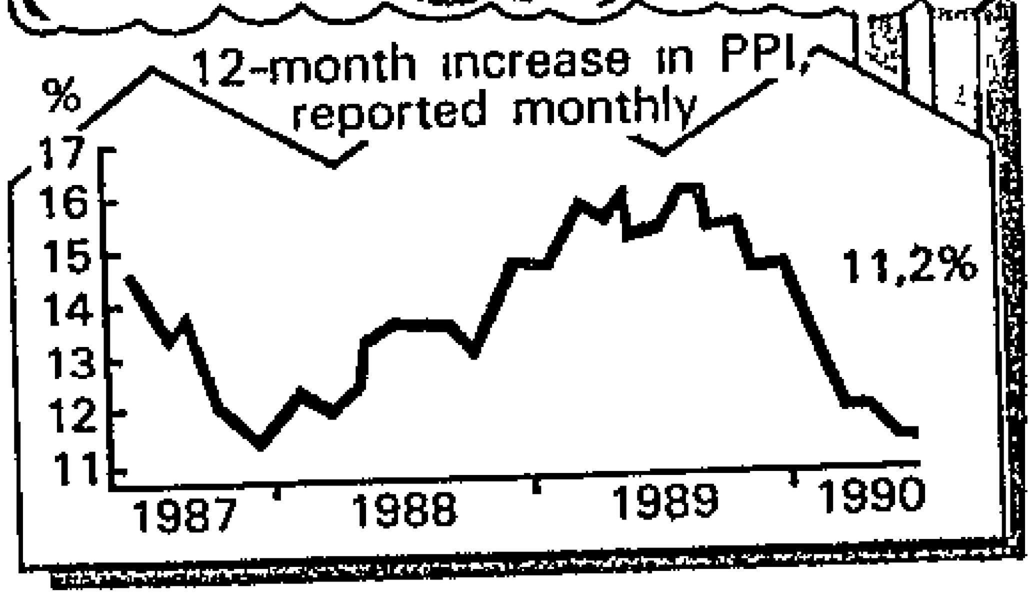
Daly says the decline is probably an aberration "As long as wage and salary demands remain above the rate of inflation, there is little chance of bringing local producer costs under control"

All that means the PPI is probably about as low as it can go Says Calitz "We could see a slight reduction by year-end, to just below 11%, but that's bottom I can't see single-digit producer prices"

Daly is even more pessimistic "PPI could

(247)

## Down slightly




rise again by the fourth quarter, when the effect of import surcharge reductions will begin to wear off"

FM 17/8/90

Though a higher gold price may bolster the rand, Daly points out overall terms of trade have deteriorated for the past year "That, and the continued inflation differential, will weaken the trade-weighted rand"

Where producer prices go, consumer prices follow, so inflation is not yet under control As little can be done about the oil price, and unions are unlikely to moderate wage demands, monetary policy will stay tight

□ The overall PPI increase for June was a modest 0,4% (0,9% seasonally adjusted) to a year-on-year 11,2%, compared to May's 1,1% (1,2%), or 11,3% year-on-year

# Figures an indictment of lagging SA productivity

(247)

B Day 3/9/90

Business Day Reporter

THE latest statistics on productivity show that SA is lagging far behind trading partners in the West and East and is even being outstripped by some of its trading partners in Africa.

Figures released by the National Productivity Institute (NPI) indicate that the growth rate in SA's Gross Domestic Product (GDP) per capita at -0,9% is trailing far behind that of Japan (3,6%), the UK (3,2%), the US (3,0%), West Germany (2,5%) and Switzerland (2,3%)

Even Malawi, with a negative GDP of -0,2% is ahead of SA The NPI study covers the 1983 to 1988 period

Korea at 7,9% and Taiwan at 7,5% are top of the GDP ladder, according to the NPI's Productivity Focus released at the weekend.

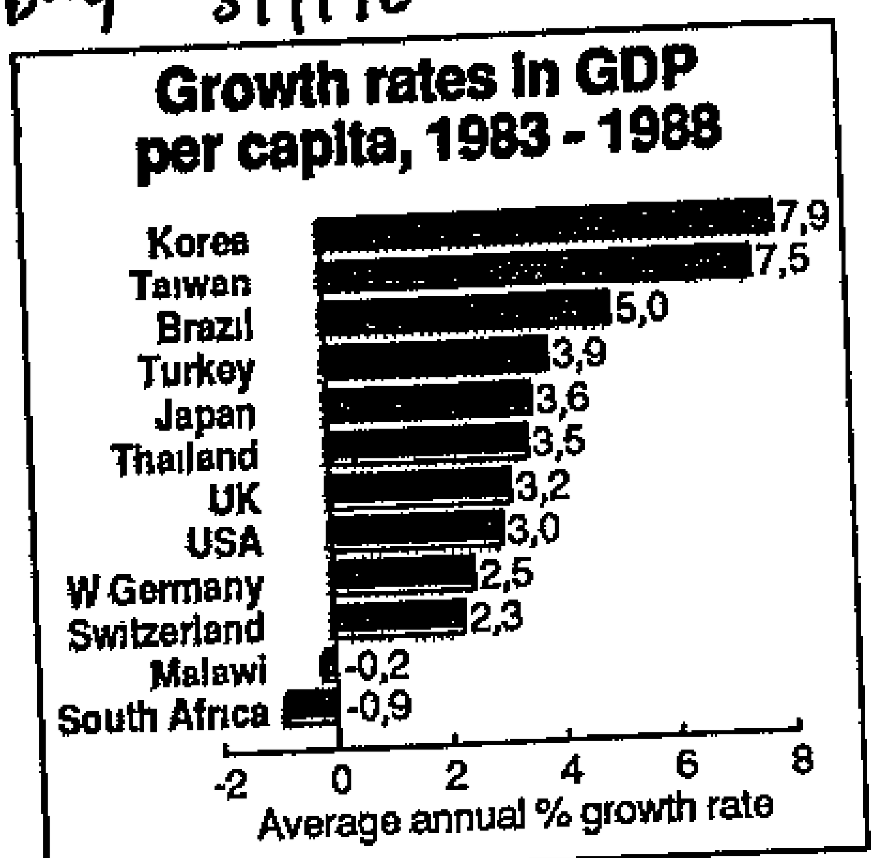
NPI executive director Jan Visser says SA has at present no chance of reasonable economic growth on the basis of greater domestic consumption

The only way to remedy these imbalances was to increase production, not only for domestic consumption, but especially for export

According to the NPI's findings one of the most alarming trends in the economy shows that employment in the non-agricultural sectors declined by 0,2% between 1983 and 1988, while the total population increased on average by about 2,4% a year during the same period

"This means that the SA economy failed abysmally to absorb new entrants into the labour market and that unemployment has become a critical problem

"All indications are that this problem can only escalate further since the people who are going to seek employment well into the next century have already been born."




Graphic FIONA KRISCH Source NPI

One of the more serious trends emerging, according to the NPI, is that more and more jobs are being created in the public sector instead of the private sector

It says 161 400 new jobs were created in the non-agricultural sector between 1980 and 1988 To achieve this, 189 300 more people were employed in the government sector, while 51 200 fewer people were employed in manufacturing

"This is a cause for concern as manufacturing is the single largest sector in the SA economy and serves as the main engine for growth"

NPI chairman Sebastian Kleu says "Productivity improvement is now fairly generally accepted as essential for efficient management Some firms, however, still approach the problem in an ad hoc fashion and do not have a comprehensive, consistent productivity programme"

He says some trade unions actively support the productivity movement, but some regard it as a device to increase profits and make the rich richer at the expense of the workers, who have to work harder

"The latter is devoid of all truth, as productivity improvement is a means of increasing the added value derived from given resources in an operation

"It implies more efficient work, rather than harder work The greater wealth thus created can be shared by all participants in the economic process

"The alternative of increasing the workers' share of national income through bargaining without raising productivity will increase costs and prices, reduce competitiveness and growth and eventually make everyone poorer"

Kleu, who is also a special adviser to the Reserve Bank, says higher productivity can also contribute to price stability and reduce costs

Monetary and fiscal stability can in turn stimulate further productivity gains through a more even utilisation of productive capacity and the encouragement of savings and investment

□ The NPI will hold its national awards ceremony in Johannesburg tonight Business Day will publish a survey on productivity tomorrow

# Productivity not keeping pace with wage increases

Sowetan 4/9/90

(247)

WAGES and salaries increased by an average of 25 percent per person a year while output has not gone up at all, Manpower Minister Eli Louw said in Johannesburg yesterday

Speaking at a dinner in honour of national productivity award winners, Louw said South Africans as a nation could not consume more than was produced.

"If we cannot produce more per person, we cannot consume more per person.

"Already we find that we are pricing ourselves out of international markets," he said.

The Government and the private sector must work together to develop training methods.

Louw said he wondered if organised labour, which in the past had used the marketplace as there was no other political forum, would continue along this path.

"Will this approach still be appropriate in the new South Africa where different circumstances will prevail and where everybody will be required to make a maximum contribution to wealth creation?"

He warned against excessive demands within the labour market by "have nots" and growing labour unrest causing growing unemployment, lack of investment and poor returns on capital. - *Sapa*

# Productivity plan 'of first importance'

247

BDay 4/9/90

ACHMED KARIEM

GOVERNMENT action could rapidly and predictably improve productivity in SA more than in any other country in the world, World Conference of Productivity Science president Tor Dahl said yesterday

Investment in the people of SA would have a higher pay-off than the use of any other resources of the economy, he said

In his address to the National Productivity Conference organised by the National Productivity Institute in Johannesburg, Dahl said a national productivity strategy was the most important action a country could take to address its political, economic and social priorities

Reasons for lack of action were beliefs in economic myths and ingrained cultural patterns, he said

Governments could improve productivity by facilitating changes from a farm economy to an industrial economy to a knowledge economy

Other measures government could adopt included education, and the provision of research and development funds

SA had a negative growth rate of 0,9% between 1983 and 1988 compared with the UK's positive 3,2%

"This means that the SA population has become poorer in real income by a factor of 4,6% over five years, but it could have enjoyed a 21,7% higher income in 1988 compared to 1982 if it had enjoyed the same growth rate as the UK over those five years

"What is now obvious is that each nation, each corporation and each individual must identify the most suitable and appropriate set of strategies," Dahl said

Iscor MD Willem van Wyk said political stability would enable a productive SA to satisfy the needs of its people

However, this depended on an effective economic model, an improvement in productivity, effective utilisation of investment capital and a reduction in the inflation rate

"It will then be possible for SA to become sufficiently productive and competitive to participate meaningfully in international trade," he said

## Frustrations

Federation of Salaried Staff Associations of SA president Buks Welgemoed said management often used productivity as a "shield" in wage negotiations and did not credit better performance with better pay

"As a result of this, and the tendency of trade unions to use the work place as an outlet for political frustrations, employees are consistently negatively influenced about productivity," he said

Business Times editor David Carte said the primary objective of the black, white and business communities was to proceed from the violent present to a democratic and prosperous future

"The goal of a decent middle class lifestyle for all is a joint goal," he said

☐ Business Day will publish a special tabloid supplement on productivity tomorrow.

# Five firms go gold with NPI awards

(188) EDWIN UNDERWOOD (247)

THE National Productivity Institute (NPI) last night awarded gold medals to five SA companies which have made important contributions to the creation and sharing of wealth in SA.

They were Eskom's Koeberg nuclear power station, Rembrandt-controlled HL & H Mining Timber, Sabax's critical health care manufacturing division, Sappi's Ngodwana nursery and Iscor's Sishen mine. B|Day 4|9|90

Ten silver awards were presented to pipe manufacturer Bartons, Railnet's Bloemfontein division; Iscor's Pretoria steelworks, Busaf's sales division, Eskom's distribution and marketing division, Concor Technicrete, the Pennells Group, Transnet's Transnet-Transtel division in northern Natal, Barlows Appliance Company's Kew factory; and the SADF's 61 Base Workshop which repairs and rebuilds all SA army vehicles and equipment.

There were 14 bronze award winners Speaking at the awards ceremony last night, Manpower Minister Eli Louw said the political situation had been the main reason for unacceptable economic performance.

Louw said wages and salaries had increased by an average of 25% a person over the last year while output had not improved all

He warned against excessive demands within the labour market, and growing labour unrest causing rising unemployment, lack of investment and poor returns on capital.

● See Page 3

# Sentiment turns bullish on PPI fall

BDay 12/9/90 247

GRETA STEYN

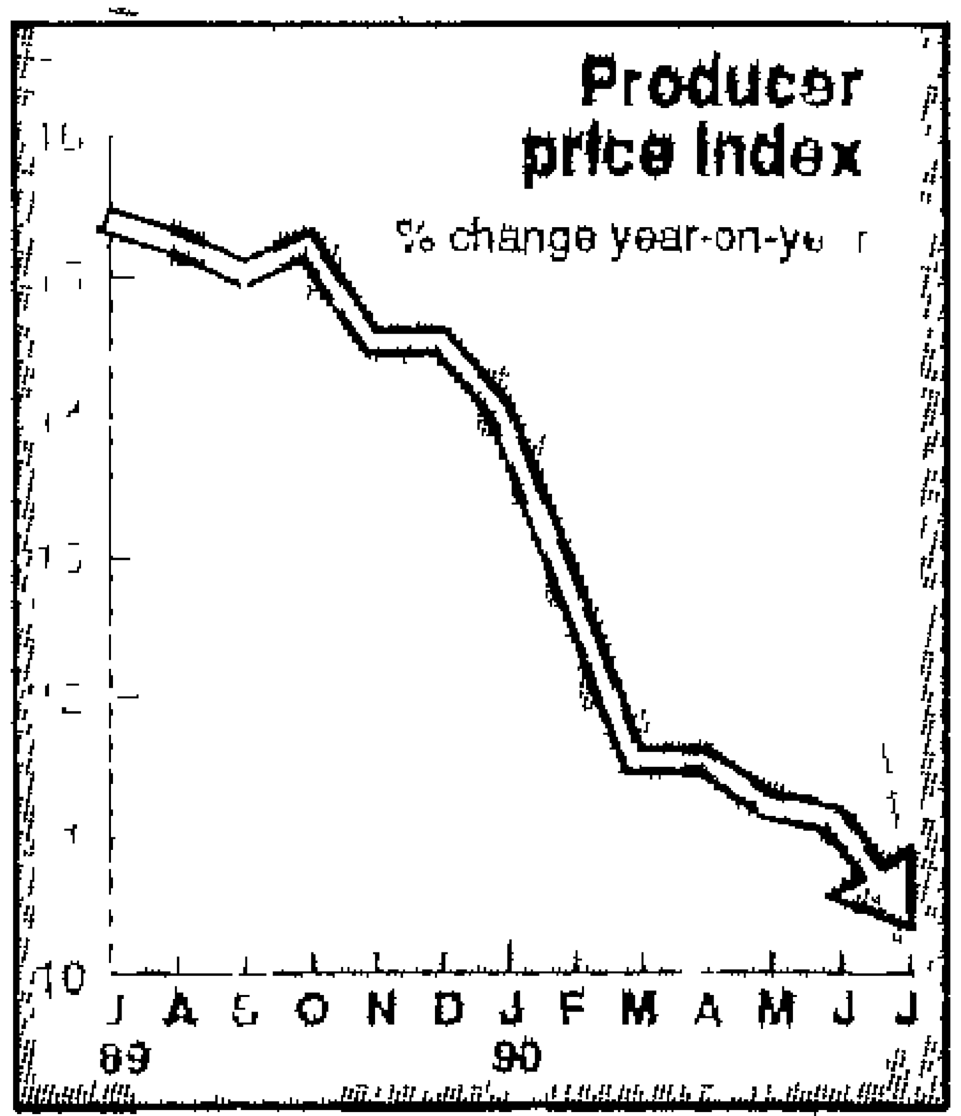
THE surprise fall in inflation at the producer level by almost a full percentage point in July — from 11,2% to 10,3% — is evidence of significant progress in government's battle against inflation

The annual rate of increase in the producer price index (PPI) in July is at the lowest level since October 1984

The figures tempered bearish sentiment in the capital market yesterday and surprised economists They had not expected such a dramatic fall and said the figures provided encouragement at a time when the oil price rise had created despondency over inflation

If the rate of increase in the PPI continues on the same trend for the rest of the year, SA will end the year with producer inflation in single figures The positive trend at the producer level will filter through to consumer inflation

Central Statistical Service (CSS) figures released yesterday show the PPI rose by a meagre 0,1% between June and July — the lowest monthly increase this year — from 197 to 197,2 This slight monthly rise in prices at the producer level was the result of a surprising fall in the prices of imported commodities of 1,3% By contrast, the prices of locally produced goods rose by 0,5% between the two months



Graphic FIONA KRISCH Source CSS

The contrast between local and imported prices in July is a continuation of the trend for the year On an annual basis imported inflation rose by only 4,7% –

□ To Page 2

## PPI fall

BDay 12/9/90

compared with a local rate of increase of 11,6% These figures show that the main impetus for the progress on producer inflation has come from the imported side

Southern Life economist Mike Daly ascribed the positive trend on imported goods to the Reserve Bank's policy to keep the rand stable against a basket of currencies

"Over a year, there has been hardly any increase in the cost of a basket of currencies of SA's main trading partners," he said

He had not expected to see producer inflation at this level before a few more months He expected a blip in September's rate but believed the overall trend was still down and that the flow-through to the con-

□ From Page 1

247

sumer side would follow soon

Reserve Bank Governor Chris Stals recently voiced concern over the disparate trends between prices of imported and local goods He said that local producers would price themselves out of the market, as they would find it more difficult to compete with imported goods He warned local producers against seeking to maintain profit growth through price increases

Economists believe Stals will not see the latest figures as a reason to cut Bank rate

Discount House of SA economist Chris Greyling said although capital market rates had lost about four points on the news, uncertainty over when Stals would act had kept the bulls in the market at bay

# Strong case for decentralisation policy

P1Dn 28/9/90

**Decentralisation works, says JAN-HENK BOER, director of industries at the National Productivity Institute.**

THE Urban Foundation and the Private Sector Council slammed the policy of decentralisation as a failure in their recent report on urban and rural development

247

SA does need to complement urban and rural development plans, but to call for the scrapping of decentralisation is to throw out the baby with the bath-water.

Why scrap an investment that generates more than two rands profit for every rand invested? And creates value-added benefits of R16,72 for that one rand?

The Decentralisation Board is a business concern, trying to run on sound business principles. Like any other business venture the board should have a return on its investment.

The magnitude of the contribution of decentralised firms to the SA economy should not be minimised.

The total contribution to GDP generated by all decentralised firms last year is calculated at R4 102m. This should be compared to the R8 923m contributed by electricity supply. For all agricultural activities the figure is R11 629m and for the total manufacturing industry R50 896m (Central Statistical Service).

At the moment there are 4 684 undertakings receiving assistance from the Decentralisation Board.

Three years ago the board asked the National Productivity Institute (NPI) to assess the productivity of the 3 200 decentralised firms registered under the so-called Schedule 3 Decentralisation Scheme. This was to create a foundation for the payment of incentives to deserving cases. A Productivity Monitoring System (PMS) was devised to evaluate the firms.

With the PMS the board can now weed out the non-viables and help those with management or operating problems

Remarkable results were recorded in the firms assisted through the PMS. Performance hikes averaged 150% and most of the less successful could be saved. Creating job opportunities is a costly business and squandering the taxpayer's money by sinking bad performers, would have been a bad option.

It required further assistance by the board of only R36 per job opportunity to make many firms viable and maintain employment levels.

This is money well spent when one considers the latest results of the 1 299 firms already evaluated on their 1989/90 audited financial information.

- ☐ They employed 206 718 workers who earned R1 179m.
- ☐ Total turnover was R9 830m.
- ☐ The value added was R4 334m.
- ☐ The contribution to GDP was R2 091m
- ☐ Total capital investment was R8 547m.
- ☐ Operating profits, that is profits before incentives, other income and tax paid, came to R571m.
- ☐ Incentives paid by the board were only R259m.
- ☐ The net profit before tax was R485m.

State income from GST, calculated on retail prices, was about R2 500m GST on spent salaries and wages was a further R120m and company tax added another R100m to the state coffers.

It was not possible to calculate or determine the upstream and downstream investments and economic activity attached to these few firms, but it must run into millions, if not billions, of rands.

The bottom line a good as gold return for the state (and the taxpayer) on their investment Indeed, the policy of decentralisation is fulfilling its planned role of creating and sharing wealth for all South Africans.

To deny that there were problems with decentralisation and deconcentration would be naive. Political ideals spawned the policy, the wrong interests were sometimes served and in the early days raiders had a field day because of business economics misfits.

But the New South Africa dawned on February 2 and since then the Decentralisation Board has been transformed into a leaner and meaner machine to hone the Regional Industrial Development Policy (RIDP) into an instrument to create and share wealth Economic development needs are now paramount.

Like Derek Cooper, deputy chairman of Barlow Rand and a member of the board of governors of the Urban Foundation, has said: For all its shortcomings, the RIDP must be taken seriously, since it remains the core component of current regional policy.

☐ **Dr Boer controls the NPI's decentralisation unit.**

# The reality of productivity

B Day 28/9/90

(247)

**BERNARD JANISCH**

BUSINESS Day's leading article of September 5 on productivity falls into the trap of expounding conventional wisdom and leaving the reader with no clear idea of what must be done about flat and declining productivity

Classical economic theory refers to the primary factors of production being labour and capital and defines productivity simplistically in terms of the ratio of output to inputs of these factors

Conventional wisdom holds that the keys to productivity improvement are, firstly, improved education and training of, and harder work by, labour and, secondly, freedom to allocate capital in the most efficient way and make more intensive use of it, for example through multiple shifts

The main culprits responsible for poor productivity, this reasoning suggests, are therefore government for overregulation leading to misallocation of capital and for failing to provide adequate education, unions for their resistance to productivity bargaining; and management for committing inadequate resources to training and for failing to use capital facilities intensively enough

This analysis is neither convincing nor does it provide clear prescriptions for actions to reverse productivity trends

The reality is that productivity improvement depends on.

- ☐ Effective leadership to develop a clear vision and mission for the business and to gain a commitment to this vision from all participants in the business,
- ☐ Appropriate business structure — typically flat, decentralised and based on focused product / market units rather than functional departments,
- ☐ Appropriate and continuously improving performance measurements, and
- ☐ A truly participative management style.

Real productivity growth cannot be generated by the traditional emphasis on the "hard" variables of strategy, structure and systems alone but by a total commitment to the "soft" variables of shared vision, leadership, openness, concern for people and a dynamic approach to organisation development

Critical concepts in the understanding of productivity are those of added value, the converse of which is waste

A measurement system able to measure the value-adding contribution of each business activity will clearly identify which activities to eliminate This cannot be strictly a management responsibility.

For many industries today the biggest element in a company's total cost structure is overheads which typically represent 40% to 60% of total cost while labour represents 5% to 25% and materials 15% to 45%. The value-adding concept is equally applicable to activities in business areas classified as overheads as in direct production activities.

On the material front, any expenditure which adds no direct value to the product, the most obvious being expenditure on stocks not immediately required in the process of production, is potentially waste to be eliminated.

Another major blockage to improved productivity is management's attitude to product costing and product pricing Traditional costing systems are woefully inadequate at identifying true product costs

The latest trend towards activity-based costing holds considerable promise for better cost information Beyond this, the attitude to product pricing that is based on a cost plus margin mentality will never result in real productivity improvement This is particularly in an environment in which pricing collusion and inflation have become endemic When the bottom line looks sick, increase your prices and margins and you can count on the competitors to follow suit

Japanese companies typically follow a very different philosophy driven by a need to become competitive globally Price is considered as the independent or fixed variable and costs must then be managed in order to yield ultimately an adequate financial return for the business

Ways in which costs may be managed, the techniques employed and typical achievable improvement are

- ☐ Product range reduction and focus,
- ☐ Product engineering for material cost reduction and improved manufacturability,
- ☐ Control of raw material, work in process and finished goods inventories can lead to reductions of 30% to 60% in total inventories,
- ☐ Selecting the appropriate manufacturing processes to match the required market volumes typically identifies between 25% and 50% of all activities, mostly in the overhead categories, that can be curtailed,
- ☐ Recognising the importance of integrating the total product supply chain from suppliers through manufacturing and distribution by sharing information and gaining commitment to a common strategy can eliminate up to 50% of material / products in the supply chain while simultaneously improving customer service; and
- ☐ Total quality control can reduce cost of poor quality from 30% to less than 5% of total costs.

SA businesses have typically up to 50% of their total costs rooted in areas where they may potentially be eliminated — 50% slack.

World class competitors have, through a process of continous improvement, perhaps reduced slack to 30%. Even the world class competition has a lot more improvement potential

Most SA companies do not reveal a propensity to start on this essential journey, and yet therein lies the real solution to our productivity bind

☐ **Janisch is an independent management consultant.**

# JCCI head slams poor growth in productivity

BDay 7/11/90

MARCIA KLEIN

SA manufacturing has shown a dismal growth in productivity, says Johannesburg Chamber of Commerce and Industry (JCCI) president Jonny Frankel

At a recent Retailing Realities conference on merchandising, he said productivity was a principal determinant of the standard of living

Job creation had been negative in manufacturing and huge in government services, and he said since 1971 government expenditure had rushed ahead of private consumption.

While SA's dismal productivity was due to economic and social factors as well as education, housing and union problems, "government consumption has hammered SA's productivity performance"

The increase in the civil service, the enormous rise in the tax burden and the erosion of disposable income leading to borrowing had eroded productivity

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## Privatisation

Pressure for wage increases by the unions was not backed by more productivity, and SA labour costs outweighed all other countries'.

There was scope for improving the downtrend with the privatisation and deregulation initiative and a commitment to cut back on expenditure

"It is a pity the privatisation programme has been interrupted," he said

SA Commercial Catering & Allied Workers' Union national organiser Paul Kashe said management bore the responsibility for production levels

Productivity was not only a question of labour productivity, but also of materials and capital, and statistics showed the productivity of labour moved with the economy

Pick 'n Pay industrial relations GM Frans van der Walt said the political situation had contributed most to a drop in productivity, with more than 71% of SA's employees disgruntled.

However, he said companies were also to blame, and would have to pay a living wage before they could hope to negotiate on productivity

# Producer price index inflation edges up

By Duma Gqubule Star 11/12/90

Producer price index (PPI) inflation, which has been rising since August, rose yet again in October, with the annual rate of change in the index jumping to 12,1 percent from 11,8 percent in September

The increase, which was somewhat less than some economists had feared, was mainly due to the 10c-a-litre rise in fuel prices (the largest component of the PPI) in September

Dearer fuel led to a sharp increase in the index for imported commodities

Imported producer price inflation rose by a year-on-year 11 percent in October, compared with an increase of only 4,4 percent in September

But it appears domestic inflationary pressures are beginning to decrease

The annual rate of change in the prices of local commodities for domestic consumption fell to 12,3 percent in October, which is 1,3 percentage points lower than the corresponding annual rate for September of 13,6 per cent

The annual rate of change in the price index of the total output of the SA industrial groups fell to 11,8 per cent in October from 13 percent in September

Bankorp economist Johan Els says producer price inflation could rise to 13 percent when October's fuel price increase comes into the index

"Thereafter producer price inflation should start coming down again," he says

Mr Els, who does not expect any early reduction in interest rates, says the Reserve Bank will be looking more at the consumer price inflation rate, money supply growth and especially the extension of credit to the private sector before making a decision on interest rates

"The Reserve Bank will want to see the rate of increase in bank credit (now at 15 percent) declining to below the inflation rate and staying there before reducing interest rates

"I would think the first drop in interest rates will come in March or April next year," he says

# Politics 'no answer' to poverty

WILSON ZWANE

POVERTY will continue to dominate SA unless labour and management reach practical agreements on how to tackle the problem, the National Productivity Institute says in its annual report

Political posturing does not help provide food, homes and education, it says.

The quality of life should be the foremost issue for citizens seriously concerned about the well-being of ordinary people of all creeds and colours. B/Day 14/12/90

"Poor people have a limited appetite for words. The masses are rapidly becoming disillusioned by the spectacle of so much jostling for political advantage while grinding poverty is ignored or exploited

"The training of unskilled labour must be tackled on a much bigger scale to overcome shortages in the skilled, professional and managerial categories," says the institute

It adds that it is time for leaders in the economy publicly to declare themselves willing to work together in easing the lot of the poor

The NPI is willing to offer its services as a broker in serious attempts by trade unions and employers to address poverty

"The NPI has the expertise to help companies tackle the challenges of the new SA by assisting in identifying problems and providing guidance towards solutions in the production, administrative, financial, human resources, marketing and sales functions," it says

PRODUCTIVITY

1991

1991 Cape Times 29/1/91 247



# Call to raise productivity to fight inflation problem

By AUDREY D'ANGELO
Business Editor

HIGHER productivity — which must be management-led — and increased exports rather than lower pay increases will help to solve SA's inflation problem, the Minister of Manpower, Eli Louw, told a media conference in Cape Town yesterday

He said that over the past decade the inflation rate and average pay rises had been more or less the same

"It is not the increase in wages and salaries per se that contributes to inflation, it is the (low) productivity of labour"

But, the minister said, labour costs were not the most important factor in pushing up inflation. Materials, high interest rates and inflationary expectations were all contributory factors

Stressing the need for the Reserve Bank to control the growth in money supply, he said this had been done in every country where the inflation rate had been brought down

The disadvantage in this process was that unemployment tended to rise It was important that the Reserve Bank should not be too drastic in applying this policy, causing too much unemployment.

The minister was speaking after the fourth annual conference of industrial councils, at the Holiday Inn in Woodstock.

In his opening speech at the conference, he said there could be "no doubt about the consequences of prolonged unemployment of large numbers of people on mental, social and racial tensions and on attitudes to work and society as a whole"

However, "the government can create only the economic framework and the climate favourable for job creation

"It primarily remains the function of the private sector to create employment opportunities"

It must be made worthwhile for the private sector to do this, through the ability to earn good dividends

"Growth in job opportunities, in the final analysis, depends on the rate of economic growth in the country SA's economic momentum for the future will have to come mainly from exporting manufactured goods

"Exports and excellence in general depend on our level of productivity which, in turn, must be management-led

"For a firm or an industry to become more competitive through productivity, management must be trained in productivity concepts and techniques

"They must know how to measure productivity, how to set productivity targets in co-operation with the workers, suitable training and how to develop teams of excellence in which management and workers jointly work towards a successful goal"

The minister pointed out that if more wealth had been created through higher productivity it should be shared in three ways

"The owners of capital should get a share in the form of greater profits, the customer should get a share in the form of lower prices and the worker should get a share in the form of higher wages"

The minister said it was not only management who needed training to achieve higher productivity "Workers must also be taught to have the right attitude to work, productivity and wealth creation for us to succeed"

# Doubt cast on growth in farming productivity

Star 1/3/91

247

By Sven Lunsche

It is doubtful whether farmers will be able to maintain the past five years' growth in productivity, Volkskas says in its Economic Spotlight.

The bank says it is essential that productivity be increased in order to improve profitability of the farming sector

In an analysis of the sector, economists at Volkskas say productivity increases over the last five years took place from a relatively low base

In addition, capital goods, especially machinery, will have to be replaced and will further slow productivity gains.

The commercial agricultural industry has only been able to exploit capital more effectively since 1984, Volkskas says, whereas labour productivity has recorded good growth over the past 30 years

Despite this trend, the practice of replacing labour with capital came to a halt in 1985, which was a reflection of the relative cost of various production factors

Volkskas says it is essential for farmers to raise the productivity of their capital.

It says there is a direct link between the profitability of farms and land prices

Producer prices for grain and meat began dropping in 1990, and there were indications that land prices, which were still climbing in 1988, had since begun to decline, Volkskas says

It seems, too, that the role of inflation hedging as a determinant of rising land prices has diminished, which could place increasing pressure on management capabilities and creditworthiness of farmers and prejudice their credit rating.

The debt burden had already risen by R800 million to R14,6 billion in the 1989/90 agricultural season which, in terms of a debt-to-asset ratio of 26,7 percent, was not too excessive, Volkskas says

However, the short-term component of this debt swelled from 35 percent 15 years ago to 55,3 percent last year, which has been one of the primary causes of farmers' liquidity problems over the last few years

The higher debt burden is exacerbated by the high level of interest rates in real terms

A one percentage point rise in prime rate lifts the total agricultural burden by an annual R140 million.

Rate hikes over the last three years have added about R1,2 billion per annum to the industry's interest charges,

"This has not only threatened interest rate subsidies intended to stabilise the cash-flow positions of farmers with high debt burdens, but has also intensified the overall financial risk in agriculture," Volkskas says

# Search for Japan's miracle formula

**Japan credits high productivity for the economic miracles that have spellbound its competitors on world export markets. South Africa hopes to reach a deal to share the success formula. MICHAEL CHESTER reports.**

Star 6/3/91

247

OPTIMISM is running high inside the National Productivity Institute (NPI) that Japan may soon leak the secret formula of its own economic miracles in a special deal to show South Africa how to quicken the economic tempo in the post-apartheid era

The issue has been discussed by NPI executive director Dr Jan Visser in talks with boffins at the Japan Productivity Centre and the idea is now under consideration at government level in Tokyo

Dr Visser believes that Japanese productivity know-how could propel South Africa out of its current economic malaise and towards a growth rate that would generate no less than an additional R124 billion inside the next 10 years to wipe out black/white inequalities and boost living standards across the board

The NPI estimates are based on ambitions to haul the economic growth rate from little better than stagnation to about five percent a year, which it points out is still well below the expansion rate of several Far East countries and well within feasible potential if South Africa finds the right formula

"The chances of agreement on a full flow of productivity know-how from Japan look good now that political reforms have cracked the ice of South Africa's isolation and the removal of boycotts clears the decks for more international co-operation in various spheres," says Dr Visser

In particular, he is excited about the chances of South Africa using the know-how to break the current impasse caused by management/trade union suspicions about the mere mention of productivity on any agenda

## Encourage

In Japan, both sides have learned the benefits of co-operation once they have fully understood the rewards that can flow to society as a whole, he says "They sit down to identify problems — and then hammer out solutions and set new targets It works

"If necessary, productivity agreement often goes hand-in-hand with bonus incentives to encourage employees to hit annual targets

"With the new mood of democratic reform, a similar sort of 'grand indaba' approach appears to be the ideal way to put the show on the road here too"

Dr Visser believes the argument is sealed by a countless number of international comparisons and the impact on economic performance when productivity has been used as the keystone of industrial policy

Dr Visser believes that South Africa's dismal productivity record is among the root causes of high inflation as well as economic stagnation

He demonstrates the point with an analysis of what has happened to production costs inside the manufacturing industries Between 1975 and 1988 the average labour cost of every unit produced grew by a stunning 377 percent Productivity improvements crawled behind at 27 percent

In Japan, where productivity climbed 117 percent, unit labour costs actually dropped — by six percent

"The effects on the cost of living are obvious," says Dr Visser "But think, too, about the effect on prices of export goods No wonder Japan dominates so many key overseas markets

"In South Africa, there is almost euphoria among many exporters who believe the removal of sanctions will mean a return to old hunting grounds

"They need to be reminded of the stiffness of competition out there and realise the hard slog ahead as they carry the growing handicap of a gradual erosion of the price advantages they used to enjoy in overseas markets"

The vast scale of potential rewards of productivity have also been spelt out by the president of the World Confederation of Productivity Science, Tor Dahl of Sweden

## Doubled

He has given a sharp reminder that while South Africa dawdled behind in the 1980s, average pay packets, with inflation stripped away, showed signs of actual shrinkage in real terms

If South Africa had managed to keep pace with the economic growth rates it achieved in the 1950s, average incomes would have doubled — and unemployment would have been in full retreat too

What frustrates Mr Dahl is that if South Africa could find a new formula to improve productivity and resume the annual five percent economic growth rate it used to enjoy in the 1950s, the average income of the 40 percent of the population trapped at the bottom end of the low-income bracket could soar by no less than 100 percent by the mid-1990s □

# 'Companies lose millions in bad sales planning'

ST Times 17/3/91 (247)

**Business Times Reporter**

POOR sales-force productivity costs South African companies millions of rands, says Dr Johan Smuts, director of productivity promotion at the National Productivity Institute in Pretoria

Information gathered by the NPI shows that South African sales representatives on average spend only 27% of their time with customers and about 20% of their time travelling

Of the time spent with customers, 60% is spent with low potential customers and 53% of salesmen's time is spent on office tasks not directly related to promoting their products, such as handling inquiries on production, quality, debtors and delivery time

Dr Smuts says low productivity levels, leading to inadequate sales performance, are almost without exception the result of poor quality sales management

"The NPI is finding that this year companies are showing a keen interest in investing in sales productivity improvement programmes," says Dr Smuts

"No longer can they afford a high-cost sales force that does not deliver profitable sales"

Various customer opinion surveys conducted by the NPI show that sales staff need more guidance from their companies with regard to product knowledge, call objectives, frequent calls in accordance with customer requirements, more technical knowledge and more empathy towards the customer

Companies with an effective sales management system find that sales staff are not only motivated to top performance, but also enjoy greater job satisfaction

# Rise in consumption spending continues

Star 21/3/91

By Michael Morris

Production levels in mining, agriculture and manufacturing fell last year, but the service industry showed moderate growth, according to the Budget review

Private consumption spending continued to rise during the present downphase of the business cycle, but real gross domestic expenditure fell by about three percent in 1990, against the one percent drop in 1989

Real government consumption expenditure in 1990 was about one percent higher than in 1989, though the rate of increase was both considerably less than the 3,5 percent of 1989 and the lowest growth rate for the past 12 years

The review, by the director general of the Department of Finance, Gerard Croeser, says "Although the economy has been in a downward phase of the business cycle since March 1989, real gross domestic product (GDP) rose by two percent in 1989

"The relatively favourable conditions throughout the greater part of the year were attributable mainly to good harvests and a continued sharp increase in the volume of exports

## Poor harvest

But from the fourth quarter of 1989, there was a noticeable change as a result of a poor wheat harvest and decline in mining production'

The resultant fall in the GDP continued through 1990.

For 1990 the negative growth in real GDP is now estimated at slightly less than one perent Real GDP per capita fell by about three percent in 1990 after having been unchanged in 1989

After a new high for the 1980s in the third quarter of 1989, real agricultural production then fell continuously

In the mining sector the fall of one percent in the value added in 1989 was followed by a further 1,5 percent in 1990

Real value added in the secondary sectors, which had risen by 1,5 percent in 1989, fell by 1,5 percent last year.

CITY

# Productivity is crucial, says Louw

ARGUS 18/4/91

(247)

By SHARON SOROUR
Labour Reporter

MINISTER of Manpower Mr Eli Louw has warned that unless drastically low productivity levels improve, South Africa will have no hope of competing in world markets when sanctions are lifted.

This blunt warning in an interview with The Argus follows the dire prediction of Reserve Bank governor Dr Chris Stals that South Africa will be ungovernable by 1995 if the country's poor economic growth continues

Underlining deep concerns that high production costs and low productivity were pricing this country out of the international market and eroding investor confidence, Mr Louw appealed to employers and unions to work together to achieve the economic growth that would reward all sectors

## Greater potential

While the European Community's decision this week to end sanctions against iron, steel and Krugerrands cleared the way for open trading with the 12 EC countries, business observers did not expect the move to have an immediate effect on trade levels

Against the background of greater export potential, Mr Louw warned that South Africa would have to improve its production performance if the country hoped to compete with the rest of the world and create new job opportunities

Last week, Dr Stals singled out social unrest, industrial action and the political uncertainties that were inhibiting business confidence as some of the main economically crippling factors

Mr Louw pointed to a recent survey of labour productivity in the manufacturing sector between 1975 and 1989 that showed South Africa fared the worst of the six countries reviewed

Korea's productivity was the highest, followed by Japan, Germany, the United Kingdom, the United States and lastly, South Africa

In contrast, Mr Louw said, the unit cost of production in South Africa was "by far the highest" of the six countries

He said "We are poor competitors in foreign trade as far as manufacturing is concerned

"Trade union leaders say that labour is exploited while employers complain that productivity is very low

"Both parties have to come together, and even bring in outside expertise, to find out where the truth lies."

## Complex reasons

Mr Louw said the reasons for South Africa's poor performance were complex, involving training, motivation of the work force, the type of industry and whether the country had an export advantage in that particular industry or not

While certain issues in labour relations were having a "bad effect" on the economy, Mr Louw believed the historic Labour Relations Amendment Act made "meaningful negotiation possible" and could lead to "economic realism" among both employers and unions

"The department is trying to find a way to develop the economy so that people can earn a decent living, but in a way that does not kill the economy There is a delicate balance to be reached," Mr Louw said

# Production volumes decline

Star 22/5/91 (247)

By Sven Lunsche

Manufacturing production volumes continue to decline in the wake of the slowdown in economic demand

Figures released by the Central Statistical Services show a decline in the index of the volume of manufacturing production of 2,9 percent for February 1991 compared with the same month last year

For the past three months the index has fallen by 0,4 percent compared with the preceeding three months from September to November 1990

The manufacturing sector has been hard hit by the slowdown in consumer demand and the subsequent de-stocking that has takenplace in most sectors of the retail industry

The seasonally adjusted Gross Domestic Product for the manufacturing sector fell by three percent in the first quarter of this year and many economists do not expect a significant improvement over the next few months

Inventory investment was negative throughout last year and the decline accelerated in the fourth quarter as a result of a further drawing down of industrial and commerical inventories.

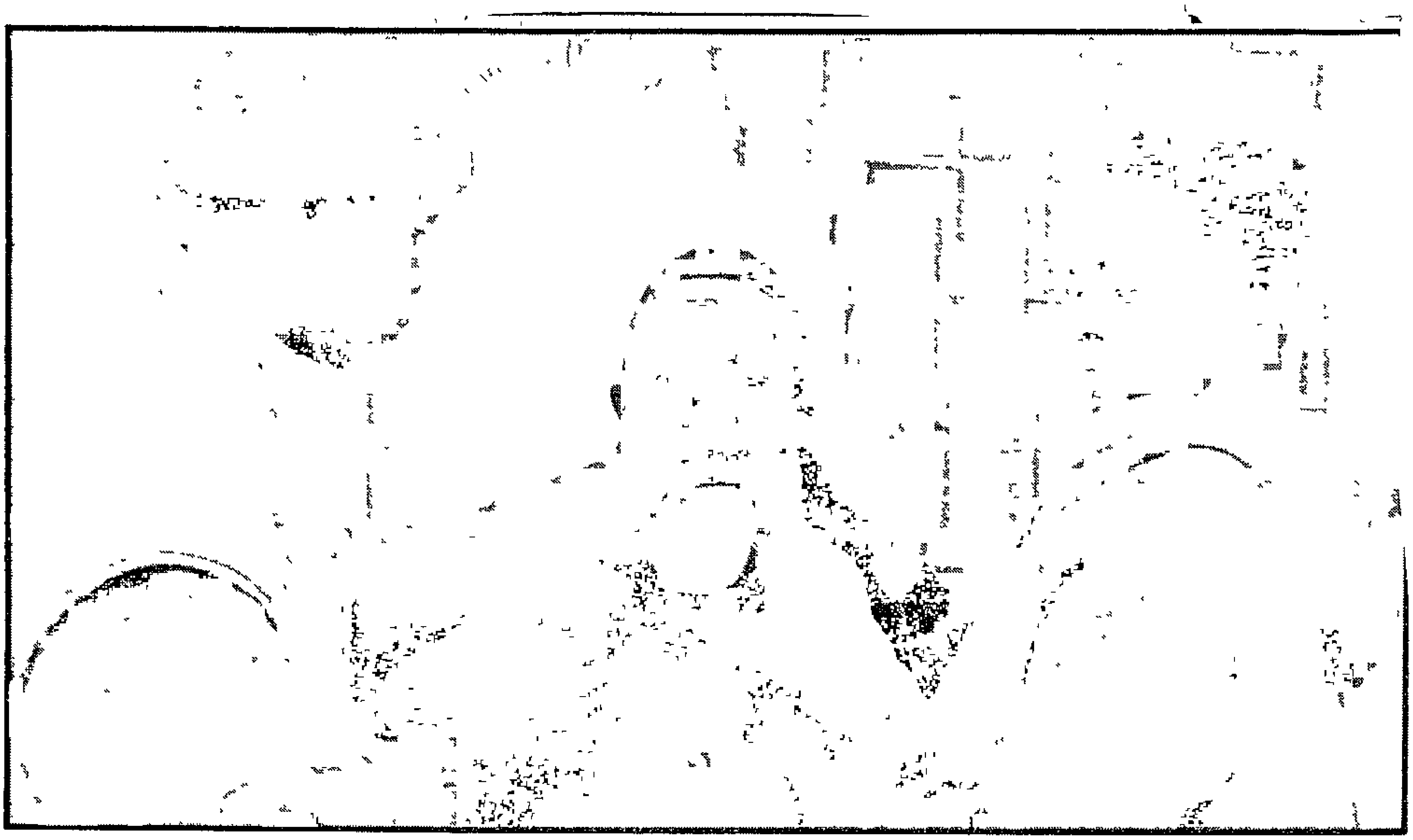
Altogether there was a net de-stocking in real inventories of R3 billion last year Economists had estimated that such a low level of stock could not be maintained and the subsequent re-stocking would lead to a rise in orders from the manufacturing sector

However, the extent of the fall in consumer demand has put paid to hopes of such a recovery

The Bureau for Economic Research at Stellenbosch University has estimated that private consumption expenditure on durable goods will fall by 8,3 percent this year, while demand for semi-durable goods is forecast to rise by a moderate 0,3 percent

Similarly, motor manufacturers predict a three percent fall in demand for new cars this year

Providing a breakdown of the volume of production in subsectors of the manufacturing industry the Central Statistical Services figures show that large decreases were recorded by the textile and footwear industry, iron and steel basic products, machinery and equipment and electrical machinery industries



THE SNIFF OF DEATH ... Desperate poverty is often the cause of drug abuse among youths. ■ Pic: EVANS MBOWENI

# 'Poverty causes drug abuse'

C | Pres 30/6/91 247

By SOPHIE TEMA

THE best way to fight drug abuse is to create better living conditions, says Deputy Planning Minister Andre Fourie

Speaking to social welfare leaders at the international day against alcohol and drug abuse called by the United Nations, Fourie said the lack of proper health facilities for blacks had aggravated the drug problem

Phoenix house director Dr S de Miranda said the massive increase in alcohol and drug abuse in black communities had not seen a parallel increase in facilities

He said drug abuse among young children is most common in poorer communities

"Research carried out in Soweto showed that children involved with drugs came from very poor homes and were suffering from malnutrition"

De Miranda called on the government to improve the entire health services network rather than waste money building more clinics

"Because of the poor economic climate many blacks got involved in illicit drug trafficking Their luxury cars, expensive clothes and big cigars attract young people," he said

# Manufacturing industry plunges into recession

B/Day 6/6/91 247

SHARON WOOD

THE manufacturing industry slid deeper into recession in March with production volumes down 5,2% year-on-year, according to preliminary figures released yesterday by the Central Statistical Service (CSS).

Manufacturing production had been in a shallow downward trend since the recession began in the first half of 1989, but the latest figures show a steepening fall

The manufacturing production index fell to 105,6 (1985 = 100) in March from 111,5 last year

Production of durable and semi-durable goods has been particularly hard hit by recessionary conditions in the industry

The industries contributing to the slump in March were beverages (down 0,4% year-on-year), clothing (-5,2%), paper (-9,5%), other chemical products (-2,8%), machinery and equipment (-3,0%) and motor vehicles (-1,7%)

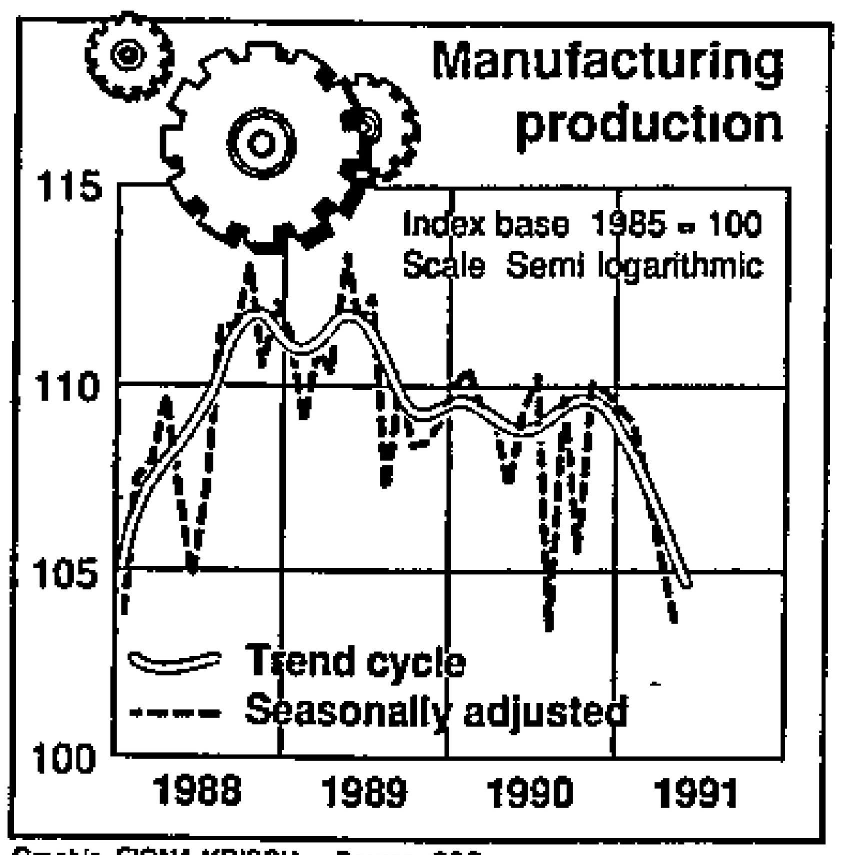
The figures followed recent concern expressed by Sacob and economists about the poor performance of the manufacturing industry, which is considered to be the growth engine in the development of the SA economy

Sacob, in its recently published Industrial Policy document, said industry's contribution to growth had declined steadily during the 1980s and remained significantly lower than in most developed and newly industrialising countries

The manufacturing industry as a whole contracted by 0,3% a year between 1981 and 1989, said Nedbank chief economist Edward Osborn in his latest Guide to the Economy

Osborn pinpointed several problems behind the poor performance of the industry during the decade

The cutback in fixed investment




Graphic FIONA KRISCH Source CSS

and capital formation in the manufacturing industry during the 1980s had a severe impact on the industry

"SA has inflicted greater damage on itself through curbing of capital formation activities than international sanctions," he said

Sacob says fixed investment in the manufacturing industry has been insufficient to meet capital replacement needs This is reflected in the declining trend in the level of fixed capital stock during the 1980s

The share of investment in the manufacturing sector in total fixed investment declined to 18% from 26% between 1980 and 1989

Manufacturing production stagnated during the 1980s despite high growth in domestic consumption and demand Osborn said increases in consumption demand had been met by imports instead of local production

Analysis showed only 16,7% of local production had been stimulated by the rise in domestic consumption over the period

The analysis also indicated that, apart from a few exceptions, SA manufacturing was not export-oriented — a mere 7,0% of the industry produced goods for export

CAPITAL PRODUCTIVITY FM 7|6|91 247

# THE LOW-GROWTH TRAP

**An important** constraint on the economy's capacity to generate sustained growth is poor capital productivity An analysis by the SA Chamber of Business (Sacob) shows that capital productivity in manufacturing is about 60% of the level of OECD countries Total productivity is only 41,3% of that in the average OECD country (see table)

Not only are these figures alarming in themselves, they become far more so in relation to the poor performance of gross domestic fixed investment (see *Leaders*) Reserve Bank *Quarterly Bulletin* figures show that capital stock rose only 13% in real terms in the seven years to end-1990, to R400,4bn

Because it's hard to get directly comparable data, Sacob made what it calls "a reasonable comparison" with a group of OECD countries, weighted by the relative size of their GDPs Values for SA in 1988 were compared with 1986 values of OECD countries, because capacity utilisation and the stage of the economic cycle have a significant impact on the productivity of capital stock "It was felt that these two years were a reasonable basis for comparison"

SA figures, however, may be inflated in two ways "Firstly, due to the reduced level of investment in fixed assets in recent years, the capital stock is relatively low compared to countries where investment levels have been maintained or even increased Secondly, due to the high cost of capital, only industries which can service this high cost of capital have been established, thus causing a relatively high added-value ratio"

A better assessment of productivity would be the ratio of net total output to total capital employed But as figures for working capital are not available, this can't be calculated

Sacob points out that all major sectors showed productivity declines between 1970-1989 — at an average annual 2,2%

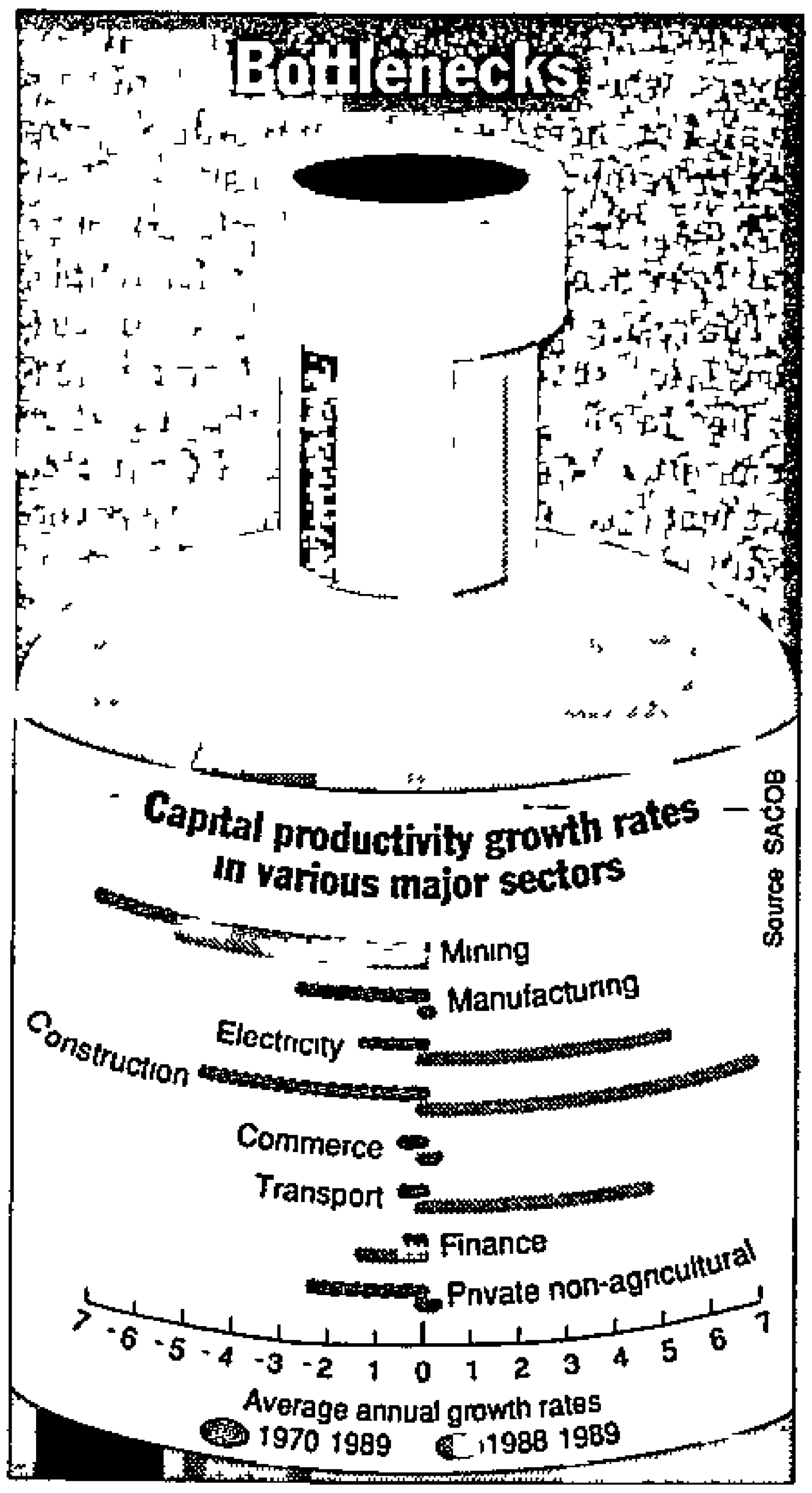
While most countries experienced falling capital productivity over this period, SA's performance was the third worst of those analysed The low level and negative growth of productivity results in "inefficient use of what is a scarce resource"

The major casualty has been manufactur-

## CAPITAL PRODUCTIVITY*

| | SA | OECD† | SA/Ave % |
|---|---|---|---|
| Agriculture | 0,501 | 0,550 | 91,2 |
| Mining, construction & electricity | 0,426 | 0,448 | 94,9 |
| Manufacturing | 0,553 | 0,919 | 60,2 |
| Services | 0,247 | 0,984 | 25,1 |
| Total | 0,315 | 0,763 | 41,3 |

* GDP output/unit of capital stock
† GDP weighted average




ing According to the *Quarterly Bulletin*, in constant 1985 rands, capital expenditure in this sector fell from R6,8bn in 1983 to R6,87bn in 1987 After a marginal increase in 1987, it surged by 21,1% in 1988, 34% in 1989 and 23% in 1990 But this was not due to any happy revival of animal spirits, ageing capital stock had to be replaced

And despite the additional spending, the level of capital stock rose only 1,8% in 1989 and 3,2% in 1990 to its present R47,2bn (in constant 1985 rands) — lower than in 1983 Moreover, a massive portion of the increase represents capex in Mossgas and is not the result of market investment decisions

Sacob says this lack of performance "probably made a considerable contribution to the lack of performance in the economy as a whole — particularly since 1980 when the gold price peaked and the rand value started decreasing rapidly Investment in the manufacturing sector declined such that the volume of output remained static and the productive capacity decreased"

As the rate at which capital stock is replaced declines, productive capacity falls

High costs of inputs — capital, labour and intermediates — place the manufacturing sector at a competitive international disadvantage If SA is to regain some of its lost market share in world markets and get manufacturing back on a growth curve, these factors will have to be addressed, Sacob says ■

FIRST NATIONAL BANK

# WRONG NUMBER

FM 7|6|91

**FNB has given** bondholders headaches by extending account numbers from 11 to 13 digits Debit orders to the new account numbers were rejected by the bank's electronic clearing systems as invalid Clients have now been told to use their old numbers and bank staff are transferring the funds manually

The new numbers are part of the development of the Hogan computer system, which has caused problems during its implementation over the past five years

The trouble is that the Automated Clearing Bureau (ACB), which co-ordinates payments between the banks, cannot cope with 13-digit numbers ACB is owned by the banks and operates on agreed international standards (a maximum of 11 digits)

Hogan puts the customer account record at the heart of the system, giving access to a full customer profile at the touch of a few buttons

This enables the bank to identify clients' needs and gives it a marketing edge Any increase in ACB's account number field to accommodate FNB would have serious implications for other users, which include large insurers and other banks Software, perhaps even hardware, would have to be changed, costs could be high

Why didn't FNB anticipate these difficulties? Senior manager Brian Gilfillan says FNB asked ACB to amend its account number field ACB couldn't, and another method will be introduced this weekend This will allow banks and insurance companies to truncate FNB's numbers, ACB will then expand them in its own system ■

INSURANCE

# LLOYD'S AGAIN

FM 7|6|91

**Private** hauliers are working towards a form of pool insurance — their riposte to an increased crime rate and across-the-board rises in insurance costs

Through Hosken Insurance Brokers, the National Association of Private Transport Operators (Napto) has introduced Naptosure, providing wide cover, typically at lower rates than operators can negotiate for themselves There is a safeguard against the usual weakness of such schemes — that efficient



PTO →

headline-writers as one of the very few trials which had a "Khaki' Roberts, whose bottle-swigging antics in court working class than to you or me"

# 'SA pay rises outstrip productivity' (247)

Argus 14/6/91

By SHARON SOROUR
Labour Reporter

WAGE increases in South Africa far outstripped increases in labour productivity, according to industrial relations expert Mr Larry Palk

Productivity was a major problem, especially in manufacturing, which was much lower than current and future world trading partners, he told delegates at labour seminar in Cape Town

Calls by government and major institutions over the last 10 years for an improvement in productivity had fallen on deaf ears

"However, there is no doubt that over the last 12 months, and particularly at the moment, there is more focus on low productivity than there has been for the last 10 to 15 years," Mr Palk said

Productivity in the business environment was becoming increasingly important because political changes would lead South Africa back into world markets

"The ability to compete on world markets will become a major issue," Mr Palk said

The export of manufactured goods from South Africa was vital

# Low output keeps SA back

## MONEY TALK

(247)

ONE of the most depressing problems South Africa faces on world markets is that our goods are no longer really competitively priced.

The reason is our high inflation rate, which economists say is the direct result of low productivity.

It is demoralising to look at worker productivity which has been declining for years with no sign of reverse.

In other words, the world will continue buying the products of Taiwan, Korea, Western Europe, Japan and the US beause they offer better value for money

The reasons for our declining productivity include lack of investment in modern technology, lack of training and motivation of workers, illegal strikes, stayaways, unrest and mediocre management But most demoralising is the confrontational attitude of both management and the trade unions

Endless debates between the two parties have solved nothing. Instead of co-operating they have been blaming each other for lack of progress.

But during the past week a breakthrough was announced. A new agreement between Anglo American gold producer Ergo and the National Union of Mineworkers has been worked out in a spirit of co-operation which could change the face of negotiations. C1 Press 16/6/91.

The agreement provides for a mere five percent general wage increase, but bonuses tied to productivity can be as much as 15 percent, depending on company profits and the performance of employees

There is speculation that the agreement can form the basis of this year's agreement between the NUM and gold producers who are members of the Chamber of Mines That would indeed be a breakthrough.

# A chance for Third World countries

B Day 20/6/91 241

IT'S WIDELY held that the force behind economic growth is increased national productivity

It's also been shown that such productivity increases are affected by investment in, and successful adoption of modern technological methods in all segments of an economy, says Punch Line Columbia Training GM Jacqui Kabatznik

Third World countries have battled for the growth found in developed countries, but she says changes have come with the knowledge revolution and the advent of the PC

"Successful use of computer technology and new technological infrastructure can instantly place previously backward countries at the forefront of economic activities

"There are huge installations set up to process paperwork, transactions and other functions of the service based sectors

"Many organisations are moving these processing operations out of metropolitan areas into areas where labour is less expensive, yet educationally on a par with urban workforces

"This is one area of opportunity for less developed nations

## Allows

"Communications technology allows these operations to take place anywhere in the world

"There is thus no reason why less developed countries can't attract a share of this market," she says.

But for Third World countries to take advantage of the computer revolution, the knowledge and education component of the transfer of technology must take centre stage

"All areas of computer literacy must be emphasised — from rudimentary keyboard skills to applications training and sophisticated programming

"This is a new educational challenge

"The developing nations have a rare opportunity to compete on a level playing field

# Wage deals linked to productivity can curb inflation

247

BDay 15/7/91

**GRAHAM BELL**

RECENT reports concerning a possible pay settlement between the Chamber of Mines and the National Union of Mineworkers mark a shift to reality in the wage bargaining process and raise important questions about inflation

An agreement in negotiations resuming today could provide for a 5% increase and a possible 15% bonus based on profit and performance Details of the agreement would be complex, with different approaches applying to non-profitable and profitable mines Nevertheless, this would be a major breakthrough after a number of years during which wage increases have exceeded the CPI-inflation rate, creating the untenable situation in which the mines' wage bill rose to a disproportionate share of total revenue

Between 1986 and 1990 working costs on the gold mines, of which labour comprises about 50%, rose from 50% to 80% of total revenue while the shareholders' slice declined from 15% to 5% It was inevitable that the burden of this unsustainable rise in labour's share should lead to a substantial decline in employment.

The chart shows the sharp decline in gold mining employment since 1987 That was the year in which a major power struggle between the industry and the union ended in a damaging strike A number of shafts were closed and workers retrenched

Even so, since 1987 statistics show that per worker wage increases in the gold mining industry averaged 18,2% a year This was some 3,7% above the prevailing CPI-inflation rate

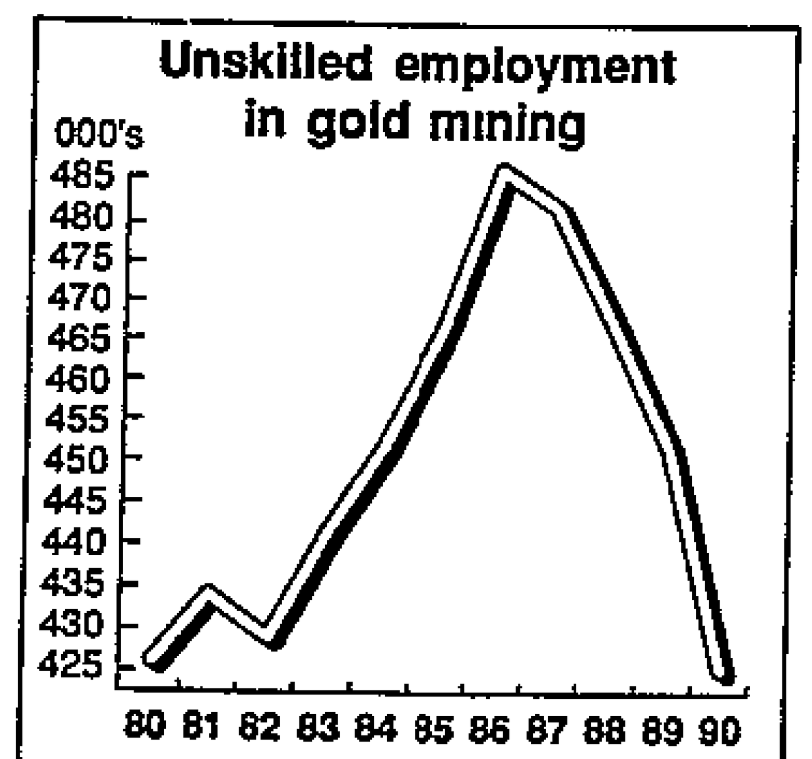
In addition to shedding labour, the gold mining industry has embarked on a major cost-cutting programme Suppliers have been forced into accepting lower price increases and head office rationalisation is widespread In terms of costs per ton milled, the industry has slashed its inflation rate dramatically — to just 8% by the end of the first quarter of 1991

Although not widely publicised, sabotage has been an increasingly worrying factor in recent years While politically motivated sabotage may continue, a labour force that is rewarded on a profit-linked basis will have less motivation to disrupt production This will benefit shareholders as well as labour

The proposed wage deal on the gold mines is linked to productivity which has become an increasingly intractable problem in the SA economy

There is hope that the deal will serve as an example to other sectors of the economy, all of which have been plagued by the accelerating wage cost/poor productivity syndrome The chart shows that total productivity per worker has risen just 7% over the past decade The total wage bill rose 385% in the same period

At the heart of the issue lies the cancer of inflationary expectations In recent years, the SA Reserve Bank has taken a firm stance on inflation The Bank is explicitly required to defend the value of the currency (both internally and externally) Although Governor Chris Stals has pursued this objective for two years, the policy has met with little success Despite a recession which commenced before he took office, the CPI-inflation rate has persisted around the 15% level



Graphic: FIONA KRISCH Source: CHAMBER OF MINES

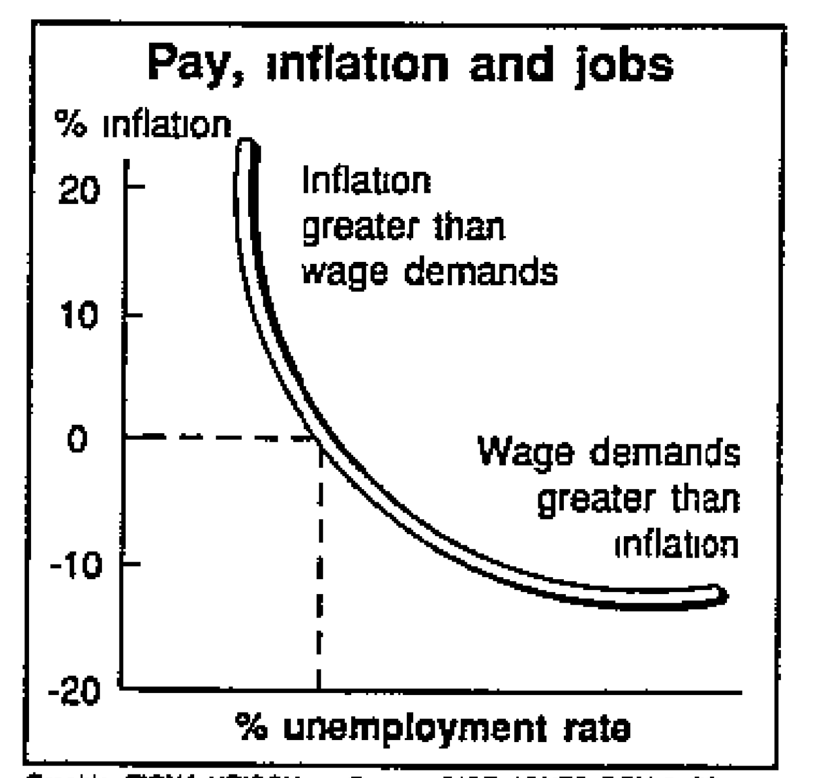
The Reserve Bank has recognised that the inflation bogey cannot be beaten unless inflationary expectations are altered Over the past 20 years inflation has risen steadily and successive failures to control it have merely entrenched the bias of expectations Ever higher inflation has been built or indexed into wage demands It is true that, in previous economic cycles, a recession has been associated with falling inflation, but each time the authorities have lacked the will to break the inflationary psychosis completely They have always backed off too early, leaving inflation to accelerate to new heights

In the most recent recession a new dimension has emerged The onset of the political thaw has raised demands for income redistribution and union wage pressures have become more strident than ever It is ironic that the new-found resolve of the authorities to combat inflation should arrive on the scene at the same time

The chart illustrates the problem confronting the Reserve Bank in combating expectations The experience of the mining industry is particularly relevant. In the lower part of the curve, wage demands are driven by unrealistic expectations of the industry's ability to pay Workers effectively price themselves out of jobs

In the upper part of the curve, wage settlements are adapted to the new reality, namely that it is accepted that the Reserve Bank is serious and will, ultimately, be successful in its quest to lower inflation The NUM appears to be moving from the lower half to the upper half in its recent negotiations with employers

The gold mining sector is, in some ways, a special case SA's gold mines are ageing and the industry is a pricetaker The price has performed poorly over the past decade The industry's profitability collapsed After many years of damaging confrontation and the loss of thousands of jobs, the combatants finally realised that it was in their interests to work together



Graphic: FIONA KRISCH Source: IVOR JONES ROY & CO

As Maynard Keynes pointed out wages are sticky downwards" This is not so for instance, in the much maligned stockbroking industry where pay growth is often negative in line with declining profits' Is it unthinkable that workers in other sectors should vote themselves a flexible wage package that adjusts in line with profits?

It is not certain that the gold mining example can be generalised to the rest of the economy Although there are retrenchments in other sectors and although pitifully few jobs have been created in the formal sector over the past decade, most unions do not yet appear ready to seek productivity arrangements At best a scaling down of wage demands is now in evidence

Therefore, it is not clear whether the Reserve Bank will win its battle against inflationary expectations One worrying sign is that the fiscal discipline that was evident in the Finance Department throughout 1990 is no longer there Government consumption expenditure has surged since the fourth quarter of last year Thus it appears that the Bank has lost an important ally in its quest

So far there are few signs that Stals is under any pressure to relent Indeed, he may well resist them should any such pressures emerge But without Treasury support, his battle will become increasingly difficult Already the bond market, where yields have risen back to about 16% has signalled its belief that the battle is being lost This is one of the most sensitive barometers of inflationary expectations

In the long run, it is certainly in the interests of trade unions and employers to seek productivity accords like the one that may be concluded in the gold sector Productivity growth is the key to wealth and, by implication to income distribution

The politics of the past few decades has encouraged confrontation in the workplace If this country is to succeed, future co-operation in the workplace is essential In addition, this government (and any future government) has to learn the fundamental fact that it cannot spend its way to prosperity The next year will be crucial in determining whether SA is to turn the inflationary tide

☐ **Bell is an economist with Ivor Jones, Roy & Company Inc.**

# Office workers 'waste 50 percent of day'

247

ARG 10/8/91

TOM HOOD
Business Editor

UNPRODUCTIVE white collar workers are pulling South African businesses into the quagmire and hampering their chances of competing effectively on international markets

Statistics indicate these workers spend 50 percent of their day on unproductive tasks, says Martin Kaplan, who heads Arthur Andersen's Operational Consulting Division in Cape Town

He told the Cape Chamber of Industries' seminar on Companies Survival for the 1990s that 40 percent of the price advantage of Japanese products related to its ability to keep white collar costs down

"Our Western company structures have layers of wasted management in place, putting us at a serious competitive disadvantage

"Extensive research overseas has proved that improved white collar productivity can bring about administrative cost savings of 50 percent and greatly improved employee morale, while providing an even better service to customers

"But, productivity cannot be improved in a vacuum. To achieve improved white collar worker output, companies must also have a controlled strategic plan and continually build and sustain enduring relationships with customers."

He says one of the ways to improve productivity is to re-focus workers on satisfying customers

In determining why businesses lose customers, it was found that 68 percent of customers are lost solely as a result of company indifference, while only six percent of customers are lost because of price

"The key to making workers more productive is to communicate the 'big picture' to them — to make sure that every person knows what is expected of them and why. One then has to continually measure and evaluate performance and reward accordingly."

The seminar was one of a series aimed at making local businesses more aware of the fine line between success and failure. Two further seminars on survival strategies for the 1990 will be presented on August 29 and September 11

# Retrenchment — its effect on staff and productivity

AEG 17/8/91

**WORK POWER**

Hylton Turner Industrial Engineering Services, NPI

THE economy is in the doldrums and many organisations are faced with shrinking markets, increasing competition, escalating inflation and costs, a weak rand and expensive financing

To survive they can reduce dividends, reserves and overheads, and where possible, increase prices But to remain competitive they need to increase throughput (not total output) and contain or reduce inventories and operating expenditure

Items such as advertising, training, travel, entertainment and stationery are all subject to pruning, but almost inevitably the real discussions are about the necessity of retrenching staff to survive

Often the instruction goes out that current staff levels must be reduced by say 10 percent across the board. Section managers must submit lists of those whose services can be dispensed with, usually starting from the bottom up From experience we know that such actions are disruptive, and worst of all, that within months higher costs start creeping back, regardless of statements that this will not be allowed to happen!

It is worthwhile looking first at some of the causes of excessive labour costs

- Above average salaries and wages that have crept in over the years.
- Under-utilisation of labour resources
- Inefficient labour performance due to poor systems, methods or technology
- Organisational structures which are either over-centralised or over-decentralised
- A devotion to sacred cows and traditional activities which contribute little to what should really be achieved
- Too many levels of management and too-narrow spans of control.
- Inefficient, poorly trained or uncommitted supervisors and managers

But assuming for the moment that there is no other way out of this quagmire, what are some of the dangers of moving straight into reactive cost cutting through staff reductions, without even looking at the effect on the overall productivity of the organisation?

Some of the more important dangers of staff reduction which management needs to be aware of are

- Poor morale and the resulting suspicion and in-fighting, a lack of commitment to improvement schemes, fear amongst those remaining that their turn will come, "cooking"reports to keep bad news from management (just at a time when it is critical that they be aware of what is going on in every area)
- Losing the best workers, who can move more easily, and being left with the mediocre ones.
- Weakening the skills base generally and particularly in those areas which may be required when the economy improves
- Actually reducing productivity, service levels and quality

So we see that the mere annoucement that "management has decided with regret to reduce staff by 10 percent" can hold many dangers for an organisation. What is required is systematic, pragmatic planning for survival and not sweeping, knee-jerk reactions and near panic percentage-based retrenchments

In fact, if management makes an operations level appraisal of the organisation and sets a framework of criteria for identifying where improvements leading to increased competitiveness can be made, it may be a golden opportunity to upgrade the productivity of the firm

## Share analysis and accurate forecasting — 5

247

# Assessing margins and productivity

Star 30/8/91

**A 10-part series by Jacques Magliolo on methods used by JSE analysts to predict company performance.**

In this final section on fundamentals, changes in profit margins are investigated and other factors affecting final company profits are described

Before assessing changes in margins, the following basic definition and explanation should be reviewed.

- Margins effectively indicate whether the company is operating at a high or low productivity level
- To calculate margins, operating profit is taken as a percentage of turnover.

There are many factors which can seriously affect productivity and can often be assessed only after a "factory tour"

To prepare for the excursion, the analyst carefully looks at the company's value added statement, which enables him to determine three fundamentally important issues

First, this shows historic dividend and interest payments. If interest payments have been rising rapidly and this trend is not expected to abate, it could leave less capital available for future expansion and to strengthen reserves

Secondly, it shows the amount of funds used for maintaining and expanding operations The latter figure enables the analyst to ascertain changing company policy — for example, there may be a move away from being labour intensive.

Thirdly, and more important, the high cost of employee remuneration is shown In the past two years there has been a major move towards reducing the wage burden through mechanisation

### Labour disputes

Another reason for aiming at being more capital intensive is to offset the negative affects on productivity and sales of prolonged labour disputes, strikes, go-slows and stayaways

A walk through the factory floor enables the analyst to inspect personally how smoothly factory operations are carried out, whether any serious problems exist and how new the machinery is

Before making his final forecast on profit margins and, thus, future operating profit, it is essential for him to look at the effects of possible future consumer boycotts, international sanctions, government interference through tariffs and duties and the availability of raw materials resulting from scarcity or monopolistic control.

Once all these factors have been assimilated, a decision on profit margins is made using the following formula.

★ Change in turnover (outlined in part 4) is multiplied by expected changes in margins, which equals forecast profit margin.

The next step is to forecast the following factors and to show how they will affect operating profit.

★ Interest payable, which is calculated on the expected level of borrowing, debt policy and objectives of the firm (ratio analysis will be discussed in part 6)

★ Tax rate. The future rate can be determined based on accumulated losses and decentralisation and other benefits.

★ Profit before extraordinary items, minority interest payments and preference share issues.

The latter is the easier of the three to calculate. The company would have made a press announcement of any further preferential share issues or amounts redeeemed

Extraordinary items and minority payments have to be estimated, but discussions with directors helps produce an accurate figure

★ Attributable profits This is the net effect on operating profit of the above and is used to pay a dividend to shareholders, while the rest is transferred to reserves

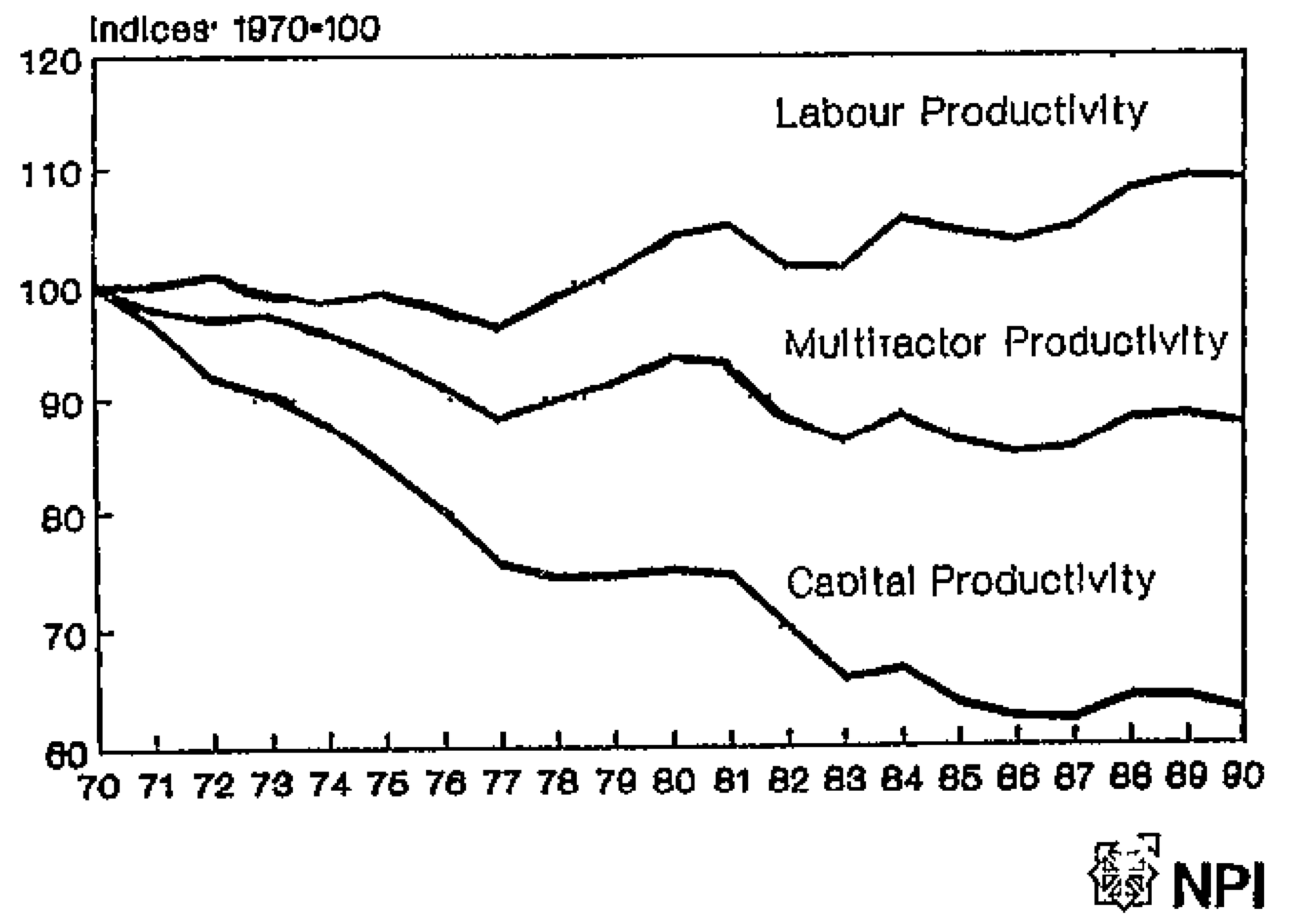
The attributable profits enable the analyst to calculate earnings per share (EPS), by dividing this amount by the number of shares in issue, which can also be assessed from press cuttings and discussions with the directors

★ Dividends per share (DPS) Once EPS has been calculated, this figure can be worked out by reviewing the company's dividend policy and historic dividend cover (EPS divided by DPS).

If the cover remains constant over a number of years, it is highly probable that this policy will remain in force.

Part 6 on Monday will deal with ratio analysis and cash flow projections, which, are used to determine company strengths and weaknesses, such as solvency, liquidity and financial leverage

**MULIFACTOR PRODUCTIVITY IN THE PRIVATE NON-AGRICULTURE SECTORS**




# Rates remain high to fight unemployment

w/mail 30/8-5/9/91

244

**Positive real interest rates are normally seen as a method of fighting inflation but the Reserve Bank argues that they are needed to fight unemployment as well, reports REG RUMNEY**

SOUTH AFRICA needs positive real interest rates — ie higher than inflation — to fight growing unemployment

This, as well as fighting inflation, was advanced by Reserve Bank governor Chris Stals this week as a reason for keeping rates at present levels

Stals put his finger on what has become one of South Africa's intractable problems in his address to the Bank's AGM

Realistic interest rates, said Stals, are needed for a proper allocation of resources They will, among other things, lead to capital being used more productively and to production being restructured to alleviate growing unemployment.

The Reserve Bank's annual report, released this week, points to South Africa's increasing displacement of workers by capital over the last two decades, especially in the private sector

Indeed, the National Productivity Institute has released statistics which underline the poor productivity performance of capital

The NPI's productivity statistics show that capital productivity last year declined by 1,8 percent, and labour productivity more or less treaded water with a 0,1 percent decline Multifactor productivity — the broad measure — showed a 0,9 percent decline

Increasing use of capital in the private sector is pinpointed by the Reserve Bank Its annual report says the "capital labour" ratio, which shows the substitution of capital for labour, has levelled out in the public sector

Various causes are mentioned for the phenomenon of buying machines instead of employing people In particular, "relative factor prices" were distorted

Low and often negative (lower than inflation) interest rates meant the cost of capital in the early and mid-Eighties and during the Seventies was relatively low

The average exchange rate of the rand, especially in the early 1980s, was unrealistically high Tariff policies protected local industries against foreign competition. There were a number of tax allowances designed to encourage capital investment in manufacturing

"At the same time labour became more expensive, real wages showed a sharply rising trend because wage settlements generally failed to adequately recognise the relative abundance of less-skilled labour

"Unionisation, political actions in the trade union movement, protest actions, strikes and unrest added to the non-wage cost of labour "

The annual report also comments that it is not surprising that there was a considerable substitution of labour by capital

Noting high rates of increase in average nominal salaries and wages in the non-agricultural economy, the report says the South African labour market has become increasingly distorted

"In contrast to most industrial countries, which have been able to contain wage increases within reasonable limits by decentralising the determination of salary and wage increases, the wage negotiating process in South Africa has become more and more centralised, leading to unrealistically high wage settlements

"Labour unions have mainly been concerned with broader social and political issues, which are not always work-related and often aimed at maximising short-term benefits for the unions' members, but disregarded the long-term effects of such actions on labour and unemployment

"Attempts to close wage differentials based on race and sex also did not take underlying supply and demand conditions into consideration "

# Boom in black credit demand

w/mail 30/8-5/9/91

By MONDLI MAKHANYA

CREDIT use by blacks is on the increase and is set to rise even further as retailers continue to tap this market. Rising black wages and higher disposable incomes are the main driving forces of this surge in demand

According to Information Trust Corporation credit bureau, the black segment of its consumer data base grew from about one million to four million between 1982 and 1991 ITC MD Tony Leng estimates black demand for credit is growing at around 30 percent a year

A big chunk of this has been in home loans but the main beneficiaries of the growth of credit use have been clothing and furniture retailers

Leng maintains blacks are "severely underborrowed" and that the next three years will see a big increase in lending to blacks as retailers prepare to capture this market.

At the start of the black credit boom in the early Eighties, retailers often sacrificed credit worthiness for market share and as a result there were many payment defaults and repossessions

The credit risk stigma which blacks have now acquired as a result of credit having been available to clearly undeserving people has also landed the white business establishment in a quandary On the one hand white business is anxious about touching what are perceived as "credit risks" But on the other hand no businessman can ignore a market that will be the decisive factor in the struggles for competitive superiority

Leng contends the notion of blacks being credit risks is a myth that needs to be dispelled

"Blacks' willingness to repay is much greater than that of other groups It is rather the white middle class that is immersed in debt."

However, Kreditinform MD Ivor Jones says although blacks generally make good debtors "political developments and recessions often cause problems"

Whole Page



247.

# Nation must commit to wealth creation to cut job shortage

THE entire nation should commit itself to a central theme based on wealth creation if it is to address the job shortage problem

National Productivity Institute (NPI) executive director Jan Visser says job creation is SA's greatest need and the answer to the problem of poverty

Calling for a productivity theme that spans ethnic, cultural and other differences, he says priority must be given to raising productivity standards in order to create more jobs and eliminate poverty

Along with being a prerequisite for an increase in exports, productivity improvement is fundamental for overall economic growth

"Productivity improvement needs to grip the imagination of the nation — a superordinate goal all want to be enthusiastic about

"Every participant in the economy should make a quantum leap and define what is important to SA and then take positive action in order to achieve results"

## Lagging

Visser says SA is lagging in competitive edge and needs to introduce an "outward looking" economic strategy, such as most Far Eastern countries, in order to uplift exports

Unless SA's lack of competitiveness is solved, little hope remains for improvement in the quality and quantity of exports and the chance of creating more jobs

Notwithstanding export opportunities having been assisted by a weak rand and export incentive schemes, the need is for a sustained export strategy — not just a policy of import replacement

While such a strategy has been considered for years, the business sector has provided little more than lip service to the implementation of an export strategy, says Visser

"It is vital to introduce a comprehensive information and educational programme so the nation understands the process

"Everything rests with improving productivity — provided we are serious about getting the right things right"

Visser says the strategy must be treated with urgency and not be put off

Exports must be increased in order to contribute towards improving living standards

He says successes in the Far East are examples to be followed and those countries have admitted to becoming more productive only after developing and implementing their own strategies

South Korea "worked itself out of trouble" by increasing throughput — a factor partly assisted by Koreans working on average 52 hours a week

## Awareness

Singapore, having achieved recent success in exports, implemented an awareness campaign that produced results by the time it reached finalisation last year

Visser says the NPI has the advantage of access to the Singapore training and marketing material

"We have the ability to adapt it for use in this country, but without funds we would be unable implement it," he says

# Trio of successful operations

A TRIO of companies to have won National Productivity Awards in the silver class include Barlows Appliance Company (BAC), Pretoria Portland Cement (PPC Hercules) and Robertsons (Prospecton)

BAC has limited price hikes on its products to increase market share — the result of a productivity programme implemented by the Johannesburg-based manufacturer of domestic appliances and air conditioners

In 1986, management noted local products were not competing with imports, product designs were outdated, quality levels were unsatisfactory and manufacturing costs were rising fast

Industrial engineer Roger Fenwick says BAC took action over the whole spectrum of company activities, including labour, quality, materials and overheads

From 1987 to 1990, improvement amounted to R26,4m and direct material savings constituted 40% of this improvement

"The company's market share increased by more than 36% and we also won the Cullinan Design Award last year for our range of built-in ovens"

PPC Hercules has been successful with a productivity planning system implemented in 1988

The programme centred on improved utilisation of the workforce along with better application of all equipment

Before 1988, the physical condition of the plant was poor

It had been providing cement to parts of the northern Transvaal since 1912

Moreover, the environmental pollution it created was detrimental to the company's image, while productivity was low and motivation lacking

## Exceptional

"Today, sound management principles and excellent management/worker co-operation have brought about exceptional results, making Hercules the best in the group

Apart from upgrading the appearance of the factory and surroundings, production levels have been maintained with 20% fewer man-hours

Power and overtime savings have exceeded R1m, wages have increased 17% a year over the same period, while absenteeism has fallen by 45%

A productivity improvement programme involving all ranks that took effect three years ago at Robertson's plant at Durban (Prospecton) has revitalised morale and production quality

Certain initiatives have resulted in machine utilisation increasing by 16% and manpower utilisation by 42%.

Customer service also improved and savings of more than R6m were realised

Morale is high and the quality of work life, communication and safety have improved

# Flying Starship reform set to boost workplace

THE new Flying Starship Factory workplace reform methodology is expected to gain acceptance in SA, particularly in companies with management shortages

Capable of improving productivity by up to 60%, the Starship Factory workplace reform is an innovative, hands-on simulation which demonstrates how the hidden potential of human resources can be unlocked.

NPI special projects director John Parsons says this simple methodology confers dignity on employees by emphasising assimilation in the workplace as opposed to hardnosed management by authority

Managers and employees may find organisational change disconcerting as new demands are placed on them and the outcomes are uncertain

However, the Flying Starship allows them to experience the power of participative work design first-hand.

"Typically, they achieve gains of 30%-60% or more over structures imposed by managers, engineers, accountants or consultants

"They make breakthroughs in cycle times, inventory reduction and quality of goods, services and work life," he says.

## Re-design

The concept is based on putting employees and managers into working groups where they run a traditional production system, self-manage its re-design and re-run their own version with startling results.

Parsons says because they are all involved in redesigning the workplace, participants find Starship an intrinsically satisfying concept

Each group can be self-directing, with the role of the line manager becoming that of a coach responsible for managing the interface between one group and the next.

The Starship Factory shows that individual efforts add nothing to business success unless the whole system functions to take care of the customer

It has helped thousands of workers, engineers and managers worldwide move from bureaucracy and fragmention toward quality, wholeness and good work

## Deliver

Participants set about manufacturing paper "starships" in a traditional, closely supervised system — and deliver them to a customer.

Then, using the first production run experience and the work design principles learned, participant teams self-manage the re-design of the work system and implement their new "high performance" design in a second manufacturing run

The teams go on to analyse their breakthroughs and explore the implications for their work places

Teams invariably experience dramatic improvements in productivity, quality and worker involvement, resulting in increased satisfaction, he says

"They develop insights about the source of those improvements"

This usually results is the need for fewer layers of management

# Range of training available to foster individual worker

ASSISTING organisations to develop individual employees, groups of staff and the organisation in which they function is being successfully undertaken by the NPI human resource's division

Divisional director Louis Pepler says a range of training programmes has been developed and upgraded over recent years which equip individuals at all levels with productivity awareness and improvement as well as management skills

Programmes enable an organisation to manage a continuous process of improvement

He says an example is the 6M Simulation training programme, which teaches employees basic business principles

"Due to its acceptance, about 180 6M instructors were trained for client organisations during the past year"

Pepler says most high performing organisations realise their staff is the most valuable resource because they are responsible for the utilisation of all other resources

"They are the only resource that can improve over time and as a result the management of high performing organisations view money spent on staff as an investment rather than a cost

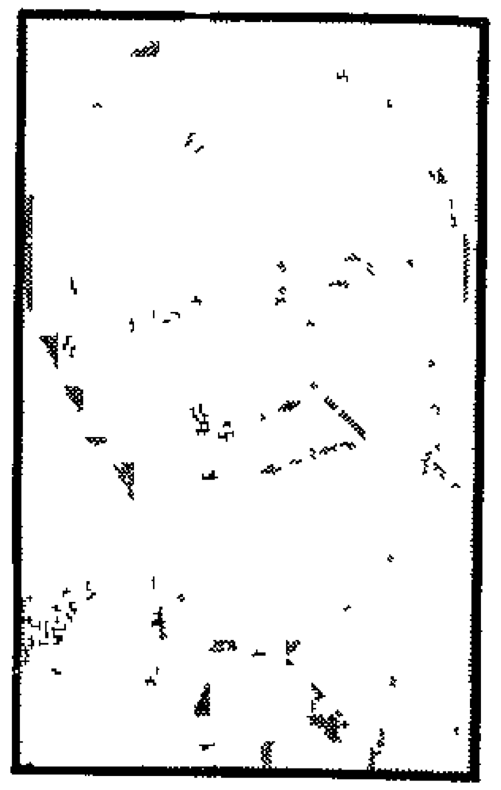
"The creation of an environment in which employees can develop to enable them to make an optimum contribution to the success of the organisation has been a priority in all the award-winning organisations in this year's National Productivity Award competition"

## Addressed

He says various aspects of organisational functioning must often be addressed to obtain better bottom line results

"In the rapidly changing environment in which we operate today, the organisation structure is sometimes not geared to face and react to new challenges

"Consequently, unique approaches to structuring have been developed and



LOUIS PEPLER

implemented with a number of clients

"These actions usually result in a structure that is strategically focused and reacts rapidly to market signals, delivers better service and becomes more competitive

"This in turn increases market share and employment opportunities," says Pepler

Other aspects of organisation performance often addressed are

- ☐ Communication processes, internal as well as external,
- ☐ Motivational practices,
- ☐ Culture aspects of change, and
- ☐ The implementation of performance appraisal systems

# NPI's focus changes to meet the market needs

THE NPI is exporting productivity methodologies it has developed and is importing top-rated international processes that can be adapted to the South African work place

These are some of the features arising out of this year's reorganisation of the organisation

Headed by CE Jan Visser, who is assisted by six divisional directors, the NPI has moved away from product-driven organisation to a market-need one

## Adjusted

Visser says "We still provide the productivity product, but have become more market driven — in much the same way the CSIR (Council for Scientific and Industrial Research) adjusted from a science to a technology-driven body"

Stemming from the reorganisation has been the formation of two special projects divisions, headed by directors Gert Geyser and John Parsons

They are responsible for importing tried and tested methodologies which are culture-free and of high value to SA businesses across the board, while exporting NPI products and services

Geyser spent time in the US last year learning about Eli Goldratt's Theory of Constraints, a revolutionary philosophy for management and manufacturing which he is introducing to SA businesses

"This culture-free and trade union-approved methodology is the best news in SA for many years," says Geyser

Exports are proving successful business ventures since the special projects division was launched early this year

Parsons says the NPI has licensed foreign productivity service organisations to use its products in the US, Australia, the UK and Israel and is negotiating with other European and south-east Asian countries to do the same

Visser says the NPI has also undertaken projects in neighbouring countries

These include assisting countries like Malawi and Swaziland to set up productivity facilities and introducing methodologies to the textile industry of Mozambique

"We want to build on our international reputation and make available our methodologies to organisations elsewhere in the world," says Parsons

Although productivity upgrading themes are not being widely pursued by African states, there are growing possibilities for the organisation to market its productivity expertise throughout Africa

## Negotiating

Visser says the NPI has been negotiating with overseas-based productivity leaders to use their productivity products and support under licence in SA

He expects to clinch more deals and apply them on a business venture basis throughout SA and other parts of Africa

A constraint remains a shortage of funds to market the NPI's services more effectively

More money is also required to import high-value methodologies and recruit and train expertise in line with growing demand for its services

MANY people in the lower skilled category could find jobs throughout SA's tourism industry, but the absence of an active tourism culture is stifling growth

This finding emerges from multi-disciplinary studies conducted in recent years on the hotel, holiday resort, caravan park and travel agency sectors by the NPI national studies division

Conclusions suggest the industry has been unable to make a co-ordinated effort to promote SA's features and cultural attractions in countries where potential tourists abound

NPI industries director Charles Lundall says local players also lack knowledge of overseas tourist needs in accommodation, transport and other services

"It has done too little to promote tourism and define the needs of potential tourists living abroad"

With few exceptions, local players have had little regard for providing value for money where most services are concerned

Lundall says management and marketing problems are evident, which has resulted in SA tourism displaying a lack of enthusiasm for doing the right things or improving productivity standards

"Apart from not looking at broader market needs, individual organisations fail to concentrate inwards on issues such as their financial control, management development, industrial relations, legislation and training

"The industry has got to change its tourist culture and make a co-ordinated effort to tap overseas markets"

### Negative

Satour, regional tourism development organisations and the Department of Tourism have been "doing their own thing", he says

Sadly, however, many services, including hotel accommodation, have been increased without a corresponding increase in productivity

One possible reason for these negative factors appears to be the surplus of small tourist-related businesses with individual incomes too insignificant to justify expenditure on improvements

They receive too little recognition for their good performances and have become anxious to share in any profits arising from their achievements and improved productivity

"However, in the end it's a question of promoting sound management, being sensitive to improvements in productivity and acknowledging these," he says

## Advisory service bearing fruit

STEERED by an advisory group of leaders in the apple and pear industry, the NPI's deciduous fruit unit has helped improve human and industrial relations in this sector

NPI human resources and agriculture director Louis Pepler says because the farm manager's ability to communicate with employees is paramount to success

"He must consider the needs and aspirations of the work force in the changing South African situation"

Faced with rising input costs and fruit prices affected by many factors beyond his control, the effective utilisation of all resources is essential for success

Directed by its advisory committee, the NPI unit looked at the productivity processes, including growing, packing and distribution, in deciduous fruit production

Pepler says productivity is not confined to the farming and packhouse operations and improvements can be made from ground preparations to the product reaching the consumer

The unit visited many packhouses, where it concentrated on the packer and ways of enhancing productivity

### Reviewed

Layouts were reviewed from the ergonomic, throughput, fruit friendliness, training and supervisory points of view

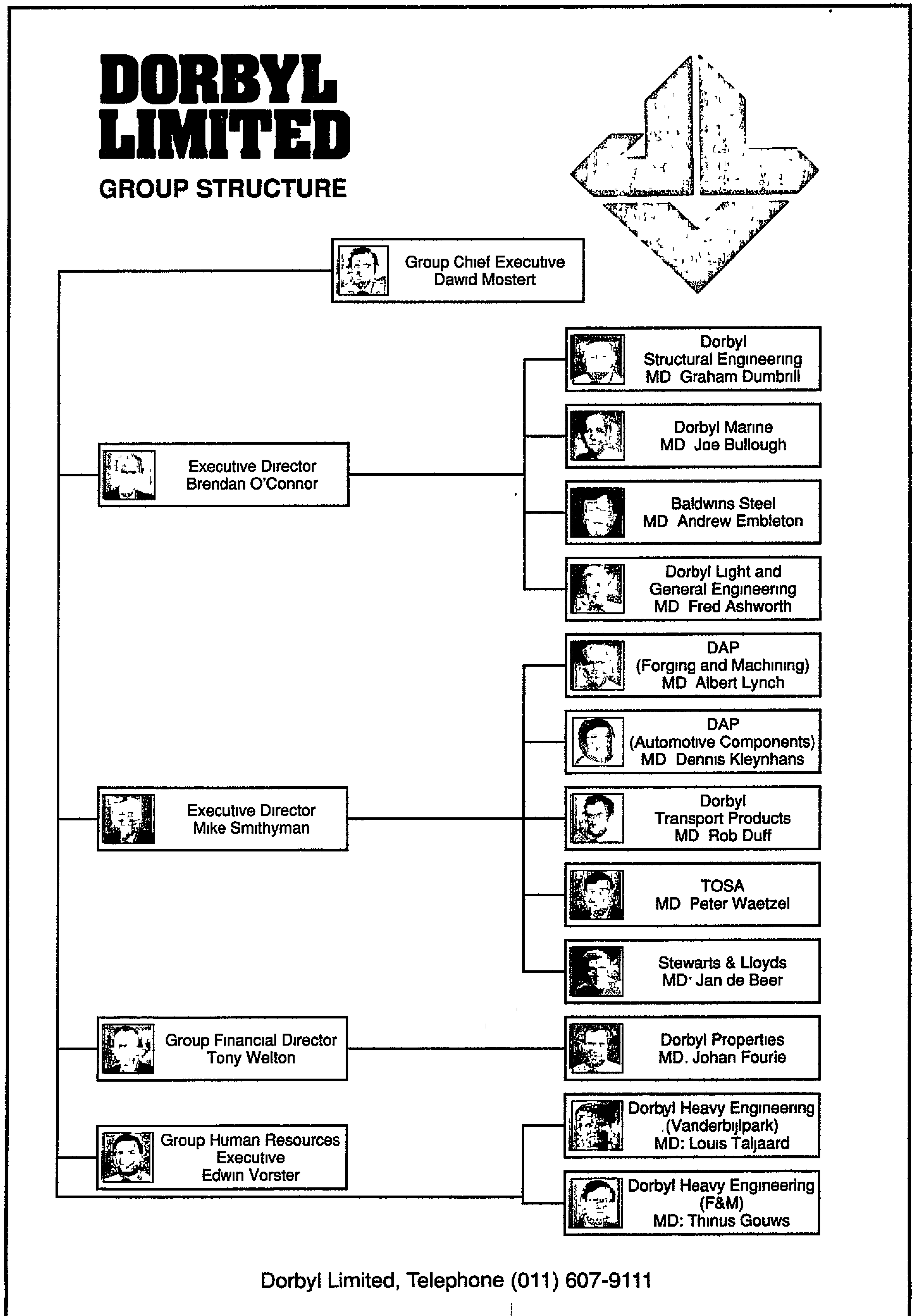
Communicating the need to modify packhouse layouts, design and concepts to meet the challenges of future marketing requirements in packaging and fruit quality were also undertaken

Often, the unit acted as facilitator and did not become involved in industry specifics

Unit personnel identified areas of weakness within an organisation, made recommendations and encouraged its personnel to solve the problem

Meanwhile, production of the NPI's new training videos continued to increase

The productivity award programme overall winner for 1990, was Whitehall Farm in the Grabouw area



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# Opportunities are lost due to bad planning

SA organisations are forfeiting many local and overseas marketing opportunities due to the poor quality of their marketing plans

These findings by the marketing management department of the NPI suggests low-quality marketing management often results in an inadequate marketing performance, while marketing plans frequently leave much to be desired

NPI productivity promotion director Johan Smuts says the NPI has the expertise to identify and remedy the shortcomings

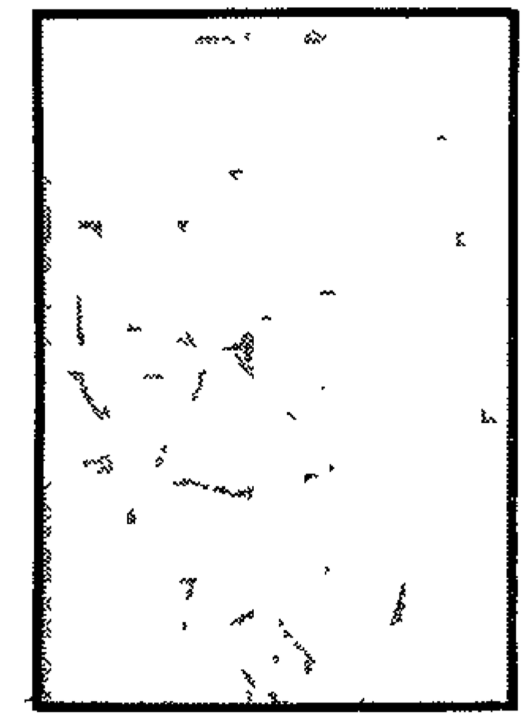
Successful and profitable marketing requires knowledge of the market, including opportunities and potential, as well consumer needs and preference

## Informed

"If the consumer is informed of the benefits of your product offer and providing it represents better value-for-money than a competitor's product and is available when and where required, the climate for success is favourable"

Unfortunately, Smuts says many organisations do not perform optimally even under favourable marketing conditions because

☐ They do not have well-formulated marketing plans,



JOHAN SMUTS

☐ Marketing plans exclude decisions on the short and long-term objectives the organisation has to achieve through its marketing efforts,

☐ Plans are often vague and it is difficult to establish which objectives have to be achieved at what time,

☐ The responsibility for achieving objectives is often not allocated to a specific person,

☐ Irrelevant information which neither supports decisions nor contributes to the success of the organisation is often included in the marketing plan,

☐ In almost every instance, the objectives to be researched (marketing outputs) and strategies and action plans for reaching these objectives (marketing inputs) are not related — which hampers marketing control and can affect marketing productivity

Smuts says marketing can create a climate in which productivity, profitability and job creation thrive

## Decisions

The correct approach to planning a marketing strategy is similar to formulating a house or building plan both consist of decisions

Well prepared marketing plans that work and promote success must contain decisions on

☐ The business you want to be in (which market you are in)

☐ Which target markets you are serving,

☐ Product range suitability for the target market,

☐ The market potential of each product in the range,

☐ Selling objectives for each product,

☐ The marketing strategy to achieve the selling objectives,

☐ Control over the marketing attempt

The NPI has developed its "marketing management system", which shows organisations how to prepare, implement and control marketing plans

# Assistance gets the ball rolling

SEVERAL business sectors have lifted their productivity after receiving assistance from the NPI industrial and metal engineering divisions

This division has assisted a number of sugar mills in the planning of maintenance programmes and the installation of performance feedback systems

NPI industries and industrial engineering director Jan-Henk Boer says during the five-month off-crop season, sugar processing mills are taken apart in order to carry out maintenance projects have shown productivity deficiencies which have led to cost overruns from overtime and emergency subcontracting"

However, he says feedback systems have enabled maintenance programmes to be completed without incurring undue overtime and sub-contracting expenses

## Drive

The division has also been called in by insurance companies, banks and parastatals to assist in a drive to improve administrative and financial sectors has highlighted a need for administrative productivity which ensures improvement in the quality of service

"We foresee even greater focus on this important aspect of our economic life as nothing upsets the man in the street more than an inefficient and slow clerical service or paper chase"

Boer says in the past 12 months it was heartening to note the interest of members of the National Association of Automobile Components and Accessories Manufacturers (Naacam)

# Positive results from day one

TRANSMED, the medical scheme run for Transnet staff, last year saved R71,8m as a result of a concerted drive to streamline its operations

Transmed instituted a number of major changes, for which it received a silver award in the 1991 National Productivity Awards

Three years ago, Transmed became SA's first medical scheme to apply the co-payment system to all suppliers of services

Patients then had to negotiate prices and fees in their own interests

## Drastic

Transmed executive manager Retha Ross says drastic action by the company ensured that stockholding at its pharmacies was reduced from 21 weeks to the four weeks stock on hand

Another change was the negotiation of discounts with various manufacturers

This was made possible by providing manufacturers with information on the movement of their products

The major factor was a decision to centralise operations through computerisation

"This required the development of an appropriate software package and a commitment to change on the part of all personnel

## Video

"A video made possible effective communication with more than 600 employees around the country"

Ross says a new organisation structure was developed for Transmed and one central office was established in Johannesburg last year

"Positive results in productivity from the entire effort were obtained from the first whole page.



# Government must assist in the drive to create wealth

GOVERNMENT could assist the wealth creation process by providing greater tangible support for a major national productivity awareness campaign

"Such a sustained productivity drive has been identified following the President's Council's study into determining a strategy and action to improve productivity in SA

Calling for more financial and moral backing, National Productivity Institute (NPI) chairman Hugo Snyckers says a new era has dawned in SA for productivity improvement

"Only when all South Africans work together in an all-out effort to improve productivity will we create the wealth to underpin the political and social changes taking place"

The awareness campaign, which would be similar to earlier efforts conducted by countries in Europe and the Far East, would only succeed if it could be financed by government with tax-payer's money

## Reduced

In more recent years and as a result of the NPI generating most of its own funds, government funds for productivity improvement have been continually reduced

"The contribution to the NPI has become set policy and this allocation is not nearly enough to finance the programme envisaged"

However, Snyckers says in these days of scarce resources it would require a major re-think by government to allocate sufficient funds for an awareness campaign

"It would serve no purpose to allocate more funds to the NPI without strong visible commitment from the government in general and the State President in particular to the drive to improve productivity," he says

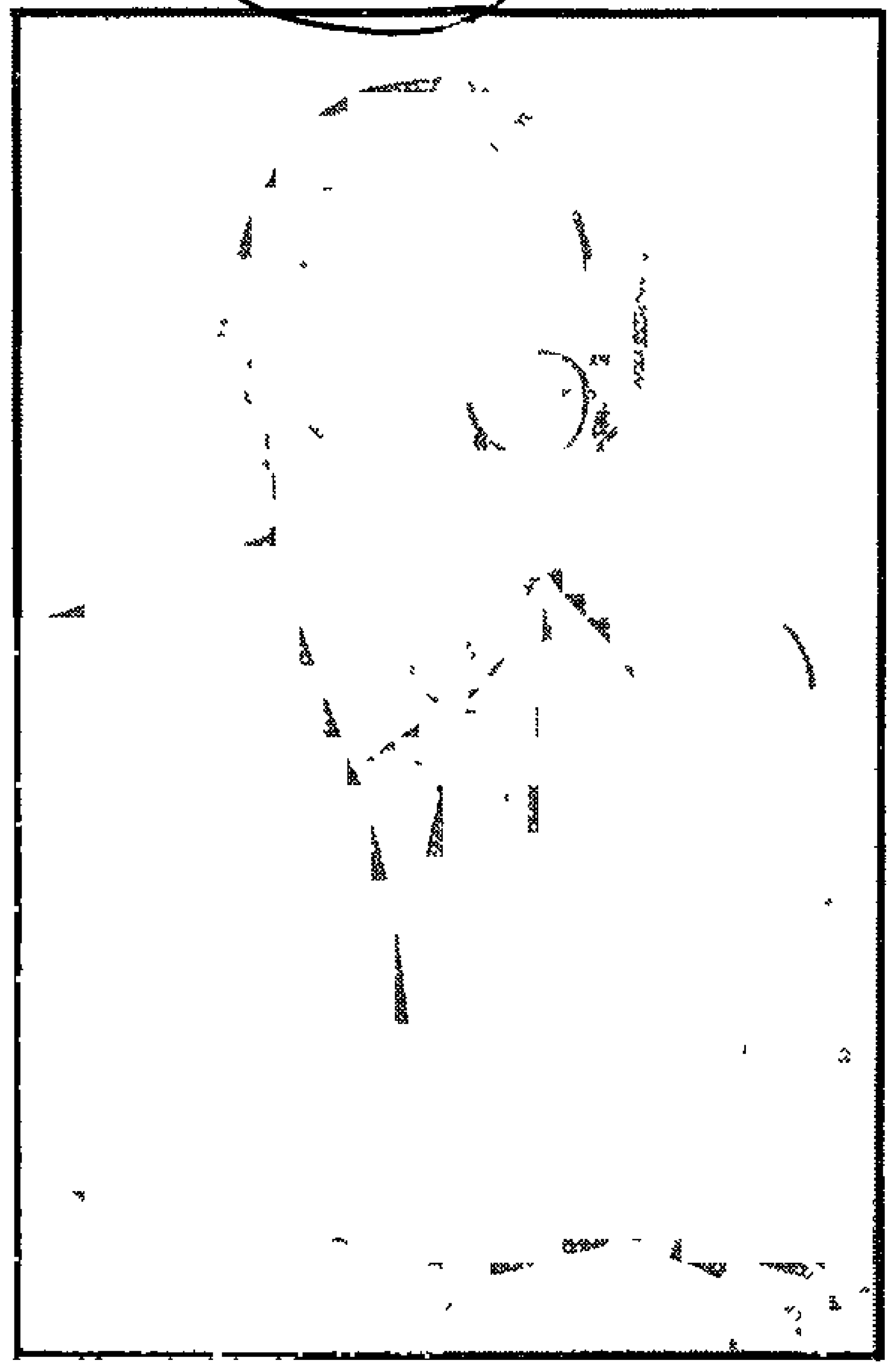
Management and labour have shown their commitment to productivity by working together in harmony in the Productivity Advisory Council, formed in 1968

From the start, the council has been a consensus organisation, with participants undivided in their belief that the standard of living in SA will and can only be determined by "our level of productivity"

## Supportive

Over the years, the Productivity Advisory Council has never found it necessary to call for a vote because of disagreement as government has always been supportive

"What we need now is greater tangible support from government in the form of financial and moral backing for a national productivity drive which should last at least five years," says Snyckers



HUGO SNYCKERS

# Guest speaker is a manufacturing guru

MANUFACTURING guru and originator of The Theory of Constraints (TOC), Eli Goldratt, will be guest speaker at this year's National Productivity Week

To be hosted by the NPI, organisers of Productivity Week and the National Productivity Awards banquet on September 2, US-based Goldratt is expected to draw in business executives at his one-day workshops

These take place in Johannesburg on September 2, Durban on September 3 and Cape Town on September 4

His workshops will be conducted on a framework for helping businesses determine what to change and how to create change

NPI special projects director Gert Geyser says Goldratt's TOC approach can give the same results in SA as Deming's productivity improvement approach yielded in Japan

He says the NPI provides a series of one-day TOC seminars and two-day workshops throughout SA

When conducting the 10-day TOC "Jonah" courses, NPI experts are assisted by senior partners from the Goldratt Institute in New Haven, US

It is noteworthy that TOC is based on five focusing steps which form an integral part of the process of ongoing improvement in a business

## Identify

They are to

- ☐ Identify the system's constraints,
- ☐ Exploit its constraints,
- ☐ Subordinate everything else to the constraints,
- ☐ Elevate the constraints,
- ☐ Do not let inertia set in, but refocus on the next constraint

When dealing with these steps, simultaneous consideration must be given to three questions on the improvement process what to change, what to change to and how to cause the change

# Expertise is on hand to help companies

THE NPI has the expertise and motivation to help companies in all business sectors tackle the challenges of the new SA, says executive director Jan Visser

As one of the world's foremost productivity organisations, its expertise can assist in identifying problems and providing guidance towards solutions

Effective utilisation of resources in today's challenging business environment demands quality productivity management

## Advice

"Our experts can provide advice on productivity programmes in the production, administrative, financial, human resources, marketing and sales functions"

Many productivity improvement programmes have been conducted by the NPI in co-operation with leading SA organisations in its 22 years of existence

"Our mission is to make a contribution to the improvement of the standards of living and quality of life of all people in SA and to the creation of employment by taking and evoking action that will result in the more productive use of resources"

Visser says productivity is the most important issue for social upliftment and economic wealth of a country

"The notion that it has no fatherland nor any political colour means it is accepted by both Marxist and liberal economic theories

"It is a holistic concept, as it deals with all outputs (goods and services which meet customer and quality standards) and inputs (capital, labour, materials and energy)," he says

More specifically, productivity is the ratio between goods and services produced on the one hand and the resources used to produce them on the other

Quality and productivity are inseparable productivity is fundamental for profitability

A greater and more positive understanding and application of productivity ideals at all levels will lead to improved outputs and hike the living standards of all

"Improved productivity is the best route for better real profits and the creation and sharing of wealth in a new SA," he says

## Sharing

"If people are to embrace the idea of creating and sharing wealth, all South Africans must be convinced that productivity improvement is of fundamental importance"

As a result of a management decision earlier this year — in the light of political, economic and social trends — the NPI is to place greater emphasis on the development of human resources

While profits are a vital factor in a market economy, he says they should not be derived at the cost of human advancement

# Getting better is a mirage for many

SA management can break away from productivity inhibiting "cost world" predispositions and leap into the "throughput world" of ongoing improvement

For many SA organisations, the process of improvement remains a mirage

However, by introducing the Theory of Constraints (TOC) management philosophy they can maximise their time management and profitability

NPI special projects director Gert Geyser, who describes TOC as "the answer" for helping companies to help themselves, says many SA companies cannot compete internationally because they are "not applying the right management philosophies"

## Stagnating

They function in accordance with stagnating "cost world" principles which encompass the 80.20 Pareto Principle — a rule whereby 20% of the variables are responsible for 80% of the results

While this rule is statistically correct when dealing only with independent variables, the "throughput world" recognises that a typical organisation consists of dependent variables

"Many tasks and functions have to be carried out in synchronisation, until a sale is realised — until throughput is gained

"Hence, the Theory of Constraints has rewritten the Pareto Principle to the 99,9 0,1 rule, which means only a small percentage of the variables control the destiny of a company," he says.

The throughput world deals with chains of actions and the strength of the chain is determined by its weakest link

# Improvement process hikes operating profit

SECUNDA Collieries, the world's largest underground coal mining group, increased productivity by 10,5% since the Sasol Quality Improvement Process (SQIP) was introduced in 1986, says financial manager Leon Labuschagne

"Operating profit also shot up on average by 290% yearly, while the real cost of coal for Sasol Two and Three synfuel plants decreased by R28m

For its achievements, Sasol Collieries, comprising the coal mines Brandspruit, Middelbult and Bosjesspruit (now amalgamated with Twistdraai), was adjudged winner of a gold class award in the National Productivity Awards this year

"The quality of coal has been improved to such an extent an ongoing increase in gas yield a ton is being attained," he says

SQIP is a process based on the ongoing meeting of productivity requirements agreed on and the identification and elimination of non-conforming actions

Labuschagne says other achievements which resulted at Secunda Collieries include

## Improved

- ☐ Labour productivity improved 16,7%,
- ☐ Production productivity went up by 18,5%,
- ☐ Real investment inventory decreased by 34,7%,
- ☐ Worker safety improved and all the mines and other departments now have five-star National Occupational Safety Association (Nosa) ratings,
- ☐ Accident and fatal injury rates are lower than those of comparable coal mines in SA, the US and Australia

# Port's capacity is increased by 133%

**PORTNET Richards Bay manager Jan Scheepers was behind the introduction of a wide range of productivity improvements that have earned the port a silver award.**

**Improvements in handling, loading and raising the quality of work life for local employees have raised productivity by an average of 4,5% a year and increasing port capacity by 133%**

**For years, export handling activities concentrated on the multi-purpose bulk-handling terminal with little growth in the cargo-handling areas.**

**Progress was restricted by a centralised management system and low productivity, while the emphasis was on meeting budgets rather than bottom line results.**

## Activated

**Then an improvement process was activated in four main areas, competitiveness and profitability; customer service levels; improvement and personnel development**

**The actions taken varied from building new quay walls so as to move away from "bulk only" business, breaking down the functional management structures and building strategic business units**

**Productivity in handling and loading increased by 50%, bringing it in line with the best in the world, he says**

# Mondi method opens up new farming areas

DEFYING conventional wisdom and the scepticism of environmentalists, Mondi Forests (South) has achieved miracles in timber production and fruit tree cultivation on marginal land

For these achievements on the Natal South Coast, Mondi Forests won a gold award in this year's National Productivity Awards competition

Achievements included tree growth of six metres in the first 12 months, while at the same time opening up marginal farm land for crops such as paw-paws, sugar cane, bananas and granadillas

The company wished to expand its production of timber for pulp products, although most of the affordable land near existing pulp mills was already established

An area at Ifafa, consisting mainly of abandoned cane fields, became available, says Mondi Forests work study officer Pierre van Daele

"Although the climatic conditions were suitable, severe limitations existed in the shallow soil, high intensity storms and winds and steep slopes"

## Eroded

Since profits from wood pulp can be eroded through transportation costs and Ifafa was only 35km from a major mill, Mondi Forests examined ways to use this land for afforestation

It adopted an approach that defied conventional land tillage and enhanced soil conservation through an extensive programme of land preparation

"Developing an idea introduced in Portugal, a series of experiments was conducted culminating in the transformation of the steep land contours through bench terracing and the use of a specially designed ripper to provide tilth and soil shattering

"Land which would have yielded 80 tons/hectare, and an after-tax yield of 4%, is now capable of yielding 150 tons/hectare after only six years and an after-tax yield of 16%," he says

The technology embodies a new concept of water management and water retention is high even during the heaviest storms

"Application of the technology to other crops is showing similar results and sugar cane yields have improved by 20%," he says whole page.

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# Helping companies to help themselves is a breakthrough

IN A breakthrough for SA productivity, the NPI has secured a licence agreement and is implementing the US-developed and internationally acclaimed Theory of Constraints (TOC) management philosophy

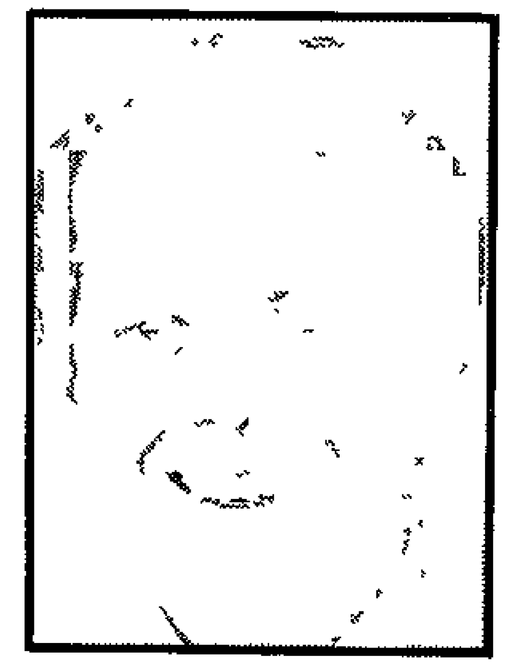
Based on helping a company to help itself, the tried and tested process, which emphasises "ongoing improvements by focusing on throughput", was developed by businessman Dr Eli Goldratt

## Studied

It is being introduced to SA management by NPI special projects director Gert Geyser, who studied TOC in the US

"While TOC is unlimited in its applications, it does not replace existing productivity approaches or philosophies, but strengthens them," he says

The methodology acknowledges every company has its behavioural, physical and policy constraints or factors which prevent it from high levels of performance, and that it should be managed according to these constraints



GERT GEYSER

Covering everything from quality management, costing and improved response to the marketplace, the TOC philosophy is introduced into businesses by the managers themselves, rather than letting consultants do it for them

"For managers to be able to introduce a process of ongoing improvement in their organisations they need to have knowledge insight and skills"

TOC never loses sight of the fact that the goal of any business organisation is to make more money

But too often physical, behavioural and policy constraints — which managers are often unable to identify — hold it back from achieving a higher level of performance in driving towards its goal

The most common constraint is that of "cost-world thinking", which focuses on artificial productivity targets

Managers are conditioned to focus on artificial targets, such as equipment payback periods and "paper" profits generated by internal money shuffling — instead of the true goal (throughputs) of a business, which is to make money

"To achieve the true goal of making money they need to undergo a shift in thinking to enable them to move from the cost world to the throughput world," says Geyser

Providing further insight into some other rudiments, he says the TOC philosophy incorporates eight unique characteristics whereby it

☐ Pulls together the various departments, divisions and so also pulls together the various management approaches,

## Goal

☐ Continuously relates to the real goal of ongoing improvement,

☐ Builds upon five focusing steps,

☐ Adopts the Socratic approach to manage change,

☐ Simplifies performance measurement,

☐ Moves the organisation from the "cost world" to the "throughput world",

☐ Introduces the "effect-cause-effect' and "evaporating cloud' techniques to identify core problems and to arrive at simple solutions

# New resource policy boosts turn-around

A NEW human resources policy was a major factor in NCP Chloorkop's turn-around over the past three years, when sales values increased by 160% and production per person improved by 199%

Silver class National Productivity Award winner NCP Chloorkop was confronted by outdated technology, unacceptably high pollution levels and zero growth in the mid-'80s

The chlor-alkali and related products manufacturer also had to cope with excessive production and maintenance costs

Management formulated a strategy based on four pillars primary products, secondary products, maintenance and human resources

In 1987, the outdated technology was replaced with an efficient membrane technology plant and a multi-disciplinary team developed systems for secondary products

## Preventive

A preventive maintenance policy was introduced while a new human resources policy was developed and implemented

Fixed cost a ton decreased by 60% and maintenance costs fell by 11,3%

Savings through import replacement amount to almost R400 000 a year

# Multi-pronged effort has led to success

A MULTI-PRONGED approach to address inefficiencies and other problems at Eskom's Hendrina Power Station led to productivity improvements that have earned the station a silver award

Inefficiencies, poor working standards and methods, low educational levels and management involvement were addressed, says manager Louis Nell

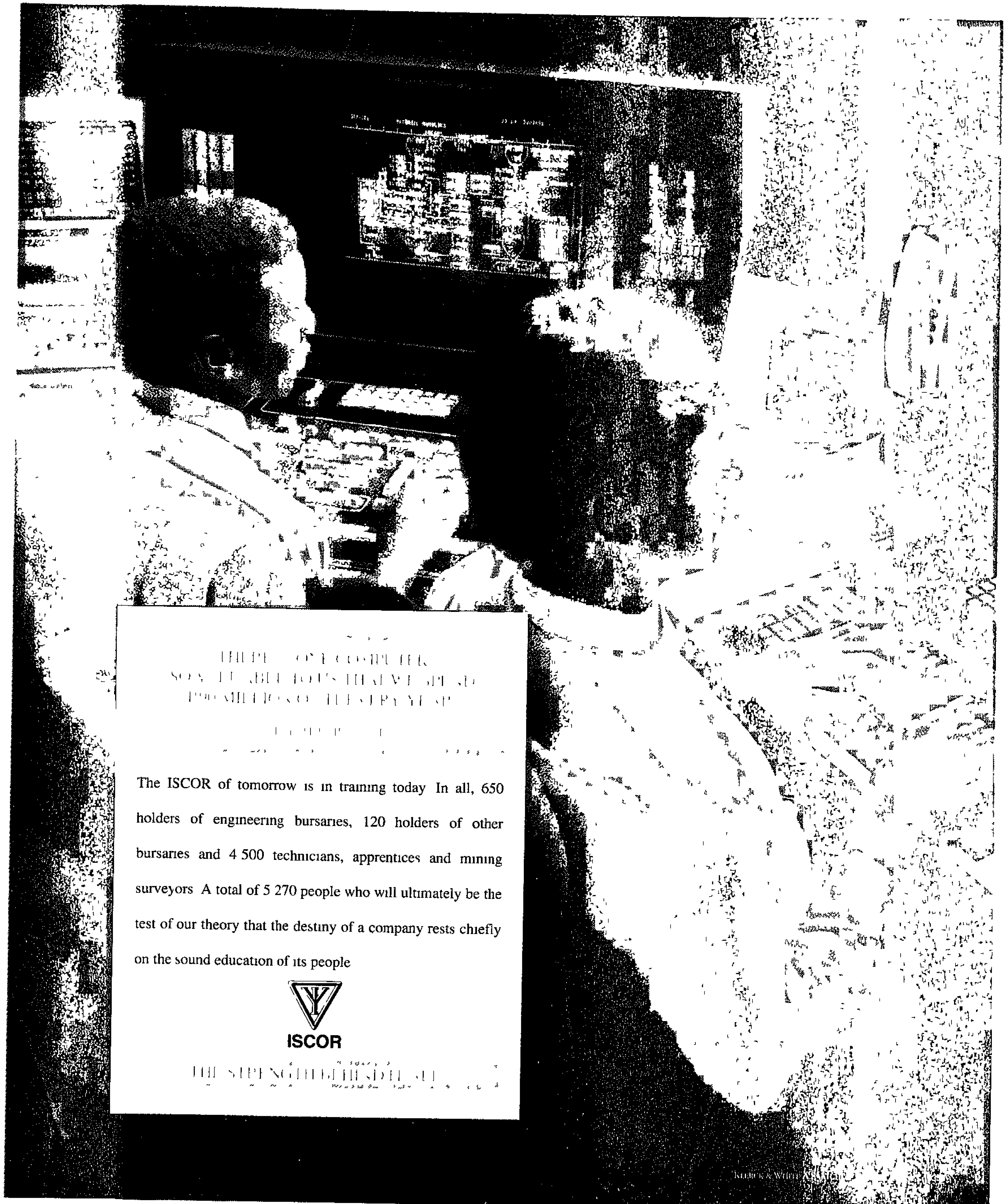
This resulted in a 1,6% cut in production costs of electricity from 1988 to 1989 and a further reduction of 4,87% to 1990

In the same period, the units of electricity generated increased, generation losses were cut, availability improved and reliability and plant efficiency were also higher, he says

Much of the productivity drive successes stemmed from an initiative to recognise and reward employees for their achievements at work.

A firm of management consultants analysed work content, staffing levels, reporting structures and control mechanisms

"Since then management has driven an ongoing improvement process," says Nell



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# Business Day SURVEY

*Political posturing is no substitute for food, homes and education The key to political stability in SA lies in economic growth. An important tool for promoting social upliftment and economic wealth is productivity The NPI has the expertise and motivation to help companies tackle the challenge*

*LYNN CARLISLE reports.*

## Improvement drive saves Caltex R17m

**SAVINGS of more that R17m a year, including forex on crude oil imports, resulted from a productivity improvement drive implemented in 1985 at the Caltex refinery at Milnerton**

**This performance, spurred by the earlier commissioning of an instrument modernisation advanced control project, earned the refinery a gold award in this year's Productivity Awards competition organised by the NPI**

**The R80m project is a major innovation and places Cape Town as the leader among Caltex refineries worldwide, says quality co-ordinator Danny Hendriksen.**

**Opened in April by Minerals and Energy Affairs Minister George Bartlett, the electronic control of the plant involved laying 2 700km of cables.**

### Quantified

**The project has led to quantified benefits in terms of improved process efficiency, energy savings, crude oil savings, quality and environmental control**

**"Savings will eventually amount to more that R16m a year, including forex savings on crude oil," says Hendriksen.**

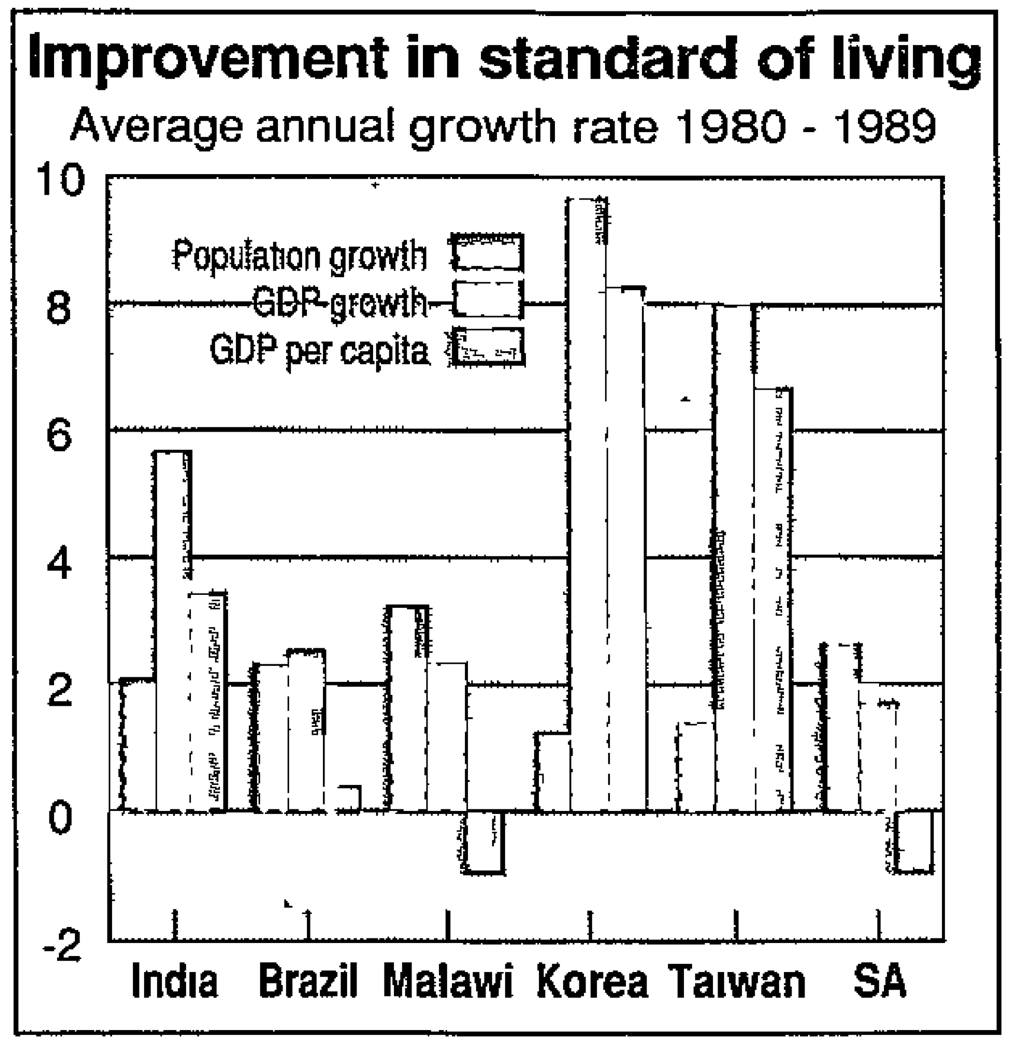
**Other benefits flowing from the productivity enhancement programme last year included R1m saved by reducing scheduled plant shutdown and on-target performance.**

**Caltex Milnerton initiated a productivity drive in 1985 which was later supported by a total quality management (TQM) programme**

**The initiative taken by GM Johann Lubbe involved managers at all levels in a steering programme.**

**This was supported by other staff in participative processes that later led to spectacular success**

**Performance against targets was measured constantly, says Hendriksen**




Graphic FIONA KRISCH Source NPI

## Quality management enhances efficiency

EFFICIENCY improvement of around 20% a year since 1987 have been achieved at Meyerton-based graphite electrode producer Emsa as a result of the company embarking on a total quality management (TQM) system

Emsa (Elektrode Maatskappy van SA) has won a gold award for its productivity improvement in graphite electrodes used in electric arc furnaces in the steel, metallurgical and chemical processes

Four years ago, Emsa found production demand had approached capacity in four of its five processes, with much overtime being worked to keep pace

Emsa plant manager Maans Pretorius says "The maintenance function was stretched to its limit, electricity costs were high and the cost of raw materials had escalated alarmingly

"Studies showed the company was not maximising the shipped lengths of its electrodes"

Emsa management decided to implement a TQM system and embarked on a route of ongoing improvement, he says

"Since 1987, efficiency improvements of about 20% were achieved in the forming and impregnation departments

"Capacity improvements of more than 20% were attained in the forming, baking, impregnation and graphitising departments

"Annual savings amounted to R4,3m over the four years," says Pretorius

### Avoid

The capacity improvements enabled Emsa to avoid capital expenditure on plant and equipment, which led to cost avoidance of R7,2m between 1988 and 1990

In addition, the steel and base metal industries benefited from the improvement, with reductions in their usage of electrodes per ton of product

Emsa's achievements are underscored by its excellent track record in the health, safety and environment protection fields

# Concerted effort is needed to tackle problem of poverty

WITH the National Productivity Institute (NPI) prepared to play its part, leaders in the economy should work together to ease the lot of the poorest South Africans

NPI executive director Jan Visser says "We have a common enemy in this country — poverty It destroys hope and creativity"

Amid the tide of emotion arising from the new political course being pursued, sight should not be lost of the priorities of survival

The masses (see chart Population & employment) are becoming disillusioned by the spectacle of jostling for political advantage while grinding poverty is ignored or exploited

"Poor people have a limited appetite for words," he says

Political posturing is no substitute for food, homes and education, says Visser

Anglo American chairman Julian Ogilvie Thompson says as important as devising a new constitution is, SA's greatest challenge is economic

"No constitution, however sound and wide in its support, will enable SA to develop into a stable, tolerant and pluralistic democracy

"The key is not political but economic — how to grow the economy in such a way that the problems of poverty and inequity are addressed in the longer term"

### Poverty

Ogilvie Thompson says poverty and inequity can be addressed "provided SA's leaders do not act out of poverty of thought"

Iscor MD Willem van Wyk says living standards will never be improved by negotiations alone since they depend on economic growth

"If people's basic needs are not satisfied we will be faced with a revolutionary climate, regardless of how well our political policies comply with the norms of a democratic society," he says

It will take many years of work, thought and cash to begin to redress the sins and errors of the past and begin to build a decent future, says Visser

"But there'll be no future unless labour and management seek to accommodate each other in reaching practical agreements on how to tackle the basic issue poverty"

All people and organisations concerned for the well-being of ordinary citizens can contribute by cooperating and improving their standards of productivity

Prosperity or poverty are measured as the quantity of goods and services consumed per capita (see bar chart Improvement in standard of living)

"The consumption per capita can only increase when the production per capita — productivity — has increased There is no alternative"

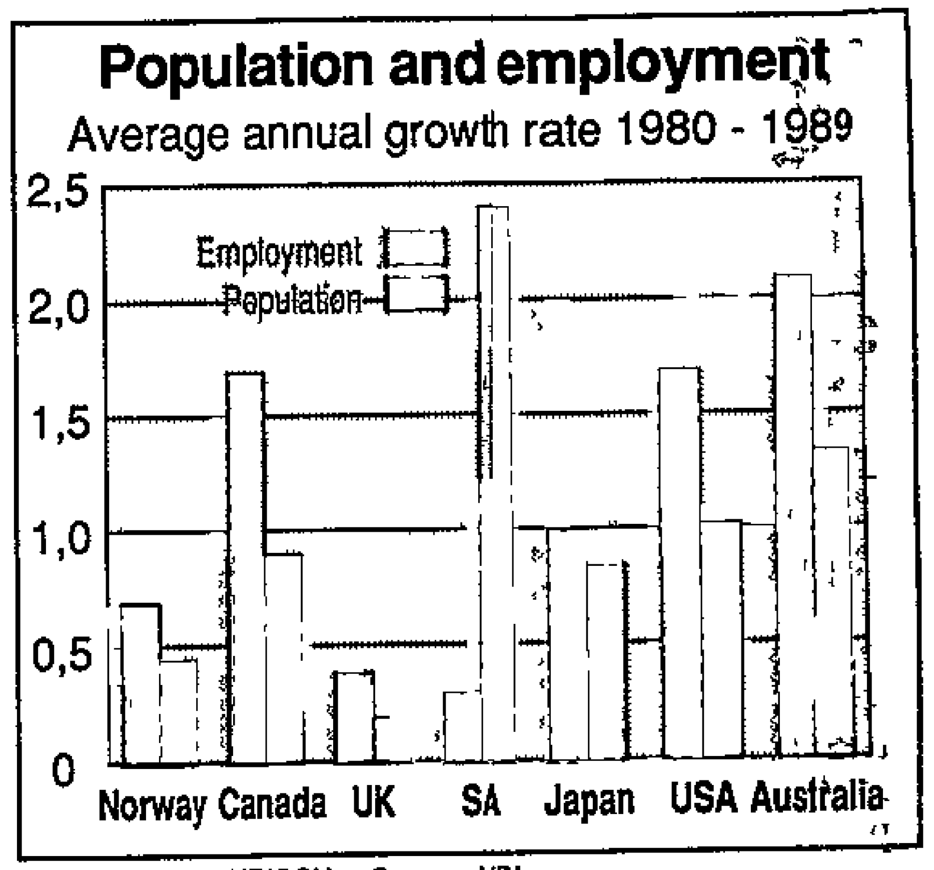
Visser says it is equally important to remember job opportunities will only increase when the economy grows and economic growth will, in the immediate future, depend on the ability to export competitively

"Competitiveness depends on productivity"

Accordingly, the NPI makes an urgent appeal to employers and trade unions to collaborate sensibly in the task of making this a prosperous land for all

"They will achieve this by dealing with the real economic and moral issue — the proper nourishment and advancement of increasingly desperate people," says Visser

Ready and willing to devote itself on the issue of poverty, the NPI offers its services as an honest broker — a facilitator — in attempts by unions and employers to address this problem




Graphic FIONA KRISCH Source NPI

## Recognition goes to the top performers

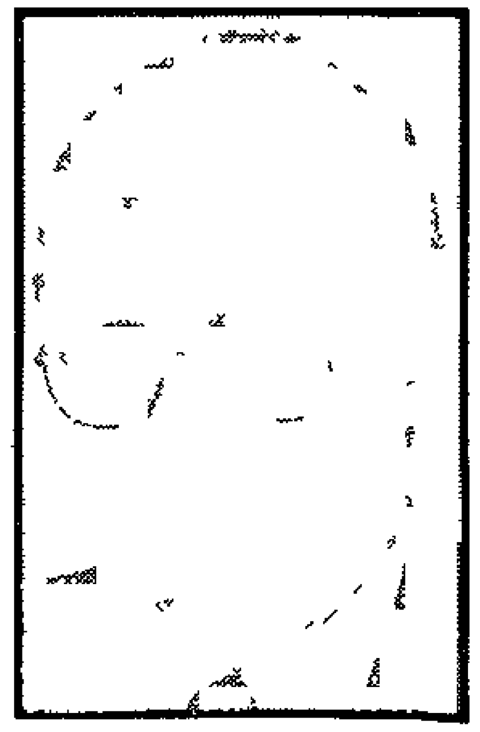
THIS year, 76 organisations entered the National Productivity Awards competition, with 25 qualifying for awards in different categories

From a short-list of 35, six received gold awards, nine silver and 10 bronze

The gold award winners were Caltex refinery (Milnerton), Carlton Paper, Elektrode Maatskappy, Iscor (Pretoria works), Mondi Forests (South) and Secunda Collieries

Silver awards went to Barlows Appliance Company, David Whitehead & Sons, Dorbyl Automotive Products (Lansdown), Eskom (Hendrina Power Station), NCP Chloorkop, Port net (Richards Bay) Pretoria Portland Cement (Hercules), Robertsons Transmed (unit of Trans-net),

Bronze award winners were Dano Textile Industries, Dorbyl Automotive Products (autoplate works) Dorbyl Automotive Products (forging & machining division), Dorbyl Automotive Products (rolling stock), Durban Navigation al Collieries (Iscor), Eskom (north-eastern Transvaal Region), FHE Automotive Technologies, Iscor (mining management services) KWV van ZA and Spoornet (civil department, Cape),



JAN-HENK BOER

## Apparel industry needs help

AGGRAVATED by dwindling orders from retailers, most apparel manufacturers will have to improve productivity if they are to remain competitive

After another hard trading year and faced by increasing import competition, many SA clothing, textile and footwear manufacturers will have to look beyond their organisations for solutions to poor profitability and productivity shortcomings

NPI industries and industrial engineering director Jan-Henk Boer says the NPI has consistently warned manufacturers in all three industries to adapt to changing circumstances

He says changing rules will govern manufacturing philosophy for the '90s — particularly as stock levels are reduced by retailers

These include

☐ Streamlined productive organisations,

☐ Attention to quality;

Boer says it is heartening to note successful manufacturers in these fields are those that work with the NPI and other consultants on productivity improvement

"But it is strange so many of the stragglers in these industries believe they can solve their productivity problems themselves with outdated manufacturing skills"

He says one of the highlights this year as bee[illegible] the

## A simple method to keep eye on things

**CAR door hinge manufacturer Dorbyl Automotive Products has won a silver medal for the development and implementation of a visual management system (VMS)**

**The VMS implemented by Cape Town-based (Lansdown) Dorbyl Automotive is a simple self-management system for performance measurement**

**Good productivity progress has been made since GM Brian Berkley, with his management team, all supervisors and staff members embarked on the VMS three years ago.**

**The VMS at the individual work station consists of a wooden board mounted where it is easily reached by the operator.**

**[illegible] are rows of [illegible] nail s[illegible]**

247

pp 14-18

3/9/91

☐ Competence in dealing with small production runs,

☐ Multi-skilling of operators,

☐ Establishing and expanding the export base, where possible,

☐ Industries working together, not against one another, in the textile pipeline

willingness of footwear manufacturers to invest funds for the establishment of the Footwear Training Board

"The development of employees in these industries will be crucial to their ability to participate in the world economies opening to SA," he says

colours.

A coloured washer hangs from each nail.

Each nail represents an hour's work and if the green side of the washer is visible it indicates the target set for that hour has been met — or visa versa if the red side is showing

Other coloured washers are used to indicate the reason why target was not met.

Various other boards summarise the position of the entire plant, attendance and other factors.

# Iscor's new Corex plant is a world first

ISCOR'S Pretoria works has won a gold class award for its commissioning of the world's first commercial-size Corex plant — a more efficient and environment friendly process to manufacture iron

Commissioned 20 months ago after start-up problems, the plant produces ingot iron at a cost 25% below that of a conventional blast furnace

Corex plant manager Harry Delport says the plant operates on a new technology that makes use of the reserves of non-coke coal

By eliminating the use of blast furnaces — which operate on coke coal, a scarce raw material in SA that would have to be imported later — the Corex plant has decreased air pollution.

The plant produced 270 000 tons of ingot iron in its first year, representing 90% of the design production capacity, and in the past financial year full capacity of 300 000 tons was achieved, says Delport

Judges of the National Productivity Awards recognised the innovative approach shown by management, which persevered for 18 months to overcome difficult before establishing the new process

The Pretoria works produces considerable quantities of ingot iron, from which a wide range of steel products are manufactured for the domestic and export markets

# R1bn upliftment plan is undemocratic — ANC

B|Day 3|9|91.

Business Day Reporter

THE ANC yesterday sharply criticised government's plan to spend R1bn from the sale of oil reserves on socio-economic projects, saying the plan was undemocratic and had little impact on existing inequalities

An ANC statement echoed earlier criticism by Cosatu that the funds' allocation would bolster "discredited" black local authorities

"It is a unilateral attempt by government to decide what is best for the people without any meaningful consultation or participation by the people who have been denied access to these basic services

"In our view, it is planned to use the funds to bolster an earlier unpopular and unilateral government initiative, the Interim Measures on Local Government Act" This Act tried to bolster unrepresentative black and white local authorities, and these funds would support an attempt to consolidate their position

Public Enterprises and Economic Co-ordination Minister Dawie de Villiers announced last week that R1bn realised from the sale of strategic oil reserves would be spent on a range of socio-economic projects which would create 59 000 jobs

● DE VILLIERS

The ANC statement said "The ANC and others have, over the last year, called for the establishment of a well-thought-out strategic plan for development drawn up through a democratic process and that will contribute to a systematic and sustainable path of development

"This ad hoc location of R1bn will fast evaporate, because it is not part of such a rationally planned process It will not make a meaningful impact on the existing socio-economic crisis"

The statement said "We need to use our limited resources to maximum effect, and not to buy political credibility"

The ANC said excluded communities should control the development processes

"This will generate within these communities increased institutional, technical and participatory capacity, contribute to making them less dependent and increase their capacity to do things for themselves

"This initiative is another top-down process of development that sees its main task as delivering a product to the people, and undermines communities rather than empowers them

"The reality at the moment is that we have on the one hand disempowered, suffering communities, and on the other an array of government and independent development agencies that control the resources and operate in an unrepresentative and unco-ordinated manner"

It said "What is important is to establish mechanisms that bring the two into democratic policy and implementing mechanisms to address the crucial problems we face"

## Increased productivity 'essential for growth'

B|Day 3|9|91 VERA VON LIERES (247)

ECONOMIC growth and its effect on job creation and economic empowerment was a precondition for a a new political dispensation, Public Enterprises and Economic Co-ordination Minister Dawie de Villiers said last night

De Villiers told the National Productivity Institute's awards banquet that the continued improvement of productivity remained a safe and undeniable route to economic success

"I am a firm believer in the importance — no — the imperative of improving productivity if we would like to see SA grow, develop, make progress and overcome the difficult problems facing us"

De Villiers also hailed recent agreements between labour organisations and management, which partly linked wage increases to increases in productivity

Increasing productivity would strengthen SA's competitiveness in international trade and commerce This would boost exports and reduce imports, strengthen the balance of payments and contribute to greater exchange rate stability It would also assist in reducing input costs and in further improving the competitive position of SA producers

"Increases in productivity are therefore one of the most important means of combating inflation"

The quest for improved productivity in SA had unfortunately been associated with calls for substituting capital for labour, De Villiers said

It was a concern that was understandable, particularly as in the past productivity increases had been achieved by producing an almost constant output while employing less labour The resulting increase in the output per worker was not the kind of productivity increase that should be promoted in SA.

"An increase in productivity should entail an increase in both production and inputs, with output increasing at a faster rate than input," he said

● See Pages 14-18

# Managers blamed for restricting productivity

(247)

B/Day 18/9/91.

TIM COHEN

THE small number, poor training and "I know my blacks" attitude of SA middle management was restricting productivity, US management consultant Mike Allen said yesterday

Allen, president of California-based Louis Allen and Associates, said in an interview yesterday that these problems had emerged during discussion with businessmen in SA

The typical attitude of middle managers was that they felt they understood their staff very well, when in fact they did not

For example, a manager of a Japanese company operating in Natal had expressed surprise that SA companies did not require their managers to learn the language spoken by the majority of their employees.

Allen said that contrary to prevailing beliefs, SA workers were almost as productive as their counterparts in Singapore, although in Singapore workers worked a 52-hour week, whereas in SA — as in the US — the working week was about 10 hours shorter

Allen said that in discussions with ANC representatives, he had been told SA required about 500 000 new middle managers, of whom only 50 000 could conceivably come from the white community.

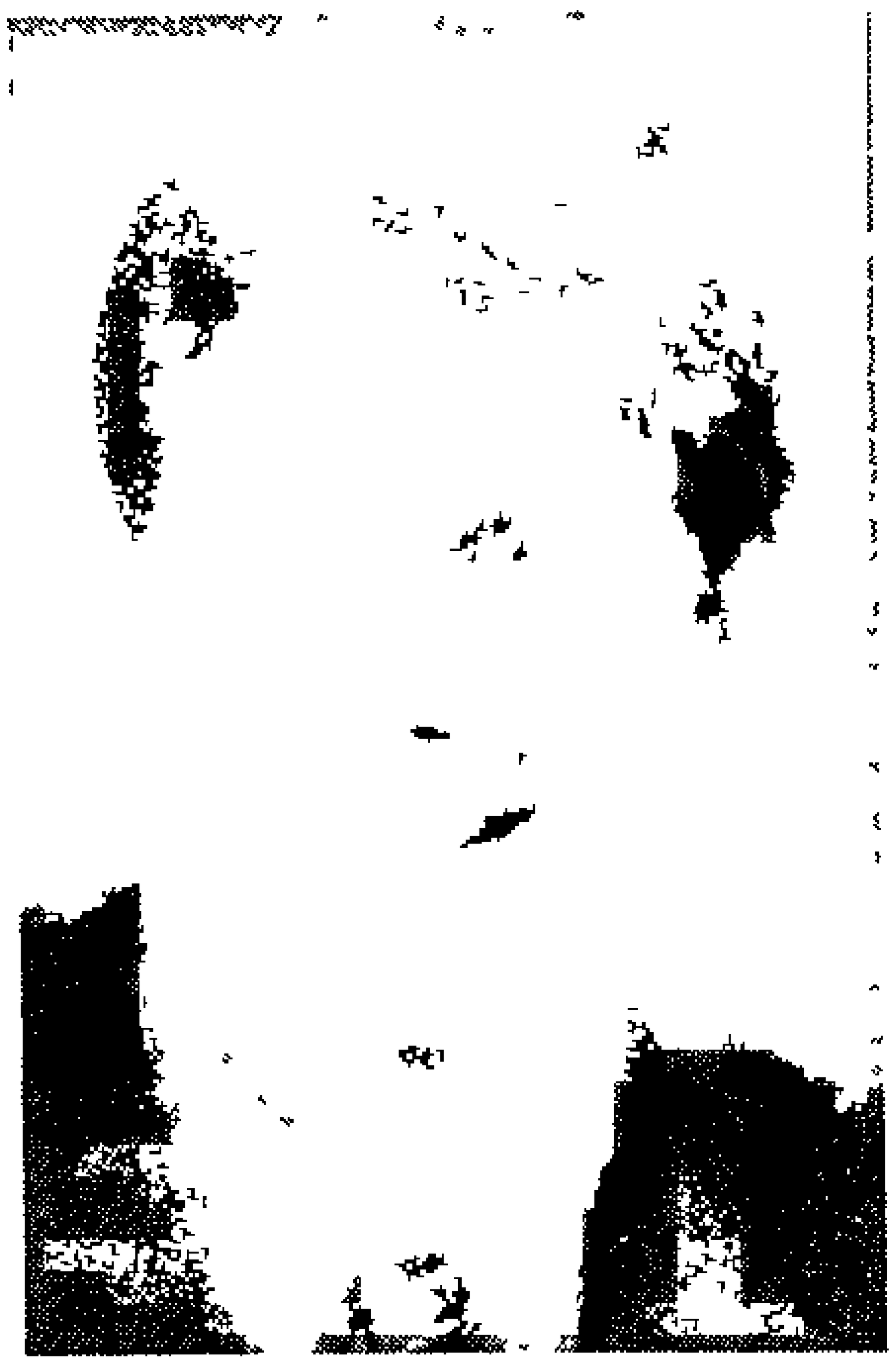
The shortage of middle managers in SA also meant that people who should not have become managers had been promoted to these positions.

Allen said Japanese management systems were still playing a large role in international perceptions of how management ought to be conducted, mainly because it had proved itself so effective.

Concepts finding greater application and which were being researched in greater depth included the problem of the correct staff size and contracting out functions (out-sourcing).

The use of computers was particularly significant for staff size, because more efficient computer use meant that staff complements often did not need to be as large as they were

Many companies were beginning to "out-source" functions such as canteens and transport facilities This had the advantage of allowing people working in those departments, which were really adjuncts to the main function of the company, to have a career path which extended further, he said.



● ALLEN

# 'I know my blacks' doesn't swing it

CT 20/9/91

(247)

**Own Correspondent**

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# Team-work for productivity

247

S Times (Bus) 29/9/91

By ADRIAN HERSCH

A SURVEY of 150 medium to large SA companies shows that 20% have implemented some form of team-based productivity improvement scheme

The survey was conducted by Frank Horwitz of the University of Cape Town Business School, who is also a management consultant.

Flexible reward systems are being introduced in negotiations with trade unions

But Professor Horwitz says productivity will not necessarily improve simply through an agreement

A crucial area is the supervisor-worker relationship If it is not good, the chances of a productivity deal's succeeding are slight

Professor Horwitz says the Ergo-NUM settlement was concluded after a long time in which the company worked on improving relationships

He spoke at the Institute of Personnel Management (IPM) convention at Sun City this week

A previous survey conducted by the UCT Business School indicated that productivity was regarded by managers as the most important issue in industrial relations

Yet its multi-faceted aspect is often not appreciated

Professor Horwitz says "Invariably when the issue of productivity is raised, managers refer to labour productivity and not to the productive use of capital"

He urges management to give priority to this aspect of productivity

QUESTION U2

SUGGESTED SOLUTION

| | |
|---|---|
| Stock at 4 October 19x6 | 40 639 |
| Less Purchases from 1/10 - 4/10 taken into warehouse (R7 684 - 2 639) | 5 045 |
| | 35 594 |
| Add cost of sales 1/10 - 4/10 ([R3 475 - 495] x 80%) | 2 384 |
| | 37 978 |
| Less Cost of goods sold 30/9 added to stock in error - R95 x 80% | 76 |
| | 37 902 |
| Less Rejected goods erroneously included in stock | 361 |
| Stock at 30 September 19x6 | 37 541 |

# Low productivity is blamed for SA woes

B/Day 9/10/91 (247)

GERALD REILLY

PRETORIA — Low productivity levels had forced SA into the position of a losing nation, National Productivity Institute executive director Jan Visser said in Port Elizabeth yesterday

He told the Afrikaanse Handelsinstituut (AHI) congress that SA's GDP per capita was a 10th of that of the US, an eighth of Japan's and a sixth of the UK's.

More alarming still was that living standards in SA had declined annually by 1,2% since 1980 against increases of 6,5% in Taiwan, 3,4% in Japan and 2,2% in the UK.

Partly as a result of low productivity SA was plagued with high inflation, low economic growth and high umemployment

Because of low living standards and high unemployment, violence was flourishing. This undermined investor confidence.

Visser said SA was squandering its most scarce production resource — capital — in an outrageous way.

Owing to political circumstances many businesses and industries had developed over the past few decades because they were identified as "strategic".

Mossgas was a prime example of how prime capital should not be utilised

# Manufacturing volumes increase

BDay 14/10/91. 249

SHARON WOOD

MANUFACTURING production volumes showed a mild recovery in the second quarter, rising by 0,5% compared with the first quarter, acccording to figures released by Central Statistical Service (CSS).

The most important contributors were the food, "other" chemical products, "other" non-metallic mineral products, iron and steel basic products and machinery and equipment industries

At the same time retail trade sales began to bottom out and rose by 14% year-on-year in July Although the trend shows retail sales reaching a plateau after declining gradually since the beginning of the year, on a monthly basis sales eased by 0,7% in July

The monthly decline was mainly due to decreases in retail sales in the Cape, said CSS.

Economists were divided on whether the apparent turnaround in manufacturing production and flattening out in retail sales was the beginning of a revival.

Rand Merchant Bank economist Rudolf Gouws said he did not expect the figures to herald an upturn in manufacturing production.

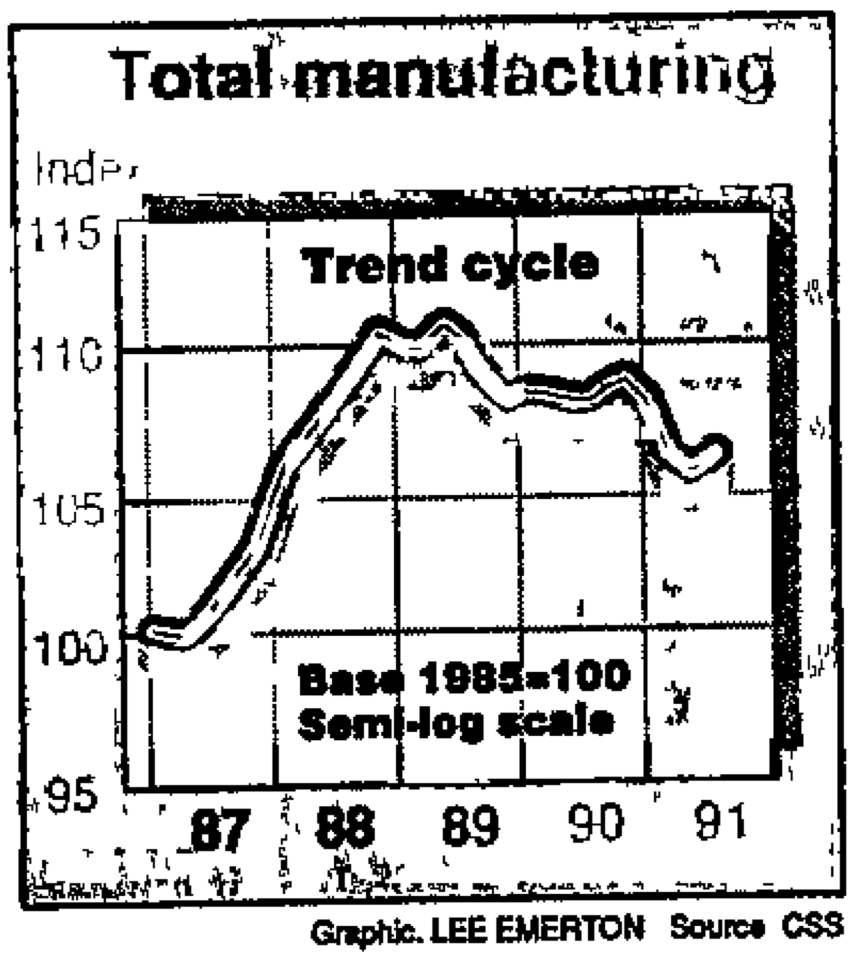
"The economy has reached the bottom," he added

This was confirmed by flat retail sales and there would have to be a sustained improvement in retail sales before manufacturing production would start to improve.

Bankorp economist Jacques du Toit said he foresaw an upward trend in manufacturing production for the rest of the year because of a build up in inventories following high rates of destocking during the last two years.

Manufacturing was expected to continue improving next year because of better economic conditions. Retail trade sales and private consumption expenditure were expected to decline for the rest of the year because of negative factors such as inflation and interest rates, he said.

Private consumption expenditure was expected to level out in the first half of next year and then increase.




Graphic: LEE EMERTON Source CSS

# Improved productivity 'can attract investment'

B/Day 17/10/91. (247)

PAUL ASH

PRODUCTIVITY in SA, among the world's worst, would have to improve dramatically before any meaningful foreign investment could be expected, management consultant firm P-E Corporate Services MD Martin Westcott said yesterday

Westcott warned that potential investors had many countries to choose from and were not interested in indifferent financial returns or having to worry about the security of their capital.

"Although we are well-located geographically, the world is in recession and SA does not offer any incentives for investment," he said.

He urged government to reduce red tape and bureacratic procedures, re-assess import duties and investigate the need for tariff protection

"SA's ability to manufacture at internationally competitive prices had declined rapidly and was being threatened by strike action and demands for wage increases"

Making people work more productively was important in the short-term. "We don't have productivity bargaining like they have in the UK and there is an urgent need in SA to link remuneration with performance," he said

The shortage of management skills and the resulting high cost of employing skilled people was another problem facing SA

Improving productivity in the long-term began with the education system The Pacific Rim countries, where a shortage of schools had been overcome by teaching two shifts of children a day, were an example of the benefits of educating everyone, Westcott said.

He said SA would probably receive foreign aid in the medium-term but unlike many African states, it was not a truly needy nation The unequal distribution of wealth was not an aid-agency concern

# 'Increase in efficiency, productivity essential'

SHARON SOROUR (247)
Labour Reporter ARG 23/10/91

IF South Africa does not increase its level of productivity, poverty and misery will prevail, says the director-general of manpower, Mr Joël Fourie

No-one could escape it, irrespective of whether a free market system or a centrally controlled system was implemented, he said.

Ideological thinking was not enough, he told a national symposium on manpower development

He said "It can be counter-productive to state that the free-market system or centrally controlled system would be the solution to the problem

"It would then hinge on the promotion of a specific system and not on the pursuance of the result"

There could be no doubt that manpower development was essential to stimulate economic growth in South Africa

Many young people left school to start careers without any specific training, failed to obtain jobs and did not have any skills to fend for themselves, he said

"Rapidly changing technology necessitates that workers receive purposeful and need-oriented training, in order to ensure that they reach the highest level of efficiency and productivity in the shortest period of time"

# Production levels continue to slide

B/Day 31/10/91. (247)

SHARON WOOD

THE slide in manufacturing production continued in August, with production volumes falling by 1,0% in the three months to August compared with the previous three months, figures released by Central Statistical Services yesterday show.

In contrast to this, real retail sales picked up slightly during August, rising by 3,0% month-on-month and 0,8% year-on-year

Large drops in chemical product, rubber product and motor vehicle industry production caused a 2,5% year-on-year decline in the total volume of manufacturing production

The increase in real retail sales came from a 9% rise in domestic hardware sales and an 8,4% hike in alcoholic and non-alcoholic beverages

"Manufacturing production levels might have been influenced by the introduction of VAT with firms reducing inventories and by Armscor cutting back on production

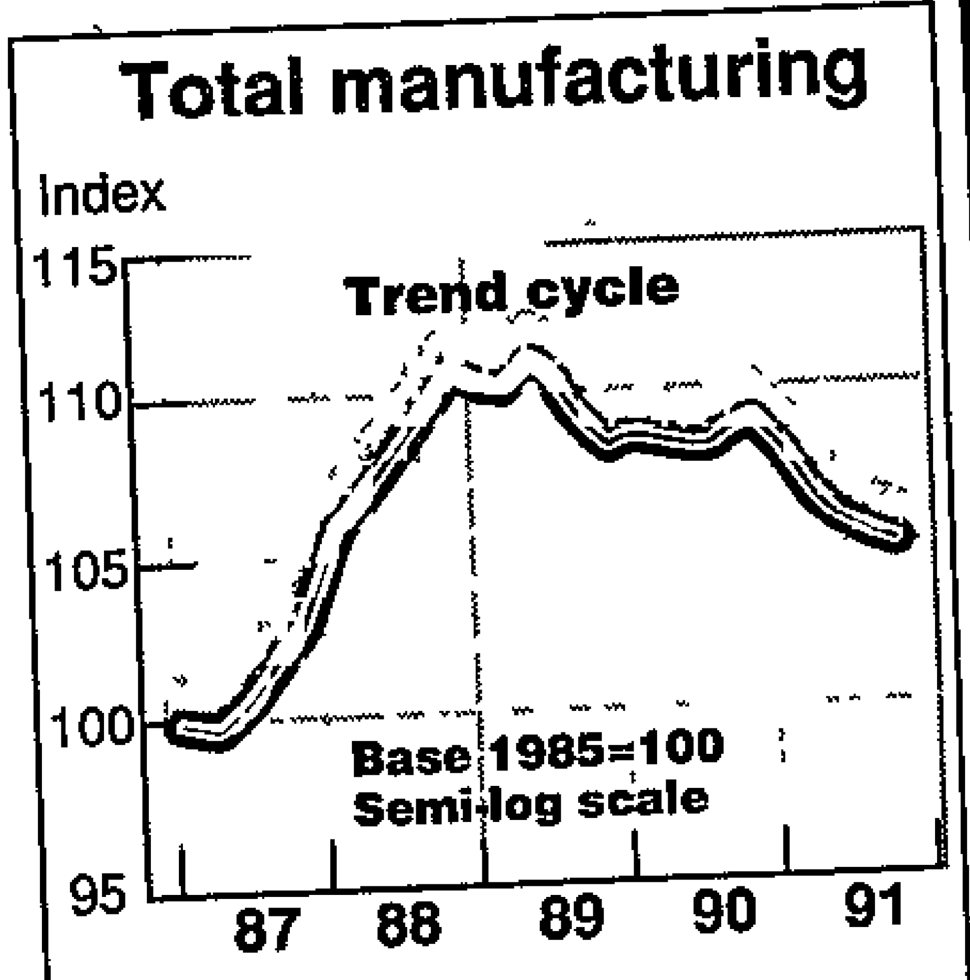
"The feeling is that conditions are weak across the board but seem to be stabilising," said Standard Bank chief economist Nico Czypionka

The uptick in retail sales probably did not signal the beginning of an upturn and sales should stay weak until employment started rising and income levels increased, he said

"There is not enough money available to turn it into an upturn," Czypionka added

The latest trends in manufacturing production and retail sales were unexpected, Bankorp economist Jacques du Toit said

"We expected retail sales to decline because of the high inflation rate and high interest rates and overall bleak economic conditions




Graphic LEE EMERTON Source CSS

"Agricultural production would probably be poor in quarter three because of a bad mealie crop and all these factors should lead to weaker consumer expenditure," he said.

"Manufacturing is a leading indicator and the recent trend shows the economy would probably decline for the rest of the year and also in the early stages of next year"

The Reserve Bank coincident indicator had fallen quite sharply in June by 1,4% month-on-month indicating the declining economic growth, he added

Both economists agreed that both series were extremely volatile, subject to large monthly fluctuations and thus it was difficult to discern a meaningful trend

# 'Cynical public servants must adapt to new order'

BDay 11/11/91

GERALD REILLY

PRETORIA — Institutionalised cynicism among public servants had to be eradicated if the country was to adapt to a new order, a top government official has said

Commission for Administration chairman Piet van der Merwe said at the weekend that barriers in the way of public servants adjusting to a rapidly changing political and socio-economic environment had to be removed or success would be out of reach

He said institutionalised cynicism — a feeling among government workers that there was no need for change — was a stumbling block

Speaking at the SA Quality Institute conference at the CSIR, Van der Merwe said it was not uncommon to find senior administrators committed to change which was resisted by lower-level public servants

Too many South Africans had for too long been on the receiving end of negative aspects of public administration flowing from discriminatory policies and legislation The hour had arrived for all public servants to rededicate themselves to rendering quality service to all South Africans

Government departments, like other organisations, developed cultural patterns and this militated against adjustment to change. These became entrenched if there was no change in government over a long period

The public service needed more delegation and fewer controls. "Over-regulation and excessive prescription are also barriers to change."

## Whirlwind

Deregulation was a major public service management challenge New policy directions had resulted in the removal of many laws and regulations "However, it is also true that too many laws, regulations and prescriptions that have become outdated or unnecessary still remain".

Van der Merwe stressed lack of communication between Ministers, administrators, line managers, low-level public servants and the public was another barrier "South Africans are in many respects reaping the whirlwind for failure to communicate effectively across language, racial and cultural barriers for many decades"

Excessive fault-finding with public servants by politicians and public servants, the media and the general public also got in the way of change Motivation and dedication were not strengthened by abuse and indiscriminate attacks being heaped on public servants

An important consequence of change was uncertainty and fear among public servants, because of political or other external developments These were often seen as a threat to job security, promotional opportunities and service benefits

Attitudes towards particular groups or communities was another barrier Influx control, for instance, gave rise to confrontation, hatred and bitterness on a wide scale

Hurdles placed in the way of high quality people being attracted to goverment posts was now more than ever short-sighted, costly and dangerous Yet there was evidence of this every day, in the form of criticism based on scantily supported evidence and broad generalisation

# Appeal for renewed investment in industry

GERALD REILLY

247

PRETORIA — High-level strategic decisions on productivity and quality were needed to snatch SA industry out of its pathetic perfomance syndrome, National Productivity Institute (NPI) executive director Jan Visser said at the weekend

Speaking at the SA Quality Institute conference, Visser said industry suffered from capital starvation as the lion's share of savings was absorbed into erecting less productive assets — such as office blocks and shopping centres.

"As much a I resent government interference, mechanisms to redirect investment to industry are urgently needed," he said.

"Last year the physical output of SA factories was at the same level as in 1980 and 1984. Zero growth in manufacturing ouput over a period of 10 years in a country that has identified manufacturing as the means of economic development is unacceptable"

Visser said SA, and specifically its industry, deserved more support than it got.

In the East it was unthinkable for government policy decisions to remain unimplemented It was essential for SA to be technologically competitive

A technology policy was long overdue and action was needed to bring research and development into industry, said Visser A full commitment to education and training was also needed.

"Wealth cannot be distributed unless it has been created and unproductive people do not create wealth" BDay 11/11/91

SA was plagued by unemployment and high inflation. If these could be solved, many of SA's social and political problems would disappear

# Productivity pays off at Vaal Reefs

B/Day 8/11/91

247

MATTHEW CURTIN

VAAL Reefs gold mine paid R5m in cash to its 50 000 workforce yesterday, a productivity bonus which would not have come into play if workers had observed Cosatu's call for an anti-VAT strike earlier this week.

Anglo American's premier gold operation reached a R10m cumulative profit target, based on accumulated cost savings and improved gold production, which kicked the year-old bonus scheme into play

However, many underground mineworkers had to queue for two to three hours outside paypoints yesterday afternoon to receive their R100 tax-free cash bonus Some were unsure of exactly why they had earned the extra money.

Problems faced by management in putting the "team jackpot" into effect showed the communication gap which still bedevils the gold mining industry in SA.

The Vaal Reefs bonus follows multimillion-rand payouts at JCI's Randfontein Estates and Rand Mines Harmony gold mines in the September quarter, and a R500 000 payment at Anglo's Ergo gold operation

Ergo's agreement with the National Union of Mineworkers (NUM) was followed by an industry-wide agreement between unions and the Chamber of Mines involving productivity and gold price bonuses.

Mine regional general manager Nap Meyer said yesterday it was no coincidence that during the anti-VAT strike, Vaal Reefs had normal levels of attendance

He said "Employees knew what a two-day strike would do to productivity and what that, in turn, would do to the bonus."

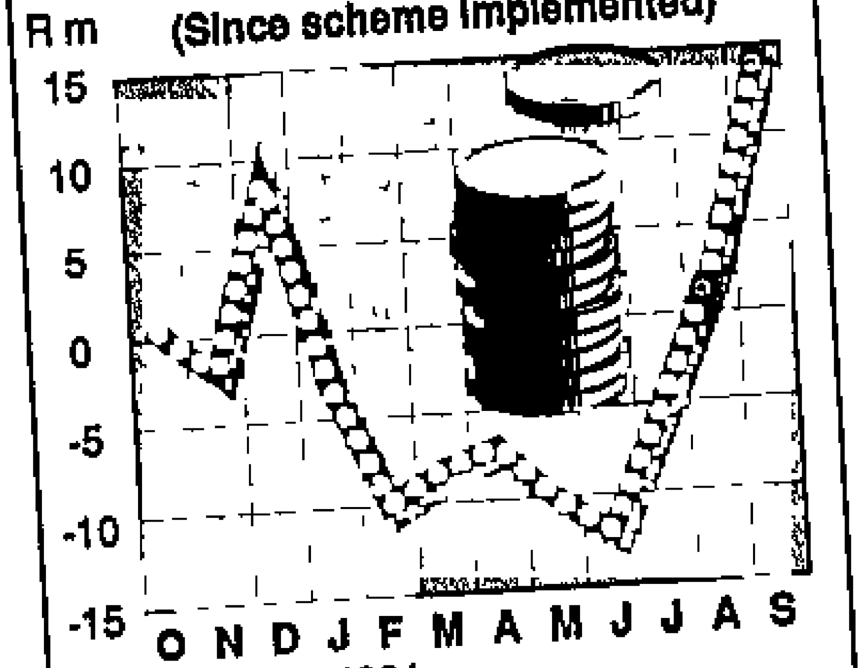
Meyer said the jackpot scheme was devised to reduce costs below budget and improve gold production targets Cost savings contributed 68% of the bonus, the remainder made up from improved production.

The jackpot was an extraordinary bonus paid over and above long-standing monthly productivity bonuses which currently amounted to R42m a year

He said Vaal Reefs had cut its working costs by 5% since October, from a high of R26 500/kg to R25 100/kg The bonus targets had been calculated on the basis of a zero increase in budgeted costs

The mine's East division contributed R216m to the total bonus — cutting costs and producing 3 200kg of gold above target — making up for weaker results from the South and West divisions

**Vaal Reefs jackpot incremental profits**
(Since scheme implemented)




Graphic: FIONA KRISCH Source: VAAL REEFS

# High cost of funding cuts competitiveness

B/Day 14/11/91

(247) (28)

CAPE TOWN — The cost of capital in SA was about 31,3% higher than in other countries and played a significant role in undermining the international competitiveness of its industry, Barlow Rand special projects consultant Paul Hatty said yesterday

Hatty told the seminar the cost of capital in SA compared unfavourably with Australia (14,5%), US (11,4%), Germany (9,7%), Taiwan (4,2%) and Japan (3,4%) and would have to be addressed to give SA international competitiveness

He said SA's high inflation rate, high real interest rates, high risk and high corporate tax rate put its industry out of the international race

The high cost of capital in SA meant production costs had to be increased by 5,6% in a labour intensive industry and by 36,4% in a capital intensive industry to obtain a selling price able to service the cost of funding

Hatty said margins in the clothing industry would have had to increase by 9% in 1990 to service the price of capital, and by 43% in the capital intensive textile industry. The increase in the price of textile goods was not gross profiteering on the part of manufacturers but the effect of government policies on the cost of capital

Attention would have to be given to the price of capital, the productivity of capital and labour, the cost of imported machinery and manufactured intermediate inputs, and incentives for new industry, if there was to be significant investment and growth in the manufacturing sector

The productivity of capital in SA was much lower than in other countries Capital productivity of 0,315 in 1988 — measured by the GDP output per unit of capital stock — was 41,3% of the weighted average GDP for OECD countries in 1986

Hatty said one of the main reasons for this was that before the introduction of VAT SA industry paid 58% more than its counterparts in the UK for imported machinery and capital goods VAT had reduced this to 37%

As for labour productivity, Hatty said SA had a cost disadvantage of about 1,9% compared with other countries.

## LABOUR

# Dispute over VW targets

(244)

W/mail 22/11-28/11/91

By DREW FORREST

A UNIQUE dispute over production targets has erupted at the giant Volkswagen plant in Uitenhage

As part of their drive to expand worker control, black unions are increasingly seeking to push back management prerogatives in the area of production The National Union of Mineworkers, for example, defends its shift to productivity bargaining as a bridgehead in a traditional management sphere.

At VW, management has declared a dispute with the National Union of Metalworkers (Numsa) over the refusal of workers in one street of the press shop to meet new production targets

Numsa national organiser Gavin Hartford said that after conducting time and motion studies, the company had raised the target from 160 to 211 parts an hour. Workers were adamant they could not meet the new requirements and Numsa had asked to bring in its own expert to conduct a time study

The company based its declaration of dispute on claims that the workers' refusal to meet the target constituted unprocedural industrial action Two dispute meetings had been held

"Historically, management has unilaterally set production targets," Hartford said "Insofar as these are unrealisable, they clearly create a problem between the parties

"Increasingly, the union and its members are going to want to negotiate on this sort of issue"

The dispute has implications for workers' job security In terms of this year's national settlement in the auto industry, employers conceded a moratorium on retrenchments This can, however, be withdrawn if repeated unprocedural industrial action prevents production targets from being met

# Productivity is key to success

STAR 28/11/91 (241)

More than 90 percent of the broadly defined M3 money supply in South Africa was in some form of deposit with a banking institution that could be used for purchasing services or goods, says Reserve Bank Governor Dr Chris Stals

In notes prepared for delivery at the launch of Future Bank yesterday Dr Stals said even though these deposits might not be used soon, they still represented potential purchasing power

Banks, he said, through their activities exerted a major influence on the course of the economy and on the real economic growth — and the rate of inflation

Dr Stals emphasised that in the new South Africa the rate of savings — presently less than 20 percent of GDP — would have to be stepped up

"Funds will desperately be needed to finance new and additional real investments that will increase production and create more employment opportunities," he said

He stressed it would be of no avail to try and create the additional funds by creating more money — reflecting the central bank's stance on continuing strict monetary control.

Dr Stals said funds would either have to be generated by internal savings or come from abroad

"Not only shall we need more capital to enable us to employ more people, but we shall also have to produce more with each unit of labour and with each unit of capital employed"

Increase in the multifactor productivity, Dr Stals said, provided the key to success for many of the newly developed industrial countries of the world and South Africa now had a "wonderful" opportunity to follow their example

He added that the banking sector faced many challenges in fulfilling this function

Banks around the world were being squeezed by rising costs and narrowing margins coupled with increasing risks

But, Dr Stals stressed that while there had been "unfortunate experiences" of bank failures in South Africa over the past year and that, in a few cases, the central bank had to step in with special assistance to offer partial protection to depositors, they could not rely on the Reserve Bank to always be prepared to bail them out

Depositors, he said, should always be prepared to carry their own risks, and decide on their own responsibility — Sapa

PRODUCTIVITY – 1992

# Productivity levels set to increase 2%

(247) BDay 8/1/92

SHERIDAN CONNOLLY

PRODUCTIVITY was set to increase by 2% in 1992 despite a zero growth rate forecast for employment in the non-agricultural sector of the economy, the National Productivity Institute (NPI) said yesterday.

NPI assistant chief economist Karen Liebenberg said with labour productivity expressed as a measure of output over employment, an expected rise in GDP would effectively increase productivity levels about 2%

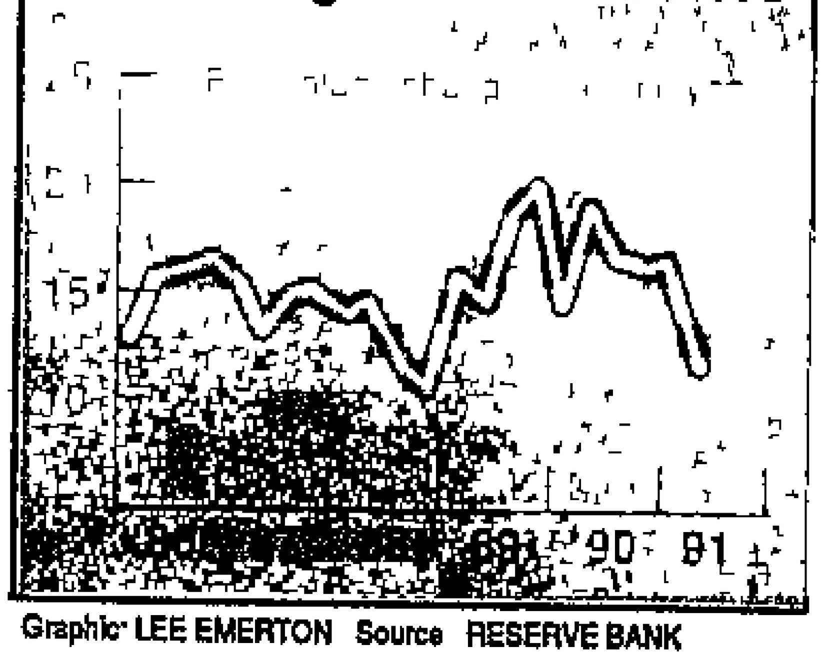
"Because the economy is at present unable to create many new jobs, the growing tendency to replace labour with capital increases the levels of automation and mechanisation in the private sector, which also benefits overall productivity levels."

Commenting on the Bureau for Economic Research's survey predicting a lower rate of increase in the nominal value of salaries and wages per worker in the non-agricultural sector, she said a positive GDP rate coupled with lower growth in wage rates would reduce unit labour costs, benefiting export competitiveness.

"In the past, exchange rate devaluations have been used to improve SA's competitiveness on international markets, but lowering unit wage costs is obviously more desirable"

The BER projected a 15% increase

**Nominal unit labour cost in non-agricultural sectors**




Graphic: LEE EMERTON Source RESERVE BANK

in nominal wages for 1992 compared with 16,7% in 1991. Although unions had brought wage demands more in line with inflation, the NPI did not expect wage rates to decline significantly, limiting the extent to which unit labour costs could be reduced.

Labour productivity in the non-agricultural sector reversed its declining trend in the third quarter of 1990 when it grew sharply from an annual rate of 0,7% to 1,9% in the second quarter of 1991

The Reserve Bank has attributed the improvement in the real value of production per worker to a faster decline in the number of non-agricultural workers in output volumes, rather than to a determined increase in effort by workers.

# Costly labour harms SA's potential, says analyst

B/Day 14/1/92

247

LINDA ENSOR

CAPE TOWN — Escalating labour costs and low productivity made SA an unattractive investment proposition for foreign companies, London-based James Capel analyst Fiona Halse said yesterday

Halse, who has worked as a senior analyst on the JSE and as a financial analyst with the Financial Mail, heads a research team that reports on conglomerates for stockbroking firm James Capel.

National Productivity Institute (NPI) figures show the SA manufacturing sector registered the lowest labour productivity growth in the period 1975-1990 when compared with Taiwan, Japan, UK, US and Germany On the other hand, the increase in wage rates was one of the highest, second only to Taiwan

The NPI said unit labour costs far outstripped the increase in unit labour costs in other countries, with severe adverse effects on the competitiveness of SA manufactured products in local and international markets

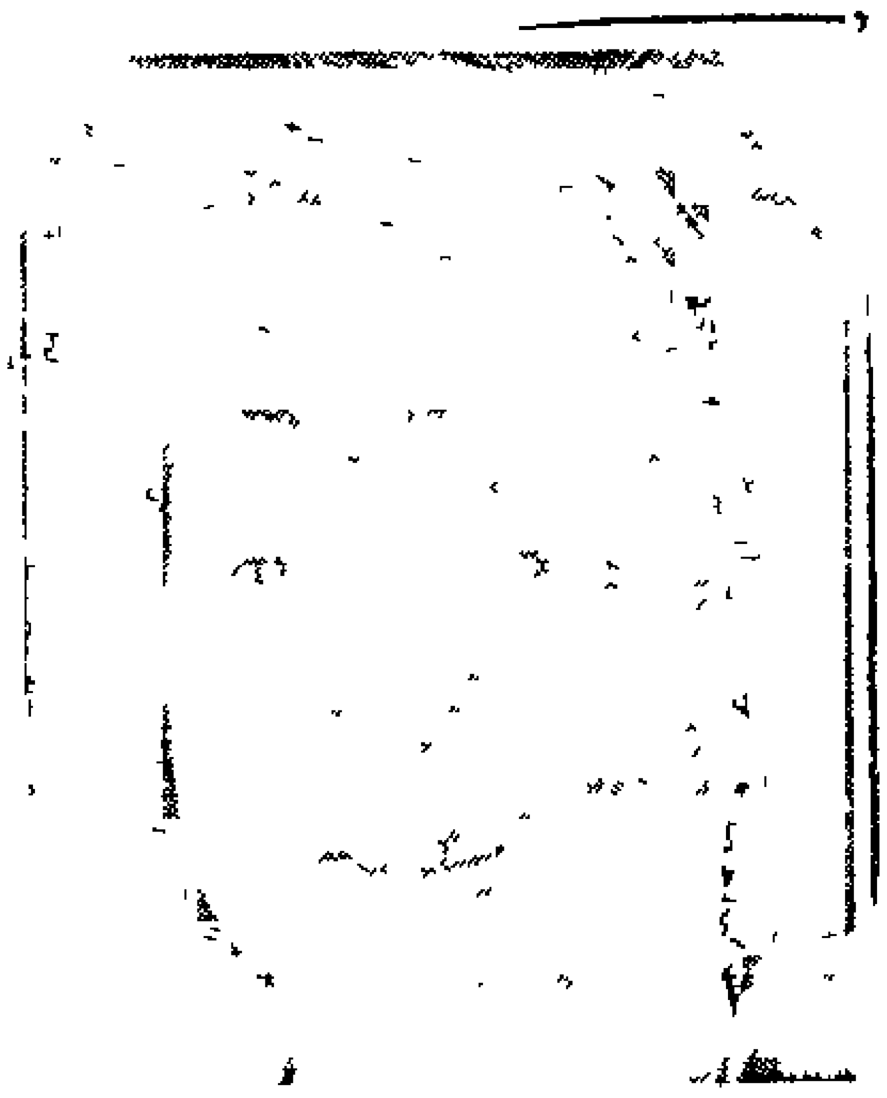
Halse said productivity returns from labour in SA were falling and companies invested in the country were not putting more money in

"As companies move towards globalisation, SA will become less attractive because labour costs are not as cheap as they used to be"

Labour instability, strikes and the number of man hours lost annually also received prominent media coverage, Halse said

"At the moment fund managers are basically waiting to see what happens The things that concern them are the changing view on nationalisation, the violence and the fear that once black rule materialises there will be tribal conflict"

Halse said international fund managers were more interested in investing in established economies such as the US, UK and Europe If they wanted development markets in their portfolios they would choose markets such as Mexico, which offered returns of about 40% to 50%



● HALSE

SA's gold mining industry was not much of a drawcard because the industry was seen to be shrinking.

"The consensus is that the price of gold is not going to rise very high Gold does not react to crises in the same way it did in the past.

"One of the reasons for the lack of excitement about gold is the international drive to stamp out inflation Governments overseas are extremely committed to bringing down inflation, and with financial markets offering some exciting returns, people are not being forced into hard assets."

# Producer price rises dip sharply

STAR 16/1/92

(247)

By Sven Lunsche

Hopes of a fall in the inflation rate this year were given a boost yesterday when producer prices rose at their lowest pace in seven years.

Despite structural imbalances, which have prevented the lower increases at the producer level from reaching consumers, economists are optimistic that the inflation rate will fall rapidly this year.

The producer price inflation rate fell to 7,9 percent in November, 3,2 percentage points down from its October level of 11,1 percent.

This has widened the gap between producer and consumer inflation to 7,6 percent. Increases in consumer prices stood at 15,5 percent in November.

The wide discrepancy between price increases at the producer and consumer levels, particularly for food, is subject to an investigation by the Department of Finance, but findings are not expected until March or April.

However, an analysis of trends shows that food price increases accelerate when they move from the agricultural to the manufacturing and eventually to the retail stage

Despite these imbalances, Rand Merchant Bank economist Rudolf Gouws says lower producer costs will filter through to consumers this year.

Mr Gouws predicts that food price rises could ease as rapidly as they have risen over the past few months and expects overall inflation to drop to just under 12 percent by year-end.

"There are just too many factors militating against a continued rise in consumer prices at the level experienced last year," he says

Apart from lower production costs, these factors include an economy still stuck in recession, with a resultant fall in demand, and wage and salary increases well below the inflation rate.

The sharp drop in November's producer inflation rate was largely fuelled by the lower cost of imported producer products, which fell by two percent between November 1990 and November last year

Mr Gouws says the stable trade-weighted value of the rand and lower inflation rates of the country's major trading partners will continue to hold down costs of imports this year

Technical factors also help to explain the drop in producer price inflation

Between October and November 1990 the producer price index (PPI) rose by four percent, leaving the calculation of November 1991's year-on-year rise with a high base.

Prices of locally produced commodities continued to rise at double-digit levels in November at 10,3 percent. But this was 2,2 percentage points lower than the 12,5 percent year-on-year rise for October

# Use of production capacity is down 1,6%

B/Day 2/11/92

GERALD REILLY

PRETORIA — Utilisation of production capacity declined by 1,6% to 80,5% in the 12 months to end-August, according to the Central Statistical Service

A major reason for the slowdown was lack of product demand Decreases in utilisation occured in 17 of the 27 major manufacturing industries

The motor industry showed the largest decline with 15,6%, machinery and equipment was down 7,8%, and non-ferrous basic metal industries 6,2%.

The 19,5% under-utilisation in August was due to a shortage of raw materials (1,5%), a shortage of skilled workers (1%), of semi-skilled and unskilled workers (0,4%), and insufficient demand (13,1%)

Absa economist Adam Jacobs said the figures were another pointer to the dire state of the economy

(247)

# Greater productivity level urged to face international competition

STAR 4/2/92

By Frank Jeans 247

South Africa's productivity levels must rise if the country hopes to compete in international markets, says Martin Westcott, managing director of management consultancy P-E Corporate Services.

He calls on the Government, private sector and trade unions to address South Africa's chronic productivity situation urgently.

He says "If we don't improve our productivity substantially and rein in salary increases, our re-entry to the international stage will be a damp squib

"Inefficient government spending has to be reduced and all pay rises must be linked to productivity improvement, or we will be totally uncompetitive internationally"

Mr Westcott believes the unhealthy concentration of power in the business community has been a major reason for spiralling consumer inflation, especially in the food sector

South Africa needs to learn from the Pacific Rim countries and free industrialists of the masses of import controls, protective tariffs and other barriers to international trade, he says

"Aggressive marketing is needed if South Africa and its products are to be recognised and appreciated in an incredibly selective and competitive world business environment."

# Science of body talk finds a whole new language

Hearty happiness smile and your body smiles with you, according to research

The mere act of making a facial expression is enough to make the body respond as if the emotion depicted were real, a study says

Dr Robert W Levenson, a professor of psychology at the University of California in Berkeley, says studies in two cultures show a direct connection between facial expression and physiological activity such as the heart rate

The professor claims there is a pattern detector in the brain which will detect a fearful face and activate a fear physiology The same is true of other emotions such as anger, disgust sadness, and happiness, he says.

The study was conducted by getting subjects to make the face of an emotion without actually naming the emotion

The subjects were connected to instruments that monitored heartbeat and skin temperature.

When they made the expression of fear, for example, the heart rate increased and the hands cooled down.

With anger, the heart raced and the hands warmed up With sadness, the heart beat rose, and with disgust, the heart slowed down

The tests were conducted with subjects aged 16 to 90 and reactions were consistent, Dr Levenson says

"Young people report feeling the emotions, but older people say they don't," he says.

Dr Levenson conducted the same studies with subjects in Indonesia and found the same reactions, suggesting the finding may be universal. — Sapa-AP

## TOMORROW

No-one likes paying tax or worse, paying more than is necessary A tax consultant says tax "avoidance" is your right

# 'Get real' – and get rich

STAR 17/2/92.

247

**PURE PROFIT**
Productivity and profit are the wheels that keep society moving in the right direction, says the founder of the Objectivist Forum MARIKA SBOROS reports

NOW you no longer need feel any guilt about amassing all that lovely lolly by the sweat of your own brow The Objectivist Forum is poised to clean up the lack-lustre image of filthy lucre, and solve the world's problems along the way

Being productive and making piles of profit are the wheels that keep society moving in the right direction for survival and growth, says ardent capitalist and forum founder Steven Weiss, a Johannesburg assurance broker

After all, the incentive to produce is drastically curtailed if the fruits of one's labour are just going to be handed over to someone else

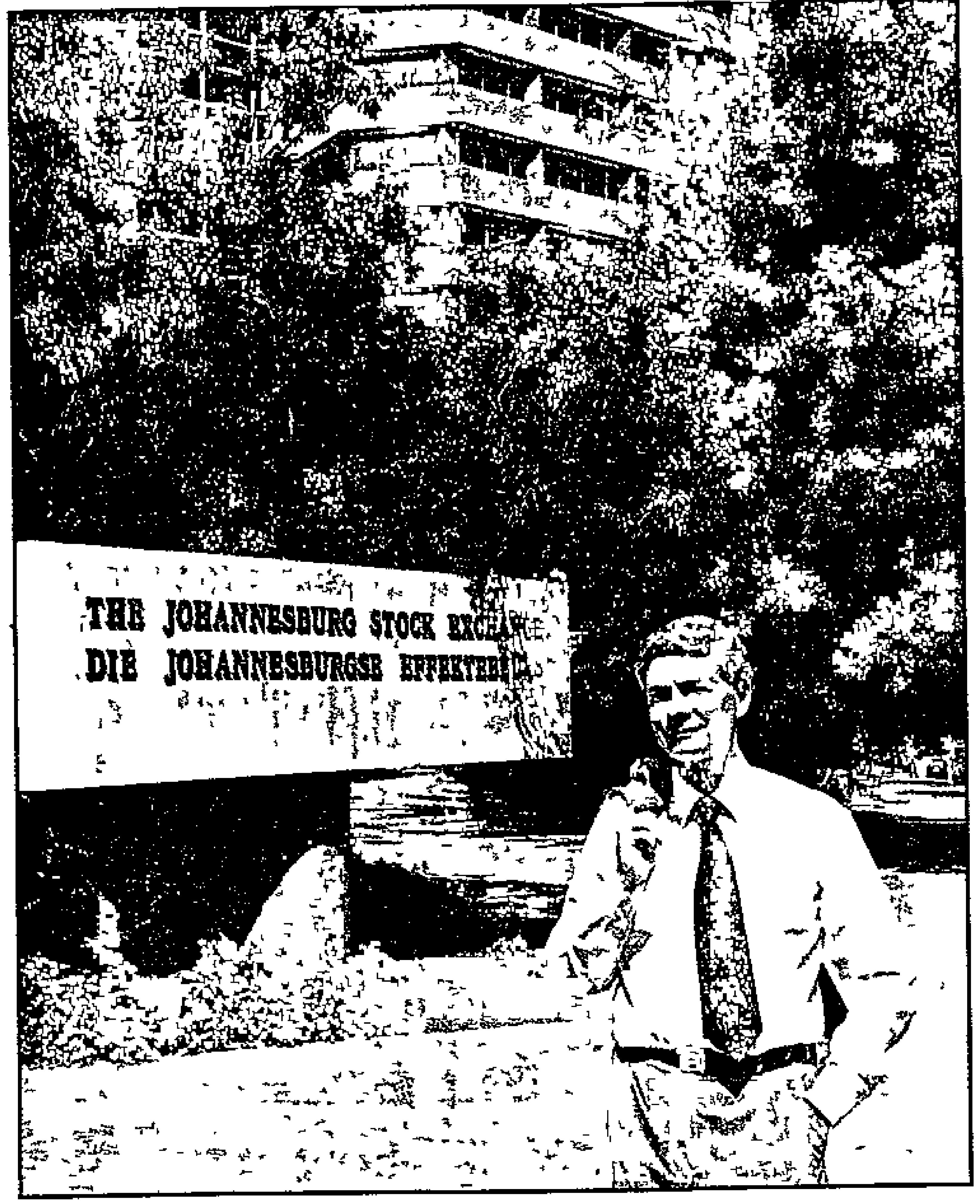
Mr Weiss launched the forum earlier this year with a group of businessmen to promote "the right ideas", the essence of which is pure capitalism — "the truest form of free enterprise" — which is not practised anywhere on this earth he says

The Objectivist Forum is based on the four tenets of author Ayn Rand's philosophy enshrined in her epic novel, Atlas Shrugged objective reality (believe it or not, there is such a thing, Mr Weiss says), reason, self-interest and capitalism

Capitalism is the only social system truly consonant with man's rational nature, says Mr Weiss Self-interest and capitalism, he says, are related concepts, which recognise the primacy of reality and reason.

Profit is not a dirty word, if you go through a productive process to acquire assets, says Mr Weiss

"Profit should be a measure of your productivity," he adds.




Capitalist bastion businessman and objectivist Steve Weiss outside the Johannesburg Stock Exchange Picture Etienne Rothbart

Objectivists claim to be right not because they have any authority, he says, but because their philosophy is based on reality and reason. Other values follow through logic, he says, and then no other options are available.

Objective truth is possible, but it can only be determined by reason Most people don't like using their reason and thinking abstractly he says. They prefer to languish in the myths of religion group collective consciousness and cults which separate the participants from reality

The most productive members of society should be rewarded, says Mr Weiss who has a horror of "parasites".

You don't need to penalise the unproductive, he says "A truly free market will do that automatically"

Altruism is out, and egoism is in, says Mr Weiss. Altruism is predicated on "non-value of the self" — self-sacrifice — the aim of which must be death. Only a system based on freedom of exchange and no coercion can possibly sustain itself

Mixed economies just don't work, he says, because they combine antithetical values

Any compromise of capitalism is ultimately theft he says

Through the forum he hopes to explore solutions to problems that are not peculiar to South Africa The events in Eastern Europe and the Soviet Union he says, have demonstrated what happens when a society is based on false or compromised values

● The Objectivist Forum is holding a meeting on Wednesday February 19 in Parktown from 5 30 to 7 30 pm

## Construction industry suffers

# Drop in SA output hits six-year low

BI(PM) 17/2/92

247

SIMON WILSON

NATIONAL output fell by the biggest margin in six years last year as SA's longest post-war recession depressed economic activity.

Figures released by the Central Statistical Service at the weekend show that national output, as measured by the inflation-adjusted change in gross domestic product (GDP), fell by 0,6% in 1991 This is the biggest fall in GDP since the -1,2% recorded in 1985.

The figures are preliminary, which means they are subject to revision later, but they broadly confirm analysts' expectations that last year's economic growth performance would not differ greatly from that posted in 1990, when GDP fell by 0,5%.

It is no coincidence that the two calendar years of economic contraction — 1990 and 1991 — are those in which interest rates peaked out in the current business cycle Prime overdraft rates plateaued at a five-year high of 21% for the duration of 1990 and were only one percentage point lower for most of 1991.

Most authoritative forecasts project an economic recovery this year, expecting GDP growth for 1992 to be about 2%. Such an outturn would deliver the highest rate of economic growth since the 2,3% recorded in 1989

The sectoral breakdown of the data shows the sharpest decline was in the construction industry where output dropped 4,5% last year after dipping by only 0,2% in 1990 following a 7,9% rise in 1989

The fall in the sector reflects the increasing dismay that has been signalled by non-residential building contractors over recent months New contracts have been increasingly scarce, and overbuilding has been reported in some areas.

The fall in manufacturing output steepened to -2,4% last year from -1,3% in 1990 as high interest rates, destocking and falling business confidence dampened industrial activity The manufacturing decline would have been much more marked had exports not chalked up a 9% increase in nominal rand terms last year.

Production in the mining sector continued its steady slide, falling by 1,5% last year after a 1,2% fall in 1990 and a 1% dip in 1989. The largely static gold price, combined with rising labour costs and deteriorating ore grades, has left the non-coal mining sector in a poor state, with a negative contribution to GDP in all but two of the last seven years

Agricultural production rallied last year to fall by only 1,3% after a tumble of 7,4% in 1990 The late rise in the maize harvest, a solid contribution from deciduous fruit and a good wheat crop provided the foundation for the rebound, although the current drought threatens to abort the recovery in agricultural output this year

Elsewhere among the GDP sectors, positive contributions were recorded by the electricity and water utilities, financial services, community services and general government Transport contracted for the first time in five years

# Warning over output drop

B Day 18/2/92

THE decline in national output in the last two years was alarming and should be seen as a clear warning that time was running out for SA unless everyone put aside their differences and concentrated on increasing productivity, Johannesburg Chamber of Commerce and Industry president Mike Cato said in a statement yesterday

"Organisations and individuals alike must all now put the growth of the economy at the top of their priority lists It cannot wait for Codesa or a new dispensation," he said — Sapa

# Low productivity slows growth — NPI

B/Day 18/2/92

SHERIDAN CONNOLLY

(247)

SHARP increases in the cost of labour and capital and unsatisfactory productivity are severely restricting SA's international competitiveness and its capacity to export, says the National Productivity Institute (NPI)

In the latest edition of Productivity Focus, the NPI says low productivity levels are hampering the country's growth potential and employment opportunities. SA's negative rate of capital productivity implies an inefficient use of scarce resources, it adds

"Both the cost and productivity of SA's labour and capital resources are completely out of line with the situation in more successful and productive countries," the report says

The NPI says SA's high corporate tax, inflation and interest rates reduce the international competitiveness of SA-made products

SA's corporate tax rate of 48% is significantly higher than almost all the OECD countries as well as the newly industrialised countries of East Asia The high tax rate is one of the factors exerting the greatest influence on the country's competitiveness, the report says

The NPI says the extent to which a country channels its savings into fixed investments is an important indicator of both business confidence and the economic growth potential

Gross domestic fixed investment as a percentage of GDP declined significantly since the early 1980s due to poor economic prospects and political uncertainties, its says

"In the '80s people saved less, not because they spent more on goods and services, but simply because they paid more tax," the report says

The NPI stresses the need for higher levels of savings and investment in SA, but says the country needs to ensure that investments are channelled into the right sectors "Projects like Mossgas and the erection of luxury office blocks are perhaps not the most productive investments," the NPI says

Commenting on employment, the NPI says the alarming decrease in manufacturing employment since 1982 is cause for concern as manufacturing is the largest sector

In order to ensure a peaceful political transition more people will have to be employed. In this government will play an important role, it says

# Volkswagen strike ballot over productivity targets

247

WMail 28/2-5/3/92

By FERIAL HAFFAJEE

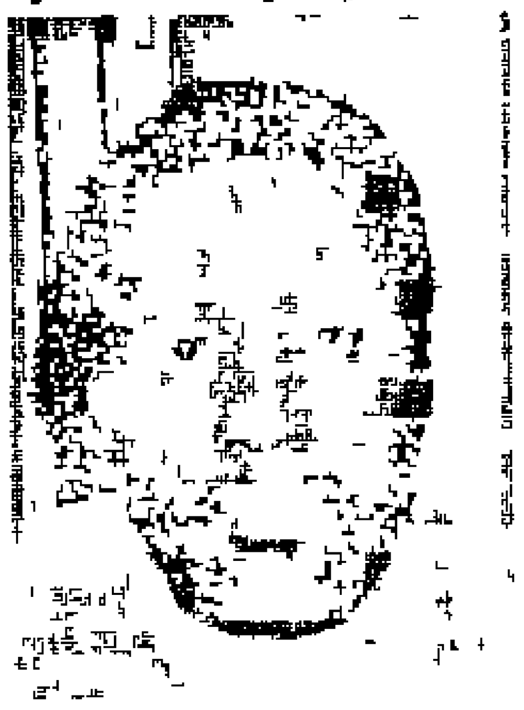
A STRIKE BALLOT at Volkswagen South Africa (VWSA) in Uitenhage is throwing the spotlight on the company's controversial production targets

Thirty-nine workers were dismissed at the beginning of February for failing to meet targets in the company's press shop. Management says the workers "repeatedly failed to build the daily schedule required to fulfil export orders".

VWSA also said that the dismissals were procedurally fair

But workers feel they cannot meet the new targets The difficulty of these new targets is borne out by a work study conducted by the National Union of Metalworkers of South Africa which revealed that the machines could not work any faster. It also concluded that raising targets from 160 to 211 parts an hour was unreasonable.

John Gomomo, the Congress of South African Trade Union's president and Numsa's chief shop steward at Volkswagen, says the company turned down a recommendation that the work in the press shop be done on another line.



John Gomomo

Instead the workers were dismissed soon after VWSA announced an export deal to China worth R150-million.

The union and the company were in negotiations for most of this week in an attempt to iron out the dispute. A VWSA representative said the talks had been "positive and co-operative".

The union will decide whether to proceed with strike action or take the matter to arbitration.

The recession has resulted in a freeze on employment in many sectors. It has also seen many companies opting for productivity deals with workers instead of conventional across the board increases.

But these deals are not without their problems The National Union of Mineworkers recently abandoned the productivity-linked wage deals they concluded with the Chamber of Mines when these hit snags relating to the disclosure of information and a disillusionment among the NUM members with the deal

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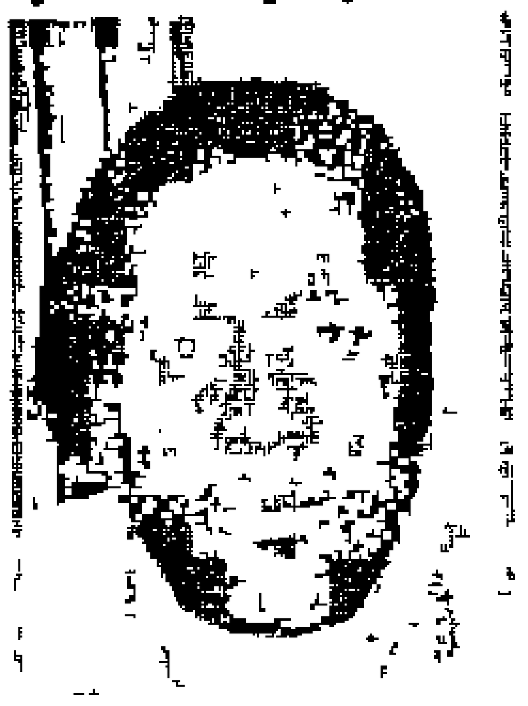

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# Factory output holds up despite recession

STAR 4/3/92

By Derek Tommey 247

The chairman of an industrial company which has had quite a tough 1991 remarked at a press briefing last week. "If you think South Africa is in a recession, you should go overseas and see the real thing."

The view that South Africa's recession has been relatively mild, particularly when compared with the previous recession in 1985 and 1986, is confirmed by the latest industrial production figures

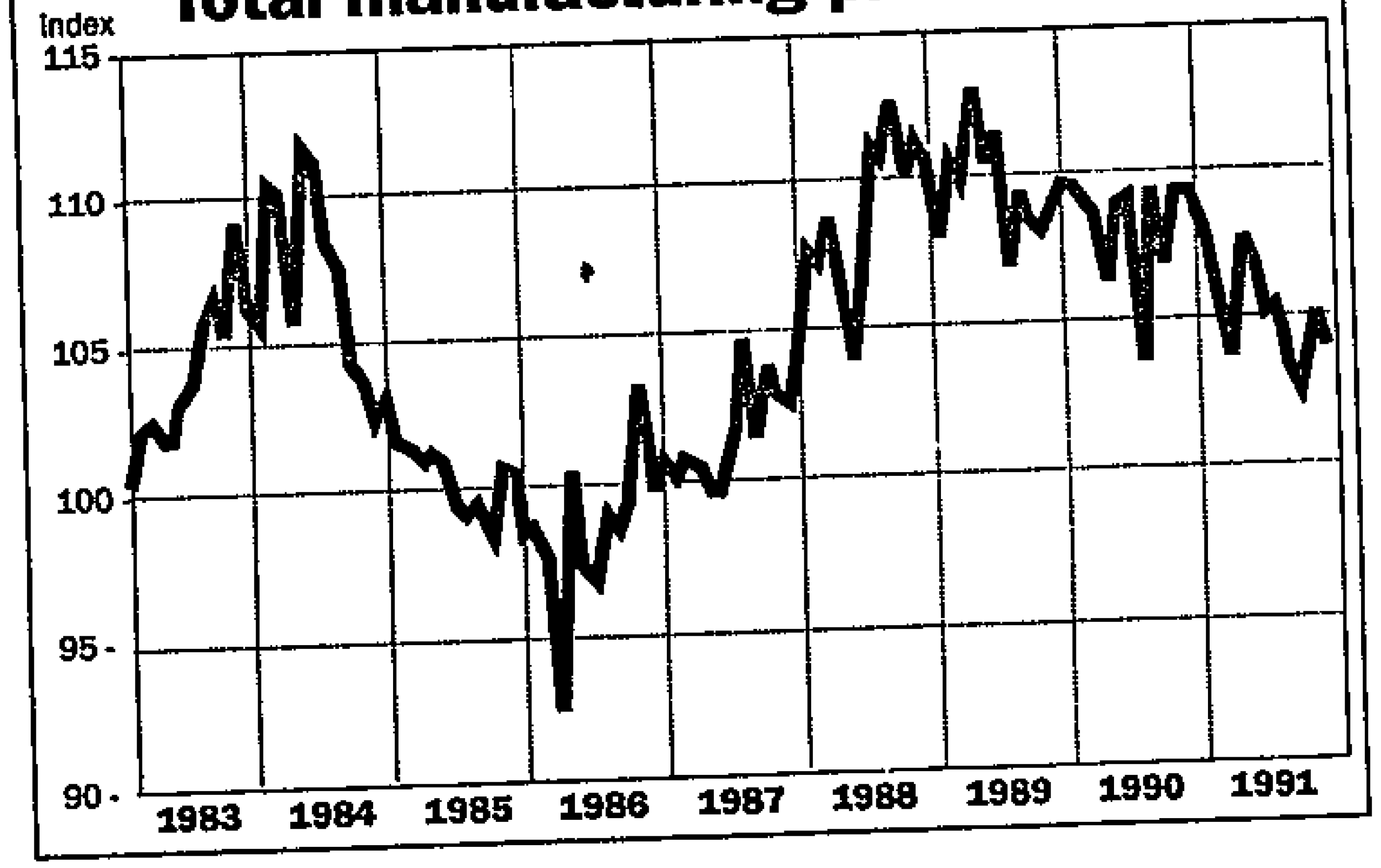
The index for the physical volume of manufacturing output (seasonally adjusted and base 1985 = 100) is 105,1 for the first 11 months of last year

This indicates that factory production fell by a modest 2,2 percent from 1990 when the index was 107,5 and by another fairly modest 3,6 percent from 1989, which was South Africa's peak production year, with the index at 109,1.

In sharp contrast, the slide in manufacturing output in the previous recession was far steeper

Then the index fell from 105,5 in 1984 to 100,2 in 1985 and to 98,4 in 1986 — an overall decline of 6,7 percent, or not quite twice

**Total manufacturing production**




the percentage drop in output in the present recession

It should also be noted that the total manufacturing output last year was still about 6,8 percent greater than in 1986 — the year the previous recession hit its low point.

Economists have put forward a number of reasons for the mildness of the present recession An important one is the continued high-level of exports

In spite of the drop in the price of gold, platinum and other minerals, export earnings are still growing at least at the rate of inflation and so helping to maintain considerable domestic activity

Another important reason is that there has continued to be a fairly high level of new private sector investment in the past few years

And while some projects associated with the base metal industry may have been put on ice recently, oil companies Sasol and Engen and chemical producer Sentrachem have all announced major new projects

However, another major reason why the recession has not been so severe this time round is that the 1985-86 recession left a deep scar on the psyche of management

As a result most were better prepared this time round with healthy balance sheets, low stock levels and cash in the bank

There was no need for the desperate life-saving measures that had to be implemented in 1986

As Eddie Theron, the new managing director of the Standard Bank, pointed out recently, this time it is the small man who is in trouble — not the big company, as was the case last time

A further reason is that in 1985 South Africa was entering a period of severe sanctions and business confidence was not particularly high

Now South Africa is moving away from sanctions and many markets are opening to exporters

This upsurge in confidence is reflected in the sharp rise in industrial shares on the JSE

In the past 12 months the industrial index has risen 37,5 percent, while industrial profits have actually fallen 2,6 percent

If one accepts that this buying, to a great extent, reflects the expectations of the people running industry, it is a remarkable display of faith in the future

# Victory is costly

247

ARG 7/3/92

**DAVID CUMMING**

JOHANNESBURG. — Last week's historic cricket victory over Australia might have done wonders for the country's morale, but it probably cost in the region of R500 million in lost productivity.

That figure is based on the National Productivity Institute's estimate that every public holiday costs about R521 million in lost production.

It is estimated that there were more grannie's funerals on that Wednesday than at any other time in living memory and stockbrokers on a JSE already moribund after the announcement of the referendum said there was a good deal more interest in the cricket on the dealing floor than there was in the serious business of accumulating wealth

Hoteliers boasting pubs with television sets reported soaring turnover as those crowding in for a view of the set ensured there was standing room only from the 10am opening time until well after the last ball was bowled

# Productivity key to ideals of a new SA

247

STAR 26/3/92

South Africa failed to increase the standard of living of its peoples during the past decade, says National Productivity Institute director of productivity promotion Dr John Smuts.

He said gross domestic product per capita declined at a rate of more than one percent a year from 1980 to 1990 and the result was that the standard of living of the majority of people remained unacceptably low.

Speaking at the annual prize giving of the Vanderbijl Park Technical College he said the present situation posed a tremendous challenge to all South Africans and particularly to all students, as future wealth creators, to contribute to the creation of a higher standard of living for everyone in the country.

Dr Smuts said during the past 10 years less than 600 000 jobs had been created, while an estimated five million of South Africa's economically active population were at present unemployed, many of them living in squatter conditions and in poverty near urban areas.

## No improvement

Moreover, the projected increase in the total population of more than nine million people in this decade suggested no real improvement in living standards in the years to come.

"No country can increase its standard of living and consumption per person unless more is produced per person, and long term improvement of the standard of living a determined by our productivity performance.

"Building prosperity through higher economic growth will mean that more attention will have to be given to large scale exports, and to achieve sufficient exports in order to generate the required job opportunities we will have to become competitive in world markets," he said.

Productivity improvement, he stated, was the key to making those ideals become reality.

"However, productivity will not improve automatically. We have learned from Japan that high quality effective education, focused on the needs of the economy, remains a prerequistite for continously improved productivity performance." — Sapa.

# Bosses must 'tackle productivity problems'

STAR 6/4/92

By Derek Tommey 247

**Business has two major needs· more depth in management and greater productivity.**

These are the views of Adam Klein, a former South African trade union leader, and subsequently a Harvard Business School lecturer, who recently returned to this country

Dr Klein made a name for himself when, at the age of 23, he became general secretary of the Garment Workers' Union and deputy vice-president of the Trade Union Council of SA

Now, 17 years later and after a successful career as a management consultant in the US, he has returned home to assume later this year the position of chief executive of Boumat, a leading supplier to the building industry

He will succeed David Gevisser on the latter's retirement

During his years overseas Dr Klein kept in touch with South Africa and has periodically lectured at the Wits and UCT business schools

Dr Klein says that one of the main features of South African business is that it has felt the effect of the brain drain

Some South Africans are top executives on a world scale The result is that there not a vast amount of depth left in the executive-skill sector — so you have only a thin layer of really superb people by international standards

But South Africa is hideously under-invested in training — all the way from the most obvious levels of shop-floor skills right the way to senior-management ranks

This was apparent when he lectured here, he says

"I believe you have to see management as a political (with a small p) process in which you are constantly engaged in building a consensus among the players in the organisation because they are the people who will have to implement the process

"If you do not include them in the development of the options, you will not get much 'ownership' when it comes to the implementation of these options

"There is usually no confusion, and the most successful implementation of change of strategy comes when the guys 'own' it and believe in it "

Dr Klein says there has been an enormous amount of uncertainty about the future of SA, which the Yes vote has not fuly dispelled, though it has helped a great deal

"We know what is not going to happen, we don't know what is going to happen "

However, expectations that there will be vast amounts of foreign capital flowing in are a little naive

"I think there is going to a lot of foreign interest, but as American diplomatic language goes, people are just being 'cautiously optimistic' at this stage

In the new South Africa, management faces the opening up of a whole new set of markets, in addition to traditional ones

To best serve the needs of the new markets, management will have to develop new competencies, possibly new products, new distribution facilities, and include more poeple from the black community

South Africa is now rejoining the world of nations While it had engaged in foreign trade in the sanctions period, this had not been at a high level

South Africa — in many ways similar to Brazil — had been relatively protected from extensive imports, which meant that certain sectors of manufacturing were not internationally competitive

"I think we are going to find ourselves facing some tough changes We are going to have to face issues of productivity and do it constructively

"And that brings us slap bang into a discussion on how you effect productivity increases in a unionised environment?

"The answer is to do it in a maximum co-operative way

"You can't just impose changes on the organisation or the unions You have to reach compromises

"But it is equally clear that management has no option but to face the productivity discussion head-on

"I'm sure that having been general secretary of a union will help me with my productivity talks," says Dr Klein

"I have continued to do quite a lot of work with the unions in the US and I am on a programme for trade union leaders

"I start with fundamental respect for the rights of unions This clears a lot of muck out of the way and allows you to get on with the deeper issues

"I believe that when you get into these negotiations you are looking for a win-win outcome So that when you go into any sort of negotiations, the starting point is not only what you need, but what your counterpart across the table needs

"This usually changes the whole nature of the discussion "

Dr Klein says that despite his trade union background, he has no intention of becoming engaged in direct labour negotiations

"Our operating managers must do that "

# Holidays 'cost SA R521 million'

By Paula Fray

South Africa's long list of public holidays costs the country an estimated R521 million in lost revenue each time workers stay away from work, says the National Productivity Institute.

There will be three four-day weeks this month as a result of Easter and Founders' Day holidays STAR 10/4/92

However, NPI executive director Dr Jan Visser noted that only five working days would be lost this year as a number of the holidays fell over weekends

This excludes the "unofficial" holidays such as June 16 and 17

"Its just awkward at the moment as our public holidays are concentrated in April and May," Dr Visser said. He noted the long weekends were a welcome break for workers

"I only hope that in the new SA this will be changed for the better . that we won't have more public holidays," he said

# Producer inflation remains stable

(247)

STAR 14/4/92

South Africa's production price index remained stable in February increasing by 6,7 percent over the previous 12-month period The same increase was recorded in January

This was the lowest increase recorded since May 1972 when the increase was 5,9 percent

The seasonally adjusted index increased by 0,1 percent from January to February this year

Locally produced consumables increased by 8,5 percent compared with the 8,7 percent increase in January.

The price index for imported commodities decreased by 0,9 percent from February 1991 to February this year which is one percent higher than the corresponding rate in January of −1,9 percent.

"Other" agricultural produce remained one of the largest contributors to the increase in producer inflation, recording a 9,8 percent increase in February while red meat declined by 4,3 percent — Sapa

## NEWS IN BRIEF

### Machines lie idle

247

ONE-FIFTH of SA's manufacturing capacity lay idle last year, says the CSS.

Figures released last week showed that the average use of production capacity in 1991 in the manufacturing sector fell 1,2% compared with 1990 This left the average underutilisation of capacity at 19% BDay 21/4/92

Largest capacity-use increases in 1991 were in the tobacco industry (93%), leather and its products (90,4%) and glass and glass products (89,9).

# Recession puts brake on manufacturers

247 STAR 21/4/92

By Derek Tommey

The recession has sharply curtailed the output of the manufacturing sector, official figures show

Although inflation last year was running around 15 percent, the value of total manufacturing output in current prices rose only R12,6 billion (7,6 percent) to R178,6 billion

The output figures show that the processing of food remains the country's biggest industry. Last year it had an output worth R25,8 billion This was an increase of R2,4 billion or 10,2 percent on the previous year's figure.

The second biggest industry was what Central Statistical Service termed "other chemicals" which probably embraces the oil refining sector This industry had an output last year worth R24,4 billion, which was an increase of R2,6 billion or 12,0 percent on 1990

Third in size was the motor vehicles and parts industry It had an output last year of R16,5 billion. It was followed by the iron and steel industry with an output worth (R13,5 billion), then the metals industry with output worth R10,3 billion and the industrial chemicals industry with output worth R9,3 billion.

Best growth rate last year was achieved by the transport equipment industry. This excludes the motor vehicle and parts sector Output of the transport industry sector grew by R353 million (or 25,6 percent) to 1,7 billion This suggests an increase in sales of rail rolling stock and sea-going vessels

Next best performance was put up by the "professional equipment" sector with a 21,4 percent growth in sales to R646 million

This sector includes a wide range of products, but it seems likely that most of the growth came from growing sales of computers and other electronic equipment

Output of the tobacco industry grew by 15,9 percent to R1,98 billion and that of the printing and publishing industry by 14,4 percent to R3,9 billion

Sales by the beverages industry grew 13,8 percent to R8,2 billion and sales by the footwear industry 12,2 percent to R1,8 billion. Sales of "other chemicals" grew by 12,0 percent.

## Increases

Other significant sales increases (though well below the inflation rate) were achieved by the paper and paper products sector (11,4 percent), plastic products (10,7 percent), food (10,2 percent), clothing 10,0 percent), industrial chemicals (9,5 percent), wooden furniture (9,1 percent), glass products (8,1 percent), motor vehicles and parts (8,0 percent) and metal products (non-machinery (7,1 percent)

At the other end of the scale, the value of output of non-metallic minerals (mainly bricks and cement) rose by 3,4 percent, while the value of electric machinery produced grew by 1,8 percent, machinery by 1,2 percent and leather goods by 1,0 percent.

The iron and steel industry increased its sales by a meagre 0,26 percent or R35 million.

Negative sales growth were reported by the non-ferrous metal industry, the rubber products industry and the "other industries" (of which a large part probably comprises the armaments industry)

Sales by the "other industries" dropped by R216 million (10,9 percent) to R1,76 billion.

# Living standards 'set to drop again'

B Day 22/4/92

SHARON WOOD

THE poor growth expected this year would cause a further decline in living standards and a considerable increase in unemployment, Absa said in its latest Economic Monitor released yesterday

The prolonged downward trend in the business cycle was unlikely to bottom out before mid-year because of a worse than expected international situation, persistently high domestic inflation, a continued reduction in inventories, poor prospects for fixed investment and a bad agricultural season

The Budget might benefit economic growth marginally in the short term but did nothing to address and rectify the long-term structural problems in the economy

A 4,5% deficit before borrowing made the Budget "demand expansionary" and "dangerous" as it did not comply with sound fiscal norms

Absa cautioned that while production under-utilisation should preclude serious problems in the short term, there was a strong possibility that the budget deficit would be exceeded This would change the situation considerably

Two years of negative economic growth had resulted in a 5% drop in per capita living standards during the period. In addition, 150 000 more job opportunities were lost last year and unemployment rose by about 500 000, it said.

"Prospects for the year ahead do not appear more promising."

While the quality of life for most South Africans would continue to be eroded by inflation and an increasing tax burden, an increase in real fixed investment appeared unlikely because of surplus capacity in the economy and the high degree of social instability and political uncertainty, the Monitor said

# VW and Numsa settle work rate dispute

Bday 23/4/92 (247)

DIRK HARTFORD

THE dispute over production schedules at VW's press shop has been resolved after the National Productivity Institute (NPI) found that workers could produce more vehicle floors an hour than the disputed target set by the company

VW declared a dispute with the National Union of Metalworkers (Numsa) after it raised production schedules from 160 to 211 an hour and workers consistently failed to reach the new target. The union said the target was unrealistic and demanded an independent study

Eventually 38 workers were dismissed for failing to reach the new schedule After a strike threat and constant short stoppages, VW agreed to Numsa's demand for an independent assessment by the NPI

The NPI said workers could produce about 213 floors an hour, but set down about 14 provisos — including allowing time for glove changes, maintaining a constant work speed, and foremen helping when workers went to the toilet

According to a VW spokesman, these provisos are in place and workers have consistently reached the new target

Meanwhile, the retrenchment moratorium in the car assembly and tyre and rubber industries, which looks set to become the major issue in this year's negotiations, continues to cause dissension between unions and employers Employers say the moratorium expires at the end of June In this context the tyre and rubber industry offered to extend the moratorium until the end of the year, with an offer of a R1 an hour across-the-board increase

Numsa rejected the offer It insists the moratorium is a standing agreement In addition, it said its demand of R2 an hour increase still stood

Negotiations in the car and tyre and rubber industries will continue early next month

## VWSA on target

247

VOLKSWAGEN South Africa was right, the National Union of Metalworkers was forced to concede this week. The National Productivity Institute found that workers in the company's press shop could produce two more parts per hour than management's production targets required.

In February, 39 workers were dismissed from the press shop for repeatedly failing to meet production targets. The union was on the brink of strike action when the company agreed to reinstate the workers and be bound by the findings of the NPI.

But surprisingly, the NPI found that workers could build 213 parts an hour, two parts more than management had set. Now the press shop is achieving just that.

[illegible] 30/4-7/5/92

# Bitterness won't work – Japanese envoy

South 2/5-7/5/92

247

CONTINUING bitterness in the new South Africa could kill all incentive to work, says Japanese embassy official Mr Yasushi Naito.

Tokyo's political affairs officer in South Africa was speaking at the Black Management Forum (BMF) in Cape Town last week.

After World War II, Japan had managed to overcome bitterness and learn from its former enemy, the United States, he said.

Naito warned against a mentality that blamed all problems on the old "white apartheid regime".

This would inhibit the absorbtion of knowledge and skills from those who had them.

A new South Africa would have to address the redistribution of opportunities, but there was a danger of bitterness dominating this.

"The expectation of the masses for instant redistribution of wealth kills not only productivity of the industries, but also the incentive of the labour force to become productive," he said.

Explaining his country's reconstruction from "a heap of rubble to forests of skyscrapers", Naito highlighted its strong educational base

By the time the Meiji modernisation began in 1867, literacy in Japan was between 60 and 70 percent — higher than in South Africa now.

He described the prevalence of academic competitiveness in Japan, while also noting its negative features such as pressure on children.

This culture was linked to Confucianism which preached diligency and respect for authority

Japanese management used these morals for its formula of life-time employment in a single firm, seniority based on wages, community consciousness in the company, and decision-making by consensus.

"Employers and employees, managers and workers, co-operate in a system which emphasizes human relations and minimises conflict "

A joint consultation system had become a central labour-management practice in Japan, said Naito.

# Dismal productivity, no matter how you look at it

STAR 6/5/92

247

**Productivity is the buzzword that is climbing higher and higher on the agenda at negotiations over pay packets Both management and trade unions must share the blame for South Africa's poor performance, reports MICHAEL CHESTER.**

THE buzzword is productivity at the start of the 1992 round of annual negotiations between employers and trade unions over the size of pay packets over the next 12 months

Productivity is no newcomer to the vocabularies used at the bargaining table

But in a tense atmosphere of recession and retrenchments, with new winds of international competition blowing as sanctions fall away, the issue now looks likely to be far higher on the agenda than usual.

The swordsmanship of both sides will be tested in the duel The outcome may depend on how each side uses the thick wad of facts and figures they will pull out of their scabbards

The true facts are buried in a mountain of statistical tables that can be manipulated to suit any particular argument

As a start, it can be expected that comparisons will be drawn between the dismal record of labour productivity in South Africa and the successes scored by overseas workforces

The keen edge of such arguments looks formidable For example, the records show that while labour productivity in SA manufacturing industries managed to creep higher by no more than around 11 percent between 1975 and 1990, the average labour bill rocketed by no less than 692 percent

## Raced ahead

Of course, there will be nods of sympathy about the way rank-and-file black workers in South Africa deserved pay increases on such a scale to set about remedying the slave labour wages paid to them in the dark years of apartheid

But then the statistics will be set side by side with what happened in the meantime elsewhere around the world In Germany, labour productivity raced ahead at more than three times the speed — almost 35 percent — while pay packets grew by a far more modest 142 percent.

In the United States, labour productivity, already at a high level, advanced at a still faster rate — nearly 58 percent — and wages increased by little more than 146 percent.

At an extreme of comparisons, labour productivity in Taiwan surged by a phenomenal 145 percent True, wage increases in Taiwan climbed at an even steeper angle than in South Africa But then, it will be explained, pay levels were launched from an even lower base than here

More to the point are the statistics that underscore how South African manufacturers lost out in the trend of overall production costs that cut across their competitiveness on world markets

And so the microscopes will focus on the vital ultimate result How high was the jump in the average cost of labour for each item produced by manufacturers?

In Japan, labour costs per unit rose by less than 10 percent between 1975 and 1990 — claimed to be the key to its stunning economic miracles In Taiwan, even with its strong surge in wage levels, the increase in the cost of labour per unit was held down to a relatively low 117 percent

In South Africa, the labour cost carried by each item of production rocketed by more than 600 percent.

The evidence would appear to be a damning indictment that ought to be levelled at the trade unions in general — and black workers in particular, since they form the bulk of most factory labour forces

However, it is worth delving deeper to sort out the culprits. For instance, the National Productivity Institute (NPI) notes. "There is a common misconception that only blue-collar workers are responsible for rises in unit labour costs"

It takes as an example what happened between 1984 and 1988 Unit labour costs rose 12,5 percent Annual blue-collar wages raced ahead at 17 percent while white-collar salary increases trailed behind at 13 percent.

What has to be remembered, says the NPI, was that blue-collar pay packets were still only about one-third the size of white-collar salary cheques

In the final count, 60 percent of the blame for the total increase in unit labour costs had to be shouldered by white-collar workers

More research unearths more surprises — in particular the dismal productivity performance of the capital investments that companies ploughed into their businesses in pursuit of more mechanisation as an escape from the labour dilemma

It poses questions about the wisdom of many management decisions concerning investment patterns

NPI executive director Dr Jan Visser believes it is only fair to examine the role of capital as well as labour when putting productivity to the test

Here one finds that while the productivity of labour slouched along and rose no more than 21 percent in all the years between 1970 and 1990, the productivity record of capital was a disaster — and slumped by as much as 35 percent.

## Distortions

Combine the two elements in what the experts call a multifactor measure, and one discovers the dreadful truth that overall productivity in the manufacturing sector as a whole ended up in 1990 all the way back where it started in 1970 while overseas competitors thundered ahead

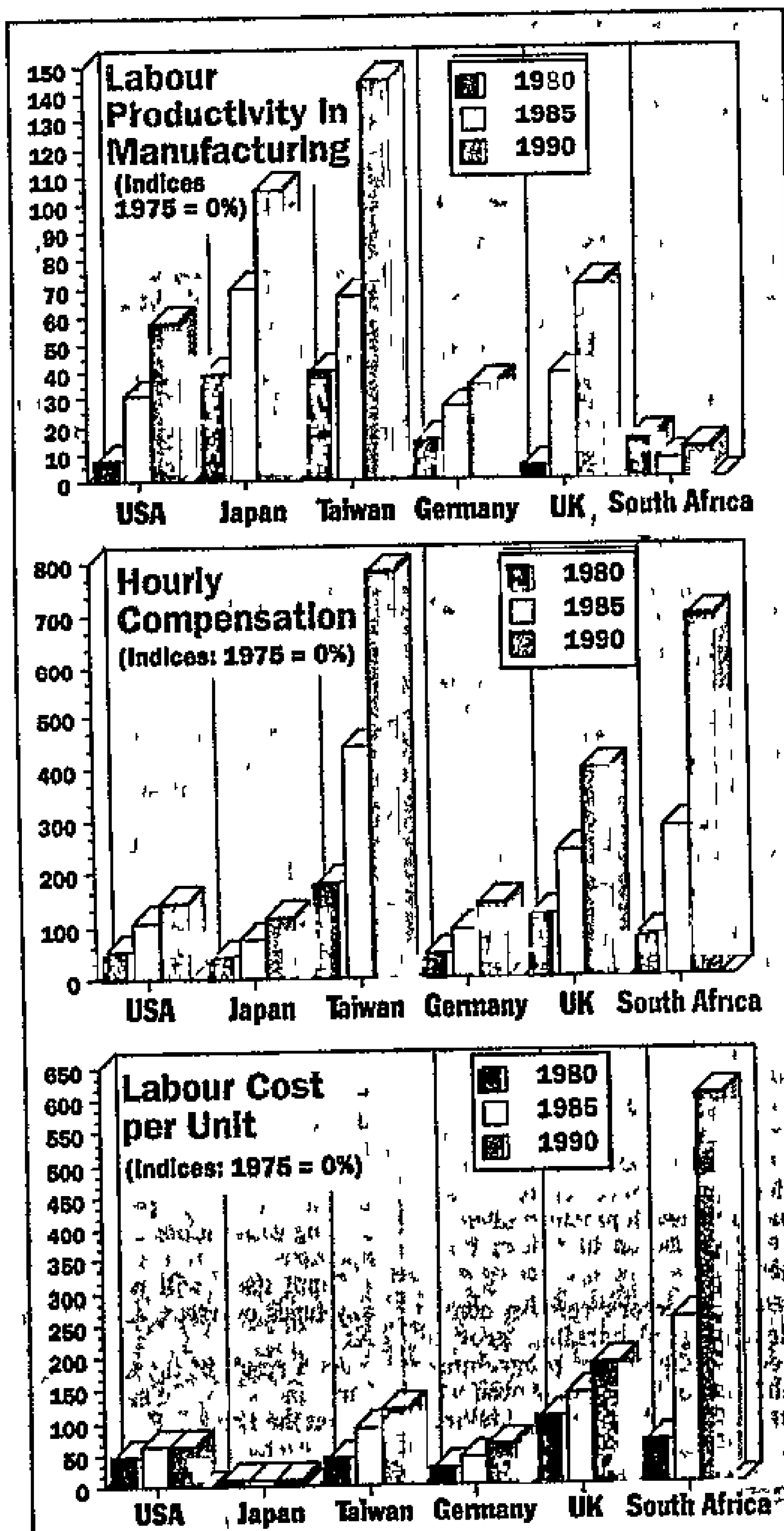
"One must be cautious about allocating the blame for a disastrous productivity record," says Dr Visser "There were all sorts of distortions in the scenario in South Africa that did not hit overseas industries

"On the one hand, there were awful black/white wage gaps that had to be tackled The militancy of the black unions was understandable — but that in turn was often the reason why many companies chose to plough cash into mechanisation rather than face more flak on the manpower side

"Unfortunately, the extra muscle normally provided by mechanisation was never given a chance to flex properly because of cuts in demand caused by sanctions and recession

"In the final analysis, before all the blame is heaped on labour, it becomes quite clear that a lot more attention must now be given to the better utilisation of capital resources

"There's no time for mud slinging Both management and labour need to apply their minds to finding solutions" □



Graphic by Liz Warder

**Shocking performance ... the graphs give dramatic impact to South Africa's record since the mid-1970s They show how SA trailed way behind overseas competitors in labour productivity, but almost topped the world scoreboard of pay increases — with the result that the average labour cost of each item produced by manufacturers rocketed by a phenomenal 600 percent compared with less than 10 percent in Japan**

# Construction industry to offer award for productivity

STAR 6/5/92 (247) 6/5/92

The construction industry is at last to have its own productivity award.

The main criteria will be total productivity improvement, including quality and safety aspects

Entries are open to all builders, civil contractors, professionals and manufacturers, municipal departments, institutes and associations whose main business falls within the construction industry.

To be run in conjunction with the National Productivity Institute, the award has been largely motivated by Nick Grobler of Con Roux Construction, whose thesis on the productivity process has been published in the US

Quoted in the latest issue of SA Builder, Mr Grobler says that when his company began to evaluate productivity, management came to the conclusion that elements involved included "planning, brain power, accounts' procedures, purchasing, customer relations and, of course, quality and safety."

Any of these on their own would not lead to real improvement.

The company has now put together a breakfast presentation to be held in all major centres in the next few weeks, at which details of the award scheme and how to submit entries will be discussed

He will also pass on valuable information on the company's experience in implementing productivity strategies

"The majority of people in South Africa need to understand that you need to make something before you can sell it," he says "You cannot survive on handouts

"It must also be clearly understood that there has to be a use for the things we make And most important, profit has to be made if a company is to survive"

Entries for the award close at the end of September, and the winner will be announced in February next year Details of the breakfast sessions are available from Val van der Hoven at (012) 341-1470

# Output fall keeps SA in recession

BDay 15/5/92

(247)

SHERIDAN CONNOLLY

SA remains firmly in the grip of recession, with latest figures showing one of the largest quarterly declines in national output in more than two years of steady economic contraction

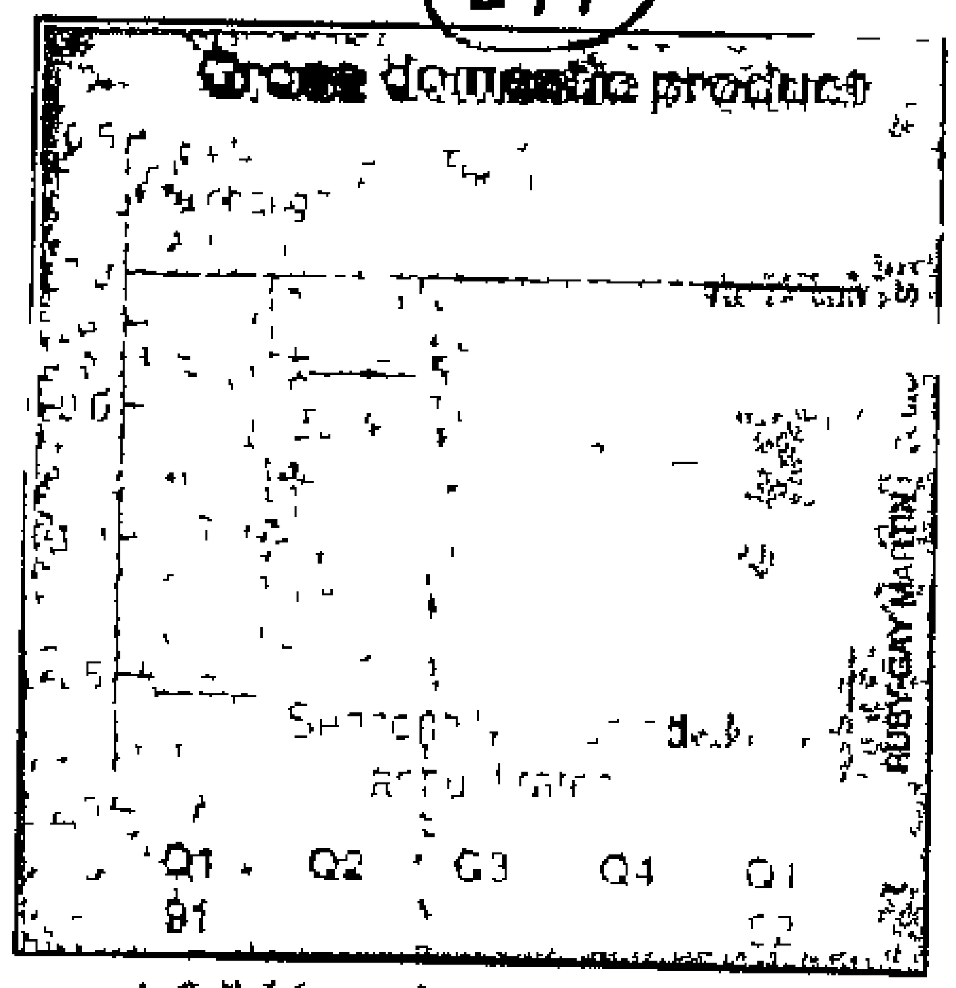
A considerable fall in agricultural production was the main force behind the March quarter decline, preliminary GDP estimates released yesterday showed

Central Statistical Service (CSS) figures showed national output, as measured by the inflation-adjusted change in GDP, declined 1,9% in the three months to March in seasonally adjusted terms from a decline of 0,6% in the fourth quarter of 1991, and growth of 0,5% in the third quarter.

The CSS said the fall in GDP in the first quarter of this year was the largest quarterly decline recorded since the three-month period to December 1989 when GDP fell 2,0%

The negative growth rate in the first quarter was attributed to a 15,8% drop in agricultural production, which had increased 4,9% in the previous quarter.

Real GDP declined for the fifth successive quarter, decreasing at a seasonally adjusted rate of 0,9% in the latest quarter. Negative real growth rates were recorded due to decreases in the seasonally adjusted production levels of manufacturing, construction and trade.




In real terms, manufacturing production declined 3,2%, construction was 8,2% lower, and trade dropped 3,2% Mining production showed a 1,9% increase

☐ To Page 2

## Output drop

BDay 15/5/92

From Page 1

Except for the positive growth rate of 0,5% recorded in the third quarter of last year, the economy has been contracting for the past nine quarters in nominal terms. The generally accepted formal definition of recession is two consecutive quarters of economic contraction.

Nedbank chief economist Edward Osborn said growth prospects had been dominated by the negative effects of agricultural production The sector's poor performance reflected the severity of the drought and also the collapse of maize production.

The maize harvest had declined substantially and prospects for a good wheat crop were bleak Some agricultural sectors, such as deciduous fruit production, had, however, recorded relatively good production levels

Osborn said lower growth in most sectors of the economy showed the recession was "still very much with us" A small degree of recovery with regard to the volume of gold production had contributed to some growth in the mining sector

The positive rate of economic growth recorded in the third quarter of last year was, ironically, attributed to a good agricultural crop, Osborn said Implications for economic growth for the remainder of this year had been affected by the drought, and the overall growth rate for 1992 should be zero or even show a decline

Osborn said the only chance for economic growth this year was in SA's export potential, but improvement would be limited by recovery rates in the international economy. Any benefits from a recovery in the world economy would be felt only in the fourth quarter of this year

Higher levels of government spending would be inadequate in boosting domestic demand and would not encourage any positive movement in fixed capital formation

A return to a "normal" agricultural harvest would make some positive contribution to economic growth.

● Comment: Page 10

# Pay talks focus on productivity deals

ALAN FINE (247)

ANNUAL wage negotiations between the NUM and the Chamber of Mines are scheduled to begin tomorrow , with the likely focus on wage increases, productivity deals, and a number of non-wage issues.

The NUM has voiced unhappiness over the operation of last year's historic productivity and gold price-linked settlement.

But industry sources believe the state of the industry means a further productivity deal — perhaps a revised and improved version of last year's — will be the only way for the union to win significant increases for at least some of its members.

Across-the-board increases last year averaged 5%, and the bottom line in this respect is unlikely to exceed that level.

Meanwhile, NUM negotiator Martin Nicol confirmed yesterday that the union and Rand Mines had agreed to approach Mineral and Energy Affairs Minister George Bartlett for discussions on the downscaling of operations at Harmony gold mine. However they had not yet agreed on the basis of their joint approach.

Nicol said Rand Mines appeared unwilling to make requests to government not based on "strict business principles"

On the other hand, while the NUM accepted that a measure of retrenchment was necessary to ensure the mine's longer term future, its proposals included provision for a limited and temporary subsidy to slow down the downscaling of operations.

It also sought assistance with retraining of retrenched miners and development assistance for Virginia, the mining region affected, and the region from which the workers originated, Lesotho. 18/5/92

□ Rand Mines gold division CEO John Turner said it would be inappropriate to comment before finality had been reached.

# Pay rises outpacing productivity

By Roy Cokayne (247)

South Africa is pricing itself out of world markets with earnings per worker in the manufacturing sector increasing by about 650 percent between 1975 and 1990, says National Productivity Institute executive director Dr Jan Visser

Giving the Hendrik van der Bijl lecture at the University of Pretoria Dr Visser said the country had lagged far behind comparable countries in its labour productivity and had shows a sharp rise in the unit cost of production

Although monetary measures were necessary to fight inflation and create international competitiveness, they were not adequate STAR 21/5/92

It was also essential to ensure that productivity had a bearing on the remuneration of both white and blue-collar workers and the remuneration of capital was also brought into balance with productivity

South Africa could compete with any country in the world technologically, as was proved by Armscor But its economic development problems were big and becoming bigger every day

"The GDP per capita is a reflection of a country's living standard and South Africa's achievement here is tragic

"SA's living standards decreased from 1980 to 1990 at a rate of 1,1 percent annually A comparison with Korea, Taiwan and a few other countries makes one jealous"

OGY

# New approach to productivity

FURTHER cuts in SA labour costs, currently at 5%-10% of cost of sales, will no longer provide the grounds for competitive positioning against the country's Japanese and European trading partners, says Andersen Consulting partner responsible for the manufacturing industry practice Uri Galimidi Bday 4/6/92

"An average German worker produces an output of $36 000 a year at an average hourly rate of $12,50," says Galimidi "His SA counterpart produces $9 000 a year and is paid an average $4,50 This is almost a 50% productivity advantage for the German worker"

SA's prohibitive capital costs, with a hurdle rate at 31% compared to Japan's 3,4%, is providing another barrier to improving quality and production efficiency

Galimidi says another unique characteristic of SA's manufacturing is the singularly high variety and low volume of the product ranges, further obstructing the achievement of quality and productivity

"Business re-engineering could help SA's CEOs overcome these obstacles in the way of establishing competitive positions in local and world markets

"It is only the CEO's leadership and vision that can harness the energies of his organisation towards a major improvement in operational effectiveness

"SA's CEOs, however, are typically too deeply involved in day-to-day management and firefighting They are finding it difficult to keep pace with latest management philosophies and technologies"

He says business process re-engineering is the most recent emerging management philosophy It aims to integrate an organisation's vision, processes, technology, people and infrastructure

"It aims to break the traditional values of manufacturing The safe haven of stable manufacturing environments, long production runs, and little change in product range is no longer affordable in our shrinking global village," says Galimidi

# Indaba seeks drought aid solutions

(241)

STAR 15/6/92

By Julienne du Toit

Widely divergent organisations at the weekend put aside their differences to work out a national drought relief strategy.

The Rev Frank Chikane of the SA Council of Churches, who opened a conference on the drought at the University of the Witwatersrand, urged for solutions to avert possible mass starvation.

A food coupon system for the very poor might be implemented, he said.

Professor Wiseman Nkuhlu of the Independent Development Trust (IDT) said funds available for drought relief were not adequate and the need to co-ordinate them was a major issue.

The drought should not be hijacked as a political issue, as this could only be counter-productive.

The conference, hosted by the IDT and the Kagiso Trust, included political organisations such as the ANC and IFP, various church groups, trade unions, government departments, homeland governments, embassies, agricultural unions and representatives from the business sector.

In total about 68 organisations, [redacted] Operation Hunger and World Vision, worked out a co-ordinating strategy between parties involved in drought relief.

The conference set up a consultative forum of about 30 members, with a national steering committee, which will meet soon.

Consultative council priorities were:

- To fit drought relief into longer-term development planning, especially at regional level.
- The current commercial agricultural sector should not be propped up by drought relief.
- Aid that farmers got specifically for farmworkers should be subject to control by representative drought committees
- Existing protocols between the Government and self-governing states regarding water planning and provision should be reviewed.

The consultative forum's functions would be to exchange information between participating organisations, match needs with resources, establish priorities, and lobby for aid internationally and nationally

# Productivity-boosting sales course on offer

B/Day 7/7/92 (247)

THE National Productivity Institute (NPI) is planning a bumper productivity-boosting sales training course to be presented in five cities this month

Statistics show that, on average, sales people in SA spend only 27% of their time in front of clients, with some spending as little as 11%, says NPI marketing and sales manager James Cagney.

Thousands of people are expected to attend the course, which will be the largest organised gathering of its kind in SA, he says.

Organised in conjunction with the Self Development Foundation, the seminar kicked off yesterday in Cape Town, today it will be held in Port Elizabeth, in Durban on July 9, Johannesburg on July 13 and Bloemfontein on July 16.

The NPI has focused on sales productivity as an area that needs dramatic improvement

Cagney expects the series of seminars to have a far-reaching effect on the economy since well over 100 000 people are employed in the sales field.

"Our problem is not so much the poor sales skills of sales people, but the ineffectiveness of sales management Most come from the ranks of sales people, with little or no managerial training and told to get on with the job," he says.

# Economy's idle capacity increases

GERALD REILLY 247

PRETORIA — Production capacity utilisation and wholesale trade sales statistics released yesterday by the Central Statistical Service (CSS) reflected the continuing distress of a bogged-down economy, economists said yesterday. BDAY 22/7/92

Production capacity utilisation in the manufacturing sector in February stood at 80,8% — down 0,5% compared with February last year.

Decreases in utilisation occurred in 15 of the major manufacturing groups. The largest decreases were in the footware industry (14,4%), glass and glass products (11,3%) and in the textile industry (7,9%)

The 19,2% under-utilisation in February was due to a shortage of raw materials (1,5%), of labour (1,2%), insufficient demand (13,3%) and "other" reasons (3,2%)

The highest utilisation rates were in the tobacco industry (93,4%), leather and leather products (90,3%) and metal basic industries (88,3%) The transport equipment industry showed the lowest utilisation rate — 70%

According to the CSS total wholesale trade sales excluding diamonds amounted to R10,628bn in April — 4,5% lower than expected

Real wholesale trade sales decreased by 1,8% compared with March after seasonal adjust

# Unions' productivity 'hatchet job'

ROGER FRIEDMAN
Staff Reporter ARG 23/7/92

TRADE UNIONS "have done a very effective hatchet job on the concept of productivity", the key to the future economic well-being of South Africa, industrial relations consultant, Mr Andrew Levy, said today

But amid the gloom, "the unions are beginning to change their minds", and the doors to productivity bargaining were beginning to "swing open"

Mr Levy was addressing a conference in Cape Town on labour problems and solutions, focusing on wage demands, productivity, industrial action and retrenchments

Professor Robert Schrire of the University of Cape Town cautioned employers that policies of pure expediency would never work

Businesses would not survive the onslaught of extended industrial action

# Index shows production stagnant

BIDAY 27/7/92.

GERALD REILLY

PRETORIA — A stagnant SA economy reflected in recent CSS figures is confirmed by the latest indices of the physical volume of manufacturing production

The CSS's production index has increased by a mere 1,9 points since the base of 100 was set in 1985

Latest figures show a production decline of 2,3% in the three months to end-April but an increase in sales values of 3,9% to R46,214bn when compared with February-April last year.

Seasonally adjusted, the index fell by 1,3% in February-April, compared with November-January, to 101,7 and the value increased by 0,5% to R45,949bn.

(247)

The main contributors to the 1,3% decline in February-April after seasonal adjustment compared with the previous three months, were industrial, chemical, basic iron and steel, machinery and equipment and electrical machinery industries.

In another CSS release at the weekend, trading revenue in the retail motor vehicle and accessories industry increased by 0,9% to R8,981bn in the second quarter this year compared with April-June last year

# Focus on productivity

247

THEO RAWANA

THE National Productivity Institute (NPI) is to hold a five-day series of workshops and seminars on productivity from August 31 for Productivity '92

The highlight of the programme, which has the theme Productivity Through Creativity and Co-operation, will be a series of day-long workshops on creativity and idea-generation by Chic Thompson of the Creative Management Group in the US.

Thompson, founder and president of the management group, started a crusade in the US to wipe out "killer phrases" such as "It'll never work", "Yes, but ", or "It's not in the budget", according to an NPI statement.

The Chic Thompson workshop in Johannesburg will take place on August 31 It will be held in Durban on September 1 in the Royal Hotel, and in Somerset West at the Lord Charles on September 2

One of the speakers at a one-day seminar on Customer Care — Key to Profitability on September 1 at the Jan Smuts Holiday Inn will be a 1992 National Productivity Award winner who maintained high quality standards and improved customer service while reducing costs by R10,6m.

His name will be announced on the day.

# SA doctor presents new medical research

Business Day Reporter

AN SA general practioner yesterday told a Copenhagen medical conference of a major breakthrough in the treatment of chronic pain and fatigue.

The conference, MyoPain '92, is being attended by over 500 delegates from around the world.

The 43-year-old Alberton doctor, who may not be named for ethical reasons, said he and a colleague had conducted a five-year research programme involving a new "wonder drug".

BDAY 21/8/92

He said the research finding had been well received by the conference which was mainly attended by medical academics and heads of teaching hospitals.

"SA is still leading the world in medical research. What we have done is to find a cure for previously untreatable disorders such as migraine and yuppie flu."

Treatment consists of three consecutive intravenous infusions of the drug. The administration of the drug does not require hospitalisation.

"We have a reasonably large practice and have conducted extensive research over the past few years with the co-operation of our patients. The results have been fantastic."

A colleague said the doctor had been invited to attend the conference after writing a thesis outlining the research He was the only general practioner among the speakers who addressed the delegates.

"This has brought new hope to people suffering from chronic pain and fatigue. Although a lot of research still has to be carried out we have brought relief to people who up to now were considered untreatable

"Judging by the reception at the conference it seems as though SA is once again in the forefront of medical research," he said.

# Focus on productivity

247

THEO RAWANA

THE National Productivity Institute (NPI) is to hold a five-day series of workshops and seminars on productivity from August 31 for Productivity '92.

The highlight of the programme, which has the theme Productivity Through Creativity and Co-operation, will be a series of day-long workshops on creativity and idea-generation by Chic Thompson of the Creative Management Group in the US.

Thompson, founder and president of the management group, started a crusade in the US to wipe out "killer phrases" such as "It'll never work", "Yes, but .." or "It's not in the budget", according to an NPI statement.

"The Chic Thompson workshop in Johannesburg will take place on August 31. It will be held in Durban on September 1 in the Royal Hotel, and in Somerset West at the Lord Charles on September 2.

One of the speakers at a one-day seminar on Customer Care — Key to Profitability on September 1 at the Jan Smuts Holiday Inn will be a 1992 National Productivity Award winner who maintained high quality standards and improved customer service while reducing costs by R10,6m.

His name will be announced on the day.

# Consumers pay for retailers' poor productivity

B DAY 17/9/92

247

BERNARD JANISCH

COMMENTING on the recently published figures for food inflation on a radio talk show, a spokesman for a major supermarket chain made the following revealing observations

☐ He disputed the figure of 30% inflation and indicated that his group felt it was nearer 21%,

☐ He implied that the high figure was largely the result of the drought and of government's insistence on retaining VAT on basic foodstuffs, and

☐ He argued that, since their profit margins were very thin (about 2,5%), there was nothing they could do unilaterally to reduce prices

It is difficult to decide whether he regards his customers as fools or is indulging in an elaborate self-deception exercise.

In the face of weak demand resulting from declining disposable incomes, highly competitive industries have been slashing prices to retain market share — not so supermarkets and dairies, among others, that persist in increasing prices in response to falling demand Is this due to greed or stupidity?

At least one answer lies in the practice of computerised pricing whereby floor managers are required to generate a specified profit from a given amount of shelf space After manipulating the suppliers and the product mix (usually in a most unsympathetic and adversarial manner) any fall in physical sales is a signal to increase markups to compensate and to restore target profits.

As long as the whole industry is behaving this way rapid inflation moves hand-in-hand with declining physical sales

When the supermarket executive refers to small profit margins — for emotional effect he emphasised just R2,50 for R100 of turnover — the implied message to the customer is that average markups of products on the shelves is 2,5%. The truth is that the profit margin consists of gross trading profit less total operating expenses on a base of total sales

In the early years of supermarketing in this country, gross profit margins were of the order of 10% Now mismanagement and an inability to contain the operating expenses ratio has resulted in gross profit margins on many items in excess of 50%

The operating expense ratio is sensitive to many influences, among them

☐ Falling sales without concomitant expense reductions, which increases the ratio,

☐ Conversely, a rise in turnover reduces the ratio as most expenses are fixed or structural in nature,

☐ Increasing people costs resulting from militant wage bargaining increases the ratio,

☐ Increased losses through shrinkage, aggravated by higher prices in the face of recession and growing unemployment, increases the ratio, and

☐ Failure to improve stock turns and supplier returns through lack of effective co-operation with the supply chain increases the ratio

The performance of the major UK retail chains is in stark contrast to the SA chains Companies such as Tesco hold as little as four days' stock on major items and have reduced supplier returns to practically zero Despite the increased number of monthly deliveries, supplier trucks are handled at receipt depots in under half an hour This has enabled Tesco to raise its profitability fourfold in the past 20 years while reducing real pricing of products to the end customer.

The secret lies, of course, in expanding physical sales turnover and improving logistic (supply chain) performance, so generating impressive productivity gains SA chains are moving in the opposite direction, to the detriment of the customer and the supplier

The supplier, at the mercy of the powerful retail chains, is being forced to agree to increasing confidential discounts, extended payment terms and the requirement to contribute increasingly to point-of-sale promotional expenses

At the same time, rapid escalation in retail prices for his products is pushing physical turnover down To survive, the embattled supplier is retrenching staff and so contributes to a declining customer base and falling disposable income

Centrally imposed pricing restraint is not the answer Free enterprise must prevail Imagine the impact if one major retail chain were to reduce prices across the board by say, 10% With innovative marketing, this could precipitate a rush of customers and a significant increase in physical turnover — perhaps sufficient to raise overall profitability

The ensuing price war would not be comfortable for the retailers but, for the hard-pressed consumer and the tottering economy, it could provide the shot in the arm and the reduction in the inflationary trend so vitally necessary at this time

☐ **Janisch is a Johannesburg-based management consultant.**

TWO FINANCIAL firms in Europe

Mutual funds for women rile critics

by women decision makers around

# 'Literacy key to a higher productivity'

■ **State and employers ~~will be~~ asked to set up a a training fund:**

**Sowetan Correspondent**

SOUTH AFRICA'S LOW productivity can only be properly addressed through a Government-backed literacy programme for the country's estimated 15-million functionally illiterate adults, claims Cosatu.

Cosatu's Rahmat Omar said although no official figures were available, the gloomy picture was that 45 percent of the economically active population was illiterate and 25 percent semi-literate, leaving a mere 30 percent literate

If these figures are correct, that puts South Africa on a par with New Guinea but behind Zimbabwe which claims a 75 percent literacy rate and Botswana with 71 percent literacy rate

Sowetan 24/9/92

## Basic literacy training

Many private organisations have surfaced, progressing from solutions based on basic literacy training to a comprehensive focus on life skills

They include Read, Educate and Develop (Read), English Literacy Project (ELP), Co-operative Organisation for the Upgrading of Numeracy Training (Count), Training in English Language and Literacy (Tell), National Literacy Co-operation, which is active in the Eastern Cape, and Basic Education and Skills for Adults (Besa)

## A holistic approach

Besa, which caters for the lion's share of the market, "established a need for a holistic approach to adult basic education, linked to skills-based career paths", according to marketing director Kevin Janssens

Mr Janssens said. "After addressing basic literacy, we move on to English language competency along a continuum of growth, numeracy, life and technical skills

Simon Mtimkulu, training officer at Allied Publishing which will launch a Besa training programme next month, said many newspaper vendors were unable to read the product they were selling

Omar said the State would be urged to set up a training fund assisted by employers who should be offered tax exemptions

# Manufacturing volume drops

247 GERALD REILLY

PRETORIA — The volume of manufacturing production in the three months to end July dropped by 5,5% to an index level of 101,2 compared with the same three months last year (107,1), Central Statistical Service (CSS) figures show. B|D|AY 7|10|92.

Compared with the previous three months, volume declined by 4% from an index figure of 103,1 to 99.

However, compared with June, the July figure increased by a solid 3,5% after seasonal adjustment.

Production increases were recorded by 17 of the 27 major manufacturing groups, whose reasons for increases included a larger supply of raw materials, an increase in exports and less strike action

And in another release yesterday, the CSS said total wholesale trade sales for July, excluding diamonds, were up by 5,3% on wholesalers expected sales for the month.

In May-July, sales at then current prices increased by 11,8% to R33,956bn. At constant 1990 prices they dropped by 0,9% to R27,213bn.

# Numsa strike lost nearly R1bn

EDWARD WEST

PRODUCTION losses during the four-week strike action in August by nearly 80 000 members of the National Union of Metalworkers of SA (Numsa) amounted to nearly R1bn, the Steel Industries Federation of SA (Seifsa) said. 8/10/92

Its latest Seifsa News publication said although no complete shutdowns had been reported, it was estimated the industry had lost one fifth of its production capacity over the four weeks. This amounted to production losses of R880m. (241)

Seifsa claimed Numsa's orchestration of the strike action had been unwise considering the industry was in a recession.

The industry was shedding between 2 500 and 3 000 jobs a month, business closures were on the increase and investor confidence was at its lowest. Union members lost R110m in wages during the strike.

At least 1 500 workers had been dismissed during the strike and it was expected many more would be laid off as a result of lost business caused by the strike.

Some companies had managed to maintain and even improve production during the strike, with fewer workers. Indications were that management would review productivity standards with the possibility that manning levels would change.

The successful court interdict against the Numsa strike had established some important collective bargaining principles, Seifsa said. BDAY 8/10/92

Seifsa and its employer organisations were able to institute legal proceedings and seek court interdicts against trade unions on behalf of their members.

Employer organisations also had the right to know the outcome of the union strike ballot. Seifsa said this meant the "principles of industrial democracy" had been entrenched by the court.

# New Cape chamber chief

LINDA ENSOR

CAPE TOWN — Handi-Pak MD John Middleton was elected president of the Cape Chamber of Industries at the chamber's AGM last night. Middleton has been a member of the chamber's executive council for five years. (247)

Barlow Rand (Cape) chairman Ted Parlabean was elected first vice-president and Duram Products MD Michael Stekhoven and Middleman Brokers owner Harold Storey were elected vice-presidents.

In his outgoing address president Ernest Wilson bemoaned SA industry's low level of productivity relative to its trading partners, and especially relative to its competitors in the Pacific Rim.

"The investment incentives we offer are pitifully unattractive and our export incentives are not geared to promote the greater beneficiation of our domestic raw materials," Wilson said.

"Throughout the world, cost reduction is the name of the game, yet our costs in SA, even in recession, are rising almost in step with inflation, which stubbornly continues to defy all efforts to achieve even single-digit status."

He said the chamber was concerned that current government consumption expenditure remained excessively high at 21% of GDP compared with the 10%-15% of most of SA's trading partners

The next few years were unlikely to bring a significant reduction in state expenditure as socio-economic backlogs would have to be dealt with.

It is believed ANC secretary-general tus Mekgwe

# Productivity in ANC spotlight

247

WILSON ZWANE

NO PROGRAMME aimed at increasing productivity would succeed unless the entire economic system was legitimised, ANC NEC member Saki Macozoma said yesterday. B/DAY 21/10/92.

Addressing the 36th annual convention of the Institute of Personnel Management in Sun City, Macozoma said labour should not be blamed exclusively for the ills of the country's economy.

He said various factors had an impact on the "productivity dynamic"

These included the perception SA's economic system was illegitimate because it excluded blacks, and the poor education system which "fails to inculcate basic tenets that would help in increasing productivity".

Macozoma said the country's political crisis was characterised by

- ☐ A lack of political legitimacy;
- ☐ Mistrust of security forces and the judicial system (by blacks),
- ☐ A climate of repression and intolerance,
- ☐ Escalating exploitation of ethnic and regional divisions, and
- ☐ The collapse of local authorities

# Police 'threatened Boipatong witness'

B/DAY 21/10/92

TWO policemen threatened a witness of the Goldstone commission of inquiry into the June 17 Boipatong massacre when they visited his home, the inquiry heard in Vereeniging yesterday.

ANC counsel Karel Tip told the commission, which resumed sitting yesterday after a two-month recess, that the witness had said policemen visited his Boipatong home on Wednesday last week. The witness was not home so the policemen had left a threatening message with his wife, Tip said.

SAP counsel Flip Hattingh told the commission the police had no idea the man was to be called as a witness.

He said policemen had visited the Boipatong area on Wednesday night to make certain observations, but said they had not entered any premises.

The commission was also told that an analysis of the erased police tapes relevant to the investigation would be made available next week.

Judge Richard Goldstone said the British government, to whom the tape had been submitted for analysis, would provide the commission with the relevant information. — Sapa.

# Stress a danger to black managers

B/DAY 21/10/92

ANDREW KRUMM

SUN CITY — The small pool of black managers would shrink in the next five years should advancement programmes not take into account stress-related disorders, Bristol-Myers-Squibb director Ben Allmann said yesterday.

Speaking at the 36th annual convention of the Institute of Personnel Management, Allmann said corporates had to extend their thinking beyond the workplace, or about 86% of black managers would suffer from performance-impairing stress related disorders within the next two years

He said his predictions were based on the results of a three-year collaborative national management stress research project he conducted among managers from 13 major companies

The project showed that black managers found their homes and community environments twice as stressful as their work.

Black managers recorded lower remuneration, less praise and more criticism, discrimination and cultural gaps as contributory to stress

# ANC plans protests against KwaZulu

B/DAY 22/10/92 RAY HARTLEY

NATAL is on the boil following the deaths of more than 40 people in the past week.

The ANC's three Natal branches are planning a day of protest action against KwaZulu police stations and government offices.

ANC Natal Midlands spokesman Reggie Hadebe said yesterday the day of action was part of a build-up to a march on Ulundi.

A committee had been established to plan the campaign and set an exact date for the day of action and a march on Ulundi.

"The date is not crucial. What is crucial is that the campaign must get off the ground. There is no question of head office trying to postpone the march indefinitely as has been suggested," Hadebe said.

He said no plans had been made to meet Inkatha leaders, but the matter was being discussed at national and regional levels within the ANC. A meeting with President F W de Klerk was also being discussed, he said.

Hadebe said the focus of violence was being systematically shifted back to Natal because Inkatha was coming under greater public pressure in the region.

He said Inkatha had stepped up the military training of its members in preparation for a major assault on the ANC in the province.

The Human Rights Commission recently reported that 125 people died in violence in Natal during September.

Sapa reports six people were wounded when a group of gunmen opened fire with pistols and AK47 rifles at commuters disembarking from a train at the Elandsfontein station in Germiston on Tuesday morning.

In a report yesterday, Witwatersrand police spokesman W/O Andy Pieke said a policeman returned fire when he was shot at, but it was unknown if any of the attackers, who fled the scene on foot, were wounded.

The injured passengers were admitted to the Willem Cruywagen Hospital in Germiston.

The motive for the attack was unknown and no arrests had been made, said Pieke.

# Productivity is based on labour's trust, says ANC

WILSON ZWANE (247)

LABOUR and management had to enter into a more trusting relationship in order to minimise trade-offs between a living wage and productivity growth, ANC economist Tito Mboweni said yesterday.

Addressing the 36th annual convention of the Institute of Personnel Management (IPM) in Sun City, Mboweni said there was "growing room" for co-operation between management and labour. B/DAY

Mboweni said if organised workers were well informed about the possibility of wage growth eroding their companies' competitiveness, they would be more prepared to "co-ordinate their wage demands with increases in productivity". 22/10/92

"This entails a totally new and trusting approach to the relationship between capital and labour. Management will have to alter its secretive stance and provide unions with detailed information about a company's economic position," Mboweni said.

He added that pressure on trade unions to identify with the goals of national development "will be considerable under a democratic government".

# Productivity is the best weapon against inflation

B/DAY 28/10/92 **JOHN PARSONS** 247

THE entire food chain price debate is at a stand-off. Every participant in the chain effectively stands accused by every outside stakeholder Confusion reigns supreme as accusation is relentlessly followed by counter-accusation But it is like poking one's finger into a huge sponge Nothing is concrete.

A key to getting to the root of the matter is the concept of inflationary versus deflationary price changes An inflationary price increase is one that accelerates the inflation rate — when selling price increases exceed the overall rate of increase in the prices of all resources purchased to produce and/or market the product. A deflationary price increase winds down the inflationary spiral

So if the producer's internal inflation rate (the aggregate price change for all resources consumed) is 4%, then a 5% increase in selling prices is inflationary Conversely, if the internal inflation rate is 32%, then a 30% increase in selling price is deflationary This does not mean that 30% price increases are socially acceptable or that there is no problem. It simply says, for a solution, rather look at what is driving the 32% increases in resource prices

Another common misconception is that profitability and changes in profitability immediately say something about inflation Of course there is a connection — but it is not a direct one and simplistic interpretations are dangerous

Any hint of high profit levels or increases in margins is quickly accompanied by cries of profiteering and, by implication, inflationary pricing This need not be so. Similarly, low and/or declining margins cannot be used to fend off accusations of inflationary pricing.

Productivity is the wealth creating mechanism. The way in which the pricing system distributes the wealth determines who gets rich and who gets poor Thus if R100 worth of wealth is created by a producer through being more productive in the use of resources, and R50 is used to increase profits then the other R50 is being used to hold down selling price increases.

This is a positive position since the wealth created through the productivity process is being shared between producer (improved financial returns) and consumer (inflation is being absorbed and the spiral is being wound down) Only possible, of course, if productivity is improving

Consider another scenario — where productivity is dropping. The lower performance puts pressure on the bottom line and the response is to increase selling prices faster than the prices of the resources employed. This restores the margin (say) almost to previous levels

However, what has occurred is a destruction of wealth through declining productivity, partially compensated for by inflationary pricing And the inflationary pricing is neatly camouflaged by the lower profit margins. An example at retail level would be inflationary pricing to offset shrinkage (productivity loss)

Inflationary pressures can arise from within the food chain and from outside it. Pressures from within could arise from price movements for the merchandise and the intermediate services (control boards, distribution).

However, in many instances, although the material inputs (the merchandise and other ingredients) represent a significant proportion of the total resource base, what is happening to the prices of the other resources also has to be considered. These would include wages, salaries, and benefits; electricity, rail, and communication tariffs, and rentals, interest rates, and replacement prices for capital equipment.

Much of the hot air surrounding the debate has focused on price statistics. The pitfalls of drawing conclusions (especially judgmental ones) about the causes of inflation from mere examination of the statistics have been alluded to already Another dimension to arguments about statistics is can they be believed?

It is possible that the CPI and the PPI are sufficiently accurate and robust indicators of food price change. And the Central Statistical Service should continue to review the basket, the base year, the weights, and all the statistical methods currently being employed. But, when all is said and done, it is the producers who supply the data and there is no substitute for good data.

Only one small piece of the sponge has been rigorously addressed so far. This covered the maize milling, eggs, and animal feeds operations of Tiger Oats A study covering a five-year period to September 1991 showed productivity gains had been consistently used to absorb inflation while maintaining bottom-line returns to the shareholder The implicit benefit to Tiger's customers was R20m.

The study also indicated that the average price increase ex-factory for maize, eggs, and animal feeds over the five years was less than 10%. This happens to coincide pretty much with the PPI.

Productivity is the key to controlling inflation. It has advantages over monetary policy since the effect of productivity improvement is to stimulate economic growth through lowering the real cost of production. Reducing the money supply to control price increases works in theory, but it is just as apt to cause a reduction in the level of economic activity while prices continue to rise unabated. Less food at higher prices also balances the equation!

Long-term productivity growth will occur only under conditions where management and labour are meaningfully engaged and the wealth created is distributed well. In the meantime, it is absolutely vital that we properly understand what is happening in the food chain, and where and by what mechanism inflation is being created.

The sequence must be firstly, analyse precisely what is going on, secondly, investigate and uncover the underlying causes, and thirdly, formulate an action plan that will secure a desired solution

Mostly, we are spending our time with steps two and three, and emotionally at that. It is reminiscent of the Queen of Hearts in Alice in Wonderland when she said. "No, no! Sentence first, verdict afterwards!"

The approach used on Tiger Oats, which provided the first independently derived piece of hard evidence, is a form of productivity accounting Because it can disentangle the effects of productivity and pricing on a company's or an entire industry's financial performance, it offers distinct advantages over alternative methodologies What is more, little or no reliance is placed on the use of published statistics — so the argument over their accuracy is irrelevant.

Even in a canning plant making a dozen different varieties or a supermarket trading in several thousand different items, productivity accounting will reveal whether productivity gains or losses are occurring, and with respect to which resource categories (materials, capital, labour), and how much wealth is being created (or destroyed) in the process

It will indicate, unambiguously and non-judgmentally, whether the pricing policies being followed are neutral to inflation, deflationary, or inflationary and the extent to which these policies are causing a redistribution of wealth All these effects are quantifiable This would enable productivity and price changes throughout the entire food chain to be addressed — no more sponge!

Productivity accounting has been used to disentangle complex situations before — in SA and overseas Together with an accompanying investigation of the causalities it provides the best, if not the only, option It will not be easy, co-operation would be a prerequisite, and it will not be cheap But time is running out!

☐ **Parsons is NPI business development director**

**SPOT DESK**

# Africa 'must work hard to become a world player'

BID AY 4/11/92 247

JONO WATERS

TOTAL factor productivity remained constant between 1960 and 1987 in subSaharan Africa against increases of 1,9% a year in East Asia, National Productivity Institute executive director Jan Visser said yesterday.

Delivering the keynote address, he said that since 1960, growth in productivity had accounted for a small proportion of output growth for most developing countries.

Visser said the World Bank had predicted there would be an increase of nearly 100-million poor people in subSaharan Africa which would make 30% of the developing world poor, compared with 16% in 1985.

"The correlation between productivity and economic growth is strong and positive, and Africa will simply have to increase productivity if it wants to become a world economic player," he said.

GDP in the subSaharan region decreased by 1,2% a year between 1980 and 1989, while it increased in all other regions except Latin America. The growth rate of 1% a year achieved by the subSaharan region was not high enough to accomodate the high population growth rate of 3,2% a year.

VISSER

Visser said that in recent years, East Asia had grown rapidly through expansion in trade. Annual growth in real exports increased by more than 10% from East Asia, while they declined in subSaharan Africa.

Since agriculture provided Africa with 33% of Africa's GDP and 40% of its exports, the continent had a clear comparative advantage and it offered the best immediate opportunity for raising incomes, he said.

"Agricultural growth must be doubled to 4% a year to be able to increase Africa's standard of living."

He said that even when full account was taken of the environmental limits to land exploitation, the scope for expanding production was great.

Over a longer period, policies should aim at fostering private investment and entrepreneurship in the industrial sector, he said.

Visser said education would affect productivity and growth, as a better educated person absorbed information faster and applied new processes more successfully.

Visser said the adult literacy rate in subSaharan Africa was only 48% compared with 71% in East Asia, and fewer than 50% of children were enrolled in primary school in the subSaharan region.

Visser concluded that to have an African productivity association dominated by governments and politicians would be fundamentally wrong, and he was pleased that no politician had been involved in the first assembly.

COMP

# Use of capacity drops sharply

(247) BDAY 5/11/92

HILARY GUSH

CAPACITY utilisation in the manufacturing industry fell significantly during the recession, but was still much higher than economists had expected.

Latest Central Statistical Service (CSS) figures show only 78,7% of installed productive capacity in the manufacturing sector had been used in May this year — 2,6% lower than May 1991's figure

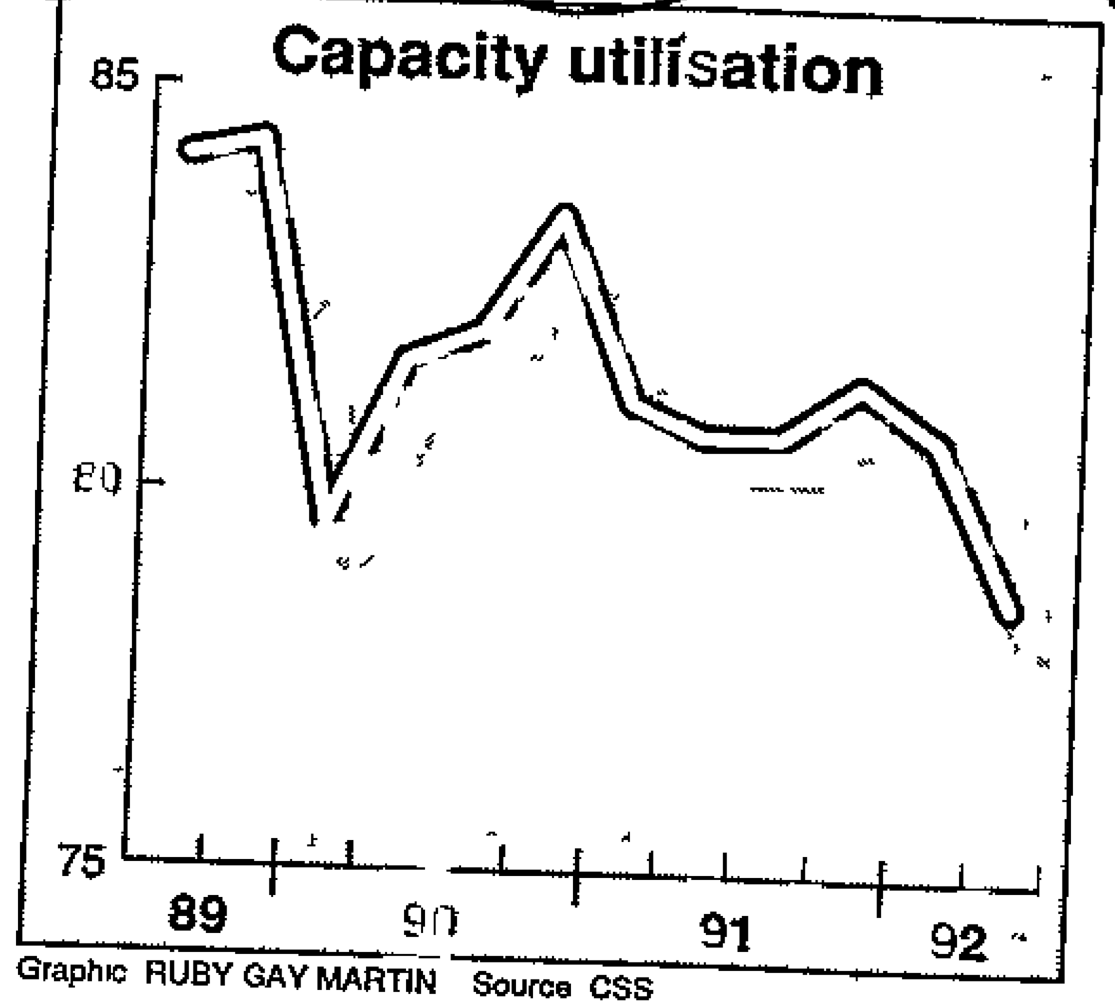
Insufficient demand for manufactured products accounted for 15,3% of the 21,3% underutilisation of capacity in May "Other" reasons — mainly labour disputes and strike action — attributed 3,1% to the high level of under-use

The motor industry experienced the lowest utilisation rate — 67,4% — in May. A Toyota spokesman said this reflected the poor levels of production at the Toyota plant, which accounted for 30% of the industry's total output, during May, when 18 working days had been lost because of a prolonged strike

Nedcor chief economist Edward Osborn said the level of capacity utilisation had fallen significantly since the top of the business cycle. In the third quarter of 1989, capacity utilisation according to CSS data had been 84,3%.

Osborn said higher levels of spare capacity reflected the downturn in the manufacturing industry However, he was surprised the reduction in capacity use had not been greater.

The fall in manufacturing output had been proportionately greater than the decline in capacity utilisation.



Graphic RUBY GAY MARTIN Source CSS

Osborn put forward two reasons for the surprising figures The CSS data was "extremely rough and ready" and was plagued by compositional problems, and, as many companies had been "snuffed out by recession, their capital stock had fallen out of the overall picture".

Those firms which remained in business were responsible for the maintainance of the fairly high level of capacity utilisation, he said

Sacob economist Keith Lockwood said although the present level of capacity use was low, the theoretical level of working at 'full capacity' was often not obtainable.

Lockwood said current levels pointed to the depth of the recession. Capacity use was a function of production output, which, in turn was a function of demand Retrenchments had led to declining disposable incomes which had led to a drop in consumer demand, while sluggish world economic recovery had hampered keen demand for SA exports.

Absa economist Adam Jacobs said in light of the low level of manufacturing output in the first eight months of the year, the May figure was higher than expected

As gross investment in new equipment was less than the depreciation provision, the level of capital stock had declined

"Our main concern is with the age of capital stock. SA has not imported and employed new technology, and thus we are behind the rest of the world in terms of technological competition," he said

Osborn said as current capital stock was outdated, global competitiveness was hampered "In the past 10 years there has been, at best, a replacement of capital stock and no new investment, apart from in Mossgas"

This pointed to an outdated overall manufacturing entity, which had "profound" implications for competitiveness

Jacobs said capacity use since May had probably declined even further, with August's figure showing a sharp fall.

Two days of mass action would have contributed to depressed levels of capacity use, Jacobs said

BDay 23/11/92

## NEWS IN BRIEF

(247) (B)

### Streamlining Mauritius

SENIOR Mauritian finance ministry official Rajun Jugurnath has just concluded a four-day visit to SA to investigate the possibility of the National Productivity Institute (NPI) helping his country streamline its public service.

NPI spokesman Jan Syfert said Jugurnath's visit was part of a plan to build an industrialised economy in Mauritius on the lines of the Singapore model

# Multi-skilling lifts productivity 45%

(247)

S Times (Buss) 29/11/92.

By ADRIAN HERSCH

PRODUCTIVITY has increased by as much as 45% in some companies where multi-skilling has been introduced.

This is one of the findings of a survey of 40 large companies in South Africa

But companies also report several drawbacks

The research was conducted by Theo Veldsman, a consultant at Anglo American's Central Training Unit (CTU)

The survey shows that most companies implement multi-skilling at shopfloor level (38%), followed by supervisory (32%), and middle-management level (15%)

Dr Veldsman says the response is "fairly representative of the larger companies that that have implemented multi-skilling"

## Warning

Reasons for the benefits obtained are "more efficient and effective operation" (31%), a reduction in costs (17%) and improved productivity (14%)

But Dr Veldsman warns that although multi-skilling can offer much in the short term, it should be coupled with adult education programmes if medium — and long-term benefits are to be gained.

"A worker has to have a certain level of education to enter a job grade demanding certain complexities of skill

"Once a worker has been multi-skilled to a maximum level in a grade, it often happens that he is unable to advance because he does not have the education to enter the next grade"

Fortunately, adult education programmes are increasingly being used by businesses

National Training Board acting chairman Ray Eberlein says it is possible that these adult education programmes could be "recognised by issuing nationally acceptable certificates"

Dr Veldsman's survey shows that the most common form of multi-skilling adopted is operators doing different tasks in their own discipline (29,7%).

This is followed by artisans across disciplines — doing maintenance and working in production as well (21,6%) — supervisors across disciplines (18,9%), operators across disciplines (10,8%), management across disciplines (10,8%) and artisans across traders (8,1%)

There have been instances where trade unions have rejected multi-skilling But several Cosatu unions have agreed to its implementation

Dr Veldsman says "Although in some cases there is a problem of job security, the alternative can be that the company will go under

## Overload

"When implemented correctly, multi-skilling provides for growth and progression among the members which the unions are keen to see"

Some drawbacks mentioned by the companies that implemented multi-skilling are it is difficult to assess a suitable level of pay, concern about employee "work overload", a high level of supervision is needed to maintain standards, the problem of getting the right balance between specialists and generalists.

Employers are also concerned that multi-skilling does not appear to foster job creation — a problem which SA desperately needs to resolve

# Seeff is looking for R1bn turnover soon

LINDA ENSOR

CAPE TOWN — Seeff Organisation Holdings had increased its total turnover by between 50%-60% to about R500m in the six months to end-August and, provided the political situation stabilised in the period until its year-end, would generate turnover of more than R1bn, chairman Lawrence Seeff said yesterday B/OM 2/12/92

Residential sales were just under R400m.

Seeff said the group had performed well, despite the difficult market, benefiting from its diversification and aggressive marketing programmes. The diversification programme was aimed at establishing a presence in all spheres of property and related financial services.

The financial services division, Seeff Trust, contributed 37,5% to group profits, Seeff Slot Projects 37,5% and Seeff Residential 20,1%, despite an increase of more than 50% in the value of sales.

Seeff Slot Projects, established two years ago, is the development arm of the group involved with the design, building and marketing of its own developments. Seeff said its performance had been surprising. Seeff Residential, which acts as the division's marketing arm, expected sales of more than R50m during the coming months

Residential sales in the Transvaal had overtaken those in the Cape, but Seeff said this was to be expected because of the larger market and agent complement in the Transvaal. The Cape employed 150 agents and the Transvaal 180.

Seeff Commercial Properties had had to operate in the most difficult sector of the property market and its contribution to profits was still relatively minor. However, Seeff said, recent sales and major letter contracts would improve its performance

The group's move into Natal would take place early in the new year

Seeff Mergers & Acquisitions would benefit next year from its recently acquired stake in Hotel Broking Services.

# Redesigning yields direct returns in productivity

B/OM 2/12/92 (247)

PETER GALLI

CORPORATE clients are becoming increasingly aware of the financial advantages of improving their immediate work environments, says SA Design Society president Des Laubscher

"It has been proved that an enhanced work environment increases the productivity of staff Thus the money spent on revamping space has a direct return in improved staff performance While the recession has affected the amount of money businessmen are prepared to spend on this, many are now re-evaluating their buildings and how they can make these more cost effective, rather than building new premises," he says.

Laubscher says South Africans are inclined to accept whatever they are told at face value

"It is essential that we become more discerning, as many things can be changed to suit the client's requirements without much expense," he says

A much wider product base is now available, and local designers have access to global suppliers This in turn has made them more aware of international trends and has encouraged them to become less staid, Laubscher says

"An example of this is Nedbank's banking malls

"The company has taken its corporate image and colours and used these as the focal point of its malls, where everything is designed with this in mind — even down to the pen holders," he says

Formal open-plan offices have become less popular and have been replaced by cellular open-plan designs, as the trend is for buildings to be as energy efficient as possible

In the past, few designers were involved in projects from the outset, which meant they designed from the outside in

"What is happening now is that the end users are being considered and the interior designer is called in at the start of the project

"This allows him to use the environment as best as possible — for instance, by harnessing natural light to save energy and minimising heating and cooling costs," Laubscher says

The society has nearly 300 members, encompassing graphic, interior and product designers However, this represents only a small percentage of the industry

"We have adopted the international code of conduct and will start looking at the establishment of fee structures next year, as well as benefits such as medical aid," he says

# Capital boost fails to stem Zevenwacht losses

ROBERT WICKS

CAPE TOWN — Despite significant injections of capital and attention to long term debt, the Zevenwacht Wine Estate — one of the largest in the country — incurred losses in excess of R2,08m in the 12 months to 30 June 1992

The company and its two wholly owned subsidiaries produces red and white wines in the Stellenbosch district To restore its position, directors have resolved to offer new shares to existing shareholders to enlarge the capital base and reduce interest-bearing debt

Zevenwacht chairman Harold Johnson said sales of the estate's wines had been adversely affected by the poor economic climate.

B/OM 2/12/92

No dividends on the ordinary shares were declared and no dividend was proposed

Johnson said he did not anticipate a "quick turnaround in Zevenwacht's fortunes", but added that everything feasible was being done to ensure the long-term future of the farm

Three new dams had been built, new vineyards were being established and wine-tasting facilities were being improved The estate was also receiving favourable reaction from the export market.

# MANAGEMENT STYLES DO IMPACT ON PROFITABILITY

S/Times (BUSS) 20/12/92

By LITSA ROUSSOS

TOUGH economic times, political duress and the challenge to compete globally has placed tremendous stress on senior executives.

However, considering the very high costs involved in recruiting, training and developing staff, companies cannot afford to lose quality employees due to poor management styles. Yet more and more employees are citing this as the reason for leaving their jobs

As companies downsize, so the role of the line manager has changed Companies have decentralised authority and empowered managers to build winning teams and to be accountable for the entire running of departments.

But the most sophisticated strategising is worthless unless it is coupled with skills training to equip managers to cope adequately with their new-found responsibilities.

## Compassion

It is in this area that many South African companies are sadly lacking Especially when we know that the workforce of the future will be multi-cultural and diverse.

Managers will require new attitudes, new skills and a change of mind set to motivate and understand the needs of their human resources in order to obtain maximum efficiency and productivity.

Traditional autocratic management styles found in large hierarchical companies are no longer effective in the flatter structure of flexible responsive companies of the '90s. To guide employees through disorientation and change, managers must have a genuine care and compassion for the workforce. People of all levels need to be treated with respect and dignity. Effective managers will have to realise that leadership is a human activity.

LITSA ROUSSOS

For companies to win, there has to be a meeting of mutual need for both the employee and the employer in the workplace. As we live in an environment of constant change, so we need to realise that the needs of people are also constantly changing.

Managers can develop their workforce by staying abreast of this change through constant appraisals, the results of which must be acted upon Should this not occur, companies will become the training ground for their competitors. As we promote people on the basis of merit, profitability increases and work ethic improves

As the focus of work moves away from the company towards the individual, so employees are demanding recognition for their labour. To say nothing about good performance, but to consistently reprimand poor performance, is a practice which will not be tolerated — even in recessionary times.

Employees are demanding recognition of their self worth. As employees' self worth increases, so a company's net worth increases.

Managers need to be visible accessible role models to their employees as they set the example of realising the company's visions and mission statements.

## Shape

247

But the enforcement of management change is only as strong as the support of the CEO, who needs to demonstrate his total commitment to such a programme.

Tony Manning emphasises the need for leadership qualities in management. He says: "Leaders foster change, while managers maintain the work. Leaders create the future, while managers sustain the present."

Managers are people who make ordinary people do extraordinary things in the face of adversities. To this end, managers will shape the destination of their workforces, their companies, their industries and the country as a whole.

■ *Litsa Roussos is Emmanuels Personnel Group's chief executive officer.*

# Manufacturing production volumes at 11-month high

(247) STAR 23/12/92.

Production volumes among SA's manufacturers showed a slight improvement in October on the previous month but are still well down on the levels prevailing in October last year

According to Central Statistical Services figures released yesterday, the volume of manufacturing production gained 3,4 percent in October from September this year

However, October's index of 103,4 was marginally less than last year's October index of 104

The CSS trend cycle is reaching the low levels of manufacturing production seen last in early 1986 after it had peaked in late 1988.

The monthly gain in production was due to an increase in 18 of the 27 major manufacturing groups, primarily other chemical products, metal products, paper and paper products, electrical machinery and basic non-ferrous metal products industries

"Manufacturers in these major groups indicated that increased orders from both local and export markets resulted in the production increases," CSS said

October's actual index of the physical volume of manufacturing production of 111,4 was the easily the highest level achieved in the last eleven months

In a seperate report on manufacturing's financial statistics for the second quarter of this year, CSS said both profitability ratios increased slightly from the comparative quarter last year

The taxed-profit/turnover ratio increased from 4,61 percent in the June quarter last year to 4,71 percent in the second quarter of 1992 But this profitability ratio was lower compared to the March quarter this year of 4,81 percent.

The taxed-profit/fixed-assets ratio was up slightly at 3,12 percent in the June quarter from last year's 3,09 percent but down on the previous quarter in 1992 of 3,28 percent.

The capital expenditure on new assets expressed as a percentage of turnover decreased from 6,56 percent for the second quarter of 1991 to 5,53 percent for the June quarter of 1992. — Sapa.

# World economic output slows down

STAR 23/12/92.

(247)

**The International Monetary Fund takes today's spot in our Outlook '93 series with a report predicting continued weakening of economic activity in the major industrialised countries.**

**Outlook '93**

WASHINGTON — Worldwide economic output, already hurt by slowdowns in Japan and Germany, will grow even more slowly in 1993 than first predicted, the International Monetary Fund said yesterday.

In a special report, the fund predicted a rise of only 2,3 percent next year, instead of the 3,1 percent it foresaw in October and the 3,5 percent it foretold last May.

Rapid growth is expected to continue in Asia, but elsewhere, even where it predicted growth the fund lowered its estimates.

This year, worldwide production grew by an anaemic 0,8 percent, the fund said, lower even than the one percent it predicted in October.

After an aggregate production decline of 10,4 this year, Czechoslovakia, Hungary and Poland are exporting strongly and expected to grow next year — but by only 2,1 percent, smaller than fund predicted in October.

For Latin America, the IMF slashed its growth estimates to only two percent, due mainly to difficulties in Brazil, which accounts for one-third of the area's economy.

It said the situation in the former Soviet Union has continued to get worse, with production dropping 18,6 percent this year and predicted to drop 7,6 percent in 1993, worse than was predicted earlier in the year.

The differences in predicted growth rates mean billions of dollars when applied to the trillions of dollars worth of goods and services produced throughout the world.

Output in Germany has been declining, the fund said, but it expects to see a strengthening in western Germany next year, with a "more moderate" growth in wages and "somewhat lower" interest rates.

"Even with this improvement during the year, however, real output in unified Germany is projected to rise by only 0,5 of one percent in 1993," it said.

The fund noted Japan's slowdown in the first half of this year followed by a further drop in the second half "as indicated by slow wage growth, declines in automobile sales and other consumer durables, and a decline in the ratio of job offers to job seekers."

The IMF saw a relatively unchanged outlook for the United States. It expects stronger activity next year — three percent growth, only 0,1 percent less than it predicted in October.

The fund released its special "World Economic Outlook," usually issued only in May and October, due to "an unexpected weakening of activity in many key economies and a period of considerable turmoil in foreign exchange markets."


"Well, I think I finally have the answer to the recession."

The report referred to devalued assets in "in a number of countries," which officials said meant chiefly a drop of prices for land and securities in Japan.

The report also blamed slower growth on high interest rates in Europe, brought on by the cost of German unification.— Sapa-AP.

# Manufacturing production keeps up its momentum

BIDAY 23/12/92 (247)

JONO WATERS

THE physical volume of SA's manufacturing production continued its upward momentum in October, but was lower when compared to a year earlier

Figures released by the Central Statistical Service yesterday showed a 3,4% seasonally adjusted gain in October to 103,4 on the index from September 1992 This was 0,6% down on October last year

Increased production was recorded in 18 of the 27 major manufacturing groups. Those which contributed the most included metal products, paper and paper products, electrical machinery and basic nonferrous metal products industries.

"Manufacturers in these major groups indicated that increased orders from both local and export markets resulted in the production increases," the CSS said.

However, the physical volume of manufacturing production for the third quarter of 1992 showed a 2,5% decrease compared with the second quarter of 1992 after seasonal adjustment. The largest decreases were recorded by the printing, other chemical and chemical products, other metallic mineral products and metal products industries

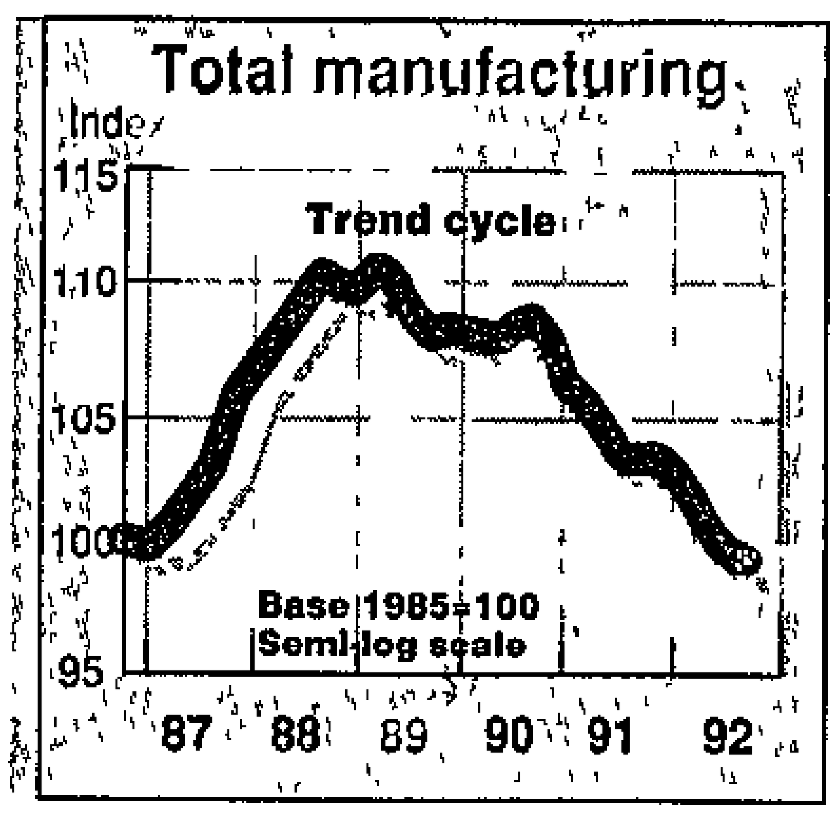
The seasonally adjusted value of sales of manufactured products for the third quarter showed a slight increase of 0,8% compared with the second quarter of 1992

Increases came mainly from the food, basic iron and steel, and motor vehicle industries

Manufacturing's financial statistics for the second quarter of this year showed profitability ratios increased slightly from the comparable quarter last year.

The net profit after tax/turnover ratio increased to 4,71% in the second quarter of 1992 from 4,6% a year earlier. However, the profitability ratio was lower compared to the March quarter this year of 4,8%.

The net profit after tax/fixed assets ratio was up slightly at 3,12% in the June quarter from last year's 3,09% but down on the March quarter figure of 3,3%. Capex expressed as a percentage of turnover decreased to 5,5% for the June quarter of 1992 from 6,6% a year earlier.




Graphic LEE EMERTON Source CSS

# Forecast of slower world output next year

BDAY 23/12/92

WASHINGTON — Worldwide economic output, already hurt by slowdowns in Japan and Germany, will grow even more slowly in 1993, said the IMF yesterday.

In a special report, the fund predicted a rise of only 2,3% next year, instead of the 3,1% it foresaw in October and the 3,5% foretold last May.

Rapid growth was expected to continue in Asia, but elsewhere, even where it predicted growth, the fund lowered its estimates.

This year worldwide production grew by an anemic 0,8%, the IMF said, lower even than the 1% it predicted in October and the 1,4% it mentioned in May. [redacted]

The fund released its special "World Economic Outlook" yesterday due to "an unexpected weakening of activity in many key economies and a period of considerable turmoil in foreign exchange markets".

(24M)

The report is usually issued only in May and October. — Sapa-AP

# 'Workers also support improved productivity'

(247)

DIRK HARTFORD

WORKERS will not be able to solve their problems without a substantial improvement in productivity, says National Council of Trade Unions (Nactu) assistant general secretary Mahlomula Skhosana

Writing in the latest edition of Nactu's newsletter, Izwilethu, Skhosana says the opinion that unions reject productivity in principle is wrong.

It seems to unions that many employers feel improving productivity means "working harder for longer hours at super-exploitative wages".

## Culture

For workers, improved productivity means working in an "enabling environment" in a "democratic workplace" with a changed management style

"A new culture of doing things must develop with the active participation of everyone involved," says Skhosana.

There should be open communication and no information should be kept from workers, and government and business must provide the resources and time for education and training

With the advantages of improved productivity an "uncorrupt" government could pass on the benefits to society through improved social benefits

These include parity of old-age pensions, subsidies for education at all employment levels, provision of low-cost, but decent, housing and subsidies for basic food

Skhosana says it is also necessary to look into the quality of management personnel "who at times do not seem to know what they are doing".

Inadequate planning on the part of management has been largely responsible for the large number of retrenchments this year, he claims

On the National Economic Forum, Skhosana says labour, business and government must find ways to reconcile the interests of the employed with the needs of the unemployed

13/10/92

# Productivity gains pay off

JONO WATERS

(247)

THE September quarter's average profit gain on gold mines was attributed to productivity gains sufficient to offset a simultaneous underrecovery on price, the Chamber of Mines said in its latest newsletter

The R402,32/kg profit improvement was realised as a result of an average productivity gain, equivalent to R1 390,21/kg of gold produced, exceeding the quarter's average price underrecovery of R987,89/kg

The report said gold mines had waged a determined struggle to counter effects of a poor gold price by seeking financial relief from recurring price underrecovery through the generation of productivity gains

Price underrecovery ~~had~~ been a thorn in the side for the gold mining industry and had negated productivity gains in recent quarters

A feature of the average productivity improvement for all mines was that productivity gains were recorded for all measured resource categories. These consisted of labour (unskilled, semiskilled and skilled), electricity, compressed air, water, other stores and other costs

It was the first time since the productivity monitor's inception in 1991 that resource productivity gains had been made across the board

23/12/93